

# NIPPON ACTIVE VALUE FUND PLC



## Annual Report

For the Period from Incorporation on  
22 October 2019 to 31 December 2020



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# Investment objective, financial information and performance summary

## Investment Objective

The investment objective of the Company is to provide Shareholders with attractive capital growth through the active management of a focussed portfolio of quoted companies which have the majority of their operations in, or revenue derived from, Japan and that have been identified by the Investment Adviser as being undervalued.

## Financial Information

	At 31 December 2020
Net assets (millions)	£117.0
Net asset value ("NAV") per Ordinary Share ("Share") – (pence) <sup>1</sup>	113.58p
Share price – (pence)	106.50p
Share price discount to NAV <sup>2</sup>	6.23%
Ongoing charges <sup>2</sup>	1.60%

## Performance Summary

	For the period to 31 December 2020 % change
NAV total return per Share <sup>2,3</sup>	+13.6
Share price total return per Share <sup>2,3</sup>	+6.5
MSCI Japan Small Cap index (sterling terms)	+8.04

1 This is measured on a cum income basis.

2 These are Alternative Performance Measures ("APMs"). An APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. Definition of these and other APMs used in this report, together with how these APMs have been calculated are disclosed on page 57 of this report.

3 Total returns are stated in GBP sterling, including dividend reinvested. These are based on the period from the Company's launch date (commencement of operations) on 22 February 2020 to 31 December 2020, with both starting NAV per Ordinary Share and share price of 100p.

Source: Bloomberg

# Chairman's Statement

## Overview of the period

It is with great pleasure that I present the first annual report of Nippon Active Value Fund plc ("the Company" or "NAV"), covering the period from the Company's incorporation on 22 October 2019 to 31 December 2020 ("the Period"). On 21 February 2020, the Company's shares were admitted to the Specialist Fund Segment of the Main Market of the London Stock Exchange. On the same day, trading of the Ordinary Shares commenced on the London Stock Exchange.

Initial Public Offer ("IPO") subscriptions to the Company totalled £103 million. By the end of the period, net assets had risen to £117 million, representing a net asset value ("NAV") of 113.58 pence per share, a rise of 13.6% since IPO. The closing share price at the period end was 106.50 pence, trading at a discount of 6.23% to NAV.

Our Investment Adviser, Rising Sun Management ("RSM"), were able to take advantage of falling markets in the first half of the Company's reporting period in building the Company's initial positions. Their strategy is to identify companies trading at significant discounts to book value, with high cash or cash equivalents on their balance sheets. Most targets are expected to be relatively small companies and in the second half of the period lower trading volumes and short-term market volatility slowed the rate of investment a little. At the period end, the Company had invested approximately 85.0% of the IPO proceeds in 20 holdings. The Company has continued to add steadily to its positions since the end of the period.

## Dividend

The Company's intention is to achieve its returns primarily through capital appreciation. As such, no specific dividend policy has been established and any distributions will be made entirely at the discretion of the Board, taking into consideration the requirement to ensure the Company's compliance with the rules relating to and maintaining the Company's investment trust status.

The Board is pleased to have declared on 26 March 2021, the Company's inaugural dividend for the period of 0.85 pence per Ordinary Share. The dividend will be payable on 30 April 2021 to Shareholders who appear on the register by close of business on 9 April 2021, with an ex-dividend date of 8 April 2021. The Board will not target a dividend for future years but will substantially pay out distributable income for any particular period by way of dividend.

## The impact of the COVID-19 pandemic on our service providers

As I reported in the interim report, all of our key service providers successfully adjusted their working practices to accommodate the working from home requirements that were implemented in response to the COVID-19 pandemic. The Board has received assurances from the Alternative Investment Fund Manager ("AIFM"), RSM and Company Secretary that the management of the portfolio and the strong controls environment of all our third-party providers have continued as normal and that no issues have been identified.

Engagement with investee companies is central to our Investment Adviser's strategy. With Japan's borders essentially closed since April 2020, their meetings with companies have by necessity moved to a 'virtual' format. Encouragingly, RSM have been able to schedule meetings without significant problems, other than occasionally unsuitable time slots for the attendees based outside Japan.

## Foreign Exchange and Foreign Trade Act ("FEFTA")

As I reported at the interim stage, the Japanese Government amended the FEFTA in 2020, with revisions taking full effect from June last year. The amended FEFTA has expanded the list of companies in Designated Business Sectors deemed to have some bearing on national security. Foreign investors in those industries are required to notify the Bank of Japan when their holdings reach certain thresholds. In the case of the most sensitive industries, prior notification of investment is mandatory. There are also restrictions on the types of proposals that foreign investors can submit to the AGMs of companies in Designated Business Sectors.

The amended regulations had only minimal impact on RSM's initial list of target investments. The Company's AIFM and Investment Adviser were able to implement procedures to ensure that the Company complies with the new filing requirements in a timely manner. I am happy to report that these have been proceeding smoothly and that our Investment Adviser is confident that their ability to implement the strategy set out in our Prospectus has not been affected.

## Corporate Governance

The Board has procedures in place to ensure that the Company complies with the Association of Investment Companies Code of Corporate Governance, which was revised in 2019 to incorporate revisions to the Financial Reporting Council's UK Corporate Governance Code issued in 2018. Further details can be found on page 23.

# Chairman's Statement continued

## Annual General Meeting ("AGM")

Your Company's first AGM is scheduled for 12 May 2021. At the time of writing, it is still not possible to allow shareholder attendance at AGMs because of the current UK COVID-19 Regulations. Arrangements have been made for shareholders to attend by video conference, further details of which are contained in the Notice of Meeting on page 61.

However, the Board strongly encourages all Shareholders to exercise their votes by completing their proxy forms and welcomes questions for the Board or the Investment Adviser either by writing to the Company Secretary using details provided on page 65 or emailing [navfcosec@praxisifm.com](mailto:navfcosec@praxisifm.com).

## Gearing

The Company may, once the IPO proceeds have been fully invested, introduce borrowings primarily in the form of bank loans or other bank credit facilities. The Company may maintain gearing at a level which the Directors, the AIFM and RSM consider to be appropriate and borrow an amount not exceeding 20 per cent. of the Company's NAV at the time of drawdown. There was no gearing during the period under review and as at the period end. Further information on the Company's gearing policy is disclosed on page 11.

## Outlook

The Company seeks to take advantage of the corporate governance reforms in Japan introduced over the past fifteen years. The Abe government implemented regulations encouraging companies to establish goals for returns on equity, for reducing cross shareholdings in unrelated businesses and for increasing pay-outs to shareholders. We believe Abe's successor, Prime Minister Suga, remains committed to continuing governance improvements. Last year the Tokyo Stock Exchange announced that it will reorganise Index constituents in April 2022 and will take into account compliance with corporate governance regulations when determining inclusion in the premium indices.

My Board colleague, Alicia Ogawa, Director of the Project of Japanese Corporate Governance and Stewardship at the Columbia Business School in New York has highlighted recent trends in Japanese corporate governance in more detail on page 5.

RSM focusses on companies that have excess capital over and above that required for the operation of their business and seeks to persuade companies to distribute excess cash to shareholders by repurchasing their shares in the market or paying out larger cash dividends. Their engagement with management has begun in earnest and the results of their discussions are beginning to be apparent in the Company's portfolio returns. The Investment Adviser's Report on pages 6 to 8 gives some case studies of investments made and the results of engagement with the holdings that have been disclosed to the market.

The Board remain confident of the potential of significant returns from the Company's current investments and the prospects for identifying attractive targets for reinvesting the proceeds of any disposals. RSM will continue to seek out undervalued opportunities with the potential to unlock value to all Shareholders, a strategy which we believe can generate positive absolute returns in a range of market environments.

## Rosemary Morgan

Chairman

31 March 2021

# Japanese Corporate Governance Update

## Progress on corporate governance in Japan and unlocking of corporate value

Investors with a long experience of Japanese capital markets will recognise the key feature of the traditional Japanese business model - a bank-centric system of corporate finance, characterised by a system of cross shareholdings between customers, banks, suppliers, and other related entities. These cross shareholdings created an insular bubble in which the members of the 'extended family' were accountable only to each other, and whose primary goal was the preservation of the status quo. True financial investors were ignored. Prime Minister Abe identified this system as the key factor holding back the profitability and productivity of Japanese companies, and introduced the Stewardship Code in 2014, quickly followed by the Corporate Governance Code in 2015. These were sets of rules defining ways in which investors should hold managements accountable, and ways in which corporations should be more transparent and receptive to outsiders.

Both the return on equity for the MSCI Japan index and the level of Nikkei 225 have roughly doubled since then, no doubt in large part due to these initiatives. Nevertheless, on many standard measures of capital efficiency and return, Japan still lags other developed markets. The good news is that the government continues to introduce new rules and standards which are prodding companies to improve shareholder value for all investors as follows:

- The Japanese Ministry of Economy, Trade and Industry (METI) released a white paper in July 2020 requiring that company boards conduct a data-based annual review of their portfolio of operations, and to be prepared to identify business units not covering their cost of capital.
- The Corporate Governance Code was revised in 2018 to ask for disclosure of cross-shareholdings; it also required companies to engage with shareholders. A Financial Services Agency committee is currently in session to develop an agenda for the next revision of the Code and is expected to announce its list of key topics this Spring. Its recommendations for new revisions are expected to include: more rigorous standards for board director independence and ESG disclosures; greater transparency on dividend policy; and strict guidelines on governance of listed subsidiaries, among other proposals.
- The Stewardship Code was revised in 2017 in order to require that asset managers disclose the votes they cast at annual shareholder meetings.
- The Corporate Office Decree on Disclosure of Corporate Details was revised in 2019 to stipulate more expansive disclosure of companies' shareholdings in their annual reports. Companies must now disclose the 60 largest holdings they own; previously the requirement was the top 30. They must also provide a rationale for such holdings.
- In June 2019, in anticipation of an increase in management buyouts and public companies taking over their listed subsidiaries, the Japanese Ministry of Economy, Trade and Industry published the first changes to its mergers and acquisition guidelines in more than a decade. The aim is to increase protection of minority shareholder's rights in such transactions.
- We are already in the middle of a public comments period on proposals to aggressively re-vamp the Tokyo Stock Exchange, expected to begin in 2022. The most noteworthy change will be to do away with the TSE-1, and to create a new "Prime" section, which will include only those companies with superior governance and low levels of cross-shareholdings. These initiatives were made possible by a change in public opinion about the traditional ways in which Japanese companies have been run. Perception of shareholder activism in Japan is indeed changing - activists are no longer assumed to be evil destroyers of Japanese tradition but are often now regarded as a force for the general good. The number of shareholder proposals reached record numbers in 2019 and although this activity was impacted by the COVID-19 pandemic, proposals in 2020 remained at high levels. More importantly, it has been widely reported that a large portion of activist interventions take the form of private negotiations. The number of public proxy fights is not a good indicator of the degree to which Japanese companies are becoming aware of the necessity of listening to their shareholders, and of responding to them.

There have been some recent headline cases of a small number of Japanese companies who have tried to avoid pressure from shareholders. But the far broader trend is unmistakable and relentless: Japanese companies are now becoming more and more subject to the discipline of the market, and a number of firms are embracing these new trends in a pro-active way. Such firms realize that the influence of outsiders may help spur value creation and technological progress. Investors can partner with these firms in producing new value for all stakeholders.

**Alicia Ogawa**

Director

31 March 2021

# Investment Adviser's Report

## Overview

Despite what has been an extraordinary year by any measure, 2020 has proved to be a remarkable testament to the resilience of financial markets generally. Many stock markets around the world, particularly those in the US and, more narrowly, in the technology sector, have enjoyed genuinely storming start to the year. In Japan, the main Nikkei 225 index was up 16.01% while the MSCI Japanese Smaller Companies index managed 6.84% for the calendar year to 31 December 2020.

By comparison, from the Company's launch on 22 February 2020 to the end of December 2020, net assets, including income, had grown from the £103 million raised at launch to £117 million, while the NAV per Share had reached 113.58p from the 100.00p par value at which initial subscriptions were made. We do not measure the Company's performance against any specific metric or index, but it is worth noting that these returns were more than that of the MSCI Japanese Smaller Companies index with a return in sterling terms of 8.04% over the same period. Over the same period, NAVF's Share price reached 106.50p, trading at a discount of 6.23% to NAV, which we believe represented a lack of liquidity as much as a lack of interest. By period end, 85% of the IPO funds had been put to work with a Price/Earnings ratio of 11.9x and an enterprise value to the earnings before interest, taxes, depreciation, and amortization (EV/EBITDA) of 3.5x. A factsheet giving further detail of the composition of the portfolio by industry sector, as well as value metrics across all NAVF's holdings is published at the end of each month and is available, together with quarterly market commentaries on our activities, on NAVF's website: [www.nipponactivevaluefund.com](http://www.nipponactivevaluefund.com).

The portfolio was initially constructed of 20 names and virtual meetings with management were held with the majority, as well as activist engagement commencing, initially with three of them. By period end, the 5% of outstanding issued share capital threshold, beyond which a filing is required by the Japanese Financial Instruments and Exchange Act rules (known as FEFTA), had been exceeded with respect to four of NAVF's holdings: Ebara Jitsugyo, Sakai Ovex, Nihon Denkei and in conjunction with Earle 1927 LLC (a Special Purpose Vehicle formed specifically for this target), Intage Holdings. In each case, the relevant filing was made, and given the requirement to update these at further 1% increments to each position, we have since declared amassing more than 6% in Sakai Ovex and Intage Holdings.

## Activism and portfolio rationalisation

As with any portfolio, we are happier with some of the holdings than we are with others. We have decided to sell two of the portfolio positions, albeit for different reasons. The first is so illiquid from a trading perspective that it has proved impossible to assemble a meaningful holding. The second stock, although technically very inexpensive and offering tremendous potential for value to be extracted, is run by a management team that will, we believe, be immune to our blandishments to change direction. Exiting the first will have a negligible effect on the Company's NAV while the sale process of the other was begun at broadly a 45% profit. We welcome the additional firepower these sales will afford and continue to review options for its deployment.

Our discussions with various Private Equity investment funds, both domestic and international, has continued. However, the failure of one of our preferred partners to become involved in the strategic opportunity created by our engagement with Sakai Ovex (see below) is a timely reminder of the reluctance of this class of investor to be seen to act aggressively and without management's blessing. We have begun discussions with the Board and The Northern Trust Company ('NT') to put in place credit lines to provide some leverage as envisioned in the Company's prospectus. As of the date of this report, we expect to agree an overdraft facility with NT. As cash depletes (see below), we will still be able to act opportunistically and approach the Board for permission to borrow knowing that hard to secure credit lines are in place.

Our preferred methodology to gain the attention of our investee companies has been to hold introductory, and unfortunately, given the times, virtual meetings. These are then followed up with letters suggesting where we see weaknesses in the individual company's structure and/or business operations and making recommendations as to how the interests of all stakeholders might be closer aligned financially. To date, we have sent letters to three companies. Those to Ebara Jitsugyo and Sakai Ovex have already enjoyed some success (discussed below) and we have included case studies of these two businesses prepared by our analysts in Tokyo with this report.

## Environmental Social Governance (ESG)

Although the 20 companies in our portfolio were not selected specifically on their ESG credentials, some, such as Ebara Jitsugyo, are already heavily engaged in environmental business areas, actively contributing to the 'green' and 'sustainability' sectors. The key component of the ESG agenda that is most pertinent to RSM/NAVF's activities relates to portfolio companies' adherence to the corporate governance rules and recommendations promulgated over several years, since the Shareholder Stewardship Code first appeared in 2014, by the Abe and now the Suga governments. The central tenet of our activist argument is that it is only by embracing corporate governance change, especially with regard to Board structure and review, the appointment of independent directors and the enthusiastic allocation of appropriate stock incentives to both

senior management and employees generally, that a genuine focus on efficient capital allocation and the better alignment of financial and ethical interests of all stakeholders can be achieved.

### **Ebara Jitsugyo, Sakai Ovex and developments since year-end**

The first few months of 2021 have been busy. We have continued to realise positions in the two stocks we decided to sell. The price of the more liquid counter has come down as we sold into the bid and we have decided to retain a 1% holding to give us the ability to ask questions and, perhaps, make proposals at the forthcoming AGM. Increasing sales proceeds coupled with a reasonable start to the year for the Japanese mid-cap sector, initially caused NAVF's cash reserves to rise again to above 15% of the portfolio's overall value. RSM's Management Committee has continued to meet frequently and has resolved to accelerate the purchasing of several of the favourite targets, either by increasing the number of shares we intend to accumulate or by raising our maximum prices on those that have moved beyond our earlier limits. This has brought available cash back down to approximately 10% as of the date of this report and this will continue to fall as we put it to work. One lesson learnt early is that the efficacy of our approach to managements is in direct correlation to the size of NAVF's holdings – the more leverage we have, the more we are taken seriously. It has been good to have additional firepower to deploy on our original ideas, most of which continue to offer undiminished promise and scope for capital allocation reform.

Two of the companies in which NAVF has assembled its largest positions, both over 6% of total equity capital, are Ebara Jitsugyo (EJ) and Sakai Ovex (SO). The managements of both have chosen to engage with us and hear our arguments, both written (SO has been the recipient of three letters, EJ two) and multiple meetings, whether over Zoom, or, in the case of my colleague Kazutaka Mizuochi's visit to SO's HQ in Fukui Prefecture, in person. The results have been mixed but encouraging.

EJ's business has been performing well throughout the pandemic and this has allowed management to raise forecasts in its last two quarterly updates. In our letters, and given the Company's manifest ability to afford them, we have been advocating increased dividends and share buy-backs. It is gratifying that, so far, the dividend has been raised from yen 60 a share, first to yen 100 and then to yen 110. We continue our dialogue with management and expect more good news soon. EJ is about to announce its future dividend pay-out ratio policy at the forthcoming AGM and, although we do not expect their complete acceptance of RSM's recommendations (which should be put to the meeting), there can be no doubt that we have begun a journey together. Since NAVF was launched and we first started buying EJ, the stock is up almost 250%.

SO is even more gratifying. Our third letter to the Company in late November 2020 proposed SO undertake a Management Buy-out (MBO) to be organised by NAVF in conjunction with one or more of our Private Equity house friends. The suggested price was yen 2,350 per share, a 12% premium to the then market level. In response, Mr Matsuki, SO's President, launched his own tender for the whole Company with the backing and advice of Mizuho Securities on 9 February 2021. The tender price was yen 2,850, though after the announcement of the intention to delist the Company, the shares traded consistently above this level, resulting in Mr Matsuki increasing the offer price to 3000. NAVF agreed to tender all its shares (6.06% of the market capitalisation) into the offer giving an approximately 38% profit against our average purchase price. On 24 March 2021, Mr Matsuki announced that his tender offer has failed, falling 3.5% short of the 67% target. RSM continues its dialogue with SO's management and still expect to see developments in the company's ownership in the coming months. RSM has recently sent first letters to another couple of target companies.

Below case studies have been provided for of both EJ and SO.

#### **CASE STUDY 1 : Ebara Jitsugyo (6328 JP)**

Ebara Jitsugyo ("Ebara") manufactures pumps and other water handling equipment for industrial applications and municipal utilities. It is a very "green" business with growing sales in wastewater treatment and environmental remediation as well as a stable after-market niche in traditional supplies for plumbing and heating and ventilating systems. The company outsources much of its manufacturing to third parties and, as such, enjoys a very high return on invested capital because of its design capability.

Given its high return on capital and reasonable valuation, we began purchasing shares in Ebara Jitsugyo back in February 2020. With no debt and a large amount of surplus cash on the balance sheet (roughly equivalent to the company's market capitalization of just under £90 million at the time), we felt Ebara could easily improve shareholder returns through one or more simple capital allocation decisions.

## Investment Adviser's Report continued

After a series of conversations with management, we proposed that they consider a buyout of the public shareholders. This would give public shareholders an exit at a price much higher than any that the stock had reached in recent years and would spread ownership of the equity across the employee base. In the event, the company's management elected to remain publicly traded; but they agreed with us that they should do more to reward shareholders.

Last Autumn, they announced a substantial increase (more than 60%) in the annual dividend and this had an immediate effect on the share price. In addition, in the past month, the company has announced a further 40% increase in the dividend and committed to maintaining a consistent payout ratio.

Whilst we believe that there is still more the company can do to reward shareholders (it still retains a very large cash balance, for instance) we are gratified that the share price has increased dramatically (by more than 130%) and has now climbed to a level where the price is closer to reflecting the intrinsic value of the company.

### **CASE STUDY 2 : Sakai Ovex (3408 JP)**

Sakai Ovex is a small-cap (£128 million) provincial company in the textile industry. The company provides finishing and dyeing services to larger textile manufacturers, engages in some textile trading and has a growing business in the manufacture of control systems for factories. More recently, it has started a joint-venture with its largest customer, Tokyo Rayon, to provide textiles to Chinese manufacturers, most notably the Chinese production facilities of Fast Retailing, which owns the Uniqlo brand.

We identified Sakai Ovex as a consistently profitable company that had accumulated significant financial assets on its balance sheet, had virtually no debt and no large controlling shareholder. (The Chairman, owning less than one percent of the equity, is the only employee with a significant stake in the business.) This is precisely the profile of the sort of Japanese company that NAVF believes is a candidate for financial restructuring to enhance value for all shareholders. With £57 million of net surplus financial assets on its balance sheet and stable profits of £13 million, it was clear that Sakai Ovex had multiple options that it could employ to improve returns for shareholders.

We began purchasing our stake in the company last Spring and engaged with the management through a series of virtual meetings followed up by letters with suggestions of how they might restructure the balance sheet, either through a large share repurchase programme or a one-time capital payout or a succession of enhanced dividends. We also offered to help them structure a management buyout of the public shareholders to provide equity ownership for all employees. This proposal was formalized and publicly announced in both London and Tokyo in late November last year.

Our recommendations were received politely, although it did not appear that we were making much impact on management's thinking at first. Then, somewhat to our surprise, in December 2020, the Chairman contacted us with a proposal that he would lead a buyout of the company with the help of Mizuho Securities (a large Japanese investment bank). Rising Sun's President, Mizuochi-sensei immediately went to visit the Chairman and helped him shape his proposed buyout. In exchange for our support, NAVF was offered the opportunity to participate in the new private company, Sakai Textiles, which would be the successor to the public company. NAVF, for a tiny investment, was offered preferred shares, convertible under certain circumstances, into nine percent of the new entity.

Unfortunately, the transaction was not fully subscribed, but we are hopeful that this experience will be the harbinger of other such opportunities for NAVF. Our engagement with SO would have led to a much higher stock price for all shareholders, would solve the problem that small companies in Japan face of possible demotion to the second section of the stock market, and would result in more members of management owning stock in the new private company, always one of our stated objectives. We feel that NAVF played a very constructive role in what should have been a successful outcome for all parties if the Company's MBO proposal had been successfully executed. RSM continues its dialogue with SO.

### **Rising Sun Management Limited**

31 March 2021

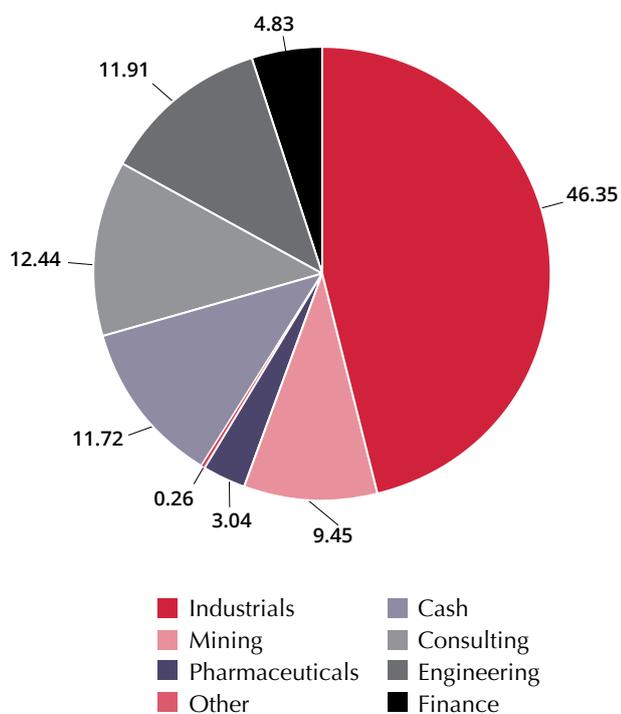
# Portfolio Sectors Breakdown

As at 31 December 2020

## Top ten holdings by sector

	Percentage of net assets (%)
Consulting	11.7
Mining	9.8
Engineering	9.6
Industrial	7.0
Industrial	6.7
Industrial	6.3
Industrial	5.1
Industrial	5.1
Finance	4.9
Pharmaceutical	3.1
<b>Top ten holdings</b>	<b>69.3</b>
Other net assets	30.7
<b>Total</b>	<b>100.0</b>

## Sector Breakdown %



## Portfolio characteristics

Equity Investments	88%
Price/Book	0.95
Adjusted Price/Book	0.69
Price/Earnings	11.9x
EV/EBITDA	3.5
Net Cash/Mkt Cap	24.3%
Adjusted Cash/Mkt Cap	38.3%
Net Working Capital/Market Cap	56.1%

# Investment Policy, Results and Other Information

## Investment objective

The investment objective of the Company is to provide Shareholders with attractive capital growth through the active management of a focussed portfolio of quoted companies which have the majority of their operations in, or revenue derived from, Japan and that have been identified by the Investment Adviser as being undervalued.

## Investment policy

The Company will invest in a highly concentrated portfolio of shares issued by quoted companies which have the majority of their operations in, or revenue derived from Japan, and which the Investment Adviser deems attractive and undervalued and typically where (i) cash constitutes a significant proportion of the investee company's market capitalisation; and (ii) the relevant company has no controlling or majority shareholders.

The Board will not set any limits on sector weightings or stock selection within the portfolio. The Board will apply the following restrictions on the size of its investments:

- not more than 30 per cent. of the Gross Asset Value at the time of investment will be invested in the securities of a single issuer (such restriction does not, however, apply to investment of cash held for working capital purposes and pending investment or distribution in near cash equivalent instruments including securities issued or guaranteed by a government, government agency or instrumentality of any EU or OECD Member State or by any supranational authority of which one or more EU or OECD Member States are members); and
- the value of the four largest investments at the time of investment will not constitute more than 75 per cent. of the Gross Asset Value.

The Company will not be constrained by any index benchmark in its asset allocation.

Additionally, while the Company intends that the majority of its investments will be in quoted companies, it may also make investments in unquoted companies and the Company may become invested in unquoted companies as a result of corporate actions or commercial transactions undertaken by quoted companies. The Company will only make investments in unquoted companies in order to maintain or improve its position in relation to a business which operated through a quoted entity at the time of the Company's initial investment in that business. In any event, the Company will only make an investment in an unquoted company if the aggregate interest of the Company in unquoted companies at the time of such investment is not more than 10 per cent. of the Net Asset Value of the Company at that time.

This will mean that, if a quoted portfolio company is delisted or an unquoted investment is revalued with the effect of increasing the Company's interest in unquoted investments to above 10 per cent. of the Company's Net Asset Value at that time, the Company will not be in breach of its investment policy and will not have to divest itself of any unquoted investments. However, while the Company's interest in unquoted investments remains above 10 per cent. of its Net Asset Value, the Company will not be able to make any further investments in unquoted companies.

## Investment restrictions

There will be no restrictions placed on the market capitalisation of investee companies, but it is expected that the portfolio will be weighted towards small cap companies with market capitalisations of up to US\$1 billion. Once fully invested, the portfolio is expected to have up to 20 holdings although there is no guarantee that this will be the case and it may contain a lesser or greater number of holdings at any time.

The Company intends to acquire large minority stakes of typically 4.9 to 25.0 per cent. in each investee company. Nevertheless, in certain limited circumstances the Company may acquire a larger stake in an investee company if the investment case so warrants. The Company will not, however, acquire any stake which could cause a change in its status as an investment trust under Chapter 4 of Part 24 of the Corporation Tax Act 2010. The Company intends to have invested substantially all of the proceeds of the Issue within six months of the date of First Admission.

The Company will comply with the following investment restrictions for so long as they remain requirements of the Listing Rules (relevant elements of which the Company has voluntarily undertaken to comply):

- neither the Company, nor any of its subsidiaries will conduct any trading activity which is significant in the context of the Group as a whole;
- no more than 10 per cent., in aggregate, of the value of the total assets of the Company will be invested in other listed closed-ended investment funds; and

- the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with the published investment policy.

### **Treasury policy**

Until the Company is fully invested, and pending re-investment or distribution of cash receipts, the Company will invest in cash, cash equivalents, near cash instruments and money market instruments.

The Company expects to maintain any non-operational cash balances in Japanese yen.

The Company may also use derivatives for gearing and efficient portfolio management purposes.

### **Gearing Policy**

The Company does not have a borrowing facility but may, in the future, use borrowings and other gearing to seek to enhance investment returns at a level (not exceeding 20 per cent of the Company's net assets calculated at the time of drawdown) which the Directors, the AIFM and Rising Sun consider to be appropriate. It is expected that gearing will primarily comprise bank borrowings, public bond issuance or private placement borrowings, although overdraft or revolving credit facilities may be used to increase acquisition and cash flow flexibility. The Company expects all debt to be denominated in Japanese yen.

### **Hedging Policy**

Although the Company does not currently intend to enter into any arrangements to hedge its underlying currency exposure to investments denominated in Japanese yen, it may in future, at its discretion, enter into currency hedging arrangements using futures, forwards, swaps or other derivative instruments.

### **Dividend policy**

The Company's intention is to look to achieve its results primarily through capital appreciation. As such, no specific dividend policy has been established and any distributions will be made entirely at the discretion of the Board.

### **Distribution policy**

The Company believes that the substantial undervaluation of Japanese equities, coupled with an activist strategy designed to unlock underlying value should allow the Company to achieve significant investment results over time. Given the nature of this strategy, however, it is possible that such returns could be "lumpy" and unpredictable. Accordingly, the Company will target results primarily through capital appreciation. No specific dividend policy will be established in the first instance and any distributions will be made entirely at the discretion of the Board. Notwithstanding the foregoing, the Company will make such distributions as may be required to ensure compliance with the rules relating to investment trusts.

### **Key performance indicators ("KPIs")**

The Board measures the Company's success in attaining its investment objective by reference to the following KPIs:

#### **(i) Long-term capital growth**

The Board considers the NAV and Share price total return figures to be the best indicator of performance over time and this therefore is the main indicator of performance used by the Board. The NAV and Share price total return from the Company's inception to 31 December 2020 was 13.6% and 6.5% respectively.

#### **(ii) Revenue return per Share**

The Company's revenue return per Ordinary Share based on the weighted average number of shares in issue during the period was 1.23p.

#### **(iii) Discount/premium to NAV**

The discount/premium relative to the NAV per Share represented by the share price is closely monitored by the Board. The Share price closed at a 6.23% discount to the NAV as at 31 December 2020.

#### **(iv) Control of the level of ongoing charges**

The Board monitors the Company's operating costs carefully. Based on the Company's average net assets for the period ended 31 December 2020, the Company's ongoing charges figure calculated in accordance with the AIC methodology was 1.60%.

# Risks and Risk Management

## Principal and emerging risks and uncertainties

The Company has carried out a robust assessment of its principal and emerging risks and the procedures in place to identify any emerging risks are described below.

### Procedures to identify principal or emerging risks

The Board regularly reviews the Company's risk matrix and focusses on ensuring that the appropriate controls are in place to mitigate each risk. The experience and knowledge of the Board is important, as is advice received from the Board's service providers, specifically the AIFM, who is responsible for the risk and portfolio management services and outsources the portfolio management to the Investment Adviser. The following is a description of the work that each service provider highlights to the Board on a regular basis.

1. Investment Adviser: the Investment Adviser provides a report to the Board at least quarterly or periodically as required on industry trends, insight to future challenges in the Japanese equity sector including the regulatory, political and economic changes likely to impact the sector;
2. Alternative Investment Fund Manager ('AIFM'): following advice from the Investment Adviser and other service providers, the AIFM maintains a register of identified risks including emerging risks likely to impact the Company;
3. Broker: provides advice periodically specific to the Company on the Company's sector, competitors and the investment company market whilst working with the Board and Investment Adviser to communicate with shareholders;
4. Company secretary and auditor: briefs the Board on forthcoming legislation/regulatory change that might impact on the Company. The auditor also has specific briefings at least annually;
5. Association of Investment Companies (AIC): The Company is a member of the AIC, which provides regular technical updates as well as drawing members' attention to forthcoming industry and regulatory issues.

### Procedure for oversight

The Board is responsible for the management of risks faced by the Company. The principal and emerging risks, together with a summary of the processes and internal controls used to manage and mitigate risks where possible are outlined below.

Risk	Risk Mitigation
<b>The Company may not meet its investment objective.</b>	<p>The Investment Adviser has a well-defined investment strategy and process which is regularly and rigorously reviewed by both the independent Board of Directors and the AIFM.</p> <p>The Investment Adviser has a contract in place which defines the duties and responsibilities of the Investment Adviser and has safeguards in place including provisions for the termination of the agreement upon 12 months' notice, not to be served within the first 4 years from First Admission.</p> <p>The Investment Adviser has stated that it will run a diversified portfolio and the Board reviews the composition of the portfolio and its performance of the Company at each Board meeting. A review of transactions is performed at each quarterly Board meeting.</p> <p>Management Accounts, and Income and expense forecasts are reviewed at the quarterly Board meetings.</p> <p>The Investment Adviser sends the Board its monthly newsletter/factsheet and an investment report on a quarterly basis.</p> <p>The Board considers the Investment Adviser and the AIFM's appointment on an annual basis.</p>

Risk	Risk Mitigation
<p><b>Board fails to monitor whether there is style drift within the investment process.</b></p>	<p>The Investment Adviser provides individual company updates on both existing and target holdings regularly. These updates include key metrics that allow the Board to monitor whether these companies are consistent with the original investment thesis.</p> <p>Details of the portfolio composition are also provided regularly to allow the Board to see if the portfolio construction is consistent with investment guidelines.</p>
<p><b>The Company's Shares trade at a discount to Net Asset Value.</b></p>	<p>The Investment Adviser, AIFM and Broker review market conditions on an ongoing basis.</p> <p>Shares may trade to their Net Asset Value through further issues and buy-backs, as appropriate.</p> <p>Discount protection mechanism in place whereby the Board will consider whether, in light of prevailing market conditions, the Company should purchase its own shares.</p>
<p><b>Board fails to monitor the Company's ability to build the Portfolio.</b></p>	<p>The Investment Adviser is continually in touch with the market and target companies, allowing it to adjust accordingly.</p> <p>The Investment Adviser will inform the AIFM and Board as soon as they are aware of any issues.</p>
<p><b>Board fails to monitor the execution of the Investment Process.</b></p>	<p>If the Investment Adviser considers the opportunity to be appropriate after their extensive due diligence process, the Investment Adviser will send an initial recommendation to the Board and AIFM, to consider the target company.</p> <p>Upon approval of a target company by the Board and AIFM, the Investment Adviser will send a formal recommendation, outlining the rationale for the recommendation, along with the size of investment and forward to the AIFM for consideration.</p> <p>Upon receipt of approval from the AIFM, the Investment Adviser will arrange execution.</p> <p>The Board regularly carry out Investment Process reviews of the Investment Adviser.</p>
<p><b>Cyber Security risks could potentially lead to breaches</b></p>	<p>Cyber security policies and procedures are implemented by the Company's key service providers.</p> <p>The AIFM has cyber essentials accreditation, which is reviewed on a continuous basis.</p> <p>Penetration testing is carried out by the AIFM and Administrator every year.</p>
<p><b>Failure to provide notification of FEFTA/FOREX, FIEA threshold clearances along with required information to Hibiya-Nakata to allow for timely filing with the appropriate regulatory bodies.</b></p>	<p>The Investment Adviser is tasked with notifying the AIFM at time of trade whenever a deal has caused the holding to surpass a threshold.</p> <p>Filing is delegated to third party specialist Hibiya-Nakata, the Company's Tokyo-based legal advisor.</p> <p>The AIFM performs their own weekly review of these limits against a portfolio that is reconciled to both the Investment Adviser and Custody records.</p> <p>Once a deal has surpassed a threshold, the AIFM continue to provide Hibiya-Nakata with any subsequent trades to ensure their records can be as up to date as possible, this will allow them to act quickly in the event that a subsequent threshold is passed.</p>

# Risk and Risk Management continued

Risk	Risk Mitigation
<b>It may be difficult for Shareholders to realise their investment and there may not be a liquid market in the Company's Shares.</b>	Secondary market liquidity can be improved by strong investor communications and having active brokers and market makers. The Broker monitors and reports to the Board as soon as they are aware of any issues.  Funding liquidity to satisfy redemption rights is not applicable, as the Company is a closed ended fund.
<b>A corporate action is missed and the Company suffers a consequential loss.</b>	The Custodian (Northern Trust) and Investment Adviser monitor such actions.  Northern Trust is a very large and experienced global custodian and produces a controls report which is reported to the Board.

## Viability Statement

The continuation of the Company is subject to the approval of Shareholders in 2025 and every second AGM thereafter. The Directors have assessed the viability of the Company for the period to 31 December 2023 (the "**Period**"). The Board believes that the Period, being approximately three years, is an appropriate time horizon over which to assess the viability of the Company, particularly when taking into account the nature of the Company's investment strategy and the principal risks outlined above. Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue to operate and to meet its liabilities as they fall due over the Period.

In their assessment of the prospects of the Company, the Board considered each of the principal and emerging risks and uncertainties set out above and the liquidity and solvency of the Company. The Board also considered the Company's income and expenditure projections and the fact that the majority of the Company's investments comprise reasonably realisable securities, which could, if necessary, be sold to meet the Company's funding requirements including buying back shares in order for the Company's discount control policy to be achieved. Portfolio changes, market developments, level of premium/discount to NAV and share buybacks/share issues are discussed at quarterly Board meetings. The internal control framework of the Company is subject to a formal review on at least an annual basis.

The level of the ongoing charges is dependent to a large extent on the level of net assets. The Company's income from investments and cash realisable from the sale of its investments provide substantial cover to the Company's operating expenses, and any other costs likely to be faced by the Company over the Period of their assessment.

This assessment has included a detailed review of the market and operational risks associated with the COVID-19 pandemic, and the ongoing economic impact of measures introduced to combat its spread, which were also discussed in depth with the Investment Adviser and continually monitored by the Board throughout the year. The Investment Adviser and other key service providers have provided regular updates on operational resilience in light of the pandemic. The Board is satisfied that the key service providers have the ability to continue their operations efficiently in a remote or virtual working environment.

# Section 172 Report

## Section 172 of the Companies Act 2006

This section of the Annual Report covers the Board's considerations and activities to perform their duties under s.172(1) of the Companies Act 2006, in promoting the success of the Company for the benefit of its members as a whole. This statement includes consideration of the likely consequences of the decisions of the Board in the longer term, how the Board has taken wider stakeholders' needs into account and the impact of the Company's operations on the environment.

### Company's operating model

The Directors are required to describe how they have had regard to matters set out in section 172 of the Companies Act 2006.

### Company sustainability and stakeholders

As an externally managed investment company, the Company does not have any employees. Its main stakeholders are as set out in the above diagram which explains the relationship between the Company and each of its stakeholders.

The Company's Shares were admitted to the Special Fund Segment of the Main Market of the London Stock Exchange on 21 February 2020.

The Board is aware of the need to foster the Company's business relationships with suppliers, customers and other key stakeholders through its stakeholder management activities as described below.

## Stakeholder Management

### Investors

The Investment Adviser and Board feel it is important for the Company's continued success to have the potential access to equity capital in order to expand the Company's portfolio over time to further diversify the investment portfolio, to create economies of scale and to help manage any discount or premium at which the Company's Shares trade against its NAV. Additionally, the Board looks to attract long-term investors in the Company and, in doing so, the Board will seek opportunities to meet with Shareholders to gauge the opinion of investors on the Company's activities.

The Board invites Shareholders to attend the AGM to be held on 12 May 2021. At the time of writing, it is still not possible to allow shareholder attendance at the Company's AGM to be held on 12 May 2021 due to the current UK COVID-19 Regulations. However, arrangements have been made for shareholders to attend by video conference, further details of which are contained in the Notice of AGM Meeting on page 61.

### Investment Adviser

The Investment Adviser is the most significant service provider to the Company and a description of its role, along with that of the AIFM, can be found on page 18.

The Board receives regular reports from the Investment Adviser and discusses the portfolio at each Board meeting but maintains an ongoing dialogue between scheduled meetings. Representatives of the Investment Adviser attend Board meetings. The Investment Adviser's remuneration is based on the NAV of the Company which aligns their interests with those of Shareholders.

### Service providers

As an investment trust, the Company does not have any employees and is reliant on third-party service providers for its operational requirements. Each service provider has an established track record and has in place suitable policies and procedures to ensure they maintain high standards of business conduct and corporate governance. The Board believes that positive relationships with each of the Company's service providers are important to support the Company's long-term success.

In order to build and maintain strong working relationships, the Company's key service providers (notably the Investment Adviser, AIFM, and Company Secretary/Administrator) are invited to attend quarterly Board meetings to present their respective reports. This enables the Board to exercise effective oversight of the Company's activities. In addition, the Company's external auditor is invited to attend at least one Audit Committee meeting per year. The Chair of the Audit Committee maintains regular contact with the auditor, Investment Adviser and Administrator to ensure that the audit process is undertaken effectively. The Board has also spent time engaging with the Company's key service providers outside of scheduled Board meetings to develop its working relationship with those service providers and ensure the smooth operational function of the Company. The Board and its advisers seek to maintain constructive relationships with the

## Section 172 Report continued

Company's key service providers on behalf of the Company through regular communications, meetings and the provision of relevant information and update meetings.

Another significant service provider for the Company's long-term success is the AIFM who has engaged the Investment Adviser for the purpose of providing investment advisory services to the Company. The Board regularly monitors the Company's investment performance in relation to its objectives, investment policy and strategy. The Board receives and reviews regular reports and presentations from both the AIFM and Investment Adviser and seeks to maintain regular contact to foster a constructive working relationship.

### Investments

Rising Sun has combined capabilities in origination, evaluation and transaction execution with expertise across equities, shareholder activism and active portfolio management. Rising Sun maintains a management committee (the "**Management Committee**") that is responsible for reviewing and evaluating potential investment opportunities.

Rising Sun screens investment opportunities to identify potential investments that meet the Company's investment objective and complies with its investment policy. Through this screening process, Rising Sun will determine whether to proceed with detailed due diligence and evaluation of the investee company.

After a potential investment opportunity has been identified and screened against the target investment criteria and if it determines to proceed then Rising Sun will perform a detailed due diligence review of the investee company. Rising Sun employs a robust due diligence process applying principles of quantitative analysis to stress test assumptions, price capital structures, and determine risk-adjusted returns.

Where an investment opportunity proceeds to the execution phase, Rising Sun will manage the transaction process, including co-ordinating the work of other professional advisers and service providers, including agents, valuers, lawyers, accountants, and tax advisers.

### Conclusion

The Board is mindful of the Directors' duties as described by section 172 of the Companies Act 2006, when deliberating all important decisions.

# Directors' Report

The Directors present their report and financial statements for the period ended 31 December 2020.

## Strategic report

The Directors' Report should be read in conjunction with the Strategic Report on pages 2 to 16.

## Corporate governance

The Corporate Governance Statement on pages 23 to 27 forms part of this report.

## Risk and risk management

The Risk and Risk Management on pages 12 to 14 forms part of this report.

## Legal and taxation status

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company conducts its affairs in order to meet the requirements for approval as an investment trust under section 1158 of the Corporation Tax Act 2010. The Company has received initial approval as an investment trust and the Company must meet eligibility conditions and ongoing requirements in order for investment trust status to be maintained. In the opinion of the Directors, the Company has met the conditions and requirements for approval as an investment trust for the period ended 31 December 2020.

## Market information

The Company's Ordinary Shares are listed on the Specialist Fund Segment of the main market of the London Stock Exchange. The unaudited NAV of the Ordinary Shares of the Company is published daily through RNS.

## Retail distribution of investment company shares via financial advisers and other third party promoters

As a result of the Financial Conduct Authority ("FCA") rules determining which investment products can be promoted to retail investors, certain investment products are classified as "non-mainstream pooled investment products" and face restrictions on their promotion to retail investors.

The Company has concluded that the distribution of its Shares, being shares in an investment trust, is not restricted as a result of the FCA rules described above.

The Company currently conducts its affairs so that the Shares issued by the Company can be recommended by financial advisers to retail investors and intends to continue to do so for the foreseeable future.

## Articles of association

Amendments to the Company's Articles of Association require a Special Resolution to be passed by Shareholders.

## Management

### The Board

The Board is entirely comprised of independent non-executive directors who are responsible to Shareholders for the overall management of the Company and is chaired by Rosemary Morgan. Alicia Ogawa acts as Senior Independent Director. The Board has adopted a Schedule of Matters Reserved for the Board which sets out the division of responsibilities between the Board and its various committees, together with the duties of the Board, further details can be found on pages 23 to 25.

Through the Committees and the use of external independent advisers, the Board manages risk and governance of the Company.

### Appointment and replacement of the Board

The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association which require that all Directors shall be subject to election at the first AGM after appointment and re-election annually thereafter. Further details of the Board's process for the appointment and replacement of Board members can be found on page 26.

# Directors' Report continued

## Alternative Investment Fund Manager ("AIFM")

The Company is classified as an Alternative Investment Fund under The Alternative Investment Fund Managers Directive ("AIFMD") and has appointed International Fund Management Limited as its AIFM. The AIFM is responsible for portfolio management of the Company, including the following services:

- Risk management – Portfolio management is delegated to the Investment Adviser;
- Review financial reporting prepared by the Administrator;
- Ensuring compliance with AIFMD regulations and reporting; and
- Monitor and ensure compliance with investment and cash restrictions and debt covenants.

The AIFM is entitled, with effect from First Admission to an annual fee calculated at a rate of 0.04 per cent. per annum of NAV up to £250 million, plus 0.025 per cent. per annum of NAV in excess of £250 million. The AIFM fee is subject to a minimum fee of £70,000 per annum.

The AIFM Agreement shall continue in force until terminated by either the AIFM or the Company by giving to the other no less than six months' prior written notice, provided that such notice may not be served earlier than the date being 12 months from the date of the AIFM Agreement. The AIFM Agreement may be terminated earlier by either party with immediate effect in certain circumstances, including, if the other party shall go into liquidation or an order shall be made or a resolution shall be passed to put the other party into liquidation or the other party has committed a material breach of any obligation the AIFM Agreement, and in the case of a breach which is capable of remedy fails to remedy it within 30 days.

The Company has granted to the AIFM and certain other indemnified parties, a customary indemnity against losses which may arise in relation to the AIFM's performance of its duties under the AIFM Agreement.

The Investment Advisory Agreement is governed by the laws of England and Wales.

## Investment Adviser

The Company, the AIFM and Investment Adviser entered into the Investment Advisory Agreement on 7 January 2020, pursuant to which Rising Sun will provide investment advisory services to the AIFM and the Company, and shall be entitled, with effect from First Admission, to receive an annual fee calculated as 0.85 per cent. of the Company's net assets (exclusive of VAT) from the Company, in respect of the services provided under the Investment Advisory Agreement.

Pursuant to the terms of the Investment Advisory Agreement, Rising Sun may resign by giving the Company not less than 12 months' written notice (although no such notice may be given within the first four years from First Admission). Further, the Investment Advisory Agreement may be terminated by the AIFM and the Company, or the Company by itself, in certain limited circumstances, such as where the Investment Adviser is in material breach of the Investment Advisory Agreement and such breach is not remedied. The Board would, in such circumstances, have to find a replacement investment advisory services provider for the Company and may be unable to appoint a replacement with the necessary skills and experience on terms acceptable to the Company. If the Investment Advisory Agreement is terminated and a suitable replacement is not secured in a timely manner, this could have an adverse effect on the value of the Portfolio, the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the returns to Shareholders and the market value of the Shares.

The Company has delegated responsibility for day-to-day management of the investments comprised in the Company's portfolio to the AIFM (which has in turn delegated portfolio management activities to the Investment Adviser). The Directors have responsibility for exercising supervision of the AIFM and the Investment Adviser.

## Company Secretary and Administrator

PraxisIFM Fund Services (UK) Limited has been appointed to provide company secretarial and administration services to the Company.

## Custodian

The Northern Trust Company has been appointed by the Company to act as custodian of certain assets and to provide certain services as a custodian.

## Alternative Investment Fund Portfolio Managers Directive (“AIFMD”)

In accordance with the AIFMD, the AIFM must ensure that an annual report containing certain information on the Company is made available to investors for each financial year. The investment funds sourcebook of the FCA (the “**Sourcebook**”) details the requirements of the annual report. All the information required by those rules are included in this Annual Report or will be made available on the Company’s website.

## Appointment of service providers

The Board has undertaken an annual review of its service providers through the Management Engagement Committee, to ensure that their continued appointment is in the best long-term interests of the Company’s Shareholders.

## Capital structure, voting rights and restrictions

At incorporation on 22 October 2019, the Company issued 1 Ordinary Share of £0.01 and 50,000 Redeemable Preference Shares of £1.00 each. At admission on 21 February 2020, the 50,000 Redeemable Preference Shares were sub-divided and redesignated into 5,000,000 Ordinary Shares, and the Company issued the following shares:

Event	Date of Issue	Ordinary Shares issued	Price per Ordinary Share (GBP)
Initial Public Offering	21 February 2020	98,000,000	1.00

At the period end the Company’s issued share capital comprised 103,000,001 Ordinary Shares.

## Voting rights

Each Ordinary Share held entitles the holder to one vote. All Ordinary Shares carry equal voting rights and there are no restrictions on those voting rights. Voting deadlines are stated in the Notice of Meeting and Form of Proxy and are in accordance with the Companies Act 2006.

## Restrictions

There are no restrictions on the transfer of Shares, nor are there any limitations or special rights associated with regards to control attached to the Ordinary Shares. There are no agreements between holders regarding their transfer known to the Company, no restrictions on the distribution of dividends and the repayment of capital, and no agreements to which the Company is a party that might affect its control following a successful takeover bid.

## Results and Dividend

The Company’s revenue profit after tax for the period amounted to £912,000. The Company made a capital profit after tax of £13,075,000. Therefore, the total profit for the period of the Company was £13,987,000.

The Board has declared an interim dividend of 0.85p per Ordinary share in respect of the period ended 31 December 2020, which will be paid on 30 April 2021 to Shareholders on the register on 9 April 2021. The Board will not target a dividend for future years but will substantially pay out distributable income for any particular period by way of dividend.

## Substantial shareholders

As at 31 December 2020, the Directors have been formally notified of the following interests in the Company’s Ordinary Shares, comprising 3% or more of the issued share capital of the Company:

Shareholder	Holding	Percentage Held*	Date Notified
Rosenwald Capital Management, Inc.	38,560,001	37.44%	24 February 2020

\* Based on number of Ordinary Shares in issue of 103,000,001 at the Company’s period end.

Since the period-end, the Company has not been formally notified of any interests in the Company’s Ordinary Shares, comprising 3% or more of the issued share capital of the Company.

# Directors' Report continued

## Political donations

There were no donations made during the financial period to 31 December 2020.

## Settlement of Ordinary Share transactions

Ordinary Share transactions in the Company are settled by the CREST share settlement system.

## Shareholder engagement

The Board is mindful of the importance of engaging with the Company's Shareholders to gauge their views on topics affecting the Company.

Under normal circumstances the Board would encourage Shareholders to attend the Company's AGM. However, in light of the situation regarding COVID-19, and to comply with current UK Government guidance restricting movement, Shareholder attendance at the forthcoming AGM is not possible. Shareholders are encouraged to vote their holdings using the enclosed Form of Proxy or electronically using the instructions contained in the notes to the Notice of AGM and notes to the Form of Proxy. The Company's first AGM is to be held on 12 May 2021.

Proxy voting figures will be made available shortly after the AGM on the Company's website ([www.nipponactivevaluefund.com](http://www.nipponactivevaluefund.com)) where Shareholders can also find the Company's monthly factsheets and other relevant information.

## Appointment of auditor

During the period, BDO LLP were appointed as the Company's auditor following a competitive process and review of auditor credentials. The Company's auditors, BDO LLP, having expressed their willingness to continue in office as auditors, will be put forward for appointment at the Company's first AGM and the Board will seek authority to determine their remuneration for the forthcoming year.

## Going concern

The Directors have adopted the going concern basis in preparing the financial statements. The following is a summary of the Directors' assessment of the going concern status of the Company.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of this report. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. The Company's net assets at 31 December 2020 were £116,986,000. As at 31 December 2020, the Company held £12,645,000 in cash. The total expenses for the period ended 31 December 2020 were £1,474,000, which represented approximately 1.60% of average net assets during the period. At the date of approval of this document, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover.

In light of the COVID-19 pandemic, the Directors have fully considered each of the Company's investments. The Directors do not foresee any immediate material risk to the Company's investment portfolio. A prolonged and deep market decline could lead to falling values to the underlying business or interruptions to cashflow, however the Company currently has more than sufficient liquidity available to meet any future obligations.

The market and operational risks and financial impact as a result of the COVID-19 pandemic, and measures introduced to combat its spread, were discussed by the Board, with updates on operational resilience received from the Investment Adviser, Company Secretary, Administrator and other key service providers. The Board was satisfied that the key service providers have the ability to continue to operate.

## Auditor information

Each of the Directors at the date of the approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

## **Annual General Meeting (“AGM”)**

The following information is important and requires your immediate attention. If you are in any doubt about the action you should take, you should seek advice from your stockbroker, bank manager, solicitor, accountant, or other financial adviser authorised under the Financial Services and Markets Act 2000.

Resolutions relating to the following items of special business will be proposed at the forthcoming AGM to be held on 12 May 2021.

### **Resolutions 12 and 13 provide authority to issue Ordinary Shares and to dis-apply pre-emption rights**

Shareholders’ pre-emption rights over the Placing Programme (as per Prospectus dated 7 January 2020 and Supplementary Prospectus dated 13 February 2020) have been dis-applied so that the Directors will not be obliged to offer any new Ordinary Shares to Shareholders on a pro rata basis. No Ordinary Shares will be issued at a price less than the (cum-income) NAV per existing Ordinary Share at the time of their issue.

At the forthcoming AGM, the Board is seeking authority to allot up to a maximum of 10,300,000 Ordinary Shares (representing approximately 10% of the Ordinary Shares in issue at the date of this document) and to dis-apply pre-emption rights when allotting those Ordinary Shares at the forthcoming AGM. Authority granted under both resolutions will expire at the conclusion of the AGM to be held in 2022 unless renewed prior to this date via a General Meeting. The full text of resolutions 12 and 13 are set out in the Notice of AGM Meeting on page 61.

The authority granted by Shareholders to issue Ordinary Shares will provide flexibility to grow the Company and further expand the Company’s list of assets. Ordinary Shares will only be issued at a premium to the NAV (cum income) after the costs of issue. Ordinary Share issues are at the discretion of the Board.

### **Resolution renewal of authority to purchase own shares**

Prior to the Company’s listing on 19 February 2020, the Directors were granted authority to make market purchases of up to 14.99% of the Ordinary Shares in issue on Admission, equating to a maximum of 15,439,700 Ordinary Shares. During the period ended 31 December 2020, the Company did not utilise its authority to purchase its own Shares.

The initial authority to make market purchases will expire at the conclusion of the first AGM of the Company. The Directors recommend that a new authority to purchase up to 15,439,700 Ordinary Shares (subject to the condition that not more than 14.99% of the Ordinary Shares in issue, excluding treasury shares, at the date of the AGM are purchased) be granted and a resolution to that effect will be put to the AGM. Any Ordinary Shares purchased will either be cancelled or, if the Directors so determine, held in treasury.

The Companies Act 2006 permits companies to hold shares acquired by way of market purchase as treasury shares, rather than having to cancel them. This provides the Company with the ability to re-issue Ordinary Shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base. No Ordinary Shares will be sold from treasury at a price less than the (cum-income) NAV per existing Ordinary Share at the time of their sale unless they are first offered pro rata to existing Shareholders. At the period end the Company did not hold any shares in treasury.

Unless otherwise authorised by Shareholders, Ordinary Shares will not be issued at less than NAV and Ordinary Shares held in treasury will not be sold at less than NAV.

### **Regulatory Disclosures – information to be disclosed in accordance with Listing Rule 9.8.4.**

The Listing Rules require listed companies to report certain information in a single identifiable section of their annual financial reports. The Company confirms that only LR 9.8.4(7) (issue of shares) is applicable during the period under review.

### **Environmental and Social Governance (“ESG”)**

The Company is a closed-ended investment company which has no employees therefore its own direct environmental impact is minimal. It outsources all of its key operations to reputable, third party service providers, who are required to comply with all relevant laws and regulations in the jurisdiction in which they operate, and take account of social, environmental, ethical and human rights factors, as appropriate.

The Company has no direct greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions-producing sources under the Companies Act 2006 (Strategic Report and Directors’ Reports) Regulations 2013 (including those within its underlying holdings).

## Directors' Report continued

The Board notes that the underlying companies in which the Company invests will have a social and environmental impact over which the Board has no control. However it expects its Investment Advisor to be mindful of any associated risks when making their investments. The Company aims to conduct itself responsibly, ethically, and fairly in its investments and dealings with stakeholders.

### **Modern slavery disclosure**

The Company aims to act to the highest standards, and is committed to integrating responsible business practices throughout its operations. The prevention of modern slavery is an important part of good corporate governance. As an investment trust, the Company does not offer goods or services to consumers and deals predominantly with professional advisers and service providers in the financial services industry. As such the Board considers that the Company is out of scope of the Modern Slavery Act 2015. The Board requires all third party providers to report on their compliance with the Modern Slavery Act as part of the annual review by the Management Engagement Committee.

### **Anti-bribery and corruption**

The Company's policy is to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships. The Company's policy and the procedures are designed to support that commitment.

### **Prevention of the facilitation of tax evasion**

The Board has adopted a zero-tolerance approach to the facilitation of tax evasion.

By order of the Board

**Brian Smith**

For and on behalf of

**PraxisIFM Fund Services (UK) Limited**

Company Secretary

31 March 2021

# Corporate Governance

This Corporate Governance statement forms part of the Directors' Report.

The Listing Rules and the Disclosure Guidance and Transparency Rules of the UK Listing Authority require listed companies to disclose how they have applied the principles and complied with the provisions of The UK Corporate Governance Code 2018 (the "**UK Code**"), as issued by the Financial Reporting Council ("**FRC**"). The UK Code can be viewed on the FRC's website.

The Board has considered the principles and provisions of the AIC Code of Corporate Governance 2019 (the "**AIC Code**") which addresses those set out in the UK Code, as well as setting out additional provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the AIC Code, which has been endorsed by the FRC, provides more relevant information to shareholders.

The AIC Code is available on the AIC website ([www.theaic.co.uk](http://www.theaic.co.uk)). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The Company has complied with the AIC Code and the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to:

- the role of the chief executive
- the need for an internal audit function
- executive Directors' remuneration

The Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company with no employees. The Company has therefore not reported further in respect of these provisions.

## The Board

### Composition

At the date of this report, the Board consists of five non-executive Directors, all of whom were independent upon appointment. The Board believes that during the period ended 31 December 2020 its composition was appropriate for an investment company of the Company's nature and size. All of the Directors are independent of the Investment Adviser and AIFM and are able to allocate sufficient time to the Company to discharge their responsibilities effectively. The Directors have a broad range of relevant experience to meet the Company's requirements and their biographies are given below.

### Rosemary Morgan

Non-Executive Director, Chair of the Board and Management Engagement Committee  
Appointed 14 November 2019

Rosemary is a Senior Independent non-executive Director of Schroder Asia Pacific Investment Trust, where she is the Chair of the Audit and Risk Committee, and an independent non-executive director and Chair of JP Morgan India Investment Trust.

Rosemary studied Japanese at the Australian National University in Canberra before being awarded the Monbusho Scholarship at Kobe University in Japan and then studying for a Master of Arts in Japanese Literature at Harvard University in the United States.

After university, Rosemary worked as a Japanese equity fund manager for 16 years at John Govett before joining the institutional client team at Fidelity International and then moving to the Royal Bank of Scotland as Head of Asia and Emerging Markets (Multi Manager Funds), where she managed long only and alternative funds of funds, specialising in Japan and Emerging Markets.

### Chetan Ghosh

Non-Executive Director and Chair of the Audit Committee  
Appointed 22 October 2019

## Corporate Governance *continued*

Chetan is the Chief Investment Officer for Centrica's pension scheme arrangements and is responsible for providing support to the directors of the investment committee. His role covers investment strategy considerations, asset class and manager research, and liaising with the investment advisers.

Prior to joining Centrica in 2009, Chetan worked in a number of roles, ranging from pensions actuary at Towers Perrin to investment consultant at Aon Hewitt and Lane Clark & Peacock. Whilst at financial services firm Alexander Forbes, Chetan developed a fiduciary management offering to improve client governance structures.

Chetan has a first class degree in Mathematics from King's College London.

### **Rachel Hill**

Non-Executive Director and Chair of the Nomination and Remuneration Committee  
Appointed 22 October 2019

Since 2006, Rachel has been a director of Dragon Capital Markets (Europe) Limited and has been responsible for the European marketing of London Stock Exchange listed Vietnam Enterprise Investments Ltd and the Vietnam Equity (UCITS) fund. Rachel was also previously on the board of Dalton Asia Fund, which is a long/short Asian Investment fund managed by Dalton Investments LLC. Rachel has 28 years of experience in respect of equity and equity fund sales in Asian markets.

In addition, Rachel also currently serves on the board of DC Developing Market Strategies Ltd, a Dublin regulated UCITS fund investing in Vietnam and Quaero Capital Luxembourg Fund, a Luxembourg regulated UCITS platform with various sub funds investing in equities and bonds.

Rachel holds a BA (Hons) MA in Natural Science from Trinity Hall, Cambridge University and is also a Chartered Member of the Chartered Institute for Securities and Investment.

### **Alicia Ogawa**

Non-Executive Director and Senior Independent Director  
Appointed 14 November 2019

Alicia is a director of the Project on Japanese Corporate Governance and Stewardship at the Center on Japanese Economy and Business (CJEB), Columbia Business School, NYC and has over 20 years of experience in the Asian financial markets. She also serves on the board of The Maureen and Mike Mansfield Foundation, Misaki Capital (from December 2019), and a member on the board of Pure Earth, an NGO which deals with lead and mercury pollution and also recently joined the board of a Tokyo-based governance consulting company called Questhub. She also is an Assistant Adjunct Faculty, Columbia University School of International and Public Affairs as well as being a consultant for activist funds.

In her role as director of the Project on Japanese Corporate Governance and Stewardship, Alicia has been a featured speaker on Japanese financial market issues for public and private sector conferences such as Goldman Sachs, SIFMA, Council of Institutional Investors, Japan Securities Dealers Association, CSIS, Peterson Institute, and Japan Society.

Prior to 2006, Alicia was a Managing Director and the Director of Global Research Product, Lehman Brothers, NYC and was tasked with leading the global analysts in development of a globally themed equity research product focussed on specific market sectors.

Alicia holds a M.I.A from the Columbia University School of International and Public Affairs in East Asian Studies and International Finance.

### **Ayako Hirota Weissman**

Non-Executive Director  
Appointed 14 November 2019

Ayako is a senior portfolio manager and director of Asia Strategy at Horizon Kinetics LLC. With over 30 years of investment experience, Ayako was previously a founder and Chief Investment Officer of AS Hirota Capital Management, LLC.

Ayako's prior experience also includes acting as a portfolio manager specializing in Japanese securities for Kingdon Capital Management, LLC, a New York-based hedge fund, two years as a partner and Portfolio Manager of Feirstein Hirota Japan Partners and 12 years at Salomon Smith Barney Asset Management, as a Managing Director and Senior Portfolio manager in the U.S. value equity group. Ayako is a member of the U.S. - Japan Council and serves on its investment committee. She also serves on Japan ICU Foundation's investment committee. Ayako is a director of Toshiba Corporation.

Ayako received an MBA from the International Institute for Management Development (IMD) in Lausanne, Switzerland and a BA in Liberal Arts from International Christian University in Tokyo, Japan. Ayako is a CFA charter holder.

The Board recommends all the Directors for election at the forthcoming AGM for the reasons highlighted above and in the performance appraisal section of this report.

The Directors have appointment letters which do not provide for any specific term. Copies of the Directors' appointment letters are available on request from the company secretary. Upon joining the Board, any new Director will receive an induction and relevant training is available to Directors on an ongoing basis.

A policy of insurance against Directors' and Officers' liabilities is maintained by the Company.

A procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

### **Board Committees**

The Board decides upon the membership and chairs of its committees.

#### **Audit Committee**

All of the Directors are members of the Audit Committee and it is chaired by Chetan Ghosh. A report on pages 32 to 33 provides details of the role and composition of the Audit Committee together with a description of the work of the Audit Committee in discharging its responsibilities.

#### **Nomination and Remuneration Committee**

All of the Directors are members of the Nomination and Remuneration Committee and it is chaired by Rachel Hill. The Nomination and Remuneration Committee has been established to meet formally on at least an annual basis to consider the fees of the non-executive Directors and for the purpose of considering succession planning, including identifying and putting forward candidates for the office of Director of the Company. The Nomination and Remuneration Committee considers job specifications and assesses whether candidates have the necessary skills and time available to devote to the job.

The Board has formulated a succession plan which was reviewed and maintained through the Nomination and Remuneration Committee to promote regular refreshment and diversity, whilst maintaining stability and continuity of skills and knowledge on the Board.

The Directors' Remuneration Report is included on pages 28 to 31 of this report.

#### **Management Engagement Committee**

All of the Directors are members of the Management Engagement Committee and it is chaired by Rosemary Morgan. The Management Engagement Committee has been established to conduct a formal annual review of the Investment Adviser, assessing investment and other performance, the level and method of the Investment Adviser's remuneration and the continued appointment of the Investment Adviser. The Management Engagement Committee met and reviewed the Investment Adviser's performance and remuneration structure. In conclusion, the Management Engagement Committee's recommendation to the Board was that it was in the best interests of Shareholders as a whole to continue with the Investment Adviser's engagement and that the current fee structure remained appropriate. (See page 18 for further details).

The Management Engagement Committee also reviewed the fees payable to the other main service providers to the Company and concluded they remained appropriate.

Each Committee has adopted formal terms of reference, which are reviewed at least annually, and copies of these are available on the Company's website or on request from the company secretary.

# Corporate Governance continued

## Meeting attendance

	Quarterly Board	Audit and Risk Committee	Management Engagement Committee	Nomination and Remuneration Committee*
<b>Number of meetings held</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>1</b>
Rosemary Morgan	4	2	1	1
Chetan Ghosh	4	2	1	1
Rachel Hill	4	2	1	1
Alicia Ogawa	4	2	1	1
Ayako Weissman	4	2	1	1

\* held early in 2021

In addition, there were a number of ad hoc Board meetings to deal with administrative matters and the formal approval of documents.

## Board diversity

The Board's policy for the appointment of non-executive directors is based on its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds including, but not limited to, gender and diversity. The policy is always to appoint the best person for the job and there will be no discrimination on the grounds of gender, race, ethnicity, religion, sexual orientation, age, or physical ability. The overriding aim of the policy is to ensure that the Board is composed of the best combination of people for ensuring effective oversight of the Company and constructive support and challenge to the Investment Adviser. Directors have a range of business, financial and asset management skills as well as experience relevant to the direction and control of the Company. Brief biographical details of the Directors are shown on pages 23 to 25. Currently, 80% of the Board are female across a range of ethnic backgrounds.

The Board undertakes an appraisal of its performance and skills, as well as independence and diversity, on an annual basis. The Board believes its composition is appropriate for the Company's circumstances. However, in line with the Board's succession planning and tenure policy, or should strategic priorities change, the Board will review and, if required, adjust its composition.

## Tenure policy

It is the Board's policy that all Directors, including the Chair, shall normally have tenure limited to nine years from their first appointment to the Board, except that the Board may determine otherwise if it is considered that the continued participation on the Board of an individual Director, is in the best interests of the Company and its Shareholders. This is also subject to the Director's re-election annually by Shareholders. The Board considers that this policy encourages regular refreshment and is conducive to fostering diversity.

## Board and Chair evaluation

An internal performance appraisal process was performed by the Nomination and Remuneration Committee regarding the performance of the Board, its committees and the Board Chair. The results of the recent performance evaluation were positive and no material issues were identified.

## Internal control

The AIC Code requires the Board to review the effectiveness of the Company's system of internal controls. The Board recognises its ultimate responsibility for the Company's system of internal controls and for monitoring its effectiveness. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable assurance against material misstatement or loss. The Board has undertaken a review of the aspects covered by the guidance and has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as being matters of particular importance upon which it requires reports. The Board believes that the existing arrangements, set out below, represent an appropriate framework to meet the internal control requirements. By these procedures, the Directors have kept under review the effectiveness of the internal control systems throughout the period and up to the date of this report.

### **Financial aspects of internal control**

These are detailed in the Report of the Audit Committee.

### **Other aspects of internal control**

The Board holds at least four regular meetings each year, plus additional meetings as required. Between these meetings there is regular contact with the Investment Adviser and the Company's Secretary and administrator.

The Board has agreed policies with the Investment Adviser on key operational issues and the Investment Adviser reports in writing to the Board on operational and compliance issues prior to each meeting, and otherwise as necessary. The Investment Adviser reports directly to the Audit Committee concerning the internal controls applicable to the Investment Adviser's dealing, investment and general office procedures.

The Directors receive quarterly updates from the Investment Adviser which details the holdings in the portfolio and investment transactions. The Administrator, Company Secretary and AIFM reports separately in writing to the Board concerning risks and control matters within its purview, including internal financial control procedures and company secretarial matters. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the corporate company secretary, which is responsible to the Board for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with.

The contacts with the Investment Adviser and the Administrator enable the Board to monitor the Company's progress towards its objectives and encompasses an analysis of the risks involved. The effectiveness of the Company's risk management and internal controls systems is monitored regularly and a formal review, utilising a detailed risk assessment programme, takes place at least annually. This includes consideration of relevant service provider internal control reports. There are no significant findings to report from the review.

### **Principal risks**

The Directors confirm that they have carried out a robust assessment of the Company's emerging and principal risks, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and how they are being managed are set out in the Strategic Report.

# Directors' Remuneration Report

The Remuneration Committee is responsible for reviewing the remuneration payable to the Directors taking into account the relevant circumstances of the Company, the time commitment and relevant experience and skills of the Board and the average fees paid to the Board of the Company's competitors. The Nomination and Remuneration Committee is chaired by Rachel Hill and consists of all of the Directors.

The Remuneration Report for the period to 31 December 2020 has been prepared in accordance with sections 420-422 of the Companies Act 2006. The law requires the Company's auditor to audit certain sections of the Remuneration Report; where this is the case the relevant section has been indicated as such.

As this is the first financial period of the Company's operations, there has been no change in the Board's remuneration since the disclosures contained in the Company's prospectus.

## AGM approval of the Remuneration policy and remuneration implementation report

In accordance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended (the "**Regulations**"), the Board is required to put forward for Shareholder approval at its first AGM, and on a triennial basis thereafter, a Remuneration Policy. Accordingly, the Remuneration Policy of the Company set out below will be proposed to Shareholders via an ordinary resolution which is a binding resolution at the AGM to be held on 12 May 2021. If successfully passed at the forthcoming AGM, the provisions set out in the below Remuneration Policy will apply from the date of the AGM until they are next submitted for Shareholder approval, expected to be at the Company's AGM to be held in 2024. In the event of any proposed material variation to the Remuneration Policy or should the Remuneration Policy or the Remuneration Implementation Report fail at the forthcoming AGM, Shareholder approval will be sought for a proposed revised Remuneration Policy prior to its implementation.

The Remuneration Implementation Report will require approval via an ordinary resolution on an annual basis. This resolution is put to Shareholders on an advisory, non-binding, basis which means that, if the resolution were to fail to attract sufficient votes in favour, the Board would continue to be entitled to be remunerated and would not be required to amend their contractual relationship with the Company. However, if the Remuneration Implementation Report were to be voted down by Shareholders, the Board would be required to resubmit the Remuneration Policy to Shareholders at the AGM following the AGM at which the Remuneration Implementation Report failed.

## Remuneration consideration

The Board's remuneration was set prior to the Company's incorporation on 22 October 2019. In considering the remuneration of the Board and each key role, the Board and its advisers considered the Board pay of the Company's peers, the expected time commitment of each Board member, the experience and skills of each Board member and the market expectation of the remuneration paid to the Company's Board. The Board also considered whether it was appropriate to set performance measures and it was agreed that it was not, in accordance with market practice.

## Remuneration consultants

Remuneration Consultants were not engaged by the Company during the period under review and in respect of the Remuneration Report.

## Loss of office

There are no agreements in place to compensate the Board for loss of office.

## Remuneration policy

All the Directors are non-executive directors, and the Company has no other employees. The components of the remuneration package for non-executive directors, which are contained in the Remuneration Policy are as detailed below:

Component	Director	Purpose of reward	Operation
Annual fee	Chair of the Board	For services as Chair of a Plc	Determined by the Nomination and Remuneration Committee
Annual fee	Other Directors	For services as non-executive Directors of a Plc	Determined by the Nomination and Remuneration Committee
Additional fee	Chair of Audit Committee	For additional responsibility and time commitment	Determined by the Nomination and Remuneration Committee
Expenses	All Directors	Reimbursement of expenses incurred in the performance of duties	Submission of appropriate documentation

In accordance with the Company's Articles of Association, Board fees in aggregate cannot exceed GBP400,000 per annum, unless Shareholders approve via an ordinary resolution at a General Meeting such other sum.

### Directors' service contracts

The Directors do not have service contracts with the Company but have letters which outline the terms of their appointment. In accordance with the Articles and AIC Code, the Board will seek annual re-election.

### Fees payable on recruitment

The Board will not pay any incentive fees to any person to encourage them to become a Director of the Company. The Board may, however, pay fees to external agencies to assist the Board in the search and selection of Directors. No such external agency was engaged during the period under review.

### Effective date

The Remuneration Policy is effective from the date of approval by Shareholders.

### Remuneration Implementation Report (Audited)

The table below provides a single figure for the total remuneration of each Director for the period to 31 December 2020.

	Director Fees to 31 December 2020* (£'000)
Rosemary Morgan	39.6
Chetan Ghosh	35.8
Rachel Hill	32.3
Alicia Ogawa	30.6
Ayako Weissman	30.6
<b>Total</b>	<b>168.9</b>

\* From date of appointment.

# Directors' Remuneration Report continued

## Directors receive fixed fees and are not entitled to receive from the Company:

- performance related remuneration;
- any benefits in kind except reasonable travel expenses in the course of travel to attend meetings and duties undertaken on behalf of the Company;
- share options;
- rewards through a long-term incentive scheme;
- a pension or other retirement benefit; or
- compensation for loss of office.

## Fees

As outlined in the Prospectus, Board remuneration from incorporation to date is outlined in the table below:

Position	Fee per annum (GBP)
Board Chair	35,000
Director	27,000
Audit Committee Chair (additional fee)	3,000

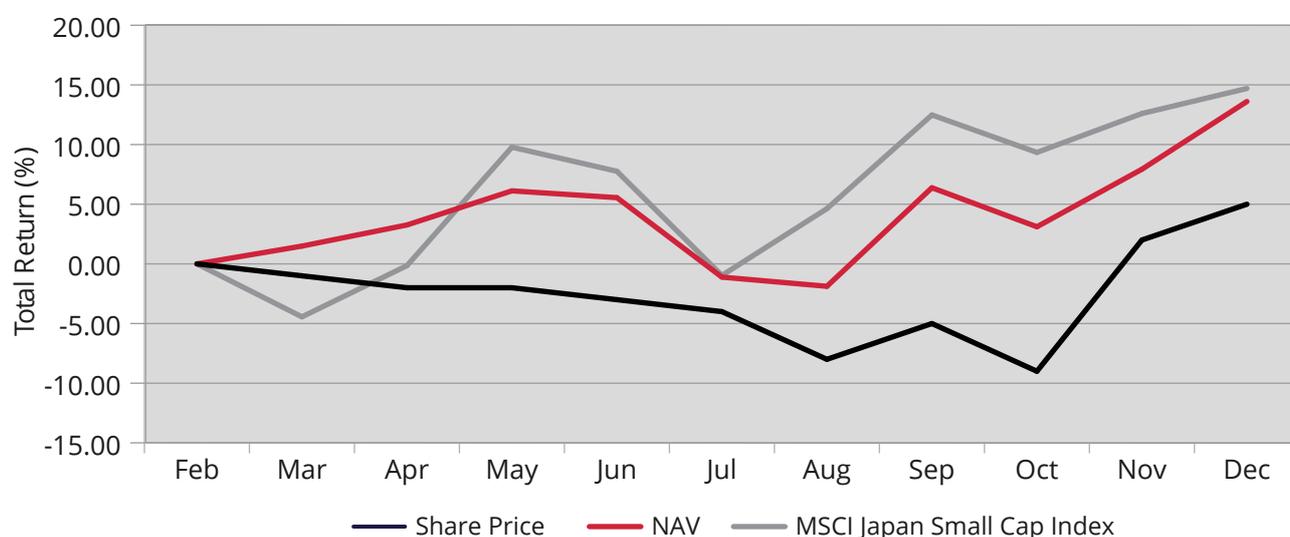
There has been no change to the Board fees during the period under review.

## Directors' indemnities

Subject to the provisions of the Companies Act 2006, the Company has agreed to indemnify each Director against all liabilities which any Director may suffer or incur arising out of or in connection with any claim made or proceedings taken against him, or any application made by him, on the grounds of his negligence, default, breach of duty or breach of trust in relation to the Company or any Associated Company.

## Performance

The following chart shows the performance of the Company's NAV and share price (total return) by comparison for the period since the Company was listed, assuming 100p was invested at the point the Company was listed. The Company does not have a specific benchmark but has deemed MSCI Japan Small Cap index to be the most appropriate comparator for its performance.



## Relative importance of spend on pay

The following table sets out the total level of Directors' remuneration compared to the distributions to Shareholders by way of dividends and the operating expenses and Investment Adviser's fees and operating expenses incurred by the Company.

	<b>Period to 31 December 2020 (GBP)</b>
Dividend income	1,996,000
Spend on Directors' fees	169,000
Company's operating expenses and Investment Adviser's fees	1,474,000
Dividends payable to Shareholders	875,500

The disclosure of the information in the table above is required under The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 with the exception of operating expenses which have been included to show the total expenses of the Company.

## Directors' holdings (Audited)

At 31 December 2020 and as at the date of this report, the Directors had the following holdings in the Company. There is no requirement for Directors to hold shares in the Company. All holdings were beneficially owned.

<b>Director</b>	<b>Ordinary Shares As at 31 December 2020</b>
Rosemary Morgan	40,000
Chetan Ghosh	40,000
Rachel Hill	80,000
Alicia Ogawa	25,000
Ayako Weissman	27,000

## Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Remuneration Policy and Remuneration Implementation Report summarises, as applicable, for the period to 31 December 2020:

- (a) the major decisions on Directors' remuneration;
- (b) any substantial changes relating to Directors' remuneration made during the period; and
- (c) the context in which the changes occurred and decisions have been taken.

## Rachel Hill

Chair of the Nomination and Remuneration Committee

31 March 2021

# Report of the Audit and Risk Committee

## Role of the Audit Committee

The AIC Code recommends that Boards should establish an audit committee consisting of at least three, or in the case of smaller companies, two independent non-executive directors. The Board is required to satisfy itself the audit committee as a whole should have competence relevant to the sector in which the company operates. The main role and responsibilities of the audit committee are set out in the Committee's terms of reference covering certain matters described in the AIC Code. The Company complies with the AIC Code. The terms of reference are available on the Company's website or on request from the company secretary.

## Composition

The Audit Committee comprises all members of the Board and is chaired by Chetan Ghosh. The AIC Code permits the Chair of the Board to be a member of, but not chair the Audit Committee if they were independent on appointment. The Chair of the Board was independent on appointment and continues to be, and in view of the size of the Board, the Directors feel it is appropriate for the Chair of the Board to be a member of the Audit Committee.

## Meetings of the Audit Committee

The Audit Committee meets formally at least twice a year for the purpose, amongst other things, of advising the Board on the appointment, effectiveness, independence, objectivity, and remuneration of the external auditor. The Audit Committee monitors the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them. The Audit Committee also reviews the Company's internal financial controls and its internal control, risk management systems and reviews the whistleblowing arrangements of the Investment Adviser, AIFM and Administrator. The provision of non-audit services by the auditor are reviewed against the Committee's policy described below.

## Financial statements and significant accounting matters

The Audit Committee reviewed the financial statements and considered the following significant accounting matters in relation to the Company's financial statements for the period ended 31 December 2020.

### Valuation and existence of investments

The Company holds all of its assets in quoted investments. The existence and valuation of these investments is the most material matter in the production of the financial statements. The Audit Committee reviewed the procedures in place for ensuring accurate valuation and existence of investments and discussed the valuation of the Company's investments at the period end with the Investment Adviser and reviewed their existence with the Administrator and other service providers. Investments are valued using independent pricing sources and the holding quantities at the period end were agreed to the Company's custodian's records.

### Recognition of income

Income may not be accrued in the correct period and/or incorrectly allocated to revenue or capital. The Audit Committee reviewed the Administrator's procedures for recognition of income and reviewed the treatment of any special dividends receivable in the period.

### Financial statement presentation

The Audit Committee obtained assurances from the Investment Adviser and the Company Secretary that the financial statements had been prepared appropriately.

### Going concern

The financial statements could be prepared on an incorrect accounting basis which might result in an incorrect valuation of financial assets and liabilities. The Audit Committee reviewed the Company's financial resources and concluded that it is appropriate for the Company's financial statements to be prepared on a going concern basis as described in the Directors' Report on page 20.

## Conclusion with respect to the annual report and financial statements

The Audit Committee has concluded that the annual report for the period ended 31 December 2020, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy. The Audit Committee has reported its conclusions to the Board. The Audit Committee reached this conclusion through a process of review of the document and enquiries to the various parties involved in the production of the annual report, and the external auditor's report thereon.

## **Auditor**

### **Provision of non-audit services**

The Audit Committee has put a policy in place on the supply of any non-audit services provided by the external auditor. Such services are considered on a case-by-case basis and may only be provided to the Company if the provision of such services is at a reasonable and competitive cost and does not constitute a conflict of interest or potential conflict of interest which would prevent the auditor from remaining objective and independent.

No non-audit services were provided by the auditor during the period.

### **Effectiveness of external audit**

BDO LLP has performed the audit of the financial statements for the period ended 31 December 2020. The Audit Committee reviewed the audit planning and the standing, skills and experience of the firm and the audit team. The Audit Committee also considered the independence of BDO and the objectivity of the audit process. BDO has confirmed that it is independent of the Company and has complied with relevant auditing standards. No modifications were required to the external audit approach. The Audit Committee received a presentation of the audit plan from the external auditor prior to the commencement of the 2020 audit and a presentation of the results of the audit following completion of the main audit testing. Additionally, the Audit Committee received feedback from the Investment Adviser and Administrator regarding the effectiveness of the external audit process.

The Audit Committee is satisfied that BDO LLP has provided effective independent challenge in carrying out its responsibilities. After due consideration, the Audit Committee recommends the re-appointment of BDO LLP and their re-appointment will be put forward to the Company's Shareholders at the 2021 AGM.

### **Internal audit**

The Audit Committee has considered the need for an internal audit function and considers that this is not appropriate given the nature and circumstances of the Company. The Audit Committee keeps the need for an internal function under periodic review. The Investment Adviser reports the key conclusions of their internal audit report to the Company's Audit Committee.

### **Committee evaluation**

The Audit Committee's activities fell within the scope of the review of Board effectiveness performed in the period. Details of this process can be found under 'Board and chair evaluation' on page 26.

## **Chetan Ghosh**

Audit Committee Chair

31 March 2021

# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- state whether international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ("IFRS") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors' confirmation statement

The Directors, whose names and functions have been disclosed in the Corporate Governance section of this report, each confirm to the best of their knowledge that:

- the Company financial statements, which have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- this Directors' Report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Having taken advice from the Audit Committee, the Directors consider that the Annual Report and financial statements taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

For and on behalf of the Board

**Rosemary Morgan**

Chair

31 March 2021

# Independent auditor's report to the members of Nippon Active Value Fund plc

## Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of the Company's profit for the period then ended;
- the financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Nippon Active Value Fund plc (the 'Company') for the period 22 October 2019 to 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

## Basis for opinion

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

## Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 27 August 2020 to audit the financial statements for the period ended 31 December 2020. The period of total uninterrupted engagement is 1 year, covering the period ended 31 December 2020. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

## Conclusions relating to going concern

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

- Evaluating the appropriateness of Management's method of assessing the going concern in light of market volatility and the present uncertainties due to the COVID-19 pandemic;
- Assessing the liquidity position available to meet the future obligations and operating expense cover for the next twelve months; and
- Challenging Management's assumptions and judgements made by assessing them for reasonableness and stress-testing forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

# Independent auditor's report to the members of Nippon Active Value Fund plc *continued*

## Overview

<b>Key audit matters</b>	Valuation and ownership of investments	2020 ✓
<b>Materiality</b>	£1.17m based on 1% of Net Assets	

## An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

### Key audit matters

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

Key audit matter		How the scope of our audit addressed the key audit matter
<b>Valuation and ownership of investments (note 2(b) and note 3)</b>	<p>The investment portfolio at the period-end comprised of listed equity investments at fair value through profit or loss.</p> <p>We considered the valuation, existence and ownership of investments to be the most significant audit areas as investments represent the most significant balance in the financial statements and underpin the principal activity of the entity. We therefore considered this to be a key audit matter.</p>	<p>We responded to this matter by testing the valuation, existence and ownership of 100% of the portfolio of investments. We performed the following procedures:</p> <ul style="list-style-type: none"> <li>Confirmed that the period end bid price was used by agreeing to externally quoted prices and for all of the investments, assessed if there were contra indicators, such as liquidity considerations, to suggest that the bid price is not the most appropriate indication of fair value.</li> <li>Obtained direct confirmation from the custodian regarding all investments held at the balance sheet date.</li> </ul> <p><b>Key observations:</b> Based on our procedures performed we did not identify any material exceptions with regards to valuation, existence or ownership of investments or the disclosures.</p>

## Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	<b>Company financial statements</b>
	2020 £m
<b>Materiality</b>	1.17
<b>Basis for determining materiality</b>	1% of Net Assets
<b>Rationale for the benchmark applied</b>	As an investment trust, net asset value is considered to be the key measure of performance.
<b>Performance materiality</b>	0.82
<b>Basis for determining performance materiality</b>	Performance materiality was calculated at 70% of total materiality as this is the first year on the audit.

We have set a lower testing threshold for those items impacting revenue return of £111,000 which is based on 10% of net revenue returns before tax.

#### *Reporting threshold*

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £23,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Corporate governance statement**

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

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

<b>Going concern and longer-term viability</b>	<ul style="list-style-type: none"> <li>• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and</li> <li>• The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate.</li> </ul>
<b>Other Code provisions</b>	<ul style="list-style-type: none"> <li>• Directors' statement is fair, balanced and understandable;</li> <li>• Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;</li> <li>• The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and</li> <li>• The section describing the work of the audit committee.</li> </ul>

# Independent auditor's report to the members of Nippon Active Value Fund plc *continued*

## Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

<b>Strategic report and Directors' report</b>	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> <li>• the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and</li> <li>• the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.</li> </ul> <p>In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.</p>
<b>Directors' remuneration</b>	<p>In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
<b>Matters on which we are required to report by exception</b>	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or</li> <li>• the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or</li> <li>• certain disclosures of Directors' remuneration specified by law are not made; or</li> <li>• we have not received all the information and explanations we require for our audit.</li> </ul>

## Responsibilities of Directors

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

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

## Auditor's responsibilities for the audit of the financial statements

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

### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Chapter 3 Part 6 of the Income Tax Act 2007, the Companies

Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the AIC SORP and International Accounting Standards. We also considered the company's qualification as an Investment Trust under UK tax legislation with the relevant tests as follows:

- The business of the company consists of investing in shares, land or other assets with the aims of spreading investment risk and giving members the benefit of the results of the management of its funds; and
- The company must not retain >15% of its distributable income.

We considered compliance with this framework through discussions with the Audit Committee and performed audit procedures on these areas as considered necessary. Our procedures involved enquiries with Management, review of the reporting to the directors with respect to compliance with laws and regulation, review of board meeting minutes and review of legal correspondence.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of Management;
- testing of journal postings made during the period to identify potential management override of controls;
- review of minutes of board meetings throughout the period; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

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

### **Justin Chait**

(Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

31 March 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Statement of Comprehensive Income

For the period from incorporation on  
22 October 2019 to 31 December 2020

	Note	Period ended 31 December 2020		
		Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	-	15,737	15,737
Income	4	1,996	-	1,996
Foreign exchange losses		-	(2,070)	(2,070)
Investment adviser fees	5	(157)	(626)	(783)
Other operational expenses	6	(725)	34	(691)
<b>Profit before taxation</b>		<b>1,114</b>	<b>13,075</b>	<b>14,189</b>
Taxation	7	(202)	-	(202)
<b>Profit and comprehensive income for the period</b>		<b>912</b>	<b>13,075</b>	<b>13,987</b>
Earnings per Ordinary Share – Basic and diluted (pence)	8	1.23p	17.61p	18.84p

There is no other comprehensive income and therefore the return for the period is also the total comprehensive income for the period.

The total column of the above statement is the profit and loss account of the Company. All revenue and capital items in the above statement derive from continuing operations.

Both the supplementary revenue and capital columns are both prepared under guidance from the Association of Investment Companies ("AIC").

The notes on pages 44 to 56 form part of these financial statements.

# Statement of Financial Position

At 31 December 2020

	31 December 2020
	Note £'000
<b>Non-current assets</b>	
Investments at fair value through profit or loss	3 102,905
<b>Current assets</b>	
Cash and cash equivalents	12,645
Trade and other receivables	9 1,707
	<b>14,352</b>
<b>Current liabilities</b>	
Trade and other payables	10 (271)
	<b>(271)</b>
<b>Net current assets</b>	<b>14,081</b>
<b>Net assets</b>	<b>116,986</b>
<b>Capital and reserves attributable to Shareholders</b>	
Share capital	11 1,030
Share premium	101,970
Capital reserve	13,074
Revenue reserve	912
<b>Total equity</b>	<b>116,986</b>
<b>NAV per Ordinary Share (pence)</b>	12 <b>113.58p</b>

Approved by the Board of Directors and authorised for issue on 31 March 2021 and signed on their behalf by:

**Chetan Ghosh**

Director

Nippon Active Value Fund plc is incorporated in England and Wales with registration number 12275668.

The notes on pages 44 to 56 form part of these financial statements.

# Statement of Changes in Equity

For the period from incorporation on  
22 October 2019 to 31 December 2020

	Note	Share capital £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>Balance at 22 October 2019</b>		-	-	-	-	-
Issue of Ordinary Shares	11	1,030	101,970	-	-	103,000
Profit for the period		-	-	13,074	912	13,986
<b>Balance at 31 December 2020</b>		<b>1,030</b>	<b>101,970</b>	<b>13,074</b>	<b>912</b>	<b>116,986</b>

The Company's distributable reserves consist of the capital reserve attributable to realised capital profits and revenue reserve.

The notes on pages 44 to 56 form part of these financial statements.

# Statement of Cash Flows

For the period from incorporation on  
22 October 2019 to 31 December 2020

	Note	Year ended 31 December 2020 £'000
<b>Operating activities cash flows</b>		
Profit before taxation*		14,189
<b>Adjustment for:</b>		
Gains on investments	3	(15,737)
Increase in trade and other receivables		(372)
Increase in trade and in other payables		149
Tax withheld on overseas income	7	(202)
<b>Net cash flow used in operating activities</b>		<b>(1,973)</b>
<b>Investing activities cash flows</b>		
Purchases of investments		(88,840)
Sales of investments		458
<b>Net cash flow used in investing activities</b>		<b>(88,382)</b>
<b>Financing activities cash flows</b>		
Issue of Ordinary Share capital	11	103,000
<b>Net cash flow from financing activities</b>		<b>103,000</b>
<b>Increase in cash and cash equivalents</b>		<b>12,645</b>
Cash and cash equivalents at the beginning of the period		–
<b>Cash and cash equivalents at the end of the period</b>		<b>12,645</b>

\* Cash inflow from dividends received for the period is £1,531,000

The notes on pages 44 to 56 form part of these financial statements.

# Notes to the Accounts

## 1. GENERAL INFORMATION

The Company is a closed-ended investment company incorporated on 22 October 2019 in England and Wales with registered number 12275668 and registered as an investment company under Section 833 of the Companies Act 2006, as amended from time to time. The Company is an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010, as amended. On 21 February 2020, the Company's shares were admitted to the Specialist Fund Segment of the Main Market of the London Stock Exchange. On the same day, trading of the Ordinary Shares commenced on the London Stock Exchange.

The investment objective of the Company is to provide Shareholders with attractive capital growth through the active management of a focussed portfolio of quoted companies which have the majority of their operations in, or revenue derived from, Japan and that have been identified by the Investment Adviser as being undervalued.

The principal activity of the Company is that of an investment trust company within the meaning of section 1158 of the Corporation Tax Act 2010.

International Fund Management Limited acts as the Company's Alternative Investment Fund Manager (the "AIFM") for the purposes of Directive 2011/61/EU on alternative investment fund managers ("AIFMD").

The Company's Investment Adviser is Rising Sun Management Limited. PraxisIFM Fund Services (UK) Limited (the "Administrator") provides administrative and company secretarial services to the Company under the terms of an administration agreement between the Company and the Administrator.

The Company's registered office is 1st Floor, Senator House, 85 Queen Victoria Street, London, EC4V 4AB.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of preparation

#### *Statement of compliance*

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The financial statements have also been prepared as far as is relevant and applicable to the Company in accordance with the Statement of Recommended Practice ("SORP") issued in October 2019.

There are no comparatives as this is the Company's first accounting period.

#### *Going Concern*

The financial statements have been prepared on a going concern basis. In forming this opinion, the Directors have considered any potential impact of the COVID-19 pandemic on the going concern and viability of the Company. In making their assessment, the Directors have reviewed income and expense projections and the liquidity of the investment portfolio, and considered the mitigation measures which key service providers, including the Manager, have in place to maintain operational resilience particularly in light of COVID-19.

In arriving at their conclusion that the Company has adequate financial resources, the Directors were mindful that the Company had unrestricted cash of £12.6 million as at 31 December 2020. The Company's net assets at 31 December 2020 were £117.0 and total expenses for the period ended 31 December 2020 were £1.5 million, which represented approximately 1.6% of average net assets during the period. At the date of approval of this document, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover. The Directors are satisfied that the Company has sufficient resources to continue to operate for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

#### *Use of estimates and judgements*

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected. There have been no estimates, judgements or assumptions, which have had a significant impact on the financial statements for the year.

### ***Basis of measurement***

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss, which are measured at fair value.

### ***Functional and presentation currency***

The financial statements are presented in sterling, which is the Company's functional currency. The Company's investments are denominated in Japanese yen. However, the Company's Shares are issued in sterling. In addition, substantial majority of the Company's expenses are paid in sterling. It is also expected that the Company's dividend shall be declared and paid in sterling. All financial information presented in sterling has been rounded to the nearest thousand pounds.

The Company is required to identify its functional currency, being the currency of the primary economic environment in which the Company operates. The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency. Sterling is also the currency in which the financial statements are presented.

### ***New standards, interpretations and amendments adopted from 1 January 2020***

A number of new standards, amendments to standards and interpretations are effective for the annual periods beginning after 1 January 2020. None of these are expected to have a significant effect on the measurement of the amounts recognised in the financial statements of the Company.

### ***New standards, interpretations and amendments not yet effective***

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods, none of which is expected to have a significant effect on the measurement of the amounts recognised in the financial statements of the Company, hence the Company has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

## **b) Significant accounting policies**

The following accounting policies have been applied consistently throughout the reporting period.

### ***Investments***

Upon initial recognition investments are classified by the Company "at fair value through profit or loss". They are accounted for on the date they are traded and are included initially at fair value which is taken to be their cost. Subsequently quoted investments are valued at fair value, which is the bid market price, or if the bid price is unavailable, last traded price on the relevant exchange. Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are included in the capital column of the Statement of Comprehensive Income within "gains on investments". Investments are derecognised on the trade date of their disposal, which is the point where the Company transfers substantially all the risks and rewards of the ownership of the financial asset.

### ***Taxation***

Investment trusts which have approval under Section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains. The Company has successfully applied and has been granted approval as an Investment Trust by HMRC.

Irrecoverable withholding tax is recognised on any overseas dividends on an accruals basis using the applicable rate for the country of origin.

# Notes to the Accounts *continued*

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *continued*

### ***Segmental reporting***

The Chief Operating Decision Maker, which is the Board, is of the opinion that the Company is engaged in a single segment of business. The financial information used by the Chief Operating Decision Maker to manage the Company presents the business as a single segment.

### ***Dividends payable***

Dividends to shareholders are recognised in the year of the ex-dividend date.

### ***Income***

Income includes investment income from financial assets at fair value through profit or loss and finance income. Investment income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within investment income when the Company's right to receive payments is established. Dividend income is presented gross of non-recoverable withholding taxes, which are disclosed separately in the Statement of Comprehensive Income.

Other income comprises interest earned on cash held on deposit. Other income is recognised on a receipt basis.

### ***Expenses***

All expenses are accounted for on an accrual basis. In respect of the analysis between revenue and capital items presented within the Statement of Comprehensive Income, the Investment Adviser's fees are split 20% to revenue and 80% to capital. All other expenses are recognised as revenue.

### ***Foreign currency***

Transactions denominated in foreign currencies are translated into sterling at the exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the period end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss to capital or revenue in the Income Statement as appropriate. Foreign exchange movements on investments are included in the Income Statement within gains on investments.

### ***Cash and cash equivalents***

Cash and cash equivalents include deposits held at call with banks and other short-term deposits with original maturities of three months or less.

### ***Trade and other payables***

Trade and other payables are initially recognised at fair value, and subsequently re-measured at amortised cost using the effective interest method where necessary.

### **Nature and purpose of equity and reserves:**

#### ***Share capital and share premium***

Share capital represents the 1p nominal value of the issued share capital. Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares (that would have been avoided if there had not been a new issue of new shares) are recognised against the value of the ordinary share premium.

The share premium account arose from the net proceeds of new shares and from the excess proceeds received on the sale of shares from treasury over the repurchase cost.

#### ***Capital reserve***

The capital reserve represents the nominal value of shares repurchased for cancellation. Profits and losses achieved by selling investments, changes in fair value arising upon the revaluation of investments that remain in the portfolio and other capital expenditure are all charged to the capital column of the Statement of Comprehensive Income and allocated to the capital reserve.

The capital reserve reflects any:

- gains or losses on the disposal of investments;
- exchange movements of a capital nature;

- the increases and decreases in the fair value of investments which have been recognised in the capital column of the income statement; and
- expenses which are capital in nature.

Any gains in the fair value of investments that are not readily convertible to cash are treated as unrealised gains in the capital reserve.

#### **Revenue reserve**

The revenue reserve reflects all income and expenditure recognised in the revenue column of the income statement and is distributable by way of dividend.

The Company's distributable reserve consists of the share purchase reserve, the capital reserve and the revenue reserve.

### **3. INVESTMENTS**

#### **(a) Investment at fair value through profit or loss**

	<b>As at 31 December 2020 £'000</b>
Listed on a recognised overseas exchange	102,905
<b>Total</b>	<b>102,905</b>

#### **(b) Movements during the period ended 31 December 2020**

	<b>Period ended 31 December 2020 £'000</b>
Investment purchases, at cost	88,873
Investment sales, at cost	(1,325)
Closing book cost	87,548
Investment holding gains	15,357
<b>Closing valuation</b>	<b>102,905</b>

Transaction costs on investment purchases for the period ended 31 December 2020 amounted to £89,000 and on investment sales for the period amounted to £2,000.

#### **(c) Gains on investments**

	<b>Period ended 31 December 2020 £'000</b>
Realised gains on disposal of investments	471
Investment holding gains	15,357
Net transactions costs	(91)
<b>Total gains on investments held at fair value</b>	<b>15,737</b>

#### **Fair Value Measurements of Financial Assets and Financial Liabilities**

The financial assets and liabilities are either carried at their fair value, or the amount is a reasonable approximation of fair value (due from brokers, dividends receivable, accrued income, due to brokers, expense accruals and cash and cash equivalents).

## Notes to the Accounts *continued*

### 3. INVESTMENTS *continued*

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 as follows:

Level 1 – valued using quoted prices in active markets for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs including quoted prices.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques for investments and derivatives used by the Company are explained in the accounting policies notes 2 (b and c).

The table below sets out fair value measurements using the Fair Value Hierarchy.

<b>As at 31 December 2020</b>	<b>Level 1</b> £'000	<b>Level 2</b> £'000	<b>Level 3</b> £'000	<b>Total</b> £'000
Assets:				
Equity investments	102,905	–	–	102,905
<b>Total</b>	<b>102,905</b>	<b>–</b>	<b>–</b>	<b>102,905</b>

There were no transfers between levels during the period. There are no Level 2 or Level 3 investments as at 31 December 2020.

### 4. INCOME

	<b>Period ended</b> <b>31 December 2020</b> £'000
<b>Income from investments:</b>	
Overseas dividends	1,996
<b>Total</b>	<b>1,996</b>

### 5. INVESTMENT ADVISER FEES

	<b>Period ended</b> <b>31 December 2020</b> £'000
<b>Basic fee:</b>	
20% charged to revenue	157
80% charged to capital	626
<b>Total</b>	<b>783</b>

The Company's Investment Adviser is Rising Sun Management Ltd. The Investment Advisor is entitled, with effect from First Admission, to receive an annual fee from the Company 0.85% per annum of NAV.

## 6. OTHER EXPENSES

Period ended  
31 December 2020  
£'000

Directors' fees	169
Administration fees	54
Auditor's remuneration	26
AIFM fees	60
Broker retainer fees	43
Custodian fees	65
D&O insurance	15
Marketing fees	16
Legal Fees	36
Regulatory Fees	23
Secretarial fees	47
Miscellaneous expenses	171
<b>Other expenses - Revenue</b>	<b>725</b>
<b>Other expenses - Capital*</b>	<b>(34)</b>
<b>Total Other expenses</b>	<b>691</b>

\* This is in relation to the capital element of VAT recoverable on the Company's expenses from inception to 31 December 2020, upon successful registration and submission of a VAT return for the period. The revenue portion of the VAT recoverable in the amount of £28,000 has been allocated to Miscellaneous expenses in the table above.

# Notes to the Accounts continued

## 7. TAXATION

### (a) Analysis of tax charge in the period:

	Period ended 31 December 2020		
	Revenue £'000	Capital £'000	Total £'000
Overseas withholding tax	202	-	202
<b>Total tax charge for the year (see note 7 (b))</b>	<b>202</b>	<b>-</b>	<b>202</b>

### (b) Factors affecting the tax charge for the period:

The tax charge assessed for the period to 31 December 2020 is lower than the Company's applicable rate of corporation tax of 19% (2019: 19%).

The differences are explained below:

	Period ended 31 December 2020		
	Revenue £'000	Capital £'000	Total £'000
<b>Profit before taxation</b>	<b>1,114</b>	<b>13,075</b>	<b>14,189</b>
UK corporation tax at 19.00% (2019: 19.00%)	212	2,484	2,696
Effects of:			
Overseas withholding tax suffered	202	-	202
Non-taxable overseas dividends	(379)	-	(379)
Capital gains not subject to tax	-	(2,597)	(2,597)
Movement in unutilised management expenses	167	113	280
<b>Total tax charge</b>	<b>202</b>	<b>-</b>	<b>202</b>

## 8. EARNINGS PER ORDINARY SHARE

Total return per Ordinary Share is based on the return on ordinary activities, including income, for the period after taxation of £13,987,000.

Based on the weighted average number of Ordinary Shares in issue for the period to 31 December 2020 of 74,244,852, the returns per share were as follows:

	As at 31 December 2020		
	Revenue	Capital	Total
<b>Return per Ordinary Share</b>	<b>1.23p</b>	<b>17.61p</b>	<b>18.84p</b>

## 9. OTHER DEBTORS

	As at 31 December 2020 £'000
Accrued income	263
Sales for settlement	1,335
Other receivables	109
<b>Total</b>	<b>1,707</b>

## 10. OTHER CREDITORS

As at  
31 December 2020  
£'000

<b>Amounts falling due within one period:</b>	
Purchases for future settlement	122
Accrued expenses	149
<b>Total</b>	<b>271</b>

## 11. SHARE CAPITAL

Share capital represents the nominal value of shares that have been issued. The share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

	Period ended 31 December 2020	
	No. of shares	£'000
<b>Issued &amp; fully paid:</b>		
Opening balance as at 22 October 2019	–	–
Ordinary Shares of 1p each ('Ordinary Shares') issued	103,000,001	1,030
<b>Closing balance as at 31 December 2020</b>	<b>103,000,001</b>	<b>1,030</b>

The Directors have been authorised to issue up to 400 million Shares.

### Share capital movement during the period:

	No. of shares	Nominal value of shares
<b>Allotted, issued &amp; fully paid:</b>		
<b>Opening balance as at 22 October 2019</b>	<b>–</b>	<b>–</b>
<b>Allotted upon Incorporation:</b>		
Ordinary Shares of 1p each ('Ordinary Shares')	1	0.01
Redeemable Preference Share	50,000	12,500.00
<b>Allotted/re-designated following admission to London Stock Exchange:</b>		
Redeemable Preference Shares re-designated into Ordinary Shares	(50,000)	(12,500.00)
Ordinary Shares issued under the Initial Placing, Offer for Subscription and Intermediaries Offer	103,000,000	1,030,000.00
<b>Closing balance as at 31 December 2020</b>	<b>103,000,001</b>	<b>1,030,000.01</b>

# Notes to the Accounts continued

## 11. SHARE CAPITAL continued

### Rights attaching to the Ordinary Shares

Dividend rights: All Ordinary Shares are entitled to participate in dividends which the Company declares from time to time in respect of the Ordinary Shares, proportionate to the amounts paid or credited as paid on such Ordinary Shares.

Rights as respect to capital: On a winding-up or a return of capital, in the event that the Directors resolve to make a distribution to Shareholders, all Ordinary Shares are entitled to a distribution of capital in the same proportions as capital is attributable to them, after taking into account any net assets attributable to the C Shares in issue (if any).

Voting rights: Every Shareholder shall have one vote for each Ordinary Share held.

## 12. NET ASSET VALUE PER SHARE

Total equity and the net asset value ("NAV") per share attributable to the Ordinary Shareholders at the period end calculated in accordance with the Articles of Association were as follows:

	<b>As at 31 December 2020</b>
Net Asset Value (£)	116,986,000
Ordinary Shares in issue	103,000,001
<b>NAV per Ordinary Share</b>	<b>113.58p</b>

## 13. DIVIDEND

The Board has declared an interim dividend of 0.85p per Ordinary share in respect of the period ended 31 December 2020, which will be paid on 30 April 2021 to Shareholders on the register on 9 April 2021. The Board will not target a dividend for future years but will substantially pay out distributable income for any particular period by way of dividend.

## 14. RELATED PARTY TRANSACTIONS

### Transactions with the Investment Adviser

The fees for the period are disclosed in note 5 and amounts outstanding at the period ended 31 December 2020 were £ nil.

### Directors' fees and shareholdings

Directors' fees are payable at the rate of £27,000 per annum for each Director other than the Chairman, who is entitled to receive £35,000. The Chairman of the Audit Committee is also entitled to an additional fee of £3,000 per annum.

The Directors had the following shareholdings in the Company, all of which were beneficially owned.

	<b>As at 31 December 2020</b>
Rosemary Morgan	40,000
Chetan Ghosh	40,000
Rachel Hill	80,000
Alicia Ogawa	25,000
Ayako Weissman	27,000

## 15. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES

### Risk Management Policies and Procedures

As an investment trust the Company invests in equities for the long-term so as to secure its investment objective stated on page 10. In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for dividends.

These risks include market risk (comprising currency risk, interest rate risk, and other price risk), liquidity risk, and credit risk, and the Directors' approach to the management of them is set out as follows.

The objectives, policies and processes for managing the risks, and the methods used to measure the risks, are set out below.

#### Market risk

##### *Economic conditions*

Changes in economic conditions in Japan (for example, interest rates and rates of inflation, industry conditions, competition, political and diplomatic events and other factors) and in the countries in which the Company's investee companies operate could substantially and adversely affect the Company's prospects.

##### *Sectoral diversification*

The Company is not subject to restrictions on the amount it may invest in any particular sector. Although the portfolio is expected to be diversified in terms of sector exposures, the Company may have significant exposure to portfolio companies from certain sectors from time to time. As there is no hard limit on the amount the Company may invest in any sector the entire Portfolio may, at certain times, be invested solely in one sector. Greater concentration of investments in any one sector may result in greater volatility in the value of the Company's investments and consequently its NAV and may materially and adversely affect the performance of the Company and returns to Shareholders.

##### *Management of market risks*

The Company is invested in a diversified portfolio of investments.

The Board will not set any limits on sector weightings or stock selection within the portfolio. The Board will apply the following restrictions on the size of its investments:

- not more than 30 per cent. of the Gross Asset Value at the time of investment will be invested in the securities of a single issuer; and
- the value of the four largest investments at the time of investment will not constitute more than 75 per cent. of the Gross Asset Value.

#### (i) Currency risks

The majority of the Company's assets will be denominated in a currency other than sterling (predominantly in Japanese yen) and changes in the exchange rate between sterling and Japanese yen may lead to a depreciation of the value of the Company's assets as expressed in sterling and may reduce the returns to the Company from its investments and, therefore, negatively impact the level of dividends paid to Shareholders.

##### *Management of currency risks*

The Company does not currently intend to enter into any arrangements to hedge its underlying currency exposure to investment denominated in Japanese yen, although the Investment Adviser and the Board may review this from time to time.

##### *Foreign currency exposures*

An analysis of the Company's equity investments that are priced in a foreign currency is:

# Notes to the Accounts continued

## 15. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES continued

	As at 31 December 2020 £'000
Portfolio of investments: yen	102,905
Trade and other receivables: yen	1,598
Cash: yen	12,427
<b>Total</b>	<b>116,930</b>

### *Foreign currency sensitivity*

If the Japanese yen had appreciated or depreciated by 10% as at 31 October 2019 then the value of the portfolio as at that date would have increased or decreased as shown below:

	Increase in Fair Value As at 31 December 2020 £'000	Decrease in Fair Value As at 31 December 2020 £'000
Impact on portfolio – increase/(decrease)	5,145	(5,145)
Impact on NAV - increase/(decrease)	5,847	(5,847)

### **(ii) Interest rate risks**

The Company is exposed to interest rate risk specifically through its cash holdings. Interest rate movements may affect the level of income receivable from any cash at bank and on deposits. The effect of interest rate changes on the earnings of the companies held within the portfolio may have a significant impact on the valuation of the Company's investments.

#### *Management of interest rate risks*

Prevailing interest rates are taken into account when deciding on borrowings.

#### *Interest rate exposure*

The exposure at 31 December 2020 of financial assets and liabilities to interest rate risk is shown by reference to floating interest rates – when the interest rate is due to be reset.

	As at 31 December 2020 £'000
Exposure to floating interest rates:	
Floating rate on cash balance: yen	12,427

### **(iii) Price risks**

Price risk includes changes in market prices, other than those arising from interest rate risk or currency risk, which may affect the value of equity investments.

#### *Management of price risk*

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objective and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

### Price risk exposure

The Company's total exposure to changes in market prices at 31 December 2020 comprises its holdings in equity investments as follows:

	<b>As at 31 December 2020 (£'000)</b>
Investments held at fair value through profit or loss	102,905

The effect on the portfolio of a 10.0% increase or decrease in the value of the loans would have resulted in an increase or decrease of £10,300,000.

### Liquidity risks

The securities of small-to-medium-sized (by market capitalisation) companies may have a more limited secondary market than the securities of larger companies. Accordingly, it may be more difficult to effect sales of such securities at an advantageous time or without a substantial drop in price than securities of a company with a large market capitalisation and broad trading market. In addition, securities of small-to-medium-sized companies may have greater price volatility as they can be more vulnerable to adverse market factors such as unfavourable economic reports.

### Management of liquidity risks

The Company's Investment Adviser monitors the liquidity of the Company's portfolio on a regular basis.

### Liquidity risk exposure

The undiscounted gross cash outflows of the financial liabilities as at 31 December 2020, based on the earliest date on which payment can be required, were as follows:

	<b>As at 31 December 2020 less than 3 months</b>
Trade and other payables	271
<b>Total</b>	<b>271</b>

Liquidity risk is minimised by holding sufficient liquid investments which can be readily realised to meet liquidity demands. The Company's liquidity risk is managed on a daily basis by the Investment Adviser in accordance with established policies and procedures in place. Liquidity risk is not significant as the majority of the Company's assets are investments in quoted equities that are readily realisable.

### Credit risks

#### Cash and other assets held by the custodian

Cash and other assets that are required to be held in custody will be held by the custodian or its sub-custodians. Cash and other assets may not be treated as segregated assets and will therefore not be segregated from any custodian's own assets in the event of the insolvency of a custodian.

Cash held with any custodian will not be treated as client money subject to the rules of the FCA and may be used by a custodian in the course of its own business. The Company will therefore be subject to the creditworthiness of its custodians. In the event of the insolvency of a custodian, the Company will rank as a general creditor in relation thereto and may not be able to recover such cash in full, or at all.

### Management of credit risks

The Company has appointed Northern Trust Global Services Limited as its custodian. The credit rating of Northern Trust was reviewed at time of appointment and will be reviewed on a regular basis by the Investment Adviser and/or the Board.

The Investment Adviser monitors the Company's exposure to its counterparties on a regular basis and the position is reviewed by the directors at Board meetings.

# Notes to the Accounts continued

## 15 FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES continued

In summary, the exposure to credit risk as at 31 December 2020 was as follows:

	<b>As at 31 December 2020</b>
Cash at bank	12,645
Trade and other receivables	1,707
<b>Total</b>	<b>14,352</b>

### (vi) Capital Management Policies and Procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to provide dividend income combined with capital growth, mainly through investment in equities listed or quoted in Japan.

The key performance indicators are contained in the strategic report on page 11.

The Company is subject to several externally imposed capital requirements:

- As a public company, the Company has to have a minimum share capital of £50,000.
- In order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.

The Company's capital at 31 December 2020 comprises called-up share capital and reserves totalling £116,986,000.

The Board regularly monitors, and has complied with, the externally imposed capital requirements.

## 16. POST PERIOD END EVENTS

There are no post period end events other than as disclosed in this Report.

# Alternative Performance Measures (“APMs”)

## Discount

The amount, expressed as a percentage, by which the share price is less than the NAV per Ordinary Share.

As at 31 December 2020		Page	
NAV per Ordinary Share	a	2	113.58
Share price	b	2	106.5
<b>Discount</b>	<b>(b÷a)-1</b>		<b>6.23%</b>

## Total return

A measure of performance that includes both income and capital returns. This takes into account capital gains and reinvestment of dividends paid out by the Company into its Ordinary Shares on the ex-dividend date.

Year end 31 December 2020		Page	Share price	NAV
Opening at 21 February 2020 (pence)	a	2	100.0	100.0
Closing at 31 December 2020 (pence)	b	2	106.5	113.6
<b>Discount</b>	<b>(c+d)</b>		<b>6.50%</b>	<b>13.60%</b>

## Ongoing charges

A measure, expressed as a percentage of average NAV, of the regular, recurring annual costs of running an investment company.

Year end 31 December 2020		Page		
Average NAV	a	n/a	106,722,593	
Annualised expenses	b	n/a	1,707,968	
<b>Discount</b>	<b>(b÷a)</b>			<b>1.60%</b>

# Glossary

<b>Administrator</b>	The Company's administrator, the current such administrator being PraxisIFM Fund Services (UK) Limited.
<b>AIC</b>	Association of Investment Companies
<b>Alternative Investment Fund or "AIF"</b>	An investment vehicle under AIFMD. Under AIFMD (see below) the Company is classified as an AIF.
<b>Alternative Investment Fund Managers Directive or "AIFMD"</b>	A European Union Directive which came into force on 22 July 2013 and has been implemented in the UK.
<b>Custodian</b>	An entity that is appointed to safeguard a company's assets.
<b>Depository</b>	Certain AIFs must appoint depositaries under the requirements of AIFMD. A depository's duties include, inter alia, safekeeping of the Company's assets and cash monitoring. Under AIFMD the depository is appointed under a strict liability regime.
<b>Dividend</b>	Income receivable from an investment in shares.
<b>Discount</b>	The amount, expressed as a percentage, by which the share price is less than the Net Asset Value per share.
<b>Ex-dividend date</b>	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to Shareholders.
<b>Financial Conduct Authority or "FCA"</b>	The independent body that regulates the financial services industry in the UK.
<b>Gearing</b>	A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.
<b>Index</b>	A basket of stocks which is considered to replicate a particular stock market or sector.
<b>Investment company</b>	A company formed to invest in a diversified portfolio of assets.
<b>Investment trust</b>	A closed-end investment company which is based in the UK and which meets certain tax conditions which enables it to be exempt from UK corporation tax on its capital gains. This Company is an investment trust.
<b>Market liquidity</b>	The extent to which investments can be bought or sold at short notice.
<b>Net assets</b>	An investment company's assets less its liabilities.
<b>Net Asset Value (NAV) per Ordinary Share</b>	Net assets divided by the number of Ordinary Shares in issue (excluding any shares held in treasury).
<b>Ordinary Shares</b>	The company's Ordinary Shares in issue.
<b>Ongoing charges</b>	A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running an investment company.

<b>Portfolio</b>	A collection of different investments constructed and held in order to deliver returns to Shareholders and to spread risk.
<b>Share price</b>	The price of a share as determined by buyers and sellers on the relevant stock exchange.
<b>Total return</b>	A measure of performance that takes into account both income and capital returns.
<b>Volatility</b>	A measure of how much a share moves up and down in price over a period of time.

# Corporate Information

## Board of Directors

Rosemary Morgan (Chairman)  
Chetan Ghosh  
Rachel Hill  
Alicia Ogawa  
Ayako Weissman

## Registered Office (Effective 31 July 2020)

1st Floor, Senator House  
85 Queen Victoria Street  
London  
EC4V 4AB

## Registered Office (Prior to 31 July 2020)

Mermaid House  
2 Puddle Dock  
London  
EC4V 3DB

## Administrator & Company Secretary (Effective 31 July 2020)

PraxisIFM Fund Services (UK) Limited  
1st Floor, Senator House  
85 Queen Victoria Street  
London  
EC4V 4AB

## Principal Bankers

The Northern Trust Company  
50 Bank Street  
Canary Wharf  
London  
E14 5NT

## Prime Broker

J.P. Morgan Securities PLC  
25 Bank Street  
Canary Wharf  
London  
E14 5JP

## Custodian

The Northern Trust Company  
50 Bank Street  
Canary Wharf  
London  
E14 5NT

## Company Security Identifiers

ISIN: GB00BKLGLS10  
Ticker: NAVF  
SEDOL: BKLGLS1  
Website: [www.nipponactivevaluefund.com](http://www.nipponactivevaluefund.com)  
LEI: 213800JOFEGZJYS21P75  
GIIN: WB82JR.99999.SL.826

## Investment Adviser

Rising Sun Management Limited  
c/o Appleby Global Services (Cayman) Limited  
71 Fort Street  
PO Box 500  
George Town, Grand Cayman  
KY1-1106, Cayman Islands

## Rising Sun Management Team

James B. Rosenwald, III  
Gifford Combs  
Paul ffolkes Davis  
Kazutaka Mizuochi

## Alternative Investment Fund Manager

International Fund Management Limited  
Sarnia House  
Le Truchot  
St Peter Port  
Guernsey, GY1 1GR

## Financial Adviser

Shore Capital & Corporate Limited  
Cassini House  
57 St James's Street  
London  
SW1A 1LD

## Legal Adviser

Mills & Reeve LLP  
24 King William Street  
London  
EC4R 9AT

## Registrar

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol  
BS13 8AE

## Auditors

BDO LLP  
55 Baker Street  
London  
W1U 7EU

# Notice of Annual General Meeting

**In line with the requirements of the Companies Act 2006, the Company will hold an Annual General Meeting (“AGM”) of shareholders to consider the resolutions laid out in the Notice of Meeting below.**

The well-being and safety of shareholders and service providers is a primary concern for the Directors of the Company and taking into account the prevailing regulations and guidance relating to the COVID-19 crisis, the Directors have determined that the AGM will be run as a combined physical and electronic meeting. Shareholders and their proxies will not be permitted to attend the meeting in person. Instead, shareholders can participate in the AGM virtually via video conference, where they will be able to vote and ask questions. Details of how to attend by video conference can be found in Note 4 below.

Even if you intend to attend the AGM via video conference, all shareholders are encouraged to cast their vote by proxy and to appoint the “Chair of the Meeting” as their proxy. Details of how to vote, either electronically, by proxy form or through CREST, can be found in the Notes to the Notice of AGM below.

As shareholders will currently be unable to attend the AGM in person, all resolutions will be decided on a poll to be called by the “Chair of the Meeting”. This reflects current best practice and ensures that shareholders who have appointed the “Chair of the Meeting” as their proxy have their votes fully taken into account. The results of the poll will be announced via a regulatory information service and placed on the Company’s website as soon as practicable after the conclusion of the AGM.

Shareholders are invited to send any questions for the Board or Investment Adviser in advance by email to [NAVFCoSec@PraxisIFM.com](mailto:NAVFCoSec@PraxisIFM.com) by close of business on 10 May 2021.

Should any changes be required to be made to the arrangements for the AGM, they will be announced via a regulatory information service and included on the Company’s website, <https://www.nipponactivevaluefund.com/>. Alternatively, shareholders can contact the Registrar, Computershare Investor Services PLC, for updated information (please see Notes to the Notice of AGM for the Registrar’s contact details).

## Notice of Meeting

Notice is hereby given that the AGM of Nippon Active Value Fund plc will be held at 1st Floor, Senator House, 85 Queen Victoria Street, London, EC4V 4AB on 12 May 2021 at 15.00 BST for the following purposes:

To consider and if thought fit pass the following resolutions of which resolutions 1 to 12 will be proposed as ordinary resolutions and resolutions 13 to 15 will be proposed as special resolutions.

1. To receive the Company’s Annual Report and Accounts for the year ended 31 December 2020 (the “**Annual Report**”).
2. To approve the Directors’ Remuneration Policy included in the Annual Report.
3. To approve the Directors’ Remuneration Report included in the Annual Report.
4. To elect Chetan Ghosh as a director of the Company.
5. To elect Rachel Hill as a director of the Company.
6. To elect Rosemary Morgan as a director of the Company.
7. To elect Alicia Ogawa as a director of the Company.
8. To elect Ayako Weissman as a director of the Company.
9. To appoint BDO LLP as auditor to the Company.
10. To authorise the Directors to fix the remuneration of the auditor until the conclusion of the next Annual General Meeting of the Company.
11. That the Directors be authorised to declare and pay all dividends of the Company as interim dividends and for the last dividend referable to a financial year not be categorised as a final dividend that is subject to shareholder approval.

## Notice of Annual General Meeting continued

12. That the Directors be and are hereby generally and unconditionally authorised (in substitution for all subsisting authorities to the extent unused) to exercise all powers of the Company to allot ordinary shares of 1 penny each in the Company ("**Ordinary Shares**") up to an aggregate nominal value of £103,000 (equivalent to 10% of the issued share capital of the Company as at the date of this notice of this annual general meeting) and that this authority shall expire (unless previously varied, revoked or renewed by the Company in general meeting) at the conclusion of the annual general meeting of the Company to be held in 2022 or, if earlier, on the expiry of 15 months from the passing of this resolution, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of Ordinary Shares in pursuance of such an offer or agreement as if such authority had not expired.
13. That, subject to the passing of resolution 12, in substitution for any existing power under sections 570 and 573 of the Companies Act 2006 (the "**Companies Act**") but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby empowered, pursuant to sections 570 and 573 of the Companies Act, to allot Ordinary Shares and/or sell Ordinary Shares from treasury, in each case for cash pursuant to the authority conferred by resolution 12 up to an aggregate nominal value of £103,000 (equivalent to 10% of the issued share capital of the Company as at the date of this notice of annual general meeting) as if section 561 of the Companies Act did not apply to such allotment or sale and that this power shall expire (unless previously varied, revoked or renewed by the Company in general meeting) at the conclusion of the annual general meeting of the Company to be held in 2022 or, if earlier, on the expiry of 15 months from the passing of this resolution, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment or sale of Ordinary Shares in pursuance of such an offer or agreement as if such authority had not expired.
14. That the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act to make market purchases (within the meaning of section 693(4) of the Companies Act) of Ordinary Shares, provided that:
- (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 15,439,700 (representing 14.99% of the Company's issued share capital of the Company at the date of this notice of annual general meeting);
  - (b) the minimum price (exclusive of any expenses) which may be paid for an Ordinary Share is 1 penny;
  - (c) the maximum price (exclusive of any expenses) which may be paid for each Ordinary Share is not more than the higher of (i) 5% above the average of the middle market quotations for the Ordinary Shares for the five business days immediately before the day on which that Ordinary Share is contracted for purchases and (ii) the higher of the price of the last independent trade and the highest then current independent bid for the Ordinary Shares on the trading venue where the purchase is carried out;
  - (d) the authority hereby conferred shall expire at the conclusion of the annual general meeting of the Company to be held in 2022 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed or revoked by the Company prior to such time; and
  - (e) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiration of such authority and may purchase Ordinary Shares pursuant to any such contract as if the authority had not expired.
15. That a general meeting of the Company other than an annual general meeting may be called on not less than 14 clear days' notice, provided that this authority shall expire at the conclusion of the Company's next annual general meeting after the date of the passing of this resolution.

By order of the Board  
Brian Smith  
For and on behalf of PraxisIFM Fund Services (UK) Limited  
Company Secretary

Registered Office:  
1st Floor, Senator House,  
85 Queen Victoria Street,  
London, EC4V 4AB

14 April 2021

## Notes

1. Holders of ordinary shares of one penny each in the capital of the Company (“**Shares**”) are entitled to attend, speak and vote at the AGM, however there are currently restrictions on attending the AGM in person as outlined above and the AGM will be held both physically and virtually via video conference and Shareholders (other than those required to form the quorum for the AGM) will not be permitted to attend in person. A Shareholder entitled to attend, speak and vote at the AGM may appoint one or more persons as his/her proxy to attend, speak and vote on his/her behalf at the AGM. A proxy need not be a shareholder of the Company. If multiple proxies are appointed, they must not be appointed in respect of the same Shares. To be effective, the enclosed form of proxy (“**Form of Proxy**”), together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the office of the Company’s Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY by no later than 15.00 BST on 10 May 2021.
2. If you return more than one proxy appointment, either by paper or electronic communication, that validly received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.
3. As an alternative to completing the Form of Proxy, shareholders can appoint a proxy electronically via the Registrar’s online voting portal [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy). For an electronic proxy appointment to be valid, your appointment must be received by the Registrar no later than 15.00 BST on 10 May 2021.
4. Shareholders who wish to attend the AGM will be able to do so using Zoom video conferencing. However, in order to vote and participate in the AGM, you will be asked to confirm your identity in order that we can verify that you are a current shareholder, or a duly appointed proxy or corporate representative. To attend the AGM by video conference, shareholders should follow the link below.

<https://us02web.zoom.us/j/87082035736?pwd=T1hPL3ZnMDZpYkdXblBjb01kb1ExUT09>

Meeting ID: 870 8203 5736  
Passcode: 089705

5. The appointment of a proxy will not normally prevent a Shareholder from attending the AGM, speaking and voting if he/she so wishes, however there are currently restrictions on attendance as set out above. The Articles provide that (subject to certain exceptions) at the AGM each Shareholder present in person or by proxy shall have one vote on a show of hands and on a poll every Shareholder present in person or by proxy shall have one vote for every Share of which he/she is the holder. The termination of the authority of a person to act as proxy must be notified to the Company in writing by no later than 15.00 BST on 10 May 2021. Amended instructions must be received by the Registrar by the deadline for receipt of proxies. Where you have appointed a proxy using the Form of Proxy and would like to change the instructions using another hard-copy Form of Proxy, please contact the Registrar’s helpline on 0370 707 1346 (or +44 370 707 1346 from outside the UK). Lines are open 8.30 a.m. to 5.30 p.m. Monday to Friday (excluding public holidays in England and Wales).
6. To appoint more than one proxy, Shareholders will need to complete a separate Form of Proxy in relation to each appointment, stating clearly on each Form of Proxy the number of Shares in relation to which the proxy is appointed. A failure to specify the number of Shares to which each proxy appointment relates or specifying an aggregate number of Shares in excess of those held by the Shareholder will result in the proxy appointment being invalid. Please indicate if the proxy instruction is one of multiple instructions being given. If you require additional Forms of Proxy, please contact the Registrar’s helpline on 0370 707 1346 (or +44 370 707 1346 from outside the UK). Lines are open 8.30 a.m. to 5.30 p.m. Monday to Friday (excluding public holidays in England and Wales). All Forms of Proxy must be signed and should be returned together in the same envelope if possible.
7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company’s register of members in respect of the joint holders (the first named being the most senior).
8. Only those Shareholders registered in the register of members of the Company as at 6.30 p.m. on 10 May 2021 (the “**specified time**”) shall be entitled to vote at the AGM in respect of the number of Shares registered in their name at that time. Changes to entries on the relevant register of securities after 6.30 p.m. on 10 May 2021 shall be disregarded in determining the rights of any person to vote at the AGM. If the AGM is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of Shareholders to vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the AGM is adjourned for a longer period then, to be so entitled, Shareholders must be entered on the Company’s register of members at the time which is 48 hours before the time fixed for the adjourned meeting, or if the Company gives notice of the adjourned meeting, at the time specified in that notice.
9. Shareholders who hold their Shares electronically may submit their votes through CREST. Instructions on how to vote through CREST can be found by accessing the following website: [www.euroclear.com](http://www.euroclear.com).
10. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by following the procedures described in the CREST manual (available via [www.euroclear.com](http://www.euroclear.com)). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service

# Notice of Annual General Meeting continued

provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

11. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual (available via [www.euroclear.com](http://www.euroclear.com)). The message, in order to be valid, must be transmitted so as to be received by the Company's agent, ID: 3RA50, by the latest time for receipt of proxy appointments specified in note 1 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
12. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time.
13. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.
14. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.
15. A person to whom this Notice of AGM is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in note 1 above do not apply to a Nominated Person. The rights described in those notes can only be exercised by registered Shareholders of the Company. Shareholders and Nominated Persons are reminded that there are restrictions on attendance at the AGM, as set out in these Notes.
16. As at 14 April 2021 the Company's issued share capital amounted to 103,000,001 Shares carrying one vote each. No Shares were held in treasury. Therefore, the total voting rights of the Company as at the date of this Notice of AGM were 103,000,001.
17. Any corporation which is a Shareholder may appoint one or more corporate representatives who may exercise on its behalf all of its powers as a Shareholder provided that they do not do so in relation to the same Shares. However, before deciding to elect to appoint a corporate representatives, Shareholders should take note of the restrictions on attendance at the AGM, as set out in this Notice of AGM. Corporate shareholders may also appoint one or more proxies in accordance with note 6.
18. While Shareholders are welcome to attend the AGM by video conference, they are also invited to submit questions in advance by email to [NAVFCoSec@PraxisIFM.com](mailto:NAVFCoSec@PraxisIFM.com) by the close of business on 10 May 2021. The Company must cause to be answered any question asked by a Shareholder relating to the business being dealt with at the meeting unless:
  - (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
  - (b) the answer has already been given on a website in the form of an answer to a question; or
  - (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
19. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chair of the meeting as his/her proxy is to ensure that both he/she and his/her proxy comply with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.
20. This Notice of AGM, the information required by section 311A of the Companies Act 2006 and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice of AGM, will be available on the Company's website at <https://www.nipponactivevaluefund.com/>.
21. Shareholders may not use any electronic address provided either in the Notice of AGM or any related documents (including the Form of Proxy) to communicate with the Company for any purpose other than those expressly stated.

## Form of Proxy – Annual General Meeting to be held on 12 May 2021

**Kindly Note:** This form is issued only to the addressee(s) and is specific to the unique designated account printed hereon. This personalised form is not transferable between different: (i) account holders; or (ii) uniquely designated accounts. The Company and Computershare Investor Services PLC accept no liability for any instruction that does not comply with these conditions.

### Explanatory Notes:

1. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder, as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided (see reverse). If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name (see reverse) the number of shares in relation to which they are authorised to act as your proxy. If returned without an indication as to how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether, and if so how, he votes (or if this proxy form has been issued in respect of a designated account for a shareholder, the proxy will exercise his discretion as to whether, and if so how, he votes).
2. To appoint more than one proxy, an additional proxy form(s) may be obtained by contacting the Registrar's helpline on 0370 707 1235 or you may photocopy this form. Please indicate in the box next to the proxy holder's name (see reverse) the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by marking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
3. The 'Vote Withheld' option overleaf is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
4. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two days before the day of the meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
5. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number 3RA50) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.
6. The above is how your address appears on the Register of Members. If this information is incorrect please ring the Registrar's helpline on 0370 707 1235 to request a change of address form or go to [www.investorcentre.co.uk](http://www.investorcentre.co.uk) to use the online Investor Centre service.
7. Any alterations made to this form should be initialled.
8. The completion and return of this form will not preclude a member from attending and voting at the meeting. However, as attendance in person is not permitted, shareholders who wish to attend should do so via Zoom video conferencing using the details on the Notice of Annual General Meeting.

**To be effective, all proxy appointments must be lodged with the Company's Registrars at:  
Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY by 10 May 2021 at 15.00 BST.**

#### All named holders:

Control Number 917129

SRN.

#### To lodge a vote using the internet

go to the following website

[www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy)

You will be asked to enter the Control Number, the Shareholder Reference Number [SRN] and PIN as printed opposite and agree to certain terms and conditions.

PIN.

# Form of Proxy

Please complete this box only if you wish to appoint a third party proxy other than the Chairman.  
Please leave this box blank if you want to select the Chairman. Do not insert your own name(s).

	*
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I/We hereby appoint the Chairman of the Meeting OR the person indicated in the box above as my/our proxy to attend, speak and vote in respect of my/our full voting entitlement\* on my/our behalf at the Annual General Meeting of Nippon Active Value Fund Plc to be held as a **hybrid virtual meeting** on **12 May 2021** at 15.00 BST, and at any adjourned meeting.

\* For the appointment of more than one proxy, please refer to Explanatory Note 2 (see front).

Please mark here to indicate that this proxy appointment is one of multiple appointments being made.

Please use a black pen. Mark with an X inside the box as shown in this example

## Ordinary Resolutions

	For	Against	Vote Withheld
1. To receive the Company's Annual Report and Accounts for the year ended 31 December 2020 (the "Annual Report").	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Directors' Remuneration Policy included in the Annual Report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve the Directors' Remuneration Report included in the Annual Report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To elect Chetan Ghosh as a director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To elect Rachel Hill as a director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To elect Rosemary Morgan as a director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To elect Alicia Ogawa as a director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To elect Ayako Weissman as a director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. To appoint BDO LLP as auditor to the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. To authorise the Directors to fix the remuneration of the auditor until the conclusion of the next Annual General Meeting of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. That the Directors be authorised to declare and pay all dividends of the Company as interim dividends and for the last dividend referable to a financial year not be categorised as a final dividend that is subject to shareholder approval.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. To authorise the Directors to allot shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Special Resolutions

13. To authorise the Directors to allot equity securities under sections 570 and 573 of the Companies Act 2006.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Authority for market purchases by the Company of its own shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. To authorise that General Meetings, other than Annual General Meetings, may be called on 14 clear days' notice.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

I/We instruct my/our proxy as indicated on this form. Unless otherwise instructed the proxy may vote as he or she sees fit or abstain in relation to any business of the meeting.

**Signature**

**Date**

DD / MM / YY

In the case of a corporation, this proxy must be given under its common seal or be signed on its behalf by an attorney or officer duly authorised, stating their capacity (e.g. director, secretary).



