



Nippon Active Value Fund plc

**NAV**

# Annual Report and Accounts

For the year ended 31 December 2023

RISING SUN MANAGEMENT LTD





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# Investment Objective, Financial Information and Performance Summary

## Investment Objective

The investment objective of Nippon Active Value Fund plc ('the Company' or 'NAVF') has been refined to take account of the increased assets under management and is now as follows:

"The investment objective of the Company is to provide Shareholders with attractive long-term capital growth primarily through the active management of a focused portfolio of quoted companies that have the majority of their operations in, or revenue derived from, Japan, or a majority of whose consolidated net assets are held in Japan, or that are included in the TOPIX, and that have been identified by the Investment Adviser as being undervalued."

The previous investment objective of the Company was as follows:

"The investment objective of the Company is to provide Shareholders with attractive capital growth through the active management of a focused 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 2023	At 31 December 2022
Net assets – (millions)	319.9	158.7
Net asset value ("NAV") per Ordinary Share ("Share") – (pence) <sup>1</sup>	169.2	140.5
Share price – (pence)	162.0	117.5
Share price discount to NAV (%) <sup>2</sup>	4.2	16.3
Ongoing charges (%) <sup>2</sup>	1.17	1.41

## Performance Summary

	For the year ended 31 December 2023 (%)	For the year ended 31 December 2022 (%)
NAV total return per Share <sup>2,3</sup>	+23.1	+3.5
Share price total return per Share <sup>2,3</sup>	+41.1	-10.9
MSCI Japan Small Cap index (sterling terms) <sup>3</sup>	+7.8	-1.6

Source: Bloomberg

- 1 This is measured on a cum income basis.
- 2 These are Alternative Performance Measures ("APMs"), which is a financial measure of historic or future financial performance, financial position, or cash 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 69 and 70 of this report.
- 3 Total returns are stated in GBP, including dividend reinvested.



# Chairman's Statement

## Overview of the Year

I am pleased to present the fourth annual report of Nippon Active Value Fund plc, covering the period from 1 January to 31 December 2023. This is the first report since we migrated to the Premium Listing Segment of the Official List of the Financial Conduct Authority ('FCA') and were appointed as preferred vehicle for the rollover of abrdn Japan Investment Trust (AJIT) and Atlantis Japan Growth Fund (AJG), and I would like to welcome both sets of shareholders to NAVF.

The merger was completed on 10 October 2023 and added £118.4 million to the Company's net assets. NAVF received the assets in the form of cash and an in-specie transfer of the underlying investments of AJIT and AJG. The reorganisation of those holdings to align them with our own portfolio was completed by the end of November 2023.

Our Board has been augmented by one Director from each company, which we all felt was important in providing continuity, particularly for our retail Shareholders. I am delighted to welcome to the Board Claire Boyle and Noel Lamb, who have been fully involved in the governance of NAVF since October 2023.

At the end of the year total assets were £319.9 million and the net asset value per share was 169.2p, a rise of 23.1% over the year and a cumulative increase of 76.9% since the Company's launch on 21 February 2020. Both those returns assume dividends were reinvested. Since the year end, the Company's NAV per Share has increased further to 181.4p as at 27 March 2024, being the latest practicable date, representing a total return of 89.6% since inception. While we do not target a particular index benchmark, for comparison, the MSCI Japan Small Cap Index returned +7.8% in sterling terms over the year and +15.8% between the Company's inception date and 31 December 2023.

The share price returned +41.1% over the year and has risen by 69.7% since inception (including dividends reinvested). The closing share price on 31 December 2023 was 162.0p, trading at a discount of 4.2% to NAV, a significant narrowing of the discount compared to the 16.3% for the year ended 31 December 2022. The average discount to NAV over the year was 5.4% and the Shares traded in a range of a premium of 0.3% to a discount of 17.4%. The discount stood at 1.9% as at 27 March 2024, being the latest practicable date.

Global markets ended the year strongly, as investors had more confidence that inflation had been brought under control, a recession would be averted and that interest rates were at or near their peak. A return to modest inflation in Japan after years of embedded deflation has been seen as positive and the Nikkei 225 index recently reached its highest levels since 1989 in yen terms. However, the disappointment that the incoming Governor of the Bank of Japan would not immediately raise the target yield of Government Bonds contributed to yet more yen weakness. Our Investment Adviser, Rising Sun Management, does not normally hedge the currency exposure or seek to take active currency views, preferring to concentrate its efforts on identifying undervalued stocks and on engagement with corporate management rather than on macro-economic analysis.

As an activist manager, our Investment Adviser is not seeking to reflect the market as a whole or the fundamentals of the Japanese economy. Your Company's strategy is to invest in a selective portfolio of undervalued companies where the Investment Adviser believes it can engage with management to improve shareholder returns. For the Investment Adviser's proposals to carry some weight with portfolio company management, the Company often needs to build a significant stake, and as a result the portfolio holdings tend to be in small-to-medium capitalised stocks.

Our Investment Adviser has two representatives in Tokyo and has a sub-advisory agreement with Dalton Advisory KK, who assists in identifying potential targets and in the continuing coverage of portfolio holdings.

## Co-Investments

With a larger asset base, and as part of our move to the Premium Listing Segment of the Official List, we made some changes to our investment objective and policy, as published in the Company's Prospectus and Circular on 1 September 2023, principally expanding our target universe to include some exposure to larger companies. However, the focus of the portfolio remains, as it has been since inception, on smaller companies.

We have a memorandum of understanding in place with other funds advised by the Investment Adviser and by Dalton Investments Inc, the parent company of Dalton Advisory KK, with whom we co-invest in opportunities where NAVF as a sole investor would not be able to build a sufficiently meaningful holding. At the end of 2023, your Company held 31 investments in common with other entities advised by RSM or Dalton Investments Inc. An example of the fruits of this co-operation can be seen in the announcement by T&K Toka of a tender offer on 22 January 2024. This and other highlights of the year's engagement are discussed more fully in your Investment Adviser's report, which follows.

# Chairman's Statement continued

## Unlisted investments

As our Investment Adviser explains in its report later, NAVF will have the opportunity to participate in the unlisted entity which will result from the T&K Toka tender offer. The investment policy allows us to invest up to 10% of the portfolio in unlisted investments, and this will be our first such position. The President of Rising Sun Management ('RSM'), Kazutaka Mizuochi, will represent NAVF and related parties on the board of the new company.

## Japanese Corporate Governance Developments

The strategy at the launch of the Company was designed to capitalise on developments in Japanese Corporate Governance since the early 2000s. The regulatory environment continues to provide a supportive background for activist investors. Most notably in the past year was the Tokyo Stock Exchange's request, issued in March 2023, that listed companies have a greater focus on measures to improve mid- to long- term profitability and corporate value, a principle established in the Stewardship Code of 2014. Other examples of the government's support for more attention to shareholder rights includes the recent FSA request for casualty insurers to sell off their cross-shareholdings, and the promulgation of new rules for unsolicited takeovers, which require boards to give such bids careful consideration and to justify their response to such proposals to shareholders.

One of the indicators that activism is more widely embraced is the trend in the number of shareholder proposals made at annual general meetings. Both the total number of proposals and the number of companies who received proposals were at record highs in 2023. NAVF participated, but as the Company's Tokyo-based advisers explain later in this report, we find that the conversations we have with our targets at one-on-one meetings are of greater significance.

## 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 continues to be approved as an investment trust in accordance with sections 1158 and 1159 of the Corporation Tax Act 2010.

The Board is pleased to declare an interim dividend for the year ended 31 December 2023 of 1.60p (2022: 3.20p) per Ordinary Share. The dividend will be payable on 24 May 2024 to Shareholders who appear on the register by close of business on 19 April 2024, with an ex-dividend date of 18 April 2024. The Board will not target a dividend for future years but will tend to pay out most of the distributable income for any particular period by way of dividend in order to continue to be approved as an investment trust.

## Gearing

In line with the increase in the Company's asset base the borrowing facility with The Northern Trust Company, London Branch has also been increased to £70 million to provide the Investment Adviser with flexibility to gear the portfolio when appropriate. At the end of December 2023, this facility had not been drawn down and the portfolio held £22,257,000 (31 December 2022: £31,738,000) in cash. As at 27 March 2024, cash comprised 10.0% of the Company's assets.

## Annual General Meeting (the "AGM")

The Company's AGM is scheduled for 6 June 2024 at 2.30pm and is to be held at the Company's registered office located at Apex Group, 6th Floor, 125 London Wall, London, EC2Y 5AS. The Board strongly encourages all Shareholders to exercise their votes by completing their proxy forms in advance of the AGM. For more details, please see enclosed AGM Notice. Those Shareholders who are unable to attend the AGM in person are welcome to submit questions to the Board or their Investment Adviser either by writing to the Company Secretary by post to the registered office as above or by emailing at [navfcosec@apexfs.group](mailto:navfcosec@apexfs.group).

## Outlook

The Company seeks to take advantage of the corporate governance reforms in Japan introduced over the past 15 years and we believe that an activist strategy will continue to generate superior returns compared to the broader market. The Investment Adviser has demonstrated an enviable ability to seize this opportunity, has achieved some notable successes within the existing portfolio and we are extremely pleased with the returns generated in 2023. We remain confident that the Investment Adviser will continue to identify attractive new targets within a broader spectrum of the market capitalisation range and to continue to deliver significant returns for shareholders.

## Rosemary Morgan

Chairman

2 April 2024



# Investment Adviser's Report

## Rising Sun Management's Approach to Activism

In early 2023, the Tokyo Stock Exchange ('TSE') mandated that all companies disclose information regarding their "Action to Implement Management that is Conscious of Cost of Capital and Stock Price." While not a catchy title, this initiative was significant, in that it not only compelled companies to assess formally and disclose key metrics such as cost of capital and return on equity ('ROE'), but also challenged companies trading with a price/book ('P/B') ratio persistently below 1.0x to create concrete plans to achieve the magic 1.0x ratio.

The TSE continued its reform campaign during the week of 15 January 2023 with two new initiatives: the publication of a list of companies that have complied with its "capital improvement plans" and the introduction of a new demand that all companies listed on the Prime Market disclose key information in English, starting in March 2025.

In a uniquely Japanese way, rather than naming and shaming the companies which have chosen not to comply, the TSE opted for positive reinforcement by publishing a list of companies that had chosen to comply. This approach, while seemingly indirect, effectively creates an implicit "naughty list" for non-compliant companies, leveraging social pressure and the desire to avoid reputational damage as powerful motivators for change. The effectiveness of shame and peer pressure in shaping corporate behaviour in Japan should not be underestimated.

The TSE list shows that some 851 companies have already made public disclosures, while another 264 have stated their intention to do so. Rising Sun Management Ltd, NAVF's Investment Adviser, and Dalton Investments Inc, our frequent co-investor, have actively engaged with our non-compliant portfolio companies, urging public disclosure, and even submitting shareholder AGM proposals for companies which refuse. While the headline numbers are encouraging, the devil lies in the details, with multiple examples of companies disclosing plans that were completely lacking in details of concrete measures.

Both the TSE and engaged market participants such as NAVF's Investment Adviser, must actively encourage companies to embrace the true spirit of the TSE's initiative. Pushing for deeper analysis, concrete improvement plans, and a genuine commitment to shareholder value must remain a top priority.

As of March 2025, a new TSE mandate will require all 1,656 Prime Market companies to disclose all information that could be seen to have a material impact on investment decisions, such as changes to earnings forecasts and M&A announcements, in English. There has yet to be any news regarding the Standard Market (where English disclosures are much more limited), but it is our hope that in time the entire market will be compelled to disclose all key information in English.

Despite the recent excitement surrounding Japanese equities and ongoing corporate governance reforms, Japan remains a structurally underweight position in many active manager portfolios. A frequent concern cited by global investors is that Japanese equities are simply "too hard" due to language and cultural barriers. While the English disclosure mandate alone will not eliminate this challenge overnight, we believe it represents a significant step towards transparency and adherence to international best practices that can only be seen as a positive for the long-term attractiveness of the Japanese equity market.

As investors dedicated to active engagement, we have witnessed a remarkable shift in our dialogues with company management thanks to the TSE's transformative reforms. Gone are the days when discussions with management teams revolved solely around revenue growth and profit margins. Today, armed with the TSE's focus on key metrics like cost of capital and stock valuation, we find ourselves speaking the same language as company management, for the first time in our long history of investing in Japan. This new-found alignment paved the way for our busiest and most successful year of engagement yet in 2023 and continues to shape our priorities for 2024.

## Investment Adviser’s Report continued

Below are our key areas for engagement in 2024:

Themes	Proposals
<b>Effective Capital Allocation</b>	<p>Formulate, disclose, and commit to a quantitative capital policy that includes “an appropriate level of financial assets (or capital structure),” “a specific capital allocation plan for the next three to five years,” and “KPIs including ROIC and ROE and their targets (KGI).”</p> <p>As a prerequisite for effective capital allocation, ensure that the board of directors possess an understanding of the fair value of the company’s shares.</p> <p>Reduce policy shareholdings, aiming for zero in the medium to long term.</p>
<b>Strong Alignment of Interest</b>	<p>Establish, disclose, and commit to a path towards improving alignment of interest through stock ownership guidelines.</p> <p>Specifically, require directors to accumulate ownership worth 3-5 times their fixed compensation over a reasonable time frame.</p>
<b>Board with High Independence and Diversity</b>	<p>Mandate that a least half of the board of directors comprise of independent outside directors while seeking to increase diversity by including women and experienced investors.</p>

We commend the significant improvements made by the Tokyo Stock Exchange (“TSE”) and remain committed to engaging with regulators, the stock market and other market participants to advance these reforms. These steps towards greater transparency and increased focus on minority shareholder rights undoubtedly represent positive catalysts for the long-term return potential of the Japanese market. For disciplined, long-term investors like your Company, the TSE’s reforms provide valuable tools in the engagement toolkit, empowering us to advocate for positive change and unlock excess returns through engagement with management.

**Masumi Nishida**, Senior Analyst at Rising Sun Management

**Shiro Hayashi**, Head of Research at Dalton Advisory KK

## Performance since Initial Listing (excluding dividends re-invested)

Period	Periodic change			Cumulative change		
	JPY	sterling/yen FX	GBP	JPY	sterling/yen FX	GBP
21 February 2020 to Year End December 2020	12.19%	1.39%	13.58%	12.19%	1.39%	13.58%
Year End December 2021	34.18%	-12.77%	21.41%	50.54%	-12.64%	37.90%
Year End December 2022	3.65%	-1.79%	1.86%	56.04%	-15.58%	40.46%
<b>Year End December 2023</b>	<b>36.66%</b>	<b>-16.16%</b>	<b>20.50%</b>	<b>110.01%</b>	<b>-40.76%</b>	<b>69.25%</b>

## Introduction

The purpose of this report is to provide an overview of key events and themes affecting Nippon Active Value Fund plc (“NAVF”), during 2023. We will not dwell on the merits, or lack of them, of individual holdings, except when they become the story generating the alpha in our returns. The driver for success in this fund is not to buy the cheapest or most undervalued stocks (though this cannot hurt!); it is to identify businesses where our hands-on engagement can bring about the greatest change in management practices. We like decent companies, that have too many non-operational assets, whether cash, cross-shareholdings, or property, on the balance sheet, solely to allow “salaryman” managers to sleep well at night. Even if these characteristics reflect poor capital allocation, thus making them worthy of our attention, they also provide comfortable margins of safety (see below), which help us sleep well too until we can make something happen to unlock value. In addition, we look for open share registers, a lack of third-party brokerage research (especially in English), and demonstrable cheapness of a type that is likely to attract the attention of the regulators. This last is most important: we never forget that the largest shareholder across all Japanese stock exchanges, owning 12-13% of the markets, is the combination of the Bank of Japan and the state pension fund, in other words “Japan Inc.”. When Prime Minister Shinzo Abe began the corporate governance reform programme in 2014, he did so out of a position of being the largest investor in a long-underperforming stock market – one could argue his government was motivated by self-interest. Ten years later, reform is still in full swing, it accelerated markedly during 2023, and provided a wind at our back to bring about change. The wind is now becoming a gale!

Most recently, Hiromi Yamaji was appointed head of the JPX (all the Japanese stock exchanges). It would not be an exaggeration to suggest he is a man with a mission. Ex-Nomura, he has clearly stated his goal of improving the capital allocation processes of listed Japanese companies. In particular, he is requiring all those with share prices trading below book value, to present a roadmap as to how they will reach that first hurdle and then go on towards an appropriate premium to book. Amazingly, for such a mature market, when this policy was instituted in the Spring of 2023, over half of all listed companies fell into this category. At RSM we like to think we are activists, but there can be little doubt that the biggest and most feared activist operating in Japan today is Yamaji-san. We take our hats off to him!

## abrdn Japan Investment Trust (“AJIT”) and Atlantis Japan Growth fund (“AJG”)

The Chairman has spoken about NAVF’s successful absorption of two other investment trusts in her report. Nevertheless, some commentary here might provide helpful context. In anticipation of the mergers with AJIT and AJG, on 21 September 2023, NAVF was admitted to the Official List of the Financial Conduct Authority and to trading on the premium segment of the main market for listed securities of the London Stock Exchange. On 10 October, over 99% of the shareholders that cast their votes of both AJIT and AJG shareholders voted to ‘rollover’ the assets of their respective funds into NAVF. As a result, our AUM burgeoned to £293.8 million, the portfolio to over 130 names and the work of transitioning began. NAVF received almost £119 million equivalent in the form of 90 different stocks. We had estimated and announced it would take us about 60 business days, running both concurrently, to rationalise each portfolio. We were wrong. The process was completed by 10 November. All inherited stocks were sold, none retained within the NAVF portfolio. At year end, the individual stock count stood at 36 (comfortably in the target range of around 35 we posited in our new investment parameters, also discussed in the Chairman’s report). Cash on hand was at 14.4% (in mid-February 2024 this had reduced to around 4%).

## Investment Adviser's Report continued

Discounts in the investment trust industry are currently at their widest recorded levels since December 2008 according to the Association of Investment Companies (AIC), with the average at 16.9% at the end of October. With NAVF's discount consistently around 4% or below over the last few months, we remain one of the top performing companies in the sector.

The double acquisition of AJIT and AJG is not only unique in the history of UK investment trusts but has been an unqualified success. NAVF's move is being heralded as a template for the further consolidation of an asset class badly in need of rationalisation. Sadly, the remaining three trusts operating in our space are not likely to offer themselves up to our ministrations, but our door remains open. This has clearly been an efficient route to growing AUM and the process has proven less formidable technically than we feared it would be when we embarked on the process. At the start of January 2023, NAVF's AUM stood at just under £155 million. At the end of the year, it was £320 million. For the first time since its launch, NAVF now not only enjoys a considerable retail component to its share register, but, importantly, thanks to the growth in assets, the Fund also qualifies for investment by even the largest UK asset managers. We are no longer small enough to ignore.

### Performance

NAVF has no natural benchmark. Over the course of 2023, the MSCI Japan Index was up 20.3% and the MSCI Japan Smaller Companies Index was up 13.3%. In the same period NAVF's NAV per share moved 23.1% higher (including dividend) and its share price improved by 41.1% (helped additionally by the narrowing of the discount to NAV).

Over the year, the top ten winners making the largest gains, both realised and unrealised, include:

- Intage Holdings, up 39.0%
- Ihara Science, up 30.9%
- Toyota Industries, up 29.1%
- Murakami Corp, up 33.6%
- Bunka Shutter, up 19.0%
- Mitsuboshi Belting, up 17.8%
- Rinnai Corp, up 18.2%
- Nippon Fine Chemical, up 21.3%
- Ebara Jitsugyo, up 21.3%
- Ishihara Chemical, up 31.3%

The worst 10 performers (in reverse order), either net detractors or the lowest contributors, were:

- Topcon Corp, down 9.7%
- Katakura Industries, down 1.9%
- Teikoku Electric, down 3.2%
- Nasu Denki Tekko, down 1.8%
- Seven & I Co Ltd, down 0.2%
- Medikit Co Ltd, down 1.6%
- Super Tool, up 2.1%
- Komaihaltec Inc, up 0.6%
- Goodspeed Co Ltd, up 3.5%
- Denyo Co Ltd, up 9.4%

All returns are expressed in sterling terms.

It is worth remarking that our policy of always seeking a good margin for safety works. Perhaps, the best illustration of the merits of this approach is reflected in the performance of our losers. None is a real stinker, with the possible exception of Topcon. Indeed, four of our bottom 10 stocks actually turned in a positive performance!



## Corporate engagement

There have been three important liquidity events during the year under review. RSM believes that NAVF had a hand in bringing them all about.

In November 2022, RSM presented a proposal for a management-led buyout (MBO) of **Ihara Science Corp** to Chairman Tokuro Nakano. We were gratified that he seized upon this suggestion, based on our analysis of more efficient ways for the company to deploy capital, and immediately took it to his Board. On 9 February 2023 Nakano-san announced his own MBO. After some deliberation, mainly concerning efforts to be allowed to invest in the go-private Special Purpose Vehicle, NAVF and its co-investor announced its support for the MBO on 9 March 2023. This was despite a view held by several other investors that the price offered by the company's tender was not at a sufficient premium and did not reflect the intrinsic value of the business. We continued to negotiate with Nakano-san and his advisers for access to the 'back-end' of the deal until September.

In the event, this effort was unsuccessful and NAVF exited the investment successfully but with no involvement in the company's future.

After market close on 6 September 2023, **Intage Holdings Inc** announced a partial TOB for 50.1% of the company by NTT Docomo at Yen 2400 per share, a 26% premium and record high. Intage Holdings was an original purchase dating back to inception of NAVF and composed our largest position, representing c.13% of the portfolio. With other group companies in the concert party, RSM controlled around 14% of the free float. For us, this move was the culmination of a long story that began back in December 2020, when we first spoke publicly about organising an MBO. Our view now was that, although the bid and the price were welcome, a deal structured along the lines announced would disadvantage future minority shareholders and was clearly not in the spirit of the latest METI guidelines. Weighted against our 'righteous indignation' at the retention of a now clearly useless listing, was the fact that NTT, a company with absolutely no business overlap with its acquisition, is partially government owned, leading us to believe nothing would change. Therefore, we resolved not to tender into a process we did not believe in, but, instead, to sell discreetly but completely into the market. This was accomplished with great skill on the part of our head trader by 14 September 2023, giving us an average exit price of Yen 2185 for the whole position - a return within the month of over 25% and c.60% YTD and more than doubling our investment since inception. Finally, a happy ending to a long running saga.

Undoubtedly, the key development in Q4 was the beginning of Bain & Co's take-over of **T&K Toka Co Ltd**. Following NAVF's proposed TOB last year, the CEO chose to resign, and the Board resolved to take the company private under the auspices of Bain & Co. A requirement for the deal to proceed was that T&K Toka's holding in its Chinese joint-venture needed to be brought below 30%. Once this was achieved, Bain's tender for the whole company was formally launched on 22 January 2024.

NAVF was able to announce its participation in the tender offer. Following the de-listing of T&K Toka, NAVF and its concert party of co-investors will be offered up to 15% of the unlisted equity in a holding company of the Offering Vehicle, pro rata to their individual percentage holdings in the public company. Additionally, pursuant to the tender agreement, Kazutaka Mizuochi, President of RSM, will be appointed as a director of the private holding company and be able to represent the interests of the concert party on the Board.

NAVF's earlier engagement with T&K Toka, including its previous tender offer, appears to have had the intended effect of prompting management to assess the strategic future of T&K Toka. Bain's tender offer was successful and we expect the transaction to complete before the summer of 2024.

It has always been envisaged that NAVF would take minority positions in former portfolio companies once they were taken private. RSM believes that, from a performance point of view, the liquidity event associated with a company's relisting or eventual sale, is likely to prove considerably more profitable than the sale of existing holdings into public tender offers. Nevertheless, the overall uplift on NAVF's holding in T&K Toka realised by participating in the tender is in the region of 40%.

RSM hopes that T&K Toka will establish a precedent in the market and in the minds of private equity houses taking over our portfolio companies. We believe that having failed to secure any of the 'back-end' in the privatisations of Sakai Ovex or Ihara Science (see above), in future our participation in the private entities following liquidity events should be easier to achieve.

# Investment Adviser's Report continued

## Outlook

There is plenty going on. We have engaged with most of our portfolio companies, including, most recently, both Fuji Media Holdings and Toyota Industries – much larger companies than we have tackled in the past. As ever, who knows what will happen, but we fervently believe that something will have to give with each one over the coming months. The regulatory and press spotlights are becoming effectively impossible for managements exhibiting shortcomings, as both of these do, to ignore.

RSM principals' recent trip to Tokyo consisted of a multitude of company visits accompanied by the relevant analysts from Dalton Advisory KK. We were reassured by the quality of most of our choices; nevertheless, following a visit to Komaihaltec Inc, we decided to dispose of our position in that counter. Seeing management in person remains invaluable.

The last issue to mention is becoming distressingly familiar: the yen continues to weaken. How to tackle the weak yen, and to slowly reverse decades of negative interest rates, is a major policy headache for Japan's Kishida administration. Since we do not hedge, our much-anticipated performance boost from a recovering currency continues to be on hold. At the time of writing in mid-February 2024, it reached a new low against the US dollar making our continued out-performance this year even more impressive.

### **Paul folkes Davis**

Rising Sun Management Limited

2 April 2024

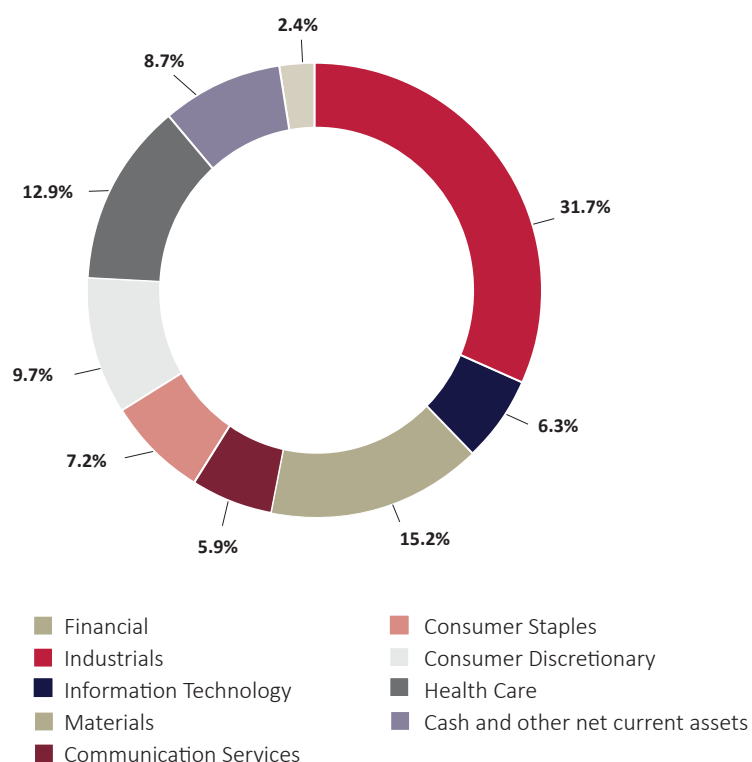
# Portfolio

As at 31 December 2023

## Top ten holdings as a percentage of net assets as of 31 December 2023

	Company	Sector	%
1.	Bunka Shutter	Industrials	5.9
2.	Fuji Media Holdings	Communication Services	5.9
3.	Rinnai	Consumer Discretionary	5.6
4.	Nippon Fine Chemical	Materials	4.8
5.	Ebara Jitsugyo	Industrials	4.5
6.	Eiken Chemical	Healthcare	4.4
7.	Mitsuboshi Belting	Industrials	4.1
8.	Toyota Industries	Industrials	4.0
9.	Murakami	Consumer Discretionary	3.8
10.	ASKA Pharmaceutical Holdings	Healthcare	3.4

## Sector breakdown



# Investment Policy, Results and Other Information

The Company's investment objective and investment policy (including defined terms) are as set out in its prospectus dated 31 August 2023.

## Investment objective

The investment objective of the Company is to provide Shareholders with attractive long-term capital growth primarily through the active management of a focused portfolio of quoted companies that have the majority of their operations in, or revenue derived from, Japan, or a majority of whose consolidated net assets are held in Japan, or that are included in the TOPIX, and that have been identified by the Investment Adviser as being undervalued.

## Investment policy

### *Asset allocation*

The Company will primarily invest in a highly selective portfolio of shares issued by quoted companies that have the majority of their operations in, or revenue derived from Japan or a majority of whose consolidated net assets are held in Japan, or that are included in the TOPIX ("Japanese Shares"), and which the Investment Adviser deems attractive and undervalued and typically where (i) cash and other liquid investments, real estate and/or tradeable securities constitutes a significant proportion of the investee company's market capitalisation; and (ii) the relevant company has no controlling or majority shareholders.

The Company may also from time to time obtain exposure to Japanese Shares, Derivatives (as defined below), cash, cash equivalents, exchange traded funds, near cash instruments and money market instruments, which may not necessarily suit activist management by the Investment Adviser, though this will be opportunistic, including as part of an acquisition of a broader portfolio, and will not form a core focus for asset allocation on an ongoing basis.

There are no restrictions placed on the market capitalisation of investee companies; but it is expected that the portfolio will be weighted towards small-cap and mid-cap companies with market capitalisation of up to US\$3 billion. The portfolio is expected to have up to 35 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 meaningful minority stakes in each investee company. 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 Board will not set any limits on sector weightings or stock selection within the portfolio. The Company will not be constrained by any index benchmark in its asset allocation.

The Company may use derivatives for efficient portfolio management purposes. Such purposes would include the management of cash received by the Company upon the occurrence of significant liquidity events (including, without limitation, the receipt of proceeds of fundraisings, the realisation of Portfolio assets and other cash-generative events such as the completion of a management buyout by an investee company). Such derivative contracts may, for example, give the Company exposure to the whole or a sub-section of the Japanese stock market until such time as the Investment Adviser determines that the Company's derivative position should be liquidated and invested in an investee company in accordance with the Investment Policy (the foregoing derivative contracts being, for the purposes of this Investment Policy "Derivatives").

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.

### *Investment restrictions*

The Board will apply the following restrictions on the size of its investments:

- not more than twenty per cent. (20%) 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);

- 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 ten per cent. (10%) of the Net Asset Value of the Company at that time. This will mean 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 ten per cent. (10%) 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. Nevertheless, while the Company's interest in unquoted investments remains above ten per cent. (10%) of its Net Asset Value, the Company will not be able to make any further investments in unquoted companies;
- total net investment Derivative exposure will not exceed twenty per cent. (20%) of Gross Asset Value at the time of investment; and
- total exposure to any single counterparty which has issued Derivatives to the Company will not exceed twenty per cent. (20%) of Gross Asset Value at the time of investment.

The Company will comply with the following investment restrictions for so long as they remain requirements of the Listing Rules:

- 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 ten per cent. (10%), in aggregate, of the value of the total assets of the Company will be invested in other listed closed-ended investment funds (except to the extent that those investment funds have stated investment policies to invest no more than fifteen per cent. (15%) of their total assets in other investment companies which are listed on the Official List); 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 use Derivatives, cash, cash equivalents, exchange traded funds, near cash instruments and money market instruments in accordance with the Investment Policy.

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

Under the amended Investment Policy, the Company may use Derivatives (as defined in the Investment Policy) for efficient portfolio management purposes. Such purposes would include the management of cash received by the Company upon the occurrence of significant liquidity events (including, without limitation, the receipt of proceeds of fundraisings, the realisation of portfolio assets and other cash generative events, such as the completion of a management buyout by an investee company). Such derivative contracts may, for example, give the Company exposure to the whole or a sub-section of the Japanese stock market until such time as the Investment Adviser determines that the Company's derivative position should be liquidated and invested in an investee company in accordance with the Investment Policy.

The Board will apply the following restrictions on Derivative exposure:

- total net investment Derivative exposure will not exceed twenty per cent. (20 per cent.) of Gross Asset Value at the time of investment; and
- total exposure to any single counterparty which has issued Derivatives to the Company will not exceed twenty per cent. (20 per cent.) of Gross Asset Value at the time of investment.

The Company's exposure to any investments in Derivatives will be monitored daily by the Investment Adviser and AIFM and, in the event that any particular Derivative exposure was determined by the Investment Adviser, the AIFM or the Board to be inappropriately large, that Derivative exposure would be closed out as soon as reasonably practicable and in any event within three Business Days.

# Investment Policy, Results and Other Information continued

## *Gearing Policy*

The Company may 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.

## *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.

## *Material breach of investment restrictions*

In the event of any breach of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by Rising Sun and the Company through a Regulatory Information Service.

## **Amendment to Investment Policy**

No material change will be made to the Investment Policy without the approval of Shareholders by ordinary resolution and (subject to completion of the Migration) the FCA in accordance with the Listing Rules.

## **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 for the year ended 31 December 2023 were +23.1% and +41.1% respectively (31 December 2022: +3.5% and -10.9% 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 year was 2.44p (31 December 2022: 3.43p).

### **(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 4.2% discount to the NAV as at 31 December 2023 (31 December 2022: discount of 16.4%).

### **(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 year ended 31 December 2023, the Company's ongoing charges figure calculated in accordance with the AIC methodology was 1.17% (31 December 2022: 1.41%).

# 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 focuses 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 Alternative Investment Fund Manager ("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. 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. Brokers: 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 provides their findings at least annually; and
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	Possible consequences	Possible Impact	Risk Mitigation
<b>MARKET</b>	<b>The Company may not meet its investment objective.</b>	Low	<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 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>

## Risks and Risk Management continued

Risk	Possible consequences	Possible Impact	Risk Mitigation
<b>MARKET</b>	<b>Board fails to monitor whether there is style drift within the investment process.</b>	Low	<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>
<b>MARKET</b>	<b>The Company's Shares trade at a discount to NAV.</b>	High	<p>The Investment Adviser, AIFM and Brokers review market conditions and the discount at which the Company's Shares trade relative to its sector peers on an ongoing basis.</p> <p>There is a 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>
<b>MARKET</b>	<b>Board fails to monitor the Company's ability to build the Portfolio.</b>	Low	<p>Investment Advisor/AIFM/Brokers review market conditions on an ongoing basis.</p> <p>Quarterly meetings with the Investment Adviser to discuss market environment, team and business dynamics and ongoing viability of the strategy.</p> <p>The Investment Adviser will inform the AIFM and Board as soon as they are aware of any issues that might compromise their ability to deliver vs the strategy.</p>
<b>MARKET</b>	<b>Board fails to monitor the execution of the Investment Process.</b>	Medium	<p>Quarterly meetings with the Investment Adviser that cover implementation of the Investment Process. The Board relies on the AIFM to monitor the implementation of individual trades.</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 AIFM, outlining the rationale for the recommendation along with the size of the proposed investment, to add a target company to the investible universe. The Board have granted the AIFM delegated authority to approve target investments on its behalf, provided those investments meet a pre-determined set of criteria. Should a target investment fail to meet this criteria, the recommendation will be referred to the Board.</p> <p>Upon receipt of approval from the AIFM and/or the Board as required, the Investment Adviser will arrange execution. The Board regularly carries out Investment Process reviews of the Investment Adviser and the AIFM notifies the Board of any new approvals (under their delegated authority) on a monthly basis.</p>
<b>OPERATIONAL</b>	<b>Cyber Security risks could potentially lead to breaches</b>	Medium	<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>



Risk	Possible consequences	Possible Impact	Risk Mitigation
<b>OPERATIONAL</b>	<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>	Medium	<p>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 daily 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>
<b>LIQUIDITY</b>	<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>	Medium	<p>Secondary market liquidity can be improved by strong investor communications and having active brokers and market makers. The Brokers monitor and report to the Board as soon as they are aware of any issues.</p> <p>Funding liquidity to satisfy redemption rights is not applicable, as the Company is a closed-ended fund.</p> <p>There is a discount protection mechanism in place whereby the Board will consider whether, in the light of prevailing market conditions, the Company should purchase its own shares.</p>
<b>OPERATIONAL</b>	<b>A corporate action is missed and the Company suffers a consequential loss.</b>	Medium	<p>The Custodian (Northern Trust) and Investment Adviser monitor such actions.</p> <p>Northern Trust is a very large and experienced global custodian and produces an Internal Controls report which is reported to the Board.</p>
<b>MARKET</b>	<p><b>Climate change has recently become one of the most critical issues confronting asset managers and their investors.</b></p> <p>Investors can no longer ignore the impact that the world's changing climate will have on their portfolio, with the inevitable impact on returns.</p>	Low	<p>The Board is also considering the threat posed by the impact on climate change and its effects on the operations of the Investment Adviser and other major service providers. As climate change's impact becomes more common, the resiliency, business continuity planning and the location strategies of our service providers will come under more scrutiny.</p>
<b>MARKET</b>	<b>Interest rate / Inflation Risk/Currency</b>	Medium	<p>The Company may use derivative instruments such as futures, forwards, swaps or other derivative instruments, to protect the Company from fluctuations in foreign exchange rates.</p> <p>The AIFM constantly monitors risks and impact on portfolio, discussing with the Investment Adviser and Board as appropriate.</p>

## Risks and Risk Management continued

Risk	Possible consequences	Possible Impact	Risk Mitigation
<b>ARTIFICIAL INTELLIGENCE</b>	<b>Risks that the emergence of increasingly advanced AI will lead to new risks to the Fund, including but not limited to, decline in human autonomy, increased cybersecurity vulnerabilities, algorithm perpetuated bias through using historical data, insufficient training data to perform correctly and algorithm driven price manipulation.</b>	<b>EMERGING</b>	The Company, its advisers and service providers will aim to utilise the power of AI to enhance capabilities, rather than fall foul of the potential pitfalls its emergence presents. Through careful monitoring of the new technologies being released into the world, it will be hoped that the Company can utilise AI to its benefit.
<b>GEOPOLITICAL</b>	<b>Act of War;</b> <ul style="list-style-type: none"> <li>• <b>Sanctions and Restrictions imposed</b></li> <li>• <b>Volatile markets and general uncertainty</b></li> <li>• <b>Potential world order change and globalisation.</b></li> </ul>	<b>EMERGING</b>	The portfolio is constantly monitored by the Investment Adviser, ensuring the portfolio avoids any sanction lists and exposures where possible, together with consideration of any market impacts.  <ul style="list-style-type: none"> <li>• The Board and AIFM continue to monitor events.</li> <li>• Registrar will process and audit payments of Dividends to shareholders in line with regulations.</li> </ul>

### Viability Statement

The continuation of the Company is subject to the approval of its Shareholders in 2025 and every second AGM thereafter. The Directors have assessed the viability of the Company for the period to 31 December 2026 (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.



## Section 172 Statement

### Section 172 of the Companies Act 2006

This section of the Annual Report covers the Board's considerations and activities in discharging their duties under s.172(1) of the Companies Act 2006, in promoting the long-term success of the Company for the benefit of its members as a whole. In doing so, the Board is also required to consider the likely consequences of its actions over the long term and on other stakeholders and the environment.

Therefore, 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.

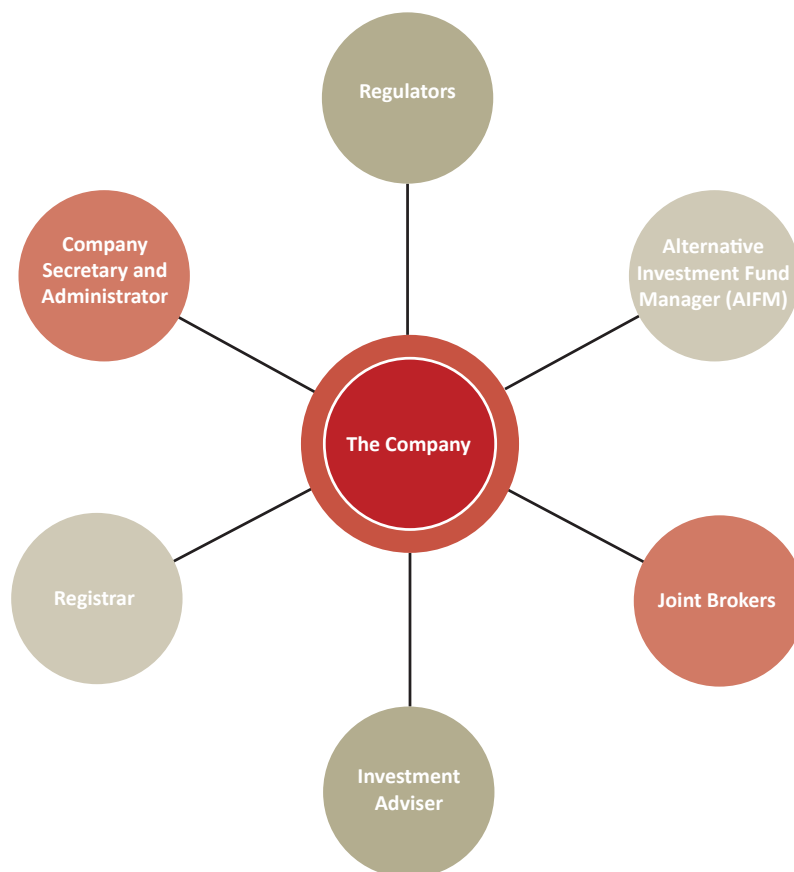
#### Key Board decisions during the Year

- The Board approved the strategic expansion of the Company by the rollover of assets into the Company from abrdn Japan Investment Trust plc ("AJIT") and Atlantis Japan Growth Fund Limited ("AJG") together the "Schemes". The Schemes offered several benefits, including an enlarged capital base over which to spread costs, potential for greater liquidity and a more diverse portfolio of assets amongst others. The Board worked with the Investment Adviser, Brokers and Administrator/Company Secretary and the counterparties to ensure effective and timely decision-making and action to facilitate the rollovers.
- The Board approved the publication of Prospectus and Circular relating to the Schemes and a 12-month placing programme to issue up to 250 million new Ordinary and/or C Shares. To achieve this, the Board considered with its key advisers including the Investment Adviser and Joint Brokers risks associated with the new assets and their alignment with the Company's strategy. They also engaged with shareholders, regulators, and other stakeholders during the approval process to ensure success.
- In line with the Company's long-term growth strategy, the Board approved the admission of the Company's shares to the premium listing segment of the Official List of the FCA. This enhances the well-deserved reputation and visibility of the Company by its inclusion in the FTSE All Share index. The Company will be held to higher standards of governance and transparency to which it already adheres to for its size, and increased protection for investors. This increases your Company's credibility in the eyes of (prospective) investors, analysts, and the public. Lastly, your Company now has access to a potentially broader investor base.
- The appointment of two new Directors to the Board, one each from AJIT and AJG was a strategic manoeuvre to seamlessly integrate board level corporate knowledge from the rollover companies. Thereby, capitalising on their specific knowledge and expertise from the rolled over companies, and enhancing the diversity of thought for good decision-making.
- The Board approved the continuing appointment of the Investment Adviser and other key advisers, following an annual formal assessment in November 2023. Having the expert advisers and consistency in relationships has significant implications for the long-term success of the Company. Thus far, the Company's key advisers have served the Company well.
- The Board decided that in 2025 and 2026, respectively, it is expected that one director will retire to bring the size of the board from seven directors down to five directors by the end of 2026.
- The Board provided continuous support for the Investment Adviser's approach to investment activism (see pages 5 and 6 of the Investment Adviser's Report) ensuring that their activism aligns with the long-term goals of the Company. The activism is focused on governance improvements, growth strategies and long-term value creation in Japanese investee companies.

## Section 172 Statement continued

### 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 following paragraphs, which explain the relationship between the Company and each of its stakeholders.



The Company's Shares are listed on the Premium Segment of the Main Market for listed securities of the London Stock Exchange.

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

### Stakeholder Management

#### Shareholders and Prospective 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. Periodic communications are published such as interim and annual reports, monthly factsheets, and daily NAVs for the benefit and information of investors and analysts. They can be found on RNS or the Company's website, as appropriate.

To help the Board in its aim to act fairly between the Company's members, it seeks to ensure effective communication is provided to all Shareholders. The Board invites Shareholders to attend the AGM to be held on 6 June 2024. The Annual and Interim reports will be issued to Shareholders and made available on the Company's website. Monthly factsheets are also available on the Company's website. The Investment Adviser and the Company's Brokers have met with many of the Company's larger Shareholders during the year under review. Members of the Board would be happy to arrange meetings



with shareholders upon request to the Company's Brokers, Shore Capital and Berenberg. Shareholders' views are considered by the Board at their quarterly Board meetings.

### **Investment Adviser**

The Investment Adviser is the most significant service provider to the Company as it is effectively the Board's executive arm, and a description of its role, along with that of the AIFM, can be found on page 24.

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.

The Management Engagement Committee reviews the performance and resources of the Investment Adviser at least annually. The last review was in November 2023.

### **Key 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.

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 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.

### **Investment Process**

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

RSM screens investment opportunities to identify potential investments that meet the Company's investment objective and comply with its investment policy. Through this screening process, RSM determines 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 RSM performs a detailed due diligence review of the investee company, where key risks, including those related to ESG factors, are assessed. RSM employs a robust due diligence process applying principles of quantitative analysis to stress test assumptions, price capital structures, and determine expected returns in the context of the risks faced.

## Section 172 Statement continued

Where an investment opportunity proceeds to the execution phase, RSM 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 are pleased to present their report and financial statements for the year ended 31 December 2023.

## Strategic report

The Directors' Report should be read in conjunction with the Strategic Report on pages 2 to 22.

## Corporate governance

The Corporate Governance Statement on pages 29 to 35 forms part of this report.

## Risks and Risk Management

The Company's principal and emerging risks and Risk Management report can be found on pages 15 to 18 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 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 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 year ended 31 December 2023.

## Market information

The Company's Ordinary Shares are listed on the Official List of the FCA and trading on the Premium Segment of the main market of the London Stock Exchange. The unaudited NAV of the Ordinary Shares of the Company is published daily via RNS.

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

As a result of the 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 because 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 the Company's Shareholders (requiring a majority of at least 75%) of the persons voting on the relevant resolution.

## 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 page 32.

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 34.

### 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 is included in this Annual Report or will be made available on the Company’s website.

### Alternative Investment Fund Manager (“AIFM”)

The Company is classified as an Alternative Investment Fund under the AIFMD and has appointed FundRock Management Company (Guernsey) 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 Management Limited 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 Management Limited 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 in such circumstances, will 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

Apex Listed Companies 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.

## 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. The last review was held in November 2023.

## Capital structure, voting rights and restrictions

At the financial year end, the Company's issued share capital comprised 189,141,704 Ordinary Shares of 1p nominal value each.

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 the AGM 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 year amounted to £3,178,000 (31 December 2022: £3,878,000). The Company made a capital profit after tax of £44,386,000 (31 December 2022: £1,217,000). Therefore, the total profit for the year of the Company was £47,564,000 (31 December 2022: £5,095,000).

The Board has declared an interim dividend of 1.60p per Ordinary Share in respect of the year ended 31 December 2023, which will be payable on 24 May 2024 to Shareholders on the register on 19 April 2024. 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

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, in accordance with Disclosure Guidance and Transparency Rule 5.1.2:

Shareholder	Holding	Percentage Held*	Date Notified
<b>During the year ended 31 December 2023</b>			
1607 Capital Partners, LLC	14,707,873	7.78	27 October 2023
Evelyn Partners Limited	5,908,664	5.23	21 September 2023
Rosenwald Capital Management, Inc.	38,460,001	34.03	2 December 2021

\* Based on number of the Company's Ordinary Shares in issue at the date of notification.

Since the year end to 27 March 2024, being the latest practicable date, the Company has not been notified of any interests in the Company's Ordinary Shares, comprising 3% or more of the issued share capital of the Company.

## Political donations

There were no donations made during the financial year to 31 December 2023.

## Settlement of Ordinary Share transactions

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

# Directors' Report continued

## Appointment of auditor

The Company's auditor, BDO LLP, having expressed their willingness to continue in office as auditors, will be put forward for re-appointment at the Company's 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 Directors do not foresee any immediate material risk to the Company's investment portfolio, however, a prolonged and deep market decline could lead to falling values in the underlying business or interruptions to cash flow. The following is a summary of the Directors' assessment of the going concern status of the Company.

The Company's ability to continue as a going concern for the period assessed by the Directors, being at least 12 months from the date the financial statements were authorised for issue. The assessment took into consideration the wars in Ukraine and the Middle East (Israel/Gaza); and the continued geopolitical tension between the US and China. These uncertainties have impacted the market at a time when interest rates are high and inflationary pressures worldwide have negatively impacted global economic growth. Further details on the impact of the market, liquidity and credit risks and how they are managed are disclosed in note 15 to the Accounts.

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 2023 were £319,938,000 (31 December 2022: £158,745,000). As at 31 December 2023, the Company held £22,257,000 (31 December 2022: £31,738,000) in cash. The total expenses for the year ended 31 December 2023 were £2,465,000 (31 December 2022: £2,055,000). The ongoing charges ratio represented approximately 1.17% (31 December 2022: 1.41%) of average net assets during the year. At the date of approval of this document, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover.

## 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 auditor is 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 auditor is 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.

## 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. The Company reports formally to shareholders twice a year and meetings with key investors are held as required. The key discussion points of such meetings are relayed for the Board to consider further.

Results of AGMs are announced by the Company promptly after the relevant meeting and published on the Company's website. Additionally, other notices and information are provided to shareholders on an ongoing basis through the Company's website to assist in keeping shareholders informed such as the monthly Factsheets.

This year, the Company's AGM will be held on 6 June 2024 as disclosed on page 4 of the Chairman's Statement and the enclosed AGM Notice sets out the arrangements for the meeting.



## Annual General Meeting

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 AGM to be held on 6 June 2024 at 2.30pm.

### Renewal of general authority to issue Ordinary Shares and to dis-apply pre-emption rights

At the forthcoming AGM, the Board is seeking authority to allot up to a maximum of 37,828,340 Ordinary Shares (representing approximately 20% 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 2025 unless renewed prior to this date via a General Meeting. The full text of resolutions 13 to 15 are set out in the Notice of Annual General Meeting on pages 77 and 78.

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.

### Renewal of general authority to purchase Ordinary Shares

During the year ended 31 December 2023, the Company did not utilise its authority to purchase its own Shares.

The existing authority to make market purchases will expire at the conclusion of the 2024 AGM of the Company. The Directors recommend that a new authority to purchase up to 28,352,341 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 this document 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 full text of resolution 17 is set out in the Notice of Annual General Meeting on page 78.

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.

### Notice of general meetings

Resolution 18 in the notice to the AGM is required to reflect the requirements of the Shareholder Rights Directive. The Company is currently able to call General Meetings, other than an AGM, on 14 clear days' notice and would like to preserve this ability. To be able to do so, Shareholders must have given their prior approval.

Resolution 18 seeks such approval, which would be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed. The Company will ensure that it offers the facility for shareholders to vote by electronic means, and that this facility is accessible to all shareholders, if it is to call general meetings on 14 days' notice. Short notice of this kind will be used by the Board only under appropriate circumstances.

### 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 Reports or a cross reference table indicating where the information is set out. The Directors confirm that only LR 9.8.4(7) (issue of shares) is applicable during the year 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. The Company consumed less than 40,000kWh of energy during the year in respect of which the Directors' Report is prepared and therefore is exempt from disclosure under the Streamlined Energy and Carbon Reporting. 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).

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 Adviser to be mindful of any associated risks when making their investments and reviews updated ESG policies from the Investment Adviser annually. 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 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 a zero-tolerance approach to the facilitation of tax evasion.

The Report was approved by the Board on 2 April 2024 and signed on its behalf:

By order of the Board

**Mimi Ajibadé**

For and on behalf of

**Apex Listed Companies Services (UK) Limited**

Company Secretary

2 April 2024

# Corporate Governance Statement

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 carefully considered the principles and provisions outlined in the AIC Code of Corporate Governance 2019 (referred to as the "AIC Code"). This code addresses matters covered by the UK Code while also providing additional provisions relevant to the Company's specific context.

The Board believes that reporting against the AIC Code, which has received endorsement from the Financial Reporting Council (FRC), offers more pertinent information for shareholders.

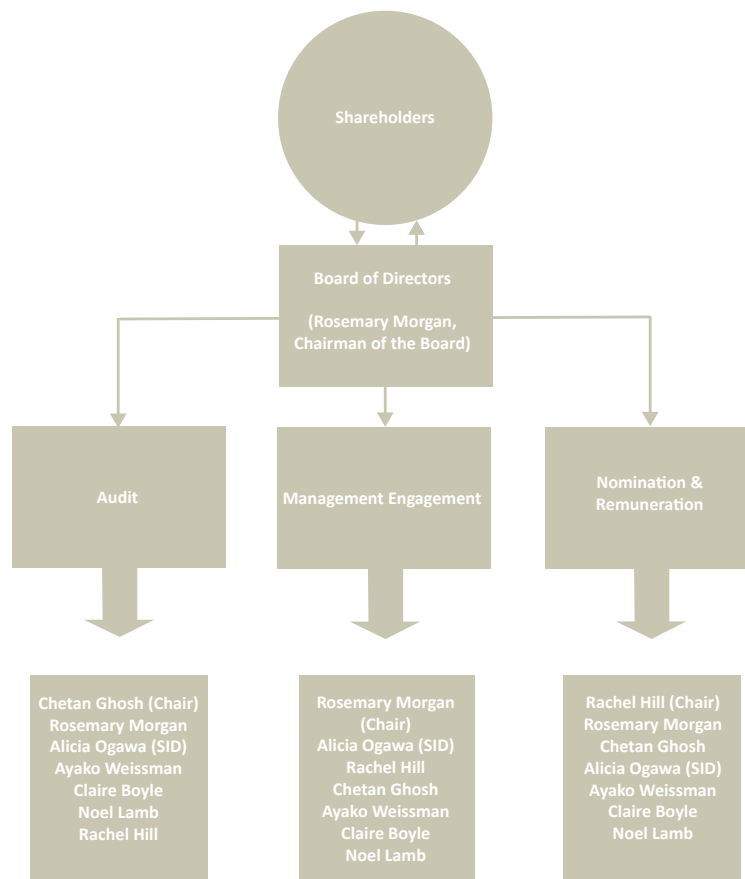
You can find the AIC Code on the AIC website. It includes an explanation of how the AIC Code adapts the Principles and Provisions from the UK Code to suit investment companies.

The company has diligently adhered to the Principles and Provisions set forth in the AIC Code.

Given the Company's status as an externally managed investment company, the Board has determined that certain provision such as those related to the role of executive directors, remuneration, and the need for an internal audit function are not applicable. This is because all day-to-day management and administrative functions are outsourced to third-party service providers, resulting in the absence of executive directors, employees, or internal operations within the company.

The Board has concluded that the Annual Report for the year ended 31 December 2023, 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.

## Governance Structure Snapshot



## The Board

### Composition

At the date of this report, and as illustrated above, the Board consists of seven non-executive Directors, following the appointment of Claire Boyle and Noel Lamb during the year. The intention of the Board over the longer term is to reduce the number of Directors back to a maximum of five, which the Board believes is the appropriate number of directors 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** – Appointed 14 November 2019

Non-Executive Director, Chairman of the Board, and Management Engagement Committee

Until February 2024, Rosemary was an independent director and Chairman of JP Morgan India Investment Trust.

Until 2022, she was a Senior Independent non-executive Director of Schroder Asia Pacific Investment Trust, where she was the Chairman of the Audit and Risk Committee.

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** – Appointed 22 October 2019

Non-Executive Director and Chair of the Audit Committee

Chetan is a member of the OCIO Solutions Team at Schroders. Before this he was Chief Investment Officer for the Centrica pension scheme and was responsible for providing support to the directors of the investment committee. His role covered investment strategy considerations, asset class and manager research, and liaison with the investment advisers.

In 2022, Chetan and his team joined Schroders to provide a fully tailored OCIO service to the Centrica pension scheme.

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 Kings College London. He is based in London, UK.

#### **Rachel Hill** – Appointed 22 October 2019

Non-Executive Director and Chair of the Nomination and Remuneration Committee

Since 2006, Rachel has been a Director of Dragon Capital Markets (Europe) Limited and has been responsible for the European marketing of LSE listed Vietnam Enterprise Investments Ltd and the Vietnam Equity (UCITS) fund. Rachel has over 30 years of experience in respect of equity 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; 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. She is based in Bath, UK.



## Alicia Ogawa

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

Alicia Ogawa has been a consultant on Japan strategies to two of the largest U.S.-based activist hedge funds, and is an advisor to several Japan-focused activist funds. In 2023, she was a member of the New Governance Task Force at KT (Korea Telecom) and, until June 2023, she ran the Project on Japanese Corporate Governance and Stewardship at Columbia Business School. She is a director at the LSE-listed Nippon Active Value Fund, as well as the Tokyo-based activist fund Misaki Capital.

Alicia is an adviser at Questhub, a Tokyo-based governance advisory firm. She spent a decade as an assistant adjunct Professor at Columbia's School of International and Public Affairs running graduate seminars on ESG issues. Between 2000-2006, she was managing director at Lehman Brothers in New York City, where she was responsible for managing the firm's global equity research product. Prior to joining Lehman Brothers, Ogawa spent 15 years in Tokyo, where she was a top-rated bank analyst and director of research for Nikko Citigroup.

She is currently a member of the board of directors of the Maureen and Mike Mansfield Foundation, and a member of the board of directors of Pure Earth, a global NGO dedicated to addressing lead and mercury pollution. She graduated from Barnard College and earned a master's degree in international affairs at Columbia University School of International and Public Affairs.

## Ayako Hirota Weissman

Non-Executive Director Appointed 14 November 2019

Aya is Senior Vice President, Senior Portfolio Manager and Director of Asia Strategy for Horizon Kinetics LLC. Aya has over 40 years of investment experience managing equity portfolios in the US and Asian markets. Prior to joining Horizon Kinetics, LLC, she was the founder and Chief Investment Officer at AS Hirota Capital Management, LLC.

Her experiences include acting as a portfolio manager specialising in Japanese Securities for Kingdon Capital Management and as partner and portfolio manager at Feirstein Hirota Japan Partners. In addition, Aya was Managing Director and Senior Portfolio Manager in the US large cap value equity division at Salomon Smith Barney Asset Management, where she was a founding member.

Aya is a former member of the board of Toshiba Corporation where she was chairperson of compensation committee. She was also a board member of SBI Holdings. In addition, Aya is currently co-chairing the National Museum of Women in the Arts (Washington DC) Japan Committee.

Aya received an MBA from the International Institute for Management Development (IMD) in Lausanne, Switzerland and a BA in Liberal Arts from International Christian University (ICU) in Tokyo, Japan. She studied at Chung Chi College at Chinese University of Hong Kong as a Japanese Ministry of Education Scholar. She is a CFA charter holder.

## Claire Boyle

Non-Executive Director Appointed 10 October 2023

Claire Boyle acted as an independent non-executive director of abrdn Japan Investment Trust plc from 1 February 2019 to 10 October 2023 and served as Chair of the Audit and Risk Committee from October of 2019. She is currently the Chair of Life Science REIT plc, a non-executive director and Chair of the Audit and Risk Committee of Fidelity Special Values plc and a non-executive director of The Monks Investment Trust PLC.

Claire is a Fellow of the Institute of Chartered Accountants in England and Wales, qualifying in 1993 whilst working in litigation support at Coopers & Lybrand. She has over 17 years' experience working in finance and equity investment management, working on funds over a wide range of sectors for international corporate, Government, State and retail clients, including unit and investment trusts. She started her investment career on the UK research desk at Robert Fleming, was a partner at Oxburgh Partners LLP with responsibility for their European Equity Hedge Fund, and prior to that a European Equity Fund Manager at American Express Asset Management, where her role included both equity investment and business development.

# Corporate Governance Statement continued

## Noel Lamb

Non-Executive Director Appointed 10 October 2023

Noel Lamb served on the board of Atlantis Japan Growth Fund Limited from 1 February 2011 to 10 October 2023 and served as Chairman from 1 May 2014. He graduated from Exeter College, Oxford and is a barrister-at-law. He joined Lazard Brothers & Co Limited in 1987 and from 1992 to 1997 he was the managing director of Lazard Japan Asset Management where he was the Japanese equities fund manager. In 1997, he moved to the Russell Investment Group where he established the investment management capability of the firm in London. In 2002, he was promoted to Chief Investment Officer in North America where he managed assets of US\$150 billion until his departure in 2008. In 2020, he was appointed as a director of Guinness Asset Management Funds and in January 2022 as Chairman of Rockwood Strategic plc.

## Re-election of Directors

The Board recommends all the Directors for re-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.

## Role of the Board

All Board members are independent non-executive Directors, who continue to be independent of the Investment Adviser. The Board is responsible for the governance of the Company, notwithstanding any delegation of responsibilities to third parties. It has oversight over the management and conduct of the Company's business, strategy and development. The Board determines the Investment Objective and Investment Policy as well as risk appetite and has overall responsibility for the Company's activities, including review of investment activity and performance. The Board ensures the maintenance of a sound system of internal controls and risk management (including financial, operational and compliance controls) and reviews the overall effectiveness of systems in place. The Board is responsible for approval of any changes to the capital, corporate and/or management structure of the Company. The Board Members offer strategic guidance and specialist advice; whilst providing constructive and effective challenge, especially to the decisions of the Investment Adviser. The Board scrutinises and assesses the performance of third-party service providers (including the Investment Adviser and AIFM).

The Board's overriding focus is to promote the sustainable long-term success of the Company, to deliver value for Shareholders and contribute to wider society. The Board does not routinely involve itself in day-to-day business decisions. The AIFM is responsible for the risk management of the Company pursuant to AIFMD and the Investment Adviser for portfolio management.

## Board Committees

The Company has three committees to assist with its operations: the Audit Committee, the Nomination and Remuneration Committee and the Management Engagement Committee. Each Committee's delegated responsibilities are clearly defined in formal terms of reference, which are reviewed at least annually and are available on the Company's website. The Board decides upon the membership and chairs of its committees.

## Audit Committee

All the Directors are members of the Audit Committee, which is chaired by Chetan Ghosh. The Report of the Audit Committee on pages 39 and 40 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, which 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 reviewing the performance of the Board and its committees, the remuneration of Directors and 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 Implementation Report is included on pages 36 to 38 of this report.

### Management Engagement Committee

All of the Directors are members of the Management Engagement Committee, which 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. In 2023, the Management Engagement Committee met and reviewed the Investment Adviser's performance and remuneration structure. The conclusion was a recommendation by the Management Engagement Committee's to the Board that it was in the best interests of Shareholders to continue with the Investment Adviser's engagement, and that the current fee structure remained appropriate (See page 24 for further details).

In addition, the Management Engagement Committee conducted a performance evaluation of the Company's key service providers (listed on page 21). No material deficiencies were noted.

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

### Meeting attendance

	Quarterly Board	Audit Committee	Management Engagement Committee	Nomination and Remuneration Committee
Number of meetings held	4	3	1	1
Rosemary Morgan	4	3	1	1
Chetan Ghosh	4	3	1	1
Rachel Hill	4	3	1	1
Alicia Ogawa	4	3	1	1
Ayako Weissman	4	3	1	1
Claire Boyle*	1	1	1	1
Noel Lamb*	0	0	0	0

\* Appointed on 10 October 2023.

During the Year, there were ad hoc Board and committee meetings to deal with administrative matters and 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 30 to 32.

As an externally managed investment company, the Board employs no executive staff, and therefore does not have a chief executive officer (CEO) or a chief financial officer (CFO), both of which are deemed senior board positions by the FCA. The Chair, Senior Independent Director and Chairs of Board Committees are regarded by the Board as the senior board positions

# Corporate Governance Statement continued

and the following disclosure is made on this basis. The information has been provided by each Director directly and there have been no changes since 31 December 2023.

## Board diversity as at 31 December 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board
Men	2	29%	1
Women	5	71%	3

	Number of Board members	Percentage of the Board	Number of senior positions on the Board
White British or Other White (including minority-white groups)	5	71%	2
Ethnic minority background*	2	29%	1

\* Based on UK census data.

### Statement

The Board's composition currently meets the FCA's new targets:

- three senior positions on the Board are held by women (Board Chairman, Senior Independent Director and Nomination & Remuneration Committee Chair); and
- two individuals on the Board are from an ethnic minority background.

The Board undertakes an appraisal of its performance, skills as well as independence and diversity, on an annual basis and believes its current composition is appropriate for such purposes. However, in the light of 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 Chairman, 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.

Following the recent appointment of Claire Boyle and Noel Lamb, it remains the intention of the Board over the longer term to reduce the number of Directors back to a maximum of five. It is intended that one Director will retire and not stand for re-election at each of the annual general meetings of the Company to be held in 2025 and 2026 respectively, thereby returning the number of Directors to five.

### Board and Chairman evaluation

The Directors are aware that they need to monitor and improve Board performance continuously and recognise that this can be achieved through regular Board evaluation, which provides a valuable feedback mechanism for improving Board effectiveness.

In 2023, an internal performance appraisal process was performed by the Company Secretary and overseen by the Nomination and Remuneration Committee regarding the performance of the Board, its committees and the Board Chairman. The results of the recent performance evaluation were positive and no material issues were identified.



## **Insurance and indemnity provisions**

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.

## **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. Through 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 direct 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 report 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 controls 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 Implementation Report

The Nomination and 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 the Directors.

The Remuneration Implementation Report for the period to 31 December 2023 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 Implementation Report; where this is the case the relevant section has been indicated as such.

## 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 was last approved by Shareholders at the AGM held in 2023, with 99.99% of votes cast in favour, 0.01% against and 0.00% withheld. The Remuneration Policy will next be put before shareholders in 2026.

The Remuneration Implementation Report requires 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.

A non-binding ordinary resolution to approve the Directors' Remuneration Implementation Report contained in the Annual Report and Accounts for the year ended 31 December 2022 was put forward at the AGM held on 8 June 2023. The resolution was passed including proxies representing 99.99% of the shares voted in favour of the resolution.

The Directors' Remuneration Policy was last put forward at the Annual General Meeting held 8 June 2023. The resolution was passed including proxies representing 99.99% of the shares voted in favour of the resolution. The Directors' Remuneration Policy will next be put forward for approval at the AGM to be held in 2026, should the Remuneration Implementation Report pass its annual votes prior to that.

The Board takes an active role in shareholder engagement and particularly voting outcomes. Shareholders have the opportunity to express their views and ask questions in respect of the Remuneration Policy and Remuneration Implementation Report at the Annual General Meeting.

## Loss of office

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

## Remuneration Implementation Report (Audited)

The table below provides a single figure for the total remuneration of each Director for the period 31 December 2023.

Director	Director Fees to 31 December 2023 (£'000)	Director Fees to 31 December 2022 (£'000)	Change (%) from 2022 to 2023	Change (%) from 2021 to 2022	Change (%) from 2020 to 2021
Rosemary Morgan	41.0	41.0	nil	17.1%	nil
Chetan Ghosh	33.0	33.0	nil	10.0%	nil
Rachel Hill	27.8	27.8	nil	3.0%	nil
Alicia Ogawa	27.8	27.8	nil	3.0%	nil
Ayako Weissman	27.8	27.8	nil	3.0%	nil
Claire Boyle*	6.3	n/a	n/a	n/a	n/a
Noel Lamb*	6.3	n/a	n/a	n/a	n/a
<b>Total</b>	<b>170.0</b>	<b>157.4</b>	<b>nil</b>	<b>7.8%</b>	<b>nil</b>

\* Appointed on 10 October 2023.

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

With effect from 1 January 2024, the Board remuneration is outlined in the table below:

Position	Fee per annum* (GBP)
Board Chairman	43,830
Director	29,535
Audit Committee Chair (additional fee)	5,515

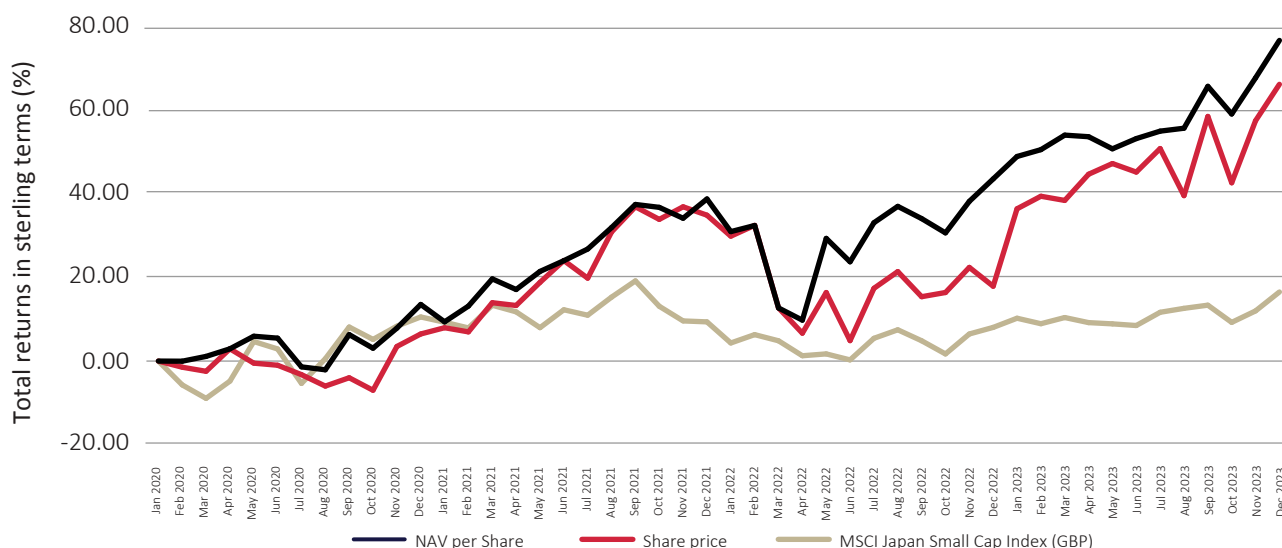
\* Following a review of the Directors' fees in November 2023, it was decided that the fees be increased in line with the average market levels of 6.2% for Directors and 6.9% for the Chair (rounded up to the nearest five pounds) with effect from 1 January 2024.

## 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/her, or any application made by him/her, on the grounds of his/her 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 the MSCI Japan Small Cap index to be the most appropriate comparator for its performance.



# Directors' Remuneration Implementation Report continued

## 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.

	Year to 31 December 2023 (GBP)	Year to 31 December 2022 (GBP)	Change %
Dividend income	4,987,000	5,487,000	-9.1
Spend on Directors' fees	170,000	157,000	+8.3
Company's operating expenses and Investment Adviser's fees	2,465,000	2,055,000	+20.0
Dividends paid and payable to Shareholders	3,026,000	3,617,000	-16.3

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 2023 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.

Director	Ordinary Shares As at the date of this report	Ordinary Shares As at 31 December 2023	Ordinary Shares As at 31 December 2022
Rosemary Morgan	40,000	40,000	40,000
Chetan Ghosh	40,000	40,000	40,000
Rachel Hill	115,791	115,791	115,791
Alicia Ogawa	25,000	25,000	25,000
Ayako Weissman	27,000	27,000	27,000
Claire Boyle*	nil	nil	n/a
Noel Lamb*	35,853	35,853	n/a

\* Appointed on 10 October 2023.

## 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 year to 31 December 2023:

- The major decisions on Directors' remuneration;
- Any substantial changes relating to Directors' remuneration made during the period; and
- The context in which the changes occurred and decisions have been taken.

## Rachel Hill

Chair of the Nomination and Remuneration Committee  
2 April 2024



# Report of the Audit 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 Chairman of the Board to be a member of, but not chair the Audit Committee if they were independent on appointment. The Chairman 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 Chairman 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 Committees 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 year ended 31 December 2023.

### 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 year.

### 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 26.

# Report of the Audit Committee continued

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

The Audit Committee has concluded that the annual report for the year ended 31 December 2023, 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 of 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 year.

### Effectiveness of external audit

BDO LLP has performed the audit of the financial statements for the year ended 31 December 2023. 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 2023 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 2024 AGM.

### Internal audit

The Audit Committee has considered the requirement 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 Chairman evaluation' on page 34.

### Chetan Ghosh

Chair of the Audit Committee  
2 April 2024



# Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with UK adopted international accounting standards and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Company's financial statements in accordance with UK adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss for the company for that period.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and
- Prepare a Directors' report, a Strategic report and Directors' remuneration report which comply with the requirements of the Companies Act 2006.

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

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the annual report and accounts, 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.

## Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- The financial statements have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the company.
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the company, together with a description of the principal risks and uncertainties that they face.

## Directors' Statement as to the Disclosure of Information to Auditors.

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

For and on behalf of the Board

**Rosemary Morgan**

Chairman of the Board of Directors

2 April 2024

# 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 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- 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 year ended 31 December 2023 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 accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. 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 shareholders on 27 August 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 4 years, covering the year ended 31 December 2023. 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 the Directors' method of assessing the going concern in light of economic and market conditions by reviewing the information used by the Directors in completing their assessment;
- Assessing the appropriateness of the Directors' assumptions and judgements made by comparing the prior year forecasted costs to the actual costs incurred to check that the projected costs are reasonable;
- Assessing the liquidity position available to meet the future obligations and operating expenses for a period of 12 months from the date of approval of these financial statements; and
- Challenging the Directors' assumptions and judgements made in their forecasts by performing an independent analysis of the liquidity of the portfolio.

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.



## Overview

	2023	2022
<b>Key audit matters</b>	Valuation and ownership of quoted investments	
<b>Materiality</b>	<i>Company financial statements as a whole</i> £3.20m (2022: £1.59m) based on 1% (2022: 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
<p><b>Valuation and ownership of quoted investments</b></p> <p><b>Note 2 and Note 3</b></p> <p>The investment portfolio at the year end comprised of quoted equity investments held at fair value through profit or loss.</p> <p>We considered the valuation and ownership of investments to be a significant audit area as investments represent the most significant balance in the financial statements and underpins the principal activity of the entity.</p> <p>There is a risk that the bid price used as a proxy for fair value of investments held at the reporting date is inappropriate. Given the nature of the portfolio is such that it comprises solely of listed level 1 investments, we do not consider the use of bid price to be subject to significant estimation uncertainty.</p> <p>There is also a risk of error in the recording of investment holdings such that those recorded do not appropriately reflect the property of the Company.</p> <p>For these reasons and the materiality to the financial statements as a whole, they are considered to be a key area of our overall audit strategy and allocation of our resources and hence a Key Audit Matter.</p>	<p>We responded to this matter by testing the valuation and ownership of the whole portfolio of quoted investments. We performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Confirmed the year-end bid price was used by agreeing to externally quoted prices;</li> <li>• Assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value by considering the realisation period for individual holdings;</li> <li>• Recalculated the valuation by multiplying the number of shares held per the statement obtained from the custodian by the valuation per share; and</li> <li>• Obtained direct confirmation of the number of shares held per equity investment 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 matters to suggest the valuation or ownership of the quoted equity investments was not appropriate.</p>

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

## 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:

	Company financial statements	
	2023 £m	2022 £m
<b>Materiality</b>	3.2	1.6
<b>Basis for determining materiality</b>	1% of Net assets	
<b>Rationale for the benchmark applied</b>	As an investment trust, the net asset value is the key measure of performance for users of the financial statements.	
<b>Performance materiality</b>	2.4	1.1
<b>Basis for determining performance materiality</b>	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	
<b>Rationale for the percentage applied for performance materiality</b>	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	

## Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £160,000 (2022: £31,000). 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 & financial statements 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 Code 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.

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### Going concern and longer-term viability

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and
- The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate.

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### Other Code provisions

- Directors' statement on fair, balanced and understandable;
  - The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
  - The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and
  - The section describing the work of the Audit Committee.
-

# 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 year 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 Directors' responsibilities statement, 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:

#### *Non-compliance with laws and regulations*

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with the Investment Manager and Administrator and those charged with governance;
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations; and

we considered the significant laws and regulations to be Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP, the applicable accounting framework, and qualification as an Investment Trust under UK tax legislation as any non-compliance of this would lead to the Company losing various deductions and exemptions from corporation tax.

Our procedures in respect of the above included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Enquiries of management and those charged with governance relating to the existence of any non-compliance with laws and regulations;
- Reviewing minutes of meeting of those charged with governance throughout the period for instances of non-compliance with laws and regulations; and
- Reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain their Investment Trust Status. This included a review of other qualitative factors and ensuring compliance with these.

#### *Fraud*

We assessed the susceptibility of the financial statement to material misstatement including fraud.

Our risk assessment procedures included:

- Enquiry with the Investment Manager, the Administrator and those charged with governance regarding any known or suspected instances of fraud;
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud; and
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.

Based on our risk assessment, we considered the areas most susceptible to be management override of controls.

Our procedures in respect of the above included:

- In addressing the risk of management override of control, we:
  - Considered the opportunity and incentive to manipulate accounting entries and target tested relevant adjustments made in the period end financial reporting process;
  - To include an element of unpredictability we tested a sample of low value items;
  - Reviewed for significant transactions outside the normal course of business; and
  - Performed a review of unadjusted audit differences for indications of bias or deliberate misstatement.

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

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were deemed to have the appropriate competence and capabilities, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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.

**Eran Wieder** (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor  
London, UK  
2 April 2024

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

# Statement of Comprehensive Income

	Note	Year ended 31 December 2023			Year ended 31 December 2022		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	3	–	48,138	48,138	–	1,274	1,274
Income	4	4,994	–	4,994	5,487	–	5,487
Foreign exchange (loss)/gain		–	(2,605)	(2,605)	–	938	938
Investment adviser fees	5	(287)	(1,147)	(1,434)	(248)	(995)	(1,243)
Other operational expenses	6	(1,031)	–	(1,031)	(812)	–	(812)
<b>Profit before taxation</b>		<b>3,676</b>	<b>44,386</b>	<b>48,062</b>	<b>4,427</b>	<b>1,217</b>	<b>5,644</b>
Taxation	7	(498)	–	(498)	(549)	–	(549)
<b>Profit and comprehensive income for the year</b>		<b>3,178</b>	<b>44,386</b>	<b>47,564</b>	<b>3,878</b>	<b>1,217</b>	<b>5,095</b>
Earnings per Ordinary Share – Basic and diluted (pence)	12	2.44p	34.06p	36.50p	3.43p	1.08p	4.51p

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

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 in accordance with Statement of Recommended Practice (“SORP”) issued by Association of Investment Companies (“AIC”).

The notes on pages 53 to 68 form part of these financial statements.

# Statement of Financial Position

	Note	As at 31 December 2023 £'000	As at 31 December 2022 £'000
<b>Non-current assets</b>			
Investments at fair value through profit or loss	3	295,268	126,284
<b>Current assets</b>			
Cash and cash equivalents		22,257	31,738
Trade and other receivables	9	2,936	1,240
		<b>25,193</b>	<b>32,978</b>
<b>Current liabilities</b>			
Trade and other payables	10	(523)	(517)
		<b>24,670</b>	<b>32,461</b>
<b>Net current assets</b>		<b>319,938</b>	<b>158,745</b>
<b>Net assets</b>			
<b>Capital and reserves attributable to Shareholders</b>			
Share capital	11	1,891	1,130
Share premium		231,834	115,349
Capital reserve		82,710	38,324
Revenue reserve		3,503	3,942
<b>Total equity</b>		<b>319,938</b>	<b>158,745</b>
<b>NAV per Ordinary Share (pence)</b>	13	<b>169.15p</b>	<b>140.46p</b>

Approved by the Board of Directors and authorised for issue on 2 April 2024 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 53 to 68 form part of these financial statements.

## Statement of Changes in Equity

Year ended 31 December 2023	Note	Share capital £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>Balance at 1 January 2023</b>		<b>1,130</b>	<b>115,349</b>	<b>38,324</b>	<b>3,942</b>	<b>158,745</b>
Issue of Ordinary Shares	11	761	117,623	–	–	118,384
Share issue costs	11	–	(1,138)	–	–	(1,138)
Profit and comprehensive income for the year		–	–	44,386	3,178	47,564
Dividends paid	8	–	–	–	(3,617)	(3,617)
<b>Balance at 31 December 2023</b>		<b>1,891</b>	<b>231,834</b>	<b>82,710</b>	<b>3,503</b>	<b>319,938</b>

Year ended 31 December 2022	Note	Share capital £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>Balance at 1 January 2022</b>		<b>1,130</b>	<b>115,349</b>	<b>37,107</b>	<b>2,268</b>	<b>155,854</b>
Profit and comprehensive income for the year		–	–	1,217	3,878	5,095
Dividends paid	8	–	–	–	(2,204)	(2,204)
<b>Balance at 31 December 2022</b>		<b>1,130</b>	<b>115,349</b>	<b>38,324</b>	<b>3,942</b>	<b>158,745</b>

The capital reserve as at 31 December 2023 is split between realised gains of £29,167,000 and unrealised gains of £53,543,000 (as at 31 December 2022: realised gains of £17,254,000 and unrealised gains of £21,070,000).

The revenue reserve and realised element of the capital reserve represents the amount of the Company's retained and distributable reserves.

The notes on pages 53 to 68 form part of these financial statements.

# Statement of Cash Flows

	Note	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
<b>Operating activities cash flows</b>			
Profit before taxation*		48,062	5,644
<b>Adjustment for:</b>			
Gains on investments	3	(48,138)	(1,274)
(Increase)/decrease in trade and other receivables		(624)	174
Increase in trade and in other payables		(81)	(20)
Tax withheld on overseas income	7	(498)	(549)
<b>Net cash flow (used in)/from operating activities</b>		<b>(1,279)</b>	<b>3,975</b>
<b>Investing activities cash flows</b>			
Purchases of investments		(338,602)	(41,052)
Sales of investments		216,771	55,204
<b>Net cash flow (used in)/from investing activities</b>		<b>(121,831)</b>	<b>14,152</b>
<b>Financing activities cash flows</b>			
Issue of Ordinary Share capital		118,384	–
Ordinary Share issue costs		(1,138)	–
Equity dividends paid	8	(3,617)	(2,204)
<b>Net cash flow from/(used) in financing activities</b>		<b>113,629</b>	<b>(2,204)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(9,481)</b>	<b>15,923</b>
Cash and cash equivalents at the beginning of the year		31,738	15,815
<b>Cash and cash equivalents at the end of the year</b>		<b>22,257</b>	<b>31,738</b>

\* Cash inflow from dividends received for the year is £4,178,000 (31 December 2022: £5,161,000).

The notes on pages 53 to 68 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 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. On 11 October 2023, the Company's Ordinary Shares were admitted to the Official List of the FCA and trading on the premium segment of the main market for listed securities of the London Stock Exchange.

The investment objective of the Company is to provide Shareholders with attractive long-term capital growth primarily through the active management of a focused portfolio of quoted companies that have the majority of their operations in, or revenue derived from, Japan, or a majority of whose consolidated net assets are held in Japan, or that are included in the TOPIX, 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.

FundRock Management Company (Guernsey) 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.

The Company's Investment Adviser is Rising Sun Management Limited.

Apex Listed Companies Services (UK) Limited, the Company's appointed Administrator, (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: 6th Floor, 125 London Wall, London EC2Y 5AS.

## 2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

### a) Basis of preparation

#### *Statement of compliance*

The financial statements have been prepared in accordance with UK adopted international accounting standards. 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 by Association of Investment Companies ("AIC") in July 2022.

#### *Going Concern*

The Directors have adopted the going concern basis in preparing the financial statements. The Directors do not foresee any immediate material risk to the Company's investment portfolio, however, a prolonged and deep market decline could lead to falling values in the underlying business or interruptions to cash flow. The following is a summary of the Directors' assessment of the going concern status of the Company.

The Company's ability to continue as a going concern for the period assessed by the Directors, being at least 12 months from the date the financial statements were authorised for issue. The assessment took into consideration the wars in Ukraine and the Middle East (Israel/Gaza); and the continued geopolitical tension between the US and China. These uncertainties have impacted the market at a time when interest rates are high and inflationary pressures worldwide have negatively impacted global economic growth. Further details on the impact of the market, liquidity and credit risks and how they are managed are disclosed in note 15 to the Accounts.

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 2023 were £319,938,000 (31 December 2022: £158,745,000). As at 31 December 2023, the Company held £22,257,000 (31 December 2022: £31,738,000) in cash. The total expenses for the year ended 31 December 2023 were £2,465,000 (31 December 2022: £2,055,000). The ongoing charges ratio represented approximately 1.17% (31 December 2022: 1.41%) of average net assets during the year. At the date of approval of this document, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover.

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

### ***Use of estimates and judgements***

The preparation of the financial statements and the manner in which they are presented 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. See below paragraph for judgement around determination of the functional and presentation currency.

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, a 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.

### ***Future Developments in IFRS standards***

A number of new standards and/or amendments to standards are effective for the annual periods beginning after 1 January 2023. None of these are expected to have a significant effect on the measurement of the amounts recognised in the financial statements of the Company.

### ***Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current***

The amendments to IAS 1 clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted.

### ***Amendments to IAS 1 Presentation of Financial Statements - Non-current Liabilities with Covenants***

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date). The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted.

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

### ***Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements***

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

### **b) Material accounting policies**

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

#### ***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 bid price is unavailable, last traded price on the relevant exchange. Subsequently investments are revalued at fair value, which is the bid market price for listed investments over the time until they are sold, any unrealised gains/losses are included in the fair value of the 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.

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".

#### ***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 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.

#### ***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 payable 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.

Dividends receivable arising from companies within the United Kingdom (UK) are classified as UK dividend income and all other income is classified as overseas dividend income.

Special dividends are assessed on their individual merits and may be credited to the Statement of Comprehensive Income as a capital item if considered to be closely linked to reconstructions of the investee company or other capital transactions.

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

# Notes to the Accounts *continued*

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

### **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**

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 dividends.

The Company's distributable reserve consists of the capital reserve attributable to realised profit and the revenue reserve.

### 3. INVESTMENTS

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

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Listed on a recognised overseas exchange	295,268	126,284
<b>Total</b>	<b>295,268</b>	<b>126,284</b>

#### (b) Movements during year

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Book cost at the beginning of the year	105,214	106,935
Investment holding gains at beginning of the year	21,070	31,691
<b>Valuation at beginning of the year</b>	<b>126,284</b>	<b>138,626</b>
Investment purchases, at cost	338,475	41,134
Investment sales, at cost	(201,964)	(42,855)
<b>Closing book cost</b>	<b>241,725</b>	<b>105,214</b>
Investment holding gains	53,543	21,070
<b>Closing valuation</b>	<b>295,268</b>	<b>126,284</b>

These investments have been revalued over time and until they were sold any unrealised gains/(losses) were included in the fair value of the investments.

Transaction costs on investment purchases for the year ended 31 December 2023 amounted to £214,000 (2022: £36,000) and on investment sales for the year amounted to £159,000 (2022: £54,000).

#### (c) Gains on investments

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Realised gains on disposal of investments	16,037	11,985
Investment holding gains/(losses)	32,473	(10,621)
Net transactions costs	(372)	(90)
<b>Total gains on investments held at fair value</b>	<b>48,138</b>	<b>1,274</b>

## Notes to the Accounts continued

### 3. INVESTMENTS continued

#### 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).

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 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.

As at 31 December 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets:				
Equity investments	295,268	–	–	295,268
<b>Total</b>	<b>295,268</b>	<b>–</b>	<b>–</b>	<b>295,268</b>

There were no transfers between levels during the year. There are no level 3 investments as at 31 December 2023.

As at 31 December 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets:				
Equity investments	126,284	–	–	126,284
<b>Total</b>	<b>126,284</b>	<b>–</b>	<b>–</b>	<b>126,284</b>

### 4. INVESTMENT INCOME

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
<b>Income from investments:</b>		
Overseas dividends	4,987	5,487
<b>Other income:</b>		
Deposit interest	7	–
<b>Total</b>	<b>4,994</b>	<b>5,487</b>

## 5. INVESTMENT ADVISER FEES

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
<b>Basic fee:</b>		
20% charged to revenue	287	248
80% charged to capital	1,147	995
<b>Total</b>	<b>1,434</b>	<b>1,243</b>

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

There is no performance fee payable to the Investment Adviser.

## 6. OTHER EXPENSES

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Directors' fees	170	157
Administrator fees	111	86
Auditor's remuneration	44	45
AIFM fees	70	70
Brokers' retainer fees	79	50
Custodian fees	75	75
D&O insurance	12	24
Marketing fees	56	51
Legal Fees	40	40
Regulatory fees	20	41
Secretarial fees	69	60
Miscellaneous expenses	285	113
<b>Total other expenses – Revenue</b>	<b>1,031</b>	<b>812</b>

## Notes to the Accounts continued

### 7. TAXATION

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

	Year ended 31 December 2023			Year ended 31 December 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas withholding tax	498	–	498	549	–	549
<b>Total tax charge for the year (see note 8(b))</b>	<b>498</b>	<b>–</b>	<b>498</b>	<b>549</b>	<b>–</b>	<b>549</b>

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

The effective corporation tax rate for the year is 23.50% (2022: 19.00%). The tax charge for the Company differs from the charge resulting from applying the standard rate of UK corporation tax for an investment trust company. The differences are explained below:

	Year ended 31 December 2023			Year ended 31 December 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Profit before taxation</b>	<b>3,676</b>	<b>44,386</b>	<b>48,062</b>	<b>4,427</b>	<b>1,217</b>	<b>5,644</b>
Effective corporation tax at 23.50% (2022: 19.00%)	864	10,431	11,295	841	231	1,072
<b>Effects of:</b>						
Overseas withholding tax suffered	498	–	498	549	–	549
Non-taxable overseas dividends	(1,172)	–	(1,172)	(1,043)	–	(1,043)
Capital gains not subject to tax	–	(11,313)	(11,313)	–	(242)	(242)
Deferred tax not recognised	296	270	566	189	189	378
Unutilised finance costs	12	–	12	13	–	13
Foreign exchange gains/(losses) not subject to tax	–	612	612	–	(178)	(178)
<b>Total tax charge for the year</b>	<b>498</b>	<b>–</b>	<b>498</b>	<b>549</b>	<b>–</b>	<b>549</b>

The Company is not liable to pay tax on capital gains due to its status as an investment trust. The company has an unrecognised deferred tax asset of £1,954,000 (2022: £1,339,000) based on the long-term prospective corporation tax rate of 25% (2022: 25%). This asset has accumulated because deductible expenses exceeded taxable income for the year ended 31 December 2023. No asset has been recognised in the financial statements because, given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future.

## 8. DIVIDEND

(i). Dividend paid during the year is detailed in the below table:

Type – respective financial year end – dividend rate (pence)	Year ended 31 December 2023		Year ended 31 December 2022	
	Pence per Ordinary share	£'000	Pence per Ordinary share	£'000
Interim dividend - paid 26 April 2022 (1.95p per ordinary share)	–	–	1.95p	2,204
Interim dividend - paid 26 May 2023 (3.2p per ordinary share)	3.20p	3,617	–	–
<b>Total</b>	<b>3.20p</b>	<b>3,617</b>	<b>1.95p</b>	<b>2,204</b>

(ii). The dividend relating to the year ended 31 December 2023, which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered is detailed below:

Type – respective financial year end – dividend rate (pence)	Year ended 31 December 2023		Year ended 31 December 2022	
	Pence per Ordinary share	£'000	Pence per Ordinary share	£'000
Interim dividend - payable 24 May 2024 (2022: paid 26 May 2023*)	1.60p	3,026	3.20p	3,617
<b>Total</b>	<b>1.60p</b>	<b>3,026</b>	<b>3.20p</b>	<b>3,617</b>

\* Not included as a liability in the respective year-end accounts.

The Directors are pleased to declare an interim dividend for the financial year ended 31 December 2023 of 1.60p per Ordinary Share. The dividend will be paid on 24 May 2024 to Shareholders on the register at the close of business on 19 April 2024.

## 9. TRADE AND OTHER RECEIVABLES

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Sales for future settlement	1,845	773
Accrued income	523	212
Other receivables	516	231
Prepayments	52	24
<b>Total</b>	<b>2,936</b>	<b>1,240</b>

## Notes to the Accounts continued

### 10. TRADE AND OTHER PAYABLES

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
<b>Amounts falling due within one year:</b>		
Purchases for future settlement	343	256
Accrued expenses	180	261
<b>Total</b>	<b>523</b>	<b>517</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.

	Year ended 31 December 2023		Year ended 31 December 2022	
	No. of shares	£'000	No. of shares	£'000
<b>Allotted, issued &amp; fully paid:</b>				
Opening balance	113,021,433	1,130	113,021,433	1,130
Ordinary Shares of 1p each ('Ordinary Shares') issued	76,120,271	761	–	–
<b>Closing balance</b>	<b>189,141,704</b>	<b>1,891</b>	<b>113,021,433</b>	<b>1,130</b>

#### Scheme of Reconstruction

On 1 September 2023 the Company published details of its Schemes of Reconstruction (the "Schemes"), the results of which were published on 10 October 2023. As a result of the Schemes, the change in share capital of the Company was as follows:

#### Share issue:

**abrdn Japan Investment Trust plc ("AJIT")** – The Company acquired approximately £61.6 million of net assets from abrdn Japan Investment Trust plc AJIT in consideration for the issue of 39,616,423 new Ordinary shares in the Company.

**Atlantis Japan Growth Fund Limited ("AJG")** – The Company acquired approximately £56.8 million of net assets from AJG in consideration for the issue of 36,503,848 new Ordinary shares in the Company.

The cost of implementing the Schemes was £1,138,000.

#### 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.

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

## 12. EARNINGS PER ORDINARY SHARE

Total return per Ordinary Share is based on the return on ordinary activities, including income, for the year after taxation of £47,564,000 (2022: 5,095,000).

Based on the weighted average number of Ordinary Shares in issue for the year ended 31 December 2023 of 130,330,974 (2022: 113,021,433), the returns per share were as follows:

	Year ended 31 December 2023			Year ended 31 December 2022		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Return per Ordinary Share</b>	2.44p	34.06p	<b>36.50p</b>	3.43p	1.08p	<b>4.51p</b>

The Company does not have any dilutive securities therefore basic and diluted earnings are the same.

## 13. NET ASSET VALUE PER SHARE

Total equity and the NAV per share attributable to the Ordinary Shareholders at the year end calculated in accordance with the Articles of Association were as follows:

	As at 31 December 2023	As at 31 December 2022
NAV (£)	319,938,000	158,745,000
Ordinary Shares in issue	189,141,704	113,021,433
<b>NAV per Ordinary Share</b>	<b>169.15p</b>	<b>140.46p</b>

## 14. RELATED PARTY TRANSACTIONS

### Transactions with the Investment Adviser

The fees for the year are disclosed in note 5 with no amounts outstanding at the year ended 31 December 2023.

A key member of the RSM team is a major shareholder of Rosenwald Capital Management, Inc. Further details of Rosenwald Management Inc's shareholding is disclosed on page 25.

Rosenwald Capital Management Inc, receives dividends paid by the Company based on its shareholding.

### Directors' fees and shareholdings

During the year ended 31 December 2023, Directors' fees were paid at a rate of £27,810 (2022: £27,810) per annum for each Director other than the Chairman, who was entitled to receive £41,000 (2022: £41,000) and the Chair of the Audit Committee who was entitled to an additional fee of £5,190 (2022: £5,190) per annum.

The Board reviewed the rate of Directors' fees in November 2023 and decided that the fees be increased in line with the average market levels of 6.2% for Directors and 6.9% for the Chairman (rounded up to the nearest five pounds) with effect from 1 January 2024.

Position	Directors' Fees per annum for the year ending 31 December 2024 (GBP)	Directors' Fees per annum for the year ended 31 December 2023 (GBP)	Increase in line with market levels (GBP)
Board Chairman	43,830	41,000	6.9%
Director	29,535	27,810	6.2%
Audit Committee Chair (additional fee)	5,515	5,190	6.2%

## Notes to the Accounts *continued*

### 14. RELATED PARTY TRANSACTIONS *continued*

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

	As at 31 December 2023	As at 31 December 2022
Rosemary Morgan	40,000	40,000
Chetan Ghosh	40,000	40,000
Rachel Hill	115,791	115,791
Alicia Ogawa	25,000	25,000
Ayako Weissman	50,000	27,000
Claire Boyle	nil	n/a
Noel Lamb	35,853	n/a

### 15. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES

#### Risk Management Policies and Procedures

As an investment trust the Company invests in equities for the long term in order to achieve its investment objective stated on page 2. 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, credit risk and the Directors' approach to the management of them are set out 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.

### **(a) 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:

	<b>As at 31 December 2023 £'000</b>	<b>As at 31 December 2022 £'000</b>
Portfolio of investments: yen	295,268	126,284
Trade and other receivables: yen	2,368	985
Cash: yen	22,079	31,762
<b>Total</b>	<b>319,715</b>	<b>159,031</b>

## Notes to the Accounts *continued*

### 15. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES *continued*

#### *Foreign currency sensitivity*

If the Japanese yen had appreciated or depreciated by 10% as at 31 December 2023 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 2023 £'000	Decrease in Fair Value As at 31 December 2023 £'000	Increase in Fair Value As at 31 December 2022 £'000	Decrease in Fair Value As at 31 December 2022 £'000
Impact on portfolio – increase/(decrease)	29,527	(29,527)	12,628	(12,628)
Impact on NAV – increase/(decrease)	31,972	(31,972)	15,903	(15,903)

#### **(b) 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 on deposit with banks. 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 2023 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 2023 £'000	As at 31 December 2022 £'000
Exposure to floating interest rates:		
Floating rate on cash balance: yen	22,079	31,762

#### **(c) 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 2023 comprises its holdings in equity investments as follows:

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Investments held at fair value through profit or loss	295,268	126,284

The effect on the portfolio of a 10% increase or decrease in the value of the Investments held at fair value through profit or loss would have resulted in an increase or decrease of £29,526,800 (2022: £12,628,000).

### 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 2023, based on the earliest date on which payment can be required, were as follows:

	<b>As at 31 December 2023 less than 3 months</b>	<b>As at 31 December 2022 less than 3 months</b>
Creditors: amounts falling due within one year		
Trade and other payables	523	517
<b>Total</b>	<b>523</b>	<b>517</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 depositary

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.

## Notes to the Accounts *continued*

### 15. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES *continued*

#### *Management of credit risks*

The Company has appointed Northern Trust as its custodian. The credit rating of Northern Trust was reviewed at the time of appointment and is reviewed on a regular basis by the Investment Adviser and/or the Board. The Fitch's credit rating of Northern Trust as at the year end is AA-.

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.

In summary, the exposure to credit risk as at 31 December 2023 was as follows:

	<b>As at 31 December 2023 £'000</b>	<b>As at 31 December 2022 £'000</b>
Cash at bank	22,257	31,738
Trade and other receivables	2,936	1,240
<b>Total</b>	<b>25,193</b>	<b>32,978</b>

#### **(d) 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 14.

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 2023 comprises called-up share capital and reserves totalling £319,938,000 (2022: £158,745,000).

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

### 16. POST YEAR-END EVENTS

Since 31 December 2023, there are no post balance sheet events which would require adjustment of or disclosure in the financial statements.

# 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 2023		Page	Pence
NAV per Ordinary Share	a	2	169.15
Share price	b	2	162.00
<b>Discount</b>	<b>(b÷a)-1</b>		<b>4.2%</b>

As at 31 December 2022		Page	(Pence)
NAV per Ordinary Share	a	2	140.46
Share price	b	2	117.50
<b>Discount</b>	<b>(b÷a)-1</b>		<b>16.3%</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 2023		Page	Share price	NAV
Opening (pence)	a	2	117.50	140.50
Closing (pence)	b	2	162.00	169.15
Movement (b÷a)-1	c	n/a	37.90%	20.40%
Dividend reinvestment factor	d	n/a	3.16%	2.70%
<b>Total return</b>	<b>(c+d)</b>		<b>41.1%</b>	<b>23.1%</b>

Year end 31 December 2022		Page	Share price	NAV
Opening (pence)	a	2	134.00	137.90
Closing (pence)	b	2	117.50	140.50
Movement (b÷a)-1	c	n/a	-12.30%	1.90%
Dividend reinvestment factor	d	n/a	1.40%	1.60%
<b>Total return</b>	<b>(c+d)</b>		<b>-10.9%</b>	<b>3.5%</b>

## Alternative Performance Measures (“APMs”) continued

### 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 2023

Average NAV	a	198,441,000
Annual expenses	b	2,329,000
<b>Ongoing charges</b>	<b>(b÷a)</b>	<b>1.17%</b>

#### Year end 31 December 2022

Average NAV	a	145,955,840
Annualised expenses	b	2,055,000
<b>Ongoing charges</b>	<b>(b÷a)</b>	<b>1.41%</b>

# Glossary

<b>Administrator</b>	The Company's administrator, the current such administrator being Apex Listed Companies 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.

## Glossary continued

<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.

# Company Information

## Board of Directors

Rosemary Morgan (Chairman)  
Chetan Ghosh (Audit Committee Chair)  
Rachel Hill  
Alicia Ogawa  
Ayako Weissman  
Claire Boyle (appointed 10 October 2023)  
Noel Lamb (appointed 10 October 2023)

## Registered Office

6th Floor  
125 London Wall  
London  
England  
EC2Y 5AS

## Administrator & Company Secretary

Apex Listed Companies Services (UK) Limited  
6th Floor  
125 London Wall  
London  
EC2Y 5AS

## Joint Broker

Shore Capital Stockbrokers Limited  
Cassini House  
57 St. James' Street  
London  
SW1A 1LD

## Joint Broker

Joh. Berenberg, Gossler & Co. KG  
60 Threadneedle Street  
London  
EC2R 8HP

## Custodian

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

## 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

FundRock Management (Guernsey) Limited  
1 Royal Plaza  
Royal Avenue  
St Peter Port  
Guernsey, GY1 2HL

## Auditor

BDO LLP  
55 Baker Street  
London  
W1U 7EU

## Registrar

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

## Company Security Identifiers

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

# Letter from the Chairman

Dear Shareholders,

I am pleased to advise that the third Annual General Meeting (“AGM”) of the Company will be held at the offices of Apex, 6th Floor, 125 London Wall, London EC2Y 5AS on Thursday 6 June 2024 at 2.30 p.m. British Summer Time (“BST”). The formal Notice of the AGM which follows this letter sets out the business to be considered at the meeting.

## Business of the Meeting

Shareholders are being asked to vote on 18 resolutions, as explained below. Resolutions 1 to 13, inclusive, and Resolution 15 are proposed as ordinary resolutions. This means that, for each of these resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolution 14 and Resolutions 16 to 18, inclusive, are proposed as special resolutions for each of which to be passed requires at least three quarters of the votes cast must be in favour of the resolution.

### **Ordinary Resolution 1: Company’s Annual Report and audited financial statements for year ended 31 December 2023**

The Directors are required to lay before the Meeting the Annual Report and audited financial statements in respect of the financial year ended 31 December 2023, including the Strategic Report, Report of the Directors, Independent Auditor’s Report and the Directors’ Remuneration Report. Shareholders will be given an opportunity at the Meeting to ask questions on these items. At the end of the discussion members will be invited to receive the Annual Report and audited financial statements.

### **Ordinary Resolution 2: Approval of the Directors’ Remuneration Report**

Shareholders are requested to approve the Directors’ Remuneration Report which is set out on pages 36 to 38 of the Annual Report. The vote is advisory and does not affect the remuneration payable to any individual Director. However, the Board will take feedback from shareholders regarding remuneration and incorporate this into any future remuneration discussions.

### **Ordinary Resolutions 3 to 9 (inclusive): Re-appointment/appointment of Directors**

Under the terms of the Company’s Articles of Association are required to retire and seek re-appointment annually.

Resolution 3 relates to the re-appointment of Alicia Ogawa who joined the Board on 14 November 2019. Alicia has extensive experience in Japan strategies and funds.

Resolution 4 relates to the re-appointment of Ayako Weissman, who joined the Board on 14 November 2019. Aya has a wealth of investment experience managing equity portfolios in the US and Asian markets.

Resolution 5 relates to the re-appointment of Chetan Ghosh, who joined the Board on 22 October 2019. Chetan has extensive experience in investment strategy, asset class and manager research.


Resolution 6 relates to the re-appointment of Rachel Hill, who joined the Board on 22 October 2019. Rachel has a wealth of experience in equity sales in Asian markets.

Resolution 7 relates to the re-appointment of Rosemary Morgan, who joined the Board on 14 November 2019. Rosemary has extensive experience in equity funds and is a Japanologist.

Resolutions 3 to 7, inclusive, therefore, relate to the re-appointment of Alicia Ogawa, Ayako Weissman, Chetan Ghosh, Rachel Hill and Rosemary Morgan who have all served as Directors during the past year.

Resolution 8 relates to the appointment of Claire Boyle, who joined the Board on 10 October 2023. Claire is a qualified accountant with extensive experience in finance and equity investment management.

Resolution 9 relates to the appointment of Noel Lamb, who joined the Board on 10 October 2023. Noel is a barrister-at-law with extensive in Japan focused funds.



The Board has reviewed the performance and commitment of the Directors standing for re-appointment and appointment and considers that each of the Directors should continue to be Directors as they bring wide, current, and relevant business experience that allows them to contribute effectively to the leadership of the Company. Furthermore, the Board is satisfied that, having considered each Director's experience and the nature of, and anticipated demands on his or her time from his or her other business commitments including other investment trusts, each Director is able to commit the time required to fulfil his or her responsibilities as a Director of the Company. All the Directors are independent for the purpose of the UK Corporate Governance Code.

Biographical details for the Directors are shown on pages 30 to 32 of the Annual Report.

**Ordinary Resolutions 10 and 11: Re-appointment and remuneration of the Auditor**

In accordance with Sections 489 and 492 of the Companies Act 2006, shareholders are required to approve the appointment of the Company's Auditor each year. In accordance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) 2014, Audit Committees are authorised to determine the Auditor's remuneration. BDO LLP have expressed their willingness to continue as Auditor to the Company. Following a satisfactory performance evaluation, the Company is recommending their re-appointment in respect of the year ending 31 December 2024 and seeking authority for the Audit and Risk Assurance Committee to determine their remuneration.

**Ordinary Resolution 12: Declaration and payment of interim dividends**

Resolution 12 seeks shareholder authorisation for the Directors 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.

**Ordinary Resolution 13 and Special Resolution 14: Authority to allot shares and disapply pre-emption rights**

Resolution 13 will renew the authority to allot shares or sell out of treasury and Resolution 14 will authorise the Directors to disapply pre-emption rights when issuing shares or selling shares out of treasury. The authorities will allow Directors to issue or sell out of treasury up to 10% of the issued share capital, excluding treasury shares, at the date of the AGM (which at the date of this Notice was 189,141,704 shares having an aggregate nominal value of £189,141.70) on a non pre-emptive basis. The resolutions are set out in full in the Notice on page 1. If renewed, these authorities will expire on the earlier of the date falling 15 months after the passing of the resolutions and the conclusion of the AGM in 2025. The Directors do not intend to allot or sell shares pursuant to Resolutions 13 and 14 other than to take advantage of opportunities in the market as they arise and will only do so if they believe it to be advantageous to the Company's existing shareholders and when it would not result in any dilution of net asset value per share (i.e. shares will only be issued or sold at a premium to net asset value).

**Ordinary Resolution 15 and Special Resolution 16: Additional authority to allot shares and disapply pre-emption rights**

The authorities in Resolutions 15 and 16 are in addition to the authorities in Resolutions 13 and 14. If approved by shareholders, Resolution 15 will authorise the Directors to further allot up to an aggregate nominal value of £189,141.70 which is approximately 10 per cent of the Company's current issued ordinary share capital, representing a maximum of 18,914,170 Ordinary Shares, at a price of not less than the Net Asset Value per Ordinary Share as close as practicable to the allotment or sale; and Resolution 16 will give specific authority to the Directors to disapply statutory pre-emption rights, which means it will not have to offer new shares first to existing shareholders in proportion to their existing shareholdings. This authority will be limited to the aggregate nominal value of £189,141.70, representing a maximum of 18,914,170 Ordinary Shares specified in Resolution 15.

**Special Resolution 17: Repurchase of shares**

Share buy-backs allow the Company to buy back shares at a discount to net asset value after considering all associated costs. The purchase of shares, when they are trading at a discount to net asset value per share, result in an increase in the net asset value per share for the remaining shareholders. This authority, if conferred, will only be exercised if to do so would result in an increase in the net asset value per share for the remaining shareholders and if it is in the best interests of shareholders generally. Any purchase of shares will be made within guidelines established from time to time by the Board. Under the current Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of:

- (i) 105 per cent. of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase; and

## Letter from the Chairman *continued*

(ii) the higher of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out.

The minimum price which may be paid is 1 pence per share.

Resolution 17 in the Notice of AGM will renew the authority to purchase in the market a maximum of 14.99 per cent of shares in issue on 27 March 2024, the latest practicable date before publication of the Notice of AGM, (amounting to 28,352,341 shares). Such authority will expire on the conclusion of the next AGM or after a period of 15 months from the date of passing of the resolution, whichever is earlier.

### ***Special Resolution 18: Notice of general meetings***

Resolution 18 seeks shareholder approval for the Company to hold General Meetings (other than the Annual General Meeting) on 14 clear days' notice. The Company will only use this shorter notice period where it is merited by the purpose of the meeting and will endeavour to give more than 14 working days' notice if possible, in line with the recommendations of the UK Corporate Governance Code.

Yours faithfully,

**Rosemary Morgan**  
Chairman

2 April 2024

# Notice of Annual General Meeting (“AGM”)

## Notice of AGM

Notice is hereby given that the AGM of Nippon Active Value Fund plc will be held at 6th Floor, 125 London Wall, London, EC2Y 5AS on 6 June 2024 at 2.30 p.m. 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 2023 (the “**Annual Report**”).
2. To approve the Directors’ Remuneration Report included in the Annual Report.
3. To re-elect Alicia Ogawa as a director of the Company.
4. To re-elect Ayako Weissman as a director of the Company.
5. To re-elect Chetan Ghosh as a director of the Company.
6. To re-elect Rachel Hill as a director of the Company.
7. To re-elect Rosemary Morgan as a director of the Company.
8. To elect Claire Boyle as a director of the Company.
9. To elect Noel Lamb as a director of the Company.
10. To re-appoint BDO LLP as auditor to the Company.
11. To authorise the Directors to fix the remuneration of the auditor until the conclusion of the next Annual General Meeting of the Company.
12. 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.
13. That the Directors be and are hereby generally and unconditionally authorised (in addition for all subsisting authorities to the extent unused) to exercise all powers of the Company to allot 18,914,170 Ordinary Shares of 1 penny each in the Company (“**Ordinary Shares**”) (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 2025 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.
14. That, subject to the passing of resolution 13, in addition for all subsisting authorities to the extent unused 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 18,914,170 Ordinary Shares and/or sell Ordinary Shares from treasury, in each case for cash pursuant to the authority conferred by Resolution 13 up (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 2025 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.

## Notice of Annual General Meeting continued

15. That, in addition to the authority contained in Resolution 13, the Directors be and are hereby generally and unconditionally authorised (in addition for all subsisting authorities to the extent unused) to exercise all powers of the Company to allot a further 18,914,170 Ordinary Shares of 1 penny each in the Company (“Ordinary Shares”) (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 2025 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.
16. That, in addition to the authority contained in Resolution 14, subject to the passing of resolution 15, in addition for all subsisting authorities to the extent unused 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 18,914,170 Ordinary Shares and/or sell Ordinary Shares from treasury, in each case for cash pursuant to the authority conferred by Resolution 15 up (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 2025 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.
17. 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 37,828,340 (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 2024 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.
18. 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

**Mimi Ajibadé**

For and on behalf of Apex Listed Companies Services (UK) Limited  
Company Secretary

2 April 2024

Registered Office:  
6th Floor,  
125 London Wall  
London, EC2Y 5AS

# Notes to the Notice of the Meeting

## Information on the Company's website

1. Information regarding the meeting, including the information required by section 311A Companies Act 2006, is available at the Company's website <https://www.nipponactivevaluefund.com>. Investors should note, however, that contents of the Company's website, and the contents of any website which can be accessed through links on the Company's website, do not form part of this Notice.

## Attend, speak and vote at the AGM

2. 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 ("**Shareholders**"). The AGM will be held both physically and virtually via video conference. Only those Shareholders registered in the register of members of the Company as at 6.30 p.m. on 4 June 2024 (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 4 June 2024 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.

## Appointment of Proxy

3. 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 2.30 p.m. BST on 4 June 2024.
4. 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.
5. 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 2.30 p.m. BST on 4 June 2024.
6. 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 2.30 p.m. BST on 4 June 2024. 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 1235 (or +44 370 707 1235 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).
7. 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 1235 (or +44 370 707 1235 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.
8. 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).
9. 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.

## Crest Members

10. 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).
11. 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

## Notes to the Notice of the Meeting continued

personal members or other CREST sponsored members, and those CREST members who have appointed a voting service 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.

12. 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.
13. 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.
14. 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.
15. 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.

### Nominated Persons

16. 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. 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.

### Corporate Representatives

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 representative, 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 5.

### Issued Share Capital

18. As at 27 March 2024 (being the latest practicable date prior to the publication of this document) the Company's issued share capital amounted to 189,141,704 Ordinary Shares carrying one vote each. No Shares were held in treasury. Therefore, the total voting rights of the Company as at 27 March 2024 were 189,141,704 Ordinary Shares.

### Shareholder Questions and Answers

19. Shareholders are invited to submit questions in advance by email to [NAVFCoSec@apexfs.group](mailto:NAVFCoSec@apexfs.group) by the close of business on 4 June 2024. 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.

### Electronic Address

20. 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.



**NAV**