

Nippon Active Value Fund PLC

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Nippon Active Value Fund plc

("NAVF" or the "Company")

NAVF notes the following comment on Japan’s February 8 election from the Tokyo-based analyst team of Rising Sun Management / Dalton Investments.

“The recent House of Representatives election marked the largest postwar victory for the Liberal Democratic Party. The LDP secured 316 seats on its own, comfortably exceeding the two-thirds threshold (310 seats) in the lower house. As a result, the party now holds the constitutional power to re-pass legislation in the House of Representatives even if such bills are rejected by the House of Councillors, fundamentally strengthening policy execution capacity.

The popularity of Sanae Takaichi cannot be explained solely by her personal style, rhetoric, or the symbolic significance of her leadership. Rather, it reflects a strong alignment between the substance of her policies and her willingness to pursue them with consistency. She has clearly articulated national priorities in an increasingly uncertain global environment—strengthening economic security, promoting domestic investment, ensuring stable energy supply, and prioritizing growth while maintaining fiscal discipline. By minimizing ambiguous compromise language and presenting clear policy choices despite anticipated criticism, she has come to embody a form of “decisive leadership” that resonates with voters.

From a market perspective, the LDP’s overwhelming parliamentary majority materially reduces the risk of policy paralysis and significantly improves medium-term policy visibility. “Sanaenomics,” centered on proactive fiscal policy and growth-oriented investment, has effectively received a strong democratic mandate. This reinforces expectations for accelerated national investment in strategic areas such as semiconductors, AI, and economic security, as well as tangible progress toward stabilizing electricity supply, including the restart of nuclear power plants. Given Prime Minister Takaichi’s consistent emphasis on sustainable growth, reforms in equity capital markets are more likely to gain momentum rather than face delay or reversal.

A key risk lies in the possibility that large-scale fiscal expansion could undermine confidence in fiscal discipline, triggering a “bad” rise in interest rates accompanied by weakness in the government bond market. In this context, the pivotal figure is Katayama, the Minister of Finance. Having served in both the Budget Bureau and the International Bureau of the Ministry of Finance, and with academic training at France’s École nationale d’administration (ENA), she combines deep technical expertise as a former senior bureaucrat with a thorough understanding of internal policy-making dynamics. Her key strength lies in her ability to communicate policy intentions in the same data-driven language used by market participants. In addressing concerns surrounding government bond markets under Sanaenomics, she has consistently emphasized “responsible proactive fiscal policy” rather than indiscriminate spending. Citing concrete results—such as record-high tax revenues driven by higher nominal growth and a reduction in the government bond dependency ratio to 24.2%, the lowest level in 27 years—she anchors fiscal credibility in the logic that nominal growth can outpace interest rates, thereby mitigating concerns over fiscal discipline and helping sustain market confidence, including among international investors.

Taken together, we are confident that the administration will be steered with discipline and clarity, anchored by the complementary leadership of two female key figures whose combination of

decisiveness, policy conviction, and market-aware governance provides a strong foundation for stable and credible policymaking.”

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NOTES TO EDITORS

About NAVF

Nippon Active Value Fund ("NAVF") is an Investment Trust listed on the London Stock Exchange. The investment advisor of the Fund is Rising Sun Management Limited. NAVF is targeting attractive levels of capital growth for shareholders from the active management of a focused portfolio of (predominantly) quoted Japanese equity investments. Rising Sun Management Limited, with its local presence in Tokyo targets companies which are attractive, undervalued and have a substantial proportion of their market capitalisation held in cash and/or listed securities and/or realisable assets.

For further information visit: www.nipponactivevaluefund.com