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3 April 2024

Nippon Active Value Fund Plc

Final Results for the year ended 31 December 2023

Nippon Active Value Fund plc ("NAVF" or the "Company") is pleased to announce its audited results for the year from 1 January 2023 to 31 December 2023.

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)[1]	169.2	140.5
Share price – (pence)	162.0	117.5
Share price discount to NAV (%)[2]	4.2	16.3
Ongoing charges (%)[2]	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[2,3]	+23.1	+3.5
Share price total return per Share[2,3]	+41.1	-10.9
MSCI Japan Small Cap index (sterling terms)[3]	+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 further below.
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.

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**.

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. Below are our key areas for engagement in 2024:

Themes	Proposals
Effective Capital Allocation	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).”
	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. Reduce policy shareholdings, aiming for zero in the medium to long term.
Strong Alignment of Interest	Establish, disclose, and commit to a path towards improving alignment of interest through stock ownership guidelines.
	Specifically, require directors to accumulate ownership worth 3-5 times their fixed compensation over a reasonable time frame.
Board with High Independence and Diversity	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.

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)

	Periodic change			Cumulative change		
Period	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%
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Year End December 2023	36.66%	-16.16%	20.50%	110.01%	-40.76%	69.25%
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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%).

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.

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.

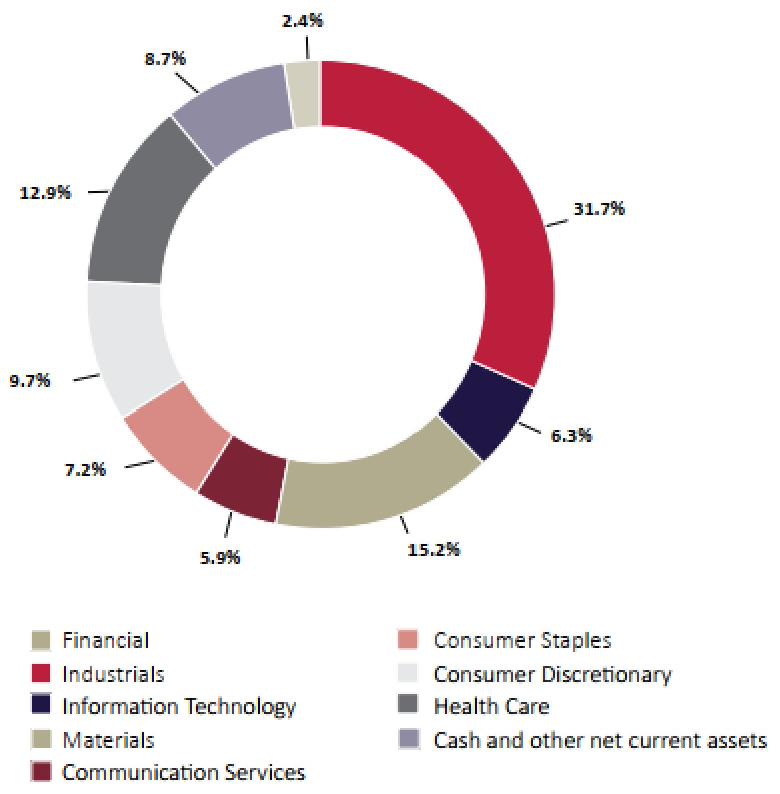
Paul Ffolkes Davis
Rising Sun Management Limited
2 April 2024

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.

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
MARKET	**The Company may not meet its investment objective.**	Low	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. 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. 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. Management Accounts, and Income and expense forecasts are reviewed at quarterly Board meetings. The Investment Adviser sends the Board its monthly newsletter/factsheet and an investment report on a quarterly basis. The Board considers the Investment Adviser and the AIFM's appointment on an annual basis.
MARKET	**Board fails to monitor whether there is style drift within the investment process.**	Low	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. Details of the portfolio composition are also provided regularly to allow the Board to see if the portfolio construction is consistent with investment guidelines.
MARKET	**The Company's Shares trade at a discount to NAV.**	High	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. 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.
MARKET	**Board fails to monitor the Company's ability to build the Portfolio.**	Low	Investment Advisor/AIFM/Brokers review market conditions on an ongoing basis. Quarterly meetings with the Investment Adviser to discuss market environment, team and business dynamics and ongoing viability of the strategy. 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.
MARKET	**Board fails to monitor the execution of the Investment Process.**	Medium	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. 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. 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.
OPERATIONAL	**Cyber Security risks could potentially lead to breaches**	Medium	Cyber security policies and procedures are implemented by the Company's key service providers. The AIFM has cyber essentials accreditation, which is reviewed on a continuous basis. Penetration testing is carried out by the AIFM and Administrator every year.
OPERATIONAL	**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.**	Medium	Investment Adviser is tasked with notifying the AIFM at time of trade whenever a deal has caused the holding to surpass a threshold. Filing is delegated to third party specialist Hibiya-Nakata, the Company's Tokyo-based legal advisor. The AIFM performs their own daily review of these limits against a portfolio that is reconciled to both the Investment Adviser and Custody records.

			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.
LIQUIDITY	**It may be difficult for Shareholders to realise their investment and there may not be a liquid market in the Company's Shares.**	Medium	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. Funding liquidity to satisfy redemption rights is not applicable, as the Company is a closed-ended fund. 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.
OPERATIONAL	**A corporate action is missed and the Company suffers a consequential loss.**	Medium	The Custodian (Northern Trust) and Investment Adviser monitor such actions. Northern Trust is a very large and experienced global custodian and produces an Internal Controls report which is reported to the Board.
MARKET	**Climate change has recently become one of the most critical issues confronting asset managers and their investors.** **Investors can no longer ignore the impact that the world's changing climate will have on their portfolio, with the inevitable impact on returns.**	Low	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.
MARKET	**Interest rate/Inflation Risk/Currency**	Medium	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. The AIFM constantly monitors risks and impact on portfolio, discussing with the Investment Adviser and Board as appropriate.
ARTIFICIAL INTELLIGENCE	**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 though using historical data, insufficient training data to perform correctly and algorithm driven price manipulation.**	**Emerging**	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.
GEOPOLITICAL	**Act of War;** • **Sanctions and Restrictions imposed** • **Volatile markets and general uncertainty** • **Potential world order change and globalisation.**	**Emerging**	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. • The Board and AIFM continue to monitor events. • Registrar will process and audit payments of Dividends to shareholders in line with regulations.

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.

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

Statement of Comprehensive Income

		Year ended 31 December 2023			Year ended 31 December 2022		
		Revenue	Capital	Total	Revenue	Capital	Total
	Note	£'000	£'000	£'000	£'000	£'000	£'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)
Profit before taxation		**3,676**	**44,386**	**48,062**	**4,427**	**1,217**	**5,644**
Taxation	7	(498)	–	(498)	(549)	–	(549)
Profit and comprehensive income for the year		**3,178**	**44,386**	**47,564**	**3,878**	**1,217**	**5,095**
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 form part of these financial statements.

Statement of Financial Position

	Note	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Non-current assets			
Investments at fair value through profit or loss	3	295,268	126,284
Current assets			
Cash and cash equivalents		22,257	31,738
Trade and other receivables	9	2,936	1,240
		25,193	**32,978**
Current liabilities			
Trade and other payables	10	(523)	(517)
		24,670	**32,461**
Net current assets		**319,938**	**158,745**
Net assets			
Capital and reserves attributable to Shareholders			
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
Total equity		**319,938**	**158,745**
NAV per Ordinary Share (pence)	13	**169.15p**	**140.46p**

Approved by the Board of Directors and authorised for issue on 2 April 2024 and signed on their behalf by:

Chetan Ghosh
Director

2 April 2024

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

The notes 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**
Balance at 1 January 2023		**1,130**	**115,349**	**38,324**	**3,942**	**158,745**
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)
Balance at 31 December 2023		**1,891**	**231,834**	**82,710**	**3,503**	**319,938**

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

Balance at 31 December 2022	**1,130**	**115,349**	**38,324**	**3,942**	**158,745**
	=========	=========	=========	=========	=========

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 form part of these financial statements.

Statement of Cash Flows

	Note	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Operating activities cash flows			
Profit before taxation*		48,062	5,644
		---------------	---------------
Adjustment for:			
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)
		---------------	---------------
Net cash flow (used in)/from operating activities		**(1,279)**	**3,975**
		=========	=========
Investing activities cash flows			
Purchases of investments		(338,602)	(41,052)
Sales of investments		216,771	55,204
		---------------	---------------
Net cash flow (used in)/from investing activities		**(121,831)**	**14,152**
		=========	=========
Financing activities cash flows			
Issue of Ordinary Share capital		118,384	–
Ordinary Share issue costs		(1,138)	–
Equity dividends paid	8	(3,617)	(2,204)
		---------------	---------------
Net cash flow from/(used) in financing activities		**113,629**	**(2,204)**
		=========	=========
(Decrease)/increase in cash and cash equivalents		**(9,481)**	**15,923**
Cash and cash equivalents at the beginning of the year		31,738	15,815
		---------------	---------------
Cash and cash equivalents at the end of the year		**22,257**	**31,738**
		=========	=========

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

The notes 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.

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.

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.

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
	---------------	---------------
Total	295,268	126,284
	=========	=========

(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
	---------------	---------------
Valuation at beginning of the year	126,284	138,626
	=========	=========
Investment purchases, at cost	338,475	41,134
Investment sales, at cost	(201,964)	(42,855)
	---------------	---------------
Closing book cost	241,725	105,214
	=========	=========
Investment holding gains	53,543	21,070
	---------------	---------------
Closing valuation	295,268	126,284
	=========	=========

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)
	---------------	---------------
Total gains on investments held at fair value	48,138	1,274
	=========	=========

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.

	Level 1	Level 2	Level 3	Total
As at 31 December 2023	£'000	£'000	£'000	£'000
Assets:				
Equity investments	295,268	–	–	295,268
	---------------	---------------	---------------	---------------
Total	295,268	–	–	295,268
	=========	=========	=========	=========

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

	Level 1	Level 2	Level 3	Total
As at 31 December 2022	£'000	£'000	£'000	£'000
Assets:				
Equity investments	126,284	–	–	126,284
	---------------	---------------	---------------	---------------
Total	126,284	–	–	126,284
	=========	=========	=========	=========

4. INVESTMENT INCOME

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

5. INVESTMENT ADVISER FEES

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

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
	---------------	---------------
Total other expenses – Revenue	1,031	812
	=========	=========

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
	---------------	---------------	---------------	---------------	---------------	---------------
Total tax charge for the year (see note 8(b))	498	–	498	549	–	549
	=========	=========	=========	=========	=========	=========

(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
Profit before taxation	3,676	44,386	48,062	4,427	1,217	5,644
Effective corporation tax at 23.50% (2022: 19.00%)	864	10,431	11,295	841	231	1,072
	---------------	---------------	---------------	---------------	---------------	---------------
Effects of:						
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)
	---------------	---------------	---------------	---------------	---------------	---------------
Total tax charge for the year	498	–	498	549	–	549
	=========	=========	=========	=========	=========	=========

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:

	Year ended 31 December 2023		Year ended 31 December 2022	
Type – respective financial year end – dividend rate (pence)	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	–	–
	---------------	---------------	---------------	---------------
Total	3.20p	3,617	1.95p	2,204
	=========	=========	=========	=========

(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:

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

* 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
	---------------	---------------
Total	2,936	1,240
	=========	=========

10. TRADE AND OTHER PAYABLES

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

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

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 £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return per Ordinary Share	2.44p	34.06p	36.50p	3.43p	1.08p	4.51p
	=========	=========	=========	=========	=========	=========

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
	---------------	---------------
NAV per Ordinary Share	169.15p	140.46p
	=========	=========

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 in the Annual Report and Accounts.

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%
	=========	=========	=========

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 in the Annual Report and Accounts. 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:

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

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:

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

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.

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:

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

(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 in the Annual Report and Accounts.

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		Pence
NAV per Ordinary Share	a	169.15
Share price	b	162.00
	---------------	---------------
Discount	(b÷a)-1	4.2%
	=========	=========

As at 31 December 2022		(Pence)
NAV per Ordinary Share	a	140.46
Share price	b	117.50
	---------------	---------------
Discount	(b÷a)-1	16.3%
	=========	=========

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		Share price	NAV
Opening (pence)	a	117.50	140.50
Closing (pence)	b	162.00	169.15
Movement (b÷a)-1	c	37.90%	20.40%
Dividend reinvestment factor	d	3.16%	2.70%
	---------------	---------------	---------------
Total return	(c+d)	41.1%	23.1%
	=========	=========	=========

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

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
	---------------	---------------
Ongoing charges	(b÷a)	1.17%
	=========	=========

Year end 31 December 2022

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

FINANCIAL INFORMATION

This announcement does not constitute the Company's statutory accounts. The financial information for 2023 is derived from the statutory accounts for 2023, which will be delivered to the registrar of companies. The statutory accounts for 2022 have been delivered to the registrar of companies. The auditors have reported on the 2022 and 2023 accounts; their reports were unqualified and did not include a statement under Section 498(2) or (3) of the Companies Act 2006.

The Annual Report for the year ended 31 December 2023 was approved on 2 April 2024. The full Annual Report can be accessed via the Company's website at: **https://www.nipponactivevaluefund.com/**

The Annual Report will be submitted to the National Storage Mechanism and will shortly be available for inspection at: https://data.fca.org.uk/#/nsm/nationalstoragemechanism

This announcement contains regulated information under the Disclosure Guidance and Transparency Rules of the FCA.

ANNUAL GENERAL MEETING ("AGM")

The 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).

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

Shareholders are invited to send any questions for the Board or Investment Adviser in advance by email to **navfcosec@apexfs.group** by close of business on 4 June 2024.

3 April 2024

For further information contact:

Secretary and registered office:

Apex Listed Companies Services (UK) Limited

6th Floor, 125 London Wall, London, EC2Y 5AS

Tel: 020 3327 9720

END