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3 April 2025

AVI Japan Opportunity Trust plc
("AJOT" or the "Company")
Proposed Transaction with Fidelity Japan Trust plc ("FJV")

- Proposed merger¹ between AJOT and FJV ("Proposed Transaction"), with both sets of shareholders benefiting from a more liquid, larger fund, targeting highly attractive investment opportunities in the Japanese equities space
- The Proposed Transaction is supported by FJV's largest shareholder, City of London Investment Management, which holds approximately 23% of FJV's issued share capital
- Potential for material uplift in the market value for FJV shareholders due to the narrower discount to NAV at which AJOT's shares trade compared with FJV's shares²
- Attractive opportunity for FJV shareholders to join an outperforming investment trust^{3,4} driven by structural change in Japan, with robust discount control mechanisms
- FJV shareholders would be eligible to participate in AJOT's annual uncapped redemption offered every October. FJV shareholders also offered cash exit of up to 25% in connection with the Proposed Transaction

Notes:

¹ To be effected under section 110 of the Insolvency Act

² Since AJOT's IPO on 23 October 2018 to 31 March 2025, AJOT's shares have traded at an average discount of 0.05% to NAV versus a 9.35% average discount to NAV for FJV shares over the same period.

³ Performance data provided below on a one, three and five year bases

- i. AJOT NAV total return: +20.9%, +47.3%, +93.3%
- ii. FJV NAV total return: -9.3%, -3.4%, +28.1%
- iii. MSCI Japan Small Cap index total return: +0.9%, +18.6%, +35.2%
- iv. TOPIX total return of -2.9%, +20.5%, +45.3%.

⁴ AJOT is a top decile performer across Japan focussed open ended investment companies and investment trusts over one, three and five years.

Norman Crighton, Chair of AJOT commented:

"The AJOT Board has closely followed Fidelity Japan Trust, its public disclosures, performance and its interactions with shareholders and the market over the last few years. We have sought to engage with the FJV Board on numerous occasions to discuss the combination of the two companies to create a market leading Japanese investment trust. We were disappointed to read in FJV's final results statements that the FJV Board recommends a continuation of the status quo, with no liquidity offered until 2028, instead of engaging in constructive dialogue regarding our proposal, which we believe is in the best interests of all shareholders."

Michael Sugrue, City of London Investment Management commented:

"City of London Investment Management supports consolidation in the UK Investment Trust sector. We believe Trusts that deliver outperformance whilst protecting shareholder value through active discount management should be the beneficiaries. The manager of AJOT has delivered strong investment performance since inception and the ongoing discount control mechanisms implemented by the Board have protected shareholder value in an environment where many other listed closed end funds have seen their discounts significantly widen."

To progress the Proposed Transaction, the AJOT Board has made efforts to explore discussions with the FJV Board, beginning with a written proposal to merge the two trusts in August 2024. Since then, prompted by FJV shareholders who had not been consulted on AJOT's proposal, the AJOT Board met with two of the directors of the FJV Board in March 2025 to discuss the proposals further. No further response had been received from the FJV Board since this meeting.

AJOT is making this proposal public ahead of FJV's continuation vote in May, such that FJV shareholders can independently assess FJV's performance and consider the alternative solution presented to their Board.

Background on AJOT

AJOT launched on the premium segment of the main market of the London Stock Exchange in October 2018, with an investment objective to achieve capital growth through investing in a focused portfolio of over-capitalised, small-cap, Japanese equities. The Company invests across equities listed or quoted in Japan which are considered by its investment manager, Asset Value Investors Limited ("AVI" or "Asset Value Investors"), to be under-valued and where cash, listed securities and/or realisable assets make up a significant proportion of the market capitalisation. Since IPO, AJOT has developed a track record for successful active management of its portfolio, and thus performs significantly better than its peers and against both the MSCI Japan Small Cap Index and the TOPIX. AJOT's one year, three and five year NAV total return was 20.9%, 47.3% and 93.3% respectively, (FJV one year: -9.3%, three year: -3.4%, five year: 28.1%)³.

AJOT has successful discount control policies whereby if, under normal market conditions, the four month average share price discount to NAV is greater than 5% the Company will buy back shares with the intention of reducing the discount to a level no greater than 5%. In addition, AJOT also offers its shareholders an uncapped annual exit opportunity due to the Board's strong focus on corporate governance and discount management. In the 2024 exit opportunity, only 2.58% of the Company's issued share capital was tendered at a 2% discount to the prevailing NAV (less direct transaction costs). The Board was pleased to see this strong signal of support from its shareholders and considers that the annual exit opportunity provides a strong platform for the future growth of the Company. Also, as part of the Investment Management Agreement, AVI must invest 25% of its management fee in AJOT shares. This is achieved through the regular purchase of AJOT shares in the secondary market, a strategy designed to align the interests of AVI with AJOT shareholders as well as creating an additional marginal buyer of AJOT shares.

Strategic Rationale

The AJOT Board believes that the Proposed Transaction should deliver AJOT shareholders a vehicle of materially enlarged scale, with improved secondary market liquidity and reduced ongoing charges ratio.

For FJV shareholders, the AJOT Board believes the Proposed Transaction should deliver:

- Potential for material uplift in the market value of a FJV shareholder's investment due to the narrower discount to NAV at which AJOT's shares are trading and have historically traded compared with FJV's shares over the recent past.²
- Continued exposure to Japanese equities: AJOT has a clearly defined and differentiated investment philosophy that seeks to exploit material undervaluation amongst Japanese equities via careful stock selection and active engagement with management, boards and other stakeholders. It is, therefore, best positioned to profit from the ongoing corporate governance reform.
- The merged entity is expected to have increased fire power to take meaningful positions in companies where there is significant opportunity to unlock value through active engagement, in line with AJOT's highly effective investment strategy.
- Strong performance since inception, with AJOT having delivered strong performance with a NAV total return of 79.2%, materially in excess of the 24.3% recorded for the MSCI Japan Small Cap Index and 38.8% recorded for the TOPIX index. Over this period, AJOT has been one of the top performing funds in the Japan Smaller Companies sector (as well as against all eight remaining Japanese investment trusts).
- AJOT's robust discount control mechanisms should protect against material discount widening and include an uncapped annual redemption opportunity every October.
- Access to Asset Value Investors, AJOT's investment manager, with a track record of successful execution of

strategy. AVI continues to leverage its experience investing in asset-backed companies to help unlock value in this area of the market. Through proactive engagement with management of investee companies and taking advantage of the increased focus on corporate governance and returns to shareholders in Japan, AVI has unlocked value for the Company.

Proposed Transaction Structure

The Board of AJOT submitted a written proposal to the FJV Board on 7 August 2024, that included the following illustrative terms. The Proposed Transaction remains on these terms:

- The Board of AVI Japan Opportunity Trust proposes a merger between AJOT and FJV by way of a scheme of reconstruction under section 110 of the Insolvency Act 1986, with the enlarged fund being managed by AJOT's investment manager, Asset Value Investors Limited.
- FJV shareholders to be offered the choice of (i) rolling their investment into new shares to be issued by AJOT (the "Rollover Option") and/or (ii) electing for a cash exit, capped at 25 per cent. of FJV's shares in issue (excluding treasury shares) (the "Cash Option").
- As is customary, the Proposed Transaction would be effected on the basis of Formula Asset Value ("FAV"), being the prevailing NAV of each company with customary adjustments to be agreed between AJOT and FJV.
- FJV shareholders electing for the Cash Option would have all or part of their shareholding in FJV realised at a two per cent. discount to FAV. The uplift arising from the Cash Option would be allocated to cover the estimated FJV costs of implementing the Proposed Transaction (for the benefit of FJV shareholders electing for the Rollover Option). AVI has also offered to underwrite FJV's reasonable costs associated with implementing the Proposed Transaction.

The Proposed Transaction would be effected by way of a scheme of reconstruction pursuant to section 110 of the Insolvency Act 1986. Accordingly, the City Code on Takeovers and Mergers will not apply to the Proposed Transaction.

It is emphasised that there can be no certainty that engagement will progress, that heads of terms will be agreed (either on the basis set out in this announcement or otherwise), or whether the Proposed Transaction (whether along the lines of the illustrative terms set out in this announcement or otherwise), will take place at all. Should heads of terms for the Proposed Transaction be agreed, further details and a proposed timetable of the Proposed Transaction will be announced.

In any event, the Proposed Transaction remains subject to, inter alia, further due diligence, the recommendation and approval of the Boards of FJV and AJOT to proceed, necessary approvals by the shareholders of both companies, relevant tax clearances being received, and relevant Financial Conduct Authority approvals.

For further information, please contact:

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All data and performance figures are calculated as at 31 March 2025 in GBP.

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