RNS Number : 8120D
AVI Japan Opportunity Trust PLC
07 April 2025

AVI JAPAN OPPORTUNITY TRUST PLC
ANNUAL REPORT 2024

LEI: 894500IJ5QQD7FPT3J73

Annual Financial Report for the year ended 31 December 2024
The Directors present the audited Annual Report for the year ended 31 December 2024.

Copies of the Annual Report can be obtained from the Company's website ("AJOT" or the "Company") www.ajot.co.uk or by contacting the Company Secretary by telephone on +44 (0) 333 300 1932.

AVI Japan Opportunity Trust plc ("AJOT" or "the Company") invests in a focused portfolio of quality small and mid-cap listed companies in Japan that have a large portion of their market capitalisation in cash or realisable assets.

Notice of Annual General Meeting
The Company's Annual General Meeting ("AGM") will be held at 11.30 a.m. on Tuesday, 20 May 2025, at the offices of the Association of Investment Companies (the "AIC"), 9th Floor, 24 Chiswell Street, London, EC1Y 4YY. Shareholders will be able to submit questions to the Board and the Investment Manager, Asset Value Investors Limited ("AVI"), ahead of the AGM, and answers to these and AVI's presentation will be made available on the Company's website. Please refer to the Notice of AGM for further information and the resolutions proposed at this meeting.

Dividend
The Directors are proposing a final dividend of 1.20 pence per Share for the year to 31 December 2024. Subject to the approval of Shareholders at the forthcoming AGM, the proposed final ordinary dividend will be payable on 23 May 2025 to Shareholders on the register at the close of business on 25 April 2025. The ex-dividend date will be 24 April 2025.

Performance Summary

	31 December 2024	31 December 2023
Net Asset Value	**£211,981,000**	£182,943,000
Net Asset Value per Share (total return) for the year*	**20.9%**	15.8%
Share price total return for the year*	**19.9%**	14.8%
Comparator Benchmark		
MSCI Japan Small-Cap Index (£ adjusted total return)	**6.2%**	6.9%
Portfolio Valuation*		
Net Cash as % of Market Cap	**21.2%**	35.8%
Net Financial Value as % of Market Cap	**48.4%**	49.6%
EV/EBIT	**8.7x**	8.7x
FCF Yield	**6.7%**	4.4%
	Year to 31 December 2024	Year to 31 December 2023
Earnings and Dividends		
Profit/(loss)before tax	**£38.6m**	£25.2m
Investment income	**£4.8m**	£4.0m
Revenue earnings per share	**2.21p**	1.76p
Capital earnings per share	**25.00p**	15.89p
Total earnings per share	**27.21p**	17.65p
Ordinary dividends per share	**2.20p**	1.70p
Ongoing Charge*		
Management, marketing and other expenses (as a percentage of average Shareholders' funds)	**1.5%**	1.5%
	31 December 2024	31 December 2023
Net asset value per share	155.4p	130.3p
Share price	152.3p	127.0p
Discount (difference between share price and net asset value)*	2.1%	2.5%

2024 Year's Highs/Lows	**High**	Low
Net asset value per share	**158.6p**	122.3p

NAV TR (GBP)	Since inception	**2024**	2023	2022	2021	2020	2019	2018[1]

AJOT	69.9%	**20.9%**	15.8%	-4.3%	12.3%	-1.4%	19.0%	-4.0%
MSCI Japan Small Cap	23.5%	**6.2%**	6.9%	-1.0%	-1.4%	3.2%	14.7%	16.0%
Relative	*47.9%*	***14.7%***	*8.8%*	*-3.4%*	*13.7%*	*-4.6%*	*4.3%*	*2.0%*

[1] Since inception on 23 October 2018.

** For all Alternative Performance Measures, please refer to the definitions in the Glossary in the Annual Report.*

COMPANY OVERVIEW

Company Purpose
Discovering overlooked and under-researched investment opportunities, utilising shareholder engagement to unlock long-term value.

Company Objectives and Strategy
AJOT aims to provide Shareholders with total returns in excess of the MSCI Japan Small Cap Index in GBP ("MSCI Japan Small Cap"), through the active management of a focused portfolio of equity investments listed or quoted in Japan, which have been identified by Asset Value Investors Limited as undervalued and typically have a significant proportion of their market capitalisation held in cash, listed securities and/or other realisable assets.

AVI seeks to unlock this value through proactive engagement with management and capitalising on the increased focus on corporate governance, balance sheet efficiency, and returns to shareholders in Japan.

The companies in the portfolio are selected for their high quality, whether having strong prospects for profit growth or economically resilient earnings. By investing in companies whose corporate value should grow overtime, AVI can be patient in its engagement to unlock value.

Benchmark
The MSCI Japan Small Cap Index.

Capital Structure
As at 31 December 2024, the Company's issued share capital comprised 137,198,943 Ordinary Shares of 1p each, of which 825,716 were held in treasury and therefore total voting rights attached to Ordinary Shares in issue were 136,373,227. As at 1 April 2025 it comprised 137,198,943 Ordinary Shares, 1,075,716 of which were held in treasury, and therefore total voting rights attached to Ordinary Shares in issue were 136,123,227.

Investment Manager
The Company has appointed Asset Value Investors Limited ("AVI" or the "Investment Manager") as its Alternative Investment Fund Manager.

The Association of Investment Companies ("The AIC")
The Company is a member of The AIC.

Website
The Company's website, which can be found at www.ajot.co.uk, includes useful information on the Company, such as price performance, news, monthly and quarterly reports as well as previous annual and half-year reports.

CHAIRMAN'S STATEMENT

"AVI takes a unique approach to engagement by focusing on driving operational improvements in addition to the typical engagement areas of capital efficiency, corporate governance and investor relations."

Overview of the Year
On behalf of the Board of Directors ("the Board"), I am pleased to present the Annual Report for 2024 for AVI Japan Opportunity Trust Plc ("AJOT" or "Company"). Since AJOT was launched in October 2018, market-wide reform in Japan has continued to advance, which is supportive of your Manager's constructive engagement strategy. In 2024, regulators stepped up the pressure on companies to improve key issues that are depressing valuations in Japan, such as poor corporate governance, capital efficiency and shareholder communication. Faced with evidence of undeniable change afoot, foreign investors' views are shifting from Japan being a perennially cheap market to one with not only room for rapid growth but with the means to catalyse it.

2024 was an eventful year in Japan, during which the Liberal Democratic Party relinquished its majority in the House of Representatives, the Bank of Japan ("BoJ") ended its ultra-loose monetary policy by symbolically increasing its benchmark rate to 0.25% (increased to 0.50% post-period end), and the Tokyo Stock Exchange ("TSE") piled pressure on underperforming companies by publishing its monthly "name and shame" list.

It was another buoyant year for Japanese equity markets, with the MSCI Japan returning +20.7% over 2024 in Japanese Yen ("JPY"). Large names again outperformed their smaller counterparts, with the MSCI Japan Small Cap index rising a still respectable +16.4% in JPY.

AJOT's performance in 2024 continued the impressive outperformance seen in 2023. AJOT returned +20.9% in GBP and +32.4% in JPY. It outperformed its benchmark over the calendar year by 14.7% in GBP and +16.2% in JPY. The weak Yen, which fell by -8.8% relative to the Pound over 2024, continued to be a headwind to sterling-based returns. Since its inception, AJOT has delivered returns of +69.9% in GBP versus +23.5% in GBP for the benchmark. In JPY terms, the since inception returns are significantly higher, at +130.0% vs +67.1% for the benchmark.

It is particularly encouraging in terms of returns and the investment manager's strategy that four portfolio companies received tender offer bids during the year, as well as one receiving advance notice of a tender offer bid.

Your Manager, AVI, has continued its constructive approach to active engagement with portfolio companies to unlock value. AVI takes a unique approach to engagement by focusing on driving operational improvements in addition to the typical engagement areas of capital efficiency, corporate governance and investor relations. AVI's investment team builds constructive relationships with the management of every portfolio company, holding numerous meetings with senior executives and board directors every year. Private engagement remains AVI's preferred approach to driving reform; however, public engagement is also an important element of the strategy, with two portfolio companies, Aichi Corporation and SK Kaken, the subject of public engagement in 2024. The preferred approach of private engagement has led to notable successes, with detailed letters or presentations sent to 17 portfolio companies over the year.

Dividend
As provided for in the Prospectus at the IPO, the Company intends to distribute substantially all the net revenue arising from the portfolio. The Company paid an interim dividend of 1.00p per share in November 2024, and the Board has elected to propose a final dividend of 1.20p per share, bringing total dividends for the year ended 31 December 2024 to 2.20p per share (2023: 1.70p per share).

Investment Strategy
AJOT listed in October 2018 to take advantage of the highly attractive opportunity to invest in undervalued, overcapitalised Japanese small-cap equities with strong underlying business fundamentals. Active engagement and corporate action are the keys to unlocking valuation anomalies, and AJOT's track record has demonstrated the potential absolute and relative returns this approach can deliver.

Over six years since launch, your Company has performed well in the face of multiple headwinds: lacklustre performance of small-cap stocks (MSCI Small Cap Japan has underperformed its larger MSCI Japan brethren by over 30% in JPY); a marked depreciation of the Japanese Yen which has detracted -60% from GBP returns, and a turbulent global environment encompassing a pandemic, rapidly rising interest rates and multiple geopolitical events. The Board remains confident that AVI is well placed to continue executing the strategy and that there are still plenty of mispriced investment opportunities to discover.

In June, Yoshi Nishio and I attended the AGM of SK Kaken, becoming the first foreign investors to do so. We were likely the first shareholders to ask questions at the AGM. It is hoped that this increased level of direct interaction with a company that had previously been reluctant to meet with AVI will bear fruit in the future. The Directors also took the opportunity to meet with several other portfolio companies as well as our PR agents in Japan.

Share Premium and Issuances
As at 31 December 2024, your Company's shares were trading at a discount of -2.1% to Net Asset Value ("NAV") per share. The Board monitors the premium/discount and carefully manages it by periodically issuing or buying back shares. During 2024, no new shares were issued, while 4,063,475 shares were bought back during the year. As of 31 December 2024, 137,198,943 shares were in circulation, a pleasing increase from the 80,000,000 shares at AJOT's launch.

The Directors believe that the performance of the Company since IPO should be attractive to a larger pool of investors and are exploring avenues to grow AJOT.

Realisation Opportunities
At the launch of the Company in October 2018, the Prospectus published at that time stated that the Directors may, at their discretion, offer a full or a partial exit opportunity to Shareholders in October 2022 and every two years thereafter. The rationale behind including the Exit Opportunity in the Prospectus was to ensure that if the original investment thesis did not generate the expected returns, or if circumstances had changed to make Japan unattractive, then Shareholders would be offered the opportunity to exit at close to NAV if they wished.

In light of the Board's keen focus on corporate governance, the Board announced its intention to offer the Exit Opportunity on an annual basis (rather than biennially), on that same discretionary basis, from October 2024. The Board therefore expects to offer another Exit Opportunity to Shareholders in October 2025 and every twelve months thereafter.

The Exit Opportunity was structured as a full Tender Offer in 2024, allowing eligible Shareholders to sell 100% of their share capital at a 2% discount to NAV. This resulted in 2.58% of Shareholders choosing to exercise the opportunity to exit.

Debt Structure and Gearing
As described in the Prospectus, the Board supports the use of gearing to enhance portfolio performance. The Company has in place a ¥2.93 billion debt facility, which was renewed on 2 April 2024. As at 31 December 2024, ¥2.93 billion of the facility had been drawn and net gearing stood at +4.5%. On 28 March 2025, the facility size was increased to ¥6.6 billion.

Outlook
The TSE has continued to disclose a list of companies on a monthly basis that have provided information regarding actions to implement policies conscious of the cost of capital and share price. In 2024, the TSE increased the level of accountability for companies by critiquing the quality of disclosures and highlighting key points for foreign investors, such as the availability of English disclosures.

There are several other tailwinds for the strategy, including the unwinding of cross-shareholdings, increasing shareholder activism, private equity firms targeting the Japanese market, and the Japanese government encouraging unsolicited acquisition offers.

The mounting pressure for corporate reform will not subside in 2025. AJOT's focus on finding attractively valued, durable companies and using active engagement to unlock value holds it in good stead to benefit from the changing tide. The portfolio is well-positioned with a concentrated yet diverse collection of high-quality, lowly valued companies, with multiple levers for re-ratings. As a Board, we are confident that AJOT can build on its successful track record of engagement and will continue to deliver attractive returns for investors. AJOT's portfolio companies currently have 48% of their market cap covered by net cash and investment securities and trade at a weighted average 8.7x EV/EBIT multiple.

During the year, Yoshi Nishio and Katya Thomson resigned from the Board to be replaced by Andrew Rose and Tom Yoritaka. I would like to take this opportunity to welcome both Andrew and Tom to the Board, as well as thank Yoshi and Katya for their contribution to the success of the Company since IPO.

In the coming weeks, I will be meeting any institutional investors who would like to sit down with me, and I hope to see as many Shareholders as possible at our AGM in May. The Board and I remain available to all our Shareholders - institutional and retail - who may wish to discuss an issue or ask a question. As always, please feel free to reach out to me directly at norman.crighton@ajot.co.uk or contact our broker, Singer Capital Markets, to arrange a meeting.

Norman Crighton
Chairman
4 April 2025

OUR TOP 10 HOLDINGS

1. Beenos (10.6% of net assets, 12.5x EV/EBIT)
Beenos operates e-commerce platforms allowing overseas consumers to purchase Japanese products. A significant portion of Beenos' profits is derived from its global e-commerce platform, primarily centred around a service called "Buyee", which enables overseas customers to purchase from popular e-commerce sites in Japan, such as Yahoo! Japan and Rakuten. In December 2024, Beenos received advance notice of a tender offer bid at a +19% premium.

2. TSI Holdings (10.3% of net assets, 9.4x EV/EBIT)
TSI Holdings is an apparel holding company with a diversified collection of brands including Pearly Gates, HUF and Margaret Howell. Its unique focus on athleisure and outdoor wear sets it apart from competitors, but it trades at a steep discount due to a bloated balance sheet. Substantial asset backing of net cash, investment securities and real estate obscure the quality of the underlying business.

3. Kurabo Industries (8.5% of net assets, 1.2x EV/EBIT)
Kurabo Industries is a diversified conglomerate with significant real estate and investment securities, which accounted for 106% of its market cap at the time of investment in early 2024, which has subsequently fallen to 86% following +47% share price growth. Engaged in the textile, chemical, advanced technology, food & service, and real estate businesses, Kurabo has achieved stable revenues, while its operating margin has doubled in recent years.

4. Eiken Chemical (7.6% of net assets, 21.0x EV/EBIT)
Eiken Chemical is a manufacturer of medical diagnostics equipment, operating a high-quality business with a proven track record of growing sales. Eiken Chemical holds a dominant market position in colon cancer screening, with an overwhelming global market share in excess of 70%. Eiken Chemical is set to experience structural growth from the ageing population, and with an open shareholder register, the company is a potential takeover target.

5. Aoyama Zaisan Networks (6.2% of net assets, 8.7x EV/EBIT)
AZN is a wealth management consultancy with a specialist focus on areas such as property, succession planning, corporate finance, and strategic management of individual assets. AZN is set to benefit from the ageing Japanese population, as the need for inheritance and business succession consulting is on the rise. AZN has successfully maintained an operating margin of over 30% and a double-digit annual profit growth rate.

6. Takuma (5.4% of net assets, 5.1x EV/EBIT)
Takuma builds and operates waste treatment plants for local municipalities in Japan, and with a tight labour market, there is a trend of outsourcing the operation of these plants to the constructor on decade-long contracts. Our strong conviction lies in Takuma's shifting business model, towards recurring revenue streams from maintenance and operation contracts. Almost half of Takuma's balance sheet assets are held in cash and listed securities, accounting for just over 60% of the market cap.

7. Araya Industrial (5.3% of net assets, 2.5x EV/EBIT)
Araya Industrial is engaged in the manufacturing and selling of high-quality, high-performance iron, stainless steel pipes, and other products using metal processing technology Roll Forming. Araya Industrial's customer base is diversified, with significant exposure to stable growth sectors such as semiconductors and public sector construction, particularly for stainless products, which are major contributors to the company's profits. Net cash, investment securities, and real estate cover over 85% of the market cap.

8. Konishi (4.9% of net assets, 5.8x EV/EBIT)
Konishi specialises in the manufacture and sale of synthetic adhesives and sealants, primarily serving the civil engineering construction sector. Konishi manufactures the no.1 household adhesive brand in Japan, "Bond". The company also produces adhesives and repair materials for civil engineering infrastructure projects, as well as industrial chemicals and synthetic resins. The company has substantial asset backing, with net cash, investment securities, and real estate covering more than 30% of the market cap.

9. Aichi Corporation (4.6% of net assets, 8.7x EV/EBIT)
Aichi Corporation is a manufacturer of construction machinery such as aerial work platforms, digger derricks, and other special-purpose vehicles. In addition to the sale of specialised machinery, Aichi Corporation also provides maintenance services, which account for nearly a quarter of total sales and offer higher profit margins. The company is a listed subsidiary of Toyota Industries, which owns over 50% of the shares.

10. Sharingtechnology (4.4% of net assets, 9.6x EV/EBIT)
Sharingtechnology operates one of the largest life service matching platforms in Japan, connecting a variety of user needs with high-quality services. With nearly 200 specialised websites and over 6,000 external service providers, the most frequent services catered for include lost keys, lawn mowing, and termite control. There are several tailwinds to support continued growth, including the declining Japanese population and the projected increase in the number of single-person households.

INVESTMENT MANAGER'S REPORT

"Looking ahead, we remain confident in the potential for further outperformance, as we continue to focus on high-

conviction investments in undervalued companies and drive the catalyst for change."

Last year's Manager's Commentary concluded with the assertion that "the potential for alpha generation has never been higher, and we are excited by the abundant opportunities in the year ahead". Given your Company's strong performance in 2023, this statement required a certain level of confidence in our ability to capitalise on the opportunities of 2024. We are pleased to report that this optimism proved to be warranted. In 2024, AJOT's NAV rose by an impressive +20.9% (in GBP), significantly outpacing the benchmark, which returned +6.2%.

It was a year full of activity, both within the portfolio and in the broader Japanese market. Following their impressive returns in 2023, Japanese indices booked another buoyant year, with the MSCI Japan Small Cap Index and MSCI Japan Index up +16.4% and +20.7% respectively (in JPY). As with last year, headline performance favoured large-cap value stocks, mainly attributable to the continued depreciation of the Japanese Yen. Over the last two years, the persistent devaluation of the Yen has driven earnings at large multinational exporters, with Topix Core 30 companies outperforming the Topix Small Cap section by +27% during that period. Despite this formidable headwind for our predominantly domestically oriented companies, the portfolio managed to deliver an impressive +32.4% return (in JPY).

The volatility seen across the equity, bond and foreign exchange markets in late July and early August reinforced our conviction in the resilience of the strategy, and 2024 proved to be a year in which keeping your head was paramount. In the market turmoil that followed the Bank of Japan's ("BoJ") benchmark rate hike (by 15bps), the managers increased some positions into the weakness and were reassured when the portfolio recovered to pre-hike levels within a month. Given the corresponding currency volatility that ensued, it is important to remind shareholders that around 80% of AJOT portfolio company revenues derive from the domestic market and are therefore positioned to benefit from a stronger Yen. Given the changing macroeconomic environment in Japan and the BoJ's slowly-but-surely approach to policy tightening, we believe there is potential for foreign investors to shift their focus toward smaller companies that are shielded from the possibility of further Yen strength.

An additional tailwind for small-cap names could be reforms brought into the NISA (Japanese ISA) programme in January. The original NISA programme was introduced in 2014 to encourage a shift from Japanese households' cash assets into securities. The Government has proposed plans to double NISA purchases over five years, by more than doubling the amount of tax-free investment that can be made by individuals and extending their period of use. NISA purchases enjoyed a strong start in 2024[1], but with Japanese households still holding cash assets of over a quadrillion[2] Yen (£5 trillion), this trend is likely to unfold over years rather than months.

In late September, the revolving door of Japanese leadership swung once again, with Shigeru Ishiba being appointed as the new Prime Minister and leader of the Liberal Democratic Party ("LDP"). Since the election, Ishiba has demonstrated a clear commitment to fiscal stimulus, emphasising the need for greater investment over savings. We anticipate that the Ishiba administration will follow a path similar to that of former Prime Minister Kishida. Consequently, we do not foresee this leadership transition disrupting Japan's ongoing corporate governance reforms or our engagement strategies with portfolio companies.

Down the road at the Tokyo Stock Exchange ("TSE"), CEO Yamaji-san seems to have the proverbial bit between his teeth, as he continues to implement truly ground-breaking reforms for listed companies. In January, the TSE began publishing on its website the now infamous "name and shame" list of corporates who are taking measures to improve their share prices, and crucially, those who are not. Later in the year, that list was refined to scrutinise the quality of disclosures and improve accountability of companies who say they will implement measures, even listing examples of company "bad practices".

The TSE has also focused its attention on the characteristically Japanese structures of parent-child listed subsidiaries and cross-shareholdings. We are witnessing subsidiaries being acquired or subsumed, with the opportunities for such moves amplified by the unwinding of cross shareholdings. The Tokyo bourse is keen to untangle the web of cross-shareholdings that have developed over decades among parent-child subsidiaries, suppliers, clients, business affiliates and in some cases, even personal relationships. These cross-shareholdings can lock a meaningful percentage of voting stock into shareholders allied with company management, effectively creating a de facto poison pill and disadvantaging minority shareholders. We are invested in a number of situations where cross-shareholdings make up at least part of the NVF on the balance sheet, and selling down those cross shareholdings and using proceeds to buy back shares is often a first port of call when engaging with boards on capital efficiency. The TSE have promised further measures in 2025, and we eagerly anticipate the unveiling of their plans.

Meanwhile, private equity interest in Japan continues to grow, with global funds further expanding their Japanese presence and levels of activity. In October, KKR founder Henry Kravis famously cited his co-founder George Roberts in a Nikkei op-ed, saying "If I were 30 years old today and I could speak Japanese, I'd go to Japan" and we would agree. The overlooked, asset-backed, quality small-cap companies that AJOT typically invests in have proven to be an attractive universe for private equity to deploy their burgeoning keg of "dry powder". We exited four positions during the year through tender offer bids at average premiums of +83% to the undisturbed share prices.

In parallel with the developing constructive backdrop, your Company's stock selection and active, constructive engagement with portfolio companies continued to bear fruit. Throughout the year, we continued to identify compelling opportunities in Japan's small-cap market, which remains under-researched and underperforming relative to large caps. This presented us with abundant opportunities to selectively add promising companies to the portfolio. Over the course of 2024, AJOT added 13 new positions, which collectively contributed +16.1% to performance. These companies are typically undervalued and offer significant upside potential, with each positioned for improvements in governance, capital allocation and operational efficiency. We also engaged extensively on shareholder communication, board independence, tenure, and diversity, as well as environmental and social issues.

Our engagement with portfolio companies remains a core part of our strategy. We filed shareholder proposals with several companies, including SK Kaken, where we have now filed proposals for four consecutive years. Our investment team's focus and commitment to active engagement remain resolute, as evidenced by over 150 meetings with corporate management in 2024 on top of extensive presentations and letters.

These efforts and improvements have not gone unnoticed by the market, and we have seen share price appreciation in accordance with engagement successes. Moreover, we are pleased to report that four portfolio companies received tender offer bids in 2024. Conveyor belt and parking system provider NC Holdings, held by AJOT since 2021, was bought out by domestic private equity firm and large shareholder Miri Capital, in June. This was followed by food seasonings maker Yaizu Suisan Kagaku and a listed subsidiary, Alps Logistics, in May, as well as entertainment company Sun Corporation with a partial tender offer bid. Alps had been in the portfolio since inception in 2018 and was another private equity buyout at a 194% premium to the undisturbed pre-rumour share price. Finally, e-commerce player Beenos received an advanced notice of a tender offer from strategic buyer LY Corporation in December. Corporate action and private equity activity are clearly gaining momentum in Japan, which should continue to be a boon for our strategy next year and beyond.

At the end of 2024, the portfolio's EV/EBIT ratio stood at 8.7x versus 14.7x for the MSCI Small Cap benchmark, with net-financial value (NFV) accounting for 48% of the portfolio's weighted market cap. These metrics underscore the significant discounts at which AJOT's portfolio companies trade relative to their peers, largely due to issues such as over-capitalised balance sheets, poor IR disclosure and poor governance. This dislocation creates a fertile environment for our activist approach, which seeks to unlock value through engagement and operational improvements.

Looking ahead, we remain confident in the potential for further outperformance, as we continue to focus on high-conviction investments in undervalued companies and drive the catalyst for change. The lack of research coverage of small-caps and their relative underperformance to large-caps continue to present us with abundant opportunities. We remain committed to selectively adding the most promising companies to our concentrated portfolio of 15-25 holdings.

***1** ¥10 trillion in 1H2024, Morningstar Research, July 2024.*

2 Bank of Japan quarterly survey, December 18, 2024.

Contributors

Beenos

Contribution (GBP)	7.5%
% of net assets	10.6%
EV/EBIT	12.5x
NFV/Market Cap	44%

Beenos, an operator of e-commerce platforms allowing overseas consumers to purchase Japanese products, was the largest contributor in 2024, adding +754bps to performance as its share price rose +178%.

A significant portion of Beenos' profits is derived from its Global E-commerce platform. This is primarily centred around a service called "Buyee", which enables overseas customers to purchase items from popular e-commerce sites in Japan, such as Yahoo! Japan, Mercari, and Rakuten. Buyee's gross merchandise value has experienced robust growth at an annual rate of +31%.

Beenos' strong performance over the year was capped off by the announcement on 18 December that it had received advanced notice of a tender offer bid of ¥4,000 per share at a +19% premium to the previous day's closing price. Beenos' performance was supported by the weakening of the Yen, however, a reversal of this trend could harm the company's profits. AJOT's performance will not be impacted, assuming the aforementioned tender offer is successfully completed.

We initiated our position in Beenos in January 2024, with several other constructive engagement funds and other investors joining AVI on the shareholder register following AVI's first large ownership declaration in February. As a large shareholder owning about 10% of the voting rights of Beenos, we have engaged extensively with the board of Beenos on ways to enhance sustainable long-term corporate value. Beenos serves as another example of how AJOT's concentrated portfolio of asset-backed small to mid-caps can benefit from AVI's active engagement strategy against a backdrop of rapidly increasing corporate activity in Japan.

At year end, Beenos is the largest holding in the portfolio, accounting for 10.6% of AJOT's NAV. The investment has generated an ROI of +125% for an IRR of +188%.

Alps Logistics

Contribution (GBP)	4.4%
% of net assets	N/A
EV/EBIT	N/A
NFV/Market Cap	N/A

Alps Logistics, a provider of logistics services such as warehousing and distribution, was the second largest contributor, adding +438bps to performance, having received a tender offer bid in February 2024.

News first broke in Q1 2024 that parent Alps Alpine was considering selling its 49% stake, due to a deterioration in its business. To address the cash flow gap in their mid-term plan, they announced earlier in the year their intention to explore asset sales.

In a takeover bid that reflects the true underlying value of the company and showcases the stark valuation differential between listed and private companies in Japan, KKR-controlled Logisteed paid a 194% premium to the undisturbed, pre-rumour price in February, to privatise Alps Logistics.

We believe this premium was reflective of the true value of the company, with Alps Logistics being one of eight portfolio companies to be privatised since AJOT's inception. Alps Logistics was held in the portfolio since AJOT inception in 2018, and during this time, AVI's engagement with management focused on ways to enhance corporate value and address the parent/child subsidiary relationship with Alps Alpine.

Over the more than five-year holding period, the investment in Alps Logistics generated an ROI of +332% for an IRR of +39%.

Kurabo Industries

Contribution (GBP)	3.0%
% of net assets	8.5%
EV/EBIT	1.2x
NFV/Market Cap	89%

Kurabo Industries, a diversified conglomerate, was another significant contributor to performance, adding +298bps as its share price increased +105%.

Initially founded as a textiles business, the company is now also engaged in chemical, advanced technology, food & service, and real estate businesses. Kurabo Industries has a history of stable revenues, while it has doubled its operating margin in recent years.

The company has significant real estate and investment securities backing, which accounted for 106% of its market cap at the time of investment in early 2024, subsequently falling to 89% due to share price growth. During the year, Kurabo made improvements in the chemical and advanced technology segments, leading to improved profit margins especially for its semiconductor business.

Much of our engagement to date has focused on encouraging management to address its asset-heavy balance sheet, improve capital efficiency, and focus resources on the successful advanced technology and chemicals segments, rather than laggards such as the textiles business. We have been pleased to see the early results of the company's transformation in November 2024, when Kurabo announced an increase in dividends to a 35% payout ratio and share buybacks amounting to 5.3% of its shares outstanding.

Since initiating our position in January 2024, the investment has generated an ROI of +40% for an IRR of +81%. We see substantial upside remaining to the current share price, and accordingly, Kurabo Industries accounted for 8.5% of AJOT's NAV at year end as the third largest position.

TSI Holdings

Contribution (GBP)	2.6%
% of net assets	10.3%
EV/EBIT	9.4x
NFV/Market Cap	70%

TSI Holdings ("TSI"), the apparel holding company and second largest position in AJOT, saw its share price rise by +47% in 2024, contributing 255 bps to performance as the fourth largest contributor.

As noted in our Q2 newsletter, TSI announced a new mid-term plan in April, which, for the first time, disclosed a quantified shareholder return policy. The plan aims for a 4% dividend on equity target by FY27/3, coupled with an ambitious business optimisation plan to elevate operating margins to 6% (from the current 1%). As TSI's largest shareholder, holding 10% of the vote across AVI funds, we were pleased to see that the company had actioned many of our suggestions. TSI has received substantial constructive and private engagement from us this year, and we commend management for their proactive approach in listening to shareholders.

With net cash and investment securities accounting for more than 70% of the market cap, capital efficiency has been a key focus of our engagement with the company. After period-end, TSI sold its former headquarters building, located in central Tokyo, for a price higher than the company's appraisal value and equivalent to approximately 30% of its market cap.

At year-end, TSI Holdings accounted for 10.3% of NAV, reflecting our conviction in the potential upside to be unlocked through AVI's constructive engagement with management. TSI Holdings was added to the portfolio in July 2022, and the investment has so far generated an ROI of 114% for an IRR of 51%.

Aoyama Zaisan Networks

Contribution (GBP)	2.0%
% of net assets	6.2%
EV/EBIT	8.7x
NFV/Market Cap	29%

Aoyama Zaisan Networks ("AZN") was the fifth largest contributor during the year, adding 200bps to performance as its share price rose by 89%.

AZN specialises in providing wealth management consulting services across areas such as property, succession planning, corporate finance, and strategic management of individual assets. AZN is set to benefit from the ageing Japanese population as the need for inheritance and business succession consulting is on the rise.

In November, AZN disclosed favourable earnings, with EBIT and revenue increasing year-over-year by 39% and 24%, respectively. Importantly, for the first time, the company also announced a buyback programme, equal to 6% of the market cap, aiming to prevent dilution caused by the most recent share exchange deal with audit firm Chester Group. This aligns with AZN's belief that its capital allocation policy should be a core focus of the company.

At the time we initiated our investment in March 2024, AZN's stock price had been flat for the past five years, despite operating income continuing to grow steadily and non-operating assets expanding to approximately 47% of market cap as of the end of December 2023.

Since initiating our position in AZN, the investment has generated an ROI of +34% for an IRR of +75%. We anticipate unlocking substantial upside to the current share price through our constructive engagement initiatives with management. At year end, AZN accounted for 6.2% of AJOT's NAV as the fifth largest holding.

Detractors

Nihon Kohden

Contribution (GBP)	-1.4%
% of net assets	3.6%
EV/EBIT	17.6x
NFV/Market Cap	15%

Nihon Kohden, a manufacturer of medical electronics, was the largest detractor over the year, reducing performance by -145bps as its share price fell -2%.

Nihon Kohden released its much-anticipated mid-term plan in May 2024, which we had been engaging on behind the scenes. It was a comprehensive and ambitious plan that caught the market by surprise; a 70-year-old, conservative medical company putting forward a transformation plan was certainly unexpected. While we were pleased, it was less surprising for us, as we have been in regular dialogue with the founder's grandson and President, whom we identified as both motivated and possessing sufficient power to drive corporate reform.

Towards the summer of 2024, however, Nihon Kohden saw its operating margin decline due to headwinds to the hospital sector in Japan. Having previously been a top five holding, by year end, Nihon Kohden accounted for 3.6% of AJOT's NAV. We trimmed the longstanding position, noting the change in the hospital sector environment. AVI has engaged successfully with Nihon Kohden throughout the holding period on matters such as capital efficiency and corporate governance, with the ambitious mid-term plan disclosed in May 2024 as the culmination of our engagement. During Q4 2024, we strategically reallocated capital to more promising opportunities, which have greater scope for improvements through our constructive engagement with management.

We have held Nihon Kohden in the portfolio since September 2022, generating an ROI of +35% for an IRR of +17% to date.

Jade Group

Contribution (GBP)	-1.3%
% of net assets	1.7%
EV/EBIT	10.8x
NFV/Market Cap	3%

Jade Group ("JADE"), an operator of apparel e-commerce sites, was the second largest detractor over the year, detracting -126bps from performance as its share price declined -28% amidst uncertainty surrounding the post-merger integration (PMI) of Magaseek, which it acquired in early 2024.

Investor relations and adequate communication with investors is one of the core agendas of the corporate reform occurring in Japan. The TSE is pushing for companies to improve their disclosure, particularly to foreign investors, with substantial discounts applied to the valuations of companies failing to meet the rising expectations. After making an acquisition as pivotal as Magaseek, which JADE initially expected to double gross merchandise value and operating profits within two financial years, Jade Group left the market disappointed by the lack of consistent disclosure.

During Q2 2024, JADE's share price was strong on the back of a press release made in July, which showed signs of successful post-merger integration of Magaseek in a demonstration of improved IR communications, an area in which much of our recent engagement had focused. Unfortunately, since the announcement in July 2024, JADE has not made adequate disclosures around the significant acquisition, leaving shareholders and prospective investors in the dark on its progress. In its FY25 Q2 presentation material released in October 2024, rather than provide a clear timeline for cost-cutting measures, management alluded to cross-sales as the likely method to revitalise sales to meet the FY25 forecast. This sent the share price down nearly -15% in the week that followed, and it drifted a further -11% lower to year end. Operating income guidance was revised downward post-period end.

Since we initiated our position in November 2021, JADE has made several acquisitions in pursuit of its ambitious growth path to cement itself as the No.2 player in Japan's ¥2.4 trillionfashion e-commerce market. We have supported management in pursuing this growth. However, with the market-wide reform occurring in Japan, the importance of investor relations cannot be understated, and we believe JADE needs to make immediate improvements to meet the market's rising expectations.

We maintain consistent sell discipline with each of our investments as the situation changes since our initial investment thesis. Accordingly, with net cash reduced following several M&A transactions, uncertainty around plans for margin improvement through PMI, and management's apparent lack of urgency to enhance IR disclosure, we have reduced our position in JADE to 1.7% of NAV at year end. We will closely monitor the situation, as JADE maintains potential for strong earnings growth in the coming years.

To date, the investment has been successful, supported by our engagement strategy and timing, and we have generated an ROI of +32% for an IRR of +14% over the more than three-year holding period.

Takuma

Contribution (GBP)	-1.1%
% of net assets	5.4%
EV/EBIT	5.1x
NFV/Market Cap	52.6%

Takuma, a waste treatment plant engineering company for local municipalities, reduced performance by -106bps, as the third largest detractor saw its share price decline by -4% over the year.

Takuma has built 120 waste treatment facilities in Japan, 60% of which already have operating contracts, leaving further room for expansion over the coming years. With a tight labour market, there is a trend of outsourcing the further room for expansion over the coming years. With a tight labour market, there is a trend of outsourcing the operation of these plants to the constructor on decade-long contracts. This trend underpins our investment thesis for Takuma, with the business gradually shifting towards recurring maintenance and operation contracts.

In May 2024, the market was left disappointed by the announcement of Takuma's underwhelming mid-term plan, with the share price declining by -12.0% in the subsequent day of trading.

Positively, the mid-term plan demonstrated improved transparency around quantitative targets (such as orders intake and ROE targets), and, for the first time, disclosed a disciplined shareholder returns policy. This included a 50% payout policy, a 4% dividend on equity target, and the intention to buy back 3.8% of shares outstanding this year, with a similar amount during the following two years. However, the next three years' profit guidance left much to be desired, with next year's conservative operating profit guidance of ¥11.2bn falling short of the consensus estimate of ¥13.4bn. Having faced much criticism from the stock market and with AVI's patient, constructive engagement, Takuma decided to upgrade its mid-term plan in November 2024, increasing the ROE target and shareholder returns.

Having so far achieved an ROI of +18% and an IRR of +13% in our near two-year holding period, we will continue engaging with management on methods to enhance capital policy and improve operating efficiency. We see substantial upside to the current share price, with Takuma's 5.4% weight as the sixth largest position in AJOT reflective of our conviction.

Shin-Etsu Polymer (7970)

Contribution (GBP)	-1.0%
% of net assets	2.0%
EV/EBIT	7.2x
NFV/Market Cap	34.0%

Shin-Etsu Polymer, a manufacturer of moulded plastics and a listed subsidiary of Shin-Etsu Chemical, reduced performance by -98bps as we reduced our position, although its share price rose modestly by +1%.

The companies' business operations are intertwined, and the management of both companies have indicated that they are aware of some of the key parent-subsidiary listing issues. Beyond the prospect of a buyout by Shin-Etsu Chemical, our interest in Shin-Etsu Polymer stems from its discounted valuation and its growing wafer carrier cases business.

Much of AVI's engagement with Shin-Etsu Polymer has focused on ways to rectify its poor corporate governance and low valuation. After meeting with the company in 2024, we lost some conviction in management's ambition to grow corporate value, and in the company taking adequate steps to address the conflicts and corporate governance shortcomings of its parent-subsidiary relationship. We continue to believe that the parent-subsidiary relationship is harming Shin-Etsu Polymer's corporate value and that, as many listed subsidiaries in Japan have done already, it should be eliminated.

With abundant opportunities in our under-research investment universe, we reduced our position in Shin-Etsu Polymer to 2.0% of AJOT's NAV by year end. This is in line with our commitment to focus our engagement efforts on companies where we see potential for immediate improvements through implementing our suggestions, as we drive catalysts to unlock substantial value.

To date, the investment has generated an ROI of +56% for an IRR of +19%.

Portfolio Trading Activity

In a busy year of trading, which saw 13 new names enter the portfolio, turnover was an elevated 68% due to four portfolio companies receiving tender offer bids, as well as one receiving an advance notice of a tender offer bid. On an adjusted basis for these buyouts, as well as trades in three regional banks, turnover was in line with the historical average (35%) at 38%. The approximate holding period for our strategy is three to five years, however, this may be shortened by catalysts such as tender offers, as a result of our active engagement approach.

The largest purchases over the period were in new positions to the portfolio in 2024, namely Kurabo Industries, Aoyama Zaisan Networks, Beenos, Araya Industrial and Raito Kogyo. Four of these names were top 10 positions by year end.

The largest sale during 2024 was Alps Logistics, which, as discussed above, received a tender offer in February at a +194% premium to the undisturbed share price. NC Holdings, which also received a tender offer during the year, was the second largest sale. Outside of these, the largest sales were in longstanding positions such as Nihon Kohden, Digital Garage and Shin-Etsu Polymer.

Outlook

The combination of rising pressure from regulators and activists in 2024 presents a compelling opportunity to unlock substantial value in small to mid-cap Japanese companies in 2025 and beyond. With several key tailwinds and a deeply under researched market, our conviction in the strategy remains as high as ever. We look forward to continuing our active engagement with companies to drive the catalysts needed to grow long-term corporate value and generate significant alpha.

Joe Bauernfreund
Asset Value Investors Limited
4 April 2025

PORTFOLIO CONSTRUCTION

The objective of AVI's portfolio construction is to create a concentrated position in about 15-25 holdings, facilitating a clear monitoring process of the entire portfolio.

AVI picks stocks that meet our investment criteria and once we decide to invest, a minimum position size of approximately 2% of the portfolio is initiated. In determining position sizes, AVI is mindful of liquidity and the likely timing of any catalysts to unlock value. A key consideration is the make-up of the shareholder register, a proxy for how receptive management might be to our suggestions. The portfolio is diverse in the industries within it, however, we are sector-agnostic and select investments based on quality and value.

Portfolio value by sector

	2024	2023
Consumer Durables and Apparel	**22%**	23%
Capital Goods	**15%**	19%
Materials	**15%**	16%
Consumer Discretionary, Distribution and Retail	**12%**	12%
Health Care Equipment and Services	**11%**	10%
Software and Services	**7%**	5%
Real Estate Management and Development	**6%**	5%
Media and Entertainment	**4%**	4%
Technology Hardware and Equipment	**3%**	3%
Telecommunication Services	**3%**	2%
Household and Personal Products	**2%**	1%

Equity portfolio value by market capitalisation

	2024	2023
<£250mn	**29%**	17%
£250mn - £500mn	**32%**	21%
£500mn - £750mn	**30%**	21%
£750mn - £1bn	**3%**	29%
£1bn - £2.5bn	**4%**	11%
>£2.5bn	**2%**	1%

Investment Portfolio as at 31 December 2024

Company	Stock Exchange Identifier	% of investee company	Cost £'000*	Market value £'000	% of AJOT net assets	NFV/Market capitalisation[1]	EV/EBIT[1]
Beenos	TSE: 3328	8.2%	10,002	22,445	10.6%	44%	12.5
TSI Holdings	TSE: 3608	5.3%	11,866	21,894	10.3%	70%	9.4
Kurabo Industries	TSE: 3106	3.5%	13,265	18,043	8.5%	89%	1.2
Eiken Chemical	TSE: 4549	3.8%	13,355	16,100	7.6%	20%	21.0
Aoyama Zaisan Networks	TSE: 8929	5.4%	10,016	13,062	6.2%	29%	8.7
Takuma	TSE: 6013	1.6%	11,378	11,390	5.4%	53%	5.1
Araya Industrial	TSE: 7305	7.1%	9,781	11,182	5.3%	85%	2.5
Konishi	TSE: 4956	2.2%	8,393	10,400	4.9%	32%	5.8
Aichi Corporation	TSE: 6345	1.8%	7,291	9,789	4.6%	47%	8.7
Sharingtechnology	TSE: 3989	8.9%	8,556	9,451	4.4%	18%	9.6
Top 10 investments			**103,903**	**143,756**	**67.8%**		
Atsugi	TSE: 3529	10.5%	7,162	8,913	4.2%	123%	
Raito Kogyo	TSE: 1926	1.6%	8,128	8,635	4.1%	49%	4.6
Wacom	TSE: 6727	1.5%	10,548	7,857	3.7%	14%	8.6
Nihon Kohden	TSE: 6849	0.4%	6,868	7,533	3.6%	15%	17.6
DTS	TSE: 9682	0.8%	5,752	7,371	3.5%	21%	10.7
Tecnos Japan	TSE: 3666	8.8%	6,408	7,322	3.5%	29%	6.7
SK Kaken	TSE: 4628	0.9%	9,445	6,738	3.2%	80%	2.0
Broadmedia	TSE: 4347	10.2%	6,018	6,547	3.1%	40%	12.0
Rohto Pharmaceutical	TSE: 4527	0.1%	5,291	4,340	2.0%	7%	16.6
Shin Etsu Polymer	TSE: 7970	0.6%	3,669	4,340	2.0%	34%	7.2
Top 20 investments			**173,192**	**213,352**	**100.7%**		
Jade Group	TSE: 3558	4.1%	3,822	3,674	1.7%	3%	10.8
Helios Techno Holding	TSE: 6927	3.0%	3,093	3,363	1.6%	62%	3.7
A-One Seimitsu	TSE: 6156	1.0%	517	476	0.2%	57%	31.6
Total investments			**180,624**	**220,865**	**104.2%**		
Other net assets and liabilities				(8,884)	(4.2%)		
Net assets				211,981	100.0%		

*Please refer to Glossary in the Annual Report.

1 Estimates provided by AVI. For all Alternative Performance Measures, please refer to the definitions in the Glossary in the Annual Report.

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FURTHER INFORMATION

AVI Japan Opportunity Trust Plc's annual report and accounts for the year ended 31 December 2024 and the notice of meeting for the Company's AGM will be available today on www.ajot.co.uk.

It will also be submitted shortly in full unedited text to the Financial Conduct Authority's National Storage Mechanism and will be available for inspection at https://data.fca.org.uk/#/nsm/nationalstoragemechanism in accordance with DTR 6.3.5(1A) of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of this announcement.

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