



Nippon Active Value Fund plc

NAV

Annual Report

For the Year ended 31 December 2021



RIISING SUN MANAGEMENT LTD

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Investment objective, financial information and performance summary

Investment Objective

The investment objective of the Company is to provide Shareholders with attractive capital growth through the active management of a focussed 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 2021	At 31 December 2020
Net assets - (millions)	£156.0m	£117.0m
Net asset value ("NAV") per Ordinary Share ("Share") – (pence) ¹	137.90p	113.58p
Share price – (pence)	134.00p	106.50p
Share price discount to NAV – (pence) ²	2.83%	6.23%
Ongoing charges ³	1.37%	1.60%

Performance Summary

	For the year to 31 December 2021	For the period to 31 December 2020
NAV total return per Share ²	+22.3	+13.6
Share price total return per Share ²	+26.8	+6.5
MSCI Japan Small Cap index (sterling terms)	-1.4	+8.04

Source: Bloomberg

- 1 This is measured on a cum income basis.
- 2 These are Alternative Performance Measures ("APM"), which is "a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework". Definition of these and other APMs used in this report, together with how these APMs have been calculated are disclosed on page 65 of this report.
- 3 Total returns are stated in GBP sterling, including dividend reinvested.

Chairman's Statement

Overview of the year

I am pleased to present the second annual report of Nippon Active Value Fund (the "Company"), covering the year ended 31 December 2021.

By the end of the year total assets had risen by £39.0 million, which includes subscriptions of £14.0 million from the secondary issue in November. The year-end Net Asset Value ("NAV") was 137.90 pence per share, an encouraging rise of 21.4% over the year and 37.9% since the Company's launch on February 2020. While we do not target a particular index benchmark, for comparison, the MSCI Japan Small Cap Index returned -1.9% in Sterling terms over the year and +4.5% since the launch date. The Company focuses on special situations rather than building a portfolio that reflects the broad Japanese economy and therefore returns are expected to differ markedly from the wider index.

In 2021 the share price discount to NAV ranged from a discount of 9.9% to a premium of 4.2%. The closing share price on 31 December 2021 was 134.0, a discount of 2.8% to NAV. It is the Board's intention to use the authority approved in the secondary issue prospectus to issue further new shares at a premium when appropriate.

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's compliance with the rules relating to and maintaining the Company's investment trust status.

The Board is pleased to have declared on 31 March 2022, an interim dividend for the year ended 31 December 2021 of 1.95 pence (2020: 0.85 pence) per Ordinary Share. The dividend will be payable on 26 April 2022 to Shareholders who appear on the register by close of business on 8 April 2022, with an ex-dividend date of 7 April 2022. The Board will not target a dividend for future years but will substantially pay out distributable income for any particular period by way of dividend.

For most of 2021 the equity market was led by companies with superior growth prospects. Since the year end, in common with global markets, Japanese equities corrected sharply as investors became increasingly concerned about inflationary pressures and geopolitical developments. Growth stocks have been a particular focus of profit-taking. Your Company has a concentrated portfolio invested in companies which trade at significantly lower valuations than the market as a whole, where the manager is trying to unlock value through extensive corporate and, at times, activist engagement. This strategy has proven defensive so far in 2022 in relative terms compared to the wider Japan stock market during an unsettled market environment. Our Investment Advisor, Rising Sun Management Limited (the "Investment Adviser" or "RSM"), highlights some of our investments in their report which follows on page 5.

As detailed in the interim report, from time to time the Company invests alongside other vehicles advised by RSM. This enables the Company to build significant positions in slightly larger companies in which the Company on its own would not be able to build a large enough position to command the attention of management. At the end of 2021 your Company held nine investments on that basis.

COVID-19

At the time of writing the report, it is still difficult to arrange short term business trips to Japan and our advisors based outside Japan have continued to hold virtual meetings. They have been able to continue engagement with our target companies without difficulty. Our local resources have proved invaluable: The President of RSM has been joined in Tokyo by a dedicated investment analyst. Your Company also has an advisory agreement for research input from Dalton KK's experienced Tokyo team. Accordingly, the Board is satisfied that Rising Sun Management have been able to carry out their due diligence and engagement effectively, despite the travel restrictions.

Japanese Corporate Governance Developments

Shareholder activism can no longer be categorised as a predominately foreign strategy setting criteria for listing on the Standard or more prestigious Prime Markets. There were a significant number of mergers and acquisitions and shareholder resolutions in 2021 from both domestic and foreign investors. In September SBI, a Japanese financial services group, bid for Shinsei Bank, the first hostile takeover of a major bank. The central government, one of Shinsei's major shareholders, declined to support the bank's defensive measures and the bid was successfully concluded in December 2021.

Chairman's Statement continued

The Corporate Governance Code was revised in June 2021 and Japanese listed companies are now required to disclose more transparent information concerning board diversity, ESG and measures to protect shareholder rights. Notably, proposals requesting improved shareholder returns rose from 13% of total resolutions in 2020 to 22% in 2021.

The first stage of the reorganisation of the Tokyo Stock Exchange has begun. Although there is an extended transition period before companies that fail to meet the new listing criteria are excluded from the new Prime Market, our Advisors expect that the possibility of an eventual demotion from the more prestigious market segment will encourage target companies to support recommendations designed to increase their market capitalisation and returns to all stakeholders.

ESG

Our Investment Advisors do not select investments based on companies' environmental or social policies. Their focus is on engaging with companies on governance issues to encourage them to improve oversight, returns to shareholders and use of capital. The Investment Manager's Report contains more details on the ESG characteristics of the portfolio.

Annual General Meeting ("AGM")

Your Company's AGM is scheduled for 10 June 2022 at 12:00 noon (British Summer Time) and will be held at 6th Floor, 125 London Wall, London, EC2Y 5AS. 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 the AGM.

Shareholders are invited to send any questions for the Board or Investment Adviser in advance by email to NAVFCoSec@PraxisIFM.com by close of business on 8 June 2022.

Outlook

The Company seeks to take advantage of the corporate governance reforms in Japan introduced over the past fifteen years. Former Prime Minister Abe's original reforms have been accepted by his two successors and we believe that an activist strategy will continue to generate superior returns compared to the broader market.

RSM focuses on companies that have excess capital over and above that required for the operation of their business and seeks to persuade companies to distribute excess cash to shareholders by repurchasing their shares in the market or paying out larger cash dividends. The results of their discussions with management is increasingly apparent in portfolio returns. The Investment Report on page 6 gives some case studies of investments made and the results of engagement with the holdings that have been disclosed to the market.

Although market conditions are likely to remain volatile until there is a resolution of the conflict in Ukraine, we remain confident of the potential for significant returns from our current investment portfolio and of the prospects for identifying attractive new targets. Our advisers will continue to seek out undervalued opportunities with the potential to unlock value to all shareholders, a strategy which we believe can generate strong absolute returns in a wide range of market environments.



Rosemary Morgan
Chairman
30 March 2022

Investment Adviser's Report

Results

NAVF Growth in Net Asset Value

	GB £	Japan ¥
Calendar year 2020	6.5%	4.1%
Calendar year 2021	25.8%	38.9%
CAGR since Inception*	16.5%	21.2%

*Compound Annual Growth Rate, which is the average or mean growth rate/return of the investment portfolio since inception.

Statistics as at 31 December 2021

Share Price	134.00p
NAV	137.90p
Discount	2.83%
Total Shareholder Funds	£156 million

Portfolio Composition

Having enjoyed a mostly strong run throughout calendar 2021, the Company made several trading decisions in the last three months to rebalance the portfolio and set it up for the year ahead:

- We sold our position in Sakai Ovex into the buyout of that company;
- We sold out of DKK TOA through a block trade to another large investor; and
- We sold Japan Securities Finance in the open market.

At year-end we decided to reduce our holding in Hirano Tecseed: the Company has been operating at capacity given continued growing demand in the car industry for lithium-ion batteries and this has driven a powerful rally in the share price. We sold into strength at a price that reflects our estimate of fair value, more than doubling our money.

On the buy-side, we are increasing our purchases of Mitsuboshi Belting and Intage Holdings (in conjunction with Michael 1925 LLC), Vital KSK, Ebara Jitsugyo and Chiyoda Integre. We have also begun to purchase four new stocks: Meisei Industry, Meiko Transport, Chino Corp and Super Tool. There are now 21 stocks in the portfolio, with several more under consideration.

In the new financial year, the Zoom lines have been running hot with several Zoom meetings. Unfortunately, the Omicron variant has conspired to once again prevent any travel to Japan, which has frustrated any face-to-face meetings (at least for the non-Japanese directors of RSM) since the start of the Covid pandemic. Nevertheless, we have managed to continue our virtual dialogue with the managements of Ebara Jitsugyo and Intage Holdings, as well as engaging with Chiyoda Integre for the first time. As ever, these sessions were cordial and go a long way to helping both sides understand our respective views.

Investment Adviser's Report continued

JSX Ticker	Company	MICHAEL	NAV	EARLE	TOTAL	% Owned
4326	Intage Holdings	494,900	2,167,100	1,450,000	4,112,000	10.17%
6328	Ebara Jitsugyo	50,000	850,000	0	900,000	6.70%
5192	Mitsuboshi Belting	840,900	1,195,100	0	2,036,000	6.24%
6333	Teikoku Electric	447,900	700,000	0	1,147,900	5.62%
8158	Soda Nikka Co	639,900	450,700	0	1,090,600	4.55%
4362	Nippon Fine Chemical	213,700	800,000	0	1,013,700	4.00%
6915	Chiyoda Integre Co	31,900	500,000	0	531,900	3.93%
3151	Vital KSK HD	150,000	1,275,000	0	1,425,000	2.33%
4956	Konishi Co Ltd	100,000	410,000	0	510,000	1.25%

Intage Holdings – case study:

Intage Holdings Inc (4326)

Intage was part of the original suite of stocks that the Company invested in from February 2020. We first met the management team on Zoom in June 2020 (the same month in which Earle was incorporated on 29 June) and found them more 'switched-on' than many of our other companies. In our first letter to Intage, we suggested the concept of a management buyout ("MBO"), amongst other ideas, in order to align the Company and shareholders' economic interests more closely. We sent this in March 2021 when the investor group of NAVF and Earle together held 6.47% of the Company's outstanding shares. The response was the anticipated very polite: 'Thank you for your suggestion--it is very interesting but no, we do not want to do an MBO'. At the time the share price was around yen 1300.

In late June 2021, we asked Intage to agree to sign a non-disclosure agreement ("NDA") with us to preserve mutual confidentiality. This allowed us to send another MBO proposal, this time with a price attached. They wanted various changes to the terms and, in negotiating these, we inserted the right to unilaterally withdraw. The agreement finally was signed in mid-July 2021. On 19 July 2021, with the share price at Y1550, we sent our proposal that the Company undertake an MBO at Yen 1750. The investor group owned 7.56% of the Company's common stock at this point. The response was unaltered, causing us to exercise our right to withdraw from the NDA on 23rd August 2021. By then, Michael 1925 LLC had joined the investor group.

Despite some of our specific misgivings, Intage is a well-run company, and this, plus a 2.5% share buy-back (as recommended by RSM, albeit we would have preferred it to be bigger), propelled the share price last Autumn to a high point of Yen 2057 on 1 November 2021. We considered exiting and taking the profit at this point, but the trading volumes in Intage were too thin to have allowed us to make an appreciable dent in our overall investor group position. A combination of lacklustre forward guidance and very difficult markets (which still prevail at the time of writing in late January 2022), allowed the stock price to decline to a low point on 3 January 2022 of yen 1603. We decided to pursue more direct tactics. On 18 January 2022 the investor group disclosed in a new filing in Tokyo that our total holding in Intage has now reached 4,112,000 shares or 10.17% of the outstanding, making us the Company's largest shareholder. We prepared a new MBO proposal letter, and, in another (slightly less cordial!) Zoom meeting with the Company, warned them that if they did not engage with our suggested process within a week (they did not), we would make it public and publish it on the Company's website, as well as issuing a press release on the London Stock Exchange's news feed via RNS and to all the principal financial newswires. This we did on Thursday 27 January 2022.

Individual stocks commentary:

Teikoku Electric (6333)

- RSM wrote to the new President & CEO Mr Koroyasu on 25 October 2021 recommending our usual menu of strategies the company might adopt to increase economic alignment with that of shareholders, including encouraging consideration of an MBO
- The company's written response, more terse than normal, declined our suggestions
- RSM will make shareholder proposals to the AGM which will be forwarded in April 2022
- An Analysis of their shareholder register is underway

Chiyoda Integre (6915)

- RSM wrote to the Chairman and President, Mr Koike, on 17 December 2021 to provide advanced warning that we would be submitting proposals to the forthcoming AGM and to recommend consideration of an MBO (especially as Company will not have PRIME listing after TSE re-organisation)
- Our proposals were formally submitted on 14 January 2022 for the March AGM: they related to increased provision of restricted stock and larger buy-backs
- We held a friendly Zoom meeting with senior management – they insisted STANDARD listing status was the Board's choice and asked questions about our MBO proposal: they had never considered this path in the past and asked whether we are long-term investors
- RSM is aware that there are other activists on the Company's share register

Ebara Jitsugyo (6328)

- RSM wrote to Chairman and CEO Mr Suzuki on 14 December 2021 to congratulate company on achieving PRIME listing status, to advocate the granting of more restricted stock and the sale of cross shareholdings, and to advise them we would be making proposals to their forthcoming AGM
- We did not push for a MBO, as we have discussed this with company previously and both sides understand each other's position
- We held a friendly Zoom meeting on 11 January 2022, in which the company discussed policies re dividend target, buy-backs, cross-shareholdings and new directors
- On 14 January 2022, we formally submitted proposals for the March AGM relating to increased provision of restricted stock and larger buy-backs and the appointment of RSM's President as new external director

Soda Nikka Co (8158)

- The company has been granted PRIME status providing it submits an Improvement Plan under new TSE guidelines by March 2023
- It needs to increase market value or it will be demoted to STANDARD listing status
- RSM last wrote to the company in Q4 2021

Vital KSK (3151)

- This is the poorest performer in NAVF's portfolio
- The company is run very poorly and trades on negative Enterprise Value
- Consequently, it is deeply undervalued
- RSM will write to the company in Q1 2022

Investment Adviser's Report continued

Mitsuboshi Belting (5192)

- RSM wrote to the new Chairman (recently promoted from CEO) Mr Kakiuchi on 15 December 2021 emphasising the attractions of MBO given the long lead times of auto sector and pressure on their traditional products over time
- A Zoom call will be arranged in Q1 2022

ESG

The area where we are most active and aligned with ESG sentiment is that concerning governance, where clear guidance has emerged over time from Japanese governmental and financial regulatory reform. Corporate governance reform was a genesis for the Nippon Active Value Fund plc and continues to be the prime mover in our investment rationale. It is the basis of the activist 'stick' with which we regularly 'beat' our investee companies. This happens across a broad selection of issues from the need for diversity and independence in the construction of modern boards and senior management teams to the more efficient and economically aligned allocation of capital with the interests of both shareholders and internal and external stakeholders generally. The successive measures of corporate governance reform initiated by the Abe regime, and continued under his successors, have and will continue to provide an invaluable lever for our Company, and others like ours, to throw light on the inadequacies and ignorance of management in many smaller Japanese companies. It would not be an exaggeration to say that promoting better governance is the driver and watchword of our investment policy.

It is also worth noting that several portfolio holdings are actively engaged in efforts to improve environmental conditions and processes, such as Ebara Jitsugyo, while others are important in generating social cohesion and a better understanding of public perceptions, most notably Intage Holdings.

Outlook

According to an analysis by our broker, Shore Capital, at 31 December 2021 Nippon Active Value Fund plc was the top rated investment vehicle in its sector based on the London market over six and twelve months. While this is clearly gratifying, it is only the beginning. Our successes over the last year have reinforced in the minds of the Rising Sun Management Investment Committee the efficacy of our model of activist engagement with portfolio companies. We are both 'friendly' and firm. We are not afraid to push our ideas for improvement in the behaviour of individual management teams, whether through formal proposals to company AGMs or private dialogue via meetings and correspondence. Where we feel we are being ignored or not taken sufficiently seriously, we have been willing to bring our campaign into the public arena, as has been seen recently in connection with Intage Holdings. The investor group we represent (discussed above) owns over 10% of this company, making it the largest shareholder, and we will be heard. I am optimistic that we are entering the endgame in our involvement with Intage. It has proven an object lesson for both of us. What we have learned will put us in good stead for future challenging engagements. We are long-term investors and we want the best for our investee companies, but, above all, we want the best for our investors. We are moving along several active tracks where we are expecting company initiatives that should markedly improve investment returns. However, as has always been our policy, we believe actions speak louder than words, and we will not be outlining our specific plans until they have yielded outcomes that we can present to shareholders.

Separately, we have made the strategic decision to divest companies designated as Category 3 by the regulators (companies defined as operating in core business sectors, which have the most stringent filing requirements and restrictions on foreign shareholder proposals), as we simply have less room to manoeuvre with them. This process is ongoing.

Rising Sun Management Limited

30 March 2022

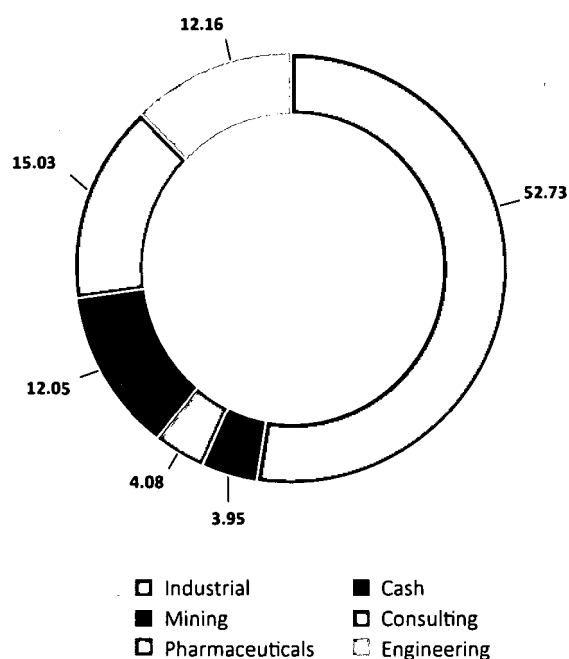
Portfolio Sectors Breakdown

As at 31 December 2021

Top ten holdings as a percentage of net assets as of 31 December 2021

	Company	Area	%
1.	Intage Holdings	(Consulting)	15.48
2.	Mitsuboshi Belting	(Industrial)	9.57
3.	Ebara Jitsugyo	(Engineering)	8.72
4.	Nippon Fine Chemical	(Industrial)	7.90
5.	Bunka Shutter	(Industrial)	5.23
6.	Hirano Tecseed	(Industrial)	4.67
7.	Nihon Denkei	(Industrial)	4.31
8.	Teikoku Electric	(Industrial)	4.28
9.	Chiyoda Integre	(Industrial)	4.18
10.	Vital KSK	(Pharmaceutical)	4.04

Sector Breakdown %



Investment Policy, Results and Other Information

Investment objective

The investment objective of the Company is to provide Shareholders with attractive capital growth through the active management of a focussed 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.

Investment policy

The Company will invest in a highly concentrated portfolio of shares issued by quoted companies which have the majority of their operations in, or revenue derived from Japan, and which the Investment Adviser deems attractive and undervalued and typically where (i) cash constitutes a significant proportion of the investee company's market capitalisation; and (ii) the relevant company has no controlling or majority shareholders.

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 (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); 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.

The Company will not be constrained by any index benchmark in its asset allocation.

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. In any event, 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 10 per cent. of the Net Asset Value of the Company at that time.

This will mean that, 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 10 per cent. 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. However, while the Company's interest in unquoted investments remains above 10 per cent. of its Net Asset Value, the Company will not be able to make any further investments in unquoted companies.

Investment restrictions

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 companies with market capitalisations of up to US\$1 billion. Once fully invested, the portfolio is expected to have up to 20 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 large minority stakes of typically 4.9 to 25.0 per cent. in each investee company. Nevertheless, in certain limited circumstances the Company may acquire a larger stake in an investee company if the investment case so warrants. 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 Company will comply with the following investment restrictions for so long as they remain requirements of the Listing Rules (relevant elements of which the Company has voluntarily undertaken to comply):

- 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 10 per cent., in aggregate, of the value of the total assets of the Company will be invested in other listed closed-ended investment funds; 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 invest in cash, cash equivalents, near cash instruments and money market instruments.

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

The Company may also use derivatives for gearing and efficient portfolio management purposes.

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. The company is in the process of arranging an overdraft facility of between £20 to £25 million with The Northern Trust Company ("Northern Trust"). The Company expects all debt to be denominated in Japanese yen.

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.

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 2021 was 22.3% and 26.8% respectively (31 December 2020: 13.6% and 6.5% 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 2.15p (31 December 2020: 1.23p).

(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 2.83% discount to the NAV as at 31 December 2021 (31 December 2020: discount of 6.23%).

(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 2021, the Company's ongoing charges figure calculated in accordance with the AIC methodology was 1.37% (31 December 2020: 1.60%).

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. Broker: 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 has relevant briefings 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	Risk Mitigation
The Company may not meet its investment objective.	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.

Risk	Risk Mitigation
Board fails to monitor whether there is style drift within the investment process.	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.
The Company's Shares trade at a discount to NAV.	The Investment Adviser, AIFM and Broker review market conditions on an ongoing basis. Shares may trade to their NAV through further issues and buy-backs, as appropriate. Discount protection mechanism in place whereby the Board will consider whether, in light of prevailing market conditions, the Company should purchase its own shares.
Board fails to monitor the Company's ability to build the Portfolio.	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.
Board fails to monitor the execution of the Investment Process.	Quarterly meetings with the Investment Adviser that covers 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 Board and AIFM, to add a target company to the investible universe. Upon approval of a target company by the Board and AIFM, the Investment Adviser will send a formal recommendation, outlining the rationale for the recommendation, along with the size of investment and forward to the AIFM for consideration. Upon receipt of approval from the AIFM, the Investment Adviser will arrange execution. The Board regularly carry out Investment Process reviews of the Investment Adviser.
Cyber Security risks could potentially lead to breaches	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.

Risk and Risk Management continued

Risk	Risk Mitigation
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.	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 weekly 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.
It may be difficult for Shareholders to realise their investment and there may not be a liquid market in the Company's Shares.	Secondary market liquidity can be improved by strong investor communications and having active brokers and market makers. The Broker monitors and reports 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.
A corporate action is missed and the Company suffers a consequential loss.	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.
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.	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 become more common, the resiliency, business continuity planning and the location strategies of our service providers will come under more scrutiny.

Emerging Risks

The Board has identified the following emerging risks:

The war in Ukraine is protracted and/or intensifies

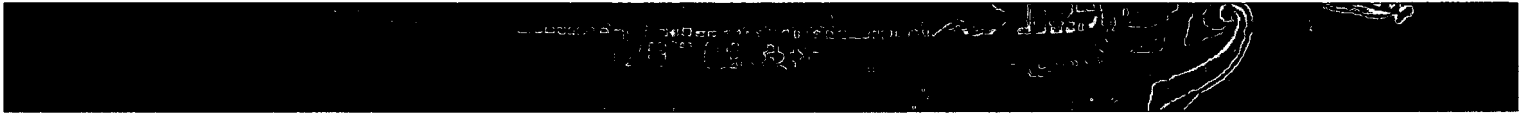
Heightened geopolitical concerns in other regions

Sustained rises in energy costs, food prices and other material costs results in sharp, sustained increases in inflation

Viability Statement

The continuation of the Company is subject to the approval of shareholders in 2025 and every second AGM thereafter. The Directors have assessed the viability of the Company for the period to 31 December 2024 (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.

This assessment has included a detailed review of the market and operational risks associated with the COVID-19 pandemic, and the ongoing economic impact of measures introduced to combat its spread, which were also discussed in depth with the Investment Adviser and continually monitored by the Board throughout the year. The Investment Adviser and other key service providers have provided regular updates on operational resilience in light of the pandemic. The Board is satisfied that the key service providers have the ability to continue their operations efficiently in a remote or virtual working environment.

Section 172 Statement

Section 172 of the Companies Act 2006

This section of the Annual Report covers the Board's considerations and activities in discharging their duties under s.172(1) of the Companies Act 2006, in promoting the success of the Company for the benefit of its members as a whole. This statement includes consideration of the likely consequences of the decisions of the Board in the longer term, how the Board has taken wider stakeholders' needs into account and the impact of the Company's operations on the environment.

Company's operating model

The Directors are required to describe how they have had regard to matters set out in section 172 of the Companies Act 2006.

Company sustainability and stakeholders

As an externally managed investment company, the Company does not have any employees. Its main stakeholders are as set out in the following paragraphs, explains the relationship between the Company and each of its stakeholders.

The Company's Shares are listed on the Special Fund Segment of the Main Market of the London Stock Exchange.

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

Stakeholder Management

Investors

The Investment Adviser and Board feel it is important for the Company's continued success to have the potential access to equity capital in order to expand the Company's portfolio over time to further diversify the investment portfolio, to create economies of scale and to help manage any discount or premium at which the Company's Shares trade against its NAV. Additionally, the Board looks to attract long-term investors in the Company and, in doing so, the Board will seek opportunities to meet with Shareholders to gauge the opinion of investors on the Company's activities.

To help the Board in its aim to act fairly between the Company's members, it seeks to ensure effective communication is provided to all Shareholders. The Board invites Shareholders to attend the AGM to be held on 10 June 2022. The Annual and Interim reports will be issued to Shareholders and made available on the Company's website. Monthly factsheets are also available on the Company's website. The Investment Adviser and the Company's brokers have met with a number of the Company's larger Shareholders during the year under review. Members of the Board would be happy to arrange meetings with shareholders upon request to the Company's Broker, Shore Capital. Shareholders' views are considered by the Board at their quarterly Board meetings.

Investment Adviser

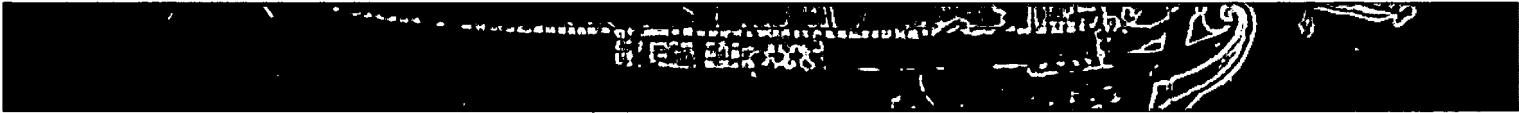
The Investment Adviser is the most significant service provider to the Company and a description of its role, along with that of the AIFM, can be found on page 19.

The Board receives regular reports from the Investment Adviser and discusses the portfolio at each Board meeting but maintains an ongoing dialogue between scheduled meetings. Representatives of the Investment Adviser attend Board meetings. The Investment Adviser's remuneration is based on the NAV of the Company which aligns their interests with those of Shareholders.

The Management Engagement Committee reviews the performance and resources on the Investment Advisor at least annually. The last review was in December 2021; a further review, with the Tokyo-based advisors, is scheduled for June 2022.

Service providers

As an investment trust, the Company does not have any employees and is reliant on third-party service providers for its operational requirements. Each service provider has an established track record and has in place suitable policies and procedures to ensure they maintain high standards of business conduct and corporate governance. The Board believes that positive relationships with each of the Company's service providers are important to support the Company's long-term success.



In order to build and maintain strong working relationships, the Company's key service providers (notably the Investment Adviser, AIFM, and Company Secretary/Administrator) are invited to attend quarterly Board meetings to present their respective reports. This enables the Board to exercise effective oversight of the Company's activities. In addition, the Company's external auditor is invited to attend at least one Audit Committee meeting per year. The Chair of the Audit Committee maintains regular contact with the auditor, Investment Adviser and Administrator to ensure that the audit process is undertaken effectively. The Board has also spent time engaging with the Company's key service providers outside of scheduled Board meetings to develop its working relationship with those service providers and ensure the smooth operational function of the Company. The Board and its advisers seek to maintain constructive relationships with the Company's key service providers on behalf of the Company through regular communications, meetings and the provision of relevant information and update meetings.

Another significant service provider for the Company's long-term success is the AIFM who has engaged the Investment Adviser for the purpose of providing investment advisory services to the Company. The Board regularly monitors the Company's investment performance in relation to its objectives, investment policy and strategy. The Board receives and reviews regular reports and presentations from both the AIFM and Investment Adviser and seeks to maintain regular contact to foster a constructive working relationship.

Investments

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

RSM screens investment opportunities to identify potential investments that meet the Company's investment objective and complies with its investment policy. Through this screening process, RSM will determine whether to proceed with detailed due diligence and evaluation of the investee company.

After a potential investment opportunity has been identified and screened against the target investment criteria and if it determines to proceed then RSM will perform a detailed due diligence review of the investee company. RSM employs a robust due diligence process applying principles of quantitative analysis to stress test assumptions, price capital structures, and determine risk-adjusted returns.

Where an investment opportunity proceeds to the execution phase, RSM will manage the transaction process, including co-ordinating the work of other professional advisers and service providers, including agents, valuers, lawyers, accountants, and tax advisers.

Key Board decisions during the Period

The Board implemented a share issuance programme to raise capital for further investment through the issue of up to 300 million Ordinary Shares or C Shares over a period of 12 months following the publication of the necessary prospectus (the "**Share Issuance Programme**"). The Share Issuance Programme included an initial issue of 10,021,432 new Ordinary Shares at 139.70 pence per Ordinary Share (£14 million raised), representing a c.1.5% premium to the NAV per Ordinary Share as at close of business on 22 November 2021.

The Board approved a 12-month overdraft facility of £20 million with The Northern Trust Company. At the time of the publication of this report, the facility is being finalised and had not yet been drawn down.

The Board appointed Peregrine Communications to provide additional resources in the marketing and public relations of the Company.

Conclusion

The Board is mindful of the directors' duties as described by section 172 of the Companies Act 2006, when deliberating all important decisions.

Directors' Report

The Directors are pleased to present their report and financial statements for the year ended 31 December 2021.

Strategic report

The Directors' Report should be read in conjunction with the Strategic Report on pages 2 to 16.

Corporate governance

The Corporate Governance Statement on pages 25 to 29 forms part of this report.

Risks and Risk Management

The Company's principal and emerging risks and Risk Management report can be found on pages 12 to 15 of this report.

Legal and taxation status

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company conducts its affairs in order to meet the requirements for approval as an investment trust under section 1158 of the Corporation Tax Act 2010. The Company has received initial approval as an investment trust and the Company must meet eligibility conditions and ongoing requirements in order for investment trust status to be maintained. In the opinion of the Directors, the Company has met the conditions and requirements for approval as an investment trust for the year ended 31 December 2021.

Market information

The Company's Ordinary Shares are listed on the Specialist Fund Segment of the main market of the London Stock Exchange. The unaudited NAV of the Ordinary Shares of the Company is published daily through RNS.

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

As a result of the FCA rules determining which investment products can be promoted to retail investors, certain investment products are classified as "non-mainstream pooled investment products" and face restrictions on their promotion to retail investors.

The Company has concluded that the distribution of its Shares, being shares in an investment trust, is not restricted as a result of the FCA rules described above.

The Company currently conducts its affairs so that the Shares issued by the Company can be recommended by financial advisers to retail investors and intends to continue to do so for the foreseeable future.

Articles of association

Amendments to the Company's Articles of Association require a Special Resolution to be passed by the Company's Shareholders (requiring a majority of at least 75%) of the persons voting on the relevant resolution.

Management

The Board

The Board is entirely comprised of independent non-executive directors who are responsible to Shareholders for the overall management of the Company and is chaired by Rosemary Morgan. Alicia Ogawa acts as Senior Independent Director. The Board has adopted a Schedule of Matters Reserved for the Board which sets out the division of responsibilities between the Board and its various committees, together with the duties of the Board, further details can be found on page 37.

Through the Committees and the use of external independent advisers, the Board manages risk and governance of the Company.

Appointment and replacement of the Board

The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association which require that all Directors shall be subject to election at the first AGM after appointment and re-election annually thereafter. Further details of the Board's process for the appointment and replacement of Board members can be found on page 27.

Alternative Investment Fund Portfolio Managers Directive

In accordance with The Alternative Investment Fund Managers Directive ("AIFMD"), the AIFM must ensure that an annual report containing certain information on the Company is made available to investors for each financial year. The investment funds sourcebook of the FCA (the "Sourcebook") details the requirements of the annual report. All the information required by those rules are included in this Annual Report or will be made available on the Company's website.

Alternative Investment Fund Manager ("AIFM")

The Company is classified as an Alternative Investment Fund under the AIFMD and has appointed Sanne Fund Management (Guernsey) Limited (formerly International Fund Management Limited) as its AIFM. The AIFM is responsible for portfolio management of the Company, including the following services:

- Risk management – Portfolio management is delegated to the Investment Adviser;
- Review financial reporting prepared by the Administrator;
- Ensuring compliance with AIFMD regulations and reporting; and
- Monitor and ensure compliance with investment and cash restrictions and debt covenants.

The AIFM is entitled, with effect from First Admission to an annual fee calculated at a rate of 0.04 per cent. per annum of NAV up to £250 million, plus 0.025 per cent. per annum of NAV in excess of £250 million. The AIFM fee is subject to a minimum fee of £70,000 per annum.

The AIFM Agreement shall continue in force until terminated by either the AIFM or the Company by giving to the other no less than six months' prior written notice, provided that such notice may not be served earlier than the date being 12 months from the date of the AIFM Agreement. The AIFM Agreement may be terminated earlier by either party with immediate effect in certain circumstances, including, if the other party shall go into liquidation or an order shall be made or a resolution shall be passed to put the other party into liquidation or the other party has committed a material breach of any obligation the AIFM Agreement, and in the case of a breach which is capable of remedy fails to remedy it within 30 days.

The Company has granted to the AIFM and certain other indemnified parties, a customary indemnity against losses which may arise in relation to the AIFM's performance of its duties under the AIFM Agreement.

The Investment Advisory Agreement is governed by the laws of England and Wales.

Investment Adviser

The Company, the AIFM and Investment Adviser entered into the Investment Advisory Agreement on 7 January 2020, pursuant to which Rising Sun will provide investment advisory services to the AIFM and the Company, and shall be entitled, with effect from First Admission, to receive an annual fee calculated as 0.85 per cent. of the Company's net assets (exclusive of VAT) from the Company, in respect of the services provided under the Investment Advisory Agreement.

Pursuant to the terms of the Investment Advisory Agreement, Rising Sun may resign by giving the Company not less than 12 months written notice (although no such notice may be given within the first four years from First Admission). Further, the Investment Advisory Agreement may be terminated by the AIFM and the Company, or the Company by itself, in certain limited circumstances, such as where the Investment Adviser is in material breach of the Investment Advisory Agreement and such breach is not remedied. The Board would, in such circumstances, have to find a replacement investment advisory services provider for the Company and may be unable to appoint a replacement with the necessary skills and experience on terms acceptable to the Company. If the Investment Advisory Agreement is terminated and a suitable replacement is not secured in a timely manner, this could have an adverse effect on the value of the Portfolio, the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the returns to Shareholders and the market value of the Shares.

The Company has delegated responsibility for day-to-day management of the investments comprised in the Company's portfolio to the AIFM (which has in turn delegated portfolio management activities to the Investment Adviser). The Directors have responsibility for exercising supervision of the AIFM and the Investment Adviser.

Directors' Report continued

Company Secretary and Administrator

Sanne Fund Services (UK) Limited (previously PraxisIFM Fund Services (UK) Limited) has been appointed to provide company secretarial and administration services to the Company.

Custodian

The Northern Trust Company has been appointed by the Company to act as custodian of certain assets and to provide certain services as a custodian.

Appointment of service providers

The Board has undertaken an annual review of its service providers through the Management Engagement Committee, to ensure that their continued appointment is in the best long-term interests of the Company's Shareholders. The last review was held in December 2021.

Capital structure, voting rights and restrictions

At the financial year end, the Company's issued share capital comprised 113,021,433 Ordinary Shares of 1p nominal value.

Each Ordinary Share held, entitles the holder to one vote. All Ordinary Shares carry equal voting rights and there are no restrictions on those voting rights. Voting deadlines are stated in the Notice of the AGM and Form of Proxy and are in accordance with the Companies Act 2006.

Restrictions

There are no restrictions on the transfer of Shares, nor are there any limitations or special rights associated with regards to control attached to the Ordinary Shares. There are no agreements between holders regarding their transfer known to the Company, no restrictions on the distribution of dividends and the repayment of capital, and no agreements to which the Company is a party that might affect its control following a successful takeover bid.

Results and Dividend

The Company's revenue profit after tax for the year amounted to £2,232,000 (31 December 2020: £912,000). The Company made a capital profit after tax of £24,033,000 (31 December 2020: £13,075,000). Therefore, the total profit for the year of the Company was £26,265,000 (31 December 2020: £13,987,000).

The Board has declared an interim dividend of 1.95p per Ordinary share in respect of the year ended 31 December 2021, which will be paid on 26 April 2022 to Shareholders on the register on 8 April 2022. The Board will not target a dividend for future years but will substantially pay out distributable income for any particular period by way of dividend.

Substantial shareholders

As at 31 December 2021, the Directors have been formally notified of the following interests in the Company's Ordinary Shares, comprising 3% or more of the issued share capital of the Company, in accordance with Disclosure Guidance and Transparency Rule 5.1.2:

Shareholder	Holding	Percentage Held*	Date Notified
Rosenwald Capital Management, Inc.	38,460,001	34.03%	2 December 2021

* Based on number of Ordinary Shares in issue of 113,021,433 at the Company's year end.

Since the year end, the Company has not been notified of any interests in the Company's Ordinary Shares, comprising 3% or more of the issued share capital of the Company.

Political donations

There were no donations made during the financial year to 31 December 2021.

Settlement of Ordinary Share transactions

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

Appointment of auditor

The Company's auditors, BDO LLP, having expressed their willingness to continue in office as auditors, will be put forward for re-appointment at the Company's AGM and the Board will seek authority to determine their remuneration for the forthcoming year.

Going concern

The Directors have adopted the going concern basis in preparing the financial statements. The following is a summary of the Directors' assessment of the going concern status of the Company.

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 2021 were £155,854,000 (31 December 2020: £116,986,000). As at 31 December 2021, the Company held £15,815,000 (31 December 2020: £12,645,000) in cash. The total expenses for the year ended 31 December 2021 were £1,792,000 (31 December 2020: £1,474,000), which represented approximately 1.37% (31 December 2020: 1.60%) 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.

In light of the COVID-19 pandemic, the Directors have fully considered each of the Company's investments. The Directors do not foresee any immediate material risk to the Company's investment portfolio. A prolonged and deep market decline could lead to falling values to the underlying business or interruptions to cashflow, however the Company currently has more than sufficient liquidity available to meet any future obligations.

The market and operational risks and financial impact as a result of the COVID-19 pandemic, and measures introduced to combat its spread, were discussed by the Board, with updates on operational resilience received from the Investment Adviser, Company Secretary, Administrator and other key service providers. The Board was satisfied that the key service providers have the ability to continue to operate.

In addition to COVID-19, the Directors have also considered the impact on the Company of the post year end Russia/Ukraine conflict, the potential consequences of which are unknown, and it is difficult to predict how global markets will be impacted long term. However, the Company's portfolio has no direct exposure to Russia or Ukraine and the Company's business model remains sound.

Auditor information

Each of the Directors at the date of the approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all steps that he/she ought to have taken as director to make himself/herself aware of any relevant information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Directors' Report continued

Shareholder engagement

The Board is mindful of the importance of engaging with the Company's Shareholders to gauge their views on topics affecting the Company. The Company reports formally to shareholders twice a year and meetings with key investors are held as required. The key discussion points of such meetings are relayed for the Board to consider further.

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

This year, the Company's AGM will be held on 10 June 2022 and the Chairman's Statement on page 4 sets out the arrangements for the meeting.

Annual General Meeting

The following information is important and requires your immediate attention. If you are in any doubt about the action you should take, you should seek advice from your stockbroker, bank manager, solicitor, accountant, or other financial adviser authorised under the Financial Services and Markets Act 2000.

Resolutions relating to the following items of special business will be proposed at the forthcoming **AGM** to be held on 10 June 2022 at 12:00 noon.

Existing general authority to issue Ordinary and/or C Shares and to dis-apply pre-emption rights

The Directors were granted authority to allot shares pursuant to the Placing Programme at the General Meeting held on 12 November 2021. The authority will expire on closing of the Placing Programme on 24 October 2022. The maximum number of New Ordinary Shares and/or C Shares to be issued pursuant to the Placing Programme will be equal in aggregate to 300 million Shares (the number of C Shares not to exceed 150 million).

No New Ordinary Shares will be issued at a discount to the NAV per ordinary Share at the time of the relevant allotment. The Company will not issue any New Ordinary Shares at a discount of 10 per cent. or more to the middle market price of the Ordinary Share at the relevant time without further Shareholder approval. The issue of New Ordinary Shares or C Shares under the Placing Programme is at the discretion of the Directors.

Any C Shares issued:

- (a) would not be entitled to any dividends payable in respect of the Ordinary Shares but on their conversion into New Ordinary Shares they would rank *pari passu* with the Ordinary Shares (save for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the conversion of the Issued C Shares); and
- (b) would be entitled to any dividends payable in respect of the pool of assets attributable to the relevant tranche of Issued C Shares. It is intended that dividends would be declared on a tranche of Issued C Shares only in the event that there is material net income available for distribution to such tranche of Issued C Shares, but the level of dividends (if any) declared on such tranche of Issued C Shares would depend on the actual timing and terms of the deployment of proceeds in relation to such tranche of Issued C Share.

In the event that any net income attributable to a tranche of Issued C Shares were not distributed as a dividend, such net income would be included in the value of such tranche of Issued C Shares when calculating the number of Ordinary Shares into which they convert.

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

At the forthcoming AGM, in addition to the general authority under the Placing Programme, the Board is seeking authority to allot up to a maximum of 11,302,143 Ordinary Shares (representing approximately 10% of the Ordinary Shares in issue at the date of this document) and to dis-apply pre-emption rights when allotting those Ordinary Shares at the forthcoming AGM. Authority granted under both resolutions will expire at the conclusion of the AGM to be held in 2023 unless renewed prior to this date via a General Meeting. The full text of resolutions 11 and 12 are set out in the Notice of Meeting on page 70.

The authority granted by Shareholders to issue Ordinary Shares will provide flexibility to grow the Company and further expand the Company's list of assets. Ordinary Shares will only be issued at a premium to the NAV (cum income) after the costs of issue. Ordinary Share issues are at the discretion of the Board.

Renewal of general authority to purchase Ordinary shares

Ordinary Shares in issue at the date of publication of this Annual Report, equating to a maximum of 15,439,700 Ordinary Shares. During the year ended 31 December 2021, the Company did not utilise its authority to purchase its own Shares.

The existing authority to make market purchases will expire at the conclusion of the 2022 AGM of the Company. The Directors recommend that a new authority to purchase up to 16,941,913 Ordinary Shares (subject to the condition that not more than 14.99% of the Ordinary Shares in issue, excluding treasury shares, at the date of this document are purchased) be granted and a resolution to that effect will be put to the AGM. Any Ordinary Shares purchased will either be cancelled or, if the Directors so determine, held in treasury.

The Companies Act 2006 permits companies to hold shares acquired by way of market purchase as treasury shares, rather than having to cancel them. This provides the Company with the ability to re-issue Ordinary Shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base. No Ordinary Shares will be sold from treasury at a price less than the (cum-income) NAV per existing Ordinary Share at the time of their sale unless they are first offered pro rata to existing Shareholders. At the period end the Company did not hold any shares in treasury.

Unless otherwise authorised by Shareholders, Ordinary Shares will not be issued at less than NAV and Ordinary Shares held in treasury will not be sold at less than NAV.

Notice of general meetings

Resolution 13 in the notice to the AGM is required to reflect the requirements of the Shareholder Rights Directive. The Company is currently able to call General Meetings, other than an AGM, on 14 clear days' notice and would like to preserve this ability. In order to be able to do so, shareholders must have given their prior approval.

Resolution 13 seeks such approval, which would be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed. The Company will ensure that it offers the facility for shareholders to vote by electronic means, and that this facility is accessible to all shareholders, if it is to call general meetings on 14 days' notice. Short notice of this kind will be used by the Board only under appropriate circumstances.

Regulatory Disclosures – information to be disclosed in accordance with Listing Rule 9.8.4.

The Listing Rules requires listed companies to report certain information in a single identifiable section of their Annual Reports or a cross reference table indicating where the information is set out. The Directors confirm that only LR 9.8.4(7) (issue of shares) is applicable during the year under review.

Environmental and Social Governance ("ESG")

The Company is a closed-ended investment company which has no employees therefore its own direct environmental impact is minimal. Consequently, the Company consumed less than 40,000kWh of energy during the year in respect of which the Directors' Report is prepared and therefore is exempt from the disclosure under the Streamlined Energy and Carbon Reporting ('SECR'). It outsources all of its key operations to reputable, third party service providers, who are required to comply with all relevant laws and regulations in the jurisdiction in which they operate, and take account of social, environmental, ethical and human rights factors, as appropriate.

The Company has no direct greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions-producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 (including those within its underlying holdings).

The Board notes that the underlying companies in which the Company invests will have a social and environmental impact over which the Board has no control. However, it expects its Investment Advisor to be mindful of any associated risks when making their investments and reviews updated ESG policies from the Investment Advisor annually. The Company aims to conduct itself responsibly, ethically, and fairly in its investments and dealings with stakeholders.

Directors' Report continued

Modern slavery disclosure

The Company aims to act to the highest standards, and is committed to integrating responsible business practices throughout its operations. The prevention of modern slavery is an important part of good corporate governance. As an investment trust, the Company does not offer goods or services to consumers and deals predominantly with professional advisers and service providers in the financial services industry. As such the Board considers that the Company is out of scope of the Modern Slavery Act 2015. The Board requires all third party providers to report on their compliance with the Modern Slavery Act as part of the annual review by the Management Engagement Committee.

Anti-bribery and corruption

The Company's policy is to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships. The Company's policy and the procedures are designed to support that commitment.

Prevention of the facilitation of tax evasion

The Board has a zero-tolerance approach to the facilitation of tax evasion.

The Report was approved by the Board on 30 March 2022 and signed on its behalf:

By order of the Board



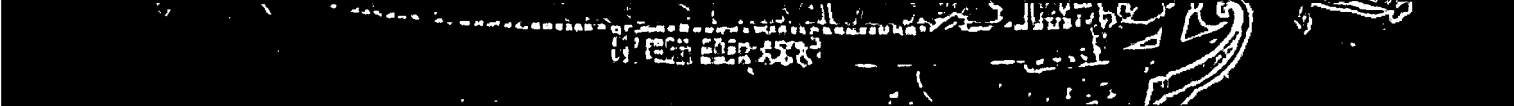
Brian Smith

For and on behalf of

Sanne Fund Services (UK) Limited

Company Secretary

30 March 2022



Corporate Governance Statement

This Corporate Governance statement forms part of the Directors' Report.

The Listing Rules and the Disclosure Guidance and Transparency Rules of the UK Listing Authority require listed companies to disclose how they have applied the principles and complied with the provisions of The UK Corporate Governance Code 2018 (the "**UK Code**"), as issued by the Financial Reporting Council ("**FRC**"). The UK Code can be viewed on the FRC's website.

The Board has considered the principles and provisions of the AIC Code of Corporate Governance 2019 (the "**AIC Code**") which addresses those set out in the UK Code, as well as setting out additional provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the AIC Code, which has been endorsed by the FRC, provides more relevant information to shareholders.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The Company has complied with the AIC Code and the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to:

- the role of the chief executive;
- the need for an internal audit function; and
- executive Directors' remuneration

The Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company with no executive directors or employees. The Company has therefore not reported further in respect of these provisions.

The Board

Composition

At the date of this report, the Board consists of five non-executive Directors, all of whom were independent upon appointment. The Board believes that during the year ended 31 December 2021 its composition was appropriate for an investment company of the Company's nature and size. All of the Directors are independent of the Investment Adviser and AIFM and are able to allocate sufficient time to the Company to discharge their responsibilities effectively. The Directors have a broad range of relevant experience to meet the Company's requirements and their biographies are given below.

Rosemary Morgan

Non-Executive Director, Chair of the Board and Management Engagement Committee
Appointed 14 November 2019

Rosemary is an independent non-executive director and Chair of JP Morgan India Investment Trust.

Rosemary studied Japanese at the Australian National University in Canberra before being awarded the Monbusho Scholarship at Kobe University in Japan and then studying for a Master of Arts in Japanese Literature at Harvard University in the United States.

After university, Rosemary worked as a Japanese equity fund manager for 16 years at John Govett before joining the institutional client team at Fidelity International and then moving to the Royal Bank of Scotland as Head of Asia and Emerging Markets (Multi Manager Funds), where she managed long only and alternative funds of funds, specialising in Japan and Emerging Markets.

Corporate Governance continued

Chetan Ghosh

Non-Executive Director and Chair of the Audit Committee
Appointed 22 October 2019

Chetan is the Chief Investment Officer for Centrica's pension scheme arrangements and is responsible for providing support to the directors of the investment committee. His role covers investment strategy considerations, asset class and manager research, and liaising with the investment advisers.

Prior to joining Centrica in 2009, Chetan worked in a number of roles, ranging from pensions actuary at Towers Perrin to investment consultant at Aon Hewitt and Lane Clark & Peacock. Whilst at financial services firm Alexander Forbes, Chetan developed a fiduciary management offering to improve client governance structures.

Chetan has a first class degree in Mathematics from Kings College London.

Rachel Hill

Non-Executive Director and Chair of the Nomination and Remuneration Committee
Appointed 22 October 2019

Since 2006, Rachel has been a director of Dragon Capital Markets (Europe) Limited and has been responsible for the European marketing of London Stock Exchange listed Vietnam Enterprise Investments Ltd and the Vietnam Equity (UCITS) fund. Rachel was also previously on the board of Dalton Asia Fund, which is a long/short Asian Investment fund managed by Dalton Investments LLC. Rachel has 28 years of experience in respect of equity and equity fund sales in Asian markets.

In addition, Rachel also currently serves on the board of DC Developing Market Strategies Ltd, a Dublin regulated UCITS fund investing in Vietnam and Quaero Capital Luxembourg Fund, a Luxembourg regulated UCITS platform with various sub funds investing in equities and bonds.

Rachel holds a BA (Hons) MA in Natural Science from Trinity Hall, Cambridge University and is also a Chartered Member of the Chartered Institute for Securities and Investment.

Alicia Ogawa

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

Alicia is a director of the Project on Japanese Corporate Governance and Stewardship at the Center on Japanese Economy and Business (CJEB), Columbia Business School, NYC and has over 30 years of experience in the Japanese financial markets. She also serves on the board of The Maureen and Mike Mansfield Foundation, Misaki Capital (from December 2019), and a member on the board of Pure Earth an NGO which deals with lead and mercury pollution and also recently joined the board of a Tokyo-based governance consulting company called Questhub. She also is an Assistant Adjunct Faculty, Columbia University School of International and Public Affairs as well as being a consultant for activist funds.

In her role as director of the Project on Japanese Corporate Governance and Stewardship, Alicia has been a featured speaker on Japanese financial markets issues for public and private sector conferences such as Goldman Sachs, SIFMA, Council of Institutional Investors, Japan Securities Dealers Association, CSIS, Peterson Institute, and Japan Society.

Prior to 2006, Alicia was a Managing Director and the Director of Global Research Product, Lehman Brothers, NYC and was tasked with leading the global analysts in development of a globally themed equity research product focused on specific market sectors.

Alicia holds a M.I.A from the Columbia University School of International and Public Affairs in East Asian Studies and International Finance.

Ayako Hirota Weissman

Non-Executive Director

Appointed 14 November 2019

Ayako is a senior portfolio manager and director of Asia Strategy at Horizon Kinetics LLC. With over 30 years of investment experience, Ayako was previously a founder and Chief Investment Officer of AS Hirota Capital Management, LLC.

Ayako's prior experience also includes acting as a portfolio manager specializing in Japanese securities for Kingdon Capital Management, LLC, a New York-based hedge fund, two years as a partner and Portfolio Manager of Feirstein Hirota Japan Partners and 12 years at Salomon Smith Barney Asset Management, as a Managing Director and Senior Portfolio manager in the U.S. value equity group. Ayako is a member of the U.S. - Japan Council and serves on its investment committee. She also serves as a co-chairperson of Japan committee of National Museum for Women in Arts. Ayako is a director of Toshiba Corporation.

Ayako received an MBA from the International Institute for Management Development (IMD) in Lausanne, Switzerland and a BA in Liberal Arts from International Christian University in Tokyo, Japan. Ayako is a CFA charter holder.

Re-election of Directors

The Board recommends all the Directors for re-election at the forthcoming AGM for the reasons highlighted above and in the performance appraisal section of this report.

The Directors have appointment letters which do not provide for any specific term. Copies of the Directors' appointment letters are available on request from the company secretary. Upon joining the Board, any new Director will receive an induction and relevant training is available to Directors on an ongoing basis.

Board Committees

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

Audit Committee

All of the Directors are members of the Audit Committee and it is chaired by Chetan Ghosh. A report on pages 35 and 36 provides details of the role and composition of the Audit Committee together with a description of the work of the Audit Committee in discharging its responsibilities.

Nomination and Remuneration Committee

All of the Directors are members of the Nomination and Remuneration Committee and it is chaired by Rachel Hill. The Nomination and Remuneration Committee has been established to meet formally on at least an annual basis to consider the fees of the non-executive Directors and for the purpose of reviewing the performance of the Board and its committees, the remuneration of Directors and succession planning, including identifying and putting forward candidates for the office of Director of the Company. The Nomination and Remuneration Committee considers job specifications and assesses whether candidates have the necessary skills and time available to devote to the job.

The Board has formulated a succession plan which was reviewed and maintained through the Nomination and Remuneration Committee to promote regular refreshment and diversity, whilst maintaining stability and continuity of skills and knowledge on the Board.

The Directors' Remuneration Implementation Report is included on pages 31 and 32 of this report.

Management Engagement Committee

All of the Directors are members of the Management Engagement Committee and it is chaired by Rosemary Morgan. The Management Engagement Committee has been established to conduct a formal annual review of the Investment Adviser, assessing investment and other performance, the level and method of the Investment Adviser's remuneration and the continued appointment of the Investment Adviser. The Management Engagement Committee met and reviewed the

Corporate Governance continued

Investment Adviser's performance and remuneration structure. In conclusion, the Management Engagement Committee's recommendation to the Board was that it was in the best interests of Shareholders as a whole to continue with the Investment Adviser's engagement and that the current fee structure remained appropriate. (See page 19 for further details.)

In addition, the Management Engagement Committee conducted a performance evaluation of the Company's key service providers and no material deficiencies were noted.

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

Meeting attendance

	Quarterly Board	Audit Committee	Management Engagement Committee	Nomination and Remuneration Committee
Number of meetings held	4	3	2	2
Rosemary Morgan	4	3	2	2
Chetan Ghosh	4	3	2	2
Rachel Hill	4	3	2	2
Alicia Ogawa	4	3	2	2
Ayako Weissman	4	3	2	2

In addition, there were a number of ad hoc Board meetings to deal with administrative matters and the formal approval of documents.

Board diversity

The Board's policy for the appointment of non-executive directors is based on its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds including, but not limited to, gender and diversity. The policy is always to appoint the best person for the job and there will be no discrimination on the grounds of gender, race, ethnicity, religion, sexual orientation, age, or physical ability. The overriding aim of the policy is to ensure that the Board is composed of the best combination of people for ensuring effective oversight of the Company and constructive support and challenge to the Investment Adviser. Directors have a range of business, financial and asset management skills as well as experience relevant to the direction and control of the Company. Brief biographical details of the Directors are shown on pages 25 to 27. Currently, 80% of the Board are female across a range of ethnic backgrounds.

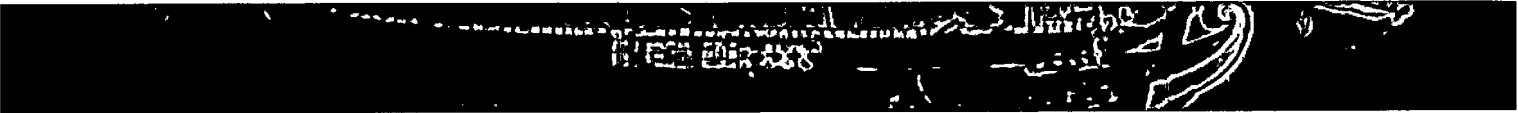
The Board undertakes an appraisal of its performance and skills, as well as independence and diversity, on an annual basis. The Board believes its composition is appropriate for the Company's circumstances. However, in line with the Board's succession planning and tenure policy, or should strategic priorities change, the Board will review and, if required, adjust its composition.

Tenure policy

It is the Board's policy that all Directors, including the Chair, shall normally have tenure limited to nine years from their first appointment to the Board, except that the Board may determine otherwise if it is considered that the continued participation on the Board of an individual Director, is in the best interests of the Company and its Shareholders. This is also subject to the Director's re-election annually by Shareholders. The Board considers that this policy encourages regular refreshment and is conducive to fostering diversity.

Board and Chair evaluation

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



The Board has agreed that an external Board evaluation will be carried out every three years and, in the intervening years, evaluations will be carried out by the Nomination and remuneration Committee by means of questionnaires and interviews. The Board plans to have an external evaluation during the financial year ending 31 December 2023.

An internal performance appraisal process was performed by the Nomination and Remuneration Committee regarding the performance of the Board, its committees and the Board Chair. The results of the recent performance evaluation were positive and no material issues were identified.

Insurance and indemnity provisions

A policy of insurance against Directors' and Officers' liabilities is maintained by the Company.

A procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

Internal control

The AIC Code requires the Board to review the effectiveness of the Company's system of internal controls. The Board recognises its ultimate responsibility for the Company's system of internal controls and for monitoring its effectiveness. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable assurance against material misstatement or loss. The Board has undertaken a review of the aspects covered by the guidance and has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as being matters of particular importance upon which it requires reports. The Board believes that the existing arrangements, set out below, represent an appropriate framework to meet the internal control requirements. By these procedures, the Directors have kept under review the effectiveness of the internal control systems throughout the period and up to the date of this report.

Financial aspects of internal control

These are detailed in the Report of the Audit Committee.

Other aspects of internal control

The Board holds at least four regular meetings each year, plus additional meetings as required. Between these meetings there is regular contact with the Investment Adviser and the Company's Secretary and Administrator.

The Board has agreed policies with the Investment Adviser on key operational issues and the Investment Adviser reports in writing to the Board on operational and compliance issues prior to each meeting, and otherwise as necessary. The Investment Adviser reports direct to the Audit Committee concerning the internal controls applicable to the Investment Adviser's dealing, investment and general office procedures.

The Directors receive quarterly updates from the Investment Adviser which details the holdings in the portfolio and investment transactions. The Administrator, Company Secretary and AIFM reports separately in writing to the Board concerning risks and control matters within its purview, including internal financial control procedures and company secretarial matters. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the corporate company secretary, which is responsible to the Board for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with.

The contacts with the Investment Adviser and the Administrator enable the Board to monitor the Company's progress towards its objectives and encompasses an analysis of the risks involved. The effectiveness of the Company's risk management and internal controls systems is monitored regularly and a formal review, utilising a detailed risk assessment programme, takes place at least annually. This includes consideration of relevant service provider internal controls reports. There are no significant findings to report from the review.

Principal risks

The Directors confirm that they have carried out a robust assessment of the Company's emerging and principal risks, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and how they are being managed are set out in the Strategic Report.

Directors' Remuneration Report

The Nomination and Remuneration Committee is responsible for reviewing the remuneration payable to the Directors taking into account the relevant circumstances of the Company, the time commitment and relevant experience and skills of the Board and the average fees paid to the Board of the Company's competitors. The Nomination and Remuneration Committee is chaired by Rachel Hill and consists of all the Directors.

The Remuneration Report for the period to 31 December 2021 has been prepared in accordance with sections 420-422 of the Companies Act 2006. The law requires the Company's auditor to audit certain sections of the Remuneration Report; where this is the case the relevant section has been indicated as such.

There was no change in the Board's remuneration since IPO to the year ended 31 December 2021. The Nomination and Remuneration Committee in December 2021 recommended the increases in remuneration taking into account the workload along with peer group comparators. With effect from 1 January 2022, Board fees have changed to £41,000 for the Board Chair, £33,000 for the Audit Committee Chair and £27,810 for each Director.

AGM approval of the Remuneration policy and remuneration implementation report

In accordance with the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended (the "**Regulations**"), the Board is required to put forward for Shareholder approval at its first AGM, and on a triennial basis thereafter, a Remuneration Policy. Accordingly, the Remuneration Policy of the Company set out below will be proposed to Shareholders via an ordinary resolution which is a binding resolution at the AGM to be held on 10 June 2022. If successfully passed at the forthcoming AGM, the provisions set out in the below Remuneration Policy will apply from the date of the AGM until they are next submitted for Shareholder approval, expected to be at the Company's AGM to be held in 2024. In the event of any proposed material variation to the Remuneration Policy or should the Remuneration Policy or the Remuneration Implementation Report fail at the forthcoming AGM, Shareholder approval will be sought for a proposed revised Remuneration Policy prior to its implementation.

The Remuneration Implementation Report requires approval via an ordinary resolution on an annual basis. This resolution is put to Shareholders on an advisory, non-binding, basis which means that, if the resolution were to fail to attract sufficient votes in favour, the Board would continue to be entitled to be remunerated and would not be required to amend their contractual relationship with the Company. However, if the Remuneration Implementation Report were to be voted down by Shareholders, the Board would be required to resubmit the Remuneration Policy to Shareholders at the AGM following the AGM at which the Remuneration Implementation Report failed.

Remuneration consideration

The Board's original remuneration was set prior to the Company's incorporation on 22 October 2019 and was revised at the Nomination and Remuneration Committee on 3 December 2021. In considering the remuneration of the Board and each key role, the Board and its advisers considered the Board pay of the Company's peers, the expected time commitment of each Board member, the experience and skills of each Board member and the market expectation of the remuneration paid to the Company's Board. The Board also considered whether it was appropriate to set performance measures and it was agreed that it was not, in accordance with market practice.

Remuneration consultants

Remuneration Consultants were not engaged by the Company during the year under review and in respect of the Remuneration Report.

Loss of office

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

Remuneration policy

All the Directors are non-executive directors, and the Company has no other employees. The components of the remuneration package for non-executive directors, which are contained in the Remuneration Policy are as detailed below:

Current and future policy

Component	Director	Purpose of reward	Operation
Annual fee	Chair of the Board	For services as Chair of a Plc	Determined by the Nomination and Remuneration Committee
Annual fee	Other Directors	For services as non-executive Directors of a Plc	Determined by the Nomination and Remuneration Committee
Additional fee	Chair of Audit Committee	For additional responsibility and time commitment	Determined by the Nomination and Remuneration Committee
Expenses	All Directors	Reimbursement of expenses incurred in the performance of duties	Submission of appropriate documentation

In accordance with the Company's Articles of Association, Board fees in aggregate cannot exceed £400,000 per annum, unless Shareholders approve via an ordinary resolution at a General Meeting such other sum.

Directors' service contracts

The Directors do not have service contracts with the Company but have letters which outline the terms of their appointment. In accordance with the Articles and AIC Code, the Board will seek annual re-election.

Fees payable on recruitment

The Board will not pay any incentive fees to any person to encourage them to become a Director of the Company. The Board may, however, pay fees to external agencies to assist the Board in the search and selection of Directors. No such external agency was engaged during the period under review.

Effective date

The Remuneration Policy is effective from the date of approval by Shareholders.

Remuneration Implementation Report (Audited)

The table below provides a single figure for the total remuneration of each Director for the period 31 December 2021.

Director	Director Fees to 31 December 2021 (£'000)	Director Fees to 31 December 2020* (£'000)
Rosemary Morgan	35.0	39.6
Chetan Ghosh	30.0	35.8
Rachel Hill	27.0	32.3
Alicia Ogawa	27.0	30.6
Ayako Weissman	27.0	30.6
Total	146.0	168.9

* From date of appointment.

Directors' Remuneration Report continued

Directors receive fixed fees and are not entitled to receive from the Company:

- performance related remuneration;
- any benefits in kind except reasonable travel expenses in the course of travel to attend meetings and duties undertaken on behalf of the Company;
- share options;
- rewards through a long-term incentive scheme;
- a pension or other retirement benefit; or
- compensation for loss of office.

Fees

As outlined in the Prospectus, Board remuneration from incorporation to date is outlined in the table below:

Position	Fee per annum (GBP)
Board Chair	35,000
Director	27,000
Audit Committee Chair (additional fee)	3,000

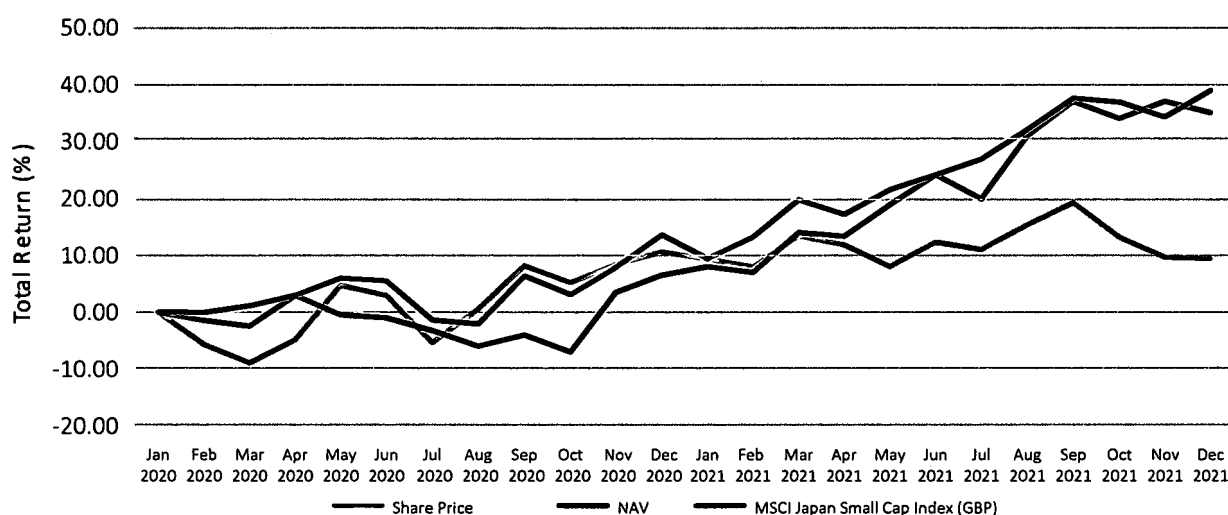
There has been no change to the Board fees during the year under review. With effect from 1 January 2022, Board fees have changed to £41,000 for the Board Chair, £33,000 for the Audit Committee Chair and £27,810 for each Director.

Directors' indemnities

Subject to the provisions of the Companies Act 2006, the Company has agreed to indemnify each Director against all liabilities which any Director may suffer or incur arising out of or in connection with any claim made or proceedings taken against him/her, or any application made by him/her, on the grounds of his/her negligence, default, breach of duty or breach of trust in relation to the Company or any Associated Company.

Performance

The following chart shows the performance of the Company's NAV and share price (total return) by comparison for the period since the Company was listed, assuming 100p was invested at the point the Company was listed. The Company does not have a specific benchmark but has deemed MSCI Japan Small Cap index to be the most appropriate comparator for its performance.



Relative importance of spend on pay

The following table sets out the total level of Directors' remuneration compared to the distributions to Shareholders by way of dividends and the operating expenses and Investment Adviser's fees and operating expenses incurred by the Company.

	Year to 31 December 2021 (GBP)	Period to 31 December 2020* (GBP)	Change (GBP)
Dividend income	3,512,000	1,996,000	+1,516,000
Spend on Directors' fees	146,000	169,000	Nil*
Company's operating expenses and Investment Adviser's fees	1,792,000	1,474,000	-318,000
Dividends and payable to Shareholders	2,204,000	876,000	+1,328,000

* For the period from incorporation on 22 October 2019 to 31 December 2020, which is more than the current year of 12 months from 1 January 2021 to 31 December 2021. There has been no change to the Board fees during the year under review.

The disclosure of the information in the table above is required under The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 with the exception of operating expenses which have been included to show the total expenses of the Company.

Directors' Remuneration Report continued

Directors' holdings (Audited)

At 31 December 2021 and as at the date of this report the Directors had the following holdings in the Company. There is no requirement for Directors to hold shares in the Company. All holdings were beneficially owned.

Director	Ordinary Shares As at 31 December 2021	Ordinary Shares As at 31 December 2020
Rosemary Morgan	40,000	40,000
Chetan Ghosh	40,000	40,000
Rachel Hill	115,791	80,000
Alicia Ogawa	25,000	25,000
Ayako Weissman	27,000	27,000

Statement

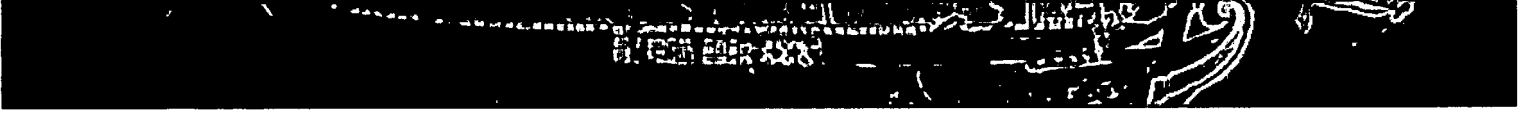
On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Remuneration Policy and Remuneration Implementation Report summarises, as applicable, for the year to 31 December 2021:

- (a) the major decisions on Directors' remuneration;
- (b) any substantial changes relating to Directors' remuneration made during the period; and
- (c) the context in which the changes occurred and decisions have been taken.



Rachel Hill

Chair of the Nomination and Remuneration Committee
30 March 2022



Report of the Audit Committee

Role of the Audit Committee

The AIC Code recommends that Boards should establish an audit committee consisting of at least three, or in the case of smaller companies, two independent non-executive directors. The Board is required to satisfy itself the audit committee as a whole should have competence relevant to the sector in which the company operates. The main role and responsibilities of the audit committee are set out in the Committee's terms of reference covering certain matters described in the AIC Code. The Company complies with the AIC Code. The terms of reference are available on the Company's website or on request from the company secretary.

Composition

The Audit Committee comprises all members of the Board and is chaired by Chetan Ghosh. The AIC Code permits the Chair of the Board to be a member of, but not chair the Audit Committee if they were independent on appointment. The Chair of the Board was independent on appointment and continues to be, and in view of the size of the Board, the Directors feel it is appropriate for the Chair of the Board to be a member of the Audit Committee.

Meetings of the Audit Committee

The Audit Committee meets formally at least twice a year for the purpose, amongst other things, of advising the Board on the appointment, effectiveness, independence, objectivity, and remuneration of the external auditor. The Audit Committee monitors the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them. The Audit Committee also reviews the Company's internal financial controls and its internal control, risk management systems and reviews the whistleblowing arrangements of the Investment Adviser, AIFM and Administrator. The provision of non-audit services by the auditor are reviewed against the Committee's policy described below.

Financial statements and significant accounting matters

The Audit Committee reviewed the financial statements and considered the following significant accounting matters in relation to the Company's financial statements for the year ended 31 December 2021.

Valuation and existence of investments

The Company holds all of its assets in quoted investments. The existence and valuation of these investments is the most material matter in the production of the financial statements. The Audit Committee reviewed the procedures in place for ensuring accurate valuation and existence of investments and discussed the valuation of the Company's investments at the period end with the Investment Adviser and reviewed their existence with the Administrator and other service providers. Investments are valued using independent pricing sources and the holding quantities at the period end were agreed to the Company's custodian's records.

Recognition of income

Income may not be accrued in the correct period and/or incorrectly allocated to revenue or capital. The Audit Committee reviewed the Administrator's procedures for recognition of income and reviewed the treatment of any special dividends receivable in the year.

Financial statement presentation

The Audit Committee obtained assurances from the Investment Adviser and the Company Secretary that the financial statements had been prepared appropriately.

Going concern

The financial statements could be prepared on an incorrect accounting basis which might result in an incorrect valuation of financial assets and liabilities. The Audit Committee reviewed the Company's financial resources and concluded that it is appropriate for the Company's financial statements to be prepared on a going concern basis as described in the Directors' Report on page 35.

Report of the Audit Committee continued

Conclusion with respect to the annual report and financial statements

The Audit Committee has concluded that the annual report for the period ended 31 December 2020, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy. The Audit Committee has reported its conclusions to the Board. The Audit Committee reached this conclusion through a process of review of the document and enquiries to the various parties involved in the production of the annual report, and the external auditor's report thereon.

Auditor

Provision of non-audit services

The Audit Committee has put a policy in place on the supply of any non-audit services provided by the external auditor. Such services are considered on a case-by-case basis and may only be provided to the Company if the provision of such services is at a reasonable and competitive cost and does not constitute a conflict of interest or potential conflict of interest which would prevent the auditor from remaining objective and independent.

No non-audit services were provided by the auditor during the year.

Effectiveness of external audit

BDO LLP has performed the audit of the financial statements for the year ended 31 December 2021. The Audit Committee reviewed the audit planning and the standing, skills and experience of the firm and the audit team. The Audit Committee also considered the independence of BDO and the objectivity of the audit process. BDO has confirmed that it is independent of the Company and has complied with relevant auditing standards. No modifications were required to the external audit approach. The Audit Committee received a presentation of the audit plan from the external auditor prior to the commencement of the 2021 audit and a presentation of the results of the audit following completion of the main audit testing. Additionally, the Audit Committee received feedback from the Investment Adviser and Administrator regarding the effectiveness of the external audit process.

The Audit Committee is satisfied that BDO LLP has provided effective independent challenge in carrying out its responsibilities. After due consideration, the Audit Committee recommends the re-appointment of BDO LLP and their re-appointment will be put forward to the Company's Shareholders at the 2022 AGM.

Internal audit

The Audit Committee has considered the need for an internal audit function and considers that this is not appropriate given the nature and circumstances of the Company. The Audit Committee keeps the need for an internal function under periodic review. The Investment Adviser reports the key conclusions of their internal audit report to the Company's Audit Committee.

Committee evaluation

The Audit Committee's activities fell within the scope of the review of Board effectiveness performed in the period. Details of this process can be found under 'Board and chair evaluation' on pages 28 and 29.



Chetan Ghosh

Chair of the Audit Committee
30 March 2022

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 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's 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, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the Company's 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's 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
Chair of the Board of Directors
30 March 2022

Independent auditor's report to the members of Nippon Active Value Fund plc

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Nippon Active Value Fund plc (the 'Company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income Statement, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 27 August 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 2 years, covering the years ended 31 December 2020 to 31 December 2021. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of the Director's method of assessing going concern in light of market volatility and present uncertainties due to the current geo-political situation;
- Assessing the liquidity profile of the investment portfolio to meet the future obligations and operating expenses for the next twelve months;
- Challenging the Director's assumptions and judgements made in their forecasts by performing the multiple scenarios testing to analyse the cash reserve to cover ongoing expenses and liabilities.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

		2021	2020
Key audit matters	Valuation and ownership of investments	✓	✓
Materiality	Financial statements as a whole £1,558,000 (2020: £1,170,000) based on 1% (2020: 1%) of Net Assets		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation and ownership of quoted investments (note 3 and note 15) The investment portfolio at the year-end comprised of investments held at fair value through profit or loss. The investment portfolio is the most significant balance in the financial statements and is the key driver of performance therefore there is a potential risk of overstatement of investment valuations. Further, there is a risk that Company does not legally own the investments at the year end. Due to the significance of the quoted investment balance, we considered valuation and ownership to be a key audit matter.	We responded to this matter by testing the valuation and ownership of 100% of the portfolio of quoted investments. We performed the following procedures: - Confirmed the year end bid price was used by agreeing to externally quoted prices and for all of the investments, assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value. - Recalculated the valuation by multiplying the number of shares held per the statement obtained from the custodian by the valuation per share. - Obtained direct confirmation from the custodian regarding the ownership of all investments held at the statement of financial position date. Key observations: Based on our procedures performed we did not identify any matters to suggest that the valuation and ownership of the quoted investments was not appropriate.

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

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Company financial statements	
	2021 £	2020 £
Materiality	1,558,000	1,170,000
Basis for determining materiality	1% of Net Assets	1% of Net Assets
Rationale for the benchmark applied	As an investment trust, the net asset value is a key measure for users of the financial statements.	
Performance materiality	1,090,000	820,000
Basis for determining performance materiality	Performance materiality was set at 70% of total materiality taking into consideration that this is a recurring audit and there is a low expectation of known and likely misstatements, based on prior year experience.	Performance materiality was set at 70% of total materiality taking into consideration that this is the first year on the audit.

Lower Testing Threshold

We also determined that for net revenue returns before tax, a misstatement of less than materiality for the financial statements as a whole, could influence the economic decisions of users as it is a measure of the Company's performance of income generated from its investments after expenses. Thus, we have set a lower testing threshold for those items impacting revenue return of £129,000 (2020: £111,000) which is based on 5% (2020: 10%) of profit before tax.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £31,000 (2020: £23,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and • The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate.
Other Code provisions	• The Directors' statement on fair, balanced and understandable; • The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and • The section describing the work of the audit committee.

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

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: - the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and - the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: - adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or - the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or - certain disclosures of Directors' remuneration specified by law are not made; or - we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. We considered the significant laws and regulations to be Chapter 3 Part 6 of the Income Tax Act 2007, the Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice according to the AIC SORP, the applicable accounting framework and the company's qualification as an Investment Trust under UK tax legislation as any non-compliance of this would lead to the Company losing various deductions and exemptions from corporation tax.

We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the significant fraud risk area to be management override of controls. Our audit work focussed on the valuation and ownership of quoted investments, where the risk of material misstatement is the greatest (refer to the Key Audit Matter section).

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management and those charged with governance relating to the existence of non-compliance with laws and regulations;
- testing of journal postings, on a sample basis based on a defined risk criteria, made during the year and at the year end to identify potential management override of controls;
- review of minutes of board meetings throughout the period;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations; and
- reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain their Investment Trust Status.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Justin Chait (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
30 March 2022

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

Statement of Comprehensive Income

		Year ended 31 December 2021			For the period from incorporation on 22 October 2019 to 31 December 2020		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	4	–	26,666	26,666	–	15,737	15,737
Income	5	3,512	–	3,512	1,996	–	1,996
Foreign exchange losses		–	(1,770)	(1,770)	–	(2,070)	(2,070)
Investment adviser fees	6	(216)	(863)	(1,079)	(157)	(626)	(783)
Other operational expenses	7	(713)	–	(713)	(725)	34	(691)
Profit before taxation		2,583	24,033	26,616	1,114	13,075	14,189
Taxation	8	(351)	–	(351)	(202)	–	(202)
Profit and comprehensive income for the year/period		2,232	24,033	26,265	912	13,075	13,987
Earnings per Ordinary Share – Basic and diluted (pence)	13	2.15p	23.11p	25.26p	1.23p	17.61p	18.84p

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

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.

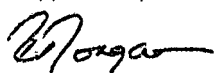
Both the supplementary revenue and capital columns are both prepared under guidance from the Association of Investment Companies ("AIC").

The notes on pages 8 to 64 form part of these interim financial statements.

Statement of Financial Position

	Note	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Non-current assets			
Investments at fair value through profit or loss	4	138,626	102,905
Current assets			
Cash and cash equivalents		15,815	12,645
Trade and other receivables	10	1,831	1,707
		17,646	14,352
Current liabilities			
Trade and other payables	11	(418)	(271)
		(418)	(271)
Net current assets		17,228	14,081
Net assets		155,854	116,986
Capital and reserves attributable to Shareholders			
Share capital	12	1,130	1,030
Share premium		115,349	101,970
Capital reserve		37,107	13,074
Revenue reserve		2,268	912
Total equity		155,854	116,986
NAV per Ordinary Share (pence)	14	137.90p	113.58p

Approved by the Board of Directors and authorised for issue on 30 March 2022 and signed on their behalf by:



Rosemary Morgan
Director

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

The notes on pages 48 to 64 form part of these interim financial statements.

Statement of Changes in Equity

Year ended 31 December 2021	Note	Share capital £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 January 2021		1,030	101,970	13,074	912	116,986
Issue of Ordinary Shares	12	100	13,900	–	–	14,000
Share issue costs	12	–	(521)	–	–	(521)
Profit and comprehensive income for the year		–	–	24,033	2,232	26,265
Dividends paid	9	–	–	–	(876)	(876)
Balance at 31 December 2021		1,130	115,349	37,107	2,268	155,854

For the period from incorporation on 22 October 2019 to 31 December 2020	Note	Share capital £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 22 October 2019		–	–	–	–	–
Issue of Ordinary Shares	12	1,030	101,970	–	–	103,000
Profit and comprehensive income for the period		–	–	13,074	912	13,986
Balance at 31 December 2020		1,030	101,970	13,074	912	116,986

The capital reserve as at 31 December 2021 is split between realised gains of £20,773,000 and unrealised gains of £16,334,000 (2020: realised loss of £2,283,000 and unrealised gains of £15,357,000). The Company's distributable reserves consist of revenue reserve and capital reserve attributable to realised profit.

The notes on pages 48 to 64 form part of these interim financial statements.

Statement of Cash Flows

		For the period from incorporation on 22 October 2019 to 31 December 2020	Year ended 31 December 2021
	Note	£'000	£'000
Operating activities cash flows			
Profit before taxation*		26,616	14,189
Adjustment for:			
Gains on investments	4	(26,666)	(15,737)
Increase in trade and other receivables		(269)	(372)
Increase in trade and in other payables		131	149
Tax withheld on overseas income	8	(351)	(202)
Net cash flow used in operating activities		(539)	(1,973)
Investing activities cash flows			
Purchases of investments		(39,182)	(88,840)
Sales of investments		30,288	458
Net cash flow used in investing activities		(8,894)	(88,382)
Financing activities cash flows			
Issue of Ordinary Share capital		14,000	103,000
Payment of Ordinary Share issue costs		(521)	—
Equity dividends paid	9	(876)	—
Net cash flow from financing activities		12,603	103,000
Increase in cash and cash equivalents		3,170	12,645
Cash and cash equivalents at the beginning of the year/period		12,645	—
Cash and cash equivalents at the end of the year/period		15,815	12,645

* Cash inflow from dividends received for the year is £3,340,000 (2020: 1,531,000).

The notes on pages 48 to 64 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.

The investment objective of the Company is to provide Shareholders with attractive capital growth through the active management of a focussed 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.

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.

Sanne Fund Management (Guernsey) Limited (formerly International Fund Management 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.

Sanne Fund 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.

With effect from 15 December 2021, the Company's registered office is 6th Floor, 125 London Wall, Barbican, London EC2Y 5AS.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with UK adopted international accounting standards. On 31 December 2020, IFRSs as adopted by the European Union at that date were brought into UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The Company transitioned to UK-adopted international accounting standards in its financial statements on 1 January 2021. There was no impact or change in accounting policies from the transition.

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 in April 2021.

Going Concern

The financial statements have been prepared on a going concern basis. In forming this opinion, the Directors have considered any potential impact of the COVID-19 pandemic on the going concern and viability of the Company. In making their assessment, the Directors have reviewed income and expense projections and the liquidity of the investment portfolio, and considered the mitigation measures which key service providers, including the Investment Adviser, have in place to maintain operational resilience particularly in light of COVID-19.

In arriving at their conclusion that the Company has adequate financial resources, the Directors were mindful that the Company had unrestricted cash of £15.8 million as at 31 December 2021 (2020: £12.6 million). The Company's net assets at 31 December 2021 were £155.8 million (2020: £117.0 million) and total expenses for the year ended 31 December 2021 were £1.8 million (2020: £1.5 million), which represented approximately 1.4% of average net assets during the year ended (2020: 1.6%). At the date of approval of this document, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover. The Directors are satisfied that the Company has sufficient resources to continue to operate for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES continued

Use of estimates and judgements

The preparation of the financial statements 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.

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, 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.

New standards, interpretations and amendments adopted from 1 January 2022

A number of new standards, amendments to standards are effective for the annual periods beginning after 1 January 2022. None of these are expected to have a significant effect on the measurement of the amounts recognised in the financial statements of the Company. The Company intends to adopt the standards and interpretations in the reporting period when they become effective and the Board does not anticipate that the adoption of these standards and interpretations in future periods will materially impact the Company's financial results in the period of initial application although there may be revised presentations to the financial statements and additional disclosures.

New standards and amendments issued but not yet effective

The relevant new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. These standards are not expected to have a material impact on the entity in future reporting periods and on foreseeable future transactions.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023.

Notes to the Accounts continued

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES continued

b) Significant 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. 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". 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.

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 successfully applied and 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 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.

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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES continued

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.

Notes to the Accounts continued

3. INVESTMENTS

(a) Investment at fair value through profit or loss

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Listed on a recognised overseas exchange	138,626	102,905
Total	138,626	102,905

(b) Movements during year/period

	For the period from incorporation on Year ended 22 October 2019 to 31 December 2021 £'000	31 December 2020 £'000
Book cost at the beginning of the year/period	87,548	–
Investment holding gains at beginning of the year/period	15,357	–
Valuation at beginning of the year/period	102,905	–
Investment purchases, at cost	39,160	88,873
Investment sales, at cost	(19,773)	(1,325)
Closing book cost	106,935	87,548
Investment holding gains	31,691	15,357
Closing valuation	138,626	102,905

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 2021 amounted to £39,000 (2020: 89,000) and on investment sales for the period amounted to £21,000 (2020: 2,000). These transaction costs are calculated in line with the AIC SORP.

(c) Gains on investments

	For the period from incorporation on Year ended 22 October 2019 to 31 December 2021 £'000	31 December 2020 £'000
Realised gains on disposal of investments	10,391	471
Investment holding gains	16,334	15,357
Net transactions costs	(59)	(91)
Total gains on investments held at fair value	26,666	15,737

3. INVESTMENTS continued

Fair Value Measurements of Financial Assets and Financial Liabilities

The financial assets and liabilities are either carried at their fair value, or the amount is a reasonable approximation of fair value (due from brokers, dividends receivable, accrued income, due to brokers, expense accruals and cash and cash equivalents).

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the Fair Value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices in active markets for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs including quoted prices.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques for investments and derivatives used by the Company are explained in the accounting policies notes 2 (b and c).

The table below sets out fair value measurements using the Fair Value Hierarchy.

As at 31 December 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets:				
Equity investments	138,626	–	–	138,626
Total	138,626	–	–	138,626

There were no transfers between levels during the year/period. There are no Level 3 investments as at 31 December 2021.

As at 31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets:				
Equity investments	102,905	–	–	102,905
Total	102,905	–	–	102,905

4. INVESTMENT INCOME

	For the period from incorporation on Year ended 22 October 2019 to 31 December 2021 31 December 2020	
	£'000	£'000
Income from investments:		
Overseas dividends	3,512	1,996
Total	3,512	1,996

Notes to the Accounts continued

5. INVESTMENT ADVISER FEES

	For the period from incorporation on Year ended 22 October 2019 to 31 December 2021 31 December 2020	
	£'000	£'000
Basic fee:		
20% charged to revenue	216	157
80% charged to capital	863	626
Total	1,079	783

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

6. OTHER EXPENSES

	For the period from incorporation on Year ended 22 October 2019 to 31 December 2021 31 December 2020	
	£'000	£'000
Directors' fees	146	169
Administration fees	84	54
Auditor's remuneration	30	26
AIFM fees	70	60
Broker retainer fees	49	43
Custodian fees	74	65
D&O insurance	17	15
Marketing fees	–	16
Legal Fees	36	36
Regulatory fees	33	23
Secretarial fees	47	47
Miscellaneous expenses	127	171
Other expenses - Revenue	713	725
Other expenses - Capital*	–	(34)
Total other expenses	713	691

* This is in relation to the capital element of VAT recoverable on the Company's expenses from inception to 31 December 2020, upon successful registration and submission of a VAT return for the period. The revenue portion of the VAT recoverable in the amount of £28,000 has been allocated to Miscellaneous expenses in the table above.

7. TAXATION

(a) Analysis of tax charge in the year/period:

	Year ended 31 December 2021			For the period from incorporation on 22 October 2019 to 31 December 2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas withholding tax	351	–	351	202	–	202
Total tax charge for the year/period (see note 7(b))	351	–	351	202	–	202

(b) Factors affecting the tax charge for the year/period:

The tax charge assessed for the year to 31 December 2021 is lower than the Company's applicable rate of corporation tax of 19% (2020: 19%).

The differences are explained below:

	Year ended 31 December 2021			For the period from incorporation on 22 October 2019 to 31 December 2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit before taxation	2,583	24,033	26,616	1,114	13,075	14,189
UK corporation tax at 19.00% (2020: 19.00%)	491	4,566	5,057	212	2,484	2,696
Effects of:						
Overseas withholding tax suffered	351	–	351	202	–	202
Non-taxable overseas dividends	(667)	–	(667)	(379)	–	(379)
Capital gains not subject to tax	–	(5,066)	(5,066)	–	(2,990)	(2,990)
Unutilised management expenses	165	164	329	144	113	257
Unutilised finance costs	11	–	11	23	–	23
Foreign exchange losses not subject to tax	–	336	336	–	393	393
Total tax charge	351	–	351	202	–	202

The Company is not liable to tax on capital gains due to its status as an investment trust. The company has an unrecognised deferred tax asset of £825,000 (2020: £285,000) based on the long-term prospective corporation tax rate of 25% (2020: 19%). The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from 1st April 2023. This increase in the standard rate of corporation tax was substantively enacted on 24 May 2021 and became effective from 2 June 2021. This asset has accumulated because deductible expenses exceeded taxable income for the year ended 31 December 2021. 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.

Notes to the Accounts continued

8. DIVIDEND

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

Type – respective financial year end – dividend rate (pence)	Year ended 31 December 2021		For the period from incorporation on 22 October 2019 to 31 December 2020	
	Pence per Ordinary share	£'000	Pence per Ordinary share	£'000
Interim dividend - paid 30 April 2021	0.85p	876	–	–
Total	0.85p	876	–	–

(ii). The dividend relating to the year ended 31 December 2021, 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 2021		For the period from incorporation on 22 October 2019 to 31 December 2020	
	Pence per Ordinary share	£'000	Pence per Ordinary share	£'000
Interim dividend – payable 26 April 2022 (2020: paid 30 April 2021)*	1.95p	2,204	0.85p	876
Total	1.95p	2,204	0.85p	876

*Not included as a liability in the year ended 31 December 2021 accounts.

The Directors have declared an interim dividend for the financial year ended 31 December 2021 of 1.95p per Ordinary Share. The dividend will be paid on 26 April 2022 to Shareholders on the register at the close of business on 8 April 2022.

9. TRADE AND OTHER RECEIVABLES

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Trade receivables	1,190	1,335
Accrued income	435	263
Other receivables	206	109
Total	1,831	1,707

10. TRADE AND OTHER PAYABLES

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Amounts falling due within one year:		
Trade payables	138	122
Accrued expenses	280	149
Total	418	271

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 2021		For the period from incorporation on 22 October 2019 to 31 December 2020	
	No. of shares	£'000	No. of shares	£'000
Allotted, issued & fully paid:				
Opening balance	103,000,001	1,030	–	–
Ordinary Shares of 1p each ('Ordinary Shares') issued	10,021,432	100	103,000,001	1,030
Closing balance	113,021,433	1,130	103,000,001	1,030

The Directors have been authorised to issue up to 400 million Shares.

Notes to the Accounts continued

11. SHARE CAPITAL continued

Share capital movement during the year/period

	Year ended 31 December 2021		For the period from incorporation on 22 October 2019 to 31 December 2020	
	No. of shares	Nominal value of shares £	No. of shares	Nominal value of shares £
Allotted, issued & fully paid:				
Opening balance	103,000,001	1,030,000.01	–	–
Allotted upon Incorporation:				
Ordinary Shares of 1p each ('Ordinary Shares') (pence)	–	–	1	0.01
Redeemable Preference Share	–	–	50,000	12,500.00
Allotted/re-designated following admission to London Stock Exchange:				
Redeemable Preference Shares re-designated into Ordinary Shares	–	–	(50,000)	(12,500.00)
Ordinary Shares issued under the Initial Placing, Offer for Subscription and Intermediaries Offer	–	–	103,000,000	1,030,000.00
Share Issuance				
Fundraise on 22 November 2021	10,021,432	100,214.32		
Closing balance	113,021,433	1,130,214.33	103,000,001	1,030,000.01

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 £26,265,000 (2020: 13,987,000).

Based on the weighted average number of Ordinary Shares in issue for the year to 31 December 2021 of 103,985,715 (2020: 103,000,001), the returns per share were as follows:

	Year ended 31 December 2021			For the period from incorporation on 22 October 2019 to 31 December 2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return per Ordinary Share	2.15p	23.11p	25.26p	1.23p	17.61p	18.84p

13. NET ASSET VALUE PER SHARE

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

	As at 31 December 2021	As at 31 December 2020
NAV (£)	155,854,000	116,986,000
Ordinary Shares in issue	113,021,433	103,000,001
NAV per Ordinary Share	137.90p	113.58p

Notes to the Accounts continued

14. RELATED PARTY TRANSACTIONS

Transactions with the Investment Adviser

The fees for the year are disclosed in note 5 and amounts outstanding at the year ended 31 December 2021 were £nil.

A key member of the RSM team is a major shareholder of Rosenwald Capital Management, Inc. Further details of Rosenwald Management Inc.'s shareholding is disclosed on page 20.

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

Directors' fees and shareholdings

Directors' fees are payable at the rate of £27,000 per annum for each Director other than the Chairman, who is entitled to receive £35,000. The Chairman of the Audit Committee is also entitled to an additional fee of £3,000 per annum.

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

	As at 31 December 2021	As at 31 December 2020
Rosemary Morgan	40,000	40,000
Chetan Ghosh	40,000	40,000
Rachel Hill	115,791	80,000
Alicia Ogawa	25,000	25,000
Ayako Weissman	27,000	27,000

15. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES

Risk Management Policies and Procedures

As an investment trust the Company invests in equities for the long term in order to achieve its investment objective stated on page 10. 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.

15. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES continued

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 2021 £'000	As at 31 December 2020 £'000
Portfolio of investments: yen	138,626	102,905
Trade and other receivables: yen	1,625	1,598
Cash: yen	15,131	12,427
Total	155,382	116,930

Foreign currency sensitivity

If the Japanese yen had appreciated or depreciated by 10% as at 31 December 2021 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 2021 £'000	Decrease in Fair Value As at 31 December 2021 £'000	Increase in Fair Value As at 31 December 2020 £'000	Decrease in Fair Value As at 31 December 2020 £'000
Impact on portfolio – increase/(decrease)	13,863	(13,863)	10,291	(10,291)
Impact on NAV – increase/(decrease)	15,538	(15,538)	11,693	(11,693)

Notes to the Accounts continued

15. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES continued

(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 at bank and on deposits. 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 2021 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 2021 £'000	As at 31 December 2020 £'000
Exposure to floating interest rates:		
Floating rate on cash balance: yen	15,131	12,427

(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 2021 comprises its holdings in equity investments as follows:

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Investments held at fair value through profit or loss	138,626	102,905

The effect on the portfolio of a 10.0% 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 £13,862,000 (2020: £10,300,000).

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.

15. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES continued

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 2021, based on the earliest date on which payment can be required, were as follows:

	As at 31 December 2021 less than 3 months	As at 31 December 2020 less than 3 months
Creditors: amounts falling due within one year	–	–
Trade and other payables	418	271
Total	418	271

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 time of appointment and will be reviewed on a regular basis by the Investment Adviser and/or the Board.

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 2021 was as follows:

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Cash at bank	15,815	12,645
Trade and other receivables	1,831	1,707
Total	17,646	14,352

Notes to the Accounts continued

15. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES continued

(d) Capital Management Policies and Procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to provide dividend income combined with capital growth, mainly through investment in equities listed or quoted in Japan.

The key performance indicators are contained in the strategic report on page 11.

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 2021 comprises called-up share capital and reserves totalling £155,854,000 (2020: £116,986,000).

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

16. POST YEAR END EVENTS

There are no post year end events other than as disclosed in this Report.

Alternative Performance Measures (“APM”)

Discount

The amount, expressed as a percentage, by which the share price is less than the NAV per Ordinary Share.

As at 31 December 2021		Page	(Pence)
NAV per Ordinary Share	a	45	137.9
Share price	b	2	134.0
Discount	(b÷a)-1		2.83%

As at 31 December 2020		Page	(Pence)
NAV per Ordinary Share	a	2	113.58
Share price	b	2	106.5
Discount	(b÷a)-1		6.23%

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 2021		Share price	NAV
Opening (pence)	a	106.5	113.6
Closing (pence)	b	134.0	137.9
Movement (b÷a)-1	c	25.8%	21.4%
Dividend reinvestment factor	d	1.0%	0.9%
Total return	(c+d)	26.8%	22.3%

Year end 31 December 2020		Share price	NAV
Opening (pence)	a	100.0	100.0
Closing (pence)	b	106.5	113.6
Total return	(c+d)	6.5%	13.6%

Alternative Performance Measures (“APMs”) continued

Ongoing charges

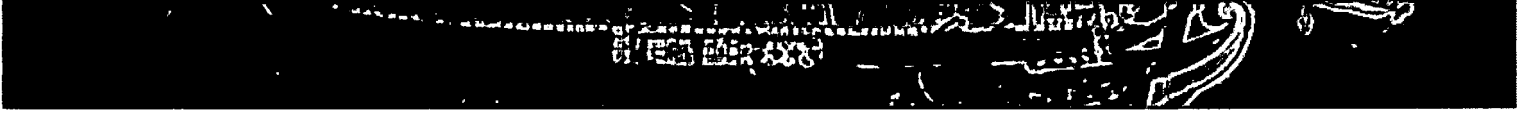
A measure, expressed as a percentage of average NAV, of the regular, recurring annual costs of running an investment company.

Year end 31 December 2021

Average NAV	a	130,449,346
Annual expenses	b	1,792,000
Ongoing charges	(b÷a)	1.37%

Year end 31 December 2020

Average NAV	a	106,722,593
Annualised expenses	b	1,707,968
Ongoing charges	(b÷a)	1.60%



Glossary

Administrator	The Company's administrator, the current such administrator being Sanne Fund Services (UK) Limited.
AIC	Association of Investment Companies
Alternative Investment Fund or "AIF"	An investment vehicle under AIFMD. Under AIFMD (see below) the Company is classified as an AIF.
Alternative Investment Fund Managers Directive or "AIFMD"	A European Union Directive which came into force on 22 July 2013 and has been implemented in the UK.
Custodian	An entity that is appointed to safeguard a company's assets.
Depository	Certain AIFs must appoint depositaries under the requirements of AIFMD. A depository's duties include, inter alia, safekeeping of the Company's assets and cash monitoring. Under AIFMD the depository is appointed under a strict liability regime.
Dividend	Income receivable from an investment in shares.
Discount	The amount, expressed as a percentage, by which the share price is less than the NAV per share.
Ex-dividend date	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to Shareholders.
Financial Conduct Authority or "FCA"	The independent body that regulates the financial services industry in the UK.
Gearing	A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.
Index	A basket of stocks which is considered to replicate a particular stock market or sector.
Investment company	A company formed to invest in a diversified portfolio of assets.
Investment trust	A closed-end investment company which is based in the UK and which meets certain tax conditions which enables it to be exempt from UK corporation tax on its capital gains. This Company is an investment trust.
Market liquidity	The extent to which investments can be bought or sold at short notice.
Net assets	An investment company's assets less its liabilities.
Net Asset Value (NAV) per Ordinary Share	Net assets divided by the number of Ordinary Shares in issue (excluding any shares held in treasury).
Ordinary Shares	The company's Ordinary Shares in issue.

Glossary continued

Ongoing charges	A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running an investment company.
Portfolio	A collection of different investments constructed and held in order to deliver returns to Shareholders and to spread risk.
Share price	The price of a share as determined by buyers and sellers on the relevant stock exchange.
Total return	A measure of performance that takes into account both income and capital returns.
Volatility	A measure of how much a share moves up and down in price over a period of time.

Company Information

Board of Directors

Rosemary Morgan (Chairman)
Chetan Ghosh
Rachel Hill
Alicia Ogawa
Ayako Weissman

Registered Office (with effect from 15 December 2021)

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

Administrator & Company Secretary

Sanne Fund Services (UK) Limited
(formerly PraxisIFM Fund Services (UK) Limited)
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125 London Wall,
London
EC2Y 5AS

Principal Bankers

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

Prime Broker

J.P. Morgan Securities PLC
25 Bank Street
Canary Wharf
London
E14 5JP

Custodian

The Northern Trust Company
50 Bank Street
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E14 5NT

Company Security Identifiers

ISIN: GB00BKLGLS10
Ticker: NAVF
SEDOL: BKLGLS1
Website: www.nipponactivevaluefund.com
LEI: 213800JOFEGZJYS21P75
GIIN: WB82JR.99999.SL.826

Investment Adviser

Rising Sun Management Limited
c/o Appleby Global Services (Cayman) Limited
71 Fort Street
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KY1-1106, Cayman Islands

Rising Sun Management Team

James B. Rosenwald, III
Gifford Combs
Paul ffolkes Davis
Kazutaka Mizuochi

Alternative Investment Fund Manager

Sanne Fund Management (Guernsey) Limited
(formerly International Fund Management Limited)
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Financial Adviser

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Legal Adviser

Travers Smith LLP
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Registrar

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Auditors

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55 Baker Street
London
W1U 7EU

Notice of Annual General Meeting

In line with the requirements of the Companies Act 2006, the Company will hold an Annual General Meeting ("AGM") of shareholders to consider the resolutions laid out in the Notice of Meeting below.

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 below.

Shareholders are invited to send any questions for the Board or Investment Adviser in advance by email to NAVFCoSec@PraxisIFM.com by close of business on 8 June 2022.

Should any changes be required to be made to the arrangements for the AGM, they will be announced via a regulatory information service and included on the Company's website, <https://www.nipponactivevaluefund.com/>. Alternatively, shareholders can contact the Registrar, Computershare Investor Services PLC, for updated information (please see Notes to the Notice of AGM for the Registrar's contact details).

Notice of Meeting

Notice is hereby given that the AGM of Nippon Active Value Fund plc will be held at the offices of Sanne Group at 6th Floor, 125 London Wall, London, EC2Y 5AS on 10 June 2022 at 12.00 BST for the following purposes:

To consider and if thought fit pass the following resolutions of which resolutions 1 to 11 will be proposed as ordinary resolutions and resolutions 12 to 16 will be proposed as special resolutions.

1. To receive the Company's Annual Report and Accounts for the year ended 31 December 2021 (the "**Annual Report**").
2. To approve the Directors' Remuneration Report included in the Annual Report.
3. To re-elect Chetan Ghosh as a director of the Company.
4. To re-elect Rachel Hill as a director of the Company.
5. To re-elect Rosemary Morgan as a director of the Company.
6. To re-elect Alicia Ogawa as a director of the Company.
7. To re-elect Ayako Weissman as a director of the Company.
8. To re-appoint BDO LLP as auditor to the Company.
9. To authorise the Directors to fix the remuneration of the auditor until the conclusion of the next Annual General Meeting of the Company.
10. That the Directors be authorised to declare and pay all dividends of the Company as interim dividends and for the last dividend referable to a financial year not be categorised as a final dividend that is subject to shareholder approval.
11. That the Directors be and are hereby generally and unconditionally authorised (in addition to all subsisting authorities to the extent unused) to exercise all powers of the Company to allot ordinary shares of 1 penny each in the Company ("**Ordinary Shares**") up to an aggregate nominal value of £113,021 (equivalent to 10% of the issued share capital of the Company as at the date of this notice of this annual general meeting) and that this authority shall expire (unless previously varied, revoked or renewed by the Company in general meeting) at the conclusion of the annual general meeting of the Company to be held in 2023 or, if earlier, on the expiry of 15 months from the passing of this resolution, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of Ordinary Shares in pursuance of such an offer or agreement as if such authority had not expired.

12. That, subject to the passing of resolution 11, in addition to any existing power under sections 570 and 573 of the Companies Act 2006 (the “**Companies Act**”) but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby empowered, pursuant to sections 570 and 573 of the Companies Act, to allot Ordinary Shares and/or sell Ordinary Shares from treasury, in each case for cash pursuant to the authority conferred by resolution 11 up to an aggregate nominal value of £113,021 (equivalent to 10% of the issued share capital of the Company as at the date of this notice of annual general meeting) as if section 561 of the Companies Act did not apply to such allotment or sale and that this power shall expire (unless previously varied, revoked or renewed by the Company in general meeting) at the conclusion of the annual general meeting of the Company to be held in 2023 or, if earlier, on the expiry of 15 months from the passing of this resolution, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment or sale of Ordinary Shares in pursuance of such an offer or agreement as if such authority had not expired.
13. That the authority to allot (i) Ordinary Shares and (ii) C shares of 10 pence each in the Company (“**C Shares**”) on a non-pre-emptive basis in connection with the Placing Programme (as defined and described in the prospectus published by the Company dated 28 October 2021 (the “**Prospectus**”)) conferred on the Directors pursuant to Resolution 2 passed at the general meeting of the Company held on 12 November 2021 (the “**November 2021 General Meeting**”), be extended so that such authority will expire on the date on which the Placing Programme closes, and that, other than the extension of the date of expiry of such authority as described in this Resolution, the authority conferred on the Directors pursuant to Resolution 2 passed at the November 2021 General Meeting shall remain unaltered.
14. That the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act to make market purchases (within the meaning of section 693(4) of the Companies Act) of Ordinary Shares, provided that:
- (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 16,941,912 (representing 14.99% of the Company’s issued share capital of the Company at the date of this notice of annual general meeting);
 - (b) the minimum price (exclusive of any expenses) which may be paid for an Ordinary Share is 1 penny;
 - (c) the maximum price (exclusive of any expenses) which may be paid for each Ordinary Share is not more than the higher of (i) 5% above the average of the middle market quotations for the Ordinary Shares for the five business days immediately before the day on which that Ordinary Share is contracted for purchases and (ii) the higher of the price of the last independent trade and the highest then current independent bid for the Ordinary Shares on the trading venue where the purchase is carried out;
 - (d) the authority hereby conferred shall expire at the conclusion of the annual general meeting of the Company to be held in 2023 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed or revoked by the Company prior to such time; and

the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiration of such authority and may purchase Ordinary Shares pursuant to any such contract as if the authority had not expired. That, conditional on the first admission to trading on the Specialist Fund Segment of the Main Market of London Stock Exchange plc of any C Shares to be issued pursuant to the Prospectus (“**First C Share Admission**”), the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act to make market purchases (within the meaning of section 693(4) of the Companies Act) of C Shares, provided that:

- (a) the maximum number of C Shares hereby authorised to be purchased shall be 22,499,999 C Shares or, if fewer, such lesser number as is equal to 14.99% of the number of C Shares in issue at the date of First C Share Admission;
- (b) the minimum price (exclusive of any expenses) which may be paid for a C Share is 10 pence;
- (c) the maximum price (exclusive of any expenses) which may be paid for each C Share is not more than the higher of (i) 5% above the average of the middle market quotations for the C Shares for the five business days immediately before the day on which that C Share is contracted for purchases and (ii) the higher of the price of the last independent trade and the highest then current independent bid for the C Shares on the trading venue where the purchase is carried out;

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- (d) the authority hereby conferred shall expire at the conclusion of the annual general meeting of the Company to be held in 2023 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed or revoked by the Company prior to such time; and
- (e) the Company may make a contract to purchase C Shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiration of such authority and may purchase C Shares pursuant to any such contract as if the authority had not expired.

14. That a general meeting of the Company other than an annual general meeting may be called on not less than 14 clear days' notice, provided that this authority shall expire at the conclusion of the Company's next annual general meeting after the date of the passing of this resolution.

By order of the Board

For and on behalf of Sanne Fund Services (UK) Limited
Company Secretary

Registered Office:

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

30 March 2022

Notes

1. Holders of ordinary shares of one penny each in the capital of the Company ("**Shares**") are entitled to attend, speak and vote at the AGM. A Shareholder entitled to attend, speak and vote at the AGM may appoint one or more persons as his/her proxy to attend, speak and vote on his/her behalf at the AGM. A proxy need not be a shareholder of the Company. If multiple proxies are appointed, they must not be appointed in respect of the same Shares. To be effective, the enclosed form of proxy ("**Form of Proxy**"), together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the office of the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY by no later than 3.00 p.m. 8 June 2022.
2. If you return more than one proxy appointment, either by paper or electronic communication, that validly received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.
3. As an alternative to completing the Form of Proxy, shareholders can appoint a proxy electronically via the Registrar's online voting portal www.investorcentre.co.uk/eproxy. For an electronic proxy appointment to be valid, your appointment must be received by the Registrar no later than 3.00 p.m. on 8 June 2022.
4. The appointment of a proxy will not normally prevent a Shareholder from attending the AGM, speaking and voting if he/she so wishes, however there are currently restrictions on attendance as set out above. The Articles provide that (subject to certain exceptions) at the AGM each Shareholder present in person or by proxy shall have one vote on a show of hands and on a poll every Shareholder present in person or by proxy shall have one vote for every Share of which he/she is the holder. The termination of the authority of a person to act as proxy must be notified to the Company in writing by no later than 3 p.m. on 8 June 2022. Amended instructions must be received by the Registrar by the deadline for receipt of proxies. Where you have appointed a proxy using the Form of Proxy and would like to change the instructions using another hard-copy Form of Proxy, please contact the Registrar's helpline on 0370 707 1346 (or +44 370 707 1346 from outside the UK). Lines are open 8.30 a.m. to 5.30 p.m. Monday to Friday (excluding public holidays in England and Wales).
5. To appoint more than one proxy, Shareholders will need to complete a separate Form of Proxy in relation to each appointment, stating clearly on each Form of Proxy the number of Shares in relation to which the proxy is appointed. A failure to specify the number of Shares to which each proxy appointment relates or specifying an aggregate number of Shares in excess of those held by the Shareholder will result in the proxy appointment being invalid. Please indicate if the proxy instruction is one of multiple instructions being given. If you require additional Forms of Proxy, please contact the Registrar's helpline on 0370 707 1346 (or +44 370 707 1346 from outside the UK). Lines are open 8.30 a.m. to 5.30 p.m. Monday to Friday (excluding public holidays in England and Wales). All Forms of Proxy must be signed and should be returned together in the same envelope if possible.
6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holders (the first named being the most senior).
7. Only those Shareholders registered in the register of members of the Company as at 6.30 p.m. on 8 June 2022 (the "**specified time**") shall be entitled to vote at the AGM in respect of the number of Shares registered in their name at that time. Changes to entries on the relevant register of securities after 6.30 p.m. on 8 June 2022 shall be disregarded in determining the rights of any person to vote at the AGM. If the AGM is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of Shareholders to vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the AGM is adjourned for a longer period then, to be so entitled, Shareholders must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned meeting, or if the Company gives notice of the adjourned meeting, at the time specified in that notice.
8. Shareholders who hold their Shares electronically may submit their votes through CREST. Instructions on how to vote through CREST can be found by accessing the following website: www.euroclear.com.
9. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by following the procedures described in the CREST manual (available via www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
10. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual (available via www.euroclear.com). The message, in order to be valid, must be transmitted so as to be received by the Company's agent, ID: 3RA50, by the latest time for receipt of proxy appointments specified in note 1 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time.
12. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.
13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.
14. A person to whom this Notice of AGM is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a “**Nominated Person**”) may, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in note 1 above do not apply to a Nominated Person. The rights described in those notes can only be exercised by registered Shareholders of the Company. Shareholders and Nominated Persons are reminded that there are restrictions on attendance at the AGM, as set out in these Notes.
15. As at the date of this Notice, the Company’s issued share capital amounted to 113,021,433 Shares carrying one vote each. No Shares were held in treasury. Therefore, the total voting rights of the Company as at the date of this Notice of AGM were 113,021,433.
16. Any corporation which is a Shareholder may appoint one or more corporate representatives who may exercise on its behalf all of its powers as a Shareholder provided that they do not do so in relation to the same Shares. However, before deciding to elect to appoint a corporate representative, Shareholders should take note of the restrictions on attendance at the AGM, as set out in this Notice of AGM. Corporate shareholders may also appoint one or more proxies in accordance with note 6.
17. While Shareholders are invited to submit questions in advance by email to NAVFCoSec@PraxisIFM.com by the close of business on 8 June 2022. The Company must cause to be answered any question asked by a Shareholder relating to the business being dealt with at the meeting unless:
 - (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - (b) the answer has already been given on a website in the form of an answer to a question; or
 - (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
18. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chair of the meeting as his/her proxy is to ensure that both he/she and his/her proxy comply with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.
19. This Notice of AGM, the information required by section 311A of the Companies Act 2006 and, if applicable, any members’ statements, members’ resolutions or members’ matters of business received by the Company after the date of this Notice of AGM, will be available on the Company’s website at <https://www.nipponactivevaluefund.com/>.
20. Shareholders may not use any electronic address provided either in the Notice of AGM or any related documents (including the Form of Proxy) to communicate with the Company for any purpose other than those expressly stated.