



**NIPPON ACTIVE VALUE FUND PLC**

**HALF-YEARLY REPORT  
FOR THE SIX MONTH PERIOD ENDED  
30 JUNE 2021**

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# INVESTMENT OBJECTIVE, FINANCIAL INFORMATION AND PERFORMANCE SUMMARY

## INVESTMENT OBJECTIVE

The investment objective of Nippon Active Value Fund Plc (the “Company” or “NAVF”) 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

	As at 30 June 2021	As at 31 December 2020
Net assets (millions)	£127.0	£117.0
Net asset value (“NAV”) per Ordinary Share (“Share”) - (pence) <sup>1</sup>	123.20p	113.58p
Share price - (pence)	120.00p	106.50p
Share price discount to NAV (%) <sup>2</sup>	2.60%	6.23%

## PERFORMANCE SUMMARY

	For the Six month period to 30 June 2021 % change <sup>3</sup>	For the period 22 October 2019 to 30 June 2020 % change <sup>3</sup>
NAV total return per Share <sup>2</sup>	+10.1	+5.5
Share price total return per Share <sup>2</sup>	+17.5	-1.0
MSCI Japan Small Cap index (sterling terms) total return	+1.4	+0.9

<sup>1</sup> This is measured on a cum income basis.

<sup>2</sup> These are Alternative Performance Measures (“APM”). Definition of these and other APMs used in this report, together with how these APMs have been calculated are disclosed on page 25 of this report.

<sup>3</sup> Total returns are stated in GBP sterling, including dividend reinvested.

Source: Bloomberg

## CHAIRMAN'S STATEMENT

I am pleased to present the second interim report of the Company. The Company's investment brief is to take advantage of corporate governance reforms in Japan to engage with management teams and encourage investee companies to make improved returns to their shareholders.

Over the six month period to the end of June 2021 the NAV per share and share price total return had increased by 10.1% and 17.5% respectively since the end of 2020. As a result, the discount narrowed from 6.2% to 2.6%. While we do not target a particular index benchmark, for comparison, the Tokyo Stock Exchange Second Section Index, the MSCI Japan Small Cap Index rose by 1.4% over the same period.

Over the period under review, short term market performance continued to be influenced by news flow regarding the COVID-19 pandemic and progress with vaccine development and rollout. NAVF has a concentrated portfolio invested in smaller companies which appear to be valued significantly more cheaply than the market as a whole. Most of the target companies have large holdings of cash and cash equivalents on their balance sheets and the portfolio should, we believe, perform well even in challenging market and economic conditions.

At the end of June 2021, 92.5% of the Company's IPO proceeds was invested. In December 2020, the Investment Adviser successfully closed a Special Purpose Vehicle which began to invest alongside NAVF in one of our target companies, Intage Holdings, in early 2021. This strategy enables NAVF to participate in building significant positions in slightly larger companies in which NAVF on its own would have insufficient fire power to command the attention of management. It is a strategy which the Board endorses, and it is likely to be repeated.

At the period end, the Investment Adviser have now built disclosable positions in 19 companies and the Investment Adviser's report which follows on pages 5 to 8 gives more details on some of the Company's significant holdings.

### COVID-19

The pandemic has continued to affect in-person meetings with management. Although our US and EU-based Investment Adviser's team members have not been able to travel to Japan for meetings they have had constructive dialogues with their target companies through virtual meetings and their Tokyo-based President, Mr Mizuochi has been able to attend in person. The Board is satisfied that Rising Sun Management Limited ('RSM' or 'Rising Sun') have been able to carry out their due diligence and engagement effectively, despite the travel restrictions.

Our third party providers have all continued to deliver an uninterrupted service and we have not been made aware of any difficulties caused by switching to remote working. The Board would like to thank all our providers for their efforts in this regard.

### Japanese Corporate Governance

At the end of the period under review, there were two developments in the regulatory environment. The first was an update to the Corporate Governance Code, which strengthens the requirement for independent directors and encourages greater scrutiny of intra-group transactions to ensure that minority shareholders are not disadvantaged.

At the end of June, the Tokyo Stock Exchange announced more details of the reorganisation of the listing structure, which will replace the Tokyo First Section with the Prime Index in June 2022. Companies seeking inclusion in the Prime Index will have to meet a minimum market capitalisation requirement (though there will be a very generous grace period) as well as meeting higher corporate governance standards, including having a majority of external directors. We believe that these initiatives, as well as the continued support of the Japanese government to improve corporate governance in Japan, provide a supportive background for corporate activism in Japan.

### **Dividend**

The Company's intention is to look 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 investment trusts. The Board has decided not to declare an interim dividend for the period ended 30 June 2021.

### **Outlook**

Our Investment Advisers at RSM and their delegated research providers, Dalton Investments Japan, have a long and impressive track record in investing in the Japanese equity market. The RSM team in Tokyo has been strengthened by an additional dedicated analyst. The Board is confident of their ability to identify a strong portfolio of investment targets and that investee companies will be increasingly receptive to proposals from RSM and other corporate activists.

**Rosemary Morgan**  
**Chairman**  
**23 September 2021**

# INVESTMENT ADVISER'S REPORT

## Performance

At 31 December 2020, the net assets of the Company stood at £117.0 million and net asset value per NAVF share stood at 113.58p. As of 30 June 2021, these had advanced to £127.0 million and 123.20p respectively. Both these measures have continued to advance since, reaching £132.0 million and 128.12p respectively as at 18 August 2021.

## Portfolio Composition

As at 1 January 2021, at the beginning of the period under review, NAVF's portfolio was 88.0% invested in 20 stocks and the decision had been taken to sell two: Katakura Industries being too illiquid to allow the building of a meaningful position and Nittetsu Mining for pursuing a strategy inconsistent with its principal business. In the end, NAVF exited the former but chose to retain a 1% interest in the latter. The latter remains an interesting company, albeit in RSM's view with too great a focus on its domestic urban property portfolio rather than its overseas mining activities. Its share price is up over 42% over the past twelve months, remains volatile and unpredictable, and NAVF's base holding allows it to make proposals to the AGM should it choose to do so. We continue to follow Nittetsu Mining with interest but most of our focus is elsewhere.

By the end of June 92.5% of the IPO proceeds was invested and, as at 18 August 2021, 95.0% invested. Due to the natural low liquidity of many smaller Japanese companies and, therefore, the danger of 'free riders' influencing the price against NAVF as the portfolio was assembled, we were at first reluctant to reveal complete details of its makeup. These concerns have lessened now that NAVF is substantially fully invested (save for some necessary liquidity) and we are pleased to share NAVF's top ten holdings below by percentage shareholding in the individual portfolio companies and value invested, in each case as at 18 August 2021:

<b>By % of capitalisation owned</b>	<b><u>By amount invested</u></b>
1. Nihon Denkei	Intage Holdings
2. Ebara Jitsugyo	Ebara Jitsugyo
3. Sakai Ovex	Nippon Fine Chemical
4. Intage Holdings	Sakai Ovex
5. Chiyoda Integre	Hirano Tecseed
6. Teikoku Electric	Bunka Shutter
7. Nippon Fine chemical	Mitsuboshi Belting
8. Hirano Tecseed	Japan Securities Finance
9. Ishihara Chemical	Chiyoda Integre
10. Mitsuboshi Belting	Nihon Denkei

*Our analysts' latest views of several of these key stocks are included at the conclusion of this report – it is gratifying to note they have all outperformed the MSCI Japanese Smaller Companies Index during the period under review.*

In July 2021, shortly after the period under review, the RSM Investment Committee made the decision, subsequently ratified by NAV's board of directors as being strategy consistent, to add a new investment to

the portfolio. This restores the number of holdings to twenty. As at 18 August 2021, NAVF's investment in the new investee company remained below the 1% limit which would require a public disclosure to be made with respect to NAVF's shareholding under the Japanese Foreign Exchange and Foreign Trade Act.

### **Activism: its rewards and frustrations**

The Investment Adviser's Report included in the NAVF annual report for the year ended 31 December 2020 (the "**December 2020 Annual Report**") referenced the creation of Earle 1927 LLC ("**Earle**"), a Special Purpose Vehicle ("**SPV**") set up to invest in Intage Holdings alongside NAVF pursuant to a concert party agreement signed by both NAVF and Earle. Earle was seeded with approximately US\$ 19 million by third-party, largely US, investors, and this had been fully invested by 6 August 2021, giving the concert party a combined position of 3,150,000 shares or 7.79% of the Intage Holdings' share capital. Not only is the concert party's holding in Intage Holdings RSM's biggest 'bet', but Intage Holdings is also the recipient of our most frequent engagement with management. We have now met with them, at the highest level, several times (virtually) and the dialogue is ongoing.

As outlined in the December 2020 Annual Report, the response of the President of Sakai Ovex, Shintaro Matsuki, to our November 2020 management buyout proposal at Yen 2,350 per share, was to launch his own offer for Sakai Ovex in February 2021 at Yen 2,850. When it became obvious that the Murakami family were buying up stock, Mr Matsuki increased his offer to Yen 3,000. Even at this level, he narrowly failed to reach the two-thirds ownership he sought in order to proceed, and his tender failed. However, he and his advisers, Mizuho Securities, engaged with the Murakamis, restructured the deal with their input, and re-launched the tender at Yen 3,810. Although, NAVF will not have an ongoing interest in Sakai Ovex once it has been privatised, an attractive part of the original deal, NAVF will be able to exit its position entirely at roughly double its 'in' price. Consequently, NAVF has tendered its entire holding into the offer. The MBO completed in early September. The cash NAVF receives will be redeployed elsewhere in the existing portfolio.

### **Outlook**

It must be fair to say that the performance of NAVF since its London Stock Exchange Listing in February 2020, on the eve of the pandemic, represents proof of concept. Put another way, NAVF and RSM have done 'what it says on the tin' and what we said we would do. Those portfolio companies with which we have engaged actively, Nihon Denkei, Sakai Ovex, Ebara Jitsugyo, Intage Holdings, have all reacted strongly in the market. Some take us more seriously than others. We hope, in the very near future, to demonstrate to the doubters, that ignoring us is not a wise course and can have profound consequences.

**Analysts' short reports** (10<sup>th</sup> August 2021): compiled by RSM's affiliate Dalton KK in Tokyo based on unaudited information included in the most recent trading updates published by the respective portfolio companies.

### **Ebara Jitsugyo (YTD up 25.6%, last 1 month down -13.9%)**

- Ebara Jitsugyo is a highly seasonal business with most of its revenue and profit achieved in calendar Q1.
- The company is struggling to beat its performance last year. The company had a large order from the government in that year, and has failed to increase its order intake estimate for FY21, which was left unchanged at down -8% YoY, likely hurting investor sentiment. In

addition, the company has already achieved an operating profit of ¥3.4 billion by 1H 2021, which is equal to the company's fiscal full year 2021 estimate.

- Ebara's capital allocation for the benefit of equity holders was also underwhelming, as the company only looks to buy up to ¥1 billion of equity (3.6% of shares outstanding), compared to 4.7% purchased in 2020.
- RSM remains enthused by Ebara Jitsugyo's key position in the environmental arena and its ESG credentials. It has also already demonstrated, most obviously by raising its dividend several times, that it is aware of the need to respond to changes in the Corporate Governance Code and stimulate its share price. We do not believe this process is over yet.
- **Nihon Denkei (YTD up 43.9%, last 1 month up 2.1%)**
  - Q1 22 revenue up 10.7% YoY to ¥17.6 billion (no IR presentation for Q1) with a 170bp gross margin improvement YoY.
  - The company's FY revenue guidance is unchanged from 11 May 2021 released at ¥90 billion (up 8.8%) vs ¥82.7 billion in FY20, but falls short of FY19 revenue of ¥93.4 billion. Meanwhile, operating profit has returned to the pre-Covid level of ¥2.5 billion.
  - Q1 22 order intake increased 33% YoY to ¥23.7 billion.
  - The company believes demand for its measuring instruments will remain strong, supported by the automotive and electronic device industries.
- **Mitsuboshi Belting (YTD up 10.7%, last 1 month up 5.6%)**
  - Q1 revenue was up by 43% YoY with export demand (up +47.6% YoY) leading the post COVID recovery.
  - Following Q1 numbers, the company is looking to beat fiscal year guidance as auto industry demand remains strong, supported by inventory shortages. Margins recovered in both the domestic and export markets for the company's belting products.
- **Nippon Fine Chemical (YTD up 26.9%, last 1 month up 16.7%)**
  - The company revised upwards its 1H operating profit forecast from ¥1.95 billion to ¥2.25 billion (15.4% increase). The original flat-growth guidance was too conservative, as we expected. The company is likely to exceed its full year forecast. The valuation remains reasonable at 13x PER, 2.5x EV/EBITDA, and 0.9x PBR.
  - It seems that the phospholipid products, called "Lipid", are growing to be the third core product of the company, following cosmetic material and sanitation products. By using the material for drug capsules, the active ingredients inside are delivered to their target site more precisely and better achieve the desired therapeutic effect (so called Drug Delivery System technology). The core client today is Gilead Pharmaceutical who formally adopted Lipid as their DDS, and contracted for volume supply. Nippon Fine Chemical spent ¥3 billion on capacity expansion and remains confident on ROI of the investment. Some other clients are in the trial stages of Lipid, while NFC already expects mass production in the future.
- **Chiyoda Integre (YTD up 1.7%, last 1 month down -1.2%)**
  - Strong Q1 numbers with revenue and operating profit on track to beat company estimates set earlier in the year. Revenue in Q2 was up +44.6% YoY. Fiscal year numbers are likely to exceed company estimates at this rate.
  - The company is seeing demand return particularly in its audio visual segment, driven by stay-at-home/work-from-home related demand. Revenue rebounded strongly in Southeast Asia, up +31% YoY.
- **Nittetsu Mining** announced Q1 earnings on 4 August 2021:



- Overall, the numbers were strong supported by the rally in commodity prices. The company increased its guidance from 10 May 2021 to an increase in revenue of 8%, driven by a rally in copper prices, and if an increase in operating profit of 21% of commodity prices hold up, this is likely to prove conservative.
- The company also increased the dividend pay-out ratio to 30% for FY21, from 22%.
- The company used IR presentation slides for their Q1 results for the **first time** (away from their mid-term slides) indicating a greater willingness to engage with investors.
- If a capitalisation rate of 7% is applied to its real estate business, the metals business is effectively included for free (Y1.8bn NOI, 7% cap rate = Y25bn of real estate value). It is likely that, the market will therefore treat it as a commodity stock.

**Rising Sun Management Limited**  
**23 September 2021**

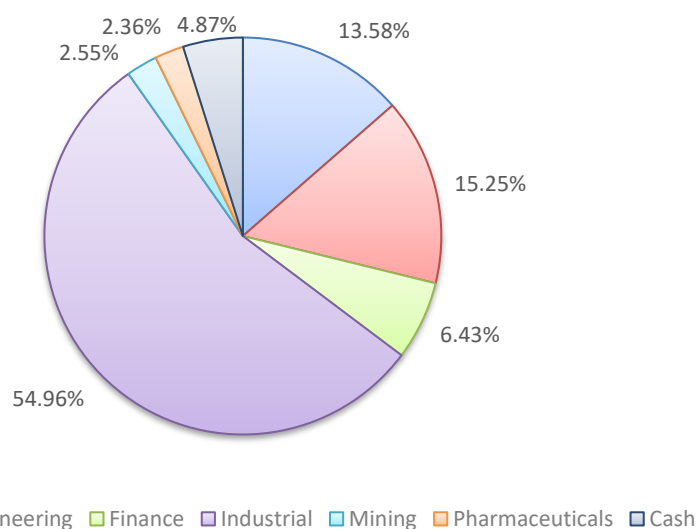
## PORTFOLIO SECTORS BREAKDOWN

As at 30 June 2021

### Top ten holdings by sector

as at 30 June 2021	Sector	Percentage of net assets (%)
Intage Holdings	Consulting	13.6
Ebara Jitsugyo	Engineering	12.5
Bunka Shutter	Industrial	6.7
Japan Securities Finance	Finance	6.3
Hirano Tecseed	Industrial	6.2
Nippon Fine Chemical	Industrial	6.1
Sakai Ovex	Industrial	6.0
Mitsuboshi Belting	Industrial	5.8
Nihon Denkei	Finance	4.7
Teikoku Electric	Industrial	4.6
<b>Top ten holdings</b>		<b>72.5</b>
Other net assets		27.5
<b>Total</b>		<b>100.0</b>

### Sector Breakdown



### Portfolio Characteristics

Equity Investments	95.0%
Price/Book	120.1%
Price/Earnings	14.0x
EV/EBITDA	4.8x
Net Cash/Mkt Cap	26.6%
Adjusted Cash/Mkt Cap	40.2%
Net Working Capital/Market Cap	54.4%

## **INTERIM MANAGEMENT REPORT**

The Directors are required to provide an Interim Management Report in accordance with the Financial Conduct Authority (“FCA”) Disclosure Guidance and Transparency Rules (“DTR”) and consider the Chairman’s Statement and the Investment Adviser’s Report in this half-yearly report to provide details of the important events which have occurred during the period and their impact on the financial statements. The following statements on related party transactions, going concern and the Directors’ Responsibility Statement below, together constitute the Interim Management Report for the Company for the period ended 30 June 2021. The outlook for the Company for the remaining six months of the year ending 31 December 2021 is discussed in the Chairman’s Statement and the Investment Adviser’s Report.

### **RISKS AND UNCERTAINTIES**

The principal and emerging risks and uncertainties facing the Company are detailed in the Company’s most recent Annual Report for the period ended 31 December 2020. These remain unchanged during the period under review.

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 in the Annual Report for the period ended 31 December 2020.

The Board is responsible for the management of risks and uncertainties faced by the Company. The Board relies on the Investment Adviser, who will seek to mitigate these risks through active asset management initiatives and carrying out due diligence work on potential targets before entering into any investments. The principal and emerging risks and uncertainties of the Company are continuously monitored by the Board, with input from the Investment Adviser.

The Board are of the opinion that these principal and emerging risks and uncertainties remain and are very much applicable to the remaining six months of the Company’s financial year.

### **RELATED PARTY TRANSACTIONS**

The Company’s Investment Adviser is Rising Sun Management Limited and is considered a related party under the Listing Rules. With effect from first admission, the Investment Adviser is entitled to receive annual advisory fee calculated as 0.85 per cent. of the Company’s net assets (exclusive of VAT). Investment advisory fees paid during the period to 30 June 2021 is £506,000. There is no performance fee payable to the Investment Adviser.

### **GOING CONCERN**

The Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the following twelve-month period 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 as at 30 June 2021 were £127.0 million (31 December 2020: £117.0 million). As at 30 June 2021, the Company held £119.9 million (31 December 2020: £102.9 million) in quoted investments and had cash and cash equivalents of

£6.6 million (31 December 2020: £12.6 million). The total expenses (excluding finance costs and taxation) for the period ended 30 June 2021 is £0.9 million (30 June 2020: £0.7 million).

In light of the COVID-19 pandemic, the Directors have fully considered and assessed the Company's portfolio of investments. A prolonged and deep market decline could lead to falling values in the investments or interruptions to cashflow. However, the Company currently has more than sufficient liquidity available to meet any future obligations.

The market and operational risks associated with the COVID-19 pandemic, and the ongoing economic impact of measures introduced to combat its spread were discussed and are continually monitored by the Board. The Investment Adviser, Administrator and other key service providers are providing regular updates on operational resilience. The Board is satisfied that the key service providers have the ability to continue to operate efficiently in a remote or virtual working environment.

## **DIRECTORS' STATEMENT OF RESPONSIBILITY FOR THE HALF-YEARLY REPORT**

The Directors confirm to the best of their knowledge that:

- The condensed set of financial statements contained within the half-yearly report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as required by DTR 4.2.4R.
- The Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FCA's Disclosure Guidance and Transparency Rules.

**Rosemary Morgan**

**Chairman**

**For and on behalf of the Board of Directors**

**23 September 2021**

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		For the period to 30 June 2021			For the period from incorporation on 22 October 2019 to 30 June 2020		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
	Note						
Gains on investments		-	11,225	11,225	-	6,074	6,074
Income	4	1,927	-	1,927	872	-	872
Foreign exchange losses		-	(1,301)	(1,301)	-	(475)	(475)
Investment adviser fees		(103)	(403)	(506)	(64)	(255)	(319)
Other operational expenses		(363)	-	(363)	(377)	-	(377)
<b>Profit before taxation</b>		<b>1,461</b>	<b>9,521</b>	<b>10,982</b>	<b>431</b>	<b>5,344</b>	<b>5,775</b>
Taxation	5	(193)	-	(193)	(87)	-	(87)
<b>Profit and comprehensive income for the period</b>		<b>1,268</b>	<b>9,521</b>	<b>10,789</b>	<b>344</b>	<b>5,344</b>	<b>5,688</b>
Earnings per Ordinary Share – Basic and diluted (pence)	8	1.23p	9.24p	10.47p	0.33p	5.19p	5.52p

There is no other comprehensive income and therefore the return for the period is also the total comprehensive income for the 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 16 to 24 form part of these interim financial statements.

## CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

		As at 30 June 2021 £'000	As at 31 December 2020* £'000
	Note		
<b>Non-current assets</b>			
Investments at fair value through profit or loss	3	119,910	102,905
<b>Current assets</b>			
Cash and cash equivalents		6,603	12,645
Trade and other receivables		667	1,707
		<b>7,270</b>	<b>14,352</b>
<b>Current liabilities</b>			
Trade and other payables		(281)	(271)
		<b>(281)</b>	<b>(271)</b>
<b>Net current assets</b>		<b>6,989</b>	<b>14,081</b>
<b>Net assets</b>		<b>126,899</b>	<b>116,986</b>
<b>Capital and reserves attributable to Shareholders</b>			
Share capital	7	1,030	1,030
Share premium		101,970	101,970
Capital reserve		22,595	13,074
Revenue reserve		1,304	912
<b>Total equity</b>		<b>126,899</b>	<b>116,986</b>
<b>NAV per Ordinary Share (pence)</b>	9	<b>123.20p</b>	<b>113.58p</b>

\*Audited

Approved by the Board of Directors and authorised for issue on 23 September 2021 and signed on their behalf by:

**Chetan Ghosh**  
Director

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

The notes on pages 16 to 24 form part of these interim financial statements.

## CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

		Share capital £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>For the period to 30 June 2021</b>	<b>Note</b>					
<b>Balance at 1 January 2021</b>		<b>1,030</b>	<b>101,970</b>	<b>13,074</b>	<b>912</b>	<b>116,986</b>
Profit and comprehensive income for the period		-	-	9,521	1,268	10,789
Dividends paid	6	-	-	-	(876)	(876)
<b>Balance at 30 June 2021</b>		<b>1,030</b>	<b>101,970</b>	<b>22,595</b>	<b>1,304</b>	<b>126,899</b>

		Share capital £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>For the period from incorporation on 22 October 2019 to 30 June 2020</b>						
<b>Balance at 22 October 2019</b>		-	-	-	-	-
Profit and comprehensive income for the period		-	-	5,344	344	5,688
Issue of Ordinary Shares	7	1,030	101,970	-	-	103,000
<b>Balance at 30 June 2020</b>		<b>1,030</b>	<b>101,970</b>	<b>5,344</b>	<b>344</b>	<b>108,688</b>

The Company's distributable reserves consist of the capital reserve attributable to realised capital profits and revenue reserve.

The notes on pages 16 to 24 form part of these interim financial statements.

## CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

		For the period to 30 June 2021 £'000	For the period from incorporation on 22 October 2019 to 30 June 2020 £'000
	Note		
<b>Operating activities cash flows</b>			
Profit before taxation *		10,982	5,775
<b>Adjustment for:</b>			
Gains on investments		(11,225)	(6,074)
Increase in trade and other receivables		(295)	(344)
Increase in trade and in other payables		53	1,861
Tax withheld on overseas income	5	(193)	(87)
<b>Net cash flow (used in)/from operating activities</b>		<b>(678)</b>	<b>1,131</b>
<b>Investing activities cash flows</b>			
Purchases of investments		(13,499)	(67,428)
Sales of investments		9,011	257
<b>Net cash flow used in investing activities</b>		<b>(4,488)</b>	<b>(67,171)</b>
<b>Financing activities cash flows</b>			
Issue of Ordinary Share capital		-	103,000
Equity dividends paid	6	(876)	-
<b>Net cash flow (used in)/from financing activities</b>		<b>(876)</b>	<b>103,000</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(6,042)</b>	<b>36,960</b>
Cash and cash equivalents at the beginning of the period		12,645	-
<b>Cash and cash equivalents at the end of the period</b>		<b>6,603</b>	<b>36,960</b>

\* Cash inflow from dividends received for the period is £ 1,668,000 (30 June 2020: £576,000)

The notes on pages 16 to 24 form part of these interim financial statements.



# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## 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.

The Company's registered office is 1st Floor, Senator House, 85 Queen Victoria Street, London, EC4V 4AB.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of preparation

#### ***Statement of compliance***

The Company's condensed unaudited interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules ("DTRs") of the UK's Financial Conduct Authority.

When presentational guidance set out in the Statement of Recommended Practice ("SORP") for Investment Companies issued by the Association of Investment Companies (the "AIC") in April 2021 is consistent with the requirements of International Financial Reporting Standards ("IFRS"), the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

#### ***Going Concern***

The Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the following twelve-month period from the date of this report and believe that it is appropriate to prepare the interim financial statements of the Company on the going concern basis. Further disclosure on going concern can be found on pages 10 and 11.

#### ***Use of estimates and judgements***

The preparation of the interim 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.

#### ***Basis of measurement***

The interim 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 interim 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. All financial information presented in Sterling have been rounded to the nearest thousand pounds.

**New and amended standards and interpretations**

At the date of approval of these financial statements, there were no new or revised standards or interpretations relevant to the Company which had come into effect.

**3. INVESTMENTS**

	As at 30 June 2021	As at 31 December 2020
Investment at fair value through profit or loss	£'000	£'000
Listed on a recognised overseas exchange	119,910	102,905
<b>Total</b>	<b>119,910</b>	<b>102,905</b>

**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.

	Level 1	Level 2	Level 3	Total
As at 30 June 2021	£'000	£'000	£'000	£'000
Assets:				
Equity investments	119,910	-	-	119,910
<b>Total</b>	<b>119,910</b>	<b>-</b>	<b>-</b>	<b>119,910</b>

There were no transfers between levels during the period. There are no Level 3 investments as at 31 December 2020.

<b>As at 31 December 2020</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
Assets:				
Equity investments	102,905	-	-	102,905
<b>Total</b>	<b>102,905</b>	<b>-</b>	<b>-</b>	<b>102,905</b>

#### 4. INVESTMENT INCOME

	<b>For the period to 30 June 2021 £'000</b>	<b>For the period from incorporation on 22 October 2019 to 30 June 2020 £'000</b>
<b>Income from investments:</b>		
Overseas dividends	1,927	872
<b>Total</b>	<b>1,927</b>	<b>872</b>

#### 5. TAXATION

Analysis of tax charge in the period:

	<b>For the period to 30 June 2021</b>			<b>For the period from incorporation on 22 October 2019 to 30 June 2020</b>		
	<b>Revenue £'000</b>	<b>Capital £'000</b>	<b>Total £'000</b>	<b>Revenue £'000</b>	<b>Capital £'000</b>	<b>Total £'000</b>
Overseas withholding tax	193	-	193	87	-	87
<b>Total tax charge</b>	<b>193</b>	<b>-</b>	<b>193</b>	<b>87</b>	<b>-</b>	<b>87</b>

## 6. DIVIDEND

As per the powers set out in the Prospectus, The Board have decided not to declare an interim dividend. This decision will be reviewed at the year-end stage, where a dividend distribution may be required to maintain investment trust status of the Company.

Dividends paid during the respective periods are detailed in the below table:

Type - respective financial year end - dividend rate (pence)	For the period to	For the period from
	30 June 2021	incorporation on
	£'000	22 October 2019 to
		30 June 2020
		£'000
Interim – period ended 31 December 2020 - 0.85p	876	-
<b>Total</b>	<b>876</b>	<b>-</b>

## 7. 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.

	For the period to 30 June		For the period from	
	2021		incorporation on	
	No of	£'000	No of	£'000
	shares		shares	
<b>Issued &amp; fully paid:</b>				
<b>Opening balance</b>	<b>103,000,001</b>	-	-	-
Ordinary Shares of 1p each ('Ordinary Shares') issued	-	-	103,000,001	1,030
<b>Closing balance as at 30 June 2021</b>	<b>103,000,001</b>	-	<b>103,000,001</b>	<b>1,030</b>

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

**Share capital movement during the period**

	For the period to 30 June 2021		For the period from incorporation on 22 October 2019 to 31 December 2020	
		Nominal value of shares		Nominal value of shares
Allotted, issued and fully paid:	No. of shares	£'000	No. of shares	£
<b>Opening balance</b>	<b>103,000,001</b>	<b>1,030</b>	-	-
<b><u>Allotted upon Incorporation</u></b>				
Ordinary Shares of 1p each ('Ordinary Shares') (pence)	-	-	1	0.01
Redeemable Preference Share	-	-	50,000	12,500.00
<b><u>Allotted/re-designated following admission to London Stock Exchange</u></b>				
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
<b>Closing balance as at 30 June 2021</b>	<b>103,000,001</b>	<b>1,030</b>	<b>103,000,001</b>	<b>1,030,000.01</b>

**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, after taking into account any net assets attributable to the C Shares in issue (if any).

Voting rights: Every Shareholder shall have one vote for each Ordinary Share held.

## 8. EARNINGS PER ORDINARY SHARE

Total return per Ordinary Share is based on the return on ordinary activities, including income, for the period after taxation of £10,789,000.

Based on the weighted average number of Ordinary Shares in issue for the period to 30 June 2021 of 103,000,001 (2020: 103,000,001), the returns per share were as follows:

	For the period to 30 June 2021			For the period from incorporation on 22 October 2019 to 30 June 2020		
	Revenue	Capital	Total	Revenue	Capital	Total
Return per Ordinary Share	1.23p	9.24p	<b>10.47p</b>	0.33p	5.19p	<b>5.52p</b>

## 9. NET ASSET VALUE PER SHARE

Total equity and the net asset value ("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 30 June 2021	As at 31 December 2020
Net Asset Value (£)	126,899,000	116,986,000
Ordinary Shares in issue	103,000,001	103,000,001
<b>NAV per Ordinary Share</b>	<b>123.20p</b>	<b>113.58p</b>

## 10. RELATED PARTY TRANSACTION

### Transactions with the Investment Adviser

Total Investment Adviser and AIFM fees for the period to 30 June 2021 are shown in the Statement of Comprehensive Income. As at 30 June 2021, no Investment Adviser fees and AIFM fees of £5,800 were accrued in the Statement of Financial Position.

### 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 date of this report	As at 30 June 2021	As at 31 December 2020
Rosemary Morgan	40,000	40,000	40,000
Chetan Ghosh	40,000	40,000	40,000
Rachel Hill	80,000	40,000	80,000
Alicia Ogawa	25,000	25,000	25,000
Ayako Weissman	27,000	27,000	27,000

## 11. PRINCIPAL RISKS AND CAPITAL MANAGEMENT

### (i) Market risks

#### *Economic conditions*

Changes in economic conditions in Japan (for example, interest rates and rates of inflation, industry conditions competition, political and diplomatic events and other factors) and in the countries in which the Company's investee companies operate could substantially and adversely affect the Company's prospects.

#### *Sectoral diversification*

The Company is not subject to restrictions on the amount it may invest in any particular sector. Although the portfolio is expected to be diversified in terms of sector exposures, the Company may have significant exposure to portfolio companies from certain sectors from time to time. As there is no hard limit on the amount the Company may invest in any sector the entire Portfolio may, at certain times, be invested solely in one sector. Greater concentration of investments in any one sector may result in greater volatility in the value of the Company's investments and consequently its NAV and may materially and adversely affect the performance of the Company and returns to Shareholders.

#### *Management of market risks*

The Company is invested in a diversified portfolio of investments.

The Board will not set any limits on sector weightings or stock selection within the portfolio. The Board will apply the following restrictions on the size of its investments:

- not more than 30 per cent. of the Gross Asset Value at the time of investment will be invested in the securities of a single issuer; and
- the value of the four largest investments at the time of investment will not constitute more than 75 per cent. of the Gross Asset Value.

### (ii) Liquidity risks

The securities of small-to-medium-sized (by market capitalisation) companies may have a more limited secondary market than the securities of larger companies. Accordingly, it may be more difficult to effect sales of such securities at an advantageous time or without a substantial drop in price than securities of a company with a large market capitalisation and broad trading market. In addition, securities of small-to-medium-sized companies may have greater price volatility as they can be more vulnerable to adverse market factors such as unfavourable economic reports.

***Management of liquidity risks***

The Company's Investment Adviser monitors the liquidity of the Company's portfolio on a regular basis.

**(iii) 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.

**(iv) Interest rate risks**

The Company pays interest on its borrowings. As such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rates.

***Management of interest rate risks***

Prevailing interest rates are taken into account when deciding on borrowings.

**(v) Credit risks*****Cash and other assets held by the custodian***

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 Global Services Limited 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.

**12. POST PERIOD END EVENTS**

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



### **13. STATUS OF THIS REPORT**

These interim financial statements are not the Company's statutory accounts for the purposes of section 434 of the Companies Act 2006. They are unaudited. The interim report will be made available to the public at the registered office of the Company. The report will also be available on the Company's website (<https://www.nipponactivevaluefund.com/>).

## 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 30 June 2021		(Pence)
NAV per Ordinary Share	a	123.2
Share price	b	120.0
Discount	$(b \div a) - 1$	-2.60%

### 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.

Period ended 30 June 2021		Share price	NAV
Opening at 1 January 2021 (pence)	a	106.5	113.6
Closing at 30 June 2021 (pence)	b	120.0	123.2
Movement $(b \div a) - 1$	c	12.7%	8.5%
Dividend reinvestment factor	d	4.8%	1.6%
Total return	$(c + d)$	17.5%	10.1%

## GLOSSARY

Administrator	The Company's administrator, the current such administrator being PraxisIFM 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 Net Asset Value 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.
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**

1st Floor, Senator House  
85 Queen Victoria Street  
London  
EC4V 4AB

## **Administrator & Company Secretary**

PraxisIFM Fund Services (UK) Limited  
1st Floor, Senator House  
85 Queen Victoria Street  
London  
EC4V 4AB

## **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  
Canary Wharf  
London  
E14 5NT

## **Auditors**

BDO LLP  
55 Baker Street  
London  
W1U 7EU

## **Investment Adviser**

Rising Sun Management Limited  
c/o Appleby Global Services (Cayman) Limited  
71 Fort Street  
PO Box 500  
George Town, Grand Cayman  
KY1-1106, Cayman Islands

## **Rising Sun Management Team**

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

## **Alternative Investment Fund Manager**

International Fund Management Limited  
Sarnia House  
Le Truchot  
St Peter Port  
Guernsey, GY1 1GR

## **Financial Adviser**

Shore Capital & Corporate Limited  
Cassini House  
57 St James's Street  
London  
SW1A 1LD

## **Legal Adviser**

Mills & Reeve LLP  
24 King William Street  
London  
EC4R 9AT

## **Registrar**

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol  
BS13 8AE

## Company Security Identifiers

ISIN: GB00BKLGLS10  
Ticker: NAVF  
SEDOL: BKLGLS1  
Website: [www.nipponactivevaluefund.com](http://www.nipponactivevaluefund.com)  
LEI: 213800JOFEGZJYS21P75  
GIIN: WB82JR.99999.SL.826