AJOT

AVI Japan Opportunity Trust

Finding Compelling Opportunities in Japan

Interim Report 30 June 2021

AVI

AVI Japan Opportunity Trust plc

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

Portfolio Statistics as at 30 June 2021*

Net cash/Market Cap*
37.8%
(46.1% as at 31 December 2020)

Portfolio Discount
-41.6%
(-41.9% as at 31 December 2020)

Net Financial Value/Market Cap
83.2%
(82.1% as at 31 December 2020)

Portfolio Yield
2.0%
(2.1% as at 31 December 2020)

FCF Yield
4.6%
(5.3% as at 31 December 2020)

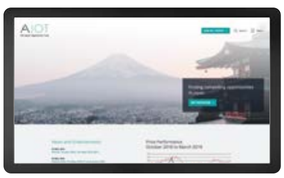
ROE
9.1%
(7.9% as at 31 December 2020)

EV/FCF Yield
16.3%
(18.1% as at 31 December 2020)

ROE ex non-core financial assets
27.3%
(21.3% as at 31 December 2020)

EV/EBIT
5.0x
(4.3x as at 31 December 2020)

* For all Alternative Performance Measures, please refer to the definitions in the Glossary on pages 21 and 22.



For more information visit:

www.ajot.co.uk

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avi-japan-opportunity-trust

Contents

Financial Highlights
For the period ended 30 June 2021

Performance Summary

Net asset value per share at 30 June 2021	111.08p
Share price at 30 June 2021	112.00p

Premium as at 30 June 2021

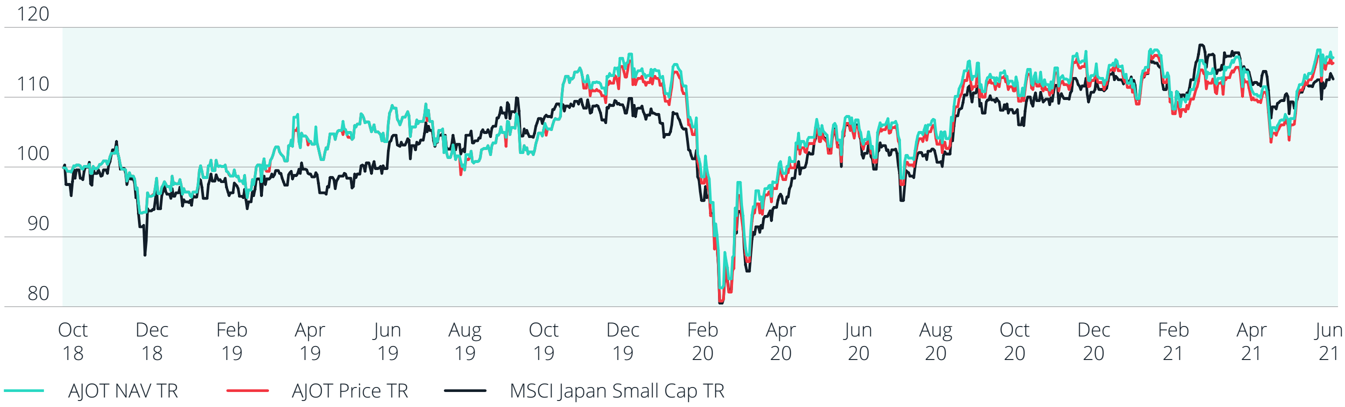
(difference between share price and net asset value)	0.8%

Financial Highlights

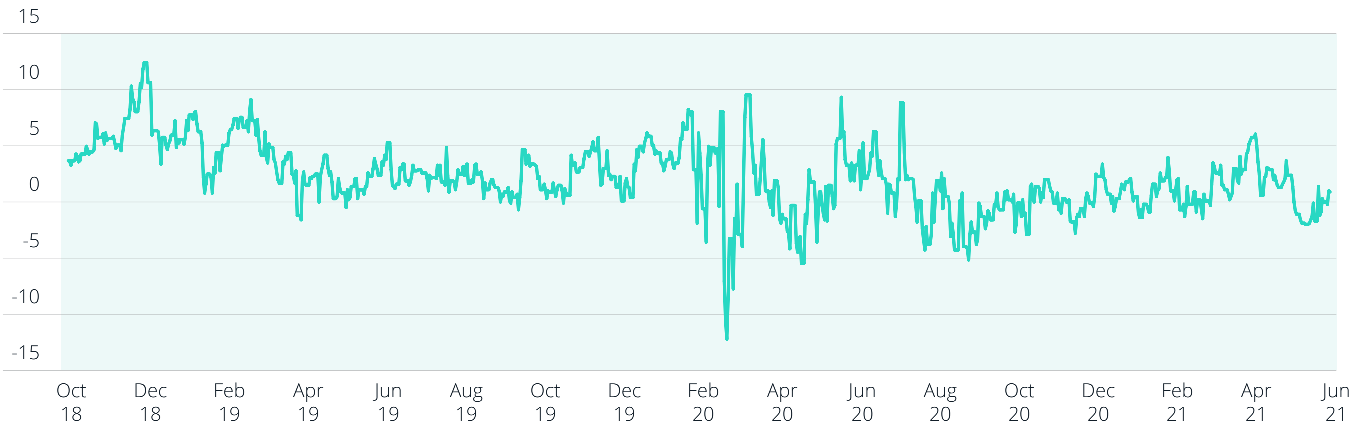
	NAV*	Share Price*	Benchmark†
Period from 1 January 2021 to 30 June 2021	2.7%	2.5%	1.4%
Period from 23 October 2018 to 30 June 2021	15.9%	15.1%	12.8%

As at the close of business on the 14th September 2021, the share price was 123.50 pence per Share and the NAV per Share of the Company was 126.02 pence.

Net Asset Value, Share Price* and Benchmark†



Premium/Discount to Net Asset Value



* For all Alternative Performance Measures, please refer to the definitions in the Glossary on pages 21 and 22

† MSCI Japan Small Cap Total Return Index (£ adjusted total return)

Chairman's Statement

"Considering the continued positive corporate governance developments and compelling valuations, Japan makes for an attractive investment destination and a well-deserved home in a balanced global portfolio"

Norman Crighton, Chairman

Introductory Comments

Welcome to the third interim report of AVI Japan Opportunity Trust plc ("the Company", or "AJOT"), covering the period from 1 January 2021 to 30 June 2021. Your Company finds itself in good health, with performance ahead of our benchmarks and validation of our Company's strategy steadily building. With the distractions of the Tokyo Olympics concluding what has undoubtedly been a challenging period, we look forward with great optimism to the coming year as the one in which corporate Japan as a whole definitively passes the point of no return for governance reform. We are very proud of the role your investment manager, AVI, will have played in that transformation.

The first half of 2021 saw a resumption of corporate activity and shareholder engagement return to Japan with fervour. The headline grabbing developments at Toshiba are a great showcase for the good that can come from shareholder engagement and AVI was at the forefront of this year's AGM activity. This contrasts to 2020 which was a challenging year for the Investment Strategy, with subdued corporate activity and delayed engagement knocking the wind out of corporate reform.

AVI submitted shareholder proposals to seven companies' June AGMs, subsequently withdrawing four after shareholder friendly actions were taken by management. It was pleasing to see more proposals withdrawn than not, showcasing the positive impact that patient, behind-the-scenes engagement can have. There are numerous other successful cases of positive change brought about by private engagement, where satisfactory improvements were made prior to needing to submit shareholder proposals.

Japan has been a tough place to invest in 2021, however considering the continued positive corporate governance developments and compelling valuations, Japan makes for an attractive investment destination and a well-deserved home in a balanced global portfolio.

Performance and Dividend

Your Company generated a net asset value ("NAV") per share total return of +2.7% over the six months to 30th June, compared to a return of +1.4% from the MSCI Japan Small Cap Total Return Index (measured in GBP terms). It was a favourable period for value stocks and small cap companies kept pace with their large cap counterparts. While not affecting relative performance, the Yen depreciated by -8%, which strongly detracted from returns.

Since the end of the period covered by this report, the Share Price and NAV have strengthened to 123.5 pence and 126.0 pence per Share respectively. These represent gains of 10.3% for the share Price and 13.5% for the NAV. Both numbers have substantially outperformed the benchmark index which has risen by 9.7% over the same period.

The Board has elected to propose an interim dividend of 0.70 pence per share. As stated in the Prospectus at the Initial Public Offering ("IPO"), the Company intends to distribute substantially all the net revenue arising from the portfolio and is expected to pay an annual dividend, but this may vary substantially from year to year.

Investment Strategy

AJOT was launched in October 2018 to capitalise on undervalued, overlooked, high-quality companies, whose value would be unlocked through a more supportive environment for corporate governance reform. AJOT has built a portfolio of attractive companies and there are few places to invest globally where you can replicate such portfolio characteristics.

The companies in the portfolio have proven their quality over the past year. Despite facing tremendous disruption from COVID, operating profits of the portfolio for the six-month period ending 31 March 2021 grew 11%, faring better than the -7% for the companies in the MSCI Japan Small Cap. Over the last year they grew 1%, again outperforming the MSCI Japan Small Cap whose operating profits fell -11%.

The portfolio trades on an EV/EBIT of 5.0x, with net cash and listed investment securities covering 83% of the market cap. All the while, the portfolio generates operating margins of 11.5% and a cash-adjusted ROE of 27%. What is equally important – if more difficult to measure – are the relationships that AVI has built with the companies over the past three years. Knowing the right people and being in regular contact, allows for a more constructive engagement relationship – and one that is more likely to bear fruit.

2021 is looking like a more supportive environment for the Investment Strategy, and with further planned engagement over the remainder of the year and hopefully continued positive earnings' trends, the portfolio remains well positioned.

Chairman's Statement
continued

Share Premium and Issuance

As at 30th June 2021, your Company's shares traded at a premium of 0.8% to net asset value per share. Over the period under review, this ranged from a 2% discount to a 6% premium.

The Board monitors the discount/premium situation carefully, ensuring investors are protected on the downside from a widening discount while also taking advantage of the premium to grow the Company. Over the period under review the Board issued 15,130,960 new shares, 12,107,323 of which were issued in February under a placing at a 2% premium, while 250,000 shares were repurchased at a 1% discount. The net result was an increase in the total shares outstanding from 117,489,742 to 132,370,702.

During the period under review, as part of AVI's commitment to invest one quarter of its management fee in AJOT shares, AVI purchased 100,000 shares.

Debt Structure and Gearing

At the end of the period, AJOT had ¥2.9 billion of debt, with gross gearing standing at 13% of NAV. Not all the debt was utilised, largely due to a recent sale of Secom Joshinetsu, and net gearing was circa 4.4%.

Annual General Meeting

The Company's Annual General Meeting was held on 28 April 2021. All resolutions were passed by a large majority of those voting. The Board thanks Shareholders for their continuing support.

Closing Remarks

I would like to welcome Makiko Shimada and Kaz Sakai to AVI's Japan team. They are already making contributions to the Investment Strategy, and I expect with their experience working in Tokyo and native Japanese language skills, they will prove invaluable to the team, increasing capacity for company engagement and research.

The Board would like to thank Shareholders for their continued trust and support. If you have any queries, please do not hesitate to contact me personally (**norman.crighton@ajot.co.uk**) or alternatively speak to our broker Singer Capital Markets to arrange a meeting.

Norman Crighton
Chairman
15 September 2021

Chairman's ESG Update

"We look forward to helping everyone work together to improve all aspects of ESG for the investment trust industry."

Norman Crighton, Chairman

In the Chairman's Statement in the last Annual Report, several paragraphs were dedicated to a discussion on how the Company could engage meaningfully with its stakeholders on Environmental, Social and Governance ("ESG") issues. During the first half of the year, I spoke with several shareholders of the three investment trusts of which I am a director, and subsequently several service providers on a confidential basis about their ESG approach. As the Directors have made corporate governance central to the custodianship of Shareholders' interests, most of the time was spent discussing Environmental and Social ("E&S") issues. I would like to thank all those who took part.

The aim of the discussions with the various investment managers was not to determine, encourage or suggest that they use ESG criteria in stock selection. Some investment mandates may take that into consideration, others will not. The aim was to start a conversation on how ESG criteria are applied within their own organisations. Shareholders pay investment managers, lawyers, accountants, and other service providers significant fees so many are keen to establish that some of that money is used to further E&S issues.

All but one of the stakeholders approached was willing to discuss E&S issues in detail and those agreeable gave up a great deal of their valuable time to participate. The overwhelming impression from my discussions was that many Shareholders and service providers are treating E&S considerations with an increasing sense of importance and that changes being made in these areas are being driven from the ground up, by shareholders, clients and staff rather than top down by governments or industry bodies. Some individuals have taken it upon themselves to push E&S matters up the corporate agenda, whereas others have created committees to ensure that ESG issues are promoted within their organisation and encouraged in the wider community. It is clear that an organisation's ESG principles are now scrutinised when Shareholders and service providers determine with whom to do business. As one person said, "If we pay anyone, then we believe they should adhere to our ESG principles."

Many of those contacted believed that the UN Principles of Responsible Investment ("UNPRI") provided a useful standard. I encourage everyone to familiarise themselves with the Principles (www.unpri.org). Another common theme was that many Shareholders and service providers use interactions with other groups to promote their ESG agenda. This may include the companies in which investment managers invest on behalf of shareholders, other shareholders they might interact with, as well as governments, national pension funds and other interested parties.

On Environmental issues, the main concern was climate change. Several recognised that business travel is one of the biggest sources of carbon emissions within their workplace and had used offset programs in the past. Some were now in the process of refining that approach to find the best offset program or reduce business travel accordingly. Others still were looking to quantify less obvious sources of carbon emissions by asking staff to detail their modes of travel to work. Once the problem has been measured, it is much easier to work on a solution. The Board felt this was a very sensible approach and will be adopting this in the coming months for your Company. Many were looking to lower carbon emissions by encouraging more environmentally friendly modes of transport such as cycling or walking to work, which may mean the installation of bicycle racks and showers. Only one of the companies approached was able to say that they used green suppliers for their electricity, but we are sure that number will increase over time.

The response to Social issues was even more positive. Social issues such as sexism, racism, bullying and mental health are all now front of mind, and all are working hard to address these problems. The Directors are particularly pleased that some of the money that Shareholders pay to service providers is being used to address mental health, which has been brought so clearly into focus during the pandemic. Too many of us, who have worked in the industry long enough to have lost friends and colleagues to suicide, drugs, alcohol or just over-work, understand the importance of proper mental health support. Commendably, some stakeholders are also expanding this care into support for groups outside their offices. Many stakeholders support local charities with one stakeholder going even further and donating 10% of corporate profit to charities around the world, selected by employees.

The E&S issues touched on above should be important in a civilised society but all too often they are downplayed in the quest for profit. One stakeholder approached has established an Ethics Committee, which we applaud. Acting ethically by definition means identifying and solving ESG issues.

Chairman's ESG Update
continued

During these discussions it was suggested that the Company should introduce a framework to measure progress in ESG issues. I am reluctant to do this now as many groups already have a great deal of form-filling to deal with and adding to that burden should be avoided. We will however continue to discuss ESG with our stakeholders on an informal basis for the moment and I will report back to Shareholders in the next Annual Report. For now your Board will be satisfied to see an improvement in ESG standards from all of your stakeholders. Some are just beginning to address E&S issues whereas others have a very sophisticated approach. We look forward to helping everyone work together to improve all aspects of ESG for the investment trust industry.

The investment trust industry pays billions of pounds to investment managers and hundreds of millions of pounds to accountants, lawyers, company secretaries and all the other groups that make our businesses run effectively. It is a fact that shareholders of investment trusts have now added E&S to their list of priorities along with governance. I believe that investment trust boards, as the representatives of shareholders, have a duty to reflect these new priorities, and to ensure that they are communicated clearly and addressed proactively. Just as the industry responded to higher governance standards during my own career from the 1990's onwards, so must the entire industry react to increasing concerns about E&S standards. On behalf of my fellow Directors and Shareholders, we very much look forward to working together to improve ESG standards for the investment trust industry.

Norman Crighton
Chairman
15 September 2021

Investment Manager's Report

"Whilst the underlying fundamental performance of your portfolio companies has been strong, and the backdrop for shareholder engagement and corporate activity is becoming increasingly supportive, share prices have not kept pace with the underlying trend."

Joe Bauernfreund

In your Company's last Annual Report we wrote about the remarkable year that 2020 had been and the unprecedented challenges we have all had to confront. The first half of 2021 has seen an easing of those challenges thanks to the rollout of vaccines around the world.

Japan has been slower than the US, UK and Europe to approve and rollout a vaccine, and this appears to have impacted stock market performance. Whilst the MSCI America, Europe and Asia Pacific ex Japan have returned 13.4%, 10.6%, and 5.3% in the first half of 2021, the MSCI Japan is up only 0.2% (all in GBP).

The good news is that Japan is now rapidly ramping up its vaccine rollout programme. Since early June the number of vaccines being administered daily has jumped to over 1 million. At the current pace it is expected that by October Japan will have administered more vaccines per person than the EU and US. At some point therefore, we are confident that the Japanese stock market will play catch up with the rest of the world on the re-opening trade.

During the reporting period your Company returned 2.7% in GBP. This compares with a return for the benchmark index, the MSCI Japan Small Cap Index, of 1.4%. Over the course of the past 6 months the Yen has depreciated by 8.0% against the Pound, which has been a headwind to sterling-based returns.

Undoubtedly the COVID-19 pandemic has had an impact on your Company's performance. Our investments suffered sharp declines in earnings during the first quarter of 2020; plans for shareholder activism were put on hold and corporate governance reform slowed as priorities were placed elsewhere.

However, we are encouraged that on all these fronts we are seeing extremely positive developments.

Fundamental Operating Environment

The recovery in sales and profits that our portfolio companies have experienced since the summer of 2020 has been extremely strong. The majority are now back to pre-COVID levels of profits and some have even surpassed them. Whilst companies were quick to downgrade forecasts as the world grappled with the uncertainty of COVID-19, many have been slow to revise them back upwards. Despite companies surpassing those forecasts in recent quarters, share price performance in many cases has been lacklustre. This reflects a lack of investor interest rather than any fundamental concern. As earnings continue to grow, we expect share prices to follow.

Shareholder Activism

Much shareholder engagement was delayed during 2020 because of the pandemic. Many investors took the view that they needed to give companies time to see how the virus played out before making public demands. However, there is evidence that corporate activity levels are increasing. Our portfolio benefitted from one such example when Secom Joshinetsu (at the time a 5% weight) agreed to be taken over by its parent company, Secom. We expect several more similar transactions to occur in the coming years.

Corporate Governance Reform

In addition to pressure from the increasing number of activist investors in Japan, companies are also facing pressure from the regulators to continue to improve corporate governance and to focus to an ever greater extent on shareholder returns. The revision to the Corporate Governance Code requires subsidiary companies to have a greater proportion of independent directors, whilst changes to the stock exchange listing rules will make it more challenging for some companies to retain their listing in their present form. All of these measures improve our negotiating position when engaging with portfolio companies.

Whilst the underlying fundamental performance of your portfolio companies has been strong, and the backdrop for shareholder engagement and corporate activity is becoming increasingly supportive, share prices have not kept pace with the underlying trend. The portfolio trades at a 5.0x EV/EBIT multiple which, while higher than at the start of the year (4.3x), on a constant portfolio basis (ignoring changes in weights) it has not increased and remains highly compelling.

AVI Shareholder Engagement

AVI's approach to engaging with portfolio companies is designed to be constructive and patient but at the same time firm. Our preference is to work collaboratively with management in private, to make constructive suggestions as to how to make operational and strategic improvements, as well as to corporate governance. A good example of this approach is Fujitec, where AVI was instrumental in getting management to make changes to their corporate governance standards, as well as to some of their business practices. Fujitec remains a core holding of your Company and has generated a total return of 67% since we first invested in it.

It goes without saying that much of our engagement takes place in private. An increasing number of portfolio companies are working with AVI team members on adopting proposals that we have made to management, and the fact that so many companies are happy working with us in this way is testament to the success of the Stewardship Code and Corporate Governance Code.

Occasionally we feel compelled to put companies under pressure. During the past 6 months we submitted shareholder proposals to seven different companies. We were very pleased that four of these companies adopted the measures we were proposing, and we withdrew the formal proposals before they were ever made public. The relationship with all of these companies continues to be constructive and collaborative, and we feel confident that management will continue to make improvements that will unlock further value for shareholders.

Our shareholder engagement has been focused mainly on governance issues however, we are fundamentally committed to supporting long-term sustainable businesses that will grow and participate in the prosperity of the economy with a responsible approach to the environment, society, and governance. We believe that the integration of ESG and sustainability considerations into our Investment Strategy is not only essential to comprehensively understanding each investment's ability to create long term value but aligned with our values as responsible investors. As such, AVI has committed to a new integrated ESG policy and became a signatory to the UN-supported Principles for Responsible Investment (PRI) and a supporter of TCFD this year.

Our intense approach to shareholder engagement has meant that we have expanded the investment team at AVI, and I am pleased to welcome Kaz Sakai and Makiko Shimada who join myself, Daniel Lee and Yuki Nichols in London, together with Jason Bellamy who is based in Tokyo.

In the following section we describe the major detractors and contributors to returns over the period.

Secom Joshinetsu

Secom Joshinetsu was the largest contributor over the first six months of the year, adding 3.3% to performance. The strong contribution came following a takeover bid from its parent company, Secom, at a 66% premium to the prevailing share price.

Although perhaps happening sooner than anticipated, Secom Joshinetsu's privatisation did not come as a complete surprise. We commented in AJOT's 2020 Annual Report that "Given the multitude of potential conflicts of interest with minority investors.... our thesis is that Secom will buy in Secom Joshinetsu". This is the third listed subsidiary buyout that we have been exposed to since the launch of AJOT, which has been a hugely rewarding theme.

While we had anticipated that Secom Joshinetsu would benefit from a privatisation event, the investment was not reliant on it. Our conviction was grounded in the high-quality business, installation of security systems, and the sticky, recurring nature of the service contracts. In the past four quarters, the business only once suffered a profit decline, and over the past year, profits grew +2%, vs an -11% decline for the companies in the MSCI Japan Small Cap Index.

Secom Joshinetsu is a great example of the possible upside from corporate events, which many of our remaining portfolio companies could be beneficiaries of. Exposure specifically to the listed subsidiary theme stood at 16% at the end of June, and we hope that continued pressure on improving corporate governance might see at least one of these privatised over the coming year.

DTS

Although a relatively new investment (Jan 2020) and one that only reached full size at the start of this year, DTS contributed 1.1% to performance, as its share price appreciated by +26%.

We made an investment in DTS, along with NS Solutions, to gain exposure to the digitalisation theme. While institutions have made some efforts to digitalise in the face of remote working, they still have a long way to go. Crucially, Japan is short of experienced IT engineers, and companies do not have the in-house IT expertise to develop new digital solutions, relying on third parties.

DTS is an outsourced IT system provider, offering solutions for upgrading IT systems across a range of applications. Its over-5,000 strong work force is becoming increasingly valuable as demand increases and the supply of IT engineers dwindles. Although 2020 was a difficult year, with companies delaying large IT projects due to COVID disruptions, DTS grew operating profits by +1.3% to an all-time high, increased its dividend by 9% and announced a buyback for 0.8% of shares outstanding.

Investment Manager’s Report
continued

Crucially, although overlooked by investors, DTS has been successfully shifting its business towards higher growth Digital Transformation (“DX”) business. The new President, Mr. Kitamura, has committed to focusing on DX and recurring business, which we expect will generate significant shareholder value. DX-related business now accounts for 30% of sales, compared with 13% two years ago.

While DTS has lagged peers in its shift to DX, it is fast catching up. However, this has not been reflected in its valuation, trading on an EV/EBIT of 7.2x compared to peers on 14.6x. We have been privately engaging with the company and it is encouraging that some of our suggestions are starting to be implemented (M&A, share buyback, introduction of stock-based compensation plan). DTS is due to announce a new mid-term plan next summer. We will be making suggestions to management ahead of this and see it as a potential rerating catalyst, along with continued earnings growth.

C Uyemura

C Uyemura, a manufacturer of chemicals used in the production of electronic devices, contributed 1.1% to performance with its share price appreciating by +31%. The share price was driven higher after the company announced a string of shareholder friendly actions in May 2021.

Along with releasing a public mid-term business plan for the first time, C Uyemura announced stock-based compensation for directors, a 2-for-1 stock split to improve liquidity, a 9% buyback over the next 3 years and revised up earnings by +22% (to the highest in the company’s history). This sends a powerful message to the market helping to change investors’ perception of C Uyemura from a sleepy family-oriented company, to a more progressive shareholder-friendly one.

We put in a significant amount of effort to engaging with management behind closed doors, suggesting multiple ways in which C Uyemura could increase its corporate value. While we have been consistently engaging with management, having an expanded team allowed us to step up the pressure earlier this year, which we believe was a contributing factor behind C Uyemura’s shareholder-friendly announcements.

Despite the strong share price appreciation, C Uyemura is still trading on a 4.6x EV/EBIT multiple, with net cash and investment securities covering 53% of its market cap. C Uyemura is a candidate for promotion to the Prime Section under the new Tokyo Stock Exchange market structure, a potential catalyst for a valuation re-rating. Coupled with a strong earnings backdrop, we are optimistic about C Uyemura’s prospects.

Teikoku Sen-i

Teikoku Sen-i (“Teikoku”) was the largest detractor over the period, reducing returns by 1.0%, as its share price fell -12%.

Teikoku manufactures disaster prevention equipment including fire hoses, special rescue vehicles and pumps for flood control. In a country so precariously situated for a variety of natural disasters, Teikoku has a strong base of potential customers. This has allowed the business to generate double-digit operating margins and expand into new product lines while shifting earnings away from the legacy textile business, which accounts for 20% of sales compared to 40% almost 15 years ago.

However, the next year will be comparatively tough for Teikoku, with sales of high-margin special purpose vehicles used at nuclear reactor sites declining, which is forecast to reduce margins from 13% to 11%, despite 2% sales growth. We are optimistic, however, that longer term, with a tailwind from the need to invest in disaster prevention infrastructure, Teikoku will be able to shift to other high margin business lines and continue to grow profits. In fact, last year it announced plans to open a new factory to increase capacity in anticipation of future growth.

On only a 5.3x EV/EBIT multiple with net cash and investment securities covering 69% of the market cap, the anticipated weakness is more than priced in.

Bank of Kyoto

The Bank of Kyoto detracted 0.8% from performance as its share price fell -6%. The Bank of Kyoto is a relatively new position which we added to the position during the interim period.

The Bank of Kyoto is more a Japan ETF than a bank, owning a collection of exceptionally high-quality businesses like Nidec and Nintendo. The investments alone, after tax, account for 156% of the Bank of Kyoto’s market cap with the core banking business being ascribed a large negative value. Over the interim period, our estimated value of these investments plus the value of the bank, fell by a modest -1%, with the share price falling -4% as the discount widened from 61.8% to 63.5%.

While the Bank suffered from an increase in provisions from loan-losses due to COVID, it continued its efforts to streamline costs, with operating expenses falling -2.5% after falling -3.7% the year before. We attribute the share price weakness less to operating issues, and more to investors taking profits after the share price rose 41% in the second half of 2020.

Our investment case in the Bank of Kyoto is predicated on being exposed to an attractive portfolio of blue chip Japanese companies while increasing pressure from regulators to improve regional banks operating performance continues. On a 64% discount, investors are pricing in a low prospect of change and given the upside, we can be patient.

Toagosei

Toagosei detracted a modest 0.6% from returns, with a -6% share price performance over the interim period. Toagosei is a diversified chemical manufacturer, producing inputs for a variety of end products from cosmetics to instant glues.

Investment Manager's Report
continued

As part of its 2020 mid-term management plan, Toagosei pledged to expand sales in high-value-added businesses (namely semiconductor chemicals), boost margins to double digits, and conduct 6% worth of buybacks over three years. Despite disruption from COVID-19 on global demand for Toagosei's end products, Toagosei has made progress. Profits for the most recent quarter grew 37% year-on-year, with management revising up H1 guidance for 52% profit growth and operating margins of 11.7%, while buybacks are running ahead of pace, with 2.7% bought back in 2020, and plans to buyback another 2.7% in 2021.

It is hard to explain Toagosei's lacklustre share price performance with the fundamental performance. With no sell-side coverage, we attribute the weakness more to a lack of market awareness. While somewhat out of management hands, there is a lot of room to improve investor communication, which is something we are impressing on the board.

With 66% of the market cap covered by net cash and investment securities, trading on an EV/EBIT of 3.7x and a buoyant operating environment, we are optimistic that over the rest of the year, Toagosei's share price will catch up with the fundamentals.

Outlook

Over the past weeks the Japanese equity market, along with your Company's NAV, has increased sharply. Change of political leadership, along with a successful rollout of the vaccine have led to increased optimism about the prospects for the Japanese economy and for the stock market. With valuations remaining on wide discounts to other markets, Japan represents an attractive destination for investors to focus on. We look forward to the remainder of the year, not just from an earnings perspective but also to continue with our engagement efforts to narrow the gap between the share prices and fundamental values of the companies in our portfolio.

Joe Bauernfreund
Asset Value Investors
15 September 2021

Investment Portfolio

At 30 June 2021

Company	Stock Exchange Identifier	% of investee company	Cost £'000*	Market value £'000	% of AJOT net assets	NFV/Market capitalisation[1]	EV/EBIT[1]
T Hasegawa	TSE: 4958	1.6	9,755	10,931	7.4%	26%	11.6
DTS	TSE: 9682	1.2	10,290	10,832	7.4%	41%	7.2
Fujitec	TSE: 6406	0.8	6,515	10,524	7.1%	35%	13.3
Digital Garage	TSE: 4819	0.6	7,427	9,971	6.8%	73%	13.1
C Uyemura	TSE: 4966	1.4	7,076	8,711	5.9%	53%	4.6
Daibiru	TSE: 8806	0.7	7,619	7,806	5.3%	n/a	n/a
Pasona	TSE: 2168	1.3	5,560	7,689	5.2%	302%	<0
SK Kaken	JASDAQ: 4628	0.9	9,444	7,599	5.2%	92%	1.0
NS Solutions	TSE: 2327	0.3	6,397	7,003	4.8%	36%	8.7
Kato Sangyo	TSE: 9869	0.8	7,151	6,446	4.4%	89%	1.2
Top ten investments			**77,234**	**87,512**	**59.5%**		
Konishi	TSE: 4956	1.5	6,781	6,249	4.3%	42%	5.3
Teikoku Sen-i	TSE: 3302	1.4	6,232	5,340	3.6%	69%	5.3
The Bank of Kyoto	TSE: 8369	0.2	5,994	5,140	3.5%	215%	<0
Daiwa Industries	TSE: 6459	1.5	6,278	5,091	3.5%	102%	<0
Toagosei	TSE: 4045	0.5	5,753	4,982	3.4%	67%	3.6
Sekisui Jushi	TSE: 4212	0.8	5,292	4,912	3.3%	72%	2.6
Softbank Group	TSE: 9984	-	3,382	4,228	2.9%	135%	<0
A-One Seimitsu	JASDAQ: 6156	8.0	4,571	4,188	2.8%	101%	<0
Hazama Ando	TSE: 1719	0.4	4,277	4,005	2.7%	62%	2.2
Soft99	TSE: 4464	1.9	2,811	3,537	2.4%	81%	1.7
Top twenty investments			**128,605**	**135,184**	**91.9%**		
Keisei Electric Railway	TSE: 9009	0.1	3,501	3,486	2.4%	99%	<0
King	TSE: 8118	4.1	3,891	3,377	2.3%	108%	<0
Alps Logistics	TSE: 9055	1.4	2,989	3,256	2.2%	35%	5.5
Aichi	TSE: 6345	0.7	2,789	3,067	2.1%	55%	4.3
Tokyo Radiator MFG	TSE: 7235	4.9	4,250	2,822	1.9%	120%	<0
Kanaden	TSE: 8081	0.6	1,554	1,200	0.8%	99%	0.2
NC Holdings	TSE: 6236	1.5	693	792	0.6%	74%	2.5
Asante	TSE: 6073	0.2	308	343	0.2%	45%	6.6
Total investments			**148,580**	**153,527**	**104.4%**		
Other net assets and liabilities				(6,488)	(4.4%)[2]		
Net assets				147,039	100.0%		

* Please refer to Glossary on page 21.

[1] Estimates provided by AVI. Refer to Glossary on pages 21 and 22.

[2] Net gearing. Please refer to Glossary on page 21.

Principal Risks and Uncertainties

The principal risks and uncertainties associated with the Company's business include, but are not limited to, risks relating to the investment objective, gearing, reliance on the Investment Manager and other service providers, cyber security, portfolio liquidity and foreign exchange. Information on these risks and how they are managed is set out on pages 23 and 24 of the 2020 Annual Report.

Whilst the ongoing COVID-19 pandemic has impacted the business in a number of areas as detailed in the Chairman's Statement and the Investment Manager's Report, in the view of the Board the majority of these principal risks and uncertainties were unchanged over the last six months and are as applicable to the remaining six months of the financial year as they were to the six months under review.

Directors' Responsibility Statement

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting; and gives a true and fair view of assets, liabilities, financial position and profit and loss of the Company; and
- this Interim Report includes a fair review of the information required by:
  - a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the period under review and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place during the period ended 30 June 2021 and that have materially affected the financial position or performance of the Company during that period and any material changes in the related party transactions described in the last Annual Report.

This Interim Report was approved by the Board of Directors and the above responsibility statement was signed on its behalf by:

Norman Crighton
Chairman
15 September 2021

Statement of Comprehensive Income

For the period ended 30 June 2021 (unaudited)

		For the 6 month period to 30 June 2021			For the 6 month period to 30 June 2020			For the year ended 31 December 2020		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income										
Investment income	2	1,929	-	**1,929**	1,747	-	**1,747**	2,818	-	**2,818**
Gains/(losses) on investments held at fair value		-	1,986	**1,986**	-	(9,487)	**(9,487)**	-	(1,171)	**(1,171)**
Exchange losses on currency balances		-	(585)	**(585)**	-	(278)	**(278)**	-	(745)	**(745)**
		1,929	1,401	**3,330**	1,747	(9,765)	**(8,018)**	2,818	(1,916)	**902**
Expenses										
Investment management fee		(69)	(617)	**(686)**	(60)	(542)	**(602)**	(122)	(1,096)	**(1,218)**
Other expenses (including irrecoverable VAT)		(350)	-	**(350)**	(308)	-	**(308)**	(638)	-	**(638)**
Profit/(loss) before finance costs and tax		1,510	784	**2,294**	1,379	(10,307)	**(8,928)**	2,058	(3,012)	**(954)**
Finance costs		(11)	(98)	**(109)**	(10)	(92)	**(102)**	(22)	(194)	**(216)**
Exchange gains/(losses) on revolving credit facility revaluation	3	-	1,635	**1,635**	-	(1,108)	**(1,108)**	-	(210)	**(210)**
Profit/(loss) before taxation		1,499	2,321	**3,820**	1,369	(11,507)	**(10,138)**	2,036	(3,416)	**(1,380)**
Taxation		(199)	-	**(199)**	(173)	-	**(173)**	(284)	-	**(284)**
Profit/(loss) for the period		**1,300**	**2,321**	**3,621**	**1,196**	**(11,507)**	**(10,311)**	**1,752**	**(3,416)**	**(1,664)**
Earnings per Ordinary Share – basic and diluted (pence)	5	**1.01**	**1.81**	**2.82**	**1.04**	**(10.00)**	**(8.96)**	**1.51**	**(2.94)**	**(1.43)**

The total column of this statement is the Income Statement of the Company prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The supplementary revenue and capital columns are presented in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies ("AIC SORP").

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

There is no other comprehensive income, and therefore the profit for the period after tax is also the total comprehensive income.

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Equity

For the period ended 30 June 2021 (unaudited)

	Ordinary Share capital £'000	Share premium £'000	Special reserve* £'000	Capital reserve* £'000	Revenue reserve** £'000	Total £'000
For the six months to 30 June 2021						
Balance as at 31 December 2020	1,175	38,242	77,588	9,729	1,216	**127,950**
Issue of Ordinary Shares	151	17,115	-	-	-	**17,266**
Expenses of share issue	-	(674)	-	-	-	**(674)**
Ordinary Shares bought back and held in Treasury	-	-	(264)	-	-	**(264)**
Total comprehensive income for the period	-	-	-	2,321	1,300	**3,621**
Ordinary dividends paid	-	-	-	-	(860)	**(860)**
Balance as at 30 June 2021	**1,326**	**54,683**	**77,324**	**12,050**	**1,656**	**147,039**

	Ordinary Share capital £'000	Share premium £'000	Special reserve* £'000	Capital reserve* £'000	Revenue reserve** £'000	Total £'000
For the six months to 30 June 2020						
Balance as at 31 December 2019	1,139	34,476	77,588	13,145	1,262	**127,610**
Issue of Ordinary Shares	36	3,835	-	-	-	**3,871**
Expenses of share issue	-	(69)	-	-	-	**(69)**
Expenses in relation to proposed share issue	-	-	(288)	-	-	**(288)**
Total comprehensive (loss)/income for the period	-	-	-	(11,507)	1,196	**(10,311)**
Ordinary dividends paid	-	-	-	-	(1,034)	**(1,034)**
Balance as at 30 June 2020	**1,175**	**38,242**	**77,300**	**1,638**	**1,424**	**119,779**

	Ordinary Share capital £'000	Share premium £'000	Special reserve* £'000	Capital reserve* £'000	Revenue reserve** £'000	Total £'000
For the year to 31 December 2020						
Balance as at 31 December 2019	1,139	34,476	77,588	13,145	1,262	**127,610**
Issue of Ordinary Shares	36	3,835	-	-	-	**3,871**
Expenses of share issue	-	(69)	-	-	-	**(69)**
Total comprehensive (loss)/income for the year	-	-	-	(3,416)	1,752	**(1,664)**
Ordinary dividends paid	-	-	-	-	(1,798)	**(1,798)**
Balance as at 31 December 2020	**1,175**	**38,242**	**77,588**	**9,729**	**1,216**	**127,950**

* The total distributable reserves are £86,083,000 (30 June 2020: £78,897,000; 31 December 2020: £79,826,000). Within the balance of the capital reserve, £7,103,000 (30 June 2020: £173,000; 31 December 2020: £1,022,000) relates to realised gains/(losses) which under the Articles of Association is distributable by way of dividend. The remaining £4,947,000 (30 June 2020: £1,465,000; 31 December 2020: £8,707,000) relates to unrealised gains on investments and is non-distributable.

** Revenue reserve is distributable.

Balance Sheet

As at 30 June 2021 (unaudited)

	Notes	At 30 June 2021 £'000	At 30 June 2020 £'000	At 31 December 2020 £'000
Non-current assets				
Investments held at fair value through profit or loss		**153,527**	125,338	136,616
		153,527	125,338	136,616
Current assets				
Other receivables		**385**	315	909
Cash and cash equivalents		**13,787**	10,573	6,028
		14,172	10,888	6,937
Total assets		**167,699**	136,226	143,553
Current liabilities				
Revolving credit facility	3	**(19,108)**	(16,129)	(15,231)
Other payables		**(1,552)**	(318)	(372)
		(20,660)	(16,447)	(15,603)
Total net assets		**147,039**	119,779	127,950
Equity attributable to equity Shareholders				
Ordinary Share capital	7	**1,326**	1,175	1,175
Share premium		**54,683**	38,242	38,242
Special reserve		**77,324**	77,300	77,588
Capital reserve		**12,050**	1,638	9,729
Revenue reserve		**1,656**	1,424	1,216
Total equity		**147,039**	119,779	127,950
Net asset value per Ordinary Share – basic and diluted (pence)	6	**111.08**	101.95	108.90
Number of shares in issue excluding treasury shares	7	**132,370,702**	117,489,742	117,489,742

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

For the period ended 30 June 2021 (unaudited)

	30 June 2021 £'000	30 June 2020 £'000	31 December 2020 £'000
Reconciliation of profit/(loss) before taxation to net cash inflow/(outflow) from operating activities			
Profit/(loss) before taxation	**3,820**	(10,138)	(1,380)
(Gains)/losses on investments held at fair value through profit or loss	**(1,986)**	9,487	1,171
Increase in other receivables	**(84)**	(17)	(1)
Exchange (gains)/losses on revolving credit facility	**(1,635)**	1,108	210
Increase in other payables	**38**	71	57
Taxation paid	**(199)**	(173)	(284)
Net cash (outflow)/inflow from operating activities	**(46)**	338	(227)
Investing activities			
Purchases of investments	**(36,078)**	(31,091)	(50,653)
Sales of investments	**22,611**	21,795	38,141
Net cash outflow from investing activities	**(13,467)**	(9,296)	(12,512)
Financing activities			
Dividends paid	**(860)**	(1,034)	(1,798)
Issue of shares net of costs	**16,880**	3,802	3,802
Payments for Ordinary Shares bought back and held in Treasury	**(264)**	-	-
Issue/(repayment) of revolving credit facility net of costs	**5,512**	(944)	(944)
Costs associated with proposed share issue	**-**	(288)	(288)
Cash inflow from financing activities	**21,268**	1,536	772
Increase/(decrease) in cash and cash equivalents	**7,755**	(7,422)	(11,967)
Reconciliation of net cash flow movement:			
Cash and cash equivalents at beginning of period	**6,028**	17,995	17,995
Exchange rate movements	**4**	-	-
Increase/(decrease) in cash and cash equivalents	**7,755**	(7,422)	(11,967)
Cash and cash equivalents at end of period	**13,787**	10,573	6,028

Notes to the Financial Statements

For the period ended 30 June 2021 (unaudited)

1 Accounting Policies

The condensed financial statements of the Company have been prepared in accordance with International Accounting Standards (IAS) 34 – "Interim Financial Reporting".

In the current period, the Company has applied amendments to IFRS. These include annual improvements to IFRS, changes in standards, legislative and regulatory amendments, changes in disclosure and presentation requirements including updates related to COVID-19. The adoption of these has not had any material impact on these financial statements and the accounting policies used by the Company in these half-year financial statements are consistent with the most recent Annual Report for the year ended 31 December 2020.

Basis of Preparation

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by The Association of Investment Companies ("The AIC"), supplementary information which analyses the Statement of Comprehensive Income between items of revenue and a capital nature has been prepared alongside the Statement of Comprehensive Income.

The Company invests in Japan with subsequent cash-flows (dividend receipts and interest payments) being received in Japanese Yen, however the Directors consider the Company's functional currency to be Pound Sterling as the Shares of the Company are listed on the London Stock Exchange, it is regulated in the United Kingdom, principally has its Shareholder base in the United Kingdom and pays dividend and expenses in Pounds Sterling. The Directors have chosen to present the financial statements in Pounds Sterling rounded to the nearest thousand except where otherwise indicated.

Comparative Information

The financial information contained in this Interim Report does not constitute statutory accounts as defined in the Companies Act 2006. The financial information for the six month period ended 30 June 2021, and the six month period ended 30 June 2020, have not been audited or reviewed by the Company's Auditor. The comparative figures for the financial period ended 31 December 2020 are not the Company's statutory accounts for that financial period. Those accounts have been reported on by the Company's Auditor and delivered to the Registrar of Companies. The report of the Auditor was (i) unqualified, (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Going Concern

The financial statements have been prepared on a going concern basis and on the basis that approval as an investment trust company will continue to be met.

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date when these financial statements were approved.

In making this assessment, the Directors have considered in particular the likely economic effects and the effects of the current COVID-19 pandemic on the Company's operations and the investment portfolio.

The Directors noted the Company holds a portfolio of liquid investments whose value is a multiple of liabilities. The Directors are of the view that the Company can meet its obligations as they fall due. The cash available and revolving credit facility enables the Company to meet any funding requirements and finance future additional investments. The Company is a closed-end fund, where assets are not required to be liquidated to meet day-to- day redemptions.

The Board has reviewed stress testing and scenario analysis prepared by the Investment Manager to assist them in assessing the impact of changes in market value and income with associated cash flows. In making this assessment, the Investment Manager has considered plausible downside scenarios. These tests included the possible further effects of the continuation of the COVID-19 pandemic but, as an arithmetic exercise, apply equally to any other set of circumstances in which asset value and income are significantly impaired. It was concluded that in a plausible downside scenario, the Company could continue to meet its liabilities. Whilst the economic future is uncertain, and the Directors believe that it is possible the Company could experience further reductions in income and/or market value, the opinion of the Directors is that this should not be to a level which would threaten the Company's ability to continue as a going concern.

The Directors, Investment Manager and other service providers have put in place contingency plans to minimise disruption. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern, having taken into account the liquidity of the Company's investment portfolio and the Company's financial position in respect of its cash flows, borrowing facilities and investment commitments (of which there are none of significance). Therefore, the financial statements have been prepared on the going concern basis.

Notes to the Financial Statements

For the period ended 30 June 2021 (unaudited) – continued

2 Income

	30 June 2021 £'000	30 June 2020 £'000	31 December 2020 £'000
Income from investments			
Overseas dividends	**1,987**	1,730	2,840
Bank and deposit interest	**(13)**	(9)	(17)
Exchange (losses)/gains on receipt of income*	**(45)**	26	(5)
Total income	**1,929**	**1,747**	**2,818**

*Exchange movements arise from ex-dividend date to payment date.

3 Revolving Credit Facility

	Six months to 30 June 2021		Six months to 30 June 2020		Year to 31 December 2020	
	¥'000	£'000	¥'000	£'000	¥'000	£'000
Opening balance	**2,150,000**	**15,231**	2,297,500	15,965	2,297,500	15,965
Proceeds from amounts drawn	**780,000**	**5,512**	-	-	632,500	4,466
Repayment of amounts drawn	**-**	**-**	(147,500)	(944)	(780,000)	(5,410)
Exchange rate movement	**-**	**(1,635)**	-	1,108	-	210
Closing balance	**2,930,000**	**19,108**	**2,150,000**	**16,129**	**2,150,000**	**15,231**
Maximum facility available	**4,330,000**	**28,239**	4,330,000	32,483	4,330,000	30,674

Under the revolving credit facility ("the facility") the maximum available is ¥4,330,000,000 of which ¥2,930,000,000 has been drawn. Subsequent to the period end, on 9 September 2021, the facility has been amended to switch interest rate calculation from LIBOR to Tokyo Overnight Average Rate ("TONAR"). The interest rate from the switching date will be TONAR plus 0.95% replacing LIBOR plus 0.95%.

4 Dividends per Ordinary Share

A final dividend of 0.65p per Ordinary Share for the period ended 31 December 2020 was paid on 27 May 2021 to Ordinary Shareholders on the register at the close of business on 30 April 2021 (ex-dividend date 28 April 2021).

An interim dividend of 0.70p per Ordinary Share for the period ended 30 June 2021 has been declared and will be paid on 25 October 2021 to Ordinary Shareholders on the register at the close of business on 1 October 2021 (ex-dividend date is 30 September 2021).

5 Earnings per Ordinary Share

	Six months to 30 June 2021			Six months to 30 June 2020			Year to 31 December 2020		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Net profit/(loss) (£'000)	1,300	2,321	**3,621**	1,196	(11,507)	**(10,311)**	1,752	(3,416)	**(1,664)**
Weighted average number of Ordinary Shares			**128,205,505**			**115,014,742**			**116,259,044**
Earnings per Ordinary Share (pence)	**1.01**	**1.81**	**2.82**	**1.04**	**(10.00)**	**(8.96)**	**1.51**	**(2.94)**	**(1.43)**

There are no dilutive instruments issued by the Company.

6 Net Asset Value per Ordinary Share

The net asset value per Ordinary Share is based on net assets of £147,039,000 (30 June 2020: £119,779,000; 31 December 2020: £127,950,000) and on 132,370,702 Ordinary Shares (30 June 2020: 117,489,742; 31 December 2020: 117,489,742), being the number of Ordinary Shares in issue excluding treasury shares.

Notes to the Financial Statements

For the period ended 30 June 2021 (unaudited) – continued

7 Share Capital

	At 30 June 2021 Ordinary Shares of 1p each	
	Number of shares	Nominal value £'000
Allotted, called-up and fully paid	**132,620,702**	**1,326**
Balance at beginning of period	117,489,742	
Issue of Ordinary shares	15,130,960	
	132,620,702	
Treasury shares		
Balance at beginning of period	-	
Buyback of Ordinary Shares into Treasury	250,000	
Balance at end of period	**250,000**	
Total Ordinary Share Capital excluding treasury shares	**132,370,702**	

During the period to 30 June 2021, 15,130,960 Ordinary Shares (6 months to 30 June 2020: 3,550,000; year to 31 December 2020: 3,550,000) were issued for a net consideration of £16,880,000 (6 months to 30 June 2020: £3,802,000; year to 31 December 2020: £3,802,000).

During the period 250,000 Ordinary Shares (6 months to 30 June 2020: nil; year to 31 December 2020: nil) were bought back and placed in Treasury for an aggregate consideration of £264,000 (6 months to 30 June 2020: £nil; year to 31 December 2020: £nil).

8 Values of Financial Assets and Financial Liabilities

Valuation of financial instruments

The Company measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value is the amount at which the asset could be sold or the liability transferred in an orderly transaction between market participants, at the measurement date, other than a forced or liquidation sale.

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 assets as follows:

- Level 1 – valued using quoted prices, unadjusted in active markets for identical assets or liabilities.
- Level 2 – valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included in Level 1.
- Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

Financial assets

The table below sets out fair value measurements of financial instruments as at the period end, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Financial assets at fair value through profit or loss at 30 June 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity Investments	153,527	-	-	**153,527**
	153,527	**-**	**-**	**153,527**

Financial assets at fair value through profit or loss at 30 June 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity Investments	125,338	-	-	**125,338**
	125,338	**-**	**-**	**125,338**

Notes to the Financial Statements

For the period ended 30 June 2021 (unaudited) – continued

Financial assets at fair value through profit or loss at 31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity Investments	136,616	-	-	**136,616**
	136,616	**-**	**-**	**136,616**

There have been no transfers during the period between Levels 1, 2 and 3.

9 Related Parties and Transactions with the Investment Manager

Investment management fees for the period amounted to £686,000 (six months to 30 June 2020: £602,000; year to 31 December 2020: £1,218,000).

At the period end, £116,000 (30 June 2020: £94,000; 31 December 2020: £106,000) remained outstanding in respect of management fees.

The management fee of 1% per annum is calculated on the lesser of the Company's net asset value or Market Capitalisation at each quarter end. The Investment Manager will invest 25% of the management fee it receives in shares of the Company and will hold these for a minimum of two years. As at 30 June 2021, AVI held 775,000 shares of the Company.

Fees paid to Directors for the period ended 30 June 2021 amounted to £64,000 (six months to 30 June 2020: £64,000; year to 31 December 2020: £128,000).

Finda Oy, a significant Shareholder of the Company, is deemed to be a related party of the Company for the purposes of the Listing Rules by virtue of its holding in the Company's issued share capital. During the period under review no material transactions took place and as at 30 June 2021 the Company had not been notified of any change to Finda Oy's holding of 30,000,000 Ordinary Shares reported in the period to 31 December 2020, which represented 22.66% of the total voting rights as at 30 June 2021 (31 December 2020: 25.53%).

AIFMD Disclosures

The Company's AIFM is Asset Value Investors Limited.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. Those disclosures that are required to be made pre-investment are included within an AIFMD Investor Disclosure Document. This, together with other necessary disclosures required under AIFMD, can be found on the Company's website www.ajot.co.uk. All authorised AIFMs are required to comply with the AIFMD Remuneration Code. The AIFM's remuneration disclosures can be found on the Company's website www.ajot.co.uk.

Glossary

Alternative Performance Measure ("APM")

An APM is a numerical measure of the Company's current, historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial framework.

The definitions below are utilised for the measures of the Company, the investment portfolio and underlying individual investments held by the Company. Certain of the metrics are to look through the investments held, excluding certain non-core activities, so the performance of the actual core of the investment may be evaluated. Where a company in the investment portfolio holds a number of listed investments these are excluded in order to determine the actual core value metrics.

Comparator Benchmark

The Company's Comparator Benchmark is the MSCI Japan Small Cap Index, expressed in Sterling terms. The benchmark is an index which measures the performance of the Japan equity market. The weighting of index constituents is based on their market capitalisation. Dividends paid by index constituents are assumed to be reinvested in the relevant securities at the prevailing market price. The Investment Manager's investment decisions are not influenced by whether a particular company's shares are, or are not, included in the benchmark. The benchmark is used only as a yard stick to compare investment performance.

Cost

The book cost of each investment is the total acquisition value, including transaction costs, less the value of any disposals or capitalised distributions allocated on a weighted average cost basis.

Discount/Premium

If the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

The discount and performance are calculated in accordance with guidelines issued by the AIC. The discount is calculated using the net asset values per share inclusive of accrued income with debt at market value.

Earnings Before Interest and Taxes ("EBIT")

EBIT is equivalent to profit before finance costs and tax set out in the statement of comprehensive income.

Enterprise Value ("EV")

Enterprise Value reflects the economic value of the business by taking the market capitalisation less cash, investment securities and the value of treasury shares plus debt and net pension liabilities.

Enterprise Value ("EV")/Earnings Before Interest and Taxes ("EBIT")

A multiple based valuation metric that takes account of the excess capital on a company's balance sheet. For example, if a company held 80% of its market capitalisation in NFV (defined under Net Financial Value / Market Capitalisation), had a market capitalisation of 100 and EBIT of 10, the EV/EBIT would be 2x, (100-80)/10.

Enterprise Value ("EV") Free Cash Flow Yield ("EV FCF Yield")

A similar calculation to free cash flow yield except the free cash flow excludes interest and dividend income and is divided by enterprise value. This gives a representation for how overcapitalised and undervalued a company is. If a company were to pay out all of its NFV (defined under Net Financial Value/Market Capitalisation) and the share price remained the same, the EV FCF Yield would become the FCF yield. For example, take a company with a market capitalisation of 100 that had NFV of 80 and FCF of 8. The FCF yield would be 8%, 8/100, but if the company paid out all of its NFV the FCF yield would become 40%, 8/(100-80). This gives an indication of how cheaply the market values the underlying business once excess capital is stripped out.

Free Cash Flow ("FCF") Yield

Free cash flow is the amount of cash profits that a business generates, adjusted for the minimum level of capital expenditure required to maintain the company in a steady state. It measures how much a business could pay out to equity investors without impairing the core business. When free cash flow is divided by the market value, we obtain the free cash flow yield.

Gearing

Gearing refers to the ratio of the Company's debt to its equity capital. The Company may borrow money to invest in additional investments for its portfolio. If the Company's assets grow, the Shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

The gearing of 13.0% represents borrowings of £19,108,000 expressed as a percentage of Shareholders' funds of £147,039,000. The net gearing of 4.4% represents borrowings net of cash and current assets of £6,488,000 expressed as a percentage of Shareholders' funds of £147,039,000.

Net Asset Value ("NAV")

The NAV is Shareholders' funds expressed as an amount per individual share. Shareholders' funds are the total value of all of the Company's assets, at their current market value, having deducted all liabilities and prior charges at their par value, or at their asset value as appropriate. The total NAV per share is calculated by dividing the NAV by the number of Ordinary Shares in issue.

Net Cash/Market Capitalisation

Net cash consists of cash and the value of treasury shares less debt and net pension liabilities. It is a measure of the excess cash on a company's balance sheet and, by implication, how much value the market attributes to the core operating business. For example, the implied valuation of the core operating business of a company trading with a net cash/market capitalisation of 100% is zero.

Glossary
continued

Net Financial Value ("NFV")/Market Capitalisation

Net Financial Value consists of cash, investment securities (less capital gains tax) and the value of treasury shares less debt and net pension liabilities. A measure of the excess cash on a company's balance sheet and, by implication, how much value the market attributes to the core operating business. For example, the implied valuation of the core operating business of a company trading with a NFV/market capitalisation of 100% is zero.

Ongoing Charges Ratio

As recommended by The AIC in its guidance, ongoing charges are the Company's annualised expenses of £2,074,000 (excluding finance costs and certain non-recurring items) expressed as a percentage of the average monthly net assets of £138,032,000 of the Company during the year.

Portfolio Discount

A proprietary estimate of how far below fair value a given company is trading. For example, if a company with a market capitalisation of 100 had 80 NFV and a calculated fair value of the operating business of 90, we would attribute it a discount of -41%, 100/(90+80) -1. This indicates the amount of potential upside. The company trading on a -41% discount has a potential upside of +69%, 1/(1-0.41).

Portfolio Yield

The weighted-average dividend yield of each underlying company in AJOT's portfolio.

Return on Equity ("ROE")

A measure of performance calculated by dividing net income by shareholder equity.

ROE ex non-core financial assets

Non-core financial assets consists of cash and investment securities (less capital gains tax) less debt and net pension liabilities. The ROE is calculated as if non-core financial assets were paid out to shareholders. Companies with high balance sheet allocations to non-core, low yielding financial assets have depressed ROEs. The exclusion of non-core financial assets gives a fairer representation of the true ROE of the underlying business.

Total Return – NAV and Share Price Returns

The combined effect of any dividends paid, together with the rise or fall in the share price or NAV. Total return statistics enable the investor to make performance comparisons between investment trusts with different dividend policies. Any dividends received by a Shareholder are assumed to have been reinvested in either additional shares in the Company or in the assets of the Company at the prevailing NAV, in either case at the time that the shares begin to trade ex-dividend.

Shareholder Information

Investing in the Company

The Company's Ordinary Shares are traded on the London Stock Exchange and can be bought directly on the London Stock Exchange or through the platforms listed on www.ajot.co.uk/how-to-invest/platforms/.

Share Prices

The share price is published daily in The Financial Times, as well as on the Company's website: www.ajot.co.uk.

Dividends

Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandate forms may be obtained from Link Group, using the contact details given below or via www.signalshares.com. The Company operates the BACS system for the payment of dividends. Where dividends are paid directly into Shareholders' bank accounts, dividend tax vouchers are sent to Shareholders' registered addresses.

Registrar Customer Support Centre

Link Group Customer Support Centre is available to answer any queries you have in relation to your shareholding:

- By phone: from the UK, call 0371 664 0300, from overseas call +44 (0) 371 664 0300 (calls are charged at the standard geographic rate and will vary by provider; calls from outside the UK will be charged at the applicable international rate. Lines are open between 09:00-17:30, Monday to Friday excluding public holidays in England and Wales);
- By email: shareholderenquiries@linkgroup.co.uk;
- By post: Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

Change of Address

Communications with Shareholders are mailed to the last address held on the share register. Any change or amendment should be notified to Link Group using the contact details given above, under the signature of the registered holder.

Daily Net Asset Value

The daily net asset value of the Company's shares can be obtained from the London Stock Exchange or via the website: www.ajot.co.uk

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Designed and printed by Perivan 261438

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