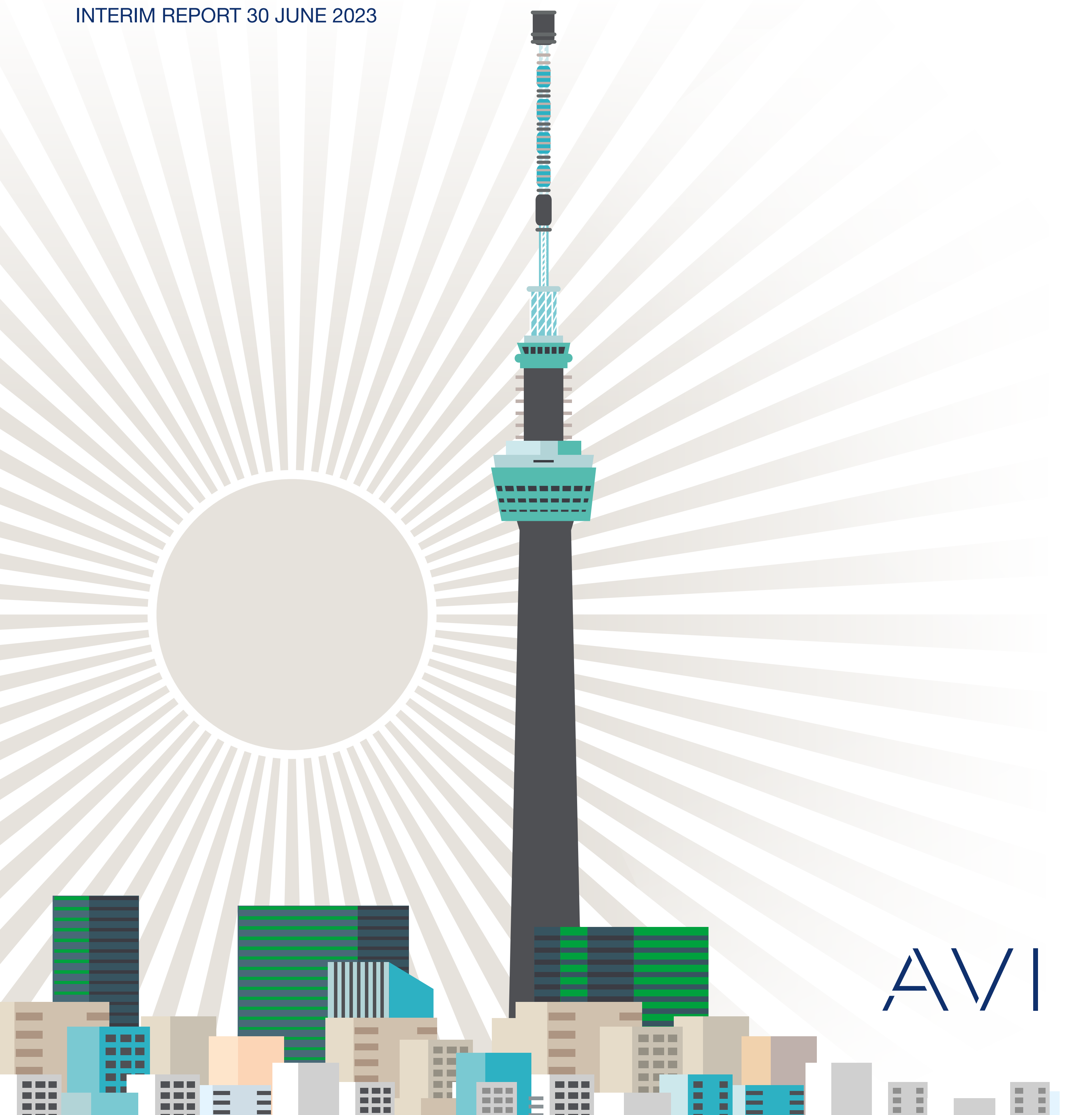
AVI Japan Opportunity Trust

Driving positive change through active engagement

INTERIM REPORT 30 JUNE 2023



AVI

Welcome to our 2023 Interim Report

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

An active approach to investing responsibly

As active investors, AVI considers all drivers relevant to each company’s success, offering suggestions to enhance sustainable corporate value in consideration of all stakeholders and in the best long-term interest of our clients.

We aim to build strong relationships with the boards and management of our portfolio companies. Through constructive engagement, we encourage and expect them to take meaningful action in the context of long-term value creation.

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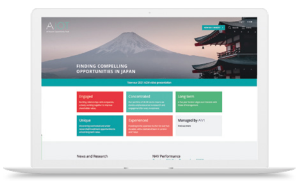

The Company's website, which can be found at **www.ajot.co.uk**, includes useful information on the Company, such as price performance, news, monthly and quarterly reports, as well as previous Annual and Half-Year reports.

@AVIJapan

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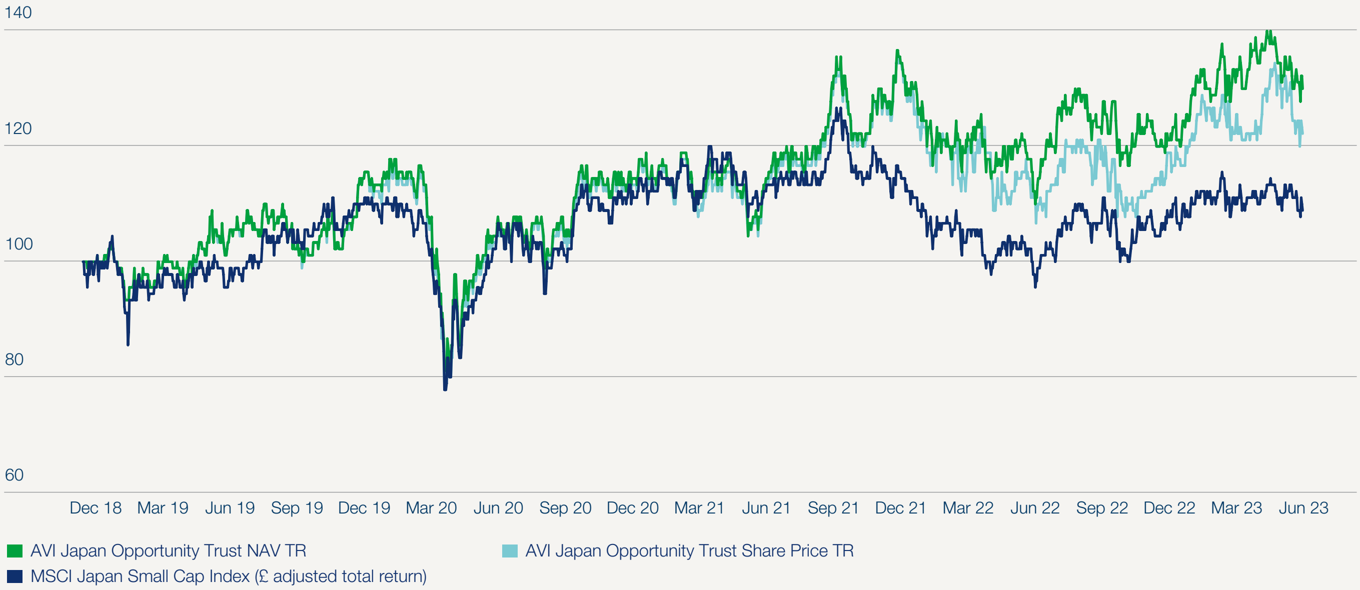
Company Performance

PERFORMANCE SUMMARY

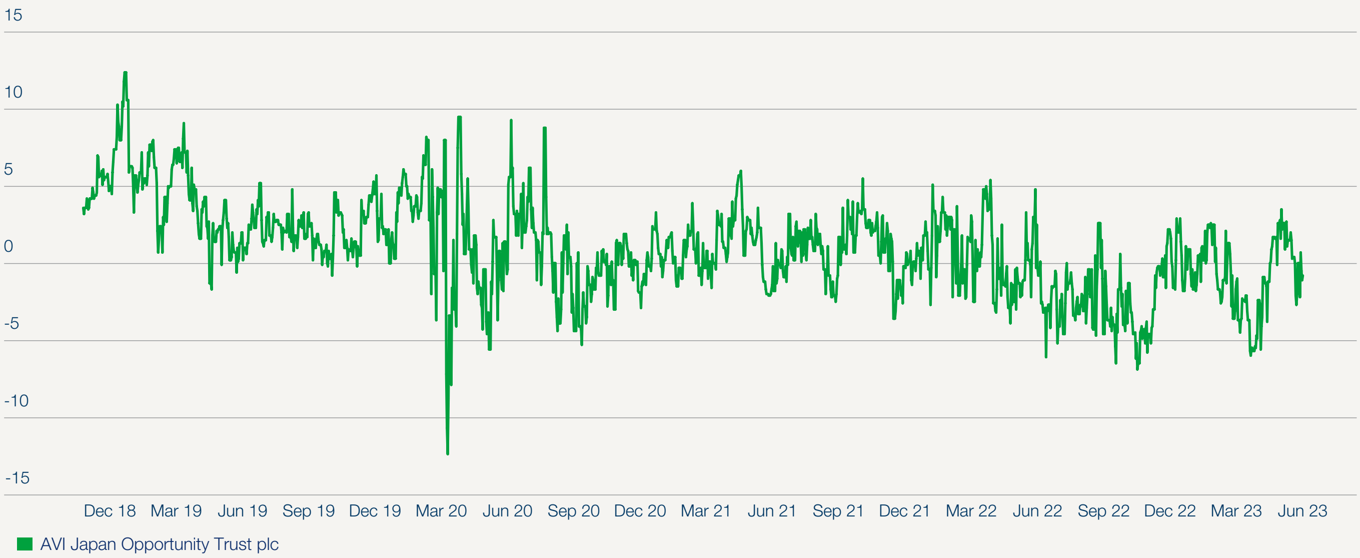
	30 June 2023	30 June 2022
Net Asset Value* (£'000)	**167,613**	148,996
Net Asset Value per share (total return) for the period	**4.95%**	-9.74%
Net Asset Value per share (p)	**119.01**	108.39
Comparator Benchmark		
MSCI Japan Small Cap Index (£ adjusted total return)	**-0.36%**	-8.22%
Portfolio Valuation		
Net Cash as % of Market Cap	**35.2%**	40.6%
Net Financial Value as % of Market Cap	**55.5%**	58.8%
EV/EBIT	**7.8x**	5.7x
FCF Yield	**4.4%**	5.7%
	Six months to 30 June 2023	Six months to 30 June 2022
Earnings and Dividends		
Profit/(loss) before tax	**£8.06m**	-£15.61m
Investment income	**£2.67m**	£2.34m
Revenue earnings per share	**1.37p**	1.17p
Capital earnings per share	**4.20p**	-12.78p
Total earnings per share	**5.57p**	-11.61p
Ordinary dividends per share	**0.85p**	0.75p
Ongoing Charge		
Management, marketing and other expenses (as a percentage of average Shareholders' funds)	**1.4%**	1.5%
2023 Period's Highs/Lows	High	Low
Net Asset Value per share	**126.06p**	**110.79p**

Net Asset Value per share at 30 June 2023	119.01p
Share price at 30 June 2023	118.00p
Discount as at 30 June 2023	-0.85%
(difference between share price and Net Asset Value)	-1.01p

Net Asset Value, Share Price* and Benchmark



Premium or Discount to Net Asset Value (%)



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

Chairman's Statement

Japan has demonstrated it can produce strong returns on investments in 2023, and with the continued macroeconomic tailwinds, and potential for increased foreign allocation, it is an exciting time to be finding new opportunities in the region.

Norman Crighton
Chairman

Performance and Introductory Comments

Welcome to the fourth Interim Report for AVI Japan Opportunity Trust plc ("the Company", or "AJOT"), covering the period from 1 January 2023 to 30 June 2023. When I last wrote to you, the environment for global markets was hostile – with seemingly persistent inflation, fears of stagnant growth, and war in Europe. These factors have not yet subsided, but the market's attention has turned to Japan, growing increasingly bullish in recent months. The combination of a strong economy, low inflation, corporate governance improvements and a late re-opening from COVID has generated optimism for Japanese equities. So far, the lion's share of this market rally has been focused on large-cap names, with the MSCI Japan Index disjointedly returning +23.8% vs. the MSCI Japan Small Cap Index which returned only +15.4% (in JPY).

Turning to AJOT more specifically, absolute returns were significantly hampered by an outsized 13.5% weakening in the Japanese Yen against the pound, but in spite of this, the portfolio performed strongly returning +4.9% in the period. This represents an outperformance of the benchmark, the MSCI Japan Small Cap Index, which returned -0.4% and of the Company's peers of UK-listed Japan smaller companies investment trusts, which fell an average of -0.6%*. The Board believes AJOT's strategy is proving resilient and successful.

The opportunity set among small-cap names remains rich. Foreign investors have predominantly allocated their capital into larger equities with greater liquidity rather than taking time to investigate small-cap opportunities. The Tokyo Stock Exchange has been promoting measures to encourage better capital efficiency among Japanese corporates, including the soft requirement of maintaining a price-to-book ratio above 1.0x. Given that nearly half of all names on the index currently trade below book value, this provides a strong backdrop for active engagement with your portfolio's companies.

In this period, your manager, AVI, embarked on two public campaigns and sent letters or presentations, in private, to a further six portfolio companies. AVI's Japan team, including Tokyo-based Jason Bellamy, spends considerable amounts of time engaging intensely with the portfolio. To improve the reception of our suggestions, the team is building deep relationships with management, having conducted meetings in Japan with several Chairmen/CEOs of our portfolio companies.

Predicting economic trends is difficult, but from an investment perspective one can reduce risk by exercising discipline and investing into companies based on underlying quality and valuations. Your Company's focus remains on investing into companies with solid fundamentals where there is also an opportunity for active engagement. The portfolio's weighted average EV/EBIT multiple is an attractive 7.8x, and on average net cash and investment securities account for 56% of portfolio companies' market caps.

No country or company is immune to the contagion risk of high inflation elsewhere in the world, but with Japan having recently bucked its deflationary slump, and inflation running only slightly north of 4%, the outlook for the Japanese economy is encouraging. Tourism has returned, GDP has been lifted by increased capex, and foreign investors have been progressively allocating more funds to the Japanese markets. This might finally be the stimulus Japan's economy needed.

Japan has demonstrated it can produce strong returns on investments in 2023, and with the continued macroeconomic tailwinds, and potential for increased foreign allocation, it is an exciting time to be finding new opportunities in the region.

* The peer group includes the members of the Association of Investment Companies (AIC) Japanese Smaller Companies sector, namely Atlantis Japan Growth Fund, Baillie Gifford Shin Nippon, JP Morgan Japan Small Cap Growth & Income, and Nippon Active Value Fund. Performance calculated using data sourced from Morningstar.

Dividend

The Board has elected to propose an interim dividend of 0.85 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 listed in October 2018 to take advantage of the highly attractive opportunity to invest in under-valued, over-looked Japanese small-cap equities with strong underlying business fundamentals. We believed – and very much still do – that active engagement and corporate dialogue will allow for the unlocking of valuation anomalies unavailable in other global developed markets, with the potential for attractive absolute and relative returns.

As the five-year anniversary of AJOT's launch approaches, your Company has performed well despite the uncertain environment and poor relative performance of small-cap Japanese stocks (MSCI Small Cap Japan has underperformed its larger MSCI Japan counterpart by almost 10%). The Board remains confident that AVI is well placed to continue executing on the strategy and that there are still plenty of mispriced investment opportunities.

Share Premium and Issuances

As at 30 June 2023, your Company's shares traded at a discount of -0.8% to Net Asset Value per share. Over the period under review, this ranged from a -6.0% discount to a +3.5% 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.

During the period the Board issued 4.4m new shares, including 0.6m shares from treasury after they were purchased earlier in the year. The total outstanding shares in issue was 140,836,702 at the end of the period – a healthy 76% increase compared to the 80,000,000 shares at your Company's launch in October 2018. Also, during the period, AVI purchased 150,000 shares as part of its ongoing commitment to invest one quarter of its management fee in AJOT shares.

Debt Structure and Gearing

At the end of the period, AJOT had £15.9 million worth of Yen debt, with gross gearing standing at 9.5% of NAV. Owing to recent sales and the time taken to build new positions, net debt stood at 3.0% of NAV.

Annual General Meeting

The Company's Annual General Meeting was held on 2 May 2023. All resolutions were passed with at least a 99% approval.

Closing Remarks

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
14 September 2023

Investment Manager's Report

"It feels that the stars are starting to align in Japan. Our approach to engaging with undervalued, high-quality companies is bearing fruit and, particularly if we see a reversal in Yen weakness and increased flows into small caps, we could be in for a period of strong NAV growth."

Joe Bauernfreund
Portfolio Manager

During the period from 1 January to 30 June 2023, your Company returned +4.9% in GBP. This compares with a return for the benchmark index, the MSCI Japan Small Cap Index, of -0.4%. Over the course of the past six months, the Yen depreciated by -13.5% against the Pound, which has been a headwind to Sterling-based returns.

In local currency terms, it was a buoyant period for the Japanese stock market as the MSCI Japan Index gained +23.8% (in JPY), far exceeding the S&P 500 (+8.6%, in USD), the MSCI Europe Index (+2.7%, in EUR) and the FTSE All Share (-0.5%, in GBP). Were it not for Yen weakness, AJOT's NAV would have returned +21.5% over the period and +61.0% since launch.

The Japanese Yen weakness was driven by a cautious tone from Kazuo Ueda, the newly appointed Bank of Japan ("BoJ") governor, which disappointed those anticipating an imminent end to the BoJ's Yield Curve Control ("YCC") policy. Latest data for June showed a 4.2% increase in core inflation (excluding food and energy) which is starting to flow through to higher wages. We think it isn't a matter of if we will see material adjustments to YCC, but when – which would be a boon for the Yen.

Over the period however, small-caps lagged, with the MSCI Japan Small Cap Index returning only +15.4%. With the rally led by large-cap value, the MSCI Japan Value Index appreciated +22.8% (both in JPY). During a period of strong foreign flows into Japan, it is typical to see early capital allocated towards large cap names. As the rally is sustained, however, we would expect there to be a trickle-down effect as capital seeks out smaller and better valued opportunities. Given AJOT's portfolio has an average market cap of £675m, we are well placed to benefit.

The Tokyo Stock Exchange ("TSE") followed through on its announcement at the end of last year calling on companies to address low valuations. This is mostly aimed at the 1,800 companies in Japan that trade on a price-to-book ratio of less than 1x. Companies will need to determine why the market evaluates their shares so lowly and disclose plans to improve the valuation. It is an encouraging step, highlighting regulators' intentions to continue using their powers to promote governance reforms.

We continued to actively increase our portfolio concentration, with the top ten holdings accounting for 73% of NAV, up from 67% at the end of 2022. Such concentration allows us to dedicate more time to research and engagement with each company. We continue to generate new ideas, with two new positions entering the portfolio over the period and one shortly after period end.

It feels that the stars are starting to align in Japan. Our approach to engaging with undervalued, high-quality companies is bearing fruit and, particularly if we see a reversal in Yen weakness and increased flows into small caps, we could be in for a period of strong NAV growth.

AVI Shareholder Engagement

Shareholder engagement in Japan continues its rise unabated, with one broker saying that Japan is facing its third activist investor boom. The number of shareholder proposals from engagement funds grew from just under 60 last year to a record-high 82 this year and more shareholders expressed their disappointment with poor management, with support for incumbent Presidents falling.

We contributed to the 82 shareholder proposals this year by filing shareholder proposals at SK Kaken and NC Holdings. In the case of SK Kaken, this is the third year in a row where we have submitted proposals to the AGM. While we have had some success – with the company disclosing Scope 1 and 2 greenhouse gas emissions, increasing the number of outside directors and conducting a 5-for-1 stock split – the company has refused to improve shareholder returns. Despite gaining 35% support, which considering the founding family's near 50% control, represents a majority of minorities, SK Kaken continues to pay-out a measly 12% dividend pay-out ratio, with cash accumulating every year. So long as we are shareholders, we will continue to pressure the family to improve the situation.

At NC Holdings ("NCHD"), in what was a first for AVI and a very rare event at Japanese AGMs generally, we had three shareholder proposals successfully passed with a further three receiving majority shareholder support. Two dividend-related resolutions were approved including an increase in the dividend pay-out ratio to 70% and the formation of a stock-compensation plan tied to achieving a three-year total share price return of over 50% and an average three-year ROIC of over 10%.

While we are pleased with this success, we are disappointed that our shareholder proposals to appoint two highly qualified outside directors did not pass. In addition to largely ignoring shareholder views for the past two years, the Board opposed six resolutions that achieved majority shareholder support, engaged in intimidation and baseless threats related to purported concert party issues, targeted our investment team members by name in both their public and private rebuttals, and even tried, unsuccessfully, to claim that NCHD's business was of national interest to avoid scrutiny at the AGM. We will continue to engage with management and seek solutions to improve NCHD's corporate value over the coming year.

Our private engagement accounts for most of our work, and over the period, inclusive of the two companies where we engaged both privately and publicly, we sent six presentations and five letters to eight companies. We cover more topics in our private engagement than we can through our shareholder proposals, and we place a lot of emphasis on operational improvement, including margin enhancement and growth strategies. Of course, we still engage on balance sheet enhancement, and over the period had success with our long-term investment in Konishi. Management released a mid-term plan, which for the first time included a capital allocation plan with a commitment to share buybacks. A few weeks after the mid-term plan, Konishi announced an 8.5% share buyback which sent the shares +10% higher the following day.

We take a long-term approach to shareholder engagement, and while improvements might not be reflected straight away, we believe that through our suggestions we are helping management create better businesses, and that this will ultimately lead to high returns for all shareholders. In all cases, a track record that shows a willingness to take our concerns public adds significant credibility in our interactions with boards and management.

Portfolio Trading Activity

Annualised turnover for the first half of the year was a healthy 39%, with a buoyant market providing plenty of opportunities to recycle capital from winners into laggards and new ideas. We exited six positions entirely and two new companies entered the portfolio.

Sales

The largest sale was Fujitec, a longstanding investment where we generated a +111% ROI and a +32% IRR over our almost five-year holding period. This tremendous success was driven by shareholder engagement, starting from the release of our public presentation in May 2020, all the way through to the recent upheaval of the Board of Directors and ousting of the founding family President. When we first invested in Fujitec, it was trading on a 4.7x EV/EBIT multiple, a significant discount compared to its peers trading on 16.8x. Over the life of the investment, that radically changed, and at the time of selling, Fujitec was trading on a 23.3x EV/EBIT multiple, a premium to peers' 20.4x. We took the difficult decision to sell the position based on valuation grounds, believing that the exciting prospects of value creation from the new board are reflected in the higher valuation.

We exited a longstanding position in C Uyemura, which we had been reducing for some time, generating an 87% ROI and 21% IRR over the life of our investment. Similarly, we sold the last of our stake in Teikoku Electric following a strong appreciation in the share price. Although it was only in the portfolio for a year, we generated a 52% ROI amounting to a 92% IRR.

As has been the case for a few years, our tolerance for companies with intransigent and entrenched management who refuse to listen to shareholder voices has diminished. That explains our exits from Papyless, Tokyo Radiator and NS Solutions, as well as the reduction of our stakes in two other small positions. There are too many well run and undervalued companies in Japan, with management teams who want to create value for shareholders, to waste our time with uncooperative companies with no interest in shareholders.

Purchases

The largest purchase over the period was Takuma, the waste treatment plant builder and operator, which entered the portfolio for the first time. We have been watching Takuma from the sidelines for several years, seeing the share price boom +150% higher on an ESG-fuelled bubble in 2021, only to fall -46% at which point we started buying. For a business with an open shareholder register (32% foreign ownership), a structural tailwind, and a shifting business model to more recurring maintenance work (already 50%), we think Takuma's lowly 3.5x EV/EBIT valuation multiple is wholly unjustified. Almost half of Takuma's balance sheet assets are held in cash and listed securities, accounting for just over 60% of the market cap. We plan to start engaging with management on solutions to the undervaluation ahead of next year's mid-term plan.

Fuji Soft was another new addition to the portfolio, as we continue to invest in companies that stand to benefit from increased digitalisation in Japan. We join another activist, 3D Investment Partners, who have led a public campaign to successfully appoint new outside directors. We believe in a privatisation event there is over 50% upside, and that management can do a better job of realising their real estate portfolio. Cash, investment securities and real estate account for 47% of the market cap.

We continued building our relatively new positions in TSI Holdings and Nihon Kohden, which ended the period as the two largest positions.

Investment Manager's Report continued

Contributors/Detractors

TSI Holdings

TSI Holdings, a diversified apparel holding company, was the largest contributor to returns with a +77% share price increase for the period adding 332bps to performance. Since our first investment in July 2022, the share price has gained +137% and is up +67% on our average purchase price.

Share price performance at the start of the period was spurred by the announcement of a 5.8% share buyback (following a 6.6% buyback last year) and the resignation of the founding-family Chairman. Following this the company announced results in June which showed good progress towards achieving their 4.3% operating margin goal by 2025. Management forecast +5% sales growth next year and a 2.9% operating margin, which would mark the highest operating profit in TSI's history. Unsurprisingly, the market took this well.

While it is hard to justify the +77% increase based solely on those announcements, TSI was trading on a remarkably low valuation at the start of the year. 182% of its market cap was covered by net cash, investment securities and real estate, implying a negative value for its apparel business. We couldn't find a justification for the discount at the time, and sometimes if a stock doesn't have a reason for trading on a discount, it doesn't need one to correct.

Despite the strong share price return, TSI still has net cash, investment securities and realisable real estate covering 96% of its market cap, and we see a further +113% upside. We own just over 6% of the voting shares and plan to engage with management on measures to further rectify the undervaluation although, given the spate of buyback announcements and improved attitudes towards shareholders, we think we are pushing on an open door.

JADE GROUP

JADE GROUP (formerly LOCONDO) ("JADE"), an apparel ecommerce company, achieved a share price return of +65% over H1 2023, adding 179bps to performance as the second largest contributor.

Full-year profits came in above forecasts (¥991m vs. ¥900m), but it was the company's +33% sales and +76% profit growth forecast for next year that propelled the share price. JADE had been heavily investing in logistics infrastructure, with ballooning fixed costs weighing on profits and unutilised warehouse capacity. Last year it won the right to manage the Reebok brand in Japan through a joint venture with Itochu. Having already made the warehouse capacity investments, the company benefited from the wonders of operating leverage, with Reebok's incremental sales flowing straight to the bottom line. Next year's whopping profit guidance is in line with the mid-term plan, and management estimate that with further accretive acquisitions, they can grow profits by another 34% the year after next.

Alongside these results, JADE announced a 3.6% share buyback, which was well received. CEO Yusuke Tanaka's insightful 14-page shareholder letter detailed the company's history, what management have learned, and management's growth strategy. He made a compelling argument for why JADE justifies a ¥30bn-50bn market cap, some 100% higher than the current ¥20bn market cap.

While it will take flawless execution of the plan to meet the higher end of that range, we do not think it is entirely unrealistic. Across AVI funds, we are JADE's largest shareholder, owning 11% of the shares, and have been regularly engaging with the company. We are optimistic about the company's growth prospects, which we don't think are being fully appreciated by investors in its 11x EV/EBIT multiple.

Konishi

Konishi, a company engaged in manufacturing of adhesives and civil engineering, achieved a share price return of +36% over the period, adding 123bps to performance.

After intense private engagement with Konishi's senior management, during the period, the company released a mid-term plan committing to investing or returning all of its cash over the next three years and outlined a three-year EBITDA growth target of +35% (of which +19% growth is forecast to be achieved in the first year). This was the first time Konishi disclosed a capital allocation plan and its first commitment to buying back shares.

A few weeks after the mid-term plan, Konishi announced an 8.5% share buyback which sent the shares +10% higher. Despite the buoyant share price Konishi still only trades on an EV/EBIT of 5.1x which on next year's guidance falls to 4.1x. While Konishi have shown discipline in their capital allocation for the next three years, they have not addressed the current large cash pile which, including listed securities, accounts for 59% of Konishi's market cap. We will continue to address this issue along with encouraging Konishi to expand into industrial applications and overseas.

Digital Garage

Digital Garage was the largest detractor over the period, with its share price falling -16%, reducing returns by 173bps. Digital Garage is a holding company whose key assets are its stake in Kakaku.com and its payment settlement businesses.

The stake in Kakaku.com is non-core, and despite management's assertions, it has failed to generate meaningful synergies with the payments business. Kakaku.com's share price has been remarkably weak after failing to capture COVID rebound demand in its restaurant reservation business, and with sell-side analysts questioning the validity of its price comparison website business model. Kakaku.com is trading on a price-to-earnings ratio of just under 18x, the bottom end of its range and at a similar level to the COVID lows.

Digital Garage's share price decline over the period is a stark reversal of the strong +32% share price return in Q4 of last year. This reversal is attributable almost entirely to Digital Garage's announcement of a hugely disappointing mid-term plan. We have been engaging with Digital Garage extensively, and ahead of the mid-term plan, sent a letter to the Board calling for all strategic options to be considered to address the inefficient holding structure.

Instead of listening to our concerns and those raised publicly by another shareholder, management released an entirely underwhelming set of proposals. This plan failed to address the holding structure or justify why Digital Garage needs to retain its 20% stake in Kakaku.com. Additionally, it failed to make a convincing case as to how, without change, the performance of the payment business will improve. The negative share price reaction demonstrates that we are not alone in our disappointment with the mid-term plan, and we are exploring next steps. We added modestly to the position on weakness taking us through to a 3% shareholding.

Pasona Group

Pasona was the second largest detractor over the period as its share price fell -11%, reducing returns by 70bps. Pasona is a staffing company providing dispatch workers and outsourced processing services throughout Japan.

The company has a 50% stake in listed company Benefit One, a corporate benefits platform, worth 178% of its market cap. Benefit One is a market leader and has achieved consistent growth, compounding EBIT over the past five years at +7%. It has 11.6m captive members on its platform, about 17% of the 67m employed workers in Japan, providing stable cash flows and an opportunity to sell additional services. However, over the period its share price fell -23%.

With 178% of Pasona's market cap accounted for by its stake in Benefit One, the market attributes a negative valuation to Pasona's operating business. While Pasona's operating businesses are not the most efficient and the Founder has a penchant for overspending, the -61.3% discount seems overly harsh. However, given that Pasona is majority controlled by the Founder and there is no room for engagement, we have been slowly reducing the position, with it accounting for 2.6% of NAV at the end of the period vs 3.8% at the start.

SK Kaken

SK Kaken, a manufacturer of construction paints, suffered a share price decline of -4% over the period, reducing performance by 62bps.

For the third year in a row, we submitted shareholder proposals to SK Kaken's AGM addressing two issues contributing to the company's poor share price performance, low valuation, and potential delisting from the Tokyo Stock Exchange. Specifically, the proposals called for the cancellation of 90% of the 438,400 shares held in treasury, and to increase the dividend from ¥400 per share to ¥800, representing a 30% pay-out ratio.

Despite a high-quality business model and having a dominant share of the domestic construction paint market, SK Kaken trades on a negative enterprise value, a price-to-book ratio of just 0.7x with net cash covering 104% of its market cap. Over the last five years, SK Kaken's share price has fallen -27% while its domestic peers' share prices have fallen an average -6%, and the TOPIX has gained +19%. With 420 shareholders, SK Kaken only narrowly meets the 400-shareholder minimum requirement for listing on the TSE Standard market.

Unfortunately, despite receiving strong support from non-founding family shareholders, SK Kaken has not cancelled its excess treasury shares nor raised its low dividend pay-out ratio. While the company has made some improvements in line with our suggestions, including emissions disclosure, a 5-for-1 stock split and increased outside directors, it hasn't been enough to address the discounted valuation.

Moving forward, we will look to continue our engagement with management to narrow the valuation discount and ensure SK Kaken is acting in the best interests of all shareholders. Although we will continue to be outvoted by the Founding family, our persistence sends a strong message to other companies that we will not give up so easily.

Outlook

The portfolio performed positively over the period, achieving a +5.0% return, compared to the benchmark, the MSCI Japan Small Cap Index, which returned -0.4%. In local currency terms, the performance of the portfolio was even more positive, with a gross total return in 2023 of 22% to date. Overall, the portfolio trades at an attractive average EV/EBIT of 7.8x, with net cash and listed securities covering 56% of the market cap.

The strong performance of Japanese equities shows the power of foreign capital flows and their effect on stock prices. With global funds still underweight Japanese equities, a positive macroeconomic backdrop, low valuations, and an environment ripe for activism, Japan makes for a compelling investment opportunity.

Joe Bauernfreund
Asset Value Investors
14 September 2023

Investment Portfolio
As at 30 June 2023

Company	Stock Exchange Identifier	% of AJOT net assets	% of investee company	Cost £'000*	Market value £'000	NFV/Market capitalisation[1]	EV/EBIT[1]
TSI Holdings	TSE: 3608	10.9%	6.3%	11,995	**18,213**	74.6%	7.7
Nihon Kohden	TSE: 6849	8.9%	3.1%	14,230	**14,948**	18.9%	13.0
DTS	TSE: 9682	8.1%	8.7%	12,251	**13,529**	43.4%	10.1
Konishi	TSE: 4956	7.7%	6.3%	11,157	**12,986**	59.2%	5.1
Shin Etsu Polymer	TSE: 7970	7.2%	2.8%	10,298	**12,013**	40.8%	5.8
Takuma	TSE: 6013	7.1%	2.0%	12,438	**11,902**	60.8%	3.5
T Hasegawa	TSE: 4958	6.2%	2.0%	8,275	**10,430**	25.2%	12.4
NC Holdings	TSE: 6236	5.9%	21.8%	8,310	**9,979**	39.0%	10.0
Jade Group	TSE: 3558	5.9%	10.3%	8,399	**9,832**	17.2%	10.9
Wacom	TSE: 6727	5.4%	10.3%	13,911	**9,001**	15.0%	18.1
Top ten investments		73.3%		111,264	**122,833**		
Digital Garage	TSE: 4819	5.0%	2.9%	9,987	**8,311**	72.4%	7.9
SK Kaken	TSE: 4628	3.5%	1.5%	9,444	**5,862**	103.6%	<0
A-One Seimitsu	TSE: 6156	3.0%	11.2%	4,571	**5,046**	76.0%	8.5
Toagosei	TSE: 4045	2.8%	1.3%	5,754	**4,737**	48.5%	6.3
Alps Logistics	TSE: 9055	2.7%	1.5%	2,989	**4,463**	39.5%	4.3
Pasona	TSE: 2168	2.6%	3.5%	4,902	**4,354**	226.2%	<0
Soft99	TSE: 4464	1.9%	2.3%	2,811	**3,132**	79.2%	1.9
Fuji Soft	TSE: 9749	1.7%	0.8%	2,926	**2,889**	51.0%	8.0
Aichi	TSE: 6345	1.6%	0.8%	2,789	**2,731**	66.3%	3.0
Bank of Kyoto	TSE: 8369	1.1%	0.4%	1,807	**1,780**	127.0%	<0
Top twenty investments		99.2%		159,244	**166,138**		
Hachijuni Bank	TSE: 8359	1.0%	0.7%	1,860	**1,673**	100.9%	<0
ITFOR	TSE: 4743	0.9%	2.7%	1,438	**1,582**	52.0%	4.7
Shiga Bank	TSE: 8366	0.9%	1.5%	1,909	**1,548**	139.6%	<0
Teikoku Sen-I	TSE: 3302	0.9%	1.4%	2,723	**1,521**	90.4%	1.2
Tokyo Radiator MFG	TSE: 7235	0.1%	0.7%	426	**206**	147.7%	<0
Total investments		103.0%		167,600	**172,668**		
Other net assets and liabilities		(3.0%)			**(5,055)**		
Net assets		100.0%			**167,613**		

* Please refer to Glossary on pages 21 and 22.

1 Estimates provided by AVI. For all Alternative Performance Measures, please refer to the definitions in the Glossary on pages 21 and 22.

Principal Risks and Uncertainties

The principal risks and uncertainties associated with the Company's business are broadly unchanged from those set out in the 2022 Annual Report and 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 35 and 36 of the 2022 Annual Report.

The Board regularly performs a high-level review of the principal risks to ensure that the risk assessment is correct and relevant, adjusting mitigating factors and procedures as appropriate.

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 2023 and 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
14 September 2023

Statement of Comprehensive Income

For the period ended 30 June 2023 (unaudited)

		For the 6 months to 30 June 2023			For the 6 months to 30 June 2022			For the year ended 31 December 2022		
	Notes	**Revenue £'000**	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income										
Investment income	2	**2,672**	**–**	**2,672**	2,337	–	2,337	3,667	–	3,667
Gains/(losses) on investments held at fair value		**–**	**5,750**	**5,750**	–	(16,725)	(16,725)	–	(7,657)	(7,657)
Exchange (losses)/gains on currency balances		**–**	**(1,367)**	**(1,367)**	–	(940)	(940)	–	950	950
		2,672	**4,383**	**7,055**	2,337	(17,665)	(15,328)	3,667	(6,707)	(3,040)
Expenses										
Investment management fee		**(82)**	**(735)**	**(817)**	(78)	(704)	(782)	(152)	(1,364)	(1,516)
Other expenses		**(389)**	**–**	**(389)**	(407)	–	(407)	(806)	–	(806)
Profit/(loss) before finance costs and tax		**2,201**	**3,648**	**5,849**	1,852	(18,369)	(16,517)	2,709	(8,071)	(5,362)
Finance costs		**(9)**	**(77)**	**(86)**	(12)	(110)	(122)	(21)	(187)	(208)
Exchange gains/(losses) on revolving credit facility	3	**–**	**2,292**	**2,292**	–	1,027	1,027	–	(1,044)	(1,044)
Profit/(loss) before taxation		**2,192**	**5,863**	**8,055**	1,840	(17,452)	(15,612)	2,688	(9,302)	(6,614)
Taxation		**(287)**	**–**	**(287)**	(241)	–	(241)	(377)	–	(377)
Profit/(loss) for the period		**1,905**	**5,863**	**7,768**	1,599	(17,452)	(15,853)	2,311	(9,302)	(6,991)
Earnings per Ordinary Share – basic and diluted	5	**1.37p**	**4.20p**	**5.57p**	1.17p	(12.78p)	(11.61p)	1.69p	(6.79p)	(5.10p)

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 UK IFRS. 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/loss 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 2023 (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 2023						
Balance as at 31 December 2022	**1,375**	**60,155**	**77,153**	**15,928**	**1,784**	**156,395**
Issue of Ordinary Shares	**33**	**4,126**	**–**	**–**	**–**	**4,159**
Expenses of share issues	**–**	**(104)**	**–**	**–**	**–**	**(104)**
Ordinary Shares issued from treasury	**–**	**78**	**1,125**	**–**	**–**	**1,203**
Ordinary Shares bought back and held in treasury	**–**	**–**	**(690)**	**–**	**–**	**(690)**
Total comprehensive income for the period	**–**	**–**	**–**	**5,863**	**1,905**	**7,768**
Ordinary dividends paid	**–**	**–**	**–**	**–**	**(1,118)**	**(1,118)**
Balance as at 30 June 2023	**1,408**	**64,255**	**77,588**	**21,791**	**2,571**	**167,613**
For the six months to 30 June 2022						
Balance as at 31 December 2021	1,332	55,374	77,324	25,230	1,461	160,721
Issue of Ordinary Shares	43	4,880	–	–	–	4,923
Expenses of share issues	–	(99)	–	–	–	(99)
Ordinary Shares issued from treasury	–	–	264	–	–	264
Total comprehensive (loss)/income for the period	–	–	–	(17,452)	1,599	(15,853)
Ordinary dividends paid	–	–	–	–	(960)	(960)
Balance as at 30 June 2022	1,375	60,155	77,588	7,778	2,100	148,996
For the year ended 31 December 2022						
Balance as at 31 December 2021	1,332	55,374	77,324	25,230	1,461	160,721
Issue of Ordinary Shares	43	4,849	–	–	–	4,892
Expenses of share issues	–	(93)	(6)	–	–	(99)
Ordinary Shares issued from treasury	–	25	270	–	–	295
Ordinary Shares bought back and held in treasury	–	–	(435)	–	–	(435)
Total comprehensive (loss)/income for the year	–	–	–	(9,302)	2,311	(6,991)
Ordinary dividends paid	–	–	–	–	(1,988)	(1,988)
Balance as at 31 December 2022	1,375	60,155	77,153	15,928	1,784	156,395

* The total distributable reserves are £96,504,000 (30 June 2022: £87,466,000; 31 December 2022: £91,642,000). Within the balance of the capital reserve, £16,345,000 (30 June 2022: £7,778,000; 31 December 2022: £12,705,000) relates to realised gains/(losses) which is distributable. The remaining £5,446,000 (30 June 2022: £nil; 31 December 2022: £3,223,000) relates to unrealised gains on investments and is non-distributable.

** Revenue reserve is fully distributable by way of dividend.

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

Balance Sheet

As at 30 June 2023 (unaudited)

	Notes	**As at 30 June 2023 £'000**	As at 30 June 2022 £'000	As at 31 December 2022 £'000
Non-current assets				
Investments held at fair value through profit or loss		**172,668**	149,498	164,323
		172,668	149,498	164,323
Current assets				
Receivables		**947**	508	196
Cash and cash equivalents		**10,475**	17,420	7,792
		11,422	17,928	7,988
Total assets		**184,090**	167,426	172,311
Current liabilities				
Revolving credit facility	3	**(15,943)**	(17,760)	–
Other payables		**(534)**	(670)	(384)
		(16,477)	(18,430)	(384)
Total assets less current liabilities		**167,613**	148,996	171,927
Non-current liabilities				
Revolving credit facility	3	**–**	–	(15,532)
Net assets		**167,613**	148,996	156,395
Equity attributable to equity Shareholders				
Ordinary Share capital	7	**1,408**	1,375	1,375
Share premium		**64,255**	60,155	60,155
Special reserve		**77,588**	77,588	77,153
Capital reserve		**21,791**	7,778	15,928
Revenue reserve		**2,571**	2,100	1,784
Total equity		**167,613**	148,996	156,395
Net Asset Value per Ordinary Share – basic and diluted (pence)	6	**119.01p**	108.39p	114.11p
Number of shares in issue excluding treasury shares	7	**140,836,702**	137,461,702	137,061,702

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

Statement of Cash Flows

For the period ended 30 June 2023

	Six months to 30 June 2023 £'000	Six months to 30 June 2022 £'000	Year to 31 December 2022 £'000
Reconciliation of profit/(loss) before taxation to net cash inflow from operating activities			
Profit/(loss) before taxation	**8,055**	(15,612)	(6,614)
(Gains)/losses on investments held at fair value through profit or loss	**(5,750)**	16,725	7,657
Decrease/(increase) in other receivables	**(617)**	(240)	71
Exchange (gains)/losses on revolving credit facility	**(2,292)**	(1,027)	1,044
Exchange losses/(gains) on currency balances	**1,437**	857	(737)
Interest paid	**94**	100	190
(Decrease)/increase in other payables	**(35)**	59	74
Taxation paid	**(287)**	(241)	(377)
Net cash inflow from operating activities	**605**	621	1,308
Investing activities			
Purchases of investments	**(34,126)**	(28,689)	(55,223)
Sales of investments	**31,582**	34,152	54,628
Net cash (outflow)/inflow from investing activities	**(2,544)**	5,463	(595)
Financing activities			
Dividends paid	**(1,118)**	(960)	(1,988)
Issue of shares	**4,237**	5,187	4,923
Issue of Ordinary Shares from treasury	**1,125**	–	264
Cost of share issues	**(104)**	(99)	(99)
Payments for Ordinary Shares bought back and held in treasury	**(690)**	–	(435)
Repayment of revolving credit facility	**–**	–	(9,013)
Drawdown of revolving credit facility	**2,703**	–	5,999
Interest paid	**(94)**	(100)	(190)
Net cash inflow/(outflow) from financing activities	**6,059**	4,028	(539)
Increase in cash and cash equivalents	**4,120**	10,112	174
Reconciliation of net cash flow movement			
Cash and cash equivalents at beginning of period	**7,792**	8,165	8,165
Exchange rate movements	**(1,437)**	(857)	(547)
Increase in cash and cash equivalents	**4,120**	10,112	174
Cash and cash equivalents at end of period	**10,475**	17,420	7,792

Notes to the Financial Statements

For the period ended 30 June 2023

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 issued by the IASB adopted in conformity with UK IFRS. These include annual improvements to IFRS, changes in standards, legislative and regulatory amendments, and changes in disclosure and presentation requirements. 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 2022.

Basis of Preparation

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by 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 financial statements are presented in the Company's functional currency, 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 months to 30 June 2023, and the six months to 30 June 2022, has not been audited or reviewed by the Company's Auditor. The comparative figures for the financial period ended 31 December 2022 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 based on detailed profit & loss and cash flow forecasts. These forecasts have been 'stressed' for inflation, as well as a severe but plausible and sudden downturn in market conditions under which it is assumed that the investment portfolio will lose 50% of its value. Even under this extreme 'stress' scenario, 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. The Directors also regularly assess the resilience of key third-party service providers, most notably the Investment Manager and Fund Administrator. These have put in place contingency plans in the event of business disruption. The contingency plans and the viability of service providers are reviewed by the Directors on a regular basis. In making their assessments, the Directors have considered the likely impacts of international and economic uncertainties on the Company, operations and the investment portfolio. These include, but are not limited to, the war in Ukraine, political and economic instability in the UK and inflationary pressures. The Directors noted that the Company, with the current cash balance and holding a portfolio of liquid listed investments, is able to meet the obligations of the Company as they fall due.

The Investment Manager assesses the exposure to risk when making each investment decision, and monitors cash flows and the performance of the portfolio on a daily basis.

The current cash balance plus available additional borrowing, through the revolving credit facility, enable the Company to meet any funding requirements and finance future additional investments. The Company is a closed-ended fund, where assets are not required to be liquidated to meet day-to-day redemptions. 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.

2 Income

	Six months to 30 June 2023 £'000	Six months to 30 June 2022 £'000	Year to 31 December 2022 £'000
Income from investments			
Overseas dividends	**2,875**	2,405	3,772
Bank and deposit interest	**(4)**	(18)	(24)
Exchange losses on receipt of income*	**(199)**	(50)	(81)
Total income	**2,672**	2,337	3,667

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

3 Revolving Credit Facility

	Six months to 30 June 2023		Six months to 30 June 2022		Year to 31 December 2022	
	¥'000	**£'000**	¥'000	£'000	¥'000	£'000
Opening balance	**2,465,000**	**15,532**	2,930,000	18,787	2,930,000	18,787
Proceeds from amounts drawn/(repaid)	**465,000**	**2,703**	–	–	(465,000)	(3,014)
Exchange rate movement	**–**	**(2,292)**	–	(1,027)	–	(241)
Closing balance	**2,930,000**	**15,943**	2,930,000	17,760	2,465,000	15,532
Maximum facility available	**2,930,000**	**15,943**	2,930,000	17,760	2,930,000	18,462

Effective 2 February 2022, the Company extended the revolving credit facility ("the facility") for a further two years to 2 February 2024 with the ¥1.4 billion option removed to leave a facility size of ¥2.93 billion. Interest is charged at the Tokyo Overnight Average Rate ("TONAR") plus 1.15% (prior to 2 February 2022 interest was charged at LIBOR plus 0.95%).

When less than 50% of the facility is utilised, commitment fees of 0.375% are charged on undrawn balances. If over 50% is drawn down, 0.325% is payable on the undrawn amount. As at the date of this report, the Company has drawn down the ¥2.93 billion facility in full and no commitment fee is payable.

Under the terms of the facility the net assets shall not be less than £75 million and the adjusted total net assets to borrowing ratio shall not be less than 4.5:1.

Subject to the terms of the facility the Company may draw down and repay at its own discretion.

The facility is shown at amortised cost and revalued for exchange rate movements. Any gain or loss arising from changes in exchange rates is included in the capital reserves. Interest costs are charged to capital and revenue in accordance with the Company's accounting policies.

4 Dividends per Ordinary Share

A final dividend of 0.80 pence per Ordinary Share for the period ended 31 December 2022 was paid on 26 May 2023 to Ordinary Shareholders on the register at the close of business on 28 April 2023 (ex-dividend date 27 April 2023).

An interim dividend of 0.85 pence per Ordinary Share for the period ended 30 June 2023 has been declared and will be paid on 3 November 2023 to Ordinary Shareholders on the register at the close of business on 6 October 2023 (ex-dividend date is 5 October 2023).

5 Earnings per Ordinary Share

	Six months to 30 June 2023			Six months to 30 June 2022			Year to 31 December 2022		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total	Revenue	Capital	Total
Net profit/(loss) (£'000)	**1,905**	**5,863**	**7,768**	1,599	(17,452)	(15,853)	2,311	(9,302)	(6,991)
Weighted average number of Ordinary Shares			**139,450,458**			136,544,967			136,908,472
Earnings per Ordinary Share	**1.37p**	**4.20p**	**5.57p**	1.17p	(12.78p)	(11.61p)	1.69p	(6.79p)	(5.10p)

There are no dilutive instruments issued by the Company.

Notes to the Financial Statements continued

For the period ended 30 June 2023

6 Net Asset Value per Ordinary Share

The Net Asset Value per Ordinary Share is based on net assets of £167,613,000 (30 June 2022: £148,996,000; 31 December 2022: £156,395,000) and on 140,836,702 Ordinary Shares (30 June 2022: 137,461,702; 31 December 2022: 137,061,702), being the number of Ordinary Shares in issue excluding treasury shares.

7 Share Capital

	At 30 June 2023 Ordinary Shares of 1p each	
Allotted, called-up and fully paid	**Number of shares**	Nominal value £'000
Balance at beginning of period	**137,461,702**	1,375
Issue of Ordinary Shares	**3,375,000**	33
Balance at end of period	**140,836,702**	1,408
Treasury shares		
Balance at beginning of period	**400,000**	
Buyback of Ordinary Shares into treasury	**585,000**	
Issue of Ordinary Shares from treasury	**(985,000)**	
Balance at end of period	**–**	
Total Ordinary Share capital excluding treasury shares	**140,836,702**	

During the period to 30 June 2023, 4,360,000 Ordinary Shares (30 June 2022: 4,491,000; 31 December 2022: 4,491,000) were issued for a net consideration of £5,258,000 (30 June 2022: £5,187,000; 31 December 2022: £4,824,000) including 985,000 (30 June 2022: 250,000; 31 December 2022: 250,000) Ordinary Shares issued from treasury.

During the period to 30 June 2023, 585,000 Ordinary Shares (30 June 2022: nil; 31 December 2022: 400,000) were bought back and placed in treasury for an aggregate consideration of £690,000 (30 June 2022: nil; 31 December 2022: £435,000).

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 2023	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Equity Investments	**172,668**	**–**	**–**	**172,668**
	172,668	**–**	**–**	**172,668**

Financial assets at fair value through profit or loss at 30 June 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity Investments	149,498	–	–	149,498
	149,498	–	–	149,498

Financial assets at fair value through profit or loss at 31 December 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity Investments	164,323	–	–	164,323
	164,323	–	–	164,323

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 £817,000 (six months to 30 June 2022: £782,000; year to 31 December 2022: £1,516,000).

At the period end, £141,000 (30 June 2022: £127,000; 31 December 2022: £124,000) 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 2023, AVI held 1,425,000 shares of the Company.

Fees paid to Directors for the period ended 30 June 2023 amounted to £74,000 (six months to 30 June 2022: £69,000; year to 31 December 2022: £138,000).

Finda Oy and City of London Investment Management Company Limited ("City of London"), significant Shareholders of the Company, are deemed to be related parties of the Company for the purposes of the Listing Rules by virtue of their holdings in the Company's issued share capital. During the period under review no material transactions took place between the Company and Finda Oy nor City of London. As at 30 June 2023 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 2022, other than that their holding, representing 21.5% of the total voting rights, had been transferred to a subsidiary company, Finda Telecoms Oy, on 4 May 2023 (six months to 30 June 2022: 21.8%; year to 31 December 2022: 21.9%). As at 30 June 2023 the Company had been notified by City of London that its holding had reduced to 22,434,728 shares, which represented 16.0% of the total voting rights as at 30 June 2023 (six months to 30 June 2022: 16.7%; year to 31 December 2022: 17.7%).

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 to 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 Small Cap 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), and 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 9.5% (30 June 2022: 11.9%; 31 December 2022: 9.9%) represents borrowings of £15,943,000 (30 June 2022: £17,760,000; 31 December 2022: £15,532,000) expressed as a percentage of Shareholders' funds of £167,613,000 (30 June 2022: £148,996,000; 31 December 2022: £156,395,000).

The net gearing of 3.0% (30 June 2022: 0.3%; 31 December 2022: 5.1%) represents borrowings net of cash of £5,055,000 (30 June 2022: £502,000; £31 December 2022: £7,928,000) expressed as a percentage of Shareholders' funds of £167,613,000 (30 June 2022: £148,996,000; 31 December 2022: £156,395,000).

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.

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. 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 NFV/market capitalisation of 100% is zero.

Glossary continued

Ongoing Charges Ratio
The Company's Expense Ratio is its expenses (excluding finance costs and certain non-recurring items) of £1,206,000 (30 June 2022: £1,189,000; 31 December 2022: £2,322,000) (being investment management fees of £817,000 (30 June 2022: £782,000; 31 December 2022: £1,516,000) and other expenses of £389,000 (30 June 2022: £407,000; 31 December 2022: £806,000) less non-recurring expenses of £nil (30 June 2022: £nil; 31 December 2022: £nil) expressed as a percentage of the average net assets of £168,388,000 (30 June 2022: £153,515,000; 31 December 2022: £154,813,000) of the Company during the period.

The expenses for the six month periods are annualised for the purposes of the calculation and comparison.

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.

Investing in the Company

The Company's Ordinary Shares are listed 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** (by clicking on 'your dividend options' and following the on screen instructions). 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 outside the United Kingdom 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: enquiries@linkgroup.co.uk; and
- By post: Link Group, 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 NAV

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

Company Information

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Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom 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.

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AJOT

AVI Japan Opportunity Trust