

May 2025

**Investment Objective:** To achieve capital growth through investing in a focused portfolio of over-capitalised small-cap Japanese equities. Asset Value Investors will leverage its three decades of experience investing in asset-backed companies to engage with company management and help to unlock value in this under-researched area of the market.

## HEADLINES

## Kurabo Capital Efficiency

In line with AVI's suggestions, Kurabo Industries introduced a 10% ROE target for 2027, a ¥20bn buyback, a 4% DOE target, and committed to reducing cross-shareholdings and real estate.

[Read more below](#)

## Atsugi Forecasts Operating Profit

The apparel manufacturer announced guidance for FY25 ending March 2026, forecasting +5% revenue growth and a minor positive operating profit for the first time in eight years.

[Read more below](#)

## Rohto Earnings Miss Guidance

Despite Q4 revenue and EBIT growing +19% and +39% YoY, Rohto failed to meet original guidance. Management now see the core skincare and eye-drops businesses as long-term growth drivers.

[Read more below](#)

## THE TRUST

Share Price (pence)

165.5

NAV (pence)

169.5

Prem./(Disc.)

(2.4)%

EV/EBIT

7.0x

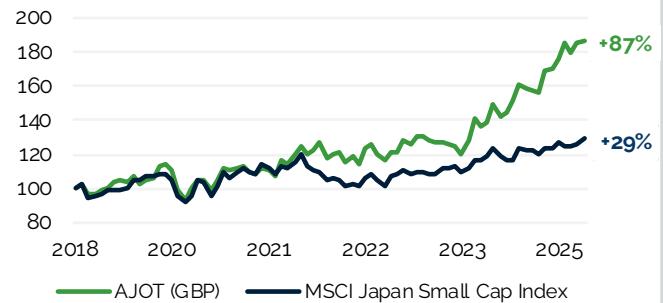
Net Cash/Market Cap<sup>1</sup>

22.4%

NFV/Market Cap<sup>2</sup>

49.8%

## NAV Total Return Since Inception (GBP)

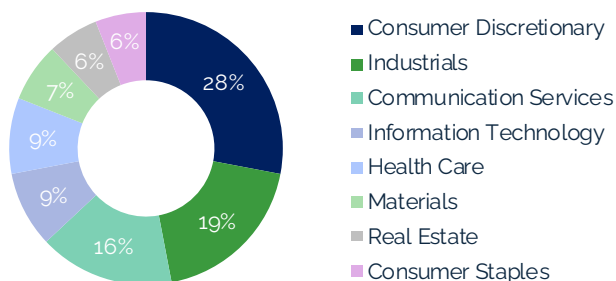


		Month	3 Month	YTD	1Y	3Y	5Y	SI*
GBP	AJOT NAV	0.9%	0.5%	9.9%	29.5%	56.9%	75.9%	86.6%
	MSCI Japan Small Cap	2.5%	3.8%	4.7%	10.6%	26.7%	22.8%	29.3%
JPY	AJOT NAV	3.0%	3.1%	8.6%	26.0%	88.3%	157.0%	149.8%
	MSCI Japan Small Cap	4.7%	6.5%	3.5%	7.6%	52.0%	79.4%	73.0%

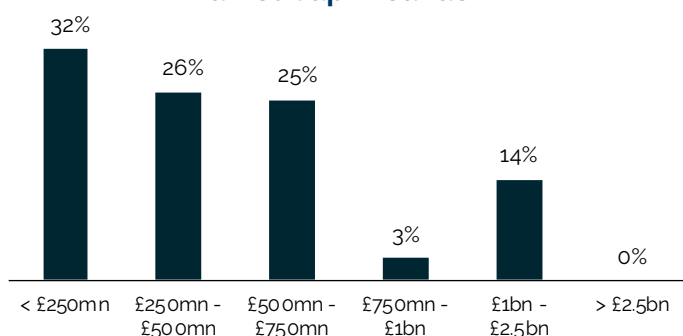
All performance shown net of fees and as at 31/05/2025. Source: Morningstar. Benchmark: MSCI Japan Small Cap Total Return Index. \*23 October 2018 Start Date.

## PORTFOLIO

## Sector Breakdown\*



## Market Cap Breakdown\*



\*All Figures shown as % of Portfolio

## Top Ten Holdings\*\*

	%
Kurabo Industries	12.8
TSI Holdings	10.1
Raito Kogyo	7.5
Eiken Chemical	7.4
Atsugi	7.3
Aoyama Zaisan Networks	6.6
Broadmedia	6.5
Wacom	6.4
Rohto Pharmaceutical	6.4
Sharingtechnology	5.9
<b>TOTAL</b>	<b>76.9</b>
% Net Gearing	5.3
No. of Holdings	22

<sup>1</sup> Net cash = Cash - Debt

<sup>2</sup> Net Financial Value (NFV) = Net cash + Investment Securities - Minority Interest

\*\*All Figures shown as % of Net Asset Value

## MANAGER'S COMMENT

AJOT's NAV increased by +0.9% (in GBP) and +3.0% (in JPY) over the month, while the benchmark returned +2.5% (in GBP) and +4.7% (in JPY).

The two largest contributors to performance over the month were Kurabo Industries (+14% share price), which announced measures to enhance capital efficiency, and Atsugi (+19%), which forecast its first operating profit in eight years for FY26. Meanwhile, Rohto Pharmaceutical (-15%) missed their original earnings guidance and was the most notable detractor, although they made positive disclosures in their medium-term plan.

During May, the team visited most portfolio companies to discuss our engagement suggestions, progress toward corporate reform and medium-term plans. AVI's constructive engagement strategy has a unique focus on operational improvements, in addition to the traditional activist themes of capital efficiency, shareholder communication, and corporate governance. The AJOT portfolio has remained resilient in a turbulent 2025, demonstrating continued outperformance of the benchmark by +5.2% (in GBP) and +5.1% (in JPY) YTD to month-end. The portfolio's focus on companies that predominantly derive their revenue domestically has limited the impact of the tariff fallout.

Across the AJOT portfolio, AVI made several large ownership declarations in May, including a 5% declaration in Kurabo Industries, the largest position in the portfolio. AVI now holds more than 5% of the voting rights in 12 portfolio names, which account for 75% of NAV. During May, AVI increased its stake in Broadmedia to hold 27% of the voting rights, with the holding accounting for 6.5% of AJOT's NAV.

Building large stakes is beneficial for AVI's differentiated engagement strategy, as it signals to management teams our intention to unlock long-term value through constructive engagement, focusing on operational improvements in addition to the traditional engagement areas.

The team has several high-conviction ideas in the pipeline, and we look forward to continuing to uncover opportunities in the under-researched small to mid-cap market, with a focus on overcapitalised high-quality companies with scope for improvement through our constructive engagement.

#### **Kurabo Industries (3106) – Capital Efficiency Enhancement in MTP (Medium-Term Plan)**

Kurabo Industries was the largest contributor over the month, adding +137bps to performance as its share price rose by +14%.

Kurabo Industries, originally established as a textile manufacturer, has diversified its operations over the years to include chemicals, advanced technology, food and services, and real estate. Kurabo has a history of stable revenues and has doubled its operating margin in recent years.

Much of our engagement with the company has focused on encouraging management to direct resources towards the high-quality chemicals and advanced technology segments, and away from the unprofitable textiles business. Pleasingly, in March, Kurabo Industries announced plans in line with our recommendations, to close down its largest and most unprofitable textile factory, the Anjo Plant, by June 30, 2025.

During May, Kurabo implemented many of AVI's suggestions into its annual results and MTP. Highlights include introducing a 10%

ROE target for 2027, a ¥20bn buyback, a 4% DOE target, committing to reducing cross-shareholdings to 20% of net assets by 2027 and committing to sell underutilised real estate. Operating profit guidance for FY26 is down -22% YoY, partly due to the one-off cost associated with shutting down the unprofitable textile factory.

Kurabo Industries was added to the portfolio in January 2024 and is now the largest holding, accounting for 12.8% of AJOT's NAV, with the investment already generating a +63% ROI, for an IRR of +86% to month-end (in JPY).

#### **Atsugi (3529) – Forecasts First Operating Profit**

Atsugi was the second largest contributor over the month, adding +100bps to performance as its share price rose +19%.

Atsugi is an apparel manufacturer primarily known for producing stockings, innerwear, and legwear for women. The company manufactures and retails under its own brands.

The company announced its full-year FY24 ending March 2025 earnings, with revenue growing by +3% YoY, however, operating income remained negative. Guidance for FY25 ending March 2026 forecasts +5% revenue growth and a minor positive operating profit for the first time in eight years. Also included in the announcement was the disclosure of a 'restructuring cost' amounting to ¥1.8bn, which was compensated for by the sale of cross-shareholdings.

Added to the portfolio in July 2024, Atsugi accounted for 7.3% of AJOT's NAV at month-end as the fifth largest holding. We see significant upside to the current share price and to month-end, our investment has generated an ROI of +39% for an IRR of +85% (in JPY).

#### **Rohto Pharmaceutical (4527) – Positive MTP Direction, but Earnings Miss Guidance**

Rohto Pharmaceutical ("Rohto") was the largest detractor, reducing performance by -131bps as its share price fell -15%.

Rohto is the largest skincare and eye-drop manufacturing company in Japan, yet trades at a significant discount to peers. AVI believes that Rohto's undervaluation can be explained by the lack of focus on its core businesses, misleading IR communication, and lower allocation to shareholder returns than its peers. Specifically, management needs to reallocate its R&D spending from low-profit business areas such as the prescription drug business and regenerative medicine business, towards its high-value, high market share product lines, such as skin care products.

During the month, Rohto announced its full-year FY24 ending March 2025 earnings, and despite strong Q4 headline numbers of revenue growing +19% YoY and EBIT growing +39% YoY, the company failed to meet its original annual guidance. Pleasingly, in line with our suggestions, Rohto announced its first mid-term plan, which indicated management now views the core skincare and eye-drops businesses as long-term growth drivers.

Added to the portfolio in September 2024, Rohto Pharmaceutical accounted for 6.4% of AJOT's NAV at month-end as a top 10 holding. We see significant upside to the current share price, and to month-end, our investment has returned an ROI of -18% for an IRR of -48% (in JPY).

## STATISTICS

Contributors / Detractors (GBP)<sup>1</sup>

Largest Contributors	Monthly Con bps	% Weight <sup>2</sup>
Kurabo Industries	137	12.8
Atsugi	100	7.3
Wacom	76	6.4
DTS	57	3.4
Raito Kogyo	43	7.5

Largest Detractors	Monthly Con bps	% Weight <sup>2</sup>
Rohto Pharmaceutical	-131	6.4
Sharingtechnology	-102	5.9
Eiken Chemical	-84	7.4
Aoyama Zaisan Networks	-60	6.6
Synchro Food	-34	4.3

## Performance Summary (GBP)

Period Net Returns (%)****	1M	1Y	3Y	5Y	SI
Share Price TR	1.4	34.3	55.6	72.6	78.6
Net Asset Value TR	0.9	29.5	56.9	75.9	86.6
MSCI Japan Small Cap	2.5	10.6	26.7	22.8	29.3
CY Net Returns (%)	YTD	2024	2023	2022	2021
Share Price TR	9.5	21.5	14.8	-6.0	10.0
Net Asset Value TR	9.9	20.9	15.8	-4.3	12.3
MSCI Japan Small Cap	4.7	6.2	6.9	-1.0	-1.4

## Trust Details

Capital Structure	
Ordinary Shares	137,198,943
Shares held in Treasury	1,360,716
TONAR + 1.55% Revolving Credit facility	¥6,600,000,000
Gross Assets/Gearing	
Gross Assets	£264.2m
Debt at fair value (gross)	£33.9m
Gearing (net)*****	5.3%

Fund Facts	
Launch Date	23-Oct-18
Net Assets	£230.3m
Investment Manager	Asset Value Investors Limited
AJOT Shares Owned by the Manager**	3,278,855
Shareholder Services	MUFG Corporate Markets
Management Fee***	1.0% of lower of market cap or NAV
Website	<a href="http://www.ajot.co.uk">www.ajot.co.uk</a>
Ticker Code	AJOT.LN
ISIN	GB00BD6H5D36

All performance shown in GBP Total Return and as at 31/05/2025

Source: Morningstar for all performance figures

\*23 October 2018 Start Date

\*\* Shares owned by AVI Ltd & AVI employees

\*\*\* 25% of Management Fee is reinvested in shares of AJOT

\*\*\*\* Returns stated net of fees

\*\*\*\*\* Net gearing at fair value

<sup>1</sup>Contributors and detractors from Facstet

<sup>2</sup>All Figures shown as % Net Asset Value

## Investment Manager – Joe Bauernfreund

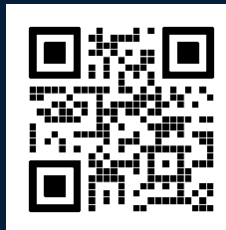
AVI Ltd. +44 20 7659 4800 [info@ajot.co.uk](mailto:info@ajot.co.uk)

The share price can be found in [The Financial Times](#).  
ISIN: GB00BD6H5D36 Trading as: [AJOT:LN](#)

Information may be found on the following websites:

[www.ajot.co.uk](http://www.ajot.co.uk)

[www.assetvalueinvestors.com](http://www.assetvalueinvestors.com)



## IMPORTANT INFORMATION

All figures are as at the period under review unless otherwise stated. All sources Asset Value Investors Ltd ("AVI") unless otherwise stated. AVI is authorised and regulated by the Financial Conduct Authority of the United Kingdom (the "FCA") and is a registered investment adviser with the Securities and Exchange Commission of the United States. While AVI is registered with the SEC as an investment adviser, it does not comply with the Advisers Act with regard to its non-U.S. clients. This document does not constitute an offer to buy or sell shares in AVI Japan Opportunity Trust plc (the "Trust"). The contents of this message are not intended to constitute, and should not be construed as, investment advice. Potential investors in the Trust should seek their own independent financial advice. AVI neither provides investment advice to, nor receives and transmits orders from, investors in the Fund.