

May 2025

Investment Objective:

The investment objective of the Fund is to generate long-term returns through investment in a focused portfolio of over-capitalised Japanese equities while engaging with company management to help unlock value.

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 FUND

Fund Launch Date

22/04/24

A GBP NAV per share

£120.43

Cash

4.8%

Net Performance (GBP)

	Month	3 Month	YTD	SI ¹
A GBP Share Class	0.4%	0.5%	10.0%	20.4%
MSCI Japan Small Cap	2.5%	3.8%	4.7%	7.4%
IA Japan	3.5%	2.8%	3.3%	6.4%

NAV Total Return Since Inception (GBP)

Past performance does not predict future returns. All performance is shown in GBP, net of fees and including net dividends as at 31/05/2025. Returns may increase or decrease as a result of currency fluctuations. Source: Morningstar. Benchmark: MSCI® Japan Small Cap Net Total Return Index. The Fund is actively managed with reference to the MSCI® Japan Small Cap Index Net Total Return for performance comparison purposes. The portfolio is unconstrained by the benchmark and holdings may deviate significantly from those in the benchmark index. The fund was attributed the IA Japan sector by The IA. The IA Japan sector consists of The IA member UK based funds which invest at least 80% of their assets in Japanese equities. The use of the IA Japan sector is purely indicative and should not be used as a benchmark. For further information on the The IA and its sectors, visit www.theia.org. ¹Share Class Launch Date 22nd April 2024.

PORTFOLIO

Top Ten Holdings²

	%
Kurabo Industries	9.3
TSI Holdings	8.0
Raito Kogyo	5.4
Rohto Pharmaceutical	4.8
Eiken Chemical	4.7
Atsugi	4.6
Synchro Food	4.4
Dai Nippon Printing	4.4
Mitsubishi Logistics	4.1
Sharingtechnology	4.1
TOTAL	53.8
No of Holdings	29

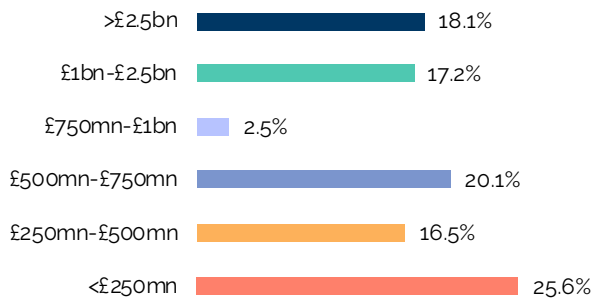
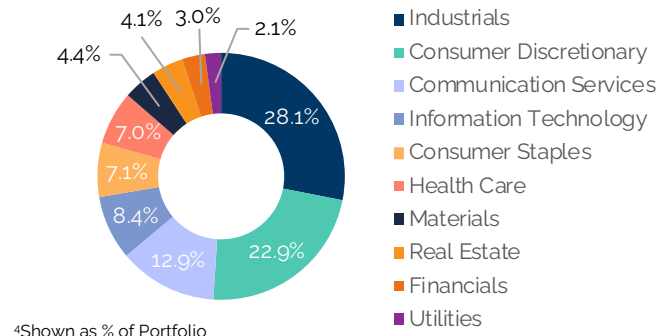
Contributors & Detractors (GBP)³

Largest Contributors	Monthly Con bps	% Weight ²
Kurabo Industries	93	9.3
Atsugi	66	4.6
DTS	62	3.5
Mitsubishi Logistics	46	4.1
Raito Kogyo	29	5.4

Largest Detractors	Monthly Con bps	% Weight ²
Rohto Pharmaceutical	-81	4.8
Eiken Chemical	-78	4.7
Sharingtechnology	-61	4.1
Aoyama Zaisan Networks	-39	3.9
Wakamoto Pharmaceutical	-29	2.0

²Shown as % of Net Asset Value³Contributors and detractors from Facstet

PORTFOLIO (continued)

Market Cap Breakdown⁴Sector Exposure⁴

PERFORMANCE SUMMARY

%	Share Class	NAV per share	Month	3 Month	YTD	SI ¹
GBP	A GBP	£120.43	0.4	0.5	10.0	20.4
	MSCI Japan Small Cap	-	2.5	3.8	4.7	7.4
JPY	A JPY	¥12,226.95	1.9	2.9	7.3	22.3
	MSCI Japan Small Cap	-	4.7	6.5	3.5	9.6
EUR	B EUR	€123.95	1.6	-1.3	8.4	24.0
	MSCI Japan Small Cap	-	3.6	1.9	2.8	10.2
GBP	B GBP	£120.74	0.4	0.6	10.0	20.7
	MSCI Japan Small Cap	-	2.5	3.8	4.7	7.4
JPY	B JPY	¥11,430.23	1.9	2.9	7.5	14.3
	MSCI Japan Small Cap	-	4.7	6.5	3.5	6.5
USD	B USD	\$131.98	1.3	7.6	17.7	32.0
	MSCI Japan Small Cap	-	3.5	11.2	12.7	17.5
GBP	B1 GBP ⁵	£117.78	0.4	0.5	8.6	17.8
	MSCI Japan Small Cap	-	2.5	3.8	4.7	7.4

Past performance does not predict future returns. All performance is shown net of fees and including net dividends as at 31/05/2025. Source: Morningstar. Benchmark: MSCI® Japan Small Cap Index Net Total Return. The Fund is actively managed with reference to the MSCI® Japan Small Cap Net Total Return Index for performance comparison purposes as well as for the purposes of calculating the performance fee. The performance of each share class is stated in the share class relevant currency as specified in the table. The performance of the benchmark has been converted into the currency of the relevant share class for comparison purposes. Returns may increase or decrease as a result of currency fluctuations. The portfolio is unconstrained by the benchmark and holdings may deviate significantly from those in the benchmark index. ¹Share Classes Launch Date was 22nd April 2024 except for the B JPY Share Class which launched on 28th June 2024. ⁵Performance fee share class - 0.50% management fee + 15% of outperformance of benchmark.

MANAGER'S COMMENT

AJSS' NAV increased by +0.4% (in GBP), while the benchmark returned +2.5% (in GBP).

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 AJSS portfolio has remained resilient in a turbulent 2025, demonstrating continued outperformance of the benchmark by +5.3% (in GBP) 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 AJSS 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 51% of NAV. During May, AVI increased its stake in Broadmedia to hold 27% of the voting rights, with the holding accounting for 3.8% of AJSS' NAV.

MANAGER'S COMMENT

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 +93bps 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 has been in the fund since April 2024 inception, and is now the largest holding, accounting for 9.3% of AJSS' NAV, with the investment already generating a +30% ROI, for an IRR of +97% to month-end (in JPY).

Atsugi (3529) – Forecasts First Operating Profit

Atsugi was the second largest contributor over the month, adding +66bps 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 4.6% of AJSS' NAV at month-end as the sixth largest holding. We see significant upside to the current share price and to month-end, our investment has generated an ROI of +32% for an IRR of +75% (in JPY).

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

Rohto Pharmaceutical ("Rohto") was the largest detractor, reducing performance by -81bps 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 4.8% of AJSS' 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 -12% for an IRR of -43% (in JPY).

RISK & REWARD

Fund Attributes

- High-conviction concentrated portfolio
- Actively managed with specialist experience in constructive engagement
- Sector agnostic, bottom-up approach
- Capitalising on corporate governance reform in Japan

Fund Risks

As a focused equity portfolio of between 25 and 35 investments, the fund can involve higher risk and higher volatility. The value of an investment can fall as well as rise as a result of market and currency movement; you may not get back the amount originally invested. You should therefore regard your investment as long term. Details on the risk factors are included in the fund's prospectus, available on our website.

ESG

ESG Integration

ESG is integrated into each stage of our investment process. AVI has eschewed a box-ticking approach to ESG and developed a proprietary ESG monitoring system.

Engagement is central to our strategy. Our ESG monitoring system helps to highlight areas where we can actively engage with portfolio companies to build resilience to sustainability risks, promote responsible attitudes, and enhance sustainable corporate value.

For more information, AVI's ESG Report can be accessed on its website [here](#)

Article 6

This Fund has an Article 6 classification within the meaning of the Sustainable Finance Disclosure Regulation (SFDR). Engagement is central to delivering long term returns, and we integrate environmental, social and governance (ESG) factors into our risk management on an ongoing basis. As part of our engagement process, we monitor the climate-related risks of our portfolio companies within a bespoke system developed for AVI. However, the Fund does not have a sustainability objective.

Signatory of:



FUND DETAILS

AVI Japanese Special Situations Fund

Fund Launch Date	22 nd April 2024
Base Currency	JPY
Net Assets Value	JPY 8.1bn / GBP 41.8m
Cash	4.8%
IA Sector	Japan
Fund Structure	UCITS
Fund Domicile	Ireland
Investment Manager	Asset Value Investors
Manager	Gateway Fund Services
Administrator/Transfer Agent	Société Générale
Dealing	Daily
Subscription Deadline	1 Business Day prior by 12PM
Dealing Information*	info@assetvalueinvestors.com

*Also available on all major platforms.

Share Classes

Share Class	OCF ⁶ (%)	ISIN	Ticker
A (GBP)	1.35	IE0000B7RI69	AVIJASA ID
A (JPY)	1.35	IE000SRLWUF2	AVIJAAJ ID
B (EUR)	1.15	IE000Z7QO7O0	AVIJASB ID
B (GBP)	1.15	IE000STVDBB6	AVIJABG ID
B (JPY)	1.15	IE000BBWIQL4	AVIJPSB ID
B (USD)	1.15	IE000UIN5KK5	AVIJABU ID
B1 (GBP) ⁵	0.85	IE000OPWA0E7	AVIJAB1 ID

Benchmark: MSCI[®] Japan Small Cap Total Return Index

⁵Performance fee share class - 0.50% management fee + 15% of outperformance of benchmark

⁶Ongoing Charges Figure

Investment Manager – Joe Bauernfreund

AVI Ltd. +44 20 7659 4800 info@assetvalueinvestors.com

The share price can be found in [AJSS - Asset Value Investors](#)

Further information may be found 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 Japanese Special Situations (the "Fund"). The contents of this message are not intended to constitute, and should not be construed as, investment advice. Potential investors in the Fund should seek their own independent financial advice. AVI neither provides investment advice to, nor receives and transmits orders from, investors in the Fund.

This is a marketing communication. Please refer to the Prospectus and the KIID, available at www.assetvalueinvestors.com/ajss, before making any final investment decision. Gateway Fund Services Limited is authorised and supervised by the Central Bank of Ireland under reference number C18307. A summary of investor rights associated with an investment in the Fund shall be available in English from www.gatewayfundservices.com.

MSCI[®] is a registered trademark of MSCI Inc. and/or its affiliates. The use of MSCI indices or data does not imply sponsorship, endorsement, or affiliation with MSCI.