

The Prospect Japan Fund Limited

Bloomberg Yen / USD	PJF LN 102.51	NAV Performance (USD) %				
			April	YTD	1 Year	3 Year
NAV (USD)	1.33	The Prospect Japan Fund Limited	-1.48	3.10	13.68	46.15
Price (USD)	1.07	Topix Small Index	-2.17	-2.62	-1.41	29.76
Premium/ Discount %	-19.72%					

The Prospect Japan Fund Limited's inception date is 20 December 1994. Above performance of the Fund is net of fees and expenses and includes reinvestment of dividends and capital gains. Topix Small Cap Index (TPXSM) performance cited above is the total return including the reinvestment of net dividends into the index denominated in US Dollars (Source: Bloomberg). One cannot invest directly in an index. TPXSM is a capitalization - weighted index designed to measure the performance of the stocks listed on the First Section of the Tokyo Stock Exchange, excluding the TOPIX 500 stocks and non-eligible stocks.

The NAV is published in the 'Other Offshore Funds' column of the Financial Times. The NAV and Price are located on Bloomberg page PJF LN. The NAV and Indicated Prices are also listed on Bloomberg page LCFR and Reuters page LCFR07.

The Fund declined 1.48% during the month in USD, in line with the Topix Small Index' 2.17% decline. The Fund has outperformed YTD, gaining 3.10% versus the index' 2.62% decline.

Strong performance came from Tri-Stage (2178) and Katakura Industries (3001). Tri-Stage, a marketing consultant service provider, gained after reporting its full year results, and forecasts for 13.4% year-on-year net profit growth for the FY 2015. Katakura, a shopping mall operator engaged in the manufacture and sale of textiles, pharmaceuticals and auto parts, continued its outperformance following full year results. The company reported that the redevelopment of a large commercial facility near Tokyo proceeds on schedule. The unrealized gains on the company's rental assets rose 12.1% year-on-year to JPY 87.1 billion, vs a market cap of JPY 46.3 billion at month end.

Weakness came from and Akatsuki Financial Group (8737) and Gro-Bels (3528).

Akatsuki Financial Group, a commodity futures trader, continued its decline from six-year highs along with the broader securities and commodities traders market. Gro-Bels, a condominium developer, retreated ahead of its full year results announcement, though the company remains ahead of the broader real estate index year-to-date.

Japanese equities retreated for a fourth month this year, as the yen strengthened following a 3 percentage point increase in the consumption tax at the beginning of the month. The end of the month marked the beginning of the full year earnings announcement season, with net profits up 215% year-on-year for the 282 companies reporting thus far.

The Bank of Japan refrained from expanding stimulus during the month, as the question of BoJ expansion of its already historic monetary easing program remains in focus. The bank left inflation forecasts unchanged following the April meeting, suggesting the likelihood of changes to its stimulus package is unlikely in the near term. Expectations are that expansion of the core stimulus program could be seen from July, when the full impact of the tax increase is seen, and timed to coincide with the administration's "Third Arrow" growth strategy announcement. March Core National CPI (excluding fresh food) came in at

+1.3%, while Tokyo April Core CPI was reported at +2.7% (BoJ assumption of +1.0% excluding the effect of the sales tax increase).

While overall regular wages fell 0.4% yoy in March, there were some positive data this month regarding the outcome of recent wage negotiations. Monthly pay (excluding bonuses) set to increase an average of 2.4% yoy, according to a survey of Tokyo Stock Exchange first section companies conducted by the Japanese Business Federation (Keidanren). The Japan Trade Union Congress (Rengo), the largest trade union in Japan, which includes smaller companies, reports an average total pay (including bonuses) rise of 5.7% following spring negotiations.

The Government Pension Investment Fund (GPIF) announced a reshuffling of its committee members, reducing the members to 8 from 10 and adding two new members who were part of last year's policy panel that recommended a more aggressive investment strategy for the fund.

Panel suggestions included a JPY 25 trillion divestment from JGBs with the Bank of Japan as a potential buyer. Total bond holdings should represent a 35% allocation (vs 66% as of 2013 end). Portfolio realignment is expected by June, according to Takatoshi Ito, the chair of last year's government advisory panel. Domestic stock strategy changes were announced earlier in the month, with a shift towards smart-beta strategies and a focus on higher ROE companies.

While the Trans-Pacific Partnership trade pact negotiations continue to stall, Japan managed to reach a bilateral tariff reduction agreement with Australia this month. The agreement will see the reduction of tariffs on Australian beef and Japanese automobiles over the course of the next 18 years.

Miki Shoji reported that vacancy rates in Tokyo's Central Business District broke through the 7.0% mark for the first time since May 2009, falling 0.31 ppt to 6.70% in March. The decline in vacancy was aided solid leasing at existing office properties. Average vacancies declined in

all five CBD areas, and average rents increased in all but one.

REIT

In USD, the TSEREIT index saw a total return of 3.18% month-on-month, outperforming the Nikkei 225's 2.65% decline. Year-to-date, J-REITs extended their outperformance, +3.18% vs the Nikkei's 8.99% decline.

The Bank of Japan purchased a total of JPY 1.8 billion in J-REIT units during the month, bringing total purchases to JPY 8.7 billion out of the JPY 30 billion target for direct purchases in 2014. The total amount of units purchased to date now stands at JPY 149.7 billion.

The Government Pension Investment Fund announced new investment managers who benchmark against the MSCI Japan and S&P GIVI Japan, which include J-REITs. This should be positive for the sector supply and demand conditions.

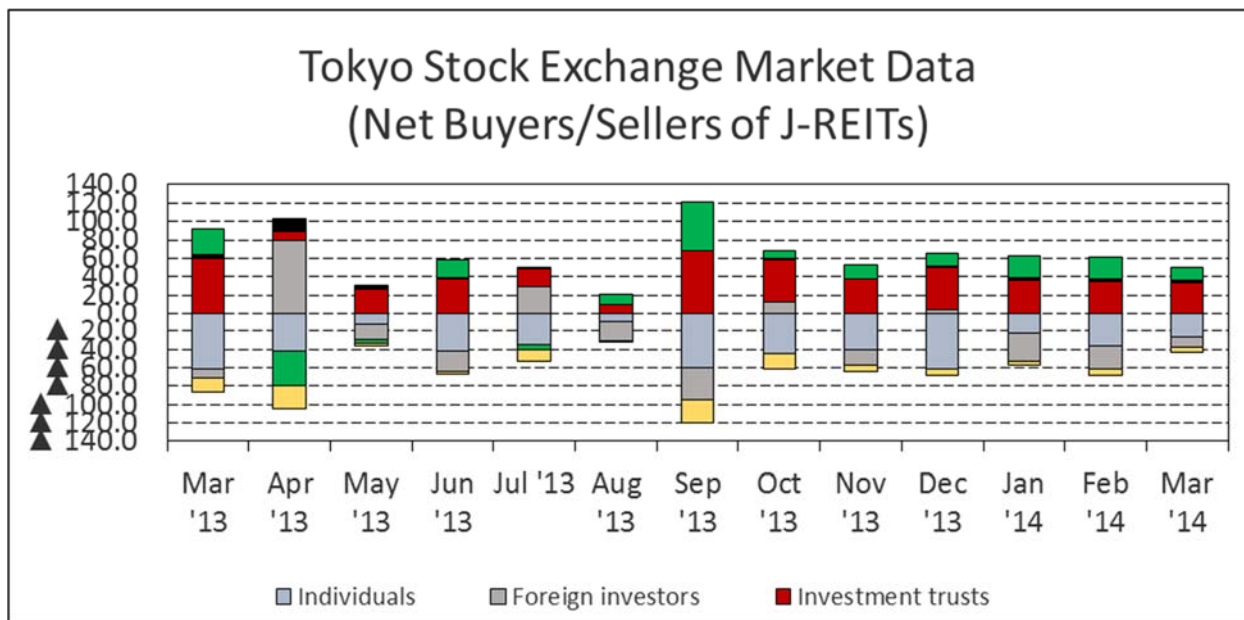
Two J-REITs announced new equity issuances during the month, planning to raise a total of about JPY 29.2 billion for property acquisition and debt repayment.

There was a total JPY 45.8 billion in property acquisitions announced during the month, along with JPY 1.4 billion in dispositions.

Note: As of 30 April 2014, of the Fund, Tri-Stage (2178) is 6.51%, Katakura Industries (3001) is 9.45%, Grob-Bels (3528) is 4.61%, and Akatsuki Financial Group (8737) is 4.59%.

(Sources: Bloomberg, CLSA, Miki Shoji, TSE)

(JPY billion)



Sector Weightings

Real Estate	16.6
Diversified Financial Services	9.5
Storage/Warehousing	8.3
Engineering & Construction	7.4
Machinery-Diversified	6.9
Advertising	6.5
Retail	5.5
REITs	3.6
Banks	2.5
Transportation	2.0
Distribution/Wholesale	0.9
Building Materials	0.6
Total**	70.3
No of Positions	25

Top 10 Holdings

Symbol	Security	% of Total Assets
3001	KATAKURA INDUSTRIES CO LTD	9.5
1921	TOMOE CORP	7.4
2178	TRI-STAGE INC	6.5
7404	SHOWA AIRCRAFT INDUSTRY CO LTD	5.9
8205	SHAKLEE GLOBAL GROUP INC	5.2
3528	GRO-BELS CO LTD	4.6
8737	AKATSUKI FINANCIAL GROUP INC	4.6
9324	YASUDA WAREHOUSE CO LTD/THE	4.5
gktaihei	GODO KAISHA TAIHEIYO JISHO #1 BOND	4.1
3227	MID (REIT)	3.6

Percentage weightings are Prospect Asset Management's internal calculations and have not been reconciled by the administrator.

**Results of calculations as presented may not be exact due to rounding and precision of stored values.

Important Legal Information – Please Read

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The Prospect Japan Fund Limited "Company" is a closed-end investment company incorporated in Guernsey and listed on the London Stock Exchange. The Company's investment objective is to achieve long-term capital appreciation from a portfolio of securities primarily of smaller Japanese companies listed or traded on Japanese Stock Markets.

There are risks involved with investing, including possible loss of principal. In addition to the normal risks associated with investing, narrowly focused investments, investments in smaller companies, illiquid investments and investments in a single country typically exhibit higher volatility. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations.

Fund price and index performance calculations are obtained from Bloomberg and are as of the end of the month. NAV performance calculations are provided by PAMI and are un-audited. As of August 2003, the benchmark index changed from TSE2 to Topix Small since its characteristics with respect to average market capitalization more closely resemble the investment strategy pursued by the portfolio. The investment return and principal value of an investment will fluctuate so that an investor's shares when redeemed may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. Additional information regarding policies for calculation and reporting returns is available upon request.

The Board of The Prospect Japan Fund Limited decided that the PJF should become a member of the AIC (The Association of Investment Companies) in 2005. The AIC only accepts valuations where the underlying assets are valued on a 'Fair' basis, which in the case of PJF, means on a bid basis (per the AIC). Upon The Prospect Japan Fund Limited's Board approval, the Fund's administrator Northern Trust made a change to the pricing methodology in February 2006, whereby underlying assets in the Fund are valued using the 'last bid price.' Consequently, the Fund's Net Asset Value and performance from February 2006 reflects the change in this pricing methodology. In addition, in newsletters from February to September 2006, as a result of the new pricing methodology, Prospect had been calculating a performance based on an un-rounded Net Asset Value. In October 2006, Prospect made a decision to calculate performance based on a Net Asset Value rounded to the nearest hundredth. Therefore, the monthly performance from February to September was modified to reflect this change. The performance from October 2006 and going forward will incorporate this change.

Prospect Asset Management Inc. is registered as an investment adviser under the United States Investment Advisers Act of 1940, as amended, with Securities and Exchange Commission number 801-47749. The company specializes in investment in Japanese equities and real estate and seeks investments offering what PAMI considers above average earnings while trading at reasonable valuations.