

The Prospect Japan Fund Limited

Bloomberg Yen / USD	PJF LN 101.39	NAV Performance (USD) %				
			June	YTD	1 Year	3 Year
NAV (USD)	1.39	The Prospect Japan Fund Limited	2.21	7.75	20.87	51.09
Price (USD)	1.16	Topix Small Index	7.58	7.24	18.92	37.85
Premium/ Discount %	-16.57%					

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 gained 2.21% for the month, underperforming the TOPIX Small index' 7.58% month-on-month rise. Year to date, the Fund has outperformed, gaining 7.75% vs. the index' 7.24% gain.

Strong monthly performance came from Katakura Industries (3001) and Tri-Stage Inc (2178). Katakura, a shopping mall operator engaged in the manufacture and sale of textiles, pharmaceuticals and auto parts, outperformed strongly following last month's decline following its Q1 results announcement. Tri-Stage, a marketing consultant service provider, outperformed strongly ahead of Q1 results announcement at the end of the month.

Weakness came from Shaklee Global Group (8205) and Gro-Bels (3528). Shaklee Global Group, a seller of nutrition and personal care products, saw shares decline on profit taking after reaching all-time highs in May. Gro-Bels, a condominium developer, saw pullback after shares gained as much as 28% following last month's announced intention to merger with wholly owned subsidiary Prospect Co., Ltd. The merger date is expected to be 1 October 2014, with the group name changed to Prospect Co., Ltd. on the same date.

Equities rose for a second consecutive month, on stronger than expected Q1 GDP numbers, ministry approval for corporate tax cuts and expectations for increased pension fund allocation to equities.

The Abe administration committed to corporate tax reform during the month, calling for reducing the rate to the 20 ~ 29% range, with incremental cuts starting as soon as FY 2016. The fall in tax revenue would be compensated for by widening the tax base.

The Bank of Japan remained steadfast again this month, adding no new stimulus. The central bank sees steady progression towards its 2% inflation goal. Economic news was largely positive, with Q1 GDP coming in higher than consensus at an annualized 6.7%, due to a 7.4% quarter-on-quarter rise in business spending.

Focus remains on the expected H2 2014 Government Pension Investment Fund (GPIF) reshuffling into equities. Which, in combination with other pension fund realloca-

tion, Bank of Japan ETF purchases, and tax-free Nippon Individual Savings Accounts (NISA) buying, could add as much as JPY 16 trillion in domestic demand.

Miki Shoji reported that vacancy rates in Tokyo's Central Business District declined for the eleventh consecutive month, falling 0.12 ppt to 6.52% in May. Average rents in the CBD rose slightly for the fifth consecutive month, up 0.21% year-on-year.

REIT

In USD, the TSEREIT index saw a total return of 2.97% month-on-month, underperforming the Nikkei 225's 4.19% gain. Year-to-date, J-REITs continue to outperform, +11.36% vs the Nikkei's -2.60% performance.

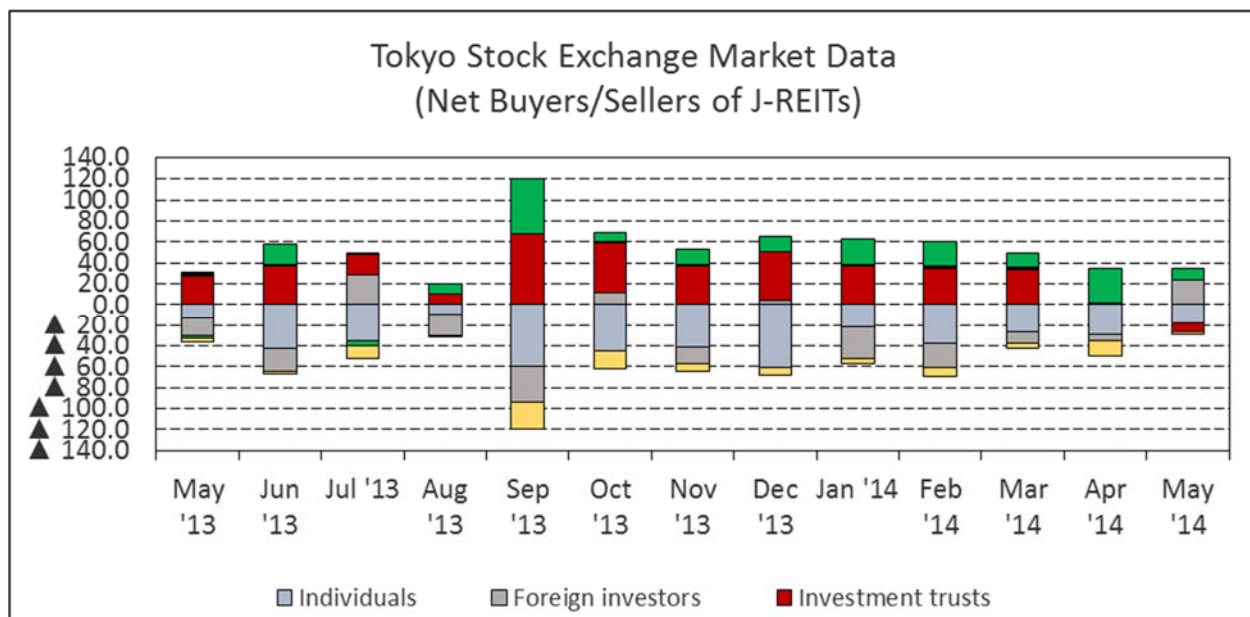
The Bank of Japan purchased a total of JPY 1.2 billion in J-REIT units during the month, bringing total purchases to JPY 10.2 billion out of the JPY 30 billion target for direct purchases in 2014. The total amount of units purchased to date now stands at JPY 151.2 billion.

Two J-REITs announced new equity issuances during the month, planning to raise a total of about JPY 45.2 billion for property acquisition and debt repayment. Proceeds from the issuance will support a 51% expansion in AUM and refinancing to low interest, long-term loans.

There was a total JPY 89.5 billion in property acquisitions announced during the month, along with JPY 9.2 billion in disposals.

Note: As of 30 June 2014, of the Fund, Tri-Stage Inc (2178) is 8.72%, Katakura Industries (3001) is 8.23%, Gro-Bels (3528) is 2.26%, and Shaklee Global Group (8205) is 13.14%.

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



(JPY billion)

Sector Weightings

Retail	13.4
Real Estate	13.0
Diversified Financial Services	10.5
Advertising	8.7
Storage/Warehousing	8.4
Engineering & Construction	7.2
Machinery-Diversified	6.2
Banks	4.8
Transportation	2.7
Building Materials	1.4
Distribution/Wholesale	0.8
REITs	0.0
Total**	77.0
No of Positions	25

Top 10 Holdings

Symbol	Security	% of Total Assets
8205	SHAKLEE GLOBAL GROUP INC	13.1
2178	TRI-STAGE INC	8.7
3001	KATAKURA INDUSTRIES CO LTD	8.2
1921	TOMOE CORP	7.2
7404	SHOWA AIRCRAFT INDUSTRY CO LTD	5.7
8737	AKATSUKI FINANCIAL GROUP INC	5.1
8563	DAITO BANK LTD/THE	4.8
9324	YASUDA LOGISTICS CORPORATION	4.5
gktaihei	GODO KAISHA TAIHEIYO JISHO #1 BOND	4.0
9308	INUI WAREHOUSE CO LTD	2.3

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.

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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.