

The Prospect Japan Fund Limited

Monthly Review

Bloomberg	PJF LN	NAV Performance (USD) %	November	YTD	1 Year	3 Year
Yen / USD	118.15	The Prospect Japan Fund Limited	-9.60	-12.40	-12.40	39.51
NAV (USD)	1.13	MSCI Japan Small Cap Index	-1.14	-1.17	-0.36	32.37
Price (USD)	0.93					
Premium/ Discount %	-17.28					

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 Prospect Japan Fund Limited inception date is 20 December 1994. The above performance of the Fund is net of fees and expenses and includes reinvestment of dividends and capital gains. (Source: Prospect Asset Management, Inc.) Although the Company is not managed to a benchmark, it measures its performance against the MSCI Japan Small Cap Index (Total Return) for comparison purposes only. The MSCI Developed Markets Small Cap Indices offer an exhaustive representation of this size segment by targeting companies that are in the Investable Market Index but not in the Standard Index in a particular developed market. The indices include Value and Growth style indices and industry indices based on the Global Industry Classification Standard (GICS®). (Source: Bloomberg)

The Fund retreated 9.60% (USD) on the month, underperforming the MSCI Japan Small Cap index' 1.14% month-on-month USD decline. Year to date, the Fund is down 12.40% against the index' 1.17% decline

Weakness came primarily from Shaklee Global Group (8205), a seller of nutrition and personal care products, with high percentage of overseas sales, fell sharply during the month, following weaker than expected H1 results and a downward revision to FY forecasts. Shaklee's was also subjected to social media speculation of potential regulatory investigations into its Chinese operations. Though these concerns remain unsubstantiated, they are plausible given that earlier in the year American company Nu Skin Enterprises (NUS US) was investigated and fined.

Additionally, Shaklee Global announced the resignation of Tadashi Saito, Director and Executive Officer, effective 21 November 2014 for personal reasons. He had been with Shaklee Global since 2012.

Positive performance was seen from Daito Bank (8563) and Yasuda Logistics (9324).

Daito Bank, a regional bank in Fukushima prefecture, added to last month's outperformance after upwardly revised H1 forecasts. Daito Bank remains significantly undervalued, trading at around half book value despite steadily improving fundamentals. The shares could see further attention after two high profile merger announcements among regional banks. Consolidation in the overcrowded regional bank space has been encouraged by government officials.

Yasuda Logistics, a logistics and real estate leasing company, gained on strong H1 results that beat company guidance. Yasuda Logistics maintains JPY 16.7 billion in unrealized gains on rental real estate assets (vs a market cap of JPY 32.5 billion), and a 4.89% holding in Hulic Co (3003) giving the company an adjusted PBR of 0.42x.

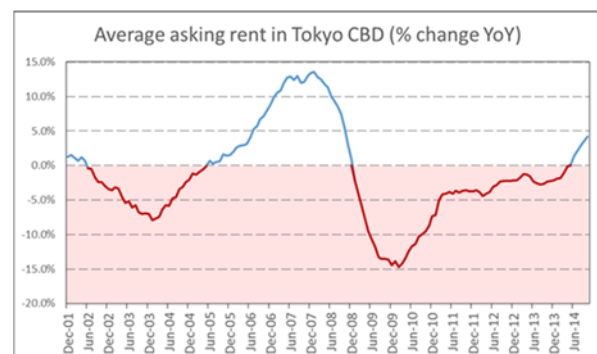
Following approval by shareholders on 20 November 2014 the Fund subscribed for Yen 3,000 million convertible bonds in Prospect Co. (3528, formerly Gro-bels) a listed real estate developer and the ultimate parent of the Fund's investment manager. The bonds will mature in May 2020, carry an annual coupon of 4% and are convertible into the shares of Prospect Co.

at a price of Yen 60 per share. The convertible bonds are unlisted and as at 30 November 2014 are the Fund's largest investment representing 24.3% of the Fund's total assets.

3Q GDP came in significantly under consensus expectations for a 2.2% quarter-on-quarter rise, with the Japanese economy contracting 1.6% on an annualized basis, meaning that Japan has entered a technical recession. While the effects of inventory adjustments and poor weather during the July to September period were large contributors to underperformance, the persistent effects of last April's 3 basis point rise in consumption tax was enough to prompt PM Shinzo Abe to delay the upcoming additional 2 basis point increase by 18 months and call for snap elections to renew his mandate to govern.

Miki Shoji reported that vacancy rates in Tokyo's Central Business District declined for a 16th consecutive month, improving 0.05 ppt to 5.60% in October. Year-on-year, the vacancy rate has fallen 1.96 ppt.

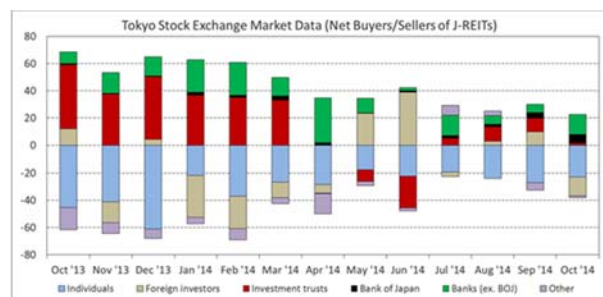
Miki Shoji reports average rents in the CBD rose year-on-year for a sixth consecutive month, up 4.2% year-on-year, vs last month's 3.5% year-on-year increase. Positive supply/demand conditions look to continue in the short term, with the next large new supply coming online in February 2015. Rents are now up 4.4% from the December 2013 lows.



REIT

In USD, the TSEREIT index saw a total return of 0.78% month-on-month, outperforming the Nikkei 225's 0.49% gain. Year to date, J-REITs have strongly outperformed, +10.03% vs the Nikkei's -3.64% performance. The TSEREIT index rallied to its highest level since early 2008, supported by the announcement of

the new GPIF investment weightings and Bank of Japan's (BoJ) expanded easing regime, which will support lower interest rates, as well as an increase to JPY 90 trillion in direct purchase of J-REIT units (3x the previous annual allotment).



(JPY billion)

The BoJ purchased a total of JPY 6.0 billion in J-REIT during the month, bringing total purchases to JPY 30.7 billion on the year. The total amount of units purchased to date now stands at JPY 171.7 billion, vs BoJ target of JPY 180 by the end of 2014.

Five J-REITs announced new equity issuances since September-end, expecting to raise a total of approximately JPY 92.6 billion for property acquisitions.

In a move towards further consolidation in the J-REIT market, Japan Rental Housing (8986) announced that Daiwa Securities Group (8601) will acquire 30% of the outstanding shares in its asset management company, Mi-Casa Asset Management from AppleRingo (Oaktree). AppleRingo will also transfer 36,877 units of the J-REIT (2.5% of Total Outstanding Shares (TOS)) to Daiwa Securities.

In addition, Daiwa Securities will obtain call options on all remaining shares in the asset manager AppleRingo retains (bringing total ownership to 98% of TOS). These options are collateral for a loan of an undisclosed amount, and may be executed at the time of scheduled repayment (3 years).

Daiwa Securities is currently the sponsor of Daiwa Office Investment (8976) and Nippon Healthcare Investment (3308).

There was a total JPY 125.3 billion in property acquisitions announced during the month, along with JPY 41.6 billion in disposals.

Note: As of 30 November 2014, of the Fund, Shaklee Global Group (8205) is 7.74%, Daito Bank (8563) is 10.34%, and Yasuda Logistics (9324) is 5.03%. Hulic Co (3003), Nippon Healthcare Investment (3308), Daiwa Securities Group (8601), Daiwa Office Investment (8976), and Japan Rental Housing (8986) are not holdings of the Fund.

(Sources: Bloomberg, Miki Shoji, TSE)

Sector Weightings

Real Estate	31.5
Diversified Financial Services	10.9
Banks	10.3
Advertising	9.9
Storage/Warehousing	9.6
Retail	7.9
Engineering & Construction	7.6
Machinery-Diversified	5.4
Transportation	3.3
Distribution/Wholesale	0.5
REITs	0.0
Total**	96.9
No of Positions	20

Top 10 Holdings

Symbol	Security	% of Total Assets
3528CB02	PROSPECT #2 CB 4% 05/25/2020	24.3
8563	DAITO BANK LTD/THE	10.3
2178	TRI-STAGE INC	9.9
8205	SHAKLEE GLOBAL GROUP INC	7.7
1921	TOMOE CORP	7.6
3001	KATAKURA INDUSTRIES CO LTD	6.4
7404	SHOWA AIRCRAFT INDUSTRY CO LTD	5.4
9324	YASUDA LOGISTICS CORPORATION	5.0
gktaihei	GODO KAISHA TAIHEIYO JISHO #1 BOND	4.9
8737	AKATSUKI FINANCIAL GROUP INC	4.7

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.

NAV performance calculations are provided by PAMI and are un-audited. Fund price and index performance calculations are obtained from Bloomberg and are as of the end of the month. Although the Company is not managed to a benchmark, it measures its performance against the MSCI Japan Small Cap Index (Total Return) for comparison purposes only. 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.