

The Prospect Japan Fund Limited

Monthly Review

Bloomberg	PJF LN	NAV Performance (USD) %	February	YTD	1 Year	3 Year
Yen / USD	119.31	The Prospect Japan Fund Limited	-2.44	4.35	-11.11	25.00
NAV (USD)	1.20	MSCI Japan Small Cap Index	3.62	7.10	9.73	34.08
Price (USD)	1.08					
Premium/ Discount %	-10.57					

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 2.44 % (USD) on the month, underperforming the MSCI Japan Small Cap index's 3.62% month-on-month USD gain.

Weakness came from Tri-Stage Inc. (2178) and Prospect Co., Ltd. (3528). Tri-Stage, a marketing consultant service provider, fell sharply during the month, as upwardly revised FY forecasts failed to meet market expectations. Prospect retreated from six-year highs following the announcement that Yutaka Shoji's (8747) largest shareholder, Akatsuki Financial Group (8737), would not tender its shares into the Prospect's TOB after management announced it was against the transaction.

Strength was seen in Daito Bank (8563), a regional bank in Fukushima prefecture, which rose to seven-year highs following strong Q3 results well ahead of FY guidance.

Additionally, The Fund has extended a short term collateralized loan with a 1% upfront fee and 4% interest to Link Up KK, a privately held Japanese telephone marketing company, to help facilitate its move into becoming a multi-media market company. The loan is being used to take an equity stake in a Japanese marketing company.

February saw equity markets pass a key psychological level, with the Nikkei 225 passing into the 18,000 handle and reaching 15-year highs.

Japan escaped recession during the quarter ending December 2014, according to GDP figures released this month, rising an annualized 2.2%, less than consensus forecasts for 3.7% growth. The economy continues to struggle with weak household and business spending in the wake of last April's consumption tax increase.

Exports rose and imports declined more than expected in January as the weakened yen and a pick-up in the global economy provided tailwinds. Exports were up 17.0% YoY (against consensus forecast of 13.5% gain) and imports fell 9.0% YoY (against consensus forecast of 4.9% decline).

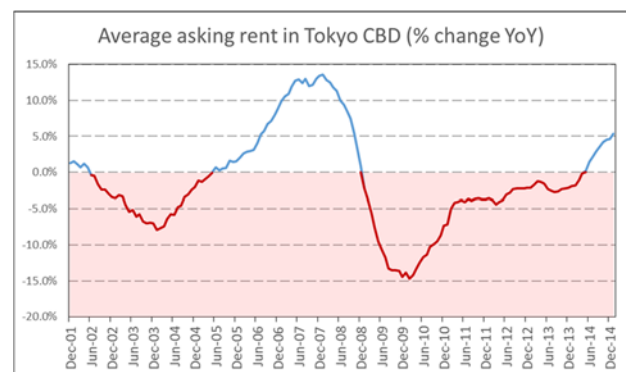
The Nikkei newspaper reports that the Japanese Financial Services Agency is set to begin consideration of sweeping deregulations for the banking sector next month, with resultant legislation expected to go before the parliament in 2016. Expected reforms include allowing banks to expand into

new services including internet/mobile banking and e-commerce and making it easier for banks to benefit from consolidation.

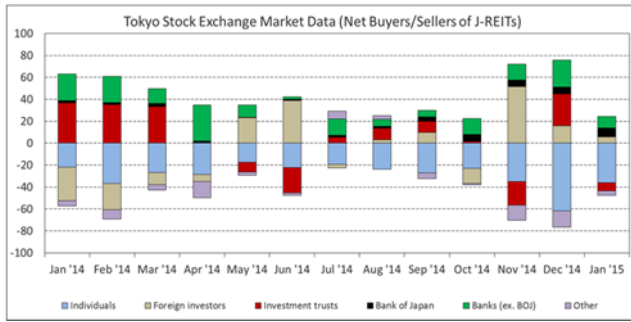
Full-time wages rose 1.3% YoY in 2014 according to the Labor Ministry, the largest yearly increase in 18 years, thanks in part to high participation by women and a narrowing of the gender pay gap. Temporary worker wages also improved, rising 2.6% YoY. This trend looks to continue in 2015 with ongoing "Spring Offensive" wage negotiations expected to yield a second year of increases amid an environment of tightening labor supply and record corporate profits.

Miki Shoji reported that vacancy rates in Tokyo's Central Business District (CBD) declined for a 19th consecutive month, falling 0.11 ppt to 5.4% in January. Year-on-year, the vacancy rate has fallen 1.82 ppt.

Miki Shoji reports average office rents in the CBD rose year-on-year for an 8th consecutive month, up 5.3% against last month's 4.6% increase. Rents are now up 5.6% from the December 2013 lows.



While the Fund does not invest directly in J-REITs, they serve as a bellwether for the overall Japanese real estate market, and the Bank of Japan's (BoJ) commitment to asset reflation via direct purchase of investment units. During the month, the BoJ purchased a total of JPY 10.8 billion in J-REIT units, the largest monthly purchase since April 2013. This brings total purchases to date to JPY 197.4 billion. The annual purchase allocation for 2015 stands at JPY 90 billion.



(JPY billion)

Note: As of 28 February 2015, of the Fund, Tri-Stage (2178) is 10.26%, Prospect Co., Ltd. (3528) convertible bonds is 15.80%, Akatsuki Financial Group (8737) is 1.05%, Daito Bank (8563) is 12.51%, and Yutaka Shoji (8747) is 1.16%.

(Sources: Bloomberg, Miki Shoji, TSE)

Sector Weightings

Real Estate	26.0
Advertising	18.8
Banks	12.5
Storage/Warehousing	9.1
Retail	7.7
Diversified Financial Services	7.0
Engineering & Construction	6.9
Machinery-Diversified	5.3
Transportation	3.4
Agriculture	0.7
REITs	0.0
Total**	97.3
No of Positions	19

Top 10 Holdings

Symbol	Security	% of Total Assets
3528CB02	PROSPECT #2 CB 4% 05/25/2020	15.8
8563	DAITO BANK LTD/THE	12.5
2178	TRI-STAGE INC	10.3
3001	KATAKURA INDUSTRIES CO LTD	9.5
LN022178	Linkup Loan 4% 06/05/15	8.6
8205	SHAKLEE GLOBAL GROUP INC	7.7
1921	TOMOE CORP	6.9
7404	SHOWA AIRCRAFT INDUSTRY CO LTD	5.3
9313	MARUHACHI WAREHOUSE CO LTD	5.2
gktaihei	GODO KAISHA TAIHEIYO JISHO #1 BOND	4.6

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.

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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.