

The Prospect Japan Fund Limited

Monthly Review

Bloomberg	PJF LN	NAV Performance (USD) %	April	YTD	1 Year	3 Year
Yen / USD	118.90	The Prospect Japan Fund Limited	4.10	10.43	-4.51	29.59
NAV (USD)	1.27	MSCI Japan Small Cap Index	1.86	11.37	15.73	37.65
Price (USD)	1.05					
Premium/ Discount %	-18.00					

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 gained 4.10 % (USD) during the month, outperforming the MSCI Japan Small Cap index's 1.86% MoM USD gain.

Strength came from Tri-Stage Inc. (2187) and Daito Bank (8563). Tri-Stage, a marketing consultant service provider, gained strongly following the company announcement that it will expand its board by increasing the number of outside directors by 2 (5 internal, 3 outside). Tri-Stage also announced a new mid-term business plan, featuring a policy of 100% dividend payout ratio for the next 3 years. The changes at Tri-Stage are a direct response to long-term engagement between the Fund and management, including proposals put forth regarding increased dividend payout and outside director board membership.

Daito Bank, a regional bank in Fukushima prefecture, continued its strong YTD performance, along with the broader TOPIX Banks index, ahead of its FY earnings announcement due next month.

Weakness was seen in Tomoe Corp (1921) and Daiwa Motor Transportation (9082). Tomoe Corp, a steel frame construction company, retreated YTD, ahead of relatively weak February construction order data released by the Ministry of Land, Infrastructure and Transport.

Daiwa Motor Transportation, a taxi and limousine service provider, retreated after reaching a near 2-year high last month, after the announcement of a memorial dividend in honor of the 70th year of its founding. The JPY 2/share commemorative dividend brings total FY DPS to JPY 5.

The weighting of the Prospect convertible bond has decreased from 11.1% of assets to 8.6% due to the conversion of 300,000 shares, and the strong monthly performance of other holdings during the month.

April marked the beginning of the fiscal year for most Japanese companies, and a brief return to the 20,000 level for the Nikkei 255 index last reached 15 years ago. We now enter the heart of results season for companies with March end, with focus on FY 2016 estimates, corporate governance changes and returns.

February's current account balance came in at JPY 1.44 trillion (+140.5% YoY), strongly above consensus estimates, and the

best number since September 2011. The trade balance recovered to a deficit of JPY 143.1 billion, better than consensus estimates and a strong improvement from the previous month's JPY 864.2 billion.

The March trade balance turned positive for the first time since June 2012, as import values declined 14.5% YoY. The trade surplus of JPY 229.3 billion beat consensus estimates of JPY 44.6 billion, thanks to lower oil prices and exports supported by the weaker yen.

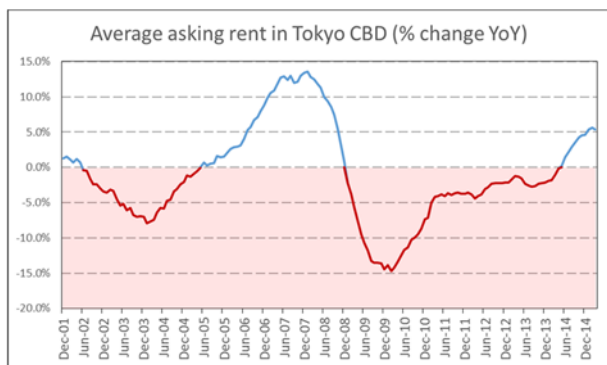
Japan Post Bank announced its intention to reduce its holdings of government debt to JPY 111.6 trillion (-JPY 5.7 trillion) by the end of Q3 2016, in favor of equities and foreign bonds. The move makes it easier for the Bank of Japan (BoJ) to meet its goal of raising JGB holdings by JPY 80 trillion a year, while also providing additional demand for domestic equities.

The potential shake-up of tranquil management comes from an announcement that proxy advisor Institutional Shareholder Services (ISS) will vote against "top executive(s) at a company that has underperformed in terms of capital efficiency (i.e. when the company has posted average return on equity of less than five percent over the last five fiscal years)" in its 2015 Japan Proxy Voting Guidelines. Other advisors are expected to follow suit.

The BoJ opted to maintain easing at current levels following its April meetings, despite weakening inflationary expectations and a delay of the Bank's estimate for reaching its 2% inflation goal from 2015 to H1 2016. The Bank is presumed to gauge the effects of cheaper oil and wage hikes before taking additional stimulus steps.

Miki Shoji reported that vacancy rates in Tokyo's Central Business District (CBD) declined for the 21st consecutive month, falling 0.01 points to 5.30% in March. Year-on-year, the vacancy rate has fallen 1.40 points.

Miki Shoji reports average office rents in the CBD rose 5.3% year-on-year, versus last month's 5.6% increase, the first month with slower rent growth since numbers turned positive in May 2014. Rent levels are now 6.1% above 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 BoJ's commitment to asset reflation via direct purchase of investment units. During the month, the BoJ purchased a total of JPY 9.6 billion in J-REIT units. This brings total purchases to date to JPY 215.4 billion. YTD the BoJ has used 41.3% of its stated JPY 90 billion annual purchase allocation for 2015.

Note: As of 30 April 2015, of the Fund, Tomoe Corp. (1921) is 5.89%, Tri-Stage (2178) is 11.24%, Daito Bank (8563) is 13.08%, and Daiwa Motor Transportation (9082) is 3.37%.

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

Sector Weightings

Real Estate	19.7
Advertising	19.4
Banks	13.4
Storage/Warehousing	8.7
Retail	7.2
Agriculture	6.7
Engineering & Construction	5.9
Machinery-Diversified	4.4
Transportation	3.4
Diversified Financial Services	0.4
REITs	0.0
Total**	89.1
No of Positions	18

Top 10 Holdings

Symbol	Security	% of Total Assets
8563	DAITO BANK LTD/THE	13.1
2178	TRI-STAGE INC	11.2
3001	KATAKURA INDUSTRIES CO LTD	8.8
3528CB02	PROSPECT #2 CB 4% 05/25/2020	8.6
LN022178	Linkup Loan 4% 06/05/15	8.1
8205	SHAKLEE GLOBAL GROUP INC	7.2
1378	YUKIGUNI MAITAKE CO LTD	6.7
1921	TOMOE CORP	5.9
9313	MARUHACHI WAREHOUSE CO LTD	5.2
7404	SHOWA AIRCRAFT INDUSTRY CO LTD	4.4

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.