

The Prospect Japan Fund Limited

Monthly Review

Bloomberg	PJF LN	NAV Performance (USD) %	June	YTD	1 Year	3 Year
Yen / USD	122.28	The Prospect Japan Fund Limited	0.82	6.96	-11.51	28.13
NAV (USD)	1.23	MSCI Japan Small Cap Index	1.47	14.38	7.50	47.91
Price (USD)	0.98					
Premium/ Discount %	-20.98					

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 0.82 % (USD) during the month, underperforming the MSCI Japan Small Cap index's 1.47% MoM USD gain.

Strength came from holdings in Yukiguni Maitake (1378) and Prospect Co. Ltd (3528). Yukiguni Maitake, a manufacturer and seller of fresh mushrooms and bean sprouts, realized gains from the completion of Bain Capital's TOB. The Fund is currently engaged in an appraisal rights petition, challenging the fairness of the JPY 245 per share squeeze out price. The Fund converted half of its holding in Prospect Co. convertible bonds during the month and its remaining holding, which was carried at par value of JPY 60 per share against market price of JPY 70 at the month-end was fully converted in early July.

Weakness was seen from Shaklee Global Group (8205), a seller of nutrition and personal care products. Shaklee Global retreated following FY results showing deep YoY declines in profits on increases in input costs and increased SG&A expense. The company announced estimates for further profit declines on continuation of higher costs.

The Fund raised its weighting in Daito Bank (8563) during the month to 16.0% from 14.8%, following last month's FY results announcement. The company reported performance well above initial forecasts, with outstanding loans at the Fukushima prefecture-based regional bank increasing 1.4% YoY to JPY 472.7 billion. Dividends were increased by 25% for the period end.

While all eyes were turned towards the drama in Greece by month's end, during June the Nikkei 225 index reached highs last seen in 1996.

Revised GDP for Q1 came in at 3.9% on an annualized basis, well above consensus estimates for 2.8% growth on higher business spending. However, private consumption remained a sluggish +0.4% even after the revision.

Exports rose 2.4% and imports declined 8.7% YoY, leaving a JPY 216 billion trade deficit, smaller than the consensus forecast of JPY 258.8 billion.

Labor cash earnings unadjusted for inflation rose for a second consecutive month, +0.6% YoY in May, slightly below consensus estimates for a 0.7% rise. Earnings rose in base pay

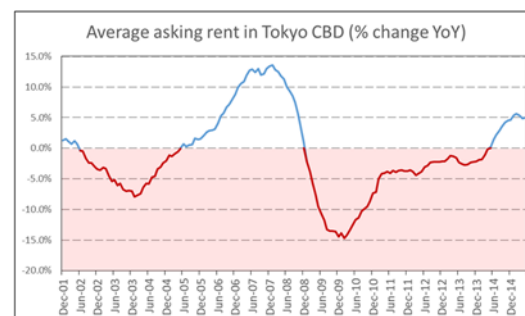
(+0.3%) and bonuses (+19.3%), and overtime earnings declined (-1.6%). Real cash earnings, adjusted for price changes, were reported at -0.1% YoY (from +0.15% in April).

Capital spending rose 7.3% YoY for Q1, up from the prior quarter's 2.8% and significantly above the consensus estimate for a 0.2% decline. Excluding software investment, the numbers were even better, rising 8.1% YoY.

While the Bank of Japan (BoJ) left official policy unchanged, Governor Kuroda moved markets during the month, stating during a 10 June parliamentary hearing that further yen weakness was unlikely. The yen strengthened as markets concluded that further BoJ stimulus was thus less likely.

Miki Shoji reported that vacancy rates in Tokyo's Central Business District (CBD) resumed their downward trend after ticking up in April. May vacancy declined 0.17 points to 5.17%. Year-on-Year, the vacancy rate has fallen 1.35 points.

Miki Shoji reports average office rents in the CBD rose 5.0% YoY, versus last month's 4.9% increase. Rent levels are now 6.9% above the December 2013 lows.



While the Fund does not currently hold any 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 6.5 billion in J-REIT units. This brings total purchases to date to JPY 226.7 billion. YTD the BoJ has used 53.9% of its stated JPY 90 billion annual purchase allocation for 2015.

Note: As of 30 June 2015, of the Fund, Yukiguni Maitake (1378) is 6.83%, Prospect Co., Ltd. (3528) convertible bond is 4.30%, and Shaklee Global Group (8205) is 6.47%.

Sector Weightings

Advertising	19.6
Banks	16.0
Real Estate	14.1
Storage/Warehousing	8.8
Agriculture	6.8
Retail	6.5
Engineering & Construction	5.8
Machinery-Diversified	4.5
Transportation	3.3
Diversified Financial Services	0.2
REITs	0.0
Total**	85.7
No of Positions	16

Top 10 Holdings

Symbol	Security	% of Total Assets
8563	DAITO BANK LTD/THE	16.0
2178	TRI-STAGE INC	11.5
3001	KATAKURA INDUSTRIES CO LTD	8.9
LN022178	Linkup Loan 4% 07/01/15	8.2
1378	YUKIGUNI MAITAKE CO LTD	6.8
8205	SHAKLEE GLOBAL GROUP INC	6.5
1921	TOMOE CORP	5.8
9313	MARUHACHI WAREHOUSE CO LTD	5.4
7404	SHOWA AIRCRAFT INDUSTRY CO LTD	4.5
3528CB02	PROSPECT #2 CB 4% 05/25/2020	4.3

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.

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 unrounded 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.