

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF SUCH JURISDICTION.

THIS ANNOUNCEMENT IS NOT AN ANNOUNCEMENT OF A FIRM INTENTION TO MAKE AN OFFER UNDER RULE 2.7 OF THE CITY CODE ON TAKEOVERS AND MERGERS (THE “CODE”) AND THERE CAN BE NO CERTAINTY THAT ANY SUCH OFFER WILL ULTIMATELY BE MADE.

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION.

For immediate release

10 January 2017

**The Prospect Japan Fund Limited**  
**(“TPJF”)**

**Statement re Possible Offer for TPJF by Prospect, Co. Ltd (“Prospect”)**

The independent directors of TPJF today announce that they are in preliminary discussions in respect of a possible offer by Prospect for the entire issued and to be issued share capital of TPJF (the “**Possible Offer**”).

The independent directors of TPJF, who have received financial advice from Stockdale Securities Limited, consider it appropriate that the Possible Offer is progressed and put to TPJF shareholders in due course. Accordingly, the independent directors have instructed advisers and are currently co-operating with Prospect and its advisers, so that the Possible Offer can be worked up into a proposal which can then be put to TPJF shareholders to decide upon, in due course.

Prospect, a Japanese company listed on the Tokyo Stock Exchange (Tokyo Stock Exchange code: 3528) is the parent company of the investment manager and investment adviser to TPJF, being Prospect Asset Management (Channel Islands) Ltd. (“**PAM(CI)**”) and Prospect Asset Management, Inc. (“**PAMI**”), respectively. As at the date of this announcement, neither PAM(CI) nor PAMI is interested in any TPJF shares. Mr Rupert Evans, a non-executive director of TPJF, is also a non-executive director of PAM(CI) and is therefore not part of the committee of independent directors of TPJF that has been formed to assess the Possible Offer. The independent directors of TPJF will continue to have regard to the interests of all TPJF shareholders, in accordance with their duties as directors.

The Possible Offer under consideration, discussion and evaluation by both parties is a securities exchange offer at a ratio of 2.5 Prospect ordinary shares in exchange for each TPJF share (the “**Exchange Ratio**”) (subject to the reservations set out below). This Exchange Ratio would give an implied value for the entire existing issued share capital of

TPJF of approximately US\$133.2 million (based on the middle market closing price of approximately US\$0.577 per Prospect share on 6 January 2017, being the last business day in Japan prior to the date of this announcement and using an exchange rate of 116.1 ¥/US\$).

At the value implied by the Exchange Ratio, the Possible Offer, if made, would represent a premium of approximately:

- 52.7 per cent. to the middle market closing price of US\$0.945 per TPJF share on 9 January 2017, being the last business day in London prior to the date of this announcement;
- 55.4 per cent. to the volume weighted average price for TPJF shares of US\$0.928 over the three month period ended on and including 9 January 2017; and
- 14.4 per cent. to TPJF's last published net asset value per share of US\$1.261 on 6 January 2017.

Prospect reserves the right to vary the form of the proposed consideration. Prospect also reserves the right to make an offer at any time on less favourable terms, under the following circumstances:

- (a) with the agreement and recommendation of the independent directors of TPJF; and/or
- (b) to the extent that TPJF declares, makes or pays any dividend or distribution or other payment to its shareholders; and/or
- (c) if a third party announces a possible or firm intention to make an offer for TPJF on terms less favourable than the value implied by the Exchange Ratio.

This announcement has been made with the consent of Prospect.

### **Transaction rationale**

Prospect believes that the Possible Offer, if completed, would create a strong platform for future growth and value creation. In particular, TPJF's portfolio companies span a number of industry sectors where Prospect is already active and has considerable experience and expertise, including real estate, finance and construction. As such, Prospect believes that there are clear synergistic benefits and cost savings which should serve to accelerate the delivery of the enlarged group's growth strategy to capitalise on opportunities arising from ongoing structural changes and reforms in Japan.

Prospect further believes that the stronger balance sheet of the enlarged group and enhanced debt capacity should serve to facilitate access to potential acquisition debt financing and growth capital to help drive potential beneficial corporate activity and change in TPJF's investee companies. Prospect also believes that the enlarged group would be well positioned to generate returns for shareholders from the combined asset portfolios over the medium to longer term, improve liquidity and significantly reduce or eliminate the prevailing sizeable market discounts to the underlying net asset values of the two groups' investments.

A presentation by Prospect outlining an overview of the strategic rationale for the proposed combination will also be made available on TPJF's website at [www.prospectjapanfund.com](http://www.prospectjapanfund.com).

This is an announcement falling under Rule 2.4 of the Code which does not amount to a firm intention to make an offer under Rule 2.7 of the Code and there can be no certainty that an offer for TPJF will ultimately be made.

As a consequence of this announcement, an 'offer period' has now commenced in respect of TPJF in accordance with the rules of the Code. The attention of TPJF's and Prospect's shareholders is drawn to the disclosure requirements of Rule 8 of the Code, which are summarised below.

In accordance with Rule 2.6(a) of the Code, Prospect acknowledges that it must, by not later than 5.00 p.m. on 7 February 2017, either announce a firm intention to make an offer for TPJF in accordance with Rule 2.7 of the Code or announce that it does not intend to make an offer, in which case the announcement will be treated as a statement to which Rule 2.8 of the Code applies. This deadline will only be extended with the consent of the Takeover Panel in accordance with Rule 2.6(c) of the Code.

Pursuant to Rule 2.9 of the Code, Prospect confirms that, as at the date of this announcement, it has 169,783,473 ordinary shares in issue and admitted to trading on the Tokyo Stock Exchange (Tokyo Stock Exchange code: 3528), a market operated by the Japan Exchange Group, Inc. (excluding ordinary shares held in treasury). The International Securities Identification Number for these securities is JP3221000007. Prospect also holds 2,773,334 ordinary shares in treasury. In addition, Prospect has in issue 1,350 unlisted, transferable stock acquisition rights ("**SARs**") each of which gives the holder the right to acquire 100,000 ordinary shares in Prospect (135 million ordinary shares in total) at an exercise price of ¥5.4 million per SAR (or ¥54 per ordinary share) which are exercisable from 21 December 2015 until 20 December 2020. All of the SARs are currently held by TPJF and are subject to the terms of a pre-existing exercise agreement between Prospect and TPJF.

Pursuant to Rule 2.9 of the Code, TPJF confirms that, as at the date of this announcement, it has 92,352,602 ordinary shares in issue and admitted to trading on the London Stock Exchange (LSE: PJF). The International Securities Identification Number for these securities is GB00B011QL44. TPJF does not hold any shares in treasury.

A further announcement(s) will be made in due course as and when appropriate.

**Person making this notification:**

John Hawkins, Non-Executive Chairman

**Enquiries:**

**The Prospect Japan Fund Limited**  
John Hawkins

Tel: 01481 745918

**Stockdale Securities Limited**

Tel: 020 7601 6100

*(Financial Adviser to TPJF)*

Alastair Moreton

Daniel Harris

David Coaten

**Prospect, Co. Ltd**

Tel: +1 808 383 3833

Curtis Freeze

**Strand Hanson Limited**

Tel: 020 7409 3494

*(Joint Financial Adviser to Prospect)*

Stuart Faulkner

Matthew Chandler

James Dance

**Mizuho Corporate Advisory Co., Ltd.**

Tel: +81 (0) 3 3284 1655

*(Joint Financial Adviser to Prospect)*

Ryo Kamisaku

Eiichi Igarashi

Stockdale Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively as financial adviser to TPJF and no-one else in connection with the Possible Offer and will not be responsible to anyone other than TPJF for providing the protections afforded to clients of TPJF or for providing advice in relation to the Possible Offer or any other matter referred to herein.

Strand Hanson Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively as joint financial adviser to Prospect and no-one else in connection with the Possible Offer and will not be responsible to anyone other than Prospect for providing the protections afforded to clients of Prospect or for providing advice in relation to the Possible Offer or any other matter referred to herein.

Mizuho Corporate Advisory Co., Ltd., an investment banking arm of Mizuho Financial Group, is acting exclusively as joint financial adviser to Prospect and no-one else in connection with the Possible Offer and will not be responsible to anyone other than Prospect for providing the protections afforded to clients of Prospect or for providing advice in relation to the Possible Offer or any other matter referred to herein.

**Disclosure requirements of the Code:**

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 p.m. (London time) on the

10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of the offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

### **Notice to overseas investors**

This announcement does not constitute an offer to purchase any securities, or an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any offer to purchase or sell securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. The release, distribution or publication of this announcement in jurisdictions other than the UK may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the UK should inform themselves about and observe any applicable requirements.

### **Website disclosure**

A copy of this announcement will be made available (subject to certain restrictions relating to persons resident in restricted jurisdictions) on TPJF's website at [www.prospectjapanfund.com](http://www.prospectjapanfund.com) by no later than 12 noon (London time) on 11 January 2017. A presentation by Prospect outlining an overview of the strategic rationale for the proposed combination will also be made available on TPJF's website at [www.prospectjapanfund.com](http://www.prospectjapanfund.com). The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement.