

Japan Smaller Capitalization Fund, Inc.

As of April 30, 2024

Fund Facts

NYSE Ticker	JOF
CUSIP	47109U104
NYSE Market Price	\$7.59
Net Asset Value ("NAV") per share	\$9.31
Net Assets	\$263,790,316
Portfolio Holdings	86
Inception Date	March 21, 1990
Premium/Discount	-18.475%
Shares Outstanding	28,333,893
Benchmark	
Since inception to 8/31/04: Nikkei JASDAQ Stock Average Index. 9/1/04 onwards: Russell/Nomura Small Cap™ Index.	
Portfolio Managers	
Atsushi Katayama, Lead Portfolio Manager Makoto Ito, Portfolio Manager	

Fund Objectives

Japan Smaller Capitalization Fund, Inc. ("JOF" or the "Fund") is a closed-end management investment company listed on the New York Stock Exchange ("NYSE"). The Fund operates as diversified as defined under the Investment Company Act of 1940. The Fund's investment objective is to provide shareholders with long-term capital appreciation and to invest, under normal circumstances, at least 80% of its total assets in smaller capitalization Japanese equity securities traded on the Tokyo and Nagoya Stock Exchanges, and other indices

or markets determined by the investment adviser to be appropriate indices or markets for smaller capitalization companies in Japan. Nomura Asset Management U.S.A. Inc. has served as the Fund's Manager since the Fund's inception in 1990. Nomura Asset Management Co., Ltd. has served as the Fund's Investment Adviser since the Fund's inception. The Manager and Investment Adviser are subsidiaries of Nomura Holdings, Inc. and affiliates of Nomura Securities Co., Ltd., Tokyo, Japan.

Performance Overview

	JOF NAV ⁽¹⁾	JOF NYSE Market Price ⁽²⁾	Russell/ Nomura Small Cap™ Index ⁽³⁾
1 Month	-3.02%	-4.89%	-5.03%
3 Month	-0.43%	0.13%	-1.41%
Calendar YTD	0.65%	0.00%	-1.11%
1 Year	13.29%	12.93%	8.76%
3 Year	0.63%	-2.16%	-1.01%
5 Year	2.92%	1.96%	2.51%
10 Year	7.18%	6.40%	5.66%
Since Inception	3.07%	2.24%	1.89%

⁽¹⁾Based on NAV price, adjusted for reinvestment of income dividends, ordinary income distributions, and long-term capital gain distributions as per the dividend reinvestment policy of the Fund.

⁽²⁾Based on the New York Stock Exchange's market price, adjusted for reinvestment of income dividends, ordinary income distributions, and long-term capital gain distributions as per the dividend reinvestment policy of the Fund. JOF's performance does not represent sales commissions.

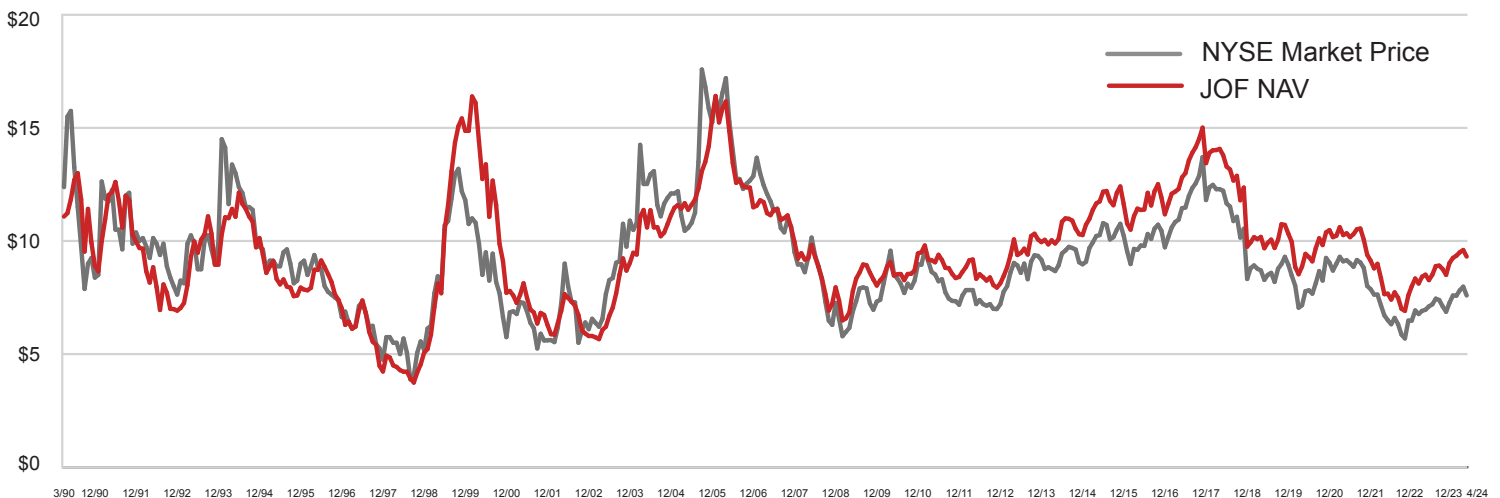
⁽³⁾From inception to 8/31/04, the benchmark was the Nikkei JASDAQ Stock Average Index, which is no longer in existence as a result of the Tokyo Stock Market reorganization of market segments on 4/4/2022. Since 9/1/04, the benchmark has been the Russell/Nomura Small Cap™ Index. All results are in U.S. dollars.

Performance in excess of one year is annualized.

Sources: Nomura Asset Management U.S.A. Inc. and Bloomberg L.P.

Past performance is not indicative of future results. There is a risk of loss.

JOF NAV versus NYSE Market Price



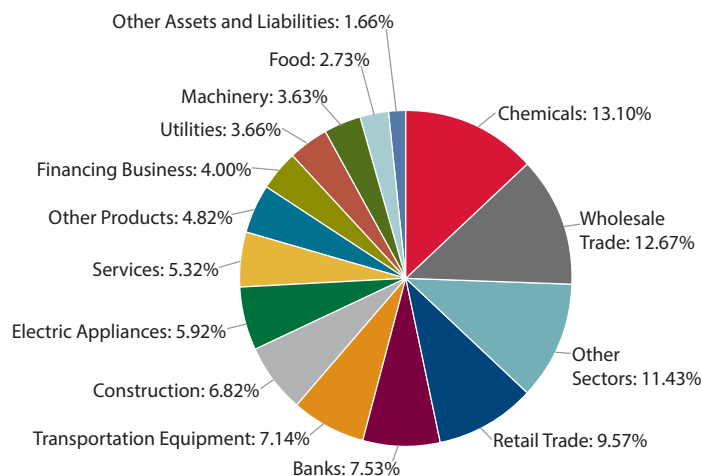
Top Ten Holdings Holdings may vary over time.

Security	% of Net Assets	% of Benchmark ⁽¹⁾
Sakata Inx Corporation	4.02%	0.06%
Shikoku Electric Power Company	3.66%	0.22%
EXEO Group, Inc.	2.60%	0.32%
Ryoden Corporation	2.42%	0.03%
Create SD Holdings Co., Ltd.	2.36%	0.09%
Rakuten Bank, Ltd.	2.27%	Not included
Macnica Holdings, Inc.	2.24%	Not included
Adeka Corporation	2.17%	0.24%
Yondenko Corporation	2.04%	0.03%
Nishio Holdings Co., Ltd.	1.86%	0.08%

The ten largest holdings by fair value reflect the Fund's investments on the date indicated and may not be representative of the Fund's current or future holdings. Holdings may combine more than one security from the issuer and related depository receipts.

⁽¹⁾ Russell/Nomura Small Cap™ Index.

Sector Weightings Weightings may vary over time.



The industry diversification reflects the Fund's investments on the date indicated and may not be representative of the Fund's current or future holdings.

Market Commentary

Given the strength in the US economy, expectations of the Federal Reserve's ("Fed") much anticipated first interest rate cut have inevitably been pushed back. In contrast, Japan's economic recovery is struggling to gain traction, and recent shifts in economic forecasts have contributed to increased volatility in the foreign exchange markets. The yen's slide to a 34-year low against the dollar was interpreted by some market participants as a possible harbinger of capital flight. However, we do not support this pessimistic view of the yen. Firstly, we believe the Japanese economy is poised for a gradual recovery. Successful annual wage negotiations for labor unions suggest that real wages will turn positive from the second quarter onwards. An increasing number of people expect price and wage increases to continue into next year and beyond, strengthening the prospect for a break from years of economic stagnation.

Secondly, we anticipate that the Bank of Japan's (BOJ) ongoing process of monetary policy normalization will narrow the interest rate differential between Japan and the US. Historically, fluctuations in the USD/JPY exchange rate have closely mirrored the interest rate gap between the two economies. While market participants seem to be focusing only on the Fed's high and prolonged policy rates, attention is likely to shift towards potential rate hikes by the BOJ. Despite the abolition of negative interest rates, Japan's real interest rates remain in negative territory, effectively maintaining an accommodative monetary policy stance. Further rate hikes should be justified once the economy starts to pick up.

Regarding the earnings outlook for Japanese companies, we maintain a constructive outlook.

Source: Nomura Asset Management Co., Ltd.

Additional Information

Comparisons between changes in the Fund's net asset value or market price per share and changes in the Fund's benchmark should be considered in light of the Fund's investment policy and objective, the characteristics and quality of the Fund's investments, the size of the Fund, and variations in the Japanese Yen/U.S. Dollar exchange rate.

This report is for informational purposes only. The financial information is taken from the records of the Fund without examination by independent accountants. The portfolio information found in this report is as of the date of this brochure and is subject to change at any time without notice. This report is not a prospectus, circular or representation intended for use in the sale of shares of the Fund or of any securities mentioned in this report. Past performance is not indicative of future results. Current performance may be lower or higher than the performance presented. Investment products offered are not FDIC insured, may lose value, and are not bank guaranteed.

The Russell/Nomura Small Cap™ Index represents approximately 15% of the total market capitalization of the Russell/Nomura Total Market™ Index. It measures the performance of the smallest Japanese equity securities in the Russell/Nomura Total Market™

Manufacturing companies that export internationally competitive products are gaining price competitiveness due to the weaker yen. Non-manufacturing companies, which are often reliant on domestic demand, are also increasingly offsetting cost increases due to inflation through price pass-through and rising demand from foreign tourists. Recent corporate governance reform campaigns have prompted a broader range of listed companies to reassess their capital policies aimed at improving capital efficiency. Therefore, companies are expected to utilize cash flow generated from favorable business conditions more effectively than before. These factors should underpin a revaluation of Japanese companies.

Popular among retail investors, small-cap value stocks with high dividends have continued to show relatively good performance in April. On the other hand, small-cap growth stocks with high valuations underperformed, mainly due to expectations that the Fed's much anticipated interest rate cuts will be delayed.

Looking ahead, there are many favorable catalysts for small-cap stocks. As these companies are focused mainly on domestic demand, their profit growth rate of 10.4% is expected to outpace the 6.5% for large-cap stocks. If the BOJ's move towards normalizing its monetary policy leads to a stronger yen, the performance advantage for small-cap stocks will become even more evident. Furthermore, small-cap stocks are currently slightly undervalued, with a 12-month forward P/E Ratio of around 15.0.

In 2023, the Tokyo Stock Exchange requested that companies focus on management aimed at realizing improvements in cost of capital and stock price,

leading to an increase in share prices for companies that implemented measures such as the disposal of cross-shareholdings, strengthening shareholder returns, and improving ROE. On January 15th, the Tokyo Stock Exchange announced a list of companies that had responded to these requests for management to focus on capital costs and stock prices. The list revealed that 49% of companies on the Prime Market and 18% of the Standard Market had included the necessary criteria in disclosures. We recognize that improving governance is an important investment theme. Therefore, as of the end of April, approximately 75% of portfolio companies based on investment weight were included in this Tokyo Stock Exchange list. We will monitor the management and capital efficiency of our investment targets and also work to improve governance through engagement activities targeting companies that are not yet included in the list.

We will continue our efforts to discover excellent companies that are undervalued relative to their growth prospects through bottom-up analysis of corporate fundamentals. We will select stocks from a wide range of industries, particularly companies that have not received much attention from the market despite their outstanding business strategies, companies where management has shown signs of change due to internal reforms, and companies where capital efficiency is expected to improve due to changes in their attitude toward shareholder returns.

trends, and uncertainties that could cause actual results to differ materially from those projected.

The Fund may participate in new issuances of securities ("New Issues"), and a portion of the Fund's returns consequently may be attributable to its investment in New Issues. The market value of New Issues may fluctuate considerably due to factors such as the absence of a prior public market, unseasoned trading, and the limited availability for trading and limited information about the issuer. When a fund's asset base is small, New Issues may have a magnified impact on the Fund's performance. As a fund's assets grow, it is probable that the effect of the fund's investment in New Issues on its total returns may not be as significant, which could reduce the Fund's performance. There is no guarantee that the availability or economic attractiveness of New Issues will be consistent from year to year. The Fund is a closed-end fund whose shares of common stock trade on the NYSE. Vision 4 Fund Distributors, LLC ("Vision 4") is a member of FINRA and has filed this material with FINRA on behalf of the Fund. Vision 4 does not serve as a distributor or as an underwriter to the Fund. Unlike open-end funds, shares are not continually offered. Vision 4 is contracted by NAM-USA to promote the Fund and provide secondary market support services.