

Japan Smaller Capitalization Fund, Inc.

As of June 30, 2024

Fund Facts

NYSE Ticker	JOF
CUSIP	47109U104
NYSE Market Price	\$7.58
Net Asset Value ("NAV") per share	\$9.42
Net Assets	\$266,981,636
Portfolio Holdings	84
Inception Date	March 21, 1990
Premium/Discount	-19.533%
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	-0.84%	-2.82%	-0.55%
3 Month	-1.88%	-5.01%	-5.34%
Calendar YTD	1.84%	-0.13%	-1.42%
1 Year	14.63%	9.02%	8.38%
3 Year	1.32%	-1.91%	-1.29%
5 Year	3.70%	2.40%	2.81%
10 Year	6.32%	5.48%	4.59%
Since Inception	3.09%	2.22%	1.87%

⁽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.

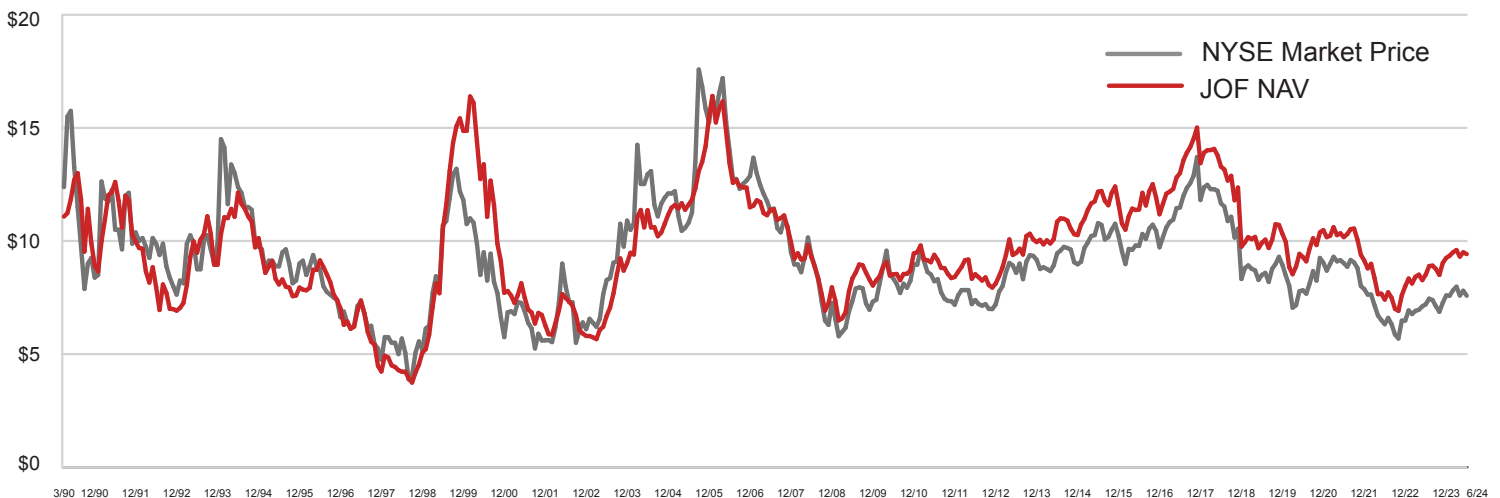
⁽³⁾From inception to 8/31/04, the benchmark was the Nikkei JASDAQ Stock Average Index, which is no longer in existence as a result of the Tokyo Stock Market reorganization of market segments on 4/4/2022. Since 9/1/04, the benchmark has been the Russell/Nomura Small Cap™ Index. All results are in U.S.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



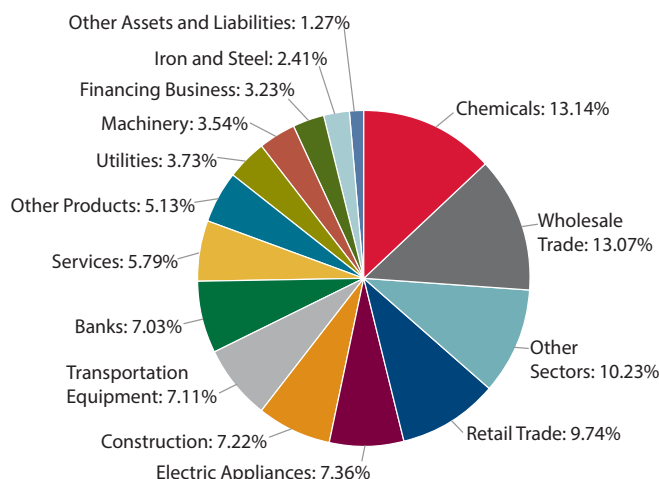
Top Ten Holdings Holdings may vary over time.

Security	% of Net Assets	% of Benchmark ⁽¹⁾
Sakata Inx Corporation	4.76%	0.07%
Shikoku Electric Power Company	3.73%	0.23%
Create SD Holdings Co., Ltd.	2.50%	0.09%
EXEO Group, Inc.	2.47%	0.30%
Ryoden Corporation	2.40%	0.04%
Meiko Electronics Co., Ltd.	2.34%	0.15%
Yondenko Corporation	2.32%	0.03%
Takashimaya Co., Ltd.	2.18%	0.39%
Adeka Corporation	2.16%	0.23%
Macnica Holdings, Inc.	2.12%	Not included

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.

⁽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

Mixed indicators have lately made it more challenging to predict the direction of the global economy, so we have upheld our main scenario of a moderate slowdown in economic growth over the next year, down to a level slightly below the potential growth rate. However, with political uncertainty in Europe and the US presidential election in the autumn, we also need to consider the potential for fiscal policy shifts that could reignite inflation expectations.

In Japan, although the approval ratings of Prime Minister Kishida's cabinet continue to decline, suggesting the possibility of a leadership change in the upcoming Liberal Democratic Party's presidential election scheduled for September, the absence of a strong unified opposition party implies that significant policy shifts are unlikely. Fundamentals of the Japanese economy remain of greater importance. Japan's real wages and consumption have fallen short of initial expectations so far this year. The implementation in June of flat-rate income tax exemptions could give a temporary boost to consumer sentiment. However, a virtuous cycle for the Japanese economy will require a shift in expectations towards sustainable income growth rather than such transient uplifts.

The Japanese yen, reflecting domestic economic weakness, has fallen to a historical low in real effective exchange rate terms. However, as policy interest rate differentials between Japan and the US are expected to narrow, we do not see much scope for the yen to depreciate much further. Our forecasts suggest the Bank of Japan might raise policy interest rates as early as July. More fundamentally, structural pressures on capital outflows to overseas need to ease. Historically, Japanese companies have tended to shift production overseas to reduce labor costs, but the yen's undervaluation means a return to domestic production is becoming a more viable option.

Aside from these macroeconomic catalysts, increased

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™

awareness of capital efficiency among Japanese corporations will drive the Japanese stock market. Indeed, as the unwinding of cross-shareholdings progresses simultaneously in the automotive, financial and many other industries, a trajectory towards enhanced capital efficiency seems to be crystallizing. Japan's large and established companies have been somewhat shielded from market discipline by their cross shareholding. Going forward, as institutional overseas investors increase their exposure to Japan, corporate management will face more rigorous scrutiny from these professional investors. Such structural changes could lead to an upgrade in terms of capital efficiency and greater potential for revaluation.

In June, small-cap growth stocks rebounded from significant stock price declines and this helped to put a stop to the underperformance of small-cap stocks. However, three factors contributing to the depreciation of the yen remain unchanged. These are the persistent large interest rate differentials between Japan and the US, increasing investment by domestic market participants in overseas funds, and deterioration of the trade and services balance, including data center fees. Concerns about rising prices due to the depreciating yen have made it difficult to maintain expectations for sustained growth in domestic demand. In addition, there is deepening speculation about a potential interest rate hike by the Bank of Japan, making it difficult to hold positive expectations regarding the valuation outlook.

In this investment environment, we are focusing on companies with high market shares due to strong technological capabilities and proven business models, and those that can expect successful price pass-through measures and organic growth. We also look for companies that are striving to improve capital efficiency through strengthening shareholder returns and withdrawing from unprofitable businesses. Fortunately, small-cap valuations are trading around a 12-month forward P/E ratio of 14, so there is no sense of overheated valuations and they are

currently even trading at a discount compared to large-caps. Therefore, we believe that stock prices of such companies have significant room to advance, even with some increase in domestic interest rates.

In 2023, the Tokyo Stock Exchange requested that companies focus on management aimed at improvements in cost of capital and stock price, leading to appreciating share prices for companies that implemented measures such as unwinding cross-shareholdings, bolstering shareholder returns, and enhancing ROE levels. We recognize that cultivating better governance practices can be a consequential investment theme. Accordingly, as of the end of June 2024 and based on portfolio weightings, approximately 85% of our investee companies have already begun initiatives to augment corporate value. Tokyo Stock Exchange reforms continue, and the group announced in June a revised policy for the TOPIX index. Starting from July 2028 and regardless of market listing (Prime, Growth, Standard), the top 96% of stocks by market capitalization will be included in the TOPIX index, effectively reducing the number of constituent stocks from the current number of approximately 2100 to around 1200. This will create incentives for small-cap stocks that are near to the inclusion cut off point to enhance their corporate value, and our investment research will consider this perspective as well.

We will continue our efforts in looking for opportunities with good quality 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.