

**Japan Smaller Capitalization Fund, Inc.**

As of August 31, 2024

**Fund Facts**

NYSE Ticker	JOF
CUSIP	47109U104
NYSE Market Price	\$8.03
Net Asset Value ("NAV") per share	\$9.97
Net Assets	\$282,390,966.31
Portfolio Holdings	87
Inception Date	March 21, 1990
Premium/Discount	-19.458%
Shares Outstanding	28,333,893
<b>Benchmark</b>	
Since inception to 8/31/04: Nikkei JASDAQ Stock Average Index. 9/1/04 onwards: Russell/Nomura Small Cap™ Index.	
<b>Portfolio Managers</b>	
Atsushi Katayama, Lead Portfolio Manager Hiroaki Tanaka, 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 <sup>(1)</sup>	JOF NYSE Market Price <sup>(2)</sup>	Russell/ Nomura Small Cap™ Index <sup>(3)</sup>
<b>1 Month</b>	-0.99%	-0.37%	0.52%
<b>3 Month</b>	4.95%	2.95%	7.83%
<b>Calendar YTD</b>	7.78%	5.80%	6.89%
<b>1 Year</b>	15.88%	12.53%	13.49%
<b>3 Year</b>	2.10%	-0.52%	0.79%
<b>5 Year</b>	5.38%	4.36%	4.83%
<b>10 Year</b>	6.79%	5.77%	5.49%
<b>Since Inception</b>	3.24%	2.38%	2.10%

<sup>(1)</sup>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.

<sup>(2)</sup>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.

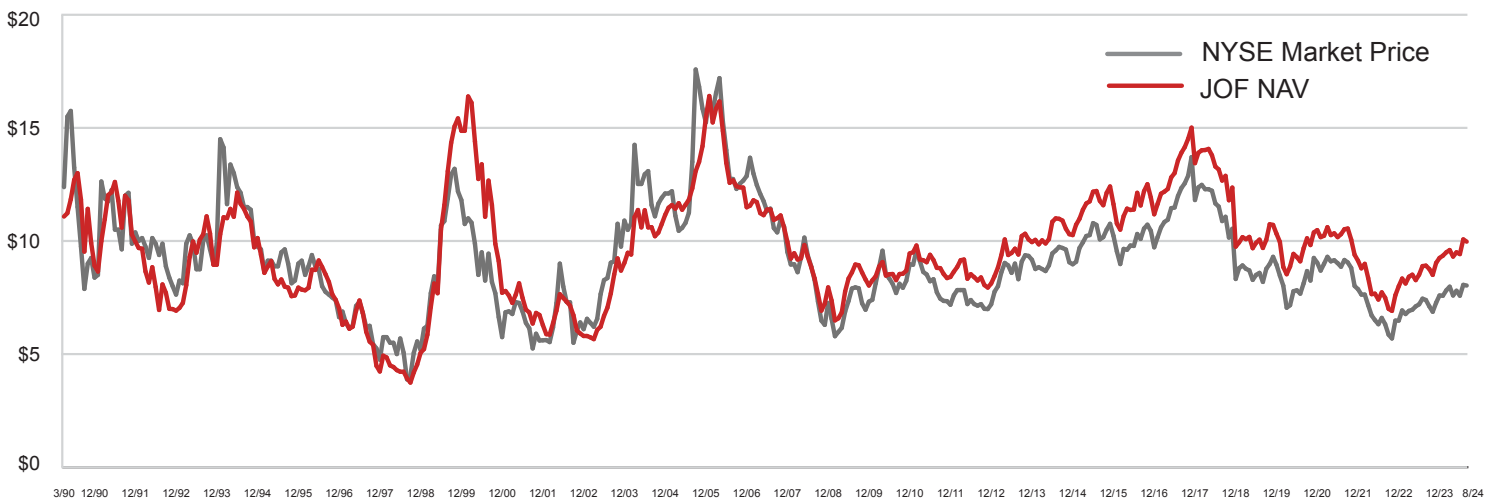
<sup>(3)</sup>From inception to 8/31/04, the benchmark was the Nikkei JASDAQ Stock Average Index, which is no longer in existence as a result of the Tokyo Stock Market reorganization of market segments on 4/4/2022. Since 9/1/04, the benchmark has been the Russell/Nomura Small Cap™ Index. All results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



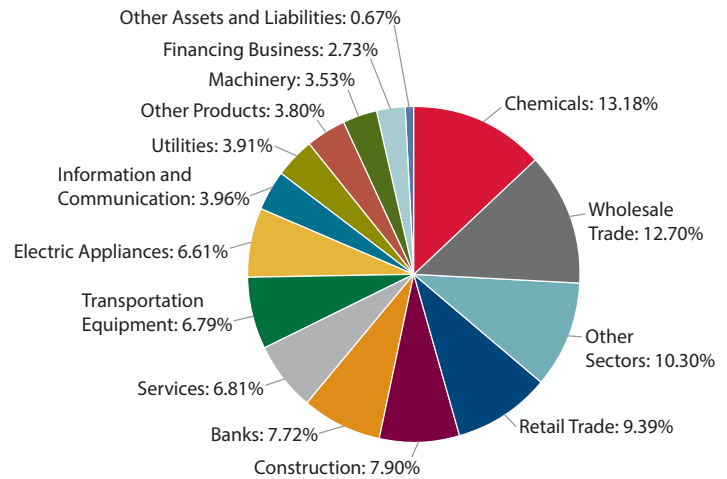
## Top Ten Holdings Holdings may vary over time.

Security	% of Net Assets	% of Benchmark <sup>(1)</sup>
Sakata Inx Corporation	5.14%	0.07%
Shikoku Electric Power Company	3.91%	0.22%
Meiko Electronics Co., Ltd.	2.62%	0.13%
EXEO Group, Inc.	2.55%	0.30%
Yondenko Corporation	2.52%	0.03%
Create SD Holdings Co., Ltd.	2.43%	0.09%
Ryoden Corporation	2.34%	0.03%
Adeka Corporation	2.24%	0.22%
Nishio Holdings Co., Ltd.	2.17%	0.08%
Macnica Holdings, Inc.	2.08%	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.

<sup>(1)</sup>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

It remains highly uncertain whether the global economy can realize a soft landing, but if the economy shows signs of a slowdown in the coming months, the Federal Reserve has indicated its willingness to lower interest rates. A rate cut would reduce borrowing costs, potentially helping to mitigate the pace of any economic slowdown.

We uphold our view that Japan's economy is on the cusp of a structural recovery, driven by wage and price increases. As such, Japan's trajectory is less tied to the fate of the Western economies. Amid a deepening labor shortage, Japanese companies are likely to offer sustained wage growth to secure the necessary workforce. While the stronger yen should contribute to the lowering of import prices, we believe the driving force behind inflation in Japan is shifting from higher goods prices to rising domestic service costs.

Equity market valuations have quickly adjusted following the steep sell-off in early August, with the current price-to-earnings ratio (PER) for the TOPIX index around 14, which is in line with its historical range. Although we anticipate higher market volatility to continue in the near term, we remain cautiously optimistic. Firstly, corporate earnings forecasts remain robust. Many export-oriented manufacturers had conservatively set their forecasts at an exchange rate of around 145 yen to the dollar at the beginning of their fiscal year in April, projecting flat to slightly increased profits. Therefore, despite the yen's recent

surge, we can expect these companies to meet or even exceed their initial projections. Secondly, ongoing improvements in corporate governance are bringing Japan's undervalued equities back into the spotlight as attractive targets for foreign acquisitions. While the outcome of the recent takeover proposal for a major Japanese convenience store chain remains uncertain, the unwinding of cross-shareholdings and the abolition of takeover defense measures, which previously hampered foreign acquisitions, are progressing rapidly among major established Japanese corporations.

The year-to-date underperformance of small-cap stocks can be attributed to several factors. The main obstacle has been the long established weak yen trend, which has favored large export-oriented companies. At the same time, a sluggish domestic economy, where real household income growth has remained negative, is creating headwinds for small-cap stocks with a high ratio of domestic sales. Following the Bank of Japan's decision to raise interest rates at the end of July, coupled with a willingness to consider further hikes depending on economic conditions, we have witnessed a shift in foreign exchange trends this month. This could in turn lead to increased investor interest in small-cap stocks. Furthermore, there are emerging signs that wage growth is beginning to outpace inflation in certain months, offering a more optimistic outlook for domestic consumption. Among the domestic growth stocks that have significantly underperformed, we

have identified stocks that are undervalued relative to their growth potential, and we intend to pursue investments in these opportunities.

On the other hand, there are ongoing efforts to improve the capital efficiency of Japanese companies, prompted by requests from the Tokyo Stock Exchange. One example of progress has been the pace of share buybacks this year, which reached a record high of 8.9 trillion yen for the period from January to August. While there may be continued market volatility due to speculation around monetary policies in Japan and the U.S., as well as uncertainty regarding the U.S. economic outlook, stock prices of companies that are enhancing shareholder returns through measures such as share buybacks are expected to remain stable. Therefore, we will continue to invest in undervalued stocks that are committed to improving capital efficiency.

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.

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™

Index. The Nikkei JASDAQ Stock Average Index is a capitalization-weighted index of all Japanese over-the-counter stocks. The TOPIX is a market capitalization-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange. Any performance quoted should not be viewed as a representation of future investment performance. There is a risk of loss. One cannot invest directly in an index.

This material contains the current opinions of the Fund's manager, which are subject to change without notice. It should not be considered investment advice. Statements concerning financial market trends are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions, and each investor should evaluate their ability to invest for the long term.

Forward Looking Statements. Certain information discussed in this factsheet may constitute forward-looking statements within the meaning of the U.S. federal securities laws. Although the Investment Manager of the Fund believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. Forward-looking information is subject to certain risks,

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.