

Japan Smaller Capitalization Fund, Inc.

As of October 31, 2024

Fund Facts

NYSE Ticker	JOF
CUSIP	47109U104
NYSE Market Price	\$7.64
Net Asset Value ("NAV") per share	\$9.45
Net Assets	\$267,728,073.33
Portfolio Holdings	84
Inception Date	March 21, 1990
Premium/Discount	-19.153%
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 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 ⁽¹⁾	JOF NYSE Market Price ⁽²⁾	Russell/ Nomura Small Cap™ Index ⁽³⁾
1 Month	-6.06%	-7.62%	-5.29%
3 Month	-6.16%	-5.21%	-2.48%
Calendar YTD	2.16%	0.66%	3.69%
1 Year	15.13%	15.17%	17.58%
3 Year	1.80%	-0.88%	0.41%
5 Year	2.13%	1.45%	2.18%
10 Year	6.66%	5.37%	5.78%
Since Inception	3.07%	2.22%	2.00%

⁽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.

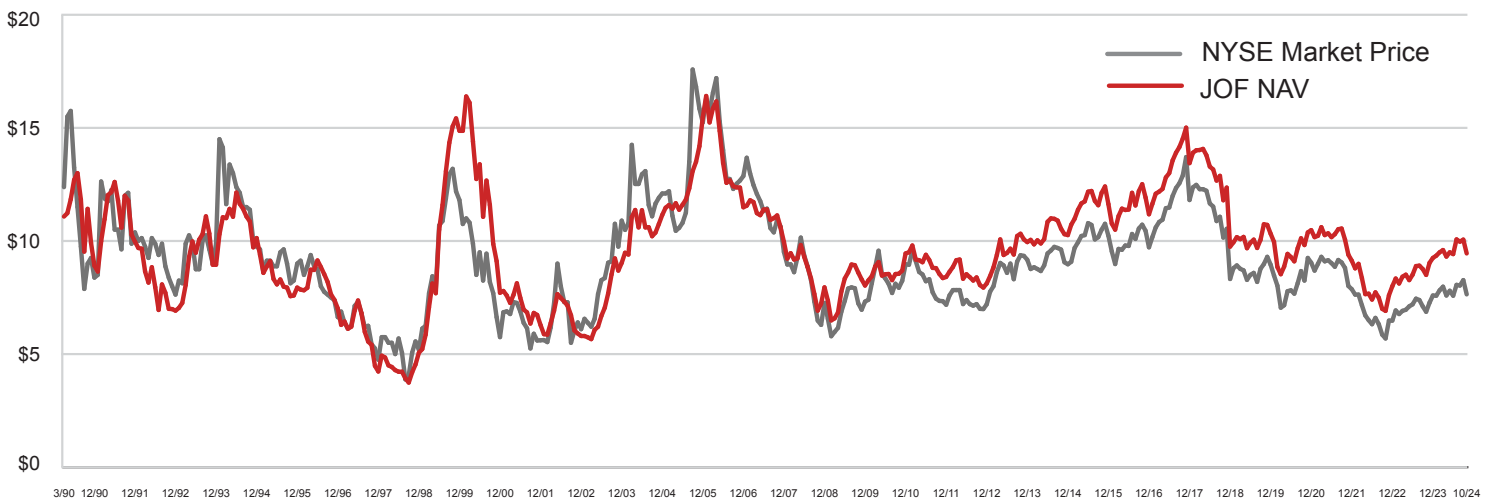
⁽³⁾From inception to 8/31/04, the benchmark was the Nikkei JASDAQ Stock Average Index, which is no longer in existence as a result of the Tokyo Stock Market reorganization of market segments on 4/4/2022. Since 9/1/04, the benchmark has been the Russell/Nomura Small Cap™ Index. All results are in U.S. 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	4.85%	0.06%
Shikoku Electric Power Company	3.87%	0.23%
Meiko Electronics Co., Ltd.	2.71%	0.13%
Yondenko Corporation	2.54%	0.03%
Create SD Holdings Co., Ltd.	2.41%	0.08%
Takashimaya Co., Ltd.	2.27%	0.36%
Ryoden Corporation	2.23%	0.03%
Future Corporation	2.13%	0.09%
Adeka Corporation	2.11%	0.20%
Nishio Holdings Co., Ltd.	2.00%	0.07%

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.

Market Commentary

Despite the conclusive results of the U.S. presidential election, with the House of Representatives vote still undecided the situation remains highly fluid as of this report's writing. We envisage that the fundamental outlook for the U.S. economy should remain largely unchanged regardless of the eventual congressional results. However, despite their polarization on social issues, both the Republican and Democratic parties have advocated expansionary fiscal policies. Furthermore, it is worth noting that the U.S. economy has demonstrated resilience so far, defying market anxiety about a potential recession. We caution against drawing hasty conclusions about potential economic acceleration or deceleration based solely on election results. That said, President-elect Trump's aggressive trade and foreign policy stance toward other countries could elevate geopolitical tail risks.

In Japan, the unexpected loss of the Liberal Democratic Party (LDP) and Komeito coalition's majority following the lower house general election has heightened domestic political uncertainty. Yet if the LDP can succeed in securing partial policy cooperation with the Democratic Party for the People (DPP), it is likely to remain in government as a minority ruling party, reducing the risk of major political turmoil. The DPP's primary demand is the raising of the minimum income threshold for income taxation, which could bolster consumer spending. On the other hand, the subsequent relaxation of fiscal discipline due to a decrease in tax revenues could exert some upward pressure on interest rates.

Regarding corporate earnings, Japanese companies have largely maintained steady year-on-year growth since the economy began its post-pandemic reopening. However, early results from the July-September quarter could indicate a potential slowdown in earnings growth momentum. Notably, an increasing number of manufacturing companies are reporting year-on-year declines in recurring profits, particularly after accounting

Source: Nomura Asset Management Co., Ltd.

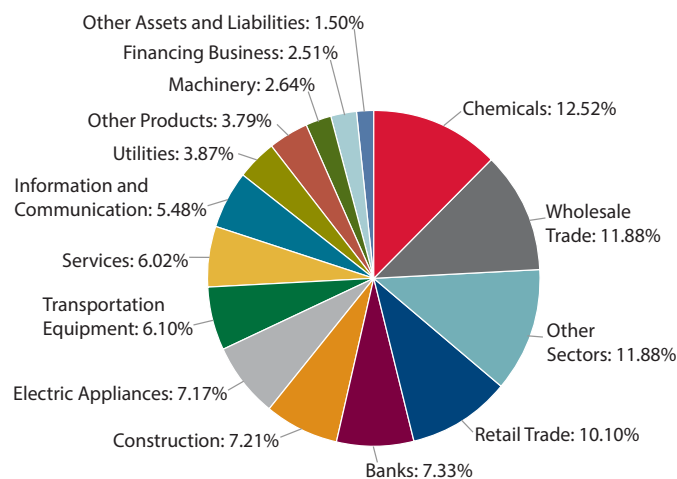
Additional Information

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™

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.

for foreign exchange losses. This trend is not just a result of currency fluctuations; industries linked to the slowing Chinese economy are also exhibiting signs of weakening tangible earnings growth. Conversely, companies offering products and services related to high-growth areas like AI are expected to see a sustained growth trajectory in the near term. This divergence in growth trajectories underscores the importance of company-specific factors in the current investment environment.

Given the complex political backdrop and shifts in corporate performance, equity markets have been somewhat volatile. Nevertheless, the fundamental investment themes that we have long advocated - such as enhanced capital efficiency through corporate governance reforms and Japan's departure from prolonged low-growth stagnation - remain largely intact. We regard these market fluctuations in uncertain times as potential investment opportunities from a longer-term perspective.

During October, the rise of U.S. long-term bond yields and a depreciating yen trend created an unfavorable environment for small-cap stocks. The growth market, which is home to many emerging companies, was weak, but overall, the underperformance of small-cap stocks relative to large-cap stocks was limited. Factors that have created headwinds for small-cap stocks, which tend to have a higher ratio of domestic sales, include the weak yen trend, which favors large export-oriented companies, and negative real household income growth, which leads to sluggish domestic consumption and economic growth. However, following the Bank of Japan's decision to raise interest rates at the end of July and its indication of a willingness to consider further hikes depending on economic conditions, the one-sided yen depreciation trend may have ended for now. There have also been some nascent signs that wage growth is beginning to outpace inflation in certain months, offering a more optimistic outlook for domestic consumption. This could

continue to support investor interest in small-cap stocks.

In fact, we believe that the relative attractiveness of small-cap stocks remains convincing. Being focused mainly on domestic demand, their profit growth rate of 10.8% is expected to outpace the 8.7% for large-cap stocks. If the Bank of Japan'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 undervalued, with a 12-month forward PER of around 13. As long as the uncertainty surrounding economic and monetary policies of Japan and the U.S. continues to create a lack of direction in the overall stock market, we expect small-cap stocks to continue narrowing the relative performance gap.

Recently, the number of tender offers by parent companies for their subsidiaries and management buyouts (MBOs) by owners has been increasing in the small-cap stock market. With the Tokyo Stock Exchange's TOPIX reforms, which will exclude stocks with low liquidity and market capitalization starting in October 2026, there is a possibility that the trend towards delisting undervalued small-cap stocks will accelerate. We will continue to explore investment opportunities from 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.

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.