

Japan Smaller Capitalization Fund, Inc.

As of January 31, 2025

Fund Facts

NYSE Ticker	JOF
CUSIP	47109U104
NYSE Market Price	\$7.68
Net Asset Value ("NAV") per share	\$9.50
Net Assets	\$269,049,662.22
Portfolio Holdings	90
Inception Date	March 21, 1990
Premium/Discount	-19.158%
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	0.53%	0.13%	1.42%
3 Month	4.65%	4.65%	1.88%
Calendar YTD	0.53%	0.13%	1.42%
1 Year	5.77%	5.48%	5.31%
3 Year	5.48%	3.01%	4.56%
5 Year	2.99%	1.95%	2.76%
10 Year	6.81%	6.31%	5.75%
Since Inception	3.18%	2.34%	2.04%

⁽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.

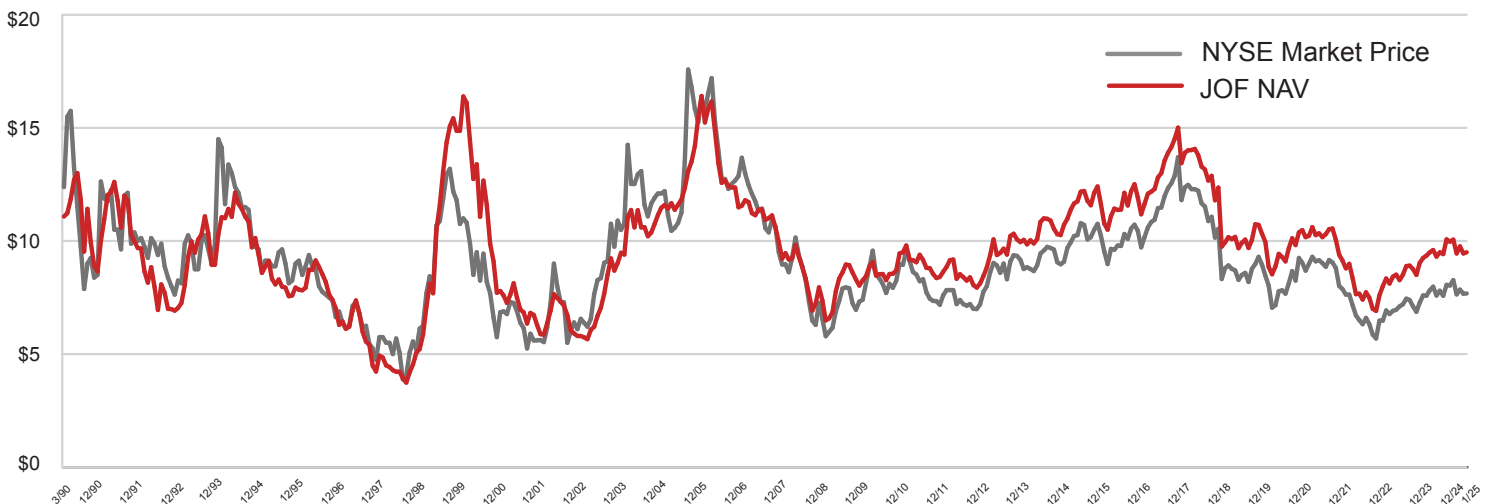
⁽³⁾From inception to 8/31/04, the benchmark was the Nikkei JASDAQ Stock Average Index, which is no longer in existence as a result of the Tokyo Stock Market reorganization of market segments on 4/4/2022. Since 9/1/04, the benchmark has been the Russell/Nomura Small Cap™ Index. All results are in U.S.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



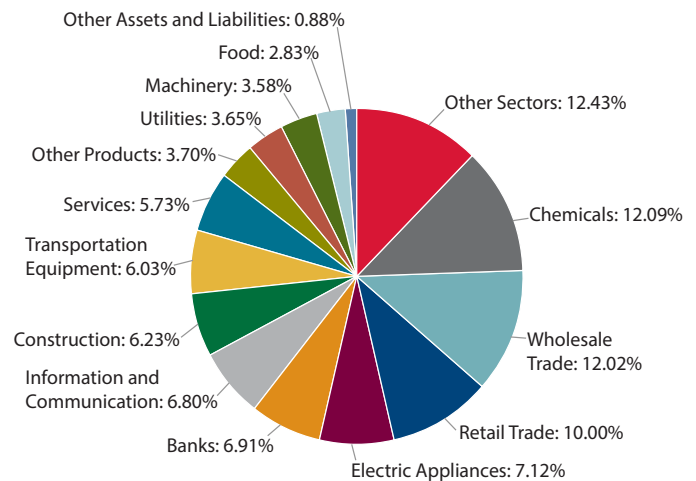
Top Ten Holdings Holdings may vary over time.

Security	% of Net Assets	% of Benchmark ⁽¹⁾
Sakata Inx Corporation	5.62%	0.06%
Shikoku Electric Power Company	3.65%	0.18%
Yondenko Corporation	2.98%	0.03%
Meiko Electronics Co., Ltd.	2.79%	0.16%
Takashimaya Co., Ltd.	2.41%	0.32%
Ryoden Corporation	2.35%	0.03%
Daishi Hokuetsu Financial Group, Inc.	2.25%	0.19%
Create SD Holdings Co., Ltd.	2.23%	0.06%
Adeka Corporation	2.21%	0.18%
Morita Holdings Corporation	2.09%	0.06%

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

Escalating trade tensions triggered by President Trump's announcement of new tariffs on Mexico, Canada, and China have added another layer of uncertainty to the global economic outlook. As President Trump appears to be using tariffs as a negotiating tactic, it is extremely difficult to gauge the extent of the potential economic impact. However, if tariffs were to be raised as initially declared, there would be a profound impact on both Mexico and Canada, where exports to the US account for a significant share of each country's GDP. Moreover, given that tariffs could cause US domestic inflation to accelerate, the Federal Reserve faces a complex policy dilemma, as it may need to maintain its tightening stance amid fears of an economic downturn caused by the trade war.

While Japan is unlikely to be exempt from tariff negotiations, we do not anticipate severe economic damage. Even if global trade volumes decrease as a result of higher tariffs and retaliatory trade measures, we can expect much of the decline to be offset by an increase in exports from Japan, partially substituting for the decline in trade activity between the US and China, Mexico and Canada. However, if we consider the potential risk scenarios, the possible second order effects could weigh on Japan's domestic economic growth. Corporations might choose to delay capital investment due to increased uncertainty, while export-oriented industries, like the automotive sector, might face earnings pressure. In turn, this could constrain domestic wage growth. These factors could prompt the Bank of Japan to take a more cautious approach to further monetary policy adjustments and rate hikes.

Japanese equities are also reflecting this subdued investor sentiment given the emergence of such an unpredictable policy outlook. However, we maintain our

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™

constructive view, albeit with a more cautious tone. Even though consensus forecast earnings per share for the TOPIX Index constituents has continued to break new record highs, the market price-to-earnings ("P/E") ratio is trading at 14 times, which is still within its historical range. As such, there are no indications of overheating in terms of valuation levels. Accelerated efforts towards corporate governance reform should also lead to a re-evaluation of the Japanese equity market. For instance, as some industries like machine tools have demonstrated, industry reorganization involving previously inconceivable unsolicited acquisitions has been gaining traction. A corporate culture prioritizing shareholder value is starting to take root among Japanese corporate managers.

The Japanese small-cap stock market saw minimal change in January, similar to the large-cap market. However, there are signs that investor interest is gradually shifting toward small-cap stocks, as indicated by gains in the Growth 250 stock index, despite a 25 basis point rate hike by the Bank of Japan. The investment environment remains attractive for small-cap stocks in terms of the corporate earnings outlook and valuations. In addition, the Bank of Japan's slightly more hawkish view regarding interest rate hikes has limited the prospects for a weaker yen, further enhancing the appeal of small-cap stocks. While a stronger yen might have a somewhat negative impact on the overall performance of Japanese companies, including large-cap stocks, it might also help to suppress inflationary pressures from rising prices of imported goods, which could have a positive effect on domestic demand. In an environment of international instability, the attention of market participants is likely to focus on the resilience of Japan's domestic demand. We believe small-cap stocks could benefit from this, and we therefore see further upside for these stock prices. Regarding the outlook for corporate earnings

performance, ordinary profit growth rates for small-cap stocks (excluding financials), is projected to be 11.4% for FY2025 (ending March 2026), clearly outpacing the 5.4% projected growth rates for large-cap stocks. On the other hand, the P/E ratio valuation remains heavily discounted. At a P/E ratio of 13 times, small caps are trading at the widest discount margin to large caps in the past 10 years.

In order to improve corporate governance and capital efficiency, companies have been proactively implementing shareholder return measures. One example of progress made through these measures has been the surging pace of share buybacks, which reached a record high of 17 trillion yen in 2024. Another factor potentially driving small-cap outperformance is the growing number of tender offers by parent companies for their subsidiaries. We have also seen growth in management buyout activity in the small-cap stock market recently. With the Tokyo Stock Exchange's TOPIX reforms starting in October 2026, which will exclude stocks with low liquidity and market capitalization, 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 a 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. We will also look at companies that have shown signs of improvement through management-led internal reforms, and companies that can be expected to improve capital efficiency through changes relating to 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.