

Japan Smaller Capitalization Fund, Inc.

As of March 31, 2025

Fund Facts

NYSE Ticker	JOF
CUSIP	47109U104
NYSE Market Price	\$8.39
Net Asset Value ("NAV") per share	\$9.79
Net Assets	\$277,402,777.46
Portfolio Holdings	90
Inception Date	March 21, 1990
Premium/Discount	-14.300%
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	3.49%	6.07%	2.63%
3 Month	3.60%	9.39%	3.86%
Calendar YTD	3.60%	9.39%	3.86%
1 Year	6.16%	9.45%	3.88%
3 Year	8.34%	8.36%	6.25%
5 Year	6.87%	7.65%	7.07%
10 Year	6.49%	6.29%	5.45%
Since Inception	3.25%	2.59%	2.10%

⁽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



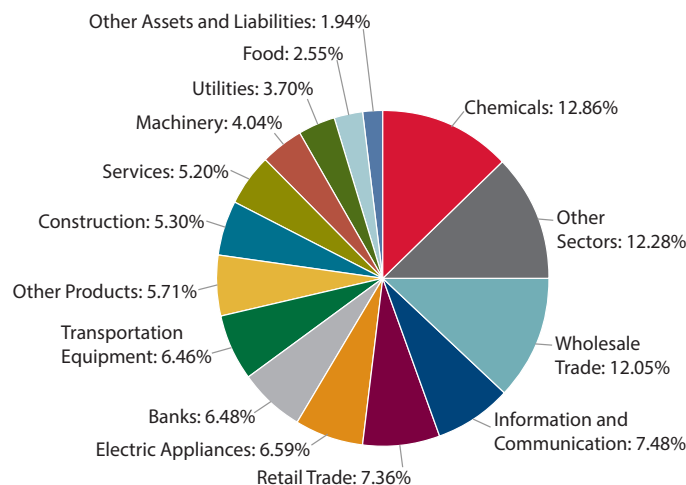
Top Ten Holdings Holdings may vary over time.

Security	% of Net Assets	% of Benchmark ⁽¹⁾
Sakata Inx Corporation	6.42%	0.07%
Shikoku Electric Power Company	3.70%	0.18%
Nishikawa Rubber Co., Ltd.	2.92%	Not included
Daishi Hokuetsu Financial Group, Inc.	2.69%	0.21%
Yondenko Corporation	2.63%	0.03%
Ryoden Corporation	2.38%	0.03%
Create SD Holdings Co., Ltd.	2.29%	0.07%
Meiko Electronics Co., Ltd.	2.15%	0.13%
Future Corporation	2.12%	0.07%
Macnica Holdings, Inc.	2.05%	0.26%

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

Announcements of tariffs, postponements and subsequent escalations from the Trump administration have sharply cooled both corporate and household sentiment in the US. It remains unclear whether the tariffs will persist beyond their use as trade negotiation levers, and the policy may struggle to maintain public support given the risk of hurting the US economy itself while fueling domestic inflation. Nevertheless, the atmosphere of policy uncertainty is likely to make companies hesitant to invest and consumers reluctant to spend. Taken together, this suggests the optimistic assumptions of US economic exceptionalism might need a reassessment.

Japan is also vulnerable to the negative economic impact of reciprocal tariffs. For example, a 25% tariff on automobiles, a core Japanese industry, could potentially reduce real Gross Domestic Product ("GDP") by up to around 0.3% (assuming exports constitute a 20% share of Japan's real GDP, with 20% directed to the US, of which 30% is automotive-related, and assuming a 25% decline in exports to the US). However, excluding such external factors, Japan's domestic economy remains fundamentally robust. Thanks to sustained wage increases, real income is expected to turn positive year-on-year from early summer. Given that domestic demand makes up approximately 80% of GDP, robust household consumption should offset the weakness in exports to a certain extent.

As Japanese equities have historically been vulnerable to global economic downturns, they have lagged behind European equities for the year to date, where Germany and other major economies show signs of a shift toward fiscal policy easing. As a result, the TOPIX currently trades at a price-to-earnings ("P/E") ratio of 13.0 times based on consensus 12-month forward earnings estimates,

which is at the lower end of its historical range. However, the downside risk to Japanese corporate earnings may be less severe than the market currently seems to fear, especially considering domestic economic resilience and a gradual shift among exporters toward localized production strategies. Moreover, Japan's corporate governance reforms have intensified over recent years, and this is bearing fruit. Across diverse sectors, such as automotive, retail, and broadcasting, company boards are replacing top management teams that are unable to present a clear turnaround strategy. In addition, the rapid unwinding of cross-shareholdings has reduced the ratio of stable shareholders. These structural changes are creating pressure on management teams to enhance corporate value.

The Japanese stock market experienced a sharp decline in the first week of April after the Trump administration unveiled harsher-than-expected tariffs. Though some domestic demand related sectors have shown resilience, small-cap stocks were also impacted. Export-oriented companies especially suffered significant stock price adjustments. President Trump is expected to leverage this new tariff regime as a bargaining tool with various countries to negotiate new trade deals. If or when the Trump administration eventually tones down its current hardline trade policy approach is likely to become an important point to watch out for from there on. While we must hope we are now close to the bottom in terms of pricing in tariff-related news, it seems likely that related news flows will continue to be a source of uncertainty in the short term.

We maintain our view that the investment environment remains relatively more attractive for small-cap stocks than large-cap peers in terms of the corporate earnings

outlook and valuations. Regarding the outlook for corporate earnings performance, ordinary profit growth rates for small-cap stocks (excluding financials) are projected to be 11.3% for FY2025 (ending March 2026). This figure clearly outpaces the 3.7% projected growth rates for large-cap stocks. In contrast, the P/E valuation of the small cap market remains heavily discounted. At the current P/E valuation of less than 13 times, small caps are trading at their widest discount margin against large caps in the past 10 years. That said, the impact of the tariffs has yet to be fully priced in to the earnings forecasts, making it difficult to determine the level of undervaluation. However, we believe stock prices will reflect these uncertainties by mid-year. By then, the impact of the tariffs and the ensuing economic uncertainties are expected to subside, and the market should again be shaped by corporate valuations based on fundamental business performance.

We will continue to seek investment opportunities through extensive fundamental analysis. We will also identify stocks that face relatively limited impact from newly imposed tariffs, those with high profit certainty in an uncertain economic environment, or stocks that have become increasingly attractive due to price declines. 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.

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.