

Japan Smaller Capitalization Fund, Inc.

As of April 30, 2025

Fund Facts

NYSE Ticker	JOF
CUSIP	47109U104
NYSE Market Price	\$8.93
Net Asset Value ("NAV") per share	\$10.32
Net Assets	\$292,466,254.50
Portfolio Holdings	94
Inception Date	March 21, 1990
Premium/Discount	-13.469%
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	5.41%	6.44%	5.70%
3 Month	8.63%	16.28%	8.24%
Calendar YTD	9.21%	16.43%	9.78%
1 Year	15.40%	22.48%	15.62%
3 Year	13.57%	13.06%	11.15%
5 Year	7.16%	8.66%	7.11%
10 Year	6.79%	6.66%	5.81%
Since Inception	3.40%	2.76%	2.26%

⁽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	6.20%	0.06%
Shikoku Electric Power Company	3.88%	0.18%
Nishikawa Rubber Co., Ltd.	3.05%	Not included
Daishi Hokuetsu Financial Group, Inc.	2.87%	0.20%
Yondenko Corporation	2.77%	0.03%
Ryoden Corporation	2.29%	0.03%
Future Corporation	2.23%	0.07%
Macnica Holdings, Inc.	2.11%	0.26%
Morita Holdings Corporation	1.93%	0.06%
The Musashino Bank, Ltd.	1.91%	0.08%

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

President Trump has rowed back from his initial tariff demands in the wake of market turmoil and declining approval ratings. With bilateral negotiations involving Japan and other countries in progress, the eventual impact of tariffs on the real economy could prove to be less severe than market participants had feared in early April. However, considering the pre-tariff demand surge that has already occurred for durable consumer goods such as electronics and automobiles, a subsequent economic slowdown in the US could persist through the second half of the year. Looking beyond the near term, business and consumer sentiment is unlikely to see much substantial improvement as long as the Trump administration continues to leverage tariff policies in its effort to reshape global supply chains.

The Japanese economy will struggle to offset this more uncertain global environment through domestic resilience, suggesting weaker growth than initially projected for this year. In turn the Bank of Japan ("BOJ") will likely push back its timeline for monetary normalization. Nevertheless, once the external headwinds are factored in, we can expect real Gross Domestic Product growth to recover towards 1% as structural labor market tightness continues to drive wage growth. This should eventually guide inflation back to the BOJ's medium-term target of around 2%. Given that real interest rates remain in negative territory, we believe there is still room for interest rate normalization, although the timing remains uncertain.

Japanese equities have shown unexpected resilience despite the lack of policy clarity. One factor bolstering market confidence appears to be share buybacks. In the face of a challenging outlook, Japanese companies have regarded the market decline as an opportunity to enhance capital efficiency, and many have actively announced share repurchases. TOPIX index constituents announced approximately 3.8 trillion yen in buybacks in April, more

Source: Nomura Asset Management Co., Ltd.

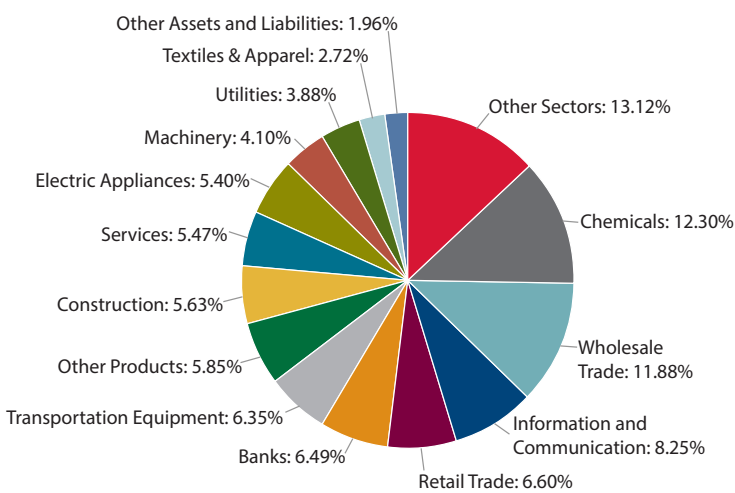
Additional Information

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.

than triple the previous year's level. Another supportive factor has been reports suggesting that Toyota Motor Co., Japan's largest automotive conglomerate, has begun a comprehensive group-wide reorganization through the delisting of Toyota Industries, a founding business within the Toyota Group that sits at the center of its complex web of cross-shareholdings. Given Toyota's perceived status as a leader within Japan's established business community, such a move can be expected to encourage other companies to address structural improvements in governance and capital efficiency.

Despite a sharp decline at the beginning of the month, small-cap stocks recovered towards the end of April following the US government's decision to postpone the implementation of "reciprocal" tariffs on imports for 90 days, and the denial of rumors that President Trump sought the dismissal of Fed Chair Jerome Powell. This eased market sentiment, leading to positive monthly returns. Domestic growth stocks, which were relatively less affected by tariffs, performed particularly well. Given the increasing uncertainty regarding the global economic growth outlook, we believe that sectors tied to domestic demand such as consumption and services will be the preferred choice among market participants for the time being. In addition, while large-cap stocks seem to have largely exhausted their efforts to manage capital costs, a number of small-cap stocks have recently begun implementing much anticipated policies aimed at strengthening shareholder returns. Following Nishikawa Rubber's decision to raise its dividend on equity ("DOE") to 8% in February, our investment target, Komatsu Wall Industry, also raised its DOE to 6% in April, which has triggered a significant increase in its stock price. We are investing in small-cap stocks with strong balance sheets and plan to encourage similar changes to other investment targets through dialogue.

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 9.8% for FY2025 (ending March 2026). This figure clearly outpaces the 2.6% projected growth rates for large-cap stocks. In contrast, the price-to-earnings ratio ("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 which we believe have 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.

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.