Japan Smaller Capitalization Fund, Inc.

As of May 31, 2025

Fund Facts

NYSE Ticker	JOF
CUSIP	47109U104
NYSE Market Price	$9.41
Net Asset Value ("NAV") per share	$10.64
Net Assets	$301,601,250.21
Portfolio Holdings	91
Inception Date	March 21, 1990
Premium/Discount	-11.560%
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	3.10%	5.38%	2.84%
3 Month	12.47%	18.96%	11.56%
Calendar YTD	12.59%	22.69%	12.90%
1 Year	16.59%	25.59%	18.63%
3 Year	14.63%	16.27%	11.77%
5 Year	6.51%	8.00%	6.10%
10 Year	7.04%	7.17%	5.98%
Since Inception	3.48%	2.91%	2.33%

Past performance is not indicative of future results. There is a risk of loss.

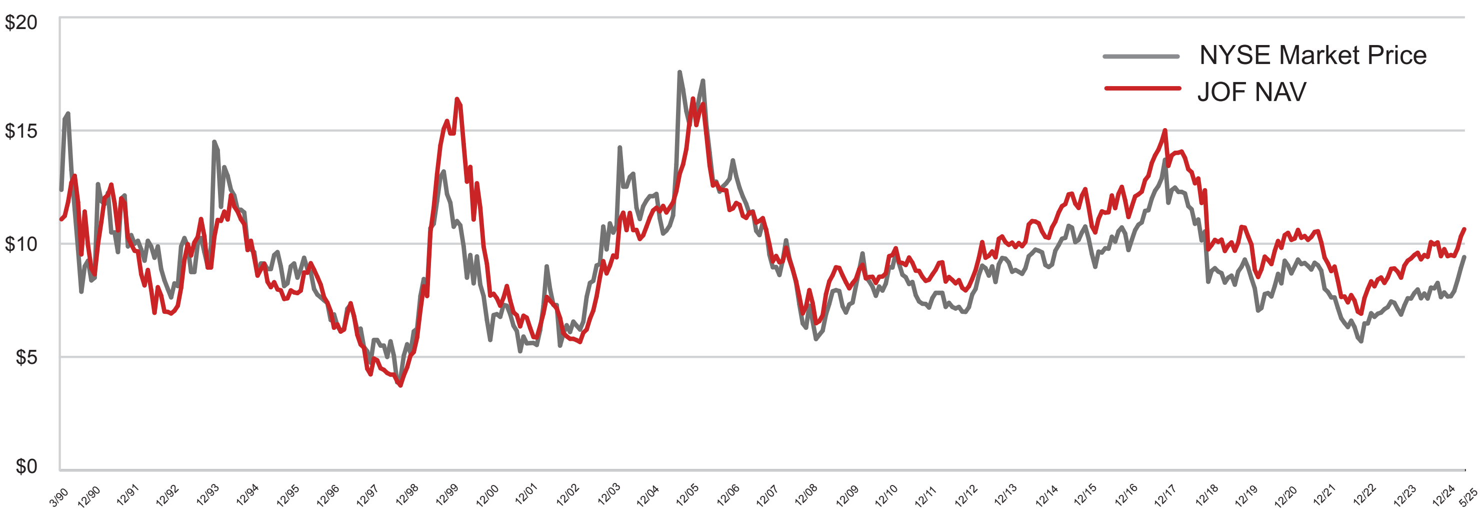
[1] Based on NAV price, adjusted for reinvestment of income dividends, ordinary income distributions, and long-term capital gain distributions as per the dividend reinvestment policy of the Fund.

[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.

JOF NAV versus NYSE Market Price



Japan Smaller Capitalization Fund, Inc.

As of May 31, 2025

Top Ten Holdings

Holdings may vary over time.

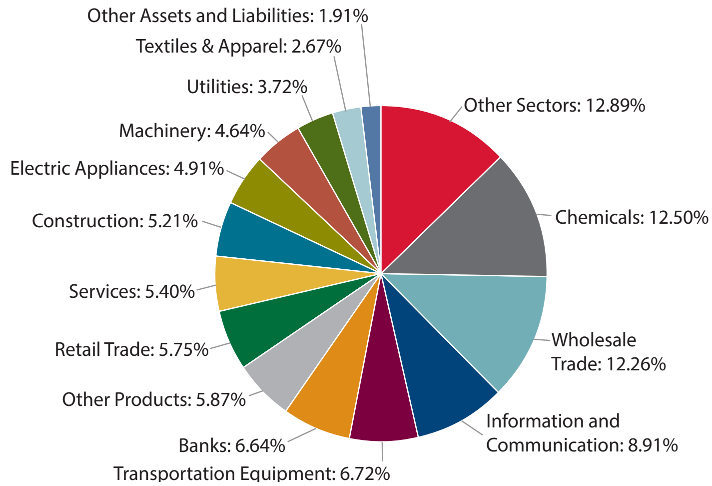
Security	% of Net Assets	% of Benchmark[(1)]
Sakata Inx Corporation	6.20%	0.06%
Shikoku Electric Power Company	3.72%	0.18%
Daishi Hokuetsu Financial Group, Inc.	2.94%	0.21%
Nishikawa Rubber Co., Ltd.	2.90%	Not included
Yondenko Corporation	2.60%	0.03%
Future Corporation	2.56%	0.08%
Ryoden Corporation	2.52%	0.03%
Macnica Holdings, Inc.	1.95%	0.24%
Kanaden Corporation	1.92%	Not included
The Musashino Bank, Ltd.	1.90%	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.

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

Nearly two months since President Trump amplified his trade rhetoric, including what he called 'Liberation Day', it has become increasingly evident that his proposed "reciprocal" tariff regime faces considerable challenges. Public support seems to be waning as consumers fear the inflationary consequences, while their feasibility is being challenged within the framework of the US legal system. While the administration is likely to continue leveraging tariffs as a bargaining chip in trade negotiations, the actual impact on both the US and global economies seems likely to be milder than initially feared. Nevertheless, the Trump administration's policy unpredictability may continue to fuel financial market volatility. As the rating agency Moody's downgraded US sovereign debt, the President's assertive diplomatic stance, frequent policy pivots, and lax fiscal discipline have started to undermine confidence in US assets and the dollar.

Against this backdrop of global economic uncertainty, the Bank of Japan has adopted a more cautious approach towards future monetary tightening. The rate hike initially anticipated for mid-year now appears likely to be postponed to the end of 2025 or the first half of next year. However, Japan's underlying domestic fundamentals remain largely intact in our view. The return to positive real wage growth has been delayed, largely due to consumer price inflation driven partly by surging prices for rice and other staple food items. However, as government initiatives to stabilize rice prices take effect, wage growth is expected to outpace inflation again in the latter half of the year. Moreover, the structural labor shortage is prompting Japanese companies to continue to raise wages into next year and beyond, regardless of short-term earnings volatility.

Following a strong rebound alongside global stock markets, Japanese equities have already recovered the bulk of losses suffered in recent months. Consequently, we expect the market to remain range-bound in the near term, in the absence of clear near-term positive catalysts. However, corporate governance reforms are now diversifying beyond share buybacks, raising expectations for more structural improvements in Japanese corporate capital efficiency. The chemical industry exemplifies this transformation, with major players pursuing transitions in their product portfolio toward higher value-added segments. In commodity chemical segments such as ethylene, where oversupply has pressured profitability, these companies are accelerating industry consolidation and spin-off initiatives. Structural reforms by mature companies, aimed at step-change improvements in capital efficiency, should contribute to reducing the cost of capital across the overall Japanese equity market.

Despite rising interest rates in the bond market, small cap growth stocks continued to outperform for a second consecutive month. In particular, the Growth 250 index, which can be used to gauge emerging stocks, surged by more than 10%, drawing attention from investors in the absence of a clear market-wide investment theme. While maintaining a value bias across our portfolio, we have gradually increased our exposure to growth stocks since the beginning of the year, enabling us to partially adapt to these market shifts. Given the increasing uncertainty regarding the global economic growth outlook, we believe sectors tied to domestic demand such as consumption and services will continue to be the preferred choice among market participants for the time being. In addition, while large-cap stocks seem to have exhausted their efforts to manage capital costs for the most part, a number of small-cap stocks have recently started to implement much anticipated policies aimed at strengthening shareholder returns. Several small-cap semiconductor trading companies in our portfolio, such as RYODEN and Kanaden, have delivered solid investment returns despite lacking strong near-term earnings momentum due to the delayed recovery in Japan's manufacturing sector. These companies have strengthened their shareholder returns through measures such as significantly increasing dividends per share. 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 6.3% for FY2025 (ending March 2026). This figure clearly outpaces the -3.5% 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.

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 purchase 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.