

Japan Smaller Capitalization Fund, Inc.

As of June 30, 2025

Fund Facts

NYSE Ticker	JOF
CUSIP	47109U104
NYSE Market Price	\$9.64
Net Asset Value ("NAV") per share	\$11.00
Net Assets	\$311,540,966.44
Portfolio Holdings	90
Inception Date	March 21, 1990
Premium/Discount	-12.364%
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	3.38%	2.44%	2.77%
3 Month	12.36%	14.90%	11.71%
Calendar YTD	16.40%	25.68%	16.03%
1 Year	21.56%	32.39%	22.60%
3 Year	17.25%	18.31%	14.54%
5 Year	7.54%	8.41%	6.98%
10 Year	7.01%	6.89%	6.08%
Since Inception	3.57%	2.97%	2.41%

⁽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	6.10%	0.06%
Shikoku Electric Power Company	3.70%	0.18%
Daishi Hokuetsu Financial Group, Inc.	2.90%	0.21%
Nishikawa Rubber Co., Ltd.	2.60%	Not included
Yondenko Corporation	2.50%	0.03%
Ryoden Corporation	2.50%	0.03%
Future Corporation	2.50%	0.08%
Kanaden Corporation	2.10%	Not included
Macnica Holdings, Inc.	1.90%	0.24%
The Musashino Bank, Ltd.	1.80%	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

Despite uncertainty surrounding the Trump administration's tariff policies, the US economy has demonstrated little sign of deceleration. However, we remain cautious as we believe the secondary inflationary impact and consumption slowdown due to tariffs have yet to fully materialize. That said, the prospect of fiscal policy easing in Europe, together with emerging signs of a cyclical recovery in China's property market and the capital investment cycle, suggest that any resulting global downturn could be milder and shorter than initially feared.

Japan's economic outlook remains closely linked to the outcome of tariff negotiations with the US government. As the current deadlock indicates, we cannot rule out the risk of a temporary breakdown in talks. Moreover, Washington has yet to reveal its demands on key sectors such as semiconductors and pharmaceuticals. However, drawing parallels from negotiations with other nations like China, we still see a possibility that subsequent Japanese concessions could eventually lead to tariff reductions.

Given that recent election outcomes in Japan have had little impact on the economy and financial markets, we do not anticipate any significant or immediate market reaction to the upcoming Upper House election scheduled for July 20th. However, with the governing Liberal Democratic Party-Komeito coalition having lost its supermajority in last year's Lower House election, a further loss of seats appears probable. This gradual erosion of political stability could become a long-term risk factor.

Japanese equities have demonstrated remarkable resilience considering the domestic and international market noise and uncertainty. The recent 13 consecutive weeks of net inflows from foreign investors suggest that Japan's relative geopolitical and economic stability has given it a safe-haven status. The TOPIX index is currently trading at a forward price-to-earnings ratio of around 14.5, which is close to the upper end of its historical range and makes it

Source: Nomura Asset Management Co., Ltd.

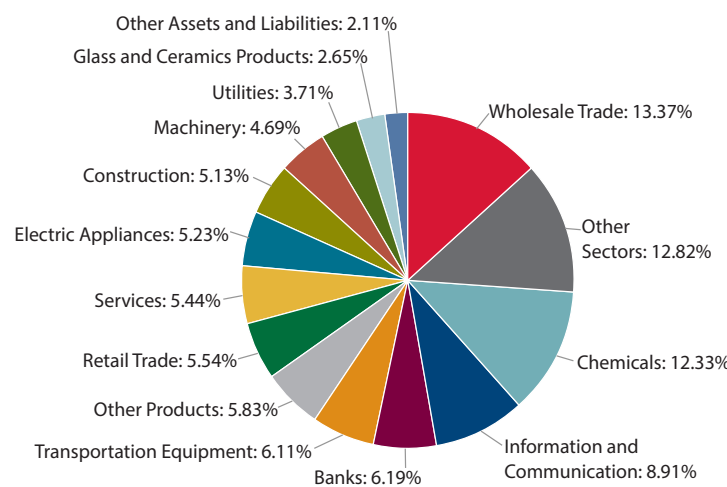
Additional Information

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.

susceptible to near-term profit-taking. However, we remain convinced that there is still significant room for Japanese corporate governance reforms to drive improvements in capital efficiency. The Financial Services Agency is going to implement its second revision to the Corporate Governance Code since 2021. These amendments aim to encourage companies to deploy cash reserves not merely for share buybacks but for growth-oriented investments. As these sustained initiatives bear fruit, we expect the capital efficiency gap and valuation differentials between Japanese stocks and their European and American counterparts to narrow further over the medium to long term.

A softer U.S. dollar and rising expectations for Federal Reserve rate cuts have underpinned the yen. This has benefited domestically focused companies, even as export-driven large caps face ongoing trade-policy uncertainty and persistent tariff concerns. Against this backdrop, small-cap growth stocks have outperformed for a third consecutive month. The TSE Growth 250 Index has advanced by 13% over the past quarter, returning to its year-to-date peak, while the Russell/Nomura Small-Cap Index continues to outpace the TOPIX and is close to a post-COVID high. We have maintained a value bias but have gradually increased our growth allocation since January. This approach has allowed the portfolio to keep pace with this rotation without sacrificing downside protection. Our focus remains on consumer and services businesses with primarily domestic revenue streams. We also favor select digital platform providers and semiconductor trading companies, especially those accelerating shareholder return policies. The market's technical backdrop remains supportive. Foreign and institutional ownership of small caps is still low - well below pre-Abenomics levels. As such, even modest incremental flows can drive significant price appreciation, while net buying by individual investors and Japanese corporates continues for a ninth consecutive month. Dollar weakness and the yen's resilience have also improved earnings visibility for domestically oriented companies, reinforcing

the attractiveness of the segment at a time when global growth signals are mixed. Governance reform is likewise accelerating. Stricter listing maintenance requirements for the TSE Growth market, which include a new 10 billion minimum market-cap rule, and the forthcoming TOPIX re-selection slated for October 2026 are encouraging management teams to enhance capital efficiency, leading to more robust dividend policies, increased share buybacks, and even management buyout discussions in some cases. We intend to reinforce this trend through active engagement with issuers that possess strong balance sheets and underutilized cash reserves.

Fundamentals further support the small-cap stocks. For FY25 (ending March 2026), small-cap companies are projected to deliver operating profit growth of 5.4%. This contrasts with the anticipated contraction for large caps. Valuations remain attractive. The Russell/Nomura Small-Cap Index trades at roughly 13 times forward earnings. This represents one of the widest relative discounts to large-caps that we have seen in the past decade - even after the recent outperformance. Although tariff related headwinds are not yet fully factored into consensus estimates, we expect the market to price in these risks by mid-year. Afterwards, equity prices should again reflect intrinsic business performance.

Under this framework, we will maintain a balanced value approach. We will prioritize companies with robust balance sheets, clear catalysts for enhanced shareholder returns, and measurable progress in governance. Our bottom-up research will focus on businesses that are less vulnerable to tariff policies, those capable of sustaining high earnings visibility amid macroeconomic uncertainty, and under-researched companies where internal reforms are beginning to translate into tangible performance improvements. This positions the portfolio to benefit from both the cyclical tailwinds and structural re-rating opportunities.

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.