Japan Smaller Capitalization Fund, Inc.

As of July 31, 2025

Fund Facts

NYSE Ticker	JOF
CUSIP	47109U104
NYSE Market Price	$9.68
Net Asset Value (“NAV”) per share	$11.08
Net Assets	$314,027,922.60
Portfolio Holdings	93
Inception Date	March 21, 1990
Premium/Discount	-12.635%
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	1.65%	1.34%	0.50%
3 Month	8.35%	9.39%	6.23%
Calendar YTD	18.32%	27.36%	16.61%
1 Year	15.59%	26.17%	14.23%
3 Year	16.24%	17.13%	12.75%
5 Year	8.34%	9.12%	7.78%
10 Year	7.16%	7.11%	6.14%
Since Inception	3.61%	3.00%	2.42%

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

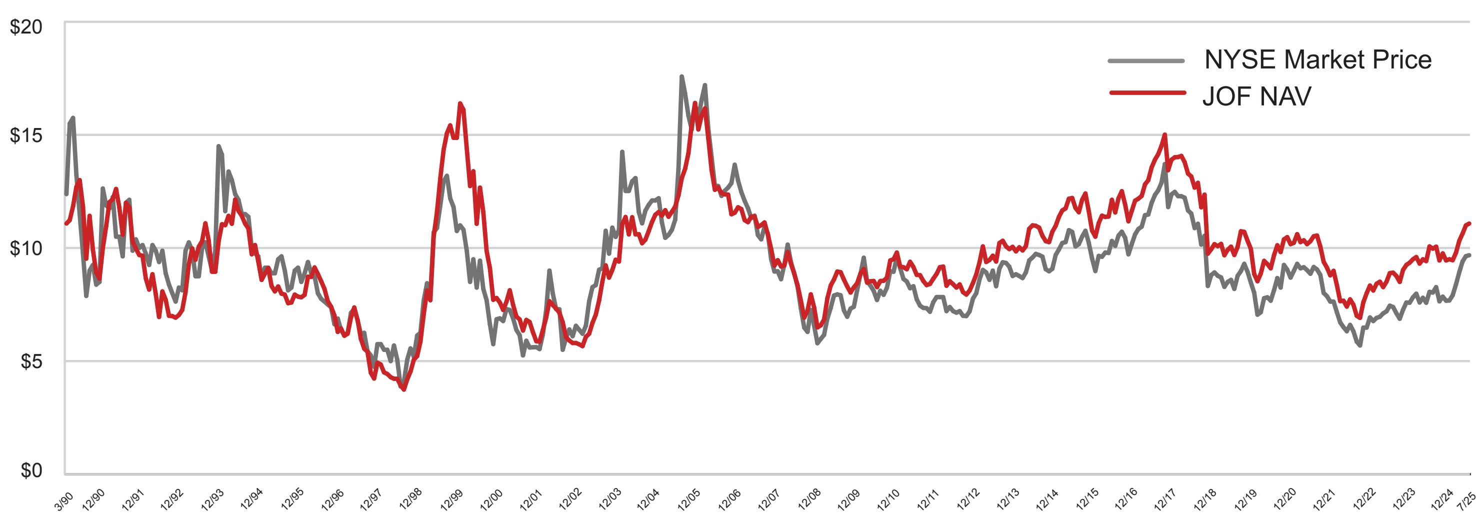
[1] Based on NAV price, adjusted for reinvestment of income dividends, ordinary income distributions, and long-term capital gain distributions as per the dividend reinvestment policy of the Fund.

[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 July 31, 2025

Top Ten Holdings

Holdings may vary over time.

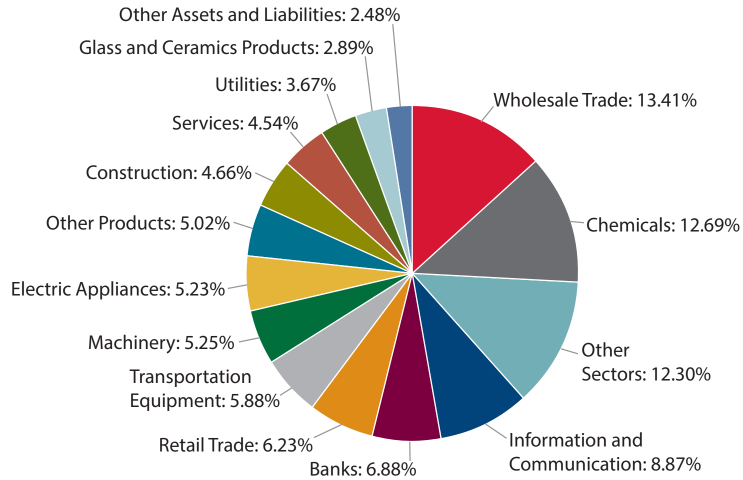
Security	% of Net Assets	% of Benchmark[1]
Sakata Inx Corporation	6.40%	0.07%
Shikoku Electric Power Company	3.70%	0.18%
Daishi Hokuetsu Financial Group, Inc.	3.50%	0.22%
Yondenko Corporation	2.50%	0.03%
Ryoden Corporation	2.40%	0.03%
Future Corporation	2.30%	0.08%
The Musashino Bank, Ltd.	2.00%	0.08%
Nippon Seiki Co., Ltd.	2.00%	0.05%
Macnica Holdings, Inc.	1.90%	0.24%
GMO Internet Group, Inc.	1.80%	0.21%

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

The sharp downward revisions to US non-farm payroll data for May and June suggest that tariff policies are already starting to cast a shadow over the US domestic economy. However, we believe it is too soon to adopt a broadly pessimistic economic outlook. Looking ahead, progress on trade negotiations with key partners like Japan and the EU could partially offset the negative impact of tariffs by improving forward visibility. In addition, it is becoming increasingly likely that the Federal Reserve will support the labor market through interest rate cuts.

While the Japanese economy lacks robust momentum, it has so far been resilient against the headwinds of US tariff increases. Earnings reports for Japanese corporations during the April-June period revealed that the tariff-related impact in general may not be as large as market participants had initially feared. Even among the automotive manufacturers, which were initially expected to face severe challenges, the reduction in tariff rates from 25% to 15% has improved the earnings visibility, with leading companies in the auto industry now likely to avoid the risk of substantial profit deterioration.

However, the political situation in Japan has become more complex following the ruling coalition's failure to secure even a simple majority in July's Upper House election. However, we believe the immediate economic implications remain limited. While opposition parties are advocating targeted consumption tax cuts, the Liberal Democratic Party is expected to maintain fiscal discipline by forming strategic alliances with selected opposition parties and independents to prevent any large-scale tax cuts that could threaten fiscal sustainability.

The Japanese equity market has rallied to near historical highs, as investors priced in potential earnings upgrades following tariff rate reductions. The TOPIX is currently trading at a price-to-earnings ratio ("P/E") of approximately 15 based on 12-month forward consensus earnings per share estimates, which is approaching the upper bound of its historical range. While near-term profit-taking amid persistent international and domestic uncertainty may trigger market volatility, we uphold our constructive long-term view of the Japanese equity market. Corporate governance reforms continue to drive improvements in capital efficiency, with many companies pursuing balance sheet optimization and structural reforms to enhance Return on Equity, even in the face of earnings headwinds.

In July, investor sentiment improved following the announcement that the US would lower its "reciprocal" tariff rates on Japanese imports compared to prior indications. As a result, the TOPIX reached a new all-time high. Meanwhile, small-cap stocks rallied strongly, outperforming large-cap peers. Although the acute uncertainty surrounding the Trump administration's trade and tariff policies has largely subsided, it remains unclear whether export-oriented companies can sustain profitability through pricing power or other measures. As for the currency, expectations of further Japanese Yen depreciation have moderated amid rising speculation over potential US interest rate cuts. Against this backdrop, small-cap stocks—many of which, in our view remain undervalued—continue to be favored on a relative basis.

Year to date, small-cap stocks have outperformed the TOPIX by more than four percentage points, and we believe further outperformance is likely. Based on the latest forecasts, small-cap companies are expected to achieve ordinary profit growth of 4.2% in fiscal year 2025 (ending March 2026), in stark contrast to the anticipated earnings contraction among large-cap names. Valuations also remain attractive: the Russell/Nomura Small Cap Index trades at a P/E ratio of approximately 13 based on 12-month forward earnings, maintaining a significant discount relative to large caps.

Technical conditions in the market remain favorable. Foreign and institutional ownership of small-cap stocks is still well below pre-Abenomics levels. Consequently, even modest capital inflows can generate meaningful upside in this segment.

Within our portfolio, we have maintained a value-oriented stance while selectively increasing our allocation to domestic demand focused growth stocks. This strategy has so far proven effective, allowing us to keep pace with the ongoing market rotation without compromising downside protection. We continue to favor domestic demand driven companies in the consumer and service industries. We are also selectively investing in digital platform providers and other structurally advantaged names.

Governance reform among small-cap companies is also gaining momentum. Stricter listing-maintenance requirements for the TSE Growth market—including 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. This has led 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.

We will continue to maintain a balanced, value-oriented approach, prioritizing 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 policy changes, 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.

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.