

Japan Smaller Capitalization Fund, Inc.

As of January 31, 2023

Fund Facts

NYSE Ticker	JOF
CUSIP	47109U104
NYSE Market Price	\$6.93
Net Asset Value ("NAV") per share	\$8.34
Net Assets	\$236,197,925
Portfolio Holdings	98
Inception Date	March 21, 1990
Premium/Discount	-16.906%
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	
Hiromitsu Daimon CMA CIAA, Lead Portfolio Manager Makoto Ito, 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	4.25%	6.94%	4.25%
3 Month	21.56%	22.67%	16.63%
Calendar YTD	4.25%	6.94%	4.25%
1 Year	-4.44%	-8.52%	-2.36%
3 Year	-1.92%	-2.68%	-0.70%
5 Year	-2.48%	-3.81%	-2.60%
10 Year	7.54%	6.47%	6.32%
Since Inception	2.73%	1.93%	1.68%

⁽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.

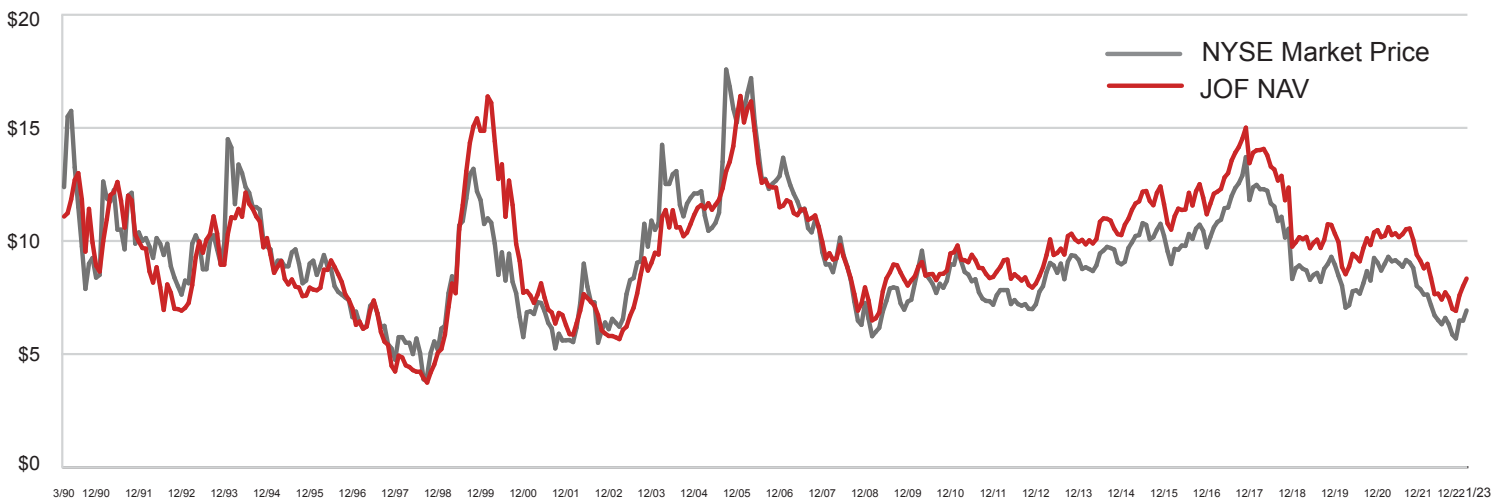
⁽³⁾From inception to 8/31/04, the benchmark was the Nikkei JASDAQ Stock Average Index, which is no longer in existence as a result of the Tokyo Stock Market reorganization of market segments on 4/4/2022. Since 9/1/04, the benchmark has been the Russell/Nomura Small Cap™ Index. All results are in U.S. 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⁾
JM Holdings Co., Ltd.	2.99%	0.02%
Sakata Inx Corporation	2.80%	0.05%
Sekisui Jushi Corporation	2.80%	0.06%
EXEO Group, Inc.	2.68%	0.28%
Seria Co., Ltd.	2.67%	0.15%
Kandenko Co., Ltd.	2.56%	0.11%
Fujikura Kasei Co., Ltd.	2.27%	Not included
Create SD Holdings Co., Ltd.	2.25%	0.11%
Trancom Co., Ltd.	2.04%	0.07%
Izumi Co., Ltd.	2.03%	0.11%

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 and related depository receipts.

⁽¹⁾ Russell/Nomura Small Cap™ Index.

Market Commentary

Investor sentiment has taken a more positive turn since the start of this year as the US Federal Reserve decided to slow the pace of its interest rate tightening. However, we think this current mood feels a little too optimistic.

Our outlook for 2023 is unchanged from last month given that the underlying market dynamics remain the same. Over the past two years, there has been much discussion about the negative prospect of stagflation. However, we think that although the market is likely to remain choppy and sometimes volatile, next year and further out could provide some attractive opportunities for investors to gradually accumulate equity positions.

As we have noted last month and in previous reports, we have also seen some degree of calm restored in the major commodity markets, such as oil and gold, following price surges earlier this year. Over the year ahead, these conversations could turn away from the current focus on inflation and interest rate trends. Taking a broad view from a long-term investment perspective of about five to ten years, the Japanese stock market appears to be priced at an attractive level, with a P/E ratio of around 13 based on 12-month forward EPS estimates. However, in an inverted yield-curve environment, it is generally difficult to

Source: Nomura Asset Management Co., Ltd.

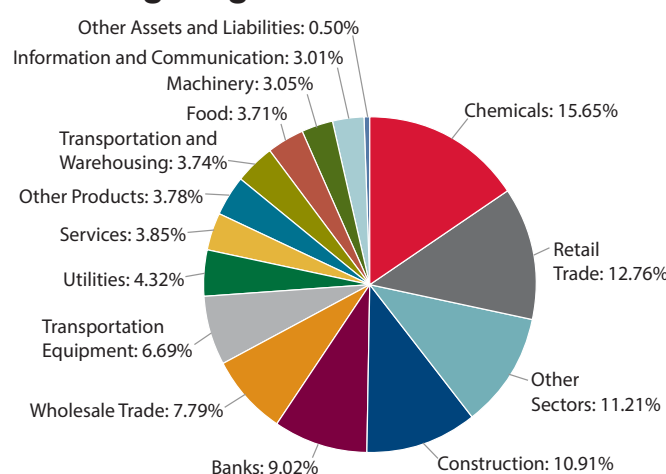
Additional Information

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

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.

be optimistic about the immediate fundamental outlook. In the short term, risks remain. The first of these risks will likely dominate the market conversation this year, i.e. the depth and duration of the expected recession. The next is a uniquely Japanese risk factor: the possibility of a further shift in monetary policy when Bank of Japan Governor Kuroda completes his term of office in April 2023, and the subsequent impact of the Japanese yen/US dollar exchange rate on equity markets. Even if rising interest rates settle down to some extent, we believe it is now unlikely that investors will see a return to the exceptionally low interest rate policy of the past 10 years. This is partly because the underlying cause of the current inflation should be viewed as a structural supply-side issue rather than a cyclical demand-side problem due to overheating and the economic policy response to the pandemic. Specific examples include supply shocks from geopolitical issues, supply constraints due to environmental regulations as seen in ESG themes, and stagnating technological innovation resulting from socioeconomic polarization. We believe that is why so many economists' inflation forecasts have fallen short of reality. Therefore, in our view speculative trading that ignores valuations in terms of stock selection will become increasingly difficult. This means that, regardless of market direction, value strategies will fundamentally be

the main drivers of stock selection.

While macroeconomic and top-down predictions like this are often unreliable, the most important key for our investment strategy is to employ bottom-up research to identify companies that are competitive or have growth potential, and then to buy those stocks while they are attractively valued. Many small-cap value stocks are in a more robust financial position than large-cap stocks, and many companies are highly profitable because they operate in niche businesses with high market shares. Among these companies, quite a few stocks combine attractive valuations with high growth rates. Even if they will not be leading the Japanese equity market in the short term, holding these stocks, in our view, is likely to generate favorable long-term returns. In addition, among small-cap value stocks, including the long unpopular regional banks, there has been a movement towards industry reorganization and management reform. Considering the backdrop of political pressure, increased mergers and acquisitions activity, and behind-the-scenes investor activism, it should be understood that moves to improve governance and shareholder returns are also occurring in the small cap market.

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.