

## Japan Smaller Capitalization Fund, Inc.

As of April 30, 2023

### Fund Facts

NYSE Ticker	JOF
CUSIP	47109U104
NYSE Market Price	\$6.96
Net Asset Value ("NAV") per share	\$8.51
Net Assets	\$241,009,124
Portfolio Holdings	105
Inception Date	March 21, 1990
Premium/Discount	-18.214%
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 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 <sup>(1)</sup>	JOF NYSE Market Price <sup>(2)</sup>	Russell/ Nomura Small Cap™ Index <sup>(3)</sup>
<b>1 Month</b>	1.07%	0.72%	0.21%
<b>3 Month</b>	2.04%	0.43%	0.76%
<b>Calendar YTD</b>	6.38%	7.41%	5.03%
<b>1 Year</b>	12.04%	4.47%	9.21%
<b>3 Year</b>	2.63%	3.08%	3.89%
<b>5 Year</b>	-2.32%	-3.60%	-2.13%
<b>10 Year</b>	5.89%	4.92%	4.61%
<b>Since Inception</b>	2.78%	1.93%	1.69%

<sup>(1)</sup>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.

<sup>(2)</sup>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.

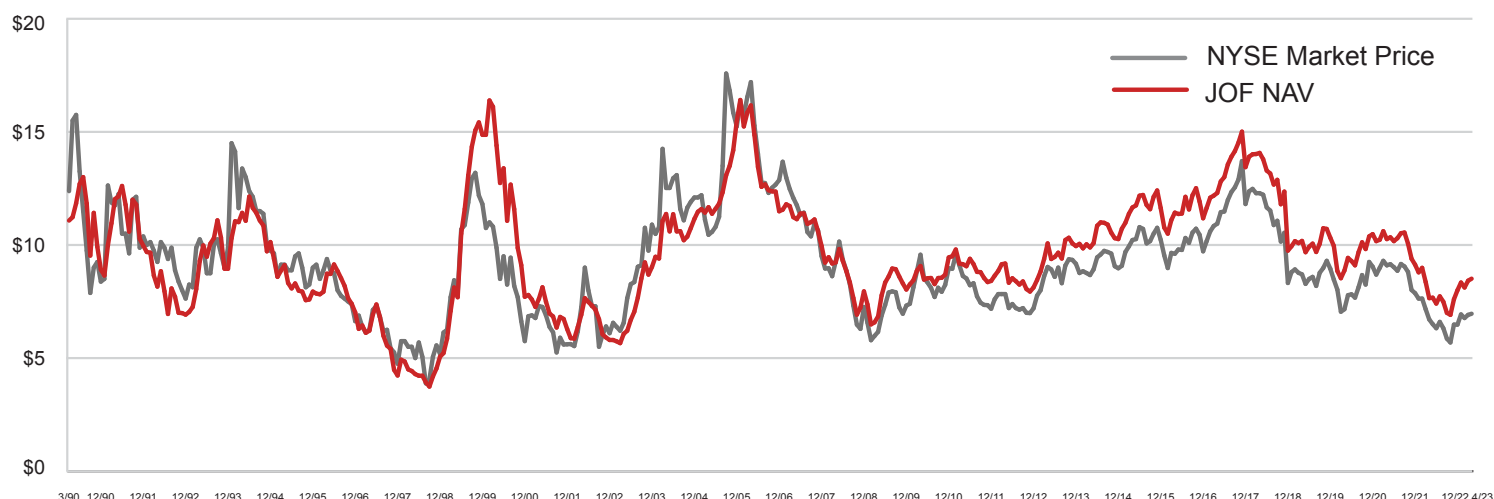
<sup>(3)</sup>From inception to 8/31/04, the benchmark was the Nikkei JASDAQ Stock Average Index, which is no longer in existence as a result of the Tokyo Stock Market reorganization of market segments on 4/4/2022. Since 9/1/04, the benchmark has been the Russell/Nomura Small Cap™ Index. All results 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 <sup>(1)</sup>
Sekisui Jushi Corporation	2.82%	0.07%
JM Holdings Co., Ltd.	2.78%	0.02%
Sakata Inx Corporation	2.66%	0.05%
Kandenko Co., Ltd.	2.47%	0.12%
Nitto Kohki Co., Ltd.	2.42%	0.02%
EXEO Group, Inc.	2.31%	0.29%
Fujikura Kasei Co., Ltd.	2.15%	Not included
Seria Co., Ltd.	2.12%	0.13%
Create SD Holdings Co., Ltd.	2.11%	0.10%
Shikoku Electric Power Company	2.10%	0.16%

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.

<sup>(1)</sup> Russell/Nomura Small Cap™ Index.

## Market Commentary

Despite market disruption in some regions, such as deteriorating commercial property market conditions in Europe and the United States, and deposit outflows from medium-sized US banks, we believe the global financial system is resilient enough to avoid serious impairment. However, following such a prolonged period of low interest rates, many financial institutions have been operating on the assumption that such a low interest rate environment and other accommodative monetary policy settings would persist. Therefore, we could experience another bout of turmoil in the financial markets in the future as this abundance of liquidity is progressively unwound.

While it is true that an uncertain financial environment poses challenges to the Japanese economy, we believe Japan's economic fundamentals can continue to improve. In March, the number of tourists travelling from the US and South-East Asian countries had already exceeded the levels seen in 2019. If the number of tourists from China were also to recover to pre-pandemic levels, this would be expected to support the Japanese domestic economy, boosting GDP growth by nearly 1.0 percentage point. Furthermore, growing momentum in home-grown inflation should provide a tailwind

Source: Nomura Asset Management Co., Ltd.

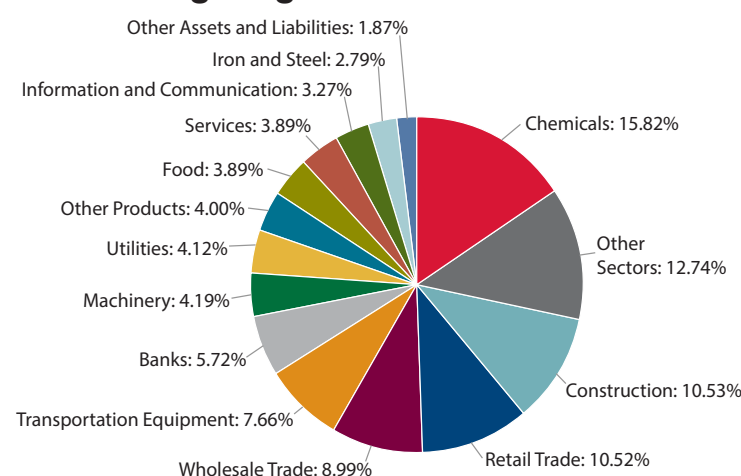
## Additional Information

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.

for corporate earnings. While announcements of corporate earnings results for the financial years ending February or March 2023 are still ongoing and require close scrutiny, many domestic demand-oriented companies are expecting steady earnings growth in FY2023 after factoring in a recovery in demand as well as improved profitability through higher output prices.

Meanwhile, valuations for Japanese companies remain at underwhelming levels. The TOPIX 12-month forward P/E ratio of around 13 times is near the lower end of the historical range and includes a certain degree of downside risk to future earnings. However, the sudden visit of prominent American investor Warren Buffet was considered by some as an endorsement of the hidden value in Japanese companies. As a result, capital flows from foreign investors have turned into net inflows in recent weeks. While market participants may be focusing on measures announced to improve the balance sheets of companies currently trading below book value, the valuation discount across a wide range of stocks is likely to narrow as companies engage in more substantive and sustainable improvements in profitability and capital efficiency through constructive communication with the capital markets.

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

We believe that small cap stocks with a higher sensitivity to domestic demand could outperform large cap stocks, despite the possibility that some investors will avoid small caps due to their perceived higher risk amidst global economic uncertainty. We expect small cap stocks to generate higher recurring profit growth than large caps this fiscal year due to the expected improvement in profitability resulting from an end of the weakening yen trend and the expected rebound in the number of international visitors to Japan. Our view is that the market reforms by the Tokyo Stock Exchange will also be a tailwind for small cap stocks as they have a higher proportion of value stocks than the large cap market. We will select stocks from a wide range of industries, particularly companies that have not received much attention from the market despite their excellent business strategies, companies where management has shown signs of change thanks to internal reforms, and companies where capital efficiency is expected to improve due to changes in their attitude toward shareholder returns. We continue to aim to generate returns by carefully identifying those undervalued companies via thorough bottom-up research.

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.