

Japan Smaller Capitalization Fund, Inc.

As of August 31, 2023

Fund Facts

NYSE Ticker	JOF
CUSIP	47109U104
NYSE Market Price	\$7.39
Net Asset Value ("NAV") per share	\$8.91
Net Assets	\$252,563,641
Portfolio Holdings	95
Inception Date	March 21, 1990
Premium/Discount	-17.059%
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 ⁽¹⁾	JOF NYSE Market Price ⁽²⁾	Russell/ Nomura Small Cap™ Index ⁽³⁾
1 Month	0.22%	-0.81%	-0.72%
3 Month	7.74%	3.94%	6.34%
Calendar YTD	11.38%	14.04%	8.79%
1 Year	19.81%	17.77%	13.28%
3 Year	1.22%	0.80%	1.37%
5 Year	0.67%	-0.03%	-0.41%
10 Year	7.11%	6.43%	5.82%
Since Inception	2.89%	2.09%	1.78%

⁽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.

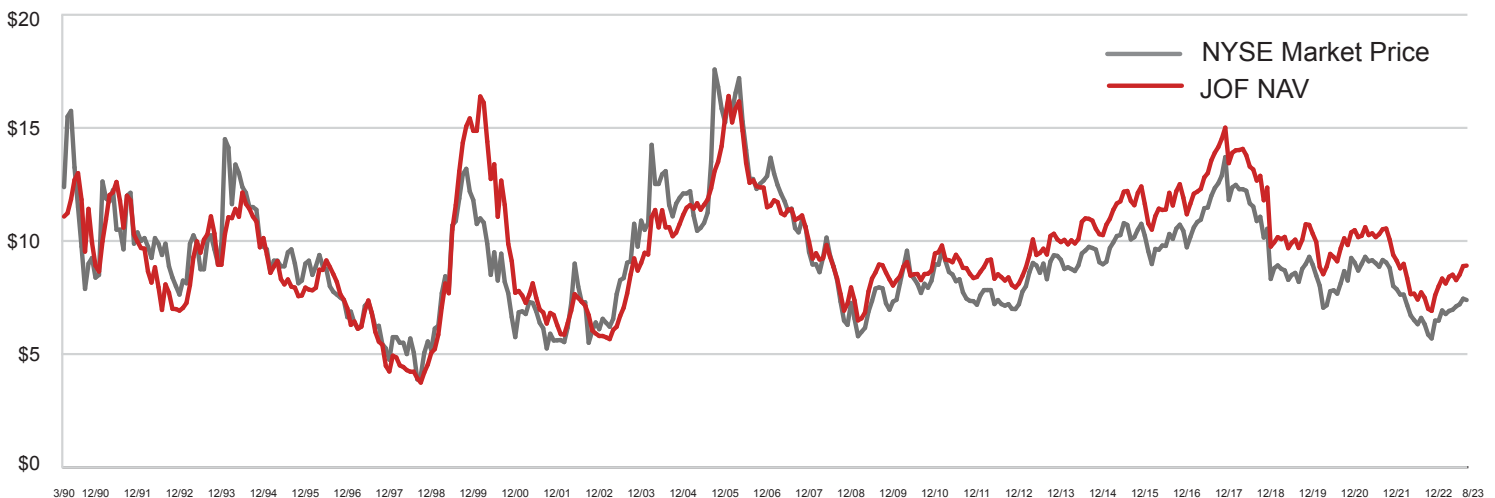
⁽³⁾From inception to 8/31/04, the benchmark was the Nikkei JASDAQ Stock Average Index, which is no longer in existence as a result of the Tokyo Stock Market reorganization of market segments on 4/4/2022. Since 9/1/04, the benchmark has been the Russell/Nomura Small Cap™ Index. All results are in U.S. 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⁾
Shikoku Electric Power Company	3.12%	0.19%
Sakata Inx Corporation	3.11%	0.06%
EXEO Group, Inc.	2.53%	0.32%
Sekisui Jushi Corporation	2.49%	0.07%
Macnica Holdings, Inc.	2.39%	0.39%
Create SD Holdings Co., Ltd.	2.39%	0.11%
Rakuten Bank, Ltd.	2.21%	Not included
Nichirei Corporation	2.20%	0.37%
Ryoden Corporation	2.14%	0.03%
Nitto Kohki Co., Ltd.	2.10%	0.02%

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

Despite the prospect of the Federal Reserve holding interest rates “higher for longer”, we uphold our view that the US economy can avoid a severe economic slowdown at least for the foreseeable future. While household savings are steadily diminishing now after having supported robust consumer spending so far, the asset effects of rising stock prices and a robust labor market can still provide an economic buffer. On the other hand, some potential downside risk lies in the troubled Chinese economy. At present, we do not expect the financial losses in China's real estate sector to cascade through defaults in the shadow banking system. Government economic stimulus measures are also expected to support the economy to some extent. However, if the crisis were to develop into a credit crunch for the broader financial sector, there could be a material impact on the closely connected Japanese economy.

Despite the mixed signals from overseas, we expect Japan's economy to achieve higher GDP growth compared to other major developed countries over the next few quarters. There are some specific factors that can drive the Japanese economy, including the recovery in demand from foreign tourists and accelerated capital investments aimed at enhancing productivity. Furthermore, as highlighted by the Cabinet Office's estimate of a positive output gap for the April-June quarter, the first positive reading in nearly four years, the driver of rising inflation in Japan is gradually shifting from supply constraints

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.

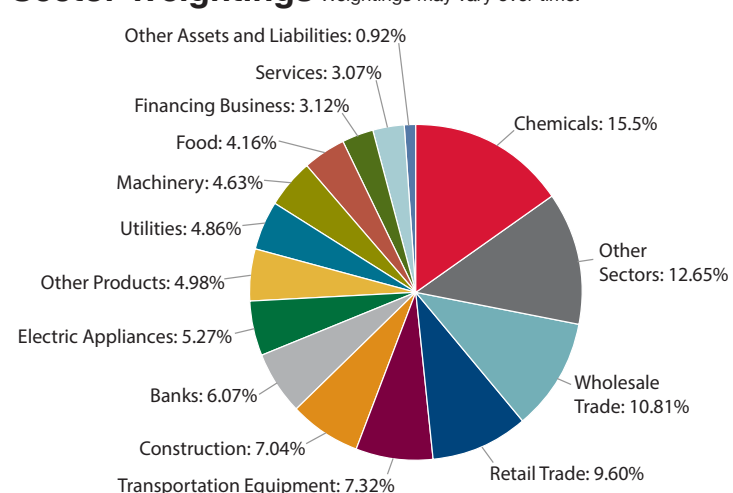
The Russell/Nomura Small Cap™ Index represents approximately 15% of the total market capitalization of the Russell/Nomura Total

to a demand-pull situation. If consumer price norms and expectations of Japanese people change and companies gain some ability to raise prices, there is significant room for improvement in the profitability of Japanese companies.

Given the immediate uncertainty in global economic conditions, the TOPIX P/E ratio based on the 12-month forward consensus earnings forecast remains in line with the historical average, at approximately 14 times. From a longer-term perspective, however, we believe the upside potential of the Japanese equity market is not yet fully recognized. In addition to the resilience of the domestic macro-economy mentioned above, signs of change are also emerging at the individual company level. Prompted by requests from the Tokyo Stock Exchange, an increasing number of firms are starting to work on improving their capital efficiency. This is likely to go beyond one-time share buyback measures and could extend to actions aimed at addressing balance sheet inefficiencies, such as divesting cross-shareholdings and selling unprofitable businesses, which many companies have so far sidestepped. These macroeconomic and individual company level changes are just beginning, and they are expected to materialize in the future as catalysts for the rise of Japanese equities.

Small cap stocks have been outpaced during the rapid large cap equity rally since April, although we have started to see some signs of improving

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.

demand for small caps as they have outperformed the TOPIX over the last two consecutive months. We expect this catch-up trend to continue given that smaller companies are forecast to generate higher recurring profit growth than their large cap counterparts this fiscal year. This expected improvement in profitability will be driven by product or service price increases and the ongoing rebound in the number of international visitors to Japan. Market reforms by the Tokyo Stock Exchange should also provide a tailwind for small cap stocks, especially as they tend to comprise a higher proportion of value stocks, whereas large caps are biased towards growth. At the end of August, the portfolio holding Yondenko disclosed a capital efficiency improvement plan and raised its dividend payout ratio from 30% to 40%. We expect a growing number of companies to announce such plans towards the end of this fiscal year. This trend could lead to some revaluation of Japanese small cap stocks. We will continue to 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 due to internal reforms, and companies where capital efficiency is projected to improve due to changes in their attitude toward shareholder returns. We aim to generate returns by carefully identifying those undervalued companies via thorough bottom-up research.

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.