

Japan Smaller Capitalization Fund, Inc.

As of September 30, 2023

Fund Facts

NYSE Ticker	JOF
CUSIP	47109U104
NYSE Market Price	\$7.11
Net Asset Value ("NAV") per share	\$8.76
Net Assets	\$248,131,704
Portfolio Holdings	92
Inception Date	March 21, 1990
Premium/Discount	-18.836%
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	-1.68%	-3.79%	-2.54%
3 Month	2.94%	-1.25%	0.92%
Calendar YTD	9.50%	9.72%	6.03%
1 Year	26.04%	22.20%	18.65%
3 Year	-0.83%	-2.60%	-0.95%
5 Year	0.00%	-1.14%	-1.27%
10 Year	6.04%	5.07%	4.50%
Since Inception	2.83%	1.97%	1.70%

⁽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.

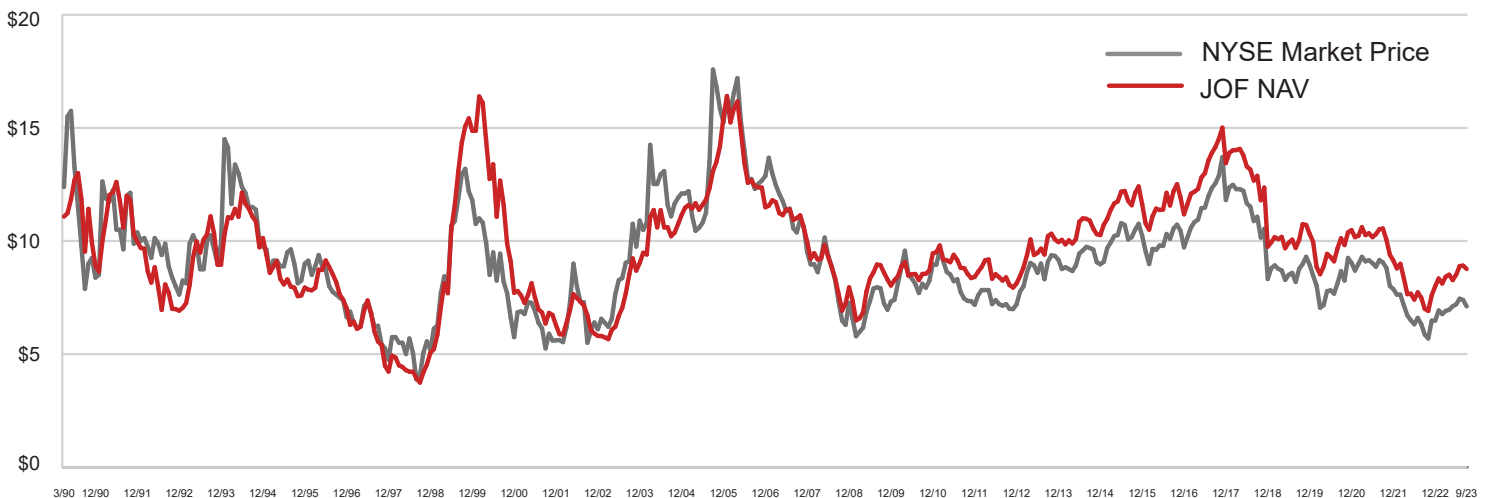
⁽³⁾From inception to 8/31/04, the benchmark was the Nikkei JASDAQ Stock Average Index, which is no longer in existence as a result of the Tokyo Stock Market reorganization of market segments on 4/4/2022. Since 9/1/04, the benchmark has been the Russell/Nomura Small Cap™ Index. All results are in U.S. 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



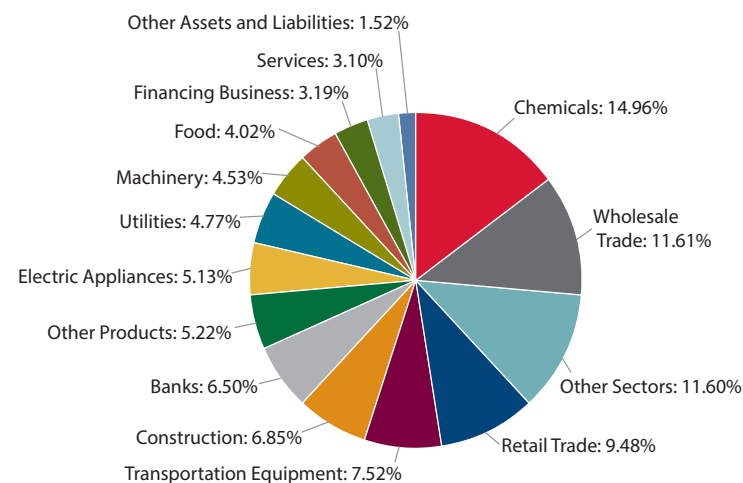
Top Ten Holdings Holdings may vary over time.

Security	% of Net Assets	% of Benchmark ⁽¹⁾
Shikoku Electric Power Company	3.02%	0.19%
Sakata Inx Corporation	3.00%	0.06%
EXEO Group, Inc.	2.68%	Not included
Sekisui Jushi Corporation	2.48%	0.32%
Macnica Holdings, Inc.	2.44%	0.40%
Create SD Holdings Co., Ltd.	2.40%	0.10%
Rakuten Bank, Ltd.	2.31%	0.07%
Nichirei Corporation	2.21%	0.03%
Ryoden Corporation	2.08%	0.36%
Nitto Kohki Co., Ltd.	2.05%	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.

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

With the global economy gradually normalizing following the pandemic, the pace of growth going forward is expected to moderate. While US GDP continues to grow at a robust pace, persistent monetary tightening by the Federal Reserve is expected to have a delayed effect on the economy that will be felt towards next year. In Europe, the prolonged war in Ukraine poses the risk of undermining consumer sentiment due to high energy and grain prices. Meanwhile in Asia, despite the Chinese government's efforts to stimulate the economy, persistent weakness in the property sector continues to dampen the country's economic recovery prospects.

On the other hand, the Japanese economy looks relatively well positioned. According to the Tankan survey by the Bank of Japan (BOJ) in September, business sentiment for both manufacturing and non-manufacturing sectors continues to improve. Tighter labor market conditions have become evident across various industries, and this could exert upward pressure on future wages. If this robust domestic economic environment and the accompanying inflation persists, the BOJ is likely to make a decision on whether to relax or abandon the yield curve control policy measures, or whether to remove the policy of negative interest rates on certain bank deposits, possibly as early as the first half of next year.

As global interest rates continue to rise, Japan's stock market is also likely to experience the

Source: Nomura Asset Management Co., Ltd.

increased volatility, as seen in global stock markets. However, in addition to the resilience of the domestic economy, corporate governance reforms will reveal attractive investment opportunities unique to Japan among the developed markets. Following pressure from the Tokyo Stock Exchange (TSE) and some activist investors, many listed companies have introduced measures to improve their capital efficiency. As a result, the valuations of some companies are now being reassessed. Nevertheless, more than 40% of the constituents of the TSE Prime index still trade below book value. As highlighted by the recent announcement by a major auto parts manufacturer in one of Japan's largest automotive groups of future divestment plans for its group cross-shareholdings, many companies are now focusing on bold structural reforms. We believe there is still room for further progress in fundamental corporate reforms across a wide range of companies and sectors.

Given concerns about a future economic slowdown due to the tightening of global interest rates and other factors such as the weakness of the Chinese economy, the rally in large cap stock prices has levelled out recently. As a result, over the past three months, small cap Japanese stocks have outperformed the TOPIX index. We expect this catch up process to continue given that small cap 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 TSE 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 stocks. 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 due to internal reforms, and companies where capital efficiency is projected to improve due to changes in their attitude toward shareholder returns. With the upcoming release of interim financial results, we expect the corporate earnings performance, particularly for domestic demand-oriented companies, to surpass initial forecasts thanks to a backdrop of robust domestic demand. We will thoroughly analyze their earnings reports and continue our efforts to identify undervalued stocks with strong profitability through bottom-up fundamental equity research.

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.