

Japan Smaller Capitalization Fund, Inc.

As of February 29, 2024

Fund Facts

NYSE Ticker	JOF
CUSIP	47109U104
NYSE Market Price	\$7.82
Net Asset Value ("NAV") per share	\$9.50
Net Assets	\$269,182,849
Portfolio Holdings	88
Inception Date	March 21, 1990
Premium/Discount	-17.684%
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	1.60%	3.17%	0.76%
3 Month	8.95%	11.39%	7.08%
Calendar YTD	2.70%	3.03%	1.07%
1 Year	21.16%	19.62%	15.38%
3 Year	1.41%	-0.78%	0.32%
5 Year	3.36%	2.06%	3.13%
10 Year	7.44%	6.51%	5.74%
Since Inception	3.15%	2.34%	1.96%

⁽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.

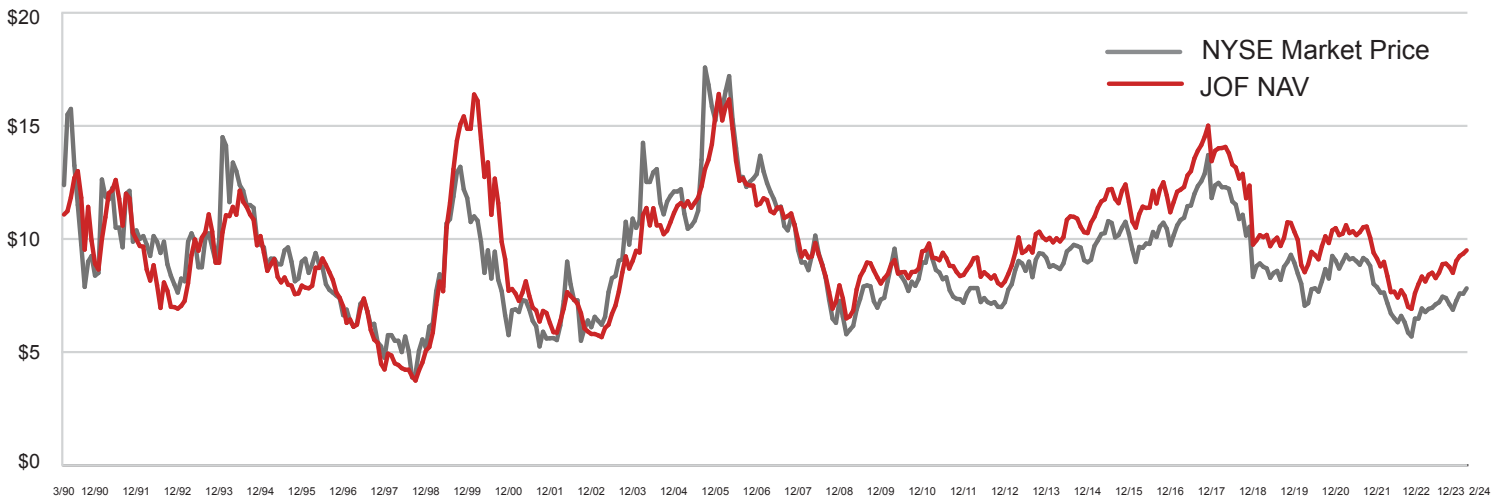
⁽³⁾From inception to 8/31/04, the benchmark was the Nikkei JASDAQ Stock Average Index, which is no longer in existence as a result of the Tokyo Stock Market reorganization of market segments on 4/4/2022. Since 9/1/04, the benchmark has been the Russell/Nomura Small Cap™ Index. All results are in U.S. 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⁾
Sakata Inx Corporation	3.43%	0.06%
Shikoku Electric Power Company	3.13%	0.19%
Rakuten Bank, Ltd.	2.75%	Not included
Macnica Holdings, Inc.	2.64%	Not included
Ryoden Corporation	2.50%	0.03%
EXEO Group, Inc.	2.34%	0.30%
Create SD Holdings Co., Ltd.	2.34%	0.09%
Adeka Corporation	2.05%	0.22%
Kanaden Corporation	1.99%	Not included
Future Corporation	1.92%	0.08%

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

Most of the advanced economies, including Europe and Japan, have seen their economic recoveries losing momentum in recent months. The United States has continued to stand resilient, surpassing economists' initial expectations. US labor market conditions remain tight, while inflation data is showing signs of increasing again. While the Federal Reserve has suggested that interest rate tightening is complete and that rate cuts might be considered later this year, the timing of these cuts seems likely to be deferred beyond the market's current assumed turning point, with a slower and more gradual decline in policy rates. In contrast, China still faces difficult conditions for the world's second-largest economy. However, the upcoming National People's Congress is expected to confirm expansionary fiscal policies, which could provide essential support for the economy.

Japan's GDP (gross domestic product) growth rate has slowed temporarily, primarily due to deteriorating consumer sentiment, caused by stubborn inflation. However, the second half of this year could bring widely anticipated wage increases and the potential for targeted, but temporary tax cuts, which could set the stage for a cyclical recovery. We recognize that establishing a virtuous cycle driven by moderate inflation and wage growth is likely to take time; it could take several years for the domestic economy to enter a robust upward trajectory. Nevertheless, the social norms of Japanese consumers regarding inflation have steadily shifted, improving the chances that the country might break free from its decades-long economic stagnation.

Despite these signs of macroeconomic weakness, the Japanese stock market has demonstrated remarkable strength since the beginning of this year. However, we regard the 34-year high achieved by the price-weighted Nikkei 225 index as just a milestone rather than a final destination. Unlike the stock price surge of 1989, this

Source: Nomura Asset Management Co., Ltd.

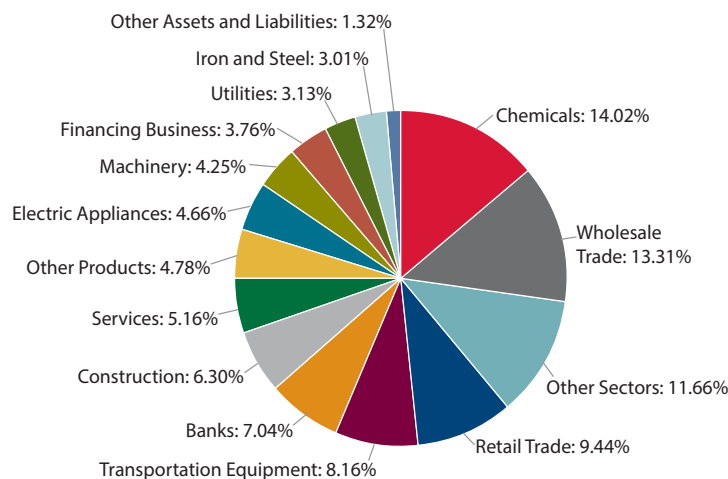
Additional Information

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.

rally is accompanied by genuine earnings growth. The TOPIX price-to-earnings ratio, based on consensus profit estimates for the next 12 months, stands at around 15 times, which is well within historical norms. While Japan's domestic economy faces some challenges, globally competitive Japanese companies continue to thrive, benefiting from a recovery in the world economy and a weaker yen. In addition, the campaign for corporate governance reform initiated by the Tokyo Stock Exchange and activist investors has made Japanese companies more aware of capital efficiency. In turn, this has led them to engage in a record-high rate of share buybacks since the start of the year. While foreign investor inflows concentrate on some specific large-cap names, we can observe shifts in corporate behavior across a wide range of industries and company sizes. We anticipate broader reevaluations across a wider spectrum of Japanese equities in the future.

Due to the yen's progressive depreciation, overseas investors continued to prefer large-cap stocks over small-caps in February, resulting in the latter underperforming. With the start of the new NISA (Nippon Individual Saving Account) program, a tax-exempt investment scheme similar to the IRA program in the U.S., small-cap value stocks with high dividends, which are popular among retail investors, continued to show relatively good performance. On the other hand, there were signs of a recovery in demand for small-caps as these emerging markets posted strong rallies led by companies that were recently listed on the Tokyo Stock Exchange.

Looking ahead, there are many favorable catalysts for small-cap stocks. Being focused mainly on domestic demand, their profit growth rate of 11.2% is expected to outpace the 6.3% for large-cap stocks. If the Bank of Japan's move towards normalizing its monetary policy leads to a stronger yen, the performance advantage for small-cap stocks will become even more evident.

Furthermore, small-cap stocks, in our view, are currently undervalued, with a 12-month forward P/E (price-to-earnings ratio) below 15 times.

In 2023, the Tokyo Stock Exchange requested that companies focus on management aimed at realizing improvements in cost of capital and stock price, leading to an increase in stock prices for companies that implemented measures such as the disposal of cross-shareholdings, strengthening shareholder returns, and improving ROE (return on equity). On January 15th of this year, the Tokyo Stock Exchange announced a list of companies that responded to requests for management focused on capital costs and stock prices. It was revealed that 49% of companies on the Prime Market and 18% of the Standard Market had included the necessary criteria in disclosures. We recognize that improving governance is an important investment theme, and as of the end of January approximately 60% of portfolio companies based on investment weight have been included in this Tokyo Stock Exchange list. Three more portfolio companies were added to the list in the February update. We will monitor the management and capital efficiency of our investment targets and also work to improve governance through engagement activities targeting companies that are not yet included in the list.

We will continue our efforts to discover excellent companies that are undervalued relative to their growth prospects through bottom-up analysis of corporate fundamentals. We will select stocks from a wide range of industries, particularly companies that have not received much attention from the market despite their outstanding business strategies, companies where management has shown signs of change due to internal reforms, and companies where capital efficiency is expected to improve due to changes in their attitude toward shareholder returns.

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.