

**Japan Smaller Capitalization Fund, Inc.**

As of October 31, 2021

**Fund Facts**

NYSE Ticker	JOF
CUSIP	47109U104
NYSE Market Price	\$8.81
Net Asset Value ("NAV") per share	\$10.06
Net Assets	\$284,973,839
Portfolio Holdings	104
Inception Date	March 21, 1990
Premium/Discount	-12.43%
Shares Outstanding	28,333,893
<b>Benchmark</b>	
Since inception to 8/31/04: Nikkei JASDAQ Stock Average Index. 9/1/04 onwards: Russell/Nomura Small Cap™ Index.	
<b>Portfolio Managers</b>	
Hiromitsu Daimon CMA CIAA, Lead Portfolio Manager Makoto Ito, Portfolio Manager	

**Fund Objectives**

**Japan Smaller Capitalization Fund, Inc. ("JOF" or the "Fund")** is a non-diversified, closed-end management investment company listed on the New York Stock Exchange ("NYSE"). 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, Nagoya, and JASDAQ Stock Exchanges, the Mothers, Centex Markets, 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>	Nikkei JASDAQ Stock Avg. <sup>(3)</sup>
<b>1 Month</b>	-4.64%	-2.65%	-3.84%	-3.32%
<b>3 Month</b>	-2.33%	-0.56%	0.42%	-3.04%
<b>Calendar YTD</b>	-4.01%	-2.54%	1.58%	-3.07%
<b>1 Year</b>	6.43%	10.94%	11.53%	2.93%
<b>3 Year</b>	4.94%	5.57%	5.14%	3.44%
<b>5 Year</b>	6.66%	7.12%	6.31%	7.07%
<b>10 Year</b>	8.76%	8.95%	8.54%	8.70%
<b>Since Inception</b>	3.19%	2.52%	2.15%	2.06%

<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.

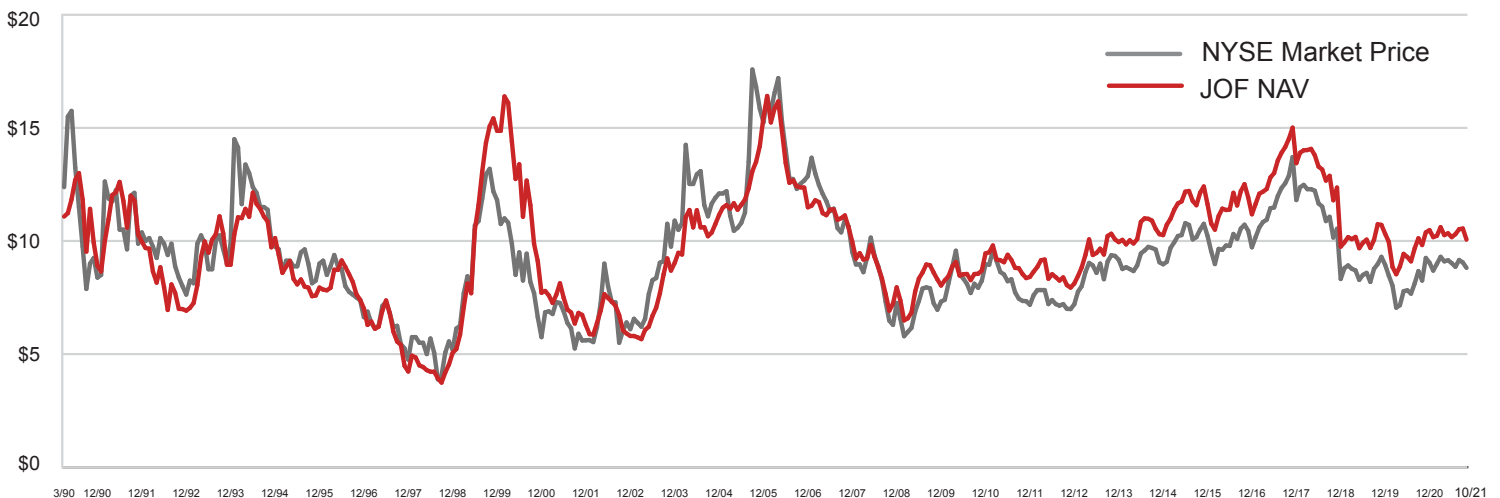
<sup>(3)</sup>From inception to 8/31/04, the benchmark was Nikkei JASDAQ Stock Average Index. Since 9/1/04, the benchmark has been the Russell/Nomura Small Cap™ Index. All results are in U.S. dollars.

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**



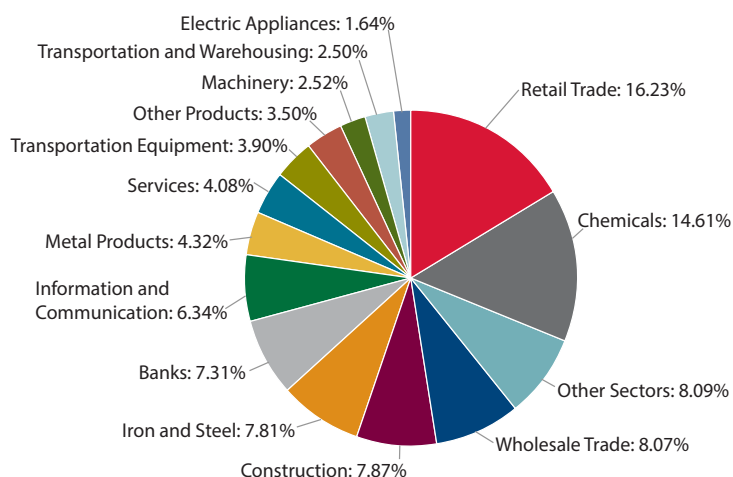
## Top Ten Holdings Holdings may vary over time.

Security	% of Net Assets	% of Benchmark <sup>(1)</sup>
Okinawa Cellular Telephone Company	3.63%	0.09%
Ryoden Corporation	3.54%	0.03%
Osaka Steel Co., Ltd.	3.28%	Not included
Amiyaki Tei Co., Ltd.	2.93%	Not included
Fujikura Kasei Co., Ltd.	2.53%	0.02%
Seria Co., Ltd.	2.52%	0.21%
JM Holdings Co., Ltd.	2.36%	0.02%
Sakata Inx Corporation	2.17%	0.06%
Piolax, Inc.	2.04%	0.07%
T&K Toka Co., Ltd.	1.99%	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.

<sup>(1)</sup> 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

The price-to-earnings (P/E) ratio of the Tokyo Stock market is currently around 15 for both large-cap and small-cap stocks according to estimates from Nomura Securities. The market does not seem overvalued at this level. However, the beginning of policy tapering by the Federal Reserve Board and inflation trends, as well as economic trends in China such as Ever Grande, continue to be of great concern.

Looking back over investors' stock selection tendencies over the past year, there has been a recovery in large-cap value stocks since last autumn. This recovery occurred mainly among external demand-dependent manufacturing industries, while growth stocks have rebounded since the spring among both large and small caps. Meanwhile, small-cap value stocks have been sluggish over the past year.

There are two possible underlying reasons for this discrepancy in value stock performance. One is that many small-cap stocks are dependent on domestic demand, while Japan had been falling behind in the distribution of vaccines and faced delays to economic reopening until August of this year. Also, market participants seemed to be avoiding small-cap value stocks due to their low liquidity amid the reconstitution process of the TOPIX index. However, we are bullish on small-cap value stocks for the following reasons.

One reason is the wide stock price valuation gap between value stocks and growth stocks. This has grown to a historically high level. Next, the outlook for an outbreak of the COVID-19 virus remains uncertain, but Japan has already seen a dramatic decrease in the number of people

infected with the virus. Finally, uncertainty about the reconstitution of the TOPIX index can become a positive factor, as it could trigger improvements in corporate governance over the longer term. In the near term however, it could still be a burden for the market within this fiscal year. Nonetheless, it is corporate fundamentals that determine stock prices in the medium to long term, not such technical market related factors.

Many small-cap value stock names that have a solid financial position and a strong earnings base can be found among leading niche companies within various sectors. The fact that many stocks in this category also have low beta is considered a reflection of their low-risk fundamentals. We believe time will come when these stocks are re-evaluated.

Source: Nomura Asset Management Co., Ltd. All returns in the Market Commentary are quoted in Japanese Yen.

## 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.