

Japan Smaller Capitalization Fund, Inc.

As of November 30, 2025

Fund Facts

NYSE Ticker	JOF
CUSIP	47109U104
NYSE Market Price	\$10.76
Net Asset Value ("NAV") per share	\$11.92
Net Assets	\$337,723,460.02
Portfolio Holdings	90
Inception Date	March 21, 1990
Premium/Discount	-9.732%
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 Hiroaki Tanaka, 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	5.89%	4.72%	3.48%
3 Month	2.80%	3.02%	1.93%
Calendar YTD	31.60%	46.38%	27.69%
1 Year	32.66%	48.89%	26.02%
3 Year	21.12%	23.45%	16.37%
5 Year	7.79%	8.07%	6.50%
10 Year	8.13%	8.56%	7.04%
Since Inception	3.89%	3.38%	2.65%

Past performance is not indicative of future results. There is a risk of loss.

⁽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.

JOF NAV versus NYSE Market Price



Top Ten Holdings

Holdings may vary over time.

Security	% of Net Assets	% of Benchmark ⁽¹⁾
Sakata Inx Corporation	6.20%	0.07%
Daishi Hokuetsu Financial Group, Inc.	3.37%	0.26%
BuySell Technologies Co., Ltd.	2.96%	0.04%
SWCC Corporation	2.71%	0.23%
Yondenko Corporation	2.65%	0.03%
Nippon Seiki Co., Ltd.	2.53%	0.06%
Ryoden Corporation	2.48%	0.03%
The Musashino Bank, Ltd.	2.38%	0.09%
Mizuho Leasing Company, Limited	1.86%	0.13%
THK Co., Ltd.	1.84%	0.31%

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.

⁽¹⁾ Russell/Nomura Small Cap™ Index.

Market Commentary

Robust US Gross Domestic Product growth continues to be underpinned by two powerful forces: accelerating capital expenditure on Artificial Intelligence ("AI") data centers and resilient consumption by wealthier households benefiting from rising equity markets. Beneath the surface, however, the labor market looks more fragile than the headline growth figures suggest, with job growth becoming more concentrated in specific industries and higher-income cohorts.

In Japan, the new government of Prime Minister Takaichi has secured approval for a supplementary budget featuring ambitious economic measures. However, we expect these policies to provide only a transitory boost to domestic consumption. The more fundamental issue for the Japanese economy remains the challenge of entrenching positive real wage growth into next year. Rengo, the federation representing trade unions at large corporations, has demanded wage hikes of more than 5%. Yet it remains uncertain whether Japan's small and mid-sized enterprises, which make up a majority of Japanese companies and employ most of Japan's workforce, but often operate with weaker balance sheets, will be able to follow suit.

Even so, we believe Japan is in the process of emerging from its extended low-inflation/ low-growth malaise, and so there is diminishing rationale for keeping policy rates at such extraordinarily accommodative levels. The Bank of Japan (BOJ) is likely to move towards additional rate hikes sooner rather than later. As the Japan-US interest rate differential narrows, the Japanese yen has some scope for reassessment as investors repatriate capital to the domestic bond market.

As a result of the recent robust performance, the TOPIX index now trades at around 15.5 times forward 12 month earnings per share, slightly above its historical valuation range. As concerns over a potential AI bubble are

gaining traction, next year will be crucial in fundamental terms. Specifically, it will test whether the global giants among high-tech companies can begin to recoup their investments in AI data centers, which have reached national budget scale already, through monetizable AI-enabled services. Should those returns fall short of expectations, companies that are linked closely to the AI capex cycle could face significant downside risk, both in Japan and worldwide. That said, we see investment opportunities in Japan that extend well beyond the AI supply chain. Corporate governance reforms continue to resonate through the Japanese corporate sector, and earnings turnarounds driven by structural shifts in the domestic economy, are providing global investors with an attractive risk-reward profile.

Following the inauguration of Prime Minister Takaichi, the market saw the yen weaken while stocks rallied as they were driven by fiscal expansion plans and expectations that any interest rate hikes would be implemented gradually. However, given that large-cap valuations are now trading above their historical ranges, and long-term interest rates are on an upward trend in Japan, the upside for major indices, which are typically dominated by large caps, may be limited for the time being.

Conversely, small-cap stocks are well-positioned to attract investor attention. This is due to solid earnings supported by their relatively limited exposure to tariffs. Their attractive valuations relative to large caps also adds to their investment appeal. Indeed, in November, small caps staged a catch-up rally and once again outperformed large caps on a year-to-date basis. We believe there is significant room for a re-rating of small caps as we head into next year. Furthermore, given rising long-term yields and the approaching timeline for a BOJ rate hike, we view value stocks, which are generally less susceptible to the negative impact of rising interest rates, as a promising area of focus for the near term.

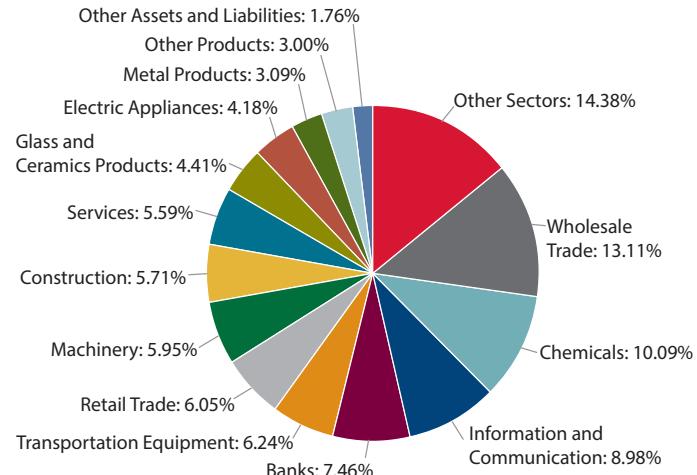
Index. The Nikkei JASDAQ Stock Average Index is a capitalization-weighted index of all Japanese over-the-counter stocks. The TOPIX is a market capitalization-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange. Any performance quoted should not be viewed as a representation 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,

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.

According to the latest forecasts, small-cap companies are expected to deliver double-digit earnings growth for the fiscal year ending March 2027. Small-cap companies are expected to outpace the 4% projected growth rates for large-cap stocks. Valuations also remain attractive, as the Russell/Nomura Small Cap Index trades at a price-to-earnings ratio of approximately 14.5 based on 12-month forward earnings, maintaining a discount relative to large caps.

Within our portfolio, we have maintained a value-oriented stance while selectively increasing our allocation to domestic demand-focused growth stocks. Governance reform among small-cap companies is also gaining momentum. Stricter listing-maintenance requirements for the TSE Growth market—including a new 10 billion minimum market-cap rule—and the forthcoming TOPIX re-selection slated for October 2026 are encouraging management teams to enhance capital efficiency. This has led to more robust dividend policies, increased share buybacks, and even management buyout discussions in some cases. We intend to reinforce this trend through active engagement with issuers that possess strong balance sheets and underutilized cash reserves.

We will continue to maintain a balanced, value-oriented approach, prioritizing companies with robust balance sheets, clear catalysts for enhanced shareholder returns, and measurable progress in governance. Our bottom-up research will focus on businesses that are less vulnerable to tariff policy changes, those capable of sustaining high earnings visibility amid macroeconomic uncertainty, and under-researched companies where internal reforms are beginning to translate into tangible performance improvements. This positions the portfolio to benefit from both the cyclical tailwinds and structural re-rating opportunities.

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 Market™ Index. It measures the performance of the smallest Japanese equity securities in the Russell/Nomura Total Market™

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. The Fund is a closed-end fund whose shares of common stock trade on the NYSE. Vision 4 Fund Distributors, LLC ("Vision 4") is a member of FINRA and has filed this material with FINRA on behalf of the Fund. Vision 4 does not serve as a distributor or as an underwriter to the Fund. Unlike open-end funds, shares are not continually offered. Vision 4 is contracted by NAM-USA to promote the Fund and provide secondary market support services.