

Japan Smaller Capitalization Fund, Inc.

As of February 28, 2026

Fund Facts

NYSE Ticker	JOF
CUSIP	47109U104
NYSE Market Price	\$12.37
Net Asset Value ("NAV") per share	\$13.81
Net Assets	\$391,365,186.36
Portfolio Holdings	88
Inception Date	March 21, 1990
Premium/Discount	-10.427%
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>	
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 <sup>(1)</sup>	JOF NYSE Market Price <sup>(2)</sup>	Russell/ Nomura Small Cap™ Index <sup>(3)</sup>
<b>1 Month</b>	9.43%	8.71%	10.12%
<b>3 Month</b>	18.53%	17.62%	17.31%
<b>Calendar YTD</b>	15.94%	13.31%	16.62%
<b>1 Year</b>	55.84%	66.94%	48.02%
<b>3 Year</b>	25.09%	28.11%	21.22%
<b>5 Year</b>	11.00%	11.42%	9.28%
<b>10 Year</b>	10.91%	11.43%	9.65%
<b>Since Inception</b>	4.35%	3.82%	3.09%

<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.

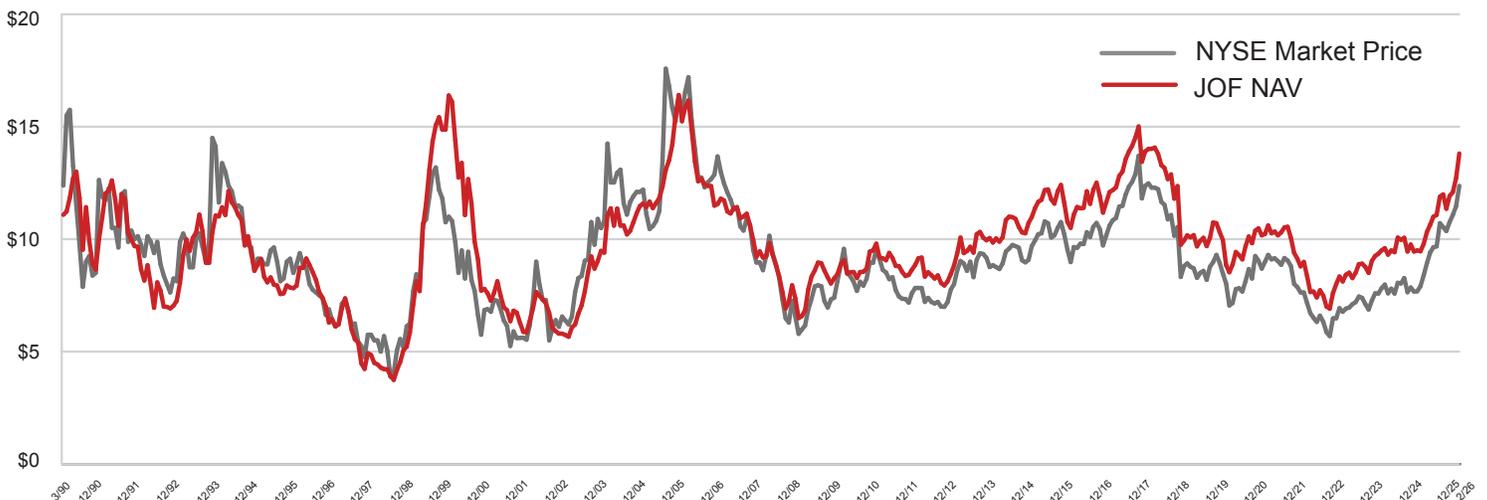
<sup>(3)</sup>From inception to 8/31/04, the benchmark was the Nikkei JASDAQ Stock Average Index, which is no longer in existence as a result of the Tokyo Stock Market reorganization of market segments on 4/4/2022. Since 9/1/04, the benchmark has been the Russell/Nomura Small Cap™ Index. All results 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 <sup>(1)</sup>
Sakata Inx Corporation	6.39%	0.07%
Daishi Hokuetsu Financial Group, Inc.	3.72%	0.29%
Yondenko Corporation	3.20%	0.03%
The Musashino Bank, Ltd.	3.01%	0.11%
Nippon Seiki Co., Ltd.	2.98%	0.06%
SWCC Corporation	2.77%	0.28%
BuySell Technologies Co., Ltd.	2.75%	0.04%
Citizen Watch Co., Ltd.	2.55%	0.23%
Ryoden Corporation	2.43%	0.03%
Sangetsu Corporation	2.04%	0.09%

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.

<sup>(1)</sup> Russell/Nomura Small Cap™ Index.

## Market Commentary

The outbreak of conflict in Iran and across the Middle East has cast a shadow over the global economic outlook. Primarily, the risk of a blockade of the Strait of Hormuz together with Iran's retaliatory strikes on energy infrastructure in neighboring countries have been driving crude oil and LNG prices higher. Japan remains particularly vulnerable given its heavy dependence on energy resources from the region. The magnitude of the economic impact will hinge on the severity and duration of this spike in crude oil and gas prices.

Beyond geopolitics, a more structural theme with the potential to reshape the economy is the displacement of labor tasks by artificial intelligence ("AI"). The technological evolution of so-called AI agents, which are capable of performing tasks autonomously, has been striking. Equity markets have already started to price in shifting competitive dynamics in the software industry, where development and operations workflows face the prospect disruption amid increasing automation.

Having rallied significantly over the first two months of this year, the Japanese equity market appears vulnerable to profit-taking in the wake of escalating geopolitical risk. Even after the correction in early March, the TOPIX trades at a forward price-to-earnings multiple in excess of 17 times consensus earnings per share, which is still above the 15 times level that has historically represented the upper end of the valuation range. Nevertheless, we still have a constructive view of the Japan equity market's underlying fundamentals. A more stable domestic political environment has emerged following the Liberal Democratic Party's ("LDP") decisive victory in the Lower House election, while there are persistent corporate efforts to enhance capital efficiency. This healthy fundamental backdrop suggests the market could be well-positioned to resume its upward trajectory once the external pressures have lifted.

Following the House of Representatives election held on February 8, the LDP secured 316 seats, surpassing the two-thirds supermajority required to override the House of Councillors and pass legislation. This outcome was welcomed by the equity market, as it is expected to underpin the steady progress of the Takaichi administration's policy of "responsible and proactive fiscal management." The landslide victory also alleviated concerns regarding a surge in fiscal spending, which had previously been demanded by some opposition

Source: Nomura Asset Management Co., Ltd.

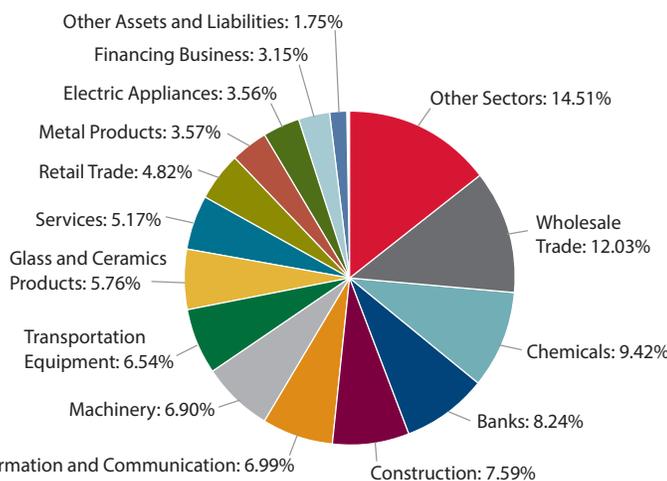
## Additional Information

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™

## 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.

parties. As a result, the yen and Japanese long-term interest rates remained stable following the snap election. Under these conditions, small-cap stocks have outperformed slightly against large-caps in February. During the second half of the month, large-cap stocks stalled as their rapid post-election rally triggered investor caution. However, small-cap stocks remained robust, supported by the view that their valuations were lagging behind those of large-caps.

Corporate earnings for small-cap companies in the October-December 2025 quarter were generally solid, with upward revisions outnumbering downward revisions. The projected corporate earnings for the following quarter remain promising as well. For the fiscal year ending March 2027, the profit growth outlook for large-caps has improved to +8%. Nevertheless, small-caps are expected to maintain their advantage and potentially deliver double-digit earnings growth. In terms of valuation, small-caps continue to trade at a discount relative to large-caps. Rising geopolitical risks in the Middle East and higher energy prices are factors of concern for the small-cap sector as well. However, many small-cap stocks possess idiosyncratic earnings drivers that are resilient to changes in the external environment. We intend to focus our efforts on identifying these high-potential opportunities.

The Tokyo Stock Exchange ("TSE") launched its reform agenda for the equity market and index structure in 2022. Starting in 2025, the focus of these reforms shifted toward small-cap companies, including measures aimed at tightening listing maintenance criteria for the notably sluggish TSE Growth market. The year 2026 will be a major turning point for the TSE Standard Market. Large companies in the Prime Market have already made substantial progress in improving governance. Notably, more than 90% of companies are now disclosing plans to improve capital efficiency. However, only about half of companies in the Standard Market have made similar plans public. We view this gap as a significant opportunity for growth. The Tokyo Stock Exchange is expected to encourage these slower-moving companies to improve, which should provide a catalyst for a long-awaited re-rating.

Another key change is the push to protect individual and minority shareholders. The Standard Market includes many companies controlled by parent companies or founding families. New rules

coming in 2026 will make board elections more transparent and increase board independence. Authorities are also beginning to address the long-standing management practice at some family-owned firms of deliberately maintaining low share prices for tax-related reasons. These reforms aim to refocus attention on proper business priorities: growing the company and rewarding shareholders.

For investors, these changes could be a powerful catalyst. At the end of February, a latest draft of the revised Corporate Governance Code — Japan's best-practice guide for how companies should be run — was announced. This marked the first update in five years. This will pressure small companies that hold significant idle cash balances to deploy the capital for growth or to return it to shareholders via dividends and buybacks. At the same time, efforts to make it easier to buy and sell these stocks will likely attract more investors, unlocking value in companies that was previously overlooked.

In our portfolio, we continue to emphasize undervalued stocks while selectively holding domestically focused growth names with lower exposure to global political risks. Furthermore, we will strive to identify companies poised to benefit from the expanding wave of AI-related investment, as well as those with distinctive strengths in robotics. With the upcoming TOPIX changes in 2026 and stricter listing rules, the management teams of many companies have already begun to improve. We intend to support this positive trend through direct engagement with companies that have the greatest potential to enhance value.

We will 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.

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.