

Japan Smaller Capitalization Fund, Inc.

As of March 31, 2026

Fund Facts

NYSE Ticker	JOF
CUSIP	47109U104
NYSE Market Price	\$10.90
Net Asset Value ("NAV") per share	\$11.97
Net Assets	\$339,258,038.93
Portfolio Holdings	88
Inception Date	March 21, 1990
Premium/Discount	-8.939%
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	-12.62%	-11.17%	-11.63%
3 Month	1.31%	0.66%	3.06%
Calendar YTD	1.31%	0.66%	3.06%
1 Year	31.58%	39.81%	27.45%
3 Year	18.15%	22.32%	14.96%
5 Year	7.26%	8.08%	5.82%
10 Year	8.82%	9.33%	7.54%
Since Inception	3.95%	3.47%	2.73%

⁽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



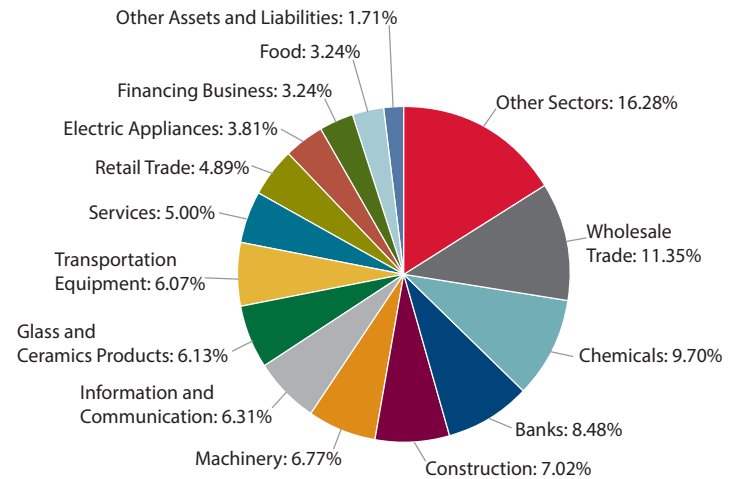
Top Ten Holdings Holdings may vary over time.

Security	% of Net Assets	% of Benchmark ⁽¹⁾
Sakata Inx Corporation	6.18%	0.06%
Daishi Hokuetsu Financial Group, Inc.	3.86%	0.29%
The Musashino Bank, Ltd.	3.27%	0.12%
Yondenko Corporation	2.91%	0.03%
Nippon Seiki Co., Ltd.	2.71%	0.06%
Citizen Watch Co., Ltd.	2.63%	0.22%
Ryoden Corporation	2.42%	0.03%
SWCC Corporation	2.33%	0.25%
BuySell Technologies Co., Ltd.	2.24%	0.05%
Asia Pile Holdings Corporation	2.13%	0.03%

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.

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 trajectory for global economic growth now hinges on the eventual duration of the conflict in Iran. If the war drags on and its impact extends beyond a temporary spike in oil prices to prolonged supply disruption and broader supply-chain dislocation, then global GDP forecasts are likely to undergo material downward revisions. By contrast, if the conflict is brought to an early end and the Strait of Hormuz is also reopened to maritime traffic, the global economy could return relatively quickly to its prior growth path.

Japan is particularly exposed. With a very high dependence on the Middle East for crude oil and naphtha, Japan's supply chains are relatively vulnerable to potential supply shocks compared to other developed countries. About half of Japan's oil consumption is tied to gasoline, while roughly a quarter is used as feedstock for petrochemicals, suggesting the most immediate pressure would fall on transportation and chemical industries. The broader repercussions would extend much further. End-products of chemical processing, including plastics, fibers and rubber, are embedded across the manufacturing complex, including automobiles, consumer electronics and medical equipment, raising the risk of a much broader industrial spillover.

Reflecting these rapidly shifting macroeconomic assumptions, Japanese equity prices are likely to remain volatile at least until the conflict ceases. We estimate that the direct hit from higher oil prices to the earnings outlook for TOPIX constituents is around 5%. That magnitude can be verified by a straightforward calculation: aggregate recurring profits for TOPIX constituent companies are roughly 100 trillion yen annually, while Japan's mineral fuel imports amount to about 25 trillion yen. Therefore, a 20% rise in oil prices sustained for a year (or a 40% rise sustained for six months) would imply an incremental drag on net income of approximately 5 trillion yen. In practice, the actual impact is likely to be mitigated by companies passing higher input costs on to end customers. However, naphtha shortages could trigger broader supply-chain disruption; and in this case, the earnings impact would likely be substantially greater. That said, with Japanese equities having fallen by more than 10% in March, it is fair to say that, excluding such tail-risk scenarios, the market appears to have priced in at least the direct earnings impact of higher oil prices.

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™

Stripping out the impact of the oil shock, the underlying improvement in Japan's economic fundamentals remains broadly on track. Consumer price levels are stabilizing, and this spring's annual wage negotiations have signaled robust pay increases. Even amid such uncertainty and volatility, capital continues to flow towards Japan on the back of structural changes at the corporate level, evidenced by a series of activist investments in Japanese companies across a broad range of industries and a notable capital alliance between a major overseas holding company and a leading Japanese insurer. These developments reinforce our view that the medium- to long-term outlook for Japanese equities remains constructive.

In March, small-cap stocks fell by roughly the same magnitude as large-cap stocks, with only limited performance divergence across different style and size characteristics. Small-caps generally have greater exposure to domestic demand, and in many cases are relatively less sensitive than large-caps to rising geopolitical risks. However, in the case of the current conflict in Iran, the sharp rise in oil prices and further yen depreciation have led to heightened concerns about future inflation. Small-cap stocks have therefore sold off in much the same way. As for the earnings outlook for small-caps, which calls for double-digit profit growth in the fiscal year ending March 2027, a prolonged conflict would place that outlook under downside pressure. We are therefore managing the overall portfolio with a focus on preparing for downside risks.

At the same time, we believe that companies offering products with high market share or highly competitive services should be able to pass steadily rising inflation costs through to the final output pricing. As such, we view any share price weakness in those names as an attractive investment opportunity. In particular, we are focusing on AI server-related stocks, as investment in this area is expected to benefit from structural medium-term growth.

Another key point to watch for in the upcoming full-year earnings announcements is the second-stage review of TOPIX constituents, which will begin in October 2026. Under this process, index constituents may be reassessed regardless of market segment based on criteria such as free-float market capitalization. This could reduce the number of constituents

from around 1,700 to approximately 1,100. We expect companies near the threshold for inclusion to respond by strengthening measures to enhance corporate value.

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 into effect in 2026 will make board elections more transparent and increase board independence. Authorities are also beginning to address the long-standing practice at some family-owned firms of deliberately maintaining low share prices for tax-related reasons. These reforms are intended to focus attention on appropriate business priorities, such as growing the company and rewarding shareholders.

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

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 potentially 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.