

Japan Smaller Capitalization Fund, Inc.

As of April 30, 2026

Fund Facts

NYSE Ticker	JOF
CUSIP	47109U104
NYSE Market Price	\$11.32
Net Asset Value ("NAV") per share	\$12.79
Net Assets	\$362,423,467.82
Portfolio Holdings	87
Inception Date	March 21, 1990
Premium/Discount	-11.493%
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	7.69%	4.67%	6.48%
3 Month	2.98%	1.08%	3.62%
Calendar YTD	9.10%	5.36%	9.74%
1 Year	34.42%	37.49%	28.39%
3 Year	20.68%	23.90%	17.31%
5 Year	9.59%	9.54%	7.57%
10 Year	9.31%	9.87%	7.77%
Since Inception	4.16%	3.60%	2.90%

⁽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



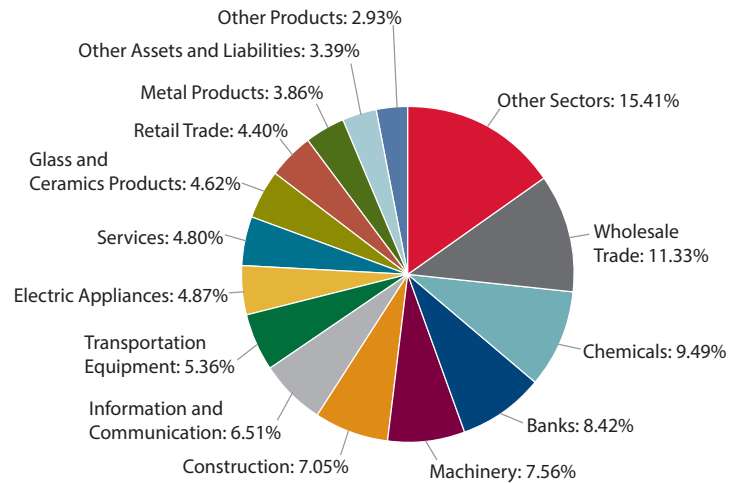
Top Ten Holdings Holdings may vary over time.

Security	% of Net Assets	% of Benchmark ⁽¹⁾
Sakata Inx Corporation	6.04%	0.06%
Daishi Hokuetsu Financial Group, Inc.	3.84%	0.29%
The Musashino Bank, Ltd.	3.30%	0.13%
SWCC Corporation	2.92%	0.31%
Yondenko Corporation	2.91%	0.04%
Citizen Watch Co., Ltd.	2.79%	0.23%
Nippon Seiki Co., Ltd.	2.51%	0.06%
Ryoden Corporation	2.47%	0.03%
Asia Pile Holdings Corporation	2.17%	0.03%
BuySell Technologies Co., Ltd.	2.17%	0.05%

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

Resilience of the global equity markets over recent weeks appears to suggest that market participants may have already begun to believe that the ongoing conflict involving Iran could soon be resolved. Our view is that the macroeconomic impact from elevated crude oil prices and disruption to petrochemical supply chains has yet to fully materialize. For now, accelerating AI infrastructure investment by major technology companies is masking the underlying weaknesses across other sectors. Once again, this deepening reliance on a narrow set of growth drivers leaves the broader market increasingly vulnerable to tail risks.

Early signs of supply chain stress are beginning to appear in Japan, although the country is in a relatively strong position to absorb these pressures, with strategic petroleum reserves to cover around 250 days of consumption, while alternative naphtha supplies from outside the Middle East are steadily being secured. Against this backdrop, we do not currently expect major near-term disruption to domestic industrial production. That said, the impact is not negligible. Orders for prefabricated bathroom units have been temporarily suspended in some cases, and petrochemical by-products such as paint thinner have become harder to procure. Looking ahead, we expect Japanese companies to adopt an increasingly cautious tone in their initial earnings guidance for the fiscal year ending March 2027, as they factor in higher input costs for items such as resin parts, packaging materials, and non-ferrous metals. Tighter supply conditions are also likely to push end-product prices higher, which could eventually weigh on consumer demand.

Despite the looming uncertainty, the swift market rebound in April has pushed the TOPIX index to trade at a price-to-earnings multiple of around 16.5 times based on consensus 12-month forward earnings per share. This level is above the upper limit of the market's historical range. As the actual impact on corporate earnings from higher input costs and supply chain delays becomes clearer in the coming months, the market's optimistic assumptions might be tested and therefore come under some pressure.

That said, we believe the Japanese market today is

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™

fundamentally different from the past, when it was often regarded as one of the most sensitive developed markets to the global economic cycle. Despite macroeconomic uncertainties, many Japanese companies continue to pursue share buybacks, demonstrating a commitment to enhancing capital efficiency. Meanwhile, activist investors, who recognize the transformation in Japanese companies, are capitalizing on any market pullbacks as tactical entry points to deepen their exposure to Japanese equities. These structural trends are likely to persist regardless of short-term geopolitical volatility.

In April, Japanese equities rebounded, led by stocks that benefit from accelerating investment in AI infrastructure. Small-cap stocks recovered as well, although to a lesser extent, reflecting their lower exposure to these themes compared to large-cap stocks. Our overall view has not changed materially since last month. Concerns about the inflation outlook persist amid surging oil prices and continued yen weakness. While the earnings outlook for small-cap stocks in the fiscal year ending March 2027 still implies double-digit profit growth, we believe a prolonged conflict would place that outlook under downside pressure. We are therefore managing the portfolio with a continued focus on downside share price risk.

At the same time, we believe companies offering products that hold a high market share or with highly differentiated service offerings should be able to pass rising input costs through to selling prices. We also expect AI infrastructure-related stocks to benefit from structural medium-term growth. In our view, any share price weakness in such companies would represent an attractive investment opportunity.

Another important issue to watch in the upcoming full-year earnings season is how small-cap companies respond to the second-stage review of TOPIX constituents, which is scheduled to begin in October 2026. Under this process, index constituents may be reassessed across market segments using criteria such as float-adjusted market capitalization and trading value. This could reduce the number of constituents from roughly 1,700 to around

1,100. We expect companies trading close to the inclusion threshold to respond by adopting further measures to enhance their corporate value, despite the near-term macroeconomic uncertainty.

Another important development is the increasing emphasis on minority shareholder protection. The Standard Market still includes many companies controlled by parent companies or founding families. New rules taking effect in 2026 will make the election of directors more transparent and will also strengthen board independence. Regulators are also beginning to address the long-standing practice at some family-controlled firms of deliberately keeping share prices low for tax-related reasons. These reforms are intended to place greater emphasis on management priorities such as sustainable growth and shareholder returns.

For investors, these changes could become a powerful tailwind. At the end of February, the latest draft of the revised Corporate Governance Code – Japan's best-practice framework for corporate management – was released, marking the first update in five years. This is likely to place greater pressure on small-cap companies with substantial idle cash balances to deploy that capital into growth initiatives or return it to shareholders through dividends and share buybacks. At the same time, efforts to improve liquidity in these stocks are likely to attract more investors and help unlock value in companies that have historically been 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 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.