Japan Smaller Capitalization Fund, Inc.

As of June 30, 2026

Fund Facts

NYSE Ticker	JOF
CUSIP	47109U104
NYSE Market Price	$11.78
Net Asset Value (“NAV”) per share	$12.86
Net Assets	$364,440,203.44
Portfolio Holdings	89
Inception Date	March 21, 1990
Premium/Discount	-8.398%
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	-1.84%	0.58%	-1.03%
3 Month	9.91%	10.57%	9.04%
Calendar YTD	11.35%	11.30%	12.38%
1 Year	28.72%	34.54%	24.40%
3 Year	21.50%	24.76%	18.24%
5 Year	10.23%	10.95%	7.96%
10 Year	9.57%	10.28%	8.15%
Since Inception	4.19%	3.73%	2.96%

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

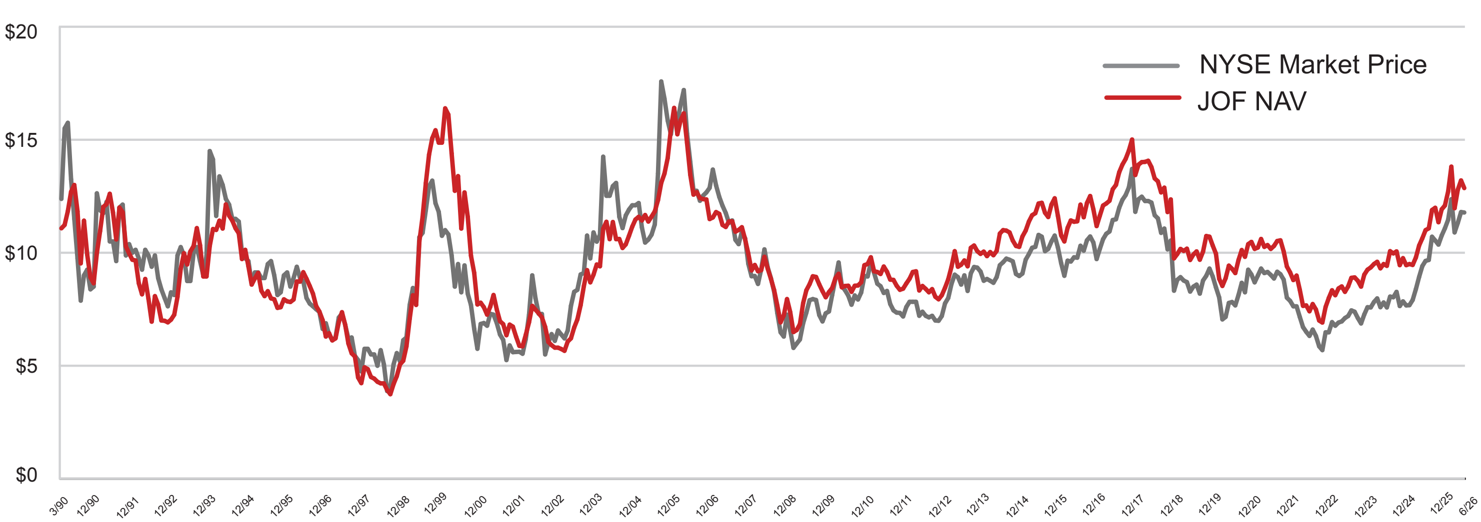
[1] Based on NAV price, adjusted for reinvestment of income dividends, ordinary income distributions, and long-term capital gain distributions as per the dividend reinvestment policy of the Fund.

[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



Japan Smaller Capitalization Fund, Inc.

As of June 30, 2026

Top Ten Holdings

Holdings may vary over time.

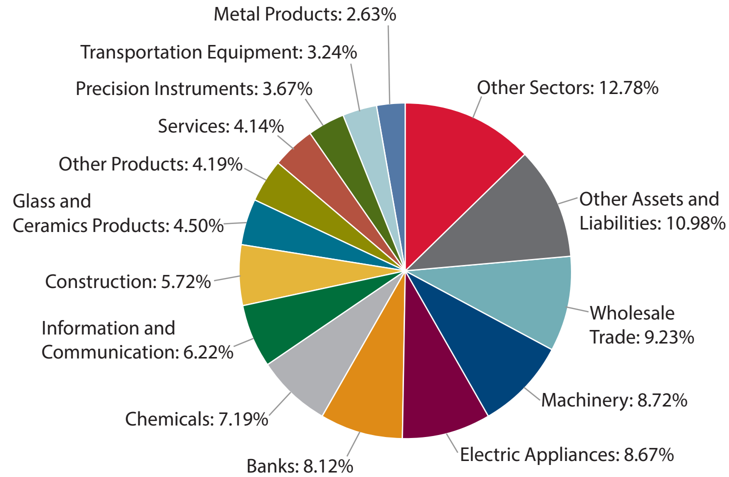
Security	% of Net Assets	% of Benchmark[1]
Sakata Inx Corporation	4.70%	0.06%
Daishi Hokuetsu Financial Group, Inc.	4.00%	0.30%
Citizen Watch Co., Ltd.	3.67%	0.29%
Yondenko Corporation	2.87%	0.03%
The Musashino Bank, Ltd.	2.47%	0.13%
THK Co., Ltd.	2.24%	0.50%
Tekscend Photomask Corporation	2.23%	Not included
Asia Pile Holdings Corporation	1.95%	0.03%
GMO Internet Group, Inc.	1.92%	0.14%
Sangetsu Corporation	1.86%	0.08%

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

Although economic data from the US has shown considerable resilience, its trajectory relies heavily on growing AI-related capital expenditure. As the conflict in the Middle East shows signs of de-escalation, supply-chain pressures should ease, and crude oil prices should stabilize. However, the next key question is whether the recovery can broaden beyond AI-linked investment into a wider range of industries, which would be necessary for a more durable expansion.

In Japan, we are able to see the strength of AI-related investment also becoming more apparent in corporate sentiment. The Bank of Japan's ("BOJ") latest quarterly Tankan survey revealed a robust improvement in business conditions among large manufacturers. This improvement is broad-based, and covers materials along with electrical and general machinery related industries. At the same time, companies have continued to revise their selling-price expectations upwards over a longer time horizon as inflation becomes entrenched. This reflects firm demand, as well as higher input costs. These survey results reaffirm the resilience of the economy and a shift towards embedded inflationary expectations. These trends are therefore likely to support further normalization of the BOJ's monetary policy.

Japanese equity prices have been fueled by strong inflows from overseas investors. As of the end of June, the TOPIX was trading at a price-to-earnings ("P/E") ratio of around 16.5 times 12-month forward earnings, which is above the historical upper range of roughly 15 times. Some near-term profit-taking would not be surprising. Still, the headline multiple masks a highly bifurcated market. The rerating has been concentrated mainly among beneficiaries of the AI theme, which account for roughly 30% of the Japanese equity market. These stocks are trading at high P/E ratios in excess of 20 times. The remaining 70% of the market still trades below 15 times, still within their historical range. This suggests that the broader market is not overheated.

In June, small-cap stocks continued to edge higher. Some small-cap growth stocks struggled, including space-related names, which fell sharply after SpaceX's listing. However, buying interest remained strong in stocks benefiting from the accelerated investment in AI infrastructure. Crude oil prices have since peaked following the ceasefire agreement between the United States and Iran. Even so, long-term interest rates remain elevated amid concerns that the expansionary fiscal stance of the Takaichi administration could worsen Japan's fiscal position. Concerns also remain that further yen weakness could increase inflationary pressure going forward. On the other hand, earnings expectations for the small-cap universe as a whole remain constructive. For the fiscal year ending March 2027, forecasts point to profit growth of around 7%, supported by robust AI-related corporate capital spending by companies and resilient private consumption, despite the expected short-term impact of the conflict in the Middle East.

A notable feature of the latest earnings season was that, while many small-cap companies acknowledged the impact of higher crude oil prices, they also indicated they would be able to pass through most of the cost increases to selling prices. In particular, the companies in the portfolio that provide products with high market share or highly differentiated services expressed confidence in their ability to maintain profit margins.

Market interest in AI infrastructure-related stocks remains particularly strong. We expect many related companies to achieve structural medium-term growth as data center investment increases. However, rapid re-rating has pushed valuations higher. In June, we also saw signs of weakness, including share prices of companies involved in optical fiber for AI data centers turning lower. For stocks that now appear somewhat expensive and seem to be discounting several years of future growth, we are taking profits and actively rotating into cheaper names.

Another important issue to watch this summer 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. As a result, the number of constituents is expected to decline from roughly 1,700. Given the increased concentration in large-cap stocks, the final figure, which was initially thought to be around 1,100, could fall below 1,000. Even amid near-term macro uncertainty, we believe that companies trading near the inclusion threshold will introduce measures to further enhance corporate value.

The expected five-year update to Japan's Corporate Governance Code, the country's best-practice framework for corporate management, is also an important development. The update is likely to place even greater pressure on small-cap companies with large cash holdings to deploy that capital into growth investments 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.

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™ 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. 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.