

(Adopted as of May 26, 2016)

Japan Smaller Capitalization Fund, Inc.

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Discount Management Plan

Introduction

The Board of Directors (the “Board”) of Japan Smaller Capitalization Fund, Inc. (the “Fund”) has considered various strategies over a number of years to enhance shareholder value through tender offers, stock repurchases or other actions.

In recent months, the Board has continued its consideration of various alternatives to increase shareholder value, taking into account the Fund’s current size and shareholders’ overall interests. After considering all factors deemed relevant, the Board has determined to approve a Discount Management Plan, which will provide for open-market share repurchases on the New York Stock Exchange as described below.

Authorization of Repurchases

The Fund is authorized to make open-market repurchases on the New York Stock Exchange. Such repurchases may be made from time to time as authorized by the Board. There are no triggers requiring the Fund to take action if the discount in the Fund’s market price exceeds a specified level compared to its net asset value and there is no required number of shares to be repurchased in any period.

Authorization Process for Repurchase Transactions

The Board will provide guidance at least quarterly to Nomura Asset Management U.S.A. Inc., the Fund’s management company (the “Manager”), as to the terms of share repurchases, if any, authorized to be effected during the current or subsequent quarter. The Manager will be responsible for instructing the Agent (as defined below) to effect repurchase transactions consistent with the guidance it has received from the Board and for compliance by the Fund with its obligations under the Fund’s agreement with the Agent.

Agent to Effect Repurchases

The Board will appoint an agent of the Fund (the “Agent”) to effect share repurchases. Such transactions will be effected in compliance with Rule 10b-18 under the Securities Exchange Act of 1934 and in accordance with the agreement between the Fund and the Agent.

Notification to Shareholders

Reports to shareholders will contain notices of the repurchase program in accordance with the requirements of Section 23(c)(1) of the Investment Company Act of 1940.

Reporting to the Board

The Manager will report to the Board on a quarterly basis regarding share repurchases effected during the prior quarter. The reports will contain information regarding the terms of the transactions and such other matters as the Board may request from time to time.

Reporting to the Securities and Exchange Commission

The Fund will report information regarding share repurchases on Form N-CSR and in such other documents as the Securities and Exchange Commission may require.

Review of Plan

The Board will review the effectiveness of the Plan at least annually. The Plan may be revised by the Board at any time.