

Japan Smaller Capitalization Fund, Inc.

February 28, 2019

Fund Facts (as of 2/28/2019)

NYSE Ticker	JOF
CUSIP	47109U104
NYSE Market Price Close	\$8.92
Net Asset Value	\$10.17
Net Assets	\$288,108,583
Portfolio Holdings	108
Inception Date	March 22, 1990
Premium/Discount	-12.29%
Shares Outstanding	28,333,893
Benchmark	
Since inception to 8/31/04: Nikkei JASDAQ Average Index. 9/1/04 onwards: Russell/Nomura Small Cap Index.	
Portfolio Managers	
Hiromitsu Daimon CMA CIAA, Lead Portfolio Manager Makoto Ito, Portfolio Manager	

Fund Objectives

Japan Smaller Capitalization Fund, Inc. ("JOF" or the "Fund") is a non-diversified, closed-end management investment company listed on the New York Stock Exchange. 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, Nagoya, and JASDAQ Stock Exchanges, the Mothers, Centex Markets, 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 (as of 2/28/2019)

	JOF NAV ²	JOF NYSE Price ³	Russell/ Nomura Small Cap™ Index ⁴	Nikkei JASDAQ Avg. ⁴
Calendar YTD	4.31%	7.21%	6.21%	6.40%
1 Year	-12.49%	-13.84%	-15.16%	-20.00%
3 Year	13.92%	14.88%	11.74%	14.45%
5 Year	11.68%	11.17%	8.42%	8.91%
10 Year	10.78%	10.59%	11.40%	11.62%
Since Inception¹	3.11%	2.39%	1.76%	1.84%

¹ Inception date: March 22, 1990.

² Based on NAV price, adjusted for reinvestment of income dividends and capital gain distributions as per the dividend reinvestment policy of the Fund.

³ Based on the New York Stock Exchange's closing market price, adjusted for reinvestment of income dividends and capital gain distributions as per the dividend reinvestment policy of the Fund. JOF's performance does not represent sales commissions.

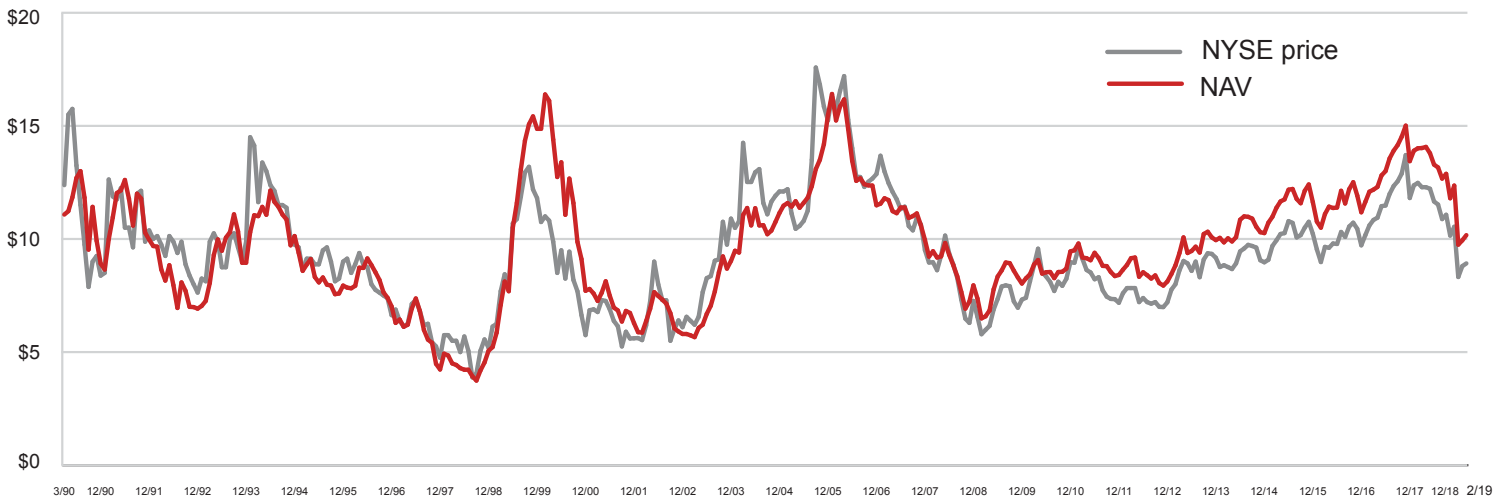
⁴ From inception to 8/31/04, the benchmark was Nikkei JASDAQ Stock Average Index. Since 9/1/04, the benchmark has been the Russell/Nomura Small Cap™ Index. All results are in U.S. dollars.

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

Performance in excess of one year is annualized.

Sources: Nomura Asset Management U.S.A. Inc. and Bloomberg L.P.

Net Asset Value Since Inception¹ vs. NYSE Closing Price (as of 2/28/2019)



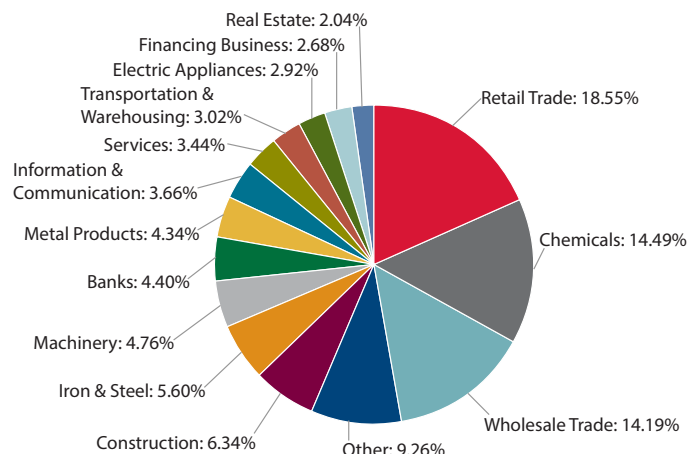
Top Ten Holdings (as of 2/28/2019) Holdings may vary over time.

Security	% of Net Assets	% of Benchmark ¹
SIIX Corporation	3.70%	0.08%
Ryoden Corporation	3.70%	0.03%
Saizeriya Co., Ltd.	3.50%	0.09%
Sakata Inx Corporation	3.00%	0.07%
Toenec Corporation	2.80%	0.04%
Okinawa Cellular Telephone Company	2.80%	0.07%
Amiyaki Tei Co., Ltd.	2.70%	0.02%
Osaka Steel Co., Ltd.	2.70%	0.03%
Totetsu Kogyo Co., Ltd.	2.40%	0.12%
The Pack Corporation	2.20%	0.06%

The ten largest holdings by market 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 and related depository receipts.

¹ Russell/Nomura Small Cap Index™.

Sector Weightings (as of 2/28/2019) 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.

Manager's Commentary

Japanese equities extended their New Year recovery in February and again clawed back some of the losses from the sell-off in the fourth quarter 2018. The TOPIX index gained 2.56% in February 2019. Although investors awaited the outcome of trade negotiations between China and the US, the recovery in market sentiment resumed this month from an overly pessimistic view of the Japanese corporate sector, helped by the Federal Reserve Bank (FRB)'s shift to a more accommodative stance on future interest rate policy. Although the latest earnings results from Japanese companies fell behind expectations, this weakness seemed to have been incorporated in the price already given that stocks were trading close to historically low valuations. Gradual weakening of the yen through the review month from 108.8 yen per US dollar to 110.7, also implied stable business conditions for Japan's export oriented companies.

Macroeconomic figures reported this month

indicated weakening conditions. The Industrial Production Index declined by 3.7% (MOM) in January 2019, undershooting an already negative consensus estimate of -2.5%. The analysis of forecasts report suggests a recovery in production activity in February, but the improvement could be gradual. Domestic demand trends also faced headwinds. Seasonally adjusted retail sales declined by 2.3% (MOM) in January 2019. The latest quarterly earnings results also indicated a slowdown. Recurring profits covering the October-December period for the Russell/Nomura Large Cap Index (ex. financials) companies fell by 16.6% (YOY) according to Nomura Securities.

Medical and Communication sectors led the ongoing recovery in Japan this month. Stocks in the Medical sector recovered some of their losses relative to the market after underperforming over the previous three months, with many companies reporting solid

results in their latest earnings announcements, while also maintaining relatively stable earnings forecast despite the volatile global economic conditions. In the Communication sector, Softbank Group announced better than expected earnings results despite weaker global market conditions in the last quarter, which had raised some concerns among investors over the expected return on its global technology investments. Softbank Group also revealed a substantial share buyback that surprised the market; the subsequent surge in its share price made Communications the leading market sector in February. Among the cyclical sectors, Capital Goods outperformed. The latest earnings results from many capital goods companies reflected weakness in global demand, but the sector's steep decline in 2018, making it the year's worst performer, seemed to have largely incorporate the poor current results. Investors have started looking beyond this current weakness.

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 Index is a capitalization-weighted index of all Japanese over-the-counter stocks. The Tokyo Stock Price Index (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.