

JAPAN SMALLER CAPITALIZATION FUND INC  
Form N-Q  
July 01, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number: 811-05992

JAPAN SMALLER CAPITALIZATION FUND, INC.

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(Exact name of registrant as specified in charter)

Worldwide Plaza  
309 West 49th Street  
New York, New York 10019

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(Address of principal executive offices)

Yutaka Itabashi  
Worldwide Plaza  
309 West 49th Street  
New York, New York 10019

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(Name and address of agent for service)

Registrant's telephone number, including area code: (800) 833-0018

Date of fiscal year end: February 28, 2016

Date of reporting period: March 1, 2015 - May 31, 2015

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## Item 1. Schedule of Investments

JAPAN SMALLER CAPITALIZATION FUND, INC.  
SCHEDULE OF INVESTMENTS  
May 31, 2015

	Shares	Cost	Market Value	Unrealized Gain or Loss	% of Net Assets
<b>JAPANESE EQUITY SECURITIES</b>					
<b>Banks</b>					
Akita Bank, Ltd.* General banking services	1,465,000	\$ 3,981,598	\$ 4,547,305	\$ 565,707	1.4
The Kagoshima Bank, Ltd. General banking services	816,000	5,520,073	5,743,282	223,209	1.7
The Yamanashi Chuo Bank, Ltd. General banking services	1,417,000	6,222,241	6,511,791	289,550	2.0
Total Banks		15,723,912	16,802,378	1,078,466	5.1
<b>Chemicals</b>					
Fujikura Kasei Co., Ltd.* Specialty coating materials and fine chemicals	701,700	3,254,651	3,332,134	77,483	1.0
Sakai Chemical Industry Co., Ltd.* Titanium oxide, polyvinyl chloride stabilizers, and pharmaceuticals	2,255,000	6,953,182	7,453,944	500,762	2.2
Tenma Corporation Plastic molding company	210,500	2,708,709	3,575,793	867,084	1.1
Total Chemicals		12,916,542	14,361,871	1,445,329	4.3
<b>Construction</b>					

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Toenec Corporation	1,785,000	9,895,381	9,483,734	(411,647 )	2.8
Constructs comprehensive building facilities					
Total Construction		9,895,381	9,483,734	(411,647 )	2.8
Electric Appliances					
Espec Corp	316,300	2,417,346	3,575,222	1,157,876	1.1
Meteorological testing devices					
Kitagawa Industries Co., Ltd.	342,000	3,596,953	3,915,346	318,393	1.2
Industrial fasteners and electromagnetic wave resistant parts					
Nichicon Corporation	513,800	4,044,932	4,357,783	312,851	1.3
Manufacture and sale of capacitors and transformers					
Total Electric Appliances		10,059,231	11,848,351	1,789,120	3.6
Financing Business					
Hitachi Capital Corporation	159,400	3,411,544	3,836,087	424,543	1.2
Financial services					
Ricoh Leasing Company, Ltd.	140,500	3,707,406	4,140,182	432,776	1.2
Office automation equipment leasing					
Total Financing Business		7,118,950	7,976,269	857,319	2.4
Food					
Fuji Oil Co., Ltd.	305,200	5,159,268	4,854,756	(304,512 )	1.5
Palm oil and coconut oil					
Total Food		5,159,268	4,854,756	(304,512 )	1.5
Glass and Ceramics Products					
Nichiha Corporation	315,300	3,212,280	4,268,059	1,055,779	1.3
Ceramic exterior walls and other construction materials					
Total Glass and Ceramics Products		3,212,280	4,268,059	1,055,779	1.3

Information and  
Communication

Okinawa Cellular Telephone Company	139,700	3,574,107	3,919,507	345,400	1.2
Cellular and car phone services					
Otsuka Corporation	87,500	2,884,720	4,260,894	1,376,174	1.3
Computer information system developer					
Total Information and Communication		6,458,827	8,180,401	1,721,574	2.5

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	Shares	Cost	Market Value	Unrealized Gain or Loss	% of Net Assets
<b>Iron and Steel</b>					
Chubu Steel Plate Co., Ltd. Manufactures electric furnace steel plates	795,400	\$ 3,330,889	\$ 3,360,258	\$ 29,369	1.0
Mory Industries Inc. Stainless pipes	1,085,000	3,979,554	3,516,507	(463,047 )	1.1
Nichia Steel Works, Ltd.* Produces and sells steel products	1,686,500	5,353,393	4,201,463	(1,151,930 )	1.3
Osaka Steel Co., Ltd. Electric furnace steelmaker	316,800	5,743,215	5,928,107	184,892	1.8
Total Iron and Steel		18,407,051	17,006,335	(1,400,716 )	5.2
<b>Machinery</b>					
Hisaka Works, Ltd. Heat exchangers and evaporators	553,200	5,233,914	4,964,015	(269,899 )	1.5
Oiles Corporation Manufactures oilless bearings	186,980	3,469,711	3,311,929	(157,782 )	1.0
Sato Corporation Automation recognition systems	127,200	2,182,432	3,297,037	1,114,605	1.0
Sintokogio, Ltd. Engineering equipment	598,800	4,540,071	5,691,822	1,151,751	1.7
Total Machinery		15,426,128	17,264,803	1,838,675	5.2
<b>Metal Products</b>					
Neturen Co., Ltd. Induction hardening equipment	524,300	3,519,314	3,817,011	297,697	1.1
NHK Spring Co., Ltd. Automobile-related products	343,600	3,299,287	4,047,242	747,955	1.2
Piolax, Inc. Production and sale of automobile parts	89,500	2,818,833	4,170,678	1,351,845	1.2
Rinnai Corporation	53,000	3,472,217	4,089,249	617,032	1.2

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Manufactures and sells gas  
appliances

Total Metal Products		13,109,651	16,124,180	3,014,529	4.7
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Other Products

Fuji Seal International, Inc.	117,100	3,460,624	3,299,589	(161,035 )	1.0
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Packaging-related materials  
and machinery

Nishikawa Rubber Company Ltd.	279,900	4,635,260	4,438,774	(196,486 )	1.3
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Rubber products

Total Other Products		8,095,884	7,738,363	(357,521 )	2.3
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Real Estate

Keihanshin Building Co., Ltd.	851,200	4,767,206	4,906,744	139,538	1.5
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Real estate leasing and  
building management

Total Real Estate		4,767,206	4,906,744	139,538	1.5
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Retail Trade

Arc Land Sakamoto Co., Ltd.	169,600	2,903,872	3,984,475	1,080,603	1.2
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Operates home centers

Create S D Co., Ltd.	145,600	5,023,904	6,057,129	1,033,225	1.8
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Drug store chain

Shimamura Co., Ltd.	33,000	3,767,092	3,562,462	(204,630 )	1.1
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Clothing chain

United Arrows Ltd.	117,000	3,970,019	3,815,576	(154,443 )	1.1
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Operates fashion stores

Total Retail Trade		15,664,887	17,419,642	1,754,755	5.2
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Textiles and Apparel

Hogy Medical Co., Ltd.	77,000	3,684,008	3,762,002	77,994	1.1
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Medical supply products

Total Textiles and Apparel		3,684,008	3,762,002	77,994	1.1
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	Shares	Cost	Market Value	Unrealized Gain or Loss	% of Net Assets
Transportation and Warehousing					
Japan Transcity Corporation	1,574,000	\$ 5,370,779	\$ 5,393,236	\$ 22,457	1.6
Warehousing and transportation services					
Meiko Trans Co., Ltd.	419,000	4,321,368	3,415,238	(906,130 )	1.0
Operates port-harbor transport facilities					
Trancom Co., Ltd.	84,100	2,629,530	3,939,380	1,309,850	1.2
Logistics services					
Total Transportation and Warehousing		12,321,677	12,747,854	426,177	3.8
Transportation Equipment					
Nissin Kogyo Co., Ltd.	227,500	4,021,936	3,862,739	(159,197 )	1.2
Brake systems					
Total Transportation Equipment		4,021,936	3,862,739	(159,197 )	1.2
Utilities					
The Okinawa Electric Power Company, Incorporated*	251,250	5,792,629	6,502,298	709,669	2.0
Thermal power					
Total Utilities		5,792,629	6,502,298	709,669	2.0
Wholesale Trade					
Matsuda Sangyo Co., Ltd.	387,100	4,800,191	4,818,658	18,467	1.4
Wholesales precious metals, electronic materials, and food					
Siix Corporation	249,100	3,226,101	7,300,185	4,074,084	2.2
Video, audio, and office equipment					
Ryoden Trading Company, Ltd.	929,000	6,355,013	6,920,595	565,582	2.1
Electronic components					
Sugimoto & Co., Ltd.	277,700	2,495,938	3,358,326	862,388	1.0
Tools and measuring instruments					
Total Wholesale Trade		16,877,243	22,397,764	5,520,521	6.7
TOTAL INVESTMENTS IN JAPANESE EQUITY SECURITIES		\$ 188,712,691	\$ 207,508,543	\$ 18,795,852	62.4

INVESTMENT IN  
FOREIGN CURRENCY

Japanese Yen

Non- interest bearing  
account

3,982,822      3,856,341      (126,481 )      1.2

TOTAL INVESTMENT  
IN FOREIGN  
CURRENCY

\$ 3,982,822      \$ 3,856,341      \$ (126,481 )      1.2

TOTAL INVESTMENTS

\$ 192,695,513      \$ 211,364,884      \$ 18,669,371      63.6

OTHER ASSETS LESS  
LIABILITIES, NET

\$ 121,575,888      36.4

NET ASSETS

\$ 332,940,772      100.0

Aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$23,336,590

Aggregate gross unrealized depreciation for all securities in which there is an excess of value over tax cost was \$(4,540,738)

\*Non-Income Producing  
Security

Portfolio securities and foreign currency holdings were translated at the following exchange rate as of May 31, 2015

Japanese Yen:      124.035 = \$1.00



The following table summarizes the valuation of the Fund's investments by fair value hierarchy levels as of May 31, 2015.

Level 1 - quoted prices in active markets for identical investments.

Level 2 - other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.).

Level 3 - significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments).

Level	Investments in Securities
Level 1	
Equity Securities	\$ 207,508,543.00
Foreign Currency	3,856,341.00
Level 2	—
Level 3	—
Total	\$ 211,364,884.00

During the quarter ended May 31, 2015, there were no transfers between Level 1 and Level 2 and the Fund did not hold any instruments which used significant unobservable inputs (Level 3) in determining fair value.

Item 2. Controls and Procedures.

(a) The Registrant's Principal Executive Officer and Principal Financial Officer evaluated the Registrant's disclosure controls and procedures within 90 days of the filing of this report and concluded that they were effective in providing reasonable assurance that the information required to be disclosed by the Registrant in its reports or statements filed under the 1934 Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

(b) There were no changes in the Registrant's internal control over financial reporting that occurred during the Registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

Item 3. Exhibits.

(a) Certifications of Principal Executive Officer and Principal Financial Officer pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 are attached hereto as an exhibit.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JAPAN SMALLER CAPITALIZATION FUND, INC.

By: /s/ Yutaka Itabashi  
Yutaka Itabashi, President  
(Principal Executive  
Officer)

Date: July 1, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Yutaka Itabashi  
Yutaka Itabashi, President  
(Principal Executive  
Officer)

Date: July 1, 2015

By: /s/ Amy J. Marose  
Amy J. Marose, Treasurer  
(Principal Financial  
Officer)

Date: July 1, 2015