

JAPAN SMALLER CAPITALIZATION FUND INC
Form N-Q
July 07, 2017

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.

(Exact name of registrant as specified in charter)

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

(Address of principal executive offices)

Mr. Yutaka Itabashi
Japan Smaller Capitalization Fund, Inc.
Worldwide Plaza
309 West 49th St
New York, New York 10019

(Name and address of agent for service)

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

Date of fiscal year end: February 28, 2018

Date of reporting period: March 1, 2017 – May 31, 2017

Item 1. Schedule of Investments
Japan Smaller Capitalization Fund, Inc.
May 31, 2017 (Unaudited)

| | <u>Shares</u> | <u>Fair Value</u> |
|---|---------------|-------------------|
| JAPANESE EQUITY SECURITIES | | |
| Banks | | |
| The Akita Bank, Ltd. | 1,059,000 | \$3,051,129 |
| General banking services | | |
| The Taiko Bank, Ltd. | 1,010,000 | 2,125,452 |
| General banking services | | |
| The Yamanashi Chuo Bank, Ltd. | 397,000 | 1,588,430 |
| General banking services | | |
| Total Banks (1.9%) | | 6,765,011 |
| Chemicals | | |
| Adeka Corporation | 246,100 | 3,580,808 |
| Manufactures chemical and food products | | |
| C. Uyemura & Co., Ltd. | 64,200 | 3,403,667 |
| Plating chemicals | | |
| C.I. TAKIRON Corporation | 504,000 | 2,567,341 |
| Manufactures resin and composite products | | |
| Fujikura Kasei Co., Ltd. | 762,600 | 4,277,227 |
| Specialty coating materials and fine chemicals | | |
| Koatsu Gas Kogyo Co., Ltd. | 486,800 | 3,389,837 |
| High-pressured gases and chemicals | | |
| Sakai Chemical Industry Co., Ltd. | 968,000 | 3,610,766 |
| Manufactures components for cosmetics and pharmaceuticals | | |
| Sekisui Jushi Corporation | 271,400 | 4,993,152 |
| Manufactures plastics and other resin materials | | |
| Shikoku Chemicals Corporation | 72,000 | 866,835 |
| Manufactures chemical products | | |
| Soken Chemical & Engineering Co., Ltd. | 96,500 | 1,241,113 |
| Manufactures chemical products | | |
| Tenma Corporation | 248,700 | 4,442,997 |
| Manufactures synthetic resin products | | |
| Teraoka Seisakusho Co., Ltd. | 403,300 | 1,427,869 |
| Manufactures various adhesive tapes | | |
| T&K Toka Co., Ltd. | 143,900 | 1,497,225 |
| Manufactures specialized inks for printing applications | | |
| Yushiro Chemical Industry Co., Ltd. | 151,500 | 2,030,582 |
| Manufactures metalworking fluids | | |
| Total Chemicals (10.3%) | | 37,329,419 |

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| Construction | | |
| Daiichi Kensetsu Corporation | 23,200 | 261,712 |
| Construction and real estate businesses | | |
| Mirai Industry Co., Ltd. | 36,600 | 520,638 |
| Manufactures electrical installation materials | | |
| Taihei Dengyo Kaisha, Ltd. | 253,000 | 2,824,314 |
| Construction of thermal and nuclear plant facilities | | |
| Toenec Corporation | 1,779,000 | 10,299,305 |
| Construction of comprehensive building facilities | | |
| Totetsu Kogyo Co., Ltd. | 62,900 | 1,968,466 |
| Operates construction-related businesses | | |
| Yondenko Corporation | 282,000 | 1,255,654 |
| Construction of electrical distribution systems | | |
| Total Construction (4.7%) | | 17,130,089 |
| Electric Appliances | | |
| Espec Corp. | 357,900 | 5,378,844 |
| Manufactures environmental testing products | | |
| Hitachi Maxell, Ltd. | 91,200 | 1,790,723 |
| Manufactures media devices, batteries and electrical appliances | | |
| Kitagawa Industries Co., Ltd. | 368,600 | 3,645,385 |
| Manufactures various industrial and consumer products | | |
| Koito Manufacturing Co., Ltd. | 68,200 | 3,591,095 |
| Manufactures lighting equipment | | |
| Kyowa Electronic Instruments Co., Ltd. | 3,200 | 12,717 |
| Manufactures electrical measuring instruments | | |
| Nichicon Corporation | 281,900 | 2,762,477 |
| Manufactures capacitors and transformers | | |
| Nihon Kohden Corporation | 87,500 | 1,952,786 |
| Manufactures medical electronic equipment | | |
| Shindengen Electric Manufacturing Co., Ltd. | 297,000 | 1,472,661 |
| Manufactures semiconductor products, electrical components, and power supplies | | |
| Total Electric Appliances (5.7%) | | 20,606,688 |
| Financing Business | | |
| Hitachi Capital Corporation | 94,300 | 2,188,864 |
| General financial services | | |
| Ricoh Leasing Company, Ltd. | 122,900 | 3,796,225 |
| Leasing and financial services | | |
| Total Financing Business (1.6%) | | 5,985,089 |

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| Food | | |
| Japan Meat Co., Ltd. | 11,300 | 201,261 |
| Supermarket business and operation of eating-out stores | | |
| Taiyo Kagaku Co., Ltd. | 18,000 | 188,909 |
| General food manufacturer | | |
| Total Food (0.1%) | | 390,170 |
| Information and Communication | | |
| NS Solutions Corporation | 9,700 | 232,688 |
| System consulting services and software development | | |
| OBIC Co., Ltd. | 64,800 | 3,763,223 |
| Computer system integration | | |
| Okinawa Cellular Telephone Company | 179,400 | 5,906,006 |
| Telecommunications | | |
| Otsuka Corporation | 86,300 | 5,308,011 |
| Computer information system developer | | |
| Software Service Inc. | 4,500 | 208,499 |
| Provides medical information systems | | |
| Total Information and Communication (4.3%) | | 15,418,427 |
| Iron and Steel | | |
| Chubu Steel Plate Co., Ltd. | 400,400 | 2,252,974 |
| Manufactures steel-related products | | |
| Mory Industries Inc. | 150,900 | 3,126,487 |
| Manufactures steel tubing products | | |
| Nichia Steel Works, Ltd. | 1,947,100 | 4,677,823 |
| Manufactures steel-related products | | |
| Nippon Seisen Co., Ltd. | 284,000 | 1,782,695 |
| Manufactures stainless steel wires and metal fibers | | |
| Osaka Steel Co., Ltd. | 400,500 | 7,361,068 |
| Manufactures steel-related products | | |
| Total Iron and Steel (5.3%) | | 19,201,047 |
| Machinery | | |
| Hisaka Works, Ltd. | 900,600 | 7,645,990 |
| Manufactures heat exchangers and other machinery | | |
| Miura Co., Ltd. | 120,000 | 2,341,040 |
| Manufactures boilers and related products | | |
| Nippon Pillar Packing Co., Ltd. | 149,100 | 2,269,089 |
| Manufactures mechanical seals | | |
| Nissei ASB Machine Co., Ltd. | 4,700 | 147,512 |
| Manufactures stretch blow molding machines | | |
| Nissei Corporation | 25,900 | 234,391 |
| Manufactures reducers and gears | | |
| Nitto Kohki Co., Ltd. | 121,900 | 2,790,973 |
| Manufactures machine tools and motor pumps | | |
| Oiles Corporation | 429,980 | 7,394,165 |
| Manufactures bearing equipment | | |
| Sato Holdings Corporation | 82,200 | 1,866,427 |
| Manufactures electronic printers and other products | | |
| SHIBUYA Corporation | 13,400 | 413,909 |

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| Engage in the packing plant business | | |
| Yamashin-Filter Corporation | 16,600 | 357,278 |
| Manufactures filters | | |
| Total Machinery (7.0%) | | 25,460,774 |

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| Metal Products | | |
| Dainichi Co., Ltd. | 312,400 | 2,102,041 |
| Manufactures oil heating equipment | | |
| Neturen Co., Ltd. | 696,800 | 6,299,646 |
| Manufactures steel bars and induction heating equipment | | |
| NHK Spring Co., Ltd. | 272,700 | 2,869,360 |
| Manufactures automobile-related products | | |
| Piolax, Inc. | 154,900 | 3,899,081 |
| Manufactures automobile-related products | | |
| Rinnai Corporation | 21,700 | 1,952,059 |
| Manufactures heating appliances and components | | |
| Shinpo Co., Ltd. | 2,000 | 14,902 |
| Manufactures smokeless roasters | | |
| Total Metal Products (4.7%) | | 17,137,089 |
| Other Products | | |
| Fuji Seal International, Inc. | 92,600 | 2,325,872 |
| Packaging-related materials and machinery | | |
| Komatsu Wall Industry Co., Ltd. | 15,200 | 278,273 |
| Manufactures various partitions | | |
| Nishikawa Rubber Co., Ltd. | 353,500 | 6,925,050 |
| Manufactures rubber automobile parts | | |
| Pigeon Corporation | 70,600 | 2,435,802 |
| Manufactures baby care products | | |
| The Pack Corporation | 109,200 | 3,264,559 |
| Manufactures paper and chemical products | | |
| Total Other Products (4.2%) | | 15,229,556 |
| Precision Instruments | | |
| Nakanishi Inc. | 51,300 | 2,084,989 |
| Manufactures dental instruments | | |
| Total Precision Instruments (0.6%) | | 2,084,989 |
| Real Estate | | |
| Daibiru Corporation | 319,500 | 3,252,136 |
| Real estate leasing and building management | | |
| Keihanshin Building Co., Ltd. | 1,161,000 | 6,983,616 |
| Real estate leasing and building management | | |
| Sanyo Housing Nagoya Co., Ltd. | 232,700 | 2,112,206 |
| Designs and constructs housing | | |
| Starts Corporation Inc. | 95,500 | 2,332,298 |
| Construction, leasing and management of real estate | | |
| Total Real Estate (4.0%) | | 14,680,256 |

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| Retail Trade | | |
| ABC-Mart, Inc. | 78,900 | 4,610,576 |
| Retail sales of shoes | | |
| AIN Holdings Inc. | 2,600 | 209,230 |
| Operates pharmacies and drug store chains | | |
| Amiyaki Tei Co., Ltd. | 200,000 | 7,351,879 |
| Operates barbecue restaurant chains | | |
| Arc Land Sakamoto Co., Ltd. | 282,400 | 3,723,844 |
| Retail sales, wholesale, food and real estate | | |
| Belc Co., Ltd. | 22,700 | 1,066,113 |
| Operates retail food store chains | | |
| Cosmos Pharmaceutical Corporation | 4,200 | 886,507 |
| Operates drug stores | | |
| Create SD Holdings Co., Ltd. | 75,600 | 1,788,945 |
| Operates pharmacies and drug store chains | | |
| Daikokutenbussan Co., Ltd. | 101,100 | 4,994,734 |
| Operates supermarkets | | |
| Don Quijote Holdings Co., Ltd. | 48,600 | 1,900,632 |
| Operates discount stores | | |
| Heiwado Co., Ltd. | 3,000 | 64,893 |
| Operates supermarkets | | |
| Hiday Hidaka Corp | 171,311 | 3,786,109 |
| Operates restaurant chains | | |
| JINS Inc. | 55,400 | 3,242,341 |
| Retail sales of eyewear and fashion accessories | | |
| Kura Corporation | 41,100 | 1,867,169 |
| Operates a sushi restaurant chain | | |
| Saint Marc Holdings Co., Ltd. | 60,300 | 1,851,698 |
| Operates restaurant chains | | |
| San-A Co., Ltd. | 59,400 | 2,703,902 |
| Retail sales of home goods | | |
| Seria Co., Ltd. | 59,300 | 2,870,737 |
| Discount retail sales | | |
| Start Today Co., Ltd. | 161,900 | 4,041,651 |
| Operates retail E-commerce websites | | |
| Sundrug Co., Ltd. | 8,400 | 326,987 |
| Operates pharmacies and drug store chains | | |
| Yaoko Co., Ltd. | 50,400 | 2,114,415 |
| Operates and manages groceries and supermarkets | | |
| Yossix Co., Ltd. | 74,100 | 1,008,568 |
| Operates restaurant chains | | |
| Total Retail Trade (13.9%) | | 50,410,930 |
| Services | | |
| EPS Holdings, Inc. | 118,000 | 1,778,739 |
| Performs contract medical research services | | |
| H.I.S. Co., Ltd. | 226,300 | 6,397,390 |
| Travel business | | |
| IKK Inc. | 42,400 | 285,679 |
| Provides wedding and funeral services | | |

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| Nihon M&A Center Inc. | 66,300 | 2,619,784 |
| Provides merger and acquisition brokerage services | | |
| Nippon Air Conditioning Services Co., Ltd. | 222,300 | 1,337,173 |
| Provides maintenance and management of building facilities | | |
| Relia, Inc. | 170,700 | 1,883,990 |
| Provides telemarketing services | | |
| Septeni Holdings Co., Ltd. | 454,700 | 1,515,393 |
| Internet advertising and media content business | | |
| Step Co., Ltd. | 131,900 | 1,707,123 |
| Operates preparatory schools | | |
| Tear Corporation | 65,700 | 455,723 |
| Funeral business | | |
| Total Services (5.0%) | | 17,980,994 |

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| Textiles and Apparel | | |
| Hogy Medical Co., Ltd. | 25,300 | 1,711,497 |
| Manufactures medical products | | |
| Komatsu Seiren Co., Ltd. | 249,400 | 1,660,114 |
| Manufactures synthetic fibers and textile products | | |
| Seiren Co., Ltd. | 534,400 | 7,886,647 |
| Manufactures synthetic fibers and textile products | | |
| Total Textiles and Apparel (3.1%) | | 11,258,258 |
| Transportation and Warehousing | | |
| Alps Logistics Co., Ltd. | 468,000 | 3,153,251 |
| General logistics services | | |
| Japan Transcity Corporation | 1,860,000 | 7,542,811 |
| General logistics services | | |
| Meiko Trans Co., Ltd. | 436,000 | 4,693,931 |
| Marine logistics services | | |
| Nissin Corporation | 600,000 | 2,357,298 |
| General logistics services | | |
| Trancom Co., Ltd. | 106,200 | 5,639,957 |
| General logistics services | | |
| Total Transportation and Warehousing (6.5%) | | 23,387,248 |
| Transportation Equipment | | |
| Hi-Lex Corporation | 114,000 | 2,862,355 |
| Manufactures control cables | | |
| Nissin Kogyo Co., Ltd. | 49,100 | 776,500 |
| Manufactures automobile brake systems | | |
| Total Transportation Equipment (1.0%) | | 3,638,855 |
| Utilities | | |
| Keiyo Gas Co., Ltd. | 437,000 | 1,965,553 |
| Produces gas and energy products | | |
| The Okinawa Electric Power Company, Incorporated | 155,182 | 3,796,857 |
| Produces thermal energy products | | |
| Total Utilities (1.6%) | | 5,762,410 |
| Wholesale Trade | | |
| Kanaden Corporation | 269,500 | 2,677,475 |
| Factory automation business | | |
| Kohsoku Corporation | 288,900 | 2,698,000 |
| Food and industrial packaging materials | | |
| Matsuda Sangyo Co., Ltd. | 542,400 | 7,157,211 |
| Precious metals, electronic materials, and food | | |
| Paltac Corporation | 40,100 | 1,412,482 |
| Cosmetics and daily necessities | | |
| Ryoden Corporation | 1,281,000 | 9,394,617 |
| Purchases electronic and electrical devices | | |
| Senshu Electric Co., Ltd. | 254,300 | 4,609,647 |
| Electrical wires and cables | | |
| Shinko Shoji Co., Ltd. | 414,300 | 4,894,368 |

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|--|---------|-------------------|
| Electronic components and devices | | |
| SIIX Corporation | 208,800 | 8,750,289 |
| Parts procurement, logistics, and manufacturing of electronics | | |
| Sugimoto & Co., Ltd. | 248,000 | 3,413,584 |
| Machine tools and measuring instruments | | |
| Techno Associe Co., Ltd. | 369,500 | 3,821,148 |
| Screws and nonferrous metal products | | |
| Total Wholesale Trade (13.4%) | | 48,828,821 |
| TOTAL JAPANESE EQUITY SECURITIES (98.9%) | | \$358,686,120 |
| FOREIGN CURRENCY | | |
| Japanese Yen | | |
| Interest bearing account | | 1,236,598 |
| TOTAL FOREIGN CURRENCY (0.3%) | | \$1,236,598 |
| TOTAL INVESTMENTS AND FOREIGN CURRENCY (99.2%) | | \$359,922,718 |
| OTHER ASSETS LESS LIABILITIES, NET (0.8%) | | 2,896,234 |
| NET ASSETS (100%) | | \$362,818,952 |

Portfolio securities and foreign currency holdings were translated at the following exchange rate as of May 31, 2017
Japanese Yen JPY 110.72 = USD \$1.00

Notes to Schedule of Investments (Unaudited)

Costs for Federal Income Tax Purposes

As of May 31, 2017, for federal income tax purposes, subject to change, the aggregate cost of securities was \$301,423,516 and net unrealized appreciation was \$57,262,604, comprised of gross unrealized appreciation of \$60,179,550 and gross unrealized depreciation of \$2,916,946. The aggregate cost of investments for tax purposes will depend upon Japan Smaller Capitalization Fund, Inc.'s (the "Fund") investment experience during the entirety of its fiscal year and may be subject to changes based on tax regulations. Certain tax related calculations are completed and reviewed annually by the Fund.

Fair Value Measurements

In accordance with United States generally accepted accounting principles ("U.S. GAAP"), fair value is defined as the price that the Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP also establishes a framework for measuring fair value, and a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Fund. Unobservable inputs reflect the Fund's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. Each investment is assigned a level based upon the observability of the inputs which are significant to the overall valuation.

The three-tier hierarchy of inputs is summarized below.

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)

The following table summarizes the valuation of the Fund's investments by the above fair value hierarchy levels as of May 31, 2017.

| Level | <u>Investments in Securities</u> |
|-------------------|--|
| Level 1 | |
| Equity Securities | \$358,686,120 |
| Level 2 | - |
| Level 3 | - |
| Total | \$358,686,120 |

During the quarter ended May 31, 2017, there were no transfers between Level 1, Level 2, or Level 3 securities.

During the quarter ended May 31, 2017, 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 have evaluated the Registrant's disclosure controls and procedures within 90 days of the filing of this report and have concluded that they are effective in providing reasonable assurance that the information required to be disclosed by the Registrant in its reports or statements filed under the Securities and Exchange Act of 1934 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 of the period covered by this report 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: 7-7-17

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: 7-7-17

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

Date: 7-7-17
