

JAPAN SMALLER CAPITALIZATION FUND INC
Form N-Q
January 26, 2018

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: September 1, 2017 – November 30, 2017

Item 1. Schedule of Investments
Japan Smaller Capitalization Fund, Inc.
November 30, 2017 (Unaudited)

	<u>Shares</u>	<u>Fair Value</u>
JAPANESE EQUITY SECURITIES		
Banks		
The Akita Bank, Ltd.	126,000	\$3,416,322
General banking services		
The Taiko Bank, Ltd.	92,000	2,043,079
General banking services		
The Yamanashi Chuo Bank, Ltd.	401,000	1,706,763
General banking services		
Total Banks (1.7%)		7,166,164
Chemicals		
Adeka Corporation	205,900	3,476,127
Manufactures chemical and food products		
C. Uyemura & Co., Ltd.	60,500	4,708,339
Plating chemicals		
C.I. Takiron Corporation	169,000	1,224,932
Manufactures resin and composite products		
Fujikura Kasei Co., Ltd.	953,600	5,867,393
Specialty coating materials and fine chemicals		
Koatsu Gas Kogyo Co., Ltd.	611,000	5,152,193
High-pressured gases and chemicals		
Sakai Chemical Industry Co., Ltd.	14,600	329,168
Manufactures components for cosmetics and pharmaceuticals		
Sekisui Jushi Corporation	254,600	5,230,063
Manufactures plastics and other resin materials		
Shikoku Chemicals Corporation	87,000	1,426,179
Manufactures chemical products		
Soken Chemical & Engineering Co., Ltd.	24,900	493,543
Manufactures chemical products		
Tenma Corporation	272,000	5,098,259
Manufactures synthetic resin products		
T&K Toka Co., Ltd.	166,400	1,994,340
Manufactures specialized inks for printing applications		
Yushiro Chemical Industry Co., Ltd.	197,400	2,817,615
Manufactures metalworking fluids		
Total Chemicals (8.9%)		37,818,151

Construction		
C-Cube Corporation	7,400	40,786
Communications construction business		
Daiichi Kensetsu Corporation	23,900	337,309
Construction and real estate businesses		
Mirai Industry Co., Ltd.	32,200	586,341
Manufactures electrical installation materials		
NDS Co., Ltd.	5,000	190,998
Construction of communication infrastructure		
Sysken Corporation	3,400	58,915
Electric communication facility construction business		
Taihei Dengyo Kaisha, Ltd.	18,300	431,652
Construction of thermal and nuclear plant facilities		
Toenec Corporation	296,000	8,565,959
Construction of comprehensive building facilities		
Totetsu Kogyo Co., Ltd.	122,300	4,002,070
Operates construction-related businesses		
Yondenko Corporation	66,800	1,771,341
Construction of electrical distribution systems		
Total Construction (3.8%)		15,985,371
Electric Appliances		
Espec Corp.	105,500	2,588,064
Manufactures environmental testing products		
Kitagawa Industries Co., Ltd.	426,400	5,733,173
Manufactures various industrial and consumer products		
Koito Manufacturing Co., Ltd.	57,300	3,954,187
Manufactures lighting equipment		
Mabuchi Motor Co., Ltd.	13,900	740,145
Manufactures small motors		
Maxell Holdings, Ltd.	74,900	1,527,278
Manufactures media devices, batteries and electrical appliances		
Nihon Kohden Corporation	39,600	907,974
Manufactures medical electronic equipment		
Total Electric Appliances (3.6%)		15,450,821
Financing Business		
Hitachi Capital Corporation	112,000	2,758,488
General financial services		
Ricoh Leasing Company, Ltd.	51,000	1,750,634
Leasing and financial services		
Total Financing Business (1.1%)		4,509,122

Food		
Japan Meat Co., Ltd.	36,200	597,612
Supermarket business and operation of eating-out stores		
Kameda Seika Co., Ltd.	43,200	2,057,967
Manufactures confectioneries		
Total Food (0.6%)		2,655,579
Information and Communication		
NS Solutions Corporation	89,100	2,302,375
System consulting services and software development		
OBIC Co., Ltd.	79,400	5,507,555
Computer system integration		
Okinawa Cellular Telephone Company	218,100	7,651,609
Telecommunications		
Otsuka Corporation	47,000	3,515,427
Computer information system developer		
Software Service Inc.	4,000	190,196
Provides medical information systems		
Total Information and Communication (4.5%)		19,167,162
Iron and Steel		
Chubu Steel Plate Co., Ltd.	243,200	1,823,377
Manufactures steel-related products		
Mory Industries Inc.	39,000	1,213,704
Manufactures steel tubing products		
Nichia Steel Works, Ltd.	1,969,300	5,751,573
Manufactures steel-related products		
Osaka Steel Co., Ltd.	453,300	9,529,774
Manufactures steel-related products		
Total Iron and Steel (4.3%)		18,318,428
Machinery		
Hisaka Works, Ltd.	1,037,000	10,905,098
Manufactures heat exchangers and other machinery		
Miura Co., Ltd.	134,000	3,426,811
Manufactures boilers and related products		
Nippon Pillar Packing Co., Ltd.	104,200	1,441,849
Manufactures mechanical seals		
Nissei ASB Machine Co., Ltd.	4,500	259,249
Manufactures stretch blow molding machines		
Nissei Corporation	24,500	336,833
Manufactures reducers and gears		
Nitto Kohki Co., Ltd.	144,800	3,656,585
Manufactures machine tools and motor pumps		
Oiles Corporation	510,480	10,786,421
Manufactures bearing equipment		
Sato Holdings Corporation	32,000	897,556
Manufactures electronic printers and other products		
Shibuya Corporation	13,900	510,552
Packing plant business		

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Yamashin-Filter Corporation	50,000	612,172
Manufactures filters		
Total Machinery (7.7%)		32,833,126

Metal Products		
Dainichi Co., Ltd.	297,900	2,246,750
Manufactures oil heating equipment		
Neturen Co., Ltd.	419,000	4,365,166
Manufactures steel bars and induction heating equipment		
NHK Spring Co., Ltd.	292,800	3,258,982
Manufactures automobile-related products		
Piolax, Inc.	137,600	4,202,556
Manufactures automobile-related products		
Rinnai Corporation	45,900	4,115,694
Manufactures heating appliances and components		
Shinpo Co., Ltd.	1,800	20,259
Manufactures smokeless roasters		
Total Metal Products (4.3%)		18,209,407
Other Products		
Fuji Seal International, Inc.	63,000	2,142,914
Packaging-related materials and machinery		
Komatsu Wall Industry Co., Ltd.	20,300	417,189
Manufactures various partitions		
Nishikawa Rubber Co., Ltd.	277,300	5,592,667
Manufactures rubber automobile parts		
Pigeon Corporation	86,500	3,308,112
Manufactures baby care products		
The Pack Corporation	118,400	3,974,605
Manufactures paper and chemical products		
Total Other Products (3.6%)		15,435,487
Precision Instruments		
Nakanishi Inc.	60,500	2,909,042
Manufactures dental instruments		
Total Precision Instruments (0.7%)		2,909,042
Real Estate		
Daibiru Corporation	376,900	4,225,254
Real estate leasing and building management		
Keihanshin Building Co., Ltd.	517,900	3,841,420
Real estate leasing and building management		
Sanyo Housing Nagoya Co., Ltd.	269,600	2,873,525
Designs and constructs housing		
Starts Corporation Inc.	68,500	1,671,862
Construction, leasing and management of real estate		
Total Real Estate (3.0%)		12,612,061

Retail Trade		
ABC-Mart, Inc.	95,800	5,254,690
Retail sales of shoes		
AIN Holdings Inc.	2,700	183,919
Operates pharmacies and drug store chains		
Amiyaki Tei Co., Ltd.	244,800	11,029,678
Operates barbecue restaurant chains		
Belc Co., Ltd.	24,500	1,372,201
Operates retail food store chains		
Cosmos Pharmaceutical Corporation	13,200	2,970,162
Operates drug stores		
Create SD Holdings Co., Ltd.	179,000	4,666,863
Operates pharmacies and drug store chains		
Daikokutenbussan Co., Ltd.	167,700	7,854,521
Operates supermarkets		
Don Quijote Holdings Co., Ltd.	58,000	2,773,340
Operates discount stores		
Heiwado Co., Ltd.	2,800	60,386
Operates supermarkets		
Hiday Hidaka Corp	106,411	3,207,348
Operates restaurant chains		
Izumi Co., Ltd.	36,300	2,130,065
Operates shopping centers and real estate business and credit card services		
JINS Inc.	28,100	1,441,218
Retail sales of eyewear and fashion accessories		
Kura Corporation	59,100	2,757,526
Operates a sushi restaurant chain		
NAFCO Co., Ltd.	68,300	1,115,983
Operates chain of home and furniture retail outlets		
Saint Marc Holdings Co., Ltd.	68,700	1,887,178
Operates restaurant chains		
San-A Co., Ltd.	118,700	5,485,535
Retail sales of home goods		
Seria Co., Ltd.	47,100	2,977,695
Discount retail sales		
Start Today Co., Ltd.	99,200	3,025,333
Operates retail E-commerce websites		
Sundrug Co., Ltd.	22,900	1,054,210
Operates pharmacies and drug store chains		
Yaoko Co., Ltd.	65,800	3,099,435
Operates and manages groceries and supermarkets		
Yossix Co., Ltd.	32,500	972,352
Operates restaurant chains		
Total Retail Trade (15.4%)		65,319,638
Services		
EPS Holdings, Inc.	65,900	1,417,110
Performs contract medical research services		
H.I.S. Co., Ltd.	260,900	9,815,258

Travel business		
Nihon M&A Center Inc.	42,900	2,142,995
Provides merger and acquisition brokerage services		
Nippon Air Conditioning Services Co., Ltd.	371,700	2,644,480
Provides maintenance and management of building facilities		
Relia, Inc.	124,600	1,406,819
Provides telemarketing services		
Septeni Holdings Co., Ltd.	650,100	1,846,595
Internet advertising and media content business		
Step Co., Ltd.	143,500	2,087,877
Operates preparatory schools		
Tear Corporation	117,400	1,032,823
Funeral business		
Total Services (5.3%)		22,393,957

Textiles and Apparel		
Hogy Medical Co., Ltd.	23,800	1,714,456
Manufactures medical products		
Seiren Co., Ltd.	258,900	4,848,107
Manufactures synthetic fibers and textile products		
Total Textiles and Apparel (1.5%)		6,562,563
Transportation and Warehousing		
Alps Logistics Co., Ltd.	260,700	2,098,507
General logistics services		
Japan Transcity Corporation	880,000	3,596,634
General logistics services		
Meiko Trans Co., Ltd.	394,000	4,322,230
Marine logistics services		
Trancom Co., Ltd.	188,400	12,279,845
General logistics services		
Total Transportation and Warehousing (5.2%)		22,297,216
Transportation Equipment		
Hi-Lex Corporation	141,000	3,506,638
Manufactures control cables		
Morita Holdings Corporation	60,500	1,125,907
Operates five business transportation segments		
Nissin Kogyo Co., Ltd.	50,900	993,933
Manufactures automobile brake systems		
Total Transportation Equipment (1.3%)		5,626,478
Utilities		
Keiyo Gas Co., Ltd.	503,000	2,602,226
Produces gas and energy products		
The Okinawa Electric Power Company, Incorporated	142,682	3,723,796
Produces thermal energy products		
Total Utilities (1.5%)		6,326,022
Wholesale Trade		
Kanaden Corporation	360,700	4,454,752
Factory automation business		
Kohsoku Corporation	352,700	3,922,553
Food and industrial packaging materials		
Matsuda Sangyo Co., Ltd.	537,200	8,944,962
Precious metals, electronic materials, and food		
Paltac Corporation	38,900	1,724,963
Cosmetics and daily necessities		
Ryoden Corporation	807,400	12,487,902
Purchases electronic and electrical devices		
Senshu Electric Co., Ltd.	205,100	6,108,895
Electrical wires and cables		
Shinko Shoji Co., Ltd.	67,400	1,183,499
Electronic components and devices		
SIIX Corporation	290,100	12,269,935

Parts procurement, logistics, and manufacturing of electronics

Sugimoto & Co., Ltd.	295,900	4,566,090
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Machine tools and measuring instruments

Techno Associe Co., Ltd.	372,200	4,401,243
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Screws and nonferrous metal products

Total Wholesale Trade (14.1%)		60,064,794
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TOTAL JAPANESE EQUITY SECURITIES (92.1%)		\$391,660,589
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FOREIGN CURRENCY

Japanese Yen

Interest bearing account		\$5,393,399
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TOTAL FOREIGN CURRENCY (1.3%)		5,393,399
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TOTAL INVESTMENTS AND FOREIGN CURRENCY (93.4%)

	\$397,053,988
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OTHER ASSETS LESS LIABILITIES, NET (6.6%)

28,236,798

NET ASSETS (100%)

\$425,290,786

Portfolio securities and foreign currency holdings were translated at the following exchange rate as of November 30, 2017.

Japanese Yen JPY ¥ 112.305 = USD \$1.00

Notes to Schedule of Investments (Unaudited)

Costs for Federal Income Tax Purposes

As of November 30, 2017, for federal income tax purposes, subject to change, the aggregate cost of securities was \$313,682,211 and net unrealized appreciation was \$77,978,378, comprised of gross unrealized appreciation of \$78,245,999 and gross unrealized depreciation of \$267,621. 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 November 30, 2017.

Level	<u>Investments</u> <u>in</u> <u>Securities</u>
Level 1	
Equity Securities	\$391,660,589
Level 2	-
Level 3	-
Total	\$391,660,589

During the quarter ended November 30, 2017, there were no transfers between Level 1, Level 2, or Level 3 securities. During the quarter ended November 30, 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: January 26, 2018

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: January 26, 2018

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

Date: January 26, 2018
