

JAPAN SMALLER CAPITALIZATION FUND INC
Form N-Q
January 29, 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.

(Exact name of registrant as specified in charter)

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

(Address of principal executive offices)

Yutaka Itabashi
Worldwide Plaza
309 West 49th Street
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, 2015

Date of reporting period: September 1, 2014 - November 30, 2014

Item 1. Schedule of Investments

JAPAN SMALLER CAPITALIZATION FUND, INC.
SCHEDULE OF INVESTMENTS
November 30, 2014

	Shares	Cost	Market Value	Unrealized Gain or Loss	% of Net Assets
JAPANESE EQUITY SECURITIES					
Banks					
Akita Bank, Ltd.* General banking services	1,379,000	\$ 3,732,084	\$ 3,903,487	\$ 171,403	1.3
The Kagoshima Bank, Ltd. General banking services	785,000	5,316,439	5,012,890	(303,549)	1.7
The Yamanashi Chuo Bank, Ltd. Commercial banking services	1,293,000	5,685,552	5,392,039	(293,513)	1.8
Total Banks		14,734,075	14,308,416	(425,659)	4.8
Chemicals					
Sakai Chemical Industry Co., Ltd.* Titanium oxide, polyvinyl chloride stabilizers, and pharmaceuticals	2,629,000	7,961,881	8,128,416	166,535	2.8
Tenma Corporation Molded resin products	231,500	2,968,022	3,077,565	109,543	1.1
Total Chemicals		10,929,903	11,205,981	276,078	3.9
Construction					
Toenec Corporation Constructs comprehensive building facilities	1,687,000	9,411,087	8,243,134	(1,167,953)	2.8
Total Construction		9,411,087	8,243,134	(1,167,953)	2.8
Electric Appliances					
Espec Corp Meteorological testing devices	311,600	2,346,034	3,000,495	654,461	1.0
Kitagawa Industries Co., Ltd. Industrial fasteners and electromagnetic wave resistant parts	336,900	3,544,662	3,221,411	(323,251)	1.1
Koito Manufacturing Co., Ltd. Lighting equipment	116,700	2,248,312	3,662,237	1,413,925	1.3
Nichicon Corporation	674,200	5,382,142	5,446,991	64,849	1.9

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Manufacture and sale of capacitors and transformers					
Total Electric Appliances		13,521,150	15,331,134	1,809,984	5.3
Financing Business					
Ricoh Leasing Company, Ltd.	133,600	3,519,104	3,506,015	(13,089)	1.2
Office automation equipment leasing					
Total Financing Business		3,519,104	3,506,015	(13,089)	1.2
Food					
Fuji Oil Co., Ltd.	286,400	4,916,140	4,072,816	(843,324)	1.4
Palm oil and coconut oil					
Total Food		4,916,140	4,072,816	(843,324)	1.4
Glass and Ceramics Products					
Nichiha Corporation	342,200	3,543,216	3,081,818	(461,398)	1.1
Ceramic exterior walls and other construction materials					
Total Glass and Ceramics Products		3,543,216	3,081,818	(461,398)	1.1
Information and Communication					
Okinawa Cellular Telephone Company	129,000	3,261,707	3,667,860	406,153	1.3
Cellular and car phone services					
Total Information and Communication		3,261,707	3,667,860	406,153	1.3
Iron and Steel					
Nichia Steel Works, Ltd.*	1,581,000	5,051,795	4,461,963	(589,832)	1.5
Produces and sells steel products					
Osaka Steel Co., Ltd.	283,300	5,146,049	4,935,673	(210,376)	1.7
Electric furnace steelmaker					
Total Iron and Steel		10,197,844	9,397,636	(800,208)	3.2
Machinery					
Hisaka Works, Ltd.	517,300	4,923,565	4,201,156	(722,409)	1.4
Heat exchangers and evaporators					
Oiles Corporation	164,880	3,079,085	2,818,378	(260,707)	1.0
Manufactures oilless bearings					
Sintokogio, Ltd.	564,500	4,296,438	3,875,885	(420,553)	1.3
Engineering equipment					
Total Machinery		12,299,088	10,895,419	(1,403,669)	3.7
Metal Products					
Neturen Co., Ltd.	499,500	3,336,568	3,387,511	50,943	1.2
Induction hardening equipment					

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NHK Spring Co., Ltd. Automobile-related products	344,500	3,290,859	2,983,538	(307,321)	1.0
Piolax, Inc. Production and sale of automobile parts	83,700	2,565,879	3,448,130	882,251	1.2
Total Metal Products		9,193,306	9,819,179	625,873	3.4

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		Shares	Cost	Market Value	Unrealized Gain or Loss	% of Net Assets
Other Products						
Fuji Seal International, Inc.		105,800	\$3,135,824	\$2,999,301	\$(136,523)	1.0
Packaging-related materials and machinery						
Nishikawa Rubber Company Ltd.		231,100	3,855,230	3,617,387	(237,843)	1.2
Rubber products						
Total Other Products			6,991,054	6,616,688	(374,366)	2.2
Pharmaceutical						
KYORIN Holdings, Inc.	145,200	3,108,232		2,825,712	(282,520)	1.0
Pharmaceuticals manufacturer						
Total Pharmaceutical		3,108,232		2,825,712	(282,520)	1.0
Real Estate						
Keihanshin Building Co., Ltd.	921,700	5,148,503		4,954,040	(194,463)	1.7
Real estate leasing and building management						
Total Real Estate		5,148,503		4,954,040	(194,463)	1.7
Retail Trade						
Arc Land Sakamoto Co., Ltd.	155,700	2,631,044		3,211,067	580,023	1.1
Operates home centers						
Create S D Co., Ltd.	146,200	5,076,604		4,760,430	(316,174)	1.6
Drug store chain						
Daikokutenbussan Co., Ltd.	134,100	3,700,655		3,891,950	191,295	1.3
Operates discount stores for food products and sundry goods						
Hiday Hidaka Corp	96,980	1,801,731		3,137,348	1,335,617	1.1
Chinese restaurant chain						
Jin Co., Ltd.	131,900	4,202,203		3,061,369	(1,140,834)	1.0
Eyeglasses and fashion merchandise						
San-A Co., Ltd.	96,000	2,522,853		3,259,309	736,456	1.1
Housing related goods and groceries						
Total Retail Trade		19,935,090		21,321,473	1,386,383	7.2
Textiles and Apparel						
Hogy Medical Co., Ltd.	84,500	4,001,350		4,079,065	77,715	1.4
Medical supply products						
Total Textiles and Apparel		4,001,350		4,079,065	77,715	1.4
Transportation and Warehousing						

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Alps Logistics Co., Ltd. Delivery, storage, and forwarding of electronic components	268,100	2,777,721	2,821,035	43,314	1.0
Japan Transcity Corporation Warehousing and transportation services	1,483,000	5,076,938	4,660,143	(416,795)	1.6
Meiko Trans Co., Ltd. Operates port-harbor transport facilities	399,000	4,150,145	3,495,872	(654,273)	1.2
Trancom Co., Ltd. Logistics services	76,800	2,317,518	3,319,158	1,001,640	1.1
Total Transportation and Warehousing		14,322,322	14,296,208	(26,114)	4.9
Transportation Equipment					
Nissin Kogyo Co., Ltd. Brake systems	184,200	3,379,776	2,842,918	(536,858)	1.0
Tachi-S Co., Ltd. Child transformation seats, seat components, and rotating units	311,400	5,040,769	4,137,134	(903,635)	1.4
Total Transportation Equipment		8,420,545	6,980,052	(1,440,493)	2.4
Utilities					
The Okinawa Electric Power Company, Incorporated* Thermal power	151,700	5,255,293	4,773,374	(481,919)	1.6
Total Utilities		5,255,293	4,773,374	(481,919)	1.6
Wholesale Trade					
Matsuda Sangyo Co., Ltd.* Wholesales precious metals, electronic materials, and food	382,000	4,744,616	4,225,493	(519,123)	1.4
Siix Corporation Video, audio, and office equipment	323,700	4,368,194	5,544,078	1,175,884	1.9
Ryoden Trading Company, Ltd. Electronic components	875,000	5,981,063	5,978,307	(2,756)	2.0
Total Wholesale Trade		15,093,873	15,747,878	654,005	5.3
TOTAL INVESTMENTS IN JAPANESE EQUITY SECURITIES		\$ 177,802,882	\$ 175,123,898	\$ (2,678,984)	59.8
INVESTMENTS IN FOREIGN CURRENCY					
Japanese Yen					
Non- interest bearing account		3,887,142	3,659,129	(228,013)	1.3
Total Investments In Foreign Securities		\$ 3,887,142	\$ 3,659,129	\$ (228,013)	1.3
TOTAL INVESTMENTS		\$ 181,690,024	\$ 178,783,027	\$ (2,906,997)	61.1
OTHER ASSETS LESS LIABILITIES, NET			\$ 112,937,022		38.9
NET ASSETS			\$ 291,720,049		100.0

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Aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost is \$9,062,007.

Aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value is \$11,740,991.

* Non-Income Producing Security

Portfolio Securities and foreign currency holdings were translated at the following exchange rate as of November 30, 2014

Japanese Yen: 118.700=\$1.00

The following table summarizes the valuation of the Fund's investments by fair value hierarchy levels as of November 30, 2014.

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 – (including the Fund's own assumptions in determining the fair value of investments).

Level	Investments in Securities
Level 1	
Equity Securities	\$ 175,123,898
Foreign Currency	\$ 3,659,129
Level 2	
Level 3	
Total	\$ 178,783,027

During the quarter ended November 30, 2014, there were no transfers between Level 1 and 2 and the Fund did not hold any instruments which used significant observable 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: January 29, 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: January 29, 2015

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

Date: January 29, 2015