

JAPAN SMALLER CAPITALIZATION FUND INC
Form N-Q
January 30, 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, 2017

Date of reporting period: September 1, 2016 – November 30, 2016

Item 1. Schedule of Investments

Japan Smaller Capitalization Fund, Inc.

November 30, 2016 (Unaudited)

	<u>Shares</u>	<u>Fair Value</u>
JAPANESE EQUITY SECURITIES (96.7%)		
Banks		
The Akita Bank, Ltd.	1,014,000	\$ 3,273,114
General banking services		
The Bank of Saga Ltd.	443,000	1,073,446
General banking services		
The Taiko Bank, Ltd.	1,322,000	3,029,909
General banking services		
The Yamanashi Chuo Bank, Ltd.	740,000	3,275,511
General banking services		
Total Banks (3.2%)		10,651,980
Chemicals		
C. Uyemura & Co., Ltd.	136,400	5,506,592
Plating chemicals		
Fujikura Kasei Co., Ltd.	711,300	3,814,258
Specialty coating materials and fine chemicals		
Fuso Chemical Co., Ltd.	10,500	233,486
Manufactures fruit acids, electronic and functional chemical products		
Koatsu Gas Kogyo Co., Ltd.	448,000	2,798,163
High-pressured gases and chemicals		
Sakai Chemical Industry Co., Ltd.	2,515,000	7,876,219
Manufactures components for cosmetics and pharmaceuticals		
Sekisui Jushi Corporation	242,800	3,682,939
Manufactures plastics and other resin materials		
Shikoku Chemicals Corporation	41,000	359,017
Manufactures chemical products		
Soken Chemical & Engineering Co., Ltd.	155,200	1,565,373
Manufactures chemical products		
Takiron Co., Ltd.	459,000	2,019,656
Manufactures resin and composite products		
Tenma Corporation	224,300	3,643,661
Manufactures synthetic resin products		
Teraoka Seisakusho Co., Ltd.	384,600	1,241,459
Manufactures various adhesive tapes		

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T&K Toka Co., Ltd.	128,900	1,088,121
Manufactures specialized inks for printing applications		
Yushiro Chemical Industry Co., Ltd.	136,900	1,676,595
Manufactures metalworking fluids		
Zeon Corporation	232,000	2,084,276
Manufactures synthetic resin products		
Total Chemicals (11.1%)		37,589,815

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Construction		
Daiichi Kensetsu Corporation	21,300	219,121
Construction and real estate businesses		
Mirai Industry Co., Ltd.	35,700	460,635
Manufactures electrical installation materials		
MIRAIT Holdings Corporation	1,233,200	11,812,571
Construction of electrical and telecommunication facilities		
Taihei Dengyo Kaisha, Ltd.	223,000	2,163,382
Construction of thermal and nuclear plant facilities		
Toenec Corporation	1,494,000	6,965,858
Construction of comprehensive building facilities		
Yondenko Corporation	260,000	993,920
Construction of electrical distribution systems		
Total Construction (6.7%)		22,615,487
Electronic Appliances		
Espec Corp.	265,400	2,909,034
Manufactures environmental testing products		
Hitachi Maxell, Ltd.	182,700	3,204,422
Manufactures media devices, batteries and electrical appliances		
Hosiden Corporation	181,300	1,482,881
Manufactures electronic components		
Kitagawa Industries Co., Ltd.	352,000	3,085,369
Manufactures various industrial and consumer products		
Koito Manufacturing Co., Ltd.	72,000	3,753,838
Manufactures lighting equipment		
Kyowa Electronic Instruments Co., Ltd.	3,200	11,197
Manufactures electrical measuring instruments		
Nichicon Corporation	486,600	4,226,863
Manufactures capacitors and transformers		
Nihon Kohden Corporation	78,000	1,750,846
Manufactures medical electronic equipment		
Shindengen Electric Manufacturing Co., Ltd.	266,000	1,007,549
Manufactures semiconductor products, electrical components, and power supplies		
Total Electronic Appliances (6.4%)		21,431,999
Financing Business		
Hitachi Capital Corporation	96,900	2,375,138
General financial services		
Ricoh Leasing Company, Ltd.	165,700	5,073,262
Leasing and financial services		

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Total Financing Business (2.2%)		7,448,400
Food		
Taiyo Kagaku Co., Ltd.	55,300	394,741
General food manufacturer		
Total Food (0.1%)		394,741
Information and Communication		
NS Solutions Corporation	8,900	169,179
System consulting services and software development		

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OBIC Co., Ltd.	71,000	3,124,087
Computer system integration		
Okinawa Cellular Telephone Company	168,100	5,161,449
Telecommunications		
Otsuka Corporation	78,900	3,844,404
Computer information system developer		
Software Service Inc.	4,400	168,202
Provides medical information systems		
Total Information and Communication (3.7%)		12,467,321
		.
Iron and Steel		
Chubu Steel Plate Co., Ltd.	672,700	3,583,732
Manufactures steel-related products		
Mory Industries Inc.	296,300	4,999,892
Manufactures steel tubing products		
Nichia Steel Works, Ltd.	2,007,600	4,759,302
Manufactures steel-related products		
Nippon Seisen Co., Ltd.	601,000	2,817,968
Manufactures stainless steel wires and metal fibers		
Osaka Steel Co., Ltd.	363,600	6,631,728
Manufactures steel-related products		
Total Iron and Steel (6.8%)		22,792,622
Machinery		
Hisaka Works, Ltd.	836,400	5,963,051
Manufactures heat exchangers and other machinery		
Miura Co., Ltd.	108,700	1,641,221
Manufactures boilers and related products		
Nippon Pillar Packing Co., Ltd.	310,000	3,305,690
Manufactures mechanical seals		
Nissei ASB Machine Co., Ltd.	10,500	218,055
Manufactures stretch blow molding machines		
Nissei Corporation	25,200	210,303
Manufactures reducers and gears		
Nitto Kohki Co., Ltd.	109,000	2,337,042
Manufactures machine tools and motor pumps		
Oiles Corporation	382,580	6,914,318
Manufactures bearing equipment		
Sato Holdings Corporation	78,900	1,558,467
Manufactures electronic printers and other products		
Shibuya Kogyo Co., Ltd.	32,700	635,035

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Engaged in the packing plant business		
Tsubakimoto Chain Co.	129,000	1,015,615
Manufactures chains for power transmission and other transportation components		
Yamashin-Filter Corporation	27,700	242,313
Manufactures filters		
Total Machinery (7.1%)		24,041,110
Metal Products		
Dainichi Co., Ltd.	285,800	1,835,081
Manufactures oil heating equipment		

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Neturen Co., Ltd.	637,600	5,064,434
Manufactures steel bars and induction heating equipment		
NHK Spring Co., Ltd.	250,100	2,345,337
Manufactures automobile-related products		
Piolax, Inc.	60,900	3,659,913
Manufactures automobile-related products		
Rinnai Corporation	19,400	1,651,244
Manufactures heating appliances and components		
Total Metal Products (4.3%)		14,556,009
Other Products		
Fuji Seal International, Inc.	73,000	2,956,655
Packaging-related materials and machinery		
Nishikawa Rubber Co., Ltd.	328,700	4,543,113
Manufactures rubber automobile parts		
Nissha Printing Co., Ltd.	3,200	67,827
Manufactures various materials and devices		
Pigeon Corporation	65,500	1,651,896
Manufactures baby care products		
The Pack Corporation	96,400	2,183,262
Manufactures paper and chemical products		
Total Other Products (3.4%)		11,402,753
Precision Instruments		
Nakanishi Inc.	46,000	1,690,067
Manufactures dental instruments		
Total Precision Instruments (0.5%)		1,690,067
Real Estate		
Daibiru Corporation	294,100	2,621,597
Real estate leasing and building management		
Heiwa Real Estate Co., Ltd.	59,400	849,054
Leasing, development and management of real estate		
Keihanshin Building Co., Ltd.	1,032,200	5,282,220
Real estate leasing and building management		
Sanyo Housing Nagoya Co., Ltd.	211,600	1,834,366
Designs and constructs housing		
Starts Corporation Inc.	89,700	1,636,830
Construction, leasing and management of real estate		
Total Real Estate (3.6%)		12,224,067

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Retail Trade

ABC-Mart, Inc.	52,100	3,058,138
Retail sales of shoes		
AIN Pharmaciez Inc.	2,400	167,747
Operates pharmacies and drug store chains		
Amiyaki Tei Co., Ltd.	147,100	5,102,143
Operates barbecue restaurant chains		
Arc Land Sakamoto Co., Ltd.	442,600	5,141,694
Retail sales, wholesale, food and real estate		

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Create SD Holdings Co., Ltd.	68,800	1,460,680
Operates pharmacies and drug store chains		
Daikokutenbussan Co., Ltd.	71,200	3,058,146
Operates supermarkets		
Heiwado Co., Ltd.	2,800	55,429
Operates supermarkets		
Hiday Hidaka Corp	80,043	1,891,232
Operates restaurant chains		
Jin Co., Ltd.	51,100	2,143,415
Retail sales of eyewear and fashion accessories		
Saint Marc Holdings Co., Ltd.	89,000	2,756,069
Operates restaurant chains		
San-A Co., Ltd.	1,000	48,200
Retail sales of home goods		
Seria Co., Ltd.	32,600	2,344,154
Discount retail sales		
Start Today Co., Ltd.	153,000	2,351,581
Operates retail E-commerce websites		
Sundrug Co., Ltd.	3,900	271,565
Operates pharmacies and drug store chains		
Tokyo Base Co., Ltd. †	2,600	47,535
Retail sales of apparel		
Yaoko Co., Ltd.	44,700	1,700,958
Operates and manages groceries and supermarkets		
Yossix Co., Ltd.	67,300	779,471
Operates restaurant chains		
Total Retail Trade (9.6%)		32,378,157
Services		
EPS Holdings, Inc.	111,100	1,304,258
Performs contract medical research services		
H.I.S Co., Ltd.	98,300	2,708,700
Engaged in the travel business		
JP-Holdings, Inc.	176,300	407,149
Operates child-care centers		
Nihon M&A Center Inc.	50,000	1,364,650
Provides merger and acquisition brokerage services		
Nippon Air Conditioning Services Co., Ltd.	3,400	16,834
Provides maintenance and management of building facilities		
Relia, Inc.	155,000	1,492,849
Provides telemarketing services		

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Septeni Holdings Co., Ltd. Internet advertising and media content business	251,000	757,512
SHL-Japan Ltd. Provides personnel assessment services	2,100	55,570
Step Co., Ltd. Operates preparatory schools	230,500	2,522,464
Total Services (3.1%)		10,629,986
Textiles and Apparel		
Hogy Medical Co., Ltd. Manufactures medical products	25,000	1,469,623

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Komatsu Seiren Co., Ltd.	245,300	1,435,557
Manufactures synthetic fibers and textile products		
Seiren Co., Ltd.	461,400	5,917,092
Manufactures synthetic fibers and textile products		
Total Textiles and Apparel (2.6%)		8,822,272
Transportation and Warehousing		
Alps Logistics Co., Ltd.	543,100	2,997,823
General logistics services		
Japan Transcity Corporation	1,823,000	6,362,918
General logistics services		
Meiko Trans Co., Ltd.	412,000	3,535,599
Marine logistics services		
Nissin Corporation	567,000	1,681,433
General logistics services		
Trancom Co., Ltd.	78,000	3,800,551
General logistics services		
Total Transportation and Warehousing (5.4%)		18,378,324
Transportation Equipment		
Hi-Lex Corporation	48,200	1,200,836
Manufactures control cables		
Nissin Kogyo Co., Ltd.	245,100	3,602,047
Manufactures automobile brake systems		
Sanoh Industrial Co., Ltd.	409,700	2,619,872
Manufactures automobile components		
Total Transportation Equipment (2.2%)		7,422,755
Utilities		
Keiyo Gas Co., Ltd.	408,000	1,641,779
Produces gas and energy products		
The Okinawa Electric Power Company, Incorporated	146,375	2,975,773
Produces thermal energy products		
Total Utilities (1.4%)		4,617,552
Wholesale Trade		
Happinet Corporation	149,000	1,719,206
Toy products		
Kanaden Corporation	242,300	2,149,256
Factory automation business		
Kohsoku Corporation	262,700	2,389,958

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Food and industrial packaging materials		
Matsuda Sangyo Co., Ltd.	496,700	6,348,062
Precious metals, electronic materials, and food		
Paltac Corporation	76,800	1,711,146
Cosmetics and daily necessities		
Ryoden Trading Company, Ltd.	1,195,000	7,756,550
Purchases electronic and electrical devices		
Senshu Electric Co., Ltd.	268,400	4,127,605
Electrical wires and cables		

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Shinko Shoji Co., Ltd.	374,200	3,967,374
Electronic components and devices		
SIIX Corporation	188,000	6,298,736
Parts procurement, logistics, and manufacturing of electronics		
SPK Corporation	25,000	482,220
Automobile components for assembly		
Sugimoto & Co., Ltd.	333,700	4,454,588
Machine tools and measuring instruments		
Techno Associe Co., Ltd.	358,600	2,945,592
Screws and nonferrous metal products		
Win-Partners Co., Ltd.	26,500	429,091
Engaged in the medical equipment supply business		
Total Wholesale Trade (13.3%)		44,779,384
TOTAL JAPANESE EQUITY SECURITIES (96.7%)		\$ 326,334,801
FOREIGN CURRENCY		
Japanese Yen		
Non-interest bearing account		5,529,503
TOTAL FOREIGN CURRENCY (1.6%)		\$ 5,529,503
TOTAL INVESTMENTS AND FOREIGN CURRENCY (98.3%)		\$ 331,864,304
OTHER ASSETS LESS LIABILITIES, NET (1.7%)		5,776,108
NET ASSETS (100.0%)		\$ 337,640,412

† Non-income producing security

Portfolio securities and foreign currency holdings were translated at the following exchange rate as of November 30, 2016
Japanese Yen ¥ 114.315 = USD \$1.00

Notes to Schedule of Investments (Unaudited)

Costs for Federal Income Tax Purposes

As of November 30, 2016, for federal income tax purposes, subject to change, the aggregate cost of securities was \$301,926,467 and net unrealized appreciation was \$24,408,334, comprised of gross unrealized appreciation of \$36,425,387 and gross unrealized depreciation of \$12,017,053. The aggregate cost of investments for tax purposes will depend upon Japan Smaller Capitalization Fund, Inc. (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 (“U.S.”) 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, 2016.

Level	<u>Investments</u> <u>in</u> <u>Securities</u>
Level 1	
Equity Securities	\$326,334,801
Level 2	-
Level 3	-
Total	\$326,334,801

During the quarter ended November 30, 2016, there were no transfers between Level 1, Level 2, or Level 3 securities.

During the quarter ended November 30, 2016, 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: 1-30-17

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: 1-30-17

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

Date: 1-30-17