

JAPAN SMALLER CAPITALIZATION FUND INC  
Form N-Q  
July 02, 2007

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: 811-5992

JAPAN SMALLER CAPITALIZATION FUND, INC.

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(Exact name of registrant as specified in charter)

Two World Financial Center  
Building B, 22nd Floor  
New York, New York 10281-1712

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(Address of principal executive offices)

Shigeru Shinohara  
Japan Smaller Capitalization Fund, Inc.  
Two World Financial Center  
Building B, 22nd Floor  
New York, New York 10281-1712

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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 29, 2008

Date of reporting period: March 1, 2007 – May 31, 2007

**Item 1. Schedule of Investments**

**JAPAN SMALLER CAPITALIZATION FUND, INC.  
SCHEDULE OF INVESTMENTS  
IN SECURITIES OF UNAFFILIATED ISSUERS  
May 31, 2007**

|                      | <u>Shares</u> | <u>Cost</u> | <u>Market Value</u> | <u>Unrealized Gain/Loss</u> | <u>% of Net Assets</u> |
|----------------------|---------------|-------------|---------------------|-----------------------------|------------------------|
| <b>COMMON STOCKS</b> |               |             |                     |                             |                        |

**Automotive Equipment and Parts**

|  |         |              |              |            |     |
|--|---------|--------------|--------------|------------|-----|
| Eagle Industry Co., Ltd.<br><i>Valves and mechanical seals</i> | 369,000 | \$ 3,789,191 | \$ 4,652,088 | \$ 862,897 | 2.0 |
| Futaba Industrial Co., Ltd.<br><i>Exhaust system parts</i>     | 208,300 | 4,706,392    | 5,149,546    | 443,154    | 2.2 |
| Nittan Valve Co, Ltd.<br><i>Engine valves</i>                  | 344,200 | 2,944,938    | 2,739,352    | (205,586)  | 1.1 |
| Tokai Rika Co., Ltd.<br><i>Electronic parts</i>                | 140,400 | 3,458,877    | 3,643,908    | 185,031    | 1.5 |
| <b>Total Automotive Equipment and Parts</b>                    |         | 14,899,398   | 16,184,894   | 1,285,496  | 6.8 |

**Banks and Finance**

|   |           |            |            |             |     |
|---|-----------|------------|------------|-------------|-----|
| Asset Managers Co., Ltd.<br><i>Real state funds</i>                 | 2,587     | 5,202,357  | 3,718,328  | (1,484,029) | 1.6 |
| The Hachijuni Bank, Ltd.<br><i>General banking services</i>         | 309,000   | 2,311,888  | 2,357,693  | 45,805      | 1.0 |
| Iwai Securities Co., Ltd.<br><i>Financial services</i>              | 151,300   | 3,806,363  | 2,783,557  | (1,022,806) | 1.2 |
| Kansai Urban Banking Corporation<br><i>General banking services</i> | 1,057,000 | 4,435,175  | 4,114,969  | (320,206)   | 1.7 |
| <b>Total Banks and Finance</b>                                      |           | 15,755,783 | 12,974,547 | (2,781,236) | 5.5 |

**Chemicals and Pharmaceuticals**

|   |         |            |            |           |     |
|---|---------|------------|------------|-----------|-----|
| Hisamitsu Pharmaceutical Co., Inc.<br><i>Salonpas brand pharmaceuticals</i> | 127,200 | 3,551,680  | 3,572,946  | 21,266    | 1.5 |
| Nissan Chemical Industries, Ltd.<br><i>Chemical producer</i>                | 279,000 | 3,371,675  | 3,024,763  | (346,912) | 1.3 |
| Taiyo Ink Mfg. Co., Ltd.<br><i>Resist inks for printed circuit boards</i>   | 139,600 | 3,734,109  | 3,726,336  | (7,773)   | 1.6 |
| <b>Total Chemicals and Pharmaceuticals</b>                                  |         | 10,657,464 | 10,324,045 | (333,419) | 4.4 |

**Electric**

|   |         |           |           |         |     |
|---|---------|-----------|-----------|---------|-----|
| Mirai Co., Ltd.<br><i>Plastic molded electric materials</i> | 271,800 | 2,607,161 | 3,538,278 | 931,117 | 1.5 |
| <b>Total Electric</b>                                       |         | 2,607,161 | 3,538,278 | 931,117 | 1.5 |

**Electronics**

|   |         |            |           |             |     |
|---|---------|------------|-----------|-------------|-----|
| Daishinku Corp.<br><i>Monolithic crystal filters</i>        | 405,000 | 2,454,688  | 2,411,605 | (43,083)    | 1.0 |
| Macnica, Inc.<br><i>Semiconductors</i>                      | 93,700  | 2,757,685  | 2,362,605 | (395,080)   | 1.0 |
| Meiko Electronics Co., Ltd<br><i>Printed circuit boards</i> | 114,900 | 4,917,049  | 3,737,046 | (1,180,003) | 1.6 |
| <b>Total Electronics</b>                                    |         | 10,129,422 | 8,511,256 | (1,618,166) | 3.6 |

**Food Manufacturing**

|   |         |           |           |           |     |
|---|---------|-----------|-----------|-----------|-----|
| Ozeki Co., Ltd.<br><i>Supermarket chain</i> | 120,600 | 3,535,682 | 3,080,498 | (455,184) | 1.3 |
| <b>Total Food Manufacturing</b>             |         | 3,535,682 | 3,080,498 | (455,184) | 1.3 |

**Information and Software**

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|  |               |              |                     |                             |                        |
|--|---------------|--------------|---------------------|-----------------------------|------------------------|
| Sorun Corporation<br><i>Computer software development</i>                    | 558,700       | 4,330,752    | 4,249,158           | (81,594)                    | 1.8                    |
| SRA Holdings, Inc.<br><i>Business application software</i>                   | 254,900       | 3,278,299    | 3,799,791           | 521,492                     | 1.6                    |
| <b>Total Information and Software</b>  |               | 7,609,051    | 8,048,949           | 439,898                     | 3.4                    |
| <b>Machinery and Machine Tools</b>   |               |              |                     |                             |                        |
| Disco Corporation<br><i>Cutting &amp; grinding industrial machinery</i>      | 71,900        | 4,566,437    | 4,033,321           | (533,116)                   | 1.7                    |
| Hitachi Construction Machinery Co., Ltd.<br><i>Construction machinery</i>    | 81,100        | 2,072,643    | 2,710,993           | 638,350                     | 1.1                    |
| Makino Milling Machine Co., Ltd.<br><i>Industrial machinery</i>              | 175,000       | 2,115,266    | 2,314,073           | 198,807                     | 1.0                    |
|  | <b>Shares</b> | <b>Cost</b>  | <b>Market Value</b> | <b>Unrealized Gain/Loss</b> | <b>% of Net Assets</b> |
| Yamatake Corporation<br><i>Industrial automation equipment</i>               | 167,200       | \$ 4,043,885 | \$ 4,627,851        | \$ 583,966                  | 2.0                    |
| Yokohama Rubber Company, Ltd.<br><i>Rubber products</i>                      | 589,000       | 3,507,281    | 4,247,398           | 740,117                     | 1.8                    |
| Yuken Kogyo Co., Ltd.<br><i>Hydraulic equipment</i>                          | 626,000       | 2,226,520    | 2,318,804           | 92,284                      | 1.0                    |
| <b>Total Machinery and Machine Tools</b>                                     |               | 18,532,032   | 20,252,440          | 1,720,408                   | 8.6                    |
| <b>Miscellaneous Manufacturing</b>   |               |              |                     |                             |                        |
| Dowa Holdings, Co., Ltd.<br><i>Various metal-related products</i>            | 346,000       | 3,392,928    | 3,333,399           | (59,529)                    | 1.4                    |
| Mani, Inc.<br><i>Medical goods and equipment</i>                             | 67,200        | 1,821,924    | 3,532,340           | 1,710,416                   | 1.5                    |
| Nichias Corporation<br><i>Building and construction materials</i>            | 871,000       | 5,592,440    | 8,620,221           | 3,027,781                   | 3.7                    |
| Tokai Rubber Industries, Ltd.<br><i>Rubber and plastic products</i>          | 256,000       | 3,912,198    | 4,594,144           | 681,946                     | 1.9                    |
| <b>Total Miscellaneous Manufacturing</b>                                     |               | 14,719,490   | 20,080,104          | 5,360,614                   | 8.5                    |
| <b>Real Estate and Warehouse</b>   |               |              |                     |                             |                        |
| Daibiru Corporation<br><i>Leases office buildings, apartments and hotels</i> | 272,600       | 2,509,149    | 4,408,438           | 1,899,289                   | 1.9                    |
| Suruga Corporation.<br><i>Multi-unit commercial and residential building</i> | 253,800       | 5,703,228    | 5,878,329           | 175,101                     | 2.5                    |
| <b>Total Real Estate and Warehouse</b>                                       |               | 8,212,377    | 10,286,767          | 2,074,390                   | 4.4                    |
| <b>Retail</b>  |               |              |                     |                             |                        |
| Shimamura Co., Ltd.<br><i>Clothing chain</i>                                 | 28,700        | 2,826,823    | 3,085,565           | 258,742                     | 1.3                    |
| Village Vanguard Co., Ltd.<br><i>Books, cd's, videos and office supplies</i> | 452           | 2,484,059    | 2,535,551           | 51,492                      | 1.1                    |
| Yaoko Co., Ltd.  | 115,200       | 2,686,389    | 2,933,103           | 246,714                     | 1.2                    |

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|  |         |                |                |              |       |
|--|---------|----------------|----------------|--------------|-------|
| <i>Supermarkets</i>                          |         |                |                |              |       |
| <b>Total Retail</b>                          |         | 7,997,271      | 8,554,219      | 556,948      | 3.6   |
| <b>Services</b>                              |         |                |                |              |       |
| Aeon Delight Co., Ltd.                       | 172,500 | 3,874,684      | 4,462,856      | 588,172      | 1.9   |
| <i>Building management</i>                   |         |                |                |              |       |
| Chintai Corporation                          | 4,002   | 3,280,253      | 2,238,398      | (1,041,855)  | 1.0   |
| <i>Real estate information magazines</i>     |         |                |                |              |       |
| DTS Corporation                              | 125,800 | 4,364,217      | 3,802,259      | (561,958)    | 1.6   |
| <i>System and network engineering</i>        |         |                |                |              |       |
| Meiko Network Japan Co., Ltd.                | 582,200 | 3,264,355      | 2,878,604      | (385,751)    | 1.2   |
| <i>Private schools and academic tutoring</i> |         |                |                |              |       |
| Resorttrust, Inc.                            | 103,100 | 2,388,444      | 2,345,587      | (42,857)     | 1.0   |
| <i>Timeshare resort hotels</i>               |         |                |                |              |       |
| Tempstaff Co., Ltd.                          | 2,729   | 4,274,438      | 3,608,632      | (665,806)    | 1.5   |
| <i>Employment and outsourcing</i>            |         |                |                |              |       |
| <b>Total Services</b>                        |         | 21,446,391     | 19,336,336     | (2,110,055)  | 8.2   |
| <b>Telecommunications</b>                    |         |                |                |              |       |
| Jupiter Telecommunications Co., Ltd †        | 7,337   | 5,543,231      | 6,086,296      | 543,065      | 2.5   |
| <i>Cable television broadcasting</i>         |         |                |                |              |       |
| <b>Total Telecommunications</b>              |         | 5,543,231      | 6,086,296      | 543,065      | 2.5   |
| <b>Textiles and Apparel</b>                  |         |                |                |              |       |
| Workman Co., Ltd.                            | 90,900  | 1,968,253      | 3,732,906      | 1,764,653    | 1.6   |
| <i>Uniforms</i>                              |         |                |                |              |       |
| <b>Total Textiles and Apparel</b>            |         | 1,968,253      | 3,732,906      | 1,764,653    | 1.6   |
| <b>Wholesale</b>                             |         |                |                |              |       |
| Nagase & Company, Ltd.                       | 318,000 | 4,037,450      | 4,113,589      | 76,139       | 1.7   |
| <i>Dyestuff</i>                              |         |                |                |              |       |
| <b>Total Wholesale</b>                       |         | 4,037,450      | 4,113,589      | 76,139       | 1.7   |
| <b>TOTAL INVESTMENTS IN COMMON STOCKS</b>    |         | \$ 147,650,456 | \$ 155,105,124 | \$ 7,454,668 | 65.6  |
| <b>OTHER ASSETS LESS LIABILITIES, NET</b>    |         |                | 81,534,519     |              | 34.4  |
| <b>NET ASSETS</b>                            |         |                | \$ 236,639,643 |              | 100.0 |

† Non-Income Producing Security

\* Aggregate gross unrealized appreciation for all securities in which there is an exceed of value over tax cost was \$ 16,287,796.

Aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$ 8,833,128.

Portfolio securities and foreign currency holdings were translated at the following exchange rate as of May 31, 2007.



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/ Shigeru Shinohara  
Shigeru Shinohara, President  
(Principal Executive Officer)

Date: June 29, 2007

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 person on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Shigeru Shinohara  
Shigeru Shinohara, President  
(Principal Executive Officer)

Date: June 29, 2007

By: /s/ Rita Chopra-Brathwaite  
Rita Chopra-Brathwaite, Treasurer  
(Principal Financial Officer)

Date: June 29, 2007