

JAPAN SMALLER CAPITALIZATION FUND INC  
Form N-Q  
January 28, 2013

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.

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(Exact name of registrant as specified in charter)

Two World Financial Center  
Building B, 18th Floor  
New York, New York 10281-1712

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(Address of principal executive offices)

Masashi Terachi  
Japan Smaller Capitalization Fund, Inc.  
Two World Financial Center  
Building B, 18th 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 28, 2013

Date of reporting period: September 1, 2012 – November 30, 2012

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JAPAN SMALLER CAPITALIZATION FUND, INC.  
SCHEDULE OF INVESTMENTS  
IN SECURITIES OF UNAFFILIATED ISSUERS  
November 30, 2012

	Shares	Cost	Market Value	Unrealized Gain or Loss	% of Net Assets
<b>JAPANESE COMMON STOCKS</b>					
<b>Automotive Equipment and Parts</b>					
Musashi Seimitsu Industry Co., Ltd.	285,800	\$ 6,375,009	\$ 5,942,119	\$ (432,890 )	2.6
Ball joints, camshafts, and gears					
Tachi-S Co., Ltd.	140,200	2,630,647	2,700,891	70,244	1.2
Child transformation seats, seat components, and rotating units					
<b>Total Automotive Equipment and Parts</b>		<b>9,005,656</b>	<b>8,643,010</b>	<b>(362,646 )</b>	<b>3.8</b>
<b>Banks and Finance</b>					
Fuyo General Lease Co., Ltd.	175,200	4,987,603	4,918,379	(69,224 )	2.2
Machinery leasing					
<b>Total Banks and Finance</b>		<b>4,987,603</b>	<b>4,918,379</b>	<b>(69,224 )</b>	<b>2.2</b>
<b>Chemicals and Pharmaceuticals</b>					
Adeka Corporation	689,900	6,625,819	5,508,501	(1,117,318)	2.5
Resin products					
Central Glass Co., Ltd.	840,000	3,594,560	2,473,133	(1,121,427)	1.1
Glass and Chemicals					
Nichi-Iko Pharmaceutical Co., Ltd.	204,200	4,158,450	4,032,786	(125,664 )	1.8
Medical drugs					
Rohto Pharmaceutical Co., Ltd.	266,000	2,973,420	3,387,242	413,822	1.5
Pharmaceuticals manufacturer					
<b>Total Chemicals and Pharmaceuticals</b>		<b>17,352,249</b>	<b>15,401,662</b>	<b>(1,950,587)</b>	<b>6.9</b>
<b>Electronics</b>					
Alpine Electronics, Inc.	405,000	5,254,053	3,420,185	(1,833,868)	1.5
Car audio and navigation systems					

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Fuji Machine Mfg. Co., Ltd. Automated assembly machines	300,900	4,931,330	4,702,987	(228,343 )	2.1
Mimasu Semiconductor Industry Co., Ltd. Silicon and gallium	285,000	2,681,886	2,158,175	(523,711 )	1.0
Nippon Chemi-Con Corporation Electronic components and circuit products	1,437,000	6,862,939	2,472,333	(4,390,606)	1.1
Sato Corporation Automation recognition systems	289,500	3,517,664	4,658,097	1,140,433	2.1
Siix Corporation Video, audio, and office equipment	285,400	3,795,870	3,575,496	(220,374 )	1.6
Total Electronics		27,043,742	20,987,273	(6,056,469)	9.4
Information and Software DTS Corporation Information technology services	334,200	4,234,098	4,340,733	106,635	1.9
Kadokawa Group Holdings, Inc. Publishing, movie/visual, and internet-related businesses	74,800	2,278,887	2,214,047	(64,840 )	1.0
Otsuka Corporation Computer information system developer	68,500	4,643,856	5,427,879	784,023	2.4
SKY Perfect JSAT Holdings Inc Broadcasting and data transmission	7,550	3,363,149	3,206,246	(156,903 )	1.4
Square Enix Holdings Co., Ltd. Entertainment software	267,400	5,091,616	3,592,980	(1,498,636)	1.6
Total Information and Software		19,611,606	18,781,885	(829,721 )	8.3

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	Shares	Cost	Market Value	Unrealized Gain or Loss	% of Net Assets
<b>Iron and Steel</b>					
Hanwa Co., Ltd. Steel imports/exports	1,292,000	\$ 5,231,636	\$ 4,257,878	(\$973,758 )	1.9
Yamato Kogyo Co., Ltd. Structural steel products and railway track accessories	176,800	4,801,894	4,766,220	(35,674 )	2.1
<b>Total Iron and Steel</b>		<b>10,033,530</b>	<b>9,024,098</b>	<b>(1,009,432)</b>	<b>4.0</b>
<b>Machinery and Machine Tools</b>					
Asahi Diamond Industrial Co., Ltd. Instruments and machines for diamond objects	339,400	4,740,190	3,129,380	(1,610,810)	1.4
Disco Corporation Precision cutting, grinding, and polishing machines	88,500	5,142,520	4,701,914	(440,606 )	2.1
Star Micronics Co., Ltd. Small-sized precision components and equipments	342,100	3,350,326	3,324,216	(26,110 )	1.5
THK Co., Ltd. Linear motion systems	248,500	5,888,163	4,266,366	(1,621,797)	1.9
<b>Total Machinery and Machine Tools</b>		<b>19,121,199</b>	<b>15,421,876</b>	<b>(3,699,323)</b>	<b>6.9</b>
<b>Miscellaneous Manufacturing</b>					
Asahi Intecc Co., Ltd. Medical tools	149,300	3,870,240	5,390,610	1,520,370	2.4
Hogy Medical Co., Ltd. Medical supply products	102,400	4,520,607	5,018,574	497,967	2.2
Nihon Kohden Corporation Medical equipment	79,900	2,188,066	2,618,641	430,575	1.2
Nichiha Corporation Armoring materials	198,300	2,298,013	2,234,434	(63,579 )	1.0
Toyo Tanso Co., Ltd. Carbon and graphite	147,400	6,364,454	2,794,948	(3,569,506)	1.2
<b>Total Miscellaneous Manufacturing</b>		<b>19,241,380</b>	<b>18,057,207</b>	<b>(1,184,173)</b>	<b>8.0</b>
<b>Real Estate and Warehouse</b>					
Daibiru Corporation Leases office buildings, apartments and hotels	437,900	3,900,301	3,538,854	(361,447 )	1.6
<b>Total Real Estate and Warehouse</b>		<b>3,900,301</b>	<b>3,538,854</b>	<b>(361,447 )</b>	<b>1.6</b>

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Restaurants					
Saint Marc Holdings Co., Ltd.	69,000	2,659,319	2,495,487	(163,832 )	1.1
Restaurants and cafes					
Total Restaurants		2,659,319	2,495,487	(163,832 )	1.1
Retail					
Arcs Company, Limited	283,000	4,996,863	5,835,900	839,037	2.6
Supermarkets and discount stores					
Asahi Co., Ltd.	163,000	2,630,313	2,231,659	(398,654 )	1.0
Bicycles, parts and accessories					
Heiwado Co., Ltd.	212,000	2,662,853	2,941,055	278,202	1.3
Supermarkets					
Xebio Co., Ltd.	187,900	4,162,839	3,376,213	(786,626 )	1.5
Sporting goods					
Total Retail		14,452,868	14,384,827	(68,041 )	6.4

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	Shares	Cost	Market Value	Unrealized Gain or Loss	% of Net Assets
Services					
Daiseki Co., Ltd. Waste disposal	350,700	\$ 6,684,713	\$ 4,674,017	(\$2,010,696 )	2.1
Message Co., Ltd. Nursing facilities	1,781	5,674,827	5,068,842	(605,985 )	2.3
NEC Networks & System Integration Corporation Communication systems	169,900	2,062,814	3,036,318	973,504	1.3
Nihon M&A Center Inc. Provides merger and acquisition brokerage services	90,800	2,739,898	2,961,575	221,677	1.3
Park24 Co., Ltd. Parking garages	128,500	1,464,809	2,167,226	702,417	1.0
Rakuten, Inc. Manages consumer websites	995,500	9,360,009	8,382,777	(977,232 )	3.7
Toppan Forms Co., Ltd. Printing company	230,500	1,857,345	2,150,421	293,076	1.0
Total Services		29,844,415	28,441,176	(1,403,239 )	12.7
Transportation					
Kintetsu World Express Inc. Distribution services	151,500	4,283,147	4,572,442	289,295	2.0
Total Transportation		4,283,147	4,572,442	289,295	2.0
Wholesale					
Mitsui Matsushima Co., Ltd. Coal	1,757,000	3,338,077	2,831,296	(506,781 )	1.3
Paltac Corporation Daily necessities	247,600	2,979,925	2,936,941	(42,984 )	1.3
Total Wholesale		6,318,002	5,768,237	(549,765 )	2.6
TOTAL JAPANESE COMMON STOCKS		\$ 187,855,017	\$ 170,436,413	(\$17,418,604)	75.9
INVESTMENTS IN FOREIGN CURRENCY					
Japanese Yen					
Non- interest bearing account		\$ 2,819,075	\$ 2,804,681	(\$14,394 )	1.2
TOTAL INVESTMENTS IN FOREIGN CURRENCY		2,819,075	2,804,681	(14,394 )	1.2

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TOTAL INVESTMENTS	\$ 190,674,092	\$ 173,241,094	(\$17,432,998)	77.1
OTHER ASSETS LESS LIABILITIES, NET		51,848,850		22.9
NET ASSETS		\$ 225,089,944		100.0

\*Aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$8,561,277.

Aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$25,979,881.

Portfolio securities and foreign currency holdings were translated at the following exchange rate as of November 30, 2012.

Japanese Yen 82.535            = \$1.00

The tax basis of investments, exclusive of investments in foreign currencies of \$2,819,075, at November 30, 2012 was \$187,855,017.

The following table summarizes the valuation of the Fund's investments by fair value hierarchy levels as of November 30, 2012. 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 spreads, credit risk, etc.). Level 3 - (including the Fund's own assumptions in determining the fair value of investments).

	Investment in
Level 1	Securities
Level 1	
Equity Securities	\$ 170,436,413
Foreign Currency	2,804,681
Level 2	-0-
Level 3	-0-
Total	\$ 173,241,094

During the quarter ended November 30th 2012, there were no transfers between Level 1 and 2 and 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 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.

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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/ Masashi Terachi  
Masashi Terachi, President  
(Principal Executive Officer)

Date: January 28, 2013

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/ Robert Kleinman  
Robert Kleinman, Treasurer  
(Principal Financial Officer)

Date: January 28, 2013

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