

JAPAN SMALLER CAPITALIZATION FUND INC  
Form N-Q  
July 21, 2014

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)

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

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(Address of principal executive offices)

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

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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, 2015

Date of reporting period: March 1, 2014 - May 31, 2014

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JAPAN SMALLER CAPITALIZATION FUND, INC.  
SCHEDULE OF INVESTMENTS

May 31, 2014

	Shares	Cost	Market Value	Unrealized Gain or Loss	% of Net Assets
<b>JAPANESE EQUITY SECURITIES</b>					
<b>Banks</b>					
Akita Bank, Ltd. General banking services	\$ 1,267,000	\$ 3,418,365	\$ 3,361,074	(57,291 )	1.2
The Kagoshima Bank, Ltd. General banking services	721,000	4,897,424	4,533,700	(363,724 )	1.6
The Tochigi Bank, Ltd. Commercial banking services	759,000	2,820,038	3,132,050	312,012	1.1
The Yamanashi Chuo Bank, Ltd. Commercial banking services	1,214,000	5,328,607	5,355,532	26,925	1.9
<b>Total Banks</b>		<b>16,464,434</b>	<b>16,382,356</b>	<b>(82,078 )</b>	<b>5.8</b>
<b>Chemicals</b>					
C. Uyemura & Co., Ltd. Plating chemicals	56,100	2,412,511	2,714,606	302,095	1.0
Sakai Chemical Industry Co., Ltd. Titanium oxide, polyvinyl chloride stabilizers, and pharmaceuticals	2,830,000	8,745,638	8,035,665	(709,973 )	2.8
Tenma Corporation Molded resin products	315,400	4,047,200	4,369,365	322,165	1.5
<b>Total Chemicals</b>		<b>15,205,349</b>	<b>15,119,636</b>	<b>(85,713 )</b>	<b>5.3</b>
<b>Construction</b>					
MIRAIT Holdings Corporation Telecommunication engineering	677,600	5,823,055	6,357,909	534,854	2.2
Toenec Corporation Constructs comprehensive building facilities	1,214,000	6,698,384	6,452,879	(245,505 )	2.3
<b>Total Construction</b>		<b>12,521,439</b>	<b>12,810,788</b>	<b>289,349</b>	<b>4.5</b>
<b>Electric Appliances</b>					
Espec Corp Meteorological testing devices	552,700	4,186,751	4,295,400	108,649	1.5
Koito Manufacturing Co., Ltd. Lighting equipment	153,000	2,953,092	3,631,833	678,741	1.3
Zojirushi Corporation Household appliances	848,000	3,063,173	3,074,396	11,223	1.1
<b>Total Electric Appliances</b>		<b>10,203,016</b>	<b>11,001,629</b>	<b>798,613</b>	<b>3.9</b>

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Financing Business					
Ricoh Leasing Company, Ltd.	120,800	3,146,266	3,242,539	96,273	1.1
Office automation equipment leasing					
Total Financing Business		3,146,266	3,242,539	96,273	1.1
Food					
Fuji Oil Co., Ltd.	259,200	4,480,280	3,241,910	(1,238,370)	1.1
Palm oil and coconut oil					
Total Foods		4,480,280	3,241,910	(1,238,370)	1.1
Information and Communication					
NS Solutions Corporation	115,900	2,265,323	2,873,017	607,694	1.0
System consulting services and software development					
Okinawa Cellular Telephone Company	118,800	2,972,394	3,033,614	61,220	1.1
Cellular and car phone services					
Total Information and Communication		5,237,717	5,906,631	668,914	2.1

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	Shares	Cost	Market Value	Unrealized Gain or Loss	% of Net Assets
<b>Iron and Steel</b>					
Chubu Steel Plate Co., Ltd. Manufactures electric furnace steel plates	728,900	2,975,320	3,086,617	111,297	1.1
Nichia Steel Works, Ltd. Produces and sells steel products	1,239,000	3,987,650	3,542,435	(445,215 )	1.2
Osaka Steel Co., Ltd. Electric furnace steelmaker	214,600	3,923,376	3,542,228	(381,148 )	1.3
<b>Total Iron and Steel</b>		10,886,346	10,171,280	(715,066 )	3.6
<b>Machinery</b>					
Hisaka Works, Ltd. Heat exchangers and evaporators	473,000	4,524,847	4,275,496	(249,351 )	1.5
Oiles Corporation Manufactures oilless bearings	127,000	2,824,109	2,848,703	24,594	1.0
Sintokogio, Ltd. Engineering equipment	515,400	3,957,547	3,580,151	(377,396 )	1.3
<b>Total Machinery</b>		11,306,503	10,704,350	(602,153 )	3.8
<b>Metal Products</b>					
Neturen Co., Ltd. Induction hardening equipment	422,500	2,776,065	2,710,675	(65,390 )	1.0
<b>Total Metal Products</b>		2,776,065	2,710,675	(65,390 )	1.0
<b>Other Products</b>					
Nishikawa Rubber Company Ltd. Rubber products	197,800	3,271,767	3,047,263	(224,504 )	1.1
<b>Total Other Products</b>		3,271,767	3,047,263	(224,504 )	1.1
<b>Real Estate</b>					
Keihanshin Building Co., Ltd. Real estate leasing and building management	695,500	3,924,534	3,594,351	(330,183 )	1.3
Sundrug Co., Ltd. Drug store chain	69,200	2,791,390	3,103,734	312,344	1.1
<b>Total Real Estate</b>		6,715,924	6,698,085	(17,839 )	2.4
<b>Retail Trade</b>					
Arc Land Sakamoto Co., Ltd. Operates home centers	206,300	3,382,879	4,199,780	816,901	1.5
Create S D Co., Ltd. Drug store chain	127,400	4,400,779	4,255,846	(144,933 )	1.5

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Daikokutenbussan Co., Ltd. Operates discount stores for food products and sundry goods	108,500	2,986,895	2,758,872	(228,023 )	1.0
Heiwado Co., Ltd. Supermarkets	199,600	2,506,913	2,914,184	407,271	1.0
Jin Co., Ltd. Eyeglasses and fashion merchandise	97,400	3,159,714	2,747,449	(412,265 )	1.0
Total Retail Trade		16,437,180	16,876,131	438,951	6.0
Textiles and Apparel					
Hogy Medical Co., Ltd. Medical supply products	68,600	3,110,860	3,680,055	569,195	1.3
Komatsu Seiren Co., Ltd. Synthetic fibers, textiles products, and composite thin-membrane	727,000	3,732,747	3,842,857	110,110	1.3
Total Textiles and Apparel		6,843,607	7,522,912	679,305	2.6
Transportation and Warehousing					
Alps Logistics Co., Ltd. Delivery, storage, and forwarding of electronic components	259,700	2,685,357	2,717,435	32,078	1.0
Japan Transcity Corporation Warehousing and transportation services	1,238,000	4,217,485	3,965,298	(252,187 )	1.4
Total Transportation and Warehousing		6,902,842	6,682,733	(220,109 )	2.4
Transportation Equipment					
Sanoh Industrial Co., Ltd. Tubes, wires and electrical products	427,400	3,131,514	2,746,312	(385,202 )	1.0
Tachi-S Co., Ltd. Child transformation seats, seat components, and rotating units	395,200	6,705,798	6,282,507	(423,291 )	2.2
Total Transportation Equipment		9,837,312	9,028,819	(808,493 )	3.2
Utilities					
The Okinawa Electric Power Company, Incorporated Thermal power	95,900	3,436,145	3,104,642	(331,503 )	1.1
Total Utilities		3,436,145	3,104,642	(331,503 )	1.1
Wholesale Trade					
Siix Corporation Video, audio, and office equipment	300,400	3,969,867	4,725,294	755,427	1.7

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	Shares	Cost	Market Value	Unrealized Gain or Loss	% of Net Assets
Ryoden Trading Company, Ltd. Electronic components	809,000	5,492,187	5,492,425	238	1.9
Total Wholesale Trade		9,462,054	10,217,719	755,665	3.6
<b>TOTAL INVESTMENTS IN JAPANESE EQUITY SECURITIES</b>		<b>\$ 155,134,246</b>	<b>\$ 154,470,098</b>	<b>\$(664,148 )</b>	<b>54.6</b>
<b>INVESTMENTS IN FOREIGN CURRENCY</b>					
Japanese Yen					
Non-interest bearing account		7,129,155	7,122,158	(6,997 )	2.5
<b>TOTAL INVESTMENTS IN FOREIGN CURRENCY</b>		<b>\$ 7,129,155</b>	<b>\$ 7,122,158</b>	<b>\$(6,997 )</b>	<b>2.5</b>
<b>TOTAL INVESTMENTS</b>		<b>\$ 162,263,401</b>	<b>\$ 161,592,256</b>	<b>\$(671,145 )</b>	<b>57.1</b>
<b>OTHER ASSETS LESS LIABILITIES, NET</b>			<b>123,993,969</b>		<b>42.9</b>
<b>NET ASSETS</b>			<b>285,586,225</b>		<b>100.0</b>

Aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$6,201,306.

Aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$6,865,454.

Portfolio securities and foreign currency holdings were translated at the following exchange rate as of May 31, 2014

Japanese Yen	101.780	= \$1.00
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The following table summarizes the valuation of the Fund's investments by fair value hierarchy levels as of May 31, 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	\$ 154,470,098
Foreign Currency	7,122,158
Level 2	
Level 3	
Total	\$ 161,592,256

During the quarter ended May 31, 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.

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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/ Yutaka Itabashi  
Yutaka Itabashi, President  
(Principal Executive Officer)

Date: July 21, 2014

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: July 21, 2014

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

Date: July 21, 2014