

JAPAN SMALLER CAPITALIZATION FUND INC
Form N-Q
July 07, 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, 2018

Date of reporting period: March 1, 2017 – May 31, 2017

Item 1. Schedule of Investments
Japan Smaller Capitalization Fund, Inc.
May 31, 2017 (Unaudited)

	<u>Shares</u>	<u>Fair Value</u>
JAPANESE EQUITY SECURITIES		
Banks		
The Akita Bank, Ltd. General banking services	1,059,000	\$3,051,129
The Taiko Bank, Ltd. General banking services	1,010,000	2,125,452
The Yamanashi Chuo Bank, Ltd. General banking services	397,000	1,588,430
Total Banks (1.9%)		6,765,011
Chemicals		
Adeka Corporation Manufactures chemical and food products	246,100	3,580,808
C. Uyemura & Co., Ltd. Plating chemicals	64,200	3,403,667
C.I. TAKIRON Corporation Manufactures resin and composite products	504,000	2,567,341
Fujikura Kasei Co., Ltd. Specialty coating materials and fine chemicals	762,600	4,277,227
Koatsu Gas Kogyo Co., Ltd. High-pressured gases and chemicals	486,800	3,389,837
Sakai Chemical Industry Co., Ltd. Manufactures components for cosmetics and pharmaceuticals	968,000	3,610,766
Sekisui Jushi Corporation Manufactures plastics and other resin materials	271,400	4,993,152
Shikoku Chemicals Corporation Manufactures chemical products	72,000	866,835
Soken Chemical & Engineering Co., Ltd. Manufactures chemical products	96,500	1,241,113
Tenma Corporation Manufactures synthetic resin products	248,700	4,442,997
Teraoka Seisakusho Co., Ltd. Manufactures various adhesive tapes	403,300	1,427,869
T&K Toka Co., Ltd. Manufactures specialized inks for printing applications	143,900	1,497,225
Yushiro Chemical Industry Co., Ltd. Manufactures metalworking fluids	151,500	2,030,582
Total Chemicals (10.3%)		37,329,419

Construction		
Daiichi Kensetsu Corporation	23,200	261,712
Construction and real estate businesses		
Mirai Industry Co., Ltd.	36,600	520,638
Manufactures electrical installation materials		
Taihei Dengyo Kaisha, Ltd.	253,000	2,824,314
Construction of thermal and nuclear plant facilities		
Toenec Corporation	1,779,000	10,299,305
Construction of comprehensive building facilities		
Totetsu Kogyo Co., Ltd.	62,900	1,968,466
Operates construction-related businesses		
Yondenko Corporation	282,000	1,255,654
Construction of electrical distribution systems		
Total Construction (4.7%)		17,130,089
Electric Appliances		
Espec Corp.	357,900	5,378,844
Manufactures environmental testing products		
Hitachi Maxell, Ltd.	91,200	1,790,723
Manufactures media devices, batteries and electrical appliances		
Kitagawa Industries Co., Ltd.	368,600	3,645,385
Manufactures various industrial and consumer products		
Koito Manufacturing Co., Ltd.	68,200	3,591,095
Manufactures lighting equipment		
Kyowa Electronic Instruments Co., Ltd.	3,200	12,717
Manufactures electrical measuring instruments		
Nichicon Corporation	281,900	2,762,477
Manufactures capacitors and transformers		
Nihon Kohden Corporation	87,500	1,952,786
Manufactures medical electronic equipment		
Shindengen Electric Manufacturing Co., Ltd.	297,000	1,472,661
Manufactures semiconductor products, electrical components, and power supplies		
Total Electric Appliances (5.7%)		20,606,688
Financing Business		
Hitachi Capital Corporation	94,300	2,188,864
General financial services		
Ricoh Leasing Company, Ltd.	122,900	3,796,225
Leasing and financial services		
Total Financing Business (1.6%)		5,985,089

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Food		
Japan Meat Co., Ltd.	11,300	201,261
Supermarket business and operation of eating-out stores		
Taiyo Kagaku Co., Ltd.	18,000	188,909
General food manufacturer		
Total Food (0.1%)		390,170
Information and Communication		
NS Solutions Corporation	9,700	232,688
System consulting services and software development		
OBIC Co., Ltd.	64,800	3,763,223
Computer system integration		
Okinawa Cellular Telephone Company	179,400	5,906,006
Telecommunications		
Otsuka Corporation	86,300	5,308,011
Computer information system developer		
Software Service Inc.	4,500	208,499
Provides medical information systems		
Total Information and Communication (4.3%)		15,418,427
Iron and Steel		
Chubu Steel Plate Co., Ltd.	400,400	2,252,974
Manufactures steel-related products		
Mory Industries Inc.	150,900	3,126,487
Manufactures steel tubing products		
Nichia Steel Works, Ltd.	1,947,100	4,677,823
Manufactures steel-related products		
Nippon Seisen Co., Ltd.	284,000	1,782,695
Manufactures stainless steel wires and metal fibers		
Osaka Steel Co., Ltd.	400,500	7,361,068
Manufactures steel-related products		
Total Iron and Steel (5.3%)		19,201,047
Machinery		
Hisaka Works, Ltd.	900,600	7,645,990
Manufactures heat exchangers and other machinery		
Miura Co., Ltd.	120,000	2,341,040
Manufactures boilers and related products		
Nippon Pillar Packing Co., Ltd.	149,100	2,269,089
Manufactures mechanical seals		
Nissei ASB Machine Co., Ltd.	4,700	147,512
Manufactures stretch blow molding machines		
Nissei Corporation	25,900	234,391
Manufactures reducers and gears		
Nitto Kohki Co., Ltd.	121,900	2,790,973
Manufactures machine tools and motor pumps		
Oiles Corporation	429,980	7,394,165
Manufactures bearing equipment		
Sato Holdings Corporation	82,200	1,866,427
Manufactures electronic printers and other products		
SHIBUYA Corporation	13,400	413,909

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Engage in the packing plant business		
Yamashin-Filter Corporation	16,600	357,278
Manufactures filters		
Total Machinery (7.0%)		25,460,774

Metal Products		
Dainichi Co., Ltd.	312,400	2,102,041
Manufactures oil heating equipment		
Neturen Co., Ltd.	696,800	6,299,646
Manufactures steel bars and induction heating equipment		
NHK Spring Co., Ltd.	272,700	2,869,360
Manufactures automobile-related products		
Piolax, Inc.	154,900	3,899,081
Manufactures automobile-related products		
Rinnai Corporation	21,700	1,952,059
Manufactures heating appliances and components		
Shinpo Co., Ltd.	2,000	14,902
Manufactures smokeless roasters		
Total Metal Products (4.7%)		17,137,089
Other Products		
Fuji Seal International, Inc.	92,600	2,325,872
Packaging-related materials and machinery		
Komatsu Wall Industry Co., Ltd.	15,200	278,273
Manufactures various partitions		
Nishikawa Rubber Co., Ltd.	353,500	6,925,050
Manufactures rubber automobile parts		
Pigeon Corporation	70,600	2,435,802
Manufactures baby care products		
The Pack Corporation	109,200	3,264,559
Manufactures paper and chemical products		
Total Other Products (4.2%)		15,229,556
Precision Instruments		
Nakanishi Inc.	51,300	2,084,989
Manufactures dental instruments		
Total Precision Instruments (0.6%)		2,084,989
Real Estate		
Daibiru Corporation	319,500	3,252,136
Real estate leasing and building management		
Keihanshin Building Co., Ltd.	1,161,000	6,983,616
Real estate leasing and building management		
Sanyo Housing Nagoya Co., Ltd.	232,700	2,112,206
Designs and constructs housing		
Starts Corporation Inc.	95,500	2,332,298
Construction, leasing and management of real estate		
Total Real Estate (4.0%)		14,680,256

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Retail Trade		
ABC-Mart, Inc.	78,900	4,610,576
Retail sales of shoes		
AIN Holdings Inc.	2,600	209,230
Operates pharmacies and drug store chains		
Amiyaki Tei Co., Ltd.	200,000	7,351,879
Operates barbecue restaurant chains		
Arc Land Sakamoto Co., Ltd.	282,400	3,723,844
Retail sales, wholesale, food and real estate		
Belc Co., Ltd.	22,700	1,066,113
Operates retail food store chains		
Cosmos Pharmaceutical Corporation	4,200	886,507
Operates drug stores		
Create SD Holdings Co., Ltd.	75,600	1,788,945
Operates pharmacies and drug store chains		
Daikokutenbussan Co., Ltd.	101,100	4,994,734
Operates supermarkets		
Don Quijote Holdings Co., Ltd.	48,600	1,900,632
Operates discount stores		
Heiwado Co., Ltd.	3,000	64,893
Operates supermarkets		
Hiday Hidaka Corp	171,311	3,786,109
Operates restaurant chains		
JINS Inc.	55,400	3,242,341
Retail sales of eyewear and fashion accessories		
Kura Corporation	41,100	1,867,169
Operates a sushi restaurant chain		
Saint Marc Holdings Co., Ltd.	60,300	1,851,698
Operates restaurant chains		
San-A Co., Ltd.	59,400	2,703,902
Retail sales of home goods		
Seria Co., Ltd.	59,300	2,870,737
Discount retail sales		
Start Today Co., Ltd.	161,900	4,041,651
Operates retail E-commerce websites		
Sundrug Co., Ltd.	8,400	326,987
Operates pharmacies and drug store chains		
Yaoko Co., Ltd.	50,400	2,114,415
Operates and manages groceries and supermarkets		
Yossix Co., Ltd.	74,100	1,008,568
Operates restaurant chains		
Total Retail Trade (13.9%)		50,410,930
Services		
EPS Holdings, Inc.	118,000	1,778,739
Performs contract medical research services		
H.I.S. Co., Ltd.	226,300	6,397,390
Travel business		
IKK Inc.	42,400	285,679
Provides wedding and funeral services		

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Nihon M&A Center Inc. Provides merger and acquisition brokerage services	66,300	2,619,784
Nippon Air Conditioning Services Co., Ltd. Provides maintenance and management of building facilities	222,300	1,337,173
Relia, Inc. Provides telemarketing services	170,700	1,883,990
Septeni Holdings Co., Ltd. Internet advertising and media content business	454,700	1,515,393
Step Co., Ltd. Operates preparatory schools	131,900	1,707,123
Tear Corporation Funeral business	65,700	455,723
Total Services (5.0%)		17,980,994

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Textiles and Apparel		
Hogy Medical Co., Ltd.	25,300	1,711,497
Manufactures medical products		
Komatsu Seiren Co., Ltd.	249,400	1,660,114
Manufactures synthetic fibers and textile products		
Seiren Co., Ltd.	534,400	7,886,647
Manufactures synthetic fibers and textile products		
Total Textiles and Apparel (3.1%)		11,258,258
Transportation and Warehousing		
Alps Logistics Co., Ltd.	468,000	3,153,251
General logistics services		
Japan Transcity Corporation	1,860,000	7,542,811
General logistics services		
Meiko Trans Co., Ltd.	436,000	4,693,931
Marine logistics services		
Nissin Corporation	600,000	2,357,298
General logistics services		
Trancom Co., Ltd.	106,200	5,639,957
General logistics services		
Total Transportation and Warehousing (6.5%)		23,387,248
Transportation Equipment		
Hi-Lex Corporation	114,000	2,862,355
Manufactures control cables		
Nissin Kogyo Co., Ltd.	49,100	776,500
Manufactures automobile brake systems		
Total Transportation Equipment (1.0%)		3,638,855
Utilities		
Keiyo Gas Co., Ltd.	437,000	1,965,553
Produces gas and energy products		
The Okinawa Electric Power Company, Incorporated	155,182	3,796,857
Produces thermal energy products		
Total Utilities (1.6%)		5,762,410
Wholesale Trade		
Kanaden Corporation	269,500	2,677,475
Factory automation business		
Kohsoku Corporation	288,900	2,698,000
Food and industrial packaging materials		
Matsuda Sangyo Co., Ltd.	542,400	7,157,211
Precious metals, electronic materials, and food		
Paltac Corporation	40,100	1,412,482
Cosmetics and daily necessities		
Ryoden Corporation	1,281,000	9,394,617
Purchases electronic and electrical devices		
Senshu Electric Co., Ltd.	254,300	4,609,647
Electrical wires and cables		
Shinko Shoji Co., Ltd.	414,300	4,894,368

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Electronic components and devices		
SIIX Corporation	208,800	8,750,289
Parts procurement, logistics, and manufacturing of electronics		
Sugimoto & Co., Ltd.	248,000	3,413,584
Machine tools and measuring instruments		
Techno Associe Co., Ltd.	369,500	3,821,148
Screws and nonferrous metal products		
Total Wholesale Trade (13.4%)		48,828,821
TOTAL JAPANESE EQUITY SECURITIES (98.9%)		\$358,686,120
FOREIGN CURRENCY		
Japanese Yen		
Interest bearing account		1,236,598
TOTAL FOREIGN CURRENCY (0.3%)		\$1,236,598
TOTAL INVESTMENTS AND FOREIGN CURRENCY (99.2%)		\$359,922,718
OTHER ASSETS LESS LIABILITIES, NET (0.8%)		2,896,234
NET ASSETS (100%)		\$362,818,952

Portfolio securities and foreign currency holdings were translated at the following exchange rate as of May 31, 2017
 Japanese Yen JPY 110.72 = USD \$1.00

Notes to Schedule of Investments (Unaudited)

Costs for Federal Income Tax Purposes

As of May 31, 2017, for federal income tax purposes, subject to change, the aggregate cost of securities was \$301,423,516 and net unrealized appreciation was \$57,262,604, comprised of gross unrealized appreciation of \$60,179,550 and gross unrealized depreciation of \$2,916,946. The aggregate cost of investments for tax purposes will depend upon Japan Smaller Capitalization Fund, Inc.'s (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 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 May 31, 2017.

Level	<u>Investments</u> <u>in</u> <u>Securities</u>
Level 1	
Equity Securities	\$358,686,120
Level 2	-
Level 3	-
Total	\$358,686,120

During the quarter ended May 31, 2017, there were no transfers between Level 1, Level 2, or Level 3 securities. During the quarter ended May 31, 2017, 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: 7-7-17

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: 7-7-17

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

Date: 7-7-17
