

JAPAN SMALLER CAPITALIZATION FUND INC  
Form N-Q  
July 27, 2018

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 St  
New York, New York 10019

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(Address of principal executive offices)

Mr. Yutaka Itabashi  
Japan Smaller Capitalization Fund, Inc.  
Worldwide Plaza  
309 West 49th St  
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, 2019

Date of reporting period: March 1, 2018 – May 31, 2018

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Item 1. Schedule of Investments  
Japan Smaller Capitalization Fund, Inc.  
May 31, 2018 (Unaudited)

	<u>Shares</u>	<u>Fair Value</u>
<b>JAPANESE EQUITY SECURITIES</b>		
<b>Banks</b>		
Fukuoka Financial Group, Inc. General banking services	365,000	\$1,953,919
The Akita Bank, Ltd. General banking services	127,800	3,491,225
The Bank of Okinawa, Ltd. General banking services	49,700	1,935,978
The Keiyo Bank, Ltd. General banking services	450,000	2,015,728
The Musashino Bank, Ltd. General banking services	70,400	2,246,946
The Taiko Bank, Ltd. General banking services	96,500	1,963,374
The Yamanashi Chuo Bank, Ltd. General banking services	460,000	1,878,587
<b>Total Banks (4.0%)</b>		<b>15,485,757</b>
<b>Chemicals</b>		
Adeka Corporation Manufactures chemical and food products	215,300	3,887,362
C. Uyemura & Co., Ltd. Plating chemicals	49,800	3,536,203
Fujikura Kasei Co., Ltd. Specialty coating materials and fine chemicals	999,300	6,406,476
Koatsu Gas Kogyo Co., Ltd. High-pressured gases and chemicals	600,200	5,283,217
Sakata Inx Corporation Manufactures printing ink	652,700	9,209,362
Sekisui Jushi Corporation Manufactures plastics and other resin materials	204,200	4,269,192
Shikoku Chemicals Corporation Manufactures chemical products	92,900	1,298,823
Tenma Corporation Manufactures synthetic resin products	353,900	6,194,552
T&K Toka Co., Ltd. Manufactures specialized inks for printing applications	168,600	1,891,943
Yushiro Chemical Industry Co., Ltd. Manufactures metalworking fluids	230,600	3,463,666
<b>Total Chemicals (11.6%)</b>		<b>45,440,796</b>
<b>Construction</b>		
Toenec Corporation Construction of comprehensive building facilities	315,900	9,661,217
Totetsu Kogyo Co., Ltd.	239,200	7,568,506

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Operates construction-related businesses		
Yondenko Corporation	61,600	1,553,598
Construction of electrical distribution systems		
Yurtec Corporation	265,400	2,165,285
Engineering company		
Total Construction (5.4%)		20,948,606
Electric Appliances		
Kitagawa Industries Co., Ltd.	280,500	3,637,831
Manufactures various industrial and consumer products		
Koito Manufacturing Co., Ltd.	26,600	1,959,768
Manufactures lighting equipment		
Mabuchi Motor Co., Ltd.	81,900	3,804,222
Manufactures small motors		
Maxell Holdings, Ltd.	77,400	1,275,762
Manufactures media devices, batteries and electrical appliances		
Total Electric Appliances (2.7%)		10,677,583

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Financing Business		
Hitachi Capital Corporation	130,000	3,373,160
General financial services		
Ricoh Leasing Company, Ltd.	131,800	4,400,607
Leasing and financial services		
Total Financing Business (2.0%)		7,773,767
Food		
Japan Meat Co., Ltd.	105,900	2,270,538
Supermarket business and operation of eating-out stores		
Kameda Seika Co., Ltd.	92,300	4,991,943
Manufactures confectioneries		
Total Food (1.9%)		7,262,481
Information and Communication		
NS Solutions Corporation	98,400	2,681,744
System consulting services and software development		
OBIC Co., Ltd.	23,700	2,053,477
Computer system integration		
Okinawa Cellular Telephone Company	234,900	9,312,169
Telecommunications		
Otsuka Corporation	49,900	2,063,102
Computer information system developer		
Total Information and Communication (4.1%)		16,110,492
Iron and Steel		
Chubu Steel Plate Co., Ltd.	237,800	1,640,453
Manufactures steel-related products		
Mory Industries Inc.	40,100	1,237,449
Manufactures steel tubing products		
Nichia Steel Works, Ltd.	2,058,600	6,324,249
Manufactures steel-related products		
Osaka Steel Co., Ltd.	468,800	9,443,267
Manufactures steel-related products		
Total Iron and Steel (4.8%)		18,645,418
Machinery		
Hisaka Works, Ltd.	378,200	3,763,911
Manufactures heat exchangers and other machinery		
Miura Co., Ltd.	71,000	1,888,631
Manufactures boilers and related products		
Nippon Pillar Packing Co., Ltd.	102,400	1,542,781
Manufactures mechanical seals		
Nitto Kohki Co., Ltd.	154,700	3,804,891
Manufactures machine tools and motor pumps		
Oiles Corporation	494,480	10,574,559
Manufactures bearing equipment		
Shibuya Corporation	15,300	514,363
Packing plant business		
Star Micronics Co., Ltd.	12,200	205,129

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Manufactures machinery and tools, electronic components, and precision parts		
Yamashin-Filter Corporation	50,000	568,893
Manufactures filters		
Total Machinery (5.9%)		22,863,158
Metal Products		
Dainichi Co., Ltd.	246,100	1,828,999
Manufactures oil heating equipment		
Neturen Co., Ltd.	408,800	3,726,277
Manufactures steel bars and induction heating equipment		
NHK Spring Co., Ltd.	304,300	3,003,255
Manufactures automobile-related products		
Piolax, Inc.	139,000	3,517,191
Manufactures automobile-related products		
Rinnai Corporation	51,100	4,888,153
Manufactures heating appliances and components		
Shinpo Co., Ltd.	1,800	26,904
Manufactures smokeless roasters		
Total Metal Products (4.3%)		16,990,779

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Other Products		
Fuji Seal International, Inc.	63,600	2,506,678
Packaging-related materials and machinery		
Komatsu Wall Industry Co., Ltd.	20,300	421,423
Manufactures various partitions		
Nishikawa Rubber Co., Ltd.	182,800	4,075,673
Manufactures rubber automobile parts		
Pigeon Corporation	43,600	2,145,511
Manufactures baby care products		
The Pack Corporation	189,000	6,597,268
Manufactures paper and chemical products		
Total Other Products (4.0%)		15,746,553
Precision Instruments		
Nakanishi Inc.	103,200	2,183,223
Manufactures dental instruments		
Total Precision Instruments (0.6%)		2,183,223
Real Estate		
Daibiru Corporation	170,400	1,824,371
Real estate leasing and building management		
Sanyo Housing Nagoya Co., Ltd.	269,500	3,036,585
Designs and constructs housing		
Starts Corporation Inc.	76,400	1,960,596
Construction, leasing and management of real estate		
Total Real Estate (1.7%)		6,821,552
Retail Trade		
ABC-Mart, Inc.	103,100	6,353,661
Retail sales of shoes		
AIN Holdings Inc.	2,700	191,225
Operates pharmacies and drug store chains		
Amiyaki Tei Co., Ltd.	222,700	10,426,260
Operates barbecue restaurant chains		
Cosmos Pharmaceutical Corporation	26,500	5,718,267
Operates drug stores		
Create SD Holdings Co., Ltd.	289,600	8,643,782
Operates pharmacies and drug store chains		
Daikokutenbussan Co., Ltd.	198,800	10,185,026
Operates supermarkets		
Don Quijote Holdings Co., Ltd.	67,800	3,616,998
Operates discount stores		
Hiday Hidaka Corp	114,133	2,751,496
Operates restaurant chains		
Izumi Co., Ltd.	37,600	2,334,437
Operates shopping centers, real estate business and credit card services		
JINS Inc.	30,700	1,716,851
Retail sales of eyewear and fashion accessories		
Kura Corporation	14,200	1,078,845
Operates a sushi restaurant chain		
Kusuri No Aoki Holdings Co., Ltd.	54,800	4,022,296

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Operates drug stores		
NAFCO Co., Ltd.	72,900	1,253,891
Operates chain of home and furniture retail outlets		
Saint Marc Holdings Co., Ltd.	70,900	1,842,278
Operates restaurant chains		
Saizeriya Co., Ltd.	422,300	9,757,336
Operates restaurants		
San-A Co., Ltd.	147,300	7,492,357
Retail sales of home goods		
Seria Co., Ltd.	56,300	2,723,859
Discount retail sales		
Start Today Co., Ltd.	13,600	473,473
Operates retail E-commerce websites		
Sundrug Co., Ltd.	24,500	1,115,480
Operates pharmacies and drug store chains		
Yossix Co., Ltd.	12,100	405,671
Operates restaurant chains		
Total Retail Trade (21.0%)		82,103,489

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Services		
EPS Holdings, Inc.	73,800	1,464,868
Performs contract medical research services		
H.I.S. Co., Ltd.	110,100	3,807,726
Travel business		
Nihon M&A Center Inc.	31,200	1,027,373
Provides merger and acquisition brokerage services		
Nippon Air Conditioning Services Co., Ltd.	368,300	2,682,980
Provides maintenance and management of building facilities		
Step Co., Ltd.	144,500	2,365,802
Operates preparatory schools		
Tear Corporation	65,200	631,490
Funeral business		
Total Services (3.1%)		11,980,239
Textiles and Apparel		
Seiren Co., Ltd.	307,900	5,669,755
Manufactures synthetic fibers and textile products		
Total Textiles and Apparel (1.5%)		5,669,755
Transportation and Warehousing		
Alps Logistics Co., Ltd.	242,300	2,028,081
General logistics services		
Japan Transcity Corporation	836,300	3,892,272
General logistics services		
Meiko Trans Co., Ltd.	381,900	4,562,988
Marine logistics services		
Trancom Co., Ltd.	52,500	3,940,397
General logistics services		
Total Transportation and Warehousing (3.7%)		14,423,738
Transportation Equipment		
Hi-Lex Corporation	144,700	3,822,465
Manufactures control cables		
Morita Holdings Corporation	72,900	1,470,472
Operates five business transportation segments		
Nissin Kogyo Co., Ltd.	49,900	883,990
Manufactures automobile brake systems		
Total Transportation Equipment (1.6%)		6,176,927
Utilities		
Keiyo Gas Co., Ltd.	486,000	2,847,517
Produces gas and energy products		
The Okinawa Electric Power Company, Incorporated	173,477	3,952,378
Produces thermal energy products		
Total Utilities (1.7%)		6,799,895



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Wholesale Trade		
Ai Holdings Corporation	31,900	755,835
Information and security equipment		
Kanaden Corporation	328,700	4,365,736
Factory automation business		
Kohsoku Corporation	355,100	4,272,174
Food and industrial packaging materials		
Kondotec Inc.	44,800	405,063
Manufactures construction materials		
Matsuda Sangyo Co., Ltd.	368,300	5,786,023
Precious metals, electronic materials, and food		
Nagaileben Co., Ltd.	6,300	165,265
Medical wear business		
Paltac Corporation	39,900	2,359,796
Cosmetics and daily necessities		
Ryoden Corporation	771,500	12,922,199
Purchases electronic and electrical devices		
SIIX Corporation	627,100	12,049,410
Parts procurement, logistics, and manufacturing of electronics		
Sugimoto & Co., Ltd.	266,600	4,879,820
Machine tools and measuring instruments		
Techno Associe Co., Ltd.	387,400	4,439,849
Screws and nonferrous metal products		
Total Wholesale Trade (13.3%)		52,401,170

TOTAL INVESTMENTS IN JAPANESE EQUITY SECURITIES (98.9%)	\$386,505,378
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FOREIGN CURRENCY

Japanese Yen	
Interest bearing account	\$2,920,415
TOTAL FOREIGN CURRENCY (0.7%)	2,920,415

TOTAL INVESTMENTS IN JAPANESE EQUITY SECURITIES AND FOREIGN CURRENCY (99.6%)	\$389,425,793
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OTHER ASSETS LESS LIABILITIES, NET (0.4%)	1,294,813
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NET ASSETS (100%)	\$390,720,606
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Portfolio securities and foreign currency holdings were translated at the following exchange rate as of May 31, 2018.

Japanese Yen      JPY      ¥ 108.72 = USD \$1.00

Notes to Schedule of Investments (Unaudited)

Costs for Federal Income Tax Purposes

As of May 31, 2018, for federal income tax purposes, subject to change, the aggregate cost of securities was \$335,552,245 and net unrealized appreciation was \$50,953,133, comprised of gross unrealized appreciation of \$53,635,801 and gross unrealized depreciation of \$2,682,668. 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)

At May 31, 2018, all of the Fund's investments were determined to be Level 1 securities.

During the quarter ended May 31, 2018, there were no transfers between Level 1, Level 2, or Level 3 securities.

During the quarter ended May 31, 2018, 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.

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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 27, 2018

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 27, 2018

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

Date: July 27, 2018

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