

JAPAN SMALLER CAPITALIZATION FUND INC  
Form N-Q  
July 23, 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, 2014

Date of reporting period: March 1, 2013 - May 31, 2013

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JAPAN SMALLER CAPITALIZATION FUND, INC.  
SCHEDULE OF INVESTMENTS  
IN SECURITIES OF UNAFFILIATED ISSUERS  
May 31, 2013

	Shares	Cost	Market Value	Unrealized Gain or Loss	% of Net Assets
<b>JAPANESE COMMON STOCKS</b>					
Automotive Equipment and Parts					
Musashi Seimitsu Industry Co., Ltd.	161,600	\$3,595,153	\$3,789,817	\$194,664	1.4
Ball joints, camshafts, and gears					
Kinugawa Rubber Industrial Co., Ltd.	560,000	3,131,312	3,148,594	17,282	1.2
Manufactures automotive rubber and synthetic resin					
Press Kogyo Co Ltd.	562,000	2,540,709	2,780,882	240,173	1.0
Chassis frames, axles, and suspensions					
Tachi-S Co., Ltd.	302,200	5,362,202	4,474,040	(888,162 )	1.7
Child transformation seats, seat components, and rotating units					
Toyotire & Rubber Co., Ltd.	761,000	3,371,199	4,278,715	907,516	1.6
Manufactures and sells various tires					
Total Automotive Equipment and Parts		18,000,575	18,472,048	471,473	6.9
Banks and Finance					
Fuyo General Lease Co., Ltd.	131,200	4,177,510	4,904,794	727,284	1.8
Machinery leasing					
Hitachi Capital Corporation	245,400	5,138,639	5,516,603	377,964	2.1
Financial services					
Total Banks and Finance		9,316,149	10,421,397	1,105,248	3.9
Chemicals and Pharmaceuticals					
Adeka Corporation	506,000	4,894,278	4,606,159	(288,119 )	1.7
Resin products					
Central Glass Co., Ltd.	840,000	3,594,560	2,640,488	(954,072 )	1.0
Glass and Chemicals					
Nichi-Iko Pharmaceutical Co., Ltd.	231,200	4,697,582	5,133,193	435,611	1.9
Medical drugs					
Rohto Pharmaceutical Co., Ltd.	266,000	2,973,420	3,877,436	904,016	1.5
Pharmaceuticals manufacturer					
Taiyo Holdings Co., Ltd.	96,000	2,978,191	3,108,136	129,945	1.2
Manufactures and sells resist inks for printed circuit boards					
Total Chemicals and Pharmaceuticals		19,138,031	19,365,412	227,381	7.3
Construction and Engineering					
Hajime Construction Co., Ltd.	58,200	2,375,590	3,272,289	896,699	1.2

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Detached houses					
Nippo Corporation	281,000	3,495,389	3,678,120	182,731	1.4
Constuction business and manufacture and sale of asphalt mixtures					
Total Construction and Engineering		5,870,979	6,950,409	1,079,430	2.6
Electronics					
Fuji Machine Mfg. Co., Ltd.	564,400	4,670,819	4,611,687	(59,132 )	1.7
Automated assembly machines					
Hitachi Kokusai Electric Inc.	357,000	2,990,354	3,603,808	613,454	1.4
Wireless communication equipment					
Mimasu Semiconductor Industry Co., Ltd.	285,000	2,681,886	2,602,856	(79,030 )	1.0
Silicon and gallium					
Nippon Chemi-Con Corporation	903,000	3,578,872	3,313,104	(265,768 )	1.2
Electronic components and circuit products					
Sato Corporation	273,200	3,366,109	5,074,159	1,708,050	1.9
Automation recognition systems					
Siix Corporation	300,400	3,969,867	3,458,420	(511,447 )	1.3
Video, audio, and office equipment					
Total Electronics		21,257,907	22,664,034	1,406,127	8.5

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	Shares	Cost	Market Value	Unrealized Gain or Loss	% of Net Assets
<b>Food Manufacturing</b>					
Warabeya Nichiyo Co., Ltd. Prepared boxed lunches	155,400	\$2,149,712	\$2,578,057	\$428,345	1.0
<b>Total Food Manufacturing</b>		2,149,712	2,578,057	428,345	1.0
<b>Information and Software</b>					
DTS Corporation Information technology services	267,200	3,470,794	3,839,286	368,492	1.5
Otsuka Corporation Computer information system developer	68,500	4,643,856	6,378,254	1,734,398	2.4
Square Enix Holdings Co., Ltd. Entertainment software	267,400	5,091,616	3,510,711	(1,580,905)	1.3
Toei Company Ltd. Movies, television programs, and video software	473,000	2,538,265	2,753,245	214,980	1.0
<b>Total Information and Software</b>		15,744,531	16,481,496	736,965	6.2
<b>Iron and Steel</b>					
Hanwa Co., Ltd. Steel imports/exports	1,292,000	5,231,636	4,804,403	(427,233 )	1.8
Neturen Co., Ltd. Induction hardening equipment	428,100	3,389,337	3,120,170	(269,167 )	1.2
Yamato Kogyo Co., Ltd. Structural steel products and railway track accessories	106,500	2,837,432	3,305,518	468,086	1.2
<b>Total Iron and Steel</b>		11,458,405	11,230,091	(228,314 )	4.2
<b>Machinery and Machine Tools</b>					
Asahi Diamond Industrial Co., Ltd. Instruments and machines for diamond objects	339,400	4,740,190	3,402,582	(1,337,608)	1.3
Disco Corporation Precision cutting, grinding, and polishing machines	84,000	4,872,226	5,630,820	758,594	2.1
Trusco Nakayama Corporation Industrial machinery	121,700	2,102,990	2,565,662	462,672	1.0
<b>Total Machinery and Machine Tools</b>		11,715,406	11,599,064	(116,342 )	4.4
<b>Miscellaneous Manufacturing</b>					
Asahi Intecc Co., Ltd. Medical tools	114,800	3,033,568	6,101,720	3,068,152	2.3
Hogy Medical Co., Ltd. Medical supply products	102,400	4,520,607	5,716,813	1,196,206	2.2
Nichiha Corporation Armoring materials	250,300	2,923,047	3,596,457	673,410	1.3
<b>Total Miscellaneous Manufacturing</b>		10,477,222	15,414,990	4,937,768	5.8
<b>Real Estate and Warehouse</b>					

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Daibiru Corporation	530,300	4,977,538	6,220,883	1,243,345	2.3
Leases office buildings, apartments and hotels					
Total Real Estate and Warehouse		4,977,538	6,220,883	1,243,345	2.3
Retail					
Arcs Company, Limited	283,000	4,996,863	5,023,254	26,391	1.9
Supermarkets and discount stores					
Asahi Co., Ltd.	163,000	2,630,313	2,663,731	33,418	1.0
Bicycles, parts and accessories					
Heiwado Co., Ltd.	212,000	2,662,853	3,287,897	625,044	1.2
Supermarkets					
Kusuri No Aoki Co., Ltd.	41,900	2,963,487	2,617,581	(345,906 )	1.0
Sells pharmaceutical products and cosmetics					
Pal Co., Ltd.	76,900	1,850,366	2,604,130	753,764	1.0
Apparel					
Xebio Co., Ltd.	187,900	4,162,839	3,698,562	(464,277 )	1.4
Sporting goods					
Total Retail		19,266,721	19,895,155	628,434	7.5

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	Shares	Cost	Market Value	Unrealized Gain or Loss	% of Net Assets
Services					
Daiseki Co., Ltd. Waste disposal	208,700	\$3,780,873	\$3,445,739	\$(335,134 )	1.3
Message Co., Ltd. Nursing facilities	1,744	5,583,292	4,494,676	(1,088,616 )	1.7
NEC Networks & System Integration Corporation					
Communication systems	169,900	2,062,814	3,669,415	1,606,601	1.4
Nihon M&A Center Inc. Provides merger and acquisition brokerage services	61,800	1,863,684	3,333,750	1,470,066	1.3
Rakuten, Inc. Manages consumer websites	598,500	5,849,388	6,730,120	880,732	2.5
Total Services		19,140,051	21,673,700	2,533,649	8.2
Transportation					
Kintetsu World Express Inc. Distribution services	151,500	4,283,147	5,874,015	1,590,868	2.2
Senko Co., Ltd. Trucking and warehousing	710,000	2,665,314	3,541,375	876,061	1.3
Total Transportation		6,948,461	9,415,390	2,466,929	3.5
Wholesale					
Inabata & Co., Ltd. Sells chemicals and other products	333,200	2,114,576	2,682,913	568,337	0.9
Paltac Corporation Daily necessities	548,700	6,553,493	6,980,833	427,340	2.6
Total Wholesale		8,668,069	9,663,746	995,677	3.5
TOTAL JAPANESE COMMON STOCKS		184,129,757	202,045,872	17,916,115	76.0
INVESTMENTS IN FOREIGN CURRENCY					
Japanese Yen					
Non- interest bearing account		2,140,344	2,145,872	5,528	0.8
TOTAL INVESTMENTS IN FOREIGN CURRENCY		2,140,344	2,145,872	5,528	0.8
TOTAL INVESTMENTS		186,270,101	204,191,744	17,921,643	76.8
OTHER ASSETS LESS LIABILITIES, NET			61,609,209		23.2
NET ASSETS			265,800,953		100.0

Aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$26,810,691.

Aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$8,894,576.

Portfolio securities and foreign currency holdings were translated at the following exchange rate as of May 31, 2013:

Japanese Yen      100.85                      =\$1.00

The tax basis of investments, exclusive of investments in foreign investments of \$2,145,872 at May 31, 2013 was \$245,603,708. The following table summarizes the valuation of the Fund's investments by fair value hierarchy levels as of May 31, 2013. 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).

Level	Investments in Securities
Level 1	
Equity Securities	\$202,045,872
Foreign Currency	\$2,145,872
Level 2	0
Level 3	0
Total	\$204,191,744

During the period ended May 31, 2013, there were no transfers between Level 1 and Level 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/ Masashi Terachi  
Masashi Terachi, President  
(Principal Executive Officer)

Date: July 23, 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 persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Masashi Terachi  
Masashi Terachi, President  
(Principal Executive Officer)

Date: July 23, 2013

By: /s/ Robert Kleinman  
Robert Kleinman, Treasurer  
(Principal Financial Officer)

Date: July 23, 2013