

JAPAN SMALLER CAPITALIZATION FUND INC  
Form N-Q  
July 24, 2012

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: March 1, 2012 – May 31, 2012

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## Item 1. Schedule of Investments.

JAPAN SMALLER CAPITALIZATION FUND, INC.  
SCHEDULE OF INVESTMENTS  
IN SECURITIES OF UNAFFILIATED ISSUERS  
May 31, 2012

	Shares	Cost	Market Value	Unrealized Gain or Loss	% of Net Assets
<b>JAPANESE COMOMON STOCKS</b>					
Automotive Equipment and Parts					
Musashi Seimitsu Industry Co., Ltd. Ball joints, camshafts, and gears	247,800	\$5,711,130	\$4,827,169	\$(883,961 )	2.0
Press Kogyo Co Ltd Chassis frames, axles, and suspensions	459,000	2,112,458	2,274,918	162,460	1.0
Total Automotive Equipment and Parts		7,823,588	7,102,087	(721,501 )	3.0
Banks and Finance					
Fuyo General Lease Co., Ltd. Machinery leasing	172,600	4,852,806	5,064,344	211,538	2.1
Total Banks and Finance		4,852,806	5,064,344	211,538	2.1
Chemicals and Pharmaceuticals					
Adeka Corporation Resin products	689,900	6,625,819	5,816,363	(809,456 )	2.5
Central Glass Co., Ltd. Glass and Chemicals	1,180,000	5,280,117	4,748,036	(532,081 )	2.0
Rohto Pharmaceutical Co., Ltd. Pharmaceuticals manufacturer	360,000	4,054,178	4,258,287	204,109	1.8
Total Chemicals and Pharmaceuticals		15,960,114	14,822,686	(1,137,428)	6.3
Electronics					
Alpine Electronics, Inc. Car audio and navigation systems	465,800	5,915,700	5,051,596	(864,104 )	2.1
Fuji Machine Mfg. Co., Ltd. Automated assembly machines	243,700	4,118,509	4,476,472	357,963	1.9
Fujitsu General Limited Air conditioners	320,000	1,803,186	2,477,103	673,917	1.0
Funai Electric Co., Ltd. Audio-visual equipment	165,900	3,929,352	2,314,144	(1,615,208)	1.0
MegaChips Corporation Large-Scale-Integration circuits	114,200	1,674,948	2,514,924	839,976	1.1
Nippon Chemi-Con Corporation Electronic components and circuit products	1,236,000	6,788,223	3,678,712	(3,109,511)	1.6
Sato Corporation Automation recognition systems	285,700	3,422,824	3,813,713	390,889	1.6
Siix Corporation	294,100	3,953,241	3,704,191	(249,050 )	1.6

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Video, audio, and office equipment					
Total Electronics		31,605,983	28,030,855	(3,575,128)	11.9
Information and Software					
DTS Corporation	269,300	3,350,041	3,374,635	24,594	1.4
Information technology services					
Itochu Techno-Solutions Corporation	69,800	2,333,690	3,236,559	902,869	1.4
Computer network systems developer					
Kadokawa Group Holdings, Inc.	146,400	4,837,471	3,622,364	(1,215,107)	1.5
Publishing, movie/visual, and internet-related businesses					
Otsuka Corporation	89,000	6,022,712	7,082,711	1,059,999	3.0
Computer information system developer					
SKY Perfect JSAT Holdings Inc	7,550	3,363,149	3,090,982	(272,167 )	1.3
Broadcasting and data transmission					

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Square Enix Holdings Co., Ltd. Entertainment software	267,400	\$5,091,616	\$4,225,251	\$(866,365 )	1.8
Total Information and Software		24,998,679	24,632,502	(366,177 )	10.4
Iron and Steel					
Hanwa Co., Ltd. Steel imports/exports	1,248,000	5,070,966	4,623,108	(447,858 )	2.0
Neturen Co., Ltd. Induction hardening equipment	332,900	2,750,577	2,406,865	(343,712 )	1.0
Yamato Kogyo Co., Ltd. Railroad related and steel products	176,800	4,801,894	4,794,615	(7,279 )	2.0
Total Iron and Steel		12,623,437	11,824,588	(798,849 )	5.0
Machinery and Machine Tools					
Asahi Diamond Industrial Co., Ltd. Instruments and machines for diamond objects	285,700	4,170,455	2,842,949	(1,327,506)	1.2
Disco Corporation Precision cutting, grinding, and polishing machines	126,500	7,444,249	6,762,502	(681,747 )	2.9
Star Micronics Co., Ltd. Small-sized precision components and equipments	342,100	3,350,326	3,312,407	(37,919 )	1.4
THK Co., Ltd. Linear motion systems	248,500	5,888,163	4,713,834	(1,174,329)	2.0
Total Machinery and Machine Tools		20,853,193	17,631,692	(3,221,501)	7.5
Miscellaneous Manufacturing					
Asahi Intecc Co., Ltd. Medical tools	114,100	2,788,081	3,008,270	220,189	1.3
Hogy Medical Co., Ltd. Medical supply products	114,400	5,113,658	4,661,634	(452,024 )	2.0
Nihon Kohden Corporation Medical equipment	115,900	2,858,541	3,319,254	460,713	1.4
Toyo Tanso Co., Ltd. Carbon and graphite	137,800	6,098,931	3,909,482	(2,189,449)	1.7
Total Miscellaneous Manufacturing		16,859,211	14,898,640	(1,960,571)	6.4
Real Estate and Warehouse					
Daibiru Corporation	436,400	3,890,091	3,110,573	(779,518 )	1.3

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Leases office buildings, apartments and hotels					
Total Real Estate and Warehouse		3,890,091	3,110,573	(779,518 )	1.3
Restaurants					
Saint Marc Holdings Co., Ltd.	69,000	2,659,319	2,657,406	(1,913 )	1.1
Restaurants and cafes					
Total Restaurants		2,659,319	2,657,406	(1,913 )	1.1
Retail					
Arcs Company, Limited	283,000	4,996,863	5,841,834	844,971	2.5
Supermarkets and discount stores					
Heiwado Co., Ltd.	212,000	2,662,853	2,957,195	294,342	1.3
Supermarkets					
Xebio Co., Ltd.	187,900	4,162,839	4,533,986	371,147	1.9
Sporting goods					
Total Retail		11,822,555	13,333,015	1,510,460	5.7
Services					
Daiseki Co., Ltd.	350,700	6,684,713	5,693,807	(990,906 )	2.4
Waste disposal					

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	Shares	Cost	Market Value	Unrealized Gain or Loss	% of Net Assets
Message Co., Ltd. Nursing facilities	1,906	\$5,961,337	\$6,330,204	\$368,867	2.7
NEC Networks & System Integration Corporation Communication systems	181,100	2,211,447	2,836,158	624,711	1.2
Park24 Co., Ltd Parking garages	419,700	4,602,069	5,570,266	968,197	2.4
Rakuten Inc. Manages consumer websites	7,205	6,858,974	7,712,576	853,602	3.3
Resorttrust, Inc. Timeshare resort hotels	263,900	3,822,826	4,419,402	596,576	1.9
Total Services		30,141,366	32,562,413	2,421,047	13.9
Transportation					
Kintetsu World Express Inc. Distribution services	137,100	3,860,869	4,530,596	669,727	1.9
Total Transportation		3,860,869	4,530,596	669,727	1.9
Utilities					
The Okinawa Electric Power Company, Incorporated Thermal power	101,400	4,497,035	3,230,397	(1,266,638)	1.4
Total Utilities		4,497,035	3,230,397	(1,266,638)	1.4
Wholesale					
Mitsui Matsushima Co., Ltd. Coal	2,597,000	5,069,443	4,279,402	(790,041 )	1.8
Total Wholesale		5,069,443	4,279,402	(790,041 )	1.8
<b>TOTAL JAPANESE COMMON STOCKS</b>		<b>\$197,517,689</b>	<b>\$187,711,196</b>	<b>\$(9,806,493)</b>	<b>79.7</b>
<b>INVESTMENTS IN FOREIGN CURRENCY</b>					
Japanese Yen					
Non- interest bearing account		\$1,086,629	\$1,101,792	\$15,163	0.5
<b>TOTAL INVESTMENTS IN FOREIGN CURRENCY</b>		<b>1,086,629</b>	<b>1,101,792</b>	<b>15,163</b>	<b>0.5</b>
<b>TOTAL INVESTMENTS</b>		<b>\$198,604,318</b>	<b>\$188,812,988</b>	<b>\$(9,791,330)</b>	<b>80.2</b>
<b>OTHER ASSETS LESS LIABILITIES, NET</b>			<b>47,154,681</b>		<b>19.8</b>

NET ASSETS \$235,967,669 100.2

\* Aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$ 11,101,356

Aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$ 20,907,849

Portfolio securities and foreign currency holdings were translated at the following exchange rate as of May 31, 2012.

Japanese Yen      78.29                      = \$1.00

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.



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 24, 2012

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: July 24, 2012