

JAPAN SMALLER CAPITALIZATION FUND INC
Form N-CSRS
October 29, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES

Investment Company Act file number: 811-05992

JAPAN SMALLER CAPITALIZATION FUND, INC.

Worldwide Plaza
309 West 49th Street
New York, N.Y. 10019
Nomura Asset Management U.S.A. Inc.
Worldwide Plaza
309 West 49th Street
New York, N.Y. 10019

Registrant's telephone number, including area code: (800) 833-0018

Date of fiscal
year end: February 28, 2014

Date of reporting
period: August 31, 2013

ITEM 1. REPORT TO SHAREHOLDERS

JAPAN SMALLER CAPITALIZATION FUND, INC.

October 23, 2013

To Our Shareholders:

We present the Semi-Annual Report of Japan Smaller Capitalization Fund, Inc. (the “Fund”) for the six months ended August 31, 2013.

The Net Asset Value per share (“NAV”) of the Fund increased by 6.5% and the closing market price of the Fund (on the New York Stock Exchange) increased by 3.9% for the six months ended August 31, 2013. The closing market price of the Fund on August 31, 2013 was \$8.31, representing a discount of 11.6% to the NAV of \$9.40. The net assets of the Fund totaled \$266,332,008.

The Russell/Nomura Small Cap™ Index, the Fund’s benchmark (“Benchmark”), increased by 6.1% in United States (“U.S.”) dollar terms for the six months ended August 31, 2013. During the period, the Fund outperformed the Benchmark by 0.4%. The Tokyo Price Index (the “TOPIX”), consisting of all companies listed on the First Section of the Tokyo Stock Exchange (the “TSE”), increased by 6.6% and the Nikkei Average Index (“Nikkei”), a price-weighted index of the 225 leading stocks on the TSE, increased 8.9% in U.S. dollar terms during the six months ended August 31, 2013. The Japanese yen (“Yen”) depreciated by 6.3% against the U.S. dollar during the six months ended August 31, 2013.

For the quarter ended August 31, 2013, the Benchmark decreased by 1.1%, the TOPIX did not fluctuate, and the Nikkei decreased by 0.2% in U.S. dollar terms. The NAV of the Fund increased by 0.2% and outperformed the Benchmark by 1.3%. The Fund’s share price decreased by 6.8% during the quarter. The Yen appreciated by 2.6% against the U.S. dollar during the quarter.

The Portfolio

Equity holdings represented 98.8% of the Fund’s net assets at August 31, 2013. The Fund held 146 portfolio companies, of which 124 were TSE First Section stocks, 18 were TSE Second Section stocks, and four were other smaller capitalization stocks, comprising 89.7%, 7.5%, and 1.6%, respectively, of net assets on August 31, 2013.

The Fund has recently moved to a more diversified strategy emphasizing value investing. Specifically, the Fund invests in undervalued stocks that offer fundamental strength and potential for improvement. The Fund performs extensive fundamental research to identify stocks that can create shareholder value. The Fund focuses on company leaders in certain niche markets, companies with a large or expanding market share, stocks with superior shareholder distribution policies, and stocks that offer growth prospects. In the Japanese small cap equity market, valuation anomalies do exist and can be exploited through active management. There are a number of factors that the Fund considers when selling an investment, including a stock’s full discount of its share price appreciation, unexpected deterioration in earnings or a substantial loss that impairs the company’s net assets, and a stock’s diminishing potential given declining competitiveness due to a change of business environment or failure of business strategy.

Performance

In terms of the sector allocation strategy, underweight positions in the Banks sector and overweight positions in the Information and Communication sector produced the largest positive contributions, although sector returns were eroded by the over-

weight positions in the Wholesale Trade sector and Other Products sector.

Stock attribution analysis shows that some stocks, such as Rakuten, Inc. and Nihon M&A Center Inc. in the Services sector, and Hajime Construction Co., Ltd. in the Real Estate sector, made positive contributions to the relative performance. Meanwhile, some stocks such as Tachi-S Co., Ltd. in the Transportation Equipment sector and Sato Corporation in the Machinery sector had a negative impact on the portfolio.

Market Review

The Benchmark increased by 12.9% in local currency terms for the six months ended August 31, 2013. The Benchmark underperformed the broad Japanese equity market, measured by the TOPIX, which increased by 13.4% during the period. The Japanese stock market rebounded during the period. However, there was less upward momentum for small cap stocks compared with the overall Japanese market since business performance for many small cap companies is highly dependent on domestic demand. As a result, their stock price valuations were lower compared with those of larger companies, which have higher growth prospects due to faster growing foreign markets.

In March 2013, the Japanese equity market extended its rally. Despite new credit concerns in the European Union triggered by the banking crisis in Cyprus, the Yen continued to depreciate steadily against the U.S. dollar. The Japanese equity market remained solid in anticipation of aggressive monetary easing policies from the new administration of the Bank of Japan (“BOJ”). In addition, the steady recovery of the U.S. economy and a robust performance in the U.S. equity market supported investor sentiment towards the Japanese equity market.

International investors initially responded favorably to the new monetary policy launched by the BOJ in April 2013. However, the momentum later declined amid concerns about global economic growth prospects. Recognition of a possible exit from quantitative easing in the U.S. led to signs of weakness in the global equity markets. Concerns over the sustainability of economic growth and doubts about the stability of financial conditions in China also had a negative impact on investor sentiment. Policy decisions announced at the first BOJ meeting under new Governor Kuroda in April 2013 were not expected by the global markets. The BOJ policy board voted to double the monetary base through increased purchases of long-term government bonds, exchange traded funds, and Japanese real estate investment trusts to meet a target annual inflation figure of 2% in two years. The extent of these asset purchases exceeded global market expectations which caused the Yen to weaken relative to other major currencies given this aggressive monetary easing policy.

The Japanese stock market fell slightly in July and August 2013. Even though there has been some unexpected rise from recent macroeconomic data from developed regions, including Japan, the ongoing slowdown in emerging economies and deteriorating geopolitical situation surrounding Syria had a negative impact on investor sentiment toward the end of August 2013.

Outlook and Strategy

The difference between economic prospects for developing and emerging regions have widened recently. While credit issues continue to weaken the prospects for some outlying economies, the latest economic data suggests that conditions across Europe are starting to level out. The U.S. economy also continues its steady recovery. As the signs of economic improvement continue in the U.S., it is expected that the Federal Reserve will taper its monthly government bond purchases since it is at the core of its massive quantitative easing program. As a result, the abundant liquidity in emerging markets, partly supported by U.S. monetary policy, is expected to shrink. The resulting decrease in fund outflows could work against the economic growth prospects of certain regions. In particular, countries with large deficits, such as India, Indonesia, Brazil, and Turkey, are experiencing substantial monetary

outflows and declining currency values and may need to raise interest rates in the midst of fragile domestic demand. Meanwhile, the Chinese economy seems to have stabilized, as recent economic data indicates a recovery in production activity while the inflation rate is being maintained at a reasonable level.

Corporate earnings announcements initially provided a positive start to August 2013. However, investor concerns about vulnerable emerging market conditions and geopolitical uncertainties in Syria subsequently reversed these gains in the Japanese equity market. The Federal Reserve's decision regarding current quantitative easing monetary policy and discussions in Japan over the consumption tax hike have prompted investors to adopt a wait-and-see approach which has resulted in generally low trading volumes.

Although the Fund does not expect the recent turmoil in financial markets to undermine economic fundamentals similar to past crises, the global market will likely remain volatile in the short term. Corporate earnings demonstrated that despite the continued variability in global demand during the second quarter of 2013, currency depreciation buoyed profitability and earnings prospects for Japanese exporters. Therefore, in the absence of a depressed global economic demand outlook or sharp currency appreciation, the existing stable earnings outlook of 25% recurring profit growth for 2013 remains achievable. However, most Japanese manufacturers still have not encountered a volume recovery, either in the global markets or in the domestic market. While economic indicators in China and Europe are showing some recovery signs, it remains too early to predict a full-scale recovery.

The Liberal Democratic Party's upper house election victory in July 2013 consolidated the ruling coalition's parliamentary majority which will contribute to building a stable foundation for Prime Minister Shinzo Abe's administration going forward. Based on consensus earnings estimates, the price to earnings ratio of the overall Japanese equity market is around 15 times, which is comparable to other global equity markets. The Fund expects the Japanese market to remain in the same range for the short term.

We appreciate your continuing support of the Fund.

Sincerely,
/s/ Hiromichi Aoki
Hiromichi Aoki
Vice President and Acting Chief
Executive Officer

DISCLOSURES

Sources: Nomura Asset Management U.S.A. Inc. and Bloomberg L.P. Past performance is not indicative of future results.

The NAV price is adjusted for reinvestment of income dividends and capital gain distributions. The New York Stock Exchange's closing market price is adjusted for reinvestment of income dividends and capital gain distributions. The Fund's performance does not represent sales commissions.

This material contains the current opinions of the Fund's manager, which are subject to change without notice. It should not be considered investment advice. Statements concerning financial market trends are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions, and each investor should evaluate their ability to invest for the long term.

Comparisons between changes in the Fund's net asset value or market price per share and changes in the Fund's benchmark should be considered in light of the Fund's investment policy and objective, the characteristics and quality of the Fund's investments, the size of the Fund, and variations in the Japanese Yen/U.S. Dollar exchange rate. This report is for informational purposes only. Investment products offered are not FDIC insured, may lose value, and are not bank guaranteed.

Indices are unmanaged. You cannot invest directly into an index. The Russell/Nomura Small Cap™ Index represents approximately 15% of the total market capitalization of the Russell/Nomura Total Market™ Index. It measures the performance of the smallest Japanese equity securities in the Russell/Nomura Total Market™ Index. Currently, there are 1,142 securities in the Russell/Nomura Small Cap™ Index.

RECENT DIRECTOR CHANGES

The Board of Directors and officers want to express their appreciation and gratitude to Dr. Chor Weng Tan for his exemplary service and leadership during his long tenure as an Independent Director of the Fund. He resigned as of June 30, 2013.

The Board of Directors and officers want to take this opportunity to express their appreciation to Mr. Masashi Terachi, who has been assigned to new duties at Nomura Funds Research and Technologies Co., Ltd. Mr. Terachi has served as President of Nomura Asset Management U.S.A., Inc., the Fund's manager, and President and Director of the Fund since 2012. He resigned as of September 19, 2013.

In view of Mr. Terachi's resignation, the Board of Directors of the Fund has elected Mr. Yutaka Itabashi to serve as a member of its Board of Directors. Mr. Itabashi most recently served as Managing Director of Nomura Asset Management Co., Ltd, the Fund's Investment Adviser.

SHAREHOLDERS ACCOUNT INFORMATION

Shareholders whose accounts are held in their own name may contact the Fund's registrar, Computershare Trust Company, N.A., at (800) 426-5523 for information concerning their accounts.

PROXY VOTING

A description of the policies and procedures that the Fund uses to vote proxies relating to portfolio securities is available (1) without charge, upon request, by calling toll-free 1-800-833-0018; and (2) on the website of the Securities and Exchange Commission ("SEC") at <http://www.sec.gov>. Information about how the Fund voted proxies relating to securities held in the Fund's portfolio during the most recent 12-month period ended June 30 is available (1) without charge, upon request, by calling toll-free 1-800-833-0018; and (2) on the SEC's website at <http://www.sec.gov>.

AVAILABILITY OF QUARTERLY SCHEDULE OF INVESTMENTS

The Fund files a schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's web site at <http://www.sec.gov>. The Fund's Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

PORTFOLIO MANAGER

On July 1, 2013, Mr. Hiromitsu Daimon became the new Lead Portfolio Manager of the Fund and Mr. Makoto Ito became the Co-Portfolio Manager of the Fund. Mr. Daimon and Mr. Ito are responsible for the day-to-day portfolio management of the Fund. Mr. Daimon leads the Japan Small Cap Team of Nomura Asset Management Co., Ltd., the Fund's Investment Adviser. He has been a member of the Japan Small/Mid Cap Team and has been managing Japan Small Cap Funds for Japanese retail clients since 2003. Mr. Ito joined Nomura Asset Management Co., Ltd. in 2006 and was named a portfolio manager in 2008.

FUND CERTIFICATION

In November 2012, the Fund filed its Chief Executive Officer Certification with the New York Stock Exchange pursuant to Section 303A.12(a) of the New York Stock Exchange Corporate Governance Listing Standards.

The Fund's Chief Executive Officer and Chief Financial Officer Certifications pursuant to Section 302 of the SarbanesOxley Act of 2002 were filed with the Fund's Form N-CSR and are available on the SEC's web site at <http://www.sec.gov>.

INTERNET WEBSITE

Nomura Asset Management U.S.A. Inc. has established an Internet website which highlights its history, investment philosophy and process and products, which include the Fund. The Internet web address is www.nomura.com.

JAPAN SMALLER CAPITALIZATION FUND, INC.

FUND HIGHLIGHTS—AUGUST 31, 2013 (Unaudited)

KEY STATISTICS

Net Assets	\$266,332,008		
Net Asset Value per Share	\$9.40		
Closing NYSE Market Price	\$8.31		
Percentage Change in Net Asset Value per Share*†	6.5		%
Percentage Change in NYSE Market Price*†	3.9		%

MARKET INDICES

Percentage change in market indices:*

	YEN		U.S.\$	
Russell/Nomura Small Cap™ Index	12.9	%	6.1	%
TOPIX	13.4	%	6.6	%
Nikkei Average	15.8	%	8.9	%

*From March 1, 2013 through August 31, 2013.

†Reflects the percentage change in share price.

ASSET ALLOCATION

Japanese Equities				
TSE First Section Stocks		89.7		%
TSE Second Section Stocks		7.5		
Other Smaller Capitalization Stocks		1.6		
Foreign Currency		1.9		
Total Investments		100.7		
Liabilities Less Other Assets, Net		(0.7)	
Net Assets		100.0		%

INDUSTRY DIVERSIFICATION

	% of		% of	
	Net Assets		Net Assets	
Chemicals	12.0		Metal Products	3.1
Retail Trade	11.3		Food	2.8
Wholesale Trade	9.4		Services	2.8
			Financing	
Banks	8.8		Business	2.7
Information & Communication	6.7		Real Estate	2.7
Machinery	6.5		Pharmaceutical	2.4
			Textiles and	
Transportation and Warehousing	5.7		Apparel	2.1
Construction	5.6		Other Products	1.2
Transportation				
Equipment	4.4		Utilities	0.8

Electric		Precision	
Appliances	4.2	Instruments	0.5
Iron & Steel	3.2		

TEN LARGEST EQUITY HOLDINGS BY MARKET VALUE

	Market Value	% of Net Assets
Security		
Sakai Chemical Industry Co., Ltd.	\$7,248,155	2.7
NS Solutions Corporation	6,551,318	2.5
Tachi-S Co., Ltd.	5,447,705	2.0
Ryoden Trading Company, Ltd.	5,205,274	1.9
The Yamanashi Chuo Bank, Ltd.	4,807,798	1.8
Paltac Corporation	4,666,048	1.8
The Kagoshima Bank, Ltd.	4,477,577	1.7
Rhoto Pharmaceutical, Ltd.	4,264,821	1.6
C. Uyemura & Co., Ltd.	4,129,294	1.6
San-A Co., Ltd.	3,904,432	1.5

JAPAN SMALLER CAPITALIZATION FUND, INC.

SCHEDULE OF INVESTMENTS

AUGUST 31, 2013

(Unaudited)

	Shares	Cost	Market Value	% of Net Assets
JAPANESE EQUITY SECURITIES				
Banks				
Akita Bank, Ltd. General banking services	934,000	\$2,524,989	\$2,500,808	0.9
The Bank of Iwate, Ltd. General banking services	17,800	705,765	761,110	0.3
The Daishi Bank, Ltd. General banking services	598,000	2,017,257	1,936,004	0.7
The Gunma Bank, Ltd. General banking services	237,000	1,302,047	1,278,799	0.5
The Hachijuni Bank, Ltd. General banking services	43,000	250,494	242,525	0.1
The Higo Bank, Ltd. General banking services	248,000	1,455,359	1,330,578	0.5
The Hyakugo Bank, Ltd. General banking services	255,000	1,074,485	981,318	0.4
The Kagoshima Bank, Ltd. General banking services	721,000	4,897,424	4,477,577	1.7
The Mie Bank, Ltd. General banking services	421,000	1,634,069	831,499	0.3
The San-in Godo Bank, Ltd. General banking services	167,000	1,257,405	1,270,033	0.5
The Taiko Bank, Ltd. General banking services	178,000	417,038	378,743	0.1
The Tochigi Bank, Ltd. Commercial banking services	785,000	2,909,436	2,765,182	1.0
The Yamanashi Chuo Bank, Ltd.	1,214,000	5,328,607	4,807,798	1.8

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Commercial banking services				
Total Banks		25,774,375	23,561,974	8.8
Chemicals				
C. Uyemura & Co., Ltd.	101,400	4,377,656	4,129,294	1.6
Plating chemicals				
Central Glass Co., Ltd.	128,000	494,903	392,242	0.1
Glass and Chemicals				
Daiso Co., Ltd.	448,000	1,304,065	1,295,312	0.5
Caustic soda				
Fujikura Kasei Co., Ltd.	512,500	2,300,325	2,295,750	0.9
Specialty coating materials and fine chemicals				

See notes to financial statements

JAPAN SMALLER CAPITALIZATION FUND, INC.

SCHEDULE OF INVESTMENTS-Continued

AUGUST 31, 2013

(Unaudited)

	Shares	Cost	Market Value	% of Net Assets
FP Corporation Manufactures polystyrene and other synthetic resin food containers	6,000	\$418,659	\$421,481	0.2
Hitachi Chemical Co., Ltd. Semiconductor materials	54,500	857,048	901,074	0.3
JSR Corporation Elastomer and resin products	118,500	2,375,979	2,075,032	0.8
Koatsu Gas Kogyo Co., Ltd. High-pressured gases and chemicals	275,000	1,578,219	1,453,041	0.5
LEC, Inc. Household products	70,600	937,018	862,510	0.3
Mirai Industry Co., Ltd. Plastic molded electric materials	29,300	402,337	414,331	0.2
Sakai Chemical Industry Co., Ltd. Titanium oxide, polyvinyl chloride stabilizers, and pharmaceuticals	2,455,000	7,600,500	7,248,155	2.7
Sekisui Jushi Corporation Processor of plastics and other resin materials	166,000	2,214,117	2,166,577	0.8
Sekisui Plastics Co., Ltd. Plastic products	267,000	1,041,176	693,153	0.3
Soken Chemical & Engineering Co., Ltd. Manufacturers and sells adhesives, macromolecules, and medicines	129,400	1,745,853	1,620,382	0.6
Taiyo Holdings Co., Ltd. Manufactures and sells resist inks for printed circuit boards	86,000	2,679,742	2,497,918	0.9
Tenma Corporation Molded resin products	271,600	3,463,481	3,481,236	1.3
Total Chemicals		33,791,078	31,947,488	12.0
Construction				

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Daiichi Kensetsu Corporation Civil engineering	13,300	140,289	147,589	0.1
Hibiya Engineering, Ltd. Facility construction	263,200	2,742,861	2,652,767	1.0
Kandenko Co., Ltd. Constructs electrical and power facilities	287,000	1,396,315	1,490,150	0.6
Kinden Corporation Maintains communications and electrical facilities	150,000	1,319,686	1,482,820	0.6
NDS Co., Ltd. General contractor	126,000	357,587	352,762	0.1
Nippon Densetsu Kogyo Co., Ltd. Installs and maintains communication equipment	340,000	3,594,066	3,312,599	1.2

See notes to financial statements

JAPAN SMALLER CAPITALIZATION FUND, INC.

SCHEDULE OF INVESTMENTS-Continued

AUGUST 31, 2013

(Unaudited)

	Shares	Cost	Market Value	% of Net Assets
Takasago Thermal Engineering Co., Ltd. Air-conditioning facilities	62,500	\$491,543	\$496,309	0.2
Toenec Corporation Constructs comprehensive building facilities	429,000	2,216,286	2,306,052	0.9
Yondenko Corporation Electrical engineering	90,000	311,608	308,781	0.1
Yurtec Corporation Designs, builds, and maintains electrical facilities	641,000	2,042,070	2,003,431	0.8
Total Construction		14,612,311	14,553,260	5.6
Electric Appliances Espec Corp Meteorological testing devices	552,700	4,186,752	3,831,902	1.4
Japan Digital Laboratory Co., Ltd. Computers for accounting and financial use	124,700	1,422,909	1,202,249	0.5
Kitagawa Industries Co., Ltd. Industrial fasteners and electromagnetic wave resistant parts	80,400	860,147	888,104	0.3
Nihon Kohden Corporation Medical equipment	27,700	1,067,164	1,023,680	0.4
Panasonic Industrial Devices SUNX Co., Ltd. Sensing and control equipment	427,400	1,927,514	1,670,874	0.6
Zojirushi Corporation Household appliances	547,000	1,966,256	2,127,300	0.8
Zuken Inc. Computer-aided design, manufacturing, and engineering system services	63,300	446,647	527,151	0.2
Total Electric Appliances		11,877,389	11,271,260	4.2
Financing Business Fuyo General Lease Co., Ltd.	73,700	2,298,001	2,378,508	0.9

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Leasing and installment sales trading of equipment and fixtures				
Hitachi Capital Corporation	181,400	3,840,533	3,715,722	1.4
Financial services				
Ricoh Leasing Company, Ltd.	48,200	1,369,895	1,188,991	0.4
Office automation equipment leasing				
Total Financing Business		7,508,429	7,283,221	2.7
Food				
Fuji Oil Co., Ltd.	148,600	2,590,218	2,612,697	1.0
Palm oil and coconut oil				
J-Oil Mills Inc.	707,000	2,182,430	2,188,119	0.8
Cooking oil				

See notes to financial statements

JAPAN SMALLER CAPITALIZATION FUND, INC.

SCHEDULE OF INVESTMENTS-Continued

AUGUST 31, 2013

(Unaudited)

	Shares	Cost	Market Value	% of Net Assets
Kameda Seika Co., Ltd. Rice cookies, snacks, and Japanese cakes	35,200	\$1,055,760	\$1,093,001	0.4
Warabeya Nichiyo Co., Ltd. Prepared boxed lunches	89,400	1,332,927	1,428,944	0.6
Total Foods		7,161,335	7,322,761	2.8
Information and Communication				
Broadleaf Co., Ltd. Business software development, sales, and technical support	148,200	2,355,201	2,724,858	1.0
DTS Corporation Information technology services	197,700	2,606,261	2,771,524	1.0
Enigmo Inc.† Consumer-to-consumer electronic commerce site	17,600	1,165,819	879,776	0.3
NEC Networks & System Integration Corporation Communication systems	67,500	840,934	1,490,532	0.6
NS Solutions Corporation System consulting services and software development	341,200	6,608,518	6,551,318	2.5
OBIC Co., Ltd. Computer system integration	5,670	1,482,699	1,666,510	0.6
Okinawa Cellular Telephone Company. Cellular and car phone services	14,700	376,630	371,447	0.1
Otsuka Corporation Computer information system developer	12,100	888,620	1,459,761	0.6
Total Information and Communication		16,324,682	17,915,726	6.7
Iron and Steel				
Chubu Steel Plate Co., Ltd. Manufactures electric furnace steel plates	344,900	1,320,264	1,337,815	0.5
Mory Industries Inc. Stainless pipes	334,000	1,130,613	1,169,723	0.4
Nichia Steel Works, Ltd. Produces and sells steel products	657,000	2,236,215	2,280,855	0.9

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Nippon Seisen Co., Ltd. Secondary products of stainless steel wires	405,000	1,828,708	1,814,202	0.7
Osaka Steel Co., Ltd. Electric furnace steelmaker	117,100	2,043,501	1,989,716	0.7
Total Iron and Steel		8,559,301	8,592,311	3.2

See notes to financial statements

JAPAN SMALLER CAPITALIZATION FUND, INC.

SCHEDULE OF INVESTMENTS-Continued

AUGUST 31, 2013

(Unaudited)

	Shares	Cost	Market Value	% of Net Assets
Machinery				
Asahi Diamond Industrial Co., Ltd.	141,600	\$1,585,933	\$1,332,027	0.5
Instruments and machines for diamond objects				
Daiwa Industries Ltd.	273,000	1,580,479	1,589,779	0.6
Freezers, refrigerators, and ice-making machines				
Hisaka Works, Ltd.	102,000	943,815	898,244	0.3
Heat exchangers and evaporators				
Kitz Corporation	429,000	2,006,209	1,834,360	0.7
Valves and flow control devices				
Nikko Co., Ltd.	368,000	1,354,514	1,322,515	0.5
Civil engineering and industrial machinery				
Nippon Pillar Packing Co., Ltd.	349,000	2,699,705	2,231,326	0.8
Industrial-type mechanical seals				
Nissei Corporation	23,900	212,822	214,851	0.1
Manufactures transmission gears and precision equipment				
Oiles Corporation	79,700	1,740,780	1,725,041	0.7
Manufactures oilless bearings				
Sato Corporation	225,000	2,836,048	3,676,508	1.4
Automation recognition systems				
Sintokogio, Ltd.	343,600	2,665,419	2,448,664	0.9
Engineering equipment				
Total Machinery		17,625,724	17,273,315	6.5
Metal Products				
Dainichi Co., Ltd.	149,700	1,205,466	1,213,145	0.5
Oil heating equipment				
Mimasu Semiconductor Industry Co., Ltd.	155,700	1,270,602	1,301,397	0.5
Silicon and gallium				
Neturen Co., Ltd.	360,600	2,737,275	3,047,065	1.1
Induction hardening equipment				
Piolax, Inc.	37,700	1,019,740	1,079,665	0.4
Production and sale of automobile parts				
Topre Corporation	156,000	1,442,092	1,681,894	0.6
Manufactures pressed products for automobile parts				

Total Metal Products	7,675,175	8,323,166	3.1
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See notes to financial statements

JAPAN SMALLER CAPITALIZATION FUND, INC.

SCHEDULE OF INVESTMENTS-Continued

AUGUST 31, 2013

(Unaudited)

	Shares	Cost	Market Value	% of Net Assets
Other Products				
Nichiha Corporation	116,000	\$1,356,377	\$1,495,098	0.6
Armoring materials				
Nishikawa Rubber Company				
Ltd.	39,000	722,896	702,774	0.3
Rubber products				
The Pack Corporation	800	13,113	12,339	0.0
Paper products and plastic bags				
Pigeon Corporation	20,000	812,821	922,372	0.3
Baby care goods				
Total Other Products		2,905,207	3,132,583	1.2
Pharmaceutical				
Nichi-Iko Pharmaceutical Co.,				
Ltd.	98,200	1,976,604	2,058,476	0.8