

JAPAN SMALLER CAPITALIZATION FUND INC  
Form N-Q  
July 25, 2016

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, 2017

Date of reporting period: March 1, 2016 – May 31, 2016

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Item 1. Schedule of Investments  
 Japan Smaller Capitalization Fund, Inc.  
 May 31, 2016 (Unaudited)

	<u>Shares</u>	<u>Fair Value</u>
<b>JAPANESE EQUITY SECURITIES</b>		
<i>(97.3%)</i>		
<b>Banks</b>		
The Akita Bank, Ltd. General banking services	1,067,000	\$ 3,130,303
The Bank of Saga Ltd. General banking services	411,000	908,964
The Taiko Bank, Ltd. General banking services	1,462,000	2,547,084
The Yamanashi Chuo Bank, Ltd. General banking services	1,109,000	3,964,290
Total Banks (3.3%)		10,550,641
<b>Chemicals</b>		
C. Uyemura & Co., Ltd. Plating chemicals	126,900	5,269,363
Fujikura Kasei Co., Ltd. Specialty coating materials and fine chemicals	972,300	5,081,799
Fuso Chemical Co., Ltd. Manufactures fruit acids, electronic and functional chemical products	9,800	141,719
JSR Corporation Manufactures synthetic resin products	165,700	2,438,084
Koatsu Gas Kogyo Co., Ltd. High-pressured gases and chemicals	407,000	2,413,784
Sakai Chemical Industry Co., Ltd. Manufactures components for cosmetics and pharmaceuticals	2,317,000	6,504,667
Sekisui Jushi Corporation Manufactures plastics and other resin materials	220,100	3,190,834
Shikoku Chemicals Corporation	37,000	298,926

Manufactures chemical products		
Soken Chemical & Engineering Co., Ltd.	271,400	2,192,661
Manufactures chemical products		
Takiron Co., Ltd.	415,000	1,940,513
Manufactures resin and composite products		
Tenma Corporation	191,900	3,021,065
Manufactures synthetic resin products		
Teraoka Seisakusho Co., Ltd.	356,700	1,094,764
Manufactures various adhesive tapes		
T&K Toka Co., Ltd.	116,800	919,386
Manufactures specialized inks for printing applications		
Yushiro Chemical Industry Co., Ltd.	129,500	1,571,114
Manufactures metalworking fluids		
Zeon Corporation	209,000	1,577,216
Manufactures synthetic resin products		
Total Chemicals (11.6%)		37,655,895

Construction		
Daiichi Kensetsu Corporation	19,100	194,655
Construction and real estate businesses		
Mirai Industry Co., Ltd.	35,700	445,686
Manufactures electrical installation materials		
MIRAIT Holdings Corporation	910,600	9,296,702
Construction of electrical and telecommunication facilities		
NDS Co., Ltd.	176,000	440,079
Construction of communication infrastructure		
Taihei Dengyo Kaisha, Ltd.	209,000	2,148,863
Construction of thermal and nuclear plant facilities		
Toenec Corporation	1,359,000	7,262,394
Construction of comprehensive building facilities		
Yondenko Corporation	234,000	859,704
Construction of electrical distribution systems		
Total Construction (6.5%)		20,648,083
Electronic Appliances		
Espec Corp.	329,800	4,406,066
Manufactures environmental testing products		
Hitachi Maxell, Ltd.	177,900	2,546,934
Manufactures media devices, batteries and electrical appliances		
Hosiden Corporation	169,300	1,169,114
Manufactures electronic components		
Japan Aviation Electronics Industry, Limited	123,000	1,648,808
Manufactures electronic equipment and components		
Kitagawa Industries Co., Ltd.	336,900	3,740,630
Manufactures various industrial and consumer products		
Koito Manufacturing Co., Ltd.	65,200	3,078,137

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Manufactures lighting equipment		
Nichicon Corporation	569,400	4,003,995
Manufactures capacitors and transformers		
Nihon Kohden Corporation	72,600	2,097,129
Manufactures medical electronic equipment		
Shindengen Electric Manufacturing Co., Ltd.	240,000	927,243
Manufactures semiconductor products, electrical components, and power supplies		
Total Electronic Appliances (7.5%)		23,618,056
Financing Business		
Hitachi Capital Corporation	127,800	2,871,405
General financial services		
Ricoh Leasing Company, Ltd.	160,500	4,411,649
Leasing and financial services		
Total Financing Business (2.3%)		7,283,054
Food		
Taiyo Kagaku Co., Ltd.	51,300	387,598
General food manufacturer		
Total Food (0.1%)		387,598

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## Glass and Ceramics Products

Nichiha Corporation	154,700	2,144,965
Manufactures exterior building materials		
Total Glass and Ceramics Products (0.7%)		2,144,965

## Information and Communication

Broadleaf Co., Ltd.	167,900	1,655,053
Business software development, sales, and technical support		
NS Solutions Corporation	8,100	140,971
System consulting services and software development		
OBIC Co., Ltd.	47,700	2,596,416
Computer system integration		
Okinawa Cellular Telephone Company	160,900	4,355,832
Telecommunications		
Otsuka Corporation	35,400	1,677,649
Computer information system developer		
Software Service Inc.	4,000	151,652
Provides medical information systems		
Total Information and Communication (3.2%)		10,577,573

## Iron and Steel

Chubu Steel Plate Co., Ltd.	851,000	3,833,264
Manufactures steel-related products		
Mory Industries Inc.	1,774,000	5,044,322
Manufactures steel tubing products		
Nichia Steel Works, Ltd.	1,945,900	4,022,487
Manufactures steel-related products		
Nippon Seisen Co., Ltd.	554,000	2,380,430
Manufactures stainless steel wires and metal fibers		
Osaka Steel Co., Ltd.	340,700	5,917,194
Manufactures steel-related products		
Tohoku Steel Co., Ltd.	500	4,802
Manufactures specialty steel		
Total Iron and Steel (6.5%)		21,202,499

Machinery		
Hisaka Works, Ltd.	763,400	6,029,744
Manufactures heat exchangers and other machinery		
Miura Co., Ltd.	81,300	1,716,562
Manufactures boilers and related products		
Nippon Pillar Packing Co., Ltd.	287,700	2,389,276
Manufactures mechanical seals		
Nissei ASB Machine Co., Ltd.	9,300	173,777
Manufactures stretch blow molding machines		
Nissei Corporation	24,400	205,499
Manufactures reducers and gears		
Nitto Kohki Co., Ltd.	100,400	2,207,749
Manufactures machine tools and motor pumps		
Oiles Corporation	352,180	5,944,905
Manufactures bearing equipment		
Sato Holdings Corporation	138,300	2,983,725
Manufactures electronic printers and other products		
Shibuya Kogyo Co., Ltd.	31,500	485,381
Engaged in the packing plant business		
Tsubakimoto Chain Co.	117,000	863,929
Manufactures chains for power transmission and other transportation components		
Yamashin-Filter Corporation	47,200	177,671
Manufactures filters		
Total Machinery (7.3%)		23,178,218

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Metal Products		
Dainichi Co., Ltd.	267,200	1,468,901
Manufactures oil heating equipment		
Neturen Co., Ltd.	586,900	4,455,524
Manufactures steel bars and induction heating equipment		
NHK Spring Co., Ltd.	383,300	3,300,850
Manufactures automobile-related products		
Piolax, Inc.	87,000	4,484,293
Manufactures automobile-related products		
Rinnai Corporation	18,300	1,595,757
Manufactures heating appliances and components		
Total Metal Products (4.8%)		15,305,325
Other Products		
Fuji Seal International, Inc.	70,500	2,746,051
Packaging-related materials and machinery		
Nishikawa Rubber Co., Ltd.	306,600	4,998,372
Manufactures rubber automobile parts		
Pigeon Corporation	80,000	2,180,899
Manufactures baby care products		
The Pack Corporation	83,800	2,039,401
Manufactures paper and chemical products		
Total Other Products (3.8%)		11,964,723
Pharmaceutical		
KYORIN Holdings, Inc.	118,000	2,284,799
Manufactures pharmaceuticals		
Total Pharmaceutical (0.7%)		2,284,799
Precision Instruments		
Nakanishi Inc.	42,700	1,466,632
Manufactures dental instruments		



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Total Precision Instruments (0.5%)		1,466,632
Real Estate		
Daibiru Corporation	266,800	2,492,670
Real estate leasing and building management		
Heiwa Real Estate Co., Ltd.	64,000	787,435
Leasing, development and management of real estate		
Keihanshin Building Co., Ltd.	943,800	5,009,518
Real estate leasing and building management		
Sanyo Housing Nagoya Co., Ltd.	191,900	1,678,562
Designs and constructs housing		
Total Real Estate (3.1%)		9,968,185

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Retail Trade		
ABC-Mart, Inc.	47,200	3,059,180
Retail sales of shoes		
AIN Pharmaciez Inc.	2,300	147,825
Operates pharmacies and drug store chains		
Amiyaki Tei Co., Ltd.	95,400	3,793,437
Operates barbecue restaurant chains		
Arc Land Sakamoto Co., Ltd.	400,900	4,346,280
Retail sales, wholesale, food and real estate		
Create SD Holdings Co., Ltd.	65,100	1,587,246
Operates pharmacies and drug store chains		
Daikokutenbussan Co., Ltd.	66,200	2,874,364
Operates supermarkets		
Heiwado Co., Ltd.	2,400	51,085
Operates supermarkets		
Hiday Hidaka Corp	72,543	1,749,073
Operates restaurant chains		
Jin Co., Ltd.	68,200	2,348,646
Retail sales of eyewear and fashion accessories		
Saint Marc Holdings Co., Ltd.	80,700	2,385,742
Operates restaurant chains		
San-A Co., Ltd.	800	37,480
Retail sales of home goods		
Seria Co., Ltd.	51,600	3,362,990
Discount retail sales		
Start Today Co., Ltd.	75,900	3,466,817
Operates retail E-commerce websites		
Studios Co., Ltd. †	5,700	133,007
Retail sales of apparel		
Sundrug Co., Ltd.	7,600	629,103
Operates pharmacies and drug store chains		
United Arrows Ltd.	40,900	1,222,053
Retail sales of apparel		

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Yamazawa Co., Ltd.	11,900	181,218
Operates supermarkets		
Total Retail Trade (9.5%)		31,375,546
Services		
EPS Holdings, Inc.	106,400	1,384,986
Performs contract medical research services		
JP-Holdings, Inc.	169,400	530,617
Operates child-care centers		
Nihon M&A Center Inc.	23,200	1,415,707
Provides merger and acquisition brokerage services		
Relia, Inc.	140,800	1,424,777
Provides telemarketing services		
Septeni Holdings Co., Ltd.	48,700	1,507,862
Internet advertising and media content business		
Step Co., Ltd.	217,100	2,100,841
Operates preparatory schools		
Total Services (2.6%)		8,364,790

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Textiles and Apparel		
Hogy Medical Co., Ltd.	48,300	2,999,675
Manufactures medical products		
Komatsu Seiren Co., Ltd.	436,800	2,397,314
Manufactures synthetic fibers and textile products		
Seiren Co., Ltd.	418,600	4,564,622
Manufactures synthetic fibers and textile products		
Total Textiles and Apparel (3.0%)		9,961,611
Transportation and Warehousing		
Alps Logistics Co., Ltd.	512,900	2,509,404
General logistics services		
Japan Transcity Corporation	1,725,000	5,403,277
General logistics services		
Meiko Trans Co., Ltd.	426,000	3,676,259
Marine logistics services		
Nissin Corporation	522,000	1,682,199
General logistics services		
Trancom Co., Ltd.	70,600	4,104,207
General logistics services		
Total Transportation and Warehousing (5.4%)		17,375,346
Transportation Equipment		
Hi-Lex Corporation	44,900	1,115,002
Manufactures control cables		
Nissin Kogyo Co., Ltd.	247,100	3,388,201
Manufactures automobile brake systems		
Sanoh Industrial Co., Ltd.	388,100	2,017,924
Manufactures automobile components		
Total Transportation Equipment (2.0%)		6,521,127
Utilities		
Japan Petroleum Exploration Co., Ltd.	64,700	1,443,164
Develops petroleum products such as crude oil and natural gas		

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Keiyo Gas Co., Ltd.	396,000	1,583,571
Produces gas and energy products		
The Okinawa Electric Power Company, Incorporated	142,575	2,778,655
Produces thermal energy products		
Total Utilities (1.8%)		5,805,390

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Wholesale Trade		
Kanaden Corporation	219,700	1,753,158
Factory automation business		
Kohsoku Corporation	143,500	1,121,782
Food and industrial packaging materials		
Matsuda Sangyo Co., Ltd.	451,600	5,173,140
Precious metals, electronic materials, and food		
Paltac Corporation	72,700	1,455,575
Cosmetics and daily necessities		
Ryoden Trading Company, Ltd.	1,087,000	6,377,956
Purchases electronic and electrical devices		
Senshu Electric Co., Ltd.	256,300	3,535,172
Electrical wires and cables		
Shinko Shoji Co., Ltd.	339,300	3,298,665
Electronic components and devices		
SIIX Corporation	178,000	6,113,829
Parts procurement, logistics, and manufacturing of electronics		
SPK Corporation	22,400	405,821
Automobile components for assembly		
Sugimoto & Co., Ltd.	310,700	3,186,091
Machine tools and measuring instruments		
Techno Associe Co., Ltd.	355,700	3,169,127
Screws and nonferrous metal products		
Win-Partners Co., Ltd.	23,900	339,579
Engaged in the medical equipment supply business		
Total Wholesale Trade (11.1%)		35,929,895
TOTAL JAPANESE EQUITY SECURITIES (97.3%)		\$ 313,569,951
INVESTMENT IN FOREIGN CURRENCY		
Japanese Yen		
Non-interest bearing account		5,387,263
		\$ 5,387,263

TOTAL INVESTMENT IN FOREIGN  
CURRENCY (1.7%)

TOTAL INVESTMENTS (99.0%) \$ 318,957,214

OTHER ASSETS LESS LIABILITIES,  
NET (1.0%) 3,153,728

NET ASSETS (100.0%) \$ 322,110,942

† Non-income producing security

Portfolio securities and foreign currency holdings  
were translated at the following exchange rate as of  
May 31, 2016

Japanese Yen ¥110.78 = USD \$1.00

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Notes to Schedule of Investments  
(Unaudited)

Costs for Federal Income Tax Purposes

As of May 31, 2016, for federal income tax purposes, subject to change, the aggregate cost of securities was \$297,089,019 and net unrealized appreciation was \$16,480,932, comprised of gross unrealized appreciation of \$36,131,912 and gross unrealized depreciation of \$19,650,980. The aggregate cost of investments for tax purposes will depend upon Japan Smaller Capitalization Fund, Inc. (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 generally accepted accounting principles ("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. 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, 2016.

Level	<u>Investments in Securities</u>
Level 1	
Equity Securities	\$313,569,951
Foreign Currency	5,387,263
Level 2	-
Level 3	-
Total	\$318,957,214

During the quarter ended May 31, 2016, there were no transfers between Level 1, Level 2, or Level 3 securities.

During the quarter ended May 31, 2016, 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: 7-25-16

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: 7-25-16

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

Date: 7-25-16

