

JAPAN SMALLER CAPITALIZATION FUND INC
Form N-Q
January 24, 2019

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.

(Exact name of registrant as specified in charter)

Worldwide Plaza
309 West 49th St
New York, New York 10019

(Address of principal executive offices)

Mr. Yutaka Itabashi
Japan Smaller Capitalization Fund, Inc.
Worldwide Plaza
309 West 49th St
New York, New York 10019

(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: September 1, 2018 – November 30, 2018

Item 1. Schedule of Investments
Japan Smaller Capitalization Fund, Inc.
November 30, 2018 (Unaudited)

	<u>Shares</u>	<u>Fair Value</u>
JAPANESE EQUITY SECURITIES		
Banks		
Fukuoka Financial Group, Inc. General banking services	53,000	\$1,208,588
The Akita Bank, Ltd. General banking services	147,700	3,033,746
The Bank of Okinawa, Ltd. General banking services	64,100	2,108,720
The Keiyo Bank, Ltd. General banking services	268,800	1,894,041
The Musashino Bank, Ltd. General banking services	81,100	2,192,954
The Taiko Bank, Ltd. General banking services	107,000	2,002,686
The Yamanashi Chuo Bank, Ltd. General banking services	105,900	1,551,167
Total Banks (4.0%)		13,991,902
Chemicals		
Adeka Corporation Manufactures chemical and food products	247,400	3,920,135
C. Uyemura & Co., Ltd. Plating chemicals	51,700	3,378,817
Fujikura Kasei Co., Ltd. Specialty coating materials and fine chemicals	1,059,500	5,916,440
Koatsu Gas Kogyo Co., Ltd. High-pressured gases and chemicals	646,800	5,053,170
Sakata Inx Corporation Manufactures printing ink	700,200	8,344,304
Sekisui Jushi Corporation Manufactures plastics and other resin materials	272,600	5,368,685
Shikoku Chemicals Corporation Manufactures chemical products	119,400	1,310,366
Tenma Corporation Manufactures synthetic resin products	358,900	6,597,299
T&K Toka Co., Ltd. Manufactures specialized inks for printing applications	195,100	2,070,687
Yushiro Chemical Industry Co., Ltd. Manufactures metalworking fluids	262,400	3,133,962
Total Chemicals (12.9%)		45,093,865
Construction		
Toenec Corporation	317,000	8,767,164

Edgar Filing: JAPAN SMALLER CAPITALIZATION FUND INC - Form N-Q

Construction of comprehensive building facilities		
Totetsu Kogyo Co., Ltd.	285,500	8,398,908
Operates construction-related businesses		
Yondenko Corporation	70,000	1,688,114
Construction of electrical distribution systems		
Yurtec Corporation	293,700	2,421,308
Engineering company		
Total Construction (6.1%)		21,275,494
Electric Appliances		
Koito Manufacturing Co., Ltd.	30,700	1,646,743
Manufactures lighting equipment		
Mabuchi Motor Co., Ltd.	88,000	3,065,486
Manufactures small motors		
Maxell Holdings, Ltd.	77,400	1,085,311
Manufactures media devices, batteries and electrical appliances		
Nissin Electric Co., Ltd.	99,900	836,790
Manufactures electric equipment		
Total Electric Appliances (1.9%)		6,634,330

Edgar Filing: JAPAN SMALLER CAPITALIZATION FUND INC - Form N-Q

Financing Business		
Hitachi Capital Corporation	151,800	3,750,377
General financial services		
Ricoh Leasing Company, Ltd.	138,400	4,504,232
Leasing and financial services		
Total Financing Business (2.4%)		8,254,609
Food		
Kameda Seika Co., Ltd.	52,900	2,497,415
Manufactures confectioneries		
Nichirei Corporation	84,700	2,391,012
Produces frozen foods and provides cold storage warehousing		
Total Food (1.4%)		4,888,427
Information and Communication		
NS Solutions Corporation	68,400	1,954,974
System consulting services and software development		
OBIC Co., Ltd.	26,400	2,281,094
Computer system integration		
Okinawa Cellular Telephone Company	249,200	8,241,917
Telecommunications		
Otsuka Corporation	55,900	1,880,812
Computer information system developer		
Total Information and Communication (4.1%)		14,358,797
Iron and Steel		
Chubu Steel Plate Co., Ltd.	266,000	1,464,306
Manufactures steel-related products		
Mory Industries Inc.	42,200	1,009,514
Manufactures steel tubing products		
Nichia Steel Works, Ltd.	2,063,900	6,126,166
Manufactures steel-related products		
Osaka Steel Co., Ltd.	491,400	8,660,690
Manufactures steel-related products		
Total Iron and Steel (4.9%)		17,260,676
Machinery		
Hisaka Works, Ltd.	122,100	1,024,894
Manufactures heat exchangers and other machinery		
Miura Co., Ltd.	82,100	2,187,453
Manufactures boilers and related products		
Nippon Pillar Packing Co., Ltd.	122,200	1,655,380
Manufactures mechanical seals		
Nitto Kohki Co., Ltd.	174,000	3,846,743
Manufactures machine tools and motor pumps		
Oiles Corporation	360,480	6,340,587
Manufactures bearing equipment		
Shibuya Corporation	17,100	622,790
Packing plant business		
Star Micronics Co., Ltd.	12,800	190,757

Edgar Filing: JAPAN SMALLER CAPITALIZATION FUND INC - Form N-Q

Manufactures machinery, electronic components, and precision parts		
Yamashin-Filter Corporation	55,600	443,194
Manufactures filters		
Total Machinery (4.7%)		16,311,798
Metal Products		
Dainichi Co., Ltd.	246,100	1,614,872
Manufactures oil heating equipment		
Neturen Co., Ltd.	473,500	4,270,613
Manufactures steel bars and induction heating equipment		
NHK Spring Co., Ltd.	183,600	1,633,294
Manufactures automobile-related products		
Piolax, Inc.	143,000	3,501,475
Manufactures automobile-related products		
Rinnai Corporation	57,700	4,136,856
Manufactures heating appliances and components		
Shinpo Co., Ltd.	1,800	18,232
Manufactures smokeless roasters		
Total Metal Products (4.3%)		15,175,342

Other Products		
Fuji Seal International, Inc.	28,200	1,015,881
Packaging-related materials and machinery		
Komatsu Wall Industry Co., Ltd.	24,700	455,776
Manufactures various partitions		
Nishikawa Rubber Co., Ltd.	187,100	3,383,241
Manufactures rubber automobile parts		
Pigeon Corporation	49,700	2,046,483
Manufactures baby care products		
The Pack Corporation	216,000	6,145,065
Manufactures paper and chemical products		
Total Other Products (3.7%)		13,046,446
Precision Instruments		
Nakanishi Inc.	106,700	2,014,928
Manufactures dental instruments		
Total Precision Instruments (0.6%)		2,014,928
Real Estate		
Daibiru Corporation	193,900	2,121,142
Real estate leasing and building management		
Sanyo Housing Nagoya Co., Ltd.	310,900	2,858,851
Designs and constructs housing		
Starts Corporation Inc.	85,000	1,986,964
Construction, leasing and management of real estate		
Total Real Estate (2.0%)		6,966,957
Retail Trade		
ABC-Mart, Inc.	56,600	3,180,587
Retail sales of shoes		
AIN Holdings Inc.	2,700	208,086
Operates pharmacies and drug store chains		
Amiyaki Tei Co., Ltd.	236,900	8,554,983
Operates barbecue restaurant chains		
Cosmos Pharmaceutical Corporation	30,800	6,247,624
Operates drug stores		
Create SD Holdings Co., Ltd.	209,600	5,713,762
Operates pharmacies and drug store chains		
Daikokutenbussan Co., Ltd.	207,900	8,212,723
Operates supermarkets		
Don Quijote Holdings Co., Ltd.	72,100	4,375,470
Operates discount stores		
Hiday Hidaka Corp	178,633	3,708,442
Operates restaurant chains		
Izumi Co., Ltd.	40,800	2,310,688
Operates shopping centers, real estate, and credit card services		
Japan Meat Co., Ltd.	121,800	2,132,720
Supermarket business and operation of eating-out stores		
JINS Inc.	30,700	1,898,216
Retail sales of eyewear and fashion accessories		

Edgar Filing: JAPAN SMALLER CAPITALIZATION FUND INC - Form N-Q

Kura Corporation	14,700	924,455
Operates a sushi restaurant chain		
Kusuri No Aoki Holdings Co., Ltd.	28,500	2,108,601
Operates drug stores		
NAFCO Co., Ltd.	76,700	1,235,604
Operates a chain of home and furniture retail outlets		
Saint Marc Holdings Co., Ltd.	20,300	495,990
Operates restaurant chains		
Saizeriya Co., Ltd.	508,300	9,715,163
Operates restaurants		
San-A Co., Ltd.	176,100	7,390,818
Retail sales of home goods		
Seria Co., Ltd.	89,800	3,816,312
Discount retail sales		
Sundrug Co., Ltd.	25,700	866,966
Operates pharmacies and drug store chains		
Yossix Co., Ltd.	13,900	407,077
Operates restaurant chains		
Total Retail Trade (20.9%)		73,504,287

Services		
EPS Holdings, Inc.	82,300	1,583,877
Performs contract medical research services		
H.I.S. Co., Ltd.	124,000	4,177,566
Travel business		
Nihon M&A Center Inc.	36,000	839,318
Provides merger and acquisition brokerage services		
Nippon Air Conditioning Services Co., Ltd.	406,200	2,722,669
Provides maintenance and management of building facilities		
Step Co., Ltd.	157,400	2,086,467
Operates preparatory schools		
Tear Corporation	77,900	473,431
Funeral business		
Total Services (3.4%)		11,883,328
Textiles and Apparel		
Seiren Co., Ltd.	329,900	5,515,041
Manufactures synthetic fibers and textile products		
Total Textiles and Apparel (1.6%)		5,515,041
Transportation and Warehousing		
Alps Logistics Co., Ltd.	253,100	1,988,508
General logistics services		
Japan Transcity Corporation	656,400	2,844,487
General logistics services		
Meiko Trans Co., Ltd.	397,500	4,033,294
Marine logistics services		
Trancom Co., Ltd.	27,800	1,596,477
General logistics services		
Total Transportation and Warehousing (3.0%)		10,462,766
Transportation Equipment		
Hi-Lex Corporation	164,700	3,510,583
Manufactures control cables		
Morita Holdings Corporation	85,100	1,677,490
Operates five business transportation segments		
Nippon Seiki Co., Ltd.	4,300	84,080
Manufactures transportation equipment parts		
Nissin Kogyo Co., Ltd.	55,500	735,209
Manufactures automobile brake systems		
Total Transportation Equipment (1.7%)		6,007,362
Utilities		
Keiyo Gas Co., Ltd.	97,200	2,356,908
Produces gas and energy products		
The Okinawa Electric Power Company, Incorporated	194,077	3,859,831
Produces thermal energy products		
Total Utilities (1.8%)		6,216,739

Edgar Filing: JAPAN SMALLER CAPITALIZATION FUND INC - Form N-Q

Wholesale Trade		
Ai Holdings Corporation	33,000	657,762
Information and security equipment		
Kanaden Corporation	324,400	3,740,165
Factory automation business		
Kohsoku Corporation	368,400	3,922,981
Food and industrial packaging materials		
Kondotec Inc.	64,800	589,584
Manufactures construction materials		
Matsuda Sangyo Co., Ltd.	350,400	4,604,719
Precious metals, electronic materials, and food		
Nagaileben Co., Ltd.	7,100	173,537
Medical wear business		
Paltac Corporation	46,100	2,468,737
Cosmetics and daily necessities		
Ryoden Corporation	819,600	11,550,271
Purchases electronic and electrical devices		
SIIX Corporation	699,800	11,144,038
Parts procurement, logistics, and manufacturing of electronics		
Sugimoto & Co., Ltd.	218,900	3,470,472
Machine tools and measuring instruments		
Techno Associe Co., Ltd.	413,100	4,377,146
Screws and nonferrous metal products		
Total Wholesale Trade (13.3%)		46,699,412
TOTAL INVESTMENTS IN JAPANESE EQUITY SECURITIES (98.7%)		\$345,562,506
FOREIGN CURRENCY		
Japanese Yen		
Interest bearing account		\$1,858,976
TOTAL FOREIGN CURRENCY (0.5%)		1,858,976
TOTAL INVESTMENTS IN JAPANESE EQUITY SECURITIES AND FOREIGN CURRENCY (99.2%)		\$347,421,482
OTHER ASSETS LESS LIABILITIES, NET (0.8%)		2,754,191
NET ASSETS (100%)		\$350,175,673

Portfolio securities and foreign currency holdings were translated at the following exchange rate as of November 30, 2018.

Japanese Yen JPY ¥ 113.535 = USD \$1.00

Notes to Schedule of Investments (Unaudited)

Costs for Federal Income Tax Purposes

As of November 30, 2018, for federal income tax purposes, subject to change, the aggregate cost of securities was \$346,883,307 and net unrealized depreciation was \$1,320,801, comprised of gross unrealized appreciation of \$14,348,727 and gross unrealized depreciation of \$15,669,528. 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 November 30, 2018, all of the Fund's investments were determined to be Level 1 securities.

During the quarter ended November 30, 2018, there were no transfers between Level 1, Level 2, or Level 3 securities.

During the quarter ended November 30, 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.

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: 1/24/2019

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: 1/24/2019

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

Date: 1/24/2019
