

JAPAN SMALLER CAPITALIZATION FUND INC
Form N-Q
January 25, 2010

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)

Two World Financial Center
Building B, 18th Floor
New York, New York 10281-1712

(Address of principal executive offices)

Shigeru Shinohara
Japan Smaller Capitalization Fund, Inc.
Two World Financial Center
Building B, 18th Floor
New York, New York 10281-1712

(Name and address of agent for service)

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

Date of fiscal year end: February 28, 2010

Date of reporting period: September 1, 2009 – November 30, 2009

Item 1. Schedule of Investments

JAPAN SMALLER CAPITALIZATION FUND, INC.
SCHEDULE OF INVESTMENTS
IN SECURITIES OF UNAFFILIATED ISSUERS
November 30, 2009

| | Shares | Cost | Market Value | Unrealized Gain/Loss | % of Net Assets |
|--|---------|-------------------|-------------------|-------------------------|-----------------------|
| COMMON STOCKS | | | | | |
| Banks and Finance | | | | | |
| The Aichi Bank, Ltd. General banking services | 27,500 | \$ 2,558,514 | \$ 2,219,158 | \$ (339,356) | 1.3 |
| The Bank of Iwate, Ltd. General banking services | 29,000 | 1,682,057 | 1,798,084 | 116,027 | 1.0 |
| The Hachijuni Bank, Ltd. General banking services | 268,000 | 1,648,133 | 1,717,689 | 69,556 | 1.0 |
| The Keiyo Bank, Ltd. General banking services | 377,000 | 1,825,568 | 1,952,302 | 126,734 | 1.1 |
| The Musashino Bank, Ltd. Regional bank | 95,900 | 3,521,527 | 2,555,478 | (966,049) | 1.4 |
| The San-in Godo Bank, Ltd. General banking services | 293,000 | 2,543,073 | 2,639,977 | 96,904 | 1.5 |
| Total Banks and Finance | | 13,778,872 | 12,882,688 | (896,184) | 7.3 |
| Chemicals and Pharmaceuticals | | | | | |
| Adeka Corporation Resin products | 264,300 | 2,517,173 | 2,433,555 | (83,618) | 1.4 |
| Daicel Chemical Industries, Ltd. Organic/inorganic chemicals | 614,000 | 2,865,968 | 3,664,395 | 798,427 | 2.1 |
| Hitachi Chemical Company, Ltd. Semiconductor materials | 99,800 | 1,738,143 | 1,961,816 | 223,673 | 1.0 |
| Lintec Corporation Adhesive products | 96,100 | 1,548,244 | 1,835,524 | 287,280 | 1.0 |
| Nippon Shokubai Co., Ltd. Synthetic resins | 186,000 | 1,424,124 | 1,688,848 | 264,724 | 1.0 |
| Rohto Pharmaceutical Co., Ltd. Pharmaceuticals manufacturer | 214,000 | 2,427,766 | 2,768,023 | 340,257 | 1.6 |
| Total Chemicals and Pharmaceuticals | | 12,521,418 | 14,352,161 | 1,830,743 | 8.1 |
| Electronics | | | | | |
| Taiyo Yuden Co., Ltd. Electronic components | 212,000 | 1,504,018 | 2,183,385 | 679,367 | 1.3 |
| Yaskawa Electric Corporation. | 286,000 | 1,807,713 | 2,148,528 | 340,815 | 1.2 |

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| | | | | | |
|---|---------|-----------|-----------|------------|-----|
| Servomotors and industrial robots | | | | | |
| Total Electronics | | 3,311,731 | 4,331,913 | 1,020,182 | 2.5 |
| Food Manufacturing | | | | | |
| Doutor Nichires Holdings Co., Ltd. | 124,000 | 2,117,658 | 1,788,192 | (329,466) | 1.0 |
| Coffee and restaurant chain | | | | | |
| Hokuto Corporation | 96,400 | 1,942,339 | 2,111,006 | 168,667 | 1.2 |
| Mushrooms | | | | | |
| Nippon Flour Mills Co., Ltd. | 309,000 | 1,417,943 | 1,679,094 | 261,151 | 1.0 |
| Flour | | | | | |
| Total Food Manufacturing | | 5,477,940 | 5,578,292 | 100,352 | 3.2 |
| Machinery and Machine Tools | | | | | |
| Mimasu Semiconductor Industry Co., Ltd. | 156,800 | 1,718,836 | 1,938,949 | 220,113 | 1.1 |
| Silicon and gallium | | | | | |
| Modec, Inc. | 91,200 | 1,667,063 | 1,751,464 | 84,401 | 1.0 |
| Extraction machinery for marine use | | | | | |
| Total Machinery and Machine Tools | | 3,385,899 | 3,690,413 | 304,514 | 2.1 |

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SCHEDULE OF INVESTMENTS
IN SECURITIES OF UNAFFILIATED ISSUERS
November 30, 2009

| | Shares | Cost | Market Value | Unrealized Gain/Loss | % of Net Assets |
|---|---------|--------------|-----------------|-------------------------|-----------------------|
| Miscellaneous Manufacturing | | | | | |
| Kansai Paint Co., Ltd. Paint | 354,000 | \$ 2,145,602 | \$ 3,070,398 | \$ 924,796 | 1.7 |
| Nihon Kohden Corporation Medical equipment | 136,500 | 2,000,240 | 2,420,151 | 419,911 | 1.4 |
| Tokai Rubber Industries, Ltd. Rubber and plastic products | 162,700 | 2,512,693 | 1,715,316 | (797,377) | 1.0 |
| Total Miscellaneous Manufacturing | | 6,658,535 | 7,205,865 | 547,330 | 4.1 |
| Real Estate and Warehouse | | | | | |
| Daibiru Corporation Leases office buildings, apartments and hotels | 371,300 | 3,666,539 | 2,884,176 | (782,363) | 1.7 |
| Sekisui Chemical Co., Ltd. Prefabricated residential housing | 296,000 | 1,946,381 | 1,766,549 | (179,832) | 1.0 |
| Sumitomo Real Estate Sales Co., Ltd. Brokerage Services | 48,160 | 1,804,487 | 1,973,931 | 169,444 | 1.1 |
| Total Real Estate and Warehouse | | 7,417,407 | 6,624,656 | (792,751) | 3.8 |
| Restaurants | | | | | |
| Hiday Hidaka Corp. Chinese restaurant chain | 150,000 | 1,379,030 | 1,795,646 | 416,616 | 1.0 |
| Retail | | | | | |
| Canon Marketing Japan Inc. Canon products distributor | 138,800 | 1,980,774 | 2,043,523 | 62,749 | 1.1 |
| Shimachu Co., Ltd. Furniture store chain | 103,200 | 2,432,871 | 2,234,752 | (198,119) | 1.3 |
| Xebio Co., Ltd. Sporting goods | 99,900 | 2,018,436 | 2,057,737 | 39,301 | 1.2 |
| Total Retail | | 6,432,081 | 6,336,012 | (96,069) | 3.6 |
| Services | | | | | |
| Fuyo General Lease Co., Ltd. Machinery Leasing | 178,800 | 4,034,178 | 4,017,161 | (17,017) | 2.3 |
| NEC Networks & System Integration Corporation Communication systems | 159,600 | 1,976,991 | 1,977,280 | 289 | 1.1 |
| Nissay Dowa General Insurance Co., Ltd. | 516,000 | 2,479,683 | 2,570,264 | 90,581 | 1.5 |

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| | | | | | |
|---|---------|-------------------|-------------------|------------------|-------------|
| Automobile, fire, accident, and marine insurance | | | | | |
| Rakuten, Inc. Manages consumer websites | 4,571 | 2,636,350 | 3,704,567 | 1,068,217 | 2.1 |
| Total Services | | 11,127,202 | 12,269,272 | 1,142,070 | 7.0 |
| Transportation | | | | | |
| Kintetsu World Express Inc. Distribution services | 101,500 | 2,186,395 | 2,704,702 | 518,307 | 1.5 |
| Senko Co., Ltd. Trucking and warehousing | 474,000 | 1,658,462 | 1,733,643 | 75,181 | 1.0 |
| Total Transportation | | 3,844,857 | 4,438,345 | 593,488 | 2.5 |
| Wholesale | | | | | |
| Hitachi High-Technologies Corporation Electronic components | 149,200 | 2,932,888 | 2,446,100 | (486,788) | 1.3 |
| TOTAL INVESTMENTS IN COMMON STOCKS | | 78,267,860 | 81,951,363 | 3,683,503 | 46.5 |

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JAPAN SMALLER CAPITALIZATION FUND, INC.
SCHEDULE OF INVESTMENTS
IN SECURITIES OF UNAFFILIATED ISSUERS
November 30, 2009

| | Principal Amount | Cost | Market Value | Unrealized Gain/Loss | % of Net Assets |
|--|---------------------|---------------|-----------------|-------------------------|-----------------------|
| INVESTMENTS IN FOREIGN CURRENCY | | | | | |
| Hong Kong Shanghai Bank- Tokyo | | | | | |
| Non- interest bearing account | JPY 176,761,212 | \$ 2,050,454 | \$ 2,052,380 | \$ 1,926 | 1.2 |
| TOTAL INVESTMENTS IN FOREIGN CURRENCY | | 2,050,454 | 2,052,380 | 1,926 | 1.2 |
| TOTAL INVESTMENTS | | \$ 80,318,314 | \$ 84,003,743 | \$ 3,685,429 | 47.7 |
| OTHER ASSETS LESS LIABILITIES, NET | | | 92,257,608 | | 52.3 |
| NET ASSETS | | | \$ 176,261,351 | | 100.0 |

+ Non-Income Producing Security.

* Aggregate gross unrealized appreciation for all securities in which there is an excess of value over tax cost was \$7,865,414.

Aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$4,179,985.

Portfolio securities and foreign currency holdings were translated at the
following exchange rate as of November 30, 2009.

Japanese Yen 86.125 =\$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/ Shigeru Shinohara
Shigeru Shinohara, President
(Principal Executive Officer)

Date: January 25, 2010

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/ Rita Chopra-Brathwaite
Rita Chopra-Brathwaite, Treasurer
(Principal Financial Officer)

Date: January 25, 2010