

JAPAN SMALLER CAPITALIZATION FUND INC
Form N-Q
July 19, 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, 2011

Date of reporting period: March 1, 2010 – May 31, 2010

Item 1. Schedule of Investments.

JAPAN SMALLER CAPITALIZATION FUND, INC.
SCHEDULE OF INVESTMENTS
IN SECURITIES OF UNAFFILIATED ISSUERS
May 31, 2010

	Shares	Cost	Market Value	Unrealized Gain/Loss	% of Net Assets
COMMON STOCKS					
Automotive Equipment and Parts					
Exedy Corporation	82,000	\$1,080,211	\$2,027,991	\$947,780	1.1
Drivetrain products					
Keihin Corporation	119,300	1,625,586	2,191,184	565,598	1.2
Automotive and machinery parts					
Total Automotive Equipment and Parts		2,705,797	4,219,175	1,513,378	2.3
Banks and Finance					
The Aichi Bank, Ltd.	27,500	2,558,514	1,723,008	(835,506)	1.0
General banking services					
The Keiyo Bank, Ltd.	369,000	1,781,156	1,775,621	(5,535)	1.0
General banking services					
The San-in Godo Bank, Ltd.	268,000	2,302,964	1,891,626	(411,338)	1.1
General banking services					
Total Banks and Finance		6,642,634	5,390,255	(1,252,379)	3.1
Chemicals and Pharmaceuticals					
Adeka Corporation	212,300	2,012,697	1,968,360	(44,337)	1.1
Resin products					
Daicel Chemical Industries, Ltd.	540,000	2,546,690	3,728,239	1,181,549	2.1
Organic/inorganic chemicals					
Hitachi Chemical Company, Ltd.	170,800	3,232,629	3,347,729	115,100	1.9
Semiconductor materials					
Lintec Corporation	142,300	2,463,372	2,547,815	84,443	1.4
Adhesive products					
Miraca Holdings Inc.	80,500	2,175,417	2,372,939	197,522	1.3
Medical drugs and equipment					
Rohto Pharmaceutical Co., Ltd.	214,000	2,427,766	2,415,350	(12,416)	1.3
Pharmaceuticals manufacturer					
Total Chemicals and Pharmaceuticals		14,858,571	16,380,432	1,521,861	9.1
Electronics					
Fuji Machine Mfg. Co., Ltd.	115,200	1,640,376	1,978,880	338,504	1.1
Automated assembly machines					
Sanshin Electronics Co., Ltd.	225,300	2,575,850	1,912,749	(663,101)	1.1
Semiconductors					

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Shinko Electric Industries Co., Ltd. Semiconductor packages	125,200	1,531,668	1,825,302	293,634	1.0
Yaskawa Electric Corporation Servomotors and industrial robots	389,000	2,505,715	3,062,655	556,940	1.7
Total Electronics		8,253,609	8,779,586	525,977	4.9
Food Manufacturing					
Fuji Oil Co., Ltd. Mushrooms	163,600	2,110,297	2,177,971	67,674	1.2
Information and Software					
Otsuka Corporation Computer information system developer	38,700	2,258,478	2,518,494	260,016	1.4
Iron and Steel					
Hanwa Co., Ltd. Steel imports/exports	535,000	2,170,770	2,097,231	(73,539)	1.2
Neturen Co., Ltd. Induction hardening equipment	268,700	2,414,450	1,866,979	(547,471)	1.0
Total Iron and Steel		4,585,220	3,964,210	(621,010)	2.2
Machinery and Machine Tools					
Mimasu Semiconductor Industry Co., Ltd. Silicon and gallium	149,200	1,638,044	1,882,764	244,720	1.0
Misumi Group Inc. Precision machinery parts	130,900	2,022,132	2,454,690	432,558	1.3
Total Machinery and Machine Tools		3,660,176	4,337,454	677,278	2.3

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May 31, 2010

	Shares	Cost	Market Value	Unrealized Gain/Loss	% of Net Assets
Miscellaneous Manufacturing					
Horiba, Ltd. Measuring instruments and analyzers	61,700	\$1,433,883	\$1,706,661	\$272,778	1.0
Kansai Paint Co., Ltd. Paint	361,000	2,249,025	2,925,684	676,659	1.6
Nihon Kohden Corporation Medical equipment	136,500	2,000,240	2,700,991	700,751	1.5
Nitta Corporation Processed rubber products	122,600	1,797,265	1,968,296	171,031	1.1
Total Miscellaneous Manufacturing		7,480,413	9,301,632	1,821,219	5.2
Real Estate and Warehouse					
Daibiru Corporation Leases office buildings, apartments and hotels	306,800	3,171,272	2,483,048	(688,224)	1.4
Sekisui Chemical Co., Ltd. Prefabricated residential housing	526,000	3,539,817	3,260,893	(278,924)	1.8
Sumitomo Real Estate Sales Co., Ltd. Brokerage Services	57,920	2,223,834	2,649,976	426,142	1.5
Total Real Estate and Warehouse		8,934,923	8,393,917	(541,006)	4.7
Retail					
Don Quijote Co., Ltd. Discount stores	76,800	1,923,852	1,991,565	67,713	1.1
Heiwado Co., Ltd. Supermarkets	152,400	1,911,404	1,892,938	(18,466)	1.1
Shimachu Co., Ltd. Furniture store chain	103,200	2,432,871	1,942,067	(490,804)	1.1
Xebio Co., Ltd. Sporting goods	108,400	2,181,451	2,023,212	(158,239)	1.1
Total Retail		8,449,578	7,849,782	(599,796)	4.4
Services					
Daiseki Co., Ltd. Waste disposal	99,000	2,058,615	2,004,746	(53,869)	1.1
Fuyo General Lease Co., Ltd. Machinery Leasing	110,900	2,072,318	2,879,504	807,186	1.6
NEC Networks & System Integration Corporation	192,100	2,377,054	2,354,317	(22,737)	1.3

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Communication systems					
Yahoo Japan Corporation	5,480	2,073,490	1,927,941	(145,549)	1.1
Internet					
Total Services		8,581,477	9,166,508	585,031	5.1
Telecommunications					
Hitachi Kokusai Electric Inc.	232,000	1,835,498	2,156,120	320,622	1.2
Wireless communication equipment					
Textiles and Apparel					
ABC-Mart, Inc.	87,200	2,990,807	3,019,810	29,003	1.7
Shoes					
Transportation					
Kintetsu World Express Inc.	133,900	3,060,254	3,206,877	146,623	1.8
Distribution services					
Seino Holdings Co., Ltd.	248,000	1,457,038	1,725,882	268,844	1.0
Comprehensive services					
Senko Co., Ltd.	474,000	1,658,462	1,931,179	272,717	1.0
Trucking and warehousing					
Total Transportation		6,175,754	6,863,938	688,184	3.8
TOTAL INVESTMENTS IN COMMON STOCKS		\$89,523,232	\$94,519,284	\$4,996,052	52.6

JAPAN SMALLER CAPITALIZATION FUND, INC.
 SCHEDULE OF INVESTMENTS
 IN SECURITIES OF UNAFFILIATED ISSUERS
 May 31, 2010

	Principal	Cost	Market Value	Unrealized Gain/Loss	% of Net Assets
INVESTMENTS IN FOREIGN CURRENCY					
Hong Kong Shanghai Bank-Tokyo					
Non- interest bearing account	JPY 79,930,708	\$885,366	\$880,149	\$(5,217)	0.4
TOTAL INVESTMENTS IN FOREIGN CURRENCY		885,366	880,149	(5,217)	0.4
TOTAL INVESTMENTS		\$90,408,598	\$95,399,433	\$4,990,835	53.0
OTHER ASSETS LESS LIABILITIES, NET			84,423,566		47.0
			\$ 179,822,999		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 \$ 9,446,107.

Aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$ 4,455,272.

Portfolio securities and foreign currency holdings were translated at the following exchange rate as of May 31, 2010.

Japanese Yen	90.815	=\$1.00
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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: July 19, 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: July 19, 2010