

JAPAN SMALLER CAPITALIZATION FUND INC  
Form N-Q  
July 02, 2007

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: 811-5992

JAPAN SMALLER CAPITALIZATION FUND, INC.

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(Exact name of registrant as specified in charter)

Two World Financial Center  
Building B, 22nd Floor  
New York, New York 10281-1712

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(Address of principal executive offices)

Shigeru Shinohara  
Japan Smaller Capitalization Fund, Inc.  
Two World Financial Center  
Building B, 22nd Floor  
New York, New York 10281-1712

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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 29, 2008

Date of reporting period: March 1, 2007 – May 31, 2007

**Item 1. Schedule of Investments**

**JAPAN SMALLER CAPITALIZATION FUND, INC.  
SCHEDULE OF INVESTMENTS  
IN SECURITIES OF UNAFFILIATED ISSUERS  
May 31, 2007**

	<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/Loss</u>	<u>% of Net Assets</u>
<b>COMMON STOCKS</b>					

**Automotive Equipment and Parts**

Eagle Industry Co., Ltd. <i>Valves and mechanical seals</i>	369,000	\$ 3,789,191	\$ 4,652,088	\$ 862,897	2.0
Futaba Industrial Co., Ltd. <i>Exhaust system parts</i>	208,300	4,706,392	5,149,546	443,154	2.2
Nittan Valve Co, Ltd. <i>Engine valves</i>	344,200	2,944,938	2,739,352	(205,586)	1.1
Tokai Rika Co., Ltd. <i>Electronic parts</i>	140,400	3,458,877	3,643,908	185,031	1.5
<b>Total Automotive Equipment and Parts</b>		14,899,398	16,184,894	1,285,496	6.8

**Banks and Finance**

Asset Managers Co., Ltd. <i>Real state funds</i>	2,587	5,202,357	3,718,328	(1,484,029)	1.6
The Hachijuni Bank, Ltd. <i>General banking services</i>	309,000	2,311,888	2,357,693	45,805	1.0
Iwai Securities Co., Ltd. <i>Financial services</i>	151,300	3,806,363	2,783,557	(1,022,806)	1.2
Kansai Urban Banking Corporation <i>General banking services</i>	1,057,000	4,435,175	4,114,969	(320,206)	1.7
<b>Total Banks and Finance</b>		15,755,783	12,974,547	(2,781,236)	5.5

**Chemicals and Pharmaceuticals**

Hisamitsu Pharmaceutical Co., Inc. <i>Salonpas brand pharmaceuticals</i>	127,200	3,551,680	3,572,946	21,266	1.5
Nissan Chemical Industries, Ltd. <i>Chemical producer</i>	279,000	3,371,675	3,024,763	(346,912)	1.3
Taiyo Ink Mfg. Co., Ltd. <i>Resist inks for printed circuit boards</i>	139,600	3,734,109	3,726,336	(7,773)	1.6
<b>Total Chemicals and Pharmaceuticals</b>		10,657,464	10,324,045	(333,419)	4.4

**Electric**

Mirai Co., Ltd. <i>Plastic molded electric materials</i>	271,800	2,607,161	3,538,278	931,117	1.5
<b>Total Electric</b>		2,607,161	3,538,278	931,117	1.5

**Electronics**

Daishinku Corp. <i>Monolithic crystal filters</i>	405,000	2,454,688	2,411,605	(43,083)	1.0
Macnica, Inc. <i>Semiconductors</i>	93,700	2,757,685	2,362,605	(395,080)	1.0
Meiko Electronics Co., Ltd <i>Printed circuit boards</i>	114,900	4,917,049	3,737,046	(1,180,003)	1.6
<b>Total Electronics</b>		10,129,422	8,511,256	(1,618,166)	3.6

**Food Manufacturing**

Ozeki Co., Ltd. <i>Supermarket chain</i>	120,600	3,535,682	3,080,498	(455,184)	1.3
<b>Total Food Manufacturing</b>		3,535,682	3,080,498	(455,184)	1.3

**Information and Software**

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Sorun Corporation <i>Computer software development</i>	558,700	4,330,752	4,249,158	(81,594)	1.8
SRA Holdings, Inc. <i>Business application software</i>	254,900	3,278,299	3,799,791	521,492	1.6
<b>Total Information and Software</b>		7,609,051	8,048,949	439,898	3.4
<b>Machinery and Machine Tools</b>					
Disco Corporation <i>Cutting &amp; grinding industrial machinery</i>	71,900	4,566,437	4,033,321	(533,116)	1.7
Hitachi Construction Machinery Co., Ltd. <i>Construction machinery</i>	81,100	2,072,643	2,710,993	638,350	1.1
Makino Milling Machine Co., Ltd. <i>Industrial machinery</i>	175,000	2,115,266	2,314,073	198,807	1.0
	<b>Shares</b>	<b>Cost</b>	<b>Market Value</b>	<b>Unrealized Gain/Loss</b>	<b>% of Net Assets</b>
Yamatake Corporation <i>Industrial automation equipment</i>	167,200	\$ 4,043,885	\$ 4,627,851	\$ 583,966	2.0
Yokohama Rubber Company, Ltd. <i>Rubber products</i>	589,000	3,507,281	4,247,398	740,117	1.8
Yuken Kogyo Co., Ltd. <i>Hydraulic equipment</i>	626,000	2,226,520	2,318,804	92,284	1.0
<b>Total Machinery and Machine Tools</b>		18,532,032	20,252,440	1,720,408	8.6
<b>Miscellaneous Manufacturing</b>					
Dowa Holdings, Co., Ltd. <i>Various metal-related products</i>	346,000	3,392,928	3,333,399	(59,529)	1.4
Mani, Inc. <i>Medical goods and equipment</i>	67,200	1,821,924	3,532,340	1,710,416	1.5
Nichias Corporation <i>Building and construction materials</i>	871,000	5,592,440	8,620,221	3,027,781	3.7
Tokai Rubber Industries, Ltd. <i>Rubber and plastic products</i>	256,000	3,912,198	4,594,144	681,946	1.9
<b>Total Miscellaneous Manufacturing</b>		14,719,490	20,080,104	5,360,614	8.5
<b>Real Estate and Warehouse</b>					
Daibiru Corporation <i>Leases office buildings, apartments and hotels</i>	272,600	2,509,149	4,408,438	1,899,289	1.9
Suruga Corporation. <i>Multi-unit commercial and residential building</i>	253,800	5,703,228	5,878,329	175,101	2.5
<b>Total Real Estate and Warehouse</b>		8,212,377	10,286,767	2,074,390	4.4
<b>Retail</b>					
Shimamura Co., Ltd. <i>Clothing chain</i>	28,700	2,826,823	3,085,565	258,742	1.3
Village Vanguard Co., Ltd. <i>Books, cd's, videos and office supplies</i>	452	2,484,059	2,535,551	51,492	1.1
Yaoko Co., Ltd.	115,200	2,686,389	2,933,103	246,714	1.2

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<i>Supermarkets</i>					
<b>Total Retail</b>		7,997,271	8,554,219	556,948	3.6
<b>Services</b>					
Aeon Delight Co., Ltd.	172,500	3,874,684	4,462,856	588,172	1.9
<i>Building management</i>					
Chintai Corporation	4,002	3,280,253	2,238,398	(1,041,855)	1.0
<i>Real estate information magazines</i>					
DTS Corporation	125,800	4,364,217	3,802,259	(561,958)	1.6
<i>System and network engineering</i>					
Meiko Network Japan Co., Ltd.	582,200	3,264,355	2,878,604	(385,751)	1.2
<i>Private schools and academic tutoring</i>					
Resorttrust, Inc.	103,100	2,388,444	2,345,587	(42,857)	1.0
<i>Timeshare resort hotels</i>					
Tempstaff Co., Ltd.	2,729	4,274,438	3,608,632	(665,806)	1.5
<i>Employment and outsourcing</i>					
<b>Total Services</b>		21,446,391	19,336,336	(2,110,055)	8.2
<b>Telecommunications</b>					
Jupiter Telecommunications Co., Ltd †	7,337	5,543,231	6,086,296	543,065	2.5
<i>Cable television broadcasting</i>					
<b>Total Telecommunications</b>		5,543,231	6,086,296	543,065	2.5
<b>Textiles and Apparel</b>					
Workman Co., Ltd.	90,900	1,968,253	3,732,906	1,764,653	1.6
<i>Uniforms</i>					
<b>Total Textiles and Apparel</b>		1,968,253	3,732,906	1,764,653	1.6
<b>Wholesale</b>					
Nagase & Company, Ltd.	318,000	4,037,450	4,113,589	76,139	1.7
<i>Dyestuff</i>					
<b>Total Wholesale</b>		4,037,450	4,113,589	76,139	1.7
<b>TOTAL INVESTMENTS IN COMMON STOCKS</b>		\$ 147,650,456	\$ 155,105,124	\$ 7,454,668	65.6
<b>OTHER ASSETS LESS LIABILITIES, NET</b>			81,534,519		34.4
<b>NET ASSETS</b>			\$ 236,639,643		100.0

† Non-Income Producing Security

\* Aggregate gross unrealized appreciation for all securities in which there is an exceed of value over tax cost was \$ 16,287,796.

Aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$ 8,833,128.

Portfolio securities and foreign currency holdings were translated at the following exchange rate as of May 31, 2007.

Japanese Yen

121.76      = \$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.

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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/ Shigeru Shinohara  
Shigeru Shinohara, President  
(Principal Executive Officer)

Date: June 29, 2007

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/ Shigeru Shinohara  
Shigeru Shinohara, President  
(Principal Executive Officer)

Date: June 29, 2007

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

Date: June 29, 2007