

JAPAN SMALLER CAPITALIZATION FUND INC  
Form N-Q  
July 16, 2008

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)

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, 2008 – May 31, 2008

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## Item 1. Schedule of Investments

JAPAN SMALLER CAPITALIZATION FUND, INC.  
SCHEDULE OF INVESTMENTS  
IN SECURITIES OF UNAFFILIATED ISSUERS  
May 31, 2008

	Shares	Cost	Market Value	Unrealized Gain/Loss	% of Net Assets
<b>COMMON STOCKS</b>					
<b>Automotive Equipment and Parts</b>					
Eagle Industry Co., Ltd. Valves and mechanical seals	380,000	\$ 3,921,447	\$ 3,368,411	\$ (553,036)	1.6
EXEDY Corporation Drivetrain products	83,500	2,223,884	2,216,534	(7,350)	1.0
Futaba Industrial Co., Ltd. Exhaust system parts	169,800	4,196,763	4,282,025	85,262	2.1
<b>Total Automotive Equipment and Parts</b>		<b>10,342,094</b>	<b>9,866,970</b>	<b>(475,124)</b>	<b>4.7</b>
<b>Banks and Finance</b>					
The Hachijuni Bank, Ltd. General banking services	306,000	2,214,334	2,117,747	(96,587)	1.0
Kansai Urban Banking Corporation General banking services	892,000	3,335,098	2,663,823	(671,275)	1.3
The Mie Bank, Ltd. General banking services	399,000	1,985,668	2,201,536	215,868	1.1
The Musashino Bank, Ltd. Regional bank	63,000	2,504,563	2,908,703	404,140	1.4
Seven Bank, Ltd.† General banking services	1,066	2,002,265	2,021,236	18,971	1.0
The Tokyo Tomin Bank, Limited General banking services	131,800	2,836,693	2,786,443	(50,250)	1.3
<b>Total Banks and Finance</b>		<b>14,878,621</b>	<b>14,699,488</b>	<b>(179,133)</b>	<b>7.1</b>
<b>Chemicals and Pharmaceuticals</b>					
Adeka Corporation Resin products	327,900	3,187,915	2,990,518	(197,397)	1.4
Air Water Inc. Industrial gases	280,000	2,738,239	3,448,237	709,998	1.7
Denki Kagaku Kogyo Kabushiki Kaisha Chemical manufacturer	586,000	2,133,425	2,400,000	266,575	1.2
Kuraray Co., Ltd. Synthetic and chemical fibers	400,500	4,815,891	5,053,712	237,821	2.4
Rohto Pharmaceutical Co., Ltd. Pharmaceuticals manufacturer	312,000	3,680,927	3,732,878	51,951	1.8
<b>Total Chemicals and Pharmaceuticals</b>		<b>16,556,397</b>	<b>17,625,345</b>	<b>1,068,948</b>	<b>8.5</b>
<b>Electric</b>					

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Mirai Industry Co., Ltd.	192,300	1,389,054	2,167,659	778,605	1.0
Plastic molded electric materials					
Total Electric		1,389,054	2,167,659	778,605	1.0
Electronics					
Daishinku Corp.	448,000	2,698,840	2,327,493	(371,347)	1.1
Monolithic crystal filters					
Hamamatsu Photonics K.K.	106,300	3,118,371	3,154,333	35,962	1.5
Semiconductors					
Total Electronics		5,817,211	5,481,826	(335,385)	2.6
Food Manufacturing					
Toyo Suisan Kaisha, Ltd.	118,000	1,889,052	2,539,439	650,387	1.2
Fisheries					
Total Food Manufacturing		1,889,052	2,539,439	650,387	1.2
Information and Software					
Itochu Techno-Solutions Corporation	56,500	1,994,692	2,067,596	72,904	1.0
Computer network systems					
Total Information and Software		1,994,692	2,067,596	72,904	1.0

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	Shares	Cost	Market Value	Unrealized Gain/Loss	% of Net Assets
Iron and Steel					
Hanwa Co., Ltd. Steel imports/exports	693,000	\$ 3,101,536	\$ 4,401,877	\$ 1,300,341	2.1
Neturen Co., Ltd. Induction hardening equipment	226,400	2,235,484	2,519,848	284,364	1.2
Osaka Steel Co., Ltd. Electric furnace steelmaker	151,600	2,588,729	2,234,907	(353,822)	1.1
<b>Total Iron and Steel</b>		<b>7,925,749</b>	<b>9,156,632</b>	<b>1,230,883</b>	<b>4.4</b>
Machinery and Machine Tools					
Disco Corporation Cutting and grinding industrial machinery	66,100	4,225,337	3,402,759	(822,578)	1.6
O-M Ltd. Automatic packaging equipment	263,000	1,330,890	2,029,598	698,708	1.0
<b>Total Machinery and Machine Tools</b>		<b>5,556,227</b>	<b>5,432,357</b>	<b>(123,870)</b>	<b>2.6</b>
Miscellaneous Manufacturing					
Mani, Inc. Medical goods and equipment	29,100	1,279,364	1,972,554	693,190	1.0
Tokai Rubber Industries, Ltd. Rubber and plastic products	290,300	4,653,216	3,919,105	(734,111)	1.8
<b>Total Miscellaneous Manufacturing</b>		<b>5,932,580</b>	<b>5,891,659</b>	<b>(40,921)</b>	<b>2.8</b>
Oil and Gas					
AOC Holdings, Inc. Refines crude oil, natural gas, and minerals	253,900	3,920,138	3,172,546	(747,592)	1.5
<b>Total Oil and Gas</b>		<b>3,920,138</b>	<b>3,172,546</b>	<b>(747,592)</b>	<b>1.5</b>
Real Estate and Warehouse					
Daibiru Corporation Leases office buildings, apartments and hotels	319,100	3,192,891	3,657,489	464,598	1.8
Sekisui Chemical Co., Ltd. Prefabricated residential housing	399,000	2,667,094	2,924,033	256,939	1.4
<b>Total Real Estate and Warehouse</b>		<b>5,859,985</b>	<b>6,581,522</b>	<b>721,537</b>	<b>3.2</b>
Restaurants					
Hiday Hidaka Corp. Chinese restaurant chain	247,400	2,187,821	2,129,685	(58,136)	1.0

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Total Restaurants		2,187,821	2,129,685	(58,136)	1.0
Retail					
Cawachi Limited	118,300	3,091,507	3,465,557	374,050	1.7
Drug store chain					
Felissimo Corporation	100,000	2,450,254	2,095,184	(355,070)	1.0
Catalog shopping					
Village Vanguard Co., Ltd.	483	2,671,178	2,752,019	80,841	1.3
Books, cd's, videos and office supplies					
Yaoko Co., Ltd.	81,100	2,002,259	2,444,994	442,735	1.2
Supermarkets					
Total Retail		10,215,198	10,757,754	542,556	5.2
Services					
Fuyo General Lease Co., Ltd.	78,100	2,259,901	2,317,529	57,628	1.1
Machinery Leasing					
Meiko Network Japan Co., Ltd.	511,100	2,916,082	2,422,734	(493,348)	1.2
Private schools and academic tutoring					
Moshi Moshi Hotline, Inc.	115,850	3,026,784	2,992,902	(33,882)	1.4
Marketing					
Nissay Dowa General Insurance Company, Limited	351,000	2,045,780	2,113,055	67,275	1.0
Automobile, fire, accident, and marine insurance					

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OBIC Co., Ltd. Computer system integration	16,690	\$ 2,981,627	\$ 2,924,073	\$ (57,554)	1.4
Yahagi Construction Co. Ltd. General contractor	469,000	2,811,960	2,818,980	7,020	1.4
Total Services		16,042,134	15,589,273	(452,861)	7.5
Telecommunications					
Jupiter Telecommunications Co., Ltd.†	5,990	4,489,401	5,048,455	559,054	2.4
Cable television broadcasting					
Total Telecommunications		4,489,401	5,048,455	559,054	2.4
Textiles and Apparel					
Workman Co., Ltd. Uniforms	181,900	1,970,079	2,740,227	770,148	1.3
Total Textiles and Apparel		1,970,079	2,740,227	770,148	1.3
Wholesale					
Hitachi High-Technologies Corporation	103,000	2,152,594	2,343,572	190,978	1.1
Electronic components					
Nagase & Company, Ltd. Dyestuff	205,000	2,630,139	2,454,636	(175,503)	1.2
Total Wholesale		4,782,733	4,798,208	15,475	2.3
TOTAL INVESTMENTS IN COMMON STOCKS		\$ 121,749,166	\$ 125,746,641	\$ 3,997,475	60.3
INVESTMENT OF CASH COLLATERAL FOR SECURITIES LOANED					
Securities Lending Investment Fund, a series of the Brown Brothers Investment Trust			\$ 7,341,663		3.5
TOTAL INVESTMENTS		\$ 121,749,166	\$ 133,088,304	\$ 3,997,475	63.8
ASSETS IN EXCESS OF OTHER LIABILITIES, NET					
			75,540,615		36.2
NET ASSETS			\$ 208,628,919		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 \$ 9,776,313.

Aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$ 5,778,838.

Portfolio securities and foreign currency holdings were translated at the following exchange rate as of May 31, 2008.

Japanese Yen	105.48	=\$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, as amended, and the Investment Company Act of 1940, as amended, 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 16, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, and the Investment Company Act of 1940, as amended, 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 16, 2008