

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

Hiroshi Terasaki  
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 28, 2007

Date of reporting period: June 1, 2006 - November 30, 2006

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**Item 1. Schedule of Investments**

**JAPAN SMALLER CAPITALIZATION FUND, INC.**  
**SCHEDULE OF INVESTMENTS**  
**IN SECURITIES OF UNAFFILIATED ISSUERS**  
**November 30, 2006**

	Shares	Cost	Market Value	Unrealized Gain/Loss	% of Net Assets
<b>COMMON STOCKS</b>					
<b>Automotive Equipment and Parts</b>					
Bosch Corp	1,313,000	\$ 6,579,842	\$ 7,284,658	\$ 704,816	2.8
<i>Automotive parts</i>					
Futaba Industrial Co, Ltd	153,200	3,384,991	3,580,214	195,223	1.4
<i>Exhaust system parts</i>					
Nittan Valve Co, Ltd	362,600	3,061,638	3,081,951	20,313	1.1
<i>Engine valves</i>					
<b>Total Automotive Equipment and Parts</b>		13,026,471	13,946,823	920,352	5.3
<b>Banks and Finance</b>					
Asset Managers Co, Ltd	1,248	3,328,967	2,786,896	(542,071)	1.1
<i>Real estate funds</i>					
The Bank of Fukuoka, Ltd	378,000	2,451,826	2,931,475	479,649	1.1
<i>Deposits, loans and exchange transactions</i>					
Kansai Urban Banking Corp	920,000	3,832,036	4,045,181	213,145	1.6
<i>General banking services</i>					
Sapporo Hokuyo Holdings, Inc	276	2,700,398	2,747,219	46,821	1.0
<i>General banking services</i>					
<b>Total Banks and Finance</b>		12,313,227	12,510,771	197,544	4.8
<b>Chemicals and Pharmaceuticals</b>					
Hisamitsu Pharmaceutical Co, Inc	196,100	5,458,331	5,940,624	482,293	2.3
<i>Salonpas brand pharmaceuticals</i>					
Taiyo Ink MFG Co, Ltd	50,300	2,605,237	2,725,391	120,154	1.0
<i>Resist inks for printed circuit boards</i>					
<b>Total Chemicals and Pharmaceuticals</b>		8,063,568	8,666,015	602,447	3.3
<b>Electric</b>					
Mirai Industry Co, Ltd	276,100	2,683,732	2,819,907	136,175	1.1
<i>Plastic molded electric materials</i>					
<b>Total Electric</b>		2,683,732	2,819,907	136,175	1.1
<b>Electronics</b>					
Iriso Electronics Co, Ltd	72,600	2,024,646	2,488,389	463,743	1.0
<i>Electronic connectors</i>					
Meiko Electronics Co, Ltd	121,200	5,059,637	5,979,487	919,850	2.3

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<i>Printed circuit boards</i>					
Toshiba Ceramics Co, Ltd	795,000	3,787,776	4,073,571	285,795	1.5
<i>Semiconductors</i>					
<b>Total Electronics</b>		10,872,059	12,541,447	1,669,388	4.8
<b>Food Manufacturing</b>					
Ozeki Co, Ltd	126,100	3,810,038	3,645,423	(164,615)	1.4
<i>Supermarket chain</i>					
<b>Total Food Manufacturing</b>		3,810,038	3,645,423	(164,615)	1.4
<b>Information and Software</b>					
Nihon Unisys, Ltd	318,600	5,088,596	5,639,304	550,708	2.2
<i>Computer software development</i>					
Sorun Corporation	554,200	4,267,206	5,501,947	1,234,741	2.1
<i>Computer software development</i>					
SRA Holdings, Inc+	289,400	3,689,446	4,373,501	684,055	1.6
<i>Business application software</i>					
<b>Total Information and Software</b>		13,045,248	15,514,752	2,469,504	5.9
<b>Machinery and Machine Tools</b>					
Disco Corporation	65,400	4,102,750	4,460,570	357,820	1.7
<i>Industrial cutting &amp; grinding</i>					
Yamatake Corp	219,600	5,258,736	4,694,785	(563,951)	1.8
<i>Industrial automation equipment</i>					
<b>Total Machinery and Machine Tools</b>		9,361,486	9,155,355	(206,131)	3.5
<b>Miscellaneous Manufacturing</b>					
Dowa Holdings Co, Ltd	376,000	3,580,033	3,143,775	(436,258)	1.1
<i>Various metal-related products</i>					
Kinki Sharyo Co, Ltd	543,000	2,441,877	2,655,429	213,552	1.0
<i>Passenger trains</i>					
Mani, Inc	79,100	1,980,084	6,024,841	4,044,757	2.3
<i>Medical goods and equipment</i>					
Nichias Corporation	900,000	5,351,909	6,418,834	1,066,925	2.5
<i>Building and construction materials</i>					
Seiko Corp	486,000	3,373,159	3,264,258	(108,901)	1.3
<i>Medical and commercial equipment</i>					

**JAPAN SMALLER CAPITALIZATION FUND, INC.**  
**SCHEDULE OF INVESTMENTS**  
**IN SECURITIES OF UNAFFILIATED ISSUERS**  
**November 30, 2006**

	Shares	Cost	Market Value	Unrealized Gain/Loss	% of Net Assets
Tokai Rubber Industries <i>Rubber and plastic products</i>	305,400	\$ 4,720,482	\$ 5,432,094	\$ 711,612	2.1
Toppan Forms Co.,Ltd. <i>Commercial printing</i>	324,500	4,510,504	4,527,580	17,076	1.7
<b>Total Miscellaneous Manufacturing</b>		25,958,048	31,466,811	5,508,763	12.0
<b>Oil and Gas</b>					
Shizuokagas Co., Ltd <i>Natural gas supplier</i>	764,000	4,410,980	5,739,836	1,328,856	2.2
<b>Total Oil and Gas</b>		4,410,980	5,739,836	1,328,856	2.2
<b>Real Estate and Warehouse</b>					
Daibiru Corporation <i>Leases office buildings, apartments and hotels</i>	317,700	2,820,998	3,525,264	704,266	1.4
Haseko Corporation+ <i>Institutional buildings</i>	1,123,500	4,005,532	3,870,282	(135,250)	1.5
Suruga Corporation <i>Multi-unit commercial and residential building</i>	79,600	5,289,977	6,062,925	772,948	2.2
<b>Total Real Estate and Warehouse</b>		12,116,507	13,458,471	1,341,964	5.1
<b>Restaurants</b>					
Doutor Coffee Co., Ltd <i>Coffee shop chains</i>	307,700	5,874,368	5,198,688	(675,680)	2.0
<b>Total Restaurants</b>		5,874,368	5,198,688	(675,680)	2.0
<b>Retail</b>					
Aoyama Trading Co., Ltd <i>Menswear</i>	102,200	3,222,519	2,883,732	(338,787)	1.1
Culture Convenience Club Co., Ltd. <i>Speciality bookstore</i>	359,000	3,700,666	2,892,881	(807,785)	1.1
Isetan Co., Ltd. <i>Department stores</i>	193,800	3,209,591	3,497,408	287,817	1.3
Ryohin Keikaku Co., Ltd <i>Knitwear, food and household items</i>	68,900	5,031,254	5,343,351	312,097	2.0
Shimamura Co., Ltd. <i>Clothing chain</i>	52,300	5,047,282	6,097,555	1,050,273	2.3
Village Vanguard Co., Ltd.	519	2,765,461	2,919,894	154,433	1.0

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*Books, cd's, videos and office supplies*

Yaoko Co., Ltd..	116,100	2,691,701	2,823,742	132,041	1.1
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*Supermarkets*

<b>Total Retail</b>		25,668,474	26,458,563	790,089	10.1
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**Services**

Aeon Delight Co., Ltd.	167,800	3,770,154	3,420,340	(349,814)	1.3
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*Building management*

Chintai Corporation	4,092	3,343,820	3,478,032	134,212	1.3
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*Real estate information magazines*

DTS Corporation	127,400	4,399,495	4,708,513	309,018	1.8
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*System and network engineering*

Meiko Network Japan Co., Ltd	602,200	3,349,883	3,096,090	(253,793)	1.2
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*Private schools and academic tutoring*

Resorttrust, Inc.	112,600	3,149,508	3,128,455	(21,053)	1.2
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*Timeshare resort hotels*

Tempstaff Co., Ltd.	3,198	4,996,216	4,899,347	(96,869)	1.9
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*Employment and outsourcing*

<b>Total Services</b>		23,009,076	22,730,777	(278,299)	8.7
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**Telecommunications**

Jupiter Telecommunications Co., Ltd+	8,511	6,487,783	6,998,269	510,486	2.7
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*Cable television broadcasting*

<b>Total Telecommunications</b>		6,487,783	6,998,269	510,486	2.7
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**Textiles and Apparel**

Workman Co., Ltd.	90,900	1,968,253	4,169,905	2,201,652	1.6
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*Uniforms*

<b>Total Textiles and Apparel</b>		1,968,253	4,169,905	2,201,652	1.6
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**Wholesale**

Hitachi High-Technologies Corporation.	105,700	2,634,383	3,092,275	457,892	1.2
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*Computers and electrical devices*

<b>Total Wholesale</b>		2,634,383	3,092,275	457,892	1.2
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**TOTAL INVESTMENTS IN COMMON STOCKS**

	\$	181,303,701	\$	198,114,088	\$	16,810,387	75.7
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**JAPAN SMALLER CAPITALIZATION FUND, INC.**  
**SCHEDULE OF INVESTMENTS**  
**IN SECURITIES OF UNAFFILIATED ISSUERS**  
**November 30, 2006**

	Principal Amount		Cost		Market Value		Unrealized Gain or Loss		% of Net Assets
<b>INVESTMENTS IN FOREIGN CURRENCY</b>									
Hong Kong Shanghai Bank- Tokyo									
Non- interest bearing account									
	109,314,737	JPY	\$ 946,161		\$ 946,161		\$ 0		0.3
<b>TOTAL INVESTMENTS IN FOREIGN CURRENCY</b>									
			946,161		946,161		0		0.3
<b>TOTAL INVESTMENTS</b>									
			\$ 182,249,862		\$ 199,060,249		\$ 16,810,387		76.0
<b>OTHER ASSETS LESS LIABILITIES, NET</b>									
					\$ 62,733,060				24.0
<b>NET ASSETS`</b>									
					\$ 261,793,309				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 \$21,305,214.

Aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$4,494,827.

Portfolio securities and foreign currency holdings were translated at the following exchange rate as of November 30, 2006.

Japanese Yen	115.54	=\$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/ Hiroshi Terasaki  
Hiroshi Terasaki, President  
(Principal Executive Officer)

Date: January 24, 2006

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 24, 2006