

JAPAN EQUITY FUND INC  
Form N-Q  
February 08, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number

811-06142

THE JAPAN EQUITY FUND, INC.  
(Exact name of registrant as specified in charter)

c/o Daiwa Securities Trust Company

One Evertrust Plaza

Jersey City, New Jersey  
(Address of principal executive offices)

07302  
(Zip code)

John J. O. Keefe

The Japan Equity Fund, Inc.

c/o Daiwa Securities Trust Company

One Evertrust Plaza

Jersey City, New Jersey 07302  
(Name and address of agent for service)

Registrant's telephone number, including area code:

(201) 915-3054

Date of fiscal year end: October 31

Date of reporting period: January 31, 2011

---

Edgar Filing: JAPAN EQUITY FUND INC - Form N-Q

Item 1. Schedule of Investments. The schedule of investments for the three-month period ended January 31, 2011 is filed herewith.

---

*The Japan Equity Fund, Inc.***Portfolio of Investments****January 31, 2011 (unaudited)****COMMON STOCKS 99.14%**

| Shares                            |  | Value     |
|-----------------------------------|--|-----------|
| <b>Banks 9.72%</b>                |  |           |
| 935,200                           | Mitsubishi UFJ Financial Group, Inc.   | 4,846,657 |
| 781,000                           | Mizuho Financial Group, Inc.           | 1,501,192 |
| 58,300                            | Resona Holdings Inc.                   | 300,011   |
| 270,000                           | The Bank of Yokohama, Ltd.             | 1,350,000 |
| 273,000                           | The Sumitomo Trust & Banking Co., Ltd. | 1,643,978 |
|                                   |  | 9,641,838 |
| <b>Building Materials 0.50%</b>   |  |           |
| 43,000                            | Central Glass Co., Ltd.                | 202,445   |
| 4,600                             | Rinnai Corp.                           | 290,438   |
|                                   |  | 492,883   |
| <b>Chemicals 5.99%</b>            |  |           |
| 209,000                           | Asahi Kasei Corp.                      | 1,423,844 |
| 43,600                            | Fujifilm Holdings Corp.                | 1,572,676 |
| 57,000                            | Kureha Corp.                           | 332,847   |
| 22,000                            | Nihon Parkerizing Co., Ltd.            | 308,054   |
| 41,000                            | Nippon Shokubai Co., Ltd.              | 453,893   |
| 5,900                             | Shin-Etsu Chemical Co., Ltd.           | 331,606   |
| 19,800                            | Shiseido Co., Ltd.                     | 397,927   |
| 49,000                            | Sumitomo Bakelite Co., Ltd.            | 289,708   |
| 278,000                           | Ube Industries, Ltd.                   | 835,353   |
|                                   |  | 5,945,908 |
| <b>Communication 3.71%</b>        |  |           |
| 46,300                            | NTT Corp.                              | 2,146,022 |
| 861                               | NTT DoCoMo, Inc.                       | 1,534,507 |
|                                   |  | 3,680,529 |
| <b>Construction 1.20%</b>         |  |           |
| 73,000                            | Daiwa House Industry Co., Ltd.         | 888,966   |
| 6,100                             | Sumitomo Forestry Co., Ltd.            | 55,954    |
| 17,000                            | Toshiba Plant Systems & Services Corp. | 248,382   |
|                                   |  | 1,193,302 |
| <b>Cosmetics 0.26%</b>            |  |           |
| 9,600                             | Mandom Corp.                           | 257,168   |
| <b>Electric Appliances 12.90%</b> |  |           |
| 19,200                            | Canon Inc.                             | 940,146   |
| 15,800                            | Foster Electric Co., Ltd.              | 423,255   |
| 106,000                           | Fujitsu Ltd.                           | 658,954   |
| 20,700                            | Hamamatsu Photonics K.K.               | 755,474   |
| 204,000                           | Hitachi Ltd.                           | 1,111,825 |
| 157,000                           | Mitsubishi Electric Corp.              | 1,728,528 |
| 20,100                            | Murata Manufacturing Co., Ltd.         | 1,520,949 |
| 8,500                             | Nidec Corp.                            | 799,331   |
| 34,400                            | Omron Corp.                            | 883,436   |

Edgar Filing: JAPAN EQUITY FUND INC - Form N-Q

|        |                            |           |
|--------|----------------------------|-----------|
| 87,900 | Panasonic Corp.            | 1,201,942 |
| 40,000 | Sharp Corp.                | 414,112   |
| 37,200 | Sony Corp.                 | 1,280,277 |
| 37,900 | Stanley Electric Co., Ltd. | 709,127   |

See accompanying notes to financial statements.

Edgar Filing: JAPAN EQUITY FUND INC - Form N-Q

|   |                                      |            |
|---|--------------------------------------|------------|
| 16,100                                    | Yamatake Corp.                       | 373,316    |
|   |                                      | 12,800,672 |
| <b>Electric Power &amp; Gas 2.03%</b>     |                                      |            |
| 24,500                                    | Electric Power Development Co., Ltd. | 758,546    |
| 51,600                                    | Tokyo Electric Power Co., Inc.       | 1,252,336  |
|   |                                      | 2,010,882  |
| <b>Foods 2.12%</b>                        |                                      |            |
| 115,000                                   | Ajinomoto Co., Inc.                  | 1,271,715  |
| 62,000                                    | Kirin Holdings Co., Ltd.             | 832,701    |
|   |                                      | 2,104,416  |
| <b>Glass &amp; Ceramic Products 1.83%</b> |                                      |            |
| 146,000                                   | Asahi Glass Co., Ltd.                | 1,817,007  |
| <b>Household Goods 0.16%</b>              |                                      |            |
| 43,000                                    | Noritake Co., Ltd.                   | 162,165    |
| <b>Insurance 2.96%</b>                    |                                      |            |
| 33,150                                    | T&D Holdings Inc.                    | 832,783    |
| 70,700                                    | Tokio Marine Holdings, Inc.          | 2,103,798  |
|   |                                      | 2,936,581  |
| <b>Iron &amp; Steel 2.94%</b>             |                                      |            |
| 51,700                                    | JFE Holdings, Inc.                   | 1,657,293  |
| 514,000                                   | Kobe Steel, Ltd.                     | 1,256,861  |
|   |                                      | 2,914,154  |
| <b>Land Transportation 4.08%</b>          |                                      |            |
| 27,500                                    | East Japan Railway Co.               | 1,813,260  |
| 26,000                                    | Hitachi Transport System, Ltd.       | 396,326    |
| 249,000                                   | Nippon Express Co., Ltd.             | 1,048,102  |
| 52,000                                    | Yamato Holdings Co., Ltd.            | 788,224    |
|   |                                      | 4,045,912  |
| <b>Machinery 5.46%</b>                    |                                      |            |
| 5,100                                     | Disco Corp.                          | 340,620    |
| 102,000                                   | Ebara Corp. *                        | 495,110    |
| 9,900                                     | Komatsu Ltd.                         | 294,350    |
| 35,900                                    | Makita Corp.                         | 1,552,610  |
| 247,000                                   | Mitsubishi Heavy Industries, Ltd.    | 976,582    |
| 105,000                                   | NSK Ltd.                             | 1,004,015  |
| 53,000                                    | Ricoh Co., Ltd.                      | 753,735    |
|   |                                      | 5,417,022  |
| <b>Marine Transportation 0.71%</b>        |                                      |            |
| 108,000                                   | Mitsui O.S.K. Lines, Ltd.            | 702,920    |
| <b>Media 0.58%</b>                        |                                      |            |
| 375                                       | Fuji Media Holdings, Inc.            | 581,204    |
| <b>Metal Products 0.56%</b>               |                                      |            |
| 25,500                                    | JS Group Corp.                       | 556,533    |
| <b>Non-Ferrous Metals 2.58%</b>           |                                      |            |
| 120,300                                   | Sumitomo Electric Industries, Ltd.   | 1,744,496  |
| 50,000                                    | Sumitomo Metal Mining Co., Ltd.      | 818,127    |
|   |                                      | 2,562,623  |
| <b>Oil &amp; Gas Extraction 1.76%</b>     |                                      |            |
| 258,230                                   | JX Holdings, Inc.                    | 1,743,524  |

See accompanying notes to financial statements.



Edgar Filing: JAPAN EQUITY FUND INC - Form N-Q

|  |   |           |
|--|---|-----------|
| <b>Other Financing Business 2.04%</b>  |   |           |
| 31,300                                 | Credit Saison Co., Ltd.                 | 534,994   |
| 15,110                                 | Orix Corp.                              | 1,488,942 |
|  |   | 2,023,936 |
| <b>Other Products 0.68%</b>            |   |           |
| 2,500                                  | Nintendo Co., Ltd.                      | 674,574   |
| <b>Packaging 0.32%</b>                 |   |           |
| 13,600                                 | Fuji Seal International, Inc.           | 318,326   |
| <b>Pharmaceutical 3.53%</b>            |   |           |
| 29,000                                 | Astellas Pharma Inc.                    | 1,106,022 |
| 28,000                                 | Daiichi Sankyo Co., Ltd.                | 607,007   |
| 3,900                                  | Miraca Holdings Inc.                    | 149,215   |
| 37,000                                 | Mitsubishi Tanabe Pharma Corp.          | 591,010   |
| 10,400                                 | Otsuka Holdings Co., Ltd.               | 257,723   |
| 36,000                                 | Rohto Pharmaceutical Co., Ltd.          | 412,117   |
| 12,000                                 | Tsumura & Company                       | 376,934   |
|  |   | 3,500,028 |
| <b>Precision Instruments 1.70%</b>     |   |           |
| 9,300                                  | BML, Inc.                               | 249,923   |
| 113,300                                | Citizen Holdings Co., Ltd.              | 731,901   |
| 90,000                                 | Shimadzu Corp.                          | 710,584   |
|  |   | 1,692,408 |
| <b>Real Estate 2.84%</b>               |   |           |
| 114,000                                | Mitsui Fudosan Co., Ltd.                | 2,313,285 |
| 21,000                                 | Sumitomo Realty & Development Co., Ltd. | 508,650   |
|  |   | 2,821,935 |
| <b>Retail Trade 3.39%</b>              |   |           |
| 15,100                                 | ABC-Mart Inc.                           | 548,156   |
| 41,000                                 | DCM Holdings Co., Ltd.                  | 244,903   |
| 200                                    | Komeri Co., Ltd.                        | 4,630     |
| 4,850                                  | Nitori Co., Ltd.                        | 405,347   |
| 5,000                                  | Saint Marc Holdings Co., Ltd.           | 215,329   |
| 42,000                                 | Seven & I Holdings Co., Ltd.            | 1,085,255 |
| 17,700                                 | Shimachu Co., Ltd.                      | 397,281   |
| 20,300                                 | Xebio Co., Ltd.                         | 463,294   |
|  |   | 3,364,195 |
| <b>Rubber Products 0.77%</b>           |   |           |
| 39,700                                 | Bridgestone Corp.                       | 761,158   |
| <b>Securities 0.69%</b>                |   |           |
| 112,500                                | Nomura Holdings Inc.                    | 682,938   |
| <b>Services 0.25%</b>                  |   |           |
| 28,600                                 | Nichii Gakkan Co.                       | 245,640   |
| <b>Software 0.69%</b>                  |   |           |
| 45,700                                 | Nihon Unisys, Ltd.                      | 344,696   |
| 20,900                                 | Sumisho Computer Systems Corp.          | 341,214   |
|  |   | 685,910   |
| <b>Textile &amp; Apparel 1.15%</b>     |   |           |
| 81,200                                 | Kuraray Co., Ltd.                       | 1,137,985 |
| <b>Transportation Equipment 12.81%</b> |   |           |
| 33,400                                 | Aisin Seiki Co., Ltd.                   | 1,265,706 |
| 76,200                                 | Honda Motor Co., Ltd.                   | 3,221,350 |

Edgar Filing: JAPAN EQUITY FUND INC - Form N-Q

See accompanying notes to financial statements.



Edgar Filing: JAPAN EQUITY FUND INC - Form N-Q

|   |  |                       |
|---|--|-----------------------|
| 484,000                                 | Kawasaki Heavy Industries, Ltd.  | 1,719,319             |
| 155,000                                 | Mazda Motor Corp.  | 456,326               |
| 88,200                                  | Nissan Motor Co., Ltd.   | 890,584               |
| 6,800                                   | Shimano Inc.   | 339,173               |
| 22,700                                  | Toyota Industries Corp.  | 718,557               |
| 89,800                                  | Toyota Motor Corp.   | 3,714,355             |
| 19,000                                  | TS Tech Co., Ltd.  | 383,236               |
|   |  | 12,708,606            |
| <b>Wholesale Trade 6.23%</b>            |  |                       |
| 34,100                                  | Hitachi High-Technologies Corp.  | 841,299               |
| 100,700                                 | Mitsubishi Corp.   | 2,848,266             |
| 78,600                                  | Mitsui & Co., Ltd.   | 1,319,562             |
| 81,300                                  | Sumitomo Corp.   | 1,168,069             |
|   |  | 6,177,196             |
| Total Common Stocks (Cost \$89,751,291) |  |                       |
|   |  | 98,362,078            |
| <b>SHORT-TERM INVESTMENTS 0.07%</b>     |  |                       |
| <b>Principal Amount (000)</b>           |  |                       |
| <b>U.S. DOLLAR TIME DEPOSIT 0.07%</b>   |  |                       |
| 73                                      | JPMorgan Chase Bank, 0.10%, due 2/1/11   |                       |
|   | (Cost \$73,088)  | 73,088                |
| Total Investments 99.21%                |  |                       |
| (Cost \$89,824,379)                     |  |                       |
|   |  | 98,435,166            |
| Other assets less liabilities 0.79%     |  |                       |
|   |  | 780,552               |
| <b>NET ASSETS</b>                       |  |                       |
|   | (Applicable to 14,456,819 shares of capital stock outstanding; equivalent to \$6.86 per share) | 100.00% \$ 99,215,718 |

\* Non-income producing securities.

See accompanying notes to financial statements.

## Edgar Filing: JAPAN EQUITY FUND INC - Form N-Q

*Fair Value Measurements* - In accordance with the authoritative guidance on fair value measurements and disclosures under GAAP, the Fund discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). The guidance establishes three levels of fair value hierarchy as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 - Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Fund's Manager. The Fund's Manager considers observable data to be market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following is a summary of the inputs used as of January 31, 2011 in valuing the Fund's investments carried at value:

| <b>Valuation Inputs</b>                       | <b>Investments in Securities</b> |                   |
|---|----------------------------------|-------------------|
| Level 1 - Quoted Prices                       | \$                               | 98,435,166        |
| Level 2 - Other Significant Observable Inputs |                                  |                   |
| Level 3 - Significant Unobservable Inputs     |                                  |                   |
| <b>Total</b>                                  | <b>\$</b>                        | <b>98,435,166</b> |

As all assets of the Fund are classified as Level 1, no reconciliation of Level 3 assets as of January 31, 2011 is presented.

All portfolio holdings designated as Level 1 are disclosed individually in the Portfolio of Investments ( POI ). Please refer to the POI for industry specifics of the portfolio holdings.

For federal income tax purposes, the cost of securities owned at January 31, 2011 was \$89,751,291, excluding short-term interest-bearing investments. At January 31, 2011, the net unrealized appreciation on investments, excluding short-term securities, of \$8,610,787 was composed of gross appreciation of \$12,716,376 for those investments having an excess of value over cost, and gross depreciation of \$4,105,589 for those investments having an excess of cost over value.

Item 2. Controls and Procedures.

a) The Registrant's Principal Executive Officer and Principal Financial Officer concluded that the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (17 CFR 270.30a-3(c))) were effective as of a date within 90 days prior to the filing date of this report (the Evaluation Date), based on their evaluation of the effectiveness of the Registrant's disclosure controls and procedures as required by Rule 30a-3(b) under the Investment Company Act of 1940 (17 CFR 270.30a-3(b)) and Rule 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934 (17 CFR 240.13a-15(b) or 240.15d-15(b)), as of the Evaluation Date.

b) There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940 (17 CFR 270.30a-3(d))) that occurred during the Registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

Item 3. Exhibits.

(a) Certification of Principal Executive Officer and Principal Financial Officer of the Registrant as required by Rule 30a-2(a) under the Investment Company Act of 1940 (17 CFR 270.30a-2(a)) is attached hereto as Exhibit 99.302CERT.

---

**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.

The Japan Equity Fund, Inc.

By \s\ John J. O Keefe  
John J. O Keefe, Vice President and Principal Financial Officer

Date: February 8, 2011

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 persons on behalf of the registrant and in the capacities and on the dates indicated.

By \s\ John J. O Keefe  
John J. O Keefe, Vice President and Principal Financial Officer

Date: February 8, 2011

By \s\ Yoshiaki Uematsu  
Yoshiaki Uematsu, President and Principal Executive Officer

Date: February 8, 2011

---