

JAPAN EQUITY FUND INC
Form N-Q
August 09, 2010

**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: July 31, 2010

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

Item 1. Schedule of Investments. The schedule of investments for the three-month period ended July 31, 2010 is filed herewith.

*The Japan Equity Fund, Inc.***Portfolio of Investments**

July 31, 2010 (unaudited)

COMMON STOCKS 98.85%

| Shares | | Value |
|-----------------------------------|--|------------|
| Banks 9.29% | | |
| 151,000 | Chuo Mitsui Trust Holdings, Inc. | 536,043 |
| 811,800 | Mitsubishi UFJ Financial Group, Inc. | 4,027,084 |
| 557,400 | Mizuho Financial Group, Inc. | 908,804 |
| 209,000 | The Bank of Yokohama, Ltd. | 964,281 |
| 18,000 | The Chiba Bank, Ltd. | 109,898 |
| 273,000 | The Sumitomo Trust & Banking Co., Ltd. | 1,518,421 |
| | | 8,064,531 |
| Chemicals 5.31% | | |
| 190,000 | Asahi Kasei Corp. | 993,062 |
| 44,300 | Fujifilm Holdings Corp. | 1,383,094 |
| 40,000 | Kureha Corp. | 200,740 |
| 30,000 | Nihon Parkerizing Co., Ltd. | 385,754 |
| 11,600 | Shin-Etsu Chemical Co., Ltd. | 577,451 |
| 15,500 | Shiseido Co., Ltd. | 346,635 |
| 290,000 | Ube Industries, Ltd. | 724,329 |
| | | 4,611,065 |
| Communication 4.50% | | |
| 155 | KDDI Corp. | 753,671 |
| 42,900 | NTT Corp. | 1,780,886 |
| 861 | NTT DoCoMo, Inc. | 1,368,958 |
| | | 3,903,515 |
| Construction 1.38% | | |
| 99,000 | Sumitomo Forestry Co., Ltd. | 761,274 |
| 37,000 | Toshiba Plant Systems & Services Corp. | 439,824 |
| | | 1,201,098 |
| Cosmetics 0.46% | | |
| 14,500 | Mandom Corp. | 402,405 |
| Electric Appliances 13.39% | | |
| 19,800 | Canon Inc. | 862,014 |
| 7,500 | Foster Electric Co., Ltd. | 202,764 |
| 24,200 | Hamamatsu Photonics K.K. | 708,538 |
| 204,000 | Hitachi Ltd. | 830,342 |
| 13,500 | Kyocera Corp. | 1,203,573 |
| 157,000 | Mitsubishi Electric Corp. | 1,367,033 |
| 19,100 | Murata Manufacturing Co., Ltd. | 943,074 |
| 126,000 | NEC Corp. | 339,477 |
| 9,400 | Nidec Corp. | 881,522 |
| 157,600 | Panasonic Corp. | 2,081,166 |
| 32,100 | Sony Corp. | 1,004,053 |
| 39,000 | Stanley Electric Co., Ltd. | 675,104 |
| 20,400 | Yamatake Corp. | 520,851 |
| | | 11,619,511 |

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

| | | | |
|---------------------------------------|--------------------------------------|--|-----------|
| Electric Power & Gas 1.81% | | | |
| 24,500 | Electric Power Development Co., Ltd. | | 758,684 |
| 29,500 | Tokyo Electric Power Co., Inc. | | 809,476 |
| | | | 1,568,160 |

See accompanying notes to financial statements.

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

| | | | |
|---|--------------------------------------|--|-----------|
| Foods 2.48% | | | |
| 181,000 | Ajinomoto Co., Inc. | | 1,714,142 |
| 12,600 | Nissin Foods Holdings Co., Ltd. | | 440,738 |
| | | | 2,154,880 |
| Glass & Ceramic Products 1.36% | | | |
| 116,000 | Asahi Glass Co., Ltd. | | 1,180,389 |
| Health & Personal Care 0.19% | | | |
| 8,500 | Nipro Corp. | | 165,322 |
| Insurance 3.92% | | | |
| 73,090 | MS&AD Insurance Group Holdings, Inc. | | 1,623,565 |
| 65,100 | Tokio Marine Holdings, Inc. | | 1,781,066 |
| | | | 3,404,631 |
| Iron & Steel 2.71% | | | |
| 50,100 | JFE Holdings, Inc. | | 1,549,694 |
| 336,000 | Kobe Steel, Ltd. | | 703,238 |
| 5,700 | Kyoei Steel Ltd. | | 95,769 |
| | | | 2,348,701 |
| Land Transportation 3.82% | | | |
| 22,700 | East Japan Railway Co. | | 1,462,061 |
| 26,000 | Hitachi Transport System, Ltd. | | 377,012 |
| 205,000 | Nippon Express Co., Ltd. | | 834,413 |
| 52,000 | Yamato Holdings Co., Ltd. | | 644,588 |
| | | | 3,318,074 |
| Machinery 5.65% | | | |
| 102,000 | Ebara Corp. * | | 388,044 |
| 9,900 | Komatsu Ltd. | | 207,891 |
| 29,500 | Makita Corp. | | 851,434 |
| 409,000 | Mitsubishi Heavy Industries, Ltd. | | 1,532,331 |
| 97,000 | Ricoh Co., Ltd. | | 1,342,611 |
| 100,000 | Sumitomo Heavy Industries, Ltd. | | 585,106 |
| | | | 4,907,417 |
| Media 0.63% | | | |
| 375 | Fuji Media Holdings, Inc. | | 542,900 |
| Metal Products 0.94% | | | |
| 40,500 | JS Group Corp. | | 816,276 |
| Non-Ferrous Metals 2.84% | | | |
| 141,600 | Sumitomo Electric Industries, Ltd. | | 1,653,747 |
| 61,000 | Sumitomo Metal Mining Co., Ltd. | | 811,170 |
| | | | 2,464,917 |
| Oil & Gas Extraction 1.09% | | | |
| 174,930 | JX Holdings, Inc. * | | 946,661 |
| Other Financing Business 1.39% | | | |
| 15,390 | Orix Corp. | | 1,210,130 |
| Other Products 1.95% | | | |
| 47,300 | Namco Bandai Holdings Inc. | | 422,790 |
| 2,500 | Nintendo Co., Ltd. | | 698,427 |
| 69,000 | Toppan Printing Co., Ltd. | | 568,883 |
| | | | 1,690,100 |
| Packaging 0.20% | | | |
| 8,000 | Fuji Seal International, Inc. | | 175,393 |

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

See accompanying notes to financial statements.

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

| | | | |
|---------------------------------------|---|--|-----------|
| Pharmaceutical 3.78% | | | |
| 28,000 | Daiichi Sankyo Co., Ltd. | | 520,953 |
| 28,000 | Kyorin Co., Ltd. | | 391,119 |
| 40,000 | Mitsubishi Tanabe Pharma Corp. | | 584,181 |
| 63,000 | Rohto Pharmaceutical Co., Ltd. | | 772,930 |
| 12,800 | Takeda Pharmaceutical Co., Ltd. | | 586,864 |
| 14,000 | Tsumura & Company | | 420,745 |
| | | | 3,276,792 |
| Precision Instruments 1.56% | | | |
| 12,400 | BML, Inc. | | 272,863 |
| 65,800 | Citizen Watch Co., Ltd. | | 395,652 |
| 90,000 | Shimadzu Corp. | | 688,945 |
| | | | 1,357,460 |
| Pulp & Paper 0.79% | | | |
| 142,000 | Oji Paper Co., Ltd. | | 686,355 |
| Real Estate 2.25% | | | |
| 122,000 | Mitsui Fudosan Co., Ltd. | | 1,805,735 |
| 8,000 | Sumitomo Realty & Development Co., Ltd. | | 143,941 |
| | | | 1,949,676 |
| Retail Trade 5.00% | | | |
| 15,100 | ABC-Mart Inc. | | 490,645 |
| 50,000 | DCM Japan Holdings Co., Ltd. | | 257,863 |
| 85,000 | J. Front Retailing Co., Ltd. | | 385,291 |
| 13,080 | K's Holdings Corp. | | 287,827 |
| 4,850 | Nitori Co., Ltd. | | 417,813 |
| 7,000 | Saint Marc Holdings Co., Ltd. | | 263,876 |
| 54,500 | Seven & I Holdings Co., Ltd. | | 1,303,891 |
| 28,800 | Shimachu Co., Ltd. | | 525,847 |
| 20,300 | Xebio Co., Ltd. | | 402,338 |
| | | | 4,335,391 |
| Rubber Products 0.70% | | | |
| 34,100 | Bridgestone Corp. | | 609,999 |
| Securities 1.22% | | | |
| 190,800 | Nomura Holdings Inc. | | 1,061,226 |
| Services 1.90% | | | |
| 51,500 | Nichii Gakkan Co. | | 444,253 |
| 90 | NTT Data Corp. | | 326,781 |
| 19,200 | Secom Co., Ltd. | | 880,296 |
| | | | 1,651,330 |
| Software 0.37% | | | |
| 20,900 | Sumisho Computer Systems Corp. | | 320,944 |
| Textile & Apparel 1.45% | | | |
| 100,500 | Kuraray Co., Ltd. | | 1,259,736 |
| Transportation Equipment 9.35% | | | |
| 20,000 | Aisin Seiki Co., Ltd. | | 558,511 |
| 85,200 | Honda Motor Co., Ltd. | | 2,668,904 |
| 223,000 | Kawasaki Heavy Industries, Ltd. | | 556,984 |
| 67,900 | Nissan Motor Co., Ltd. | | 521,341 |
| 11,500 | Shimano Inc. | | 583,777 |
| 22,700 | Toyota Industries Corp. | | 611,598 |

See accompanying notes to financial statements.

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

| | | |
|---|---------------------------------|------------|
| 65,700 | Toyota Motor Corp. | 2,317,125 |
| 19,000 | TS Tech Co., Ltd. | 299,457 |
| | | 8,117,697 |
| Wholesale Trade 5.17% | | |
| 34,100 | Hitachi High-Technologies Corp. | 650,613 |
| 81,400 | Mitsubishi Corp. | 1,759,211 |
| 95,000 | Mitsui & Co., Ltd. | 1,217,160 |
| 81,300 | Sumitomo Corp. | 863,013 |
| | | 4,489,997 |
| Total Common Stocks (Cost \$90,902,753) | | 85,812,679 |

SHORT-TERM INVESTMENTS 0.34%

Principal

Amount

(000)

U.S. DOLLAR TIME DEPOSIT 0.34%

| | | |
|-------------------------------------|--|-----------------------|
| 292 | JPMorgan Chase Bank, 0.10%, due 8/2/10 | |
| | (Cost \$291,670) | 291,670 |
| Total Investments 99.19% | | |
| (Cost \$91,194,423) | | 86,104,349 |
| Other assets less liabilities 0.81% | | 705,792 |
| NET ASSETS | (Applicable to 14,446,336 shares of capital stock outstanding; equivalent to \$6.01 per share) | 100.00% \$ 86,810,141 |

* 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 measurement) 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 July 31, 2010 in valuing the Fund's investments carried at value:

| Valuation Inputs | Investments in Securities | |
|---|----------------------------------|-------------------|
| Level 1 Quoted Prices | \$ | 86,104,349 |
| Level 2 Other Significant Observable Inputs | | |
| Level 3 Significant Unobservable Inputs | | |
| Total | \$ | 86,104,349 |

As all assets of the Fund are classified as Level 1, no reconciliation of Level 3 assets as of July 31, 2010 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 July 31, 2010 was \$90,902,753, excluding short-term interest-bearing investments. At July 31, 2010, the net unrealized depreciation on investments, excluding short-term securities, of \$5,090,074 was composed of gross appreciation of \$4,892,301 for those investments having an excess of value over cost, and gross depreciation of \$9,982,375 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 Exchange Act (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: August 9, 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 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: August 9, 2010

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

Date: August 9, 2010