

JAPAN EQUITY FUND INC
Form N-Q
February 08, 2012

**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, 2012

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Item 1. Schedule of Investments. The schedule of investments for the three-month period ended January 31, 2012 is filed herewith.

*The Japan Equity Fund, Inc.***Portfolio of Investments****January 31, 2012 (unaudited)**

| Shares | | Value |
|-----------------------------------|--|--------------|
| COMMON STOCKS 99.24% | | |
| Banks 10.48% | | |
| 929,200 | Mitsubishi UFJ Financial Group, Inc. | \$ 4,246,311 |
| 2,296,700 | Mizuho Financial Group, Inc. | 3,458,433 |
| 54,000 | Sumitomo Mitsui Trust Holdings, Inc. | 168,286 |
| 267,000 | The Bank of Yokohama, Ltd. | 1,234,136 |
| | | 9,107,166 |
| Building Materials 1.45% | | |
| 65,000 | Central Glass Co., Ltd. | 314,063 |
| 431,000 | Taiheiyo Cement Corp. | 942,477 |
| | | 1,256,540 |
| Chemicals 6.12% | | |
| 214,000 | Asahi Kasei Corp. | 1,350,635 |
| 51,300 | Fujifilm Holdings Corp. | 1,213,816 |
| 67,000 | Kureha Corp. | 321,972 |
| 21,000 | Nihon Parkerizing Co., Ltd. | 276,902 |
| 57,000 | Nippon Shokubai Co., Ltd. | 641,129 |
| 108,000 | Sumitomo Bakelite Co., Ltd. | 627,890 |
| 220,000 | Sumitomo Chemical Co., Ltd. | 884,379 |
| | | 5,316,723 |
| Commercial Services 0.03% | | |
| 3,000 | Kanamoto Co., Ltd. | 28,165 |
| Communication 4.34% | | |
| 190 | KDDI Corp. | 1,201,650 |
| 10,300 | NS Solutions Corp. | 202,574 |
| 37,600 | NTT Corp. | 1,875,815 |
| 6,900 | Otsuka Corp. | 493,309 |
| | | 3,773,348 |
| Construction 2.06% | | |
| 365,500 | Haseko Corp. * | 263,225 |
| 27,000 | MIRAIT Holdings Corp. | 215,661 |
| 179,000 | Obayashi Corp. | 862,538 |
| 40,000 | Toshiba Plant Systems & Services Corp. | 449,915 |
| | | 1,791,339 |
| Cosmetics 0.66% | | |
| 21,400 | Pola Orbis Holdings Inc. | 576,402 |
| Electric Appliances 11.68% | | |
| 17,100 | Canon Inc. | 736,664 |
| 182,000 | Fuji Electric Co., Ltd. | 479,010 |
| 9,200 | Hamamatsu Photonics K.K. | 330,077 |
| 337,000 | Hitachi Ltd. | 1,879,822 |
| 64,000 | Minebea Co., Ltd. | 284,929 |
| 175,000 | Mitsubishi Electric Corp. | 1,567,369 |
| 18,600 | Murata Manufacturing Co., Ltd. | 1,063,101 |
| 45,000 | Nissin Electric Co., Ltd. | 298,743 |
| 46,500 | Omron Corp. | 935,845 |
| 24,300 | Star Micronics Co., Ltd. | 233,232 |

See accompanying notes to financial statements.

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| | | |
|---|--------------------------------------|------------|
| 12,400 | TDK Corp. | 590,206 |
| 284,000 | Toshiba Corp. | 1,201,152 |
| 62,000 | Yaskawa Electric Corp. | 546,366 |
| | | 10,146,516 |
| Electric Power & Gas 1.64% | | |
| 5,500 | Chubu Electric Power Co., Inc. | 100,969 |
| 33,600 | Electric Power Development Co., Ltd. | 890,486 |
| 27,000 | Kansai Electric Power Co., Inc. | 433,796 |
| | | 1,425,251 |
| Foods 1.47% | | |
| 169 | Japan Tobacco Inc. | 829,842 |
| 35,000 | Nippon Meat Packers, Inc. | 443,630 |
| | | 1,273,472 |
| Health & Personal Care 0.80% | | |
| 7,800 | BML, Inc. | 184,148 |
| 4,100 | Paramount Bed Holdings Co., Ltd. | 119,183 |
| 45,000 | Shimadzu Corp. | 391,253 |
| | | 694,584 |
| Household Goods 0.19% | | |
| 53,000 | Noritake Co., Ltd. | 163,088 |
| Insurance 1.53% | | |
| 53,100 | Tokio Marine Holdings, Inc. | 1,327,326 |
| Iron & Steel 1.25% | | |
| 6,000 | Kyoei Steel Ltd. | 108,262 |
| 14,600 | Maruichi Steel Tube Ltd. | 340,482 |
| 11,200 | Misumi Group Inc. | 260,605 |
| 12,100 | Yamato Kogyo Co., Ltd. | 379,779 |
| | | 1,089,128 |
| Land Transportation 5.20% | | |
| 42,400 | East Japan Railway Co. | 2,739,872 |
| 189,000 | Hankyu Hanshin Holdings, Inc. | 846,379 |
| 29,000 | Hitachi Transport System, Ltd. | 492,130 |
| 110,000 | Nippon Express Co., Ltd. | 439,309 |
| | | 4,517,690 |
| Leisure 0.35% | | |
| 395 | Accordia Golf Co., Ltd. | 304,642 |
| Machinery 4.49% | | |
| 102,000 | Ebara Corp. | 396,674 |
| 56,000 | Makino Milling Machine Co., Ltd. | 388,634 |
| 12,000 | Makita Corp. | 452,062 |
| 326,000 | Mitsubishi Heavy Industries, Ltd. | 1,489,773 |
| 54,600 | THK Co., Ltd. | 1,171,072 |
| | | 3,898,215 |
| Marine Transportation 1.08% | | |
| 250,000 | Mitsui O.S.K. Lines, Ltd. | 942,779 |
| Media 1.46% | | |
| 696 | Fuji Media Holdings, Inc. | 1,073,573 |
| 6,200 | Kadokawa Group Holdings, Inc. | 198,738 |
| | | 1,272,311 |
| Non-Ferrous Metals 4.66% | | |
| 72,000 | Dowa Holdings Co., Ltd. | 477,046 |
| 73,000 | Nippon Denko Co., Ltd. | 352,717 |
| 121,900 | Sumitomo Electric Industries, Ltd. | 1,465,290 |

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122,000

Sumitomo Metal Mining Co., Ltd.

1,755,637
4,050,690

See accompanying notes to financial statements.

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| | | |
|--|---------------------------------|-----------|
| Oil & Gas Extraction 1.53% | | |
| 220,630 | JX Holdings, Inc. | 1,328,922 |
| Other Financing Business 1.75% | | |
| 16,300 | Orix Corp. | 1,521,789 |
| Other Products 1.01% | | |
| 6,500 | Nintendo Co., Ltd. | 880,058 |
| Packaging 0.35% | | |
| 16,800 | Fuji Seal International, Inc. | 305,774 |
| Pharmaceutical 5.46% | | |
| 40,300 | Astellas Pharma Inc. | 1,651,683 |
| 60,300 | Daiichi Sankyo Co., Ltd. | 1,145,676 |
| 1,000 | Kyowa Hakko Kirin Co., Ltd. | 12,295 |
| 7,700 | Miraca Holdings Inc. | 287,654 |
| 42,600 | Mitsubishi Tanabe Pharma Corp. | 599,089 |
| 29,000 | Rohto Pharmaceutical Co., Ltd. | 353,529 |
| 16,000 | Takeda Pharmaceutical Co., Ltd. | 693,466 |
| | | 4,743,392 |
| Pulp & Paper 0.68% | | |
| 27,500 | Nippon Paper Group Inc. | 587,665 |
| Real Estate 2.08% | | |
| 110,000 | Mitsui Fudosan Co., Ltd. | 1,804,766 |
| Retail Trade 3.86% | | |
| 26,600 | DCM Holdings Co., Ltd. | 208,983 |
| 3,850 | Nitori Co., Ltd. | 352,887 |
| 6,800 | Saint Marc Holdings Co., Ltd. | 265,518 |
| 48,200 | Seven & I Holdings Co., Ltd. | 1,354,422 |
| 20,800 | Shimachu Co., Ltd. | 493,785 |
| 27,700 | Xebio Co., Ltd. | 680,803 |
| | | 3,356,398 |
| Rubber Products 1.82% | | |
| 69,700 | Bridgestone Corp. | 1,586,207 |
| Securities 1.52% | | |
| 360,700 | Nomura Holdings Inc. | 1,317,733 |
| Software 1.46% | | |
| 19,200 | Capcom Co., Ltd. | 424,879 |
| 16,200 | Nexon Co., Ltd. | 236,520 |
| 36,300 | Sumisho Computer Systems Corp. | 606,980 |
| | | 1,268,379 |
| Transportation Equipment 10.81% | | |
| 40,700 | Aisin Seiki Co., Ltd. | 1,283,300 |
| 93,800 | Honda Motor Co., Ltd. | 3,274,464 |
| 212,000 | Isuzu Motors Ltd. | 1,071,520 |
| 264,000 | Kawasaki Heavy Industries, Ltd. | 774,335 |

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| | | |
|---|---|-----------------------|
| 59,100 | Toyota Motor Corp. | 2,174,558 |
| 23,000 | TS Tech Co., Ltd. | 397,237 |
| 17,400 | Yorozu Corp. | 418,767 |
| | | 9,394,181 |
| Wholesale Trade 5.97% | | |
| 31,000 | Hitachi High-Technologies Corp. | 677,478 |
| 334,000 | Marubeni Corp. | 2,300,432 |
| 97,000 | Mitsubishi Corp. | 2,208,760 |
| | | 5,186,670 |
| Total Common Stocks (Cost \$89,230,910) | | 86,237,309 |
| Principal Amount (000) | | Value |
| SHORT-TERM INVESTMENTS 0.20% | | |
| U.S. DOLLAR TIME DEPOSIT 0.20% | | |
| \$ 176 | JPMorgan Chase Bank, 0.05%, due 2/1/12 (Cost \$176,261) | 176,261 |
| Total Investments 99.44% (Cost \$89,407,172) | | 86,413,570 |
| Other assets less liabilities 0.56% | | 489,159 |
| NET ASSETS | | |
| | (Applicable to 14,481,811 shares of capital stock outstanding; equivalent to \$6.00 per share) | 100.00% \$ 86,902,729 |

* Non-income producing securities.

See accompanying notes to financial statements.

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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 Daiwa SB Investments (U.S.A.) Ltd. (the Manager). The 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, 2012 in valuing the Fund's investments carried at value:

| Valuation Inputs | Investments in Securities | |
|---|----------------------------------|-------------------|
| Level 1 Quoted Prices | \$ | 86,413,570 |
| Level 2 Other Significant Observable Inputs | | |
| Level 3 Significant Unobservable Inputs | | |
| Total | \$ | 86,413,570 |

As all assets of the Fund are classified as Level 1, no reconciliation of Level 3 assets as of January 31, 2012 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, 2012 was \$89,407,172, excluding short-term interest-bearing investments. At January 31, 2012, the net unrealized depreciation on investments, excluding short-term securities, of \$2,993,601 was composed of gross appreciation of \$3,964,256 for those investments having an excess of value over cost, and gross depreciation of \$6,957,857 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, 2012

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, 2012

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

Date: February 8, 2012