

JAPAN EQUITY FUND INC  
Form N-Q  
August 17, 2009

**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, 2009

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Item 1. Schedule of Investments. The schedule of investments for the three-month period ended July 31, 2009 is filed herewith.

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*The Japan Equity Fund, Inc.*

## Portfolio of Investments

July 31, 2009 (unaudited)

| Shares                                |  | Value      |
|---------------------------------------|--|------------|
| <b>COMMON STOCKS 98.07%</b>           |  |            |
| <b>Banks 9.66%</b>                    |  |            |
| 116,000                               | Chuo Mitsui Trust Holdings, Inc.       | 400,167    |
| 640,000                               | Mitsubishi UFJ Financial Group, Inc.   | 3,800,125  |
| 380,000                               | Mizuho Financial Group, Inc.           | 854,066    |
| 209,000                               | The Bank of Yokohama, Ltd.             | 1,120,813  |
| 94,000                                | The Chiba Bank, Ltd.                   | 603,345    |
| 297,000                               | The Sumitomo Trust & Banking Co., Ltd. | 1,608,258  |
|                                       |  | 8,386,774  |
| <b>Chemicals 6.12%</b>                |  |            |
| 221,000                               | Asahi Kasei Corp.                      | 1,129,720  |
| 40,800                                | Fujifilm Holdings Corp.                | 1,317,918  |
| 30,000                                | Nihon Parkerizing Co., Ltd.            | 339,327    |
| 26,300                                | Shin-Etsu Chemical Co., Ltd.           | 1,402,153  |
| 395,000                               | Ube Industries, Ltd.                   | 1,131,403  |
|                                       |  | 5,320,521  |
| <b>Communication 3.68%</b>            |  |            |
| 108                                   | KDDI Corp.                             | 566,757    |
| 37,900                                | NTT Corp.                              | 1,549,122  |
| 751                                   | NTT DoCoMo, Inc.                       | 1,077,119  |
|                                       |  | 3,192,998  |
| <b>Construction 1.98%</b>             |  |            |
| 119,000                               | Kajima Corp.                           | 332,145    |
| 120,000                               | Sumitomo Forestry Co., Ltd.            | 944,595    |
| 37,000                                | Toshiba Plant Systems & Services Corp. | 441,710    |
|                                       |  | 1,718,450  |
| <b>Cosmetics 0.30%</b>                |  |            |
| 9,500                                 | Mandom Corp.                           | 262,179    |
| <b>Electric Appliances 15.50%</b>     |  |            |
| 15,300                                | Canon Inc.                             | 564,593    |
| 99,000                                | Casio Computer Co., Ltd.               | 804,129    |
| 244,000                               | Fujitsu Ltd.                           | 1,586,536  |
| 2,500                                 | Funai Electric Co., Ltd.               | 103,230    |
| 20,700                                | Hamamatsu Photonics K.K.               | 403,137    |
| 6,000                                 | Kyocera Corp.                          | 477,943    |
| 142,000                               | Mitsubishi Electric Corp.              | 1,030,190  |
| 12,000                                | Murata Manufacturing Co., Ltd.         | 582,061    |
| 8,500                                 | Nidec Corp.                            | 608,666    |
| 138,000                               | Panasonic Corp.                        | 2,163,914  |
| 79,000                                | Sony Corp.                             | 2,209,126  |
| 39,000                                | Stanley Electric Co., Ltd.             | 800,711    |
| 310,000                               | Toshiba Corp.                          | 1,361,070  |
| 10,000                                | Yamatake Corp.                         | 217,437    |
| 78,000                                | Yaskawa Electric Corp.                 | 548,756    |
|                                       |  | 13,461,499 |
| <b>Electric Power &amp; Gas 3.22%</b> |  |            |
| 27,700                                | Kansai Electric Power Co., Inc.        | 612,435    |
| 38,300                                | Tohoku Electric Power Co., Inc.        | 789,142    |

See accompanying notes to financial statements.

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|                                     |              |  |           |
|-------------------------------------|--------------|--|-----------|
|                                     | 46,600       | Tokyo Electric Power Co., Inc.                 | 1,181,319 |
|                                     | 60,000       | Tokyo Gas Co., Inc.                            | 217,646   |
|                                     |              |  | 2,800,542 |
| <b>Foods</b>                        | <b>1.21%</b> |  |           |
|                                     | 111,000      | Ajinomoto Co., Inc.                            | 1,053,607 |
| <b>Glass &amp; Ceramic Products</b> | <b>2.19%</b> |  |           |
|                                     | 123,000      | Asahi Glass Co., Ltd.                          | 1,056,931 |
|                                     | 74,000       | Nippon Electric Glass Co., Ltd.                | 849,383   |
|                                     |              |  | 1,906,314 |
| <b>Insurance</b>                    | <b>3.02%</b> |  |           |
|                                     | 141,000      | Aioi Insurance Co., Ltd.                       | 663,287   |
|                                     | 49,300       | Mitsui Sumitomo Insurance Group Holdings, Inc. | 1,252,342 |
|                                     | 24,500       | Tokio Marine Holdings, Inc.                    | 704,317   |
|                                     |              |  | 2,619,946 |
| <b>Iron &amp; Steel</b>             | <b>3.19%</b> |  |           |
|                                     | 23,700       | JFE Holdings, Inc.                             | 943,937   |
|                                     | 270,000      | Kobe Steel, Ltd.                               | 516,517   |
|                                     | 5,700        | Kyoei Steel Ltd.                               | 140,623   |
|                                     | 475,000      | Sumitomo Metal Industries, Ltd.                | 1,171,859 |
|                                     |              |  | 2,772,936 |
| <b>Land Transportation</b>          | <b>2.58%</b> |  |           |
|                                     | 20,700       | East Japan Railway Co.                         | 1,175,005 |
|                                     | 235,000      | Nippon Express Co., Ltd.                       | 1,068,628 |
|                                     |              |  | 2,243,633 |
| <b>Machinery</b>                    | <b>5.14%</b> |  |           |
|                                     | 72,500       | Komatsu Ltd.                                   | 1,173,976 |
|                                     | 19,800       | Makita Corp.                                   | 486,410   |
|                                     | 422,000      | Mitsubishi Heavy Industries, Ltd.              | 1,671,942 |
|                                     | 87,000       | Ricoh Co., Ltd.                                | 1,129,563 |
|                                     |              |  | 4,461,891 |
| <b>Marine Transportation</b>        | <b>0.65%</b> |  |           |
|                                     | 134,000      | Nippon Yusen Kabushiki Kaisha                  | 567,322   |
| <b>Metal Products</b>               | <b>0.93%</b> |  |           |
|                                     | 52,400       | JS Group Corp.                                 | 804,131   |
| <b>Non-Ferrous Metals</b>           | <b>2.34%</b> |  |           |
|                                     | 120,300      | Sumitomo Electric Industries, Ltd.             | 1,482,686 |
|                                     | 37,000       | Sumitomo Metal Mining Co., Ltd.                | 551,171   |
|                                     |              |  | 2,033,857 |
| <b>Oil &amp; Coal Products</b>      | <b>0.78%</b> |  |           |
|                                     | 28           | Inpex Corp.                                    | 211,917   |
|                                     | 89,000       | Nippon Oil Corp.                               | 467,050   |
|                                     |              |  | 678,967   |
| <b>Other Financing Business</b>     | <b>0.37%</b> |  |           |
|                                     | 5,200        | Orix Corp.                                     | 325,612   |
| <b>Other Products</b>               | <b>0.83%</b> |  |           |
|                                     | 64,500       | Namco Bandai Holdings Inc.                     | 717,416   |
| <b>Pharmaceutical</b>               | <b>3.31%</b> |  |           |
|                                     | 22,000       | Kyorin Co., Ltd.                               | 336,002   |
|                                     | 49,000       | Mitsubishi Tanabe Pharma Corp.                 | 577,284   |
|                                     | 80,000       | Rohto Pharmaceutical Co., Ltd.                 | 843,822   |
|                                     | 19,900       | Takeda Pharmaceutical Co., Ltd.                | 796,749   |

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|   |   |            |
|---|---|------------|
| 10,000                                  | Tsumura & Company                       | 319,883    |
|   |   | 2,873,740  |
| <b>Precision Instruments 1.10%</b>      |   |            |
| 11,400                                  | BML, Inc.                               | 265,158    |
| 90,000                                  | Shimadzu Corp.                          | 690,571    |
|   |   | 955,729    |
| <b>Pulp &amp; Paper 0.89%</b>           |   |            |
| 179,000                                 | Oji Paper Co., Ltd.                     | 769,068    |
| <b>Real Estate 1.94%</b>                |   |            |
| 85,000                                  | Mitsui Fudosan Co., Ltd.                | 1,546,101  |
| 7,000                                   | Sumitomo Realty & Development Co., Ltd. | 142,693    |
|   |   | 1,688,794  |
| <b>Retail Trade 4.29%</b>               |   |            |
| 25,400                                  | ABC-Mart Inc.                           | 718,242    |
| 60,000                                  | DCM Japan Holdings Co., Ltd.            | 404,558    |
| 4,000                                   | Nitori Co., Ltd.                        | 283,504    |
| 8,000                                   | Saint Marc Holdings Co., Ltd.           | 254,234    |
| 49,500                                  | Seven & I Holdings Co., Ltd.            | 1,148,756  |
| 28,800                                  | Shimachu Co., Ltd.                      | 605,143    |
| 14,400                                  | Xebio Co., Ltd.                         | 309,346    |
|   |   | 3,723,783  |
| <b>Rubber Products 1.01%</b>            |   |            |
| 51,000                                  | Bridgestone Corp.                       | 876,479    |
| <b>Securities 1.32%</b>                 |   |            |
| 132,000                                 | Nomura Holdings Inc.                    | 1,143,926  |
| <b>Services 1.78%</b>                   |   |            |
| 30,000                                  | Dentsu Inc.                             | 626,594    |
| 42,400                                  | Nichii Gakkan Co.                       | 455,647    |
| 11,000                                  | Secom Co., Ltd.                         | 465,712    |
|   |   | 1,547,953  |
| <b>Textile &amp; Apparel 1.17%</b>      |   |            |
| 90,500                                  | Kuraray Co., Ltd.                       | 1,015,121  |
| <b>Transportation Equipment 11.31%</b>  |   |            |
| 73,000                                  | Daihatsu Motor Co., Ltd.                | 812,722    |
| 87,000                                  | Honda Motor Co., Ltd.                   | 2,773,887  |
| 455,000                                 | Kawasaki Heavy Industries, Ltd.         | 1,160,569  |
| 28,600                                  | Shimano Inc.                            | 1,160,025  |
| 35,500                                  | Suzuki Motor Corp.                      | 886,943    |
| 72,700                                  | Toyota Motor Corp.                      | 3,032,333  |
|   |   | 9,826,479  |
| <b>Wholesale Trade 6.26%</b>            |   |            |
| 44,000                                  | Hitachi High-Technologies Corp.         | 852,770    |
| 87,500                                  | Mitsubishi Corp.                        | 1,728,779  |
| 105,000                                 | Mitsui & Co., Ltd.                      | 1,302,896  |
| 158,300                                 | Sumitomo Corp.                          | 1,550,566  |
|   |   | 5,435,011  |
| Total Common Stocks (Cost \$91,858,089) |   | 85,184,678 |

See accompanying notes to financial statements.





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| Principal Amount (000)                     |   | Value                 |
|--|---|-----------------------|
| <b>SHORT-TERM INVESTMENTS 0.04%</b>        |   |                       |
| <b>U.S. DOLLAR TIME DEPOSIT 0.04%</b>      |   |                       |
| 33   | JPMorgan Chase Bank, 0.05%, due 8/3/09<br>(Cost \$33,187)   | 33,187                |
| <b>Total Investments 98.11%</b>            |   |                       |
| (Cost \$91,891,276)                        |   | 85,217,865            |
| <b>Other assets less liabilities 1.89%</b> |   |                       |
| 1,643,211                                  |   |                       |
| <b>NET ASSETS</b>                          |   |                       |
|  | (Applicable to 14,441,200 shares of capital stock<br>outstanding; equivalent to \$6.01 per share) | 100.00% \$ 86,861,076 |

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*Fair Value Measurements* - In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements ( FAS 157 ). FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. There has been no impact to the Fund as a result of the adoption of FAS 157.

In accordance with FAS 157, fair value is defined as the price that the Fund would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. FAS 157 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including such a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 quoted prices in active markets for identical investments

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of July 31, 2009 in valuing the Fund's investments carried at value:

| Valuation Inputs<br>Instruments             | Investments in Securities | Other Financial |
|---|---------------------------|-----------------|
| Level 1 Quoted Prices                       | \$ 85,217,865             | \$              |
| Level 2 Other Significant Observable Inputs |                           |                 |
| Level 3 Significant Unobservable Inputs     |                           |                 |
| <b>Total</b>                                | <b>\$ 85,217,865</b>      | <b>\$</b>       |

As all assets of the Fund are classified as Level 1, no reconciliation of Level 3 assets as of July 31, 2009 are presented.

For federal income tax purposes, the cost of securities owned at July 31, 2009 was \$91,859,538, excluding short-term interest-bearing investments. At July 31, 2009, the net unrealized depreciation on investments, excluding short-term securities, of \$6,674,860 was composed of gross appreciation of \$5,718,204 for those investments having an excess of value over cost, and gross depreciation of \$12,393,064 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) 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 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.

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**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 17, 2009

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 17, 2009

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

Date: August 17, 2009

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