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JAPAN EQUITY FUND INC
Form N-CSR
December 22, 2003

THE JAPAN EQUITY FUND, INC.

GENERAL INFORMATION

THE FUND

The investment objective of the Fund is to outperform over the long term, on a total return basis (including appreciation and dividends), the Tokyo Stock Price Index ("TOPIX"), a composite market-capitalization weighted index of all common stocks listed on the First Section of the Tokyo Stock Exchange ("TSE"). The Fund seeks to achieve its investment objective by investing substantially all of its assets in equity securities of companies listed on the TSE or listed on the over-the-counter market in Japan or listed on other stock exchanges in Japan. Daiwa SB Investments (U.S.A.) Ltd. is the Fund's Investment Manager. Daiwa SB Investments Ltd. is the Fund's Investment Adviser. The Fund implements an "active" portfolio management policy, which is an approach that involves quantitative valuation of securities to identify an appropriate universe of securities from which to select investments, with judgmental analysis then applied to this universe to determine the actual investments to be made by the Fund.

SHAREHOLDER INFORMATION

The Fund's shares are listed on the New York Stock Exchange ("NYSE"). The Fund understands that its shares may trade periodically on certain exchanges other than the NYSE, but the Fund has not listed its shares on those other exchanges and does not encourage trading on those exchanges.

The Fund's NYSE trading symbol is "JEQ". Weekly comparative net asset value ("NAV") and market price information about the Fund is published each Monday in The Wall Street Journal, each Sunday in The New York Times, and each Saturday in Barron's, and also appears in many other newspapers. The Fund's weekly NAV is also available by visiting www.daiwast.com or calling (800) 933-3440 or (201) 915-3020. Also, the Fund's website includes a monthly market review and a list of the Fund's top ten industries and holdings.

INQUIRIES

Inquiries concerning your share account should be directed to PFPC Inc. (the "Plan Agent") at the number noted below. All written inquiries should be directed to the Fund, c/o Daiwa Securities Trust Company, One Evertrust Plaza, 9th Floor, Jersey City, NJ 07302-3051.

DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

A Dividend Reinvestment and Cash Purchase Plan (the "Plan") is available to provide Shareholders with automatic reinvestment of dividends and capital gain distributions in additional Fund shares. The Plan also allows you to make optional annual cash investments in Fund shares through the Plan Agent. A brochure fully describing the Plan's terms and conditions is available from the Plan Agent by calling (800) 331-1710 or by writing The Japan Equity Fund, Inc., c/o PFPC Inc. P.O. Box 43027, Providence, RI 02940-3027.

A brief summary of the material aspects of the Plan follows:

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WHO CAN PARTICIPATE IN THE PLAN? If you wish to participate and your shares are held in your name, you may elect to become a direct participant in the Plan by completing and mailing the Enrollment Authorization form on the back cover of the Dividend Reinvestment and Cash Purchase Plan Brochure available from the Plan Agent. However, if your shares are held in the name of a brokerage firm, bank or nominee, you should instruct your nominee to participate in the Plan on your behalf. If your nominee is unable to participate in the Plan for you, you should request that your shares be registered in your name, so that you may elect to participate directly in the Plan.

MAY I WITHDRAW FROM THE PLAN? If your shares are held in your name and you wish to receive all dividends and capital gain distributions in cash rather than in shares, you may withdraw from the Plan without penalty at any time by contacting the Plan Agent. If your shares are held in nominee name, you should be able to withdraw from the Plan without a penalty at any time by sending written notice to your nominee. If you withdraw, you or your nominee will receive a share certificate for all full shares or, if you wish, the Plan Agent will sell your shares and send you the proceeds, after the deduction of brokerage commissions. The Plan Agent will convert any fractional shares to cash at the then-current market price and send to you a check for the proceeds.

HOW ARE THE DIVIDENDS AND DISTRIBUTIONS REINVESTED? If the market price of the Fund's shares on the payment date should equal or exceed their net asset value per share, the Fund will issue new shares to you at the higher of net asset value or 95% of the then-current market price. If the market price is lower than net asset value per share, the Fund will issue new shares to you at the market price. If the dividends or distributions are declared and payable as cash only, you will receive shares purchased for you by the Plan Agent on the NYSE or otherwise on the open market to the extent available.

WHAT IS THE CASH PURCHASE FEATURE? The Plan participants have the option of making annual investments in Fund shares through the Plan Agent. You may invest any amount from \$100 to \$3,000 annually. The Plan Agent will purchase shares for you on the NYSE or otherwise on the open market on or about February 15th of each year. Plan participants should send voluntary cash payments to be received by the Plan Agent approximately ten days before the annual purchase date. The Plan Agent will return any cash payments received more than thirty days prior to the purchase date. You may withdraw a voluntary cash payment by written notice, if the notice is received by the Plan Agent not less than two business days before the purchase date.

IS THERE A COST TO PARTICIPATE? There are no Plan charges or brokerage charges for shares issued directly by the Fund. However, each participant will pay a pro rata portion of brokerage commissions for shares purchased on the NYSE or on the open market by the Plan Agent.

WHAT ARE THE TAX IMPLICATIONS? The automatic reinvestment of dividends and distributions does not relieve you of any income tax which may be payable (or required to be withheld) on such dividends and distributions. In addition, the Plan Agent will reinvest dividends for foreign participants and for any participant subject to federal backup withholding after the deduction of the amounts required to be withheld.

PLEASE NOTE THAT, IF YOU PARTICIPATE IN THE PLAN THROUGH A BROKERAGE ACCOUNT, YOU MAY NOT BE ABLE TO CONTINUE AS A PARTICIPANT IF YOU TRANSFER THOSE SHARES TO ANOTHER BROKER. CONTACT YOUR BROKER OR NOMINEE OR THE PLAN AGENT TO ASCERTAIN WHAT IS THE BEST ARRANGEMENT FOR YOU TO PARTICIPATE IN THE PLAN.

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December 3, 2003

DEAR SHAREHOLDERS:

It is our pleasure on behalf of the Board of Directors to present the Annual Report for The Japan Equity Fund, Inc. (the "Fund") for the fiscal year ended October 31, 2003.

PERFORMANCE AND REVIEW OF THE JAPANESE STOCK MARKET

The movement of the stock market was characterized by a strong rally after bottoming out in April 2003. The TSE continued to decline during the first part of the year and posted a 20-year low average of 7,607 on April 28. However, the trend shifted upward since then, reaching to the 11,000 level.

To review the market developments:

- November 02: The Nikkei 225 rebounded by 6.7%, recovering to the 9,000 level on November 28, 2002, while the TOPIX closed 3.5% higher. Early in the month, the market fell, dragged by some major banks and debt overhanging companies. However, toward the end of the month, the market regained lost ground because: (1) fears for an immediate nationalization of major banks retreated; (2) the U.S. stock market remained steady; and (3) foreign investors, who had sold Japanese stocks since June 2002, turned into net buyers later in the month.
- December 02: In December, the Nikkei 225 declined 6.9% to 8,578.95, while the TOPIX closed 5.5% lower at 843.29. The Nikkei 225 fell for nine straight days, the longest such losing streak in eleven years, while the TOPIX hit an 18-year low on December 16, 2002. Though there was no specific negative news on the fundamentals, profit-taking after a sharp rise in late November as well as selling pressure from individual investors dampened the market.
- January 03: The Nikkei 225 declined 2.8% to 8,339.94, while the TOPIX closed 2.6% lower at 821.18. Early in the month, massive foreign investor buying sent the market upward. However, the direction reversed thereafter due to: (1) the increase in selling pressure from financial institutions and corporate pension funds; and (2) the growing tension regarding a military conflict with Iraq, together with the weakness of the U.S. stock market.
- February 03: Geopolitical risks (Iraq and North Korea) and share liquidation by financial institutions forced the market to stay in a bottom area after testing strong resistance of the Nikkei 225, at a level of 8,800. February and the early part of March is generally a seasonal weak period even in the 1980's bull market years, due to institutional liquidation toward the fiscal year end. Geopolitical risks and plummeting bank shares made this seasonal weakness even more painful this year.
- March 03: The fall in share prices accelerated in March, on the back of sales to unwind cross shareholdings in the run-up to the closing of full-year accounts. Further, sales related to the return of the government portion of employee pension funds, and also the increasing lack of buyers due to the uncertainty over the Iraq situation, contributed to the market falling to new post-bubble lows. Although there was a rebound in share prices across the globe once the war in Iraq began, the upturn in Japan was muted due to the financial instability that had been

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triggered by the fall in share prices, as well as concerns over North Korea. During March, the average daily trading volume on the First Section of the TSE was 830 million shares, with an average trading value of Y570 billion.

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- April 03: April saw investors increasingly focus on low to mid-priced stocks as they avoided international blue chips, which were particularly affected by the return of the subrogated portion of employee pension funds to the government and also the U.S. economy, where the war in Iraq led to increasing uncertainty. Buyers continued to shy away, not only because of the lack of a sense of urgency in government policy, or the deterioration in supply/demand conditions caused by the return of the subrogated portion of pension funds, but also because investors took a wait-and-see attitude to corporate earnings announcements. As a result, the market remained on a downward trend, hitting new post-bubble lows toward the end of the month. During April, the average daily trading volume on the First Section of the TSE was 950 million shares, with an average trading value of Y590 billion.

The end of the Iraq war in early April shifted the stock market's attention away from the war to the U.S. economy, but lingering uncertainties, including the impact from the war, meant that the Japanese stock market continued to follow a downward trend, with major high techs and international blue chips falling primarily due to their susceptibility to U.S. trends and the selling pressure from crossholding unwinding and the partial return of the pension management to the government (DAIKO HENJO) problem. At the end of April, Sony's downward revision of earnings projections triggered the market's plunge to a series of post-bubble lows.

- May 03: In May, reflecting a rise in the U.S. stock market, Japanese stocks, especially in the high tech, communications, and exporting sectors, climbed despite the strong yen, and the Nikkei 225 recovered to the 8,300 level at the end of the month when the rising yen trend halted. In addition, bank shares went higher on expectations that the injection of public funds into Resona Bank would lead to the strengthening of the banking sector's capital base. Further, the government's announcement of stock market support measures made it harder to sell, although they were mainly aimed at improving supply and demand. Nonetheless, once announcements of corporate results and government measures were over, there were few incentives to boost the market further. The outlook for the U.S. economy still looked uncertain, while concerns about the domestic economy increased following the downward revision of economic assessments by the Bank of Japan and negative supply-demand factors for major stocks remained. On the other hand, low and middle-priced stocks were individually picked based on news that had emerged during the peak results announcement period.
- June 03: The June market benefited from non-Japanese investors increasing their positions in Japanese stocks, as they looked increasingly undervalued compared to U.S. stocks, which had risen on expectations of a mild economic recovery, excessive concerns about the financial system diminished, and earnings of Japanese companies began to recover. Consequently, the Nikkei 225 regained

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the 9,000 level for the first time since December 2002. The selling pressure from supply and demand factors, such as crossholdings unwinding and the DAIKO-HENJO problem, also lessened somewhat as the need to sell stocks in a hurry decreased due to a rise in share prices, and traded volumes recovered considerably. However, as there were no definite improvements in fundamentals, the market saw increased profit-taking selling at the 9,000 level, and became top-heavy amid the lack of aggressive buyers.

- July 03: At the start of the month of July, despite a slowdown in market momentum, the Nikkei 225 recovered to above 10,000 points in intraday trading as a result of purchases by non-Japanese investors amid the continued bullishness of U.S. markets and financial deregulation. This was mirrored by buying from Japanese institutional investors following the improvement in the economic environment as indicated by

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the Bank of Japan's June TANKAN survey and a rise in capital spending by semiconductor makers. Consequently, trading volume exceeded 2 billion shares on July 3 for the first time in 14 years. The popularity of high-tech issues on U.S. stock markets and recovery in securities markets led gains among electrical machinery makers, technology issues, banks, and securities houses. Laggard automobile-related issues, and domestic-demand sensitive stocks were also increasingly sought. However, as the Nikkei 225 crossed the 10,000-point threshold, it fell back sharply on concerns about overheating, a rebound in Sony's share price and a growing sense of having reached a ceiling, based on machinery orders. Following signs of a recovery in the U.S. economy and capital expenditure trends, electrical machinery, high-tech, machinery and iron and steel stocks turned bullish. However, since the market had factored in favorable results ahead of results announcements, the release of poor results by Sony and Toshiba, unchanged forecasts by MEI, and a decrease in profits by Honda, made investors increasingly choosy in their stock selection as concerns over profitability expanded.

- August 03: Expectations of a market recovery swelled against the background of an improvement in macro-economic indicators. The Nikkei 225 rose, to above the 10,000-mark mid-month, and continued to rise throughout the rest of the month. Meanwhile the TOPIX recovered to above 1,000 points in mid-August. In addition, the upturn in the stock market was conspicuous with trading volume remaining high even during the obon holidays. During August, the average daily trading volume on the TSE First Section was 1.34 billion shares, with average trading value of Y940 billion.
- September 03: The market continued to be upbeat on the back of expectations of an economic recovery, monetary easing, and the disappearance of factors aggravating supply and demand. The cyclical selection of stocks, gains made by some stocks irrespective of investment indicators, and excessive market liquidity due to monetary easing, were also factors behind the market's rise. Further, the volatility in the bond market and foreign exchange trends were also seen as influencing the fluctuations in the stock market. During September, the average daily trading volume on the TSE First Section was 1.45 billion

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shares, with average trading value of Y1.31 trillion.

- October 03: The Tokyo stock market in October was characterized by fluctuations, with both the TOPIX and Nikkei 225 registering their largest declines since the September 11, 2001 terrorist attacks in the U.S. after posting new year-highs. Although there were strong expectations for positive corporate earnings and continued business confidence in the first half of the month investors sought domestic-demand sector stocks, such as major banks, IT-related stocks, and brokers. This was seen to be due to the strong trend in the yen. In the latter half of the month, share price indices seemed to undergo adjustments due to the fact that there was a lot of profit taking, as trading by non-Japanese investors slowed down. However, investors vigorously sought stocks on an individual basis, such as high techs, following results announcements. Average daily trading volume and value on the TSE First Section continued to be upbeat, totaling 1.39 billion shares and Y1.37 trillion, respectively. Moreover, the TSE Second Section, Mothers, Hercules, and JASDAQ Indices were all firm, with trading value on the Hercules hitting a new high and JASDAQ trading value also reaching its highest level since March 2000.

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PERFORMANCE/ATTRIBUTION ANALYSIS

Table 1. Performance in comparison with the benchmark (TOPIX), U.S. DOLLAR ("USD") BASE

	LATEST 12 MONTHS (AS OF OCTOBER 31, 2003) %

Japan Equity Fund	32.16
Benchmark (TOPIX)	36.17

Difference	-4.01

Table 2. Attribution Analysis Summary, JAPANESE YEN ("JPY") BASE (Latest 12 Months)

	(%) -----
Portfolio (Equity Only)	19.76
Benchmark (TOPIX)	21.01

Difference	-1.25
 BREAKDOWN	
Sector Selection	1.54
Stock Selection	-2.76

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Total -----
-1.25

Table 3. Portfolio Return (Equity Only) vs. Benchmark Return, JPY base (monthly)

		PORTFOLIO RETURN (A) (%)	BENCHMARK RETURN (B) (%)	RELATIVE RETURN (A) - (B) (%)	SECTOR SELECTION EFFECT (%)	STOCK SELECTION EFFECT (%)
		-----	-----	-----	-----	-----
2002	November	4.97	3.53	1.44	0.4	1.04
	December	-5.53	-5.54	0.01	-0.12	0.13
2003	January	-2.35	-2.62	0.27	-0.02	0.29
	February	-0.74	-0.30	-0.44	0.31	-0.75
	March	-4.80	-3.75	-1.05	0.07	-1.12
	April	-0.78	1.09	-1.87	-0.31	-1.56
	May	3.91	5.16	-1.25	0.16	-1.41
	June	8.93	7.85	1.08	0.68	0.40
	July	4.62	3.98	0.64	0.39	0.25
	August	8.05	6.66	1.36	0.37	0.99
	September	0.18	1.68	-1.5	-0.60	-0.90
	October	2.95	2.41	0.54	0.07	0.47

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Table 4. Attribution Analysis Breakdown, JPY base (Latest 12 Months)

	PORT WEIGHT (%)	BENCH WEIGHT (%)	PORT RETURN (%)	BENCH RETURN (%)	SECTOR SELECTION EFFECT (%)	STOCK SELECTION EFFECT (%)
	-----	-----	-----	-----	-----	-----
Technology	18.76	17.12	18.14	26.06	0.08	
Automobile	10.84	10.63	8.47	15.21	-0.05	
Machinery	3.79	3.40	58.59	37.72	0.48	
Pharmaceutical	3.56	3.95	-21.60	-4.36	0.10	
Personal Consumption	7.48	7.29	13.87	9.49	0.30	
Service	4.27	3.58	13.88	5.44	0.10	
Construction/Property	3.71	3.54	31.51	38.18	0.01	
Metal/Glass	6.53	5.23	45.57	53.86	0.36	
Chemical/Textile	7.54	7.32	28.37	23.67	-0.02	
Wholesale/Transportation	9.12	8.42	30.13	29.49	0.03	
Finance	12.32	15.76	15.52	30.91	-0.13	
Telecom	10.69	9.70	17.64	24.15	-0.14	
Public Utility	1.38	4.06	10.92	9.06	0.42	
Total	100.00	100.00	19.79	21.01	1.54	

PERFORMANCE SUMMARY

As shown in Table 1, the net asset value ("NAV") of the Fund increased by 32.16% in USD terms during the twelve months from November 1, 2002 to October

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31, 2003. Over the same period, the benchmark (TOPIX index) gained 36.17% in USD terms. The appreciation of the JPY against the USD was a positive factor for the absolute return in the NAV.

Table 2 shows that the performance of the equity part of the portfolio, excluding expenses and some cash positions in JPY terms, represents 19.76% in comparison with 21.01% for the benchmark.

FUND PERFORMANCE

As of October 31, 2003, the Fund's net assets were approximately \$64.9 million, which represents a net asset value of \$6.00 per share. The change in net asset value in USD depends on several factors such as: (1) the percentage change in the Benchmark during the period; (2) the over- or under-performance of the Fund's portfolio, after expenses, relative to the Benchmark; and (3) the change in the JPY/USD exchange rate.

Our investment strategy is to invest in undervalued securities based on intensive bottom-up analysis supported by quantitative screening. In our research efforts, we place a priority on evaluation of the top management, and its commitment to enhance shareholder value through clear-cut strategies, including restructuring, that will be eventually reflected in share prices. We add value primarily through a bottom-up stock selection approach for the fundamental Japan equity product.

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It is important to emphasize again that it has not been an objective of the Fund to predict changes in its Benchmark. Rather, its goal is to outperform the Benchmark, while staying fairly fully invested. Specifically, the goal is to hold no more than 5% in cash. On October 31, 2003, the portion of the Fund's net assets invested in Japanese equities listed on the First Section of the TSE was 96.86%, while short-term investments and other net assets represented 3.14%.

The invested position of the Fund's assets consisted of common stocks of Japanese companies operating in 29 different industries. The Fund had relatively large weightings in Electric Appliances (17.36% of net assets), Communication (9.75%), Transportation Equipment (9.38%) and Retail Trade (6.43%).

During the fiscal year ended October 31, 2003, the Fund's market price on the New York Stock Exchange ("NYSE") ranged from a low of \$4.02 per share on March 11, 2003 to a high of \$7.70 on October 14, 2003. The Fund's NYSE market price closed at \$7.16 per share on October 31, 2003.

The NYSE trading price in relation to the Fund's net asset value per share, as measured by the weekly closing prices during the fiscal year ended October 31, 2003, ranged from a discount of 6.71% on May 22, 2003 to a premium of 29.70% on July 3, 2003, and ended the period at a premium of 19.33%.

The Fund has not invested in derivative securities. Although foreign currency hedging is permitted by the Fund's prospectus, the Fund has not engaged in any foreign currency hedging.

PORTFOLIO MANAGEMENT

Mr. Koichi Ogawa, CFA, is the Executive Director and Chief Portfolio Manager of Daiwa SB Investments Ltd. ("DSBI") for all North American clients. A senior member of the Investment Policy Committee (IPC) of DSBI, Mr. Ogawa possesses 29 years of investment experience and has been responsible for Japan stock selection since 1984. He spent nine years with Daiwa Securities as an institutional research analyst and three years in New York analyzing U.S.

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securities. He graduated from Tohoku University with a B.A. in Law in 1972.

Mr. Kazuhiko Hosaka, CMA, is a Senior Portfolio Manager, with a total of 15 years of experience in the Japanese equity market. He joined Daiwa in 1990 as a portfolio manager after spending two years as a securities analyst at Barclays Securities Group. He has been directly responsible for managing Japanese equity portfolios for several North American and European pension clients. He graduated from Aoyama Gakuin University with a B.A. in Law in 1988.

RIGHTS OFFERING

On November 10, 2003 the Fund announced the record date for a rights offering (the "Offering") of its shares of common stock. The Fund will issue to stockholders of record as of December 4, 2003 (the "Record Date") one transferable right for each share of common stock held. Three rights will entitle the holder to purchase one share of common stock at the subscription price. The subscription price will not be determined until December 23, 2003, the expiration date of the Offering (the "Expiration Date"), and will equal 90% of the average of the closing price of the Fund's common stock on the New York Stock Exchange on the Expiration Date of the Offering and for the four immediately preceding trading days, with a requirement that the price be no lower than 95% of the net asset value per share of common stock of the Fund at the Expiration Date.

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We thank you for your support of The Japan Equity Fund, Inc. and your continued interest in the Japanese economy and marketplace.

Sincerely,

/s/ Hiroshi Kimura
HIROSHI KIMURA
CHAIRMAN OF THE BOARD

/s/ Shunsuke Ichijo
SHUNSUKE ICHIJO
PRESIDENT

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THE JAPAN EQUITY FUND, INC.

PORTFOLIO OF INVESTMENTS

OCTOBER 31, 2003

COMMON STOCKS--96.86%

SHARES		VALUE
-----		-----
BANKS--5.45%		
267	Mitsubishi Tokyo Financial Group Inc.	\$ 1,934,783
185,000	The Sumitomo Trust & Banking Co., Ltd.	1,041,919
130	UFJ Holdings, Inc.*	560,448

		3,537,150

CHEMICALS--5.48%		
239,000	Denki Kagaku Kogyo Kabushiki Kaisha	732,214

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	19,900 Hitachi Chemical Co., Ltd.	324,183
	158,000 Mitsui Chemicals Inc.	930,435
	20,000 Nifco Inc.	258,118
	35,000 Shin-Etsu Chemical Co., Ltd.	1,313,062

		3,558,012

COMMERCE--0.89%		
	67,000 Canon Sales Co., Inc.	574,619

COMMUNICATION--9.75%		
	20,200 Hitachi Information System, Ltd.	587,360
	130 KDDI Corp.	711,888
	370 NTT Corp.	1,666,392
	1,110 NTT DoCoMo, Inc.	2,423,225
	3,700 TIS Inc.	131,343
	50,000 Tokyo Broadcasting System, Inc.	807,650

		6,327,858

CONSTRUCTION--1.54%		
	55,000 Daiwa House Industry Co., Ltd.	598,331
	103,000 Shimizu Corp.	401,532

		999,863

ELECTRIC APPLIANCES--17.36%		
	42,000 ALPS Electric Co., Ltd.	\$ 710,017
	21,000 Canon Inc.	1,024,766
	30,000 Casio Computer Co., Ltd.	269,400
	9,800 Fanuc Ltd.	594,185
	185,000 Hitachi Ltd.	1,096,221
	55,000 Japan Radio Co., Ltd.	268,391
	13,000 Kyocera Corp.	789,396
	150,000 Matsushita Electric Industrial Co., Ltd.	1,993,671
	9,000 NEC Electronics Corp.	698,404
	40,000 Nippon Chemi-con Corp.	159,604
	2,700 Rohm Co., Ltd.	367,034
	61,000 Sharp Corp.	968,547
	50,000 Taiyo Yuden Co., Ltd.	729,224
	8,500 TDK Corp.	561,365
	170,000 Toshiba Corp.	687,672
	30,000 Yokogawa Electric Corp.	353,605

		11,271,502

ELECTRIC POWER & GAS--1.33%		
	10,000 Kansai Electric Power Co., Inc.	174,280
	200,000 Tokyo Gas Co., Inc.	691,616

		865,896

FOODS--0.80%		
	60,000 Fuji Oil Co., Ltd.	520,638

GLASS & CERAMIC PRODUCTS--1.07%		
	60,000 NGK Insulators, Ltd.	413,319
	7,000 Nippon Electric Glass Co., Ltd.	129,701
	80,000 Sumitomo Osaka Cement Co., Ltd.	148,964

		691,984

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SHARES		VALUE
-----		-----
INSURANCE--0.70%		
97,000	Nissay Dowa General Insurance Co., Ltd.	\$ 453,770

IRON & STEEL--2.76%		
550,000	Kobe Steel, Ltd.*	711,337
355,000	Nippon Steel Corp.	735,920
170,000	Nisshin Steel Co., Ltd.	341,497

		1,788,754

LAND TRANSPORTATION--1.44%		
40	East Japan Railway Co.	182,719
56,000	Yamato Transport Co., Ltd.	750,468

		933,187

MACHINERY--3.99%		
30,000	Amada Co., Ltd.	130,710
85,000	Komatsu Ltd.	463,906
130,000	Mitsubishi Heavy Industries, Ltd.	360,117
180,000	NSK Ltd.	747,936
11,000	Ricoh Co., Ltd.	210,374
33,200	THK Co., Ltd.	679,105

		2,592,148

MARINE TRANSPORTATION--0.69%		
110,000	Mitsui O.S.K. Lines, Ltd.	451,018

METAL PRODUCTS--0.85%		
30,000	NHK Spring Co., Ltd.	137,865
23,000	Tostem Inax Holding Corp.	413,291

		551,156

NON-FERROUS METALS--1.66%		
85,000	Fujikura Ltd.	515,364
140,000	Mitsui Mining & Smelting Co., Ltd.	565,034

		1,080,398

OTHER FINANCING BUSINESS--1.73%		
52,000	Hitachi Capital Corp.	\$ 703,541
2,870	SFCG Co., Ltd.	421,734

		1,125,275

OTHER PRODUCTS--1.82%		
128,000	Toppan Printing Co., Ltd.	1,183,489

PHARMACEUTICAL--3.44%		
37,000	Takeda Chemical Industries, Ltd.	1,320,216

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36,000	Yamanouchi Pharmaceutical Co., Ltd.	911,392

		2,231,608

PRECISION INSTRUMENTS--0.51%		
40,000	Citizen Watch Co., Ltd.	330,582

REAL ESTATE--2.05%		
142,000	Mitsui Fudosan Co., Ltd.	1,332,471

RETAIL TRADE--6.43%		
13,000	Fast Retailing Co., Ltd.	796,551
2,000	Hard Off Corp. Co., Ltd.	42,928
53,400	Isetan Co., Ltd.	557,413
68,000	Marui Co., Ltd.	870,739
7,800	Matsumotokiyoshi Co., Ltd.	395,652
4,500	Nitori Co., Ltd.	289,351
17,000	Otsuka Kagu Ltd.	498,991
69,000	Uny Co., Ltd.	724,051

		4,175,676

RUBBER PRODUCTS--1.12%		
260,000	Yokohama Rubber Co., Ltd.	727,389

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SHARES		VALUE

SECURITIES--4.06%		
230,000	Nikko Cordial Corp.	\$ 1,251,055
80,000	Nomura Holdings Inc.	1,385,434

		2,636,489

SERVICES--2.93%		
6,700	Meitec Corp.	241,524
1,800	OBIC Co., Ltd.	399,560
13,500	Secom Co., Ltd.	532,471
100	The Goodwill Group, Inc.	726,472

		1,900,027

TEXTILE & APPAREL--1.82%		
195,000	Mitsubishi Rayon Co., Ltd.	729,774
40,000	Onward Kashiyama Co., Ltd.	452,761

		1,182,535

TRANSPORTATION EQUIPMENT--9.38%		
40,000	Denso Corp.	764,997
20,000	Honda Motor Co., Ltd.	796,184
140,000	Mazda Motor Corp.	362,135
15,000	Nissan Motor Co., Ltd.	169,510
15,600	Shimano Inc.	300,495
10,300	Showa Corp.	102,981

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14,800	Toyota Industries Corp.	275,582
98,000	Toyota Motor Corp.	2,813,612
44,000	Yamaha Motor Co., Ltd.	503,284

		6,088,780

WAREHOUSING--1.35%		
100,000	Mitsubishi Logistics Corp.	877,821

WHOLESALE TRADE--4.46%		
15,000	Autobacs Seven Co., Ltd.	\$ 330,215
3,600	Kuroda Electric Co., Ltd.	114,584
63,000	Mitsubishi Corp.	659,356
150,000	Mitsui & Co., Ltd.	1,100,715
91	Net One Systems Co., Ltd.	687,800

		2,892,670

Total Common Stocks		
(Cost--\$57,173,942)		62,882,765

SHORT-TERM INVESTMENTS--0.23%		
PRINCIPAL		
AMOUNT		
(000)		

U.S. DOLLAR TIME DEPOSIT--0.23%		
\$ 149	Bank of New York Time	
	Deposit, 0.05%,	
	due 11/3/03	
	(Cost--\$149,229)	149,229

Total Investments--97.09%		
(Cost--\$57,323,171)		63,031,994
Other assets less liabilities--2.91%		1,886,378

NET ASSETS (Applicable to		
10,815,688 shares of capital stock		
outstanding; equivalent to \$6.00		
per share)--100.00%		\$ 64,918,372
		=====

* Non-income producing securities.

THE JAPAN EQUITY FUND, INC.

TEN LARGEST EQUITY POSITIONS HELD
OCTOBER 31, 2003

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ISSUE -----	PERCENT OF NET ASSETS -----
Toyota Motor Corp.	4.33%
NTT DoCoMo, Inc.	3.73
Matsushita Electric Industrial Co., Ltd.	3.07
Mitsubishi Tokyo Financial Group Inc.	2.98
NTT Corp.	2.57
Nomura Holdings Inc.	2.13
Mitsui Fudosan Co., Ltd.	2.05
Takeda Chemical Industries, Ltd.	2.03
Shin-Etsu Chemical Co., Ltd.	2.02
Nikko Cordial Corp.	1.93

TEN LARGEST EQUITY CLASSIFICATIONS HELD
OCTOBER 31, 2003

INDUSTRY -----	PERCENT OF NET ASSETS -----
Electric Appliances	17.36%
Communication	9.75
Transportation Equipment	9.38
Retail Trade	6.43
Chemicals	5.48
Banks	5.45
Wholesale Trade	4.46
Securities	4.06
Machinery	3.99
Pharmaceutical	3.44

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THE JAPAN EQUITY FUND, INC.

STATEMENT OF ASSETS AND LIABILITIES

OCTOBER 31, 2003

ASSETS

Investment in securities, at value (cost--\$57,323,171)
Cash denominated in foreign currency (cost--\$1,327,293)
Receivable for securities sold
Interest and dividends receivable
Deferred rights expense
Prepaid expenses

Total assets

LIABILITIES

Payable for securities purchased
Accrued expenses and other liabilities

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Total liabilities

NET ASSETS

Capital stock, \$0.01 par value per share; total 30,000,000 shares authorized;
 10,815,688 shares issued and outstanding
 Paid-in capital in excess of par value
 Accumulated net realized loss on investments
 Net unrealized appreciation on investments and other assets and liabilities
 denominated in foreign currency

Net assets applicable to shares outstanding

NET ASSET VALUE PER SHARE

See accompanying notes to financial statements.

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STATEMENT OF OPERATIONS

FOR THE YEAR ENDED OCTOBER 31, 2003

INVESTMENT INCOME:

Dividends (net of withholding taxes of \$59,858)	\$	534,1
Interest		-----

Total investment income		534,2

EXPENSES:

Investment management fee		242,4
Administration fee		120,9
Custodian fees and expenses		85,7
Audit and tax services		83,3
Legal fees and expenses		75,1
Reports and notices to shareholders		49,8
Insurance expense		39,6
Directors' fees and expenses		26,8
Transfer agency fee and expenses		15,7
Other		47,8

Total expenses		787,4

Net investment loss		(253,2)

REALIZED AND UNREALIZED GAINS FROM INVESTMENT ACTIVITIES AND FOREIGN CURRENCY

TRANSACTIONS:

Net realized losses on investments		(5,224,6)
Net realized foreign currency transaction gains		209,4
Net change in unrealized appreciation (depreciation) on investments in equity securities		21,082,9
Net change in unrealized appreciation (depreciation) on assets and liabilities denominated in foreign currency		(2,3

Net realized and unrealized gains from investment activities and foreign currency transactions		16,065,3

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$	15,812,1
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See accompanying notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	FOR THE YEAR OCTOBER
	----- 2003 -----
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS:	
Net investment loss	\$ (253,257)
Net realized gain (loss) on:	
Investments	(5,224,636)
Foreign currency transactions	209,459
Net change in unrealized appreciation (depreciation) on:	
Investments in equity securities	21,082,931
Translation of short-term investments and other assets and liabilities denominated in foreign currency	(2,396)

Net increase (decrease) in net assets resulting from operations	15,812,101

NET ASSETS:	
Beginning of year	49,106,271

End of year	