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JAPAN EQUITY FUND INC

Form N-CSR

June 28, 2004

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

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FORM N-CSR  
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CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT  
INVESTMENT COMPANIES

INVESTMENT COMPANY ACT FILE NUMBER 811-06142

THE JAPAN EQUITY FUND, INC.

(Exact name of registrant as specified in charter)

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c/o Daiwa Securities Trust Company  
One Evertrust Plaza, 9th Floor  
Jersey City, New Jersey 07302-3051

(Address of principal executive offices) (Zip code)

c/o Daiwa Securities Trust Company  
One Evertrust Plaza, 9th Floor  
Jersey City, New Jersey 07302-3051

(Name and address of agent for service)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (201)  
915-3054

DATE OF FISCAL YEAR END: October 31, 2004

DATE OF REPORTING PERIOD: April 30, 2004

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles. A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

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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](http://www.daiwast.com) or calling (800) 933-3440 or (201) 915-3020. Also, the Fund's website includes a monthly market review, a list of the Fund's top ten industries and holdings, the proxy voting policies and

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procedures, the code of ethics and the audit committee charter.

### 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.

May 18, 2004

DEAR SHAREHOLDERS:

It is our pleasure on behalf of the Board of Directors to present the Semi-Annual Report for The Japan Equity Fund, Inc. (the "Fund") for the six months ended April 30, 2004.

### PERFORMANCE AND REVIEW OF THE JAPANESE STOCK MARKET

- During the period November 2003 through April 2004, the Fund's portfolio increased by 12.33%. Over the same period, the TOPIX advanced by 12.10% in U.S. dollar ("USD") terms.

- On the other hand, in Japanese Yen ("JPY") terms, the performance of the Fund, excluding expenses and the cash position effect, represented 16.27%, whereas the TOPIX was up 13.70%.

- Relative to the TOPIX, stock selection contributed substantially to the relative performance while sector selection within sectors was slightly negative (see Table 3).

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- As shown below on Table 4, stock selection was primarily strong in Wholesale Trade and Transport Equipment. On the other hand, stock holdings in Other Financing Business hurt the results.
- Out performance in the Retail Trade sector in which we were overweight provided positive relative performance, while the underweight stance in Banks detracted from the relative result.

### MARKET REVIEW (NOVEMBER 2003 - APRIL 2004)

During the six month period, the Japanese stock market showed solid movement with the TOPIX advancing by 13.70% on a JPY basis. To review the Japanese equity market for the period:

- November 03: From the outset of November, the market was upbeat mirroring the surge in U.S. stocks and the Yen's depreciation. However, on November 17th, the Nikkei 225 Index ("Nikkei 225") fell below the psychologically important 10,000-mark as investor sentiment cooled ahead of the House of Representatives elections and in response to the decline in U.S. stocks and the U.S. dollar and the recent terrorist attacks. During this period, liquidation of margin positions by individual investors was also apparent. As the U.S. market began to pick up, the Nikkei 225 recovered to move above 10,000 on November 26th. Even so, the TOPIX closed below 1,000 points at month-end following a Nikkei Shinbun report on November 28th indicating that Ashikaga Financial Group was to receive an injection of public funds. During November, the average daily trading volume on the Tokyo Stock Exchange ("TSE") First Section was 1.06 billion shares, with an average traded value of JPY1.09 trillion, both being below October's levels.
- December 03: The stock market rose sharply at the beginning of December upon positive expectations for the U.S. Christmas sales season, but with the Yen continuing to appreciate and U.S. stocks declining, the Nikkei 225 slid below 10,000 points on December 10th. After that, the Nikkei 225 was heavily moved by expectations following the disappointment surrounding U.S. stocks after the capture of former Iraqi President

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Saddam Hussein. Even so, momentum gradually declined in the run-up to the holiday season for non-Japanese investors. Nevertheless, toward the end of the month (and the year), the United States and other leading overseas markets strengthened and the Nikkei 225 ended the month with a three-day rally, despite relatively thin trading, on both a sense of lagging behind overseas markets and expectations for the overall market in the new year. With this, 2003 was the first year since 1999 that the market closed the year higher.

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- January 04: In January, Japanese stocks made a strong start at the opening session of the year, reflecting the global rise in stock markets at year-end and through the New Year's holiday. Nevertheless, the TOPIX recorded five consecutive days of decline for the first time since April 2003 at January-end, slowing its monthly growth rate to 0.4%. Individual investors remained active players from start to finish, and the Nikkei JASDAQ Stock Average rose for 21 days in a row during the course of the month, indicating the good performance of small-caps. Aggressive buying by non-Japanese investors of Japanese equities was seen as the Japanese market was deemed to be lagging overseas stocks. However, domestic investors began to take profits ahead of the end of the fiscal year in recognition of the strength of the Yen and the unwinding of cross shareholdings. As a result, rising prices were quickly capped as the market approached its 2003 high. From mid-month onwards, investors began to expect an expansion in high tech firm's earnings ahead of third quarter results announcements, with leading electrical machinery stocks recording highs. In spite of this, adjustments by major banks, the slowdown in non-Japanese investors' activity ahead of the month-end and the plunge in U.S. stocks after the Federal Open Market Committee (FOMC) meeting led to a cooling in investor sentiment, bringing the market to a close on a weak note at the end of the month.

- February 04: The Tokyo stock market in February was

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characterized by a stronger rising trend from the middle to the end of the month. Continuing from the end of the previous month, attention in early February remained focused on major high tech companies' earnings announcements. While the results themselves were not bad, they did not surpass expectations and failed to fuel a rise in the overall market. Meanwhile, the Nikkei 225 temporarily endured a stronger declining trend as overseas investors withdrew from buying amid a market that was susceptible to a wait-and-see mood. This attitude was attributed to the upcoming special inspections at major banks and the G7 meeting.

Following these initial trends, both U.S. and Japanese stocks turned around and entered a rising trend, encouraged by U.S. Federal Reserve Board Chairman Alan Greenspan's testimony. Although there were concerns about supply/demand deterioration factors in light of an offering of JR West shares and the unwinding of cross-shareholdings before the end of the fiscal year, stocks remained in a rising trend throughout the month. This was due to increased expectations that the domestic economy would continue to recover on the back of the U.S. dollar recovering to Y109/\$, high October-December Gross Domestic Product ("GDP") growth and improved industrial production in January. During this period, investors sought a wide range of stocks, covering everything from export-related to domestic demand issues. The Nikkei 225 recovered above 11,000 points.

- March 04: In March, the stock market generally remained on a rising trend, with the TOPIX closing the month at its highest level since the beginning of 2003. It rose by 49.6% in fiscal year 2003, the first rise since fiscal year 1999 and the biggest gain since fiscal year 1986 (47.8%). Throughout the month, non-Japanese investors continued to be aggressive buyers of Japanese stocks on the back of expectations that the recovery in the domestic economy would spread. There were a number of negative incentives, such as concerns over a rise in the unwinding of cross shareholdings ahead of the end of the fiscal year, the terrorist

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attacks against trains in Spain, the assassination of the founder of the Hamas movement by Israeli forces, a temporary adjustment in U.S. stock prices and a return of JPY appreciation. However, these were counteracted by prospects of further rises in stock prices over the medium term, as indicators such as corporate statistics and land prices boosted confidence even further. With expectations of increased consumer spending, an end to deflation and the bottoming out of land prices, stock selection focused on domestic demand issues, with materials issues also sought after toward the end of the month.

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- April 04: In April, although the stock market was mostly unchanged over the month, it was firm overall on the back of an improvement in the Japanese economy and expectations of growth in corporate earnings. The TOPIX was above the 1,200-point level for most of the month. Even when the market was sent down by negative incentives, such as reports that UFJ Holdings had more bad loans than it had admitted, the adjustment of U.S. stocks and news that three Japanese nationals had been taken hostage in Iraq, buying on decline promptly kicked in. As a result, trading volume maintained a high level, but the upside appeared to be capped at the end of the month. On April 30, the last trading day of the month, the TOPIX closed below the 1,200-point level on adjustments of cash positions, due to incentives running dry, with the end of earnings announcements at leading companies and uncertainty in overseas markets as a result of fears of an economic slowdown stemming from monetary tightening in the United States and China. Total trading volume in April exceeded the total trading volume in March to hit a record high.

### OUTLOOK

Concerns about higher interest rates, contraction of excess liquidity and a slowdown in China have resurfaced as new realities. After an over 50% rebound in the last twelve months, a consolidation or correction in the Tokyo market seems natural at this stage, as is the case with other equity

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markets around the world.

The market has reacted to the wave of positive earnings news from technology firms. We expect companies, particularly manufacturers, to present conservative outlooks for fiscal year 2004 (vs. market expectations). We think the TOPIX will settle down into a box range of 1000 to 1200 due to a lack of news once non-manufacturer result announcements run their course in May.

We believe medium and long-term investors should take a buy-on-dips strategy in the mean time. After bottoming out in January 2001, the Japanese economy has been in a recovery phase that could be a historically durable one. While cyclical factors may cause a slow-down in corporate earnings in the second half of this year, valuations in the Japanese stock market remain near the bottom of their trading ranges. One-year forward earnings-per-share, at 19 times earnings, is based on the assumption of a 30% increase in bottom-line profit in fiscal 2004.

The initial stages of the recovery favored cyclicals, lower-quality equities, and smaller capitalization companies. However, we would expect higher-quality companies with sustainable growth characteristics to lead the way as global growth momentum stabilizes.

Major factors to be scrutinized in the meantime will continue to be the U.S. and Chinese economies, and the Japanese economy's relative sensitivity to them.

(1) Recent U.S. economic statistics, including job reports and factory orders, indicate the necessity of interest rate hikes this summer, aside from U.S. political considerations. A key question is whether capital expenditure will recover sufficiently to cover a possible slowdown in housing and consumption, which are more sensitive to short-term interest rate movements. It is reasonable to expect a slowdown of economic growth in the second half of 2004 and in 2005.

(2) The Chinese government is serious about combating excess investment in basic industries, including steel, cement, aluminum



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and automobiles.

Monetary tightening, including higher reserve requirements and direct control of bank lending, has already hit the world commodities markets. This, in combination with probable U.S. interest rate hikes and a stronger U.S. dollar, has been forcing speculators to leave the commodities markets. The correction of the commodities markets itself is not a negative factor, as it will relieve raw material cost pressures on manufacturing industries. We believe the Chinese

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economy will be able to achieve a soft-landing this time unlike 1993-94, as money supply growth and inflation are much lower than the previous cycle and excesses are limited to several sectors as mentioned above. Economic policy performance over the next three to six months should be watched, as China has become a big theme in financial and commodities markets.

(3) The Japanese economic recovery, triggered initially by exports, has permeated through capital expenditures and personal consumption. However, the momentum of Japanese economic recovery seemed to be slowing down sequentially in the quarter ended March 31, 2004 given the erratic movements in industrial production and machinery orders. On the other hand, business sentiment remained quite high and there were improvements in lagging sectors such as services and small enterprises. Whether Japan will be able to sustain its economic recovery based on consumption and capital expenditure will be tested by the less friendly external economic circumstances outlined above, particularly any slowdown in China, in late 2004 and in 2005.

### FUND PERFORMANCE

Table 1. Performance in comparison with the benchmark (TOPIX), USD base

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LATEST SIX MONTHS

(NOV 03 - APRIL 04)

%

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Japan Equity Fund (Equity Only)

12.33

Benchmark (TOPIX)

12.10

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Difference

0.23

Table 2. Performance in comparison with the benchmark,  
JPY base

LATEST SIX MONTHS

(NOV 03 - APRIL 04)

%

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Portfolio (Equity Only)

16.27

Benchmark (TOPIX)

13.70

-----

Difference

2.57

Table 3. Attribution Analysis Summary, JPY base

LATEST SIX MONTHS

(NOV 03 - APRIL 04)

%

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Portfolio (Equity Only)

16.27

TOPIX

13.70

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Difference
2.57
BREAKDOWN
Sector Selection
(0.12)
Stock Selection
2.03
Others
0.66
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Total
2.57

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Table 4. Sector & Stock Selection Effects, Sector by Sector as of April 30, 2004

SECTOR	STOCK	ALLOCATION			
PORTFOLIO SELECTION	MARKET	PORTFOLIO	BENCHMARK	EFFECT	
POSITION EFFECT	WEIGHT	RETURN	RETURN	(%)	
(%)	(%)	RETURN	RETURN	(%)	
(%)					
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-----					
TOPIX INDUSTRY					
Fishery, Agriculture & Forestry	0.00	0.09	0.00	21.40	0.00
0.00					
Mining	0.00	0.14	0.00	8.91	0.01
0.00					
Construction	0.92	2.29	12.71	-0.07	0.14
0.18					
Foods	1.64	2.46	28.68	19.51	-0.07
0.14					
Textiles & Apparel	2.48	1.04	8.88	15.08	0.01
0.17					-
Pulp & Paper	1.00	0.53	2.39	13.40	-0.02
0.02					-

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Chemicals					
7.77	5.44	9.48	12.05	-0.02	-
0.21					
Pharmaceutical					
3.74	3.94	22.16	17.69	-0.05	
0.15					
Oil & Coal Products					
0.00	0.69	0.00	12.18	0.02	
0.00					
Rubber Products					
1.16	0.66	30.36	29.16	0.07	
0.00					
Glass & Ceramic Products					
1.22	1.09	24.25	26.96	0.21	-
0.03					
Iron & Steel					
1.77	1.69	4.81	9.03	-0.02	-
0.08					
Nonferrous Metals					
1.07	0.86	7.31	6.69	-0.01	
0.05					
Metal Products					
0.00	0.66	5.85	18.84	-0.01	-
0.03					
Machinery					
5.14	3.29	8.72	13.08	-0.04	-
0.20					
Electric Appliances					
17.75	14.83	11.71	9.16	-0.08	
0.46					
Transport Equipment					
10.21	9.89	21.77	15.59	-0.06	
0.62					
Precision Instruments					
0.00	1.20	4.77	7.51	0.08	
0.05					
Other Products					
0.95	1.83	33.26	13.72	0.03	
0.31					
Electric Power & Gas					
1.51	3.58	5.77	4.22	0.17	
0.02					
Land Transport					
1.97	3.40	4.36	9.72	0.05	-
0.01					
Marine Transport					
0.88	0.45	7.93	9.22	-0.02	
0.02					
Air Transport					
0.00	0.34	0.00	9.93	0.02	
0.00					
Warehouse & Harbor Transport					
0.42	0.19	4.09	15.57	0.01	-
0.10					
Info & Communication					
9.66	9.81	11.08	5.98	-0.03	
0.59					
Wholesale Trade					
4.89	3.59	24.39	10.70	-0.07	
0.71					
Retail Trade					
5.29	5.09	24.73	22.76	0.17	

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0.13					
Banks					
8.65	10.41	38.43	33.97	-0.39	
0.25					
Securities					
3.23	2.40	-7.45	3.65	-0.10	-
0.38					
Insurance					
1.13	2.21	14.39	18.89	-0.07	-
0.03					
Other Financing Business					
1.88	2.61	18.10	36.29	-0.06	-
0.33					
Real Estate					
1.50	1.55	18.66	30.86	0.06	-
0.19					
Services					
2.15	1.75	14.36	15.06	-0.01	-
0.01					
100.00	100.00	16.27	13.70	-0.12	
2.03					

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As of April 30, 2004, the Fund's net assets were approximately \$95.3 million, which represents a net asset value of \$6.61 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.

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 April 30, 2004, the proportion of the Fund's net assets invested in Japanese equities listed on the First

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Section of the TSE was 97.65%, while short-term investments and other net assets represented 2.35%.

The invested position of the Fund's assets consisted of common stocks of Japanese companies operating in 27 different industries. The Fund had relatively large weightings in Electric Appliances (16.68% of net assets), Transportation Equipment (9.98%), Communication (9.13%) and Banks (8.44%).

During the six months ended April 30, 2004, the Fund's market price on the New York Stock Exchange ("NYSE") ranged from a low of \$6.15 per share on December 18, 2003 to a high of \$7.75 on April 12, 2004. The Fund's NYSE market price closed at \$6.79 per share on April 30, 2004.

The NYSE trading price in relation to the Fund's net asset value per share, as measured by the weekly closing prices during the six months ended April 30, 2004, ranged from a low premium of 1.80% on January 29, 2004 to a high premium of 22.90% on November 6, 2003, and ended the period at a premium of 2.72%.

On December 23, 2003, the Fund successfully completed a rights offering resulting in the issuance of 3,605,229 new shares, representing proceeds to the Fund of approximately \$19.4 million, after deducting for all expenses.

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.

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

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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.

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  
Ichijo

HIROSHI KIMURA  
CHAIRMAN OF THE BOARD

/s/ Shunsuke

SHUNSUKE ICHIJO  
PRESIDENT

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THE JAPAN EQUITY FUND, INC.

PORTFOLIO OF INVESTMENTS

APRIL 30, 2004 (UNAUDITED)

COMMON STOCKS--97.65%

SHARES  
VALUE  
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BANKS--8.44%

347 Mitsubishi Tokyo  
Financial Group Inc.

\$ 3,091,020

150,000 Mitsui Trust Holdings,  
Inc.

1,062,681

630 Mizuho Financial  
Group, Inc.

2,983,128

150,000 The Sumitomo Trust &  
Banking Co., Ltd.

903,483

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8,040,312

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 CHEMICALS--7.58%  
     150,000 Asahi Organic Chemicals  
             Industry Co., Ltd.  
 434,053  
     275,000 Denki Kagaku Kogyo  
             Kabushiki Kaisha  
 920,492  
     4,000 Fuji Photo Film Co.,  
             Ltd.  
 128,810  
     51,500 Hitachi Chemical Co.,  
             Ltd.  
 943,668  
     160,000 Mitsui Chemicals Inc.  
 843,251  
     21,000 Nichiyu Giken Kogyo Co.,  
             Ltd.  
 219,068  
     39,000 Shin-Etsu Chemical Co.,  
             Ltd.  
 1,577,830  
     101,000 Sumitomo Bakelite Co.,  
             Ltd.  
 662,400  
     120,000 Sumitomo Chemical Co.,  
             Ltd.  
 555,152  
     230,000 Toagosei Co., Ltd.  
 513,244  
     100,000 Toyo Ink Manufacturing  
             Co., Ltd.  
 428,157

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 7,226,125

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 COMMUNICATION--9.13%  
     22,200 Hitachi Information  
             System, Ltd.  
 670,591  
     240 KDDI Corp.  
 1,439,042  
     280 NTT Corp.  
 \$ 1,473,150  
     1,570 NTT DoCoMo, Inc.  
 3,118,922  
     56,000 Tokyo Broadcasting  
             System, Inc.  
 1,117,562  
     23,000 Trend Micro Inc.  
 882,529

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 8,701,796

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 CONSTRUCTION--0.88%  
     27,000 Daiwa House Industry



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	Co., Ltd.
302,476	
135,000	Maeda Corp.
538,824	
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841,300	
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ELECTRIC APPLIANCES--16.68%	
30,000	Canon Inc.
1,575,653	
25,000	CMK Corp.
371,236	
50,000	Dainippon Screen Manufacturing Co., Ltd.
341,528	
170,000	Fujitsu Ltd.
1,182,783	
56,000	Hitachi Kokusai Electric Inc.
443,469	
130,000	Hitachi Ltd.
913,915	
95,000	Koito Manufacturing Co., Ltd.
684,234	
9,200	Kyocera Corp.
761,938	
148,000	Matsushita Electric Industrial Co., Ltd.
2,176,234	
143,000	NEC Corp.
1,124,646	
8,200	NEC Electronics Corp.
577,957	
36,000	Nichicon Corp.
418,977	
40,000	Nippon Chemi-con Corp.
221,335	
3,900	Rohm Co., Ltd.
487,146	
18,000	Seiko Epson Corp.
707,003	
19,000	Sharp Corp.
342,979	
13,000	Stanley Electric Co., Ltd.
245,873	

SHARES  
VALUE

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ELECTRIC APPLIANCES (CONCLUDED)

5,000 Sumida Corp.  
\$ 180,515  
58,000 Taiyo Yuden Co., Ltd.  
970,700  
7,500 TDK Corp.  
536,103  
10,100 Tokyo Electron Ltd.  
615,675  
146,000 Toshiba Corp.  
671,462  
25,000 Yokogawa Electric  
Corp.  
339,940

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15,891,301

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ELECTRIC POWER & GAS--1.46%

65,000 Tokyo Electric Power  
Co., Inc.  
1,394,458

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FOODS--1.60%

53,000 Asahi Breweries, Ltd.  
596,154  
80,000 Fuji Oil Co., Ltd.  
928,882

-----  
1,525,036

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GLASS & CERAMIC PRODUCTS--1.19%

16,000 Nippon Electric Glass  
Co., Ltd.  
377,358  
218,000 Nippon Sheet Glass Co.,  
Ltd.  
761,339

-----  
1,138,697

-----  
INSURANCE--1.10%

70,000 Aioi Insurance Co.,  
Ltd.  
307,964  
140,000 Nissay Dowa General  
Insurance Co., Ltd.  
737,845

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1,045,809

-----  
IRON & STEEL--1.72%

240,000 Kobe Steel, Ltd.  
333,091  
250,000 Nisshin Steel Co., Ltd.  
503,447  
180,000 Sumitomo Metal  
Industries, Ltd.  
217,163  
160,000 Toyo Kohan Co., Ltd.  
587,808

-----  
1,641,509

-----  
LAND TRANSPORTATION--1.93%

250 East Japan Railway Co.  
\$ 1,279,028  
95,000 Nippon Express Co.,  
Ltd.  
555,833

-----  
1,834,861

-----  
MACHINERY--5.71%

90,000 Amada Co., Ltd.  
506,985  
80,000 Fujitec Co., Ltd.  
383,890  
97,000 Komatsu Ltd.  
553,456  
13,000 Nippon Thompson Co.,  
Ltd.  
87,972  
236,000 NSK Ltd.  
1,087,518  
33,000 Ricoh Co., Ltd.  
658,563  
9,000 SMC Corp.  
1,032,747  
58,200 THK Co., Ltd.  
1,127,150

-----  
5,438,281

-----  
MARINE TRANSPORTATION--0.85%

200,000 Nippon Yusen  
Kabushiki Kaisha  
814,586

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NON-FERROUS METALS--1.05%  
108,000 Sumitomo Electric  
Industries, Ltd.  
999,274

-----  
OTHER FINANCING BUSINESS--1.84%  
52,000 Hitachi Capital Corp.  
877,830  
6,000 JAFCO Co., Ltd.  
489,840  
1,870 SFCG Co., Ltd.  
384,042

-----  
1,751,712

-----  
OTHER PRODUCTS--0.93%  
75,000 Toppan Printing Co.,  
Ltd.  
882,393

-----  
PHARMACEUTICAL--3.65%  
56,000 Takeda Chemical  
Industries, Ltd.  
2,260,523  
36,000 Tanabe Seiyaku Co.,  
Ltd.  
346,154

10

SHARES  
VALUE

-----  
-----  
PHARMACEUTICAL (CONCLUDED)  
26,000 Yamanouchi  
Pharmaceutical Co.,  
Ltd.  
\$ 867,925

-----  
3,474,602

-----  
PULP & PAPER--0.98%  
150 Nippon Unipac  
Holding  
747,007  
30,000 Oji Paper Co., Ltd.  
187,500

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-----  
934,507

-----  
REAL ESTATE--1.47%

127,000 Mitsui Fudosan Co.,  
Ltd.  
1,399,719

-----  
RETAIL TRADE--5.16%

46,900 EDION Corp.  
516,904  
13,300 Fast Retailing Co., Ltd.  
1,037,554  
2,000 Hard Off Corp. Co.,  
Ltd.  
44,358  
55,000 Isetan Co., Ltd.  
760,341  
45,000 Marui Co., Ltd.  
707,003  
14,000 Matsumotokiyoshi Co.,  
Ltd.  
424,165  
5,000 Nafco Co., Ltd.  
161,919  
50 Nitori Co., Ltd.  
3,234  
37,000 Seven-Eleven Japan Co.,  
Ltd.  
1,258,618

-----  
4,914,096

-----  
RUBBER PRODUCTS--1.12%

300,000 Yokahama Rubber Co.,  
Ltd.  
1,066,763

-----  
SECURITIES--3.16%

80,000 Nikko Cordial Corp.  
455,733  
157,000 Nomura Holdings Inc.  
2,552,105

-----  
3,007,838

-----  
SERVICES--2.43%

24,500 H.I.S. Co., Ltd.  
\$ 673,394  
22,400 NEC Fielding Ltd.  
709,144

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3,000 Nomura Research  
Institute, Ltd.

310,504

14,500 Secom Co., Ltd.

622,143

-----

2,315,185

-----

TEXTILE & APPAREL--2.40%

225,000 Mitsubishi Rayon Co.,  
Ltd.

789,868

240,000 Teijin Ltd.

722,787

76,000 Wacoal Corp.

776,959

-----

2,289,614

-----

TRANSPORTATION EQUIPMENT--9.98%

36,000 Denso Corp.

759,253

40,000 Honda Motor Co., Ltd.

1,607,402

360,000 Isuzu Motors Ltd.

969,884

202,000 Mazda Motor Corp.

643,160

43,000 Showa Corp.

445,836

67,000 Tokai Rika Co., Ltd.

772,469

119,000 Toyota Motor Corp.

4,307,057

-----

9,505,061

-----

WAREHOUSING--0.41%

130,000 Mitsui-Soko Co., Ltd.

391,509

-----

WHOLESALE TRADE--4.80%

15,000 Autobacs Seven Co.,  
Ltd.

404,118

368,000 Marubeni Corp.

928,012

174,000 Mitsui & Co., Ltd.

1,436,321

182 Net One Systems Co.,  
Ltd.

775,943

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214 NIWS Co., Ltd.  
693,015

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SHARES  
VALUE  
-----  
-----

WHOLESALE TRADE (CONCLUDED)  
15,000 Paltac Corp.  
\$ 333,364

-----  
4,570,773

-----  
Total Common Stocks  
(Cost--\$81,455,974)  
93,037,117

-----  
SHORT-TERM INVESTMENTS--0.35%

PRINCIPAL  
AMOUNT  
(000)  
-----

U.S. DOLLAR TIME DEPOSIT--0.35%  
\$ 329 Bank of New York  
Time Deposit, 0.05%,  
due 5/3/04  
(Cost--\$328,899)  
328,899

-----  
Total Investments--98.00%  
(Cost--\$81,784,873)  
93,366,016  
Other assets less liabilities--2.00%  
1,907,623

-----  
NET ASSETS (Applicable to  
14,420,917 shares of capital stock  
outstanding; equivalent to \$6.61  
per share)--100.00%  
\$ 95,273,639

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=====

TEN LARGEST EQUITY CLASSIFICATIONS HELD  
APRIL 30, 2004 (UNAUDITED)

INDUSTRY -----	PERCENT OF NET ASSETS -----
Electric Appliances	16.68%
Transportation Equipment	9.98
Communication	9.13
Banks	8.44
Chemicals	7.58
Machinery	5.71
Retail Trade	5.16
Wholesale Trade	4.80
Pharmaceutical	3.65
Securities	3.16

TEN LARGEST EQUITY POSITIONS HELD  
APRIL 30, 2004 (UNAUDITED)

ISSUE -----	PERCENT OF NET ASSETS -----
Toyota Motor Corp.	4.52%
NTT DoCoMo, Inc.	3.27
Mitsubishi Tokyo Financial Group Inc.	3.24
Mizuho Financial Group, Inc.	3.13
Nomura Holdings Inc.	2.68
Takeda Chemical Industries, Ltd.	2.37
Matsushita Electric Industrial Co., Ltd.	2.28
Honda Motor Co., Ltd.	1.69
Shin-Etsu Chemical Co., Ltd.	1.66
Canon Inc.	1.65

See accompanying notes to financial  
statements.

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THE JAPAN EQUITY FUND, INC.

STATEMENT OF ASSETS AND LIABILITIES

APRIL 30, 2004 (UNAUDITED)

ASSETS



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Investment in securities, at value (cost--\$81,784,873)  
\$ 93,366,016  
Cash denominated in foreign currency (cost--\$1,562,647)  
1,543,912  
Interest and dividends receivable  
481,131  
Prepaid expenses  
24,317

-----  
Total assets  
95,415,376

-----  
LIABILITIES  
Accrued expenses and other liabilities  
141,737

-----  
NET ASSETS  
Capital stock, \$0.01 par value per share; total 30,000,000  
shares authorized; 14,420,917  
shares issued and outstanding  
144,209  
Paid-in capital in excess of par value  
126,627,010  
Accumulated net investment income  
60,836  
Accumulated net realized loss on investments  
(43,100,007)  
Net unrealized appreciation on investments and other  
assets and liabilities denominated  
in foreign currency  
11,541,591

-----  
Net assets applicable to shares outstanding  
\$ 95,273,639

=====  
NET ASSET VALUE PER SHARE  
\$ 6.61  
=====

See accompanying notes to financial  
statements.

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STATEMENT OF OPERATIONS

FOR THE SIX MONTHS ENDED APRIL 30, 2004 (UNAUDITED)

INVESTMENT INCOME:  
Dividends (net of withholding taxes of \$39,486)  
\$ 522,581

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Interest  
155

-----  
Total investment income  
522,736

-----  
EXPENSES:

Investment management fee  
151,240  
Administration fee and expenses  
80,484  
Custodian fees and expenses  
67,672  
Legal fees and expenses  
37,335  
Audit and tax services  
35,803  
Reports and notices to shareholders  
25,360  
Insurance expense  
21,811  
Directors' fees and expenses  
14,191  
Transfer agency fee and expenses  
7,957  
Other  
20,047

-----  
Total expenses  
461,900

-----  
NET INVESTMENT INCOME  
60,836

-----  
REALIZED AND UNREALIZED GAINS FROM INVESTMENT ACTIVITIES AND  
FOREIGN CURRENCY TRANSACTIONS:

Net realized gains on investments  
5,158,558  
Net realized foreign currency transaction losses  
(120,721)  
Net change in unrealized appreciation (depreciation) on  
investments in equity securities 5,872,320  
Net change in unrealized appreciation (depreciation) on  
assets and liabilities denominated  
in foreign currency  
(39,640)

-----  
Net realized and unrealized gains from investment activities  
and foreign currency transactions 10,870,517

-----  
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS  
\$ 10,931,353

=====

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See accompanying notes to financial statements.

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## STATEMENT OF CHANGES IN NET ASSETS

FOR THE SIX

MONTHS

FOR THE YEAR

ENDED

ENDED

APRIL 30, 2004

OCTOBER 31,

(UNAUDITED)

2003

-----

### INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS:

Net investment income (loss)	
\$ 60,836	\$ (253,257)
Net realized gain (loss) on:	
Investments	
5,158,558	(5,224,636)
Foreign currency transactions	
(120,721)	209,459
Net change in unrealized appreciation (depreciation) on:	
Investments in equity securities	
5,872,320	21,082,931
Translation of short-term investments and other assets and liabilities	
denominated in foreign currency	
(39,640)	(2,396)

-----

Net increase in net assets resulting from operations	
10,931,353	15,812,101

-----

### FROM CAPITAL STOCK TRANSACTIONS:

Sale of capital stock resulting from:	
Net proceeds from the sale of shares	
19,423,914	--

-----

Net increase in net assets	
30,355,267	15,812,101

### NET ASSETS:

Beginning of period	
64,918,372	49,106,271

-----

End of period (including undistributed net investment income of	
\$60,836 and 0, respectively)	

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\$ 95,273,639 \$ 64,918,372

=====

See accompanying notes to financial statements.

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THE JAPAN EQUITY FUND, INC.

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Japan Equity Fund, Inc. (the "Fund") was incorporated in Maryland on July 12, 1990 under its former name "The Japan Emerging Equity Fund, Inc." and commenced operations on July 24, 1992. It is registered with the Securities and Exchange Commission as a closed-end, diversified management investment company.

The following significant accounting policies are in conformity with generally accepted accounting principles in the United States of America for investment companies. Such policies are consistently followed by the Fund in the preparation of its financial statements. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements. Actual reporting results could differ from those estimates.

VALUATION OF INVESTMENTS--Securities which are listed on the Tokyo Stock Exchange or listed on the over-the-counter market in Japan or listed on other exchanges in Japan and for which market quotations are readily available are valued at the last reported sales price available to the Fund at the close of business on the day the securities are being valued or, lacking any such sales, at the last available bid price. In instances where quotations are not readily available or where the price as determined by the above procedures is deemed not to represent fair market value, fair value will be determined in such manner as the Board of Directors (the "Board") may prescribe. Short-term investments having a maturity of 60 days or less are valued at amortized cost, except where

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the Board determines that such valuation does not represent the fair value of the investment. All other securities and assets are valued at fair value as determined in good faith by, or under the direction of, the Board.

FOREIGN CURRENCY TRANSLATION--The books and records of the Fund are maintained in U.S. dollars as follows: (1) the foreign currency market value of investment securities and other assets and liabilities stated in Japanese yen are translated at the exchange rates prevailing at the end of the period; and (2) purchases, sales, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. The resulting exchange gains and losses are included in the Statement of Operations. The Fund does not isolate the effect of fluctuations in foreign exchange rates from the effect of fluctuations in the market price of securities.

TAX STATUS--The Fund intends to continue to distribute substantially all of its taxable income and to comply with the minimum distribution and other requirements of the Internal Revenue Code applicable to regulated investment companies. Accordingly, no provision for federal income or excise taxes is required.

The Fund is not subject to any Japanese income, capital gains or other taxes except for withholding taxes on certain income, generally imposed at rates of 10% on interest and dividends, paid to the Fund by Japanese corporations.

INVESTMENT TRANSACTIONS AND INVESTMENT INCOME--Investment transactions are recorded on the trade date (the date upon which the order to buy or sell is executed). Realized and unrealized gains and losses from security and foreign currency transactions are calculated on the identified cost basis. Dividend income and corporate actions are recorded generally on the ex-date, except for certain dividends and corporate actions from Japanese securities which may be recorded after the ex-date, as soon as the Fund acquires information regarding such dividends or corporate actions. Interest income is recorded on an accrual basis.

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DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS--The Fund records dividends and distributions payable to its shareholders on the ex-dividend date. The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations, which may differ from generally accepted accounting principles. These book basis/tax basis differences are either considered temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal tax basis treatment; temporary differences do not require reclassifications. Dividends and distributions which exceed net investment income and net realized capital gains for tax purposes are reported as distributions of paid-in-capital.

### INVESTMENT MANAGER AND INVESTMENT ADVISER

The Fund has entered into an Investment Management Agreement with Daiwa SB Investments (U.S.A.) Ltd. (the "Manager"). Daiwa SB Investments Ltd. ("DSBI" or the "Adviser"), an affiliate of the Manager, acts as the Fund's investment adviser pursuant to an Investment Advisory Agreement between the Manager and DSBI. For such investment services, the Fund is obligated to pay the Manager a monthly fee at an annual rate of 0.60% of the first \$20 million, 0.40% of the next \$30 million and 0.20% of the excess over \$50 million of the Fund's average weekly net assets, of which fee 60% is paid by the Manager to DSBI. In addition, the Fund has agreed to reimburse the Manager and the Adviser for all out-of-pocket expenses related to the Fund. For the six months ended April 30, 2004, there were no out-of-pocket expenses incurred by the Manager or the Adviser.

At April 30, 2004, the Fund owed \$27,659 to the Manager and the Manager informed the Fund that it owed the Adviser \$16,595.

Brokerage commissions of \$26,364 were paid by the Fund to Daiwa Securities America, Inc., an affiliate of both the Manager and DSBI, in connection with portfolio transactions during the six months ended April 30, 2004.

### ADMINISTRATOR AND CUSTODIAN AND OTHER RELATED PARTIES

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Daiwa Securities Trust Company ("DSTC"), an affiliate of the Adviser, provides certain administrative services to the Fund, for which the Fund pays to DSTC a monthly fee at an annual rate of 0.20% of the first \$60 million of the Fund's average weekly net assets, 0.15% of the next \$40 million and 0.10% of the excess over \$100 million, with a minimum annual fee of \$120,000. In addition, as permitted by the Administration Agreement, the Fund reimburses the Administrator for its out-of-pocket expenses related to the Fund. For the six months ended April 30, 2004, expenses of \$4,350 were paid to the Administrator, representing reimbursement to the Administrator of costs relating to the attendance by its employees at meetings of the Fund's Board.

DSTC also acts as custodian for the Fund's assets and has appointed Sumitomo Mitsui Banking Corporation (the "Sub-Custodian"), an affiliate of the Manager, to act as the sub-custodian for all of the cash and securities of the Fund held in Japan. As compensation for its services as custodian, DSTC receives a monthly fee and reimbursement of out-of-pocket expenses. Such expenses include fees and out-of-pocket expenses of the Sub-Custodian. During the six months ended April 30, 2004, DSTC and the Sub-Custodian earned \$22,810 and \$44,862, respectively, as compensation for custodial service to the Fund.

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At April 30, 2004, the Fund owed \$14,596 and \$4,303 to DSTC for administration and custodian fees, respectively, excluding fees and expenses of \$5,995 payable to the Sub-Custodian.

During the six months ended April 30, 2004, the Fund paid or accrued \$37,295 for legal services in connection with the Fund's on-going operations to a law firm of which the Fund's Assistant Secretary is a partner.

### INVESTMENTS IN SECURITIES AND FEDERAL INCOME TAX MATTERS

For federal income tax purposes, the cost of securities owned at April 30, 2004 was \$81,543,867. At April 30, 2004, the net unrealized appreciation of investments for federal income tax purposes, excluding short-term securities, of

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\$11,493,250 was composed of gross appreciation of \$13,333,917 for those investments having an excess of value over cost, and gross depreciation of \$1,840,667 for those investments having an excess of cost over value. For the six months ended April 30, 2004, total aggregate purchases and sales of portfolio securities, excluding short-term securities, were \$54,417,656 and \$35,294,182, respectively.

At October 31, 2003, the Fund had a remaining capital loss carryover of \$48,137,844, of which \$6,264,639 expires in the year 2005, \$16,909,841 expires in the year 2006, \$6,225,150 expires in the year 2009, \$13,474,882 expires in the year 2010 and \$5,263,332 expires in the year 2011 available to offset future net capital gains.

### CAPITAL STOCK

There are 30,000,000 shares of \$.01 par value common stock authorized. Of the 14,420,917 shares of the Fund outstanding at April 30, 2004, Daiwa Securities America Inc. an affiliate of the Manager, Adviser and DSTC owned 14,532 shares.

The Fund issued 3,605,229 shares on December 23, 2003 in connection with a rights offering of the Fund's shares, the proceeds of which, net of fees and expenses, were approximately \$19.4 million. Shareholders of record on December 4, 2003 were issued one transferable right for each share of common stock owned, entitling shareholders to acquire one newly-issued share of common stock for every three rights held at a subscription price of \$5.68, which was determined on December 23, 2003. Offering costs of approximately \$416,000 (\$0.03 per share), including \$100,000 paid to DSA, as reimbursement for its expenses incurred in acting as dealer manager, were charged to paid-in capital in excess of par value upon completion of the offering. Dealer manager and soliciting fees of \$637,580 (\$0.04 per share) were netted against the proceeds of the subscription. DSA earned approximately \$255,971 of the aforementioned fees with respect to its participation in the offering.



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FINANCIAL HIGHLIGHTS

Selected data for a share of capital stock outstanding during each period is presented below:

FOR THE YEARS ENDED OCTOBER 31,				FOR THE SIX MONTHS ENDED APRIL 30,	
				2004	
2003	2002	2001	2000	(UNAUDITED) 1999	
Net asset value, beginning of period					
\$ 4.54	\$ 5.59	\$ 8.35	\$ 9.39	\$ 6.00	
6.08					
Net investment income (loss)					
(0.02)	(0.04)	(0.04)	(0.04)		0.01
(0.01)					
Net realized and unrealized gains (losses) on investments and foreign currency transactions					
1.48	(1.01)	(2.72)	(1.00)		0.75
					3.32
Net increase (decrease) in net asset value resulting from operations					
1.46	(1.05)	(2.76)	(1.04)		0.76
					3.31
Less:					
Dilutive effect of rights offering					
--	--	--	--		(0.12)
					--
Offering costs charged to paid-in capital in excess of par value					
--	--	--	--		(0.03)
					--
Net asset value, end of period					
\$ 6.00	\$ 4.54	\$ 5.59	\$ 8.35	\$ 6.61	
9.39					

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Per share market value, end of period \$ 6.790  
 \$ 7.160 \$ 4.150 \$ 4.990 \$ 7.063 \$  
 9.813

=====  
 =====  
 =====  
 Total investment return:  
 Based on market price at beginning and  
 end of period+ (1.39)%  
 72.53% (16.83)% (29.35)% (28.02)%  
 42.73%  
 Based on net asset value at beginning and  
 end of period+ 12.01%  
 32.16% (18.78)% (33.05)% (11.08)%  
 54.44%  
 Ratios and supplemental data:  
 Net assets, end of period (in millions) \$ 95.3  
 \$ 64.9 \$ 49.1 \$ 60.5 \$ 90.3 \$  
 101.6  
 Ratios to average net assets of:  
 Expenses 0.97%\*  
 1.50% 1.44% 1.12% 0.96% 1.08%  
 Net investment income (loss) 0.15%\*  
 (0.48)% (0.74)% (0.51)% (0.48)%  
 (0.11)%  
 Portfolio turnover 44.54%  
 84.00% 76.19% 63.39% 61.91%  
 58.70%

-----  
 + For the period ended April 30, 2004, the total investment  
 return includes  
 the benefit of shares resulting from the exercise of  
 rights.  
 \* Annualized.

RESULTS OF ANNUAL MEETING OF STOCKHOLDERS (UNAUDITED)

On June 2, 2004, the Annual Meeting of Stockholders of  
 The Japan Equity  
 Fund, Inc. (the "Fund") was held and the following matter was  
 voted upon and  
 passed.

Election of two Class II Directors to the Board of  
 Directors of the Fund,  
 to serve for a term expiring on the date on which the Annual  
 Meeting of  
 Stockholders is held in the year 2007.

NUMBER OF SHARES/VOTES

PROXY AUTHORITY  
 CLASS II VOTED FOR  
 WITHHELD

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-----	
214,397	David G. Harmer 12,236,285
231,292	Oren G. Shaffer 12,219,390

In addition to the two Directors re-elected at the Meeting, Austin C. Dowling, Martin J. Gruber and Hiroshi Kimura were the other members of the Board who continued to serve as Directors of the Fund.

AN IMPORTANT NOTICE CONCERNING OUR PRIVACY POLICY

This Privacy Notice describes the types of non-public information we collect about you, the ways we safeguard the confidentiality of this information and when this information may be shared with others. In this Privacy Notice, the terms "we," "our" and "us" refer to the Fund. The term "you" in this Privacy Notice refers broadly to all of our individual stockholders (including prospective and former individual stockholders).

In order to provide you with services, we collect certain non-public information about you. We obtain this personal information from the following sources:

- Applications and other forms you submit to us.
- Dealings and transactions with us or others.

We do not disclose any non-public personal information about you to anyone, except as permitted by law. For instance, so that we may effect transactions that you request or authorize, we may disclose the information we collect to companies that perform services on our behalf, such as printers and mailers that assist us in the distribution of investor materials. These companies will use this information only for the services for which we hired them, and are not permitted to use or share this information for any other purpose.

We maintain physical, electronic and procedural security measures that comply with federal standards to safeguard your non-public personal information. Access to such information is restricted to those agents of the Fund who are trained in the proper handling of client information and who

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need to know that  
information in order to provide services to stockholders.

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### BOARD OF DIRECTORS

Hiroshi Kimura, CHAIRMAN  
Austin C. Dowling  
Martin J. Gruber  
David G. Harmer  
Oren G. Shaffer

### OFFICERS

Shunsuke Ichijo  
PRESIDENT

John J. O'Keefe  
VICE PRESIDENT AND TREASURER

Yuko Uchida  
SECRETARY

Laurence E. Cranch  
ASSISTANT SECRETARY

### ADDRESS OF THE FUND

c/o Daiwa Securities Trust Company  
One Evertrust Plaza, 9th Floor  
Jersey City, NJ 07302-3051

### INVESTMENT MANAGER

Daiwa SB Investments (U.S.A.) Ltd.

### INVESTMENT ADVISER

Daiwa SB Investments Ltd.

### ADMINISTRATOR AND CUSTODIAN

Daiwa Securities Trust Company

### TRANSFER AGENT AND REGISTRAR

PFPC Inc.

### LEGAL COUNSEL

Clifford Chance US LLP

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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PricewaterhouseCoopers LLP

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that from time to time the Fund may purchase shares of its common stock in the open market at prevailing market prices.

This report is sent to shareholders of the Fund for their information. It is not a prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in the report.

The financial information included herein is taken from the records of the Fund without examination by the Independent Registered Public Accounting Firm which does not express an opinion thereon.

SEMI-ANNUAL REPORT

APRIL 30, 2004

[JAPAN EQUITY FUND LOGO]

THE JAPAN EQUITY FUND, INC.  
C/O DAIWA SECURITIES TRUST COMPANY  
ONE EVERTRUST PLAZA  
JERSEY CITY, NEW JERSEY 07302

INVESTMENT MANAGER  
DAIWA SB INVESTMENTS (U.S.A.) LTD.

INVESTMENT ADVISER  
DAIWA SB INVESTMENTS LTD.

ITEM 2. CODE OF ETHICS. Not applicable for semi-annual report.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT. Not applicable for semi-annual report.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES. Not applicable for semi-annual report.

ITEMS 5-6. (RESERVED)

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES. Not applicable for semi-annual report.

ITEMS 8. (RESERVED)

ITEM 9. CONTROLS AND PROCEDURES.

(a) Based on an evaluation of the registrant's disclosure controls and procedures as of June 2, 2004, the disclosure controls and procedures are reasonably designed to ensure that the information required in filings on Forms N-CSR is recorded, processed,

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summarized, and reported on a timely basis.

(b) There were no significant changes in the registrant's internal controls or in other factors that could affect these controls subsequent to the date of our evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

ITEMS 10. EXHIBITS.

(a) Any code of ethics, or amendment thereto, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item 2 requirements through filing of an exhibit: Not applicable for semi-annual report.

(b) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2 under the Act (17 CFR 270.30a-2) in the exact form set forth below: Attached hereto.

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.

(Registrant)  
Fund, Inc.

The Japan Equity

By (Signature and Title)\*  
O'Keefe

\s\ John J.

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John J. O'Keefe, Vice  
President & Treasurer

Date: June 28, 2004

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 (Signature and Title)\*  
O'Keefe

\s\ John J.

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-----  
John J. O'Keefe, Vice  
President & Treasurer

Date: June 28, 2004

By (Signature and Title)\*

\s\ Hiroshi

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Kimura  
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Hiroshi Kimura, Chairman

Date: June 28, 2004

\* Print the name and title of each signing officer under his or her signature.

CERTIFICATION  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John J. O'Keefe, certify that:

1. I have reviewed this report on Form N-CSR of The Japan Equity Fund, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, changes in net assets, and cash flows (if the financial statements are required to include a statement of cash flows) of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-2(c) under the Investment Company Act of 1940) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this report (the "Evaluation Date"); and
  - c) presented in this report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 28, 2004

\s\John J. O'Keefe

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John J. O'Keefe, Vice President & Treasurer

CERTIFICATION  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Hiroshi Kimura, certify that:

1. I have reviewed this report on Form N-CSR of The Japan Equity Fund, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, changes in net assets, and cash flows (if the financial statements are required to include a statement of cash flows) of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-2(c) under the Investment Company Act of 1940) for the registrant and have:



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a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this report (the "Evaluation Date"); and

c) presented in this report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 28, 2004

\s\ Hiroshi Kimura

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Hiroshi Kimura, Chairman

CERTIFICATION

Pursuant to Section 906  
of the Sarbanes-Oxley Act of 2002

The undersigned, the Vice President & Treasurer of The Japan Equity Fund, Inc. (the "Fund"), with respect to the Form N-CSR for the period ended April 30, 2004 as filed with the Securities and Exchange Commission, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. such Form N-CSR fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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2. the information contained in such Form N-CSR fairly presents, in all material respects, the financial condition and results of operations of the Funds.

Dated: June 28, 2004

/s/ John J. O'Keefe

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John J. O'Keefe

This certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

CERTIFICATION

Pursuant to Section 906  
of the Sarbanes-Oxley Act of 2002

The undersigned, the Chairman of The Japan Equity Fund, Inc. (the "Fund"), with respect to the Form N-CSR for the period ended April 30, 2004 as filed with the Securities and Exchange Commission, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. such Form N-CSR fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in such Form N-CSR fairly presents, in all material respects, the financial condition and results of operations of the Funds.

Dated: June 28, 2004

/s/ Hiroshi Kimura

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Hiroshi Kimura

This certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

EXHIBIT B(1)

NYA 612686.1

EXHIBIT B (2)