

Korea Equity Fund, Inc.

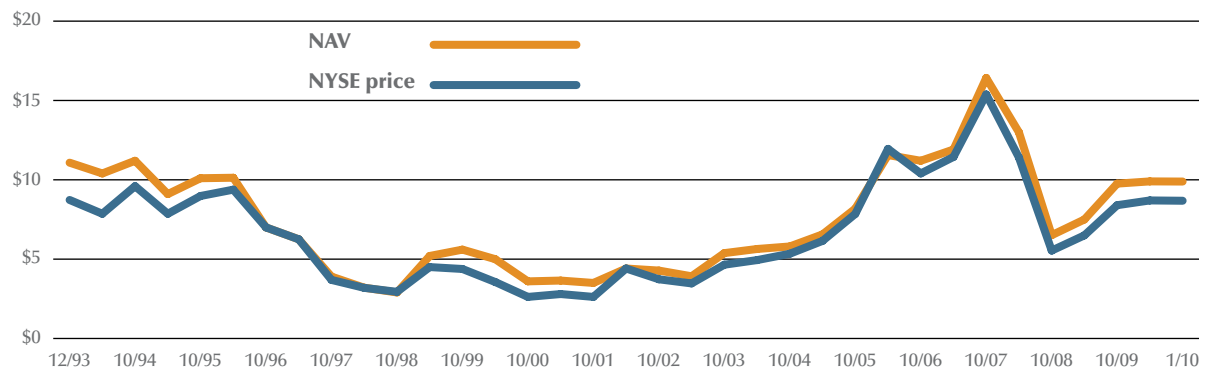
as of 1/31/10

Fund Objective

Korea Equity Fund, Inc. ("KEF" or the "Fund") seeks long-term capital appreciation through investments primarily in equity securities of Korean companies. Under normal circumstances, the Fund will invest at least 80% of its total assets in such securities. KEF is a non-diversified, closed-end management investment company listed on the New York Stock Exchange and the Osaka Securities

Exchange. Nomura Asset Management U.S.A. Inc. has served as the Fund's Manager since the Fund's inception in 1993. Nomura Asset Management Co., Ltd. has served as the Fund's Investment Advisor since the Fund's inception. The Manager and Investment Advisor are subsidiaries of Nomura Holdings, Inc. and affiliates of Nomura Securities Co., Ltd., Tokyo, Japan.

Net Asset Value Since Inception (December 3, 1993) vs. NYSE Closing Price



Fund Facts

• **Net Assets:**
\$110,836,576

• **Net Asset Value:**
\$9.89

• **NYSE Close:**
\$8.68

• **Premium/Discount:**
-12.23%

• **NYSE Ticker Symbol:**
KEF

• **Equity Portfolio Holdings:**
52

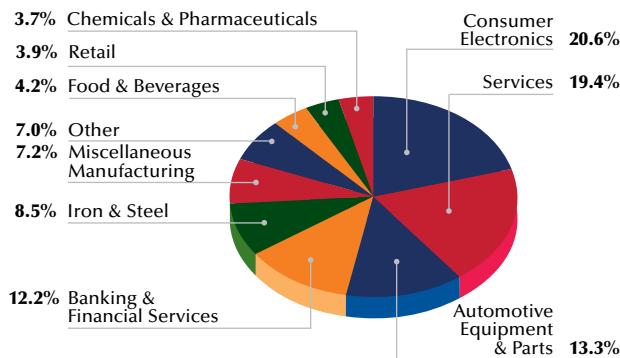
• **Cusip:**
50063B104

• **Inception Date:**
12/3/93

• **Automatic Reinvestment Option**

Sector Weightings

As of 1/31/10. Sector weightings may vary over time.



Performance Overview

Period ending 1/31/10

	Calendar YTD ¹	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception ¹
KEF NAV ²	-6.3%	65.4%	-4.3%	7.2%	4.0%	-0.5%
KEF NYSE Price ³	-6.2%	70.5%	-4.9%	5.6%	6.3%	-1.6%
KOSPI ⁴	-4.2%	64.4%	-1.5%	8.8%	5.1%	1.8%

¹Inception date: December 3, 1993. ²Based on NAV price, adjusted for reinvestment of income dividends and capital gain distributions. ³Based on New York Stock Exchange's closing market price, adjusted for reinvestment of income dividends and capital gain distributions. KEF's performance does not represent sales commissions. ⁴Korea Composite Stock Price Index ("KOSPI") in U.S. dollars.

Performance in excess of one year is annualized.

Sources: Nomura Asset Management U.S.A. Inc. and Bloomberg L.P.

Top Ten Holdings

As of 1/31/10. Holdings may vary over time.

	Percentage of Net Assets
Samsung Electronics Co., Ltd.	16.3%
POSCO	8.5
Hyundai Mobis	8.0
Shinhan Financial Group Co., Ltd.	4.6
Samsung Engineering Co., Ltd.	4.6
Hyundai Motor Company	3.2
NHN Corp.	3.0
Samsung Card Co., Ltd.	2.6
Korea Electric Power Corporation	2.5
LG Electronics Inc.	2.5

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Web Site: www.nomura.com

Korea Equity Fund, Inc.

Manager's Commentary

In January, the KOSPI declined by 4.2%, while the South Korean Won appreciated slightly by 0.20%. Steel, Construction, Chemical and Financials sectors underperformed while the defensive Telecommunications and Utility sectors outperformed. Foreign investors were overall net buyers, particularly in the Technology, Transportation, and Insurance sectors. Retailers were net buyers during the month while local institutions continued their net selling stance.

On the economic front, the government has raised its GDP growth target to a 5% to 6% range for 2010 and has announced that they will front load 70% of the fiscal budget in 1H2010. The Bank of Korea continued to hold rates unchanged at 2%, as expected, while indicating that increases are possible in the near term.

In order to promote investments in environmentally sustainable growth, the government will increase public investment in R&D from 2 trillion Won in 2009 to 2.2 trillion in 2010 to develop core technologies such as offshore wind power generators and hybrid batteries. A trade pact will be signed officially within the first half of 2010 with the EU after completing the translation of the text into 23 languages spoken within the 27-member European trade bloc.

South Korean GDP growth is likely to expand until 1H2010 and earnings could potentially surprise on the upside. However, the tightening of the reserve requirement ratio by the Chinese government has dampened growth sentiment in the short term.

Fund Information by Calendar Year*

	KEF Performance**	KOSPI Performance***	NAV At Period End	NYSE Closing Price At Period End	Income Dividend	Capital Gain Distributions	Net Assets (\$ millions)
1994 [†]	-39.1%	21.4%	\$9.81	\$8.75	—	\$0.28	\$87.7
1995	-4.3%	-12.4%	\$9.06	\$8.38	\$0.02	—	\$76.3
1996	-26.9%	-32.3%	\$6.07	\$6.13	—	—	\$51.0
1997	-52.1%	-71.2%	\$2.05	\$2.94	—	—	\$17.3
1998	17.0%	110.7%	\$3.86	\$3.44	—	—	\$32.5
1999	41.8%	94.0%	\$6.88	\$4.88	—	—	\$57.9
2000	-50.0%	-56.1%	\$3.13	\$2.44	—	—	\$26.3
2001	37.4%	32.9%	\$4.12	\$3.35	—	—	\$34.6
2002	8.1%	-0.2%	\$4.20	\$3.62	—	—	\$35.4
2003	37.6%	28.5%	\$5.72	\$4.98	—	—	\$48.1
2004	23.5%	27.3%	\$6.56	\$6.15	—	—	\$55.2
2005	50.9%	57.6%	\$10.28	\$9.28	—	—	\$86.5
2006	23.3%	13.1%	\$11.91	\$11.44	—	—	\$100.2
2007	14.5%	31.4%	\$14.57	\$13.10	—	—	\$163.3
2008	-55.1%	-56.1%	\$6.52	\$5.69	—	—	\$73.2
2009	62.6%	62.1%	\$10.56	\$9.25	—	—	\$118.4
1/10	-6.2%	-4.2%	\$9.89	\$8.68	—	—	\$110.8

*Sources: Nomura Asset Management U.S.A. Inc. and Bloomberg L.P. **Based on New York Stock Exchange's closing market price, adjusted for reinvestment of income dividends and capital gain distributions. KEF's performance does not

reflect sales commissions. ***Korea Composite Stock Price Index in U.S. dollars. [†]The Fund's inception date was December 3, 1993.

Additional Information

Comparisons between changes in the Fund's net asset value per share and changes in the Korea Composite Stock Price Index should be considered in light of the Fund's investment policy and objective, the characteristics and quality of the Fund's investments, the size of the Fund, and variations in the Korean won/U.S. dollar exchange rate.

This report is for informational purposes only. The financial information is taken from the records of the Fund without examination by independent accountants who do not express an opinion thereon.

It is not a prospectus, circular or representation intended for use in the sale of shares of the Fund or of any securities mentioned in this report. Past performance is not indicative of future results. Current performance may be lower or higher than the performance presented. Investment products offered are not FDIC insured, may lose value, and are not bank guaranteed. The Korea Composite Stock Price Index is a market capitalization-weighted index. The index was developed with a base value of 100 as of January 4, 1980.

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