

The Nomura Funds

Audit Committee Charter

I. Background

This Charter has been adopted by the Board of Directors of Japan Smaller Capitalization Fund, Inc. and the Board of Directors of Korea Equity Fund, Inc. (each, a “Fund”), including at least a majority of the Independent Directors of each relevant Fund.¹

II. Organization

This Section II describes the organization and governance functions of the Audit Committee (the “Committee”) of each Fund.

A. Composition of the Committee

The Committee of each Fund shall be composed solely of all of the Independent Directors. Each member shall be “financially literate”, as such qualification is interpreted by the Board of Directors in its business judgment, or shall become financially literate within a reasonable period of time after his or her appointment to the Committee. At least one member of the Committee of each Fund shall be an “audit committee financial expert”² as defined by Item 3 of Form N-CSR promulgated by the Securities and Exchange Commission (the “SEC”). See Attachment A.

¹ Independent Directors are those who satisfy the following criteria: (a) each shall not be an “interested person” of the Fund, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended, and (b) each shall otherwise satisfy the applicable independence requirements for any stock exchange on which Fund share are listed. No member of the Committee shall accept directly or indirectly any consulting, advisory or other compensation from the Fund, other than in his capacity as a member of the Committee, a member of any other Committee of the Fund, or a member of the Board of Directors.

² The designation of a person as an “audit committee financial expert” shall not impose any greater responsibility or liability on such person than the responsibility or liability imposed on such person as a member of the Committee, or the liability of any other member of the Committee or Board of Directors.

B. Chair; Functions of the Chair

The Chair of the Committee (the “Chair”) for each Fund shall be selected by a majority vote of the Independent Directors. The Chair shall have the following responsibilities:

(1) The Chair shall preside at all meetings of the Committee and shall be responsible for preparing meeting agendas.

(2) The Chair will report to the Board of Directors on the Committee’s recommendations on applicable resolutions and on any important actions by or discussions at the Committee.

C. Meetings and Procedures of the Committee

(1) The Committee may determine its own rules of procedure, which shall be consistent with the Certificate of Incorporation of each relevant Fund, the Bylaws of such Fund and this Charter.

(2) The Committee shall meet at least two times annually or more frequently as the Chair shall determine. The Chair or a majority of the members of the Committee may call a special meeting of the Committee when and if circumstances require. The Committee of each Fund will meet separately at least annually for such Fund with (i) the Treasurer for the Fund; (ii) and the independent registered public accounting firm (the “independent auditors”) for each Fund.

(3) A majority of the members of the Committee, present in person or by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can communicate with each other, shall constitute a quorum.

(4) The Committee may request that any officers or employees of the relevant Fund, or other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such information as the Committee requests.

(5) The Committee shall keep written minutes of its meetings, which minutes shall be maintained with the books and records of each relevant Fund.

D. Advisers; Funding

The Committee of each relevant Fund will have the authority, without seeking approval from the Board of Directors of such Fund, (i) to engage independent counsel; (ii) to engage the Fund’s independent auditors and such other advisers as the Committee determines to be necessary to carry out its duties; and (iii) determine appropriate funding

by the Fund for the Committee's expenses and activities, including the payment of compensation to the independent auditors and other advisers.

E. Duties and Responsibilities of the Committee

The Committee for each relevant Fund will have the following duties and responsibilities:

(1) General. The Committee will oversee (i) the Fund's auditors and the annual audits of the Fund's financial statements; (ii) the systems of internal accounting and financial controls of the Fund and its service providers (to the extent such controls impact the financial statements of the Fund); (iii) financial reporting process of the Fund; (iv) whistleblower reports; and (v) the accounting policies and disclosures of the Fund. The Committee will review with Nomura Asset Management U.S.A. Inc. ("NAM"), the independent auditors, and, as appropriate, legal counsel matters related to management letters; complaints and concerns related to accounting, internal control or audit matters for the Fund; and legal matters.

(2) Engagement of Independent Auditors. The Committee of each relevant Fund shall approve the selection, retention, termination and compensation of the independent auditors engaged for the purpose of preparing or issuing an audit report or related work for the Fund. The Committee of each relevant Fund will:

- (a) Be the representative of the Fund to which the independent auditors directly report.
- (b) Approve all audit engagements, fees and terms for the Fund.
- (c) Resolve disagreements between the Fund and any independent auditor.
- (d) Consider and act upon (i) the provision by any independent auditor of any non-audit services for the Fund, and (ii) the provision by any outside auditor of certain non-audit services to Fund service providers, including NAM, and their affiliates, to the extent such approval is required under the Sarbanes-Oxley Act and applicable regulations (the "Auditor Independence Regulations") promulgated by the SEC. In furtherance of the foregoing, the Committee may from time to time adopt and provide oversight in respect of policies and procedures for non-audit engagements by the independent auditors of the Fund.

(3) Independence of Auditors.

- (a) Evaluate the independence and objectivity of the independent auditors, including obtaining a formal written statement delineating all relationships between the independent auditors and the Fund and any service providers consistent with the rules of the Public Company Accounting Oversight Board.
- (b) Receive reports from NAM of compliance with the provisions of the Auditor Independence Regulations relating to hiring policies for employees or former employees of the independent auditors.

(4) Oversight.

- (a) Meet with the independent auditors at least annually (in a confidential meeting to the extent determined by the Chairman) to review the conduct and results of each audit and discuss the audited and unaudited financial statements, including those matters required to be discussed by the Statement of Accounting Standards 61, as amended, and any other communications required to be discussed with the Committee pursuant to applicable laws and regulations.
- (b) Review with the independent auditors any problems or difficulties they have encountered and any management letters.
- (c) Review legal and regulatory matters presented by counsel or the independent auditors that may have a material impact on the Fund's financial statements or that may constitute possible violations of law or fiduciary duties,
- (d) At least annually, obtain and review a report from the independent auditors describing (i) any material issues raised by the most recent internal quality control review, peer review or Public Company Accounting Oversight Board examination of the auditing firm and any steps taken to deal with issues found; and (ii) any material issues raised by any inquiry or investigation by governmental or professional authorities of the independent auditor firm since the most recent report and any steps taken to deal with such issues.

- (e) Discuss with NAM and the independent auditors policies with respect to risk assessment and risk management.
 - (f) Review with NAM and the independent auditors the internal controls of the Fund and its service providers with respect to accounting and financial matters relating to the Fund, including periodic review of the Fund's major internal controls exposures and steps that have been taken to monitor and control such exposures.
 - (g) Review and consider with Fund management reports regarding (i) all significant deficiencies in the design or operation of internal controls over financial reporting which are reasonably likely to affect the Fund's ability to record, process, summarize, and report financial data and identifying for the independent auditors any material weaknesses in internal controls; (ii) any fraud, whether or not material, that involves Fund management or other employees who have a significant role in the Fund's internal controls; and (iii) whether or not there have been significant changes in the Fund's internal controls or in other factors that have significantly affected, or are reasonably likely to affect, the Fund's or service providers' internal controls over financial reporting.
 - (h) Oversee and receive reports on the Fund's financial reporting process and resolve any disagreements between Fund management and the independent auditors regarding financial reporting.
- (5) Accounting Policies and Disclosures.
- (a) As required by the Auditor Independence Regulations, review and consider reports by the independent auditors with respect to (i) critical accounting policies and practices; (ii) alternative treatments discussed with Fund management; and (iii) other material written communications between the independent auditors and Fund management, as determined by the independent auditors. In this regard, the Committee will discuss with NAM, the Treasurer of the Fund, and the independent auditors their qualitative judgment about the appropriateness and acceptability of the accounting

principles and financial disclosure practices used or proposed for adoption by the Fund.

- (b) Review any correspondence with regulators or governmental agencies or published reports that raise material issues regarding Fund financial statements or accounting policies.
- (c) Review and approve the Committee report required by Regulation S-K, including recommendations of the Committee, required to be including in proxy statements of the Fund by applicable regulations.

F. Whistleblower Procedures

The Committee of each relevant Fund will establish procedures for (i) the receipt, retention, and treatment of complaints regarding the Fund's accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Fund, NAM, its affiliates, and service providers of concerns regarding questionable accounting or auditing matters. The Committee will receive reports concerning such complaints and their disposition.

G. Other Matters; Annual Evaluation

On an annual basis, the Committee of each relevant Fund will review this Charter and conduct an annual evaluation of the Committee's performance. The Committee shall report to the Board on an annual basis on the results of its evaluation.

The Committee of each relevant Fund may make any recommended amendments to this Charter, or the Board's policies and procedures, as the Committee believes necessary or appropriate. The report may be written or oral.

March 2015