

Special points of interest:

- According to the Bank of Japan, "Japan's economy is expected to return to a moderate recovery path with supply-side constraints easing further and production regaining traction".
- "We had established a good relationship for almost 50 years. When Hitachi Zosen Corporation was aware of the insolvency, it saved AE & E Inova AG", said Seiji Shimoda, Chief Technology Officer, Hitachi Zosen Inova AG.
- According to a METI survey, 93% of production bases directly affected by the disaster have already finished restoration.

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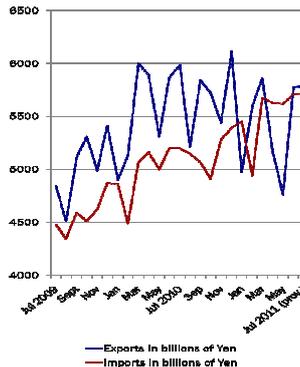
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Japan's current economic situation

Japan's economy is recovering quickly after March 11 Great East Earthquake. According to the Bank of Japan, "Japan's economy is expected to return to a moderate recovery path with supply-side constraints easing further and production regaining traction".

Numerous signs reflect the improvement of the economic situation. Japan's GDP shrank only 0.3% during the second quarter of 2011 from previous quarter, showing a significant improvement after a 0.9% decrease in the first quarter of this year. In addition, this decrease is lower than the expectation of economists (-0.7%).

Furthermore, the coincident index of business conditions, used to identify the current state of the economy, rose 2.5% to 109.3 in June 2011 from a month earlier



Japan's exports and imports
Ministry of Finance

(2005=100). Indices of industrial production were 92.6 in June, up 3.8% over the month (2005=100). The total value of machinery orders increased 5.6% in June from previous month. Japan's exports and imports already recovered to the same level as before the earthquake, despite the high value of the Japanese Yen (see article on page 2). Japan's exports increased 4.8% from February to ¥ 5,781 billion in July. On the

same period, they rose 4.3% in Asia, 2.6% in North America and 1.8% in Western Europe. Japan's imports also soared 15.6% to ¥ 5,709 billion in July from February (provisional figures; see graph).

As a consequence of voluntary self-restraint behaviors in economic activities ("Jishuku"), the average of monthly consumption expenditures per household declined 3.9% in nominal terms in June 2011 year-on-year. The consumer price index also slightly decreased 0.2% over the year. The consumer confidence index was 37.0 in July, down 12.7% from previous year, but up 4.8% from previous month.

Japan's unemployment rate continued to drop. It was 4.6% in June 2011, showing a decrease by 10.9% over the year.

Hitachi Zosen Inova has the support of Japanese parent firm

Hitachi Zosen Inova AG is a Swiss firm specialized in the construction and maintenance of thermal waste treatment plants. It has been acquired on December 20, 2010 by the Japanese industrial group Hitachi Zosen Cor-

poration. At that time, AE & E Inova AG (former name of Hitachi Zosen Inova AG) was affected by the bankruptcy of its parent company. "We had established a good relationship for almost 50 years. When Hi-

tachi Zosen Corporation was aware of the insolvency, it saved AE & E Inova AG", said Seiji Shimoda, Chief Technology Officer, who just arrived in Switzerland on February 1, 2011.

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Hitachi Zosen Inova AG Energy from Waste (EfW) plant in Thun (Canton of Bern)

Hitachi Zosen Inova has the support of parent company

(Continued from page 1)

Hitachi Zosen Corporation became the parent firm

Founded in 1933, Hitachi Zosen Inova AG entered into a license partnership with Hitachi Zosen Corporation in Japan. "Since 1960, we have worked jointly to design and construct thermal waste treatment plants", explained Mr. Shimoda.

Hitachi Zosen Corporation (today's parent firm) is a major Japanese industrial and engineering group. It shifted its core business activities from the building of ships to the manufacturing of industrial plants and construction machinery.

Hitachi Zosen Corporation has now over 8,000 employees, situated in Japan, but also in other parts of Asia, in Europe and in the United States. It is listed on Tokyo Stock Exchange and Osaka Securities Exchanges.

For the business year 2010, AE & E Inova AG



Seiji Shimoda,
Chief Technology Officer,
Hitachi Zosen Inova AG

had to report a significant loss. Following the acquisition, the business situation has improved. "We have a very positive forecast for 2011", said Mr. Shimoda.

"Waste is our Energy!"

"Waste is our Energy!" is the maxim of the firm. It builds and maintains thermal waste treatment plants that generate heat and electrical power. Municipal wastes are put into a furnace, producing steam in order to recover energy.

Hitachi Zosen Inova AG built around 220 plants, including 30 in Switzerland. In addition, its parent company built about 204 plants around the world. In Europe, waste treatment plants have different capacities, ranging from 500 to 2,000 tons per day. "It is very difficult to compare, but their calorific value is about one fourth of the one of coal or petrochemical plants", explained Mr. Shimoda. This technology has the following advantages: high energy efficiency, high environmental protection and high cost/efficiency ratio.

Hitachi Zosen Inova is now executing 15 innovational R&D projects that aim to improve the environmental protection, to generate more electrical power and to create more available and compact systems. In addition, "the cooperation with the large R&D institute of the Japanese parent firm can accelerate technology innovations", said Seiji Shimoda.

Yen reached record high level against US dollar



US.Dollar/Yen Spot Rate at
9:00 in JST, Tokyo Market
Bank of Japan

Likewise Swiss franc, Japanese Yen is a safe-haven currency, which is currently appreciated because of the sovereign debt crisis and the global financial turmoil. In addition, investors hope they will benefit from the recovery of Japan's growth due to post-quake reconstruction.

As a result, the Yen reached its highest level

since 1945 with ¥ 75.95 against USD 1 on August 19, 2011 (see graph). On the same day, the Yen was also traded EUR 1 against ¥ 109.

According to the Bank of Japan, "the yen's exchange rate against the U.S. dollar appreciated partly because U.S. interest rates decreased against the background of rising concern over a slow-

down in the U.S. economy" (August Monthly Report of Recent Economic and Financial Developments).

As for Switzerland, the strong Yen is a challenge for exporting companies. To address this issue, the Japanese government and the Bank of Japan decided to sell yens and to buy US dollars for the first time in six and a half years.

Rapid recovery of Japan's industries

Japanese industries recovered rapidly since March 11 tsunami and earthquake.

The Ministry of Economy, Trade and Industry (METI) carried out a survey about the actual status of industries after the Great East Japan Earthquake. It was conducted from June 14 to July 1 among 123 companies (65 in the manufacturing industry and 58 in the retailing and service industries).

It shows that 93% of pro-

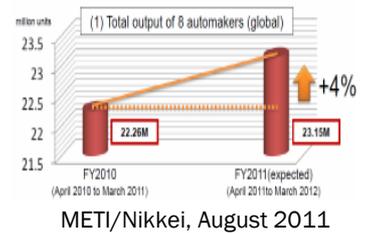
duction bases directly affected by the disaster have already finished restoration. In addition, 80% of production bases have now the same production output as before the disaster, or a higher one.

Among bases that now have a lower output production than before the earthquake, 70% are planning to restore their output production by the end of 2011.

Moreover, 97% of the manufacturers answered

that they have already secured their procurement from alternative suppliers.

According to another study carried out by Nikkei and published by METI, production of the automotive industry resumed earlier than expected. Automotive manufacturers plan to increase by 4% their total output from 22.26 million units in FY 2010 to 23.15 million units in FY 2011 (see graph).



Second extra budget for Tohoku region reconstruction

Japan's parliament approved on July 25 a ¥ 2 trillion (about CHF 21 billion) second extra budget to pay for disaster relief and rebuilding after the March 11 earthquake and tsunami. It already had approved a ¥ 4 trillion (about CHF 42 billion) first

extra budget in May. The main part of the second budget (¥ 800 billion, CHF 8 billion) is allocated to the reconstruction.

It also earmarks ¥ 377.4 billion (about CHF 4 million) to support survivors. In addition, this allocation will aim at securing new

loans for indebted individuals and business people who want to rebuild their companies.

It sets aside ¥ 275.4 billion (about CHF 3 billion) to face consequences of the Fukushima nuclear accident.

Overcoming electricity shortage

Among Japan's 54 reactors, only 15 are currently operating, including Tomari No. 3 reactor. As nuclear energy provided about 30% of Japan's electricity before the disasters, the supply - demand balance of power has become very tight. So far, the peak demand was reached on August 10 with a temperature in Tokyo of 34° and a power demand of 61.27 kW (see graph). Actions have been taken on the supply and demand sides.

On the supply side, reactor

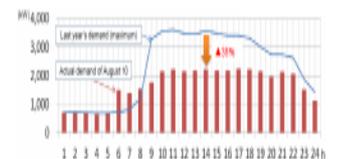
No. 3 of Tomari nuclear power plant has resumed full operation on August 17, 2011. This reactor located on Hokkaido, Japan's northern island, is the first to resume operation since March 11 disasters. It was already subject to regular inspections before the disasters. In addition to inspections carried out by the Nuclear and Industrial Safety Agency, the nuclear reactor was checked by the Cabinet Office's Nuclear Safety Commission.

Moreover, the new five-

year science and technology program was approved on August 19. It stressed the need for the development of renewable energies.

On the demand side, companies and individuals have been asked to cooperate to reduce by 15% their power consumption.

As part of electricity saving actions, METI started the "COOLBIZ TECH" project to publicize and raise awareness of textile technologies that help to spend hot summer comfortably.



Comparison of maximum electricity demand in 2010 and electricity demand on August 10, 2011.
METI

Air-conditioned clothes to help reduce global warming

Summer is a very hot season in Japan, with temperatures reaching 38°. Due to recent electricity restrictions, air-conditioned clothes have become very popular in Japan this summer.

Air-conditioned jackets and shirts were invented in 2004 by Hirosho Ichigaya, a former Sony engineer, CEO of Kuchofuku Co., Ltd. His objective was to invent an air-conditioning that would use little energy. He understood that air-conditioning does not have to cool the whole room.

Air-conditioned clothes are



Kuchofuku air-conditioned jacket

empowered by a pocket-size rechargeable battery. Entering through a fan located on the side of clothes, air is circulating around the body, inside air-conditioned clothes.

These clothes evaporates transpiration and keep a low temperature inside.

Due to the success of this

product, Kuchofuku is now struggling to meet the demand. It is planning to sell about 40,000 air-conditioned clothes this year, doubling its annual sales. About 1,000 firms in Japan, including Toyota, bought Kuchofuku clothes for their staff.

Jackets are sold from about ¥ 9,900 to ¥ 19,500 (CHF 100 to 200), depending on products.

As Kuchofuku is a very small company, it does not have enough staff and financial capacities to export its products. But it hopes it will be able to export them in the near future.

Biotechnology and high precision technology trade fairs

Bio Japan 2011

JETRO is one of the sponsors of Bio Japan 2011, the most influential trade fair in Asia's biotechnology market.

Entitled "New Bio Growth Strategy by Japan—Boosting Open Innovation & Investment", the trade fair will be held this year from October 5 to 7, in Pacifico Yokohama, Yokohama, in Japan.

Despite current economic difficulties, bio technology industry is a growing market in Japan. According to *Biotechnology Yearbook 2011*, biological products and services grew by 4.5% in FY 2010 from a year earlier.

For further information, please visit this Webpage: <http://expo.nikkeibp.co.jp/biojapan/2011/eng/summary/>.

SUWA Area Industrial Messe 2011

JETRO Nagano/Suwa invites overseas corporations to Suwa Area Industrial Messe 2011, a trade fair of high precision technology to be held in Suwa, Nagano Prefecture, from October 13 to 15.

For more information, please visit this Webpage: <http://www.suwamesse.jp/en/>

JETRO is a government-related organization that works to promote mutual trade and investment between Japan and the rest of the world. Originally established in 1958 to promote Japanese exports abroad, JETRO's core focus in the 21st century has shifted toward promoting foreign direct investment into Japan and helping small to medium size Japanese firms maximize their global export potential.

The JETRO Switzerland Newsletter can also be viewed and/or downloaded online:

<http://www.jetro.go.jp/switzerland/newsletter>

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