

ANNUAL REPORT OF THE SJCC SCHOLARSHIP FUND 2006

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1. Summary and Highlights 2006

Pro Memoriam: Since its establishment in 1988 our Scholarship Fund has granted scholarships amounting to a total of approx. CHF 2'150'000 to 146 well educated candidates. These funds have been exclusively donated by Stiftung Mercator Schweiz.

- Our Scholarship Committee has approved 16 requests and granted Scholarships totaling JPY 19'410'000 / CHF 203'800, i.e. average per recipient JPY 1'213'000 / CHF 12'740.
- Internships offered are well balanced between Japanese and international companies.
- Current bilateral trade negotiations between Switzerland and Japan are expected to eliminate current visa problems for our scholarship recipients provided consensus is being reached on the incorporation of “Movement of Natural Persons” (Personenfreizügigkeit) into the Agreement (Para.6).
- We have been informed by Stiftung Mercator Schweiz that they wish to eventually withdraw as sponsors of our Scholarship Fund without, however, endangering its existence. A compromise solution with reduced donations for the period 2008-09 is being offered whilst SJCC is actively soliciting new sponsors.
- Our Statement of Revenue and Expenditure shows a surplus of CHF 3'695 for the year and the Balance Sheet an accumulated surplus of CHF 133'908. This surplus will cover our contingent liabilities in the 1st semester 2007.

2. Activities of our Scholarship Fund

Pro Memoriam: Since 1988 our Scholarship Fund has introduced an educational program focusing on encouraging and supporting young, well educated residents of Switzerland in their efforts to acquire a thorough knowledge of Japan, its language and culture as well as its social, political and business practices. Our concept is largely but not exclusively oriented towards the needs of business. It requires from scholarship recipients a Japan training commitment for at least one year comprising intensive study of Japanese and practical work experience as interns with a local or international company.

Thus, donations of approx. CHF 2'150'000 received from the Stiftung Mercator Schweiz could be used exclusively for extending 146 cumulative scholarships to selected candidates.

In 2006 interest in the program of our Scholarship Fund among young graduates and professionals has again been lively as is evidenced by some 40 serious enquiries received. Our Scholarship Committee has approved 16 requests and granted Scholarships totaling max. JPY 19'410'000 / CHF 203'800 (average per recipient JPY 1'213'000 / CHF 12'740). 9 applications have been rejected and the remaining transferred to 2007 or, otherwise, not pursued further.

Payments are generally made in 2 equal installments - the 1st after the recipient has arrived in Japan and opened his/her banking account, the 2nd after approx. 6 months upon receipt of his/her interim report. Appropriate consideration of the candidate's financial situation is made and in almost all cases a personal contribution is expected towards the budgeted total cost of approx. JPY 2,9 mio. / CHF 30'000 p.a. (less income from the internship if available).

Much effort goes into providing non-financial support and guidance tailor-made to the needs and requirements of the individual scholarship recipient and extending quite often to unsuccessful candidates as well. Such assistance forms an integral part of the total activities of our Scholarship Fund with the ultimate objective to help candidates optimizing their learning experience.

One of the foremost problems for many applicants is finding a suitable internship. This is exacerbated by the fact that the concept of internship as a means of providing a practical learning experience to students is not common in Japan.

Companies which have offered internships more recently include:

- | | |
|--------------------|---|
| - A. Lange & Söhne | - Fujitsu |
| - BMW Motorrad | - Hitachi |
| - Hiestand | - Jtekt (ex Koyo Seiko) |
| - Hilti | - Mitsubishi Electric |
| - Mettler-Toledo | - Mitutoyo |
| - Novartis | - NEC |
| - Reishauer & Co. | - Nissan |
| - Syngenta | - Riken Genomic Sciences Center |
| - UBS | - Toshiba |
| - Zurich Insurance | - Secretariat of Parliamentarian |
| | - STS Forum (Science & Technology in Society) |

Another hurdle is the visa problem: At the invitation of Seco and the Swiss Embassy in Tokyo I have submitted comments on the current difficulties experienced by our scholarship recipients as input for the negotiations on the Bilateral Trade Agreement between Switzerland and Japan. They relate to the respective draft, para. 6 on “Movement of Natural Persons” (Personenfreizügigkeit).

3. Profiles of Scholarship Recipients

Typical Profile of a Scholarship Recipient

- Female or male graduate from university or qualified professional with apprenticeship
- Age less than 35 years, resident of Switzerland
- Has already acquired good basic knowledge of spoken and written Japanese
- Highly motivated and committed to a “Japan Year” consisting of intensive language training and internship in a Japanese or international company
- Well balanced and positive personality with clear goals
- Displays an entrepreneurial spirit and risk tolerance

The Scholarship Committee has continued to adhere to a strict selection process which puts emphasis on above average educational and personal qualities, i.e.:

The educational levels of the 16 successful candidates – of whom 2 females – are summarized hereafter:

- 3 in Computer Science (2 MSc. EPFL and 1 B.A. FHS Solothurn)
- 3 in Micro-Engineering (MSc. EPFL)
- 1 in Electrical Engineering (MSc. EPFL)
- 1 in Communication Systems (MSc. EPFL)
- 1 in Physics (EPFL)
- 1 in IT & Electro-Technology (ETH)
- 3 in Economics & Business Administration (M.A. Uni. Fribourg, 2 FHS Winterthur)
- 1 lic.rer.oec. Uni. Bern
- 1 in International Affairs & Governance (M.A. HSG)
- 1 in Informatics & German Philology (B.A. Trent Uni., Canada)

From my interviews it has become clear that the prime motivation for applying has been fascination and respect of Japan's culture and technological prowess, a strong will to prove one's capability to succeed in an alien environment and to overcome actual or perceived barriers as well as gaining practical experience and more global perspectives – all summing up to the ultimate purpose of establishing solid stepping stones for building a professional career in future.

I am convinced that the support our Scholarship Fund can extend to these young residents of Switzerland (both Swiss and foreign) goes a long way to help develop a growing pool of professionals who can build bridges between our two cultures. Their Japanese proficiency as well as their practical experience and familiarity with Japanese work practices will eventually serve their future employers well – so will their less tangible traits such as curiosity, perseverance, risk tolerance and drive to succeed. In more general terms therefore, our scholarship program can be expected to make a lasting contribution towards further development of bilateral trade relations between Switzerland and Japan.

Interim and final reports submitted by our scholarship recipients are overwhelmingly positive notwithstanding, of course, some critical observations (visit our website www.sjcc.ch, click “Scholarship Fund” for selected full reports; others not published are available upon request).

Quotes from reports of scholarship recipients:

“... I set myself a personal goal for my year in Japan: Being a student of international affairs I wanted to make Japan my field of specialisation. This means that, together with the Japanese language, it is Japanese politics, international relations and diplomacy that were to become the focus of my training and studies in Japan . . .not only did I learn the Japanese language but I also learned a lot about culture and society . . .
(Ralph Stamm)

“... I often pondered about the phrase *learning by doing* whilst I was actually doing the things and, finally, in the context of my cultural experiences, I now prefer my reformulated version *understanding by having done*... all the while I do realize that being a female foreigner does set me a bit apart from standard conditions...”
(Amanda Prorok)

“... Western individualism cannot only be a problem in a company but in society as a whole. How often do we read news about hard to explain vandalism and violence. Too much individualism threatens mutual respect, an effect amplified by the disappearance of religion. The debate on norms and virtues has been opened in the Netherlands and other European countries. I believe there is no better example than Japan to learn about mutually respectful behavior – I am convinced this would by no means endanger our beloved freedom and individuality” (Jeroen Steen).

4. Changes in contractual arrangements with our Sponsors, Stiftung Mercator Schweiz

In summer 2006 we have been informed by Mercator that they wish to eventually withdraw as sponsors of our Scholarship Fund without endangering its existence. In subsequent joint discussions on future strategic options to ensure continuation of our work, we have submitted several proposals (ref. discussion paper “Zukünftige Entwicklung unseres Stipendienfonds” dated 8.2.2007).

I was recently advised by Stiftung Mercator Schweiz that its Board is going to formally approve Option 2.1 of our discussion paper which will provide for a 2-year extension of the current Agreement (expiring on 31.12.2007), albeit with reduced contributions of CHF 120'000 in 2008 and CHF 60'000 in 2009.

Meanwhile, SJCC (in particular our President and the Scholarship Committee Members) have been actively soliciting new sponsors – in a first phase by approaching major Swiss companies. So far 3 banks have signaled willingness to provide each CHF 20'000 for 3 years. Likewise, our Executive Committee has agreed to an SJCC contribution of CHF 20'000 p.a. starting in 2008.

In a second phase we shall also seek additional sponsors focusing on Foundations and medium sized companies to ensure the longer term survival of our Scholarship Fund. We also hope that SJCC members and the Alumni Association will support our efforts.

5. Comments on Financial Statements 2006

Advance copies of the Financial Statements per 31.12.06 certified by Deloitte AG are enclosed.

5.1. Statement of Revenue & Expenditure

Total Revenue has amounted to CHF 210'812; major items comprise

- 200'000: June / December donations by Stiftung Mercator Schweiz (the second donation of 100'000 received belatedly on 12.1.2007 is accounted for in 2006).
- 10'700: Refund from Pro Helvetia for payment to scholarship recipient Luc Meier
- 112: Interest income.

Total Expenditure has run to CHF -207'117, i.e. 37 partial payments of scholarships to 21 recipients. Thus, the actual surplus for the current year amounts to CHF 3'695.

5.2. Balance Sheet

Our Balance Sheet shows an accumulated surplus of CHF 133'908 which will cover contingent liabilities (committed scholarship payments) in the first semester 2007. For the whole year such commitments are estimated at CHF 217'882.

5. Pro Memoriam: Alumni Platforms and Activities in Switzerland and Japan

The Alumni Association has been founded in 2002. Its President is elected to the SJCC Board and all members are also automatically registered in the Membership List of our Chamber and invited to join its events. We thus hope that our common bond Japan will become a source of inspiration and knowledge from which the Chamber can draw.

A branch has been established in Tokyo in December 2003. Educational, cultural and social events are being organized as part of the alumni program to help the newly arrived. Examples are cherry blossom viewing and barbecue parties, visits to Toyota Research Laboratories and Nestlé Japan in Kobe as well as a forum for exchange of experiences and self-help ideas.

In addition, the Swiss Chamber of Commerce & Industry (SCCIJ) in Tokyo is extending a standing invitation to our grantees to participate in their monthly luncheon events with

prominent speakers that offer good networking opportunities. And last but not least, the SCCIJ Board members are most helpful in providing internships.

Pro Memoriam: The Alumni Association – Building Social and Business Networks

- Assisting newly arrived SJCC scholarship recipients in Japan
- Platform of former scholarship recipients for sharing experiences and further developing knowledge about Japan
- Contributing to SJCC activities and benefiting from its network
- Promoting friendship and kinship among members through educational and social events in both countries

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6. Outlook and Planned Activities in 2007 onwards / Acknowledgements and Thanks

Although the number of serious enquiries for scholarships in 2007/2008 received between October 1, 2006 and April 25, 2007 is less than last year due to our reduced promotional efforts (uncertainties about future donations) and more restrictive approval procedures, it is fair to assume that the interest in our program is as lively as experienced in the past 5 years. We have so far approved 13 formal applications in 2007, 10 are pending and 1 has been rejected. Due to possibly reduced donations from 2008 onwards, we may have to reduce annual scholarships subject to finding new sponsors.

Despite fairly high contingent liabilities of approx. CHF217'000, our finances will be reasonably balanced by end 2007 with an estimated accumulated surplus of approx. CHF 117'000.

Another priority is a better integration of scholarship recipients and alumni into the events and activities of the Chambers both in Switzerland and in Japan. In this context we hope to involve our Alumni more actively in our efforts to solicit future sponsors. After all, they are the most credible ambassadors for our Japan educational program.

Without the active support of the Swiss Embassy in Tokyo and the Swiss Chamber of Commerce and Industry (SCCIJ) in Tokyo, we could not have progressed in Japan the way we did. Hence, our warmest thanks go to Ambassador Paul Fivat and his team, in particular our Alumnus Felix Moesner, for their contributions. Likewise, President Angelo Ponzetta, the Board and Secretariat of SCCIJ, deserve our highest appreciation for their most valuable cooperation in encouraging member companies to provide internships for our scholarship recipients.

Finally, in concluding I should like to convey the sincere gratitude of our Chamber as well as of the growing number of previous and new scholarship recipients to Stiftung Mercator Schweiz and its Chairman, Dr. Michael Schmidt, for their generous financial support. Their vision and decision on sponsoring a unique educational opportunity for talented young people is broadly acknowledged in both countries! We do hope that our Scholarship Fund will continue to benefit from this mutual cooperation in the interest of future scholarship candidates. A warm thank you also to our future sponsors who have already decided, or will do so in future, to support our Japan Program financially and/or by offering internships in Japan.

SWISS-JAPANESE CHAMBER OF COMMERCE
Chairman of the Scholarship Fund

Paul Dudler