The following is the presentation by Mr. Dennis M. Nally, Chairman, PricewaterhouseCoopers International Limited, at the Okura Hotel in Tokyo, Japan on 14 March 2012.

Good morning everyone. Thank you for taking the time to share breakfast with us.

In this week, as Japan and its friends around the world solemnly remember the tragic events one year ago, I'd like to share some thoughts and observations with you.

Some observations on the global economic outlook as well as observations on the environment surrounding reconstruction efforts here in Japan. And some thoughts about relationships about the nature and strength of the ties that link Japan with the United States and the world.

Let me start with the big picture.

Probably it won't surprise anyone to hear that we're concerned by the potential for volatility ahead, with the Eurozone debt crisis, an uncertain situation in the Middle East, questions about the sustainability of economic growth in India and China, and the elections in the U.S., Germany and France. And those are just the things we can see. Who knows what Black Swans lie ahead?

What may come as a pleasant surprise is that we also see reasons for cautious confidence and tempered optimism.

Let me explain why.

At PwC, we work with companies on every continent. We stay in close touch with corporate leaders to understand issues on their agenda. Each year, we survey over 1,200 chief executives around the world to gauge where they see opportunities and what strategic changes they are planning to realize new growth.

Our 2011 CEO Survey, released this January at the Annual Meeting of the World Economic Forum in Davos, Switzerland, presents an intriguing picture of what the world's foremost corporate leaders expect in the year ahead.

No surprise that few CEOs expect an economic turnaround in 2012. That was particularly true here in Japan where only 9% of the 169 CEOs we surveyed believe the world economy will improve in the next 12 months; with 40% believing it will stay the same.

The reality is that the optimism that we saw building cautiously since 2008 has started to recede. And no surprise to learn that the CEOs all have a very full agenda.

On one hand, CEOs are trying to hold onto market share at home. On the other, they are focused on investing in emerging markets – because that's where the growth is.

At the same time, they are striving to grasp how technology is creating new business models, how their customers are changing… and how regulatory developments will affect their business.

On top of all that, the top cause of concern among senior executives right now is the sheer lack of certainty. I heard this repeatedly in Davos.

For instance, one CEO told us**: "**We took the uncertainty of demand, we added the uncertainty of regulation, and now - on top of that - we're adding the uncertainty of government financing. It's too much. So everybody holds back. "

So. it's hard to know for sure which way the wind is blowing today, much less plan for 12 months or 3 years down the road.

The ability of CEOs to continue to thrive, to deliver results and add value , as they navigate through a business environment perhaps unlike anything they ever experienced before, will no doubt have a major impact on the course of the global economy in 2012.

Survey results indicate that economic and policy risks differ in various parts of the world.

In Asia, currency fluctuations and inflation; in Western Europe the focus is on the instability of the capital markets and the government response to fiscal crises. For the Central and Eastern European economies, the concern is around infrastructure strains; while in North America rising public debts and deficits were seen as a key threat. And finally, in the Middle East, the most optimistic region in terms of their 2012 growth prospects, significant concerns around over-regulation, corruption, and the availability of key skills.

Interestingly, the whole idea of emerging economies de-coupling from the more developed markets has proven to be a myth.

Across Asia in 2011, the CEO Survey revealed that nearly one-third of CEOs said the weak US recovery had impacted their companies to a great extent. Given this kind of environment, it's not surprising that CEOs see a gloomy outlook for the global economy over the next 12 months.

But here's what intrigued us in the Global Survey results.

While concerned about the global outlook, when you ask CEOs about the outlook for their own companies in 2012, 40% say they are "very confident" in their prospects for growth. This means they are three times more confident about their own capacity to grow than they are about the global economy.

Is this just a show of CEO bravado? We don't think so.

Our view is that the economic slowdown, now in its fifth year, has taught CEOs some hard lessons about managing in headwinds. And that makes them better prepared to deal with the vagaries of market volatility, weak demand and fiscal uncertainty.

There may well be storms ahead, but we're hearing that CEOs - far from being paralyzed - are more confident in their capacity to deal with whatever comes their way. Each aspect of their business is now fair game for reinvention.

Executives are targeting changes to their revenue and margin models – as well as their organization – to find better ways to innovate. Three out of four CEOs plan to change R&D and innovation capacity in 2012, of which 24% expect 'major change'. This was even higher here in Japan where over a third of the CEOs surveyed expect to make a 'major change' to R&D and innovation capacity.

Another reason for cautious optimism is renewed expectation that globalization will yield new growth.

CEOs told us they believe the forces driving global economic integration remain intact. More expect trade and especially capital will be able to flow more freely to where it's needed.

A rise in protectionism and the prospect of over-regulation are worries to be sure, but they are not among the top concerns this year.

CEOs are increasingly confident that growth in emerging markets will lead to new opportunities in the BRICs – and beyond. Rising domestic spending power in countries like Indonesia and Turkey is prompting many companies to widen their horizons.

In fact, when asked to rank their top-three foreign target markets, CEOs cited more than 60 different countries in both emerging and developed markets.

Most of the Japanese CEOs we surveyed want to spend more time developing business in new markets. When asked where, almost two-thirds of the Japanese CEOs cited China, with over a quarter stating the US and 20% India.

For the mature economies, this says something important.

If there has been a sense that emerging-market growth has been all about production shifting away from mature economies, we're starting to see a two-way street.

As the emerging economies build spending power, as they rush to catch up on infrastructure, they will increasingly need the kind of higher-order goods and services that Japan, North America and Europe can provide. The more that happens, the better the prospects for global integration.

CEOs are acutely aware of the implications. They know they have to accumulate new market knowledge – and fast.

Where a deep understanding of, say, American women consumers, might have been enough to drive growth, now they realize the imperative to understand the preferences of Chinese and Indian women.

As you move more deeply into foreign markets how do you assess the risks? How do you ensure adequate governance in young business units on the other side of the planet? How do you evolve your approach to innovation to serve these new consumer markets?

Doing that creates an urgent requirement for new talent – people who can interpret new markets, develop new solutions and execute flawlessly. The shortage of key skills remains a top concern for CEOs across all geographic regions outside of Europe.

This was particularly true in Japan -- where three-quarters of the CEOs cited the availability of talent as a concern in growing their company. Only Africa saw a higher response. It's ironic that as the economy struggles, shortages of key personnel are having an impact on the way companies expand into new markets.

Over a fifth of the CEOs told us they canceled or delayed a strategic initiative specifically because constraints with talent last year.

This challenge cuts across all industries, even those with different talent needs, such as industrial manufacturing and pharmaceuticals.

This is particularly true in developing economies, where CEOs face problems with talent shortages, citing:

- Competitors recruiting their best people;
- Limited supply of skilled candidates; and
- Difficulty in deploying experienced talent globally

Looking a decade ahead, the skills shortage grows even tighter. Changing demographics affect Japan, Korea, Russia, and China, for example. In the US, as the baby boomer generation nears retirement, businesses are facing a loss of managerial experience.

As a result, three quarters of CEOs said they expect to make changes in their strategies for managing talent during the next 12 months -- placing talent above other areas ripe for strategic change -- such as investments in technology, R&D and organisational effectiveness.

Clearly CEOs no longer expect a return to a business environment similar to what they had prior to the recession. But what they have done is to learn from the hard lessons of the downturn. They are determined to manage their own companies to growth.

Overall, the resiliency demonstrated by the world's corporate leaders made us cautiously optimistic as this year began. And that optimism has been buoyed by some indicators we've seen in recent months.

We're seeing U.S. employment data headed in the right direction.

Although still millions of jobs short of where we were in 2008, on average 200,000 jobs are being created each month. Good as that is, savvy analysts always like to see government statistics borne out by hard indicators of consumer confidence.

So we are encouraged by February auto sales in the U.S. – which were up 15.7% over last year… a result consistent with an annualized total industry volume of 15.1 million vehicles.

This points to the best industry performance since 2007 – especially as it has been achieved without huge incentives… without deep discounts.

Better yet from an industry standpoint… these results come with what's known as a "high mix." Even customers switching to smaller cars are taking lots of profitable optional features.

This is important evidence of an economic rebound in the U.S. It is also good news for Japan. Coming back from supply disruptions following the earthquake and floods in Thailand, the major Japanese brands all reported double-digit sales increases.

Low incentives and a high mix mean this U.S. growth should be profitable for Japan's automakers – especially given the recent softening of the yen to the dollar.

On top of everything else over the past year, I know the high yen has been a huge drag on Japan's ability to rebound. So let's hope this trend continues.

Great burden that the high yen surely is at this point, I don't think anyone would argue that the exchange rate is the only economic challenge facing Japan.

The multiple disasters one year ago brought Japan's long-term challenges into sharp relief and caused Japan's friends around the world to sit up and pay closer attention.

So at PwC, on March 12th last year we immediately asked ourselves what we could do to help.

Like many companies, the first thought was financial aid. Our colleagues here in Japan moved quickly to demonstrate their generosity. They were soon followed by firms and individuals throughout the PwC network also showing their support with funds directed to local charities and assistance groups.

Even as we note the anniversary of the disaster, our PwC-Japan employees continue fundraising efforts to encourage further donations to the recovery.

We also dispatched PwC's disaster relief and reconstruction team – a small, mobile group that has worked in Iraq and Haiti -- to provide pro bono help in coordinating reconstruction efforts. That work continues today with our team actively working with the Sendai city authorities in multiple areas including strategic planning, economic development, and compensation funds.

We also felt it would be beneficial for the world to know how the global leaders perceived Japan post 3-11.

To get their view -- in June of 2011 we undertook a focused survey of 201 international CEOs.

The report and PwC's national seminar at which the findings were released received extensive media coverage here in Japan and around the world.
At a time of national anxiety, the survey results yielded surprisingly good news -- company leaders were remarkably confident about the future of Japan and their businesses.

Clearly those doing business in Japan had been affected and learned from the experience but overall CEO confidence in Japan remained unchanged.

At the seminar -- held in July -- our keynote speakers also shared lessons learned from disaster recovery experiences from around the world and discussed how confidence in Japan can be restored among the global community

Even as our teams worked, the leadership of PwC began to consider what kind of longer-term contribution PwC might make toward Japan's recovery.

In search of opportunities, they tuned into Japan's ongoing discourse on change.

Japan faces a complex matrix of issues in the global economy.

Demographics; innovation; emerging markets; the need to recruit talent worldwide; language and cultural barriers; and corporate governance – all these are critical issues.

What is not yet clear is how Japan needs to change.

In this we saw an opportunity for a consultancy like PwC to potentially add value.

At PwC, we have a powerful network of top-notch economists, analysts and researchers around the world.

Our brief was fairly straightforward -- that is -- to measure received opinion and conventional wisdom against observable facts and to project the effect of policy options into the future.

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And, hopefully, to shine what clarity we can into a very complex discussion.

That's what we have set out to do.

The first phase of this initiative entitled "The Future of Japan" involves a research report planned for release this summer.

The report will focus on how corporate Japan -
the thousands of companies that drive Japan's economic prosperity - must change and adapt to global forces and trends that currently impact all global businesses --
whether in Japan, the US, Europe, or Asia.

In this way PwC hopes to contribute to Japan's revitalization and the strengthening of the nation's economy.

Some of the challenges the Report will address:

- First, in PwC's global CEO Survey: 72% of CEOs in Japan expect their corporate strategy to change in 2012 vs. 57% globally. There is a clear consensus that Japan business needs to change to regain its leadership in the global economy. What can drive growth for Japan and what does that mean for Japan business strategies?

- Second, Japan's multinationals already have an enormous global footprint; many have shifted production off-shore with little loss of quality, passing the first hurdle of a post-export mindset. Now the challenge is to evolve and expand for long-term growth in a range of different international markets. What are Japan's advantages in the global marketplace?

- And finally, as I mentioned, global companies are racing for talent around the world. Japanese MNCs will have to compete in this market with a business culture less adapted to high mobility of today's top talent. In addition, unfolding demographic realities will disrupt the institutional structures that have enabled Japan and Japanese businesses to flourish. How will Japan resolve the resulting skills gap?

Our hope in doing this… is that in some small but meaningful way… we can contribute to the future success of this great country.

That's not to say this is some mere gesture of charity.

We *want* to be here.

We're committed to Japan because we have great confidence in the genius and the diligence of the Japanese people.

We have seen the Japanese work miracles in the past… and we are confident you can achieve even greater feats in the years to come.

Thank you.

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