

# Womenomics 3.0: The Time Is Now

## Womenomics should become a national priority

Given Japan's acute demographic crisis, we believe the nation cannot afford to waste its most underutilized asset. While the female employment rate has risen to a record level of 60%, there is still a long way to go. Womenomics should become a national priority. Proposals to boost female employment include expanded daycare and nursing care services, implementation of flexible work arrangements, more objective evaluation and compensation systems, and immigration reforms. Contrary to popular opinion, higher female employment could actually help raise, not lower, fertility rates.

## Key to boosting GDP, especially consumption

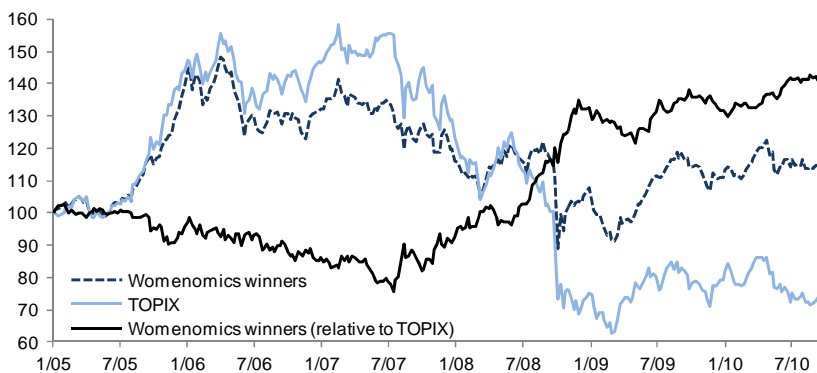
If Japan could close its gender employment gap, we estimate that Japan's workforce could expand by 8.2 mn and the level of Japan's GDP could increase by as much as 15%. Against a backdrop of anemic consumption, female spending trends have been relatively resilient.

## Power of the purse: Womenomics winners

Womenomics will likely remain a secular investment theme, and we introduce our revamped list of 44 potential beneficiaries, which are concentrated in the daycare/nursing care, restaurant/food, beauty, apparel, real estate, internet and financial-related sectors.

### Womenomics winners have been more resilient than the market

Equal-weighted, Indexed, Jan. 7, 2005=100



Source: GS Global ECS Research calculations.

#### Kathy Matsui

+81(3)6437-9950 kathy.matsui@gs.com  
Goldman Sachs Japan Co., Ltd.

#### Hiromi Suzuki

+81(3)6437-9955 hiromi.suzuki@gs.com  
Goldman Sachs Japan Co., Ltd.

#### Christopher Eoyang

+81(3)6437-9888 christopher.eoyang@gs.com  
Goldman Sachs Japan Co., Ltd.

#### Tsumugi Akiba

+81(3)6437-9966 tsumugi.akiba@gs.com  
Goldman Sachs Japan Co., Ltd.

#### Kazunori Tatebe

+81(3)6437-9898 kazunori.tatebe@gs.com  
Goldman Sachs Japan Co., Ltd.

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October 2, 2009	When it Rains, it Pours: Positioning for Q4
August 20, 2009	Earnings: Back in Black
July 23, 2009	Buying Chindonesia via Japan

*We are grateful to our ECS colleague Kevin Daly for his assistance with this report.*

## Summary: Womenomics should become Japan's national priority

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More than a decade has passed since we published our original report on Womenomics in 1999 (*Womenomics: Buy the Female Economy*), and against a backdrop of a shrinking population, low birth rate, unsustainably high fiscal debt, persistent domestic deflation, and limited room for maneuver on fiscal and monetary policy, it is more critical now than ever before for Japan to leverage half its population more fully.

This analysis will: examine the progress since our last report written on this topic in 2005 (*Womenomics: Japan's Hidden Asset*), offer ten concrete proposals for what the private and public sectors should do to boost female employment, update our assessment of the economic "dividends" from higher female employment, and assess the potential growth areas of the economy from increased female labor participation. Finally, we introduce a revamped list of "Womenomics winners" as we are convinced that Womenomics will remain a secular investment theme in the stock market.

To summarize our key conclusions:

- Japan's demographic tsunami is upon us. The total population is projected to shrink by around 30% by 2055 as the number of births falls to 40% of the 2005 level, the proportion of elderly doubles, and the working age population halves.
- While the overall female employment rate has risen to a record level of 60%, there is still a long way to go. 70% of Japanese women still leave the workforce after their first child, and only 65% of college-educated women are employed.
- Obstacles to higher female employment include insufficient childcare and nursing care support, tax distortions, inadequate focus of the private and public sectors on diversity, and rigid immigration laws. While the DPJ government has introduced child-rearing subsidies in an attempt to raise the birth rate, much more needs to be done by both the private and public sectors. This includes implementation of flexible work arrangements and more objective evaluation and compensation systems by employers, as well as expanded daycare and nursing care facilities/services and immigration reforms. Most importantly, the myth that "higher female employment lowers the birth rate" must be shattered, because empirical evidence completely contradicts this.
- If Japan's female employment rate (60% in 2009) could match that of males (80%), this would represent an increase of 8.2 mn employees to the workforce, and we calculate the level of Japan's GDP could be boosted by as much as 15%.
- While overall consumption has been anemic during the past five years, female spending trends have been relatively resilient. Relative to men, females tend to spend more on items such as toiletries/cosmetics, healthcare-related, housing/repairs & maintenance, and gardening-related. Females own more credit cards than males, and females are also accounting for a greater proportion of certain mortgage products than previously.
- We introduce our revamped list of potential "Womenomics winners." This list is dominated by small- and mid-cap stocks, and is concentrated in the daycare/nursing care, restaurant/food, beauty, apparel, real estate, internet and financial-related sectors.

While Womenomics is only part of the solution to Japan's demographic and growth challenges, we believe that given the limited alternatives, Japan has no choice but to tap its most underutilized resource. It's hard to run a marathon with just one leg.

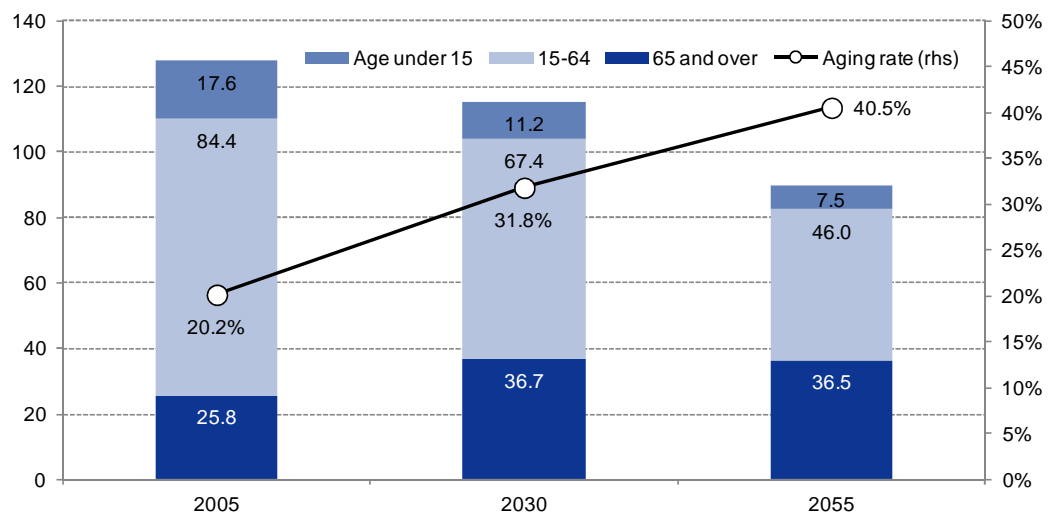
# The demographic tsunami has arrived

While it is widely understood that Japan faces severe demographic challenges, it is worth reminding readers how acute the crisis has already become.

First, assuming no change in current fertility or immigration trends, **Japan’s overall population is projected to shrink by nearly 10% by 2030 (from 127 mn to 115 mn) and by as much as 30% to 90 mn by 2055.** Essentially, by 2055, the number of births will be around 40% of the 2005 level, the proportion of elderly (above the age of 65 or the “aging rate”) will double from 20% to above 40%, and the working age population (ages 15-64) will fall by nearly one-half (see Exhibit 1).

### Exhibit 1: Incredible shrinking Japan

Population projections based on medium fertility, medium mortality assumptions (mn, %)



Source: National Institute of Population and Social Security Research.

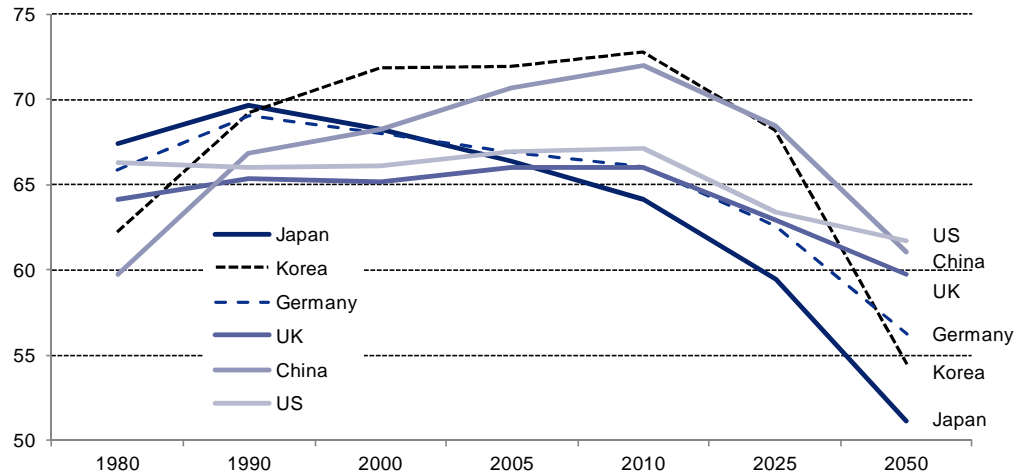
While Japan is not alone in its demographic challenges, its pace and extent of aging is more acute than any other developed economy.

For instance, as of April 2010, almost one-quarter (23%) of Japan’s total population was older than 65, and this elderly ratio is expected to reach 40% by 2055. Moreover, Japan’s workforce population is expected to fall to just 51% of the total population by 2050, down from 70% in 1990 (see Exhibit 2).

Meanwhile, Japan’s birth rate remains very low at 1.37. **Although a low fertility rate is common among other developed countries, Japan may be the only OECD nation where the number of pets (25 mn) exceeds the number of children (18 mn under the age of 15).**<sup>1</sup>

<sup>1</sup> Japan Pet Food Association, 2005.

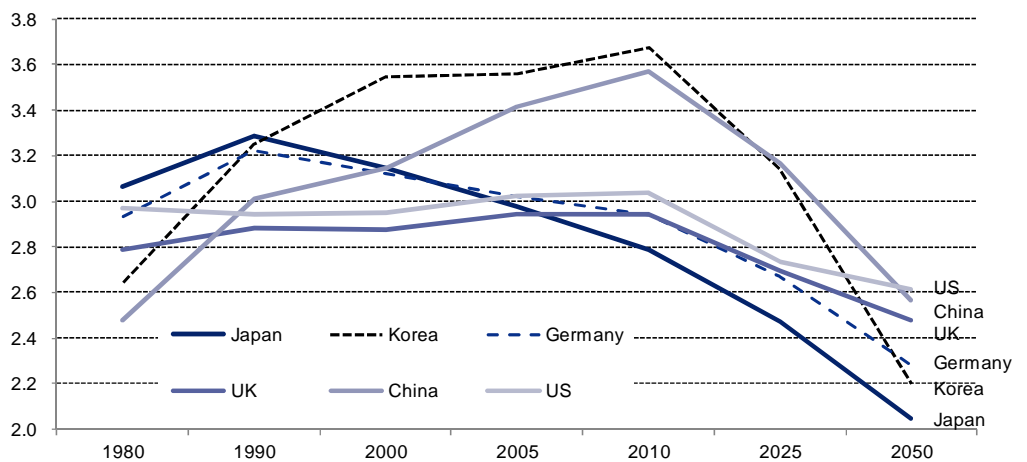
**Exhibit 2: Japan's working population shrinking faster than other developed countries**  
 Working population (ages 15-64) as a % of total population



Source: UN (2007) World Population Prospects.

The combination of a rapidly aging population and a low birth rate mean that **Japan's total dependency ratio** (defined as the number of dependents [persons aged 0-15 + 65 and over] divided by the number of persons in the workforce [ages 15-64]) **is expected to fall lower than any other developed country, to just 2 persons by 2050**, compared to 2.8 persons in 2010 (see Exhibit 3).

**Exhibit 3: By 2030, Japan will have only two workers for every retiree/child**  
 Dependency ratio projections (number of workers per retiree/child)



Source: UN (2007) World Population Prospects.

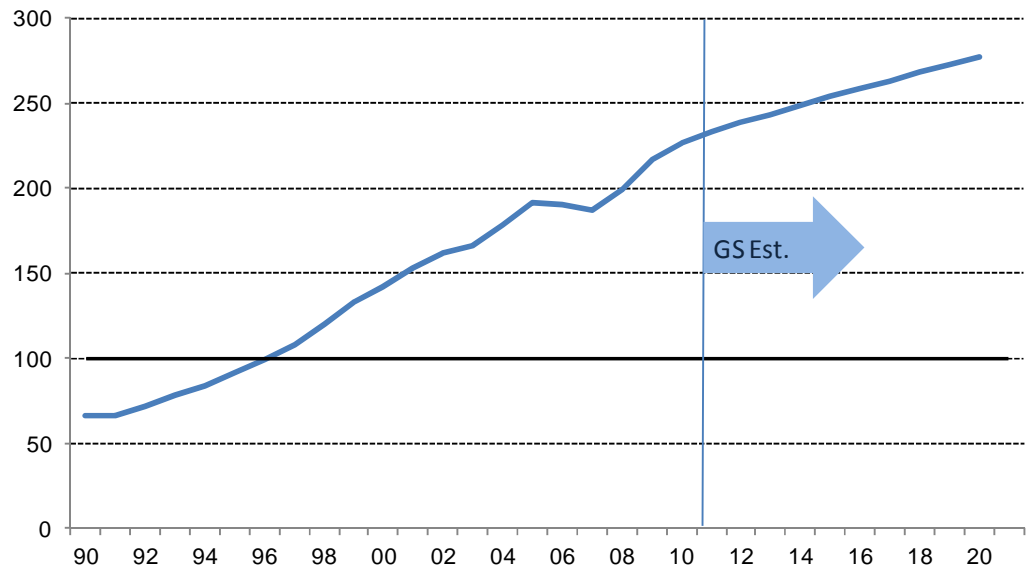
The economic implications of all this are obvious.

First, soaring pension and healthcare burdens will exacerbate Japan’s already massive fiscal debt, which our economists project may reach 275% of GDP within the coming decade.

Second, the shrinking population will act as a formidable headwind to future demand and GDP growth, impeding the economy’s ability to escape its deflation trap.<sup>2</sup>

**Exhibit 4: Dismal demographics will exacerbate Japan’s heavy fiscal burden**

Ratio of gross fiscal debt to GDP, %



Source: Cabinet Office, GS Global ECS Research estimates.

<sup>2</sup> For more on our views regarding deflation, see our September 10, 2010 report, *Deflation: Lessons from Japan*.

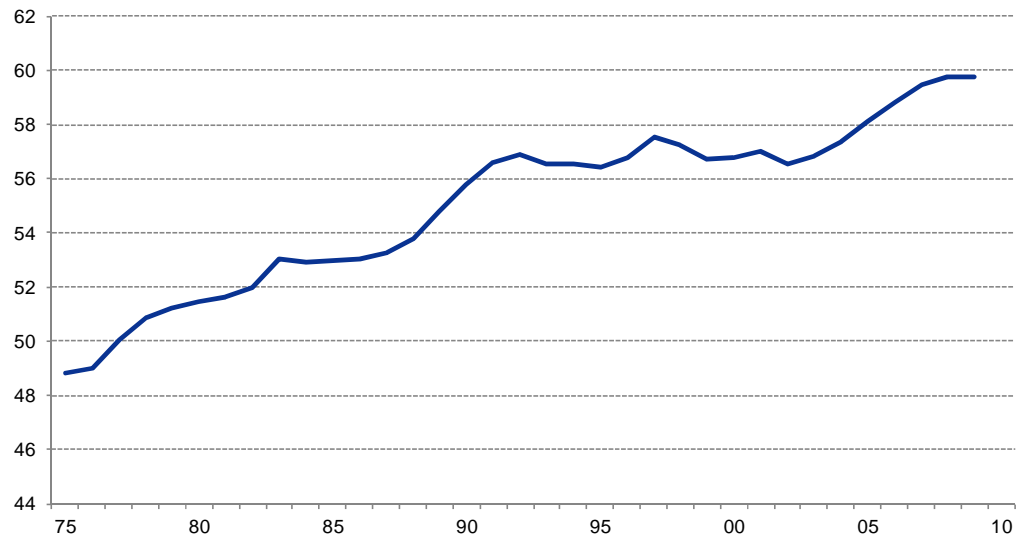
## What's changed in the last 5 years?

Since our last Womenomics report in 2005, many investors have asked "Has anything changed?" Our conclusion is that while female employment rates have risen somewhat, there is still a long way to go.

### Good news: Female employment has risen in absolute terms

The good news is that Japanese female employment rates have continued rising since 2005. According to the Ministry of Health, Labor and Welfare (MHLW), Japan's overall female employment rate (defined as the percentage of women aged 15-64 who are employed in either full-time or part-time work) **rose to a record level of 60% in 2009 from 58% in 2005** (see Exhibit 5).

**Exhibit 5: Japan's female employment has risen to a record level of 60%**  
 % working-age females employed in full-time or part-time work (2009)

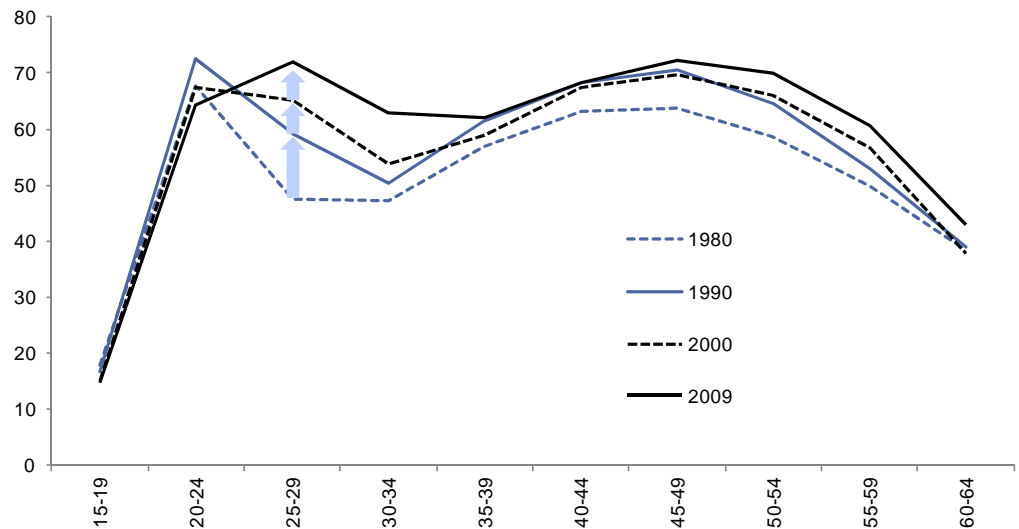


Source: Labor force survey (MHLW).

As a result, Japan's unique "M-curve", which plots female employment rates by age group, has also seen some improvement, particularly when compared to 1990 and 2000 (see Exhibit 6).

#### Exhibit 6: Japan's "M-curve" has normalized somewhat

Female employment rates by age (2009), %



Source: Labor force survey (MHLW).

While the weak economic backdrop of the past five years is one of the reasons behind the rise in female employment, other factors include **(1) a continued rise in the ratio of unmarried women and (2) a sharp increase in the number of part-time female employees.**

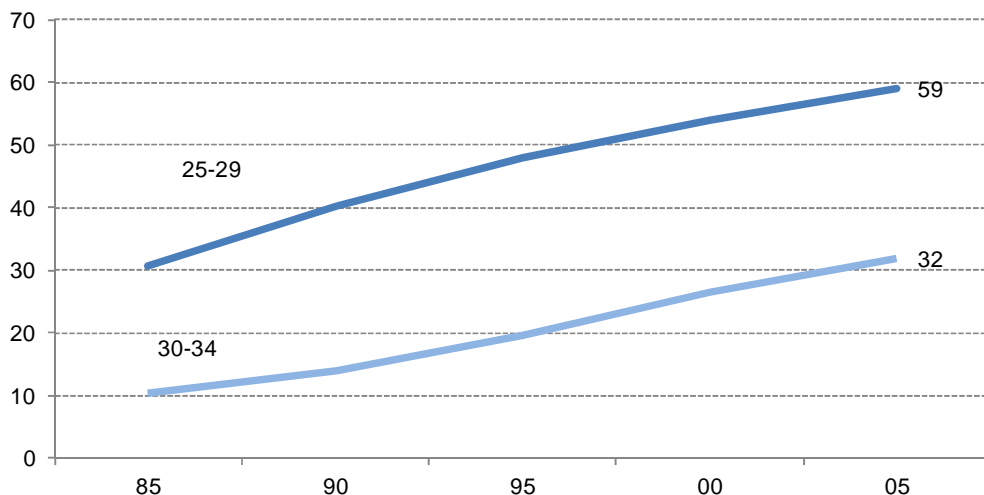
Regarding the former, **the ratio of unmarried women between the ages of 25 and 29 has more than doubled in the last two decades to 59% in 2005 from 30% in 1985** (see Exhibit 7). Moreover, even by ages 30-34, roughly one-third of Japanese women are remaining single.

Similarly, for those who opt for marriage, the average nuptial age has risen to 30.4 years to men and 28.6 years for women in 2009, which compares to around 28 years for men and 26 years for women in 1999.

Meanwhile, another contributor to the rise in female employment is the sharp increase in part-time female workers. **Compared to 1990 when the ratio of part-time employees as a percentage of total female employees was 28%, the ratio has risen sharply to 43% as of 2009** (see Exhibit 8).

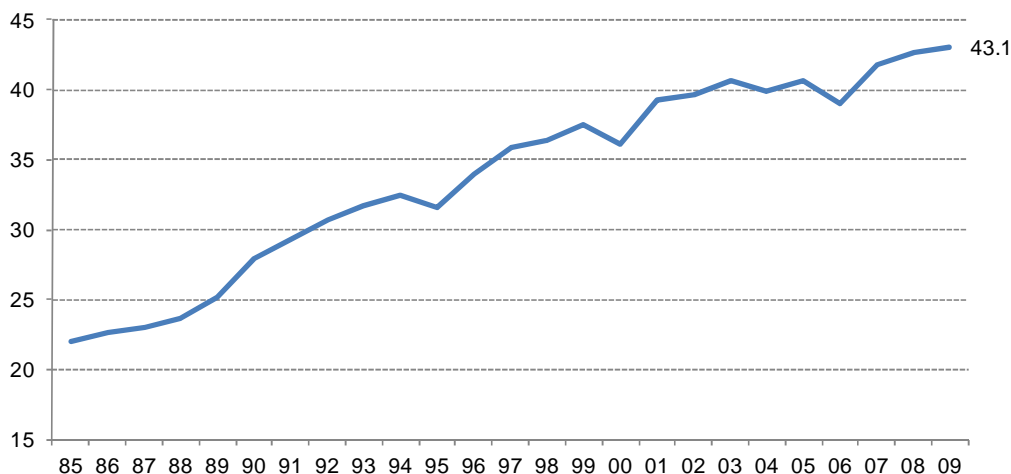


**Exhibit 7: Growing number of Japanese women saying “no” to marriage**  
 Ratio of single women by age group (25-29 yrs, 30-34 yrs), %



Source: National Institute of Population and Social Security Research.

**Exhibit 8: Part-timers now account for 43% of all female workers**  
 % of total female workers



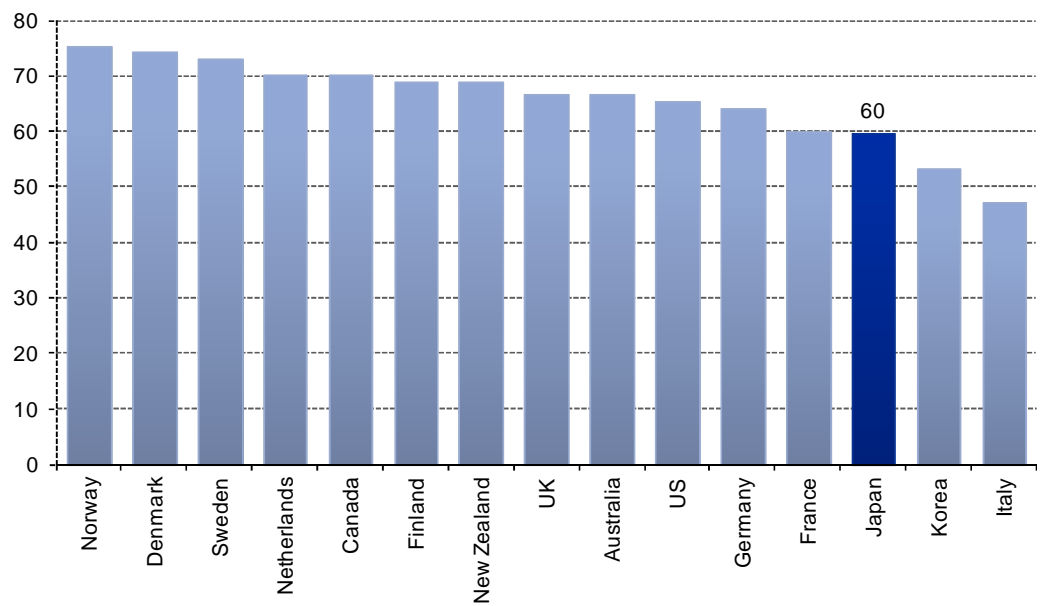
Source: MIC.

**Bad news: Still a long way to go in relative terms**

While the absolute rise in Japan’s female employment rate is encouraging, the bad news is that in relative terms, Japan still has a long way to go to catch up to other developed countries. Exhibit 9 shows that **Japan’s female employment rate of 60% still ranks well below that of many other developed countries such as Norway at 75%, the US at 66%, and Germany at 64%.**

**Exhibit 9: Japan's female employment rate still ranks among the lowest in the developed world (2009)**

%

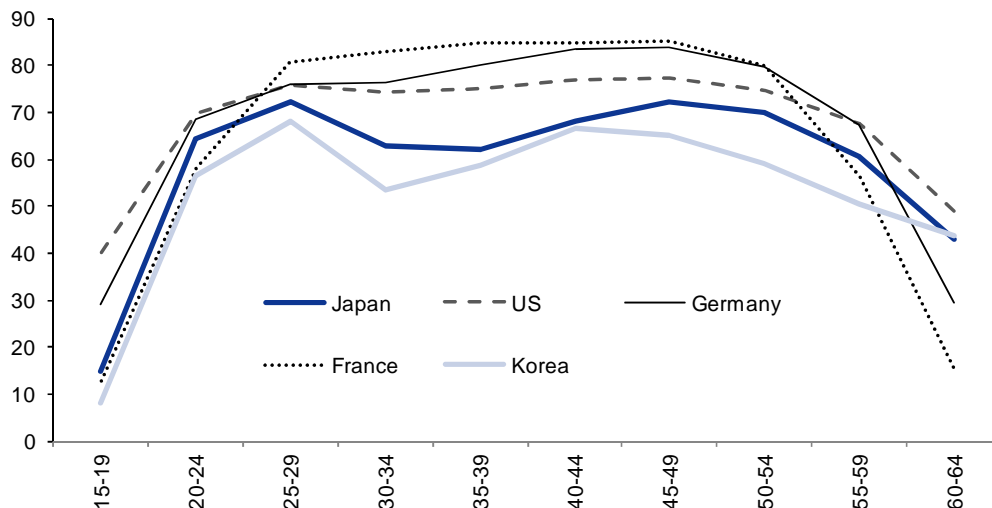


Source: Yearbook of Labor Statistics 2009 (ILO), Labor force survey (MHLW).

The same is true when comparing female employment rates by age groups. On an absolute basis, the “valley” within Japan’s “M-curve” has begun to normalize in recent years, but relative to other developed countries where the employment rate remains relatively high throughout the productive life of a woman, Japan’s curve still experiences a significant drop between the ages of 30-44 as women exit the workforce in order to raise children (see Exhibit 10). (This phenomenon is also prevalent in Korea.)

**The unfortunate reality is that even today, roughly 70% of Japanese women quit working after giving birth to their first child.** This compares to around one-third of women in the US.

**Exhibit 10: Japan's M-curve (and Korea's) is still unique among developed countries**  
 Female employment rates by age (2008),%



Source: OECD Database "LFS by sex and age"(Nov. 2009), MHLW.

This is despite the fact that Japanese women tend to be highly educated. The university enrollment rate for 18-year old females (76.5%) is actually higher than that of equivalent males (76.2%).<sup>3</sup> Roughly 43% of Japanese women have completed tertiary education, which is much higher than the OECD average of 29%.

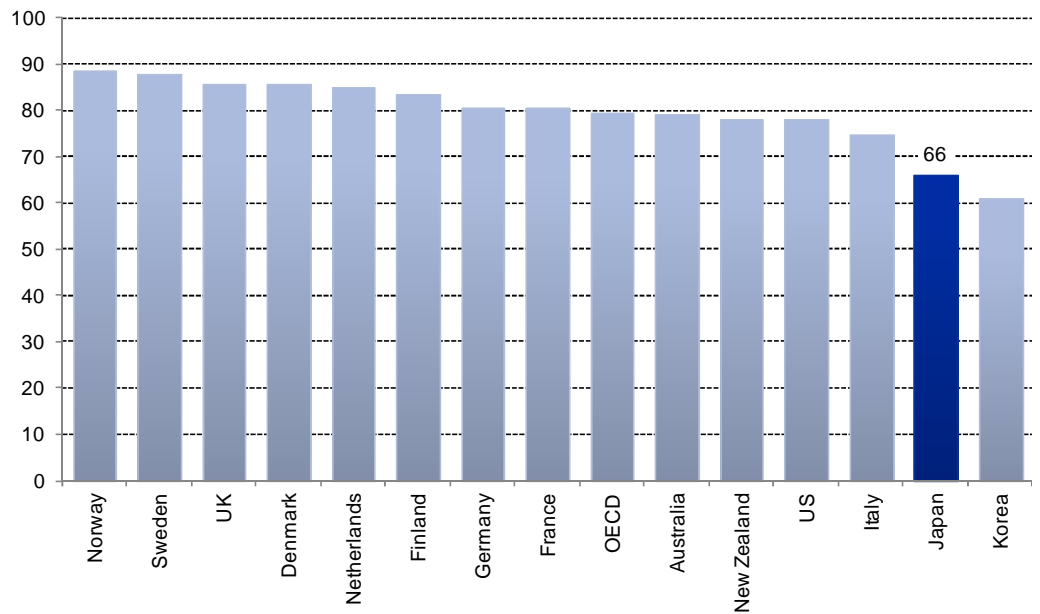
In most OECD countries, **the participation rate of university-educated women stood between 70%-90% (2007), while the equivalent ratio in Japan stood at just 66%** (see Exhibit 11).

In other words, **this 5-15 pp gap of unemployed university-educated Japanese women represents a significant lost economic opportunity for the nation.**

<sup>3</sup> Ministry of Education, Culture, Sports, Science and Technology, 2005.

**Exhibit 11: Wasted educations: Only 65% of college-educated Japanese women are employed vs. 70%-90% for other OECD countries**

Ratio of females aged 25-64 with college degrees who are employed (2007), %

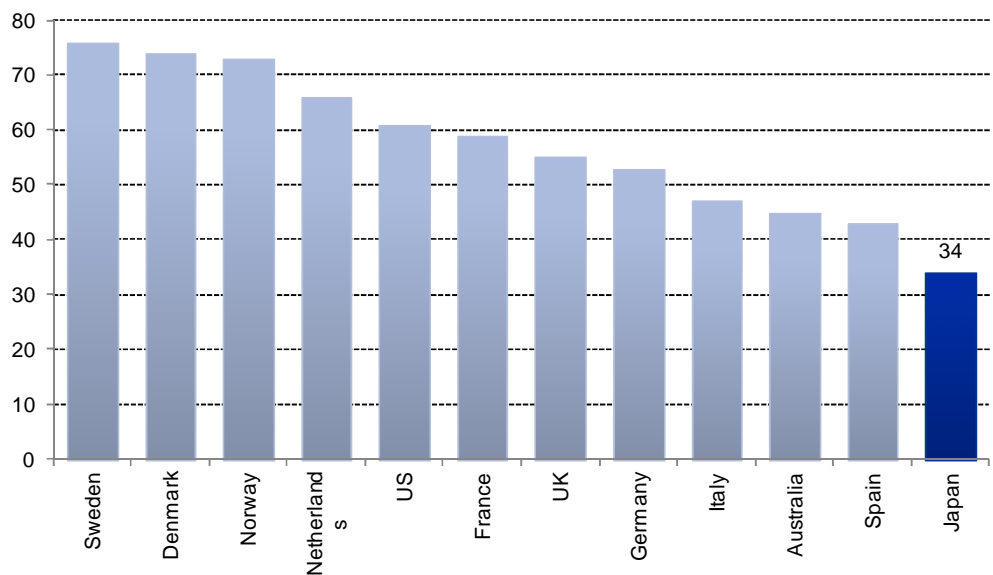


Source: OECD "Education at a Glance 2009".

In particular, **the ratio of Japanese mothers with children under 6 years of age who work (34%) remains extremely low compared to 76% in Sweden, 61% in the US, 55% in the UK, and 53% in Germany** (see Exhibit 12).

**Exhibit 12: Percentage of Japanese mothers who work vs. international peers**

Working proportion of mothers with children under 6 years old (2001)



Source: OECD.

## Obstacles to higher female employment: Progress report

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In our 2005 report, we cited some of the main reasons behind Japan's low female employment rate, which included:

- **Insufficient childcare and nursing care support**
- **Tax distortions**
- **Inadequate focus on diversity in the workplace, and**
- **Rigid immigration laws.**

For each of these areas, we assess the progress over the past five years.

### Childcare/nursing care support: Still not enough

One of the biggest obstacles to higher female employment rates in Japan is an insufficient supply of affordable daycare, nursing care, and housekeeping services.

We remind our readers what the "typical" life cycle is for an adult Japanese woman:

1. Graduate from high school or university and find a job (average age: 18-22 years)
2. Get married (age: 25-29 years)
3. Become pregnant, then drop out of workforce in order to raise the child(ren) (age: 30-39 years)
4. Once the child(ren) become(s) independent, resume work (approximate age: 45+ years)
5. Even if work is resumed after age 45, it is typically limited to part-time employment, since by this stage either her husband's or her own parents often begin requiring convalescent support.

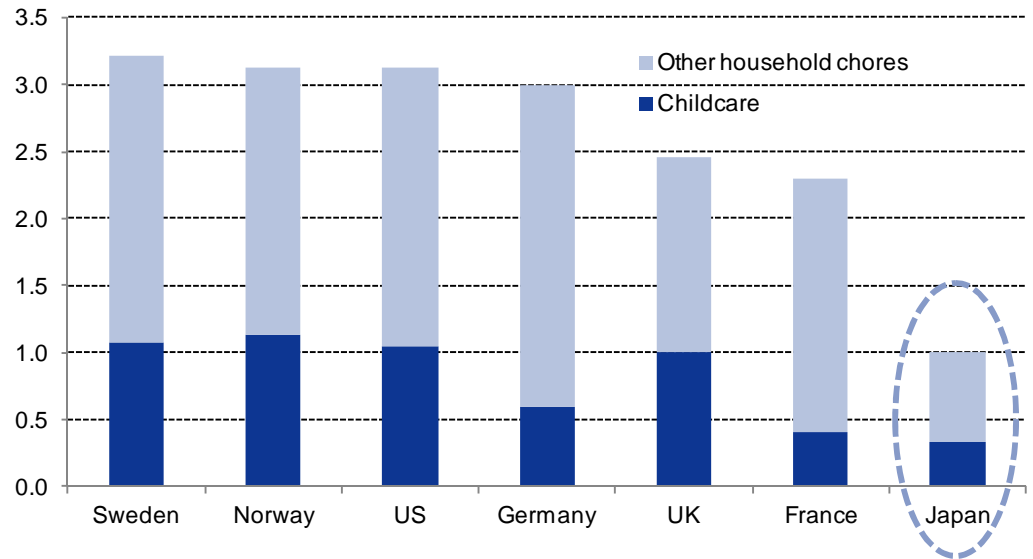
Given this typical lifecycle, it is virtually impossible for many Japanese women to participate more meaningfully in the workforce unless they are able to outsource some of these heavy-duty responsibilities. (And contrary to the views of many, robots cannot do everything.)

Furthermore, it does not help that the typical Japanese father spends very little time assisting with household chores and child-rearing at home.

For instance, a 2006 government survey cited that on average, **Japanese men with children under the age of six spend just 1 hour per day on childcare/household chores (of which 33 minutes is for childcare), which represents one-third the average 3+ hours for Swedish, American, and German fathers** (see Exhibit 13).

**Exhibit 13: Where's Papa?**

Average No. of hours per day fathers spend on household chores and childcare



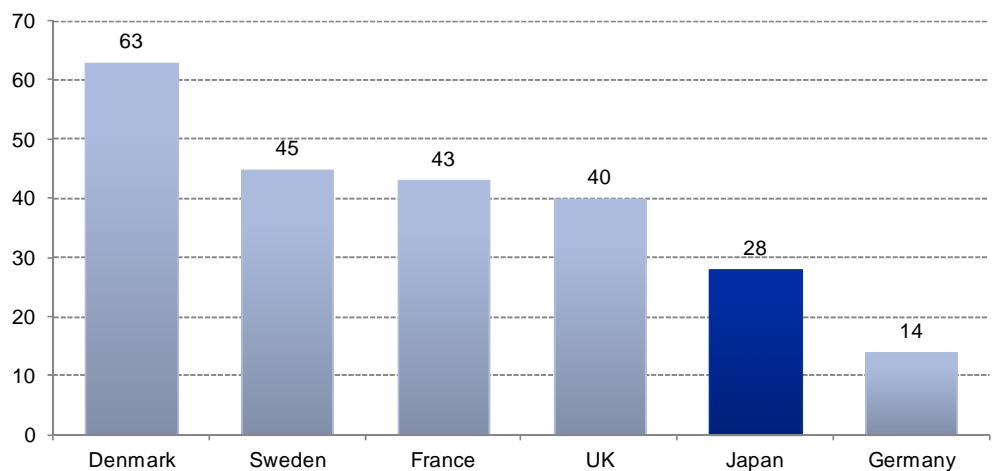
Source: Gender Equality Bureau, Cabinet Office, Eurostat How Europeans Spend Their Time Everyday Life of Women and Men (2004), Bureau of Labor Statistics of the U.S. America Time-Use Summary (2006), and MIC.

**Daycare: More supply needed**

In terms of daycare usage, **the proportion of Japanese children at daycare centers remains fairly low at just 28% for children under three years of age**, which is far lower than the comparable ratios of 63% in Denmark, 43% in France, and 40% in the US (see Exhibit 14).

**Exhibit 14: Japanese daycare usage remains low compared to other countries**

Percentage of children under age 3 in daycare in 2006



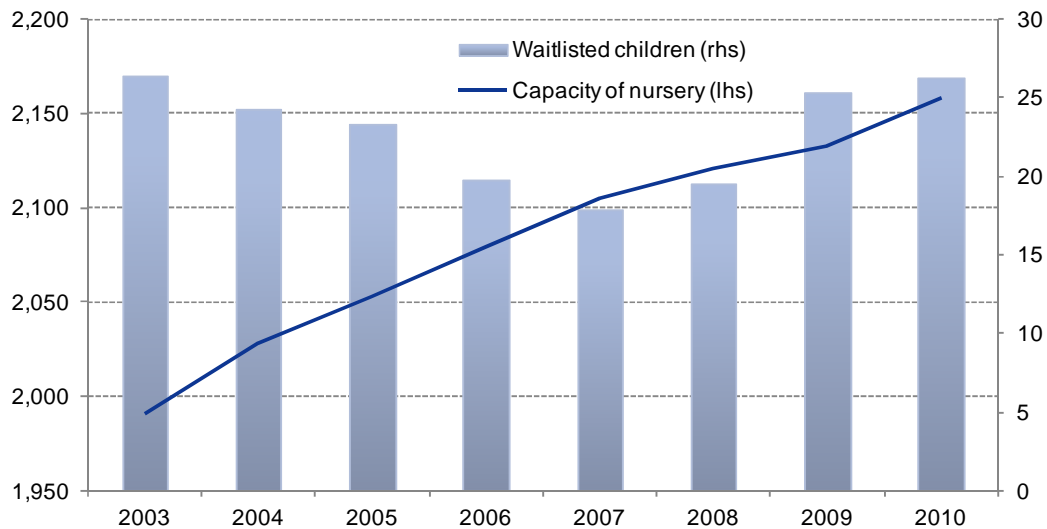
Source: CAO.

Given the chronic shortage of daycare facilities, the government has made some progress in expanding the number of facilities to accept more children. Based on a plan introduced by former Prime Minister Junichiro Koizumi, the government targeted a 9% increase in the total capacity of the nation’s daycare system to 2.15 mn by 2009 from less than 2 mn in 2003.

While this goal was actually achieved, the problem is not yet fully resolved. As female employment rates have risen, so too has the number of children on daycare waiting lists (see Exhibit 15).

One of the stumbling blocks continues to be excessive regulation of the daycare industry. Currently, a myriad of regulations—ranging from the floor space of the facility to the stringent licensing process—means that the supply of facilities remains limited relative to demand. Given constrained public finances, it is necessary to deregulate in order to encourage more private sector entrants into the sector.

**Exhibit 15: Daycare capacity has expanded, but still many kids on waiting lists**  
thousands, nationwide



Source: MHLW.

**Child-rearing allowances: How effective?**

Earlier this year, the Japanese government introduced “child-rearing allowances” to families with young children with the purpose of providing financial support as well as to incentivize parents to have more children. Starting in June 2010, families with children under the age of 15 began to receive monthly child-rearing allowances worth ¥13,000 (US\$153) per child.<sup>4</sup>

In other countries, childcare subsidies have been effective in boosting female participation, as they raise the return on employment relative to staying at home. However, **the actual efficacy ultimately depends on factors such as the scale of the subsidies as well as how they are implemented.**

<sup>4</sup> The DPJ’s original Manifesto called for a doubling of this amount to ¥26,000 per child by FY2011, but given the fiscal situation, this increase appears unlikely at this stage.

For instance, based on a 2003 OECD study, public expenditures on childcare averaged 0.7% of GDP in the OECD.<sup>5</sup> It was relatively low in Japan (0.3%), Spain (0.4%), and the US and UK (both 0.5%), but was relatively high in countries where female employment rates tend to be higher, such as Denmark (2.7%), Sweden (1.9%), and France (1.3%).

It is also important how such subsidies are implemented. For instance, if such subsidies are not conditional on employment, they may be less effective in boosting female employment; indeed, they may even discourage women from returning to work. Therefore, making subsidies conditional on labor force participation has a bigger impact on employment.

While Japan's recent child-rearing allowances have been a welcome boost to disposable income at a time when overall wage growth has been sluggish, it remains to be seen whether these subsidies will actually work.

**We would argue that to be effective, they probably need to be (a) larger and (b) conditional on labor force participation.**

### **Nursing/convalescent support**

Another related dilemma for many working women is the **insufficient supply of affordable nursing care and caregivers for elderly parents**. More often than not, the burden of caring for one's parents (and/or a spouse's parents) falls on the daughter or the daughter-in-law. There are many anecdotes of elderly Japanese being forced to wait multiple years in order to secure a space in a nursing facility or convalescent home.

During the past five years, there has been little progress in rectifying this supply problem—not only of facilities but also of caregivers. Similar to daycare, part of the issue is that the nursing care sector remains mired in regulations, limiting the ability of private sector providers from entering the industry.

In addition, a combination of regulations and tight fiscal budgets **keep the average wage of convalescent nurses very low**. The average basic monthly pay of a full-time licensed nursing care worker was just ¥194,000 (2007), which equates to **just 60% of the average wages for all industries in Japan**.<sup>6</sup> To put this into perspective, the average monthly wage for an employee at a Japanese fast-food chain is ¥160,000-¥200,000 per month.

Combined with severe working conditions, **the result is that it has been extremely difficult to attract employees to the nursing care industry, and there is a chronic shortage of nursing care workers**.

### **Tax distortions: Almost there**

Another obstacle to greater female employment in Japan has been a tax system that has traditionally discouraged women from fully participating in the workforce.

Prior to 2004, a head of household (usually the husband) was able to claim both a dependent exemption (of ¥380,000 or US\$4,471) as well as a special dependent exemption (also ¥380,000) for his wife as long as her annual income did not exceed ¥1.03 mn (US\$12,118). This was also the level that many companies set for the benefit eligibility of dependents. **Such income thresholds have forced many talented Japanese women to become poorly paid part-timers**.

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<sup>5</sup> OECD report, "Female labor force participation: past trends and main determinants in OECD countries," 2003.

<sup>6</sup> Japan Federation of Medical Workers' Union (*Iryoren*), 2008.



Some progress was made in April 2004 when the government eliminated the special dependent exemption, giving women a slightly stronger incentive to work.

As for the remaining dependent exemption (¥380,000), the DPJ is currently proposing its elimination in order to (a) incentivize more women to work, and (b) help fund the child-rearing allowances the party introduced in June 2010.

Hopefully the total elimination of tax distortions will encourage more married women to seek higher-paying, full-time jobs in future.

## **Diversity in the workplace: Talking the talk, but not yet walking the walk**

Another obstacle that has prevented greater female employment in Japan is the inadequate focus on diversity in the workplace. Since 2005, we have witnessed some progress in changing the diversity mindset.

For instance, at the government level, former Prime Minister Koizumi established a new Cabinet position, the Minister of State for Gender Equality and Social Affairs in 2005, aimed at promoting greater gender equality and opportunities for women.

And while the word “diversity” was not part of the Japanese vocabulary five years ago, the phonetic translation “*dai-baa-shi-tii*” is now mentioned quite regularly in the mainstream press, indicating a heightened public awareness regarding diversity.

### **Too few women leaders**

However, while there are now more women in the private sector workplace compared to 5-10 years ago, **women remain severely underrepresented in leadership or supervisory positions**. For instance, while the DPJ’s landslide victory in the August 2009 elections raised the proportion of female parliamentarians in the Lower House to a record 11% (54 seats), **Japan remains among the lowest-ranked industrialized nation in terms of female parliamentary representation, according to the United Nations**.

Similarly within the private sector, the ratio of females in managerial positions has risen in countries such as the UK and Germany between 2003-2008 to above 35%-40%, **Japan’s ratio remained essentially the same at around 9%** (see Exhibit 16).

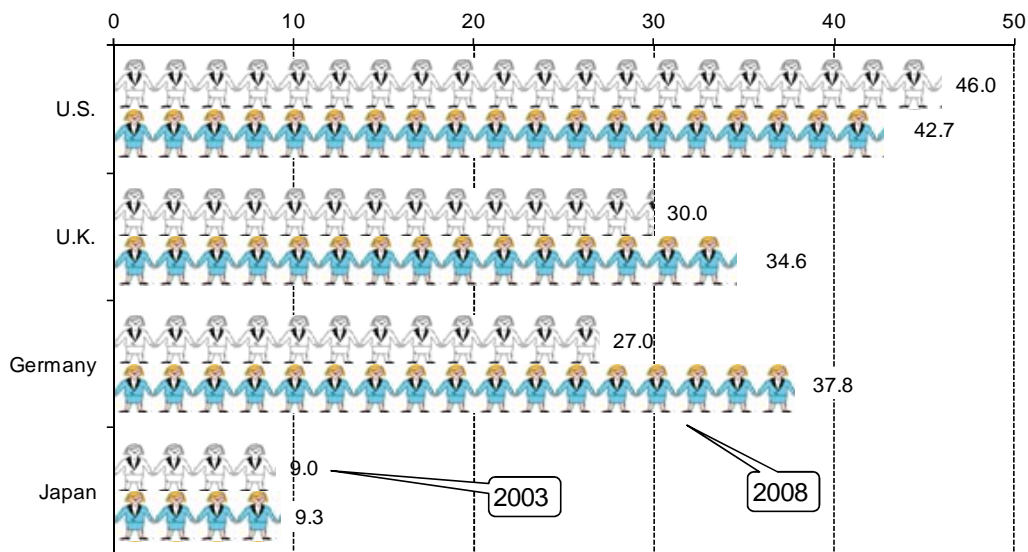
While there are some notable recent achievements such as the **Bank of Japan** appointing its first female branch manager, **Japan Airlines Corp.** announcing its first female captain, and **East Japan Railway** having female station masters in Tokyo for the first time ever, unfortunately these “victories” are too few and far between.<sup>7</sup>

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<sup>7</sup> Wall St. Journal, July 15, 2010 “*Japan’s Workplace Gender Gap*”.

**Exhibit 16: Still too few female role models in Japan**

Ratio of female managers (2008), %



Source: MHLW, ILO, Yearbook of Labor Statistics.

**Gender wage gap remains large**

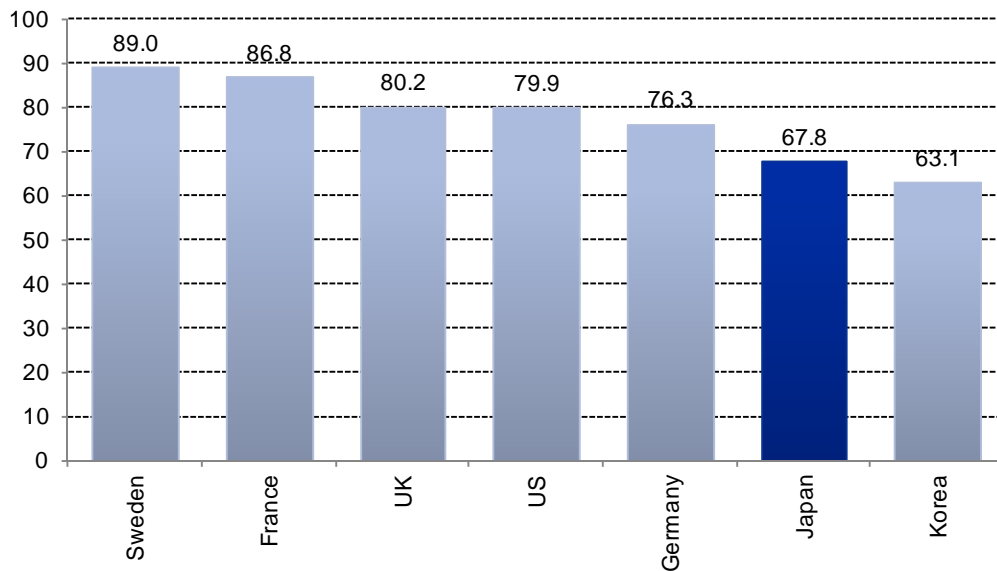
Another diversity-related issue that is often ignored is the still-wide gap between female and male wages.

Despite the introduction of the Equal Employment Opportunity Law in 1986, which was supposed to prohibit discrimination against women in recruitment, employment and promotion practices, the reality is that for similar work, Japanese women typically get paid significantly less.

For instance, as seen in Exhibit 17, while lower wages for females are fairly universal, **Japanese women’s wages are on average roughly one-third lower than their male counterparts.**

Since women obviously weigh the costs and benefits of working versus staying at home, such wage discrimination is a logical reason for many to quit working.

**Exhibit 17: While the female-male wage gap is universal, it is particularly large in Japan**  
Average ratio of female wages relative to male wages (2008), %



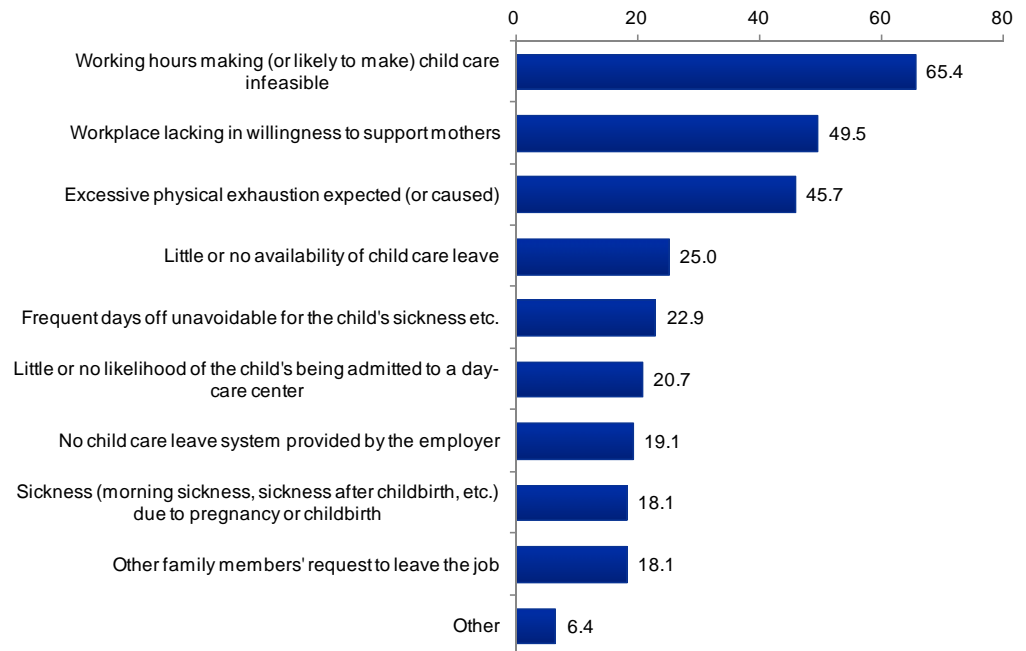
Source: MHLW.

### More flexible working arrangements: No desire to become “salarywomen”

Reasons often cited by mothers who drop out of the workforce after giving birth are not limited to childcare availability and wage differentials. In fact for many, **the inflexibility of working hours and lack of support for working mothers in the workplace are cited more often** (see Exhibit 18).

#### Exhibit 18: Reasons cited by mothers who left their jobs after giving birth despite their desire to continue working (2008)

% responses



Source: MHLW.

While it is difficult for the government to mandate flexible work arrangements, it is interesting to note that in 2003, the UK government introduced “Right to Request” flexibility legislation which empowers parents of children up to age six to ask for flexible scheduling, and ensures that employers consider these requests. The program has been highly successful, with almost one-fourth of all eligible employees (approximately 14 mn men and women) asking to work flexibly as a result. Given its success, the government expanded the program in 2007 to include 2.65 mn workers who care for adult relatives and an additional 4.5 mn employees with responsibility of children up to age 16.<sup>8</sup>

We believe that **more flexible working arrangements are not only beneficial to Japanese women, but will also become critical for men as well.** The reason is the flip side of a growing ratio of unmarried women is a growing ratio of single men as well. **As these single men (many of whom are single children) mature, they too will face the challenge of how to care for their elderly parents. This will, in our view, necessitate a full-scale reassessment of work styles and arrangements across both the private and public sectors in Japan.**

<sup>8</sup> Forbes, May 15, 2009.

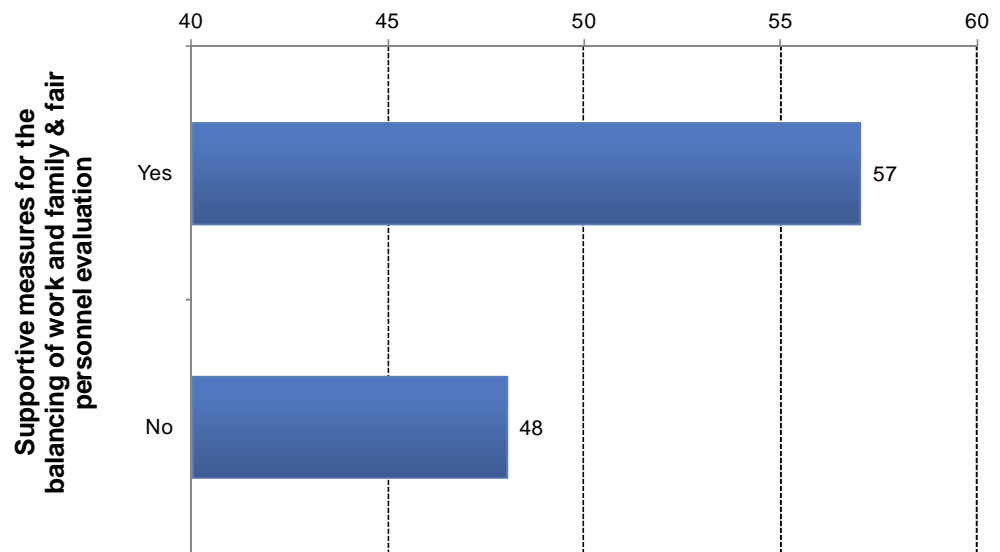
If companies are serious about improving diversity, **they must address their compensation and evaluation systems to ensure greater fairness, and also need to reassess their existing work arrangements to ensure greater flexibility.** Otherwise, if women see limited upside to their economic or professional fulfillment from working, they are unlikely to stay in or return to the workforce.

**Why diversity makes business sense**

The shrinkage of Japan’s workforce and the opportunity cost of women dropping out of the workforce during the prime of their careers are finally forcing many companies to figure out ways to improve diversity through retention and promotion strategies. In our view, **the key to pushing the diversity agenda forward in an organization is by convincing managers that diversity is crucial to a company’s bottom line.**

A 2009 Cabinet Office survey showed that companies with explicit programs to support working mothers as well as objective evaluation systems tended to enjoy higher profit margins than their peers. For instance, **of companies that had work/life balance programs and fair and objective evaluation systems in FY3/05, 57% enjoyed a greater than 10% increase in their per-employee recurring profit margins during FY3/05-FY3/08. This compared to only 48% among firms with no such programs in place** (see Exhibit 19).

**Exhibit 19: Diversity-oriented Japanese firms tend to enjoy higher per-employee profitability than their peers**  
 Percentage of firms whose per-employee RP margins rose more than 10% during FY3/05-FY3/08



Source: MHLW.

Perhaps this is one reason behind **the recent movement across Europe to establish new rules for the minimum number of female directors on company boards.** So far, several European countries have adopted such requirements, with Norway leading the way by introducing a legal quota in 2004 requiring publicly owned firms to fill at least 40% of their boards with female directors. Since then, other countries such as Spain and France have followed Norway’s lead by introducing similar measures.

While there are no government-mandated quotas in Japan, some firms have begun to take more actions to diversity their boards and management teams as well. For instance, **Daiwa**

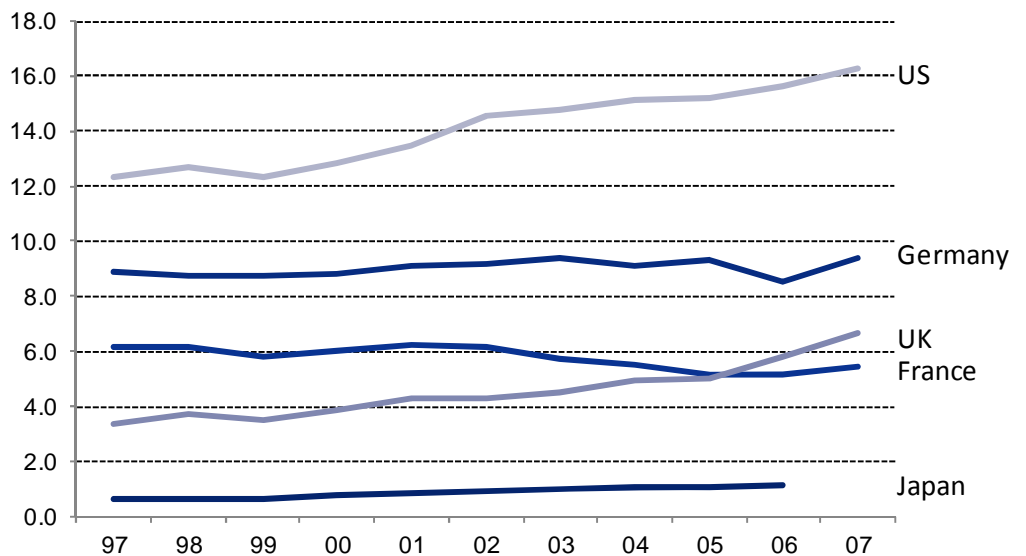
**Securities Group** placed four women on its board in 2009, and cosmetics giant **Shiseido Co.** set a goal of raising the amount of female managers to 30% by 2013.<sup>9</sup>

### Immigration reform: To help supply meet demand

While boosting female participation in the workforce is part of the solution to Japan’s demographic crisis, women alone cannot solve the whole problem. Instead, **we continue to believe that another part of the solution is immigration reforms to enable more foreigners into Japan. Unfortunately, due to the lack of reforms on this front, the percentage of foreign workers remains the lowest among OECD countries** (see Exhibit 20).

**Exhibit 20: Percentage of foreign workers in Japan remains very low relative to other developed countries**

Foreign workers as % of total workers



Source: MHLW.

Recently, most of the discussions surrounding Japanese immigration reforms have been focused on easing visa requirements for Chinese tourists<sup>10</sup> and encouraging foreigners with professional-type skills (such as engineers and IT specialists) into the country. While Japan could certainly use more skilled foreign professionals, in our view **there is inadequate focus on other foreign workers—particularly nurses, caregivers, babysitters,**

<sup>9</sup> Nikkei Shinbun, August 2, 2010.

<sup>10</sup> As part of the government’s long-term growth strategy to attract 25 mn foreign tourists to Japan per year by 2020, it relaxed restrictions for individual Chinese applying for tourist visas to Japan in July 2010. The threshold of annual income has been lowered to RMB60,000 from RMB250,000 originally, and the number of Japanese consulate offices where visa applications can be processed in mainland China has been expanded to seven from three. This should broaden the potential pool of Chinese tourists to include more of the middle class. So far the impact seems to have been quite positive, with the number of visas issued to Chinese tourists in the month of July reaching 5,836 or a 5.6-fold YoY increase.

**and housekeepers—i.e. individuals who can assume many of the tasks that Japanese women are currently bearing.**

Aside from a radical, but unfortunately, fleeting LDP proposal in 2003 which called for the immigration of 10 mn foreigners (implying a six-fold increase in the number of foreigners living in Japan), there has been very little progress in meaningful immigration reforms. Examples of recent reforms include:

- **Deregulation for foreign nurses and caregivers**
- **Visa restrictions**

### **Foreign nurses/caregivers: Hurdles still high**

Faced with an acute shortage, the Japanese government established agreements with both the Philippines and Indonesia to accept 1,000 qualified nurses and caregivers from those countries to work in Japan. While this news created some initial excitement, there was an important “hitch.” The candidates must first be certified nurses in their home countries and once they enter Japan, they are required to undergo six months of Japanese language study, followed by 3-4 years of on-the-job training. Thereafter, in order to remain in Japan, they must pass a rigorous national certification exam in the Japanese language, and if they fail, they must return to their countries. Although Filipino and Indonesian nurses have entered Japan since 2008, none of the applicants passed the national exam in 2009, and in February 2010, only 3 out of 257 applicants passed the exam, according to the MHLW.

The irony is that the demand for foreign nurses and caregivers is actually high in Japan. According to a Kyushu University survey, more than 80% of Japan’s medium- and large-sized hospitals are “very interested” in employing foreign nurses, including those from the Philippines and Indonesia. One of the main reasons is that Japan already faces a severe shortage of nurses to cope with its rapidly aging population. The MHLW estimates that 1.4-1.6 mn nursing caregivers will be needed by 2014, when the over-75 population is expected to reach 6.4 mn. However, it currently anticipates a shortage of up to 600,000 caregivers. In addition, a MHLW survey showed that more than 90% of elderly and disabled persons said they were satisfied with the services Indonesian caregiver candidates gave them in nursing care facilities.

In other words, there is ample demand and plenty of available supply, but overly stringent immigration laws make it virtually impossible for the two ends to meet. **Unless Japan changes its overly stringent rules, the risk is that it will lose the global race for foreign nurse/caregiver talent—just at the time when it desperately needs such resources.**

### **Visa/residence rule changes**

On July 1, 2010, the Ministry of Justice implemented a number of changes to immigration rules aimed at making life easier for foreign residents. First, the maximum length of work and student visas were extended from three years to five, and legal residents who leave Japan for less than a year will no longer be required to get a re-entry permit. Moreover, conditions for granting permanent resident status have also been eased. While these changes simplify processes, however, they are not necessarily going to bring more foreigners into the country, in our view.

### **Companies hiring more foreign employees**

Although we are not optimistic about imminent changes to Japanese immigration rules, some private sector firms are not waiting for the government and have embarked on aggressive hiring plans of foreign workers.

Online retailer **Rakuten** announced that of its 600 new recruits it plans to hire for FY2011, it is targeting 150 to be foreign nationals. Given that Rakuten recently agreed to form a joint venture with China’s leading Internet search engine, Baidu Inc., and also recently acquired

Buy.com of the US, it needs more globally oriented staff to succeed. Rakuten also made waves this summer when its CEO, Hiroshi Mikitani, announced that he wants to create a “world company” rather than a Japanese firm and that English will become the official language for internal meetings.

Similarly, casual clothing retailer **Fast Retailing Co.** plans to hire 300 foreigners for FY2011, which will account for roughly 50% of its new recruits. Given the company’s plans to expand its operations globally, it is also crucial for its employees to be more diverse. And in the manufacturing sector, **Panasonic Corp.** also plans to boost the number of foreign employees to 1,100 in FY2011, representing a 50% yoy increase.<sup>11</sup>

In other words, **while it may take more time for the government to implement meaningful immigration reforms, we are more confident that private sector firms looking to globalize their operations will increasingly look to hire more foreigners as part of their human resources strategy.**

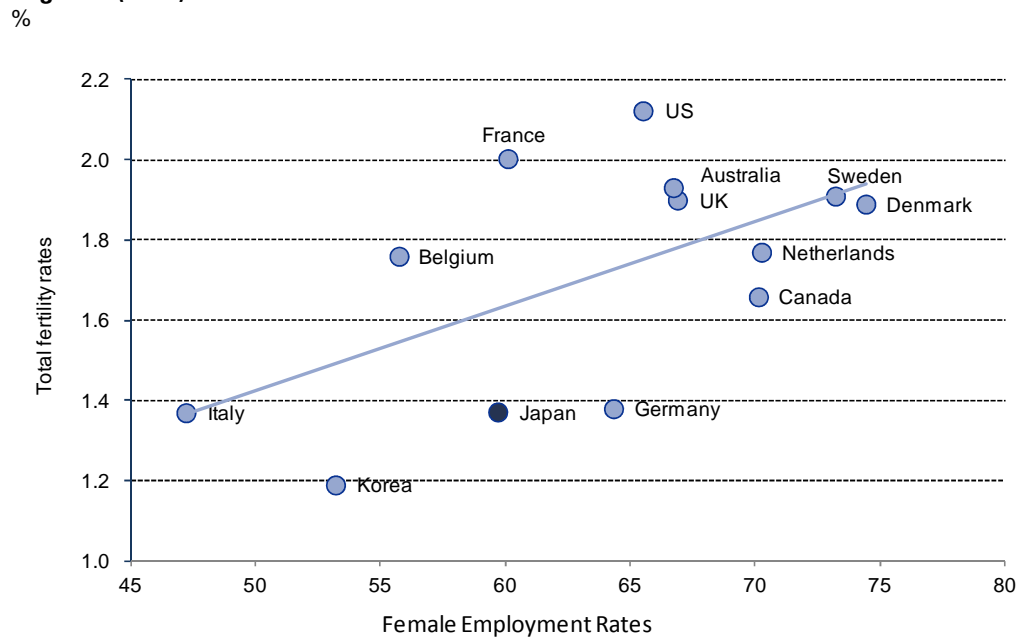
### Higher female employment = higher fertility rate

One final obstacle to higher female employment has been the prevailing myth that if more Japanese women work, the further the birth rate will decline, exacerbating Japan’s demographic pressures.

While this sounds like a nice theory, **the empirical evidence contradicts this.**

For instance, if one plots female labor participation rates against birth rates for various countries, **there is a distinctly positive—not negative—correlation between the two, meaning that countries with relatively high labor participation rates such as Sweden, Denmark, the Netherlands, and the UK, tend to have relatively high fertility rates and vice versa** (see Exhibit 21).

**Exhibit 21: Correlation between female employment rates and birth rates is positive, not negative (2008)**



Source: MHLW.

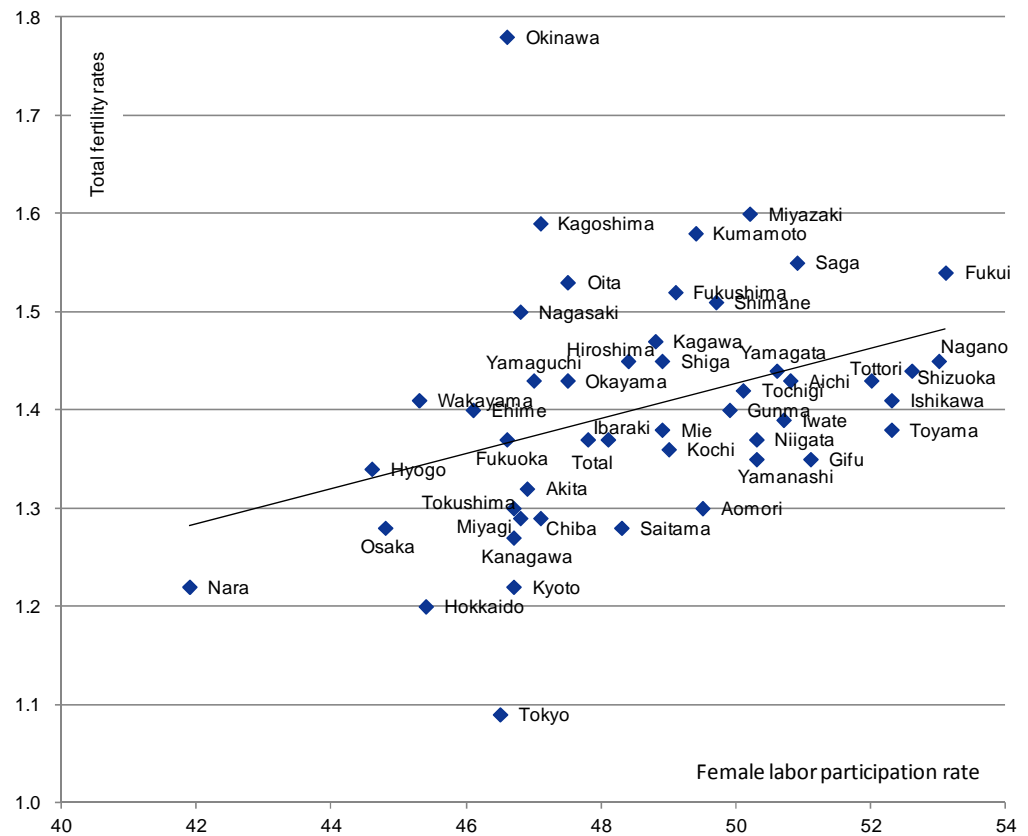
<sup>11</sup> Kyodo News, July 6, 2010.



Indeed, the same holds true even within Japan. Exhibit 22 plots female labor participation rates against birth rates for Japan's 47 prefectures.

Notably, prefectures which tend to have higher participation rates, such as Fukui, Nagano and Shizuoka, tend to have higher birth rates as well.

**Exhibit 22: Positive correlation between female labor participation and birth rates holds true in Japan as well**  
2009, %



Source: MHLW.

## What can the private and the public sectors do? 10 proposals

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Given the acute demographic crisis that faces Japan and the need to move faster on raising female employment rates, we are often asked: **What can be done by the private and public sectors?**

The government has tried to tackle the low birth rate and low female employment rate with a variety of laws including the 1986 Equal Employment Opportunity Law, the Child Care Leave Law in 1992, and the “Angel Law” in 1994 and 2009<sup>12</sup>.

While some of these measures have been effective, in order to really move the needle on boosting female employment, we suggest focusing on the following 10 specific proposals:

1. **Expand the capacity and affordability of daycare and nursing care facilities and services through greater deregulation**
2. **Immigration reforms to allow women to outsource their responsibilities for daycare, nursing care and housekeeping to foreign nurses, caregivers, babysitters and housekeepers**
3. **Provide more substantial child care benefits that are conditional on workforce participation**
4. **Introduce legislation that empowers parents to ask for more flexible work schedules and requires employers to consider those requests (similar to legislation introduced in the UK in 2003)**
5. **Tighter enforcement of the Equal Employment Opportunity Law in terms of wage, employment, and promotion discrimination**
6. **Fully eliminate the tax distortions which discourage married women from working**
7. **Employers should adopt fair and objective evaluation, compensation, and promotion schemes**
8. **Employers should promote more flexible working arrangements**
9. **Employers need to adapt their human resource management processes to enable women to develop non-linear careers. This includes guarding against age discrimination for mothers seeking to re-enter the workforce and adopting more tailored and flexible career management processes**
10. **Employers need to convince their employees that diversity is critical to their bottom line**

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<sup>12</sup> The “Angel Law” was aimed at assisting couples raise children and encouraging increased childbearing. Key aspects include: raise the percentage of women who remain employed after giving birth to 55% in 10 years; encourage employees to use 100% of their paid annual leave as opposed to the current 47%; halve the proportion of employees who work 60 hours per week or more from the current 11%; and increase the amount of time husbands spend on child care and housework, from 1 hour/day currently to 2.5 hours/day.

## Growth dividends from Womenomics

In our last Womenomics report in 2005, we cited the significant economic benefits from higher female employment. Simply put, the more women work→the larger the workforce population→the higher the incomes→the greater potential for increased consumption.

At the time, we estimated that if Japanese female employment rates rose to those of the US, Japan’s trend GDP growth rate could rise 0.3pp to 1.5% from 1.2% and per-capita income could be boosted by 5.8% through 2025.

Further to that analysis, our ECS colleague, Kevin Daly, assessed the impact of closing the gap between female and male employment rates in various OECD countries, and his conclusion was that—all else being equal (such as productivity levels)—Japan could enjoy one of the largest potential boosts to GDP.<sup>13</sup>

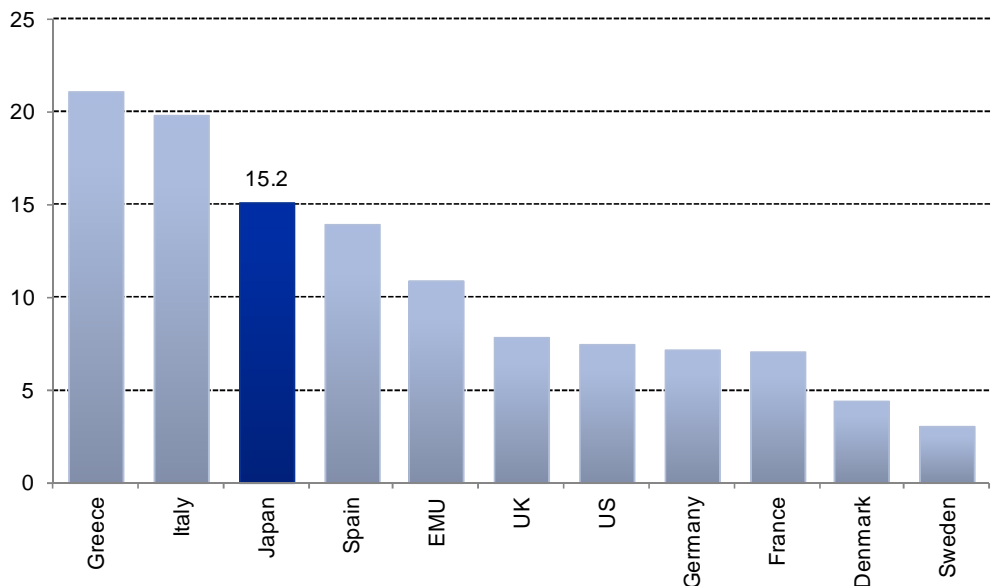
Using the same analysis and updated figures for female and male employment rates as of 2009, the conclusion remains the same.

**If Japan’s female employment rate matched that of males (Japanese male employment being one of the highest in the world at around 80%), this would add 8.2 mn employees to the workforce, and the level of Japan’s GDP could be boosted by as much as 15% (see Exhibit 23).**

**Compared to quantitative easing and other macro policies, we believe gender equality is possibly the most powerful action the government can take to promote long-term, sustainable growth.**

### Exhibit 23: Japan would be one of the biggest beneficiaries of closing the gender employment gap

Potential increase in GDP levels assuming female employment rates match that of males, %



Source: GS Global ECS Research estimates.

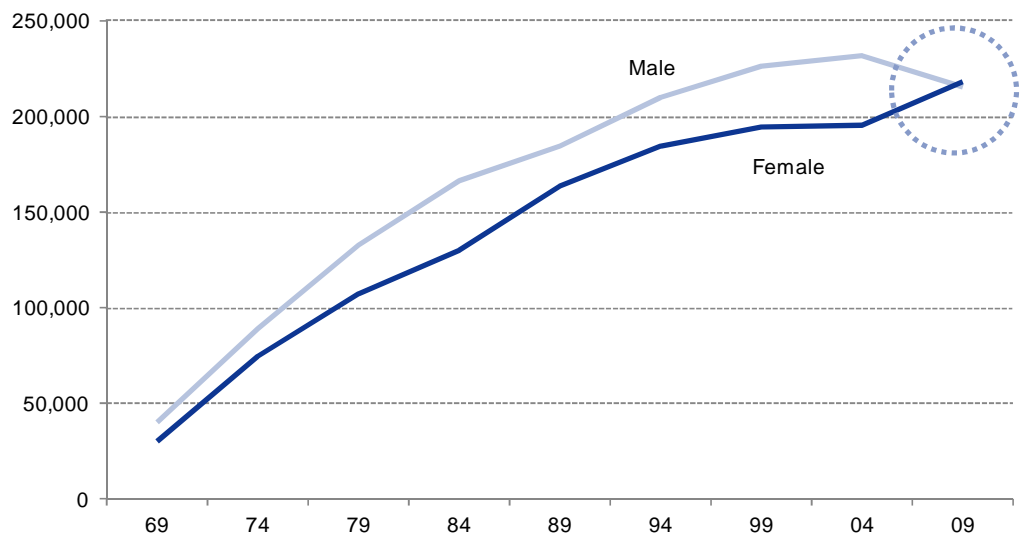
<sup>13</sup> See Kevin Daly’s April 3, 2007 Global Economics Paper No: 154, *Gender Inequality, Growth and Global Ageing*.

## Power of the purse: How females are supporting Japan's economy

While the economic environment has been challenging during the past five years, it is notable that female consumption has actually been one of the relatively brighter spots.

For instance, according to the Ministry of Coordination Agency's 2010 survey of single-person household consumption trends, the average level of disposable income for single females below the age of 30 is as high as ¥218,156, **which not only represents an 11% increase over the level in 2004** (when the previous survey was conducted), but interestingly **is now higher than that of equivalent males** (¥215,515) (see Exhibit 24).

**Exhibit 24: Single females' (below age 30) disposable income is not only growing but now exceeds that of similar single males**  
 ¥



Source: MIC "National Survey of Family Income and Expenditure (2009)".

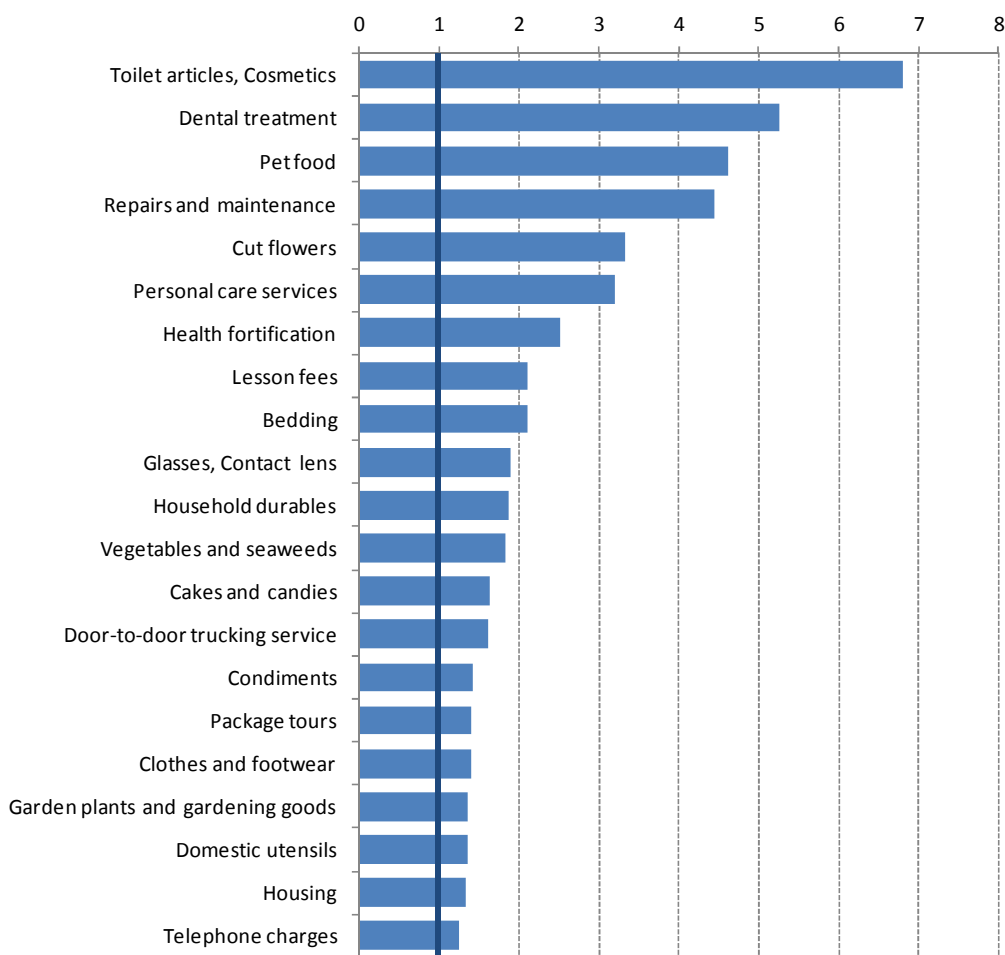
### What do Japanese women prefer to consume?

Based on the MCA’s 2010 single-person household survey, Exhibit 25 illustrates the specific products and services which single female consumers (below the age of 60) consume more relative to their male counterparts.

Areas that rank particularly high include **toiletries/cosmetics, healthcare (including dental treatment and health fortification), pet food, housing/repairs & maintenance, and gardening-related.**

**Exhibit 25: Products and services which single females (below the age of 60) consume more of relative to single male counterparts**

Female consumption relative to male consumption of 1X



Source: MIC “National Survey of Family Income and Expenditure (2009)”.

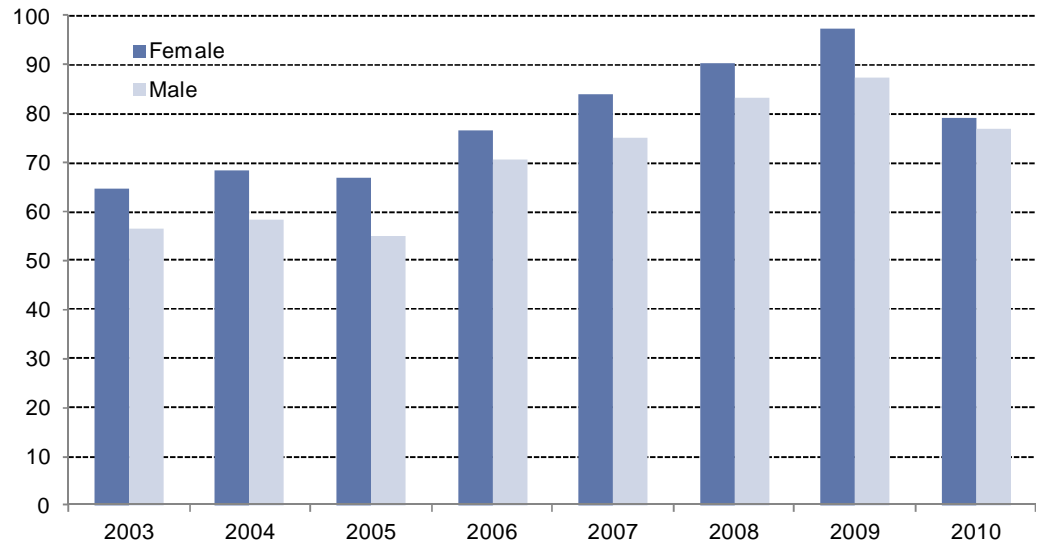
### Financial services

For financial products, **females tend to hold more credit cards than men** (see Exhibit 26).

In addition, females are also becoming more prominent in the mortgage market. For instance, in the case of the popular “Flat 35” product provided by the Government Housing

Loan Corp. (where one can take out a fixed-rate 35-year mortgage at very low interest rates), **the proportion of female borrowers has risen from 12% in April 2006 to 21% in April 2010** (see Exhibit 27).

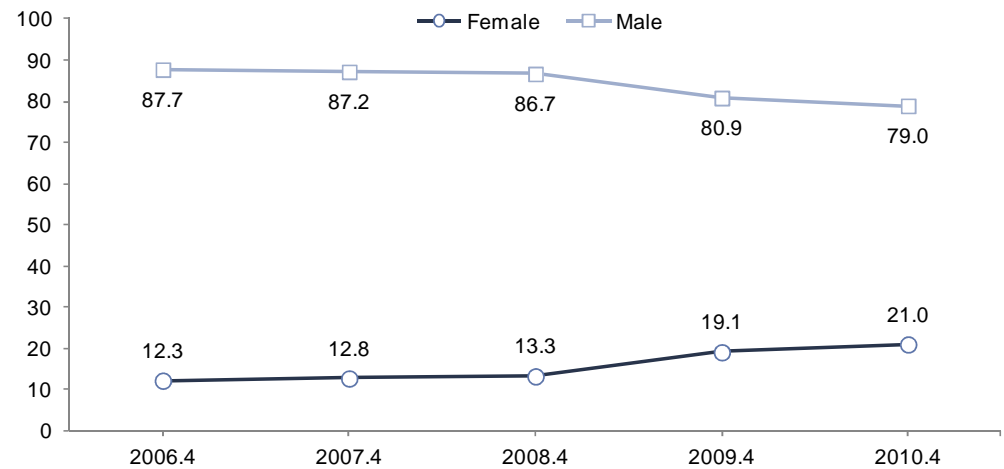
**Exhibit 26: Females hold more credit cards than men**  
Millions of contracts



Note: Data from 154 credit card companies' membership contracts.

Source: Japan Credit Statistics of Japan (JCA).

**Exhibit 27: Women represent a growing share of "Flat 35" mortgage borrowers**  
%



Note: Based on a 2010 survey of 52,308 "Flat 35" mortgage borrowers.

Source: Japan Housing Finance Agency.

## Womenomics winners

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Our current investment strategy is to focus on **Japanese companies that offer top line growth in a growth-challenged world.**

This includes our focus on Japanese firms with relatively high exposure to emerging markets such as our China- and Chindonesia-related baskets (GSSZJPCN and GSSZCIND), as well as our recently-launched “stable growth” basket (GSSZSTGR) of companies with high and stable growth and returns<sup>14</sup>.

**We believe our Womenomics theme fits neatly into this group.**

Starting with our original Womenomics list of stocks that we created in 2005, we revamped the list, **focusing on those areas where we believe there is likely to be secular growth going forward** (see Exhibit 29). These areas include:

- Daycare services
- Nursing care services
- Restaurants/prepared food suppliers
- Internet-related
- Beauty products/services
- Apparel-related
- Real estate-related
- Financial services
- Travel/leisure
- Temporary staffing agencies

Although many of the 44 stocks in our basket are domestic-oriented smaller-cap stocks, if we are correct in assuming that Womenomics will remain a secular trend, we believe many of these companies could enjoy sustainable growth longer-term.

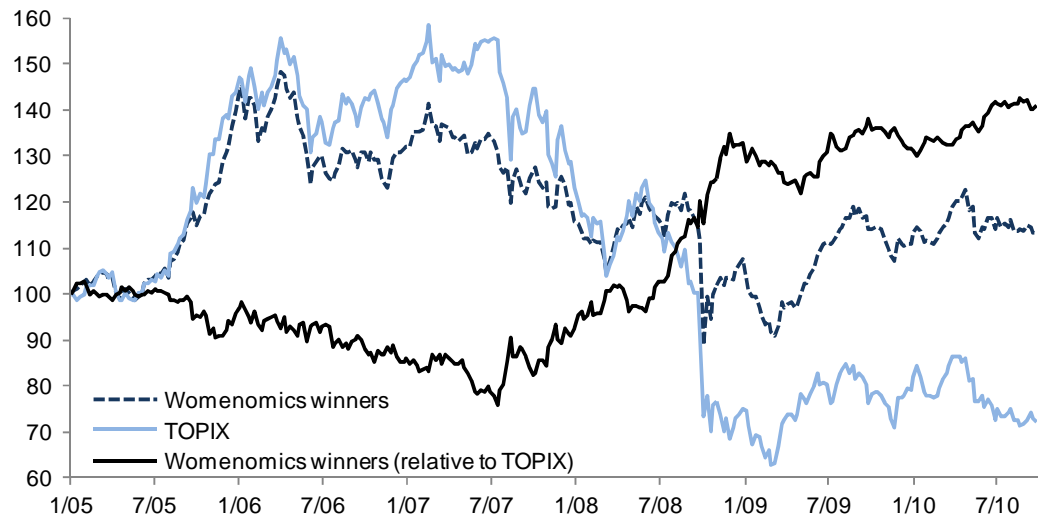
While our group of Womenomics winners has already outperformed TOPIX to some extent since late 2008, we still see scope for further outperformance ahead (see Exhibit 28).

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<sup>14</sup> The ability to trade these baskets will depend upon market conditions, including liquidity and borrow constraints at the time of trade.

**Exhibit 28: Womenomics winners have been more resilient than the market and we see scope for further outperformance ahead**

Equal-weighted, Indexed, Jan. 7, 2005=100, relative to Topix



Source: GS Global ECS Research calculations.

**Exhibit 29: Womenomics winners**

		Price (¥)	Market cap. (¥bn)	Rel. perf. (YTD, %)	Daily Avg.Trd. Value (¥mn)	Actual Op. Profit Growth 3Yr cum. %	Estimated Op. Profit Growth 2Yr cum. %	P/B FY3/10 (X)	P/E FY3/12E (X)
<b>Childcare-related</b>									
2749	JP-Holdings	1,670	13	22.8	18.2	54.0	24.8	6.9	19.0
Largest firm in the field of childcare support (operates nurseries and school-kids clubs). Growth achieved through active recruitment of experienced nursery staff. Opened 19 nurseries, mainly government approved. 13 new school clubs. Company policy calls for a dividend payout ratio of 30%.									
7956	Pigeon	2,672	54	-19.9	458.8	18.7	16.0	2.1	14.3
Leader in childcare products. Particularly strong in novelty items. Has diversified into maternity and nursing care products and also operates childcare centers. Stepping up its presence in the nursing care segment. Domestic childcare business recovering with strong demand for high-priced nursing bottles.									
<b>Nursing care-related</b>									
2400	Message	199,900	40	11.9	56.8	13.8	12.8	2.4	13.4
Operates retirement homes with medical services that require no downpayment. Expanding into urban markets under the Amille brand name.									
7522	Watami	1,634	68	4.4	69.9	15.8	9.2	2.7	19.5
Major operator of Japanese-style pubs that also supplies meals to nursing homes. Aims to expand the nursing care business to 50% of revenues over the medium term. Developing directly-operated pub outlets in Japan/overseas markets under the Watami brand name.									
9735	Secom	3,835	895	-6.6	3,454.8	0.2	6.8	1.4	14.3
Leading security services firm, specializing in leased sensor-equipped security systems for homes. Also expanding into electronic recognition, home medical care, and non-life insurance services.									
9792	Nichii Gakkan	768	56	-0.3	163.6	37.6	14.5	1.1	14.0
Leading firm in outsourced medical administration services. Provides an integrated service that ranges from staff training to temporary staff placement. Has taken over care facilities from COMSN and is diversifying into a wide range of services. Profits improving in both home medical care services and on-site care at institutions. Also provides housekeeping services.									
9783	Benesse Holding	3,940	419	8.0	716.2	6.6	5.3	2.3	18.1
Largest firm in media-based educational services and products, including its own "Shinken Sem". Diversifying into nursing homes as well as publishing. Group companies include language school Berlitz.									

Note: Price and market cap as of Sep. 29, 2010. All estimates from Toyo Keizai Shikiho. Actual 3 yr cum. OP growth between FY3/08 and FY3/10. Estimated 2 yr cum. OP growth between FY3/11E and FY3/12E. \*Growth between 3/09-3/10. \*\*Growth between 3/08-3/10.

Source: Toyo Keizai Financial Data, Factset, GS Global ECS Research calculations



**Exhibit 29 cont'd: Womenomics winners**

		Price (¥)	Market cap. (¥bn)	Rel. perf. (YTD, %)	Daily Avg.Trd. Value (¥mn)	Actual Op. Profit Growth 3Yr cum. %	Estimated Op. Profit Growth 2Yr cum. %	P/B FY3/10 (X)	P/E FY3/12E (X)
<b>Prepared foods</b>									
2294	Kakiyasu Honten	970	12	6.7	2.3	21.4*	-12.7	1.1	13.4
		Developing high-end Japanese restaurants focusing on Matsuzaka wagyu beef. Also expanding prepared meals for the home.							
2802	Ajinomoto	824	577	0.9	1,653.4	0.1	5.3	0.9	19.6
		Domestic leader in flavorings/seasonings and a major player in prepared frozen food products. Strong in amino acid technology and diversifying into pharmaceuticals, feed and electronic materials. Expanding overseas.							
2805	S&B Foods	828	29	7.4	2.9	4.1	0.2	1.1	12.8
		Leading producer of seasonings, with over 50% share of the domestic spice market. Second-highest share in roux and pasta sauces, bolstering its stew-related products.							
2810	House Foods	1,299	144	4.9	185.1	9.9	1.1	0.8	22.2
		Dominant producer of curry spices and condiments, and a leader in stew roux. Aggressively developing snack products as well as drinks and health food products.							
2871	Nichirei Corp.	363	113	19.4	375.0	-2.5	3.2	0.9	13.0
		Leader in refrigerated warehousing and frozen food products. Moving aggressively into low-temperature distribution overseas. Also involved in the fisheries and livestock businesses.							
2910	Rock Field	1,329	18	16.2	14.8	-3.8	11.3	0.8	13.7
		RF1 is its main line focused on high-end prepared dishes (mainly salads). Other outlets include Kobe Croquettes. Opening stores mainly in department store basement food halls.							
2918	Warabeya Nichiyo	948	16	-2.2	21.1	-2.1	11.4	0.5	6.6
		Dominant firm in ready-made meals whose main customer is Seven-Eleven. Strong in cooked rice products. Also developing daily food products for Ito-Yokado.							
3382	Seven & I Holdings	1,981	1,756	11.1	5,584.4	-7.5	7.1	1.0	17.6
		Largest domestic retailer. Main pillars are Seven-Eleven and Ito Yokado.							
7947	FP	4,580	101	15.7	94.1	16.0	10.4	1.7	11.9
		Largest producer of food trays and bento lunchbox containers. Market share is expanding with its new products and efficient supply chain management.							
8028	Familymart	2,972	290	15.0	1,544.3	4.2	5.0	1.4	24.2
		Third-largest convenience store chain affiliated with Itochu. Strengthening in urban areas on acquisition of chain, am/pm. Expanding overseas, especially in Asia.							
<b>Supermarket</b>									
8178	The Maruetsu	341	44	-8.3	29.5	10.2	-3.3	0.7	44.0
		Major supermarket chain based in the Tokyo metropolitan area. Aeon a major shareholder; occupies prime locations.							
<b>Restaurants</b>									
2712	Starbucks Coffee Japan	41,900	60	17.2	6.5	8.5	3.5	1.8	17.5
		Japanese affiliate of the world's largest coffee chain. Expanding the domestic espresso market. Aggressively opening new stores.							
<b>Internet retail</b>									
4755	Rakuten	63,300	830	-3.8	2,102.6	24.8	15.1	3.6	22.4
		Top online retailer, providing financial/travel services as well. Online shopping business is robust and travel services are expanding.							
<b>Mail order</b>									
8165	Senshukai	483	23	9.0	15.2	-180.5	NA	0.6	11.0
		Major player in catalog and internet mail order. Popular with women in their late 20s-30s.							
9997	Belluna	430	24	20.7	29.2	-29.0	17.2	0.4	8.4
		Major catalog/mail order firm. Catalog orders strong especially among younger females.							
<b>Delivery</b>									
9064	Yamato Holding	1,038	486	-12.7	1,761.9	-3.0	2.9	0.9	13.7
		Leading truck delivery service, with 40% domestic market share. Strong growth in corporate distribution services and expanding into Asia.							
9369	K.R.S.	915	12	3.9	5.1	-16.3	14.6	0.4	23.2
		Number one in food product distribution. Dependence on Kewpie brand products over 20%. Strong in chilled and frozen products.							
<b>Beauty</b>									
4452	Kao	2,054	1,109	1.1	3,201.7	-8.0	4.2	1.9	21.1
		Leader in toiletries, second in cosmetics. Integrated system from inputs to production, and the firm has a unique distribution/sales company network.							
4527	Rohto Pharmaceuticals	1,055	124	5.2	369.0	3.3	4.9	1.7	14.6
		Top in OTC eye medicines. Skincare product "Hada Labo" growing rapidly and emerging as an earnings pillar. Expanding into US/China.							
4911	Shiseido	1,934	774	15.3	3,398.3	0.2	9.2	2.1	21.8
		Leading domestic cosmetics maker, and the fourth-largest globally. Pursuing a global brand strategy; strengthening its toiletries business.							

Note: Price and market cap as of Sep. 29, 2010. All estimates from Toyo Keizai Shikiho. Actual 3 yr cum. OP growth between FY3/08 and FY3/10. Estimated 2 yr cum. OP growth between FY3/11E and FY3/12E. \*Growth between 3/09-3/10. \*\*Growth between 3/08-3/10.

Source: Toyo Keizai Financial Data, Factset, GS Global ECS Research calculations

**Exhibit 29 cont'd: Womenomics winners**

		Price (¥)	Market cap. (¥bn)	Rel. perf. (YTD, %)	Daily Avg.Trd. Value (¥mn)	Actual Op. Profit Growth 3Yr cum. %	Estimated Op. Profit Growth 2Yr cum. %	P/B FY3/10 (X)	P/E FY3/12E (X)
<b>Beauty (Cont'd)</b>									
4919	Milbon	2,352	30	25.5	21.2	-4.7	4.8	1.7	15.5
		Top in hair care products for beauty salons. Specializing in dyes, permanent/hair care products. Hair care materials doing well. Strong financial position.							
4922	Kose	2,006	122	13.6	283.8	-9.6	10.6	1.1	18.4
		Third largest cosmetics major. Strong in high-end cosmetics, lipstick, and other makeup products. The "Self" brand of products is growing, and the firm is expanding into China.							
8113	Uni.Charm	3,380	699	23.1	3,443.9	14.6	7.9	3.4	26.9
		Leading manufacturer of sanitary products and baby/adult disposable diapers. Should benefit from the "pet boom" as it merged with its pet subsidiary (Unicharm Petcare) to form the leading pet care product company. Expanding into Asia, Middle East.							
8170	Unihair	1,103	44	7.4	26.7	-186.2	NA	0.9	147.9
		Leading wig manufacturer for men and women. Provides integrated services including hair growth treatments as well.							
<b>Apparel</b>									
8016	Onward	678	117	24.6	473.5	-44.3	33.4	0.7	28.6
		Japan's largest apparel company. Focused mainly on department stores, and has major profitable brands like <i>23-ku</i> . Targeting global expansion through brand acquisitions.							
8011	Sanyo Shokai	353	45	35.5	85.5	-181.2	NA	0.9	31.8
		Major apparel manufacturer. Core brand is Burberry, with distribution mainly via department stores. Closing unprofitable stores, cutting advertising costs and enhancing production efficiency. Projects fiscal 2011 operating profits to rise from production efficiencies.							
3099	Isetanmitsukoshi	881	348	11.9	1,389.9	-78.7**	95.7	0.8	18.3
		Japan's largest department store chain which is the result of the April 2008 merger between Mitsukoshi and Isetan. High weighting in clothing.							
3591	Wacoal	1,139	163	19.5	226.6	-33.4	35.5	0.9	38.4
		Top in women's under garments, expanding into the US and Asia (Hong Kong, China). Leader in functional underwear.							
9983	Fast Retailing	12,040	1,277	-24.4	8,801.4	15.6	12.3	4.2	19.5
		Dominant casual clothing retailer operating through the "Uniqlo" brand. Production outsourced in countries such as China and Bangladesh. Growing stronger in women's fashion. M&A also possible, with plans to expand overseas accelerating.							
3092	Start Today	235,700	86	44.9	700.6	47.0**	41.7	12.5	22.1
		Customers using the firm's mainline internet apparel sales channel are growing. Unit prices are above expectations; expanding internet sales management contracting.							
<b>Real estate</b>									
8801	Mitsui Fudosan	1,422	1,253	-2.1	6,788.5	-9.3	1.8	1.2	23.9
		Leading real estate firm which developed women-only condominiums such as its "Park-Luxe" series, of which sales are firm. Mainline businesses are office building rental, and expanding into condos.							
<b>Furnishings</b>									
2738	Bals	94,000	15	43.7	9.6	18.1	3.8	1.8	13.1
		Operates " <i>Francfranc</i> ," a specialty home furnishing and daily goods store targeting young women in their 20's and 30's.							
<b>Housekeeping</b>									
4665	Duskin	1,544	104	0.1	126.1	-4.6	-13.9	0.7	16.5
		Operates cleaning appliance rental, housekeeping, and elderly support services. Also operates the "Mister Donut" food chain.							
<b>Banking</b>									
8361	The Ogaki Kyoritsu Bank	264	93	-3.2	89.9	5.7	-1.6	0.5	12.4
		Based in western Gifu prefecture, expanding into Aichi, Mie, and Shiga prefectures. Launched the " <i>L's Project</i> " in 2008, offering a range of products designed specifically for women such as divorce and fertility-related loans as well as insurance products.							
<b>Travel-related</b>									
9603	H.I.S.	1,647	56	4.1	261.0	-0.5	-1.0	1.1	12.0
		Pioneer agency in discount airline tickets. Strong in custom itineraries for individual travelers, second-largest in overseas business travel transaction volume. Domestic business focused on profitability; consolidating outlets as well as targeting new stores aimed at young female travelers.							
<b>Temporary staffing</b>									
2181	Temp Holdings	776	51	12.8	11.6	-28.8**	6.5	1.1	15.4
		Owns the nation's second-largest temporary staffing agency, Tempstaff.							
2168	Pasona Group	59,000	25	8.6	9.0	-24.6*	-5.0	1.0	20.5
		Third-largest temp staff firm in Japan; diversifying into recruitment, re-employment support, and social welfare agency. Also expanding overseas.							

Note: Price and market cap as of Sep. 29, 2010. All estimates from Toyo Keizai Shikho. Actual 3 yr cum. OP growth between FY3/08 and FY3/10. Estimated 2 yr cum. OP growth between FY3/11E and FY3/12E. \*Growth between 3/09-3/10. \*\*Growth between 3/08-3/10.

Source: Toyo Keizai Financial Data, Factset, GS Global ECS Research calculations.

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