



Japan

Portfolio Strategy

August 13, 1999
Report

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Women-omics

Buy the Female Economy

- What do cellular phones, the Internet, PCs, minicars, condominiums, and luxury goods have in common? Answer: Japanese females. Although overall economic conditions remain sluggish, these areas represent pockets (or purses) of strength that have largely been supported by female demand.
- Factors behind the strength in the female economy include: demographics, changing attitudes toward marriage, growing female workforce participation, and size of assets.
- Future potential economic growth will depend on increased female labor participation. By raising the participation rate to the U.S. level of 59% from 50% currently, real GDP growth could rise 0.3 percentage point per annum over the next decade.
- Insofar as female demand is especially strong in sectors that represent “New Japan,” the female economy is likely to be a significant factor within the stock market. Related companies to highlight include NTT DoCoMo, Sony, Mazda Motor, Ryohin Keikaku, Kojima, World, Fancl, Benesse and Avex.

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Summary: Female Economy and the “New Japan”

- **Question: What do cellular phones, the Internet, PCs, minicars, home ownership, and luxury goods have in common? Answer: Females.**
- Although overall economic conditions remain sluggish, these areas represent definite pockets, or rather purses, of strength that have been supported to a large extent by female demand. Insofar as many of these areas represent “New Japan,” they will be important barometers to watch when assessing the true underlying strength of the economy.
- Conventional economic statistics are failing to capture significant trends in areas representing New Japan. For example, the household survey does not include the rapid increase in single-person households—which comprise more than one-fourth of total households—and where there has been significant consumption growth, particularly among single female households. Consequently, current economic statistics may be severely underestimating actual consumption growth.
- The key reasons behind the strength in the female economy include: demographics, changing attitudes toward marriage, increased female workforce participation, and size of assets.
- Since the labor participation rate of Japanese males is already close to its limit, future long-term growth of the economy will have to depend on increased female participation. By raising the female labor participation rate to the U.S. level of 59% from 50% currently, real GDP growth could rise 0.3 percentage point (pp) per annum between 2000-2010. Although overall unemployment may rise as a result, labor costs are likely to fall, along with inflation. As a result, real incomes and corporate profits should ultimately expand, stimulating growth in consumption and capex.
- To promote greater female workforce participation, the government should continue to promote equal employment opportunities through labor law reforms, improve the existing

infrastructure for childcare, and incentivize increased female employment through tax reforms. The corporate sector should also play a more proactive role in recruiting and promoting female employees, as well as assist them in the management of their career lifecycles. Equally as important, however, is the need for greater support from women to make it more socially acceptable for them to participate in the workforce and maximize the potential contribution of women to society.

- Given that females are not only responsible for many of the recent areas of strength in the economy, but are likely to play a major role in long-term potential economic growth, we believe the female economy is likely to be a significant factor within the stock market going forward. Companies that we would highlight as potential beneficiaries of growth in the female economy would include NTT Mobile Communications Network (NTT DoCoMo), Sony, Mazda Motor, Ryohin Keikaku, Kojima, World, Fancl, Benesse, and Avex.

Female Consumption: Pockets (Purses) of Strength

Perhaps one of the reasons that many economists underestimated GDP strength in the first quarter of 1999 is that conventional economic statistics are failing to capture significant trends in areas such as consumption. For example, the Management and Coordination Agency (MCA)’s household survey (often used by economists to forecast consumption) **does not include single-person households.**

While single-person households represented less than 20% of all households in 1980, the ratio as of 1995 (date of the last census) was 26%, and is likely to be even higher today, supported to a great extent by **a sharp rise in single-female households.**

Moreover, in fiscal 1998, while real household spending for households with two or more persons fell by 1.3%, **spending by single-person households rose 1.0%.** This means that the **household survey may be severely underestimating actual consumption growth.**

While there are numerous economic indicators to monitor trends in the visible side of the economy (such as industrial production, construction, and capital goods), there is insufficient data tracking the faster-growing, less-visible side of the economy in services such as communications and the Internet. Put differently, there is an abundance of indicators tracking “Old Japan,” but not enough monitoring “New Japan.”

Although a full-blown economic recovery is still far off, there are definite pockets, or rather purses, of strength that have been supported to a great extent by female demand. In terms of specific areas, they include: **cellular phones, Internet usage, PC sales, minicar sales, condominium sales, and luxury goods spending.** Insofar as many of these areas tend to represent New Japan, they will be important barometers to watch when assessing the true underlying strength of the economy.

Cellular phones

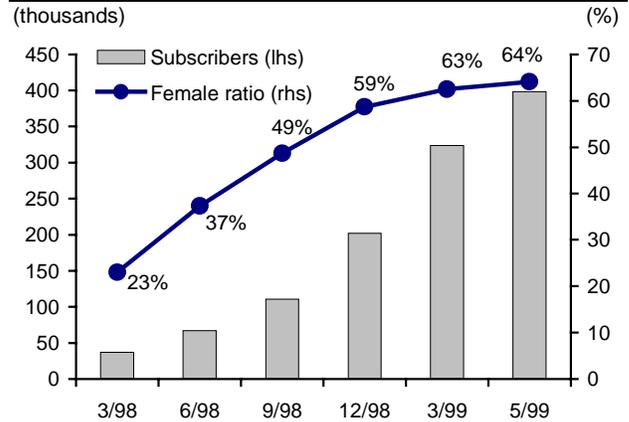
From just 4 million in 1995, the number of cellular phone subscribers in Japan has surged more than tenfold to a record 44.8 million as of July 1999, and the diffusion rate (cellular subscribers/total population) has already reached 34%.

Although there is no available data regarding the breakdown of cellular subscribers by males and females, there is evidence suggesting that a significant part of cellular phone usage growth can be attributed to females. For instance, **according to NTT DoCoMo, female subscribers comprise nearly two-thirds (64%) of total subscribers to its “¥10 Mail Service,”** a low-priced E-mail service that can be used in conjunction with its cellular phones (see Figure 1).

In addition, a survey of 600 individuals in the Tokyo metropolitan area conducted by the nation’s largest advertising firm, Dentsu, showed that of the monthly “pocket money” (*kozukai*) expenditures for 20 year olds in 1997, males spent an average of ¥2,873/month on cellular phone fees, **while females spent an average of ¥4,070/month, 40% more than males.**¹

¹ *A Research for Information and Media Society*, Dentsu Institute for Human Studies, 1999.

Figure 1: NTT DoCoMo “¥10 Mail” Service



Source: NTT DoCoMo.

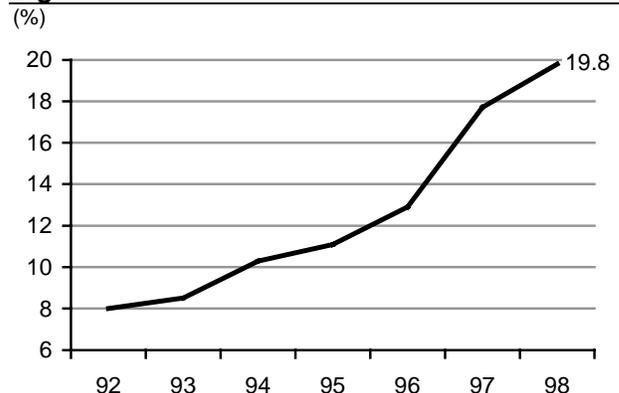
The Internet

Similar to the trend in other countries, the Internet revolution has just begun in Japan. There were 14 million Internet subscribers as of 1998 (penetration ratio of 11%), and the number is expected to more than double to about 30 million by 2002. Internet usage in Japan today is roughly where the United States was three years ago.

The population of Japanese women using the Internet is rapidly rising. According to a survey by the New Media Development Association, the ratio of female Internet subscribers to total subscribers has soared recently, **doubling to nearly 20% in 1998 from 10% in 1994** (see Figure 2).

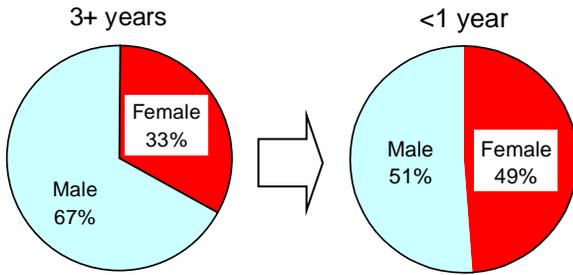
Similar to the trend in the United States, we expect the demographics of Internet users in Japan to normalize, reflecting more closely the general population over time. As seen in Figure 3, individuals in the United States using the Internet

Figure 2: Internet Users—Female Ratio



Source: New Media Development Association.

Figure 3: Normalization of U.S. Internet User Demographics



Source: Forrester Research, Inc., GS Retail team.

for more than three years are overwhelmingly male (67%); by contrast, the population of Internet users who have been on line for less than one year is much more like the general population—in other words, 49% of these newer users are female. **With the ongoing democratization of the Internet, we expect a similar pattern to occur in Japan.**

In particular, the potential is vast for the expansion of Internet retailing or e-commerce in Japan. The Ministry of Posts and Telecommunications (MOPT) estimates the Internet retail market to grow to ¥1 trillion by 2002 from ¥82 billion in 1997, and demand from females is expected to make a significant contribution to this growth.

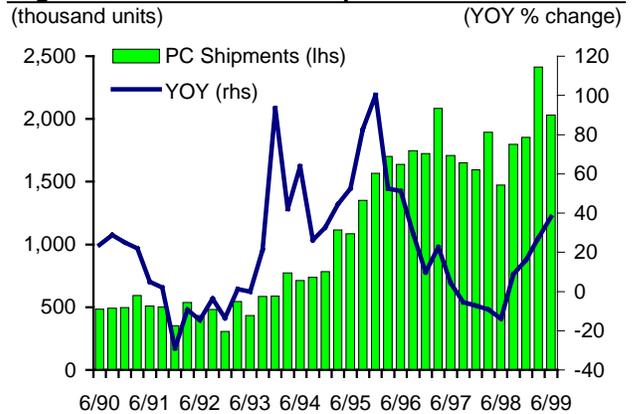
To get a sense of the e-commerce potential in Japan, it is worth examining the mail-order sales market, which has a longer history and is still growing. In Japan, women comprise the main customer base. Over 40% of the total population has used mail-order sales on at least one occasion. However, the percentage of women aged 20–40 exceeds 60%—significantly higher than the 20%–30% for similarly aged men.

Many of the products currently provided on the Internet are targeted at males. Nevertheless, as the female customer population increases, we expect to find e-commerce businesses offering a wider range of products and services, which should expand the overall size of the market. Companies such as Rakuten Ichiba (an on-line virtual shopping mall) are currently very popular sites among female Internet browsers, and the forthcoming introduction of Internet shopping from retailers such as **Ryohin Keikaku** should also prove to be popular.

Personal Computers

Along with the rapid diffusion of the Internet and E-mail, PC sales have risen sharply over the past several months. In the April–June 1999 quarter, domestic shipments of PCs rose 40% year on year, and growth is forecast to remain firm through the July–September quarter (see Figure 4).

Figure 4: Domestic PC Shipments



Source: Japan Electronic Industry Development Association.

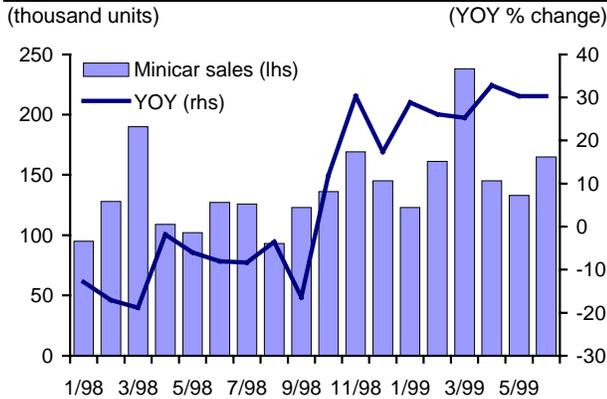
While sales data of PCs by gender is not available, our retail team reports that interviews conducted among various electronics retailers such as **Kojima** over the past several months suggest that **demand from young female customers is unprecedented.** The reason appears to be that access to the Internet has become a necessity on par with the mobile phone. E-mail has also become a very popular means of communication among students, and is becoming widely used in recruitment activities by companies.

Minicars

Another bright spot recently in durable goods consumption has been minicars. Although overall passenger-car sales remain weak, sales of minicars have surged. Since October 1998, monthly sales of minicars have exceeded 20% year-on-year growth, and **in the April–June quarter, minicar sales growth reached 31%** (see Figure 5).

Much of the surge in minicar sales has been replacement demand coinciding with a sudden rush of new-model launches following a change in minicar collision safety specifications in October 1998. According to **Suzuki Motor**, the leader in the minicar segment, **females own about 60%**

Figure 5: Minicar Sales



Source: GS calculations based on Japan Automobile Manufacturers Association (JAMA) data.

of all light vehicles in Japan (commercial and passenger), and the majority of passenger light vehicle (i.e., minicar) owners are women.

Although our automobile analyst expects sales to begin slowing once minicars complete the 12-month cycle from the new model introductions—i.e., October–December 1999—he still expects sales to remain at a high absolute level, partly as a result of growing competition for market share (i.e., through sales incentives).

Condominiums

In line with the growing trend of women deciding to remain single, real estate developers such as **Joint Corporation** have been aggressively marketing condominiums to single women, and their efforts have been yielding favorable results.

According to a survey of 2,700 purchasers of new condominiums in fiscal 1996 (conducted by Recruit), **7.1% were single females, representing a 1.5-pp increase from the fiscal 1995 ratio of 5.6%**. The average single female buyer was 35 years old, with 70% earning an average income of less than ¥6 million. The most popular selling units were 50 square meters, priced at ¥30 million.

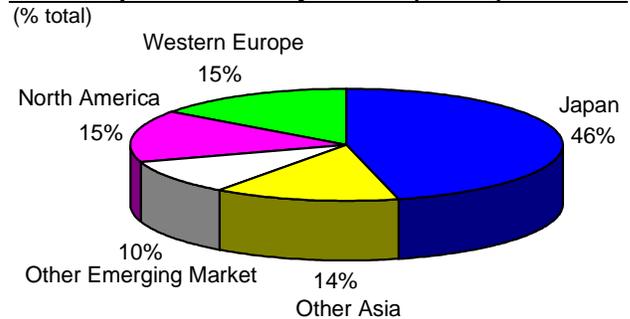
Furthermore, an MCA survey of single-person households showed that the average home/condominium ownership ratio stood at 37% in fiscal 1998. However, the difference between female and male ownership was stark, with male ownership at just 24%, **while that of females**

was more than double at 50% (average female age: 55). As a consequence of high and rising home ownership, the need for housing-related items such as furniture and interior goods is also likely to be firm.

Luxury goods

As a result of their desire for exclusive products on the one hand, and their high purchasing power on the other, **we estimate Japanese account for 46% of total luxury goods sales worldwide**, with 18% purchased in Japan and 28% purchased when travelling abroad (see Figure 6).²

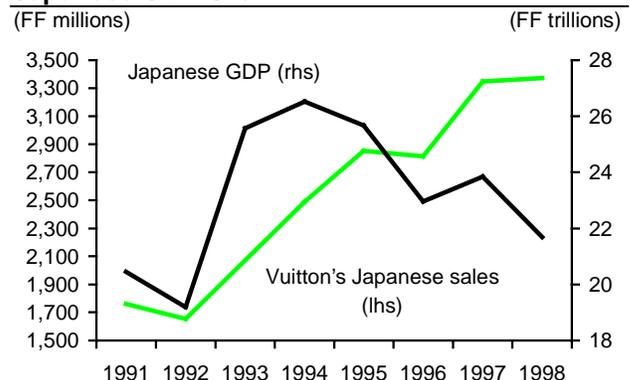
Figure 6: Breakdown of Worldwide Consumption of Luxury Goods (1998E)



Source: GS Branded Consumer Goods team.

Figure 7 illustrates the trend in Moët Hennessy Louis Vuitton’s (LVMH) Japanese sales versus Japanese GDP growth. Historically, there has been

Figure 7: Louis Vuitton’s Japanese Sales and Japanese GDP Growth



Note: Both values denominated in French francs. Source: GS Branded Consumer Goods team.

² For more details, see Jacques-Franck Dossin’s February 1, 1999 report on branded consumer goods, *A Global Review*.

little correlation between the two, suggesting that changes in the broader Japanese economy were not enough to affect sales trends.

Despite deteriorating employment and income conditions, **Japanese luxury-goods spending has remained remarkably resilient during the first half of 1999.** Companies such as LVMH have reported 33% growth in Asian (including Japan) sales³ during the first half of 1999, versus 15.5% in overall global sales, and Bulgari has reported 44% growth in Japanese sales, compared with 22% for overall sales (see Table 1). Anecdotally, there is apparently a 3-year waiting list in Japan for a Hermes bag priced at ¥900,000 (US\$7,826).

Table 1: Recent Trends in Luxury Goods Sales

Company	Period	Overall Sales	Japanese Sales
LVMH	H1 99	15.5%	33.0%*
Gucci	Q1 99	7.7%	3.5%
Bulgari	H1 99	22.0%	44.0%

* Asian sales, including Japan.

Source: GS Branded Consumer Goods team.

Since females comprise the lion’s share of luxury goods spending, this is yet another indication that consumer confidence—at least among females—is not that depressed. Furthermore, as an increasing number of women enter the workforce and their disposable incomes steadily rise, this should result in continued strength of luxury goods spending.

Factors Supporting the Female Economy

The key reasons behind the strength in the female economy include:

1. Demographics—proportion of the population and longevity trends;
2. Changing attitudes toward marriage—rising ratio of single-female households;
3. Employment—increased female workforce participation; and
4. Size of assets.

³ Of LVMH’s operating profits in Asia, 75% is estimated to come from Japanese tourists.

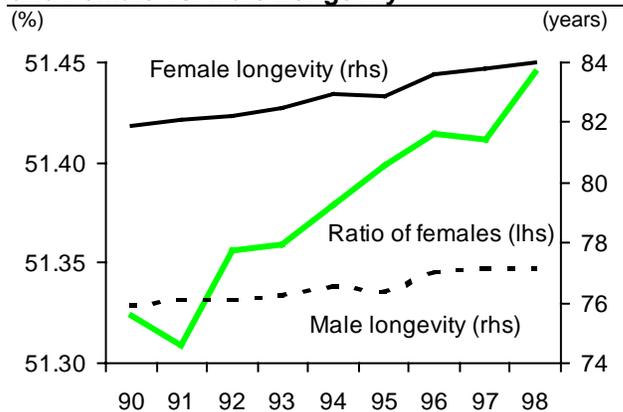
Demographics: more women than men

As is the case in many developed countries, the ratio of females within Japan’s adult population (over the age of 15) is greater than 50% and has been steadily rising over the past several years (see Figure 8). One factor is the longevity of Japanese women—the highest in the world. In fiscal 1998, the longevity of Japanese females posted another record level of 84 years, while that of males dropped slightly to 77 years—largely due to the 40% year-on-year increase in suicides among Japanese males last year.

Changing attitudes toward marriage

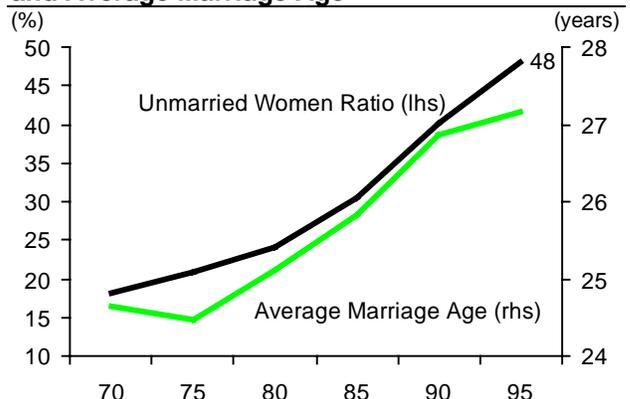
Another trend that has been supporting the female economy is the shift in lifestyle choices, with a dramatic increase in the ratio of women choosing not to get married. As seen in Figure 9, the **ratio of unmarried women aged 25–29 has doubled**

Figure 8: Ratio of Females in Adult Population and Female vs. Male Longevity



Source: MCA.

Figure 9: Unmarried Women Ratio (Aged 25–29) and Average Marriage Age

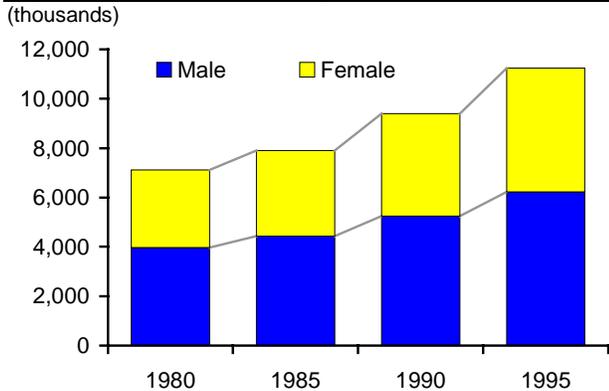


Source: MCA.

over the past 15 years, to 48% in 1995 from 24% in 1980.

In addition, for those who opt for marriage, the average nuptial age has risen to 27 in 1995 from 25 in 1980. While this is similar to the trend in many other developed countries, the dramatic rise in the number of single-female households may be a phenomenon unique to Japan (see Figure 10).

Figure 10: Growth of Single-Person Households



Source: MCA.

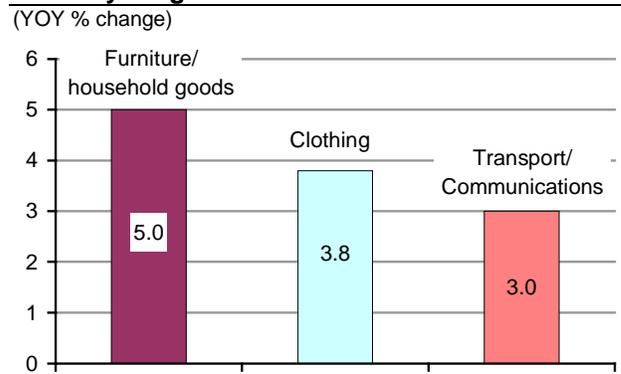
Consumption patterns

In fiscal 1998, monthly consumption by the average single-person household was ¥173,183 for women and ¥194,938 for men. In real terms, **this represented a 4.6% year-on-year increase for women and a 1.6% year-on-year decline for men.** (The average single-person-household age was 55 for females and 42 for males in fiscal 1998).

What are these women consuming? A breakdown of consumption by single female and male households shows that the largest spending components for female households were: other consumption (including entertainment) (24.1%), housing/utilities (20.3%), and food (20.2%); while those for males were food (27.2%), housing/utilities (20.8%), and other consumption (18.1%), and (see Figure 11).

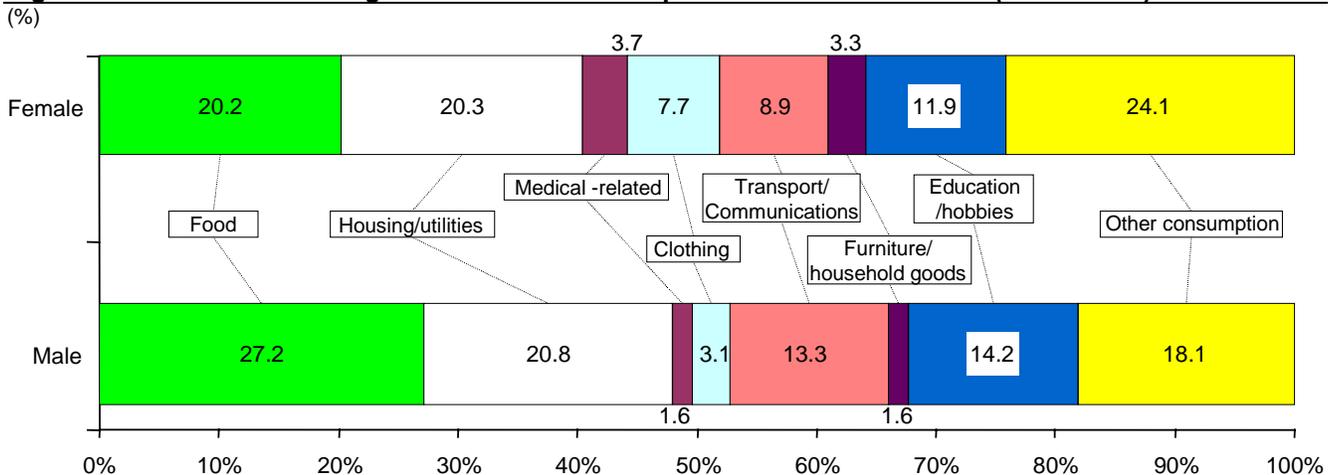
In terms of growth rates, the highest spending growth among single-female households was seen in **furniture/household goods (5.0% year on year)**—reflecting the high level of home ownership; **clothing (3.8%)**—especially lingerie; and **transport/communications (3.0%)**—reflecting increased cellular phone and Internet usage (see Figure 12).

Figure 12: Growth Rates of Major Consumption Items by Single-Female Households



Source: MCA.

Figure 11: Breakdown of Single-Household Consumption—Females vs. Males (Fiscal 1998)

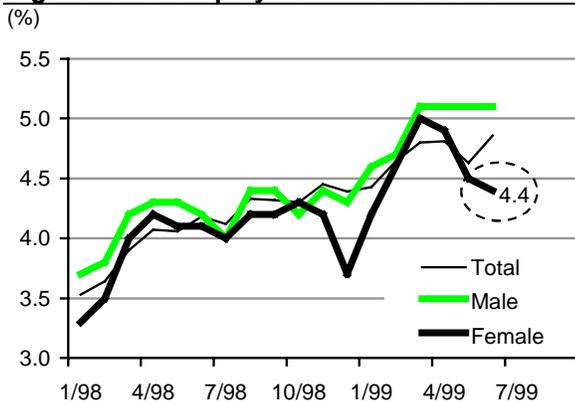


Source: MCA.

Employment

Related to the growing number of females deciding to remain single is the rising trend in female employment. Although the media tends to focus on the overall unemployment rate—which reached a record high of 4.9% in June—and the record high level of male unemployment (5.1%), few have highlighted that **female unemployment peaked in March 1999 at 5.0% and now stands at 4.4%** (see Figure 13).

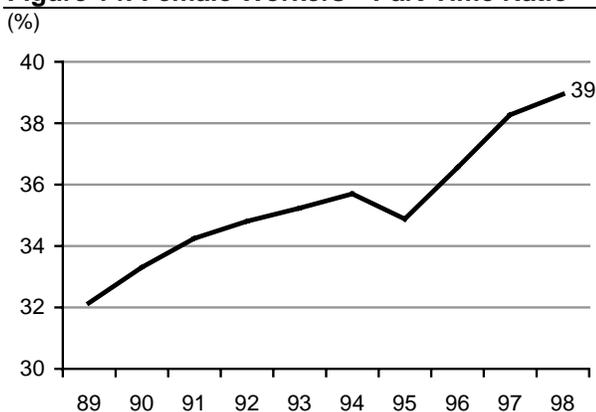
Figure 13: Unemployment—Females vs. Males



Source: Ministry of Labor (MOL).

Part of the decline in female unemployment is a consequence of the sharp increase in female part-time workers (defined as females working less than 35 hours per week). Although many companies have refrained from hiring new full-time female employees, the intake of female part-timers is on the rise, with **the ratio of part-time female workers to total female workers reaching 39% in 1998** (see Figure 14).

Figure 14: Female Workers—Part-Time Ratio



Note: Part-time ratio defined as part-time female workers divided by total female workers.

Source: Economic Planning Agency (EPA).

Assets: Women as future investors

Another explanation for the underlying strength of female consumption may be related to the size of assets held by females. According to the MCA, **single-female households' financial assets were ¥9.6 million (US\$83,478) in fiscal 1998, 60% more than single male households**. Not surprisingly, this wealth is concentrated among older women.

Financial assets of single females over 60 were estimated at ¥87 trillion as of the end of 1994 (roughly 8% of total household sector financial assets), and **is currently estimated at more than ¥100 trillion. This equates to ¥12 million (US\$104,348) of assets per woman**, held mainly in deposits and insurance. (A large proportion of these assets is derived from inheritance.)

With an increasing share of the nation's assets likely to come under females' control over time as demographics evolve, **women will also play an increasingly important role in the capital markets as future investors**.

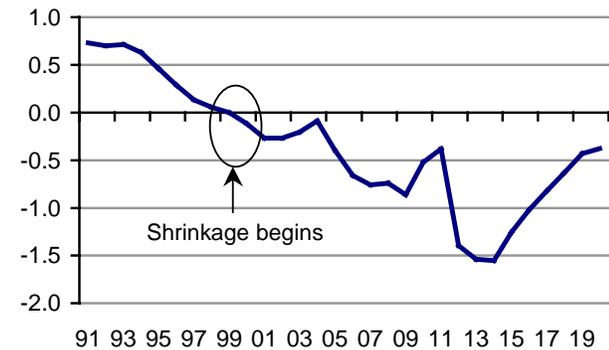
Women-omics and Implications for Long-Term Growth

From the perspective of long-term economic growth, there are only two ways that an economy can raise its potential growth rate: capital and labor.

It is widely acknowledged that Japan has already massively overinvested in capital, and due to the record-low birth rate of Japanese females (1.38 children per woman in 1998), and the fact that Japan is one of the few developed countries with **net emigration** (more Japanese nationals emigrating from Japan than foreigners immigrating to Japan),⁴ **Japan's working population (aged 20–64) is expected to start shrinking from as early as 2000** (see Figure 15). In other words, extrapolating from current demographic trends,

⁴ According to the Ministry of Justice, the number of Japanese permanently emigrating from Japan in 1997 (114,612) exceeded the number of foreigners immigrating to Japan to become permanent residents (81,785 including spouses and children).

**Figure 15: Shrinking Workforce—
Working Population Growth Forecast**
(YOY, %)



Note: Population between the ages of 20–64.
Source: MHW.

Japan’s long-term growth prospects do not look very bright.

From the perspective of long-term economic growth, there are only three possible solutions to this dilemma: (1) seek ways to raise the birth rate, (2) allow more immigrants into Japan, or (3) boost female workforce participation.

Of these possible solutions, option (1) has already been tried by the government (such as with child-rearing subsidies, gifts from local wards upon giving birth), but has not succeeded, basically because an increasing number of women are deciding not to marry; option (2) is still socially very difficult; **which leaves the third option of increased female workforce participation as the most practical and realistic solution.** Since the labor participation rate of Japanese males is already close to its limit, future growth of the economy will have to depend on increased female participation.

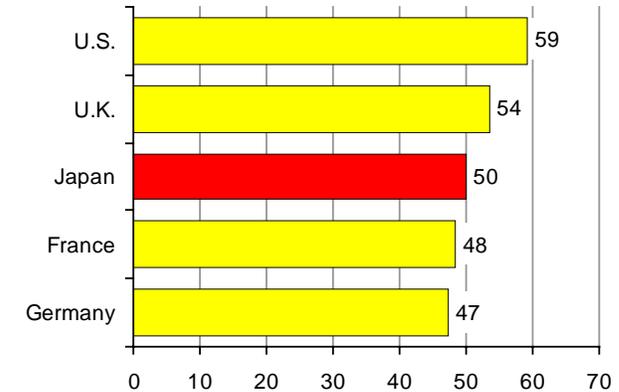
Increased female participation = higher potential growth

Although female participation in the Japanese workforce has recently been on the rise, the female participation rate⁵ is still relatively low compared with other countries. For example, Japan’s ratio stood at just 50% in 1997, compared with 54% in

⁵ Female participation is defined as female employees, the self-employed, and those that are unemployed but seeking work divided by the total number of females aged 15–59.

the United Kingdom and 59% in the United States (see Figure 16).

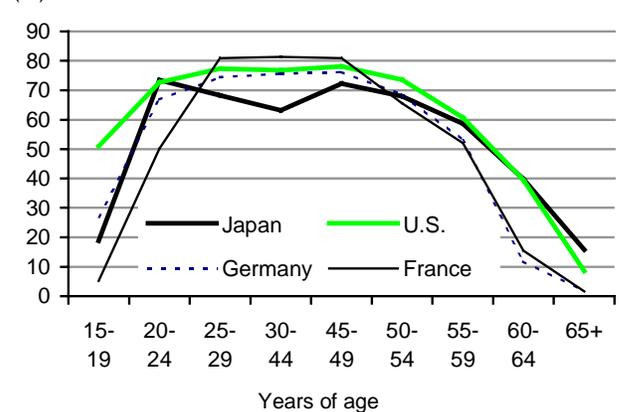
**Figure 16: Female Labor Participation—
International Comparison (1997)**
(%)



Source: ILO, EPA.

One of the reasons behind the low female participation rate is Japan’s “M-curve,” which reflects the labor participation rate of Japanese females by different age categories (see Figure 17).

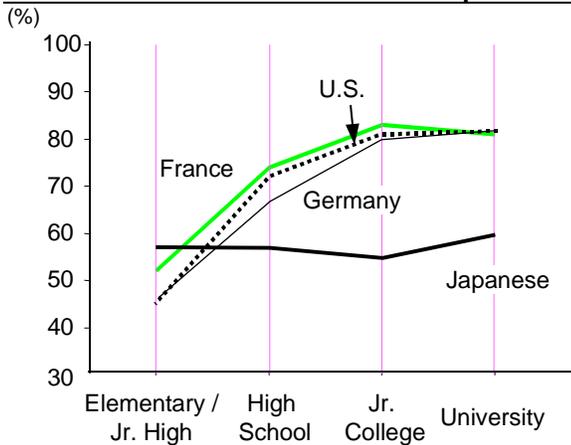
Figure 17: International Comparison of Female Labor Participation Rates—Japan’s “M-Curve”
(%)



Source: International Labor Organization (ILO).

Related to this is the startlingly **low labor participation rate of Japanese females with higher levels of education.** In most developed economies, the participation rate of women with at least high-school diplomas is 70%–80%, **while the equivalent ratio in Japan is just 50%–60%** (see Figure 18). In other words, despite the enormous time and money invested in educating Japanese women, nearly half do not use their skills in the workforce.

Figure 18: Female Labor Participation Rates by Education Level—International Comparison



Source: EPA.

What would be the economic implications of increased female workforce participation? If the female participation rate rose to the same level as in the United States (59%) by 2010 from 50% currently, this would represent an increase of approximately 5 million females in the workforce (from roughly 27 million currently). This would virtually eliminate the “valleys” in Japan’s “M-curve,” making the female labor participation curve more similar to that of other developed nations.

Based on a simulation by the Nikkei, **an increase in Japan’s female labor participation rate to the U.S. level of 59% could boost Japan’s real GDP growth in 2000–2010 to 2.5% per annum from 2.2%, or 0.3 pp.** Although unemployment may rise as a consequence, labor costs are likely to fall, along with inflation. As a result, real incomes and corporate profits should ultimately expand, stimulating growth in consumption and capex.

Agenda for Promoting Increased Female Employment

Although in theory, the potential for boosting economic growth is large, in reality it is not so easy. According to a 1995 Economic Planning Agency (EPA) survey of working conditions for women in 23 OECD countries, **Japan ranked among the lowest at No. 19; even more discouraging was the fact that this was three ranks lower than the survey in 1980** (see Table 2).

Table 2: Working Environment for Women

Rank	Country	Index	Rank in 1980
1	Sweden	61.8	1
2	Norway	57.9	4
3	Finland	56.2	6
4	U.S.A.	55.3	2
5	Australia	54.7	7
6	Canada	54.3	5
7	Portugal	53.5	15
8	France	52.0	10
9	England	51.9	8
10	New Zealand	51.1	9
11	Denmark	49.8	3
12	Germany	49.4	11
13	Austria	48.0	12
14	Switzerland	46.8	14
15	Belgium	46.7	22
16	Ireland	46.3	20
17	Netherlands	45.6	19
18	Mexico	45.5	21
19	Japan	44.1	16
20	Korea	43.4	17
21	Italy	43.0	13
22	Greece	42.0	18
23	Spain	40.7	23

Source: EPA

Much of Japan’s low score can be attributed to the significant gap in wage levels between males and females, lack of sufficient infrastructure to support working mothers, and the low number of females in managerial positions.

What can be done to improve the working environment for Japanese women? **In addition to greater efforts from the government and the corporate sector, social support from women is also a prerequisite for greater female workforce participation.**

Government

Labor laws. Despite the fact that Japan’s Equal Opportunity Law went into effect in 1986,

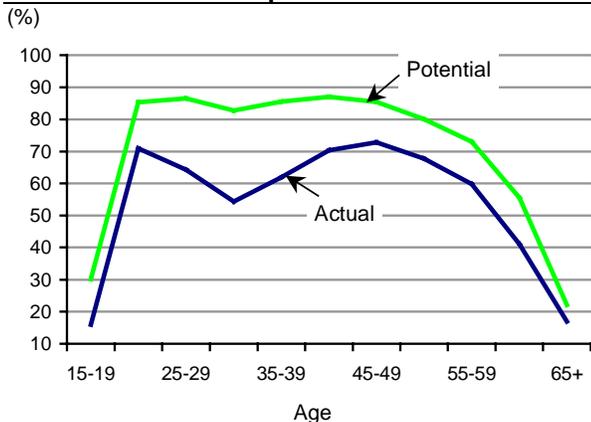
important items such as discrimination against females in recruitment and promotion were left as discretionary, rather than obligatory, guidelines for employers.

However, in a revision to the law that took effect in April 1999, employers are now prohibited from discriminating against gender and age in recruitment, employment, and promotion. Moreover, revisions to the Labor Standards Act now permit women to work after midnight (until now, only women in certain industries such as flight attendants and nursing were allowed to do so).

Childcare facilities. A major factor causing Japan’s M-curve in labor participation is the lack of sufficient infrastructure to support working mothers. A recent EPA study concluded that the key to solving major problems such as the shrinking workforce and pension funding was to increase the participation of females in the workforce.

In particular, the study recommended that there was “an urgent need to expand childcare facilities to allow women to maintain both a career and a family.” Specifically, **the study recommended that existing childcare facilities be “expanded threefold to limit the reduction in the overall workforce.”** By doing so, more women could return to the workforce at an earlier stage after giving birth, **allowing Japan’s labor participation rate M-curve to assume a shape more akin to that of other developed countries** (see Figure 19).

Figure 19: Actual and Potential Japanese Female Labor Participation Rates



Source: MCA estimates.

Tax: ¥1-million breakeven point. Another factor discouraging increased participation in the workforce of married women is related to tax. Heads of households are able to claim a dependent exemption for their spouses as long as the spouse earns an annual income of less than ¥1.03 million (US\$8.957). This is also the level that many companies set for the benefit eligibility for dependents.

As a result, although many married women would like to work more, the current tax structure makes it uneconomical for many to do so. Although eliminating the dependent exemption may hurt families with professional housewives, some reforms should be made to the tax code to encourage, rather than discourage, married women from working if they so desire.

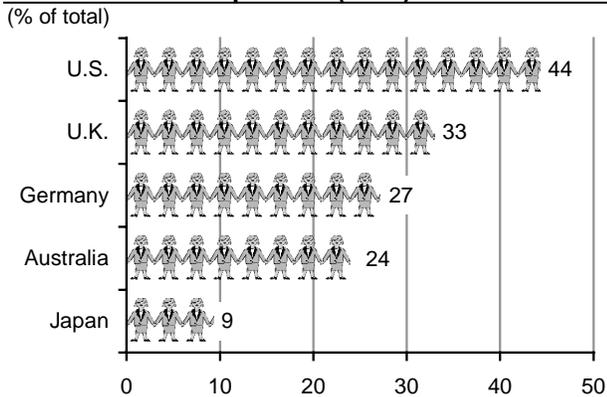
Corporate sector

Childcare support/maternity leave. The slow pace of Japanese female advancement in the workplace is largely a function of the fact that female labor participation is generally low, and the existence of the M-curve means that most Japanese women do not work long enough to have the opportunity of being promoted. Therefore, to extend women’s career lifecycles, companies need to do more to help women balance both career and family.

In addition to assisting with childcare (e.g., through financial support or daycare/babysitting facilities), greater clarity is required regarding post-maternity-leave policies. Many women hesitate to have children simply because they fear their position will be taken away from them once they return from maternity leave.

Lack of sufficient role models. In addition, another major obstacle in promoting greater female workforce participation is the lack of sufficient role models in management positions. According to the International Labor Organization, **the ratio of female managers in Japan in 1997 was internationally very low, at just 9%, compared with 44% in the United States, 33% in the United Kingdom, and 27% in Germany** (see Figure 20).

**Figure 20: Percentage of Female Managers—
International Comparison (1997)**



Source: ILO, *Yearbook of Labor Statistics*, 1998.

Not surprisingly, the number of Japanese female *shachos* (company presidents) is extremely low. According to Teikoku Databank, the number stood at just 58,634 in fiscal 1997, **equivalent to merely 2% of the total companies in Japan.**

Encouragingly, however, several major listed companies have recently begun to take proactive steps to promote and recruit female employees in both blue- and white-collar positions.

Mazda Motor. On August 4, 1999, Mazda Motor announced that after evaluating the skills and job performance of its 1,000 female employees, it will promote and raise the pay of approximately 500 females by this autumn.

In a ground-breaking move, the firm also decided to appoint 41-year old Akira Marumoto to its board of directors, making her the youngest Japanese ever appointed to the board and one of the youngest non-family directors at a major listed Japanese company. Mazda's spokesperson explained that the reason was that "women weren't being utilized fully" and this was seen as a way to increase the motivation and productivity of its female workforce.

In addition, in light of the recent revisions to restrictions regarding late-night employment, Mazda has taken steps to accommodate female workers on its night shifts by revamping its assembly lines and production facilities, making them more "female friendly," where tasks such as lifting will require 30% less physical strength.

IBM Japan. Currently, IBM Japan has roughly 5,500 managers, of whom less than 1,050 are females. Compared with the overall female employee ratio of 14%, the ratio of women in managerial positions is less than 3%. However, the firm is planning to increase the ratio of female managers 4X so that it matches the number of male managers by 2003.⁶ In an effort to reach this goal, IBM Japan instituted a mentoring program in 1998 designed to help promote potential female managers.

Those companies that actively promote women through recruitment, promotion, and management of career lifecycles will not only enjoy increased productivity of their workforce and improved profitability, but they will also be able to attract high-caliber females in future, leading to further improvements in performance—a virtuous circle.

Women must help other women

Along with increased support from the government and the corporate sector, a more amicable social environment must be created to help women thrive and contribute to overall economic growth.

It is often said that one of the major obstacles preventing women from contributing more to the economy and society is not necessarily labor restrictions or corporate glass ceilings, but **other women.**

It is not unusual for women who pursue a career without getting married, or try to maintain a career as well as a family, to be subject to criticism by other women. While much of this is the product of education and upbringing, and therefore difficult to change overnight, women must make an effort to transform this mindset to make it more socially acceptable to participate in the workforce and maximize the potential contribution of women to society.

⁶ For more, see "Companies Move to Tap Female Talent," *Nikkei Weekly*, August 9, 1999.

Investment Implications: Buy the Female Economy

Given that females are not only responsible for many of the recent areas of strength in the economy, but are likely to play a major role in long-term potential economic growth, we believe the female economy is likely to be a significant factor within the stock market going forward. What has been the performance of companies with high ratios of female employees versus those with low ratios?

Table 3: 50 Listed/OTC Companies with Highest Female Employee Ratios (1997)

No	Code	Company	(%)
1	9980	Maruko	96.21
2	9969	Shokubun	92.90
3	7506	House of Rose	90.02
4	7872	Estelle	87.17
5	9652	N.I.C.	84.43
6	7423	Fontaine	82.93
7	7553	Sazaby	80.54
8	4655	Nova	79.77
9	7737	Cabin Industrial	79.74
10	7478	Blue Grass	77.93
11	9904	Juel Verite Ohkubo	77.16
12	9834	Rio Chain	77.15
13	3591	Wacoal	77.10
14	8029	Renown Look	75.71
15	7937	Tsutsumi Jewelry	75.33
16	4915	Avon Products (Japan)	75.14
17	8205	Shaklee Japan	74.58
18	3599	Co-Cos Nobuoka	74.25
19	8193	Suzutan	73.44
20	8021	Renown	73.31
21	8250	Komatsu Store	72.92
22	7566	Japan Care Service	71.94
23	9779	Mefos	71.32
24	3603	Chacott	70.42
25	8206	Elleme	70.24
26	2904	Ichimasa Kamaboko	70.10
27	7440	Kraft	69.48
28	2596	Q'Sai	69.42
29	4920	Nippon Shikizai	69.06
30	6977	Japan Resistor Mfg.	68.75
31	8519	Mycal Card	67.29
32	8247	Daiwa	66.84
33	1380	Akikawa Foods & Farm	65.71
34	4679	Taya	64.70
35	8583	Nippon Shinpan	63.63
36	9935	Tsurukame	63.24
37	7519	Goyo Intex	62.94
38	8238	Isetan	62.39
39	6766	Miyakoshi	62.37
40	9892	Himiko	61.96
41	7874	Suruga	61.63
42	7523	Art Vivant	61.57
43	8571	Nissin	60.97
44	3524	Nitto Seimo	60.79
45	9715	Trans Cosmos	60.75
46	9792	Nichii Gakkan	60.04
47	--	(Brother Sales)	59.88
48	2894	Ishii Food	59.23
49	9829	Nagano Tokyu Depart	59.21
50	8566	Ricoh Leasing	58.95

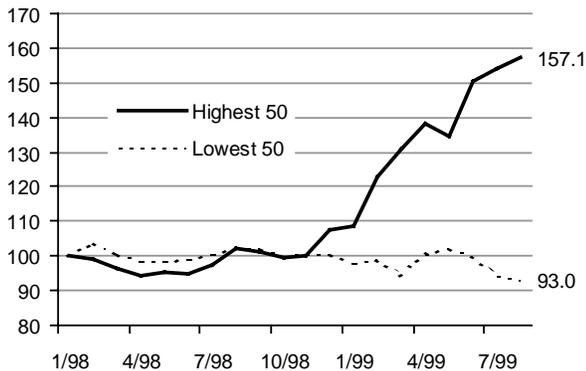
We have taken 50 listed and OTC-registered firms with the highest proportion of female employees and the 50 firms with the lowest ratio (as of December 1997) and measured the relative performance of these two groups of companies (see Tables 3 and 4). As seen in Figure 21, **the top-50 universe outperformed the market 57% since the beginning of 1998, while the bottom-50 universe underperformed 7%.**

Table 4: 50 Listed/OTC Companies with Lowest Female Employee Ratios (1997)

No	Code	Company	(%)
1	5721	Shimura Kako	0.00
2	7496	Yachiyo Musen Denki	0.85
3	9014	Shin-Keisei Railway	1.14
4	6144	Seibu Electric & Mac	1.29
5	9936	Ohsho Food Service	1.49
6	9044	Nankai Electric Rail	1.58
7	9022	Central Japan Rail.	1.59
8	9080	Kanto Seino Trans.	1.62
9	9176	Sado Steam Ship	1.93
10	9020	East Japan Railway	1.96
11	5390	Ube Material Ind.	1.97
12	9082	Daiwa Motor Trans.	1.98
13	9021	West Japan Railway	2.01
14	9859	U. Store	2.07
15	8204	Jonathan's	2.07
16	7018	Naikai Zosen	2.38
17	9052	Sanyo Electric Rail.	2.46
18	7007	Sasebo Heavy Ind.	2.47
19	9785	Daishinto	2.49
20	8209	Friendly	2.53
21	9041	Kinki Nippon Railway	2.59
22	9363	Daiun	2.75
23	5423	Tokyo Steel Mfg.	2.79
24	1940	Tsuken	2.80
25	5919	Japan Steel Tower	2.82
26	9046	Kobe Electric Rail	2.83
27	8180	Skylark	2.86
28	9009	Keisei Electric Rail	2.87
29	9765	Ohba	2.90
30	1835	Totetsu Kogyo	2.97
31	8018	Sankyo Seiko	2.99
32	9081	Kanagawa Chuo Kotsu	3.04
33	7421	Kappa.Create	3.14
34	9784	Japan Industrial Tes	3.16
35	1895	Taisei Rotec	3.17
36	7222	Nissan Shatai	3.22
37	9008	Keio Electric Railway	3.37
38	7267	Honda Motor	3.44
39	7004	Hitachi Zosen	3.46
40	3887	Chuo Paperboard	3.46
41	7564	Workman	3.60
42	1819	Taihei Kogyo	3.60
43	6122	Wakayama Precision	3.61
44	1883	Maeda Road Construct	3.64
45	5541	Pacific Metals	3.80
46	6493	Nittan Valve	3.81
47	9744	Meitec	3.81
48	1884	Nippon Road	3.91
49	7263	Aichi Machine Ind.	3.91
50	8207	Ten Allied	3.96

Figure 21: Relative Performance of Companies with Highest/Lowest Female Employee Ratios

(indexed, Jan. 98=100, relative to Topix)



Note: Our calculations.

This outcome is not the result of coincidence. Many of the companies in the top-50 universe represent “New Japan” companies and industries such as labor outsourcing (N.I.C., Nichii Gakkan), natural cosmetics (House of Rose), data processing (Trans Cosmos), care for the elderly (Japan Care Service), and foreign-language instruction (Nova). On the other hand, many of the companies in the lowest 50 universe represent “Old Japan” industries such as railways and construction.

In May 1999, AIMIC Investment Management Ltd. (a joint venture between American Insurance Group [AIG] and Mitsubishi Trust & Banking) established a unique domestic equity investment trust called “Active Ladies Fund.” The fund targets its investments in companies that cater to females—especially working women—either through the provision of goods and services or by offering females employment opportunities.

With the help of our analysts, we have assembled our own list of 16 companies that (1) are benefiting, or are poised to benefit, from strong female demand of goods and services; or (2) have been proactive in fostering female employment. In particular, we would highlight such firms as **NTT DoCoMo, Sony, Mazda Motor, Ryohin Keikaku, Kojima, World, Fancl, Benesse, and Avex** (see Table 5).

Although the list of names is fairly small, the universe has already outperformed the market nearly three-fold since 1995 (see Figure 22).

Figure 22: Relative Performance of Female Economy Companies

(indexed, Mar. 95=100, relative to Topix)



Note: Our calculations.

As investors begin to realize the longer-term significance of the female factor in the economy, we expect many of these female-oriented firms to continue outperforming over the long term.

Appendix I contains a list of share prices and ratings mentioned in this report.

Table 5: Female Economy Companies

Code	Company	GS Rating	Rel. Perf. YTD (%)	Mkt. Cap. (¥bn)	RP Growth FY00E (X)	P/E FY00 E (X)	EBIT-DA X FY00 E (X)	ROE FY99 (%)	
2202	Meiji Seika (C)	RL	47.8	303	15.2	34.8	9.5	4.5	Potential beneficiary from sales of recently approved low-dosage birth-control pill. Sales of antibiotic drug Meiacet reached 30% in FY98; firm plans to market the drug in the U.S. and Europe starting in April 2001.
3596	World (C)	RL	63.9	320	31.1	42.4	15.6	4.9	Apparel company targeting women and young people; has been successful in restructuring its wholesale business to create a vertically integrated structure from production to retailing, introducing supply-chain management and boosting sales and inventory efficiency.
4921	Fancl (C)	NR	195.2	368	1.8	81.6	NA	13.7	Largest maker of additive-free cosmetics and enjoying strong sales growth. Sales of health food products, which account for 35% of sales, surged 230% YOY in June 1999, and began selling vitamin products through Seven-Eleven in July. 70% of workforce is comprised of females, and company has an on-site nursery.
6758	Sony (C)	MO	43.7	5,912	25.0	46.2	9.1	5.8	Benefiting from strong sales of PCs to young females, especially with popular Vaio notebook PC model; sales of information/communications division (including PCs) rose 10.9% in April-June quarter 1999.
7261	Mazda Motor (C)	MO	14.5	764	42.0	20.1	9.8	8.9	Recently appointed a 41-year-old woman to its board of directors, and will promote and raise the pay of 500 of its 1,000 female employees this autumn. To increase female blue-collar workers, Mazda will redo its assembly lines and production facilities, making them more "female friendly."
7269	Suzuki Motor (C)	NR	18.4	957	-1.1	28.1	NA	7.8	As leader in the light-vehicle market, firm is well poised to benefit from strength in minicar sales.
7453	Ryohin Keikaku (C)	RL	108.3	512	40.6	60.3	25.4	18.8	Main customers are females between the ages of 15-25, and product strategy will correspond with the maturing of these women. Plans to open convenience stores targeted women in JR East train stations from this autumn. Will also initiate Internet retailing in Japan following launches in the U.S., Asia, and Europe.
7513	Kojima (P)	MO	109.3	177	25.0	29.8	17.6	14.9	Enjoying unprecedented demand for PCs from young females; firm is also pursuing online retailing opportunities.
7553	Sazaby (C)	MP	17.0	76	33.3	27.3	10.5	6.2	Targeting female customers with upmarket brands in apparel and food; initial investment in joint venture with Starbucks expected to be recovered within 1-2 years; 80% of employees are females.
7860	Avex (C)	NR	230.1	227	3.8	42.1	NA	24.8	Second-largest record producer with large number of female customers; has successfully promoted female stars such as Namie Amuro and foreign portfolio includes Julian Lennon and Backstreet Boys.
7956	Pigeon (C)	NR	57.4	26	5.1	43.8	NA	3.2	Leader in developing private childcare facilities such as Pigeon Land and Kids World; operates child-care facilities at department stores and recreational facilities as well as a baby-sitter dispatching service in Osaka.

Table 5 (Cont'd.): Female Economy Companies

Code	Company	GS Rating	Rel. Perf. YTD (%)	Mkt. Cap. (¥bn)	RP Growth FY01E (X)	P/E FY00 E (X)	EBIT-DA X FY00 E (X)	ROE FY99 (%)	
8227	Shimamura (P)	MO	82.2	393	10.1	52.3	22.5	11.0	Offers full lineup of lower-priced, everyday apparel for women; taking market share away from superstores; posted better-than-expected FY99 interim results, with RP growth of 33%.
8874	Joint Corporation (P)	NR	456.2	53	81.0	64.1	NA	36.1	Condominium developer with particular strength in the niche market of 40–50 m ² condos aimed at females, single persons, and couples without children. Sales in central Tokyo and Jonan areas especially strong.
9437	NTT DoCoMo (C)	RL	51.9	16,471	8.6	63.7	13.8	12.6	Benefiting from rise in cellular phone ownership and increased Internet usage by females, especially those in their 20s; The company's i-mode subscribers recently reached 1 million.
9783	Benesse (C)	NR	103.0	785	3.2	44.9	NA	11.9	Operates ten daycare facilities for infants and children nationwide, located inside and near train stations. Also operates language schools and develops educational software. Internally, employees can choose from a variety of benefit plans, and firm has adopted a flex-time work system.
9980	Maruko (C)	NR	116.8	27	677.8	20.9	NA	9.4	Leading manufacturer of lingerie, with a focus on style-enhancing garments; plans to sell order-made foundations in the near future; more than 90% of employees are female.

Appendix I: Share Prices and Ratings for Stocks Mentioned in this Report

(as of August 12, 1999)

Code	Company Name	Rating	Price (¥)	Code	Company Name	Rating	Price (¥)
1380	Akikawa Foods & Farm	NR	622	7872	Estelle	NR	800
1819	Taihei Kogyo	NR	251	7874	Suruga	NR	3,710
1835	Totetsu Kogyo	NR	276	7937	Tsutsumi Jewelry	NR	3,170
1883	Maeda Road Construct	NR	755	7956	Pigeon	NR	1,299
1884	Nippon Road	NR	268	8018	Sankyo Seiko	NR	381
1895	Taisei Rotec	NR	273	8021	Renown	NR	167
1940	Tsukun	NR	278	8029	Renown Look	NR	154
2202	Meiji Seika	RL	777	8180	Skylark	RL	2,485
2596	Q'Sai	NR	5,740	8193	Suzutan	NR	220
2894	Ishii Food	NR	309	8204	Jonathan's Co.	NR	1,300
2904	Ichimasa Kamaboko	NR	680	8205	Shaklee Japan	NR	1,010
3524	Nitto Seimo	NR	137	8206	Elleme	NR	150
3591	Wacoal	NR	1,244	8207	Ten Allied	NR	520
3596	World	RL	9,900	8209	Friendly	NR	575
3599	Co-Cos Nobuoka	NR	750	8227	Shimamura	MO	11,100
3603	Chacott	NR	705	8238	Isetan	MP	1,000
3887	Chuo Paperboard	NR	150	8247	Daiwa	NR	290
4655	Nova	NR	1,050	8250	Komatsu Store	NR	629
4679	Taya	NR	1,860	8519	Mycal Card	NR	5,250
4915	Avon Products(Japan)	NR	250	8566	Ricoh Leasing	NR	3,190
4920	Nippon Shikizai	NR	730	8571	Nissin	NR	5,900
4921	Fancl	NR	25,400	8583	Nippon Shinpan	NR	381
5390	Ube Material Ind.	NR	175	8874	Joint	NR	8,100
5423	Tokyo Steel Mfg.	MP	604	9008	Keio Electric Railway	NR	431
5541	Pacific Metals	NR	81	9009	Keisei Electric Rail	NR	347
5721	Shimura Kako	NR	168	9014	Shin-Keisei Railway	NR	320
5919	Japan Steel Tower	NR	332	9020	East Japan Railway	MP	690,000
6122	Wakayama Precision	NR	198	9021	West Japan Railway	MU	494,000
6144	Seibu Electric & Mac	NR	250	9022	Central Japan Rail.	MU	616,000
6493	Nittan Valve	NR	280	9041	Kinki Nippon Railway	NR	584
6758	Sony	MO	14,390	9044	Nankai Electric Railway	NR	563
6766	Miyakoshi	NR	94	9046	Kobe Electric Railway	NR	436
6977	Japan Resistor Mfg.	NR	236	9052	Sanyo Electric Railway	NR	330
7004	Hitachi Zosen	NR	140	9080	Kanto Seino Trans.	NR	1,700
7007	Sasebo Heavy Ind.	NR	138	9081	Kanagawa Chuo Kotsu	NR	465
7018	Naikai Zosen	NR	131	9082	Daiwa Motor Trans.	NR	260
7203	Toyota Motor	MP	3,740	9176	Sado Steam Ship	NR	1,180
7222	Nissan Shatai	NR	270	9363	Daiun	NR	67
7261	Mazda Motor	MO	625	9437	NTT DoCoMo	RL	1,720,000
7263	Aichi Machine Ind.	NR	317	9652	N.I.C	NR	3,860
7267	Honda Motor	MO	4,980	9715	Trans Cosmos	NR	10,850
7269	Suzuki Motor	NR	1,980	9744	Meitec	NR	3,580
7421	Kappa.Create	NR	2,200	9765	Ohba	NR	354
7423	Fontaine	NR	1,469	9779	Mefos	NR	1,510
7440	Kraft	NR	1,150	9783	Benesse	NR	14,760
7453	Ryohin Keikaku	RL	36,500	9784	Japan Industrial Tes	NR	1,480
7478	Blue Grass	NR	940	9785	Daishinto	NR	588
7496	Yachiyo Musen Denki	NR	1,940	9829	Nagano Tokyu Depart	NR	498
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7519	Goyo Intex	NR	320	9892	Himiko	NR	1,550
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7553	Sazaby	MP	3,650	9935	Tsurukame	NR	265
7564	Workman	NR	1,100	9936	Ohsho Food Service	NR	1,870
7566	Japan Care Service	NR	2,460	9969	Shokubun	NR	805
7737	Cabin Industrial	NR	225	9980	Maruko	NR	1,990
7860	Avex	NR	19,100				

RL = Japan Recommended List
MP = Market Performer

TB = Trading Buy
MU = Market Underperformer

MO = Market Outperformer
NR = Not Rated

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MO = Market Outperformer

MU = Market Underperformer

TB = Trading Buy

MP = Market Performer

NR = Not Rated

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