

Child Day Care Industry in Japan

Japanese Economy Information Division

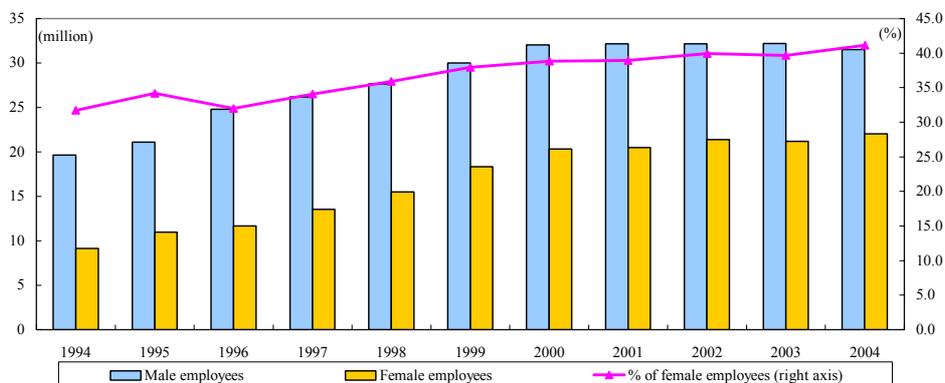
Summary

Although Japan's birthrate continues to decline, the demand for day care centers is increasing as more women enter the workforce. In response, the government has developed new laws governing the child care services industry, and has eased regulations to allow entry by private enterprise. Many new systems in local governments have enabled entry by companies outside the industry, further stimulating the market.

1. Increasing demand for day care centers

The demand is increasing for day care centers and related child care services in Japan. According to the *Labour Force Survey* issued by the Statistics Bureau of the Ministry of Internal Affairs and Communications, there were 31.52 million male and 22.03 million female employees in Japan in 2004 (Fig. 1). The number of female employees has more than doubled from 9.13 million a decade ago, and the proportion of female employees has increased nearly 10%, from 31.7% in 1994 to 41.1% in 2004. This increase is due not only to economic and social changes, but also to legislation such as the revised Equal Employment Opportunity Law (1997). Although Japan's birthrate has steadily declined during the same period, from 1.50 per family in 1994 to 1.29 in 2004, an even sharper increase in female workers, along with deregulation leading to increased participation by private companies, has further stimulated the market.

Fig. 1 Workforce Trends

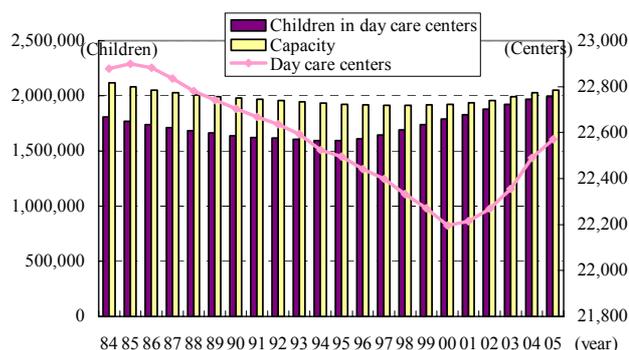


Source: Statistics Bureau, Ministry of Internal Affairs and Communications

The number of children in day care centers has increased annually since 1995, and the number of day care centers themselves increased for four consecutive years starting in 2001,

according to the Ministry of Health, Labour and Welfare report, *The Status of Day Care Centers* (April 1, 2005 and other dates) (Fig. 2). This trend has been stimulated by the Angel Plan adopted in 1994 and by deregulation in 2000. In April 2004, there were 22,570 day care centers, of which 12,090 were government run and 10,480 were privately operated. Compared to 2003, there were 80 more centers, and children in day care increased by 26,755 to 1,993,684. More children are attending centers each year, and center capacity has also been increasing. In 2004, centers were at 97.1% capacity.

Fig. 2 Day Care Centers and Attendance

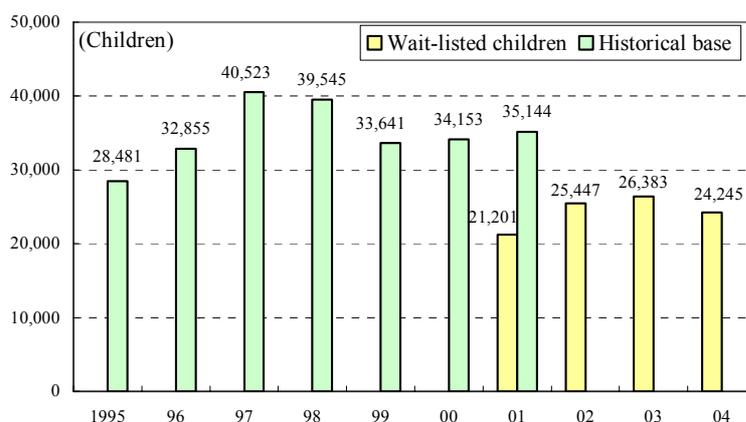


Source: Ministry of Health, Labour and Welfare

2. Insufficient capacity

According to the Ministry of Health, Labour and Welfare, there were 24,245 children on waiting lists for day care centers in 2004 (Fig. 3). While this was 2,138 fewer than the previous year, wait-listed children (primarily in large cities with large numbers of working women) still pose a major problem. A variety of measures are being implemented, including the establishment of facilities in places of employment.

Fig. 3 Status and Number of Wait-listed Children



Note: The historical figure includes children who are waited-listed at a preferred day care center, although they are qualified to enter other centers, and those who are using regional independent facilities in the interim. Historical base figures have not been published since 2002.

Source: Ministry of Health, Labour and Welfare

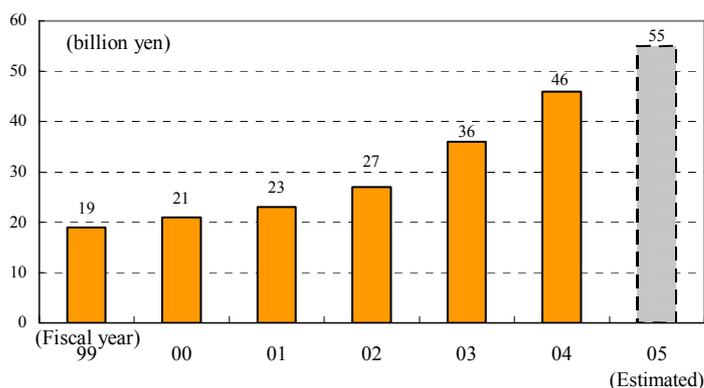
3. Market overview

Revenue sources of authorized day care centers are: 1) fees paid by parents, 2) national government contributions, 3) contributions from prefectural and city governments and 4) contributions from municipalities. Until fiscal 2003 (beginning April 2003), public contributions consisted of 50% from the national government, 25% from prefectural and city governments, and the remaining 25% from municipalities. Since fiscal 2004, the share previously contributed by national and prefectural governments must now be paid by municipalities. However, private day care centers continue to receive subsidies from national, prefectural and city governments, as in the past.

The market was estimated to be 46 billion yen for private-sector services in fiscal 2004 (Fig. 4). This is predicted to increase to 55 billion yen in fiscal 2005, with double-digit growth forecast to continue in the foreseeable future. Annual income for the average day care center is estimated at about 150 million yen, so the market is worth trillions of yen when public contributions are included.

The market is very complex due to the extremely large number of businesses and because subsidy systems differ by locality. More private businesses are entering the market in response to increasing demand, yet it is still difficult to build up a large-scale business because of problems in recruiting enough workers and the low profit margins of this labor-intensive business. This is why the market has a large number of small operators. Market entry by private businesses is predicted to increase in publicly authorized day care centers to help ease the financial burden on municipalities, which now have to pay more due to reduced national and prefectural government contributions.

Fig. 4 Changes in Private Day Care Services Market



Note: Market size is based on data from authorized day care centers, certified day care centers such as those in the Tokyo metropolitan area, and non-registered day care centers. Figures exclude public funds and also exclude private operations, such as social welfare corporations, educational corporations and non-profit organizations. (Yano Research Institute Ltd.)

4. Market structure

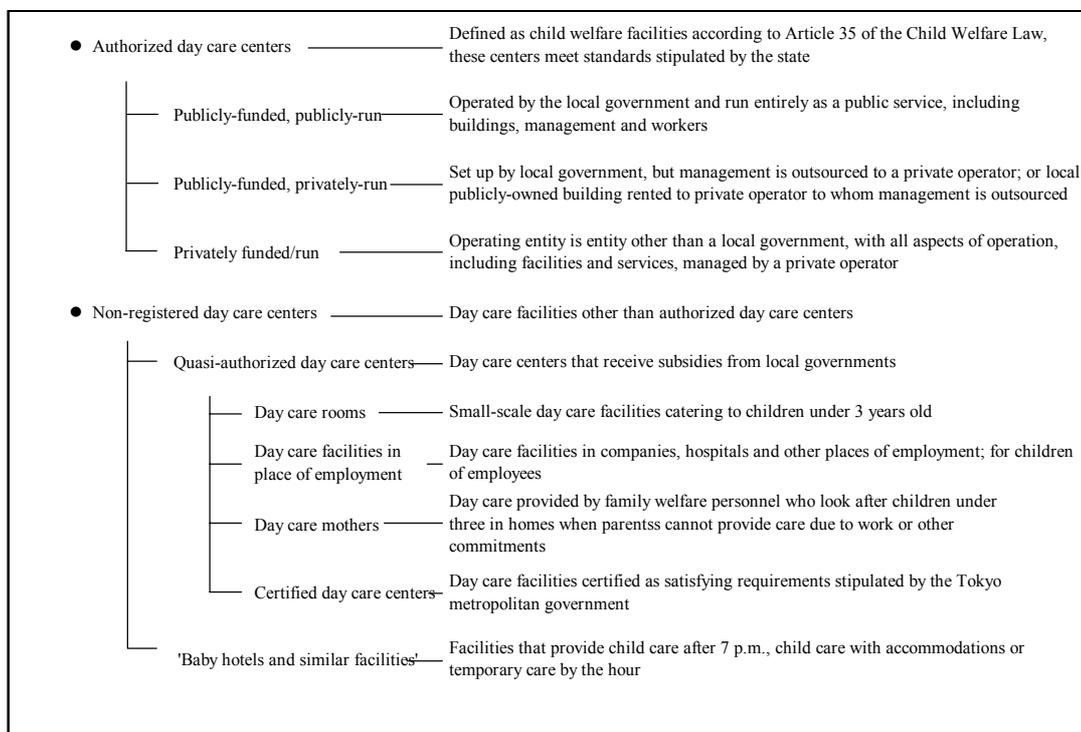
Day care centers are classified as either authorized or non-registered.

a. Authorized day care centers

These are stipulated as child welfare facilities according to Article 35 of the Child Welfare Law, and receive subsidies from national, prefectural, city and municipal governments. They are divided into three categories:

- publicly-funded, publicly-managed centers that utilize public facilities and services;
- publicly-funded, privately-managed centers in which the establishing body is a local authority, and where management is outsourced to private individuals, or where local government-owned buildings are rented to private individuals to whom management is outsourced; and
- privately-funded/managed centers in which private individuals establish facilities and operate the entire service (Fig. 5).

Fig. 5 Day Care Center Classifications



1) Publicly-funded, publicly-managed centers

Publicly-funded, publicly-managed centers provide complete services and are staffed by

public workers. Because fees are relatively low but full services are still provided, a large financial burden is placed on the local government, particularly when services such as overtime care are factored in. Public spending limitations make it difficult to increase the number of these centers.

2) Publicly-funded, privately-managed centers

A continuing increase in wait-listed children became such a social problem that the industry was deregulated in 2000 to allow private companies to manage publicly-funded centers, because of their ability to provide services at lower cost. Until then, the operation of authorized day care centers had been restricted to local government and social welfare corporations.

Social welfare corporations, educational corporations, incorporated non-profit organizations and publicly traded companies may now operate centers funded by the state. It is common practice for a local government to solicit bids from private operators to determine which operator will receive funding to operate a given center. Although deregulation has made it possible for private enterprise to enter this market, local authorities are still cautious about choosing private operators. At present, social welfare corporations are chosen in most cases. Since the operation of publicly-funded centers represents a substantial risk for private operators, primarily due to the lack of freedom in setting up branch centers and the restrictions placed on the use of funding, it is likely that publicly-funded, privately-managed centers will not materialize in the desired number. However, such centers are expected to increase steadily, since some local governments strongly desire to use private operators, particularly those who have established good track records.

3) Privately funded/managed centers

These centers represent a substantial financial burden in terms of operating costs, so the operators must set fees that are comparatively higher than those of publicly-funded, privately-managed centers, and also risk losing clients to publicly funded authorized day care centers. Nevertheless, private centers are steadily increasing in number as operators are allowed comparatively free rein in opening new branches and offering special services.

b. Non-registered day care centers

These are classified as either “quasi-authorized day care centers” eligible for public subsidies or “baby hotels and other facilities” receiving no subsidies. Typical examples of the former are certified day care centers that are individually funded by the metropolitan government and municipalities of Tokyo. They represent an independent child care system implemented by the metropolitan government with the aim of improving service for the growing number of wait-listed children, while also promoting private access to the market. Each local government offers a variety of services, including small-scale day care rooms catering to children under 3, “day care mother”

systems run by family welfare officers, and day care facilities within places of employment.

Non-registered day care centers are subject to supervision (including reports and on-site inspections) by prefectural governments, and must officially notify them when opening a center.

5. Government involvement

Until deregulation in 2000, the government undertook sole responsibility for providing day care services. Services evolved in line with social changes, including the increase in double-income married couples, the declining birthrate and the growing number of children wait-listed for day care. However, in recent years the public sector has been having difficulty responding to the market owing to insufficient budgets and diversifying needs. In response, private enterprises have been given broader access to the market, which has given rise to reforms in laws and regulations (Fig. 6).

Fig. 6 Principal Legislative/Regulatory Reforms

Year	Item	Details
1994	Basic Direction of Policy for Future Child-Rearing Support (Angel Plan)	Expanded range of day care services, including those for younger children, and overtime and temporary child care
1997	Child Welfare Law revision	Enabled parents to choose day care centers and introduced fees based on type of care
1999	Concrete Implementation Plan for Priority Promotion of Measures to Counter Declining Birthrate (New Angel Plan)	Accepted younger children, introduced multipurpose day care centers and expanded overtime and holiday child care
2000	Deregulations Relating to Authorizing of Day-Care Center Establishment	Approved day care center establishment by publicly-traded companies, NPOs, educational corporations and other private operators that meet basic requirements
2001	Child Welfare Law revision	Enhanced supervision of non-registered day care centers, and promoted development of authorized day care centers and privatization of public day care centers
2001	First Report Relating to Deregulation	Called for review of authorized day care center standards and practices such as outsourcing management of public day care centers to private companies
2002	Strategies for Zero Wait-Listed Children	Called for increasing day care center admissions by 150,000 children in three years
2003	Report Concerning the Action Plan for Promotion of Regulatory Reform: 12 Key Topics	Proposed integration of kindergartens and day care centers
2003	Approval of the Act to Promote Support for Fostering the Next Generation	Required firms with over 300 employees, as well as prefectures and municipalities, to formulate action plans for child care

Enacted in 1994, the Basic Direction for Future Child-Rearing Support (the Angel Plan) introduced a diverse range of new services, including care for children under three, overtime child care and temporary child care in response to the increasing number of double-income families and the ongoing trend toward nuclear families. Since the Angel Plan was enacted, an increasing number of private operators have entered the market, mainly to operate non-registered day care centers.

In 1997 the Child Welfare Law was revised for the first time in 50 years. In the area of child care, selection of the child's day care center by the authorities based on a screening was

abolished in favor of enabling the parent to choose the center. Also, the fee system was changed from an ability-to-pay method to a according-to-service method.

The next major turning point for private operators was the deregulation of the day care center establishment process in 2000. This made it possible for private operators to open authorized day care centers, previously only possible by local authorities or social welfare corporations. Naturally, many private companies entered this market.

The Act to Promote Support for Fostering the Next Generation came into law in 2003. The law, which was enacted to address the continually declining birthrate, made it compulsory for businesses with more than 300 employees to formulate child care strategies, such as temporary leave and on-site day care facilities. This led to heightened awareness of child care facilities in the workplace and child care services in general.

6. Leading market entrants

Examples of major day care service providers include Pigeonhearts Corporation, Poppins Corporation, Benesse Style Care Co., Ltd., Kodomo-no-mori, and CombiWith Corporation. Most major providers are subsidiaries of nursery-item manufacturers and early childhood education companies, with only a minority, such as Poppins Corporation, specializing in child care services. The following are three examples of approaches to day care operations.

a. Pigeonhearts Corporation

Pigeonhearts offers management consulting, subcontracted management of child care facilities within places of employment, baby-sitter placement services, preschool education using overseas teachers, and other services. As of July 2005, the company was managing nursery schools and day care operations at 19 companies and hospitals. It also runs a certified day care center in Tokyo. The parent company, Pigeon Corporation, operates certified day care centers and manages centers in 113 state-run hospitals and elderly-care facilities that have become independent administrative institutions since 2004.

b. Poppins Corporation

Poppins entered the day care field based on its experience with baby-sitter services. The company has entered the child care services market with two authorized day care centers, nine Tokyo metropolitan certified day care centers and three child care facilities within corporate premises. It is focusing on Tokyo metropolitan government-certified day care centers, where it is easier to respond to a diverse range of client needs. In the future, the company hopes to focus also on

certified day care centers and day care facilities within places of employment. It opened a certified day care center on the premises of toy manufacturer Bandai in 2005.

c. Benesse Style Care Co., Ltd.

Benesse Style Care is primarily involved in operating publicly-funded, privately-run authorized day care centers. In 2001, the company was assigned to run the Mitaka Municipal Higashidai Nursery School, the first publicly-funded, privately-run day care center in Japan, by Mitaka City in the Tokyo metropolitan area. Following the 2000 deregulation of in authorized day care center operations, Mitaka City turned its kindergartens into day care centers with the aim of reducing costs and improving services. Using a competitive bidding approach, the city chose a private operator named Benesse Style Care. By August 2005, the company was operating nine publicly-funded, privately-run authorized day care centers and three privately-funded/run authorized day care centers. The city believes that publicly-funded, privately-run centers, which offer relatively low fees, are more attractive than non-registered day care centers.

7. Local government

Markets in Tokyo and other large metropolitan areas require diverse services, including infant and overtime child care. To help respond to needs that authorized day care centers cannot meet, local authorities are granting subsidies to facilities that meet certain other standards. Their aim is to reduce the number of children on waiting lists and increase the number of day care centers that can respond to expanding needs. As a result, they have set lower standards than those for authorized day care centers.

In Tokyo, a system of certified day care centers started in 2001. The Tokyo metropolitan government and municipalities contribute 50% of the cost, with the other 50% paid by parents. There are two types of centers: Type A (populated areas near train stations) are established by private companies, and Type B (small or in-home day care centers) are established by individuals. Type A centers cater to children 3 to 5, with a capacity of 20 to 120. Type B centers cater to children under 3, with a capacity of 6 to 29. There were 205 Type A and 73 Type B centers in operation in August 2005.

The Tokyo metropolitan government's certified day care centers are open at least 13 hours per day and offer a wide range of services, including the admission of infants of all ages in all facilities. They can easily compete with all other providers, including private companies. This represents a challenge to private operators entering the market, particularly those outside the field, such as building management firms, distributors and convenience store chains.

In large and medium-sized cities, some authorities at the municipal level establish their

own standards and then subsidize compliant day care centers. Yokohama City established a new day care system in 1997 to promote the opening of centers with city subsidies. This system is primarily designed for children under 3, and encourages operation of centers on non-working days. As of August 2005 there were 135 such centers. Other local municipalities are subsidizing certain types of day care centers, such as the Onakama (“friends” day care facilities in Kawasaki City, the Sendai day care facilities in Miyagi Prefecture and the Hamamatsu City certified day care centers in Shizuoka Prefecture.

Fig. 7 Authorized Day Care Centers and Certified Centers in Tokyo

		Authorized day care centers	Tokyo metropolitan government certified day care centers
Aim		Child welfare facilities that receive payment from guardians, and aim to offer care for young children not provided by day care centers	Child-care facilities satisfying Tokyo metropolitan government standards in order to respond to diverse needs specific to large cities
Basis for establishment		Child Welfare Law	Implementation outline for Tokyo metropolitan government certified day care center operations
Establishing entity		Including municipalities, social welfare corporations, and private companies	<ul style="list-style-type: none"> • Type A: Private companies • Type B: Individuals
Application method, decision on center admission		Admission determination: Apply to municipality, which then decides on center admission	Direct agreements between each of the certified day-care centers and the center users
Children catered for		From birth until the start of primary school	The following children may use the center for 160 hours or more per month: <ul style="list-style-type: none"> • Type A: from birth until the start of primary school • Type B: Children up to 2 years old
Size		20 or more children	<ul style="list-style-type: none"> • Type A: 20 to 120 children • Type B: 6 to 29 children
Facility standards		Minimum standards for a child welfare facility Administrative handling of guidelines for set-up, authorization and other aspects	Standards conforming to those for authorized day-care centers Implementation outline for Tokyo metropolitan government certified day care centers
Area	Children under 1 year old (infant rooms, crawling rooms)	At least 3.3 m ² space per child	<ul style="list-style-type: none"> • Type A: At least 3.3 m² space per child If admitting children during the year and capacity is exceeded, the area requirement can be reduced to 2.5 m² • Type B: At least 2.5 m² space per child
	Children 2 years of age or older (child care rooms, play rooms)	At least 1.98 m ² space per child	At least 1.98 m ² space per child
Outside playing area		At least 3.3 m ² space for each child 2 years of age or older (can use nearby substitute venues)	<ul style="list-style-type: none"> • Type A: At least 3.3 m² for each child 2 years of age or older; can use nearby substitute venues • Type B: Not stipulated
Kitchens & child toilets		Required	Required
Facilities with two or more floors		Fireproof and semi-fireproof structures, and two secured escape routes	Calls for structures with fire-protection systems or subsystems, and two secured escape routes
Child caregivers		Child-care workers Possible in some areas also to introduce child-care workers who work shorter hours if there are one or more full-time child-care workers placed with each group (of 2 infants)	Child-care practicing personnel However, over 60% of age-specific child care personnel must be full-time equivalent (directly employed, full-time qualified workers)
Placement standards		Children under 1: at least 1 caregiver per 3 children Children 1-2: at least 1 caregiver per 6 children Age 3 children: at least 1 caregiver per 20 children Age 4+ children: at least 1 caregiver per 30 children	Age 0 children: At least 1 person per 3 children Age 1-2 children: At least 1 person per 6 children Age 3 children: At least 1 person per 20 children Age 4+ children: At least 1 person per 30 children

Facility director	Including those who have at least 2 years experience in child care operations or those holding child-care worker qualifications with at least 1 year's work experience	Qualified child-care workers with experience working in child care facilities
Miscellaneous aspects	Food preparers and doctors on short-term contracts (placement of public health nurses at day-care centers running special-measure operations for babies less than 12 months old)	Food preparers and doctors on short-term contracts
Hours open	11 hours as standard	13 hours as standard
Definition of child-care	Guidelines for child care at day care centers	Conforms to guidelines for child care at day care centers
Fees for child care	Levied by municipalities based on ranking classification appropriate to tax assessment for residential tax or income tax	Can be set anywhere within the upper limits described below. Paid directly to day care center. Children less than 3 years old: upper limit of 80,000 yen Children 3 years of age or older: upper limit of 77,000 yen (Monthly fees if center utilized less than 220 hours per month)
Subsidies for costs	Contributions (Note 1) 50% by the state, 25% by metropolitan authority, 25% by municipalities Subsidies (Note 2) Metropolitan government and municipalities implement their own subsidies	Metropolitan government and municipalities each subsidize 50% of basic amount (Note 3) Basic amount = number of subsidy-applicable contract children X unit value of subsidy for age-specific enrollment
Subsidies (facility maintenance costs, costs in preparing to open center)	Facility maintenance costs Basic amount subsidized 50% by the state and 25% by metropolitan government (Note 4)	Costs involved in opening a center If a Type A center is opened near a train station, the metropolitan government and municipality each contribute part of the subsidy for remodeling costs, up to maximum of 30 million yen

Note 1: For authorized day-care centers, state day-care center operating costs paid out at same level for all establishing entities

Note 2: For authorized day-care centers, some establishing authorities are not eligible to receive subsidies for metropolitan authority day-care center operating costs

Note 3: The subsidy system for certified day-care centers pays out at same level for all establishing bodies

Note 4: Only social welfare corporations, the Japanese Red Cross Society, and corporate bodies stipulated under Article 34 of the Civil Code are eligible

Source: Bureau of Social Welfare and Public Health, Tokyo Metropolitan Government. Guidelines for provider-operators – Child care services edition (authorized day care centers and certified day care centers), January 2003.

8. Non-registered day care centers

a. Child care facilities within places of employment

The Act to Promote Support for Fostering the Next Generation (hereafter Next Generation Act) of 2003 specifies that corporations with more than 300 employees must develop employment environments that enable employees to manage both their work and domestic duties. This includes the establishment and operation of child care facilities within places of employment, a change that triggered a sudden increase in such facilities. According to the Ministry of Health, Labour and Welfare report, *General Overview of Survey Results Regarding Regional Child Welfare and Other Projects 2004*, there were 2,883 child care facilities within places of employment as of October 2004, and the number is expected to rise steadily.

Systems that subsidize these day care facilities are operated by organizations such as the Japan Institute of Workers' Evolution, the Foundation for Child Future, Inc. and local authorities (Fig. 8).

Fig. 8 Subsidies for Child Care Facilities within Places of Employment

	Japan Institute of Workers' Evolution	Foundation For Child Future, Inc.
Requirements	Enrollment of 10 or more In principle there must be at least 7 m ² space for each child Observe minimum standards for child care facility set-up and operation Placement of at least two full-time tenured child care workers	Assistance project for child care, playground equipment, etc In principle there must be at least 7 m ² space for each child Placement of at least 2 child care workers
Subsidies	50% of costs incurred in setting up (limited to 23 million yen), maximum 50% of costs incurred in operation (labor costs, rental or lease of premises) Building expansion costs, cost of playground equipment and other equipment are also eligible	Amount (limited to 400,000 yen), with 100,000 yen of out-of-pocket expenses deducted from purchase costs of playground equipment and other equipment, with a total cost of 200,000 yen or more where single-item actual purchase prices are at least 10,000 yen Cost incurred in providing school lunches, cooking facilities and kitchen utensils are also eligible

While some companies have directly managed their own child care facilities, in recent years more private companies have become involved in outsourcing this function. Nippon Yusen established such a facility in a converted conference room at its headquarters in 2002, prior to the approval of the Next Generation Act. The idea for the center was submitted in an employee suggestion project. The facility, which is managed by Pigeonhearts Corporation, provides both continuous and temporary day care.

Another example is cosmetics manufacturer Shiseido, which has a majority of female employees. Shiseido set up a child care facility as part of a corporate social responsibility (CSR) project in 2003, coinciding with the move of corporate headquarters. Management of the facility is outsourced to Poppins Corporation. Shiseido, which believes that childrearing is an important social concern, aims to increase its support for child care by developing corporate partnerships and opening up facilities that it will share with other companies.

b. Promoting market entry by other business sectors

Access to the day care market by different business sectors appears to be flourishing due to deregulation and privatization. Few companies are entering the market for publicly-funded, privately-managed authorized day care centers, as the main focus is on corporations with proven track records. However, a wide variety of companies are entering the non-registered day care center market, including privately-funded/managed day care centers, and Tokyo metropolitan government certified day care centers (Fig. 9). For example, Art Corporation Co., Ltd., a moving services company, has been establishing day care centers in Osaka since September 2005. Nova Corporation, an English tutoring company, runs day care centers in supermarkets and other locations in Gifu

Prefecture.

A diverse range of day care operations near train stations have been established by railway companies. The East Japan Railway Company (JR East) has worked with JR East group companies to develop privately-managed day care centers near train stations. Gakken Co., Ltd., an educational publisher, established Gakken Kodomo-no-mori (“children’s forest”), a joint venture with the major day care provider Kodomo-no-mori, and has begun operating Tokyo metropolitan government certified day care centers. The company also intends to develop day care facilities within places of employment.

Fig. 9 New Entry into the Day Care Market

Company name	Main business	Day care center name	Day care center features
Art Corporation	Moving services	Pumpkin Garden	The condition of the can be checked via the Internet since monitoring cameras are set up in the day-care centers. Aiming to set up 100 centers in Tokyo and Osaka.
Nova Corporation	English conversation teaching	Super bilingual child-care Nova Kids ²	Native English-speaking instructors teach English as part of bilingual child care. Centers opened in Gifu prefecture and Nagoya City in 2005.
Gakken Co., Ltd.	Educational publishing and related services	Petit Nursery	Established a joint company, Gakken Kodomo-no-mori, with the major day care center operator Kodomo-no-mori. Initially opening day care centers in the Tokyo metropolitan area.
East Japan Railway Company, all rail companies	Railway services		Providing child care in empty facilities near train stations. Centers sometimes operated by the companies themselves and sometimes the space is rented out and operations outsourced.
Nichii Gakkan Company	Health and nursing care services	Iris Kids	Regularly facilitating interchanges between the elderly and children in cooperation with nursing care service providers. Also offers English conversation teaching by foreign teachers.
Shubunsha Co., Ltd.	Operates prep schools for primary, middle school and high school students	Rainbow School	Provides course instruction in mathematics, Japanese and English for children preparing for primary school. Has established a private primary school examination subject course and operates this as a 'child care kindergarten.'
Hokkaido University	National university corporation	Kodomo-no-sono day care center	Authorized day care center run directly by the university, which may be used by the general public
Ochanomizu University	National university corporation	Izumi Nursery, affiliated with Ochanomizu University	Opened with the aim of fully developing a welfare studies program for university staff, and creating a learning research environment for students.
Waseda University	Educational corporation	Nursery Waseda	Started regional day care centers as lifelong learning institutes.
Nihon Iryoujimu Center Inc.	Health and nursing care services	Mummy's Hand Sakura	Privately funded and run day care center. All staff have acquired Infant MFA* certification.
Factory Japan	Operation of chiropractic clinics	Kids' Factory	Curriculum includes physical training, infant English, and eurythmics.

Note: Infant MFA (medic first aid) is an emergency care training program for the general public

Baby-sitter services are also entering the field (Fig. 10). The private recruiting of child care workers, which has been allowed since 1999, has become difficult in recent years due to the increase in the number of child care facilities, so some companies have begun training their own personnel. Major staffing companies in the field, such as Pigeon Group and Poppins Corporation, are considering the establishment of training schools.

There are also many examples of new services aimed at supporting child care. In Fuchu City, Tokyo, the Ministry of Land, Infrastructure and Transport tested a service to transport infants and children via taxi from their homes to day care centers. Such services are expected to expand in the future.

Fig. 10 Market Access in Child Care Services

Company name	Main business	Service content
Poppins Corporation	All child-care operations	Considering setting up graduate school for the profession of training child-care workers.
Pigeon Corporation	Manufacture of child care products; involved in all child care operations	Considering setting up professional school for the training of child care workers.
CombiWith Corporation	All child care operations	Opened child care facility combining child care and school clubs for primary school children.
Globis Corporation	Operating business schools	Opened free day care facility for students attending schools, with management outsourced to Poppins Corporation.
SHiDAX Corporation	Providing group meal services	Began providing meal services for child care centers around 2002.
Wish Corporation	Child care worker placement	After personnel placement of child care workers was allowed in 1999, Wish Corporation has provided placement, contracting and other services related to the child care industry.

c. Market entry by foreign companies

There are very few examples of foreign companies entering the child care services market. In 1994, the year the Angel Plan was enacted, education service provider Benesse Corporation partnered with an American company and entered the market, offering franchises in early childhood education facilities. The partnership was dissolved in 1998, however, and the American firm closed its operations in Japan.

A major reason why few foreign-owned companies have entered the market is that child care services in Japan are heavily tainted with the image of social welfare. Until recently, it was virtually impossible for private operators to participate in the market. Now that private companies can operate authorized day care centers, however, there are more opportunities for private companies in this field. The Tokyo metropolitan government is even encouraging companies to enter the field by establishing certified day care centers that can be privately managed. New standards for non-registered child care facilities have made the market relatively easy to enter, thereby expanding the range of companies that could qualify as potential providers (Fig. 11).

Fig. 11 Requirements for Setting Up Non-Registered Day Care Centers

Facility	Area	At least 1.65 m ² space for each baby or infant
	Kitchens and child toilets	Required
	Facilities with 2 or more floors	Including fire-proof structures and facilities that prevent infants from hurting themselves by falling down
	Emergency measures	Including fire extinguishers and emergency exits
Number and qualifications of personnel involved in child care		Placement of the number of child care personnel stipulated in Article 33 Paragraph 2 as being the minimum level for child care facilities Infants: 1 caregiver for every 3 infants Children aged 1-2: 1 caregiver for every 6 children Age 3 children: 1 caregiver for every 20 children Age 4+ children: 1 caregiver for every 30 children * In principle this refers to full-time workers. Placement of at least 2 full-time child-care personnel.
Content of child care		Guidelines for child care in day care centers
Normal guiding supervision		Guiding supervision through collection of reports and on-site inspections
Miscellaneous rules		In principle, official notification to the prefecture is required. Status of operation to be reported regularly once a year.

Source: Ministry of Health, Labour and Welfare

9. Industry topics

a. Integration of kindergartens and day care centers

Kindergartens, defined as education facilities catering to children 3 to 5 years of age, come under the jurisdiction of the Ministry of Education, Culture, Sports, Science and Technology. Day care centers are defined as social welfare facilities for infants and preschool children, and come under the jurisdiction of the Ministry of Health, Labour and Welfare.

Japan introduced a series of specially deregulated zones across the country in 2002 to help revitalize regional economies. These geographically defined zones encourage companies to take advantage of business opportunities in local markets. Among these are zones that deregulate the separation between kindergartens and day care centers, allowing them to be combined for greater efficiency through shared facilities and management. So far, 72 such zones have been created.

Under the deregulations, facilities operating within these zones can accept children under 3, conduct educational services to counter the drop in kindergarten enrollment by incorporating education in child care, and provide public day care centers with the same lunches provided to public schools, for improved efficiency.

b. Nationwide integration of kindergartens and day care centers

With the birth rate declining and kindergartens falling below capacity, Japan is experiencing a problem with the growing number of children who are waiting to get into day care

centers, primarily in large cities. The number of kindergartens dropped by 112 to 13,949 (49 state-run; 5,546 public; and 8,354 private) in fiscal 2005, according to a Ministry of Education, Culture, Sports, Science and Technology publication, *Bulletin on Basic Survey of Schools for Fiscal 2005*. The number of kindergarten pupils has also fallen by 15,000 to 1.74 million. In response, the Japanese government is preparing for a full-scale integration of kindergartens and day care centers similar to that achieved in special zones. Model projects in over 30 locations have begun in fiscal 2005, prior to full integration from fiscal 2006.

This development is also expected to stimulate increased participation in the day care market by permitting services to extend beyond basic child care, specifically, childhood education.

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