

Japan's childcare industry is creating an unlikely opportunity for some foreign firms ^[1]

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Birth rates in Japan are at an all-time low, but the country faces what may seem an unlikely problem: a shortage of day care spaces. That has made the sector alluring to foreign firms looking to do business in the country.

Among 34 municipalities surveyed by Nikkei Asian Review last year, 16 saw their day care waiting lists grow from the year prior, though the overall number of children awaiting day care places declined.

Government data indicated in April last year that there were 26,081 children waiting for spots.

Japan has expanded day care in recent years, but still has work ahead of it. The issue has created problems for Japanese Prime Minister Shinzo Abe's plans to improve female participation in the workforce — and encourage further economic growth.

Foreign firms look in

But more than two years after the viral sharing of an angry blog post detailing the challenges working mothers face because of the shortage, relief may come in the form of foreign businesses taking a new interest in the Japanese market.

One of those companies is Busy Bees, a child care operator with a presence in Singapore and Malaysia. The firm has no centers in Japan currently, but Busy Bees told CNBC that it's "serious" about the Japanese market — although it did not reveal details.

BusyBees likes Japan because the country's child care industry is growing, said June Rusdon, chief executive of Busy Bees Asia. Separately, the firm would like the chance to gain industry knowledge and exchange best practices in Japan, she said in a statement.

EtonHouse, a Singapore-based operator, already has a presence in Japan.

Demand for international pre-school operators in Japan is also driven by a growing appetite for English-language education, said Tan Anli, director of EtonHouse International Pre-School Tokyo.

The company operates one center in Tokyo, where school fees go up to 2.5 million yen (\$23,694) per year. But that hasn't put a damper on interest: The school is currently at full enrollment.

Roots of the problem

Abe has pledged to cut wait lists to zero by March 2021, but some are skeptical, especially given that the government made a similar pledge in 2013.

While the child care shortage stems from a mix of factors, the root cause has been insufficient public money, said Susumu Nishioka, a professor at Tohoku University in Japan.

He said former Prime Minister Junichiro Koizumi's "zero waiting children strategy" in 2001 ultimately failed to achieve its goal because it didn't raise taxes to cover the costs.

Population concentration in larger cities, such as Tokyo and Osaka, contributes to the shortage problem in urban areas, Nishioka said.

Added to those is a staffing shortfall in the sector.

"It is very hard to find day care staff," Mika Ikemoto, a senior researcher at consultancy Japan Research Institute, told CNBC. She cited low salaries in the sector.

A declining population of children has also led some operators to believe that the day care market was not a promising one, Ikemoto added.

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