

**GOLDMAN SACHS PODCAST: EXCHANGES AT GOLDMAN SACHS  
SUBJECT: IS WOMENOMICS WORKING?  
GUEST: KATHY MATSUI, VICE CHAIR OF GOLDMAN SACHS  
JAPAN AND CO-HEAD OF MACRO RESEARCH IN ASIA  
MODERATOR: JAKE SIEWERT, GLOBAL HEAD OF CORPORATE  
COMMUNICATIONS  
RECORDED DATE: 23 APRIL 2019**

JAKE SIEWERT

This is Exchange at Goldman Sachs where we discuss developments currently shaping markets, industries and the global economy. I'm Jake Siewert, Global Head of Corporate Communications here at the firm.

Back in 1999, Goldman Sachs Kathy Matsui published a report on what she called "Womenomics", which was all about how Japan's economy could be boosted by greater female labor participation rates. Twenty years later, Kathy and her team are out with new research, Womenomics 5.0, they're calling it, on the progress that's been made over the past two decades and what challenges remain.

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For this episode, we're sitting down with Kathy in our New York studio to answer this question, is womenomics working? Kathy currently serves as Vice-Chair of Goldman Sachs Japan, Co-Head of Macro Research in Asia and Chief Japan Equity Strategist. That's a lot of titles, Kathy.

JAKE SIEWERT

Welcome to the program.

KATHY MATSUI

Thank you for having me.

JAKE SIEWERT

So, today we're talking about womenomics. It's a phrase you coined back in 1999 when you first published on this topic. What does it mean to you?

KATHY MATSUI

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So, for me, womenomics is really very simple. It is the concept of maximizing your human capital potential and in Japan's case, a country that is really leading the world in terms of aging and demographic headwinds, I thought to myself 20 years ago that's rather than painting a very gloomy doomsday scenario for Japan's future economic prospects, that if they could actually maximize or at least increase, to some degree, the active participation of women, we could see boosts to Japanese economic growth potential long-term.

JAKE SIEWERT

So, before we get in a little deeper, let's put some numbers on this. What are three numbers that our listeners should know by the time they finish this episode, what are three numbers that should stick

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in our minds?

KATHY MATSUI

So, number, data number, point number one is that Japan's workforce population is going to shrink by 40 percent by 2055, so in most of our lifetimes, that population is dramatically going to get smaller.

Data point number two, interestingly, Japan used to have one of the lowest female participation rates in the developed world. It is now 71 percent, which tops the United States and Europe's female participation ratio, which a lot of people don't realize.

Data point number three is if hypothetically, Japan could close its gender employment gap, and on top of that we make an assumption that Japanese

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women work longer hours, in other words, most of the jobs that Japanese women are employed in are part-time rather than full-time, but if we encourage Japanese women to work more full-time, not quite matching the males, we could add another few percents. So, all totaled, we believe that closing the gender gap in Japan could lift Japan's GDP by as much as 15 percent.

JAKE SIEWERT

So, backing up, again, to 20 years ago, how did you first decide to do this research and what were the results that you found 20 years ago?

KATHY MATSUI

So, back 20 years ago, I had been a Japanese equity strategist for nearly a decade. I had given birth to my son, my first child three years prior and

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when I was returning back from work, I noticed that a lot of my Japanese mommy friends were not returning their occupations or careers in the same ratio, the same rate and I found that quite odd, given that Japan desperately needed as many people as possible in the society to work and to be active, yet these women weren't working.

So, I'm, I was and still am the only female equity strategist in Japan.

JAKE SIEWERT

Twenty years later.

KATHY MATSUI

I figure none of my Japanese competitors will write about this topic, so I thought, hey, it's sort of a what-if scenario, but let's see if we could put some

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numbers together and hypothetically assess what the economic potential lift could be if more women would work and then draw out some investment conclusions.

Well, if more women are working, then presumably there is more income, more income means more spending, more spending means more profits for those companies that received that consumption and thereby lifting the economy for everybody, not just for women. So, that was really the genesis of the idea behind womenomics.

JAKE SIEWERT

So, I think you've gotten to this a little bit, but lay out a little bit more detail. The economic and business rationale behind

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womenomics.

KATHY MATSUI

So, the economic rationale is quite straightforward. Very simply put, if you think about it, for any economy in the world, there are really only three drivers of growth; that is labor, capital and productivity. And so, if your labor pool is shrinking like Japan's is and the other two factors are static, then presumably economic growth is going to fall and more importantly, living standards for the future population will also fall. So, if you could increase the number of people that are actively working outside the home, earning an income, then presumably over time that is going to add to economic growth potential.



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On the business side, it's also pretty simple. If you look at, for instance, numerous studies globally, and we've looked at the same phenomenon inside Japan's corporate sector, those companies that tend to have more diverse, for example, manager population, managerial populations, board director representation, tend to exhibit higher levels of ROE, higher levels of revenue growth. In other words, their business performance is better.

And it's not to say that women are better than men, of course, it is to say that when you have such a homogenous population like Japan does, it is important, especially if you're trying to innovate and be creative, you need different perspectives, you need cognitive diversity entering the decision-

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making processes in order to improve bottom line performance.

JAKE SIEWERT

So, you mentioned that Japan's labor participation rate for women is now higher than the United States. So, obviously there's been some progress made since you first started looking at this topic 20 years ago. What are the factors that have helped increase the productivity rate and participation of Japanese women in the economy and talk a little bit about policy government policy.

KATHY MATSUI

Absolutely. So, first off, it is very interesting that when the current Japanese government, led by Prime Minister Abe came to power a little over six

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years ago, he declared, you know, Abenomomics is womenomics, which was rather shocking for the Japanese government to even mention this topic of gender diversity. But it was really with the aim of increasing female participation in Japan's workforce, and so what they started to do was, for example, set some goals and targets for the nation.

So, for instance, his goal was to increase the participation of women who tended to drop out of the workforce after having their first child. That ratio was very high, over 60 percent, and that's now come down by about half. One of the reasons that's come down is because the government realized that the capacity for daycare, for instance, was very limited, so they set out national goals to

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augment and expand the capacity of daycare. It is still not perfect, there are still kids on waiting lists for public daycare in Japan, but they've made, you know, considerable progress.

Another important policy step that they made, which was I think extremely important was to boost transparency. In the old days ... not even old days ... ten years ago, if you looked at annual report of a typical Japanese blue-chip company, you could not find any data-related to gender; how many women versus men, how many women managers versus men, none of that existed.

But starting in 2016, the prime minister's office set down this edict (Laughs) saying that all Japanese

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companies with 300 or more employees must disclose gender statistics and also set forth gender goals and action plans to reach those goals. So, I think this increased transparency really kind of opened the Pandora's box, so to speak, and revealed for the world, my god, some of these ratios are really low (Laughs) and we have a lot of work to do and there's nothing like kind of shame and embarrassment to motivate, you know, changes in human behavior.

So, I think that combination of some government policies and increased transparency and, of course, the acute labor shortages that Japan suffers from ...

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Necessity.

KATHY MATSUI

... of course, economic necessity really propelled those numbers to the levels we see today.

JAKE SIEWERT

And how immigration ... I mean, in many countries, in many developed countries, immigration ...

KATHY MATSUI

Mm-hm.

JAKE SIEWERT

... provides a source, not just a labor growth rate, but also it sometimes provides a labor force for childcare and the like. So, has there been any changes in the way Japan, which has notoriously been, historically been ...

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Yes.

JAKE SIEWERT

... sort of tough on immigration ...

KATHY MATSUI

Mm-hm.

JAKE SIEWERT

... or restrictive on immigration.

KATHY MATSUI

Mm-hm.

JAKE SIEWERT

Any changes there?

KATHY MATSUI

So, interestingly, I would say Japan has pursued a rather stealth immigration policy. What I mean by that is if you look at the statistics, many people don't realize this, but in 2017,

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relative to the size of Japan's workforce population, the net inflow of foreign workers actually exceeded that of Germany and was quite close to that of America. And what

I mean by stealth is that they're coming in kind of nontraditional routes. For instance, foreign students studying in Japan ...

you can work up to 28 hours a week in a part-time job. The second big category is technical trainees, so people coming, for example, from Southeast Asia to work in construction sites in Japan, they can get these technical trainee visas.

But that has clearly not been enough, so the government most recently, in fact, last year, passed legislation to allow up to around 350,000



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foreign workers to work in designated sectors in Japan, ranging from caregiving, to construction, to hospitality, because clearly a lot of Japanese people don't want to do those kinds of jobs and so the government has no choice but to welcome foreign workers in this space.

So, it's not, let's open the floodgates, it's not millions of people just yet, but they're gradually being forced to deregulate the areas of foreign employment.

JAKE

So, education sometimes is a key determinant of people's success in the workforce and beyond. What are

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the educational challenges facing womenomics in  
Japan?

KATHY MATSUI

So, there was one quite challenging area that  
Japan really needs to ... work on, which is simply  
put, if you look at the level of academic ability, you  
look at the percentage of  
women who hold university degrees, it is actually  
higher than that of men. Despite that statistic,  
however, Japan has the not-so-dubious distinction  
of having the lowest ratio of female researchers  
and scientists in the OECD.

So, there's something going on. When girls sort of  
advance in their educational, you know, careers  
and when they choose which areas they want to

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specialize in, even though they may be pretty good at math and science when they're in elementary and middle school, something happens in high school and in the university level where they opt out of those fields, even though they could be actually quite good.

And I think here, and I wrote a little bit about this in my research, is I think there's something in not just the water or the air, but with parents, and society and gender role stereotypes in the media. Girls don't see that many scientists or astronauts who are female, and therefore they never think or believe that they themselves could become one of those roles.

And so, it's not just one, any one thing in terms of

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the educational topic, but I think there's a lot that society needs to do to correct those stereotypes and say, look, if you're a young girl that loves math, you, too, can become an astronaut and really push that much harder than I think the society currently is doing because it's clearly not an issue of lack of ability, it's really what is shaping or influencing their decisions academically further down their path.

**JAKE SIEWERT**

So, you've taken womenomics beyond obviously Japan and looked at a lot of other developed economies. What other developed economies have experienced similar levels of women participating in the labor force and where have we seen some backsliding?

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KATHY MATSUI

So, I think, for instance, if we look across Asia, a country that has very similar challenges to Japan would be, for example, Korea. I have visited Korea, I have spoken with the gender minister there and if you listen to a presentation on gender diversity in Korea, if you just replace the word “Korea” with “Japan”, it’s almost identical, right?

But I think a lot of it also has to do with workplace challenges, workplace practices, for example, very long working hours, evaluations based on time and seniority as opposed to performance and output, so a lot of parallels there, which interestingly, Korea is now working quite hard to change its work practice, as well.

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We've seen some interesting developments and I think that Japan could learn from best practices globally. For instance, the government of Japan most recently passed legislation to mandate equal pay for equal work. Part-time workers used to account for only 15 percent of all employees in Japan. That has shot up to 40 percent. But clearly, a lot of those workers are doing the same type of job content as their full-time worker peers, but simply not getting paid the same. So, to rectify this imbalance, government legislation is basically copying that of the Netherlands, in the 1990s. So, that's something that I think Japan could learn from.

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Another best practice example that I like to use is the UK. It's the right to ask for flexible work. This was legislation that was passed in 2003 and while it was originally intended for working parents, they eventually broadened it out to everybody, and I think that's something in Japan that it's still quite rigid and very traditional, in terms of people should be at work, you know, full-time in the office with their colleagues, you know, for the full work day, as opposed to working telecommuting, et cetera.

So, I think there are a lot of great best practice examples in the rest of the world that Japan can learn some great lessons from, take some cues from to formulate its own set of gender-friendly

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policies.

JAKE SIEWERT

Have you looked at the issue of paternity leave? I know that gets a lot of focus, particularly in Scandinavian countries where But a lot of companies and countries have some form of paternity leave, but the take-up rates are pretty low.

KATHY MATSUI

Yes, absolutely. So, Japan has actually in the last few years developed one of the most generous parental leave benefit programs in the world. Mothers and fathers each get one year of parental leave and for the first six months, two-thirds of their pay is actually covered.



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So, the women in Japan, of course, the mothers, most of them take that leave. The problem, as you cited, is the men don't take the leave or tend not to take as much leave. So, I think there is an issue where companies can really play a big role, the employers can play a big role in terms of really, you know, setting targets, encouraging men to really participate more equally in the household.

Japanese fathers who have children tend to spend less than an hour and a half a day ... this is half that of the US and European fathers ... at home with childcare and household chores.

So, if you've got two working parents (Laughs) and the mother is trying to deal with that and her career, that's obviously quite a lot to take on. So, I

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think encouraging more fathers, of course, in Japan to take more paternity leave, to build that empathy importantly, I think is crucial.

JAKE SIEWERT

So, some people thought that if womenomics would work, and at some level it's worked in Japan, and you managed to increase the labor participation rate of women, then birth rates would fall. And how have you looked at that research and what have you found?

KATHY MATSUI

So, over the last two decades, I have encountered multiple occasions, this comment that, oh, you know, this is a great idea, but in reality, if more Japanese women end up working outside the home, it is going to lead to a decline in birth rate.

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So, I heard that so often that I said, okay, I'm an analyst. Let's look at this empirically. And we looked at international comparison data. We looked at female participation rates in the workforce versus fertility rates and what we found was quite interesting, which is it is not negatively correlated. In fact, those two things are positively correlated around the world. In other words, countries like in Scandinavia, they tend to have above say OECD average females working in their societies, but they also have higher than OECD average fertility rates.

And then the next question I encountered in Japan was, well, that may be true outside of Japan, but

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certainly not true inside Japan. So, I said, okay,  
or the prefectures. And lo and behold, the  
correlation was also positive. In other words, those  
states or prefectures with more women working  
tended to have more babies in those states.

So, my point about kind of raising this topic of, I call  
them the womenomics myths, I call them, is we  
can't really move forward in any society when  
we're arguing based on myths. We have to  
establish what are the facts, and once we've  
established those facts, then we can discuss, and  
debate and try to move forward.

JAKE SIEWERT

So, looking at the facts, what do you think  
governments, corporations in societies should do

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now?

KATHY MATSUI

Mm-hm.

JAKE SIEWERT

Twenty years into your work, as you step back and look at it, what are the immediate challenges?

KATHY MATSUI

So, I think in Japan's context it's pretty clear that while we have cited that more women are working than ever before, that's fantastic. But like I also said earlier, a lot of those jobs are more part-time rather than full-time, which means that Japan is still far behind the rest of the developed world when it comes to female's representation in leadership positions in managerial roles. And so, I think there's still a lot of work to do, for

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example, in parliament in Japan.

Japan's ratio of females in parliament and in the lower house, the more important house, is barely 10 percent. That is lower than Saudi Arabia and Libya. So, I've actually suggested Japan consider adopting temporary gender quotas for parliament. I know I'll get a lot of backlash for that comment ...

KATHY MATSUI

... but I think that is something that is so important at the policymaking level to have a body that is determining policies and laws that affect the entire society, not to be determined by a legislature that is 90 percent one gender. I think, secondly, Japan has the largest gender pay gap in the G7, largely

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because of the part-time worker ratio being so high  
for women.

JAKE SIEWERT

And part-time work being less well compensated?

KATHY MATSUI

Basically half, right.

JAKE SIEWERT

Mm-hm.

KATHY MATSUI

If you take the average. So, I know this is a very  
controversial subject in any economy, but perhaps  
requiring increased transparency around gender  
pay  
disclosures could help to narrow the gap between  
part-time and full-time workers (women and men).

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And we also, I think a third area of improvement for Japan would be greater flexibility in the labor market overall. We have what we call “labor market dualism” in Japan. You either work part-time or full-time and there’s nothing in between, which basically means you end up with a very rigid labor market. There’s not a lot of movement or mobility between those two sets of labor contracts. And I think it’s very tough on employers, it’s very tough on employees, and again, with the demographic headwinds that Japan is facing, it must create a more flexible market for labor and talent so that there is more fluidity over the long-term.

JAKE SIEWERT

So, you first came to this topic as an equity



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research ...

KATHY MATSUI

Mm-hm.

JAKE SIEWERT

... and you continue to be an equity research analyst. What are the investment implications today of womenomics?

KATHY MATSUI

Mm-hm. So, I think womenomics is not just a Japan investment theme, but a secular investment theme globally because if we examine statistics of women working everywhere in the world, including emerging markets, we are noticing that greater gender diversity does lead to better performance for corporates as well as better macro economic growth potential.

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And so, I think that, for example, we've looked at companies in Japan's context that benefit from the increased incomes that women are earning, so if more women are working, for example, they would probably want to outsource many services, whether it be daycare, or eldercare, ecommerce, you know, save time shopping, uh, leisure opportunities. And we created originally a womenomics basket kind of on that theme.

But the other side is what I alluded to earlier, which is looking at companies that have more balanced gender representation inside their organizations and looking at their performance. And we just created a new Japan diversity leaders' basket

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which looks at metrics such as gender representation in management, in boards, looking at work environment flexibility, based on publicly available information for the companies in Japan and we also showed that this basket tended to outperform, for example, the broader Japanese stock market by about 9 percent over the last couple of years. And it's not just in Japan. We've seen similar studies done globally that also shows this is the case.

And at the end of the day I'm very optimistic about the gender diversity agenda moving forward, especially in Japan, because of two things; one is the explosive growth of ESG investing. We all know that that has been a very, very popular ...

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not popular, but just very exciting and dynamic area of investment because asset managers around the world are looking at this theme and diversity dovetails directly into the S and the G of the ESG.

But secondly, we are observing quite distinct shifts in attitudes of young Millennial males, not just in Japan, but I think globally, whereby I think this generation is much more concerned about and values work-life flexibility. Many young men want to, you know, have as much flexibility as their spouses, which is a little bit different than what we observed, you know, ten or twenty years ago.

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So, what I'm trying to say is I think this movement to try to advance gender diversity is no longer kind of this minority battle of women (Laughs) trying to fight for their own, you know, rights or whatever, but it's really all of society trying to move forward to create a much more balanced work and lifestyle environment.

JAKE SIEWERT

So, beyond increasing ... we've talked a lot about increasing women's participation in the labor force. What other solutions can Japan, other countries tap to unlock productivity gains as they face these demographic challenges?

KATHY MATSUI

Mm-hm. So, I think besides leaning on, you know, the population and demographics, clearly, I think

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there is huge scope and potential for leaning on technology, and automation and AI and these areas that ultimately for population similar to Japan that are challenged with shrinking workforces and aging workforce populations, that they're going to have to replace human tasks with machines and computers.

And it's interesting, as I live in Japan and I travel around the world, many countries, for example, here in the United States, when we talk about AI is going to replace, you know, half of our jobs in the next, you know, several decades and there's a big fear, you know, kind of surrounding that topic, when I go back to Japan and we have discussions around this very same topic, there is absolutely no

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hesitation whatsoever, there is no fear because ...

JAKE SIEWERT

They need it.

KATHY MATSUI

... they need it, right?

KATHY MATSUI

The population is shrinking so rapidly, it's okay, we need to, you know, use robots and AI like yesterday, you know? (Laughs) We have to move much more quickly. So, there's not this similar sort of allergic reaction or fear surrounding the growth of AI in all of these technologies. So, I think Japan is really trying to fully embrace these areas because they know that is the ultimate key to boosting productivity.

JAKE SIEWERT

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And many other countries will be facing those challenges just a little further down the road.

KATHY MATSUI

Absolutely.

JAKE SIEWERT

Kathy, our own firm has launched a new program, “Launch with GS”, which sets aside \$500 million to invest in women-led businesses and to seed women fund managers. Is that the kind of program that we should be doing more of?

KATHY MATSUI

I think it’s a huge initiative and if you think about the overall environment for venture capital and



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investing in women-owned businesses or funds, we know the statistics are pretty bad. In other words, it's very imbalanced. A lot of women who are very successful in their businesses still have a hard time scaling their enterprises to the next level for lack of access to sufficient capital.

So, I think what the firm is doing is not only innovative, but it's also pioneering in the way that I think it's serving as a magnet and really shining a spotlight on this issue that is so desperately needed I think in the economy today and I'm hopeful that this is not just focused primarily in the United States. We're already seeing some investments globally that we start to see this initiative spread globally because America's not the

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only place where this is an issue. It's an issue the world over. So, I'm very, very excited about this.

JAKE SIEWERT

So, Kathy, you've had a long and fascinating career here at Goldman. Talk a little bit about your own experience, you know, when it comes to these kinds of issues and balancing your work and family and also what you're excited about looking forward.

KATHY MATSUI

Mm-hm. So, I have ... one of the reasons I joined Goldman and I didn't join a Japanese bank, was I did an internship with a Japanese bank before I joined the industry. I wore the typical Japanese female bank uniform, I sat with men and women, but when lunchtime rang around, I went to lunch with the women, the men went to lunch with

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themselves.

It was very segregated, and of course, very rigid and very conservative and I thought, hm, you know, is this some place that I could really build a satisfying career in a timeframe that I was looking at, and the answer was no. Laughs) But I liked finance, I loved economics, I love just learning more about the Japanese economy. It was a tumultuous time, if you recall back in 1990, when I entered my career because the Japanese asset bubble had just burst. So, things were really structurally very challenged.

So, I've been fortunate, having worked at Goldman Sachs for now 25 years, only focused on

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equity strategy but I've had wonderful opportunities as the lone Japanese female strategist because my clients remember me since I've been doing it for such a long time. And I've not only written on topics like womenomics, but I've also looked at, for example, before womenomics, pension underfunding. Again, these are topics that I know my Japanese competitors would never write about because I'm calling out companies funding status (Laughs) and showing that some companies are actually not very healthy.

So, I think I've been fortunate in working in a position, in a role that allows me to express my views. My performance is measured objectively because our clients evaluate us, and

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I think that has been really crucial for my career.

You know, it's been a very transparent kind of career for me, I've been able to write about, talk about whatever I feel like, but I've also been working in a context of Japan, which is obviously been undergoing, still undergoing enormous structural challenges and that's a great environment as an analyst.

I think if I'd been working in a 30-year bull market, my career wouldn't have gone so far. But it's been quite the opposite as we all know in Japan for the last three decades and I think as an analyst, that's been an ideal environment to build one's career.

JAKE SIEWERT

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So, before we conclude, let's recap the question of the episode. In under a minute answer, please, is womenomics working?

**KATHY MATSUI**

I believe womenomics is working in Japan's context. Simply put, if we look at the percentage of women that were working 20 years ago was 56 percent. Today it's 71 percent, higher than the US and Europe. However, it's still a work in progress, like we still need to improve gender representation in leadership, we need to improve transparency, we still have a lot of areas to go in society, re-correcting unconscious biases, but we think we are, the ship is sailing in the right direction and entire population, if we all work together, we'll reach that goal.

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JAKE SIEWERT

All right, well, Kathy, thank you so much for joining me today.

KATHY MATSUI

Thank you.

JAKE SIEWERT

That concludes this episode of Exchanges at Goldman Sachs. Thanks for listening and we hope you join us again next time.