

Survey Commissioned by the Cabinet Office

Survey on Fund Provision for Socially Beneficial Business

Outline

March 30, 2018

INTAGE RESEARCH Inc.

Premise and Points to Note

We conducted a questionnaire survey targeting fund providing organizations and compiled responses concerning their provision of funds for socially beneficial business. The premise and points to note for the survey are as follows.

Premise of the survey

- This survey, wherein "socially beneficial business" is defined as "activities to resolve social problems or make improvements through business," aims to clarify whether target fund providing organizations provide funds (grants, loans, investments, etc.) for socially beneficial business, and the amounts and details of such fund provision.
- Fund providing organizations were asked to describe their specific fund provision system and names of financial instruments, etc., but were allowed to provide comprehensive explanations of multiple systems and financial instruments, instead of explaining them separately.
- They were asked to report the amount of money they had provided annually for the three years from FY2014 to FY2016 (flow) and other data.

Points to note

① Interpretation of fund provision for socially beneficial business

Fund providing organizations have different interpretations of socially beneficial business or social problems. For example, some consider that funding for local SMEs eventually leads to the resolution of local problems and thus falls under fund provision for socially beneficial business, but others do not respond, considering that such funding cannot necessarily be considered as fund provision for socially beneficial business.

We endeavored to closely examine the content based on the statements in the survey sheets, but it is necessary to interpret the term **"fund provision for socially beneficial business" here in the broad sense, which is based on self-reporting of target fund providing organizations.**

② Target fund providing organizations

Relation with earlier studies (whole picture)

Referring to prior studies,* we selected survey targets broadly and obtained responses.

Differing from prior studies, which also covered fund provision for overseas business, this survey only covers fund provision in Japan. Additionally, while earlier studies clarified the balance (stock) of social impact investment (mainly loans and investments, etc.), this survey shows annual amounts provided (flow) including not only loans and investments, etc. but also grants (including donation).

* "Current State of Social Impact Investment in Japan 2016" (September 2016, G8 Social Impact Investment Task Force, Japan National Advisory Board)

* "Current State of Social Impact Investment in Japan 2017" (February 2018, Global Social Impact Investment Steering Group, Japan National Advisory Board)

Prior studies

- Actual amount or balance (stock)
- Fund provision for domestic and overseas business
- Social impact investment (loans and investments, etc.)

- Actual amount (flow)
- Fund provision only for domestic business
- Fund provision for socially beneficial business (grants, loans and investments, etc.)

This survey

③ Way of showing the fund provision scale

Given this, we did not estimate the scale of fund provision in Japan as a whole but showed the fund provision scale as a simple sum of provided amounts based on the survey responses.

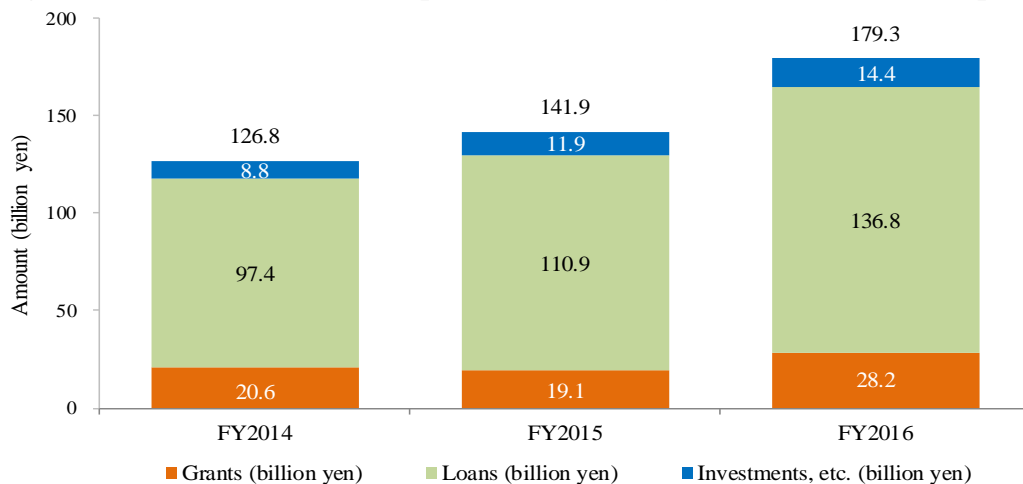
Summarized concept

- ✓ **Fund provision for socially beneficial business is interpreted differently by respective fund providing organizations.**
- ✓ **This survey covers the three means of fund provision, i.e., grants (including donation), loans and investments, etc.**
- ✓ **A simple sum of annual amounts provided (flow) is presented without specific processing of data, such as estimation.**

Amounts of Funds Provided for Socially Beneficial Business (Simple Sum)

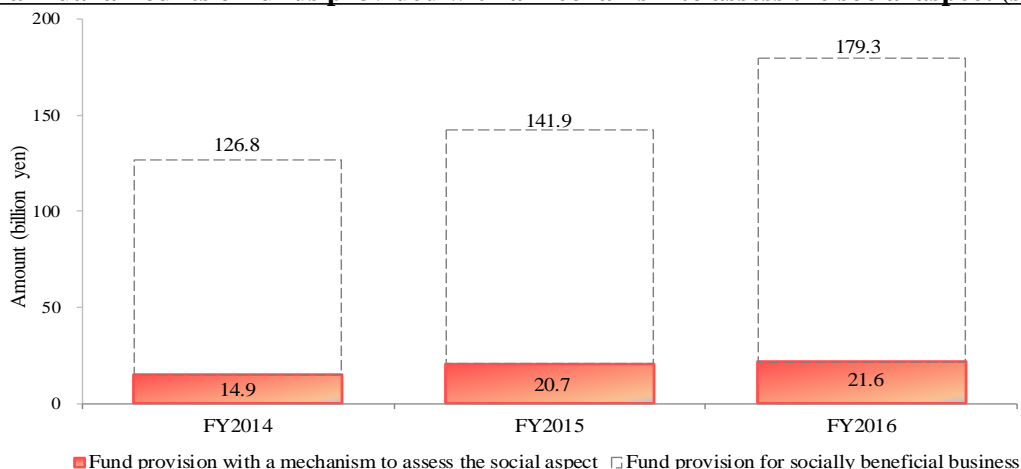
- A simple sum of the annual amounts provided for socially beneficial business (flow) was 126.8 billion yen for FY2014, 141.9 billion yen for FY2015 and 179.3 billion yen for FY2016.
- By means of fund provision, grants increased in FY2016, and loans and investments, etc. showed increases of around 10% to 20% and around 20% to 30%, respectively, from the previous fiscal years.

Changes in annual amounts of funds provided for socially beneficial business (simple sum)

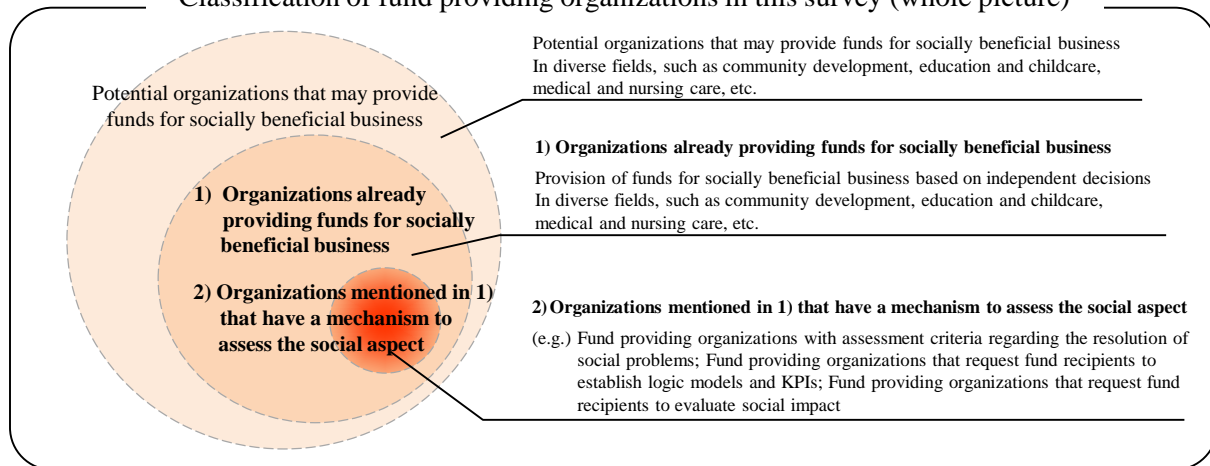


- The amounts of funds provided "with a mechanism to assess the social aspect" (simple sum) out of the amounts above showed a gradual increase, from 14.9 billion yen in FY2014 to 20.7 billion yen in FY2015 (increased by 38.8% from the previous fiscal year) and to 21.6 billion yen in FY2016 (increased by 4.3% from the previous fiscal year).

Changes in annual amounts of funds provided with a mechanism to assess the social aspect (simple sum)



Classification of fund providing organizations in this survey (whole picture)



Characteristics of Fund Provision for Socially Beneficial Business

Based on the responses to the questionnaire from 618 businesses (617 organizations), we compiled the trends of fund provision for socially beneficial business by means of providing funds.

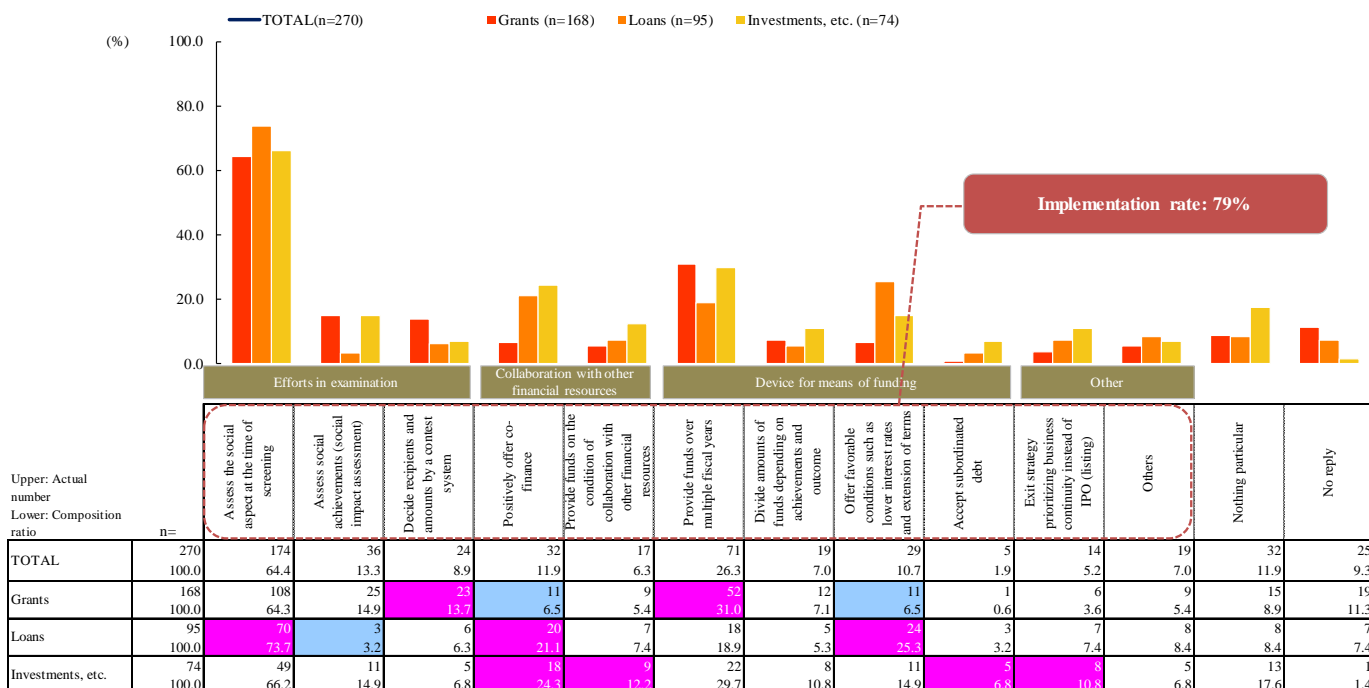
	Grants	Loans	Investments
Target stages*	As a whole, "Startup stage" and "Growth stage" are the major target stages, but there were also many that chose the option, "No particular stage." It is considered that "No particular stage" means to target all stages.		
	Preparatory stage 24%	Mature stage 41%	Startup stage 51%
Fund recipients*	Voluntary organization Corporations engaging in specified non-profit activities Foundations and associations	Corporations engaging in specified non-profit activities Unlisted companies Sole proprietors	Unlisted companies
Target areas*	As a whole, many chose the option, "Vitalization and development of communities and securing of safe and peaceful daily living."		
	Education and childcare; Medical and nursing care, health and hygiene, and welfare; Culture, art and sport	Medical and nursing care, health and hygiene, and welfare; Environmental conservation; Vitalization of communities, etc.	Vitalization of communities, etc.; Development of industry and commerce; Environmental conservation
Special efforts when providing funds*	<ul style="list-style-type: none"> Those making some sort of efforts when providing funds accounted for 79%. Specifically, the most frequent response was "Assess the social aspect at the time of screening," followed by "Provide funds over multiple fiscal years" and "Measure social impact." Organizations that chose the option, "Measure social impact," include organizations trying to somehow measure the social achievements in addition to those conducting social impact measurement. <div style="text-align: right; background-color: #cccccc; padding: 5px; border-radius: 5px;">Charts are Next page. </div>		
	"Decide recipients by a contest system" "Provide grants over multiple fiscal years"	"Assess the social aspect at the time of screening" "Positively offer co-finance" "Offer favorable loan conditions"	"Positively offer co-finance" "Exit strategy prioritizing business continuity instead of IPO"
Offering of non-financial support*	<ul style="list-style-type: none"> Those offering non-financial support accounted for 59%. Within above 59%, a relatively high percentage of respondents, namely around 30%, chose the options, "Assistance for fund raising" and "Formulation of a business plan," which fall under the category of assistance in the financial aspects. Following these, 25% of respondents chose the option, "Assistance concerning business strategies," which falls under the category of general business assistance. The percentage of assistance in the financial aspects was relatively low among those providing grants, while a high percentage of respondents making investments, etc. offer assistance concerning organizational structures and assistance in the financial aspects. Those providing grants and loans showed low percentages, in general, regarding assistance concerning organizational structures and social impact. <div style="text-align: right; background-color: #cccccc; padding: 5px; border-radius: 5px;">Charts are Next page. </div>		
	Implementation rate: 53% "Other (assistance for networking, etc.)"	Implementation rate: 66% Assistance in the financial aspects, such as "Formulation of a business plan" and "Assistance for financial management"	Implementation rate: 78% Overall assistance, such as "Assistance for fund procurement" and "Assistance concerning business strategies"
Recent trends and characteristics	Increasing Programs to facilitate growth of recipients and large scale grants have come to be observed.	Increasing Loans are provided for businesses mainly in environment-related fields and nursing care or welfare-related fields. Collaboration with intermediary organizations and co-finance are increasing.	Increasing Investments seeking social achievements or those under SIB or other new schemes are increasing.

* Characteristics in comparison of the three means of fund provision, i.e., grants, loans and investments, etc.

Characteristics of Fund Provision for Socially Beneficial Business

<Special efforts when providing funds>

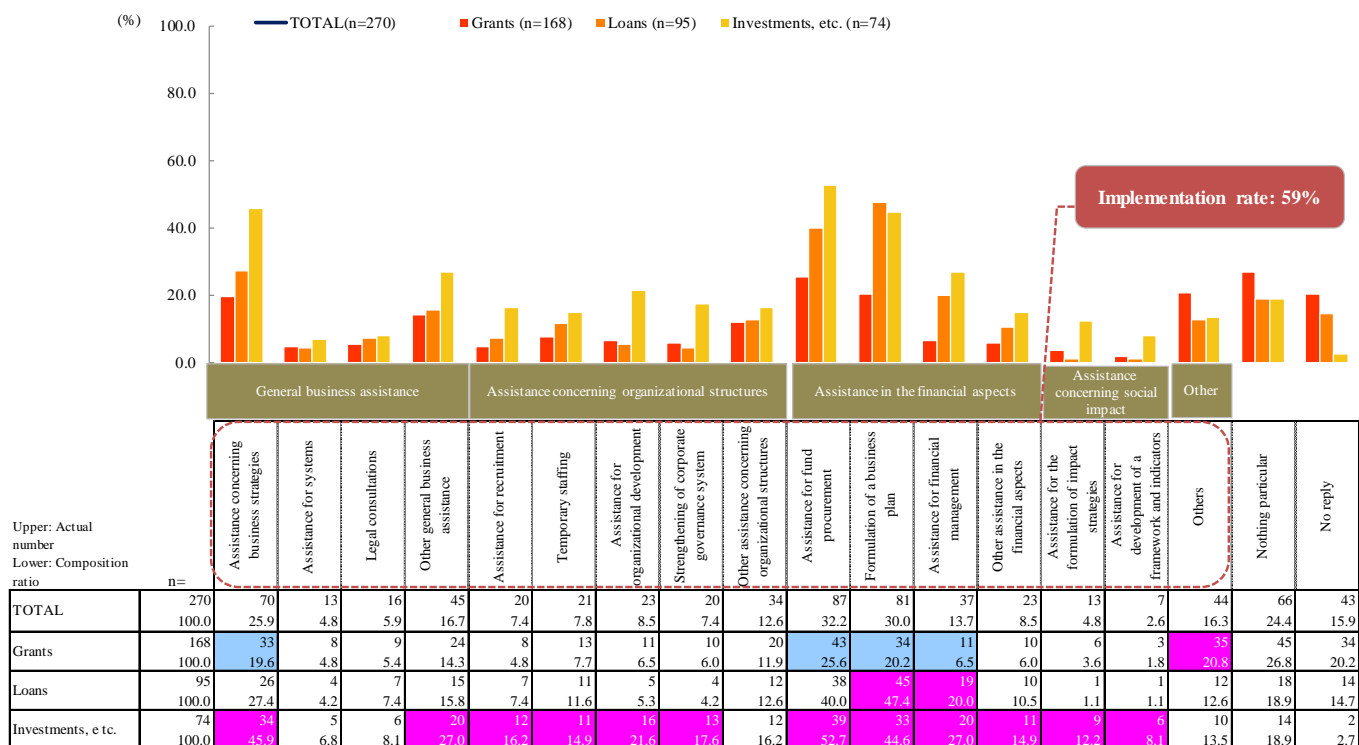
Details of special efforts (multiple answers)



Note) The sum of the composition ratios does not become 100% because multiple answers were allowed.

<Offering of non-financial support (assistance in the management and technical aspects other than provision of funds)>

Details of non-financial support (multiple answers)

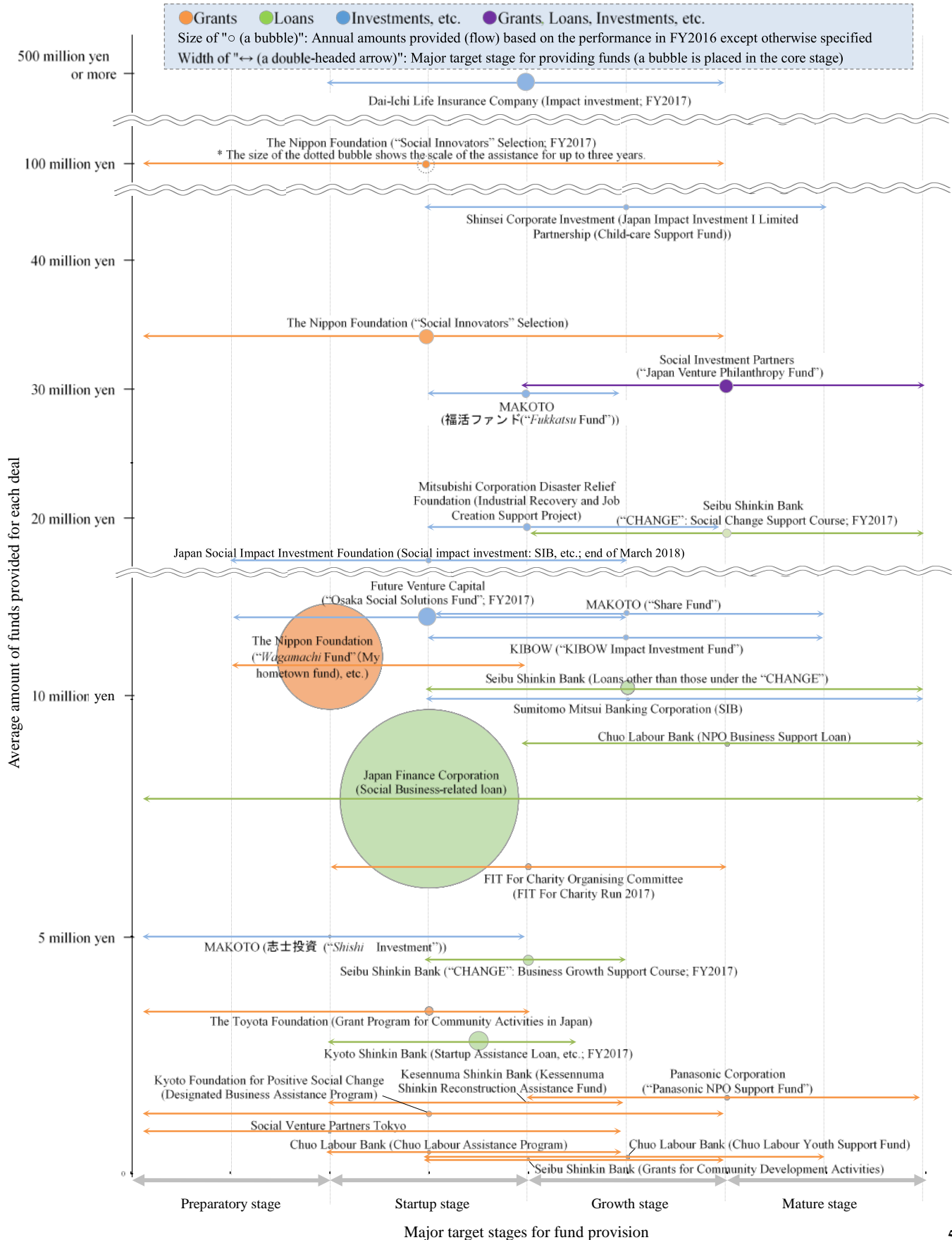


Note) The sum of the composition ratios does not become 100% because multiple answers were allowed.

Distribution of the Interviewed Fund Providing Organizations

- We created a distribution chart of target fund providing organizations based on the results of an interview survey.
- In terms of the average amount of funds provided by a single organization for each deal, organizations providing grants are mainly distributed in the range under 5 million yen, those providing loans in the range of 5 million yen or more and those making investments, etc. in the range of 10 million yen or more.

Distribution of fund providing organizations based on the interview survey (Conceptual Image)



Status of Fund Provision by Means Based on the Interview Survey

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Grants</p>	<ul style="list-style-type: none"> • Some fund providing organizations aim to facilitate staged growth of fund recipients through providing grants that may be used for a need survey before designing a business or providing grants over multiple years on the condition of satisfying certain requirements (The Toyota Foundation and Chuo Labour Bank). • There has been a business to which a large amount of funds, namely 50 million to 100 million yen, is provided annually, together with non-financial support, with the aim of facilitating social change (The Nippon Foundation). • While grants are generally provided for specific projects, some organizations provide funds for strengthening organizational bases of fund recipients, such as the one offering management assistance linked with other training sessions by outside expert organizations (Panasonic Corporation), and the one offering management assistance through dispatching experts (SIP *). Additionally, there are other organizations that offer assistance for making social achievements through establishment of logic models and KPIs or try to make the outcome visible through social impact measurement (The Toyota Foundation and SIP*). • Many fund providing organizations are aware of the necessity of collaboration with the administration, companies and other NPOs, etc. and some carry out projects in collaboration with various local players (Kyoto Foundation for Positive Social Change). <p>*SIP: Social Investment Partners(general incorporated association)</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Loans</p>	<ul style="list-style-type: none"> • Many fund providing organizations have their own loan systems specialized for corporations engaging in specified non-profit activities, and those engaging in social business or community business that they independently select as players in resolving social problems. • Respective organizations assess the social aspect of socially beneficial business in accordance with their own criteria. However, only a small portion of fund providing organizations requires fund recipients to conduct social impact measurement regarding how their businesses contribute to resolving social problems. • As non-financial support, there are many cases where fund providing organizations are promoting networking by multiple bodies specialized in different fields for the purpose of dispatching outside experts by the use of networks formulated through industrial assistance in respective regions or helping the resolution of managerial problems faced by those engaging in social business (Seibu Shinkin Bank and Japan Finance Corporation). • Some organizations, which have put in place grant systems targeting the preparatory stage of socially beneficial business as part of their CSR activities, are now moving forward to provide grants that will lead to loans or to provide assistance in the form of loans as their major business (Chuo Labour Bank).
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Investments, etc.</p>	<ul style="list-style-type: none"> • Fund provision in various modes is being made, such as investment from own funds (MAKOTO(general incorporated association), KIBOW (general incorporated foundation), Shinsei Corporate Investment Limited and Dai-Ichi Life Insurance Company) and investment in silent partnerships (Mitsubishi Corporation Disaster Relief Foundation, Digisearch & Advertising Inc. and Plus Social Investment). • Some venture capitals make investment specifically in startups at the preparatory stage (seed stage) and seek economic returns through M&As or IPOs in a relatively short period of time. However, investments without considering IPOs or other exit strategies are also observed (Future Venture Capital, Co. Ltd., Digisearch & Advertising Inc. and MAKOTO). • Some organizations have succeeded in attracting individual investors interested in social impact investment by designing a finance scheme with a senior-subordinated structure while taking advantage of the trusteeship functions (Sumitomo Mitsui Banking Corporation). • There are also organizations that provide non-financial support intensively, centered on management and technological assistance required for the resolution of social problems (SIP, MAKOTO, and KIBOW). • An increasing number of organizations are commencing social impact investment (Shinsei Corporate Investment Limited and Dai-Ichi Life Insurance Company). Moves to clearly intend to generate social impact and accelerate the resolution of social problems through fund provision are being expanded.