



# 2019

## Annual Report

**SIIF: Japan Social Innovation and Investment Foundation**

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# Building a Market for Impact Investing and an Impact-oriented Framework for Resource Circulation in Japan

I am pleased to present our Annual Report 2019 to our stakeholders.

The Japan Social Innovation and Investment Foundation (SIIF) was formed from the merger in October 2019 of the Japan Social Impact Investment Foundation and the Institute for the Advancement of Social Innovation, marking a new start for the organization. Through this merger we have been able to put in place a structure to move forward with the further expansion of our mission from the previous organization's focus on creating a market for impact investing in Japan, to building a mechanism for circulating social and economic resources in a way that transcends the framework of self-help, public help and mutual help, and that aims to create a society in which social problems are resolved and diversified value creation occurs spontaneously and sustainably. I am deeply grateful for your support, without which these changes would not have been possible.

Looking back at fiscal 2019, there was a global trend of promoting activities aimed at the creation of a better society, such as SDGs and ESG investment. One could also say that it was a year in which it became widely accepted that corporate activities' negative impact on society should be eliminated. Buoyed by this trend, the market for impact investing recorded dramatic growth, primarily in the United States and Europe. In Japan also we are seeing a rise in interest, albeit gradual, across society, with not only major financial institutions but also community foundations entering the market. However, despite the global market for impact investing having grown to an estimated total of ¥54.0 trillion, it must be noted that the market in Japan is believed to be no more than ¥317.9 billion, and is still undeveloped.

Faced with this situation, SIIF implemented the following initiatives in fiscal 2019 in order to provide a forward-looking model for the impact investing market in Japan.

- Began full-scale management of social impact funds created in cooperation with financial institutions, etc.
- Created and made proposals for an impact investing model that utilizes dormant deposit accounts (an initiative in which we have been involved since the planning stages of the system), and was selected as an Organization Distributing Funds.
- Created Japan's largest social impact bond (SIB) partnering with companies, and the first SIB in the world to support giving up smoking, which were

created and financed jointly with local governments and business operators.

- Provided financing and initiated support programs for human resources and organizations to build new mechanisms to drive circulation of regional resources such as personnel, nature and culture.

At the Osaka G20 summit in 2019, Prime Minister Abe declared Japan's intention to be a leader in the international discussion and investigation of diverse and innovative means of funding, including impact investing and the use of dormant deposit accounts, in order to secure the funds necessary to resolve problems at the global level. This provided fresh impetus to the ongoing activities of SIIF, and we are determined to continue moving forward to play a key role in the impact investing market.

Since the beginning of the year the global spread of novel coronavirus has had an impact not only on the way we work and live our lives, but even on our values. I feel that each and every one of us is beginning to consider the question of what a better society might be. In addition to creating new model projects that encourage the circulation of funds, people, knowledge and other resources in pursuit of a better society, and making pump-priming investments in them itself, SIIF will broaden the scope of such case studies to include a greater number of collaborators. In addition, by using research and policy proposals to put in place an environment that allows the expansion and development of model projects, we aim to build an ecosystem for the circulation of resources in which the resolution of social problems and the creation of value occurs autonomously and sustainably.

I myself was passed the baton from Mariko Bando, the inaugural Chair of Executive Committee, in June 2020 and I will lead SIIF to achieve its mission by fulfilling the role with which I have been entrusted to the best of my ability.

It is my hope that this annual report will help readers attain a better understanding of SIIF, and encourage their continued support going forwards.



Chair of Executive Committee, SIIF  
Shuichi OHNO

**\*What is impact-oriented resource circulation?**  
Refers to activities aimed at resolving social problems and creating value that emphasize social impacts, and the circulation of funds that cannot be described as investments (funds that are close in nature to donations or subsidies), of human resources and knowledge and of other social, human and emotional capital whose value cannot be measured in economic terms. The previous iteration of SIIF also aimed to build a market for impact investing, but since the merger we have also been considering ways of support that include more flexible provision of funds, by which we mean methods of providing funds that should not be called "investments," because material financial returns cannot be expected (for example, in situations where only the principal is repaid), but that require a greater level of responsibility from the recipient of funds than would donations or subsidies. We have positioned this statement at the beginning of the document because our goal is an environment in which more flexible approaches to providing funding that take into account the risk tolerance of the provider of funds can be utilized for the resolution of social problems.

# Capital For Social Innovation

## 2019 Annual Report

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# “Impact” signals our intent for the future.

In today’s world we are seeing the end of an era in which economic value was placed above all else, and the emergence of a diversity of benchmarks to measure value, such as society, the environment and culture. Social impact means positive change that is not limited to economic value. The meaning of this term, which is not yet clearly defined, is something that each and every one of us chooses and creates. It also signals our “intent for the future,” as it were.

## Vision

To build the foundation for a society in which the resolution of social problems and the creation of value take place autonomously and sustainably

The goal of SIIF is an inclusive society in which the dreams of both individuals and communities are realized. We believe it is a society that individuals and communities must continually seek, choose and create for themselves.

## Mission

To build an ecosystem for the circulation of social and economic resources that transcends the framework of self-help, public help and mutual help

Self-help centered on the market economy. Public help based on a centralized system of redistribution. And mutual help and reciprocal aid, which are a form of interdependence at the individual level. SIIF aims to build a new model for the circulation of resources such as funds, people, and knowledge that transcends these frameworks, and to present diverse benchmarks for measuring the value of social outcomes.

# Five strategic themes for accomplishing our mission

1

Three-dimensional investment structures experiencing global growth

Impact investing

“Impact investing” aims to generate simultaneous social and economic impacts alongside financial returns. The objective of SIIF is to create project models in Japan and to expand the market.

2

Presenting new benchmarks for measuring value

Social impact measurement/management

Measurements designed to grasp the qualitative & quantitative social impact generated by projects and activities, and social impact management for the continuation of activities that utilize these measurements to enhance social impacts. We are working on the practice of both in Japan, as well as on knowledge development.

3

Paradigm shift in the public sector

PFS (Pay-for-success) contracts  
SIB (Social impact bonds)

Contributes to building reform mechanisms for more results-oriented public services, such as by using contracts in which payments are proportional to successful social outcomes (PFS), and methods for sourcing funding from investors on such occasions (SIB).

4

A new economy supported by the exchange of value other than money

Alternatives

We are working to build mechanisms and project models to express the value in social, natural, cultural, human, and emotional capital in a way that would be difficult using an economic capitalist approach.

5

Intentional funding drives innovation

Progressive philanthropy

We will provide backing for philanthropic activities that generate sustainable social impacts, so as to enable the transformative effects of individual donations and charitable activities by private-sector foundations.

# Five strategic themes and main results of activities (Fiscal 2017-Fiscal 2019)

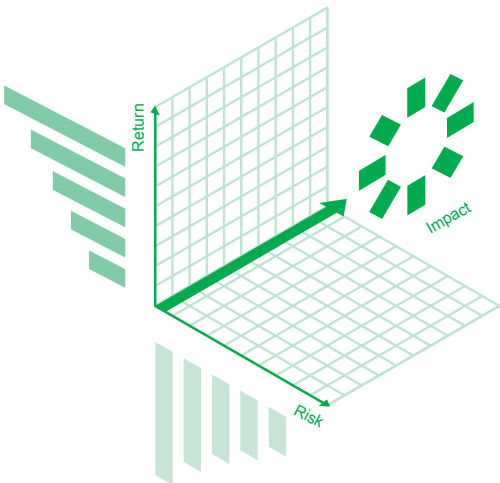
Five strategic themes	Fiscal 2017	Fiscal 2018	Fiscal 2019
1 Impact investing	<div>Impact Investing Forum 2018 held</div> <div>Investing in the “Plus Social Investment” platform for impact investing for communities in which it is held</div> <div>G8 Social Impact Investment Task Force (now the Global Steering Group for Impact Investment, or GSG)</div>	<div>The GSG Japan National Advisory Board held a meeting with the G20 Development Working Group on the theme of impact investing</div> <div>published “The Current State of Impact Investing in Japan 2018” and “Position Paper on Expanding Impact Investing”</div>	<div>Established “HATARAKU Fund” impact investing fund aimed at resolving social problems related to the life events of working people</div> <div>Selected as an Organization Distributing Funds for dormant deposit accounts Began project to support growth of social businesses for revitalizing regions</div> <div>Invested in program to support startups by single mothers</div> <div>Impact Investing Forum 2019 held</div> <div>Conducted survey into consumer awareness of impact investing</div>
2 Social impact measurement/management	<div>Chief sponsor of “Social Impact Day” held by Social Impact</div>	<div>Agrees to introduce social impact measurement in Healthcare New Frontier Fund established by Kanagawa Prefecture</div> <div>Measurement Initiative (SIMI; now the Social Impact Management Initiative)</div>	<div>“Healthcare New Frontier Fund Impact Report 2018” published</div>
3 PFS (Pay-for-success) contracts/ SIB (Social impact bonds)	<div>The City of Kobe issued a social impact bond aimed at preventing progression of severe diabetic nephropathy</div> <div>The City of Hachioji introduced a social impact bond aimed at raising screening rates for bowel cancer</div> <div>Made policy proposals through participation in Council on</div>	<div>Hiroshima Prefecture and six local governments within the prefecture issued a social impact bond aimed at raising screening rates for bowel cancer</div> <div>The City of Okayama partnered with companies to issue a social impact bond that uses health points</div> <div>Investments for the Future, etc., issued survey reports, and held seminars</div>	<div>The City of Toyonaka issued a social impact bond aimed at supporting those trying to give up smoking</div>
4 Alternatives			<div>Launched “Hallucigenia Lab” seed accelerator program for research and development of new mechanisms for resource circulation</div> <div>Invested in ADDRESS Co., Ltd., which operates a platform for enabling residency across multiple locations by utilizing unoccupied housing</div>
5 Progressive philanthropy			<div>Began investigation into philanthropic services for high-net-worth individuals</div>



Three-dimensional investment structures experiencing global growth

# Impact investing

Impact investment is investment that aims to generate positive and measurable social and environmental impacts in addition to financial returns. Traditional investing is measured on the two dimensions of risk and return, but impact investing is based on measuring the three dimensions of risk, return, and impact.



Source: Prepared from UBS, "Doing well by doing good," 2016

### Four core characteristics of impact investing

Uses clearly intentioned investments to contribute to positive social and environmental impacts alongside financial returns

Utilizes evidence and impact data in design of investment strategy

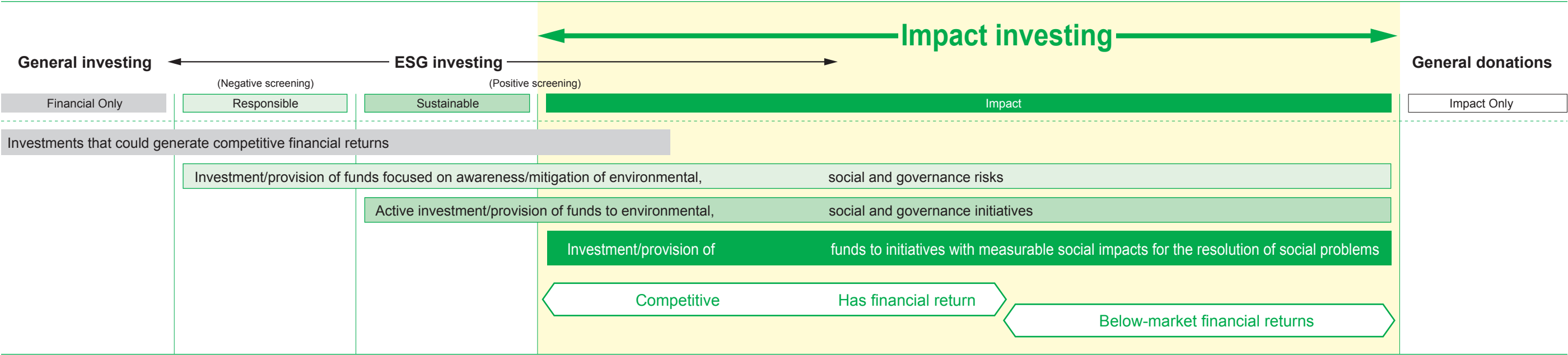
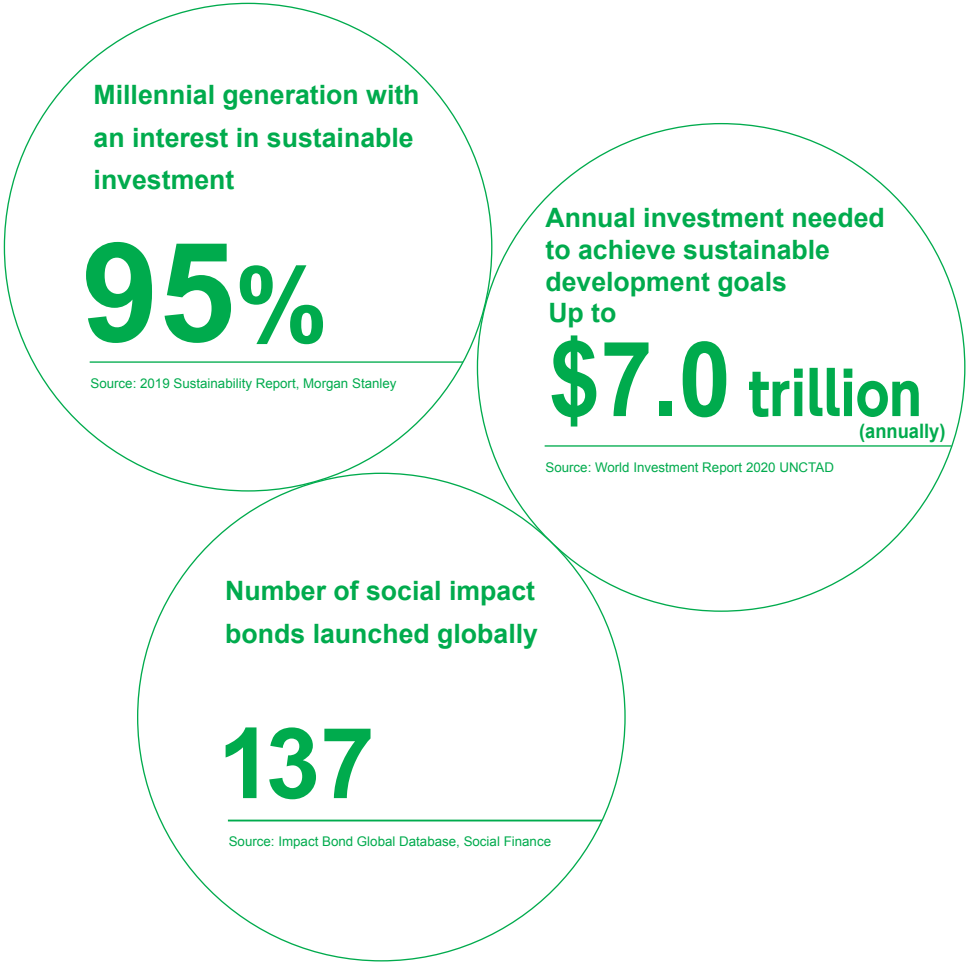
Manages investments through an understanding of impact performance

Contributes to the development of impact investing

Source: GSG Japan National Advisory Board's "Position Paper on Expanding Impact Investing 2019," based on GIIN website (<https://thegiin.org/characteristics>) - Japanese translation

## Why is impact investing necessary today?

It is estimated that a maximum of \$7.0 trillion is needed annually to achieve the Sustainable Development Goals promoted by the UN, and there is considerable expectation that the use of private funds will help accomplish this. Moreover, the interest of millennials in social issues is growing, and impact investing is being viewed as a market with growth potential.



Source: Prepared from G8 Social Impact Investment Task Force, "Allocating for Impact," 2014

History of impact investing

[2007-2010]

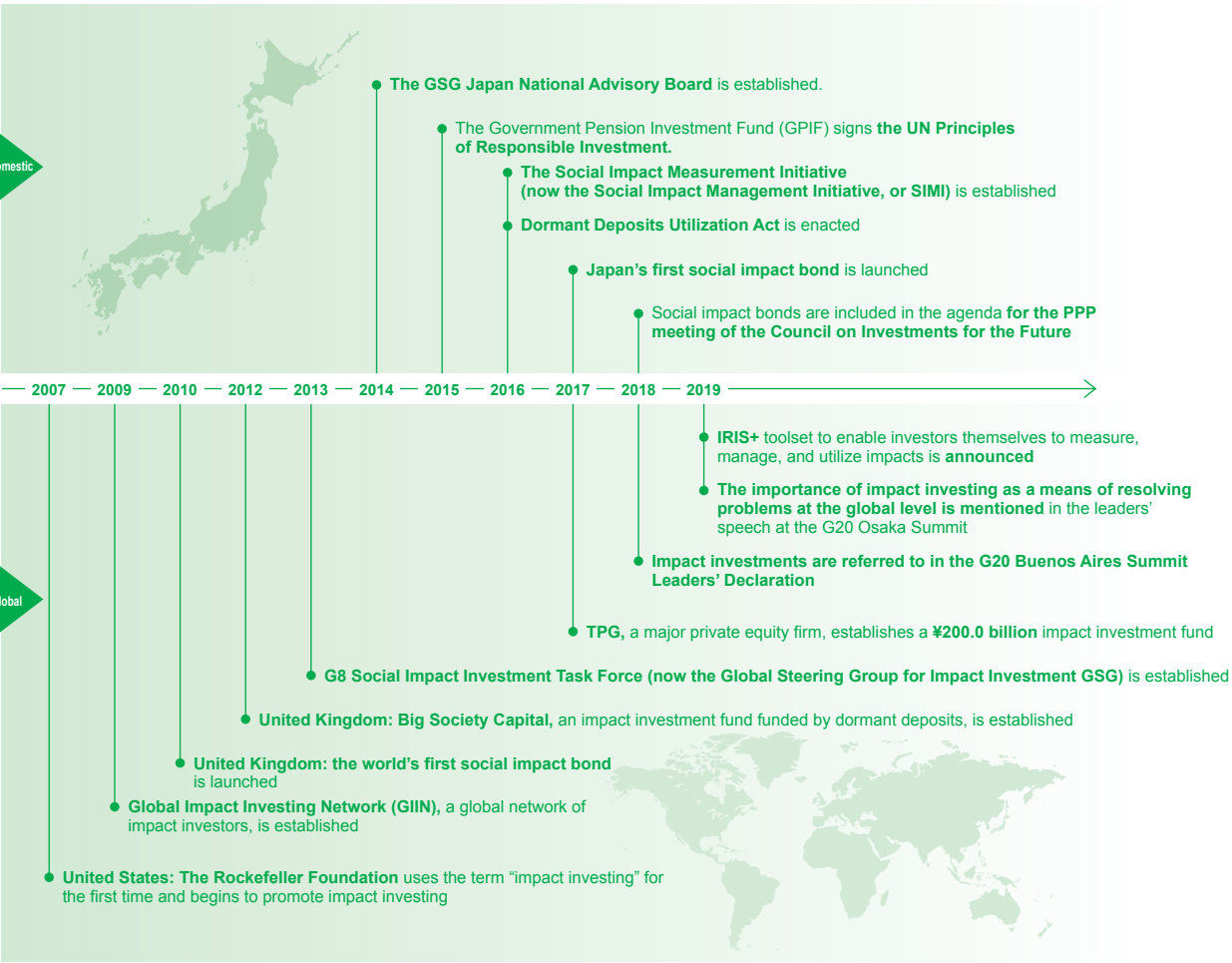
It is thought that the phrase “impact investing” was first used at a 2007 conference hosted by The Rockefeller Foundation. Since then, investment behavior aimed at resolving social problems has spread rapidly, primarily in Europe and the United States, and from 2010 onwards it also gained attention in the context of reassessing financial capitalism based on the lessons of the global financial crisis.

[2013-2015]

At the 2013 G8 summit at which the United Kingdom held the presidency, it was decided that there would be a global push for impact investing, and later in the same year the G8 Social Impact Investment Task Force (now the Global Steering Group for Impact Investment, or GSG) was launched with the countries that had attended the summit at its core. The GSG consists of 32 countries, mainly from the developed world, and the European Union, and is chaired by the UK’s Sir Ronald Cohen. Its policies are implemented by the various governments, and have driven the growth of the market.

[2018-2019]

Impact investments are referred to in the 2018 G20 Buenos Aires Summit Leaders’ Declaration, and the leaders’ speech from the 2019 G20 Osaka Summit mentioned that “other innovative financing mechanisms, including blended finance, can play an important role in upscaling our collective efforts by all countries.” These developments have led to the further promotion of impact investing.



Assets under management

Global (\$502.0 billion)

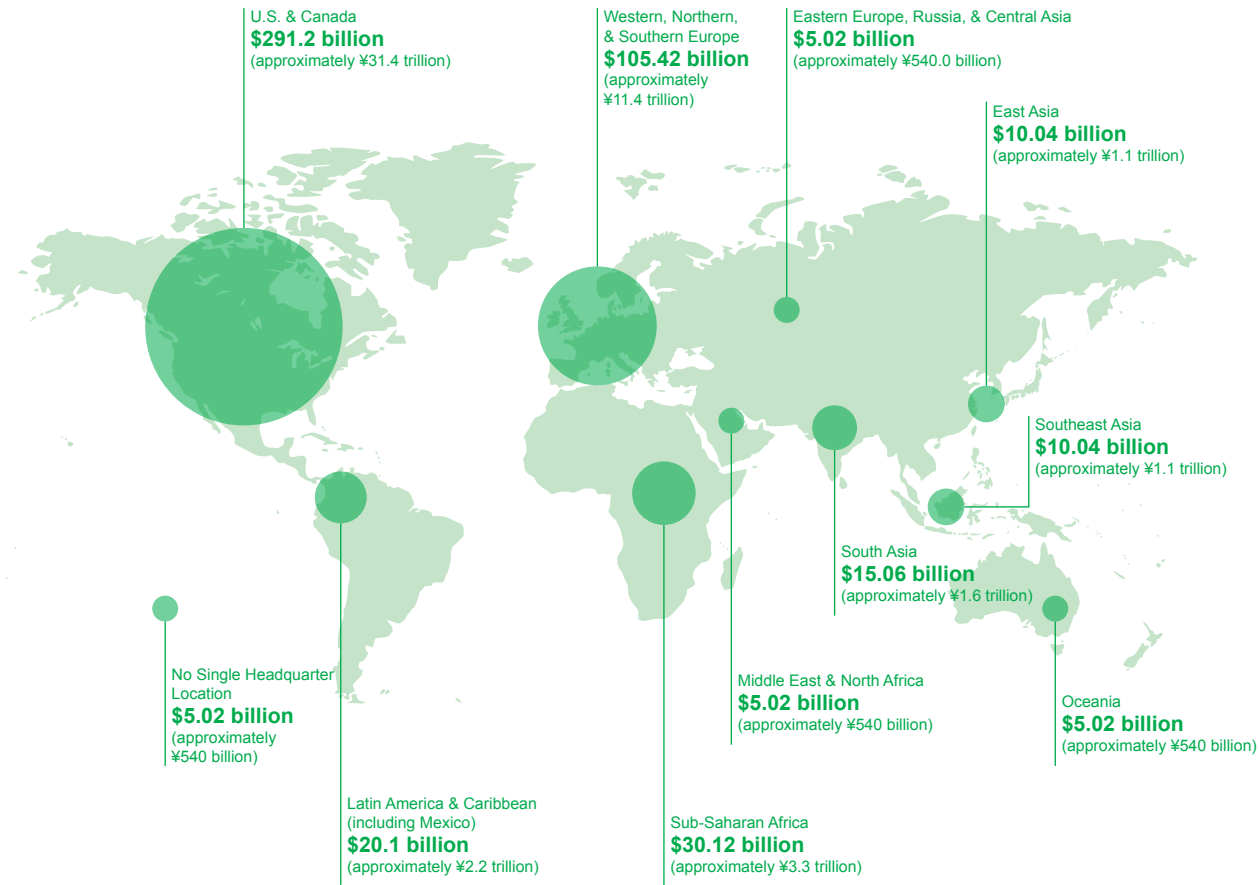
Total impact investing assets under management were reckoned by a 2019 survey to be \$239.0 billion (approximately ¥25.8 trillion), but are estimated to have actually reached \$502.0 billion (approximately ¥54.0 trillion). New impact investments in 2018 alone exceeded 13,000 transactions, for a total of \$33.1 billion (approximately ¥3.6 trillion), and particularly since the bankruptcy of Lehman Brothers there has been a steady flow of new entrants to the market.

Source: GIIN: Sizing the Impact Investing Market

Japan (¥317.9 billion)

Assets under management for the Japanese impact investing market were confirmed by a 2019 survey to be ¥317.9 billion. Assets under management grew approximately 9 times from the ¥33.7 billion confirmed for the initial survey in fiscal 2016.

Source: GSG Japan National Advisory Board, "The Current State of Impact Investing in Japan 2018"



Source: GIIN: Sizing the Impact Investing Market

# Overview of impact investing activities

Acting from the standpoint of an organization that has played a central role from the dawning of the age of impact investing in Japan to the building of the ecosystem, SIIF creates successful examples of impact investing in partnership with important stakeholders. We are nurturing human resources and organizations involved in impact investing, and using research and policy proposals to put in place the required environment for the promotion of impact investing. We are also actively participating in development processes for shared rules and methodologies related to impact investing that are moving forward globally.

## Fiscal 2019 highlights



With a focus on pressing social problems such as the declining birthrate and the aging population, this is a fund that aims to create the human resources and environment required to enable people to continue to work through a variety of life events.



Based on the Act on Utilization of Funds Related to Dormant Deposits to Promote Public Interest Activities by the Private Sector (the "Dormant Deposits Utilization Act"), we were selected as an Organization Distributing Funds in fiscal 2019.



### Single mother support project

In our program for supporting single mothers who start businesses while raising children, we offer a choice of new work styles that are not restricted to a certain time or place. This is a framework for supporting the acquisition of the skills and financing required to start a business.



Continued to support Plus Social Investment, which acts as an intermediary support organization for building impact investing mechanisms in the community

### Conducted Japan's first survey into consumer awareness of impact investing

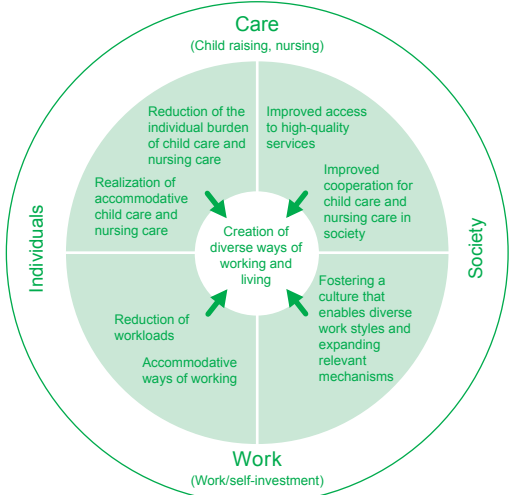


## "HATARAKU Fund" For creating the human resources and environment required to enable people to continue to work



The "HATARAKU Fund" was established in a joint effort between Japanese banking groups and SIIF, as one of the few examples in Japan of an impact investing fund that is open to external investors. With a focus on pressing social problems such as the declining birthrate and the aging population, this is a fund to invest in companies that create the environment required to enable working people to continue to work through a variety of life events. Having designated the creation of diverse ways of working and living as targeted long-term social changes (impacts), the fund invests in the work domain in areas such as care, including child raising and nursing, and in the nurturing of next-generation human resources, in order to build more substantial mechanisms for supporting working people in society.

### Theory of Change (ToC) for this fund



### Measurement process for this fund

Fund design	Preliminary examination	Examination	Investment decision	During the investment period	Investment recovery
Establish a theory of change for the social impacts the fund is aiming to create	Choose investment targets to contribute to the fund's ToC	Establishing of provisional logic models for investee candidates Verification of estimated impacts and negative risks	The investment committee's investment decisions are made from the perspectives of economic risks, returns, and social impacts	Finalization of investees' logic models Establishing of social impact measurement indicators and measurement methods Preparation and publishing of impact reports Use of measurement results in investee decision making	Search for buyers of shares who have a high affinity for impact IPO and investees Comparison of social impacts before and after investment, etc.

### Comments from those involved

We wanted to create a full-fledged impact investing fund still unusual in Japan that combined both financial returns and social returns and in which institutional investors could also participate. Our plans were brought to fruition with the cooperation of the Shinsei Bank Group and Mizuho Bank, two leading Japanese financial institutions. Furthermore, we also received participation from financial institutions who have made social impact and SDGs a priority, as well as receiving many inquiries from startups who wished to maintain and expand the social value of the project, all of which has given us a real sense that interest in impact investing is rising day by day. The key of impact investing is measuring and managing social impacts. By practicing the measurement of social impacts for investee projects and the creation of impact reports for investors in fiscal 2019, we were able to put in place the foundations of a social impact measurement and management model. Going forward we intend to continue to work diligently to contribute to the building of full-fledged models for impact investing funds.



General Manager, Projects  
Fumi Sugeno

### Introduction to investees

#### Life is Tech, Inc.



Our mission is to stretch the possibilities for each and every junior and senior high school student to the maximum extent possible. Rather than simply enabling such students to acquire programming knowledge and skills, we provide an IT programming education that emphasizes creation of the abilities that will be needed by the people who will lead the process of resolving social problems.

#### UniFa Inc.

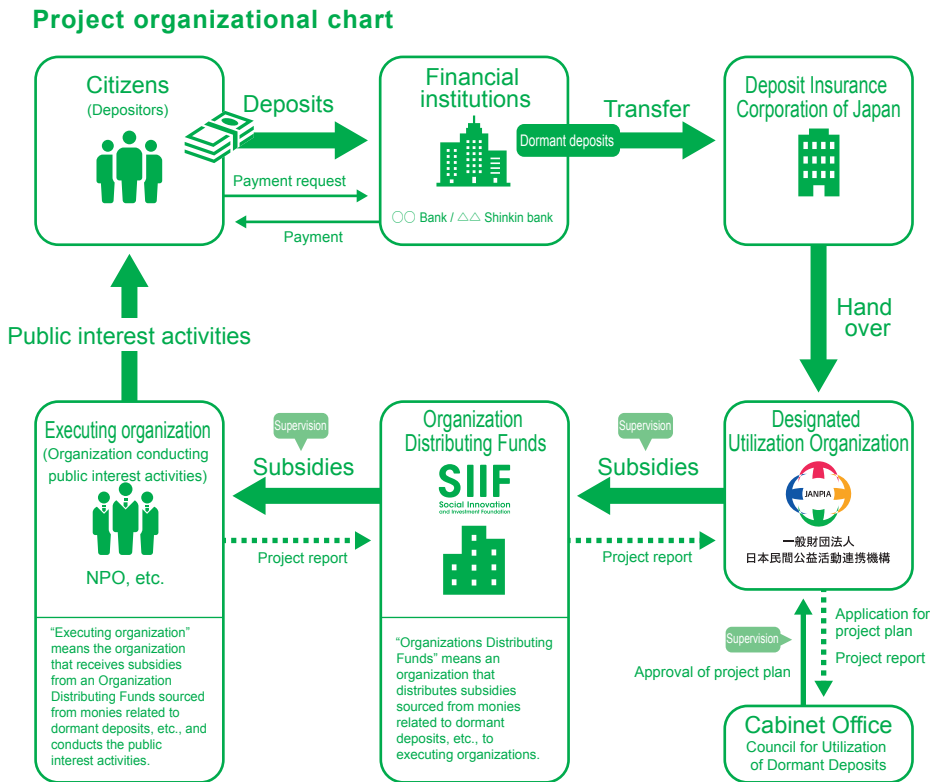


Our organizational purpose is to create new social infrastructure around the world that realizes the dreams of families, and we use cutting-edge technologies such as AI and IoT to improve the working environment in childcare facilities and to raise the quality of childcare itself. We aim to achieve a more prosperous society and to contribute to the SDGs.

# Dormant deposit accounts utilization project

“Project to support growth of social businesses for revitalizing regions”

In accordance with the Dormant Deposits Utilization Act, a system whereby deposits, etc. for which there had been no transactions over the 10-year period beginning January 1, 2009 (dormant deposit accounts, etc.), are used for the resolution of social problems and for the promotion of public interest activities began operation in fiscal 2019. SIIF was selected as an organization distributing funds, and has been implementing a project to support growth of social businesses for revitalizing regions, and the formation of an ecosystem that allows sustainable generation of impacts. In order to solve the problem of diminishing vitality in regional society, caused by the progressive decline in birth rates and the aging population, we support the social businesses that form the core of local communities by reinvigorating a variety of resources not used in the regions.



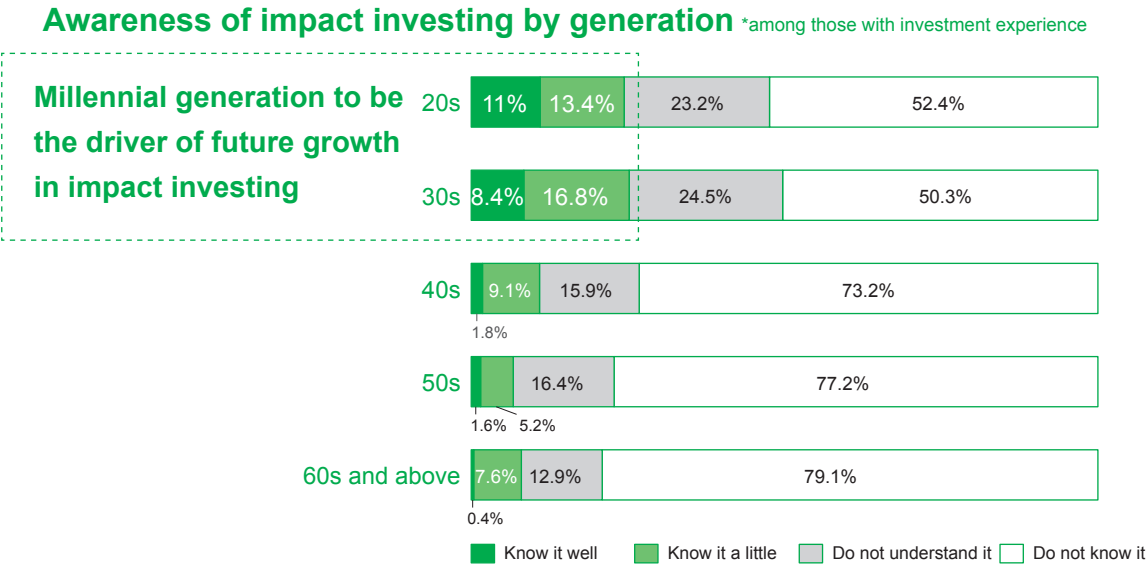
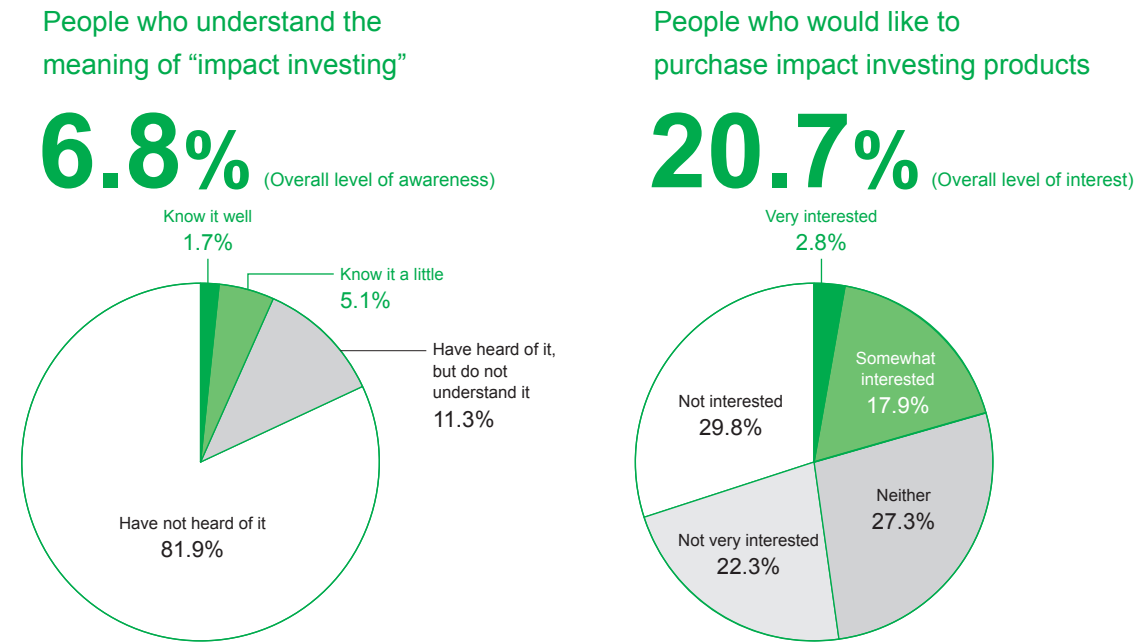
**Comments from those involved**

In raising a hand to become an Organization Distributing Funds, we had two objectives. One was that we sympathized with its basic policy of using dormant deposits in experimental or innovative initiatives, and wanted to run as a pacesetter with executing organizations. The other was to see whether we could not apply an “investment” approach to dormant deposits. In the dormant deposits project, we are conscious of a chain of mechanisms that consists of making dormant regional resources visible, measuring the social impact obtained from utilizing them, and generating sustainable social impacts while obtaining income from the project. We thought we might be able to generate sustainable social impacts by nurturing innovative social startups that have their roots in the regions, and to that end we concluded a comprehensive cooperation agreement with the Shinkin Central Bank. Rather than simply providing grants and leaving it at that, we aim to use grants as fertilizer to nurture projects, to help them achieve sustainable growth, and to cultivate businesses that in the future will no longer rely on dormant deposits.

Impact Officer  
Yuka Ogasawara

# Results of survey into consumer awareness of impact investing (level of recognition and interest)

As part of its research, SIIF conducted the first ever survey into the level of recognition and interest in impact investing among general consumers in Japan. The result was an overall level of recognition for impact investing of 6.8%. We found that individuals with experience in investing had a higher level of recognition. In terms of affiliation, millennials in their 20s and 30s had a high level of recognition, in addition to which the higher the household income, the higher the degree of recognition. Potential purchasers came to 20.7% of the total. In terms of affiliation, support came from the millennial generation and from people involved in social contribution activities, such as volunteer work and donations. Among those likely to purchase, 11.7% responded positively to the statement “If it were to contribute to resolving social problems, I would buy impact investing products even if the financial return were somewhat low.” The outcome was that we caught glimpses of intent to participate in transforming society through investment activities. Having digested the results of this survey we find that levels of awareness are low compared to those of other countries, but that domestic interest in purchasing is high, which gives us hope for the future.



<Survey overview> ■ Purpose of survey: To gain an understanding of the level of recognition, understanding and interest in social impact investing in Japan ■ Outsourcing contractor/methodology: Survey conducted by Macromill, Inc. ■ Target/sample size: 2,071 general consumers nationwide (number of respondents) ■ Sampling method: Stratified two-stage random sampling from Macromill's registered population, so as to resemble the national population by sex and by age bracket ■ Survey period: August 19, 2019 (Mon) - August 21, 2019 (Wed) Source: “Survey into general consumer awareness in relation to social impact investing” report, October 4, 2019



Presenting new benchmarks for measuring value

# Social impact measurement/management

## What is “Social impact measurement/management”?

With global interest in building sustainable societies rising steadily, we have arrived at an era in which even companies are being measured not only by economic activity such as profitability, but by the degree of their contribution to society. In addition, there is also a movement among not-for-profit organizations such as NPOs to clarify the degree of their contribution to resolving social problems. The process of making visible the results and changes in society and the environment caused by the activities and services provided by companies and not-for-profit organizations is referred to as “social impact measurement.” The process of using information related to social results to improve businesses and to make decisions with the intent of enhancing social impacts is referred to as “social impact management.”

## Overview of activities

As an organization whose goal is to popularize impact investing and impact-oriented philanthropy in Japan, SIIF is engaged in the practice of, and development of knowledge and nurturing of practitioners for, the social impact measurement and management initiatives that constitute the preconditions for such activities.

Strategic theme ② [Case studies]

## Utilizing social impact measurement for management

“SIMI (Social Impact Management Initiative)”

**SIMI**

In Japan, the Social Impact Measurement Initiative (now the Social Impact Management Initiative, or SIMI) was established in 2016 as a platform to promote social impact measurement and management, and the operations of this organization, and the roadmaps and action plans it has created, form the basis for implementation.

### Actual example

- (1) Published measurement toolset for four new fields (sports, healthcare, social capital, support for the homeless).
- (2) Held events, delivered support.
- **Held “Social Impact Day 2019”**
- More than 200 people from private-sector companies, NPOs, providers of funds, and measurement specialists, etc. participated, sharing information and opinions on the latest trends in social impact management.
- **Implemented “impact management seminar”**
- Introduced case studies of social impact management, aimed at NPOs and providers of funds.

### Constituent elements of logic model following the flow of the project (example of project to support finding work)

Project flow	Example of project to support finding work	Four elements of the logic model
People, objects, and money	• Instructors, research materials, and training locations, etc. required for program to support finding work	Inputs
Activities	• Development of programs to support finding work • Recruitment, etc. of people to participate in programs	Activities
Objects and services	• Provision of programs to support finding work	Output
Changes and results	• Acquisition of skills necessary for finding work • Enhancing motivation to find work • Achieving continuous employment	Outcomes

Source: SIMI

Strategic theme ② [Case studies]

## “Healthcare New Frontier Fund Impact Report 2018” published



The Healthcare New Frontier Fund is a venture capital fund that was established with the aim of extending healthy lives (an initiative being promoted by Kanagawa Prefecture) and resolving social problems by creating new industries in the fields of preventative measures to be taken before people actually become ill, and of cutting-edge medical treatment. SIIF has not only invested in this fund, but it also implements social impact measurements for every venture capital firm investee to support the growth of the investee’s business as well as increases in its corporate value in both social and economic terms. In 2019 we implemented social impact measurements for six new investee companies, and eight existing investee companies, for a total of 14 firms.

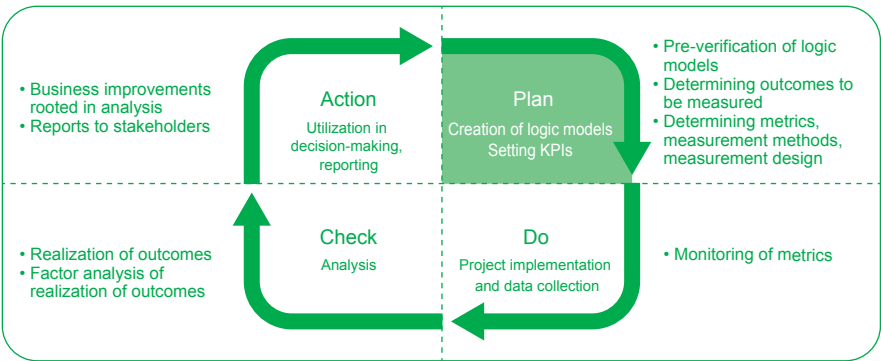
### Comments from those involved

2019 represented the second year of our unprecedented attempt to tackle the challenge of conducting social impact measurements for venture capital fund investees and to summarize them in the form of impact reports. In addition to the existing eight investee companies, we created logic models for six new companies, and conducted numerous discussions regarding which social KPIs should be used as targets. What is most pleasing is that we have seen a deeper understanding of the significance of social impact measurement and wider usage of such measurements, not only on the part of the staff of the investee but also among venture capitalists. We will continue to practice this approach so that we are able to provide new benchmarks that measure social value in addition to financial returns.



Impact Officer  
Yuka Ogasawara

### Measurement process for this fund



### Investee voices

#### Emimen Co., Ltd.

In the retirement home industry, which is the area of our company’s operations, we frequently see tragic social problems that arise from a variety of misconceptions. We have developed the business precisely to contribute to the resolution of such problems, but until now we had not applied quantitative metrics to the social value generated by the company. As a result of this process of measurement, I hope that our employees will be able to take even more pride in the business. In addition, by sharing this metric with others outside the company I expect an increase in the number of people who take note of the value provided by our product, and support us, and I also expect it to show which metrics should be used by the industry, and for it to open the way to healthy development.

#### Rehab for JAPAN Co., Ltd.

Social impact measurement is one of the items on the scorecard we use to execute the business. That is because our mission is “Delivering dreams and inspiration to everybody involved in nursing care,” and because we aim to simultaneously realize both capital value and social value. The former can be measured through accounts such as the income statement and balance sheet, but with regard to the latter we had difficulties with procedures and techniques for measuring social changes and outcomes. The initiatives in question have enabled logical explanations based on the creation of logic models and statistical measurement processes, and I really feel an evolution in the content of the activities themselves. In future, in order to achieve meaningful outcomes on an ongoing basis we will actively engage in external public relations.

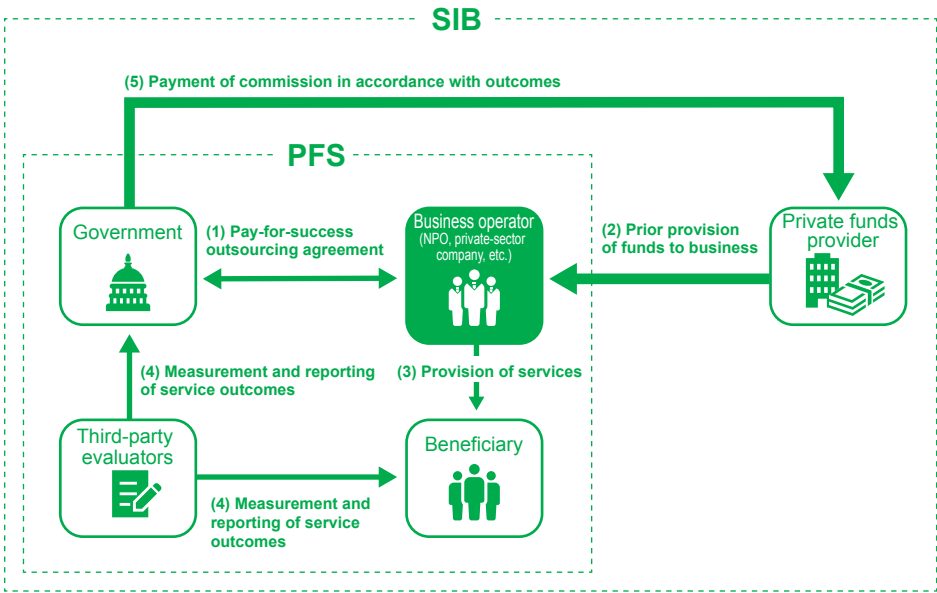
Paradigm shift in the public sector

PFS (Pay-for-success) / SIB (Social impact bonds)

What are PFS and SIB?

Pay-for-success contracts are agreements for outsourcing administrative services to the private sector under which the final payment of commission is linked to the success of the project. SIB is an abbreviation of Social Impact Bond, and refers to external provision of funds from the private sector accompanied by pay-for-success contracts with the private sector. As of 2019, 137 such SIBs had been established, primarily in the United Kingdom and the United States, representing a total investment of approximately ¥40.8 billion. A wide range of fields has been targeted, centered on areas where social problems need to be resolved, such as support for finding work, support for the destitute, and healthcare.

PFS/SIB mechanisms



Overview of activities

PFS/SIB are new mechanisms that seek to transform public services to a more outcome-oriented approach. From the standpoint of an organization that has led the way in the adoption of PFS/SIB in Japan, SIIF is not only involved in creating model projects but also aims to achieve a paradigm shift in the delivery of public help by sharing knowledge and submitting policy proposals.

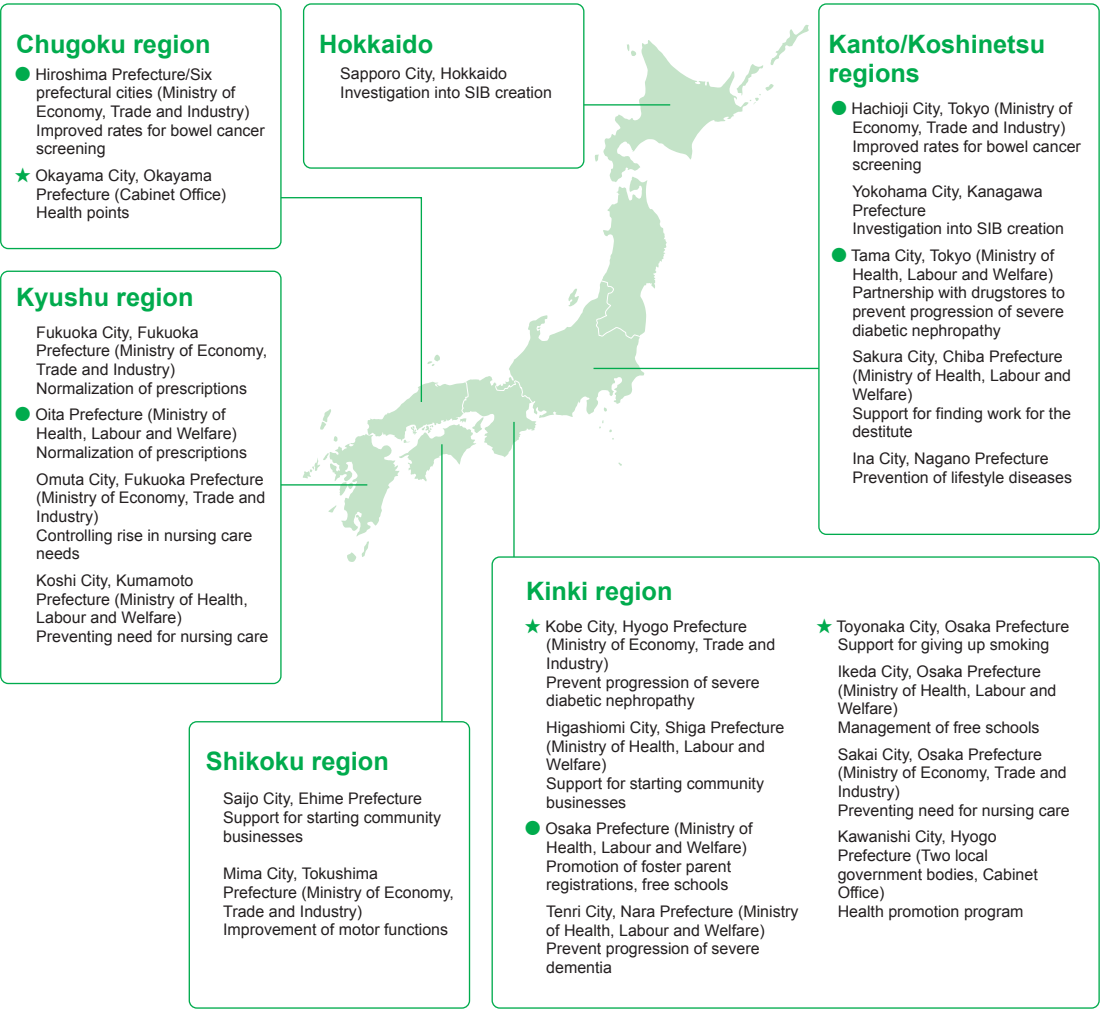
<b>Report creation for SIBs</b> In cooperation with Mitsubishi UFJ Research and Consulting, SIIF has made two reports on SIBs available on the Internet. Those who wish to know more about SIBs should refer to the reports shown on the right.	<b>Implementing outcome-oriented public services</b> - A look back at the - introduction of pay-for-success contracts (PFS/SIB) in Japan -
	<b>Research into the state of pay-for-success contracts in Japan</b> - A retrospective view on case studies in Japan -

Domestic trends

The first full-fledged projects were those created by the cities of Kobe and Hachioji in 2017. By 2019 around 20 PFS/SIB projects had been created, primarily by local government bodies nationwide, representing a total investment of approximately ¥900 million. SIIF was involved in the creation of three of these 20 projects, and in the provision of funds for eight.

- ★ SIIF acted as intermediary/provided funds
- SIIF provided funds

\*Source of contribution noted in parentheses



Fiscal 2019 highlights

2019	May	Invested in health promotion SIB using Health Points, Okayama City, Okayama Prefecture
	July	Invested in SIB project for support of giving up smoking, Toyonaka City, Osaka Prefecture
	August	Held SIB stakeholder workshop
	November	Participated in the Council for Promotion of Regulatory Reform, Council on Investments for the Future
2020	February	Presented a paper at the Cabinet Office PFS seminar



Initiated world-leading SIB project for support of giving up smoking  
**Toyonaka City, Osaka Prefecture**  
“Social Impact Bond for Support of Giving up Smoking”



Began “Toyonaka Giving Up Smoking Project,” the world’s first SIB to support people trying to stop smoking.  
We discussed the thoughts behind the structuring of this SIB with members of the team involved in its creation, and also asked them where they had struggled.

**Q1** What is the significance of starting an SIB for this project to support giving up smoking, what are your thoughts on creating the project, and did you encounter any difficulties?

**Toda:** SIIF acted as an intermediary support organization and as a provider of funds. As an intermediary support organization, at the structuring stage we undertook the design of the measurement and the payment conditions, which are the key to SIB projects, and also provided overall coordination. Since the launch of the project, we have been monitoring its status through participation in progress meetings. As a provider of funds, we also invested in the project itself.  
Previously, administrative support for people giving up smoking was generally restricted to having the city office give people the contact details of medical institutions with an outpatients department for stopping smoking. In the case of outpatient departments for stopping smoking, the requirement for the individual to travel to the medical institution seems to constitute a high hurdle for busy people. The services provided by this Toyonaka City SIB project for support of giving up smoking are all delivered online, allowing individuals to work on stopping smoking in a way that matches the rhythm of their own lifestyle. I think one of the significant characteristics of the introduction of SIBs is that they enable citizens to use outsourced administrative services that are packed with the originality and ingenuity of private-sector companies.  
**Nakamura:** During the 10-year period from 2009 to 2019, the price of a packet of cigarettes rose 1.5 times, while the number of places where it is acceptable to smoke decreased rapidly, and smokers began to feel increasingly unwelcome. This SIB is aimed at people who have been unable to stop smoking whatever they do, and provides more active

intervention and effective support for giving up. We feel that participation in this project is worthwhile because it helps large numbers of people maintain their health.  
**Yamamoto:** In the “Action Plan for the Promotion of Pay-for-Success Contracts with Private Service Providers,” the Cabinet Office refers to the creation of guidelines, between fiscal 2020 and fiscal 2022, in relation to such matters as measurement and payment conditions. However, I feel that currently the creation of SIBs incorporates a substantial order-made element. We have benefited from considerable cooperation from the employees of the ordering entity, which is Toyonaka City, and also from the employees of CureApp Inc., which received the order. Our frame of mind as we created the structure was that we did not want to waste this cooperation, and we were keen to make the best project we could.

**Q2** The program began in July 2019. What progress has there been up to the end of March 2020?  
**Nakamura:** CureApp, Inc., which operates the business, has implemented a variety of measures in partnership with Toyonaka City, such as social media advertisements, door-to-door distribution of leaflets and insertion of leaflets into shopping bags,



(Left) Impact Officer Michiru Toda  
(Center) Impact Officer Yuko Nakamura  
(Right) Impact Officer Taiki Yamamoto

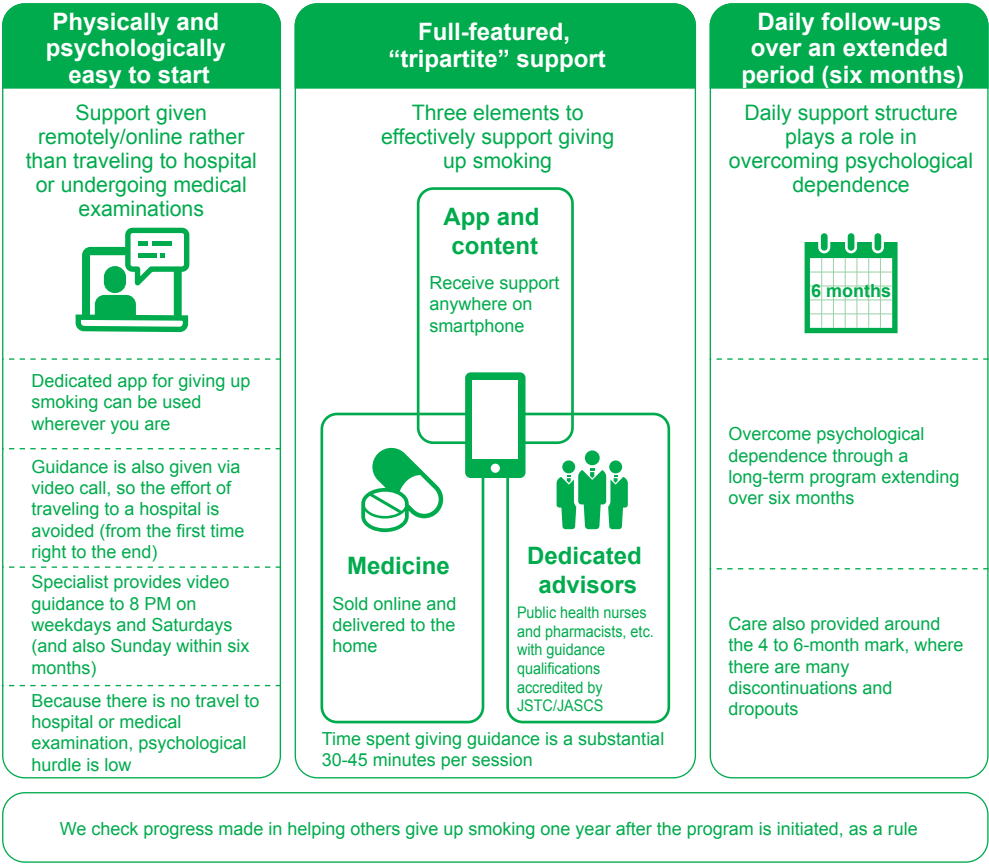
placement of advertisements within transportation facilities, and approaches to local businesses. The number of new participants is increasing. Even as we speak, our partners are working with great enthusiasm to further increase the number of participants, analyzing and continuing to use methods that have produced results, and engaging with new approaches. City residents made positive comments to the effect that while traveling to the hospital for the outpatient department for giving up smoking seems too difficult, our system is convenient and they think they will be able to continue with it, that the advisers are very helpful and reassuring and have motivated them to keep going, and that the project has led them to reassess their own health.

**Q3** What are your expectations for SIB going forward, and what are the issues? Also, in what areas do you see the introduction of SIBs increasing?

**Toda:** The first SIB in Japan was launched in 2017, so it is still very much undeveloped as a scheme. In the United Kingdom, which was the birthplace of this instrument, the first scheme was only launched in 2010, so even on a global basis it is still a new initiative. Globally, there

are many cases of SIBs being used to help people find work, or to support the destitute, so in Japan also we expect more projects to be created in those areas.  
**Nakamura:** With regard to the “frailty countermeasures” that require local governments to come up with uniquely effective initiatives, we feel that SIBs that are able to utilize the proprietary know-how of business operators, and that have the effect of encouraging more active programs, are particularly promising. By asking investors to commit funds in advance to share the risk, we facilitate a bolder approach to initiatives by business operators.  
**Yamamoto:** In Japan, until recently many projects emphasized reductions in administrative expenditures (downside), with a focus on cutting medical costs. Conversely, SIIF is aiming at the implementation in society of upside SIBs with a focus on increasing tax revenues, and was involved in the program for supporting single mothers starting businesses as a model project. Depending on the nature of the social problem or project in question, we feel that designs such as this that focus on the upside may be appropriate, and we expect such projects to be created going forward.

Overview of this project’s support for stopping smoking



A new economy that supports the exchange of value other than money

# Alternatives

## Overview of activities

Going forward, we believe that impact investing will need the construction of a new economy (an impact economy) to support sustainable solutions to social problems and create new value, such as by transforming existing financial systems, rebuilding flows of money in order to redefine self-help, public help, and mutual help, and creating new mechanisms for exchanging value. To achieve this, SIIF intends to build a new ecosystem for the circulation of resources, to which end it is creating models and nurturing players.

### Comments from those involved

Today, with the limitations of the existing capitalist economy that assumes growth as a precondition becoming apparent, we must change the structure of society and the economy. We invested in ADDRESS Co., Ltd. not simply as a means of revitalizing regional economies, but because we expect it to play a role as a new community hub that allows required resources, such as “people” and “objects,” to flow to the regions and be conserved there. We are currently working with others to make the social impact of the “related population” visible, and attempting to clarify the positive impact on local communities of connections between individuals. At Hallucigenia Lab, we are taking up the challenge of thinking about and generating new mechanisms for society and the economy. Specifically, while providing support and cooperation for ecosystem players in multiple regions, we are working to develop new projects that will generate a new circulation of resources such as people, objects and money. While boldly introducing advanced concepts such as gift economy theory, community marketing and speculative design, we aim to develop a new methodology for creating regional ecosystems.



Impact Officer  
Yasufumi Furuichi

Strategic theme ④ [Case studies]

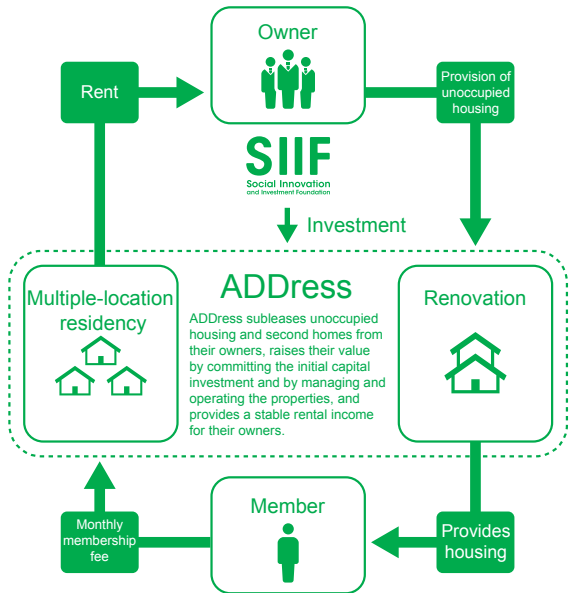
## Practicing population sharing between cities and regions

### “ADDRESS”



In preparation for the creation of the impact economy, venture capital company ADDRESS Co., Ltd., which SIIF supports and in which SIIF has invested, provides a co-living service (“ADDRESS”) that utilizes unoccupied housing to allow members to enjoy residency across multiple locations. By collaborating with people around the country who are active in areas such as starting businesses and urban planning, we aim to create related populations in each region that are involved in multiple businesses, education, culture, medical activities and so on. Since the service began operation last year, it has developed 30 locations nationwide. Recently, this has produced examples of new lifestyles that transcend the provision of housing, such as families who practice dual-schooling (a setup whereby students can attend to schools in cities and in the regions) while staying at an ADDRESS location. Going forward, the focus will also move to revitalization of the regions by encouraging the transfer of populations from cities to regions, and by promoting the creation and use of idle assets through renovation.

### Project organizational chart



Strategic theme ④ [Case studies]

## Research and development of new mechanisms for resource circulation

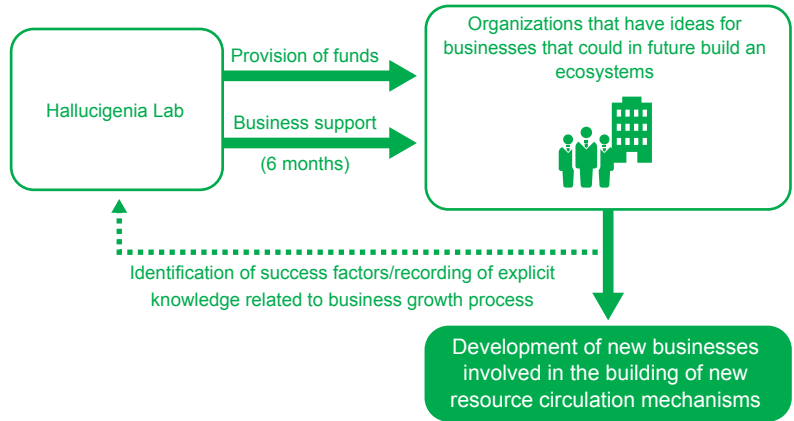
### “Hallucigenia Lab”



We have begun the “Hallucigenia Lab” accelerator program for research and development of new mechanisms for the circulation for resources such as people, objects and money. In addition, the four organizations participating in this program have been selected. This program is open to organizations that have ideas for businesses that could in future become ecosystems with a role in the circulation of resources. These organizations are provided with funding and six months of business support. Each of the recipients of this support work on the development of new businesses involved in the building of new resource circulation mechanisms. In addition to providing backing to each organization for the development of new business prototypes, SIIF identifies the success factors within that process, records explicit knowledge related to the business growth process, and provides know-how to the business operators, with the aim of inducing them to build new mechanisms for resource circulation.

### Program details

- Provides uniquely developed and designed 6-month training program
- Supports business development by assigning a dedicated supervisor for each company



### Recipient of subsidy

	K.K. Next Commons Lab (Tono City, Iwate Prefecture)	Creation of new community economic zones by developing union organizations through the utilization of cryptoassets
	Unnan Community High School Consortium (Unnan City, Shimane Prefecture)	Building relationships that transcend generations between local junior and senior high school students and adults, by means of a helper app.
	Makigumi LLC (Ishinomaki City, Miyagi Prefecture)	Collects donations for housing materials aimed at those who have difficulty in securing a place to live, forming of a gift economy platform to support independence
	Kokohore Japan KK (Okayama City, Okayama Prefecture)	Developing media platform to ensure the continuation of regional businesses. Operates “keigyo.jp” for regional businesses that need assistance to survive

### Origin of the name “Hallucigenia Lab”

The mysterious “Hallucigenia,” which is thought to have been endowed with a highly unusual structure, has become a representative of the Cambrian period that saw an explosion in diversity of new lifeforms, and which included creatures that deviated from the logic of the ecosystem. Our goal is to produce as many entities like the Hallucigenia as possible, in the sense that although they may look distorted or unnatural today, they symbolize an attempt to resolve social problems that will in future become recognized as necessary throughout the world.



Intentional funding drives innovation

# Progressive philanthropy

Overview of activities

“Progressive philanthropy” goes beyond traditional philanthropic approaches (activities to improve society) in which the emphasis is on donations and subsidies, and seeks to resolve social problems by adopting techniques from impact investing, such as diverse approaches to providing funds, including investments, and making results visible. By committing funds to support the building of prototypes for businesses that have no precedent, we aim to have a substantial impact on society.

What is progressive philanthropy?

Catalytic

- Provides risk capital
- Performs pump-priming role for other providers of funds
- Provides flexible funding ranging from donations to investments, as required

Impact-oriented

- Plans and executes strategic philanthropy
- Holistic awareness of social systems rather than individual issues
- Aims to make recipients of support sustainable

Fiscal 2019 highlights

Conducted overseas surveys, wrote survey reports and planned study meetings in preparation for realizing ecosystems that enable progressive philanthropy

• Finding from on-the-spot survey in the United States

- We confirmed the existence of a wide range of philanthropy advisory organizations and impact investment advisory organizations, which vary according to the nature of the customer, and understood that they each have their strengths and special characteristics.
- We found that interest in impact investment among family foundations is rising, and that the major philanthropy advisory organizations are setting up impact investment promotion teams.
- We discovered multiple communities for peer study, which spark inquiry-based learning amongst philanthropists

• Begun writing survey report on formation of new philanthropy ecosystem

• Planned study meetings for people with an interest in participating in progressive philanthropy activities

Comments from those involved

Japan is sometimes called an asset superpower, but the level of donations and impact investing is lower than in other major countries. There are limits to the state’s ability to resolve problems, so we believe it is necessary for each individual to act with the intent to build society. Progressive philanthropy refers to the intentional pursuit of capital (knowledge, passion, or money committed to projects with measurable social impact) by each individual, and also to the ecosystem that supports the investment and business activities that arise as a result of this pursuit. We believe it is necessary to consider and practice ways of using individual capital to initiate social and economic resource circulation in a way that transcends the framework of self-help, public services and mutual help, by raising awareness among impact-oriented asset owners, and seeking the evolution of a self-generating ecosystem of philanthropy.



Impact Officer  
Yuko Koshiba

# Global partnerships

SIIF cooperates with organizations that are involved in the global promotion of impact investing and social impact measurement/management, and in addition to communicating the latest trends in Japan, it works to disseminate leading cases and knowledge from overseas within Japan.



GSG

The Global Steering Group for Impact Investment

An international organization established for the purpose of promoting impact investment globally in response to an appeal in June 2013 by Prime Minister David Cameron of the United Kingdom, which held the presidency of the G8 at the time.



GIIN

The Global Impact Investing Network

A networking organization for investors that was established in 2009 by a group of investors centered on The Rockefeller Foundation for the purpose of popularizing impact investing. Conducts research and advocacy related to impact investing and contributes to the formation of the impact investing community.



IMP

Impact Management Project

An international initiative established in 2018 to promote social impact management for business and investment. Supports the practice of social/impact management and the development of related know-how.



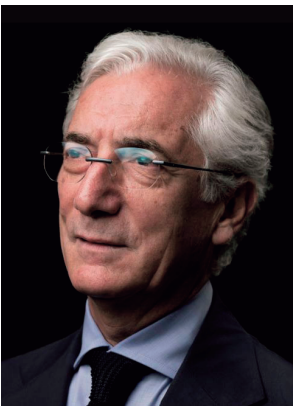
AVPN

Asian Venture Philanthropy Network

An international not-for-profit organization established in Singapore in 2012, with a membership consisting of over 600 organizations and companies associated with impact investing and strategic philanthropy, drawn from 34 countries around the world.

Sir Ronald Cohen's message

“Japan’s GSG National Advisory Board for Impact Investment, supported by SIIF, has been successful in leading the Impact Investment sector in Japan since its inception in 2016. This includes many initiatives underway, including building Japan’s impact ecosystem, the utilization of dormant accounts for social purposes and the design of new impact investment business models. Together we continue to drive the flow of private sector investment to bring social innovation to improve lives in Japan and the planet.” – Sir Ronald Cohen, Chair, GSG



Sir Ronald Cohen, Chairman, GSG

# Organization Summary



Organization name Japan Social Innovation and Investment Foundation (SIIF)

Address 6F M-City Akasaka 1-chome Building, 1-11-28 Akasaka, Minato-ku Tokyo 107-0052, Japan

Date established September 2018

## History

2013	The Nippon Foundation started to engage in research to promote social impact investment in Japan
2014	A social investing promotion office was set up within The Nippon Foundation, and The Nippon Foundation and its partners represented Japan on the G8 Social Impact Investment Taskforce (GSG; now the Global Steering Group for Impact Investment) The Nippon Foundation hosted a secretariat managing the strategic and day-to-day activities of the GSG Japan National Advisory Board
2015	Start of SIB pilot projects in Yokosuka, Amagasaki, and Fukuoka Cities
2016	Founding of the Social Impact Measurement Initiative (SIMI; now the Social Impact Management Initiative)
2017	In order to further accelerate the social impact investment market building initiatives, founded Japan Social Impact Investment Foundation (SIIF) Start of first, full-scale Japanese SIB projects in Kobe and Hachioji
2018	Participated in the Healthcare New Frontier Fund initiated by Kanagawa Prefecture
2019	Set up and managed jointly with Shinsei Corporate Investment and Mizuho Bank the social impact investment fund Merged with the Institute for the Advancement of Social Innovation and renamed ourselves as the Social Innovation and Investment Foundation

## Chair of Executive Committee

Mariko BANDO [Chancellor of Showa Women's University]

## Vice-chair of Executive Committee

Mitsuaki AOYAGI

## Member of Executive Committee

Nanako KUDO

Yoshinobu TAKAISHI

## Director

Takuya OKAMOTO [President & CEO, Chitose Kensetsu, Inc.]

Osamu KANEDA [Founder & CEO, Yo-ren Limited]

Shunichi NAGATA [Director, Trust Museum, Mitsubishi UFJ Trust and Banking Corporation; former Chairman, Deposit Insurance Corporation of Japan]

## Auditor

Yumiko IGARASHI [Attorney at Law, Igarashi Law Office]

Akemi SUNAGA [Representative Director, Marunouchi Business Consulting Ltd., Certified Public Accountant]

## Councilors

Hiroko OTA [Senior Professor, National Graduate Institute for Policy Studies; Vice Chairman, the Japan Productivity Center]

Takeju OGATA [President, The Nippon Foundation]

Yuko KAWA [Professor, Waseda University Graduate School of Business and Finance]

Masayasu KITAGAWA [Professor Emeritus, Waseda University; Advisor, Waseda University Research Institute of Manifesto]

Hiroyuki SHIBATA [President & CEO, Shinkin Central Bank]

Ryoki SUGITA [Advisor, Japan Center for Economic Research; former Chairman, Nikkei Inc.]

Tsuyoshi TAKAGI [Adviser, Japanese Trade Union Confederation (Rengo)]

Yoko TAKAHASHI [President, Japan Philanthropic Association]

Akihiko TANAKA [President, National Graduate Institute for Policy Studies]

Hironori TARUMI [Professor, Faculty of Law, Hokkai-Gakuen University]

Yasutake TANGO [Chairman of the Board, Japan Tobacco Inc.; former Vice Minister, the Ministry of Finance]

Yuri NAKAE [Actress, writer]

Masahiro FUTAHASHI [Chairman, Japan Center for Local Autonomy; former Deputy Chief Cabinet Secretary]

Tsutomu HORIUCHI [Professor, Center for Social Investment of Tama University; former CFO, Mori Building Co., Ltd.]

Yoshinori ISOZAKI

Organizational summary and officers, etc. valid as of March 31, 2020.

Supported by 日本 THE NIPPON 財団 FOUNDATION

The operations of the Foundation are implemented with the assistance of subsidies from the Nippon Foundation.

# Financial status

## Net Assets Variation Statement

I Change in general net assets	
1. Change in ordinary revenue/expenses	
(1) Ordinary revenue	
Total ordinary revenue	334,426,334
(2) Ordinary expenses	
Operating expenses	233,013,993
Total administrative expenses	93,618,451
Total ordinary expenses	326,632,444
Current change in ordinary revenue/expenses before adjustment by appraisal gain or loss	7,793,890
Current change in ordinary revenue	7,793,890
2. Change in extraordinary revenue/expenses	
(1) Extraordinary revenue	
Total extraordinary revenue	0
(2) Extraordinary expenses	
Total extraordinary expenses	1,410,947
Change in current extraordinary revenue	△ 1,410,947
Current change in general net assets before taxes	6,382,943
Income taxes	105,000
Current change in general net assets	6,277,943
Opening balance of general net assets	0
Closing balance of general net assets	6,277,943
II Change in designated net assets	
Dormant deposits and other subsidies	103,505,800
Private subsidies received (amount transferred via merger)	710,554,202
Total subsidies, etc., received	814,060,002
Donations received (amount transferred via merger)	3,218,500
Appraisal gain or loss on designated assets	△ 920,828
Transfer to general net assets	
Transfer to general net assets	△ 317,312,135
Current change in designated net assets	499,045,539
Opening balance of designated net assets	466,540,229
Closing balance of designated net assets	965,585,768
III Closing balance of net assets	
	971,863,711

April 1, 2019 to March 31, 2020 (Units: yen)

## Balance sheet

I Assets	
1. Current assets	
Total current assets	23,662,022
2. Non-current assets	
(1) Endowments	
Total endowments	10,000,000
(2) Designated assets	
Prepayments	1,400,000
Business management equalization fund	30,000,762
Basic surplus	332,216,892
Social transformation project assets	149,950,184
Dormant deposit project assets	153,505,800
Marketable securities	247,638,202
Fixtures and fittings	2,591,370
Equipment attached to buildings	11,126,078
Rental deposit	27,156,480
Total designated assets	955,585,768
Total fixed assets	965,585,768
Total assets	989,247,790
II Liabilities	
Total current liabilities	17,384,079
Total non-current liabilities	0
Total liabilities	17,384,079
III Net assets	
1. Designated net assets	
Dormant deposits and other subsidies	103,505,800
Private grants	856,782,296
Contributions	6,218,500
Appraisal gain or loss on marketable securities	△ 920,828
Total designated net assets	965,585,768
2. General net assets	
Total net assets	971,863,711
Total liabilities and net assets	989,247,790

As of March 31, 2020 (Units: yen)