

STUDY REPORT

Developmental study on action plans to promote cross-border collaboration in the social sector in the U.S. and Japan as well as advance philanthropy in Japan



Japan Fundraising Association
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Comparisons between the U.S. and Japan are not entirely equivalent due to differences in systems and research methodologies.
Unless otherwise stated, the exchange rate of 150 yen/USD is applied to calculate the US dollar amount.

CHAPTER 1

Executive Summary

The Japan’s social sector is at a critical turning point for significant future growth, supported by a social environment that is becoming more impact-driven.

- Japan’s social sector, while still developing compared to that of the US, is at a pivotal stage with significant growth anticipated.
- Individual and corporate donations are steadily increasing, while reforms to public interest corporations and trusts are expected to create a more flexible system. Collaboration between the corporate and social sectors is also advancing, driven by the partnership led by Keizai Doyukai, the Impact Startup Association and the Japan Association of New Public. Younger business entrepreneurs are founding impact-driven foundations, and there is growing interest in family governance and intergenerational wealth transfers, with contributions through bequests, trusts, and funds from high-net-worth individuals (HNWIs) expected to rise. The impact investing market is expanding rapidly, with catalytic capital from dormant deposits now being mobilized.

Overview of the Japanese Social Sector in Numbers

11,000

Approved NPOs, PIIAs and PIIFs which qualify for a tax deduction for donations

 vs. 1.51 million 501(c)(3) organizations

34.2%

Approval rate of PIIAs & PIIFs for eligible for tax deductions for donations

 vs. 86.3% of 501(c)(3) organizations

\$8.08B

Individual donations size in 2020, which equivalent to 0.23% of nominal GDP

 vs. \$374.4B & 1.37% of nominal GDP in 2023

\$1.09B

Market size of domestic crowdfunding market on project basis in 2022

 vs. \$17.2 B in 2022

5-20%

Typical fees percentage of donation-type crowdfunding platforms

 vs. 2%-10%


\$6.85B

Amount of corporate donations in 2022, which equivalent to 0.18% of nominal GDP

 vs. 36.88B & 0.13% of nominal GDP in 2023

\$0.80B

Giving amount of 985 grant-making foundations provided in 2019

 vs. \$103.53B of foundation-giving in 2023

\$0.36B

Total net assets of charitable trusts in FY2023

 vs. \$115.39B of planned giving trusts(CRTs/CLTs) in 2012

By strengthening the ecosystem that supports each stakeholder in the social sector, the social sector can become a core player that creates social innovation.

● Despite the support from the social environment, the social sector has not yet become the main player in creating social innovation. Through a comparison of Japan and the U.S., this study identified the bottlenecks and issues for each stakeholder as follows.

Nonprofits	Foundations	Corporations
<ul style="list-style-type: none">● Due to rigid and complex legal systems and procedures, the number of newly established nonprofits remains limited.● Many nonprofits are relatively small and have weak organizational capacities, making it difficult for them to boldly take on challenges that drive social innovation.	<ul style="list-style-type: none">● Historical background and the public interest corporation system does not allow foundations to operate flexibly and quickly.● Most foundations remain limited to traditional research grants and scholarships, and have not yet fully embraced strategic philanthropy or taken on a central role in the social sector.	<ul style="list-style-type: none">● There are limited training opportunities for corporate philanthropy professionals and support systems to consolidate knowledge on corporate philanthropy.● Corporate foundations are operated as independent foundations separate from the company strategies.
HNWIs	Individual donors	Philanthropy Support Ecosystem
<ul style="list-style-type: none">● Charitable trusts cannot be utilized for planned giving, and the tax system does not incentivize philanthropy from HNWIs.● There is a weak ecosystem of support in terms of professional human resources and information such as philanthropy advisors and rating agencies.	<ul style="list-style-type: none">● The complex and inflexible donation tax system and the penetration of crowdfunding/ donation platforms are challenges.● Governance certification and rating information for nonprofits is limited, making it difficult for donors to find their best nonprofits.	<ul style="list-style-type: none">● There are only a limited number of foundations provide funding and supporting firms for capacity building of nonprofits.● The ecosystem to support these efforts is not well developed to support impact-driven foundations.

Given its advantages, the priority actions for the US-JF include advocacy support for social ventures, rule/system development to enhance philanthropy, and connecting US philanthropists with social issues in Japan.

- To overcome the bottlenecks and challenges hindering the growth of the social sector, this study proposes leveraging the resources of U.S.-Japan foundations to mobilize diverse forms of capital for the social sector.

	Action items	Leverageable US-JF assets
1 Developing leading role models of foundations	Conduct practical training for the next generation of foundation leaders alongside US foundation experts, while providing mentoring, technical support, and grants to implement innovative models, and fostering a peer-learning community with US leaders.	<ul style="list-style-type: none">● Connections with leading foundations in the US (as trainers)● Grant programs
2 Enhancing advocacy capacity for nonprofits	Share experiences and lessons learned by U.S. advocacy professionals with Japanese nonprofits, present US advocacy case studies through events, and initiate advocacy grants while assigning U.S. advocates to mentor grantees.	<ul style="list-style-type: none">● Connections with experienced advocates in the US (as trainers)● Grant programs
3 Connecting US philanthropists with social issues in Japan	Invite U.S. philanthropists on a field trip to Japan to connect them with leading social sector players, share Japanese social issues on U.S. platforms, and establish a platform for donations from the U.S. to Japan.	<ul style="list-style-type: none">● Connections with US philanthropists● Current and past grantees as field trip destinations
4 Enhancing philanthropy support ecosystem	Establish a certification system for philanthropy advisors, promote Giving Pledge-like initiatives in Japan, advocate for more flexible and efficient philanthropy, and introduce U.S.-led strategic philanthropy schemes.	<ul style="list-style-type: none">● Relationships with Japanese political leaders● Connections with US philanthropists

CHAPTER 2

Introduction

This study aims to identify bottlenecks for advancing philanthropy in Japan and explores measures to unlock further development through cross-border collaboration between the U.S. and Japan.

Background

The United States-Japan Foundation (US-JF) was established in 1980 to promote cross-cultural understanding, initially funded by Japanese industrialist Ryoichi Sasakawa, in partnership with American diplomats Angier Biddle Duke and Robin Duke. The foundation aimed to ease trans-Pacific tensions by fostering cultural, historical, and policy awareness between the two nations. Over more than 40 years, US-JF has expanded its mission to include active collaboration and new initiatives for positive change. Today, it remains an independent philanthropic organization committed to strengthening bilateral relations and addressing shared challenges.

To develop strategies and actions for contributing to Japan's social sector and enhancing bilateral cooperation between Japan and the U.S., leveraging US-JF's unique position, it is essential to compare the state of the social sector in both countries and understand the context, opportunities, and bottlenecks for advancing Japan's social sector. It will facilitate cross-border collaboration between the U.S. and Japan in this area.

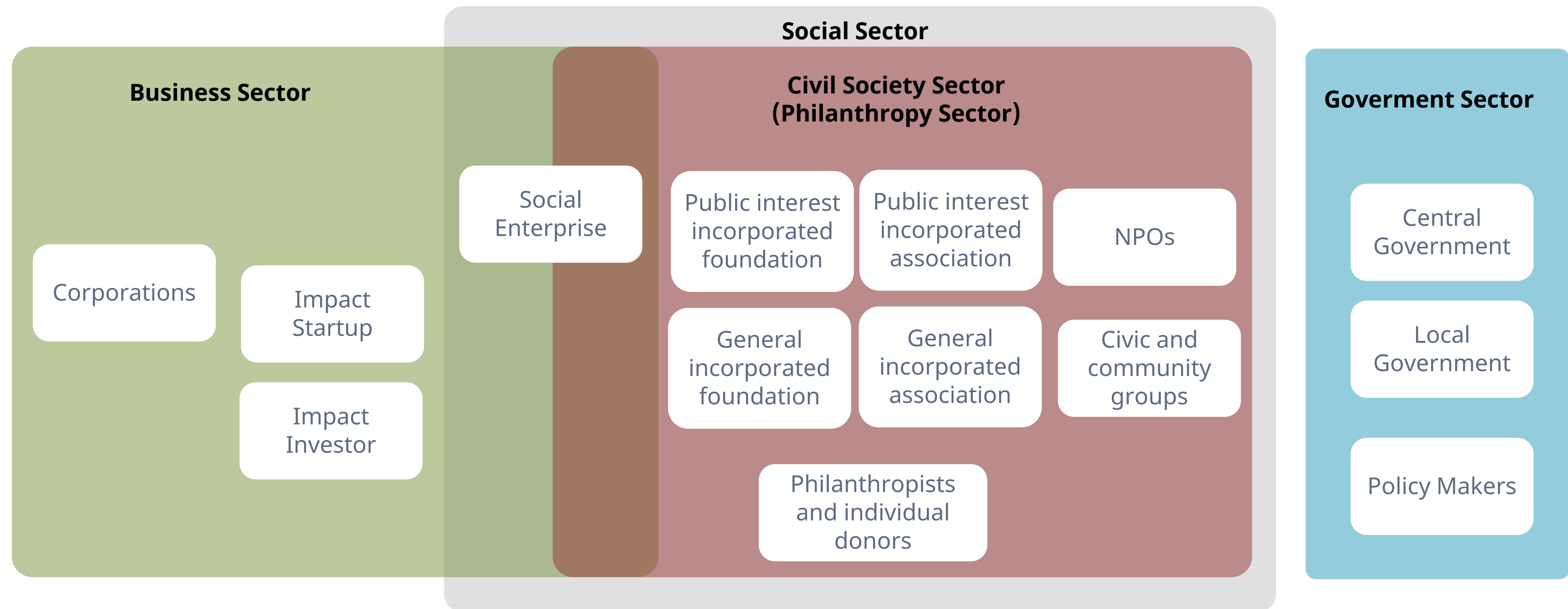
Objectives

This study aims to achieve the following objectives:

- To provide an overview of the donation market, and legal and tax systems in Japan
- To clarify the differences in the legal/tax systems and mechanisms between the U.S. and Japan
- To identify key gaps and bottlenecks to advance philanthropy in Japan
- To develop action plans for the US-JF to promote cross-border collaboration in the social sector in the U.S. and Japan as well as advance philanthropy in Japan, including collective action plans with Japan's key organizations.

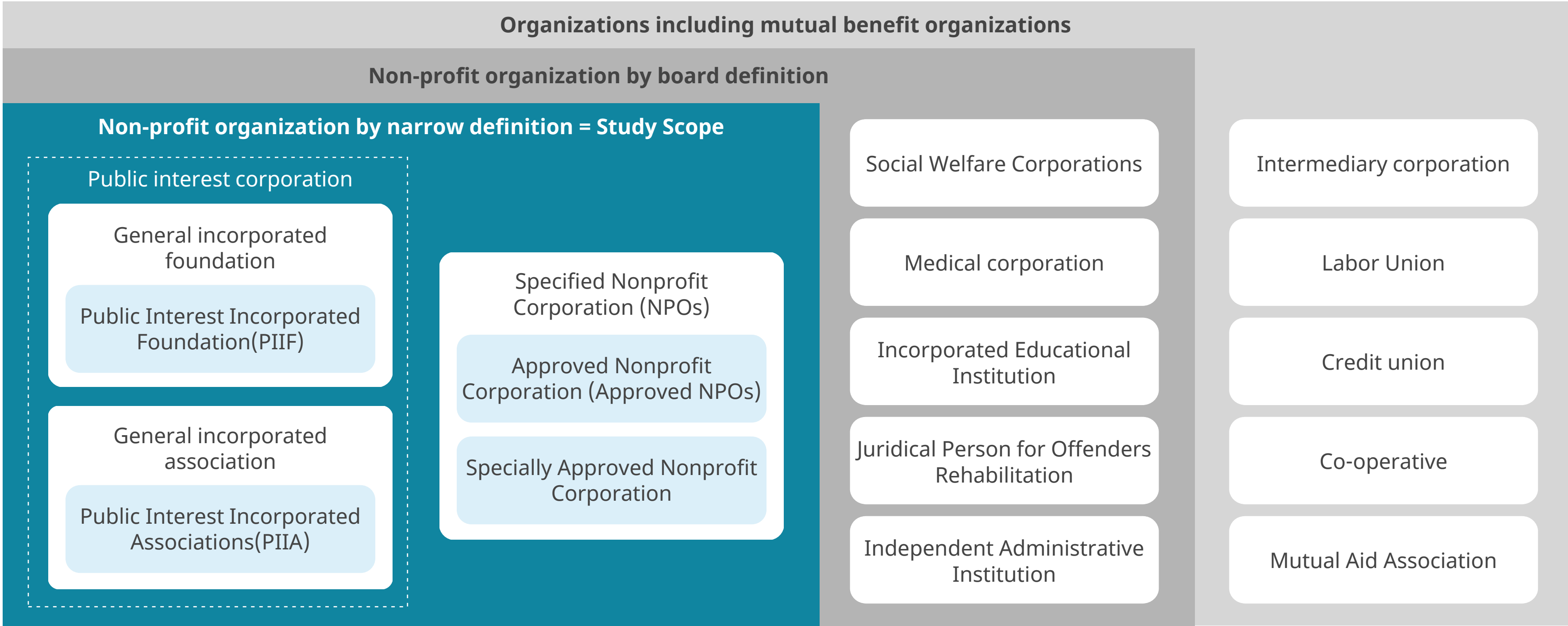
It has been undergoing a major transformation as the players in solving social issues, such as impact startups, have diversified, but the social sector has not yet become a leader in social innovation.

The civil society(philanthropy) sector has traditionally been the primary player in addressing social issues. However, in Japan, impact startups and other private sector actors have expanded significantly in recent years, driven by a diverse range of players, including impact investors. In contrast, the social sector has seen more limited activity. Compared to the U.S., Japan holds great potential for future social innovation if its social sector transforms. This study will specifically focus on Japan's social sector.



The diverse and complex legal system of non-profit organizations makes it difficult to gain a comprehensive understanding of Japan's civil society sector.

The nonprofit status of nonprofit organizations in Japan is subdivided and complicated, and the equivalent of a 501(c)(3) in the U.S. is a “public interest corporation, etc.” under the Japanese Corporation Tax Law, which is narrowly defined as nonprofits. Besides, in the Japanese social sector, nonprofits, incorporated associations, and foundations are often regarded as the main players in solving social issues, and this study set this definition as the scope.



This study was conducted in accordance with the following procedures, and desktop interviews and action plans were examined.

Table 1: Implementation steps of study

	Components	Description
1	Study design	Design the overall survey policy, content, and methodology of research.
2	Desktop survey	Conduct desktop research on legal and taxation systems related to donations and foundations, etc., looking into papers, articles, and websites.
3	Interviews	Conduct interviews with experts and government agencies if the desktop survey does not yield the necessary information.
4	Expert reviews	Conduct expert review to verify the survey content <i>*See page 14 for the list of experts</i>
5	Developing action plans	Develop action plans to promote cross-border collaboration in the social sector and to develop philanthropy in Japan based on the research findings.
6	Report writing	Write a study report with all findings

We are a leading platform to incubate and develop ecosystems to advance philanthropy and social investment in Japan.

With the vision of realizing "a society where donations and social investment advance," we are engaged in policy advocacy and educational activities to transform Japanese society into an impact-oriented one through fundraising for private non-profit organizations, as well as research and business development, to promote social impact evaluation and social impact investment. We are also engaged in policy advocacy and educational activities to transform Japanese society into an impact-driven society.

Building capacity and a network of 1,560 professional fundraisers



Promoting and improving the environment for bequest giving by consultation services and training

Developing the market and ecosystem for impact investing



Conducting a nationwide awareness campaign on donations

Multi-sector national initiative to promote impact management and measurement



Development of donor education programs on donations and social investment



Moving capital towards impact as AVPN's representative partner in Japan



Promoting philanthropy among high net worth individuals as a cooperating partner organization



The study will be conducted by the Social Impact Center of the Japan Fundraising Association in collaboration under the advice of advisors with expertise in Japan and the U.S.

Advisors



Masataka Uo

He is the founder and CEO of Japan Fundraising Association, a nationwide network that promotes philanthropic giving and social impact investment in Japan, and the founder of Fundrex, a leading consulting company which provides strategic development. He is a hub of creating an ecosystem in Japan for social innovation and impact. He is an Ambassador of GSG Impact, a Vice Chair of the Japan National Advisory Board for GSG Impact, and a Trustee of JANPIA(Japan Network for Public Interest Activities), which is the impact wholesaler of dormant bank accounts. He is also a Vice President of Shizenkan Graduate School, and a Japan Advisor of AVPN limited.



Kei Eriksen

After more than 15 years of working as a nonprofit professional, facilitator and coach in Seattle, Washington, she recently returned to her hometown in Tokyo to serve the social sectors in Japan and Asia. She has a Master in International Education from the School for International Training in Vermont, USA. She is also a Certified Co-Active Professional Coach. Currently she works as a Japan Manager at AVPN to further promote social change while she serves as Vice President of Programs at iLEAP, a US-based social enterprise for the empowerment of social leaders and youth.

Study Team



Yoshihiro Kamozaiki / Managing Director

After working at an environmental consulting company, they joined the Trust Capital Foundation upon its establishment in 2009, where they engaged in interest-free and unsecured loan projects for social entrepreneurs and fundraising support for nonprofits. After leaving the foundation in 2013, they joined the Japan Fundraising Association in 2014. Since April 2020, he has served as an Executive Director. They have also been involved in introducing SROI evaluation and Social Impact Bonds (SIBs) in Japan.

[Chief Researcher]



Takumi Matsushima / Chief Director of Social Impact Center

After working for an intermediary support organization, providing consulting on fundraising and management for nonprofit organizations, he led several community development and education projects in Myanmar and Cambodia with an international cooperation NGO. Since March 2021, he has joined JFRA, leading impact management consulting, an outcome-based funding project for social enterprises, and leading multiple research projects.

[Researcher]



Aya Terasawa

Director, Transformative Borders International



Haruto Okabe

Currently pursuing a Master in Public Policy at Harvard Kennedy School

In this survey, interviews with experts in various fields were conducted in order to comprehensively understand the survey content and to make future proposals.

Table 2: List of experts (in order of interview)

Name	Title	Interview Contents	Page
Mr. Kazuhisa Kishimoto	Representative Director, Japan Philanthropic Foundation	Philanthropy by HNWI About the needs and issues that HNWI are facing or have faced, the challenges that the foundation has faced or is facing, and the environmental improvements that are necessary for advancing HNWI Philanthropy	34
Mr. Daichi Konuma	Co-founder and CEO, CROSS FIELDS	Cross-sector Collaboration with Corporates About the current situation and positioning of the social sector, as well as the strengths, uniqueness, and challenges in Japan, and cross-sector collaboration with corporates necessary for further development of the social sector in the future	40
Ms. Kumiko Akabori	Director of ESG Center, ESG Strategy Department, Ricoh Co., Ltd.	Corporate philanthropy About the positioning of corporate philanthropy and CSR on activities within companies, the challenges that corporate philanthropy faces and has faced, and the necessary environmental improvements for further development in the future.	41
Mr. Masayuki Deguchi		Public interest corporations and foundations About the environment and issues faced by nonprofits and public interest corporations, the role and issues of the foundation sector, including corporate foundations, and measures for the development of the foundation sector	50
Mr. Kimihiko Mizutani	Special Director and Head of Private Banking Business Promotion Department, Sumitomo Mitsui Trust Bank, Ltd.	Philanthropy by HNWI and Family Foundations About needs and trends of HNWI philanthropy, the challenges they are facing or will face, the current situation and potentials of family foundations, and the development of the environment necessary for future development	52

CHAPTER 3

U.S.-Japan Comparison

- 3-1 | Non-profit Organizations**
- 3-2 | Individual Donations**
- 3-3 | Corporate Philanthropy**
- 3-4 | Foundations**
- 3-5 | Donor-advised Funds and Trusts**
- 3-6 | Social Investment**
- 3-7 | Philanthropy Support Ecosystem**

In Japan, the granting of corporate status is almost always linked to tax incentives, but in the U.S., the granting of nonprofit status and tax incentives are separated.

Table 3: Comparison of nonprofit systems in Japan and the U.S.

	Japan	United States
Types of nonprofits	<ul style="list-style-type: none">• General incorporated associations: 一般社団法人• General incorporated foundations: 一般財団法人• Public Interest Incorporated Associations (“PIIA”): 公益社団法人• Public Interest Incorporated Foundations (“PIIF”): 公益財団法人• Specified Non-profit Activities (“NPO”): 特定非営利活動法人• Approved Corporations Engaging in Specified Non-profit Activities (“Approved NPO”): 認定特定非営利活動法人 <p><i>*General incorporated associations/foundations are classified as non-profit, mutual benefit, or ordinary corporations.</i></p>	<ul style="list-style-type: none">• Nonprofit organizations: 501(c)(3) tax-exempt organizations<ul style="list-style-type: none">◦ Public charities (about 90%)◦ Private foundations (about 10%)• Other tax-exempt orgs, such as political parties, are sometimes regarded as nonprofits as well: 501(c)(1),(2), (4)-(29)
Governing law	<ul style="list-style-type: none">• Act on Authorization, etc. of Public Interest Incorporated Foundation and Public Interest Incorporated Foundation• Act on the Promotion of Specified Nonprofit Activities	<ul style="list-style-type: none">• Tax Exemption is regulated by federal law, IRC (Internal Revenue Code)• Registration of Corporations is regulated by state laws
Restriction on activities	<ul style="list-style-type: none">• PIIA & PIIF: Businesses for public interest purposes are “businesses of the types listed in each item of the attached table related to scholarship, arts and crafts, charity, and other public interests” and “those that contribute to the promotion of the interests of an unspecified large number of persons” (23 businesses for public interest purposes).• NPO: Specified non-profit activities are activities that fall under the 20 categories of activities that aim to contribute to the interests of an unspecified large number of people.	<ul style="list-style-type: none">• Activities must be “charitable*, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and preventing cruelty to children or animals” <p><i>*Relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erecting or maintaining public buildings, monuments, or works; lessening the burdens of government; lessening neighborhood tensions; eliminating prejudice and discrimination; defending human and civil rights secured by law; and combating community deterioration and juvenile delinquency.”</i></p>

3-1. Non-profit Organizations

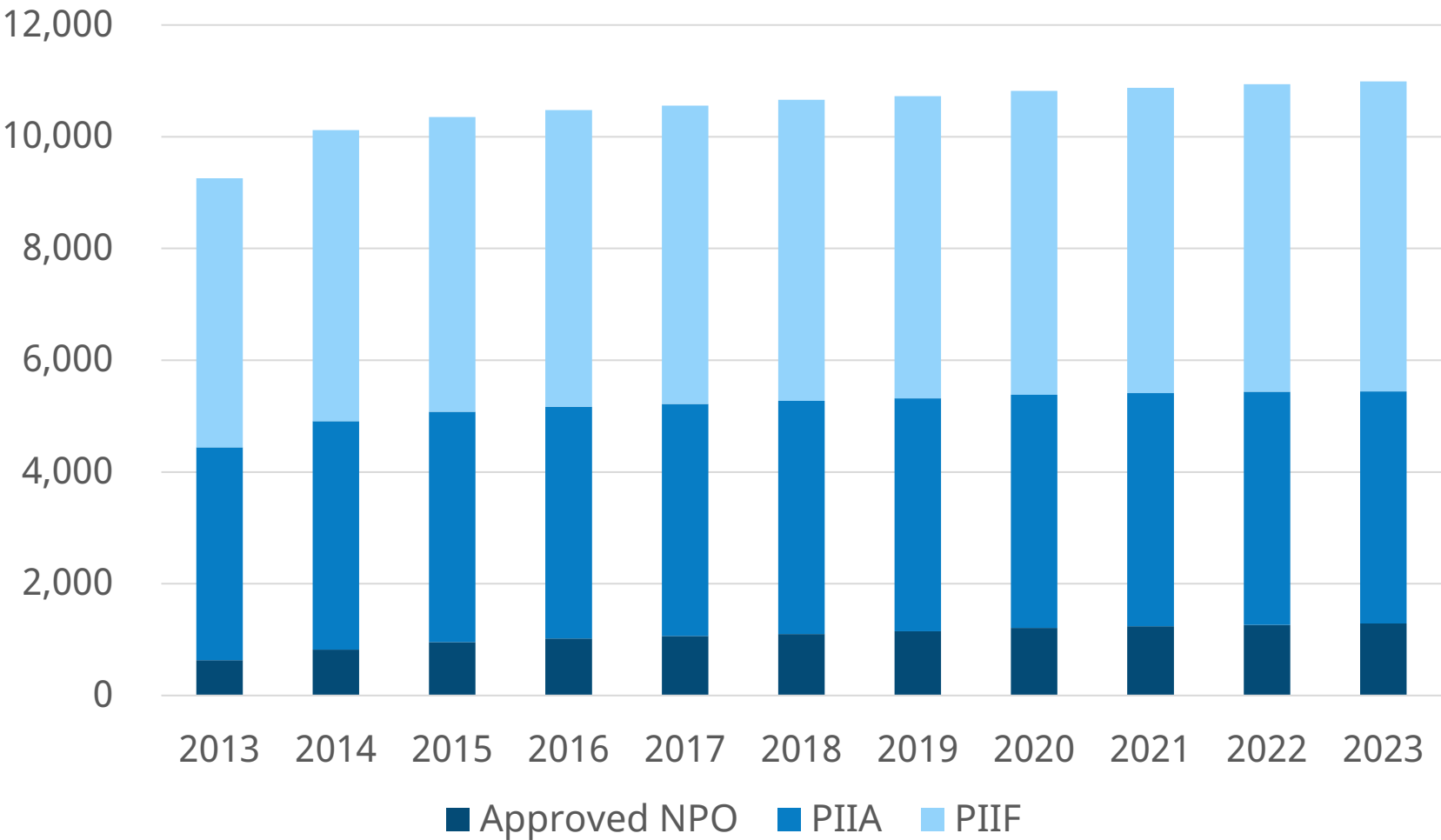
	Japan	United States
Establishment and certification requirements	<ul style="list-style-type: none"> ● <u>The requirements for establishment and certification vary depending on the legal entity.</u> ● For example, the main criteria for certification to become a public interest corporations (PIIA PIIF) are as follows: <ul style="list-style-type: none"> ○ The main purpose of the corporation must be to conduct business for public interest purposes. ○ The income related to the business for public interest purposes is expected to be less than the reasonable expenses required for the implementation of the business for public interest purposes. ○ The ratio of business for public interest purposes is expected to be 50% or more. ○ Idle property is not expected to exceed a certain amount. ○ The same family members constitute less than one-third of the directors or auditors. 	<ul style="list-style-type: none"> ● Three requirements: <ul style="list-style-type: none"> ○ Organized and operated exclusively for exempt purposes set forth in section 501(c)(3); ○ None of its earnings may inure to any private shareholder or individual; ○ It may not be an action organization (which mostly conducts political campaigns)
Supervision and reporting	<ul style="list-style-type: none"> ● Assignment of “Accounting Auditors” and “Auditors” is required 	<ul style="list-style-type: none"> ● Annual filings required - if not filed for three consecutive years, automatically loses tax-exempt status
Corporate tax	<ul style="list-style-type: none"> ● The corporations below is exempted from the corporate tax <ul style="list-style-type: none"> ○ PIIA and PIIF ○ General incorporated associations and general incorporated foundations that fall under non-profit type corporations ○ Approved NPO ● Even the above corporations are subject to taxation for profit-making businesses 	<ul style="list-style-type: none"> ● Mostly exempt with some exceptions, including investment income

3-1. Non-profit Organizations

Although the number of approved NPOs, PIIAs, and PIIFs has increased slightly, the total number of such organizations is 11,000 and still very small compared to the United States.

Japan

The number of Approved NPOs, PIIAs, and PIIFs, which qualify for a tax deduction for donations similar to 501(c)(3), is approximately 11,000, with a slight increase each year.

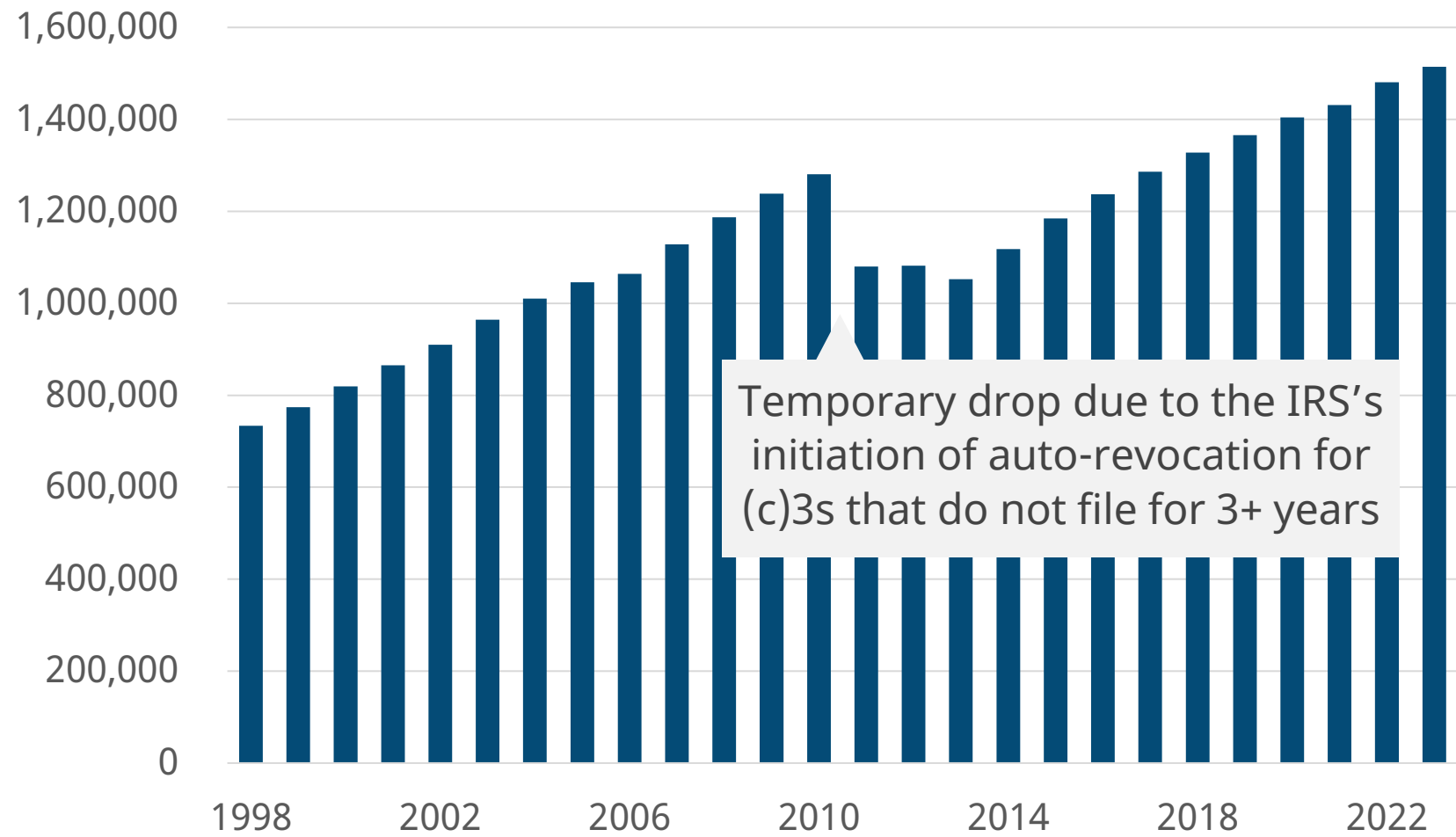


The number of corporations after 2013 is shown, as there was a transition period from the former public corporation system to the current system from 2008 to 2012.

Source: [Public Interest Commission, Cabinet Office](#) and [Cabinet Office](#)

United States

The number of 501(c) nonprofits is growing steadily, reaching 1.51 million corporations in 2023.



Source: [Internal Revenue Service\(IRS\)](#)

In Japan, the complex and lengthy certification procedures and the low public interest approval rate of only 34.2% are barriers to the establishment of new nonprofits equivalent to 501(c)(3).

Japan

Challenges for Public Interest Corporation/Foundation

- The standard processing period for authorization is four months, but there are many cases where documents not specified in the guidelines are requested to be submitted, **resulting in a lengthy processing period and an unnecessary documentation burden**.
- Due to the strict criteria and lengthy review period, the authorization rate is very low: from 2013 to 2020, out of 684 applications, 218 were withdrawn, and 16 were not authorized, **resulting in an authorization rate of 34.2%**.
- The regulations that income must not exceed expenses in each fiscal year and limit idle property to an amount equivalent to one year's public benefit program expense, restrict flexible activities.

Source: [Expert Committee on the Public Interest Corporation System in the New Era](#) and [Koueki Jigyoku Shien Kyokai](#)

Challenges for Approved NPO

- The **complex approval process takes from four to six months**, and the Public Support Test requirement is strict: at least 100 donors with at least ¥3,000 in each fiscal year, or at least 20% of income from donations.
- Recently, there has been a trend toward choosing general incorporated associations and foundations over non-profit organizations for a more concise and expeditious process.

Source: [Coalition for Legislation to Support Citizens' Organizations](#)

United States

Growth drivers for US nonprofits:

1. **Stable social needs**
 - Remaining poverty, inequality, climate change, and public health crises.
2. **Clear tax-exempt benefits**
 - Generous contribution deductions: Carry-over for 5 years (with some exceptions)
3. **Electrified application process**
 - The use of the short Form 1023-EZ for tax exemption as a 501(c)(3), which began in July 2014 responsible for reversing the downward trend in the number of 501(c)(3) groups seen in 2010 through 2013.
 - Organizations with annual income of \$50,000 or less and property value of \$250,000 or less for the past three years can **complete applications online application will be processed within a few months for 1023's**, a little faster for 1023 EZ's.
4. **High approval rate**
 - **Application approval rate is significantly high at 86.3% in 2023.**

Source: [Internal Revenue Service\(IRS\)](#); [USA Facts](#)

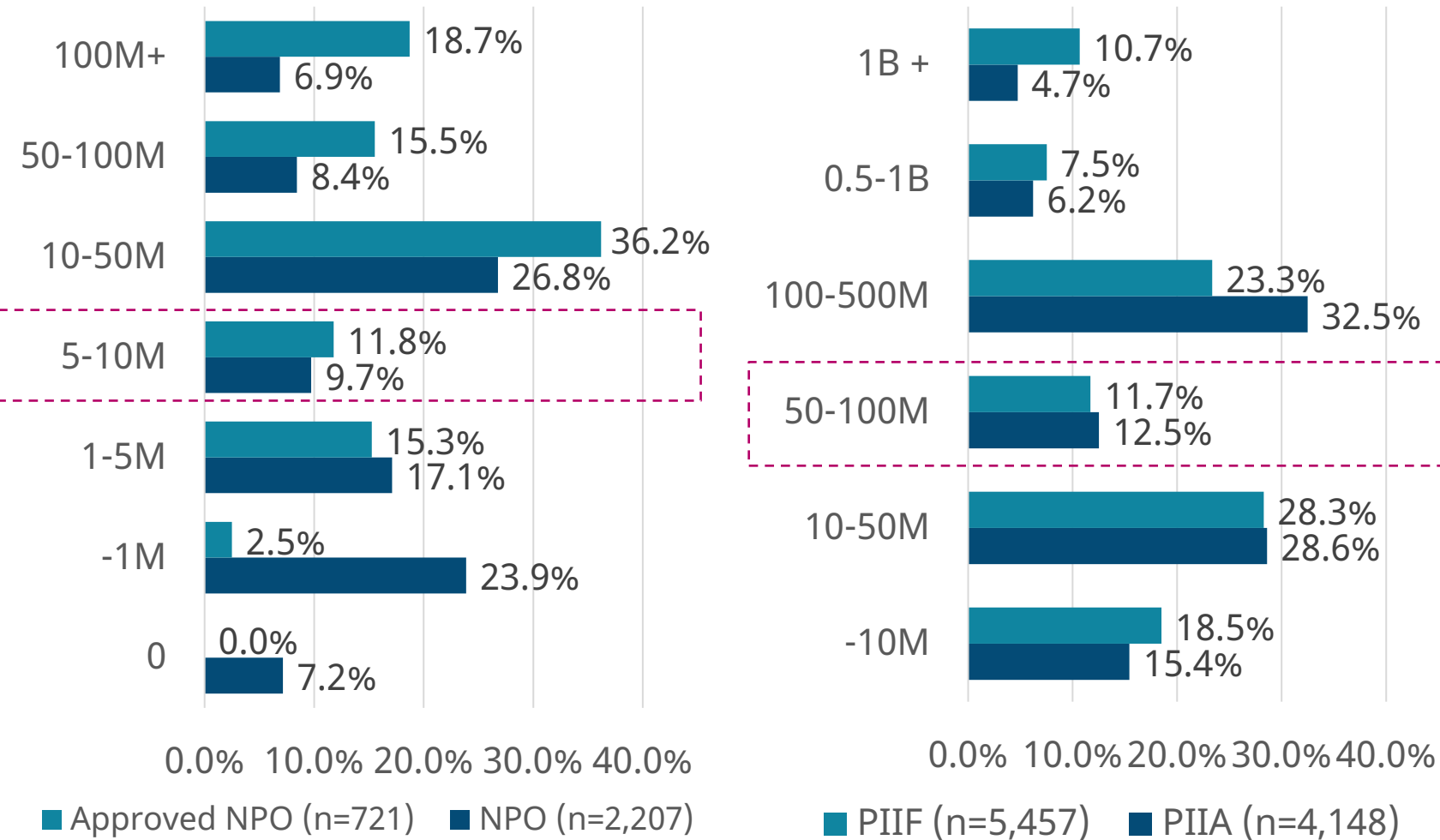
3-1. Non-profit Organizations

In both the US and Japan, the majority of organizations are small, but there are more than 17,000 of 501(c)(3) organizations with 10M+, which is larger than the total number of PIIAs, PIIFs, and Approved NPOs in Japan.

Japan

- About 80% of NPOs and 60% of Approved NPOs have an annual expense of less than 50 million yen (equivalent to \$33K) in 2023.
- About 90% of PIIA and 80% of PIIF have an annual expense from public interest purpose activities of less than 500 million yen (equivalent to \$333K) in 2022.

Amount of annual expense from public interest purpose activities (in yen)

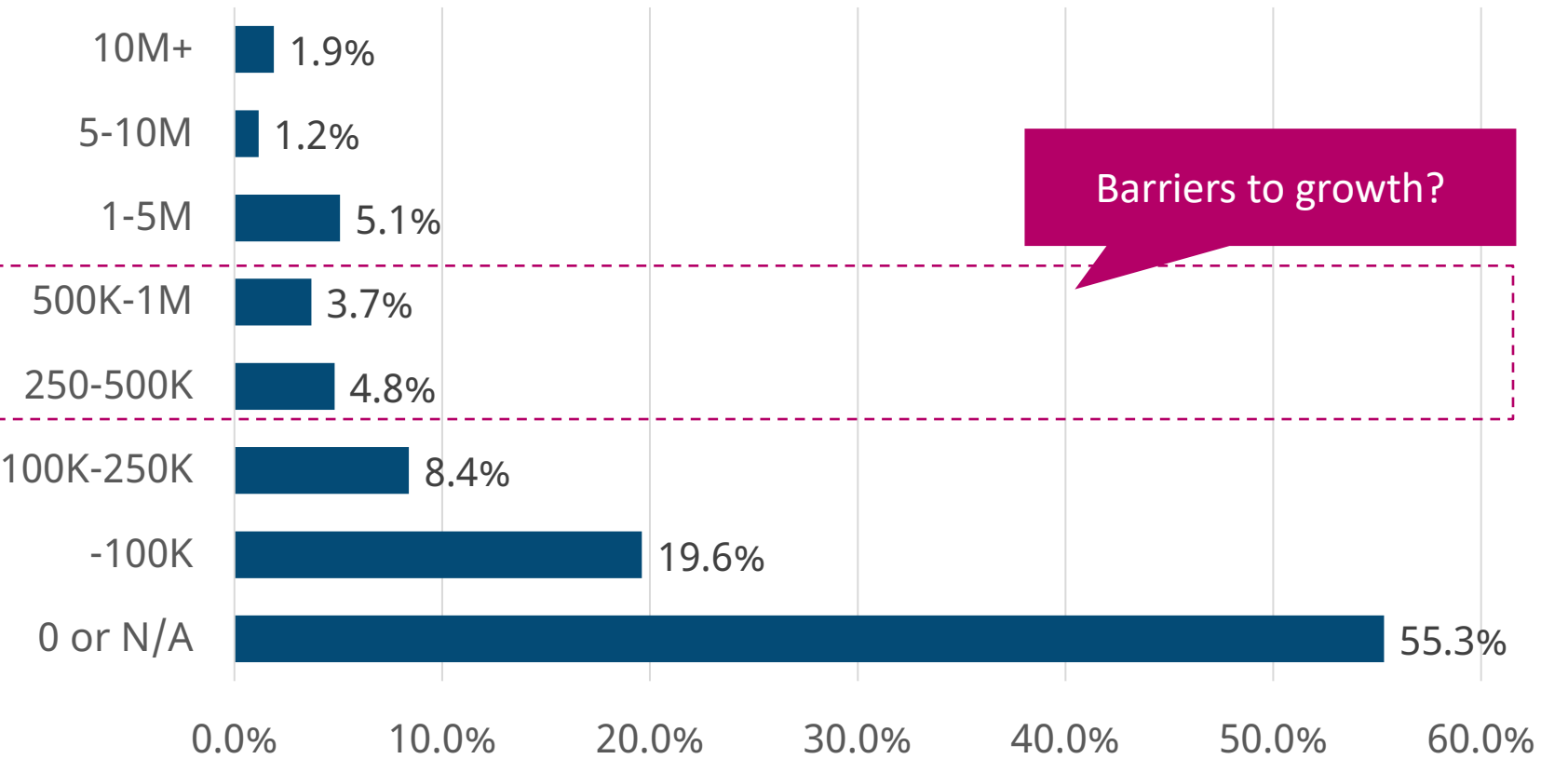


Source: Cabinet Office and Public Interest Commission

United States

- Most nonprofits are relatively small: 92 percent of 501(c)(3) excluding private foundations have budgets of less than \$1 million annually and 88 percent spent less than \$500,000 annually for their work in 2016.
- Relatively few nonprofits have an endowment.
- Approx. 50 percent have less than one month of cash reserves.

Amount of annual expense (in dollars)



*Financial information is not available for nonprofits with annual gross receipts normally \$5,000 or less or for many religious groups, which are not required to file such returns.

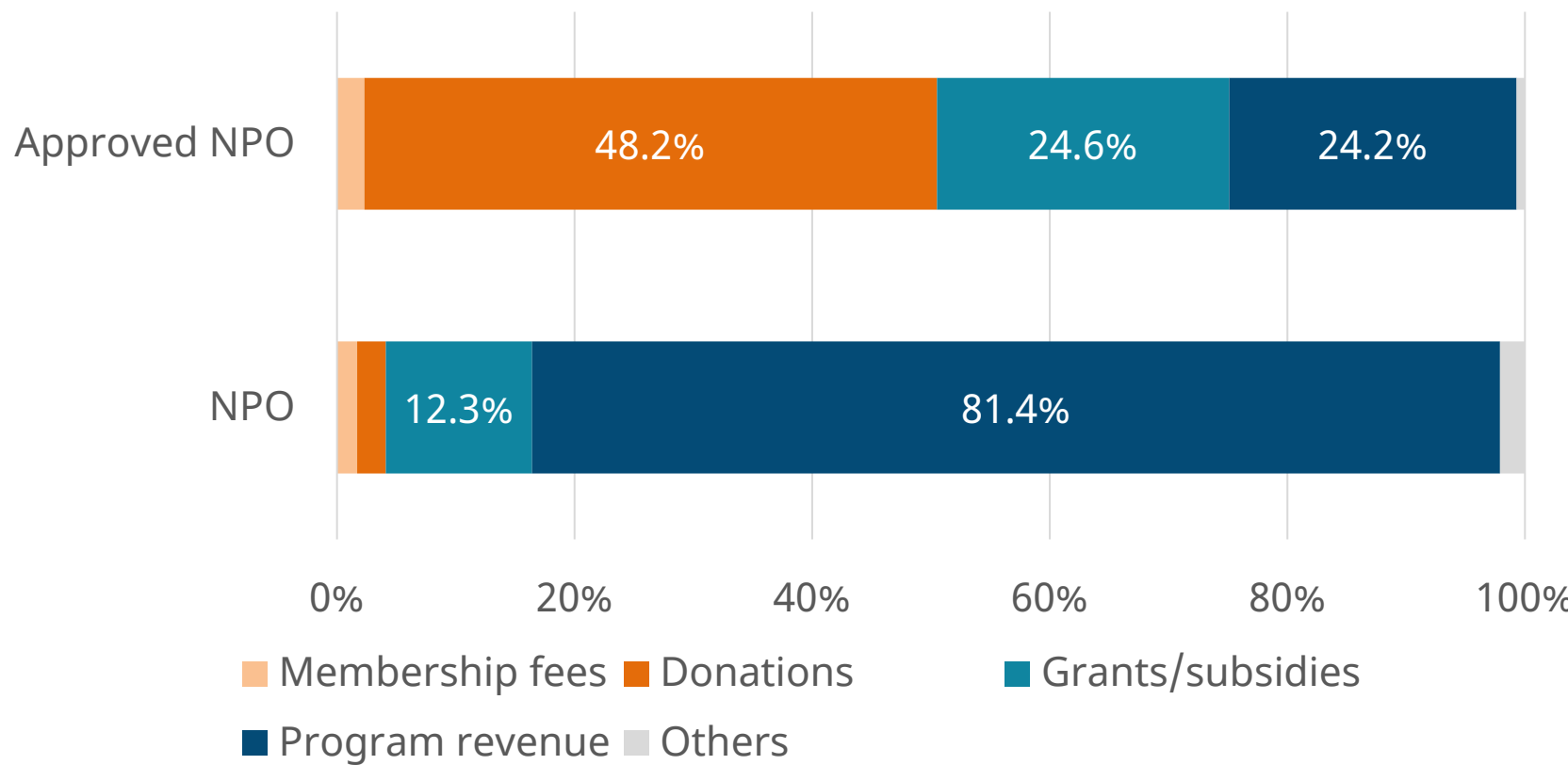
Source: National Council of Nonprofits

While Approved NPOs in Japan have a higher proportion of revenue from donations, the revenue structure of certified NPOs and U.S. 501(c)(3) organizations is very similar.

Japan

- The majority of certified NPOs receive 80% of their income from program revenue, while approved NPOs with tax deductions for donations, receive about 50% of their income from donations including individuals, corporations, and bequest donations. The 50% remainder comes from program revenue and grants/subsidies.
- Data on the income composition of public interest corporations is not available.

Revenue sources for NPOs



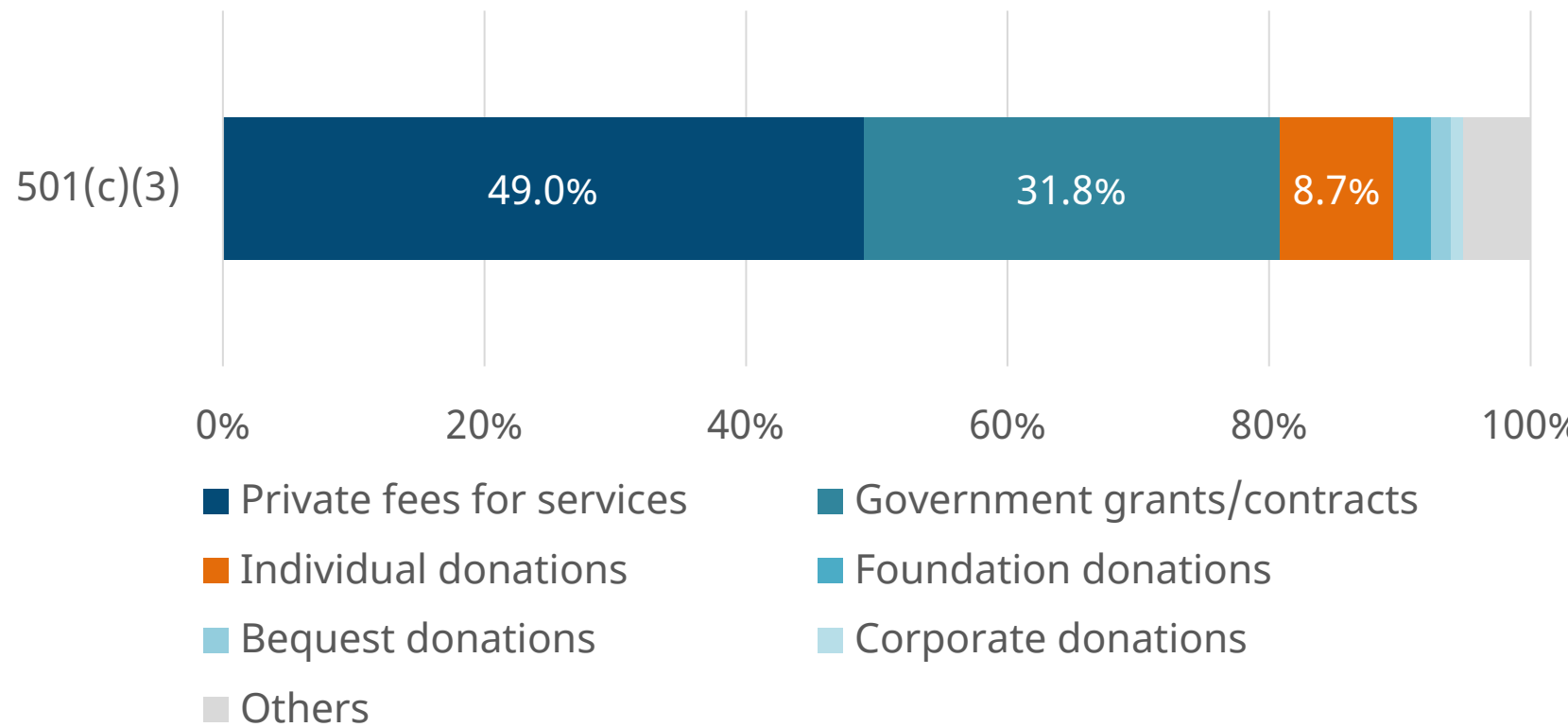
Source: [Cabinet Office](#)

United States

- Small to midsize nonprofits generally tend to rely more heavily on donations from individuals and grants from foundations, as do nonprofits focused on the arts, culture and humanities as well as those focused on the environment or animals.
- Hospitals, other healthcare entities, and education institutions—all of which tend to be larger—receive more in private payments for services.

**Note that The percentages reflect data only from nonprofits that report on Form 990, so revenues of smaller organizations and many “churches and religious organizations” that don’t have to file that form are not included.*

Revenue sources for 501(c)(3)



Source: [National Council of Nonprofits](#)

Advocacy by non-profit organizations is restricted in both Japan and the U.S. On the other hand, there are organizations such as foundations in the U.S. that support advocacy.

Japan

- Public interest corporations are not subject to regulations regarding policy advocacy but are obligated to carry out public benefit activities. Therefore, they are expected to comply with certain regulations, but the boundary of what constitutes permissible advocacy remains unclear.
- Under the NPO Law, activities aimed at achieving specific policies through political means are considered permissible. However, there are restrictions on supporting or opposing specific political parties or politicians.
- Most NPOs do not have dedicated departments for advocacy. Those that do engage in advocacy are often larger NGOs or intermediary organizations. In practice, the following challenges exist:
 - There is insufficient funding and support for advocacy activities.
 - Restrictions on NPOs' political activities prevent them from collaborating with specific political parties or politicians.
 - The focus is primarily on interpersonal activities, and they rarely lead to systemic policy or institutional changes.
- In recent years, organizations and companies that support advocacy efforts have been established. These include policy funds, social justice funds, Aoyama Shachu, think tanks and lobbying organizations. Examples of such groups include the think tank division of the Japan NGO Center for International Cooperation (JANIC) and the Policy Entrepreneurs Platform (PEP).

United States

- Approx. 4% of total giving in the US is allocated to policy and advocacy. Scoping global giving from the US only, it increases to 19.7%.
- Advocacy-focused grants from foundations are common.
- 501(c)(3) has limitations in policy-related activities, but organizations can choose other types of organizations:

	501(c)(3)	501(c)(4)/(5)/(6)	LLCs
Benefits	Tax-exempt Tax-deductible contributions	Tax-exempt	N/A (taxed)
Lobbying	Limited*	Unlimited	
Candidate elections	Nonpartisan: mostly unregulated Partisan: prohibited	Nonpartisan: no-regulation Partisan: only as secondary activity	No limits

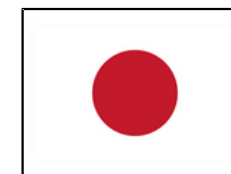
Cannot be qualified as 501(c)(3) if a substantial part of its activities is attempting to influence legislation (lobbying**). They may engage in some lobbying, but too much lobbying activity risks loss of tax-exempt status.*

- It may be regarded as “Lobbying” if it contacts members of a legislative body for the purpose of proposing, supporting, or opposing legislation, or if the organization advocates the adoption or rejection of legislation.*
- Organizations may, however, involve themselves in issues of public policy without lobbying. E.g., educational meetings, prepare and distribute educational materials, or otherwise consider public policy issues in an “educational manner”*

Source: [IRS](#)

BOX 1

A reform of the public interest corporation system is planned for 2025, which will allow organizations to address social issues more flexibly based on their own management decisions.



Current Challenges

Public interest corporations have significant potential to advance the public good within the private sector. However, under the current financial regulations and procedures, fully realizing this potential is challenging.

The main obstacles are:

- Balanced Income and Expenditure Principle (収支相償原則 Shushi-soushou-gensoku) and Idle Assets (遊休財産 Yukyu-zaisan): Under the Public Interest Corporation Law, public interest businesses cannot generate revenues that exceed their expenses. Any surplus must be used within a short period, limiting long-term financial sustainability.
- Complicated Administrative Procedures: The bureaucratic processes involved further hinder the efficient operation and impact of these organizations.



After reform: April 2025 onwards

To improve the effectiveness of public interest corporations and promote private sector contributions to public welfare, the following reforms are proposed:

1. Financial Flexibility and Clarity:

- Revise the *Balanced Income and Expenditure Principle* to allow public interest corporations to balance their finances over a longer term.
- Permit the accumulation of funds for future public interest projects.
- Change the term “Idle Assets” to “Undesignated Assets.”
- Exclude reserve funds necessary for continuing public interest projects in case of emergencies from asset limits and require disclosure of reasons for holding such funds.

2. Simplification of Administrative Procedures:

- Shift certain reporting requirements for changes in business activities to simpler notification procedures.

3. Enhancing Governance and Transparency:

- Require public interest corporations to divide financial reporting into three categories: public interest activities, profit-making activities, and general operations.
- Introduce new governance standards, such as eliminating conflicts of interest among board members and requiring external directors or auditors.
- Public interest corporations must strive to enhance governance and transparency, while the government will support these efforts by providing information and resources.

Source: [Cabinet Office](#)

Source: [Public Interest Commission, Cabinet Office](#)

- 3-1 | Non-profit Organizations**
- 3-2 | Individual Donations**
- 3-3 | Corporate Philanthropy**
- 3-4 | Foundations**
- 3-5 | Donor-advised Funds and Trusts**
- 3-6 | Social Investment**
- 3-7 | Philanthropy Support Ecosystem**

Although Japan has a well-developed tax system for individual donations, a simple and flexible tax system like the one in the United States could further promote individual donations.

Table 4: Comparison of tax systems for individual donations to nonprofits in Japan and the United States

	Japan	United States
Individual donations size	<ul style="list-style-type: none">1,212.6 billion yen (2020) - equivalent to \$8.08 billion	<ul style="list-style-type: none">\$374.4 billion (2023; bequest excluded)
Trajectory	<ul style="list-style-type: none">The amount increased significantly from 775.6 billion yen to 1,212.6 billion yen, approximately 1.5 times the amount of the 2016.	<ul style="list-style-type: none">Stably growing at 4.9% p.a. from 2019-23
Organizations with tax deductibility on donation	<ul style="list-style-type: none">Tax deductibility: PIIA / PIIF / Approved NPO<u>No tax deductibility: General incorporated associations, General incorporated foundations and Specified Non-profit Activities (NPO)</u>	<p>Tax deductibility applies for donations to:</p> <ul style="list-style-type: none">All 501(c)(3) tax-exempt organizations (“nonprofits”)<ul style="list-style-type: none">Public charities (about 90%)Private foundations (about 10%)All other tax-exempt orgs, incl. political parties: 501(c)(1),(2), (4)-(29)
Deductible tax	<ul style="list-style-type: none">Income taxResident tax	<ul style="list-style-type: none">Income tax
Tax deduction rate	<ul style="list-style-type: none">Income Tax: Either (1) or (2), whichever is lower - ¥2,000 = tax deduction for donations<ul style="list-style-type: none">(1) The total amount of specified donations paid in the year(2) Amount equivalent to <u>40% of gross income</u> for the yearResident Tax: In case that a prefecture or municipality stipulates tax deductions for donations by ordinance, <u>4% and 6%</u> are respectively deducted.	<ul style="list-style-type: none"><u>100%</u>

3-2. Individual Donations

	Japan	United States
Tax deduction limit	<ul style="list-style-type: none">Income Tax:<ul style="list-style-type: none">The total amount of the donation is limited to an amount equivalent to 40% of gross incomeThe amount of tax deduction is limited to an amount equivalent to 25% of income tax amountResident Tax:<ul style="list-style-type: none">The total amount of the donation is limited to an amount equivalent to 30% of gross income.	<ul style="list-style-type: none">Donations for...<ul style="list-style-type: none">Public charity (most nonprofits): 50% (60% for cash) of AGI*Private <i>nonoperating</i> foundations (PF; mostly grantmaking foundations): mostly 30% of AGIPrivate <i>operating</i> foundations (POF): same as public charity <p><i>*AGI: Total (gross) income from all sources minus certain adjustments such as educator expenses, student loan interest, alimony payments and retirement contributions. (Sources: Giving USA, IRS)</i></p>
Deduction Carry-over	<ul style="list-style-type: none">No <p><i>*If a donor donates a large amount of money, it will reach the maximum amount for tax deductions, and the amount over that cannot be carried over, so the donor will not be able to receive a tax deduction.</i></p>	<ul style="list-style-type: none">Yes<ul style="list-style-type: none">Charitable contributions that exceed the AGI limits for the current year can be carried over the next five years, except for qualified conservation contributions (that can be carried forward for up to 15 years.) <p><i>*For capital gain property, if carried over and can choose to use the 50% limit instead of the special 30% limit in the next year, must refigure the carryover.</i></p> <p><i>*This system is beneficial for those who have made a large profit in a particular year, since making large donations allows them to maximize their tax benefits over several years.</i></p>
Deemed transfer taxation	<ul style="list-style-type: none">Yes <p><i>*When assets such as stocks or land are donated, the assets are deemed to have been transferred under tax law, and capital gains tax is imposed.</i></p> <p><i>*Although there is a non-taxable exception for deemed transfer taxation, its use has been limited due to factors such as (1) the requirement to apply to the National Tax Agency (e.g., approval takes up to 3 months when donating stocks to an NPO), and (2) the inability to sell the assets (though replacement with other assets is allowed).</i></p>	<ul style="list-style-type: none">No

3-2. Individual Donations

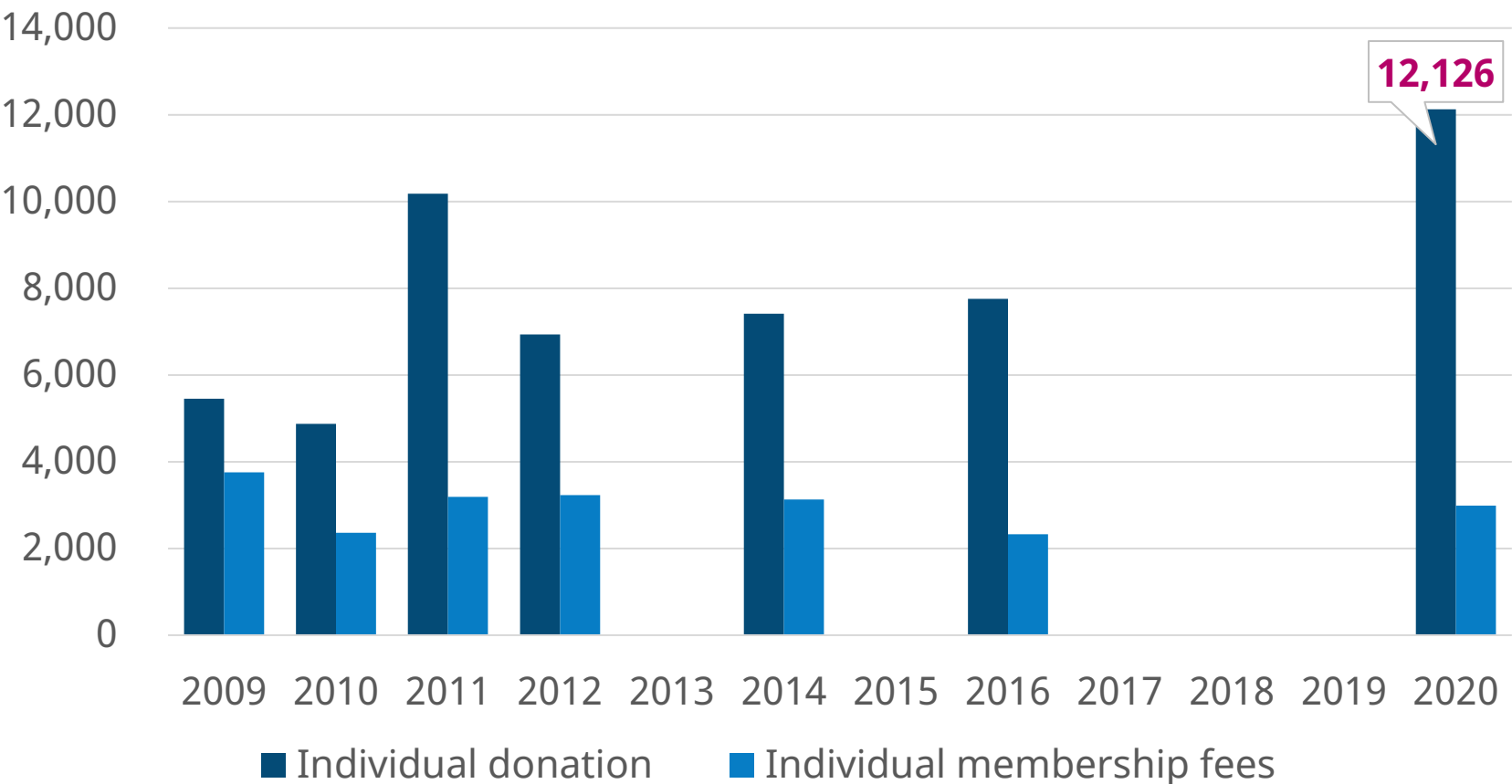
	Japan	United States
Regulation on Rewards (Quid pro quo contributions)	<ul style="list-style-type: none">• There are no regulations in place equivalent to the US's quid pro quo contributions.• There is no definition of donations in the NPO Act or the laws related to public interest corporations. Regarding donations to certified NPOs, the Cabinet Office <u>does not recognize them as donations if 'a return gift of equivalent value' is given</u>, based on the criteria for the Public Support Test applied for Approved NPOs. For example, if a donor is given a return gift of goods or services with a market value (items like newsletters, which have no set market price, are excluded), it is not recognized as a donation.• However, under the Furusato Hometown Tax system, which operates under the same Article 78 of the Income Tax Act as donations to NPOs and public interest corporations, donations are recognized if two conditions are met: (1) the value of the return gift is 30% or less of the donation amount, and (2) the return gift consists of locally-produced items.	<ul style="list-style-type: none">• Disclosure mandated on charities for over \$75 quid pro quo contributions• the charity must provide the donor with a good faith estimate of the fair market value of rewards (Failure to do so may result in penalties).• <u>Donors can deduct only the amount they pay in excess of the fair market value</u>
COVID-19 Responses	<ul style="list-style-type: none">• A system has been created that allows people to receive tax benefits by "donating" tickets instead of refunding them when events are canceled due to the effects of COVID-19.	<ul style="list-style-type: none">• For the year 2020 and 2021, <u>individuals were temporarily allowed to deduct up to 100% of their AGI</u> for qualified cash contributions made to eligible organizations, while it had been 60% limit.• US Congress passed Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

3-2. Individual Donations – Individual Donation Market

In both Japan and the United States, the largest source of donations is from individuals, but the ratio of donations to nominal GDP in Japan is 0.23%, which is one-sixth of the figure for the United States.

Japan

- Individual donations in 2020 totaled **1,212.6 billion yen (equivalent to \$8.08 billion)**, exceeding 1 trillion yen for the first time since the Great East Japan Earthquake. Of this amount, approximately 672.5 billion yen came from the Furusato Nozei (refer to page 33).
- Total individual donations are equivalent to **0.23% of nominal GDP**.

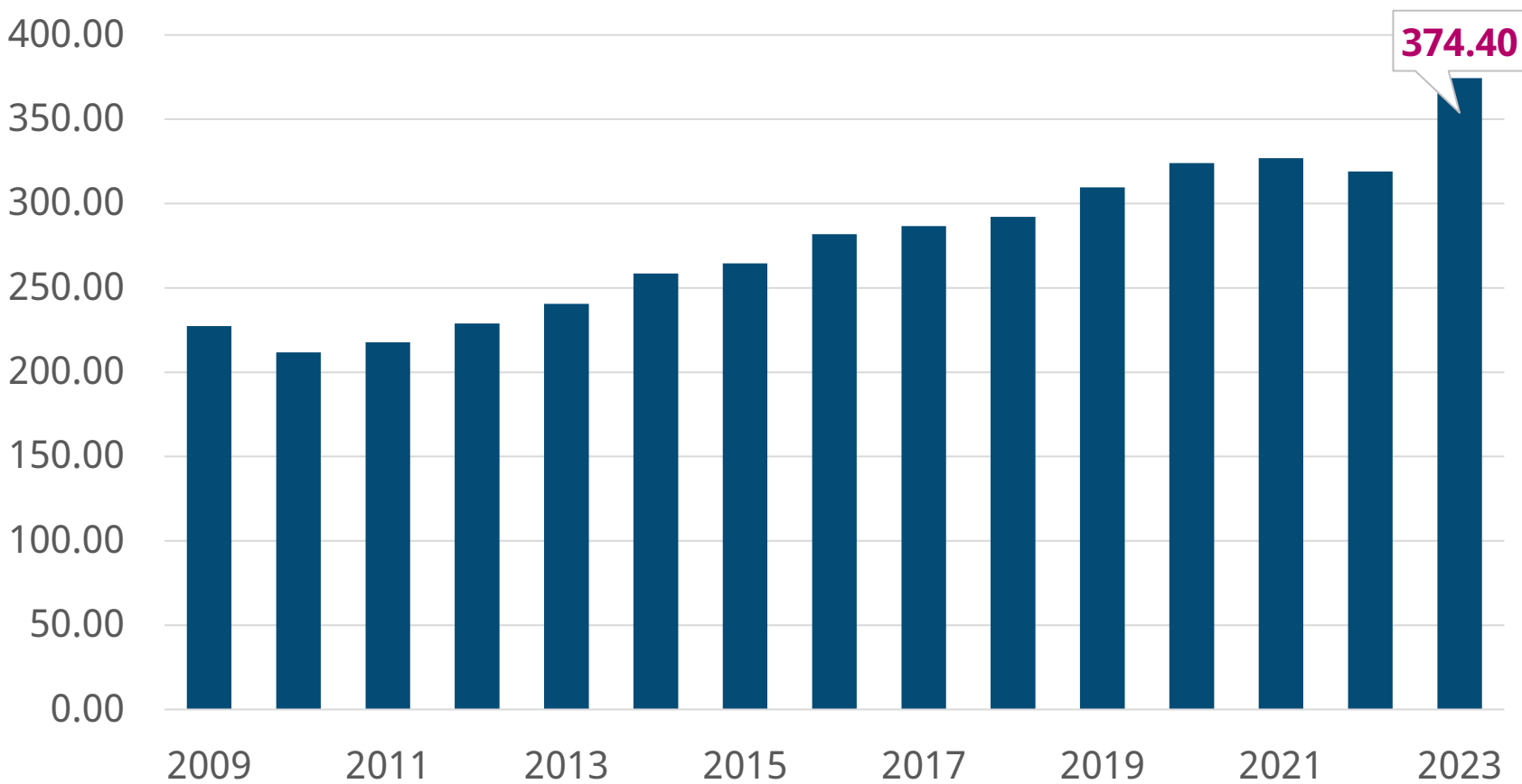


Since 2012, this survey has been conducted every other year, and since 2016, it has been conducted once every four years.

Source: [Giving Japan 2021](#)

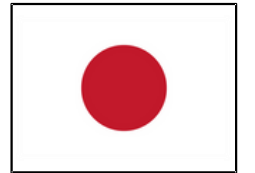
United States

- In 2023, individual donations amounted to **\$374.40 billion**, growing steadily and reaching a share of the **nominal GDP of 1.37%** driven by strong contributions in religion, human services, and education.
- Giving by individuals remains the largest source of giving at 67% of dollars given, but it continues to shrink as a share of all philanthropy.



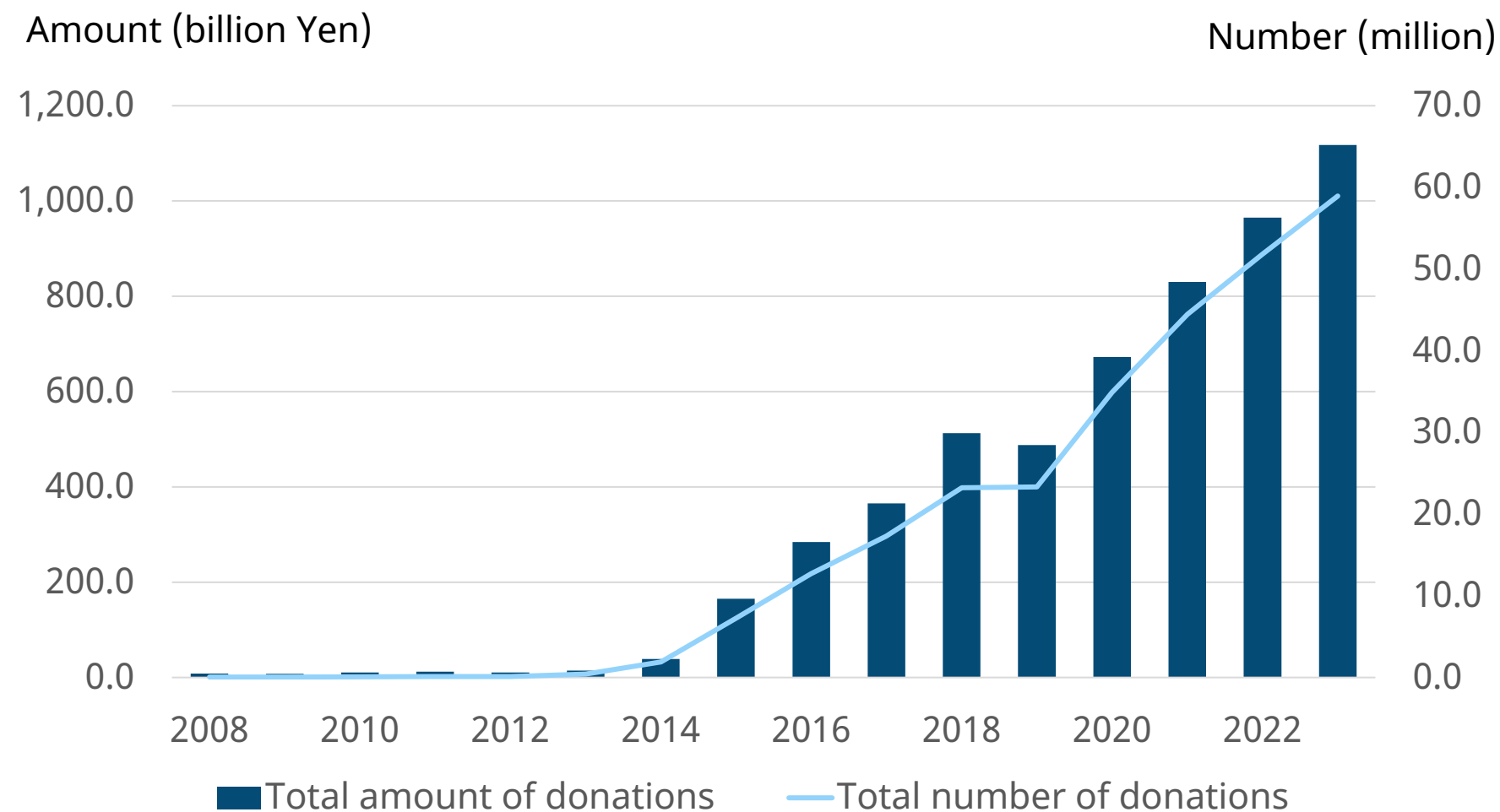
Source: Giving USA

BOX 2



In recent years, the Furusato Nozei system has significantly boosted the amount of individual donations.

- Furusato Nozei (Hometown Tax Donation Program), which allows individuals to donate to municipalities of their choice while receiving deductions on their income and resident taxes, was introduced in 2008.
- Since the tax deduction limit was roughly doubled in 2015, donations have rapidly increased annually, with the total amount surpassing 1 trillion yen (approximately 6.81 billion USD) for the first time in 2023.



Source: [Ministry of Internal Affairs and Communications](#)

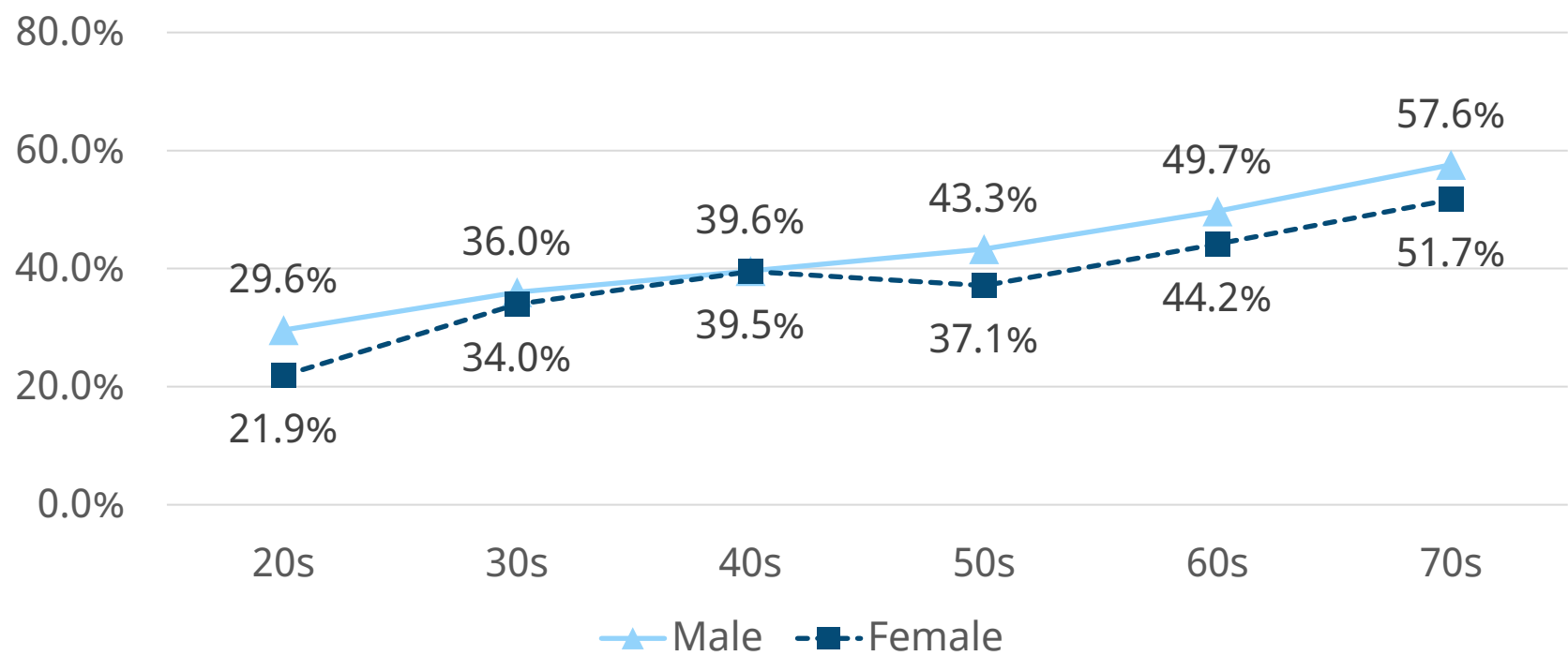
- **Furusato Nozei could pose a potential threat to donations to the social sector.** For example, while tax deductions for donations to approved NPOs are limited to a maximum of about 50%, donations to Furusato Nozei are eligible for a 100% deduction. Also, while donations to approved NPOs do not allow for return gifts, hometown tax programs allow for gifts of less than 30% of the donation amount.
- On the other hand, **some municipalities have started using the Furusato Nozei to support NPOs and social enterprises.**
 - Shibuya Ward, Tokyo: A system has been implemented that solicits donations for approved NPOs located in Shibuya. Donors can designate an approved NPO to receive their donations, and the NPO can receive 86% (or 83%) of the donation amount.
 - Fukuoka City, Fukuoka: Donors can use Furusato Nozei to support social startups working to solve social and local issues by designating the startup they wish to support.
- **Furusato Nozei is also being used for disaster support.** During the Noto Peninsula Earthquake, a system of 'proxy donations' was introduced to reduce the burden on affected municipalities. In this system, a non-affected municipality accepts donations through Furusato Nozei on behalf of the disaster-stricken municipality, handles the administrative tasks related to receiving donations, and delivers the donations to the affected municipality.

Individual donation behavior in Japan and the U.S. is thought to be influenced, among other things, by how NPOs are positioned in society. In addition, the younger generation is increasingly interested in donating.

Japan

- Individual donations are on the rise, but the impact of hometown tax payments is significant. It has been pointed out that the reason for the low level of individual donations in Japan is that NPOs are mentioned as a relatively new phenomenon, the small size of civil society, the complex regulations regarding charitable donations tax deductions, and high expectations of the country's government.
- Donor rates for both males and females are higher for older age groups, with females having higher donor rates than males. However, **for donations related to COVID-19, the donation rate was highest among donors in their 20s and 40s.**

Donation rate by age and gender



Source: [Giving Japan 2021](#)

United States

- The large scale of charitable giving in the U.S. can be attributed to a combination of factors, including:
 - A larger religious population, which often emphasizes philanthropy
 - A higher awareness of and involvement in nonprofits, with 10% of the U.S. workforce employed in this sector
 - Strategic and organized fundraising efforts, coupled with effective donor communications
- The lower trust in the government to address societal issues and the presence of deeper social problems in the U.S. also sometimes said to drive individuals to contribute more.
- **Young populations such as Millennials and GenZ have recently grown its giving.**

ANNUAL GIVING BY GENERATION

	2016	2022	Inc/Dec	%
Gen Z		\$747		
Millennials	\$942	\$1,323	\$381	+40%
Gen X	\$1,265	\$1,220	(\$45)	-4%
Boomers	\$2,921	\$2,568	(\$288)	-12%

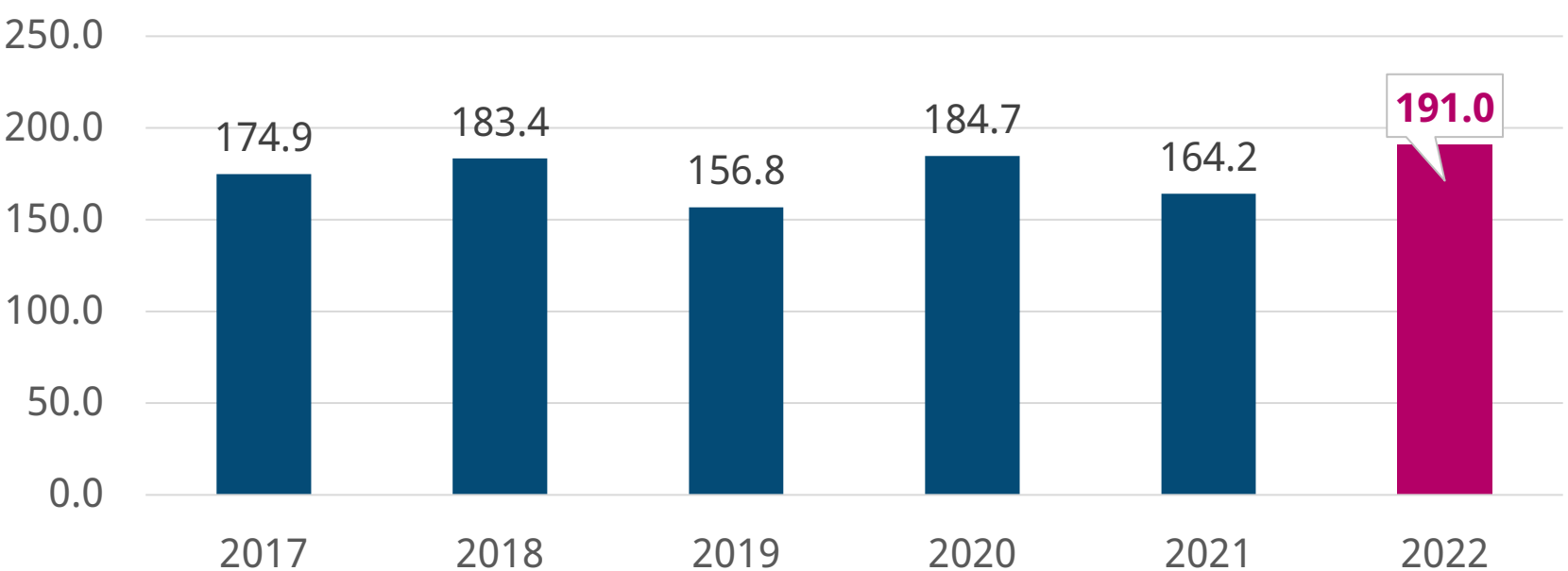
Source: [The Giving Institute](#)

Crowdfunding has formed a large market in both Japan and the United States, and it also has potential as a diverse method of fundraising for the social sector.

Japan

- The first crowdfunding service was offered in 2001. **The size of the domestic crowdfunding market in FY2021 is estimated to be 164,221 million yen (equivalent to \$1.09 billion),** an 11.1% decrease from the previous year on a new project support basis. However, this is a temporary decline, and steady growth is expected.
- Due in part to the development of laws and regulations, investment-type (financial product-type) and real estate-type crowdfunding has been increasing along with business investment-type crowdfunding.

Donation rate by age and gender (billion yen)



*Based on the amount of support for new projects per year

*Estimated amount for FY2022

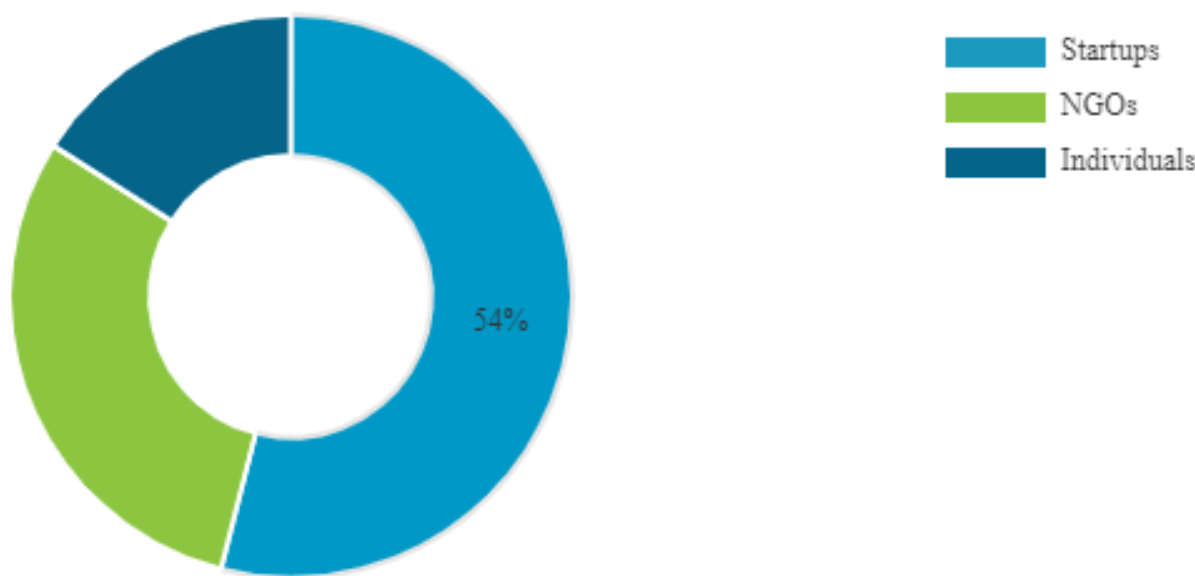
*The six types of business investment, real estate, stock, donation, purchase and loan are included. The Furusato Nozei websites are not included.

Source: [Yano Research Institute Ltd.](#)

United States

- North America's crowdfunding market size is **\$17.2 billion in 2022, which is projected to double by 2027.**
- The growth of the North American market is majorly credited to factors such as the rising prevalence of crowdfunding-friendly regulations, such as the JOBS Act which lets startups raise up to \$1 million via crowdfunding, which is a form of investing by many small investors pooling their resources, a strong entrepreneurial ecosystem, a supportive regulatory environment, and high internet penetration.
- The presence of leading crowdfunding platforms, access to venture capital, and a culture of innovation and entrepreneurship are further boosting the crowdfunding market in North America.

U.S. Crowdfunding Market Share, By End-user, 2023



Source: [Zippia](#); Fortune Business Insights

In Japan, several donation-based crowdfunding platforms have been established. However, while commission rates in the U.S. range from 2-10%, they are higher in Japan, ranging from 5-20%.

Table 5: Comparison of crowdfunding platforms in Japan and the U.S.

	Japan	United States
Market Size	<ul style="list-style-type: none">The size of the domestic crowdfunding market in FY2021 is estimated to be 164,221 million yen (equivalent to \$1.09 billion) Source: Yano Research Institute Ltd.	<ul style="list-style-type: none">17.2b USD (2022; North America) Source: Zippia ; Fortune Business Insights
Market Growth	<ul style="list-style-type: none">N/A	<ul style="list-style-type: none">Annual growth: ~+10%
User breakdown	<ul style="list-style-type: none">N/A	<ul style="list-style-type: none">Startups: 54%NGOs: 30%Individuals: 15%
Typical fees of donation-type crowdfunding	<ul style="list-style-type: none"><u>5-20%</u>Fees for donation-based crowdfunding aimed at solving social issues range from 5% to 20%.	<ul style="list-style-type: none"><u>2%-10%</u>Typically discounts applied for nonprofitsGoFundMe - leading player for charity fundraising crowdfunding platform: transaction fee is 2.2% + \$0.30 (as opposed to 2.9% for business and individuals), which covers credit/debit fee
Key players of donation-type crowdfunding	<ul style="list-style-type: none">Readyfor (14%+tax)Campfire for Social Good (12%+tax) *previously known as “Good Morning”Syncable (5 or 11% for fundraising campaign)For Good (200 yen + 5% for payment processing fee)A-Port (20%+tax or 55,000 yen)	<ul style="list-style-type: none">GoFundMe (2.9% + \$0.30 per gift)Double the Donation (from \$999/year)Kickstarter (5% fee + a 4.5% payment processing fee)Fundable (\$179 per Month + payment processing fee)Global Giving (5% for US/UK nonprofits, 7% for other nonprofits, but 12% for the initial \$5K raised per organization)

EXPERT INTERVIEW 1

When an ecosystem such as philanthropic advisors and rating agencies for nonprofits develops, the Japanese donation market will grow significantly.

- Senior generations considering end-of-life planning and retirement often make donations out of concern for inheritance tax and tend to prefer a framework that allows them to continue their social contribution such as grant-making after their death through asset management. On the other hand, working generations tend to make donations as a way of reducing their income tax by placing importance on self-fulfillment and contributing to areas of interest.
- The main challenge faced by HNWI is the difficulty of finding appropriate organizations to donate to, as they have few opportunities to learn about the activities and reliability information of nonprofits. Donations from HNWI are likely to increase as the number of highly specialized professionals in philanthropy, such as philanthropic advisors, and organizations that provide evaluations, like rating agencies for nonprofits, continues to grow.
- HNWI usually have assets in land and securities, but a deemed transfer tax is imposed in Japan when such assets are donated, which is not designed to incentivize donations from HNWI.
- In Japan, Donor-Advised Funds (DAF) are generally not permitted, so a “Donor-Designed Fund(DDF)” model, utilizing custom-made funds at public interest foundations, serves as an alternative.

About Donor-Designed Fund(DDF)

A Donor-Designed Fund allows donors to design the fund based on their desired social contribution, including the areas, regions, projects, and fund management methods. However, donors cannot directly advise on the recipients of grants like DAF and a selection committee established independently by the foundation makes the decisions instead.



Mr. Kazuhisa Kishimoto / Representative Director, Japan Philanthropic Foundation

He worked at Nomura Securities Co., Ltd. for 33 years until 2020, and spent 22 of those years working overseas as the head of IR. He founded the Japan Philanthropic Foundation, a public interest foundation that is a condominium foundation with the motto of “Funds as a Solution for Social Contributions.” It approaches donors through financial institutions and provides a “Donor Designed Fund” (DDF) service that allows donors to design custom-made funds.

- 3-1 | Non-profit Organizations**
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- 3-6 | Social Investment**
- 3-7 | Philanthropy Support Ecosystem**

The amount of donations made by companies as a percentage of nominal GDP is larger in Japan than in the US, indicating the significant role played by corporate donations in Japan.

Table 6: Comparison of corporate philanthropy in Japan and the U.S.

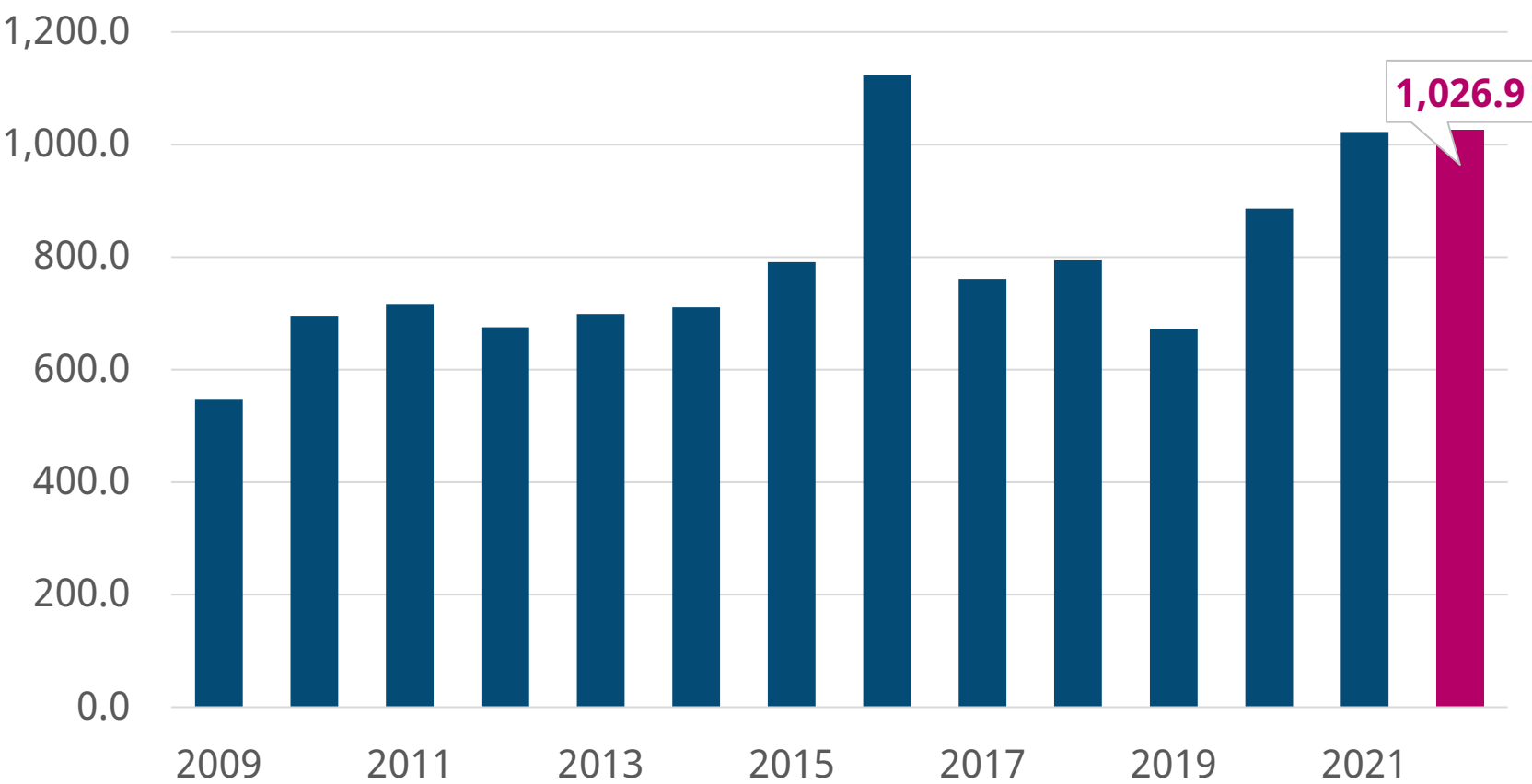
	Japan	United States
Amount of corporate donations	<ul style="list-style-type: none">● <u>1,026.9 billion yen for FY2022</u> (equivalent to \$6.85 billion)● equivalent to <u>0.18% of nominal GDP</u> Source: National Tax Agency	<ul style="list-style-type: none">● <u>\$36.55 billion for 2023 (7% of total giving)</u>● equivalent to <u>0.13% of nominal GDP</u> Source: Giving USA 2024
Corporate tax deductibility	<ul style="list-style-type: none">● Donations made by a corporation <u>can be included as a deductible expense within certain limits</u> as specified below:<ul style="list-style-type: none">• Donations to national and local governments and other specific donations are 100% deductible.• Donations to public interest corporations and public interest foundations are deductible separately from general donations, and the smaller of the donated amount or the special deductible amount is included in deductible expenses.• Nonprofit general incorporated associations and general incorporated foundations, as well as nonprofit organizations, are eligible for deductible expenses within the limit of deductible expenses for general donations.	<ul style="list-style-type: none">● Tax deductions are limited to <u>10% of taxable income</u>.<ul style="list-style-type: none">• Deductions for allowable charitable contributions may not exceed 10% of taxable income computed without regard to certain deductions, including charitable contributions themselves.• An additional deduction may be available to corporations that donate inventory to be used by the done solely for the care of the ill, the needy, or infants.• 170b2b1: Farmers and ranchers may deduct up to 100% only for conservation contributions to designated organizations.● In 2020, the amount will be increased to 25% by COVID-19.
Deduction Carry-over	<ul style="list-style-type: none">● As with individual donations, <u>tax deductions cannot be carried over</u>.	<ul style="list-style-type: none">● Deductions for contributions so limited may be <u>carried over to the five succeeding years</u>, subject to the 10% limitation annually.● Carryovers of qualified conservation contributions may be carried over for 15 years.

In Japan, corporate donations, which have been on the rise in recent years, are about the same amount as individual donations and have a greater impact on the social sector than in the U.S.

Japan

- Corporate donations **totaled 1,026.9 billion yen (equivalent to \$6.85 billion) in FY 2022, which is about the same as individuals**, indicating that corporations play a major role in the Japanese donation market.
- The market size of the corporate Furusato Nozei is expanding. In fiscal year 2021, the actual donation amount was about 22.57 billion yen, about 2.1 times that of the previous fiscal year. Source: [ichini.Inc.](#)

Amount of Corporate Donations (in billion yen)

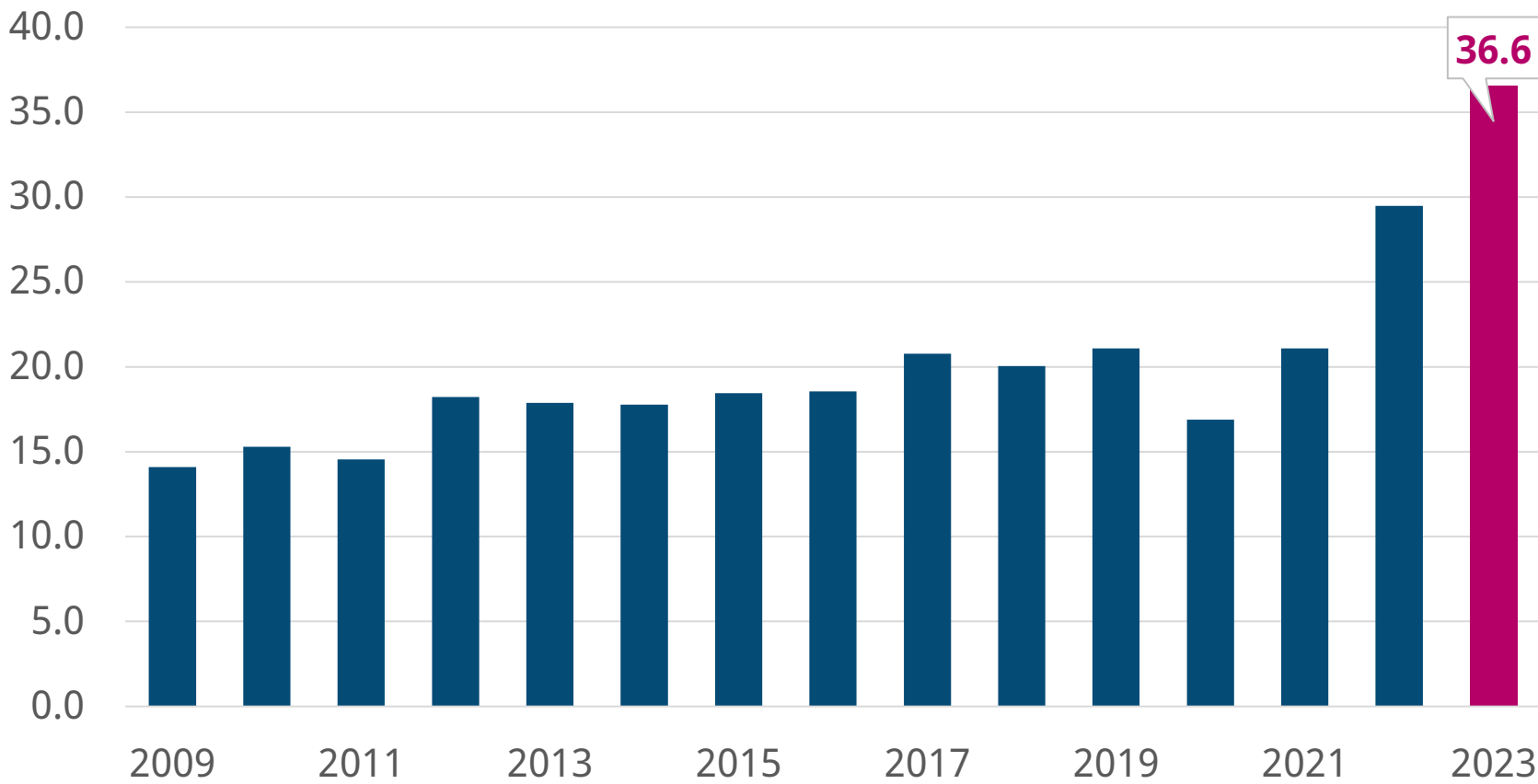


Source: [National Tax Agency](#)

United States

- Corporate giving in 2023 totaled **\$36.55 billion**, including both cash and in-kind contributions made through corporate giving programs, as well as grants and gifts made by corporate foundations, which is **only 6.56% of total giving and one-tenth of individual giving**.
- Compared to Japan, the role and impact of corporate giving is considered limited.

Amount of Corporate Donations (in billion dollars)



Source: [Giving USA](#)

While U.S. corporate giving/foundations have been effective CSR pathways for companies, Japanese corporations are major and active players in philanthropy, and their collaboration with NPOs is expanding.

Japan

Postwar reconstruction period (1945-1960s):

- Many companies contributed to the reconstruction of local communities by helping to rebuild schools and hospitals.

Period of rapid economic growth (1960s-1980s):

- Corporate profits increased and interest in corporate social responsibility (CSR) grew, and many companies became actively involved in cultural and educational support, disaster relief, etc.
- Corporate foundations established during this period played a major role in supporting education and culture.

Post-bubble maturity (1990s-2000s):

- Companies began to rethink their philanthropic activities and demanded more strategic and efficient social contribution activities. As a result, CSR activities were positioned as part of a company's sustainable growth strategy.
- Collaboration between companies and non-profit organizations (NPOs) has increased, and more projects have been undertaken to jointly address social issues.

Diversification and globalization in the 21st century:

- The introduction of international CSR standards and the Sustainable Development Goals (SDGs) has brought the philanthropic activities of Japanese companies in line with international standards.
- The concept of "social business," has become widespread, and the number of companies engaging in such activities has also increased.

United States

By the 1980s:

- The focus shifted to corporate reputation and responsiveness to stakeholders. CSR was seen as a PR strategy and a risk prevention. Activists emerged, marking a "defensive" approach to CSR.

By the 1990s:

- The focus expanded from general reputation to corporate social performance, accountability, and compliance. In 1998, Royal Dutch Shell released its first CSR report, marking the beginning of using objective metrics and evaluations.

21st Century:

- The focus of corporate social responsibility has broadened to include the role of corporations in addressing environmental sustainability. The scope of social issues has expanded, and globalization has taken hold.

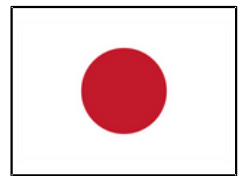
In 1935: tax deductions for corporate donations were introduced.

After WWII: there was a "golden age of corporate philanthropy."

- The first corporate foundations were established: the Ford Motor Company Fund in 1949 and the AT&T Foundation in 1953.
- Porter and Kramer's 2002 article, "The Competitive Advantage of Corporate Philanthropy," linked a corporation's charitable activities with new opportunities for its core business.

From the mid-2000s onwards:

- There has been a focus on measuring outcomes, SRI (Socially Responsible Investing), and VP (Venture Philanthropy).



Multisector collaboration expands the corporate value of Japanese companies while accelerating the development of the social sector.

Keizai Doyukai (経済同友会), led by Chairperson Takeshi Niinami, proposed "Collaborative Capitalism" as a model for revitalizing the Japanese economy and achieving sustainable growth, and has since engaged in a variety of initiatives to bring it to fruition.

Collaborative Capitalism refers to the initiatives that encourage companies to leverage their "animal spirits" by pursuing their purpose to create social benefits such as human well-being, while also collaborating with the social sector to solve societal challenges and build an inclusive society.

Keizai Doyukai signed the partnership agreement in July 2023 with the Impact Startup Association and the Japan Alliance of New Public (Shinkouekirenmei/新公益連盟), to effectively utilize their resources in collaboration, aiming to solve various social issues both domestically and internationally. Key initiatives include:

- **Multi-Sector Dialogue:** Dialogue event for discussing effective collaboration between companies and the social sector, held three times by October 2024.
- **Promotion of Corporate Furusato Nozai:** Efforts to form models to encourage the use of corporate Furusato Nozei as part of expanding funding to solve social issues, alongside advocacy for increasing its flexibility and expanding its use.

- **Guidelines for Corporate-Nonprofits Collaboration:** Corporate social responsibility (CSR) activities have often been treated as separate from business operations. To address this, Keizai Doyukai is publishing a guide aimed at corporate executives that encourages the development of management strategies integrating both economic and social value and promotes collaboration between corporations and nonprofits.
- **Noto Peninsula Earthquake Support Initiative:** An initiative that serves as a link between the disaster-stricken area and supporting companies and the social sector.

In response to these initiatives, new partnerships between diverse companies and NPOs are being formed.

- **Board Match Program:** A program, led by Crossfields, where executives from Keizai Doyukai member companies participate in NPO governance.
- **Social Wednesday:** A campaign, led by NPO Kids Door and Activo Inc., encouraging local activities and social contributions on Wednesdays, which are designated as no-overtime days.
- **Platform to Eliminate Disparities in Children's Experiences:** A platform created by NPO Florence to address the growing social issue of disparities in children's experiences.
- **Refugee Talent Platform:** A platform run by NPO WELgee that connects refugee talent with Japanese companies.

Source: [Keizai Doyukai](#) and [Daichi Konuma](#)

Cross-sector collaboration boosts addressing social issues by leveraging their unique strengths

Social Issues in Japan

- The responsibility of addressing social issues in Japan has gradually shifted from the government to NPOs, public interest corporations, and now private companies. Private companies bring strengths such as speed, flexibility, and the ability to scale without the need for consensus and fairness required in government operations. NPOs excel in tackling overlooked issues and can act as R&D entities in social issue solving. It is crucial for diverse stakeholders to leverage their unique strengths, collaborate, and establish a cross-sector collaboration mechanism across society.

Collaboration Across Sectors

- The partnership agreements between the Impact Startup Association, the New Public Interest Association(Shinkouekirenmei/新公益連盟), and the Keizai Doyukai (経済同友会) serve as a platform for NPOs and corporate executives to collaborate as equals in addressing social issues.
- Over the past decade, the network formed across companies, governments, and NPO sectors has facilitated sector-wide collaboration, underscoring the importance of building relationships and providing networking platforms.

- Enhancing collaboration requires increasing the number of 'interpreters' who can facilitate interactions across different sectors. Establishing a system that offers incentives for secondments across sectors could be beneficial.
- To deepen CEOs' understanding of NPO activities and their importance, it is also vital for them to visit sites where NPOs address social issues.

Developing Corporate Philanthropy

- There is a tendency for funding to disproportionately favor economically rational solutions to social issues. Philanthropy plays a crucial role in directing funds towards NPO activities that might not be economically rational, making corporate philanthropy, separate from core business activities like CSR, extremely important.
- Increasing the involvement of CEOs and High Net Worth Individuals (HNWIs) in collaboration with NPOs rather than independent actions is also essential.
- There should also be opportunities for CEOs and HNWI to learn about advanced practices like trust-based philanthropy in the United States.

Mr. Daichi Konuma / Co-founder and CEO, CROSS FIELDS

Graduated from Hitotsubashi University's Faculty of Sociology and Graduate School of Sociology. After serving in Syria as a member of the Japan Overseas Cooperation Volunteers, he worked at McKinsey & Company. In May 2011, he founded CROSS FIELDS, an NPO that offers "Corporate Volunteering Programs for corporate employees to solve social issues in emerging countries. In 2011, he was selected as a Global Shaper at the World Economic Forum (Davos Conference), and in 2016, he was selected as one of the "20 U-40 CEOs Shaping the Future" by Harvard Business Review. He also serves as a director of the Japan Association of New Public.

Corporates can contribute to society and increase employee engagement through philanthropy.

The Uniqueness of Corporate Philanthropy

- The strength of corporate philanthropy lies in its ability to contribute to society by utilizing a variety of resources, such as human resources, funds, and technology. The company actively cooperates and participates in social contributions, enhancing employee engagement.
- Philanthropic activities can be carried out in collaboration with competitors.
- Ricoh Co., Ltd.'s sustainability and philanthropic activities have been updated several times and are now closely linked to materiality.

Developing Corporate Philanthropy

- There is a prevailing belief among management and employees that the business itself contributes to society and that social contributions do not yield monetary profits, which is why philanthropy should not be a priority. Additionally, the resources available for social contribution are constrained by business performance. Promoting an understanding of the significance of corporate philanthropy is essential.
- Encouraging management to be involved in decision-making regarding social contribution activities is necessary.

- There is scant data or research on the actual state of corporate philanthropy in Japan, nor is there comparative data or information from other countries. Presenting data and research results that highlight the significance of social contribution activities based on benchmark cases and data would be beneficial.
- When promoting CSV(Creating Shared Value), it is evaluated on the same level as new businesses, without considering its continuity or business viability. Proper evaluation of corporate philanthropy requires specific indicators and mechanisms.

Human Resource Development Challenges

- Corporate philanthropy representatives often lack contact with NPOs and may not know which ones to collaborate with. Individuals in charge of philosophy and sustainability within companies frequently change, preventing the accumulation of knowledge within the company.
- Corporate Philanthropy and sustainability in charge have few opportunities to learn about pioneering cases overseas unless they check the websites of overseas companies or join the communities including overseas companies.

Ms. Kumiko Akabori / Director of ESG Center, ESG Strategy Department, Ricoh Co., Ltd.

After graduating from university, she worked at Ricoh before moving to an NGO in 2003. In 2008, she rejoined Ricoh and has been working in the sustainability department, promoting initiatives to solve social issues through business, as well as the integration and internal penetration of sustainability. She has been in charge of promoting sustainability at Ricoh Japan since 2021 and has been in her current position since April 2024. She is a director of the Japan NGO Center for International Cooperation (JANIC). She graduated from the Graduate School of Social Innovation at Nagano Prefectural University in March 2024.

- 3-1 | Non-profit Organizations**
- 3-2 | Individual Donations**
- 3-3 | Corporate Philanthropy**
- 3-4 | Foundations**
- 3-5 | Donor-advised Funds and Trusts**
- 3-6 | Social Investment**
- 3-7 | Philanthropy Support Ecosystem**

Foundations play a central role in philanthropy, but there are significant differences between the U.S. and Japan in terms of size, functions they perform, and legal systems.

Table 7: Comparison of foundations in Japan and the U.S.

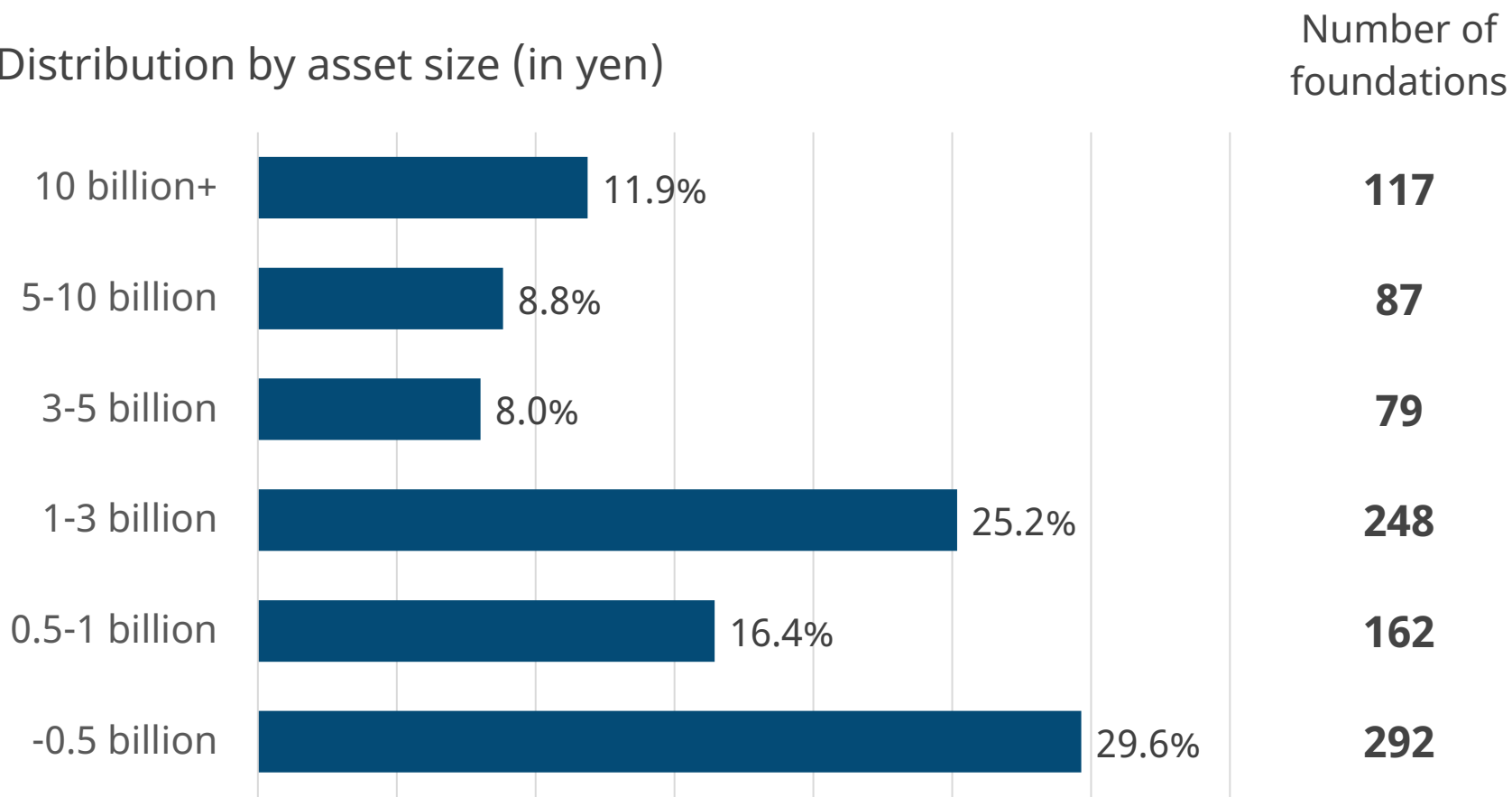
	Japan	United States
Legal Status	<ul style="list-style-type: none">General Incorporated FoundationPublic Interest Incorporated Foundation <i>*There recently has been an increase in grant-making organizations operating outside foundation legal status such as NPOs.</i>	<ul style="list-style-type: none">Three categories under 501(c)(3) cover most foundations<ul style="list-style-type: none">Private nonoperating (grantmaking) foundations: great majority - most corporate and family foundations coveredPrivate operating foundations: only a fewPublic charity: only community foundations fall under this
Numbers	<ul style="list-style-type: none">General Incorporated Foundations: 7,547Public Interest Incorporated Foundation: 5,487 <i>*These figures are as of the end of May 2022.</i>	<ul style="list-style-type: none">Approx. 100k private foundations
Trends	<ul style="list-style-type: none">After the 2013 reform of the system, the number of foundations has been on a slight upward trend.	<ul style="list-style-type: none">Slightly growing at 0.9% p.a. from 2016-20 (latest available)
Registration Process	<ul style="list-style-type: none">Although it is common to obtain public interest certification after operating a general incorporated foundation for at least one year, it is also possible to obtain public interest certification without a proven track record.	<ul style="list-style-type: none">All organizations not recognized as public charity under 501(c)(3) will automatically be private foundations <i>*Most organizations qualify as public charities. A public charity generally has a broad base of support, while a private foundation generally receives its support from a small number of large donors. (Sources: IRS)</i>
Governance / Requirement	<ul style="list-style-type: none">Balance of Income and Expenditures: Income from public interest activities must be less than or equal to expenses from public interest activitiesRatio of Business for Public Interest Purposes: The ratio of public interest activities must exceed 50%Restriction on Possession of Idle Property: Idle property must not exceed the ordinary expenses for public interest activities over one year	<ul style="list-style-type: none">5% payout per year

While the majority of foundations in both Japan and the U.S. are smaller in asset size, the U.S. has about eight times as many foundations as Japan.

Japan

- 7,547 general incorporated foundations and 5,487 public interest incorporated foundations in 2022, in total approx. 13k foundations
- According to the 2020 survey of 985 grant-making foundations by the Japan Foundation Center, 70% of foundations had assets of less than 3 billion yen, while 10% had assets of 10 billion yen or more.

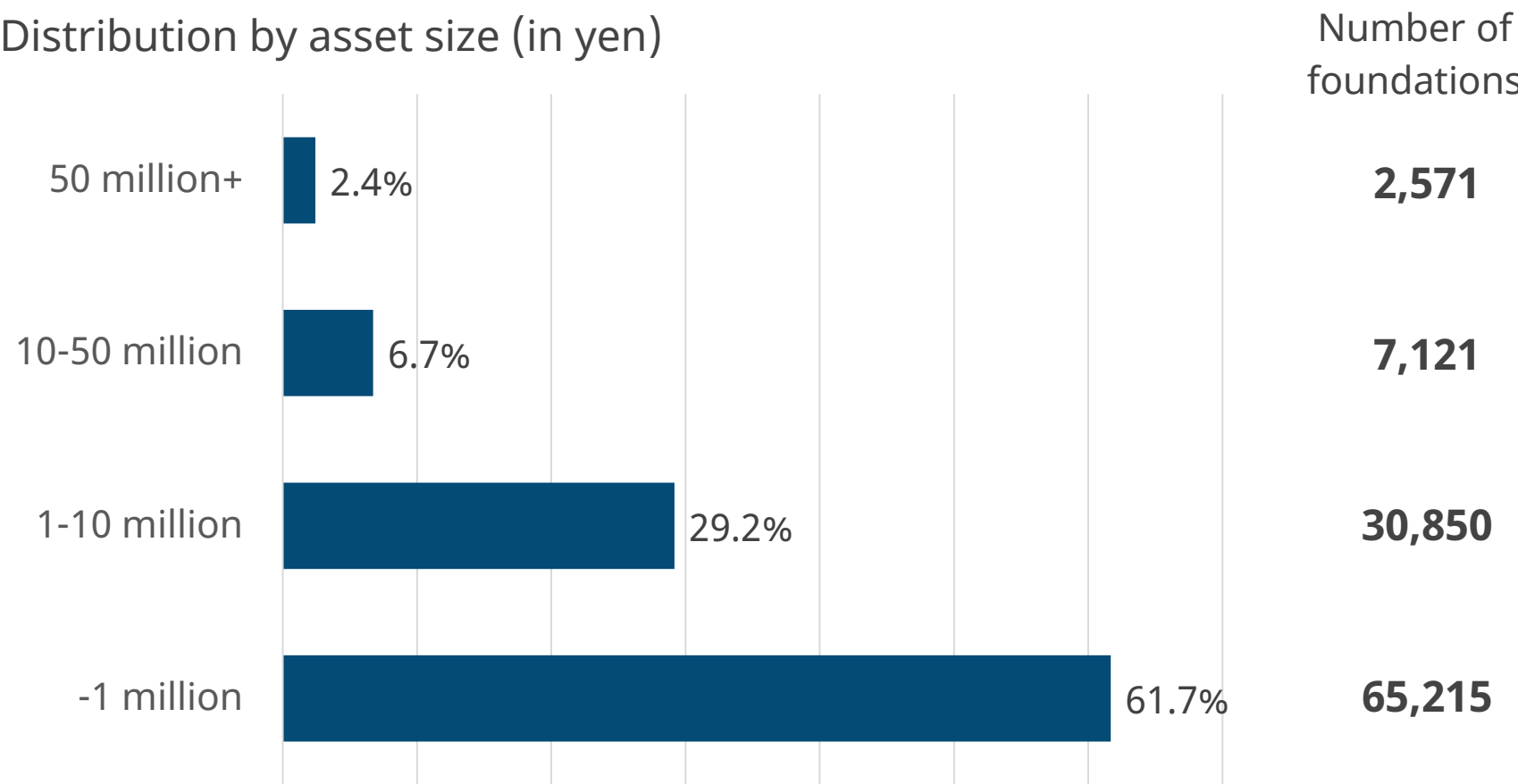
**Considering foundations that were not part of the survey, it is likely that there are even more smaller-scale foundations.*



Source: [The Japan Foundation Center](#)

United States

- Approx. 100k private foundations
- 60% of U.S.-based private non-operating foundations have assets of less than \$1 million, and 2,571 foundations have assets of over \$50 million, which is 2.4% of the total.



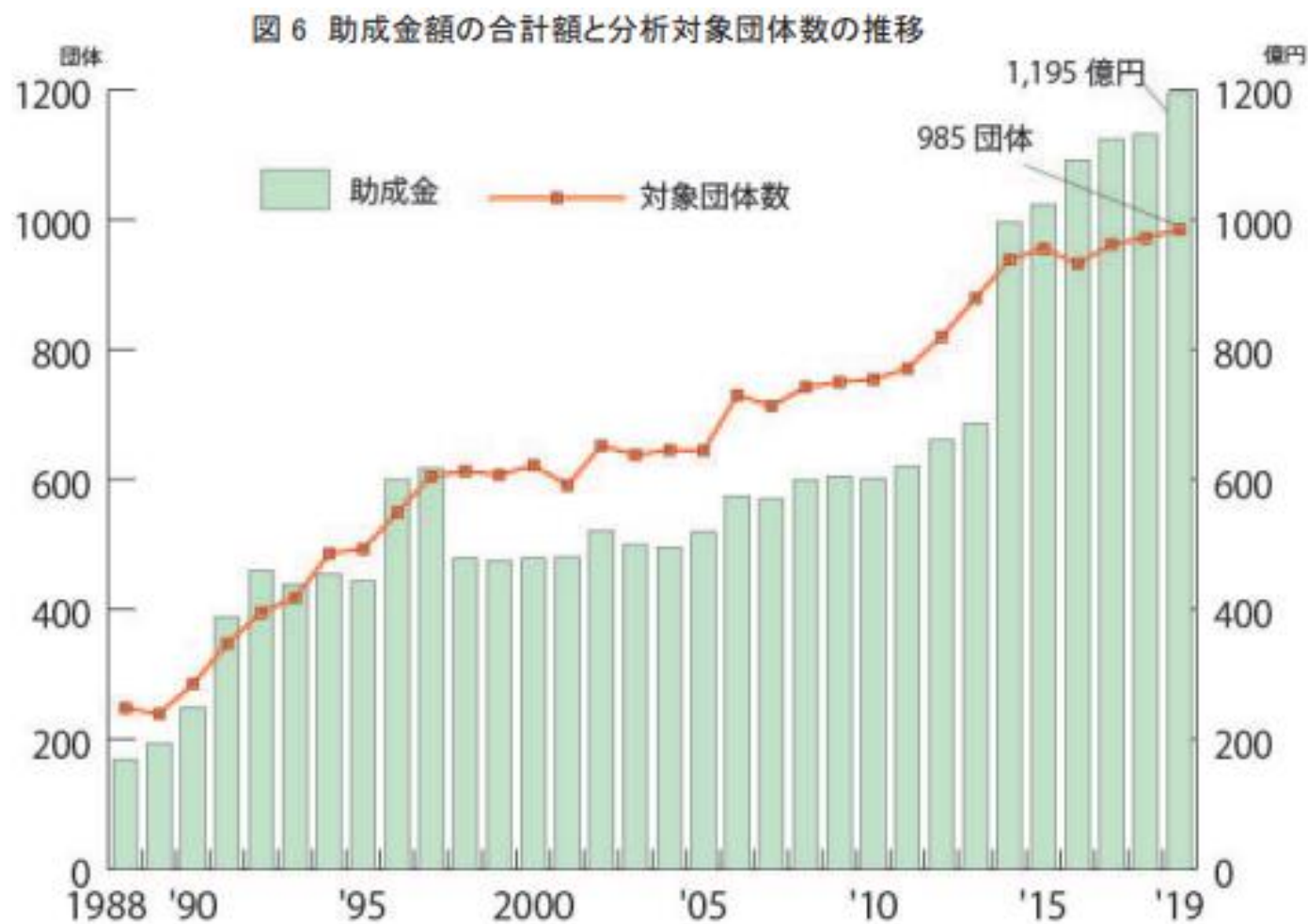
Source: IRS; [FoundationSource](#)

The amount of grants provided by foundations in the United States totals \$103.53 billion, which is approximately 130 times larger than the amount granted by foundations in Japan.

Japan

- Although there is no data for all foundations, 985 grant-making foundations provided 119.5 billion yen (equivalent to about \$0.80 billion) in 2019.
- 34.6% of the total grant was provided by the Nippon Foundation.

Amount of foundation giving (in 0.1 billion yen)

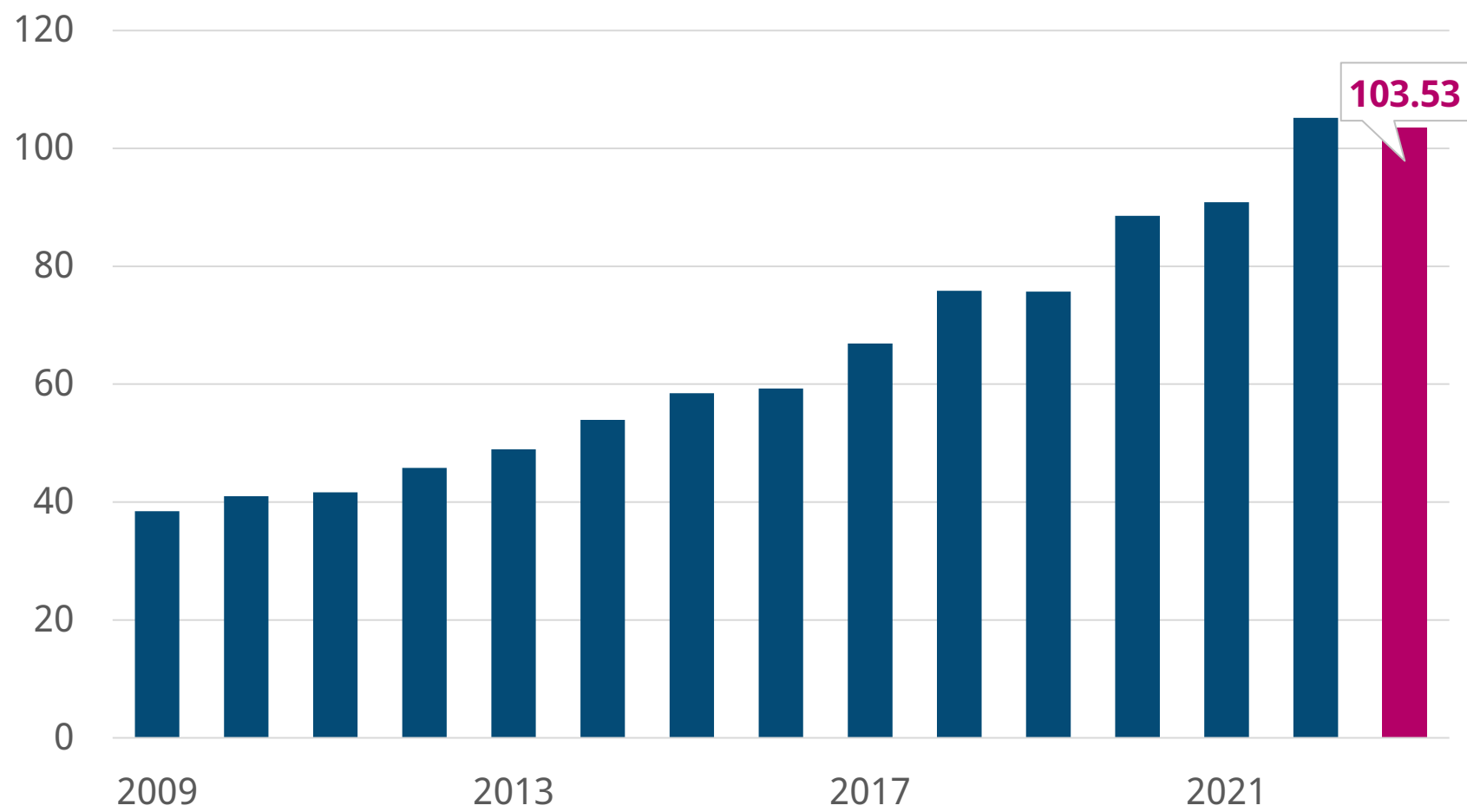


Source: [The Japan Foundation Center](#)

United States

- The amount of foundation grants has been increasing every year, reaching \$103.53 billion in 2023.
- Very few numbers of huge foundations have given a lot.

Amount of foundation giving (in billion dollars)

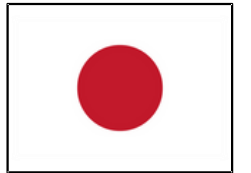


Source: [Giving USA](#)

Foundations play a central role in philanthropy, but there are significant differences between the U.S. and Japan in terms of size, functions they perform, and legal systems.

- U.S. foundations are categorized by the IRS into two types: Private Foundations, which are funded by one or a few sources such as individuals, families, or corporations, and Public Foundations (public charities), which rely on multiple funding sources. Japan does not have this kind of classification, but grant-making entities exist in various legal forms beyond just foundation corporations, such as NPOs.
- Although there is no precise categorization for foundations, foundations are typically further classified into four types: **independent, family, corporate, and community foundations**. Of these, community foundations in the U.S. are considered part of public charities.

Foundation Types		Japan	United States
Independent foundations	Funded by individuals or groups, independent of the donor or corporations in governance.	<ul style="list-style-type: none">• The “one-third rule” means that corporate and family foundations are treated in the same way as independent foundations.	<ul style="list-style-type: none">• Independent foundations, including family foundations, account for more than 90% of the total number of foundations.
Family foundations	Funded by families, with family members playing key roles in governance.	<ul style="list-style-type: none">• Many large foundations were established by company founders and are led by their family members.• The “one-third rule” limits the extent to which they can be run by family members.	<ul style="list-style-type: none">• <u>Family foundations make up over half of all private foundations</u>, or 40,456 out of approximately 73,764 foundations.• Family foundations have played a trendsetting role in philanthropy
Corporate foundations	Supported by corporations but legally separate, focusing on philanthropy linked to the company’s activities or communities.	<ul style="list-style-type: none">• <u>Corporate foundations play a central role in the private grant-making foundation community.</u>• The “one-third rule” limits the involvement of company personnel in the management of the foundation.	<ul style="list-style-type: none">• <u>Corporate foundations account for only about 3% of all foundations.</u>• The role of corporate foundations in the US philanthropy is relatively marginal.
Community foundations	public charity that pools donations to support local causes and community development.	<ul style="list-style-type: none">• There are 48 active community foundations/funds in Japan as of December 2023, and they are relatively small.	<ul style="list-style-type: none">• More than 900 community foundations operate in urban and rural areas in every state in the U.S.



The trend of stock-based private foundations, which are mainstream in the United States, is increasingly on the rise in Japan, indicating the potential for development in Japan's foundation sector.

According to the [Japan Foundation Center](#), the number of new private grant-making foundations in Japan began to rise in the 1970s, reaching its peak in 1990, but **the number of new grant-making foundations is increasing in the 2020s**. The Center divided the types of private grant-making foundations in Japan into five categories, focusing on the nature of the donors and the assets.

- **Type 1: Bond-type Corporate Foundation:** The donor is the main corporate body. Assets are primarily held in bonds. This is a typical foundation established under the old public interest corporation system before 2008.
- **Type 2: Stock-type Corporate Foundation:** The donor is the main corporate body. Assets are primarily held in stocks. These foundations can be seen under both the old and new systems.
- **Type 3: Bond-type Founder's Foundation:** The donor is the founder or the founding family. Assets are primarily held in bonds. These foundations were seen under the old system.
- **Type 4: Stock-type Founder's Foundation:** The donor is the founder or the founding family. Assets are held in stocks. This has become mainstream under the new system, particularly in recent years.
- **Type 5: Donation-based Foundation:** The assets are minimal. They receive flow donations and distribute them. These foundations emerged under the new system.

In particular, **"Type 4: Stock-type Founder's Foundation" have boosted the number of new foundations in recent years**. Under the previous public interest corporation system, there were regulations against holding assets in the form of stocks, making this type relatively rare.

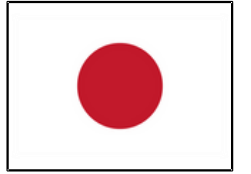
The center explains the following background for this trend:

1. The founders of post-war businesses, who are nearing generational transition, are establishing private grant-making foundations to honor their legacy and contribute to society.
2. By donating shares held by founders to private grant-making foundations, they can **prevent the dilution or dissipation of stock ownership that often occurs with generational succession and inheritance**.
3. The restriction under the old public interest corporation system, which **required private grant-making foundations to hold assets in bonds, was lifted** with the implementation of the new public interest corporation system.

The trend toward more mainstream U.S. foundation types is indicative of the future development potential of the foundation sector.

Sources: [The Japan Foundation Center](#)

BOX 5



A trend of new foundations that aim to create an impact with strategic grant-making and social investment is being born by successful business executives and companies.

The history of grant-making foundations in Japan began with research funding, leading to a significant number of foundations focused on research grants and scholarship provision. However, in recent years, there has been a rise in foundations that employ strategic grant-making with an aim to create outcomes. New foundations are also emerging that aim to create social impact, utilizing financial methods such as investments and loans, and supporting social ventures, not just non-profit organizations. This movement is still in its infancy, and how these initiatives can be expanded into a new wave of development is crucial.

PwC Foundation

A foundation established by PwC Consulting LLC. It provides grants and accompanying support to social ventures that tackle social issues with innovative approaches using technology, such as promoting collaboration between agriculture and welfare through human augmentation technology and addressing the shortage of medical resources in rural areas through the use of AI.

<https://www.pwc.com/jp/ja/about-us/member/pwc-foundation.html>

Soil Foundation

Founded by Tetsushi Hisata, the Director and Founder of Spee Inc., this foundation provides grants to non-profit startups, addressing the overwhelming shortage of early-stage funding and supporting their growth.

<https://soil-foundation.org/>

Mitene Fund

Founded with personal funds from Kenji Kasahara, the Director and Founder of MIXI Inc., who is also responsible for the "Mitene" business. The foundation provides trust-based grants and accompanying support to organizations working to solve social issues surrounding children and their families, aiming to create a greater impact.

<https://fund.mitene.us/>

Midas Foundation

The Foundation makes grants related to educational support overseas and social assistance in Japan, funded by 10% of the annual earnings of Midas Capital Corporation, a private equity fund, and a 100 million yen/year donation from Hideki Yoshimura, President of the Foundation.

<https://midas-foundation.org/>



Strategic philanthropy is taking shape in diverse innovative approaches, aiming to maximize the impact of giving in the U.S.

U.S. Foundations are increasingly enhancing their efforts to develop strategic philanthropy such as trust-based philanthropic approaches aimed at creating impact. They are exploring innovative approaches to funding, including leveraging debt to increase immediate giving, awarding cash directly to individuals, and outcome-based funding. These efforts position foundations as key players in advancing the U.S. social sector.

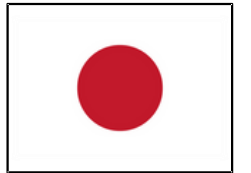
Definition and context

- Strategic philanthropy seeks to maximize the impact of giving, which tends to be serendipitous and random, at every stage of giving.
 - The term strategic philanthropy, which is said to have originated in the corporate world, was adopted by various foundations in the last decades of the twentieth century and then became a buzzword/phrase applied to almost all foundation activities.
 - As a result of its widespread, loose and changing usage, it is difficult to provide a definitive statement of its meaning, and the content and trends of "strategic philanthropy" have changed over time.
- Strategic philanthropy practices include:
 - **Grantmaking:** donations, investments (debt and equity)
 - **Grantee selection:** clear theory of change and logic models KPI setting, open call
 - **Non-financial support:** management advice (venture philanthropy)
 - **Grant management:** regular reporting, quantitative and qualitative impact evaluations

Sources: International Encyclopedia of Civil Society; Harvard Kennedy School

Recent trends in the US strategic philanthropy

- **Trust-based philanthropy:** An approach that emphasizes mutual respect, transparency, and power-sharing between donors and recipients. Key practices include multi-year commitment, unrestricted funding, and simplified application and reports. It aims to empower nonprofits to focus more on their mission and impact rather than on meeting and the often onerous requirements of traditional grantmaking.
- **Big bet philanthropy:** Big bet philanthropy involves making large, targeted investments in specific initiatives or organizations with the potential for significant scalable impact. Philanthropists commit substantial resources to ambitious goals, such as eradicating a disease, transforming education systems, or addressing climate change. The idea is to fund transformative projects that can create systemic change, often requiring sustained support over a long period.
- **Advocacy and systems change:** Today's philanthropists empower advocacy as a tool of systems change. This approach recognizes that lasting change often requires not just direct service provision but also systemic shifts that can be achieved through advocacy. Grantees engage in activities such as lobbying for legislative changes, raising public awareness, and supporting grassroots movements.



The Japanese foundation sector is in a critical transition period as it seeks to become a core part of the social sector.

Challenges for Foundations in Japan

- Foundations established before the 2006 reform of the public interest corporation system in Japan were set up under a system called the "Competent government agency system," resulting in narrowly defined objectives and activities in their articles of incorporation. This is preventing the foundation from taking on new activities.
- Japanese foundations initially started by providing research grants, but since researchers receive salaries from their universities, the practice of offering grants solely for project expenses, not personnel costs or indirect costs, became the common standard for foundations.
- Most foundations operate on a request for proposal (RFP) basis, meaning that grant opportunities are limited to specific timeframes, making it difficult for nonprofits to find grants that match their needs and timing.
- There are very few intermediary organizations that support foundations, and they are concentrated in Tokyo.

Challenges and Roles of Corporate Foundations

- In Japan, many corporate foundations are funded by corporate donations, but unlike in the U.S. where corporate foundations are central to corporate philanthropies, many Japanese foundations operate independently from the companies like independent foundations.
- The aging of board members and gender imbalances in foundations are also challenges.

Potential for foundations

- Foundations established in recent years have begun to incorporate new approaches, such as social impact investing. There are also signs of foundations being set up by HNWIIs and celebrities, and social contributions from successful young entrepreneurs and women.
- To support this new trend, intermediary support organizations are essential, especially not only in Tokyo but also in regional areas.
- It is crucial for foundations to provide support not only through project grants but also by strengthening organizational capacity to enhance the Japanese social sector.

Mr. Masayuki Deguchi

Japanese nonprofit sector researcher and policy anthropologist. Professor Emeritus at the National Museum of Ethnology and the Graduate University for Advanced Studies. Chairman of the Minto-Osaka Philanthropy Council, a conference body for Osaka Prefecture and Osaka City. He also questions the corporate-biased accounting system, and is researching new nonprofit accounting methods with accounting scholars while incorporating anthropological methods. He is also a member of the project to develop international nonprofit accounting standards.

While many family foundations run research grants and scholarships in Japan, U.S. family foundations have played a pivotal role in U.S. philanthropy both as a big giver and a trendsetter.

There is no precise definition of a family foundation, but the Council on Foundations suggests that family foundations have at least one family member serving as an officer or board member of the foundation and, as the donor, that individual (or a relative) must play a significant role in governing and/or managing the foundation.

Japan

- There is a regulation that the number of relatives within the third degree of kinship cannot exceed one-third of the total number of board members, meaning a foundation cannot be run by a family.
- However, many of the top asset-holding foundations were funded by founders of family businesses and are led by family members as the table below (highlighted in yellow color).

Asset size of top 10 grant-making foundation giving (in billion yen/dollars)

Rank	Foundation Name	In yen	In dollars
1	Ishibashi Foundation	483	3.22
2	Nippon Foundation	310	2.06
3	Pola Art Foundation	199	1.33
4	Sasakawa Peace Foundation	162	1.08
5	Idemitsu Museum of Arts	156	1.04
6	Kozuki Foundation	153	1.02
7	Inamori Foundation	126	0.84
8	Life Sports Promotion Foundation	119	0.80
9	Nakatani Foundation	119	0.80
10	Hakuhodo Foundation	116	0.78

Sources: [The Japan Foundation Center](#)

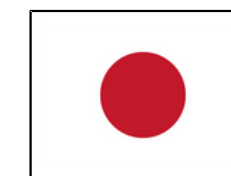
United States

- Family foundations make up over half of all private foundations, or 40,456 out of approximately 73,764 foundations.
- Family foundations have played a trendsetting role in philanthropy: Impact investing (Rockefeller), Trust-based philanthropy (Mulago), Venture philanthropy (Co-impact)
- Family foundations stand out in the foundation’s giving.

Asset size of top 10 foundation giving (in billion dollars)

Rank	Foundation Name	In dollars
1	Bill & Melinda Gates Foundation	60.0
2	Lilly Endowment	40.8
3	Howard Hughes Medical Institute	24.2
4	Ford Foundation	16.4
5	Robert Wood Johnson Foundation	13.8
6	Silicon Valley Community Foundation (CA)	13.8
7	J. Paul Getty Trust	12.5
8	William and Flora Hewlett Foundation	12.5
9	Kamehameha Schools	11.6
10	Foundation to Promote Open Society (Open Society Foundation)	10.6

Sources: [The Grantsmanship](#)



Japanese family businesses are at a critical turning point, and family governance is the key.

Background and Trends of HNWI's Philanthropy

- High-net-worth individuals (HNWIs) tend to establish public interest incorporated foundations (PIIFs) as a strategy to manage their stock holdings and address inheritance tax issues. These shares can be excluded from inheritance tax by transferring family-held company shares to a PIIF. Although the shares leave the family's direct control, the foundation's incorporation articles often include asset management provisions in line with the family's interests as a stable shareholder. The dividends from these shares are then used for social contributions. Given this background, many foundations bear the name of founding families.
- Recently, there has been a rise in custom-made funds at PIIF models for those whose assets are not large enough to establish an individual foundation.

Challenges of HNWI's Philanthropy

- There are various ways to provide funding, but it is essential to address the challenges associated with each method. When funds come from a company, corporate governance must be addressed, while individuals need to consider inheritance issues. In the case of family contributions, not all members may share the same sense of social responsibility, so overcoming those challenges is crucial for HNWI philanthropy.

- Another challenge when making social contributions is selecting the appropriate recipients and ensuring their intentions are reflected. There are cases where financial institutions act as intermediaries, connecting donors with the appropriate recipients.
- Once a PIIF is established, it must be operated in perpetuity. The "one-third family rule" poses a risk where board members outside the family may exercise voting rights that conflict with family interests.

Toward the Development of HNWI's Philanthropy

- Most Japanese companies were founded after World War II, and they now face the challenge of whether family management can continue as shares become dispersed. Family governance is necessary to consolidate these scattered shares and align family interests. Within this governance framework, it is crucial to clearly define philanthropy considering both the company's and the family's stakeholders.
- The mention of the introduction of a Japanese version of Donor-Advised Funds (DAF) in the "Grand Design and Implementation Plan for New Capitalism (2024 Revised Edition)" is promising. However, unlike in the U.S., Japan does not have a payout rule, leading to many foundations that possess assets but do not actively provide funding. The development of such rules is a key factor in determining whether funds will circulate effectively to address social issues.

Mr. Kimihiko Mizutani / Sumitomo Mitsui Trust Bank, Ltd.

In April 2022, he was appointed as head of the Private Banking Planning Promotion Department and the Personal Planning Department at Sumitomo Mitsui Trust Bank, Ltd. Special Director and Head of the Private Banking Planning Promotion Department.

- 3-1 | Non-profit Organizations**
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- 3-7 | Philanthropy Support Ecosystem**

Compared to the U.S. CLT/CRT and DAF, the Japanese charitable trust system is less donor-friendly, and the donation deduction for donors is limited.

Table 8: Comparison of trusts in Japan and the U.S. (1/2)

	Japan		United States		
	Charitable Trust 公益信託	Planned Giving Trust 特定寄附信託	Charitable Lead Trust(CLT)	Charitable Remainder Trust(CRT)	Donor-advised Fund (DAF)
Basic structure	A trust in which an individual or corporation deposits assets with a trustee for a public purpose, and the trustee manages and invests the property in accordance with its stated purpose and distribute grants to charities	A trust in which an individual or corporation selects a beneficiary such as a public interest corporation, deposits money with a trustee, and the trustee manages and invests the property in accordance with its purpose and donates it to the selected beneficiary	A trust that provides income to one or more designated charities for a specified term, which can be a set number of years or the life of an individual. After the end of the trust term, the remainder of the trust is distributed to non-charitable beneficiaries.	An irrevocable trust that provides income to the trust beneficiaries for a specified period of up to 20 years, after which the remaining assets are donated to one or more designated charities	A separately identified fund or account that allows individuals, families, or organizations to make irrevocable contributions to a fund, take an immediate tax deduction and retain advisory privileges to disburse charitable gifts over time
Assets	No restrictions, but only cash for specified charitable trust and Certified Specific Public Trust	Only cash	Cash, publicly traded securities, real estate, etc.	Cash, publicly traded securities, real estate, etc.	Cash, publicly traded securities, real estate, etc.
Annual Minimum Distribution	No	Up to 30% of the initial trust amount	No	Yes	No

3-5. Donor-advised Funds and Trusts

Table 8: Comparison of trusts in Japan and the U.S. (2/2)

	Japan		United States		
	Charitable Trust 公益信託	Planned Giving Trust 特定寄附信託	Charitable Lead Trust(CLT)	Charitable Remainder Trust(CRT)	Donor-advised Fund (DAF)
Grant/donations Recipients	<u>Public interest corporations, etc.</u>	<u>Public interest corporations, etc.</u>	Individuals or charitable organizations	Individuals or charitable organizations	501(c)(3) organizations (excl. non-operating private foundations)
Can change which charities receive grants	No	Yes	Mostly no*	Mostly no*	Yes
Donor Control	<u>No</u>	Partially yes: can select donation recipients	Full control over grants		Recommendations only
Deduction of donations for income tax purposes at the time of setting up	The amount of the trust can be deducted, but only for Certified Specific Public Trust	The amount of annual donation can be deducted (similar to individual donations). Investment income is not deductible.	The present value of the prior gain attributable to the charity can be deducted as a lump-sum donation. No deduction for non-granter CLT.	The present value of the residual income attributable to the charity is eligible for a tax deduction	All contributions to a DAF account are tax deductible.
Tax Deductions as (%AGI)	<ul style="list-style-type: none"> The total amount of the donation is limited to an amount equivalent to 40% of gross income. The amount of tax deduction is limited to an amount equivalent to 25% of income tax amount. 		60% for cash, 30% for appreciated assets		

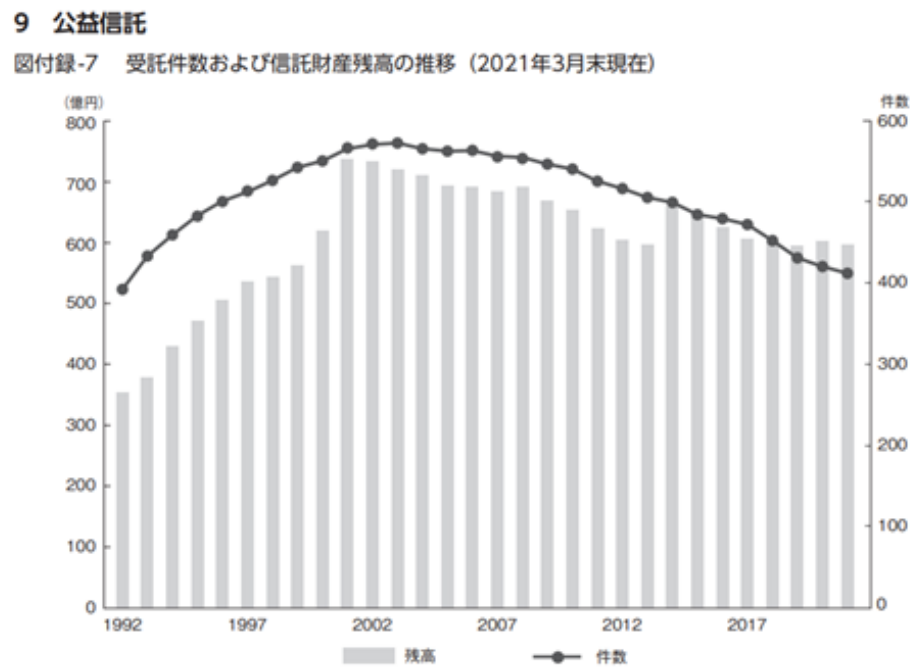
*Possible if donors designate a separate DAF sponsor as a grant recipient (called Trust-DAF combination)

The number of trusts in the U.S. is several hundred times larger than in Japan, but both countries have been experiencing a downward trend in the number of trusts.

Japan

Charitable Trust

- There were 378 charitable trusts with a balance of 53.4 billion yen (equivalent to \$0.36 billion) in FY2023.
- The number of charitable trusts entrusted has been declining since its peak in 2003, and no new trust was entrusted in FY2023.



Sources: [Trust Companies Association of Japan](#)

Planned Giving Trust

- The tax reform in 2011 introduced a system modeled after the U.S. planned giving. However, the settlor cannot be designated as the beneficiary of the trust, and only cash can be entrusted.
- Tax deductions for donations apply only when a donation is made, effectively resulting in no tax benefits.

United States

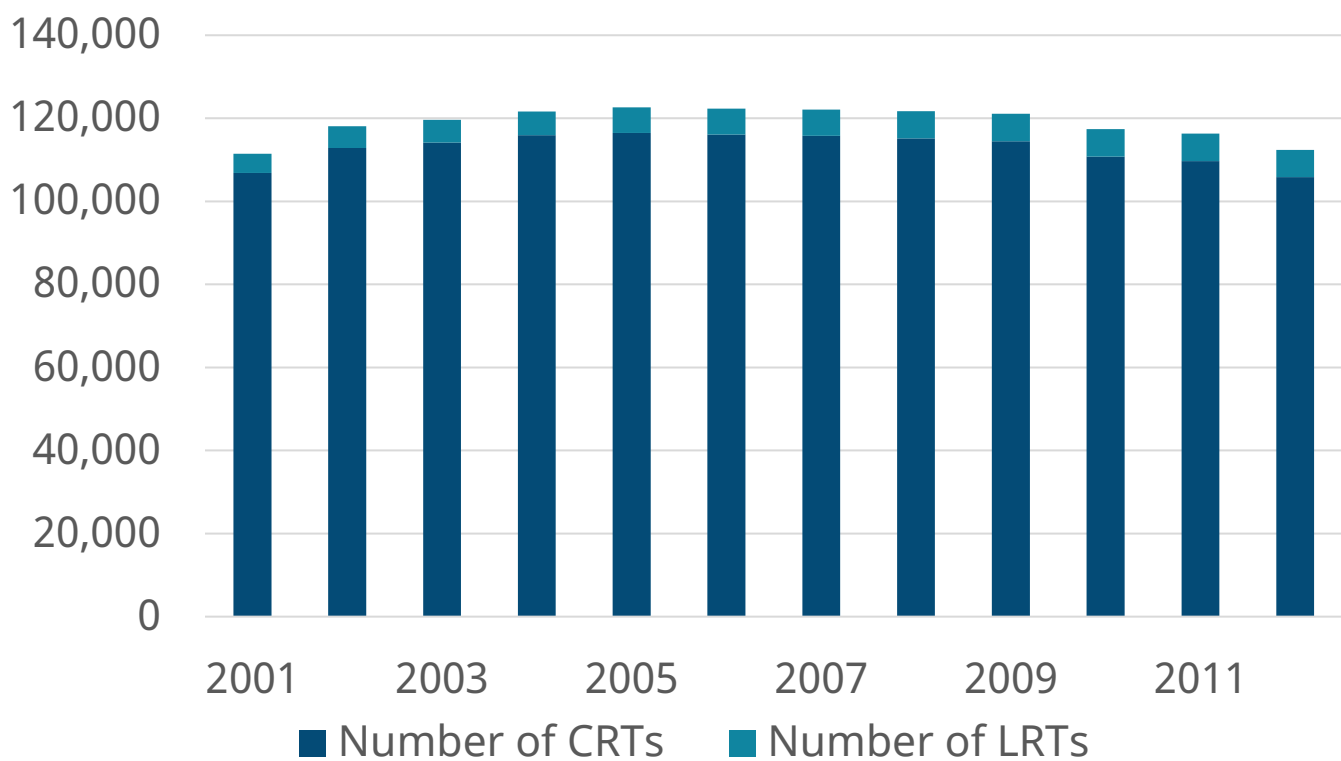
Charitable Trust

- The IRS treats charitable trusts as foundations, and in 2020 there were 5,609 trusts, with total assets (fair market value) of \$11.56 billion.

Sources: [IRS](#)

Planned Giving Trust

- The number of trusts has been decreasing since peaking in 2005, with 105,866 CRTs and 6,498 CLTs in 2012. It is unclear what the trend has been since the IRS stopped publishing data in 2013, but it is possible to speculate that there has been a downward trend.
- The popularity of DAFs can be seen as the background to this.



Sources: [IRS](#)

No data
(IRS
stopped
publishing
stats in
2013)

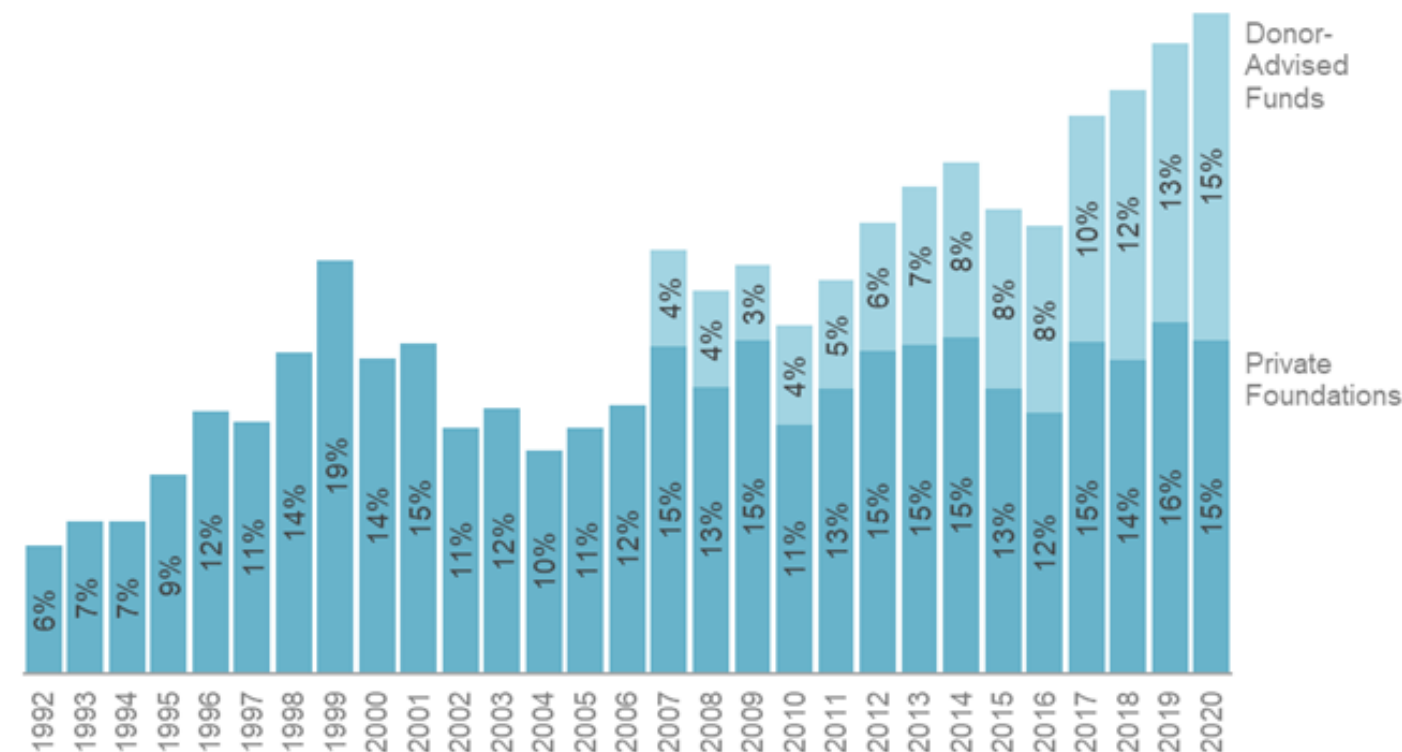


Donor-advised funds has been the powerful and rapidly growing instruments for philanthropists in the U.S. despite some criticisms.

DAF: Stats at a glance

- There were 1,285,801 donor-advised fund accounts in 2021
- Donor-advised funds held \$234.06 billion in assets in 2021
- Annual contributions into donor-advised funds were \$72.67 billion in 2021
- Donors recommended grants from donor-advised funds totaled more than \$45.74 billion to charities in 2021
- Average donor-advised fund account size was \$182,842 in 2021

Percent of U.S. Individual Giving Going to Donor-Advised Funds and Private Foundations (1991-2020)



Donor-advised funds began reporting contributions in 2007. Sources: DAF data from National Philanthropic Trust, 2014 Donor-Advised Fund Report, 2014, 2015, and 2020. Foundation data from Giving USA: The Annual Report on Philanthropy for the year 2019 (2020). Chicago: Giving USA Foundation.

Source: [National Philanthropic Trust](#)

Criticisms and responses

Myth: DAFs are only for the ultra-wealthy.

- Fact: DAFs are accessible to a wide range of donors. The average account size in 2021 was \$182,842, with a median of \$19,442. Many are smaller than \$20k.

Myth: DAF donors don't donate digitally.

- Fact: Actually, 96% of DAF holders initiate their grants digitally. Some even start by donating with a credit card before using their DAF.

Myth: DAF donors are all very old.

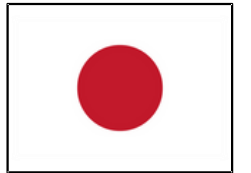
- Fact: Donors under 40 represent the fastest-growing age group for DAFs. Between 2015 and 2019, there was a 93% increase in accounts opened by younger generations.

Myth: DAFs aren't that popular.

- Fact: DAFs are experiencing rapid growth, with a 28% annual increase in 2020 and 2021. The number of DAF accounts has nearly tripled in the last four years

Myth: DAF givers intentionally keep money in their accounts.

- Fact: While some funds remain stagnant, the difficulty of making donations from DAFs contributes to this. It's not solely the donors' intention.



If the reform of the public trust system and the introduction of donor-advised funds are realized, it could create new flows of funding into the social sector.

The potential and challenges for charitable trusts in Japan

- The number of trusts in Japan is less than 1% of that in the U.S. This is due to several factors, including the restrictions on trust trustees under the current public trust system, the lack of uniform standards for approval and supervision by the competent authorities, and the complicated restrictions on obtaining tax deductions for donations.
- **The new system is expected to be implemented from the fiscal year 2026, which is anticipated to lead to an expansion in the use of public trusts.** The planned changes include: 1) an expansion of the scope of trust operations and trust assets, 2) an expansion of the range of trustees, and 3) the abolition of the competent authority system. Additionally, tax measures equivalent to those for public corporations will be applied to public trusts and to individuals and corporations making donations to them.
- The Grand Design and Action Plan for New Capitalism explicitly states that "to promote the use of public trusts, the requirements for trustees to receive tax incentives will be relaxed, enabling the entry of impact startups."
- However, **unlike the CRTs and CLTs in the United States, split-interest trusts have not been introduced**, and their utilization in planned giving is still not expected.

The potential and challenges for donor-advised funds in Japan

- In Japan, there is no equivalent scheme to the donor-advised fund (DAF) in the U.S. However, there are similar initiatives in Japan as follows:
 - Japan Philanthropic Foundation: Donors can make contributions to the foundation and establish donor-designated funds within it based on the fields, regions, and projects they wish to support, thus receiving tax incentives. The foundation manages the funds on behalf of the donors and provides medium- to long-term grants from the investment returns.
- On the other hand, there are currently some limitations in Japan:
 - While donors can receive tax deductions at the time of donation, **deemed transfer taxation applies to assets such as securities and real estate**. Additionally, since **tax deductions for donations cannot be carried over**, donors making large contributions may not benefit from tax incentives.
 - Although donors can define the target projects and their usage as well as selection criteria, **the donors cannot directly advise on donation recipients**; a selection committee is responsible for choosing the recipients.
- If DAFs were to become available, they could provide a good option for donors wishing to have a greater influence over their donation recipients and the use of their donations. This could create new flows of funding into the social sector.

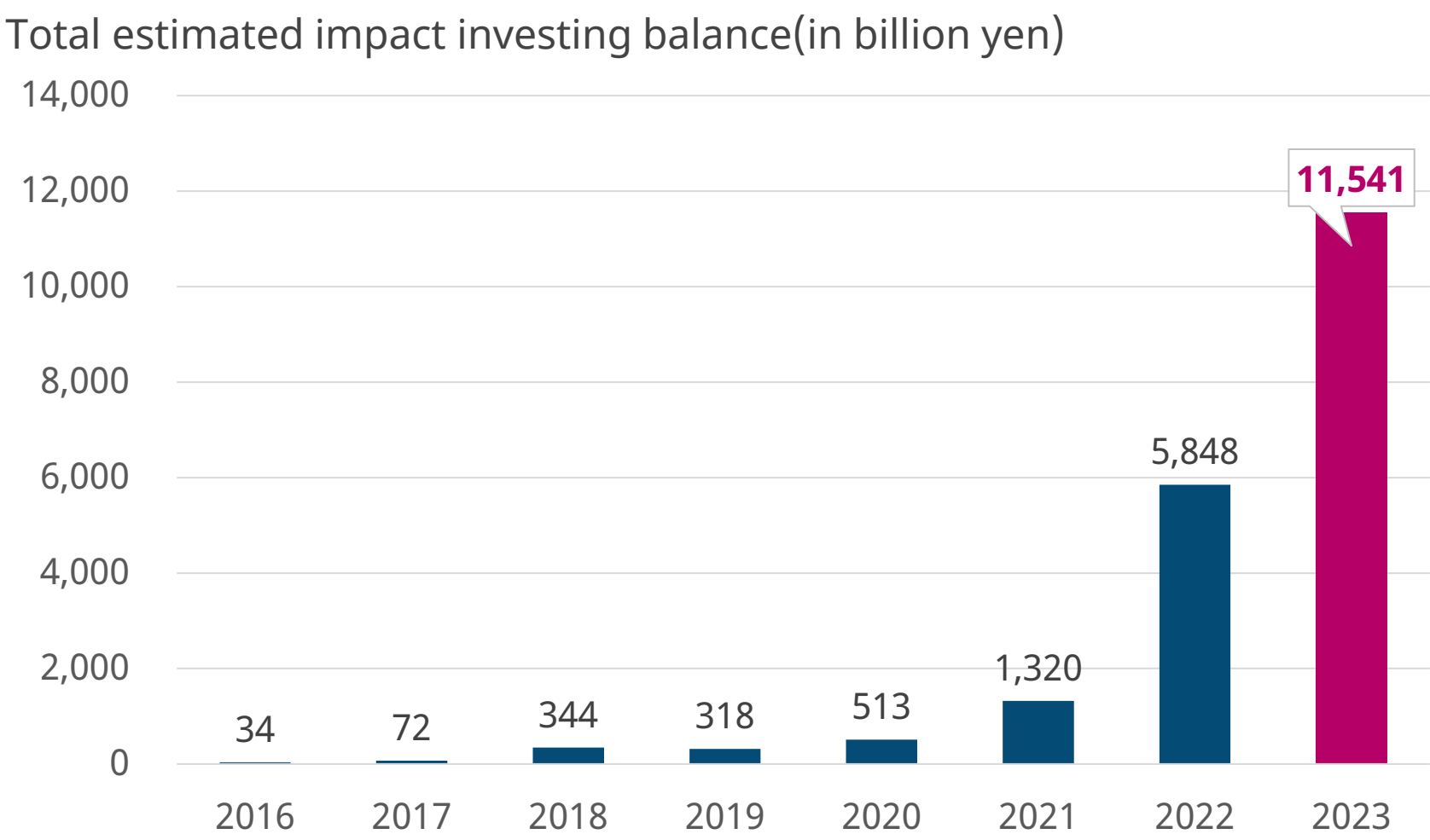
Source: [Public Interest Commission, Cabinet Office](#)

- 3-1 | Non-profit Organizations**
- 3-2 | Individual Donations**
- 3-3 | Corporate Philanthropy**
- 3-4 | Foundations**
- 3-5 | Donor-advised Funds and Trusts**
- 3-6 | Social Investment**
- 3-7 | Philanthropy Support Ecosystem**

While the U.S. leads the global impact investment market, the impact investing market in Japan is also expanding rapidly at a pace several times faster each year.

Japan

- The estimated balance of impact investing was **11,541 billion yen (equivalent to \$76.9 billion) in FY2023**, which increased by approx. 2 times in FY2022.
- Transactions by organizations engaged in impact investing increased by 1.7 times, and the number of new organizations entering the market increased.



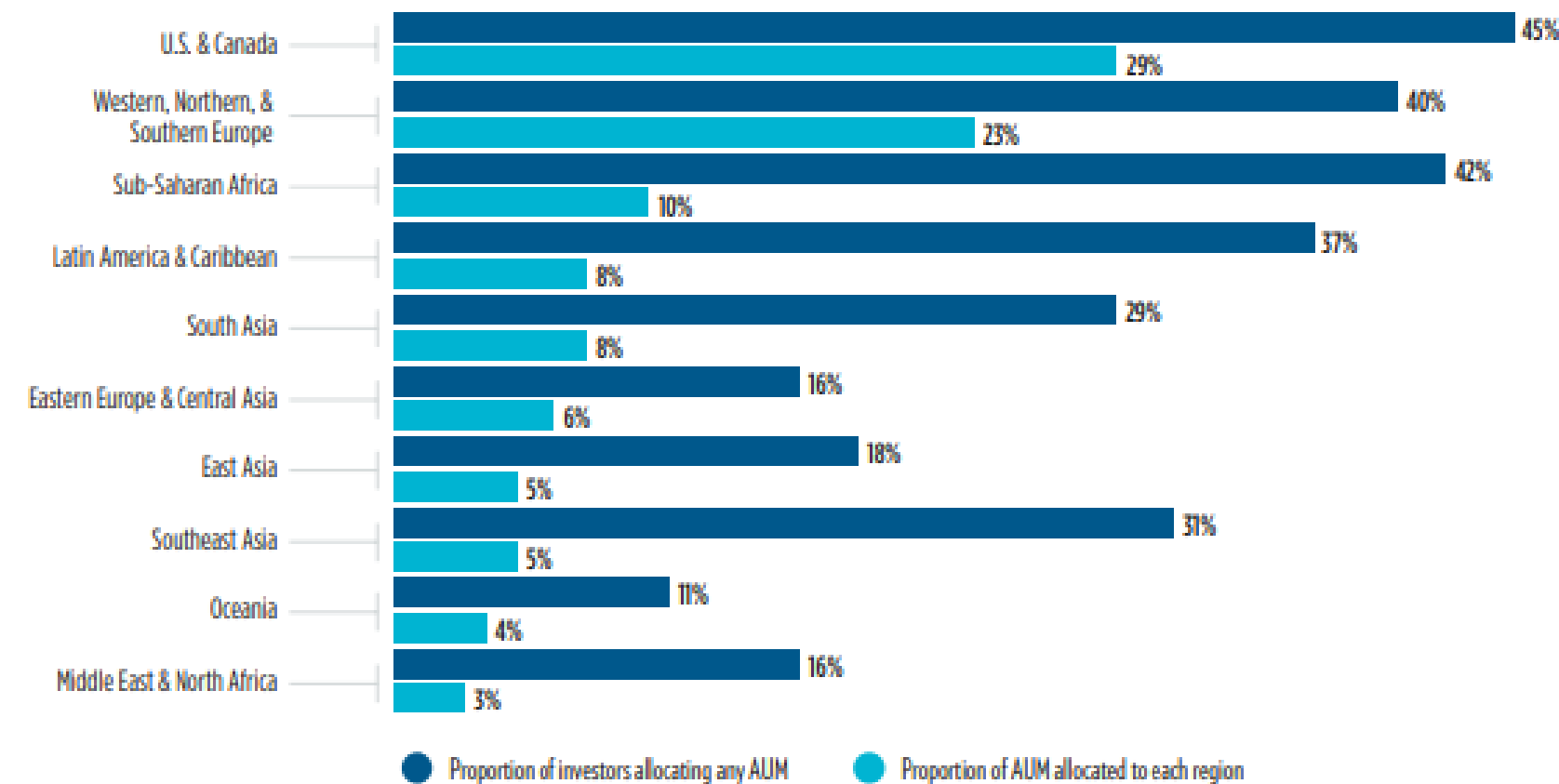
Source: [GSG Impact Japan](#)

United States

- The U.S. has been leading impact investing and the U.S. and Canada together account for \$57.4 billion of the Assets Under Management (AUM) in 2023, which is **29% of global impact investing AUM**, making them the largest region in the world for impact investing.

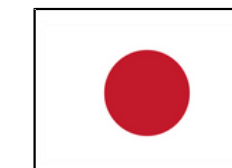
FIGURE 3: Investor asset allocations by geographic region

n = 303; AUM = USD 198 billion



Note: Excludes five outlier organizations based on AUM. Respondents may allocate to multiple regions.
Source: [Global Impact Investing Network \(GIIN\)](#), 2023 [GIINsight: Impact Investing Allocations, Activity & Performance](#)

Source: [GIIN](#)



Diverse forms of social investment are expanding globally and dormant bank deposit schemes are having a significant impact on Japan's social sector.

ESG investment

ESG investment in Japan has experienced rapid growth, increasing from USD 474 billion in 2016 to USD 4.02 trillion in 2022. This sharp expansion in market size outpaces that of regions such as Europe and North America. Contributing factors include the signing of the PRI principles by Japan's GPIF and the Financial Services Agency's establishment of the Japanese Stewardship Code in 2014, which outlines principles for responsible investors. Meanwhile, in the U.S., ESG has faced a backlash, leading to tighter regulatory frameworks and industry standards.

Source: [Global Sustainable Investment Alliance](#)

Venture Philanthropy

Venture philanthropy began on the West Coast of the U.S. in the 1990s, with pioneering initiatives such as Social Venture Partners, founded in 1997, and New Profit, established in 1999. In Japan, the Japan Venture Philanthropy Fund (JVPF) was launched in 2013 as the country's first full-scale venture philanthropy fund. While there are no comprehensive statistics for either Japan or the U.S., it is noted that in 2014, major venture philanthropy organizations in the U.S. provided a total of \$213 million in grants.

Source: [Japan Venture Philanthropy Fund](#) and [Japan Research Institute](#)

Social Impact Bond

In Japan, a pilot project to promote and support special adoption was launched in Yokosuka City in 2015. According to the Impact Bond Dataset, as of October 2024, there are 18 cases in Japan and 28 cases in the U.S. In Japan in particular, the broader concept of Pay for Success (PFS) that does not involve outside investors is spreading, and as of the end of FY2023, there were 273 PFS projects, with 112 in the nursing care sector and 97 in the medical and health sectors.

Source: [Impact Bond Dataset](#) and [Cabinet Office](#)

Dormant Bank Deposits Scheme

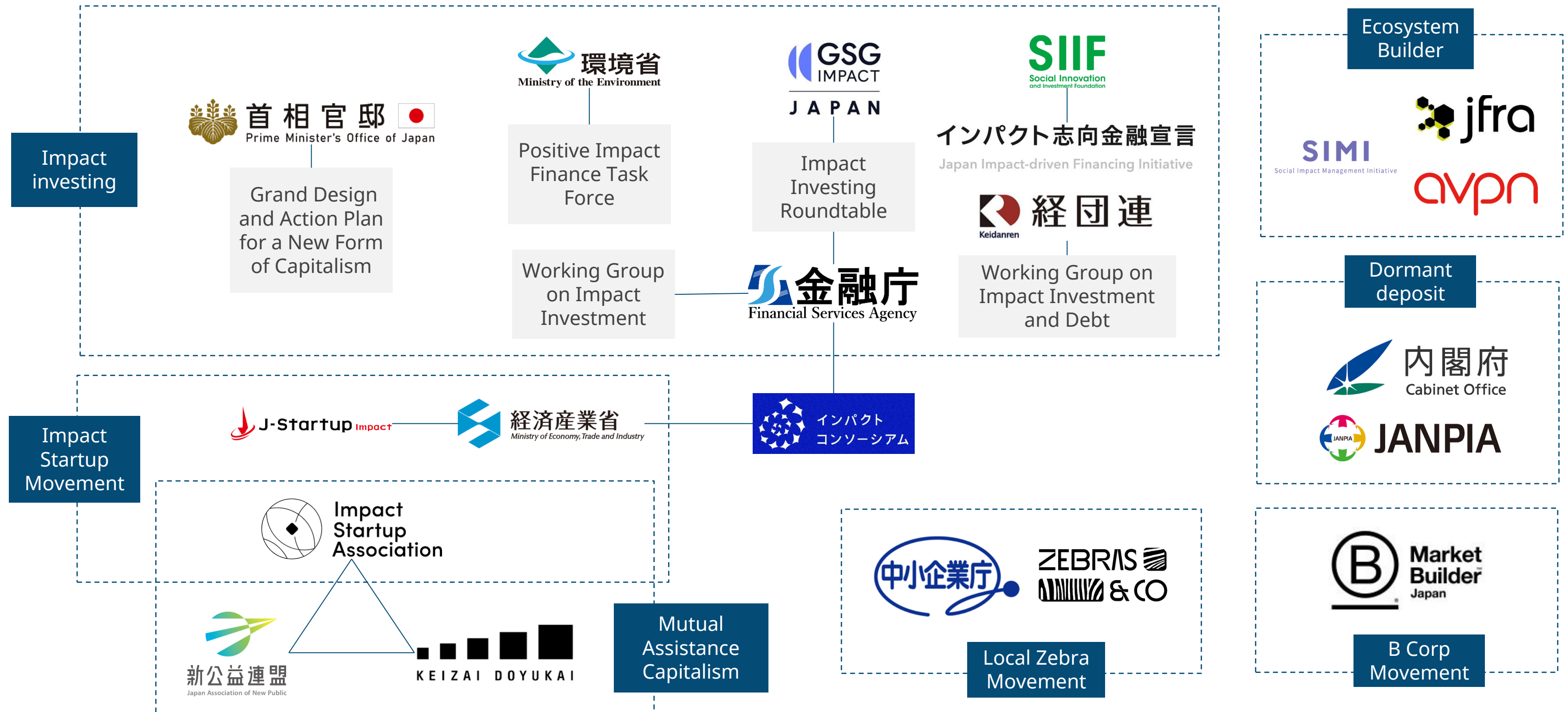
In Japan, the dormant bank deposits scheme has been established since 2019 to provide grants to nonprofits working to solve social issues. By April 2024, a total of 1,170 organizations had received grants of 29 billion yen. From 2024, the investment scheme has been newly started for social enterprises that are implementing social businesses in the initial stages and do not have sufficient private funding. In the U.S., however, dormant bank deposits are not being installed.

Source: [Cabinet Office](#) and [JANPIA](#)

BOX 10

In Japan, diverse initiatives with public-private partnerships are creating a new ecosystem that is shaping a new impact economy.

Note: this is not a comprehensive list of all the relationships, and that it is a simplified re-organization of the diverse and complex relationships, so it may differ from the actual details.



- 3-1 | Non-profit Organizations**
- 3-2 | Individual Donations**
- 3-3 | Corporate Philanthropy**
- 3-4 | Foundations**
- 3-5 | Donor-advised Funds and Trusts**
- 3-6 | Social Investment**
- 3-7 | Philanthropy Support Ecosystem**

The ecosystem supporting philanthropy in Japan is gradually growing, and there is great potential for growth in the social sector if the missing pieces are filled.

Japan

United States

Nonprofits

- Certified Fundraisers: **1,560 fundraisers** since 2012
- Network: various network organizations organized by theme. JANIC is a network of 198 international cooperation NGOs, and the Japan Association of New Public(Shinkouren) has 175 organization and individual members.
- Nonprofit consulting firms: There are several NPO consulting companies such as Fundrex, but **most are individual consultants**. No market size data is available.
- Governance certification and rating: Canpan Field(2,848 nonprofits), a third-party certification “Good Governance Certification” (82 nonprofits)
- Capacity building funding: There are very few foundations that provide funding for organizational capacity building (e.g. Panasonic NPO/NGO Support Fund for SDGs)
- Solutions such as social sector-specific job support and DRM and donation systems are gradually emerging.

- Certified Fund Raising Executives(CFRE): **over 7,800 fundraisers** from 28 countries
- National Council of Nonprofits: local associations in almost every state, a network of over 30,000 nonprofits
- Nonprofit consulting firms: There are companies specializing in various fields such as the Bridgespan Group, and **the market size for nonprofit consulting services is USD 21.3 billion** in 2023.
- Initiatives to improve governance and transparency (like good governance certification in Japan)
- Governance certification and rating: Charity Navigator (225,000), BBB Wise Giving Alliance (over 11,000), The American Institute of Philanthropy (over 600)
- Capacity building funding: Various foundations provide funding for organizational capacity building
- Many associations providing solutions such as recruitment support, platforms and services (crowdfunding platforms, DRM and other systems), etc.

Since the market size of the nonprofit sector and the role of nonprofit organizations in society differ greatly between the U.S. and Japan, the mechanisms and scale that support nonprofit organizations also differ. Diverse initiatives such as providing funding and support for capacity building in nonprofit organizations, rating mechanisms, and mechanisms to increase the mobility of human resources in the sector is important to advance the Japan’s social sector.

Japan

Individual donors

- Giving December: Over 1,000 organization partners participated, and over 170 certified events in 2023
- Database: NPO Homepage(49,677), Good Governance Certification(82 nonprofits)
- Rating: Canpan field is a rating system based on the level of information disclosure (2,848 nonprofits)

United States

- Giving Tuesday: raised \$3.1 billion on 27 November 2022 in the U.S. alone and 85 countries joined the campaign
- US National Donor Day (February 14)
- Database: GuideStar (1.8 million)
- Rating: Charity Navigator **(225K charities rated)**, The American Institute of Philanthropy (over 600)

There are donation-related campaigns and databases in both Japan and the U.S., but the degree of utilization and scale differ. In the U.S., there are rating information and databases that donors can use when selecting a recipient for their donation, but in Japan, there are almost none.

HNWIs

- There is **no training or certification system like CAP**, and knowledge of philanthropic advisory services in Japan has not been formalized.
- In recent years, organizations have also emerged that provide advisory services related to philanthropic activities outside of the financial sector (e.g. PA inc, Japan Philanthropic Foundation, Public Resources Foundation)

- Chartered Advisor in Philanthropy(CAP): **Over 1,900** individuals have been awarded the designation since 2003
- Diverse organizations provide philanthropic advisors. For example, the pioneering Rockefeller Philanthropy Advisors was established in 2002 and **has made \$4 billion in grantmaking to more than 70 countries**. (revenue in 2022: 682m USD)

In the U.S., there is an abundance of specialized personnel and institutions that support the philanthropy of high-net-worth individuals, but **in Japan, there is no such structure as CAP and a limited number of specialized advisory firms**. However, the number of organizations that provide those services has been increasing in Japan over the past few years, and future development is expected.

Japan

United States

Foundations

- Japan Foundation Center: 301 organizational members as of October 2024)
- Community Foundations JAPAN: 30 members of community foundations/funds as of October 2024
- Council on Foundations: over 900 members
- Grantmakers for Effective Organizations: over 6,000 members
- Candid
- National Center on Family Philanthropy
- Management consulting firms that work with foundations: Bridgespan (In 2021, The Bridgespan worked with 400+ clients, including NPOs, philanthropists, and foundations.)

In Japan, there are only a few intermediary organizations that support foundations, and there are almost no companies that provide consulting services or online systems for foundations. It is necessary to develop an ecosystem that supports foundations which enables foundations to play as a central role in the social sector.

Knowledge Platform

- Knowledge platform: SSIR Japan, DRIVE
- Knowledge platform: Chronicle of Philanthropy, National Philanthropic Trust, Trust-based Philanthropy, SSIR, Bridgespan, etc.

In the U.S., there are many websites with information on philanthropy and platforms where people can share their knowledge, and a wide range of practical knowledge is being systematized and consolidated. In Japan, there are initiatives like SSIR Japan, but they are still limited, and the important issue is how to systematize the efforts of the social sector and build a platform that can consolidate them.

BOX 11



Philanthropy advisors guide wealthy donors, collaborating with foundations, and certified by CAP and professional networks.

Role and Value

- Assist wealthy individuals in effective charitable giving.
- Provide strategic guidance to maximize philanthropic impact.
- Support donors in aligning charitable activities with personal, family, and societal goals.

Key Organizations and Examples

- **Rockefeller Philanthropy Advisors:** Leading consultancy in philanthropy advising.
- **Silicon Valley Community Foundation:** Offers philanthropy services and collaborates with external advisors.
- **Charity Aid Foundation:** Provides community foundation services and support.
- **UBS Global Philanthropy Services:** Offers comprehensive philanthropy services through private banking.
- **Verification and Certification:**
- **CAP® Designation:** Requires completion of graduate-level courses and passing an objective exam.
- **Training Programs:** Conducted by organizations like The American College of Financial Services and Philanthropy Impact (UK) for certification.

CAP®
Chartered Advisor in Philanthropy®

BEST FOR Professionals seeking a graduate-level education on how to best support their client's philanthropic goals.	TIMING ≤12 Months	FORMAT ⓘ 100% Virtual	TUITION Starting at \$2,050/course <small>Three-course package available for \$4,495</small>	Enroll Now Request Info
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CAP®
CHARTERED
ADVISOR IN
PHILANTHROPY®

Source: [The American College of Financial Services](#)

CHAPTER 4

Action Plan

The United States-Japan Foundation is an independent philanthropic organization working to strengthen bilateral ties and address shared challenges.

Japan's philanthropy/social sector is at a turning point where significant growth potential is expected. Individual and corporate donations are growing steadily, and the reform of public interest corporations/trusts is expected to lead to a more flexible system. There are also progressive efforts being made in the foundation sector, especially new impact-driven foundations by a younger generation of corporate executives. Against the backdrop of growing interest in family governance and intergenerational fund transfers, social contributions by HNWIIs through bequests, trusts, and funds are also expected to see significant growth. The impact investment market has also seen rapid expansion, and loans utilizing dormant deposits have been initiated.

However, even with these changes, the social sector has yet to become a leading generator of social innovation. Through comparisons between Japan and the U.S., this study identified the bottlenecks and challenges as follows.

- **Nonprofits:** The number of newly established nonprofits is limited due to the rigid and complex legal system, and their weak organizational foundations do not allow them to challenge themselves and operate flexibly to generate social innovation.
- **Foundations:** Historical background and the public interest corporation system make it difficult for foundations to operate flexibly and quickly. Most foundations remain limited to traditional grant programs and scholarships and fail to play a core role in leading strategic philanthropy. While new and progressive foundations are recently being established, the ecosystem to support these efforts is not well developed.
- **Corporations:** Management interest in philanthropy and the social sector is growing due to interest in SDGs and ESG, but there are limited opportunities to train corporate philanthropy professionals and support systems to consolidate knowledge on corporate philanthropy.
- **HNWIIs:** In addition to the legal challenges of trusts and the donation tax system, there is a weak ecosystem of support in terms of professional human resources and information such as philanthropy advisors and rating agencies.
- **Individual donors:** In addition to a lack of trust in nonprofits and understanding of donations, the complex and inflexible donation tax system and the penetration of crowdfunding and other donation/philanthropy platforms are challenges.

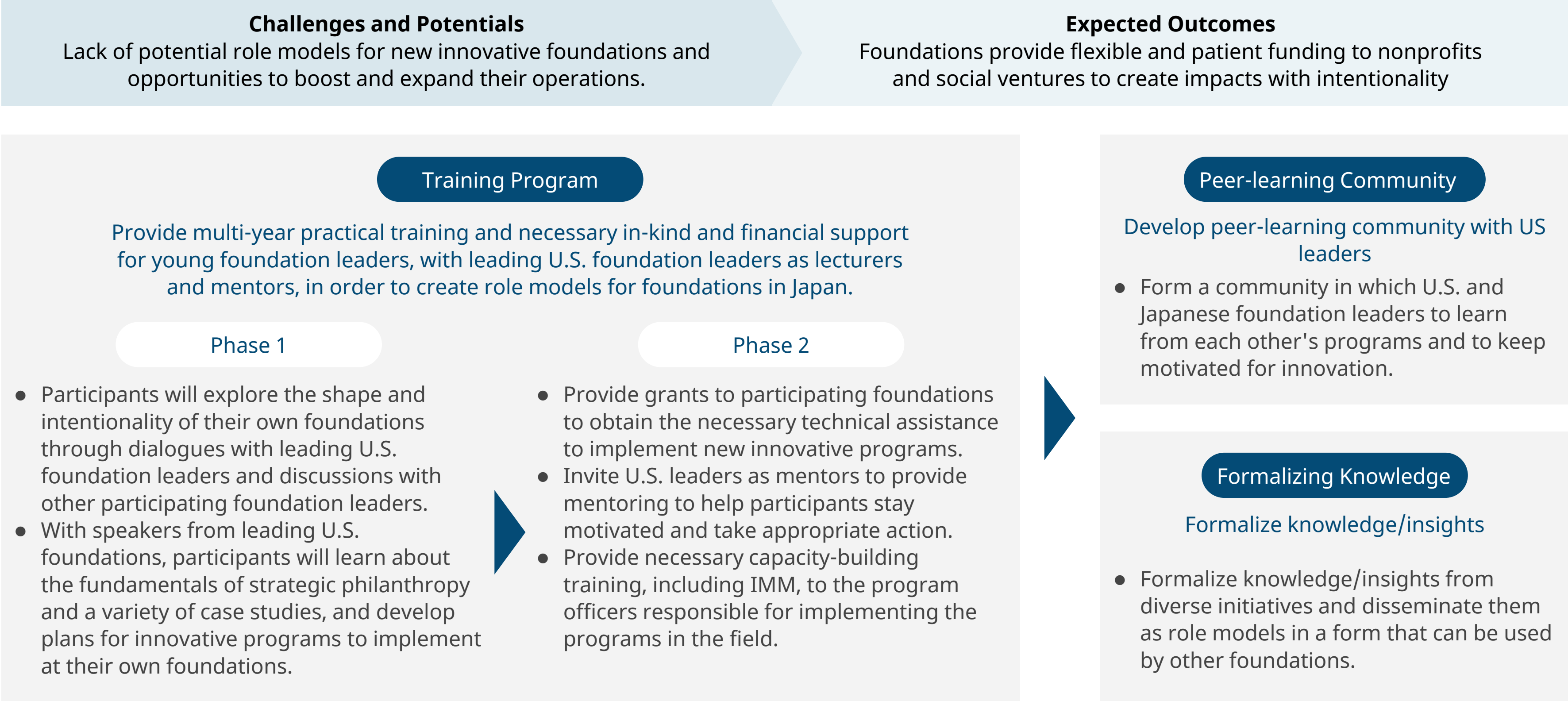
The US-JF is a philanthropic organization focused on strengthening U.S.-Japan relations, empowering next-generation leaders, funding innovative projects, and promoting collaboration to tackle shared challenges. This chapter will discuss action plans for the US-JF to enhance the ecosystem of the Japanese social/philanthropy sector utilizing the US-Japan Leadership Program (USJLP), the grantmaking program, diverse stakeholder relationships, and convening power.

Notwithstanding the above, the Theory of Change(ToC) and actions to create a leading social sector toward social innovation are described in Chapter 6.

Given its advantages, the priority actions for the US-JF include advocacy support for social ventures, rule/system development to enhance philanthropy, and connecting US philanthropists with social issues in Japan.

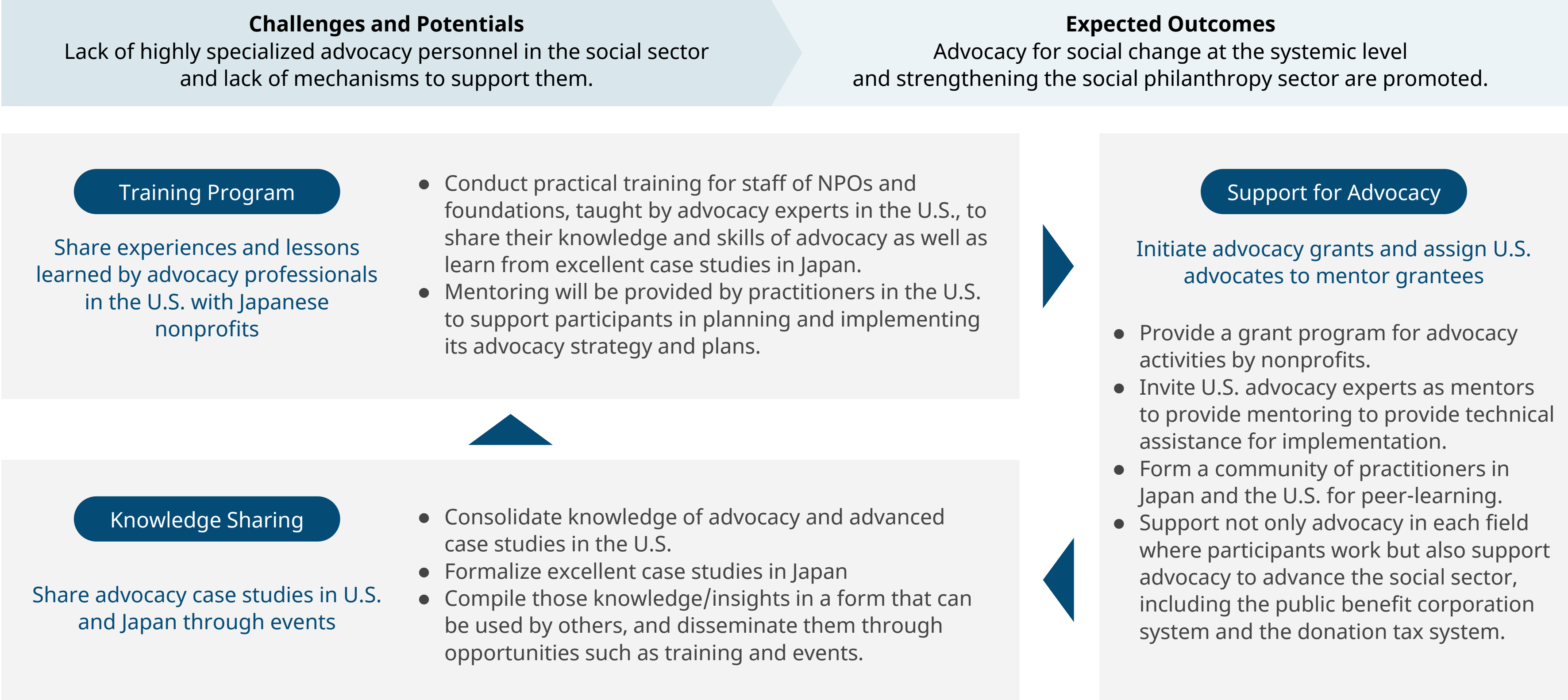
	Action items	Leverageable US-JF assets
1 Developing leading role models of foundations	<ul style="list-style-type: none"> • Conduct practical training for the younger generation of foundation leaders with US-leading foundation leaders. • Provide mentoring, technical support, and grants to implement innovative grant models • Develop peer-learning community with US leaders 	<ul style="list-style-type: none"> • Connections with leading foundations in the US (as trainers) • Grant programs
2 Enhancing advocacy capacity for nonprofits	<ul style="list-style-type: none"> • Share experiences and lessons learned by advocacy professionals in the U.S. with Japanese nonprofits • Share US advocacy case studies through events • Initiate advocacy grants and assign U.S. advocates to mentor grantees 	<ul style="list-style-type: none"> • Connections with experienced advocates in the US (as trainers) • Grant programs
3 Connecting US philanthropists with social issues in Japan	<ul style="list-style-type: none"> • Invite U.S. philanthropists on a field trip to Japan • Connecting philanthropists with Japanese leading social sector players • Share Japanese social issues on US platforms • Establish a platform for donations from the U.S. to Japan 	<ul style="list-style-type: none"> • Connections with US philanthropists • Current and past grantees as field trip destinations
4 Enhancing philanthropy support ecosystem	<ul style="list-style-type: none"> • Establish a certification system for philanthropy advisors • Promote initiatives similar to the Giving Pledge in Japan • Advocate for more flexible and efficient philanthropy • Introduce strategic philanthropy schemes led by the U.S. 	<ul style="list-style-type: none"> • Relationships with Japanese political leaders • Connections with US philanthropists

1 **Developing leading role models of foundations: A comprehensive and practical program to create a new trend of strategic philanthropy in the foundation sector**



2

Enhancing advocacy capacity for nonprofits:
Practical program to develop advocacy experts and to advance advocacy for the systemic change



3 Connecting US philanthropists with social issues in Japan: Building cross-border networks and donation platforms to create social innovation

Challenges and Potentials

Weak organizational foundations prevented them from taking on challenges and becoming leaders in innovation.

Expected Outcomes

A platform to drive donations from Japanese American philanthropists in the U.S. for social innovation is built.

Field Trip & Dialogue

Invite U.S. philanthropists on a field trip to Japan

- Field trips for Japanese American philanthropists (third-generation Japanese Americans in their 50s and 60s, 20s, etc.) with roots in Japan, enabling them to experience social issues and programs in Japan.
- Through dialogue with leading social sector players in Japan, philanthropists discover their own roots and the society/values they aspire to create.



Match Making

Connecting philanthropists with Japanese leading social sector players

Sharing Case Studies

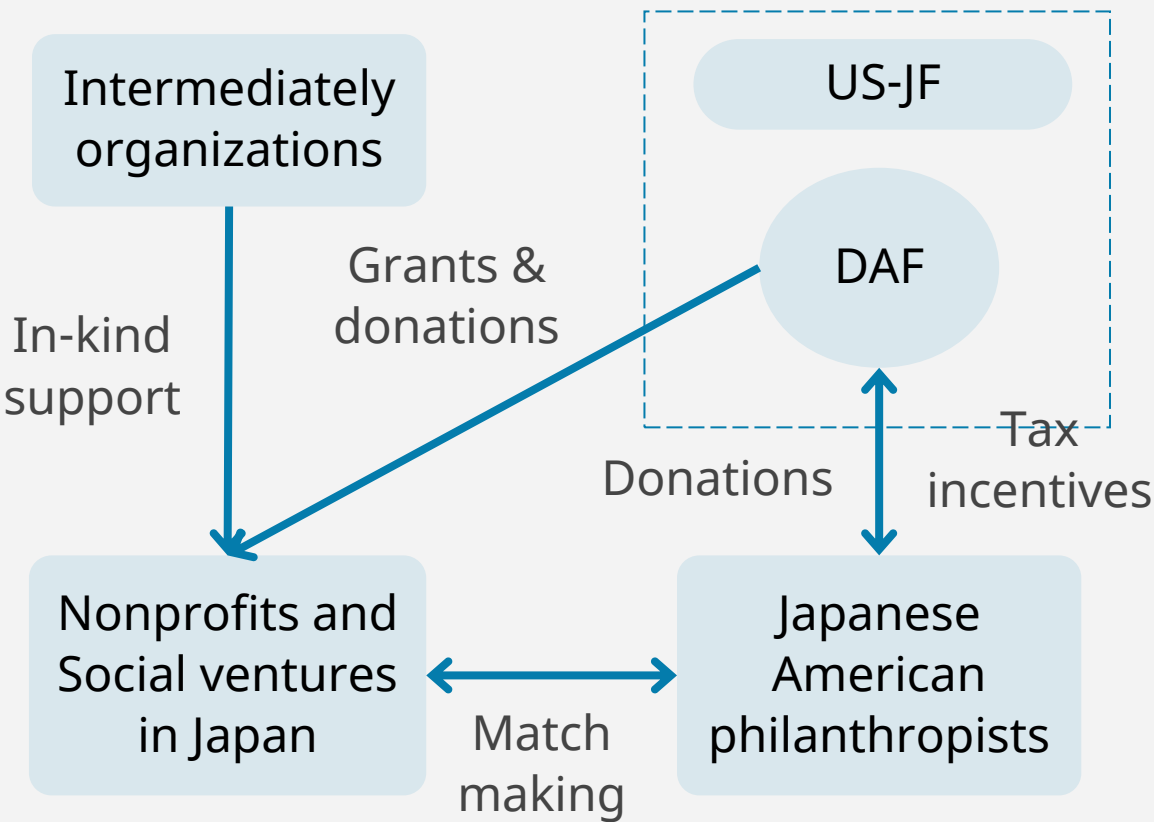
Share Japanese social issues on US platforms

- Introduce advanced case studies to address social issues in Japan on U.S. philanthropic information platforms such as SSIR and CoP in English.
- Areas of affinity with U.S. philanthropists, such as gender, climate change, and coexistence with foreigners, are preferred.

Focus areas: gender, disaster, next gen/education

Donation Platform

Establish a platform utilizing DAF scheme for donations from the U.S. to Japan



4

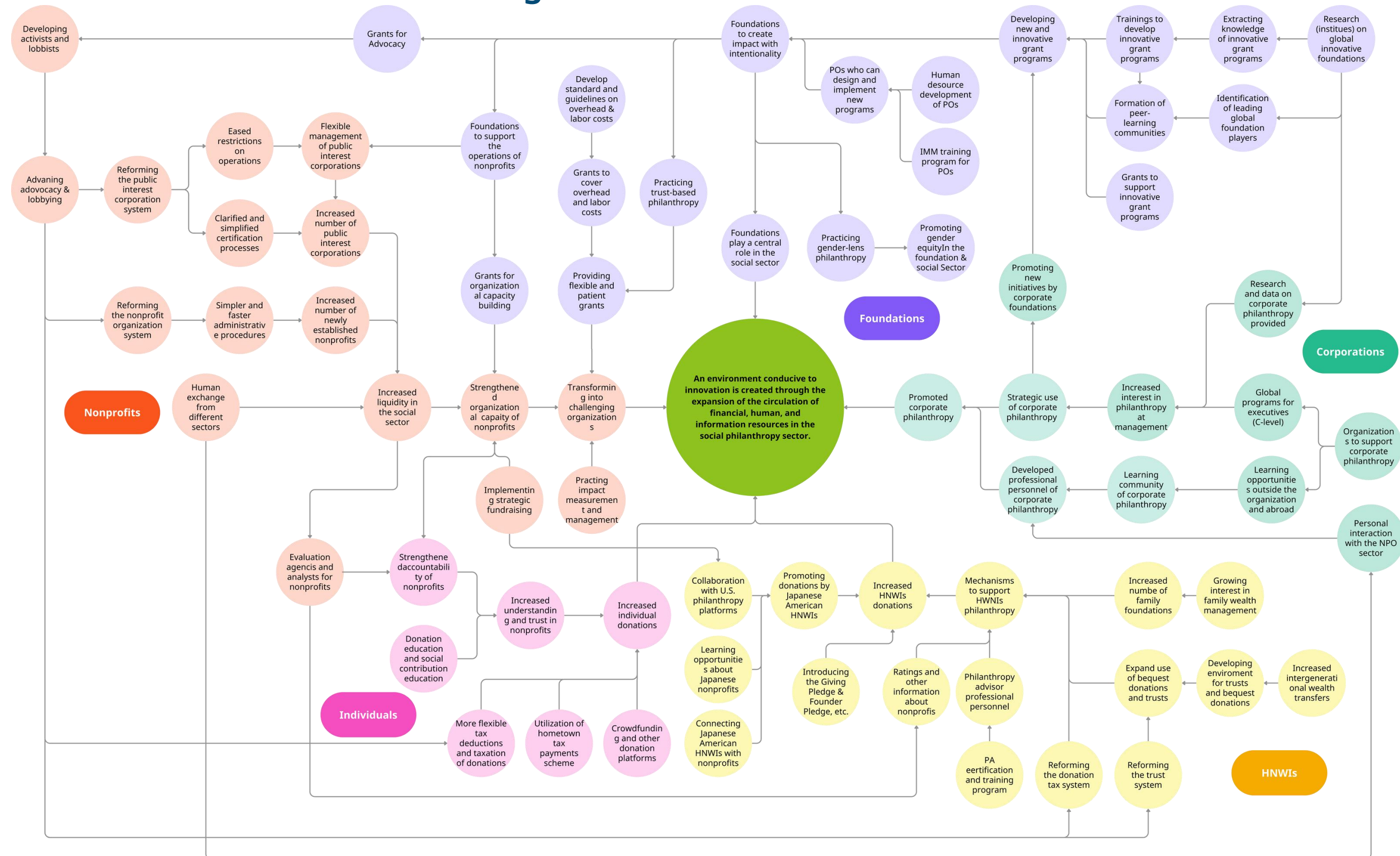
Enhancing philanthropy support ecosystem: Implement a U.S.-leading philanthropy support system to strengthen ecosystem that supports philanthropy

Challenges and Potentials	Expected Outcomes
<p>The ecosystem supporting philanthropy is weak in terms of professional human resources and institutions.</p>	<p>Philanthropy is boosted by the introduction of financial, human, and institutional mechanisms to support philanthropy.</p>
<div>Philanthropy Advisors</div> <p>Establish a Japanese certification system for philanthropy advisors</p> <ul style="list-style-type: none">● Research on the Chartered Advisor in Philanthropy (CAP) in the U.S.● Development of the Japanese version of CAP and implementation of a pilot project● Establish a training program and qualification system to develop professional personnel for philanthropy advisors.	<div>Giving Pledge</div> <p>Promote initiatives similar to the Giving Pledge in Japan</p> <ul style="list-style-type: none">● Grant for the establishment of an initiative to promote the Japanese version of the “Retirement Pledge”● Launching a platform for collaboration with international initiatives, by connecting other leading communities such as the Giving Pledge in the U.S.
<div>Advocacy</div> <p>Advocate for more flexible and efficient philanthropy</p> <ul style="list-style-type: none">● Promote advocacy for a more flexible public benefit corporation system (screening criteria, public benefit criteria, etc.) and donation tax system (deduction ratio, carryover, etc.) including grants and technical assistance to advocacy organizations leveraging the US-JF network.	<div>Strategic Philanthropy</div> <p>Introduce strategic philanthropy schemes led by the U.S.</p> <ul style="list-style-type: none">● Grant for the establishment of a Japanese initiative to introduce strategic philanthropy schemes such as trust-based philanthropy and gender-lens philanthropy that is led by US foundations.● Support networking with U.S. leading players and and build a community of practitioners.

CHAPTER 5

Action List

The United States-Japan Foundation is an independent philanthropic organization working to strengthen bilateral ties and address shared challenges.



Action list for nonprofits (1/2)

Those with high priority and which can leverage the US-JF resources are marked with a star.

No	Action Items	Description	Expected Outcomes
A. To build organizational capacity of nonprofits			
A-1	Social sector leader program	Conduct a program for the younger generation of social sector leaders to interact and learn together with/from U.S. leaders, and explore their own leadership with both U.S. social sector leaders.	Strengthened organizational capacity of nonprofits (leadership)
A-2	Practical training program for strategic and international fundraising	Conduct a practical program for nonprofits on strategic fundraising, from strategy development to implementation. The program also aims to acquire knowledge of international fundraising from overseas donors.	Strengthened organizational capacity of nonprofits (financial base)
A-3	Practical training program for impact measurement and management (IMM)	Conduct a practical program for nonprofits to learn and implement impact measurement and management (IMM) to optimize and improve their impact.	Strengthened organizational capacity of nonprofits (project management & IMM)
★ A-4	Grant program for organizational capacity building	Provide grants and in-kind support to nonprofit organizations for organizational capacity building efforts.	Strengthened organizational capacity of nonprofits
B. To advance advocacy & lobbying of nonprofits			
★ B-1	Practical training program and mentoring for advocacy social activism	Conduct a practical program to learn and practice advocacy and social activism, with leading practitioners from the U.S. as lecturers and mentors.	Developed human resources of activists and lobbyists
★ B-2	Support for the reformation of the public interest corporation system and the nonprofit organization system	Provide technical, human and financial support (grants) for advocacy to reform legal systems, which enables the establishment and operation of more flexible nonprofit organizations	Flexible system for establishment and management of nonprofits

Action list for nonprofits (2/2)

Those with high priority and which can leverage the US-JF resources are marked with a star.

	No	Action Items	Description	Expeted Outcomes
	C. To promote multisector collaboration			
★	C-1	Human exchange program from different sectors	Conduct human exchange programs through secondments from different sectors, such as business, government, and foundations to bring new perspectives to the field of social issues and promote collaboration between different sectors. Provide grants that could serve as incentives to boost these efforts.	Increased human diversity in the social sector Strengthened collaboration with different sectors
	C-2	Secondment program from the social sector to different sectors	Condcut secondment programs from the social sector to different sectors such as business, government, and foundations to learn the language used in different sectors and promote collaboration with the sectors.	Developed human resources who can serve as “interpreters” between different sectors
	D. To strengthen the ecosystem to support nonprofits			
★	D-1	Support for intermediary that assist nonprofits	Provide technical and financial support(grants) to newly established and operating intermediary support organizations that assist non-profit organizations.	Improved environment to support nonprofits
	D-2	Support for evaluation agencis and analysts for nonprofits	Provide technical and financial support(grants) to evaluation agencies and analysts for nonprofits that provide donors, foundations, enterprises information about nonprofits	Increased quality information about nonprofits

Actions for foundations (1/2)

Those with high priority and which can leverage the US-JF resources are marked with a star.

	No	Action Items	Description	Expeted Outcomes
	E. To develop role models for foundations with new and innovative projects			
★	E-1	Practical developmental program for foundation leaders	Conduct practical training for the younger generation of foundation leaders to help foundations play a core philanthropic role with leading foundation leaders from the U.S. Through training and mentoring, the leaders work through to program implementation within their foundation.	New innovative programs are developed
★	E-2	Grants to foundations for exploring innovative programs	Provide grants to support leading foundations who explore and implement innovative programs through the above training	New innovative programs are introduced
★	E-3	Fellowship for Japan-US foundation leaders	Conduct fellowship programs for young generation foundation leaders in the U.S. and Japan, with a focus on alumni from the above training. Build the network for foundations interested in or working on new initiatives to learn from each other.	Networking between Japan-US foundation leaders
	E-4	Formation of peer-learning communities in Japan	Form a community to explore the role of foundations and innovative programs by sharing new initiatives and knowledge and learning from each other at foundations in Japan	Peer-learning among foundations in Japan
	F. To build capacity of foundation staff			
	F-1	Program officers(POs) training	Conduct a practical training program for program officers(POs) to be able to design and implement new innovative programs	Developed capacity of program officers(POs)
	F-2	Impact measurement and management training program for POs	Conduct a practical training program for program officers(POs) on the IMM to be able to measure the impact of new programs and take measures to optimize/improve them	Developed capacity in IMM of program officers(POs)

Actions for foundations (2/2)

Those with high priority and which can leverage the US-JF resources are marked with a star.

	No	Action Items	Description	Expeted Outcomes
	G. To consolidate knowledge/insights of innovative foundations			
★	G-1	Research project (institute) on global innovative foundations	Conduct research project or establish research institute on innovative Japanese and global foundations to consolidate and formalize knowledge/insights of those foundations in Japanese	Consolidated and formalized knowledge/insights on innovative foundations
★	G-2	Disseminate consolidated knowledge/insights	Disseminate formalized knowledge through events/seminors or media platforms such as Stanford Social Innovation Review Japan and Fundraising Journal	Disseminated knowledge/insights on innovative
	H. To explore new grant programs			
	H-1	Standard and guidelines on overhead & labor costs	Develop standards and guidelines for foundations in Japan to cover overhead and personnel costs.	Increased grants to cover overhead and personnel costs
★	H-2	Introduction of trust-based philanthropy	Establish an initiative to disseminate knowledge on trust-based philanthropy (Japanese version of the Trust-Based Philanthropy Project). Develop the guidelines necessary for implementation, support implementation, and build a community of practitioners.	Increased grants designed with trust-based philanthropy
★	H-3	Introduction of gender-lens philanthropy	Establish an initiative to disseminate knowledge on gender-lens philanthropy. Introduce the guidelines necessary for implementation such as the Principles for Giving with a Gender Lens , support implementation, and build a community of practitioners.	Improved gender equality in the social and foundation sectors
	H-4	Introduction of outcome-based funding	Establish an initiative to disseminate knowledge on outcome-based funding such as the Outcomes Fund for IMM . Introduce the guidelines necessary for implementation, support implementation, and build a community of practitioners.	Improved and maximized impact in the social and foundation sector

Actions for corporates

Those with high priority and which can leverage the US-JF resources are marked with a star.

	No	Action Items	Description	Expeted Outcomes
	I. To enhance interest in philanthropy by corporate executive			
★	I-1	Global programs for corporate executives	Strengthening interest in philanthropy at the executive level through US-Japan exchanges and tours to sites where social issues are being addressed among corporate leaders interested in philanthropy	Increased interest in philanthropy at corporate executives
	I-2	Roundtable for corporate executives	Closed roundtables for corporate executives dedicated to corporate philanthropy at global conferences such as the AVPN Global Conference and SOCAP	Increased interest in philanthropy at corporate executives
	J. Human resource development for corporate sustainability and CSR			
★	J-1	Learning opportunities outside the organization and abroad	Create opportunities to learn from personnel in charge of advanced philanthropy and sustainability initiatives in the U.S.	Developed capacity of personnel in charge of sustainability and CSR
	J-2	Match making with nonprofits	Provide opportunities for corporate philanthropy staff and personnel to meet with NPOs (e.g., JANPIA's matching event: https://kyuminyokin.info/articles/1308)	Strengthened collaboration with different sectors
	J-3	Secondment program to the social sector from business sector	Conduct secondment programs from the business sector to the social sector to learn fields, build networks with social sector leaders, and the language used in the social sector to promote collaboration with the sectors.	Strengthened collaboration with different sectors
	K. To build organizational capaiy of nonprofits			
	K-1	Survey and research on corporate philanthropy	Identify trends in corporate philanthropy and conduct surveys and research to obtain data and insights that can be used as a reference for corporate philanthropy	Research and data on corporate philanthropy provided

Actions for HNWI (1/2)

Those with high priority and which can leverage the US-JF resources are marked with a star.

	No	Action Items	Description	Expeted Outcomes
	L. To promote the philanthropy by HNWI			
★	L-1	Roundtable of HNWI Philanthropy Leaders	HNWI philanthropists from the U.S. will be invited to participate in a roundtable with Japanese management. Raise interest in philanthropy and build its network.	Increased interest in philanthropy by HNWI
★	L-2	Introducing the Giving Pledge & Founder Pledge, etc.	Advance commitment to Giving Pledge & Founder Pledge, etc. by interested HNWI and business executives	Increased commitment to philanthropy by HNWI
	M. To promote philanthropy by young philanthropists			
★	M-1	Philanthropist exchange between young business executives in Japan and the U.S.	Exchanges program between philanthropists in the U.S. and Japan, especially for younger generations of business executives to learn innovative philanthropy initiatives from each other	Strengthened capacity of young philanthropic leaders
★	M-2	Fellowship of young philanthropic leaders in the U.S. and Japan	Forming a network of innovative philanthropic young generations of HNWI to learn from each other.	Strengthened network among young philanthropic leaders
★	M-3	Technical assistance to young philanthropic leaders for exploring innovative programs	Provide technical assistance to support young philanthropic leaders who explore and implement innovative programs through the above training	New innovative programs are introduced
	N. To create an ecosystem to support philanthropy by HNWI			
★	N-1	Philanthropy advisors certification and training program	Establish a Japanese certification system for philanthropy advisors based on the Chartered Advisor in Philanthropy (CAP) in the U.S. Establish a training program and qualification system to develop professional personnel for philanthropy advisors.	Developed professional human resources as philanthropy advisors

Actions for HNWIIs (2/2)

Those with high priority and which can leverage the US-JF resources are marked with a star.

	No	Action Items	Description	Expeted Outcomes
	O. To build cross-border networks and donation platforms to create social innovation			
★	O-1	Field trips to Japan for Japanese American philanthropists	Field trips for Japanese American philanthropists (third-generation Japanese Americans in their 50s and 60s, 20s, etc.) with roots in Japan, enabling them to experience social issues and programs in Japan.	Discover their own roots and the society/values they aspire to create.
★	O-2	Share Japanese social issues on US platforms	Introduce advanced case studies to address social issues in Japan on U.S. philanthropic information platforms such as SSIR and CoP in English.	Identification of potential donors interested in Japan
★	O-3	Match making support	Match making support with Japanese American philanthropists and Japanese social sector leaders.	Cross-border philanthropy is promoted.
★	O-4	Establish donation platform	Establish a platform utilizing DAF scheme for donations from the U.S. to Japan to enable Japanese American philanthropists to take tax-deductible donations and to make donations to Japanese non-profit organizations and social ventures in a more concise manner	Cross-border philanthropy is promoted.
	P. To reform legal and tax system to support HNIWs philanthropy			
	P-1	Reforming the donation tax system	Promote advocacy for a more flexible donation tax system (deduction ratio, carryover, etc.) including grants and technical assistance to advocacy organizations	More flexible donation tax system
	P-2	Reforming the trust system	Promote advocacy for a more flexible trust system including grants and technical assistance to advocacy organizations	More flexible trust system

Actions for individual donors

Those with high priority and which can leverage the US-JF resources are marked with a star.

No	Action Items	Description	Expeted Outcomes
Q. To promote understanding in donation and nonprofits			
Q-1	Donation education and social contribution education for children	Increase interest in philanthropy by learning about the role of the social sector and the power of giving through educational programs such as Learning by Giving.	Improved understanding of donations and nonprofits
Q-2	Donation education and social contribution education for adults	Increase interest in philanthropy by learning about the role of the social sector and the power of giving through educational programs such as fromMe card game .	Improved understanding of donations and nonprofits
R. To reform legal and tax system to support individual donations			
R-1	Reforming the donation tax system	Promote advocacy for a more flexible donation tax system (deduction ratio, carryover, etc.) including grants and technical assistance to advocacy organizations	More flexible donation tax system
R-2	Utilization of hometown tax payments scheme	Work with various governments to introduce and expand donation programs for NPOs using Furusato tax payments.	Increase in donations through hometown tax payments
S. To build organizational capaity of nonprofits			
S-1	Evaluation agencis and analysts for nonprofits	Evaluate and research non-profit organizations and provide data that individual donors can use to choose where to donate.	Provide analytical data on nonprofits

