

An Outlook of Japanese Grant-Making Foundations

The Japan Foundation Center
Tokyo, Japan

Introduction

Definition of Grant-Making Foundations

Japan has no legally defined concept of grant-making foundations. Article 34 of the Civil Code refers to incorporated foundations (*zaidan hojin*), which include "grant-making foundations" whose major activity is to award grant funds, and "operating foundations" whose major activity is to conduct the foundation's own research projects or to operate art museums, social welfare facilities, and the like. A substantial number of incorporated foundations actually carry out two types of activities: giving grants and conducting their own projects.

The Japan Foundation Center defines incorporated foundations that engage in one or more of the following activities as being, functionally, grant-making foundations:

1. Awarding funds to research and projects carried out by groups and individuals
2. Awarding scholarships or fellowships to students and researchers
3. Presenting awards, including monetary prizes, for meritorious achievements by individual or groups

Foundations that specialize in one of the above three activities - grants, scholarships, and awards - are designated grant-making foundations, scholarship foundations, and award foundations, respectively. However, many Japanese grant-making foundations actually engage in more than one of these activities simultaneously; therefore, the Center regards all foundations that engage in any of the above activities as grant-making foundations. Some incorporated associations (*shadan hojin*) and social welfare corporations (*shakai fukushi hojin*) whose activities are equivalent to those of grant-making foundations are also included in this report, though legally they are not foundations.

Parameter of Study

According to data supplied by the Prime Minister's Office, the number of incorporated foundations in Japan was 13,375 as of October 2000. On this number, 3,271 were chartered by central government agencies, while *10,145 were chartered by local

governments or their boards of education. Because each chartering agency oversees the foundations under its jurisdiction independently, however, it is difficult to obtain detailed statistics on the foundations as a whole. Moreover, since "grant-making foundation" is not an institutional concept, it is also difficult to identify "grant-making foundations" through these statistics.

For this reason, since 1987 the Center has conducted independent surveys of grant-making foundations. The data, analysis, and conclusions in this report are based on the results of all the surveys conducted since 1987. Specifically, two different groups have been subjected to analysis.

* Foundations chartered by jointly with central government are counted twice

Group A: The 956 foundations that have responded at least once to the survey since 1987. Their total assets, total expenditures, and total grant spending (total giving), as well as the content of their programs, are known. Section 2 and 3 of this report, which examine relatively stable categories, such as the date of establishment and chartering agencies, are based on the analysis of this group.

Group B: The 623 foundations (also included in Group A) that provided up-to-date information in response to the survey conducted in August 2001. Section 4 and 5 of this report, which include statistical analysis of the size of assets, the size of programs, and those categories that vary from year to year, are based on the analysis of this group.

Summery of Findings

The findings of the surveys analyzed in sections 2 through 5 of this report are summarized below.

1. Trends in the establishment of grant-making foundations, their assets, and grant spending

Examination of trends in the establishment of grant-making foundations reveals a steady increase in the number of such foundations as a whole; however, it is obvious that the number of newly established grant-making foundations has been rapidly decreasing since 1991, representing the recession in progress of Japanese economy.

Examination of trends in total assets and total annual grant spending of the 135 foundations that provided information for the past thirteen years reveals a steady increase of total assets during this period (but having shown a remarkable slow-down in an increase ratio since 1997); meanwhile, the total annual grant spending began to decrease in 1994. The total annual grant spending in 1995 was 12% less than that in 1994 and the total annual grant spending after 1996 reveals the continuous decrease of annual grant spending (see Figure 3 and 4).

2. Size of assets

The total assets of the 623 foundations in Group B amounted to about ¥1.40 trillion. However, 327 of these foundations, or 52%, have assets of less than ¥1 billion, whereas only 24 foundations, or 4%, have assets of ¥10 billion or more (see Table 1).

By comparison, the combined assets of the 20 largest foundations in the United States, a leading nation in private-sector philanthropy, amounted to about ¥16.2 trillion - about thirty three times the combined assets of Japan's 20 largest foundations, which amounted to about ¥487 billion (see Table 2 and 3).

3. Size of grant program and grant spending

The total expenditures for grant programs (grants, scholarships, and awards) of the 623 foundations in Group B amounted to ¥47.9 billion in fiscal 2000. The statistics for fiscal 2000 show that 472 foundations, or 76%, disbursed less than ¥50 million in grants, whereas only 14 foundations, or 2%, disbursed ¥500 million or more in grants (see Table 4).

By comparison, the combined grant spending of the 20 largest foundations in the United States amounted to ¥676 billion - about twenty nine times the combined grant spending of Japan's 20 largest foundations, which amounted to ¥23 billion (see Table 5 and 6).

4. Features of grant programs

Most of the grant-making foundations in Group B have two or more grant programs. The total number of grant programs undertaken by the 623 foundations in 2001 is 1,380.

Examination of the distribution of grant programs by type of grants reveals that by far the largest number of programs, 406, were given to research grants. This is followed by grants for the exchange of researchers and organizing conferences, program development and scholarships (see Figure 5).

Examination of the distribution of grant programs by field of grants reveals that the largest number of programs focus on the fields of science and technology, and education (see Figure 6).

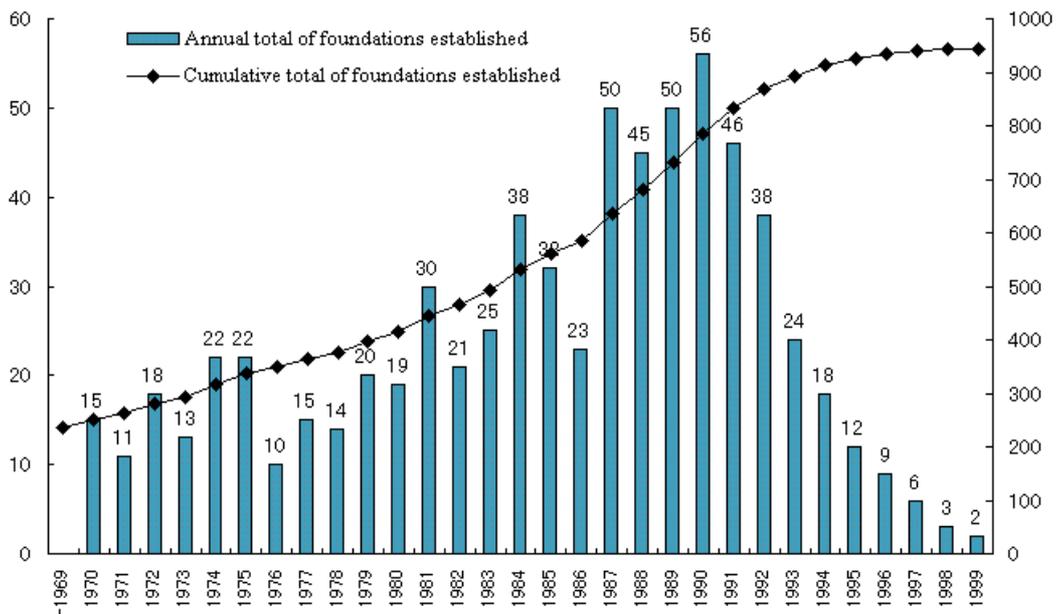
Above analysis indicates that the most of grant programs of Japanese foundations currently focus on the encouragement of science and technology and human resources development.

History and Trends in Foundation Establishment (Group A)

The time of establishment of the 956 foundations in Group A is shown in graph form in figure 1. As this figure indicates, the number of foundations has risen rapidly, especially in the 1980's; more than half of the total were established after the 1980's. This figure also indicates that the number of foundations established has been declining since 1991.

This downward trend in newly establishing foundations appears to have been seriously affected by the country's economic situation.

Figure 1. Trends in Foundation Establishment



Foundations and Their Chartering Agencies (Group A)

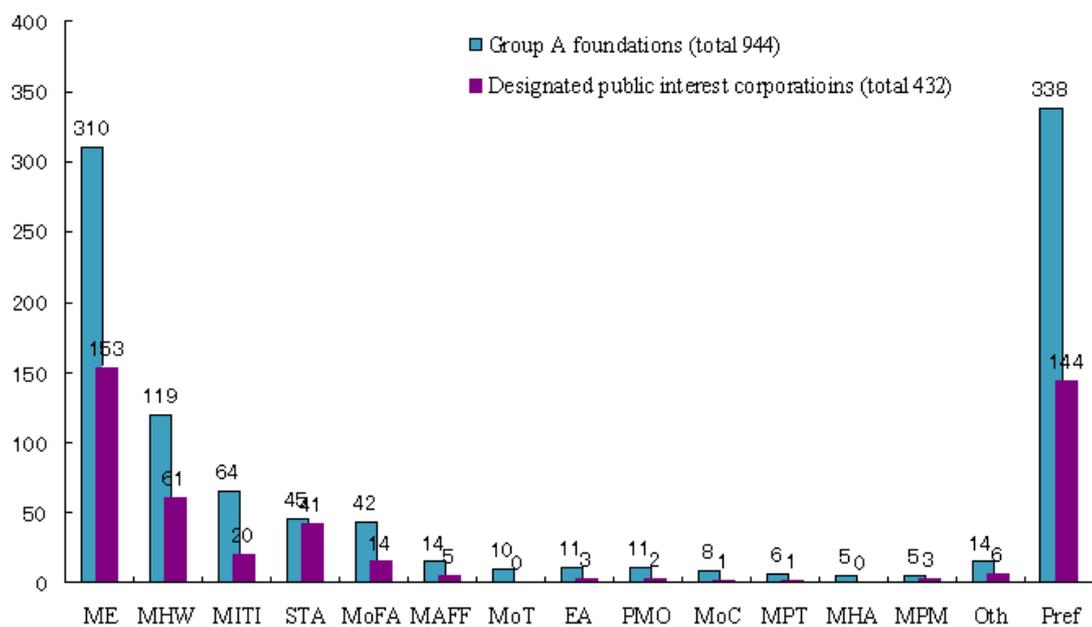
In Japan incorporated foundations, including grant-making foundations, are established upon approval by a government agency. The individual or organization wishing to establish a foundation applies to the government agency whose field of jurisdiction corresponds most closely to the aims and activities of the proposed foundation and negotiates with relevant officials for approval. The government agency that grants approval is the foundation's chartering agency. The foundation must submit financial reports and activity reports to its chartering agency every year, together with its proposed activity plan and budget for the coming year.

For this reason, in most cases, a foundation's program falls within the jurisdiction of its chartering agency. The foundation that focuses on scholarships is, for example, chartered by the Ministry of Education, Culture, Sports, Science and Technology, whereas the foundation that focuses on social welfare is chartered by the Ministry of Health, Labor and Welfare. When a foundation's programs fall within the jurisdictions of more than one government agency, it may be chartered jointly by plural number of government agencies.

Chartering agency is not limited to the central government. If a foundation's activities are restricted to one prefecture, that prefecture's governor's office or board of education may be the chartering agency.

Figure 2 shows the number of foundations in Group A chartered by various government agencies. Designated public interest corporations (tokutei koeki hojin), which are privileged in soliciting tax-free donations from individuals and business corporations, are also indicated in this figure.

Figure 2. Number of Foundations by Chartering Agency



ME: Ministry of Education, Culture, Sports, Science and Technology; MHLW: Ministry of Health, Labor and Welfare; METI: Ministry of Economy, Trade and Industry; MoFA: Ministry of Foreign Affairs; MLIT: Ministry of Land, Infrastructure and Transport; MHP: Ministry of Public Management, Home Affairs, Posts and Telecommunications; MAFF: Ministry of Agriculture, Forestry, and Fisheries; ME: Ministry of the Environment; CO: Cabinet Office; Oth: Other Agencies; Pref: Prefectural governor's offices or boards of education

At present the Ministry of Education, Culture, Sports, Science and Technology has jurisdiction 360 foundations in Group A, the largest number, followed by the Ministry of Health, Labor and Welfare (121), the Ministry of Economy, Trade and Industry (64), and the Ministry of Foreign Affairs (43). In addition to the foundations chartered by the central government agencies, 338 foundations are chartered by the prefectural governor's office or prefectural boards of education.

Nearly half of all foundations in Group A are granted approval as designated public interest corporations; however, because of the criteria for approval, the percentage of designated public interest corporations are different in each government agency.

Size of Assets and Grant Spending (Group B)

Size of Assets

An incorporate foundation consists of assets that are donated to serve a specific public interest and that are accorded corporate status. These assets are divided into the foundation's basic assets, or principal endowment, and its operating assets, or working endowment; "total assets" refers to the aggregate of the two.

At the end of fiscal 2000 (March 31, 2001, with some exception) the combined assets of 623 foundations in Group B amounted to about ¥1.40 trillion. Table 1 shows the distribution of these foundations in terms of size of assets, divided into five ranks.

Table 1. Size of Assets and Total Assets of Foundations (Group B)

| Size of Assets | Number of Foundations | % | Total (%) | Total Assets (in ¥100 million) | % | Total (%) |
|----------------------------|-----------------------|-----|-----------|--------------------------------|-----|-----------|
| Less than ¥500 million | 171 | 28 | 28 | 509 | 4 | 4 |
| ¥500 million to ¥1 billion | 157 | 26 | 54 | 1,136 | 9 | 13 |
| ¥1 billion to ¥3 billion | 188 | 31 | 85 | 3,084 | 24 | 36 |
| ¥3 billion to ¥10 billion | 72 | 12 | 96 | 3,611 | 28 | 64 |
| ¥10 billion or more | 22 | 4 | 100 | 4,633 | 36 | 100 |
| Total | 608 | 100 | | 12,973 | 100 | |

It can be seen from Table 1 that 327 foundations, or about 52% of the total number, had assets of less than ¥1 billion. Only 24 foundations, or 4% of the total number, had assets of ¥10 billion or more, but together their assets accounted for 37% of the combined assets of all 623 foundations.

By comparison, as shown in Table 2 and 3 the combined assets of the 20 largest foundations in the United States amounted to ¥16.2 trillion, almost thirty three times the combined assets of Japan's 20 largest foundations, which amounted to ¥487 billion.

Table 2. Japan's 20 Largest Foundations by Asset Size (Fiscal 1999)

| Rank | Foundation | Total Assets | Grant Spending | Establishment |
|-------|---|--------------|----------------|---------------|
| 1 | The Sasakawa Peace Foundation | 732.82 | 3.41 | 1986 |
| 2 | Heiwa Nakajima Foundation | 518.59 | 3.95 | 1992 |
| 3 | The Inamori Zaidan | 438.13 | 1.99 | 1984 |
| 4 | Scholarship Foundation for Orphans | 343.30 | 13.73 | 1969 |
| 5 | The Toyota Foundation | 314.96 | 4.23 | 1974 |
| 6 | Foundation of River & Watershed Environment Management | 280.38 | 4.81 | 1975 |
| 7 | The Sumitomo Foundation | 170.74 | 3.61 | 1991 |
| 8 | The Mitsubishi Foundation | 170.01 | 4.51 | 1969 |
| 9 | Ishibashi Foundation | 167.22 | 0.65 | 1956 |
| 10 | The Vehicle Racing Commemorative Foundation | 159.02 | 10.59 | 1975 |
| 11 | Nagao Natural Environment Foundation | 131.95 | 0.14 | 1989 |
| 12 | The Japan International Cooperation Foundation | 126.65 | 5.73 | 1997 |
| 13 | Nippon Life Insurance Foundation | 119.80 | 4.67 | 1979 |
| 14 | The Asahi Glass Foundation | 118.02 | 4.35 | 1934 |
| 15 | Research Institute of Innovative Technology for the Earth | 116.98 | 8.47 | 1990 |
| 16 | East Japan Railway Culture Foundation | 108.29 | 0.23 | 1992 |
| 17 | Expo'90 Foundation | 105.27 | 0.40 | 1991 |
| 18 | The Saison Foundation | 104.10 | 0.98 | 1987 |
| 19 | Yoshida Scholarship Foundation | 103.79 | 2.52 | 1967 |
| 20 | Hyogo Chuiki Fukushi Zaidan | 101.83 | 2.45 | 1971 |
| Total | | 4,431.86 | 81.43 | |

Unit: ¥100 million

Table 3. United States's 20 Largest Foundations by Asset Size

| Rank | Foundation | Total Assets (in ¥100 million) | Total Assets (in \$1 million) | Fiscal Year Ended |
|-------|---|-----------------------------------|----------------------------------|----------------------|
| 1 | The David & Lucile Packard Foundation | 14,459 | 13,144 | 99/12 |
| 2 | The Ford Foundation | 13,133 | 11,939 | 99/09 |
| 3 | Lilly Endowment, Inc. | 11,460 | 10,418 | 99/12 |
| 4 | J. Paul Getty Trust | 9,603 | 8,730 | 99/06 |
| 5 | The Robert Wood Johnson Foundation | 9,504 | 8,640 | 99/12 |
| 6 | W. K. Kellogg Foundation | 7,027 | 6,388 | 99/08 |
| 7 | Bill & Melinda Gates Foundation | 5,906 | 5,369 | 99/03 |
| 8 | The Pew Charitable Trusts | 5,384 | 4,894 | 99/12 |
| 9 | John D. & Catherine T. MacArthur Foundation | 5,192 | 4,720 | 99/12 |
| 10 | The Andrew W. Mellon Foundation | 5,077 | 4,616 | 99/12 |
| 11 | The California Endowment | 4,273 | 3,885 | 00/02 |
| 12 | The Rockefeller Foundation | 4,221 | 3,838 | 99/12 |
| 13 | The Annie E. Casey Foundation | 3,989 | 3,626 | 99/12 |
| 14 | The Annenberg Foundation | 3,700 | 3,363 | 99/06 |
| 15 | The Starr Foundation | 3,695 | 3,359 | 98/12 |
| 16 | Charles Stewart Mott Foundation | 3,550 | 3,228 | 99/12 |
| 17 | Robert W. Woodruff Foundation, Inc. | 3,426 | 3,114 | 99/12 |
| 18 | The William and Flora Hewlett Foundation | 3,013 | 2,739 | 99/12 |
| 19 | The Kresge Foundation | 2,833 | 2,575 | 99/12 |
| 20 | Robert R. McCormick Tribune Foundation | 2,696 | 2,451 | 99/12 |
| Total | | 112,139 | 111,036 | |

Source: The Foundation Center's Home Page "Top 100 U.S. Foundations (January 2001)"
 Calculated at \$1 = ¥110.00 (exchange rate as of November 1, 2000)

Size of Grant Spending

Table 4 ranks the 623 foundations in Group B in terms of their expenditures on grant programs (grants, scholarships, and awards), divided into five ranks.

It can be seen from Table 4 that 76% of the foundations disbursed less than ¥50 million in grants in fiscal 2000. Only 14 foundations, or 2 %, disbursed ¥500 million or more, but the combined amount they disbursed, ¥20.9 billion, was 44% of the ¥47.9 billion disbursed in grants by all 623 foundations.

Table 5 lists Japan's 20 largest foundations in terms of grant spending. Together they disbursed ¥23 billion in fiscal 2000 - about one twentieth the amount disbursed in grants by the 20 largest foundations in the United States, a total of ¥676 billion, as shown in Table 6.

Table 4. Size of Grant Spending (Group B)

| Size of Grant Programs | Number of Foundations | % | Total (%) | Total Spending (in ¥100 million) | % | Total (%) |
|------------------------------|-----------------------|-----|-----------|----------------------------------|-----|-----------|
| Less than ¥25 million | 315 | 52 | 52 | 41 | 9 | 9 |
| ¥25 million to ¥50 million | 147 | 24 | 76 | 52 | 11 | 20 |
| ¥50 million to ¥150 million | 95 | 18 | 92 | 77 | 16 | 36 |
| ¥150 million to ¥500 million | 38 | 6 | 98 | 102 | 21 | 57 |
| ¥500 million or more | 13 | 2 | 100 | 204 | 43 | 100 |
| Total | 608 | 100 | | 476 | 100 | |

Table 5. Japan's 20 Largest Foundations by Grant Spending (Fiscal 1999)

| Rank | Foundation | Total Spending | Total Assets | Established |
|------|---|----------------|--------------|-------------|
| 1 | Osaka Prefectural Scholarship Association | 52.38 | 45.92 | 1952 |
| 2 | The National Horse Racing Welfare Foundation | 48.16 | 84.41 | 1969 |
| 3 | Rotary Yoneyama Memorial Foundation, Inc | 18.51 | 90.95 | 1967 |
| 4 | Scholarship Foundation for Orphans | 13.37 | 343.30 | 1969 |
| 5 | Jin Kenkyukai | 12.78 | 7.30 | 1972 |
| 6 | The Vehicle Racing Commemorative Foundation | 10.59 | 159.02 | 1975 |
| 7 | Research Institute of Innovative Technology for the Earth | 8.47 | 116.98 | 1990 |
| 8 | Uehara Memorial Foundation | 7.51 | 64.27 | 1985 |
| 9 | Venture Enterprise Center | 7.48 | 58.18 | 1975 |
| 10 | Kagoshima Prefectural Scholarship Foundation | 7.27 | 4.68 | 1968 |
| 11 | Interchange Association | 6.44 | 1.91 | 1972 |
| 12 | The Japan International Cooperation Foundation | 5.73 | 126.65 | 1997 |
| 13 | Nagasaki Ikueikai | 5.01 | 46.53 | 1960 |
| 14 | Foundation of River and Watershed Environment Management | 4.81 | 280.38 | 1975 |
| 15 | Kyoto Foundation for the Promotion of Medical Sciences | 4.74 | 7.86 | 1986 |
| 16 | Nippon Life Insurance Foundation | 4.67 | 119.80 | 1979 |
| 17 | The Mitsubishi Foundation | 4.51 | 170.01 | 1969 |
| 18 | The Asahi Glass Foundation | 4.35 | 118.02 | 1934 |
| 19 | The Toyota Foundation | 4.23 | 314.96 | 1974 |
| 20 | Heiwa Nakajima Foundation | 3.95 | 518.59 | 1992 |
| | Total | 235.31 | 2,679.72 | |

Unit: ¥100 million

Table 6. United States's 20 Largest Foundations by Grant Spending

| Rank | Foundation | Total Spending (in ¥100 million) | Total Spending (in \$1 million) | Fiscal Year Ended |
|-------|---|-------------------------------------|------------------------------------|----------------------|
| 1 | Lilly Endowment, Inc. | 614 | 558 | 99/12 |
| 2 | The Ford Foundation | 563 | 512 | 99/09 |
| 3 | The David & Lucile Packard Foundation | 431 | 392 | 99/12 |
| 4 | The Robert Wood Johnson Foundation | 319 | 290 | 99/12 |
| 5 | The Pew Charitable Trusts | 232 | 211 | 99/12 |
| 6 | W. K. Kellogg Foundation | 223 | 203 | 99/08 |
| 7 | Robert W. Woodruff Foundation, Inc. | 210 | 191 | 99/12 |
| 8 | The California Endowment | 196 | 178 | 00/02 |
| 9 | John D. & Catherine T. MacArthur Foundation | 190 | 173 | 99/12 |
| 10 | The Andrew W. Mellon Foundation | 178 | 162 | 99/12 |
| 11 | The Rockefeller Foundation | 164 | 149 | 99/12 |
| 12 | The New York Community Trust | 144 | 131 | 99/12 |
| 13 | Open Society Institute | 137 | 125 | 98/12 |
| 14 | The Annenberg Foundation | 130 | 118 | 99/12 |
| 15 | Charles Stewart Mott Foundation | 128 | 116 | 99/12 |
| 16 | Bill & Melinda Gates Foundation | 125 | 113 | 99/03 |
| 17 | The Kresge Foundation | 124 | 113 | 99/12 |
| 18 | Robert R. McCormick Tribune Foundation | 114 | 104 | 99/12 |
| 19 | The Annie E. Casey Foundation | 114 | 104 | 99/12 |
| 20 | The Starr Foundation | 113 | 103 | 98/12 |
| Total | | 4,450 | 4,045 | |

Source: The Foundation Center's Home Page "Top 100 U.S. Foundations (January 2001)"
 Calculated at \$1 = ¥110.00 (exchange rate as of November 1, 2000)

Trends in Size of Assets and Grant Spending

Figure 3 and 4 show the trends in combined assets and grant spending of the 135 foundations that furnished data on assets and grant spending in each of the past thirteen years, that is, since 1988.

It can be seen that combined assets of 135 foundations have generally continued to increase since 1988. However, combined grant spending began to fall in 1994. It is obvious that the extraordinarily low interest rate on savings accounts that has been long prevailed in Japan seriously hampers many grant-making foundations that have been obtaining their main fund resources from interest on bank deposits. Some foundations report that they have had to suspend grant programs for a few years due to financial constraints.

Figure 3. Trends in Total Assets of 140 Foundations (Group B)

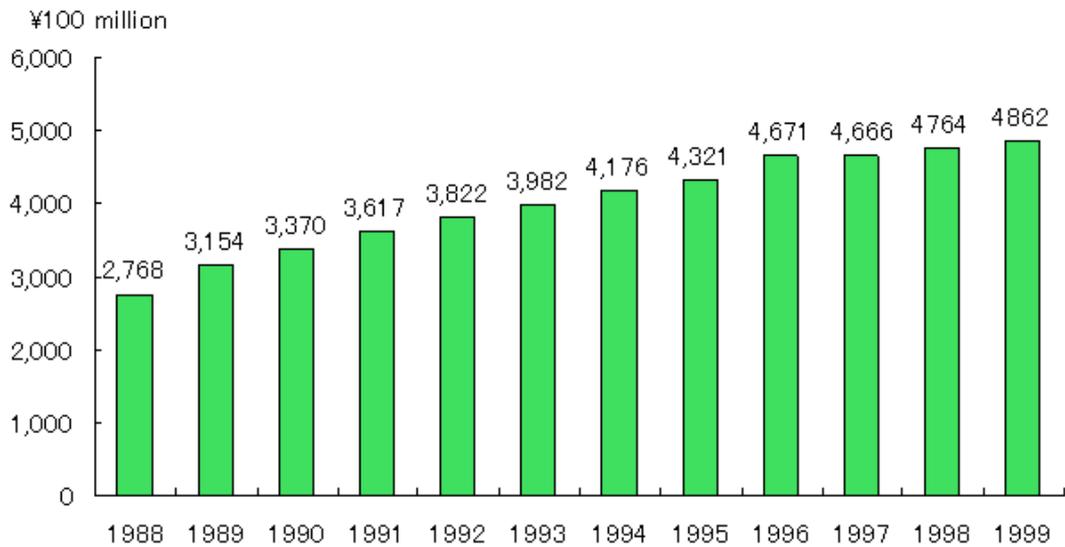
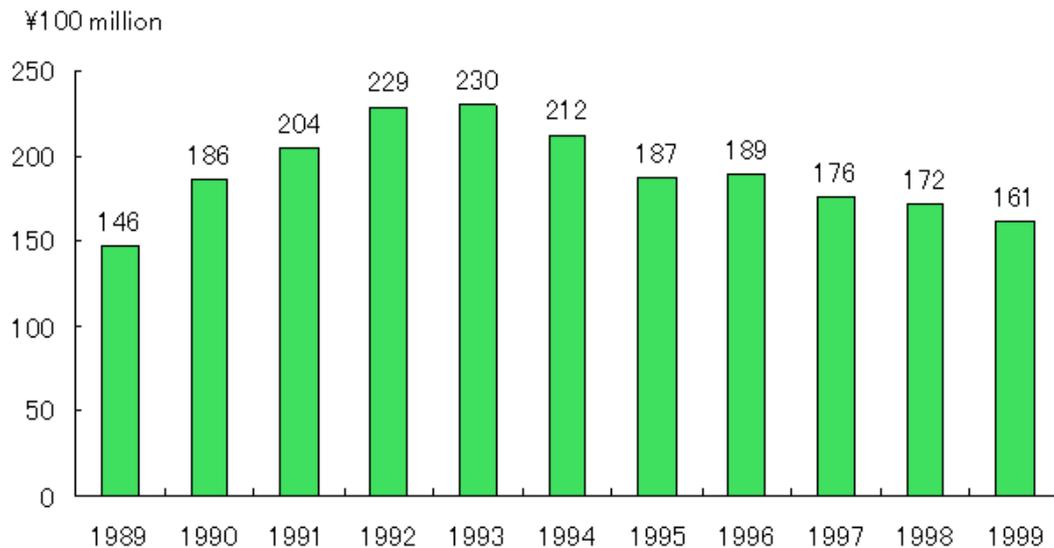


Figure 4. Trends in Total Grant Spending of 140 Foundations (Group B)



Features of Grant Programs (Group B)

Numbers of Grant Programs

Below we shall analyze grant programs undertaken by grant-making foundations in Japan, focusing on types and fields of grant programs proposed by 623 foundations in Group B for fiscal 2000.

In fiscal 2000, the 623 foundations proposed to undertake a total of 1,380 programs, an average of 2.2 programs per foundation.

Depending on a foundation's policy, programs range from foundation-administered programs, for which unsolicited applications are not accepted, to programs that place no restrictions on applications. At present not many foundations accept non-Japanese applicants overseas.

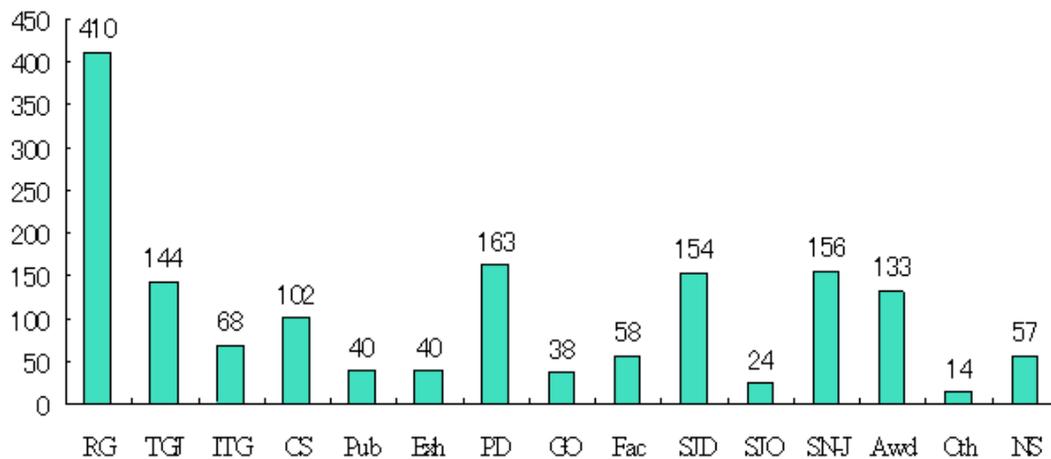
Generally speaking, the grant programs of Japanese foundations are rather small in size, and many foundations have various eligibility requirements for applicants, which sometime makes it difficult for applicants to gain easy access to grants.

Classification by Type and Field of Grants

Grant programs can be divided into three types: grant programs, scholarship programs and award programs. As shown in Table 7, the Center has further divided these three basic categories into fifteen types.

Table 7. Types of Grant Programs (Group B)

| | |
|--|--|
| Research grants | Grants for the acquisition of equipment |
| Travel grants for Japanese | Scholarships for Japanese (for study in Japan) |
| Invitation travel grants for non-Japanese | Scholarships for Japanese (for study overseas) |
| Grants for conference and seminars | Scholarships for non-Japanese |
| Publication grants (for translation, editing, or publishing) | Awards and prizes |
| Grants for exhibitions and performance | Grants for other types of activities |
| Grants for program development | Grants that not specify the type of activities |
| Grants for general operating | |



RG: Research Grant; TGF: Travel grant for Japanese; ITG: Invitation travel grant; CS: Conference and seminar; Pub: Publication; Exh: Exhibition; PD: Program development; GO: General operating; Fac: Facilities; SJD: Scholarship for Japanese (domestic); SJO: Scholarship for Japanese (overseas); SN-J: Scholarship for non-Japanese; Awd: Award; Oth: Grants for other types of activities; NS: Grants that not specify the type of activities

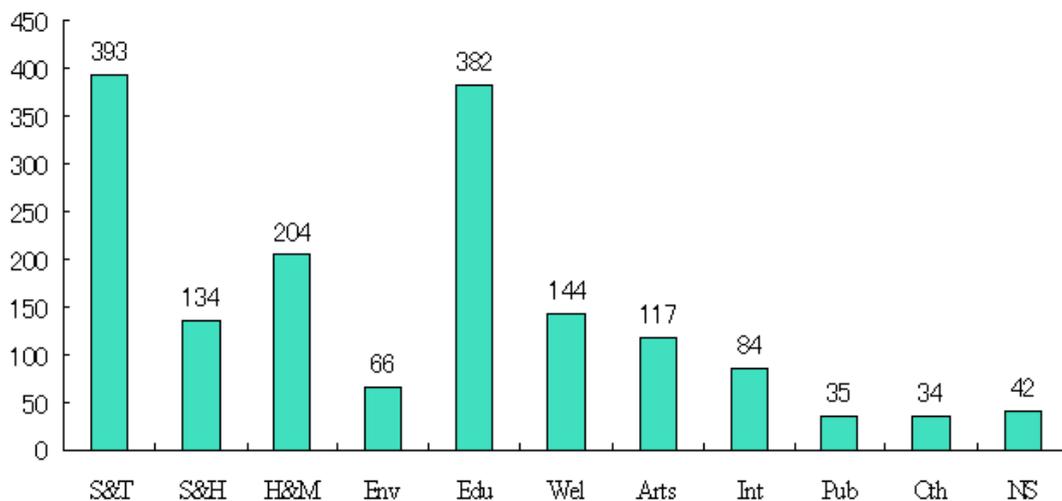
Figure 5 shows the number of programs for each of fifteen types. The total exceeds 1,380, the actual total number of grant programs, because some programs fall into more than one classification. For example, single program may include both travel grants for Japanese and invitation travel grants for non-Japanese.

It can be seen from this figure that research grant program which account for 406 of the total, are by far the most numerous type; the other programs are distributed over various types of grants.

Fields of grants are classified in Table 8, and Figure 6 shows the distribution of programs in eleven fields. Again, the total exceeds 1,380, the actual total number of grant programs, and for the same reason as in the analysis of grant programs by types, some programs fall into more than one classification.

Table 8. Fields of Grant Programs (Group B)

| | |
|-------------------------------|---------------------------|
| Science and technology | Human services |
| Social science and humanities | Arts and culture |
| Health and medical care | International affairs |
| Environment | Public and social benefit |
| Education | Other fields |



S&T: Science and technology; S&H: Social sciences and humanities; H&M: Health and medical care; Env: Environment; Edu: Education; Wel: Welfare; Arts: Arts and culture; Int: International affairs; Pub: Public and social benefit; Oth: Grants for other fields or grants that not specify the fields of activities; NS: Grants that not specify the field of activities

Examination of the distribution of grant programs by field of grant reveals the largest numbers of programs focus on the field of science and technology. This field of science and technology is followed by the education. Above analysis thus means that the main stream of grant programs of Japanese foundations is to encourage science and technology

as well as human resources development which are the vital potential for the development of the country.