

June 10, 2020

DI enters comprehensive partnership agreement with DBJ DI and DBJ to collaborate on leveraging SIBs to tackle social issues

Dream Incubator Inc. (Takayoshi Yamakawa, President and Representative Director; hereafter “DI”) concluded a comprehensive partnership agreement with Development Bank of Japan Inc. (Hajime Watanabe, President and CEO; “DBJ”) in regard to social impact bonds*¹ (“SIBs”). With the conclusion of the agreement, DI and DBJ will collaborate to explore the utilization of SIBs in resolving social issues.



SIBs are a new means of collaboration between the public and private sectors aimed at addressing social issues facing national and local governments, through implementing innovative solutions that leverage expertise of private companies as well as private capital. Overseas, SIBs have been increasingly introduced, especially in the UK. In Japan, SIBs are mainly being deployed in the medical and healthcare fields as national and local governments face increasing social security burdens arising from the declining birthrate and aging population. SIBs are expected to be useful in a wide range of areas including infrastructure maintenance and repair, disaster mitigation, recycling, children’s education, and urban planning and development. DI and DBJ will together consider applying the SIB scheme in solving various social problems in these areas and collaborate with national and local governments to find or design concrete projects to invest in.

In addition to providing strategic consulting for major corporations and making venture capital investments, DI has promoted “business producing” activities that organically combine strategies, technologies, and policies to resolve a wide array of social issues. It has collaborated with relevant government agencies and municipalities, as well as multiple private companies to implement innovative projects. DI has already been exploring the formation of SIBs prior to entering the partnership agreement with DBJ: it has concluded memoranda of understanding with the city of Toyota in February 2020, and with the city of Maebashi in May the same year*². It is simultaneously moving forward with talks with several other forward-looking municipalities with the aim of expanding its partner network.

DBJ engages in market research in Japan and overseas. It has accumulated innovative knowledge and expertise relevant to establishing SIBs fit to the Japanese market through investing in a fund targeting SIBs formed by the UK-based Bridges Fund Management Limited (“Bridges”) in November 2019 and its role as a strategic partner to Bridges (DBJ concluded a business alliance agreement with Bridges)*³. DBJ plans to continue pursuing this kind of initiatives while exploring the formation of SIBs suitable to Japan. It aims to lend its support on the financial front to the resolution of social issues facing regional governments.

DI and DBJ will share and leverage their expertise and networks to promote the formation of SIBs involving a range of players including national and local governments, service providers, and financial institutions. The partners aim to reach an investment scale of 100 billion yen, through which they plan to realize initiatives that will have significant impacts on resolving social problems.

(*1)

Social impact bonds:

A mechanism in which investors provide funding to businesses implementing prevention programs and are in turn paid performance fees by local governments based on the success of those initiatives. Under this form of contracts for public works, governments do not make payments when commissioning services, but at the point when the social programs deliver successful outcomes. The amount of commissions paid by governments is also linked to the degree of success of the programs in these performance-based contracts. SIBs are one means of public-private partnership that combine performance-based contracts with private funding.

(*2)

February 25, 2020 DI Press Release:

Signing of Memorandum with Toyota City Related to Social Impact Bonds, a New Type of Public–Private Partnership for Solving Social Issues

(<https://www.dreamincubator.co.jp/news/topics/2020/6122/>)

May 8, 2020 DI Press Release:

DI and the city of Maebashi began considering the implementation of social impact bonds, a new type of public-private partnership for solving social issues

(<https://www.dreamincubator.co.jp/news/topics/2020/6607/>)

(*3)

November 20, 2019 DBJ Press Release:

DBJ Invests in Bridges Fund Management's Social Outcomes Fund II in the UK

- Financial support for new collaborative projects to solve social issues -

(https://www.dbj.jp/ja/topics/dbj_news/2019/html/20191120_79719.html)

■ **About Dream Incubator Inc.** (<https://www.dreamincubator.co.jp/>)

DI works not only to develop services for client companies, but also to produce businesses that transform society and infuse energy into the Japanese economy.

DI achieves this by combining strategic consulting skills—the most universal, valuable, and fundamental skills in the business sphere—with managerial abilities honed by a pragmatic and ownership-spirited mindset fostered through our incubation initiatives.

■ **About Development Bank of Japan Inc.** (<https://www.dbj.jp/>)

Based on our corporate philosophy of "Designing the future with financial expertise," building customer trust by solving problems through creative financial activities and realizing a prosperous future together, DBJ will continue to provide financial support to solve social issues.

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