Paper title: Survival Strategy of art NPOs under COVID-19: Japan's case

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**Abstract:** This paper asks how NPOs tried to survive under COVID-19. This focuses on Japan's arts and cultural activities. The original mission of the NPO is to "engage in activities that are close to people." (Tanaka, 2015) Strong our government restrictions have prevented NPO from fulfilling this mission. The Japan government has decided to cancel all concerts and performances from February 2020 onwards. This decision meant that NPO would not be able to do all activities. People can't get together. According to the survey, 5,678 performances were cancelled and losses amounted to 52,262,800,000 yen. 42% said their income forecast for April would be zero, and 72% said they had no new job requests (n=2857, the Japan Council of Performers Rights & Performing Arts Organizations). Arts and cultural activities are supported by many professionals. Artists alone cannot engage in artistic and cultural activities. Practitioners who operate lighting and stage sets are also needed. Activities were limited to online only. Acting and voice interaction, tuning pitch, and rhythm all had to be done online. The audience was also limited to online and video viewing. If this situation continues, artistic and cultural activities will disappear. To overcome this serious situation, experiments such as splash tests by vocalization and instrumentation were repeated among the medical experts and NPO practitioners. The pandemic has robbed cultural and artistic activities of fun. It highlighted three major challenges: Income Compensation and Livelihood Security, Lack of data on art NPOs and performers, and Defects in the Public Interest Corporation System (PIC). Art is essential (sometimes unnecessary, even if it is not urgent) for people to live a rich and human life. The number of people accepted at the performance venue was regulated by Government. Moreover, this regulation was changed frequently. It also cost a lot of money to inform the cancellation and refund of tickets. These costs are self-sufficient. The tickets were refunded, but many customers donated their tickets and gave words of encouragement. There are various types and fields in culture and art. There was no national data on these. Collaborative work between NPO researchers and practitioners must collect data in this field in a unified manner. We need to reveal the reality of living artworkers and organization. We need to revise the Standards for Public Interest Corporation (PIC) Authorization (similar to IRC501c3 in USA). If this problem with PIC is not clarified in the future, the art NPOs in Japan will disappear.

**key words:** art NPOs, orchestra, cancelation, lack of data, the Public Interest Corporation System (PIC)
This paper asks how NPOs tried to survive under COVID-19. This focuses on Japan's arts and cultural activities. The content of research is: to think how NPOs tried to survive under COVID-19. This paper focuses on Japan's arts and cultural activities.

1. How NPOs responded to government regulations?
2. What are the challenges that have emerged?
3. How should the challenges be solved?

1. Impact of COVID-19 on cultural arts organizations and activists

The original mission of the NPO is to "engage in activities that are close to people." Strong government restrictions have prevented NPO from fulfilling this mission. The Japan government has decided to cancel all concerts and performances from February 2020 onwards. This decision meant that NPO would not be able to do all activities. People can't get together. According to the survey, 5,678 performances were cancelled and losses amounted to 52,262,800,000 yen. 42% said their income forecast for April would be zero (Fig.1), and 72% said they had no new job requests (Fig.2), (n=2857, the Japan Council of Performers Rights & Performing Arts Organizations).

Since February 2020, in response to the government's request to refrain from performing, arts organizations have suspended all activities for 4 months. Arts organizations suffered major losses not only financially, but also artistically and communicatively. Due to the corona vortex, contact between people and movement between regions have been restricted for a long time. We were not able to do enough "activities that are warm and close to people." Due to movement restrictions, audiences and spectators are not allowed to come to the performance venue.

2. Legal entities of arts and cultural organizations

Each NPO legal entities are controlled under individual laws (Tanaka 2005). Arts and cultural organizations are green- and orange-colored ones (Fig.3. number 1, 2, 3, and 4). In order from up, Public Interest Foundation (PIC), general nonprofit corporation, Specific Nonprofit Activities Corporations (SNC), and Approved Specific Nonprofit Activities Corporations (ASNC). Looking at public interest projects by business purpose (23 projects), the most common answer was " Local community development" at 34.6%, followed by "Sound nurturing of children and youths " at 21.3%, and " Welfare for the elderly" at 17.7%. “Education and sports" 16.7%, "Culture and art" 16.6%, Fig.4.

Aggregated from the articles of incorporation of 50,541 corporations by September 30, 2022. Since one legal entity may carry out activities in more than one field of activity, the total will not be 50,541 corporations. In the field of activity of (approved) specific nonprofit activities corporations, (A)SNC, the field of science, culture, arts, or sports occupies the sixth place, Fig.5. When individuals donate to ASNC, they receive tax incentives. Individuals can choose between income deductions and
tax deductions. On the other hand, SNC does not have a preferential tax system for donations. In order for SNC to be certified as ASNC, it must meet the PST requirements. Art NPO is an NPO specializing in the arts (including non-legal volunteer organizations, excluding sports). The number of Art NPO is hovering around 4,200, Fig.6.

When asked "What is the highest income?" to corporations (N=410) that carry out activities to promote academic, cultural, artistic or sports, 27.9% of ASNC (N=61) respondents answered that membership fees and donations were the most. This is followed by fees (13.1%) and administrative commissioning (11.5%). The SNC (N=349) consisted of membership fees (41%), fees (20.3%), and administrative commissions (14.6%) in that order (FY 2020 Fact-finding Survey on Specified Non-profit Organizations, Cabinet Office). Both had the highest membership fees, but ASNC also donated a lot. In both cases, commissioned income from the government is also indispensable, Fig.7.

3. the activity examples

I can show you the activity examples. There are two kinds of cases: the case of Public Interest Foundation (PIC) and of Approved Specific Nonprofit Activities Corporations (ASNC). The former is Japan Philharmonic Orchestra, Japan Century Symphony Orchestra, and Mt. Fuji Philharmonic Orchestra. On the other hand, the latter is NPO ARDA and Triton Arts Network (TAN).

3.1 The Arts Resources Development Organization (ARDA):

Based in Tokyo." Art Delivery for the Elderly" was an activity to focus on the lives of people living in elderly facilities. ARDA has been fostering appreciation communicators at elementary schools in Suginami Ward (Tokyo). The activities are realized by the free and voluntary "volunteer" will of them. On February 27th, 2020, the government requested the temporary closure of schools, and face-to-face activities of schools and museums in each region were suspended. ARDA started an "online café" to stay connected with my peers and motivated to do activities (Mitsuki and Taki 2022).

3-2 Triton Arts Network (TAN)

Based in Tokyo. Triton Arts Network (TAN) is an SNC certified by the Tokyo Metropolitan Government in 2001 (certified as an ASNC by the Tokyo Metropolitan Government in November 2014). TAN is based at the Dai-ichi Life Hall in Harumi Triton Square in Chuo-ku, Tokyo, and is active around two pillars: "Performances at Dai-ichi Life Hall" (about 30 times a year) and "Community projects centered on the area around the hall" (about 40 times a year). TAN’s vision is to "realize a society that connects through music and lives with music," and its mission is to
revitalize communities through music—share the joy of music and enrich the mind." (Tanaka 2022). I was a chief of the Project Evaluation Committee of TAN from April 2015 to March 2017.

On April 7, 2020, the first state of emergency was declared in Tokyo, and for the first time, all events were canceled, halls were closed, and people disappeared from the city due to refraining from going out. For concerts for infants and toddlers, we asked musicians to perform remotely at home and uploaded videos to their websites. Since April, the staff has basically been working from home and holding online meetings once a week, deciding the timing and wording of the announcement of cancellation and postponement, sending e-mails to customers, mailing several people to the office, refunding tickets, and forwarding the phone to their home to respond to the call.

The state of emergency was lifted on May 25. The performance with an audience was canceled, the program was changed to a program without singing, and the first free live streaming without an audience was held. The tickets were refunded, but many customers donated their tickets and gave words of encouragement. After the declaration of a state of emergency, the Tokyo Metropolitan Government initially required "1,000 people or less and 50% of capacity" to hold events. After that, the admission restrictions were relaxed and the seating capacity was 100%, but the guidelines revised on September 18, 2020 stipulated that the distance between the stage and the audience should be at least 2 meters horizontally.

On July 31, Harumi Nursery School conducted its first outreach in five months. The performance place was in the courtyard, and it was a groping outreach that the children listened to from inside the building without talking, but from the sight of the children moving their bodies and enjoying themselves in time with the music, it gave me courage to realize that such activities are necessary. In fiscal 2020, there were six schools that were unable to implement the program, but in fiscal 2021, the number of schools accepted increased, and we continue to hold meetings with host companies based on the outreach guidelines.

The Corona disaster has created various restrictions on the planning and management of performances and community activities, and the difficult period has lasted longer than initially imagined. We realized once again that there are people who are waiting for art no matter what the situation, and that we must work flexibly so that people can enjoy art at any time and pass it on to the next generation without ceasing. Art is essential (sometimes unnecessary, even if it is not urgent) for people to live a rich and human life. The people I saw at concerts, outreach, and the voices of many surveys prove it. TAN was selected for the Tokyo Metropolitan Government's "Yell for Art!" in 2020 and 2021, and it was possible to shoot videos and pay broadcasting rights fees to performers.

3.3 Japan Philharmonic Orchestra (JPO)

Based in Tokyo, Loss of 350 million yen due to the cancellation of 70 performances, including regular performances, family concerts, and masterpiece concert. Due to movement
restrictions, audiences and spectators are not allowed to come to the performance venue. Therefore, JPO began to stream the concert online. It is expensive to record and distribute, but it was initially distributed for free. PIC must be dissolved after falling below its net worth of 3 million yen for two consecutive years. In order to avoid dissolution, JPO needed to raise 400 million yen in cash flow.

Since February 2020, in response to the government's request to refrain from performing, many arts organizations have suspended all activities for four months. For example, the Japan Philharmonic recorded a loss of 350 million yen due to the cancellation of 70 performances, including regular performances, family concerts, and masterpiece concert. A public interest foundation must be dissolved after falling below its net worth of 3 million yen for two consecutive years. Japan Phil could not afford retained earnings. In order to avoid dissolution, Japan Philharmonic needed to raise 400 million yen in cash flow (Hirai 2022).

Japan Philharmonic suffered major losses not only financially, but also artistically and communicatively. Due to the corona vortex, contact between people and movement between regions have been restricted for a long time. We were not able to do enough "activities that are warm and close to people."

3.4 Japan Century Symphony Orchestra (JCSO)

Based in Osaka. In just over 3 months from early March to mid-June in 2020, only one performance without an audience was distributed by streamed live. On June 20, 2020, JCSO resumed performances with audiences ahead of orchestras in Japan nationwide. JCO adhered to the guidelines of the time and limited the number of seats to one-quarter with a distance of two meters between performers and one row of seats horizontally and one row vertically. JCSO's sales fell by nearly 200 million yen in the six months from March to August 2020. JCSO survived the rush by making significant salary and allowance cuts (Mochizuki 2022).

3.5 Mt. Fuji Philharmonic Orchestra (FPO)

Based in Sizuoka city, It was originally the Shizuoka Symphony Orchestra. Due to the pandemic, most of the daily work was to notify concerts of cancellations and adjust schedules for postponements. Another orchestra in Shizuoka, the Hamamatsu Philharmonic Orchestra was disbanded because it could not raise funds due to the corona disaster. In December 2020, the Shizuoka Symphony Orchestra and the Hamamatsu Philharmonic merged to form Mt. Fuji Philharmonic Orchestra (FPO) and it was also approved by a general incorporated foundation. FPO has evolved into a public interest incorporated foundation (PIF) on March 2022 (Miyazawa 2022).

Due to movement restrictions, audiences and spectators are not allowed to come to the performance venue. Therefore, the orchestra began to stream the concert online. It is expensive to record and distribute, but it was initially distributed for free. The number of people accepted at the
performance venue was regulated. Moreover, this regulation was changed frequently. It also cost a lot of money to inform the concert of cancellation and refund of tickets. These costs are self-sufficient. The coronavirus pandemic has changed the awareness of the audience and spectators. The coronavirus pandemic has changed people's lifestyles and consumption consciousness. They began to select concerts.

4. Challenges Revealed by COVID-19 and what we should do

Challenges 1: Income Compensation and Livelihood Security

Income compensation to performers and NPOs was limited by the Agency for Cultural Affairs. However, this income compensation alone could not cover the cost. This is because there were various costs involved in canceling or postponing activities: announcement of performance cancellation / postponement, refund / transfer of tickets, cancellation fee of venue and so on. There are 38 professional orchestras in Japan. Orchestras are classified into two categories: 25 Orchestras employing members and 13 Orchestras that pay a salary per concert (contracted as a private employer). The employment adjustment subsidy applied to the former but not to the latter. This is an institutional flaw. Museums began to distribute videos of exhibits and collections. The Tokyo Metropolitan Government's "Infection Prevention Cooperation Fund" was only available to public facilities. It did not cover public interest corporations (PIC).

Challenges 2: Lack of data on NPOs and performers

You may be asked questions such as "Where and who is doing what kind of work?" There was no national data on these. There are various types of cultural and artistic organizations and activities: public interest foundations and associations, NPOs and approved NPOs (Fig.4,5), grassroots organizations and groups, individual and family activities. And there are various fields: theater, music, regional folk songs, Japanese traditional performing arts (for example, Kabuki). Groups and associations of performers came together to make a list, but this was inadequate. Collaborative work between NPO researchers and practitioners must collect data in this field in a unified manner.

Challenges 3: Defects in the Public Interest Corporation System (PIC)

The coronavirus pandemic not only exposed NPO's management weaknesses, but also highlighted problems with PIC (similar to IRC501c3 in USA). For example, PIC must be dissolved after falling below its net worth of 3 million yen for two consecutive years. If this problem is not clarified in the future, the orchestra in Japan will disappear. Another Defects are: "Principle of
Balance of Income and Expenditure “, "Restrictions on Ownership of Idle Assets “, “Public interest purposes is expected to exceed 50/100 “, Revisiting the Concept of "Public Activities".

a) "Principle of Balance of Income and Expenditure “

"Income does not to exceed the amount compensating the reasonable cost for its operation.” One of 18 Standards for Public Interest Incorporated Foundations Authorization (2006). Law Number: Act No. 49 of 2006, the Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundations Article 5 (vi) The basis for the balance of income and expenditure regulation is to ensure fairness with competing private for-profit enterprises.

This principle negates the stable operation of public interest projects (culture and art), and should be basically abolished. Donations, contributions, subsidies, and membership fees are excluded from "income" and "idle property" under the Income and Expenditure Balance Regulations. In order to determine their competitiveness with private commercial enterprises, donations and non-compensatory income (unredeemed income) should be excluded.

b) "Restrictions on Ownership of Idle Assets “

The amount of idle property shall not exceed the total amount of public utility projects for 1 year, the Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundations Article 5 (ix). The amount of idle assets is the amount of assets recorded in the net assets of a corporation for which the specific use of assets has not been determined. For one year's worth is insufficient in preparation for a situation such as the corona pandemic, a certain amount of holding and accumulation should be allowed.

c) “Public interest purposes is expected to exceed 50/100 “

When PIC operates its business activity, the ratio of the business for public interest purposes (culture and art) is expected to exceed 50/100, the Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundations Article 5 (viii). If 50% of the public interest business cannot be cleared, the cost of the profit-making business may be included as the cost of the public interest business to a reasonable extent.

d) Revisiting the Concept of "Public Activities"

Japan Phil was the first public interest corporation to apply for a "capital subordinated loan." Capital subordinated loans are used to revitalize companies that have fallen into huge deficits or insolvency due to unforeseen circumstances. In addition to long-term lump-sum repayments, capital subordinated loans allow the loan to be regarded as capital. However, unlike profit corporations, public interest corporations do not consider loans to be net assets (capital) and remain treated as liabilities.
**Conclusion**

1. Art is essential (sometimes unnecessary, even if it is not urgent) for people to live a rich and human life. The number of people accepted at the performance venue was regulated by Government. Moreover, this regulation was changed frequently. It also cost a lot of money to inform the cancellation and refund of tickets. These costs are self-sufficient. The tickets were refunded, but many customers donated their tickets and gave words of encouragement.

2. There are various types and fields in culture and art. There was no national data on these. Collaborative work between NPO researchers and practitioners must collect data in this field in a unified manner. We need to reveal the reality of living artworkers and organization.

3. We need to revise the Standards for Public Interest Corporation (PIC) Authorization. If this problem with PIC is not clarified in the future, the orchestra in Japan will disappear.
**Fig. 1**

April 2020 Revenue Forecast N=2,857

- Unknown 11%
- Unchanged 5%
- About 75% 8%
- Less than 50% 34%
- None 42%


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**Fig. 2** Are there any new jobs N=2,854

- Increasing 2%
- Reducing 26%
- None 72%

Fig. 3 Main Legal entities of NPO in Japan

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<th>legal entities</th>
<th>number</th>
<th>as of</th>
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<tr>
<td>public interest corporation (PIC)</td>
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<td>general nonprofit corporation</td>
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<tr>
<td>approved community based organization</td>
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</tbody>
</table>

Calculated by Tanaka used several data

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Fig. 4

Number of public interest corporation (PIC) by business fields Top 9
N=9,614 (M.A.) as 20201201
Fig 5

Number of Specified Nonprofit Corporation by the activity fields, Top 9
N=50,541 (M.A.) as of 20220930

- International cooperation activities: 9,212
- The development of vocational skills or the expansion of employment opportunities: 12,848
- Preserving the environment: 13,173
- Science, culture, arts, or sports: 18,261
- Development of communities: 22,484
- Advice for the activities of organizations: 23,714
- Sound development of children: 24,394
- Social education: 24,667
- Healthcare, medical care, and welfare: 29,523

Fig 6

Sources: Art NPO Council, Data is sometimes missing.
Fig. 7
References


