

Disclosure Statement

Operating Principles for Impact Management

Japan Impact Investment II Limited Partnership (“HATARAKU FUND”)
co-managed by Shinsei Impact Investment Limited and
Japan Social Innovation and Investment Foundation

August 31, 2023

Summary

Shinsei Impact Investment Limited and Japan Social Innovation and Investment Foundation are signatories to the Operating Principles for Impact Management (“the Impact Principles”). The Impact Principles provide a reference point for assessing the impact management systems of funds and institutions. They draw on emerging best practices from a range of asset managers, asset owners, asset allocators and development finance institutions.

This Disclosure Statement affirms that Japan Impact Investment II Limited Partnership (“HATARAKU FUND” or the Fund), co-managed by Shinsei Impact Investment Limited and Japan Social Innovation and Investment Foundation, is operated in alignment with the Impact Principles. Total assets under management in alignment with the Impact Principles are JPY 3,650 million (US\$ 24.97 million)¹ as of August 31, 2023.

Disclaimer

The information contained in this Disclosure Statement has not been verified or endorsed by the Global Impact Investing Network (“the GIIN”) or the Secretariat or Advisory Board. All statements and/or opinions expressed in these materials are solely the responsibility of the person or entity providing such materials and do not reflect the opinion of the GIIN. The GIIN shall not be responsible for any loss, claim or liability that the person or entity publishing this Disclosure Statement or its investors, Affiliates (as defined below), advisers, employees or agents, or any other third party, may suffer or incur in relation to this Disclosure Statement or the impact investing principles to which it relates. For purposes hereof, “Affiliate” shall mean any individual, entity or other enterprise or organization controlling, controlled by, or under common control with the Signatory.

¹ Converted based on the USD/JPY TTM rate (146.20) as of August 31, 2023.

Principle 1:

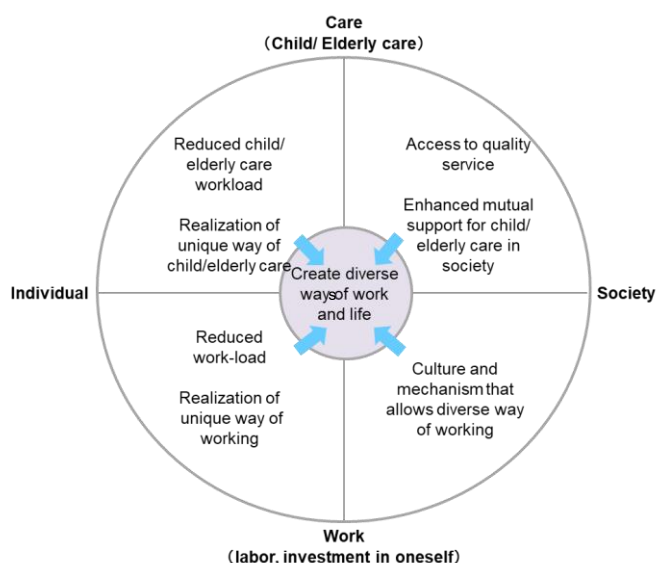
Define strategic impact objective(s), consistent with the investment strategy.

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

To address Japan's pressing social issues, such as the declining birthrate, aging population and labor shortage, the Fund's investments will support the creation of an environment and resources that enable working people to continue their employment/career even during and after major life events such as child rearing and nursing care. In addition, as one of the first impact investment funds inviting blue-chip institutional investors in Japan, we aim to contribute to the development of an impact investment ecosystem in Japan that can serve as a precedent to others, through building up the practice of impact measurement and management (IMM), including the development of impact measurement models, data collection, decision-making and reporting, all taking "Japan angle" in consideration.

To achieve the above objectives, the Fund aims not only to reduce individual burdens and promote diversity, but also to enhance social systems in the areas of "care," such as childcare and nursing care, and "work," such as work styles and next-generation human resource development, through the Fund's investees. The figure below illustrates the Fund's theory of change (ToC).

The Fund's Theory of Change







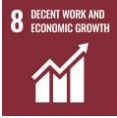
When formulating the Fund’s ToC, we focused on declining birthrate, aging society and shrinking workforce as structural issues unique to Japan and conducted in-depth research and discussions on each issue. After choosing “creating diverse ways of working and living” as the Fund’s core impact goal, we assumed that this change would first occur at the individual level. We thought, however, that we should aim not only for individual transformation, but also for transformation at the societal level (systemic change), which is why we placed “individual” and “society” on the horizontal axis of the ToC diagram above. Additionally, the vertical axis includes “care (life)” and “work (job),” based on the idea that the ToC diagram should cover not only the work styles and job satisfaction of individual workers, but also their own “life and livelihood,” including their health and family.

To manage the Fund, we have operated working groups for each issue area. Each working group analyzes the structure of its designated social issue, as well as statistical data, the legal system and common practices, and identifies parties involved. The analysis’s implications are updated as required.

In terms of SDGs, the Fund aims to contribute to the achievement of SDG 3 (Good Health and Well-being), SDG 4 (Quality Education), SDG 5 (Gender Equality), and SDG 8 (Decent Work and Economic Growth) mainly by achieving direct results (outputs), medium-term effects on beneficiaries and stakeholders (outcomes), and long-term effects on society (impacts) through the Fund’s activities (inputs). As of December 31, 2022, the Fund’s SDG targets addressed through its investees are as follows.

SDG Targets Addressed through the Fund’s Activities

SDGs	Relevant Targets
	1.2 By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.
	3.2 By 2030, end preventable deaths of newborns and children under 5 years of age, with all countries aiming to reduce neonatal mortality to at least as low as 12 per 1,000 live births and under-5 mortality to at least as low as 25 per 1,000 live births. 3.4 By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being. 3.5 Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol.

	<p>3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.</p> <p>3.a Strengthen the implementation of the World Health Organization Framework Convention on Tobacco Control in all countries, as appropriate.</p>
	<p>4.2 By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education.</p> <p>4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.</p> <p>4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.</p> <p>4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations.</p> <p>4.b By 2020, substantially expand globally the number of scholarships available to developing countries, in particular least developed countries, small island developing States and African countries, for enrolment in higher education, including vocational training and information and communications technology, technical, engineering and scientific programmes, in developed countries and other developing countries.</p>
	<p>5.4 Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate.</p>
	<p>8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.</p> <p>8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and</p>

	<p>encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.</p> <p>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</p> <p>8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training.</p> <p>8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.</p>
	<p>9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.</p> <p>9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.</p>
	<p>17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.</p>

Principle 2:

Manage strategic impact on a portfolio basis.

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

- The Fund has engaged in building and improving its IMM process to manage the expected impact of the Fund’s investments across its entire portfolio, from the selection of investments through post-investment support and monitoring to exits.
- The Fund is a venture capital (VC) fund that invests in Japanese impact startups, and since there

were no precedents in Japan that could be referenced, the Fund has been operating in an integrated manner, referring to various standards and frameworks that are being developed globally by organizations such as GIIN, Impact Management Platform (IMP), Impact Frontiers, etc., and interpreting them to suit Japanese society and the Japanese market.

- Pre-investment Phase Approaches

- Progress is made in each of the investment targeted issue areas, while simultaneously maintaining diversification across the portfolio.
 - ◇ The Fund manages investment progress and diversification against the four quadrants of the Fund's ToC.
 - ◇ The Fund manages investment progress and diversification against the SDGs' 169 targets.
- The expected impact is evaluated qualitatively and quantitatively through a common framework that corresponds to the Fund's seven investment policies described on page 10.
 - ◇ This framework is based on the "5 Dimensions of Impact" framework developed by IMP, with the addition of two fund-specific perspectives: (1) the degree of contribution to the materialization of the Fund's ToC and (2) the structural social change (systemic change) that a potential investee could bring about.
 - ◇ The Fund conducts scoring for each item in the framework to provide a quantitative rating of the impact created by each potential investment and the Fund's contribution to the potential investees, which makes it possible to compare the impact of potential investments in the various issue areas covered by the Fund's ToC and to use the rating, together with qualitative perspectives, to make investment decisions.
 - ◇ In addition to the impact created by a potential investee, this framework also considers the contribution of the Fund as an investor (investor contribution) to the creation of impact.
 - ◇ The "Investor Contribution 2.0" framework developed by Impact Frontiers has been adopted on a trial basis as evaluation criteria for investor contributions described above. Specifically, we are evaluating engagement impact and investment impact.
- To equalize the level of post-investment contribution to impact creation and impact risk management across the portfolio, at the time of investment agreement the investee and the Fund sign a memorandum of understanding in a common format detailing the scope and content of IMM approaches.

- Post-investment Phase Approaches

- The Fund shares a common program of impact creation support and monitoring across investees.
- While having supported various IMM practices of its investees, the Fund has developed a post-investment IMM supporting program, which is utilized for new investees and is still under refinements.
- A management dashboard for impact progress at the portfolio level has been developed and

is operational.

- Impact Performance Reporting
 - ✧ Progress and challenges in creating impact for each investee are evaluated and analyzed using the Fund's common framework.
 - ✧ For post-investment phase, the Fund plans to evaluate the investment's impact rating using the framework same as the one during pre-investment phase, and to update it on an annual basis. This is expected to occur within 12 months from the disclosure of this statement.
- Incentive for the Fund Members
 - In terms of the performance review of the Fund members, “degree of contribution to investees” is located as one of the performance measures, linking impact performance to staff incentives.
 - During the fundraising stage, the Fund shared its LP investors the Fund's objective of creating impact and contributing to Japan's impact investment ecosystem. Since the beginning of its operation, the Fund has regularly disclosed the impact of all investees to the LP investors. This disclosure policy and practice enabled the Fund to maintain a structural incentive to support and monitor impact creation in the portfolio as a whole and in individual investee.

Principle 3:

Establish the Manager's contribution to the achievement of impact.

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels². The narrative should be stated in clear terms and supported, as much as possible, by evidence.

- The Fund is a VC fund that invests in Japanese impact startups. While providing business growth support as a general VC and a shareholder, the Fund also provides IMM support as an impact investor. Specifically, the fund provides the following support from the perspectives of both business and impact.

Business Support

- Follow-up on Management Progress
 - The Fund members attend board and shareholder meetings of investees and meet with management once a month or more to identify management issues and new business opportunities in a timely manner.
 - The members work with management to assist in formulating management strategies.

² For example, this may include: improving the cost of capital, active shareholder engagement, specific financial structuring, offering innovative financing instruments, assisting with further resource mobilization, creating long-term trusted partnerships, providing technical/market advice or capacity building to the investee, and/or helping the investee to meet higher operational standards.

- Business Matching Support
 - By leveraging the networks that the Fund members have developed through PE, VC and impact investment careers, as well as the sales resources of Shinsei Impact Investment Limited’s larger group financial companies, i.e., SBI Group, the Fund supports the sales growth and strategic alliances of investees by, for example, introducing them to large and regional companies that would otherwise be inaccessible to them as clients.
- Internal Control and Recruitment
 - The Fund members share knowledge of accounting, legal, tax, general affairs, human resources, public relations, etc. with investees and provide advice on internal system development.
 - The members introduce core personnel at the CXO and general manager level to investees.
- Support for Financing and Initial Public Offering (IPO) Preparation
 - The Fund members provide advice on the development of business plans and capital policies in response to the needs of investees.
 - The members assist in financing of investees, including introductions to financial institutions and investors.
 - The members also introduce sustainability and impact-oriented investors to investees and work with other traditional investors to strengthen the branding of investees as impact startups.
 - The members advise on the design of internal controls, the selection of security firms and audit firms to prepare for IPO of investees.
- Assistance in Raising Publicity
 - The Fund members actively promote media exposure of investees. Specifically, the Fund proactively introduce investees when the members speak at events and interviews.

Impact-related Support

- Organizing Impact Creation Pathways in Due Diligence
 - The Fund members draft a logic model of the potential investment in dialogue with the management team.
 - The members project core outcomes by examining expected impact, negative risk, etc.
- Post-investment Feedback
 - The Fund members utilize 5 Dimensions of Impact, 9 Types of Impact Risks, etc. during due diligence to provide post-investment feedback for investees if required.
- Support for Verbalization and Visualization of Impact
 - The Fund members update the logic model as required.
 - The members assist in the selection and measurement of evaluation indicators, discussing and organizing indicators with the management team.
 - The members assist in the verbalization and implementation of “sustainability management,” comprised of the following measures:
 - (1) Clarification of the company's purpose, mission and vision;
 - (2) identification of

background social issues and verbalization of their importance; (3) linkage with the 169 targets of SDGs; (4) organization of the added value of the company's business for solving social issues; (5) organization of pathways for creating impact; (6) preliminary ESG assessment including materiality identification; and (7) organizational assessment.

- ✧ In identifying ESG materiality of investees, the Fund utilizes the resources of SBI Group.
- ✧ For visualization of sustainability management, the Fund creates a roadmap based on the timing of IPO of investees.
- ✧ The Fund has established metrics for measuring investor contributions, and quantitative and qualitative measurements are taken on a regular basis, such as when preparing the Fund's Impact Report, to determine the contribution policy according to each investee's situation.

For more information on the Fund’s sustainability management, see Page 14 and 15.

Principle 4:

Assess the expected impact of each investment, based on a systematic approach.

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact³ potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact⁴? The Manager shall also seek to assess the likelihood of achieving the investment’s expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations.

In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager’s strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards⁵ and follow best practice⁶.

- As an impact investment fund, the Fund has seven investment policies as follows.

The Fund’s Investment Policy

1	ToC	Contribution to materialization of the Fund’s ToC	The issues being addressed by the potential investee are consistent with the social issues targeted by the Fund and will lead to the materialization of the Fund's ToC.
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³ Focus shall be on the material social and environmental impacts resulting from the investment. Impacts assessed under Principle 4 may also include positive ESG effects derived from the investment.

⁴ Adapted from the Impact Management Project (www.impactmanagementproject.com).

⁵ Industry indicator standards include HIPSO (<https://indicators.ifipartnership.org/about/>); IRIS (<https://iris.thegiin.org/>); GIIRS (<http://b-analytics.net/giirs-funds>); GRI (www.globalreporting.org/Pages/default.aspx); and SASB (www.sasb.org), among others.

⁶ International best practice indicators include SMART (Specific, Measurable, Attainable, Relevant, and Timely), and SPICED (Subjective, Participatory, Interpreted & communicable, Cross-checked, Empowering, and Diverse & disaggregated), among others.

2	Intentionality	Intentionality management	The impact created by the potential investee is not accidental but is the intent of the management team. The company must be aiming for system-level change in addition to beneficiary outcomes. The intent is likely to be reflected in management decisions, such as business and organizational structure.
3	Materiality /Measurability	Possibility of creating outcomes for beneficiaries	The potential investee's business is likely to provide value to a wide range of beneficiaries who need the outcomes. Key outcomes must be measurable.
4	Materiality	Possibility of systemic change	The potential investee effectively approaches the structural drivers of the social issues it addresses and has the potential to bring about system-level change.
5	Contribution	Contribution of business	The business in which the investment is to be made has an advantage in terms of impact generation compared to other options available to the beneficiary at the time of investment consideration.
6	Contribution	Potential to contribute as an impact investor	High likelihood of being able to conduct the engagement necessary to visualize and measure impact, build a governance structure, and conduct investor relations and information disclosure and dissemination for the IPO or next round of financing.
7	Risk	Consideration of sustainability risks	Impact and material ESG risks are known and acceptable to the Fund, including the feasibility of mitigation measures.

- The Fund applies and improves a systematic framework for evaluating expected impact in all investment activities, from selection of investment targets through post-investment support and monitoring to exits.
- Pre-investment Phase Approaches
 - Prior to the evaluation of expected impact, the importance and urgency of the target social issue in Japan are analyzed based on both primary and secondary information.
 - The Fund's seven investment policies allow for a qualitative and quantitative assessment of expected impact based on common criteria.
 - ✧ This framework is based on the 5 Dimensions of Impact framework developed by IMP, with the addition of two items that are unique to the Fund. Specifically, we have added (1) the degree of contribution to the materialization of the fund's ToC and (2) the structural social change (systemic change) that a potential investee could bring about.
 - ✧ By scoring each item in the framework, the Fund provides a quantitative rating of the impact created by each potential investee and the Fund's contribution, which makes it possible to compare the impact of potential investments in the various issue areas covered by the Fund's ToC and to use the rating, together with qualitative perspectives, to make investment decisions.

- ✧ In addition to the impact created by the investee, the framework also considers the contribution of the Fund as an investor (investor contribution) to the creation of impact.
- ✧ The Investor Contribution 2.0 framework developed by Impact Frontiers has been adopted on a trial basis as the Fund’s evaluation criteria for investor contributions. Specifically, we are evaluating engagement impact and investment impact.
- Identification and Assessment of Impact Risks
 - ✧ Potential and apparent impact risks are identified and assessed based on the 9 Types of Impact Risks framework developed by IMP. The Fund then examines mitigation measures for each risk and assesses the feasibility of the measures.
 - ✧ Impact risks are assessed using common criteria across the portfolio. Specifically, the criteria include the impact on stakeholders if the risk materializes, the likelihood that the potential investee will be able to mitigate the risk on its own, and the extent to which the investee is willing and able to implement risk mitigation measures.
 - ✧ The Fund shares its analysis on impact risks, especially significant risks, with the investee's management from the pre-investment phase onward and discusses the status of response and possible future measures that may be required.
 - ✧ If the probability of mitigating the assumed significant impact risk is deemed low, the investment will not be made.

Principle 5:

Assess, address, monitor, and manage potential negative impacts of each investment.

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG)⁷ risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice⁸. As part of portfolio management, the Manager shall monitor investees’ ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

- As part of its portfolio management, the Fund manages sustainability risk, including investees’ impact risks and ESG risks, both at the pre-investment and post-investment phases.
- Pre-investment Phase Approaches

⁷ The application of good ESG management will potentially have positive impacts that may or may not be the principal targeted impacts of the Manager. Positive impacts resulting from ESG matters shall be measured and managed alongside with, or directly embedded in, the impact management system referenced in Principles 4 and 6.

⁸ Examples of good international industry practice include: IFC’s Performance Standards (www.ifc.org/performancestandards); IFC’s Corporate Governance Methodology (www.ifc.org/cgmethodology), the United Nations Guiding Principles for Business and Human Rights (www.unglobalcompact.org/library/2); and the OECD Guidelines for Multinational Enterprises (<http://mneguidelines.oecd.org/themes/human-rights.htm>).

- Identification and assessment of ESG risks
 - ✧ The Fund evaluates the presence of significant ESG risks. Particular attention is paid to the working environment of employees and supply chain stakeholders of a potential investee, as well as to governance within the company.
 - ✧ If it is determined that the identified material ESG risks cannot be managed by the potential investee, the investment will not be made.
 - ✧ As an impact investment fund that aims to enable diverse ways of working and living, the Fund’s evaluation of potential investment targets covers not only negative ESG risks, but also positive ESG initiatives that support the flexibility and diversity of working styles of employees and other stakeholders.
- Post-investment Phase Approaches
 - In the post-investment phase, the Fund supports and monitors the investee through dialogue at important meetings in management, such as board of directors’ meetings and shareholder meetings, as stipulated in the investment agreement, as well as IMM meetings as stipulated in the memorandum of understanding.
 - Additionally, in the case the investee has grown into a certain sized organization, its business scale becomes sufficient to implement initial ESG risk management, and its management requests an assessment, SBI Shinsei Bank identifies the ESG materiality of the investee, conducts a preliminary assessment of ESG risks, and proposes improvement measures.
 - After identifying ESG materiality, the Fund assists investees in setting KPIs for each materiality and developing a monitoring framework. Working together with investees also contributes to strengthening the Fund’s ESG monitoring system.

Principle 6:

Make the progress of each investment in achieving impact against expectations and respond appropriately.

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action⁹. The Manager shall also seek to use the results framework to capture investment outcomes¹⁰.

⁹ Actions could include active engagement with the investee; early divestment; adjusting indicators/expectations due to significant, unforeseen, and changing circumstances; or other appropriate measures to improve the portfolio’s expected impact performance.

¹⁰ Outcomes are the short-term and medium-term effects of an investment’s outputs, while the outputs are the products, capital goods, and services resulting from the investment. Adopted from OECD-DAC (www.oecd.org/dac/).

- The Fund applies a systematic framework to evaluate the expected impact of all investment activities, from the selection of investment targets through post-investment support and monitoring to exits.
- The framework includes making impact reports and IMM roadmaps for each investee. Efforts are continuously made to improve the impact evaluation process in a systematic manner.
- Post-investment Phase Approaches
 - The Fund has a common framework for supporting impact creation and monitoring. In addition, learnings from each investee are fed back into the framework and refinements are made as required.
 - Considering the Fund's objectives, the following methods have been introduced in post-investment engagements to create positive impact and mitigate negative impact in comparison with the expected impact of each investment. Proposals and support to investees are made in a manner that considers the intentions of the investee, including its management team.
 - ✧ Logic model modification and development
 - ✧ Identification, implementation and monitoring of impact KPIs
 - ✧ Monitoring of positive and negative risks affecting impact and ESG
 - ✧ Identification of ESG materiality (conducted according to the business stage and needs of the investee)
 - ✧ Assistance in disclosing the investees' sustainability initiatives (including impact creation pathways and KPIs)

Principle 7:

Conducts exits considering the effect on sustained impact.

When conducting an exit¹¹, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

Based on the Fund's objectives, the following two points are emphasized as the ideal state of the investees after exit.

- (1) Sustainable growth of the investee's business and market recognition of its value
- (2) Maintenance of IMM at the core of the investee's business strategy development and organizational operations

Many Japanese startups plan an IPO as the main scenario for financing at the time of business growth. Therefore, the Fund has been developing the concept of "Impact IPO¹²" to support investees with an

¹¹ This may include debt, equity, or bond sales, and excludes self-liquidating or maturing instruments.

¹² Impact IPO is an IPO of a company that intends to create positive social and environmental impact, while demonstrating that it has

eye toward the IPO scenario. The key point in designing “Impact IPO” is that it is not only about what and how the investee should be at the time of listing, but also about what and how it should be in the post-IPO phase (or after the Fund's exit). We believe that it is important for investees to maintain their intention to create impact and continue to attract investors who share that intention, thereby avoiding any deviation from their original mission. Therefore, the Fund’s “Impact IPO” process for an investee is a process of co-creating a sustainability management plan during the investment period by formulating a roadmap toward the company's post-IPO goal.

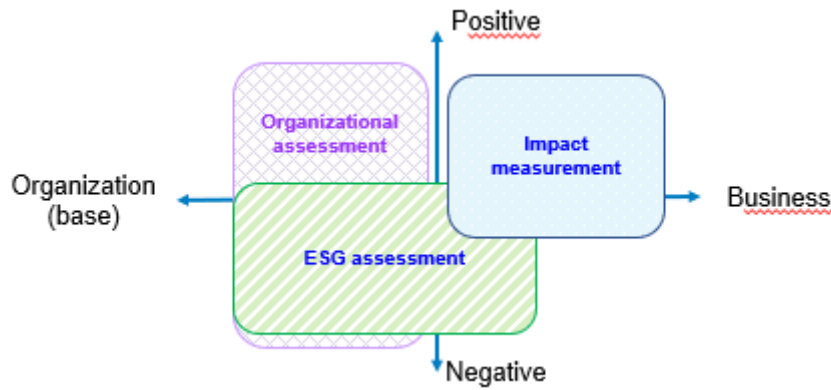
Another exit option of the Fund could be a trade sale through merger and acquisition (M&A). With a focus on the positive correlation between impact and business growth and profitability of the investees’ business, the investees should attract the potential buyers who find more ‘value’ in such companies. Pursuing the concept of “Impact IPO” would help the investee avoid mission drift even through an M&A exit.

In pursuing activities to achieve an “Impact IPO”, the Fund, with the belief that the participation of impact investors in financing investees is essential, has actively compiled a list of impact investors in Japan and abroad, and exchanged opinions with them. Based on the various interviews, we decided to consider the “Impact IPO” not only as a pursuit of impact and IMM, but also as part of “sustainability management” by identifying (i) the “purpose, mission, and vision” of the investee, (ii) the “social issues” behind the purpose, (iii) why and how the investee’s business model works to solve issues, (iv) the “impact” and “sustainability management” that the investee is aiming for, (v) “SDGs” and “ESG” initiatives, and (vi) the “organizational structure” that will serve as the foundation for these initiatives.

The Fund's Engagement in the Investees' Sustainability Management

Purpose		Expectation
Impact		<ul style="list-style-type: none"> Realizing the intention! (for both business growth and impact maximization) Building up a strong organization to achieve high impact growth
Fund raise / IR		<ul style="list-style-type: none"> Clarification on impact towards domestic and overseas ESG/impact investors Approach to individual investors (product/services fans)
Business	corporate	<ul style="list-style-type: none"> Attracting good personnel in hiring situations Enhancing strategy understanding and improve engagement
	sales	<ul style="list-style-type: none"> Reflecting to sales materials Differentiated marketing message
	marketing	<ul style="list-style-type: none"> Media relationships Disclosure in website to improve impact communications

properly implemented the IMM. This includes explaining the status of impact and IMM to the company's stakeholders so that the company can continue its pursuit of impact and IMM after IPO, and the stakeholders can support the company's business growth while enhancing its enterprise value.



ESG initiatives include the identification of ESG materiality to be addressed based on the nature of the business, and corporate analysis and initial assessment with support from the Sustainable Impact Assessment Office of SBI Shinsei Bank. ESG management is effective not only in managing negative risks but also in attracting impact and ESG investors to invest in the Fund’s investees after their IPO, as ESG measures are now required as a standard for publicly listed companies. In addition, we encourage the investees to create a new sustainability-focused page on their website as an interface to initiate dialogue with investors about impact before going public, and we support the creation of such content.

These moves are not necessarily implemented immediately after the Fund's investment. They are formulated and implemented, giving due consideration to the business stage and conditions of the investee as well as the needs of its management team. Initiatives should be set not for fulfilling the request of impact investors but for contributing to the investee’s business growth and impact creation.

Principle 8:

Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

- The Fund provides impact performance reporting to the Fund's stakeholders by publishing an Impact Report on an annual basis.
 - The Fund discloses its overall investment progress and management of the Fund, including the progress of the coverage of investments for the Fund’s ToC and SDGs, and extracts learnings to improve the IMM for the following year and beyond.
 - To the general public, the Fund discloses in writing on its website the Fund's overall IMM process, a list of all investees, and a common framework for performance management.
 - The Fund discloses in writing to its LP investors the IMM progress and impact performance

of all investees. In addition, a general LP meeting is held once a year to go through both the business and impact report, engage in dialogue and receive feedbacks from LP investors. Furthermore, the Fund holds meetings to share the IMM trends and practices with LP investors.

- The Fund reports the progress of the impact created by each investee according to its own evaluation framework, which is based on IMP's 5 Dimensions of Impact framework. This is the same framework used to evaluate the impact at the pre-investment phase.
 - The annual report reviews the progress of each investee's IMM during the reporting period and confirms plans for initiatives for the following year.
 - Definitions and data sources for each impact outcome indicator are provided in the Impact Report.
 - While tracking the progress of positive impact, the Fund also includes reporting items on the status of impact risks and ESG risks and manages fluctuations in risk conditions.
 - To understand and manage the evolution and changes in the impact strategies of each investee, as well as positive or negative impacts that could not be anticipated at the time of investment, the logic model is revised at times of significant management-related changes, such as progress in business development, organizational expansion and financing. Revisions to the logic model are made based on dialogue with management, and any revisions are disclosed in an Impact Report for LP investors.
 - In addition, the Fund's contribution to impact creation is evaluated in terms of engagement impact and investment impact, by referencing the Investor Contribution 2.0 framework being developed by Impact Frontiers. The progress of the investment staff's engagement with the investees made at the end of the previous fiscal year is reviewed, and their contribution as investors is planned and disclosed to LP investors for the following fiscal year.

Principle 9:

Publicly disclose alignment with the Impact Principles and provide regular independent verification¹³ of the alignment.

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

- This Disclosure Statement re-affirms the alignment of the Fund's procedures with the Impact Principles will be updated annually.

¹³ The independent verification may be conducted in different ways, i.e., as part of a financial audit, by an independent internal impact assessment committee, or through a portfolio/fund performance evaluation. The frequency and complexity of the verification process should consider its cost, relative to the size of the fund or institution concerned, and appropriate confidentiality.

- An independent verification report on the extent of compliance with the Impact Principles was issued in June 2023. The independent verification is expected to be conducted again in June 2025.
- Verification Engagement
 - Shinsei Impact Investment Limited and Japan Social Innovation and Investment Foundation engaged BlueMark to independently verify the alignment of the Fund’s impact management practices with the Operating Principles for Impact Management, an industry standard for integrating impact throughout the investment lifecycle. BlueMark’s assessment findings cover both areas of strength and areas for improvement, as reflected in the Verifier Statement.
- Information on the current independent verifier is as follows:

Name and Address:

Tideline Verification Services, Inc. (BlueMark)
915 Battery St., San Francisco, CA 94111, USA

Qualifications:

BlueMark is a leading provider of impact verification services for investors and companies. Founded in 2020, BlueMark's mission is to “strengthen trust in impact investing.” BlueMark's verification methodologies draw on a range of industry standards, frameworks, and regulations, including the Impact Management Project, the Operating Principles for Impact Management, the Impact Principles for Responsible Investment, SDG Impact, and the Sustainable Finance Disclosure Regulation.

Most Recent Review: June 2023

Next Planned Review: June 2025