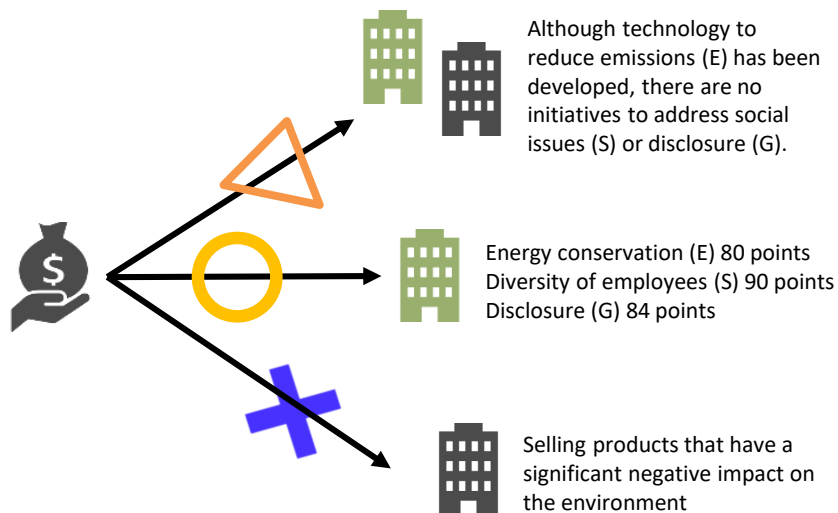


Overview of the Report by the Working Group on Impact Investment

- ❑ As the importance of social and environmental issues such as decarbonization, declining birthrate and aging population increases, **the support of companies engaging in innovation that contribute to solving social or environmental issues has become an urgent task.**
- ❑ The Working Group on Impact Investment, established by the Financial Services Agency, Japan (JFSA) in October 2022, has extensively discussed roles of impact investment and **published its report in June 2023, including draft *Basic Guidelines and policy measures on impact investment.***

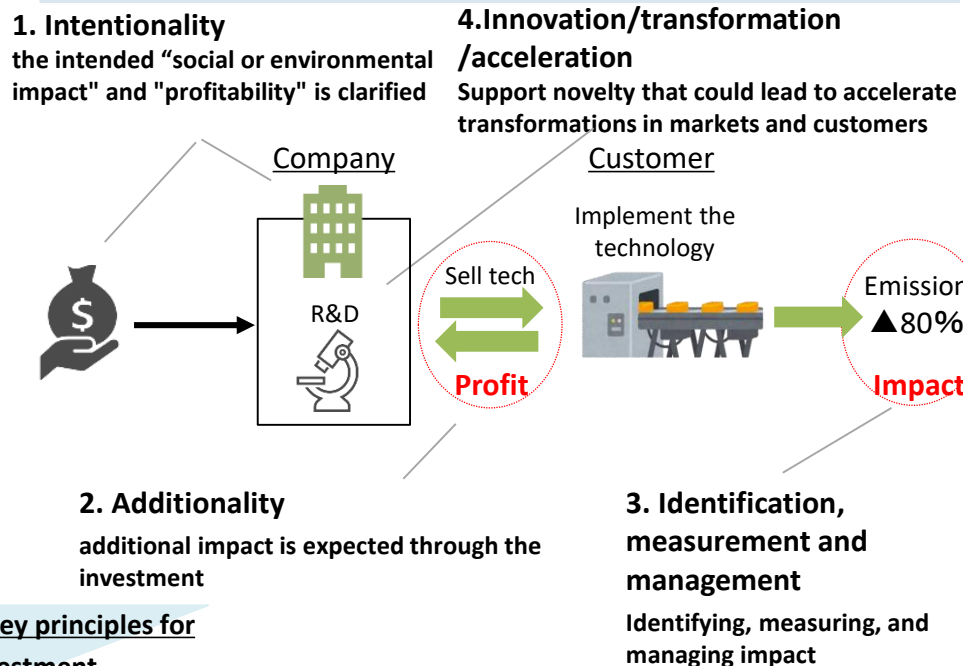
Widely spread ESG investment method

Comprehensively evaluating companies' ESG initiatives to determine investment ratios or **excluding specific industries** from investment portfolio



Impact investment

Identify and commit to the specific impact that should be realized through an investment and **invest in companies that promote innovation** that realizes the intended impact

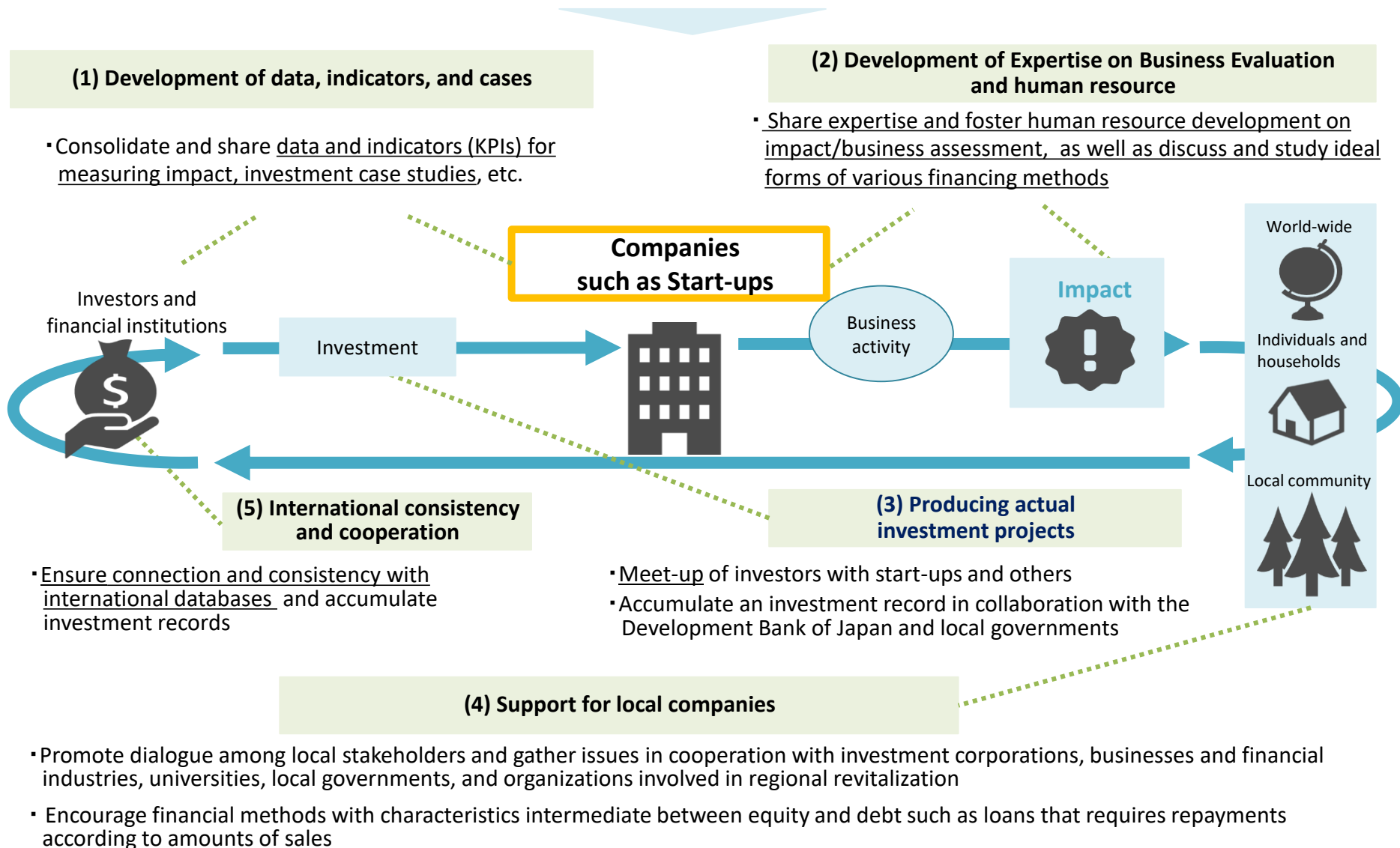


Propose 1 to 4 as key principles for impact investment

Promoting impact investment will encourage start-ups, large corporations and regional companies that seek to address social or environmental issues with new ideas and creativity.

Measures to Promote Impact Investment

As an **infrastructure to foster investment**, the JFSA will **formulate "Basic Guidelines"** on impact investment (public consultation till October) as well as support to establish a **"Consortium"** bringing together various stakeholders from the public and private sectors. The following measures may be further considered mainly through the Consortium.



Outline of draft Basic Guidelines for Impact Investment

- ❑ The JFSA formulates the draft "Basic Guidelines" to foster common understanding on "impact investment," which intends to realize both "social or environmental impact" and "financial return."
- ❑ Toward the finalization of the Guidelines, the JFSA will **actively communicate with market participants in Japan and overseas through dialogues and public consultations.**

- Objective: To **foster a common understanding** of the basic concept and processes of impact investment
- Scope: Regardless of the types of investees, investors entity or asset classes
- Nature: **Principle-based**, to encourage a wide range of creativity and ingenuity, in light of developing nature of the market
- Principles: **(i) Intentionality (ii) Additionality (iii) Identification, measurement and management (iv) Support for novelty**

