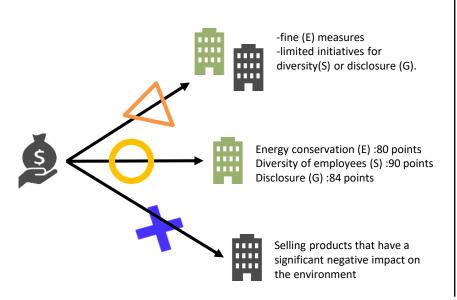
Overview of Impact Investment

- As the importance of social and environmental issues such as decarbonization, declining birthrate and aging population increases, the support of companies engaging in innovation and transformation that contribute to solving social or environmental issues has become urgent.
- While addressing social or environmental issues is often assumed to be costly, increasing numbers of companies undertake business transformation addressing those issues, based on a premise that they would complement and strengthen their own potentials (virtuous cycle).
- As an investment that intends to realize "social or environmental impact," at the same time to secure "financial return," impact investment is characterized by concretely identifying impact that are to be created by the investment, and could play roles in materializing impact that also foster business potential.

common ESG investment methods

<u>Comprehensively evaluating companies' ESG initiatives</u>
to determine investment ratios or exclude specific
industries from investment portfolio

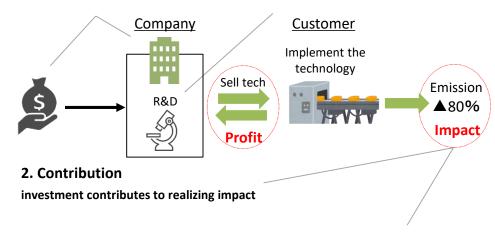


Impact investment

<u>Identify and commit to the specific impact</u> that should be realized through an investment

1. Intention intended "social or environmental impact" is clarified

4.Innovation/transformation/acceleration
Support transforming or accelerating
transformations in markets and customers



3. Identification, measurement and management of Impact

Outline of Basic Guidelines on Impact Investment (Impact Finance)

- The JFSA formulated "Basic Guidelines on Impact Investment (Impact Finance)" on March 2024 to foster common understandings on basic concepts and processes for, and further elaborate markets and practices on, impact investment, by clarifying the basic elements expected for impact investment.
- In light of the characteristics of a growing market, the Guidelines is formulated as general and principle-based to encompass and encourage a wide range of efforts, creativity, and ingenuity by market participants.



Intention

Contribution

Identification, measurement and management

- Clarify impact of investments in advance and formulate strategies
- Identify and mitigate any adverse effects of investment
- Realize impact and business potential through investment
- Consider and endeavor appropriate financial or nonfinancial supports
- Measure and manage impact quantitatively or qualitatively, and engage in ongoing dialogue with investee companies
- Share information on indicators and results of the impacts of the investments



4

Support transforming or accelerating transformations in markets

- identify and support the business's characteristics and advantages that enable and accelerate changes in the market and customers.
- Conduct dialogue with investees in a manner that could harness investee's potential to expand, develop, cultivate, or gain supports from the markets.

