

DISCLOSURE STATEMENT

SIF Impact Capital Operating Principles for Impact Management

1 April 2025

SIF Impact Capital, Inc. (“SIFIC”) hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the “Impact Principles”)¹. SIFIC is a venture capital firm based in Tokyo, Japan. Through investment, we interweave innovation, wellness, and equity—creating a ripple effect of system change that empowers individuals, strengthens communities, and nurtures the planet so that everyone can live better. This statement applies to all the assets under management by SIFIC LLP.

Fund	SIFIC Wellness Investment Limited Partnership
AUM	3,656,600,000yen ² as of 31 December 2024
Asset Class	Private equity
Sector	Wellness
Regional Focus	Japan
Year Launched	2023
Capital Providers	Organization for Small & Medium Enterprises and Regional Innovation, Japan Japan Post Insurance Co., Ltd. Teikoku Seiyaku Co., Ltd. The Higo Bank, Ltd. Keio University Japan Social Innovation and Investment Foundation Tokio Marine & Nichido Fire Insurance Co., Ltd. Kaneto Capital Management Pte. Ltd. Individual

Kazuhiro Umeda

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Founding Partner, SIF Impact Capital

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¹ Please visit the Operating Principles for Impact Management website (<https://www.impactprinciples.org>) for more information about the Impact Principles and related resources.

² Based on the TTM exchange rate of 157.83 as of 30th December 2024, the Assets Under Management (AUM) of 3,656,600,000 yen as of 31 December 2024 converts to approximately \$23,167,966.

Core Definitions³

- **Impact** is a change in an outcome caused by an organization. An impact can be positive or negative, intended or unintended.
- An **investment's impact** is a function of the outcomes generated by underlying enterprises as well as the contribution investors make to enable those outcomes. It can be financial and / or non-financial, intended and unintended, positive and/or negative.
- An **outcome** is the level of well-being experienced by a group of people, or the condition of the natural environment, as a result of an event or action.
- **Impact management** is the process of identifying the positive and negative impacts that an enterprise has on people and the planet, and then reducing the negative and increasing the positive.
- **Investor contribution** is investor actions that cause a change in outcomes for stakeholders and/or the natural environment that likely wouldn't have happened in the absence of those actions = causality.

³ Please visit the Impact Frontier website (<https://impactfrontiers.org>) for more information about the What is Impact? and related resources.

STRATEGIC INTENT (PRINCIPLES 1 and 2)

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.

- **Purposeful Capital for Powerful Change:** SIIFIC, transcending traditional investment boundaries, is founded upon the conviction that impact investing is the cornerstone of societal transformation. We are committed to reshaping the wellness landscape through strategic investments in science and technology-driven startups, aiming for a harmonious blend of measurable positive social impact and robust financial returns.
- **Vision for Systemic Change:** SIIFIC is guided by a strategic vision: "A world where wellness is not a privilege but a shared reality - woven together through impact-driven investment." SIIFIC defines this ideal state as *Wellness Equity*, where individuals and communities alike have equitable access to the resources and opportunities essential for lifelong well-being.
- **Strategic Alignment with Wellness Equity:** Central to SIIFIC is our unwavering dedication to integrating impactful investing into our core operations. We envision a society where wellness is universally accessible and not confined by current healthcare limitations.
- **Theory of Change Driven Approach:** SIIFIC's investment philosophy is bolstered by a Theory of Change that emphasizes enhancing wellness literacy and enriching social capital. These pillars are fundamental to achieving our overarching goal of wellness equity.
- **Emphasis on Holistic Health:** SIIFIC advocates for a holistic view of wellness, recognizing it as a state of complete physical, mental, and social well-being, far beyond the mere absence of disease.
- **Robust Investment Themes:** SIIFIC's strategy is underpinned by four rigorously developed investment themes, each reflecting our commitment to system thinking and impactful change. These themes are instrumental in deepening our understanding and amplification of our investments' profound impacts:
 1. **Revolutionizing Healthcare** by pioneering trustworthy medical standards. We invest in products and services that redefine healthcare's reliability and trustworthiness, fostering behavioral change among providers.
 2. **Empowering Holistic Well-Being** by inspiring positive lifestyle and activity choices. We invest in products and services that motivate individuals towards health-positive decisions, emphasizing the critical role of consumer behavior in wellness.
 3. **Connecting Lives** by focusing on fostering loosely connected yet meaningful interactions among individuals. We invest in products and services that value individual autonomy, fostering environments where personal and collective well-being flourish.

4. **Cultivating Local Prosperity** by promoting economic growth and community vibrancy. We invest in startups that create job opportunities and enhance local life quality.
- **Individual Investment Level Alignment:** At SIIFIC, ensuring strategic alignment starts from the very first stage of our investment process—the pre-due diligence phase—and is decisively reaffirmed when making investment decisions. This foundational step involves defining impact themes and objectives that are directly linked to our investment themes, along with setting specific, relevant impact metrics for each potential investment. This precision ensures every investment is strategically positioned to bring positive systemic change, resonating deeply with our portfolio goal of wellness equity.
 - **Global SDGs⁴ through a local Lens:** Our investments are not only globally conscious, aligning with key UN Sustainable Development Goals such as SDG 3 (Good Health and Well-being), SDG 8 (Decent Work and Economic Growth), and SDG 11 (Sustainable Cities and Communities), but they also reflect a distinct commitment to Japan's national priorities, as outlined in the Japanese SDGs Action Plan. In addition to the SDGs, we incorporate the Digital Agency(Government of Japan)'s Regional Well-Being Index⁵, ensuring a more data-driven and contextually relevant approach to fostering societal well-being. This dual alignment underscores our dedication to advancing a holistic and culturally attuned impact strategy, realising our vision for a healthier, more equitable, and sustainable society.
 - **Commitment to Transformative Impact:** Beyond being mere investors, SIIFIC positions itself as a beacon of visionary change, where investments actively foster a healthier, more equitable, and sustainable society, staying true to our mission of 'Through investment, interweave innovation, wellness, and equity – creating a ripple effect of system change that empowers individuals, strengthens communities, and nurtures the planet'.

⁴ Please visit the United Nations website (<https://sdgs.un.org/goals>) for more information about the Sustainable Development Goals and related resources.

⁵ Please visit the Digital Agency website (https://www.digital.go.jp/en/policies/digital_garden_city_nation/well-being) for more information about the Regional Well-Being Index and related resources.

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.

- **Comprehensive Impact Management Framework:** Our SIIFIC Wellness Fund Investment Guideline is establishing a rigorous and systematic approach to managing strategic impact at a portfolio level. Our impact management system is designed to set, track, and evaluate impact performance across our entire portfolio while accounting for the unique contributions of each investment.
- **Holistic Approach to Impact and Financial Performance:** At SIIFIC, we are committed to both advancing wellness equity and achieving robust financial returns. Guided by internationally recognized frameworks, such as the Operating Principles for Impact Management, SDGs, [5 Dimensions of Impact](#)⁶ we invest in innovative startups that create market-defining value. Our impact investing model prioritizes measurable social outcomes alongside financial gains, reinforcing our methodical and structured approach to portfolio-wide impact management.
- **Impact Goals and Theory of Change:** SIIFIC envisions a future where wellness equity is the norm. We invest strategically in startups that enhance wellness literacy and strengthen social capital, driving systemic change. Our approach is grounded in developing a Theory of Change for each investment, ensuring that our collective portfolio contributes meaningfully to this transformative vision.
- **Impact Management System:** SIIFIC embeds impact considerations throughout the entire investment lifecycle – from initial screening to portfolio monitoring and exit planning. As outlined in Principle 4, our impact management system involves setting clear impact targets, assessing potential impact outcomes, and tracking progress against these objectives.
- **Enhancing Strategic Impact Management:** SIIFIC has refined its impact management strategy by developing a Theory of Change for Investment Theme 4 (Cultivating Local Prosperity) , focusing on quality job creation and sustainable living in regional areas. This structured approach introduces defined KPIs such as employment growth, economic contributions, and community engagement. SIIFIC plans to extend the Theory of Change development across other investment themes, reinforcing a unified, data-driven impact strategy. By continuously assessing and evolving our approach, SIIFIC drives wellness equity across diverse sectors.
- **Sustainable Exit Strategies:** SIIFIC's commitment to impact expands beyond initial investments, ensuring responsible exit strategies that maintain or enhance corporate value. We prioritize optimal capital structures for impact-driven companies, reinforcing our dedications to long-term sustainability.
- **Annual Impact Performance Report:** SIIFIC is committed to publishing an [annual impact performance report](#). This document will provide a structured evaluation of impact achievements across our portfolio, fostering transparency, accountability, and stakeholder trust.

⁶ Please visit the Impact Frontier website (<https://impactfrontiers.org>) for more information about the 5 Dimensions of Impact and related resources.

- **Fostering Collective Impact and Talent Development:** SIIFIC actively supports initiatives cross-sector collaboration to address wicked problems in wellness. By cultivating a community that nurtures impact-driven talent, we aim to shape a future where societal needs are met with innovative, sustainable solutions.
- **Staff Incentive Alignment:** SIIFIC is actively engaged in formulating a policy aimed at aligning staff incentives with the achievement of positive impact alongside financial performance. Drawing insights from the [Impact Linked Compensation Report](#)⁷, our exploration into impact linked compensation strategies shall be designed to ensure that our compensation mechanisms are closely aligned with our objectives of generating positive impact. Incorporating advanced methodologies such as systems mapping to our impact management system, we are dedicated to adopting an objective and data-driven approach. (Impact linked compensation is a process of tying fund manager compensation to impact performance. It is a tool that seeks to reinforce impact commitments through incentive alignment.)

⁷ Please visit the Impact Linked Compensation Project website (<https://impactlinked.co>) for more information about the Impact Linked Compensation and related resources.

ORIGINATION AND STRUCTURING (PRINCIPLES 3, 4, 5)

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 channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

- SIIFIC stands at the forefront of impact generation within the healthcare and wellness sectors, leveraging industry-specific expertise and a distinctive impact management system to contribute significantly to the achievement of impactful outcomes. Our approach is multi-faceted, deeply embedded in a process that not only values but rigorously enhances the impact potential of our investments.
- **Impact Onboarding and Assessment:** Before finalizing our investment decisions, we initiate an impact onboarding process led by our dedicated impact specialists. This critical phase is designed to ensure that the management teams of prospective portfolio companies grasp the essence of impact – understanding not just the concept but how to integrate SIIFIC's impact management system into their operations. Our goal is to empower these teams, guiding them to significantly elevate their impact potential through strategic support and operational enhancements.
- **System Mapping and Theory of Change:** SIIFIC develops comprehensive system maps for the issues our portfolio companies are addressing, facilitating the creation or refinement of their theory of change. This process is instrumental in setting meaningful Impact KPIs, shifting the focus from mere output-based metrics to outcome-based impact KPIs. Our system mapping serves as a foundational tool, enabling our portfolio companies to understand and navigate the complex ecosystems they operate in, thereby optimizing their impact strategies.
- **ESG Survey and Integration:** Conducting an ESG survey is an integral part of our investment evaluation process. Recognizing that startups often lack the knowledge, resources, or immediate incentive to prioritize ESG practices, our survey serves as a vital bridge to this gap. It initiates a pivotal dialogue with startup managements, enlightening them on the SDGs and the integral role of ESG considerations in sustainable business operations. This initial engagement is designed not just to assess but to inspire startups to explore and realize their potential for positive ESG impact. Through this process, we aim to cultivate an awareness and understanding that, while ESG alignment may not be an immediate mandate for their business strategy, it is crucial for long-term sustainability and success. Our proactive approach not only encourages a shift towards sustainable and responsible business practices but also aligns startups with broader impact goals, setting a foundation for meaningful change in the ecosystem.
- **Active Post-Investment Engagement:** SIIFIC's commitment to generating lasting impact goes beyond the initial investment, extending into proactive and hands-on engagement with our portfolio companies. Through a robust monitoring framework, we not only collect monthly progress and quarterly deep-dive analysis on impact KPIs but also engage in continuous dialogue with our portfolio companies, providing strategic support and adaptive feedback across all facets of their operations.
- **Collaboration with Partners:** SIIFIC's dedication to fostering impact is further amplified by our collaborative efforts with partners, including co-investors, primarily venture capitals, to advocate for the broader adoption of impact investing principles. By illuminating the tangible benefits and potential of impact investing, we aim to inspire



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a paradigm shift among traditional investors towards embracing impact-driven strategies.

Moreover, our active dissemination of investment rationales, such as through press releases and blogs that highlight the system maps and theory of change of our portfolio companies, serves a dual purpose. It not only underscores our reasons for investment and the intrinsic value of these companies in advancing wellness equity but also piques the interest of the broader impact investing community. By transparently sharing our impact due diligence materials with potential impact investors, we foster an ecosystem of shared value, encouraging further investment into startups poised for significant positive impact. Through these concerted efforts, SIIFIC not only enhances the impact trajectory of our portfolio companies but also contributes to cultivating a more inclusive and impact-conscious investment landscape.

- **Expanding Impact Through Strategic Networking:** SIIFIC's contributions to our portfolio companies extend into the invaluable realms of networking and community engagement. Recognizing the power of connection, we actively introduce our portfolio companies to a dynamic network of impact-driven communities, industry professionals, and scientific experts. This strategic networking fosters a rich environment for peer learning, access to a vast database of knowledge, and engagement with potential workforce talent. By facilitating these connections, we not only enhance our portfolio companies' operational capacities and innovation potential but also reinforce their position within the ecosystem of impact-driven entities. Our aim is to create a supportive framework where our portfolio companies can thrive, leveraging the collective strength of a network committed to fostering positive change. This holistic approach to networking amplifies our portfolio companies' impact, propelling them towards achieving meaningful and sustainable outcomes.

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 impact 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 impact? 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 standards and follow best practice.

- SIIFIC is dedicated to rigorously assessing the expected impact of each investment, employing a systematic approach to ensure alignment with our wellness equity goals. Before investing, we evaluate the potential impact, aiming to quantify it and understand who will benefit and how significantly. This process involves using a results measurement framework to address key questions about intended impact, its significance, and the likelihood of realization, while identifying any significant risk factors. We also assess the challenge's scale within the specific context and explore opportunities to amplify the investment's impact, considering both direct and systemic effects. Our approach aligns with industry standards and best practices, ensuring thoroughness and accountability in our pursuit of meaningful change.
- **Impact Management System:** SIIFIC's impact management strategy is deeply integrated within our overall investment process. From initial screening to final investment and ongoing portfolio management, we apply a comprehensive impact management system. The system involves setting clear impact targets, assessing potential impact outcomes, and monitoring progress against these objectives throughout the investment lifecycle.
 1. **Pre-Due Diligence Alignment:** At the outset of our engagement process, prospective startups are required to complete our screening questionnaire, available at [Submit Pitch](#). This crucial step enables us to evaluate potential investments for early alignment with SIIFIC's strategic impact goals and portfolio objectives. The questionnaire specifically probes startups on their alignment with our four investment themes—Revolutionizing Healthcare, Empowering Holistic Well-Being, Connecting Lives, and Cultivating Local Prosperity—while also assessing their potential to contribute to our systemic change objectives with overarching goal of wellness equity. This pre-due diligence alignment is foundational, ensuring that only those initiatives with a strong fit for our mission and values proceed to the deeper evaluation stages of our investment process.
 2. **Comprehensive Venture Capital Due Diligence with SEEDS Framework:** SIIFIC's due diligence process extends beyond that of traditional venture capital. By incorporating unique 'Definition of SEEDS', SIIFIC thoroughly assess startups potential.
 - (1) **Definition of SEEDS:** The definition of SEEDS is at the core of our evaluation strategy, encompassing three elements: Science, Ideas, and Market. Having just science, just an idea, or just a market presence is not enough. We define SEEDS as having all these three elements.

- (2) **Examination of Ideas:** After the initial screening, we delve deeply into a startup's potential for innovation, examining whether its idea provides new solutions or perspectives. On the Science aspect, we evaluate research papers and other critical evidence. For the Idea aspect, we assess intellectual property rights, barriers to entry, and uniqueness. In evaluating Market Needs, we conduct an extensive market assessment to ensure the potential demand in the target market, insisting on research that goes beyond rough estimates to calculable formulas.
 - (3) **Alignment with Impact Objectives:** This multifaceted evaluation includes financial and legal reviews to assess profitability, compliance, and growth prospects. By scrutinizing these elements, we ensure that our investments align with our impact objectives, specifically contributing to systemic change towards wellness equity. The 'SEEDS Framework' is not just a checklist but a rigorous analytical tool that guarantees our support for startups with strong operational, financial, and transformative potential, embodying our commitment to fostering innovation and positive societal impact.
3. **Impact Due Diligence Process:** Advancing into the Impact Due Diligence stage, SIIFIC employs a unique, innovative, and holistic approach to understand and amplify the potential impact of each investment. This stage is meticulously structured to encompass the following steps:
 - (1) **Systems Mapping Initiation:** Collaborating closely with founders and management of prospective startups, our first step is to develop a systems map of the issue or sector the company is addressing, following the guides outlined by [Systems Mapping White Paper](#)⁸. We employ generative AI, to identify key variables within the ecosystem. This innovative use of generative AI is strategically chosen to eliminate biases, ensuring a more objective and comprehensive analysis of the impact landscape.
 - (2) **Five Dimensions of Impact Assessment:** Concurrently, we delve into an evaluation based on the [Five Dimensions of Impact](#), a shared logic for managing impacts on people and the planet, conducting interview with prospective startups, extensive desktop research and comprehensive stakeholder interviews. This multi-dimensional analysis ensures a deep understanding of the impact in terms of its what, who, how much, contribution, and risk aspects.
 - (3) **Stakeholder Interviews and Systems Map Refinement:** The initial systems map is then refined with insights gathered from stakeholder interviews and Five Dimensions of Impact evaluation enriching our understanding of the ecosystem and identifying potential impact pathways and challenges.
 - (4) **Impact KPIs Identification:** With a focus on establishing evidence-based impact KPIs, we undertake a careful selection process, ensuring that our metrics are grounded in scientific research and studies. This involves setting clear baselines and thresholds to accurately measure and manage the intended impact.

⁸Please visit the Impact Frontier website (<https://impactfrontiers.org>) for more information about the Getting Started with Systems Mapping & Impact Management and related resources.

- (5) **ESG Assessment Integration:** Alongside, an SIIFIC ESG survey is conducted, guided by our [ESG policy](#). While our ESG criteria are designed to be comprehensive, we prioritize the formulation of improvement plans for prospective investments to address any ESG concerns. This ensures that, prior to investment, startups demonstrate not only alignment with our values but also a commitment to evolve towards stronger ESG practices, underscoring our dedication to fostering positive change and responsible investing.
 - (6) **Theory of Change and Impact Commitment:** In the final stage of our impact due diligence, we craft a [Theory of Change](#) from the systems map and Five Dimensions of Impact evaluation, specifying the impact pathways for future tracking and management. Alongside establishing a detailed impact thesis for each investee and setting tailored impact metrics, we solidify our partnership through a Memorandum of Understanding on IMM (Impact Measurement and Management) at the time of investment. This MOU ensures mutual commitment to rigorous IMM, binding us and our portfolio companies to a shared vision of impactful outcomes. This comprehensive approach not only clarifies impact objectives but also reinforces our collective dedication to monitoring, reporting, and enhancing impact performance, fostering a culture of accountability and continuous improvement in alignment with our transformative goals.
4. **Post-Investment Hands-On Engagement & Reporting:** SIIFIC's approach extends to hands-on engagement with portfolio startups, providing strategic support to enhance their impact. This is complemented by a robust monitoring framework where fund manager collect progress on impact KPIs alongside other critical KPIs monthly, fostering a rhythm of continuous monitoring and feedback.
 5. **Quarterly Deep-Dive Analysis:** Every quarter, SIIFIC conducts an in-depth analysis of our portfolio companies' performance, focusing on both impact KPIs and operational metrics. This deep dive enables us to identify areas for improvement and success, ensuring our investments are on track to achieve their intended impacts.
 6. **Annual Impact Performance Report:** SIIFIC is committed to the annual publication of an [impact performance report](#). This document systematically evaluates the impact achievements across our portfolio, establishing a precedent for clarity and accountability in our communications. The report aims to articulate both our accomplishments and areas requiring enhancement, evidencing our dedication to transparency and stakeholder trust.

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) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current portfolio companies systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor portfolio companies' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

- SIIFIC is dedicated to actively managing potential negative impacts of each investment, emphasizing ESG considerations. SIIFIC has a clear intention to identify and manage ESG risks, implementing its ESG policy in the investment process. We are currently working into making this a robust and systematic process. Our commitment extends beyond evaluation, engaging with portfolio companies to fill gaps in their systems, processes, and standards, and ensuring alignment with best practices. Continuous monitoring of ESG risk and performance forms a core part of our portfolio management, underpinned by our efforts to address external and unexpected risks through system mapping and providing compliance training to our portfolio companies.
- **ESG Policy and Survey:** SIIFIC employs a rigorous [ESG policy](#), conducting ESG surveys as part of our investment assessment process. This policy guides us to not only identify prospective investments that align with our values but also to prioritize the development of improvement plans for any ESG concerns identified. This proactive approach ensures our investments commit to evolving their ESG practices, reinforcing our dedication to positive change and responsible investing.
- **Addressing External and Unexpected Risks:** Incorporating the Five Dimensions of Impact assessment, SIIFIC addresses [nine types of impact risks](#) that may undermine the delivery of the outcomes, including external and unexpected risks that traditional linear theory of change cannot predict. Through system mapping of wicked problems, we develop strategies to address these non-linear risks, ensuring our investments are resilient and adaptable to unforeseen challenges.
- **Systems Mapping for Risk Management:** SIIFIC's innovative use of systems mapping allows us to understand and address the intricate and often unpredictable nature of ESG risks. By visualizing the complex interdependencies within the ecosystems of our portfolio companies, we are better equipped to identify potential negative impacts early and strategize effective mitigation measures, particularly for those risks deemed non-addressable through conventional methods.
- **ESG and Impact Training Initiative:** As part of ongoing engagement and ESG monitoring, SIIFIC supports portfolio companies with limited resources by providing targeted training in IMM, SDGs, and compliance. This initiative is designed to enhance their understanding of corporate governance, ESG frameworks, and impact methodologies, enabling them to identify, mitigate, and manage risks effectively.

Through education and active engagement, SIIFIC helps portfolio companies address gaps in their systems, processes, and standards, aligning their practices with global best practices. By fostering continuous improvement, SIIFIC empowers its them to navigate regulatory challenges, uphold ethical business practices, and proactively manage ESG risks as part of a structured and systematic approach to responsible investment.

1. **ESG: SIIFIC Compliance Training** (March 2024)

The training session led by Yumiko Terada, Attorney at Arcus Partners was aimed to strengthen corporate governance and risk management among SIIFIC's portfolio companies.

The session covered key compliance topics, including harassment prevention, antitrust laws, data protection, AI governance, and ESG-related regulations. A major focus was the Fraud Triangle, explaining how unethical behaviour arises from opportunity, motivation, and rationalisation, and how companies can mitigate these risks.

The training also emphasised whistleblowing systems and the importance of fostering a compliance-driven corporate culture. Case studies illustrated past corporate failures, highlighting the need for proactive compliance strategies rather than reactive responses.

Through this initiative, SIIFIC aims to equip its portfolio companies with the tools to navigate regulatory challenges, enhance ethical business practices, and align with global standards.

2. **ESG: SIIFIC Compliance Training** (September 2024)

The training session, led by Yumiko Terada, Attorney at Arcus Partners. This session focused on updating compliance mindsets, with an emphasis on corporate governance, regulatory updates, and risk management.

The training began with an overview of recent legal changes, covering personal data protection laws, whistleblower protection regulations, and pharmaceutical compliance guidelines. Case studies illustrated the importance of proactive compliance measures beyond legal obligations.

A key segment of the session was an interactive discussion on corporate governance failures, focusing on structural weaknesses that enable compliance violations. Another case, a major pharmaceutical trial fraud scandal, highlighted the dangers of systemic misconduct and the need for robust internal controls and whistleblowing mechanisms.

Participants engaged in case-based discussions to assess compliance risks within their organisations and explore preventive measures. The training reinforced that compliance is not just about legal adherence but about fostering a culture of ethical decision-making.

3. **Impact: SIIFIC SDGs Training** (December 2024)

SIIFIC conducted a [2030 SDGs Card Game](#) training in December 2024 to deepen [J Pharma Co., Ltd.](#) (J Pharma) 's, understanding of the Sustainable Development Goals (SDGs) and their relevance to corporate strategy and decision-making. J Pharma is one of SIIFIC's portfolio companies. The interactive workshop provided participants with a hands-on experience of how global sustainability challenges interconnect and how their business decisions impact long-term social, environmental, and economic outcomes.

Through the simulation-based gameplay, participants engaged in collaborative problem-solving, exploring trade-offs and synergies between business growth and sustainability. The session encouraged systems thinking, reinforcing the importance of aligning corporate strategies with SDG principles while balancing financial and impact objectives.

Principle 6**Monitor the progress of each investment in achieving impact against expectations and respond appropriately.**

The Manager shall use the results framework (referenced in Impact 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 action. The Manager shall also seek to use the results framework to capture investment outcomes.

- SIIFIC's adherence to Principle 6 is exemplified through our meticulous impact monitoring and management process, utilizing the detailed framework established in Principle 4. This approach ensures the ongoing evaluation of each investment's contribution towards our wellness equity objectives, with a keen focus on aligning actual outcomes with our projected impact targets. Our strategy involves sophisticated tools and regular engagements, reinforcing our commitment to driving substantive change and addressing any deviations proactively.
- **Utilization of Advanced Monitoring Tools:** SIIFIC employs advanced tools and methodologies as outlined in our impact management system in Principle 4. These include comprehensive systems mapping and the Five Dimensions of Impact assessment, which collectively inform our results framework. This structured framework underpins our systematic approach to tracking progress, ensuring data accuracy, and facilitating informed decision-making across our investment portfolio.
- **Routine Data Collection and Communication:** The responsibility for leading the data collection process lies with the **Partner in** charge of the investment. This ensures a high level of engagement and oversight, with the Partner conducting weekly calls with investee management. These discussions cover a wide range of topics, from impact performance to industry-specific challenges, leveraging SIIFIC's extensive expertise. SIIFIC aims to collect data on impact performance monthly, and share with the team, promoting transparency and fostering an environment of continuous feedback and improvement.
- **Proactive Engagement:** SIIFIC's engagement strategy extends beyond direct interaction with portfolio companies to include ongoing discussions with lead VCs, ensuring that no critical issue is overlooked—particularly when we are not the lead investor. Through weekly calls and by securing board or observer seats in each investment, we maintain active strategic oversight.

In June 2024, Reiri Miura, Representative Partner of SIIFIC, was appointed as an External Director of J Pharma. Her appointment is strengthening J Pharma's corporate governance, accelerating its global expansion, and enhancing corporate value while also aligning with SIIFIC's commitment to driving positive, lasting change. By fostering impact awareness and integration from within, she will help ensure that investments remain focused on achieving meaningful outcomes.

This proactive approach enables us to swiftly address emerging challenges and steer our investments towards their intended impact, reinforcing our dedication to both financial and social value creation.

- **Capturing and Reporting Investment Outcomes:** SIIFIC aims to employ our results framework and capture a comprehensive view of investment outcomes, detailing both the quantitative and qualitative impacts of our portfolio. This holistic assessment



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feeds into our commitment to transparency and accountability, with findings shared internally monthly and externally through our annual [impact performance report](#). This report, a key component of our impact narrative, highlights our achievements and ongoing commitment to enhancing wellness equity.

- **Continuous Improvement through Strategic Insights:** SIIFIC's disciplined approach to IMM is a testament to SIIFIC's unwavering dedication to responsible investing and our broader mission. The insights garnered through regular data collection, stakeholder engagement, and advanced analytical tools enable us to refine our strategies, ensuring our investments continue to drive systemic change and contribute significantly to global wellness equity.

IMPACT AT EXIT (PRINCIPLE 7 & 8)

Principle 7

Conduct exits considering the effect on sustained impact

When conducting an exit, 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.

- Understanding the profound influence exits have on the sustained impact of our investments, SIIFIC is dedicated to pioneering exit strategies that extend beyond traditional financial considerations to encompass the enduring social benefits of our investments. Our approach to exits is characterized by several pivotal commitments.
- **Anticipatory Impact-Sustaining Policy:** While SIIFIC commenced its investment and has not yet entered the exit phase, we proactively establish exit policies¹ that prioritise value preservation and impact sustainability. Our approach is thoughtfully designed to ensure responsible exits that align with our impact ethos, including the potential for maintaining ownership post-IPO where appropriate, while also allowing for strategic divestment when aligned with our long-term objectives.
- **Diligent Impact-Focused Exit Planning:** Our exit strategies are crafted with the explicit goal of not merely sustaining but also augmenting the impact achievements of our investments. This involves a deep consideration of the long-term impact viability post-exit, ensuring that our portfolio companies are strategically positioned to perpetuate their impact missions autonomously.
- **Varied and Impact-Aligned Exit Options:** SIIFIC shall diligently explore a spectrum of exit avenues, prioritizing those that promise to uphold and foster the continued impact legacy of our investments. Our strategies may range from strategic sales to like-minded impact investors or startups, to structured public offerings designed as "Impact IPOs²," allowing for a graceful transition that secures enterprise value and impact integrity alike.
- **Inclusive Stakeholder Engagement:** Recognizing the invaluable perspectives of our stakeholders, SIIFIC shall actively involve portfolio companies, partners, and, where pertinent, impact beneficiaries in the exit planning discourse. Their insights are instrumental in navigating the complexities of exit scenarios, ensuring choices resonate with broader impact aspirations.
- **Commitment to Post-Exit Impact Monitoring:** SIIFIC's responsibility extends beyond the exit, embodying a commitment to oversee the sustained impact trajectory of our investments. Where feasible, SIIFIC endeavors to monitor and support the continued alignment with impact objectives, facilitating a transition that is both smooth and sustainably forward-looking.
- **Transparent Exit Process Communication:** SIIFIC upholds a principle of transparency in sharing our exit strategies and their intended impact alignment with our investors and broader stakeholder community. This includes elucidating the rationale behind exit decisions and their expected contributions to the ongoing impact narrative.

¹ SIIFIC Wellness Fund Investment Guidelines 1. Investment Strategy 4. Value-Focused Exit - Impact IPO (Crossover investment)

² Impact IPO refers to an initial public offering (IPO) where a company strives to achieve measurable social and environmental impact alongside sustainable business growth. [GSG Impact Japan](#) released [guidelines](#) in May 2024 to facilitate dialogue between impact companies and investors. These guidelines support impact-driven companies from pre-IPO to post-listing, ensuring they sustain impact while enhancing corporate value through transparent disclosure.

- **Exit as a Learning Opportunity:** At SIIFIC, every exit will be a valuable learning experience, providing insights to refine our impact investing approach. We will actively analyse exit outcomes to inform and enhance future strategies, maximising the effectiveness of our impact investments.

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.

- At SIIFIC, our commitment to reshaping the landscape of impact investing is embedded in our DNA. We recognise that creating meaningful social impact requires not only rigorous evaluation and documentation but also a continuous refinement of strategies based on experience-driven insights.
- **Continuous Impact Optimisation:** We engage in a dynamic process of refining our impact strategies. By leveraging systems mapping as a foundation for our theory of change, we ensure each investment is informed by a deep understanding of societal interactions. This holistic approach helps us anticipate and mitigate unintended consequences while maximising positive outcomes.
- **Transparent and Accountable Communication:** Transparency is at the core of our impact approach. We disclose our methodology, process, system maps, theory of change, and KPIs for each investment. Through platforms such as our blog and seminars, we share not only our achievements but also our challenges and key learnings, fostering accountability and meaningful stakeholder dialogue.
- **Structured Impact Governance and Reflective Learning:** We have institutionalised weekly governance meetings to systematically discuss and document impact management strategies and portfolio performance. These meetings provide a platform for rigorous review and learning, enabling us to assess both successes and challenges. Additionally, we have refined our impact scoring methodology, integrating it into an updated due diligence (DD) sheet shared across SIIFIC. We plan to actively analyse exit outcomes, we continuously improve our investment practices, reinforcing our ability to drive meaningful and sustainable change.
- **Stakeholder-Centric Feedback Loop:** Recognising the value of diverse perspectives, we actively seek and integrate feedback from our portfolio companies, beneficiaries, and partners. This ensures that our investment strategies remain responsive to real-world impact, refining our impact thesis and engagement practices to better serve the communities we support.
- **Proactive Adaptation and Improvement:** Insights from our review processes directly shape future investment decisions. Whether through refining investment guidelines, enhancing impact management system, or adjusting engagement strategies, we remain committed to adaptability. This responsiveness is essential in navigating new insights, market shifts, and evolving stakeholder needs.
- **Annual Impact Performance Report:** Building on the publication of our first impact performance report in March 2024, we remain committed to advancing transparency in Japanese impact venture funds. Our [2025 report](#) will provide insights into our progress and key learnings while reaffirming our dedication to accountability and trust-building with our stakeholders.

INDEPENDENT VERIFICATION (PRINCIPLE 9)

Principle 9

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

The Manager shall publicly disclose, on 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.

- **Commitment to Transparency and Accountability in Impact Investing** : At SIIFIC, we are dedicated to fostering transparency and accountability within the impact investing ecosystem. Our adherence to Principle 9 reflects our commitment to aligning with the Impact Principles, ensuring our practices are both transparent and subject to rigorous verification and continuous improvement.
- **Unwavering Commitment to Transparency**: SIIFIC openly communicates our alignment with the Impact Principles, reinforcing our dedication to transparent and responsible investing. Our annual Disclosure Statement demonstrates this commitment, outlining our ongoing efforts to integrate these principles into our impact management systems.
- **Regular Third-Party Verification**: To uphold the credibility of our impact management approach, SIIFIC undergoes third-party verification at least every three years—or sooner if significant changes occur. Our first verification, conducted by Phenix Capital Group from January to April 2024, exemplifies this commitment. The next verification is scheduled by 2027 to ensure continued alignment with the Impact Principles.
- **Adapting to Evolving Standards**: As impact investing evolves, so do industry standards and expectations. SIIFIC remains proactive in staying informed and adapting our impact management systems to reflect the latest developments and best practices within the field.
- **Engaging with the Impact Investing Community**: SIIFIC actively participates in the broader impact investing community, sharing our experiences and insights on aligning with the Impact Principles. By contributing to collective learning, we help drive the advancement of impact management practices across the industry.
- **Transparent Reporting on Verification Results**: The findings from our Third-Party verifications are publicly disclosed, reinforcing the integrity of our impact management system. These reports, accessible on both the Impact Principles and SIIFIC websites, provide stakeholders with a clear view of our commitment to rigorous impact management.
- **Commitment to Continuous Improvement**: SIIFIC uses insights from public disclosures and independent verifications to refine our impact investing strategies. This ongoing process ensures we remain aligned with the Impact Principles while striving to set high standards in the industry.

Current independent verifier: Information is as follows:

Name and Address	Phenix Capital Group B.V. Overschiestraat 631062 XD Amsterdam, The Netherlands
Qualifications	Phenix Capital Group is a leading impact investing advisory firm established in 2012. The advisory division of Phenix Capital Group delivers tailored services to structure and launch impact investment mandates and funds, leveraging its unparalleled intelligence of impact investing funds across asset classes and geographies. With an exclusive focus on impact investment for over 10 years, Phenix is at the forefront of impact investing practices, mapping and supporting clients with implementing the highest quality impact frameworks and standards. Phenix have performed due diligences for over 45 funds since 2020.
First Assessment	January to April 2024 Link to Verification Statement and Report by Phenix Capital Group
Next Assessment	Planned for 2027



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