

Guidance for Impact Companies on Disclosure and Engagement in Capital Markets

Version 1

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Guidance for Impact Companies on Disclosure and Dialogue in Capital Markets

1. Background

Creating a sustainable society is an enormous challenge across the globe. In Japan, social and environmental issues, such as decarbonization, disaster management, and an aging population with declining birth rates, are rapidly growing in significance.

To resolve these issues, businesses need to implement new technologies and innovate their business models¹. There is an urgent need to support and foster companies that are engaged in such implementation and innovation, especially those that achieve business growth while placing social and environmental impact at the core of their business².

“Impact companies” refers to companies that intend to generate positive, measurable social and environmental impact through their products and services while achieving business growth³. These companies take a wide range of financing approaches. Some do not raise external capital, some only take loans to achieve growth, and others list themselves on the capital markets to raise funds.

Listed impact companies enjoy certain benefits as long as their enterprise values are accurately assessed by investors in the capital markets. These advantages include an increase in their fundraising capacity, higher name recognition, stronger management structure, greater public trust, and higher morale built through incentives given to board members and employees, among others. Therefore, impact companies’ listing and sustainable growth promote rapid progress in impact creation, which is one way that the power of capital markets may accelerate the resolution of social and environmental issues.

The above benefits can be enjoyed if capital markets, especially investors, accurately assess the impact companies’ medium- to long-term growth potential taking into account a certain amount of time until the businesses are established as well as risks such as uncertainty, and play a role in enhancing enterprise value through engagement. Hence, it is important for the capital markets to

¹[“Report by the Working Group on Impact Investment,”](#) The Financial Services Agency, 2023

²[“The Basic Policy on Economic and Fiscal Management and Reform 2023”](#) also states that it is essential to invest more in companies that have taken on the challenge of resolving social issues and to provide more support to NPOs and other organizations who work for the same purpose.

³[“The Concept Paper for IPOs of Impact-driven Companies,”](#) The Japan National Advisory Board, the Global Steering Group for Impact Investment (GSG Japan NAB), 2022

fulfill their expected role.⁴

While going public offers benefits, impact companies must take on new pressures and responsibilities, including pressures to keep their business growing after listing, manage increased administrative costs, meet disclosure obligations with accountability, and engage with investors.

The following challenges are unique to impact companies that seek to leverage capital markets to increase their enterprise value:

- After going public, coupled with increased stock liquidity, companies face investors with more diverse views and strategies.
- Some investors are beginning to develop perspectives and tools to appropriately assess the impact created by an impact company and use the information for their investment decisions and engagement. However, the effectiveness of those perspectives and tools has not yet been fully verified or widely recognized.
- With several varieties of disclosure guidance available, impact companies need to identify which information they should disclose to have a constructive dialogue with investors.
- Since the development of impact measurement and management to date has mainly focused on investors, there is only a limited amount of guidance for impact companies on how to incorporate impact on specific social and environmental issues into their pre-to-post-IPO business management process.

To address these challenges faced by impact companies at and after listing, it is important to provide guidance that promotes a common understanding and constructive dialogue between these companies and capital market participants, primarily investors.

With this background, the Guidance for Impact Companies on Disclosure and Dialogue in Capital Markets (the “Guidance”) was developed by [the Impact IPO Working Group \(the “Working Group”\)](#), organized by the Global Steering Group for Impact Investment Japan National Advisory Board (GSG Japan NAB). The Working Group was launched based on research conducted by the GSG Japan NAB,

⁴“Draft Basic Guidelines on Impact Investment,” published by the Financial Services Agency in 2023 (included in the report shown in Footnote 1), defines the role of investors in “Element 4 (innovation/transformation/acceleration): Support novelty that could accelerate transformations in markets and customers.” It says, “Identify and support the novelty and advantages of investee companies and businesses that could create or accelerate changes in the market and customers so that investees could generate tangible social or environmental impact as well as financial return” and “Conduct dialogue with investees in a manner that could harness investees’ novelty and potential to develop and cultivate and gain support from the market.”

published as “[The Concept Paper for IPOs of Impact-driven Companies](#)” and by the Japan Social Innovation and Investment Foundation (SIIF), published as “[Basic Survey for the Realization and Dissemination of Impact IPOs.](#)” In the Working Group, representatives of a wider range of stakeholders (e.g., companies, public and private equity investors, securities firms, and other experts) engaged in discussions to update some of the previous research’s conclusions and develop the Guidance that will contribute to the concrete practices of planning-to-be-listed and listed impact company, and of capital market participants, including investors.

2. Objective

The objective of this guidance is **to foster a common understanding and constructive dialogue between impact company and capital market participants, primarily investors, through information disclosure, etc.,** so that impact companies can create impact while realizing continuous enterprise value growth throughout the process before, at, and after an IPO.

Through this Guidance, we hope that impact companies will gain greater recognition from investors, attract the necessary funding, and achieve greater impact and business growth based on common understanding and constructive dialogue. Consequently, we hope that capital market participants will increase their intentionality to create impact, and the power of capital markets will accelerate the resolution of social and environmental issues.

3. Intended Users and Usage of the Guidance

1) Intended users

- Impact companies differ in factors such as the scale of the social and environmental issues they work to resolve, business stage, and aspirations for future growth. Based on the challenges and the objective stated in the previous section, this Guidance is intended for impact companies with the following three intentions as well as for investors and other capital market participants.
- **Impact companies**
 - This Guidance is for impact companies (listed or unlisted) that are pursuing all three intentions and seek to achieve sustainable growth through the synergies among the intentions: “creating impact,” “generating earnings,” and “using the capital markets to continuously enhance enterprise value through constructive dialogue with investors.”

- For more information on the relationships among the three intentions, please refer to the “Positive Feedback Loop” discussed later.

(i) Creating impact

- For this Guidance’s target impact companies, creating impact is at the core of their business. These companies define the impact they intend to create by including solutions to social and environmental issues in their mission, purpose, and articles of incorporation, etc., as their primary business objective.
- Based on the concept of impact measurement and management (IMM), these companies set impact indicators as important benchmarks for making management decisions, regularly measure and assess whether impact is being created as planned, and establish a system for allocating management resources and formulating and reviewing management strategies based on the results.

* Impact measurement and management (IMM) refers to a daily process of seeking to increase positive impact and reduce negative impact through business improvement and decision-making based on the measurement results. Since IMM has mainly been developed from the perspective of impact investors⁵, it is not necessarily a well-established concept for companies’ business management.

(ii) Generating earnings

- These target companies intend to develop a business model that enables them to make the impact defined in their mission, purposes, and articles of incorporation through their business activities. The companies seek to achieve continuous business growth by initiating a virtuous cycle of impact and earnings (note that the “earnings” in this context include medium- to long-term earnings factored into business strategies and plans, rather than those that are projected with certainty).

(iii) Using the capital markets to continuously enhance enterprise value through constructive dialogue with investors

⁵An example of an IMM guidebook for investors in Japan is [The Guidebook for Impact Measurement & Management](#) (IMM for impact investing in listed and unlisted shares), published by GSG Japan NAB (2021).

- Through their listing, these companies seek to continuously enhance their impact and enterprise value through a constructive dialogue with investors, aiming to attract funds not only from those who actively invest in impact companies but also a wide range of investors.
- The above definition applies only to impact companies that aim to or have already gone public. Impact companies that do not plan to list themselves on the stock market may have different business policies or strategies.
- **Investors and other capital market participants**
 - The Guidance is intended to help not only investors who are active in investing in impact companies, but also other stakeholders in the capital markets, including a wide range of investors, securities firms, and stock exchanges. By referring to the Guidance, stakeholders can proactively deepen their understanding of how these companies' impact creation and impact-oriented business management can affect their enterprise value and have a constructive dialogue with companies towards greater enterprise value.

2) Usage of the Guidance

- This Guidance has been written as a reference for impact companies and capital market participants detailing the four steps to accelerate the “positive feedback loop (described later).” These four steps span from impact companies' strategy development to information disclosure/ engagement throughout the pre- to post-IPO process.⁶ Impact companies and stakeholders in capital markets can consult this Guidance as they move ahead with their undertakings. We advise that disclosure based on this guidance be clearly stated in disclosure and other documents. Going public while a company continues to work on these four steps is called an “impact IPO.”⁷ If a company has carried out an “impact

⁶As described in Chapter 5, these four steps represent the recommended approach for understanding the concept of IMM and applying the idea to a company's business management.

⁷GSG Japan NAB and SIIF have been engaging in studies and discussions in order to resolve issues that impact companies face when they go public. The report by SIIF on the Basic Survey for the Realization and Dissemination of Impact IPOs describes an impact IPO as follows:

“(i) An IPO conducted by a company that intends to create a positive impact while the business demonstrates that it properly engages in impact measurement and management (IMM). Also, (ii) The commitment to raising enterprise value by briefing stakeholders in the company on the status of the impact-making efforts and IMM to attract funds

IPO” based on this Guidance, we advise the company to clearly state that fact in a disclosed document.

- The Guidance was developed by the Impact IPO Working Group organized by GSG Japan NAB and is not legally binding. The disclosure elements stated in Step 4 are also subject to various existing rules and regulations and are intended to supplement existing rules, principles, and guidance, including the listing rules.
- Currently it is essential to facilitate the emergence of as many exemplary initiatives as possible. Thus, the Guidance is not designed as a reference to certify or rate impact companies.

3) Planned future of the Guidance

- The Working Group plans to release the first version of the Guidance after soliciting opinions from a wider range of interested parties by cooperating with related organizations. At the same time, the Working Group will also accept opinions about remaining topics from the Working Group meetings, including how to introduce the Guidance in stages. Then, we will promote the Guidance as a reference for impact companies and capital market participants. Once we have enough examples of practices based on the Guidance and feedback on the Guidance from users, we hope we can update the Guidance.

from impact-oriented fund suppliers when the business goes public so that the company will continue to pursue the impact and IMM.”

The definition of “impact IPO” this Guidance presents is an updated and fleshed-out version of the above tentative definition given by SIIF. The above tentative definition of “impact IPO” by SIIF focused more on the time of listing. In contrast, the working group argued that in light of the original objective of impact companies to realize sustainable corporate value enhancement while creating impact even after listing, it is important to focus on ongoing efforts before and after listing, rather than only at the time of listing. The working group also discussed the importance of promoting understanding and dialogue among market participants, not limited to impact investors, given the diversity of investors in the listed market, while the previous SIIF’s tentative definition focused on fundraising from impact investors. It was discussed that it is important to promote understanding and dialogue among market participants that are not limited to impact investors. Based on the above discussion, the definition of “impact IPO” provided in the Guidance is an update of the previous tentative definition.

4. Underlying Principles of the Guidance

1) Enterprise value

- It is vital for an impact company to enhance its evaluation by capital markets so that it can utilize its enhanced value to increase its impact. Hence, this Guidance defines enterprise value as stated below:

- “Enterprise value” in the Guidance refers to **market capitalization (MarketCap)**, representing the value given in capital markets.
- This enterprise value refers not only to the market capitalization at the time of an IPO but also to the prospect of the business’s continuous growth. General finance theory defines market capitalization as shareholder value. Generally, shareholder value plus debt, which is creditor value, is defined as enterprise value. However, for clarity, this Guidance refers to market capitalization as enterprise value.

- Market capitalization is affected considerably by the present value of cash flow calculated by dividing future cash flow by capital costs. This means that **an impact company needs to clearly present to investors how its business model and growth strategy will affect its future cash flow and capital costs.**

* Non-financial information (about sustainability), in addition to financial information, is becoming increasingly valuable as a factor in predicting future cash flow and capital costs. Apart from disclosure standards that have been evolving, studies have been conducted to identify how non-financial information influences enterprise value.

2) Positive feedback loop and four steps to speed up the loop

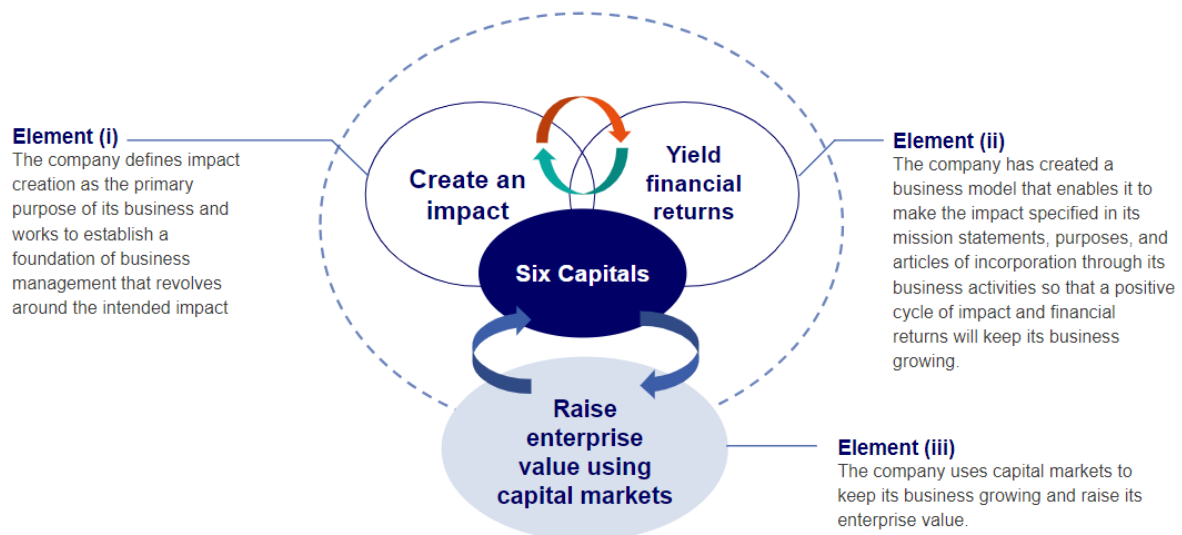
- By disclosing information to investors and engaging in constructive dialogue based on a business model and growth strategy designed to create impact and generate earnings, impact companies can utilize capital markets to further enhance their management capital (described as “6 capitals” in the figure below based on the International Integrated Reporting Council’s (IIRC)⁸ value creation process) and to make upfront investments.
- Taking this step enables the company to raise its enterprise value and enhances the capital market’s evaluation of the company, which in turn will generate more impact and

⁸([International Integrated Reporting Framework \(Japanese translation\), IIRC](#))

earnings, creating a cycle of continuous growth. This cycle is called a “**positive feedback loop**” in this Guidance.

- The cycle may vary in form and timeline. In some cases, enterprise value rises after an impact is created and earnings are generated. In other cases, before impact and earnings are realized, enterprise value rises when the company’s positioning or other factors lead the market to acknowledge the achievability of impact and earnings. Then, this acknowledgment serves as a foothold that allows the business to make further impact and earnings.
- The next chapter presents the four steps that impact companies are advised to take to accelerate this positive feedback loop spanning the process from strategy development to information disclosure.

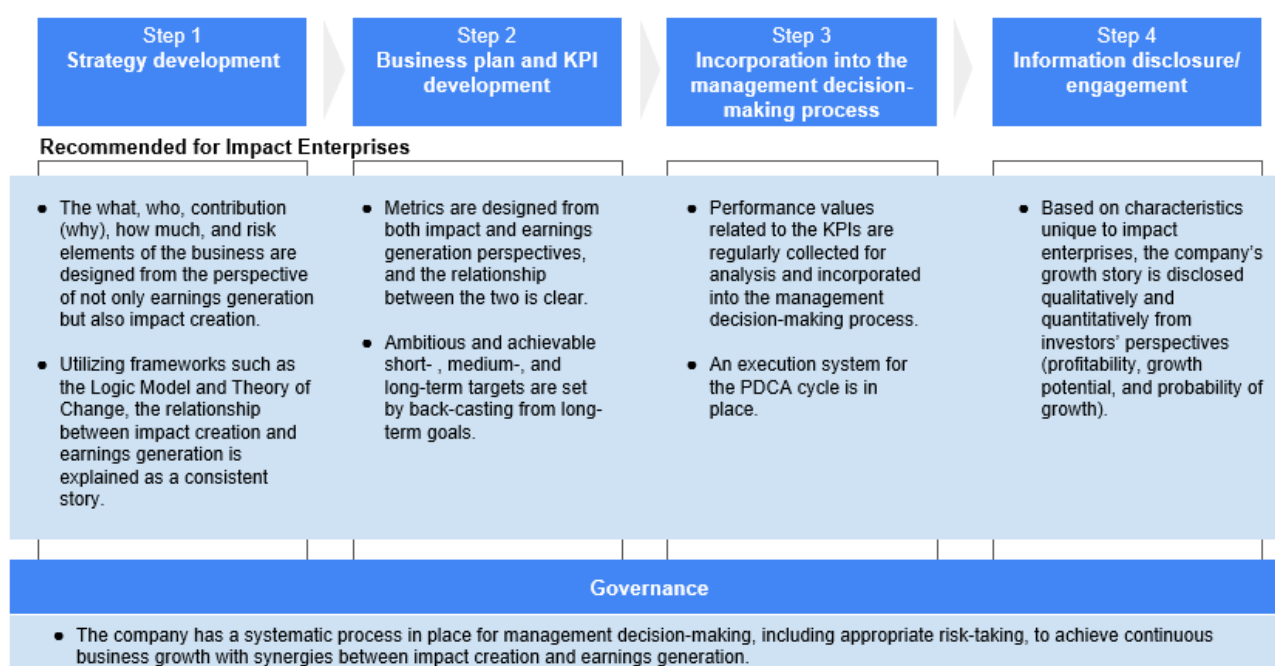
Figure : Positive Feedback Loop

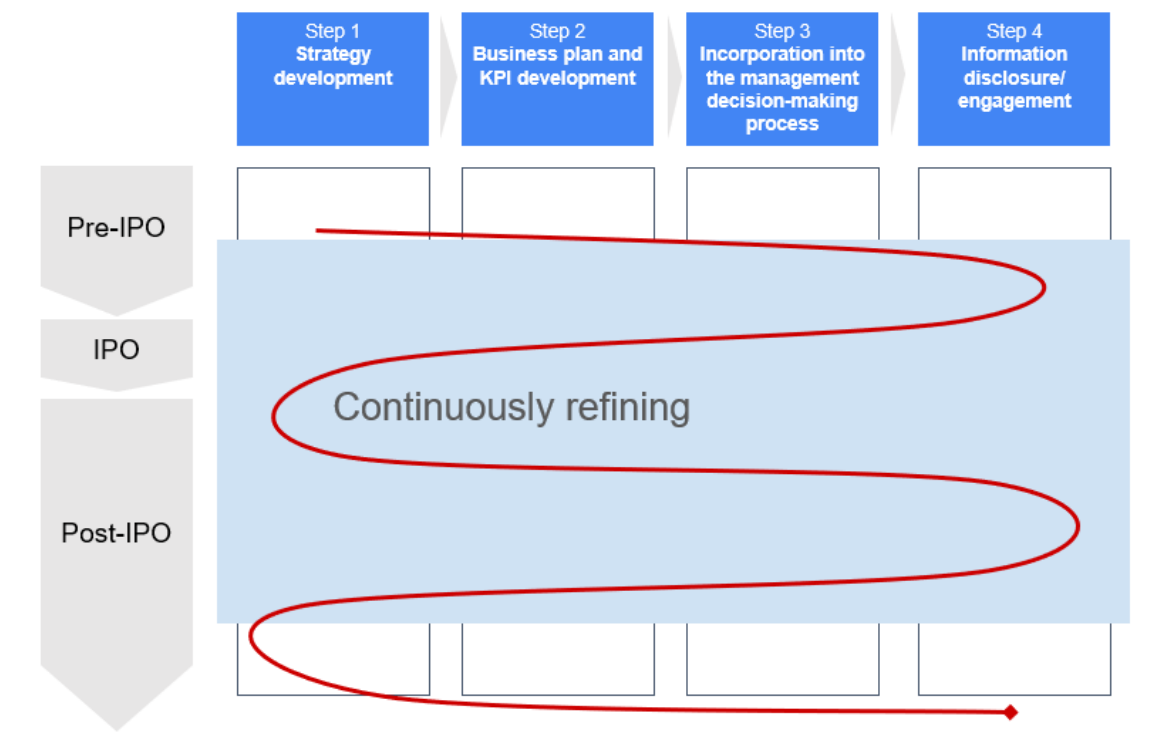


5. Four Steps to Accelerate a Positive Feedback Loop

- This chapter presents the steps that impact companies are advised to take to accelerate a positive feedback loop. These steps span the process from strategy development to information disclosure. They explain how the concept of IMM can be best understood and applied to a company's business management.
- Given the purpose of this guidance, we **omitted content that is common to all listed companies** and included considerations for the four basic steps from strategy formulation to information disclosure based on the unique characteristics of impact companies.
- The four steps are a PDCA cycle, and the model is intended to be improved through repeated hypothesis testing in an iterative process before and after listing, through discussions within the company and dialogues with investors. The four step model does not require 100% perfection in the initial stage.

Four Steps to Accelerate a Positive Feedback Loop





Step 1: Strategy development

- Usually, a company develops its business model and growth strategy based on its analysis of market conditions, the competitive environment, customer needs, etc.
- Impact companies characteristically view the need to resolve social and environmental issues as a business opportunity and design their businesses primarily to create an impact.
- Therefore, impact companies should consider **designing their strategies from the perspective of impact creation in addition to that of earnings generation.**

Establishing management philosophy (e.g., purpose, mission, articles of incorporation)

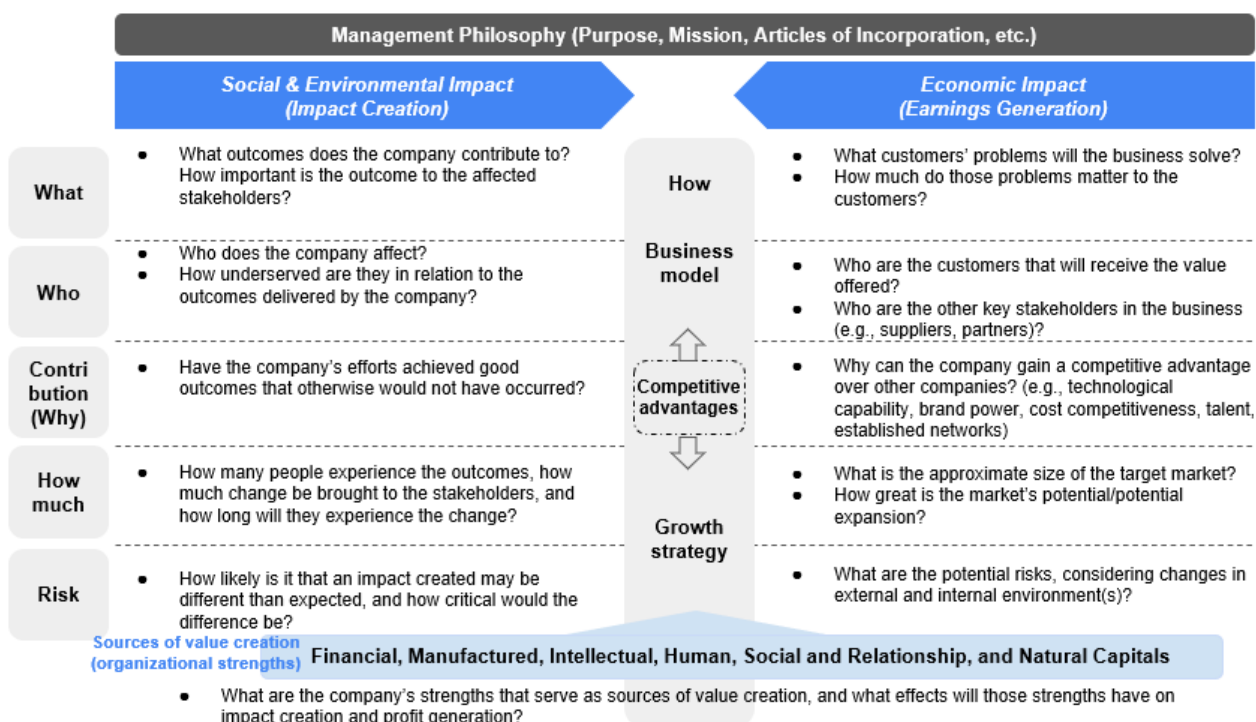
- In developing strategies, the impact that the company intends to create should be expressed in its management philosophy, including purpose, mission, and articles of incorporation.

Strategy development

- Based on the expressed management philosophy, the company should consider exploring what its business should look like from the perspectives of both impact and earnings.
- In this process, the company should consider designing its overall business by applying the concept of the International Integrated Reporting Framework's six capitals in addition to

Impact Frontiers' “Five Dimensions of Impact,”⁹ which are “What, Who, Contribution (Why), How Much, and Risk.”

- When developing a business model and growth strategy based on the ideas explored above, the company can use a logical framework, Theory of Change, and the frameworks shown in References 1 and 2 below. The company can develop coherent narratives that describe the relationship between impact creation and earnings generation.
- In this process, the company should also consider utilizing the feedback received through dialogue with investors and other stakeholders.



<Reference 1>

- To develop a growth strategy, an impact company should use existing tools, such as Theory of Change and a logical framework, to clarify the relationship between the company's business and impact.

([Center for Theory of Change](#))

(See Appendices for Theory of Change, logical frameworks, and value creation models presented by companies.)

⁹ [Five Dimensions of Impact | Impact Frontiers](#)

According to the Social Impact Management Initiative (SIMI), “output” refers to “direct outcomes of activities in which an organization or a project engages, including products and services”; “outcome” to “changes and benefits brought about by the output of a business or a project”; and “impact” to “social and environmental outcomes, short- or long-term, achieved by the business or activities.”

<Reference 2>

- An impact company should consider referring to IIRC's six capitals when it discusses the sources of its value creation (i.e., its strengths as an organization). Using the six capitals framework helps a company make a more comprehensive list of its value-creation sources. ([International Integrated Reporting Framework \(Japanese translation\)](#))

Six Capitals	Description in IIRC Guidelines ¹⁰	Examples of Strengths Specific to Impact Companies
Financial capital	The pool of funds is: - Available to an organization for use in the production of goods or the provision of services. - Obtained through financing (e.g., borrowing, selling equity, or receiving grants) or generated through operations or investments.	● Better access to stable capital from impact-driven and long-term investors
Manufactured capital	Manufactured physical objects (as distinct from natural physical objects) that are available to an organization for use in the production of goods or the provision of services, including: - Buildings - Equipment - Infrastructure (such as roads, ports, bridges, and waste and water treatment plants). Manufactured capital is often created by other organizations, but includes assets manufactured by the reporting organization for sale or when they are retained for its own use.	● Advantages related to supply chains and production facilities (For example, if a company develops facilities or infrastructure designed to manufacture its regular products in a greener way, the manufactured capital for the development can be a competitive advantage.)
Intellectual capital	Organizational, knowledge-based intangibles, including:	● Each company's unique technologies, know-how, and

¹⁰ "[International Integrated Reporting Framework](#)," January 2021. The Japanese text has been provided by the secretariat that translated the guidelines, referring to [the International Integrated Reporting Framework \(Japanese translation\)](#). (The translation is not word-for-word.) See Appendices for the original text.

	- Intellectual property, such as patents, copyrights, software, rights and licenses - “Organizational capital” such as tacit knowledge, systems, procedures and protocols.	experience ● R&D capabilities and bodies, etc. (For example, if a company can develop unique and innovative technologies designed to dramatically reduce environmental burdens and enhance the impact it creates, these abilities serve as a barrier to competitors’ entry into the market, thereby creating a competitive advantage.)
Human capital	People’s competencies, capabilities and experience, and their motivations to innovate, including their: - Alignment with and support for an organization’s governance framework, risk management approach, and ethical values - Ability to understand, develop and implement an organization’s strategy - Loyalties and motivations for improving goods and services, including their ability to lead and manage the organization and collaborate.	● Advantages related to recruitment, talent development, diverse and versatile talent, employee engagement, etc.
Social and relationship capital	The organizations and relations formed within and between communities, groups of stakeholders, and other networks, and the ability to share information to enhance individual and collective well-being. Social and relationship capital includes: - Shared norms, and common values and behaviors - Key stakeholder relationships, and the trust and willingness to engage that an organization has developed	● Trust and relationships developed by working with diverse stakeholders, including customers and beneficiaries, stakeholders contributing to the resolution of social and/or environmental issues, vendors, and local communities ● Action and ability to widely share information useful for not only the company, but also for other companies, public organizations,

	and works to maintain with external stakeholders - Intangibles associated with the brand and reputation that an organization has developed - An organization's social license to operate.	and research institutions (Examples of useful information include the realities of social and environmental issues, outcomes that could be produced when the issues are resolved, and knowledge and know-how built up through the company's efforts. Actively sharing these types of information can become valuable for the industry or the community as a whole. Consequently, such information sharing can become a competitive advantage by expanding the total addressable market (TAM) and by accelerating the company's business growth.) ● Brand value and reputation, which are built through consistent action and communication based on the company's purpose and mission
Natural capital	All renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current, or future prosperity of an organization, including: - Air, water, land, minerals and forests - Biodiversity and eco-system health.	● Advantages brought by the company's business model (e.g., ability to offer products and services that are as good as or greater than its conventional ones in greener ways) ● The effect of reducing CO2 emissions and other negative environmental impacts through the company's products and services

Step 2: Business Plan and KPI Development

- To implement the business model and growth strategy developed in Step 1, the impact companies should consider how to allocate management capital, develop a business plan, and set key performance indicators (KPIs).
- The impact companies should consider **setting KPIs not only for earnings but also for impact creation. The companies should give these indicators equal priority.**
- Also, in setting KPI targets, the impact companies are advised to backcast from their long-term impact goals, not as an extension of current business, thereby **setting targets that are as ambitious and attainable as possible based on benchmarks.**

Designing KPIs

- Before designing KPIs, each company **needs to define what social and/ or environmental changes it aims to create in the short-, medium-, and long-term and communicate this as a coherent story.** As described in Guidance's Step 1, the impact companies can develop such objectives and stories in their growth strategy by using a framework such as a logical framework or Theory of Change.
- Based on their individual stories, the impact companies are encouraged to design indicators from both earnings and impact creation perspectives.
- Specifically, as the figure below shows, the impact companies should consider breaking down their impact goals into more manageable indicators while considering the following three points:

1) Different levels of indicators

- The indicators that measure progress toward impact goals often correspond to so-called macro data, and it can be difficult for a company to accurately gauge its contribution to these numerical values (e.g., healthcare costs in Japan and CO2 emissions across Japan).
- Hence, based on the logical framework or Theory of Change created for the growth strategy, each company can design changes it aims to produce in stages toward the impact goals, and then set indicators at the optimal level to measure them.

2) Measurability and comparability

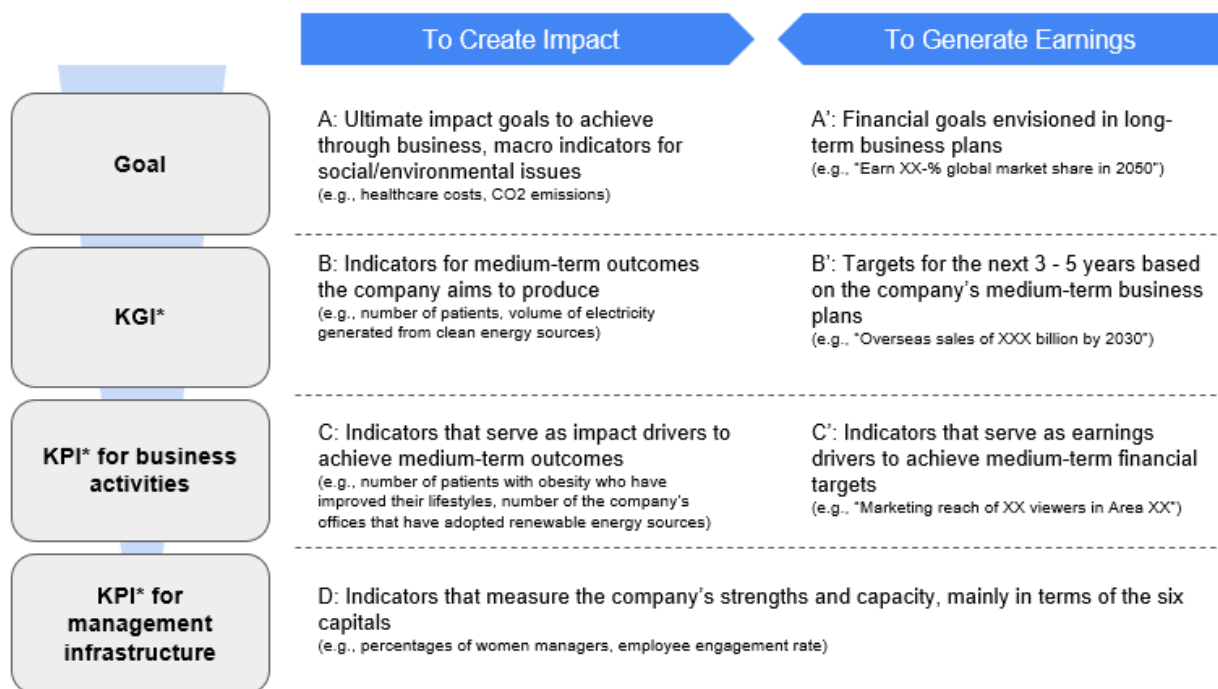
- Since management indicators are supposed to be measured and managed on an ongoing basis, indicators that are quantitative and measurable should be used as much as possible.
- The impact companies may also set qualitative indicators for reasons such as difficulty in obtaining quantitative data or usefulness in obtaining qualitative

information for analyzing quantitative data, etc. The companies should also consider having clear measurement and management methods for the qualitative indicators.

- In addition, it is desirable to use indicators that can be compared with other companies and with the company's own chronological records, as much as possible, by using the industry average and the benchmark data (e.g., the national average and threshold), and by showing information in ratio.
- If the companies use any indicator published in academic papers or by third-party organizations, they should indicate the sources to enhance reliability.

3) Interconnectedness of impact creation and earnings generation

- The impact companies should try to clearly describe how KPIs for impact creation and those for earnings generation are interconnected.
- There may be various relationships, including the ones below. Whatever the relationship is, the companies should consider how to clearly explain why the indicators are key to the company's medium- to long-term business.
 - The impact-related KPIs and earning-related indicators are fully synchronized and proportionally related.
 - The two KPIs are independent and work against each other.



* KGIs stand for Key Goal Indicators, which are quantitative metrics to measure progress toward ultimate management/business goals. KPIs, on the other hand, are indicators used to quantitatively evaluate whether each process for achieving KGI targets is properly taking place.

Setting KPI targets

- Impact companies characteristically create impact intentionally as the primary purpose of their businesses rather than accidentally as a result of their business activities.

- Therefore, when setting targets, companies should backcast from the long-term impact goal, not as an extension of current business. The companies should try to **set targets that are as ambitious and attainable as possible based on benchmarks.**
- It is vital to clearly present how much the company aims to accomplish in the short, medium, and long terms based on the timeline toward achieving the impact goals. This will facilitate the company's business growth as well as prevent any expectation gap between the company and investors.

<Reference 3: Impact metrics>

- [“Using Impact Metrics to Promote Dialogue with Purpose as Starting Point,” Keidanren \(Japan Business Federation\)](#)
- [IRIS+](#)
- [“Trends in Environmental Impact Assessment,” The Ministry of the Environment](#)
- [Project Frame](#)
- [5 dimensions](#)
- [“Emerging Climate Technology Framework,” CDP](#)

Step 3: Incorporation into the Management Decision-Making Process

- Impact companies are characterized by the fact that their management is committed to building relationships with not only shareholders but also diverse stakeholders, and to solving social and environmental issues.
- Hence, **these companies should consider routine discussion of impact creation as an important management issue, regularly monitor their KPIs, and incorporate the results into their decision-making process.**
- In addition, the companies are encouraged to have a process or team to routinely operate the PDCA cycle in order to ensure the regular monitoring of KPIs and their incorporation into the decision-making process.
- The table below shows key considerations and recommended practices for ensuring management's commitment to impact creation and incorporating that into a decision-making process.

Key Considerations for Incorporation into the Management Decision-making Process		Recommended practices
Management's	Incorporation into key	● Impact creation is clearly defined as the primary

commitment	management philosophy	management philosophy in mission, purpose, and articles of incorporation, etc.
	Incorporation into key management indicators	● Impact indicators are viewed as key management indicators.
	Incorporation into incentives	● As with other management-related performance indicators, there is a system designed to incentivize management to produce outcomes and to make contributions toward intended impact (e.g., monetary incentives linked to progress toward the impact the company aims to create).
Incorporation into decision-making process	Information provision essential for decision-making	<Progress measured using impact metrics> ● The company regularly collects, analyzes, and assesses data based on impact indicators. Moreover, the assessment results of the impact indicators are reflected in the company's strategy review and in decisions made on management resource allocation. <Risks/Opportunities> ● The company regularly monitors and assesses not only the intended positive impact, but also unintended negative impact that it has on society and on its business. ● The company regularly monitors and evaluates the global trends and regulatory status of social and environmental issues it aims to solve. Based on such analysis, the company evaluates the potential for new business opportunities (markets) and greater impact creation. <Stakeholders' opinions> ● The company identifies stakeholders involved in the social and environmental issues it aims to resolve. It periodically creates opportunities to interview these stakeholders for their opinions. It also treats these opinions as input information for decision-making.

	Established PDCA system	The company has a system or operational structure designed to support PDCA (Plan-Do-Check-Act) that connects the efforts to regularly monitor and analyze progress against KPI targets to the management decision-making process.
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Step 4: Information Disclosure/ Engagement

- To facilitate a meaningful dialogue with investors and other capital market participants, impact companies should consider disclosing information from **the following two perspectives** used in enterprise value assessment while also emphasizing their unique characteristics as impact companies.
 - Profitability and growth potential**
 - Probability of continuous growth**
 - * The probability of continuous growth refers to the chance of an impact company generating earnings and growth.
- The table below shows the characteristics unique to impact companies and the elements that should be considered disclosing based on those characteristics.
 - Please note that there are currently no fixed rules or regulations specifically for impact companies' disclosure. Thus, each company should determine its own best way to disclose the elements listed below.
 - Please also refer to some of the Japanese and overseas companies' disclosure methods compiled in the Appendix.

Angle	Characteristics Unique to Impact companies (+): Potential factor in positive reputation ● (-): Potential factor in negative reputation	Recommended Disclosure Element
Profitability and growth potential	(+) The scale and severity of social/environmental issues that the company is addressing can be a factor supporting market size and growth potential.	(i) Trends in social/environmental issues to be addressed (including the scale of TAM)
	(+) New markets may be created by	(ii) Growth strategy (including

	leveraging innovative technologies and business models that have the potential to generate impact and earnings.	potential expansion of the TAM)
	(-) It may take a certain amount of time to develop innovative technologies and business models that can generate earnings and impact.	
Probability of continuous growth	(+) By stating its intention to create impact in its mission and purpose, the company may be able to establish a source of matchless competitive advantages.	(iii) Quantitative information that illustrates the source of the company's competitive advantages
	(-) The status of the social/environmental issue that the company aims to resolve may depend considerably on the national/local government's regulatory moves; or if the company creates negative impact instead of intended positive impact, it may affect the company's business growth.	(iv) Risk/Opportunity management policy
	(+) (-) The company's management needs to consider the value that it can provide to diverse stakeholders, including listed-equity investors seeking short-term returns rather than impact.	(v) Overall picture of stakeholders and the company's policy on governance

Specific disclosure items

Recommended Disclosure Element	Specific disclosure items
(i) Trends in social/environmental issues to be addressed (including	- What is the scale of the social/environmental issues to be addressed? (e.g., area, time horizon, targeted industry segments, etc.) - How serious are the social/environmental issues to be addressed?

the scale of TAM) and intended impact	What efforts are being made in the public and private sectors to solve them globally? ● What kind of impact do you intend to create by solving the targeted social and environmental issues? (Specifically, describe the impact you intend to create based on the “Five Dimensions of Impact” examined in STEP 1 Strategy Development)
(ii) Growth strategy (including potential expansion of the TAM)	● To move toward the ultimate impact goals, what short- and medium-to-long-term impact (i.e., outcome) does the business aim to create? ● What short- and medium-to-long-term impact KPIs have been set, and how much progress has been measured to date? Also, how do these KPIs correlate with financial KPIs? ● What actions does the company specifically plan to take to create short- and medium-to-long-term outcomes? ● How likely is an unprecedented market to be created, and how much can the TAM be expanded?
(iii) Quantitative information that illustrates the source of the company’s competitive advantages	● In terms of the six capitals (financial, manufactured, intellectual, human, social and relationship, and natural capitals), what elements are the sources of the company’s competitive advantages? What evidence supports that those elements are indeed the company’s strengths? ● What positive effects does the company think the sources of its competitive advantages could have on its financial value? * See <Reference 4> below. ● How does the impact created by the company affect its six capitals (the sources of competitive advantages) and contribute to earnings generation and business growth? (Use as much quantitative data as possible to illustrate the correlations.)
(iv) Risk/Opportunity management policy	● What are the negative impacts that may occur in the process of expanding the positive impact the company intends to create? ● How does the company plan to acknowledge and manage those negative impacts as risks? ● How does the company regularly monitor trends in the social/environmental issues it aims to resolve and assess risks and opportunities in a systematic way?
(v) Overall picture of stakeholders and the	● What is the company’s understanding of stakeholders involved in the social/environmental issues the business aims to resolve? What

company's policy on governance	values can the company provide to these stakeholders? ● How does the company incorporate impact creation into its management decision-making process as well as its decision-making body? * See Step 3 and the “Governance” section.
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<Reference 4>

- Various research institutes and companies analyze the effects that the sources of a company's competitive advantages have on financial value, including impact-weighted accounting. However, at present, there is no universal logic or model in capital markets.
- That said, the documents and corporate reports listed below that have been published to date provide clues about how a company's strengths and the impact created by the business help raise medium-to-long-term enterprise value.
- Hence, when preparing for information disclosure, dialogue with investors, and strategic resource allocation, each company is encouraged to refer to reports on the latest studies, including those listed below, as well as progressive examples provided by other companies.
 - **Projects/Efforts by research institutes and other organizations**
 - [“The Current Situation and Outlook for Impact-Weighted Accounts,” Financial Research Center \(FSA Institute\)](#)
 - The report presents studies and analyses that focus on impact-weighted accounts for measuring and valuing impacts using monetary valuation techniques.
 - [“EBITDA of ESG,” Carlyle](#)
 - The literature presents what effects corporate ESG activities have on finances.
 - While it focuses mostly on ESG activities, part of the document discusses impact creation.
 - [“Visualization of Continuous Growth and Quantification of Impact Implied in Stock Prices,” Nomura Group](#)
 - The report discusses the creation of a standardized catalog of outcome metrics using generative AI and the estimated value of an impact implied in stock prices.
 - **Projects/Efforts by companies**
 - [Eisai's report on the visualization of non-financial capital](#)
 - The report presents calculated social impacts which Eisai creates and the company's quantified enterprise value that does not show in net sales or profits.
 - [SAP Japan's examples of sustainable management practices](#)
 - The featured articles present visual representations of correlations between social, environmental, and financial metrics and how each

affects others.

Timing and primary documents and other media for disclosure

- The media and information content that can be disclosed differ considerably before and after listing. The table below presents best practices for disclosing information in each phase.

Timing of disclosure	Suggestions about information disclosure	Primary documents and other media for disclosure	
		Disclosure documents specifically for the phase	Documents, etc. for voluntary disclosure in any phase
Before an IPO (run-up to preparation for an IPO)	● Disclose suggested items to the extent possible, refine the content, etc. of the company's website while promoting understanding through meetings with investors.		● The company's website ● Impact report ● Sustainability report ● Integrated report, etc.
Time of an IPO (from the period of preparation for and the date of IPO) * The period of preparation typically refers to the period when there are	● Documents for an initial listing must be prepared following the current rules and regulations. ● To avoid risk, companies normally disclose their business performances based only on their actual results and not on forecasts. Therefore, it is important for impact companies to find ways to demonstrate their growth potential	● Securities Report for Initial Listing Application (Part I) Initial listing application document for review* ● Securities Registration Statement Document providing Local Finance Bureaus with information about companies that engage in finance (e.g., offerings and sales) ● Prospectus Document that underwriting securities firms use to solicit investors ● Roadshow materials	* Restrictions may be imposed on which information to disclose when the company goes public.

restrictions on disclosure documents (e.g., the period when the company works on its Securities Report (Part I)).	underpinned by social/environmental issues. ● For example, it is possible to include target values for indicators that are not directly related to business performance. Thus, an impact company may consider developing an equity story that conveys its growth potential by using objective numbers and qualitative information related to impact. ● When using impact-related numbers to demonstrate potential TAM, impact companies should use publicly available numbers from third-party organizations, etc., rather than developing numbers and logics on their own. ● Regarding targets, results and other quantitative information that support the sources of the companies' competitiveness, impact companies should make efforts to help investors understand the	● Notice about year-end closing information (disclosed on the initial offering date) ● Matters regarding Business Plans and Growth Potential (only when a company is listed on the Growth Market; disclosed on the initial offering date) ● Corporate Governance Report * Make sure that the first three are consistent with one another as you prepare them. These documents form the basis for roadshow materials. * Since Part I (Securities Report) is a medium for reviews, not disclosure, careful consideration is required with securities companies (including exchanges) as to how much to disclose in Part I (Securities Report) and other documents. * See the Japan Exchange Group (JPX) website for documents required for the initial listing application.	
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	meaning and importance behind those numbers.		
After an IPO	● Impact companies should keep exploring how best to disclose information to accelerate the “positive feedback loop” while engaging in dialogue that will contribute to their medium- to long-term growth.	● Quarterly reports, securities reports ● Medium-term management plan ● Financial results briefing documents ● Matters regarding Business Plans and Growth Potential (only when a company is listed on the Tokyo Stock Exchange Growth Market), etc.	

How to consider data assurance

- Given that impact-related data may be used for investment decisions, **it is vital to ensure the data reliability.**
- To ensure reliability, each company should consider third-party assurance of impact-related data in voluntary disclosure as necessary, weighing costs and benefits.
- On the other hand, **sustainability information disclosure and third-party assurance in statutory disclosure are increasingly considered internationally.** Although there is not necessarily a well-established definition of sustainability information, the International Sustainability Standards Board (ISSB), for example, requires each entity to “disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity’s cash flows, its access to finance or cost of capital over the short, medium or long term,” and the “information” stated here likely includes many types of impact-related data. **Data assurance in statutory disclosure will need to be considered in line with such future developments.**

Points to keep in mind concerning liability risk

- If a securities registration statement or prospectus contains a false statement, etc., the company will be subject to liability for damages, etc. under the Financial Instruments and Exchange Law. In addition, other voluntary disclosures are also subject to general tort

liability, etc. Therefore, careful consideration should be given to the disclosure of quantitative forward-looking information.

- The “[Guideline for the Disclosure of Corporate Affairs, etc.](#),” states that a company is not immediately liable for a false statement, etc., if it provides specific explanations of material future matters that should be disclosed in its securities registration statement to the extent that such explanations are generally considered reasonable. When an impact company discloses quantitative information on the impact it hopes to create in the future, or when it discloses the scalability of its TAM, it often finds there is a lack of appropriate external data, such as data on the current market size. How to ensure the objectivity and rationality of such data is an important issue for an impact company.
- In addition, there is a risk that the longer the period, the greater the uncertainty regarding the likelihood of achieving those future goals.
- Therefore, each impact company should consider its disclosure based on its situation, referring to the “[Guideline for the Disclosure of Corporate Affairs, etc.](#)” and other guidelines.

Recommended practices for dialogue

(1) Dialogue to prevent mismatch between impact companies and investors

- In capital markets, there are various types of investors depending on the type of business, investment policy, and ideology
 - Types of business: insurance companies, pension funds, mutual aid associations, banks, investment advisory firms, hedge funds, etc.
 - Investment period: short, medium, and long term
 - Risk/return: High-risk/high-return, middle-risk/middle-return, low-risk/low-return
 - Investment policies: ESG investment, impact investment, thematic investment, etc.
- Therefore, it is advised for impact companies to understand investors’ investment policies and their views on investment periods through the following questions and build optimal relationships with investors based on the company's growth phase and fundraising situation at that time.
 - Sample questions
 - What are your requirements for the companies that you actively seek to invest in?
 - If you are an impact investor, what kind of impact do you expect to create through your investment?

- What is your average investment period?
- What criteria do you use to monitor your portfolio companies?

(2) Dialogue to promote understanding of an impact company's long-term growth potential and probability

- Investors who currently do not explicitly practice impact investing will probably not ask many questions or conduct dialogues on impact itself.
- On the other hand, a company's growth potential and probability are important perspectives when investors assess a company. Thus, impact companies can communicate with investors from these perspectives to help investors have a deeper understanding of the company.

<Perspectives on Growth Potential >

- Impact companies should consider presenting their intended impact and their vision of a world without the social and environmental issues they wish to solve not only as their purpose or mission statement but also as a worldview, along with information that is as concrete and quantitative as possible.
- This is because a more concrete description of the worldview can be useful information for investors to infer the economic impact that the impact company could have on the market.
- For example, if a company offers a solution that contributes to decarbonization, it should consider not only providing information on how much CO2 reduction can be expected in the world with the solution compared to the current world without the solution but also on who will benefit and how their lifestyles will change. It will be beneficial if companies can show what kind of new infrastructure they are utilizing to pursue and benefit from their economic activities.

<Perspectives on Growth Probability >

- Impact companies can explain what their Key Success Factors (KSFs) are in creating the intended impact through their business model while generating synergies with revenues. Then, impact companies can engage in a dialogue regarding the following points.
- KSFs for achieving the company's mission and purpose (from a long-term perspective)
 - Why are they KSFs?
 - When and how will each KSF be addressed?

- To what extent are the KSFs currently being realized and how are they planned to be addressed in the future?
 - What capital can be leveraged to implement the KSFs and what capital should be strengthened (in terms of the six capitals)?
 - This will help investors not only to have a clearer understanding of an impact company's business model and challenges to scale up, but also to do modeling and provide advice on making necessary changes at the right time.
- (3) Dialogue to accelerate the positive feedback loop and unlock further potential
- To further increase corporate value while utilizing the capital market, it is useful for impact companies to discuss more strategic resource allocation based on the results of IMM, not only internally but also with investors.
 - Therefore, impact companies should consider actively engaging in dialogue with investors, presenting information on their IMM practices and results, and discussing which of the six capitals should be strategically maintained and strengthened, as well as necessary business and finance strategies.
 - As indicated in (2) above, the more concrete the company's worldview regarding the impact it intends to create, the more useful this discussion on strategic resource allocation will be.

<Reference 5>

- [“Using Impact Metrics to Promote Dialogue with Purpose as Starting Point,” Keidanren \(Japan Business Federation\)](#)
- [“Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation 2.0,” The Ministry of Economy, Trade and Industry](#)
- [“Report by the Working Group on Impact Investment,” The Financial Services Agency](#)
- [Corporate Governance Code “Guidelines for Investor and Company Engagement,” The Financial Services Agency](#)

Governance

- Impact companies should consider making management decisions, including appropriate risk-taking, with an aim to achieve sustainable business growth by developing synergy between impact creation and earnings generation.
- For this reason, as part of governance in a broad sense, impact companies should consider the following when designing decision-making bodies and fostering organizational climate.

Major Angle Used for Governance	Recommended practices
Decision-making bodies	<Board of directors> ● As with conventional corporate governance, the board of directors, which is both a decision-making and supervisory body, is regularly informed of progress related to impact creation as a critical goal. The Board also discusses how to proceed. <Enhancing the board's decision-making quality> ● To improve the quality of discussion of the company's impact creation strategy as well as the revenue generation strategy, the board of directors is considering the establishment of a sustainability committee, an impact committee, or an advisory board, etc. <Composition> ● The skills and expertise required of leaders who comprise the board of directors are well defined based on the social and environmental issues the company aims to resolve. The board is structured to satisfy these requirements. ● The board is designed to obtain input from external advisors and experts with expertise relevant to the impact the company intends to create. ● The members are selected not only to incorporate various stakeholders' values but also to ensure diversity in gender and nationality, among others.
Corporate culture	● The values and management policies geared towards impact creation and earnings generation are a dominant force not only in the management team but also among all employees of the company, serving as their guiding principles. ● As a company that aims to solve social and environmental issues using its innovative technologies and business model, the company is considering ways to promote an organizational culture of integrity with highly ethical standards while taking appropriate risks.

<Reference 6>

- [“Japan's Corporate Governance Code,” JPX](#)
- [“Practical Handbook for ESG Disclosure,” JPX](#)

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1. Six Capitals Identified by the IIRC

Six Capitals	Definition by IIRC (English) ¹¹	Definition by IIRC (Japanese) ¹²
財務資本 Financial capital	The pool of funds that is: - Available to an organization for use in the production of goods or the provision of services - Obtained through financing, such as debt, equity or grants, or generated through operations or investments.	- 組織が製品を生産し、サービスを提供する際に利用可能な資金 - 借入、株式、寄付などの資金調達によって獲得される、又は事業活動若しくは投資によって生み出された資金
製造資本 Manufactured capital	Manufactured physical objects (as distinct from natural physical objects) that are available to an organization for use in the production of goods or the provision of services, including: - Buildings - Equipment - Infrastructure (such as roads, ports, bridges, and waste and water treatment plants). Manufactured capital is often created by other organizations, but includes assets manufactured by the reporting organization for sale or when they are retained for its own use.	製品の生産又はサービス提供に当たって組織が利用できる製造物（自然物とは区別される。） 、例えば、 - 建物 - 設備 - インフラ（道路、港湾、橋梁、廃棄物及び水処理工場など） - 製造資本は一般に他の組織によって創造されるが、報告組織が販売目的で製造する場合や自ら使用するために保有する資産も含む。
知的資本 Intellectual capital	Organizational, knowledge-based intangibles, including: Intellectual property, such as patents, copyrights, software, rights and licenses	組織的な知識ベースの無形資産 - 特許、著作権、ソフトウェア、権利及びライセンスなどの知的財産権 - 暗黙知、システム、手順及びプロ

¹¹Excerpted from the “[International Integrated Reporting Framework](#)” (January 2021)

¹²Excerpted from the Japanese translation referred to in Footnote 10

	● “Organizational capital” such as tacit knowledge, systems, procedures and protocols.	トコルなどの「組織資本」
人的資本 Human capital	People’s competencies, capabilities and experience, and their motivations to innovate, including their: ● Alignment with and support for an organization’s governance framework, risk management approach, and ethical values ● Ability to understand, develop and implement an organization’s strategy ● Loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate.	人々の能力、経験及びイノベーションへの意欲、例えば、 ● 組織ガバナンス・フレームワーク、リスク管理アプローチ及び倫理的価値への同調と支持 ● 組織の戦略を理解し、開発し、実践する能力 ● プロセス、商品及びサービスを改善するために必要なロイヤリティ及び意欲であり、先導し、管理し、協調するための能力を含む。
社会・関係資本 Social and relationship capital	The institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being. Social and relationship capital includes: ● Shared norms, and common values and behaviors ● Key stakeholder relationships, and the trust and willingness to engage that an organization has developed and strives to build and protect with external stakeholders ● Intangibles associated with the brand and reputation that an organization has developed ● An organization’s social license to operate.	個々のコミュニティ、ステークホルダー・グループ、その他のネットワーク間又はそれら内部の機関や関係、及び個別的・集合的幸福を高めるために情報を共有する能力。社会・関係資本には次を含む。 ● 共有された規範、共通の価値や行動 ● 主要なステークホルダーとの関係性、及び組織が外部のステークホルダーとともに構築し、保持に努める信頼及び対話の意思 ● 組織が構築したブランド及び評判に関連する無形資産 ● 組織が事業を営むことについての社会的許諾（ソーシャル・ライセンス）

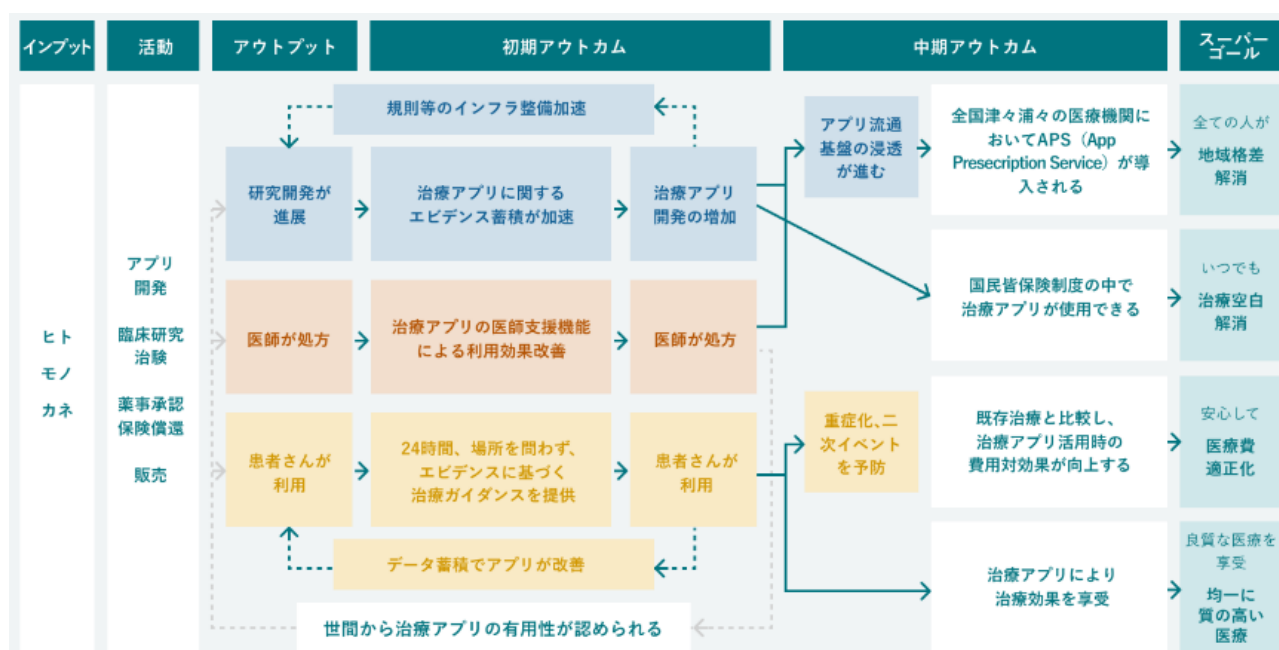
自然資本 Natural capital	All renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organization. It includes: ● Air, water, land, minerals and forests ● Biodiversity and eco-system health.	組織の過去、現在、将来の成功の基礎となる物・サービスを提供する全ての再生可能及び再生不可能な環境資源及びプロセス。自然資本には次を含む。 ● 空気、水、土地、鉱物及び森林 ● 生物多様性、生態系の健全性
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2. Reference

This section includes disclosures that may help in implementing Step 4 of the Guidance's main body, without limiting the scope to impact companies with the three intentions e that the Guidance specifically targets. We believe that there are many other disclosures by various domestic and foreign companies that could be helpful. We hope that impact companies will refer to these and other helpful disclosures to develop their own disclosure and dialogue practices based on the Guidance.

2.1. Disclosures of the Theory of Change, logical framework, and value creation model

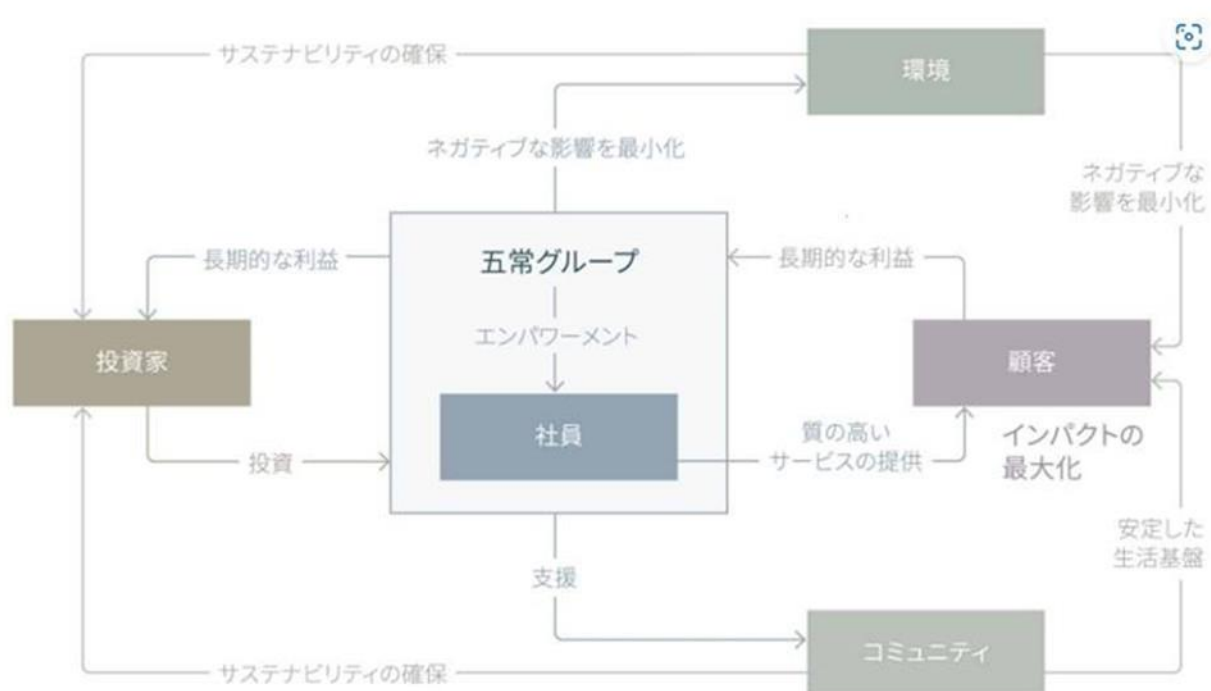
(i) [CureApp](#) (logical framework)



(Source) [CureApp website](#) (current as of December 2023)

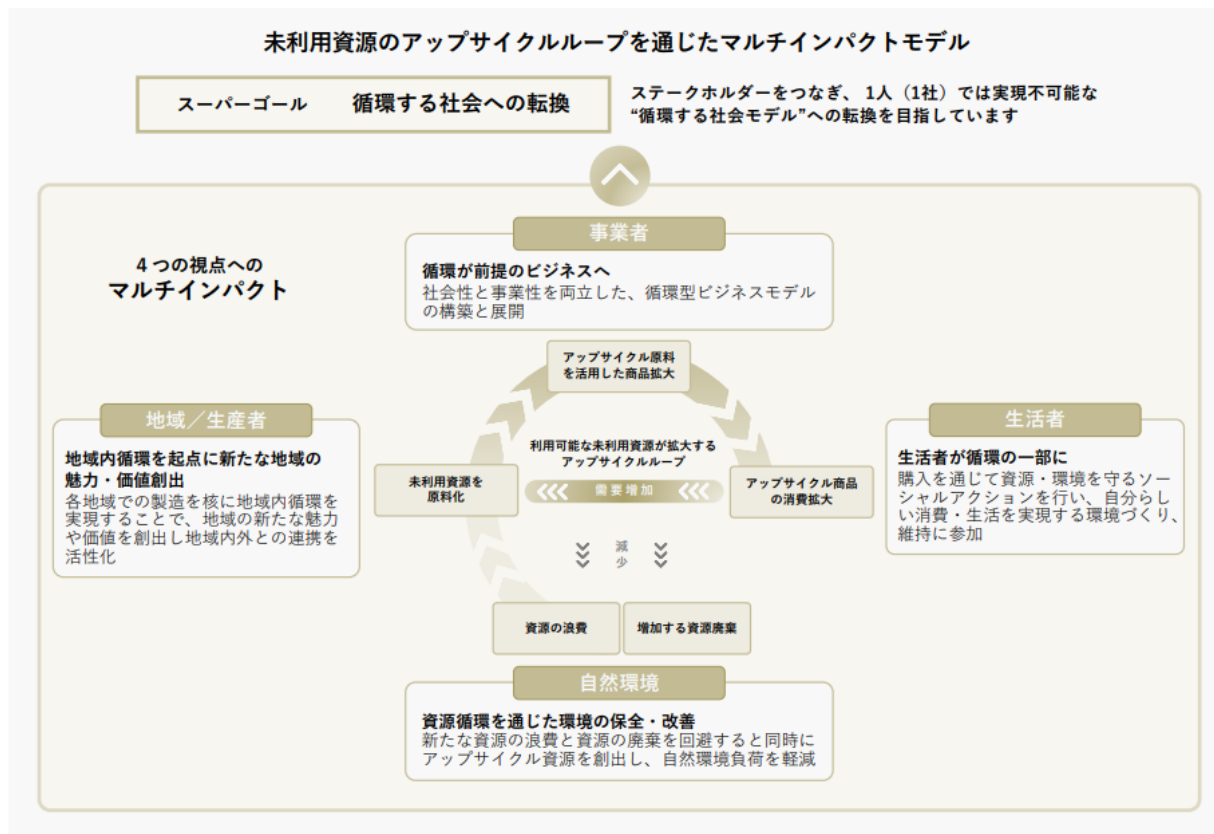
五常グループのセオリー・オブ・チェンジ

「五常グループのセオリー・オブ・チェンジ(Theory of Change, ToC)」は、ステークホルダーとの責任ある関わりを通じて、私たちが「金融包摂を世界中に届ける」というミッションを、どのように実現しようとしているかを示しています。



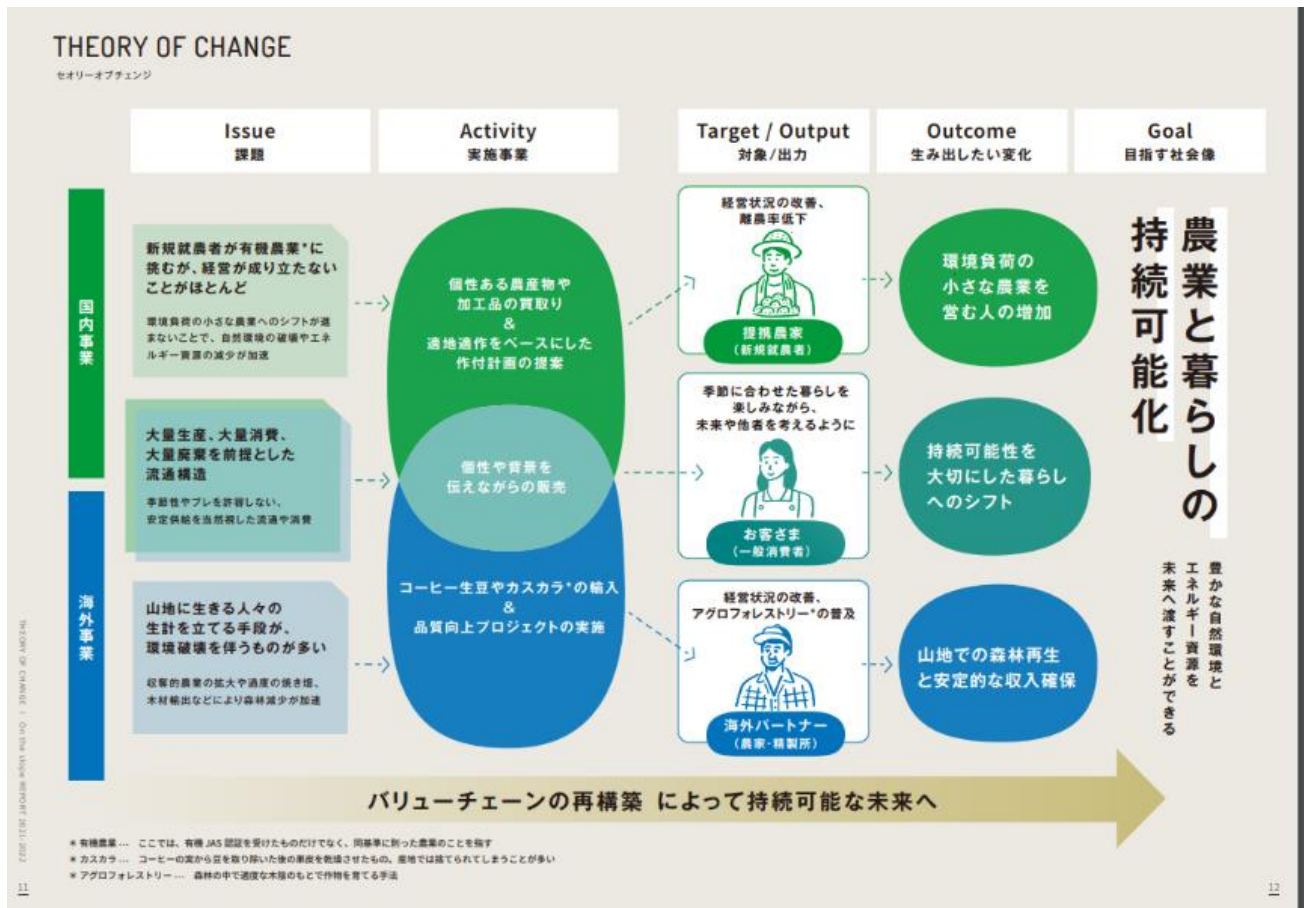
(Source) [Gojo & Company website](#) (current as of December 2023)

(iii) **Fermentation** (Theory of Change and logical framework)



(Source) [Fermentation 2022 Impact Report](#)

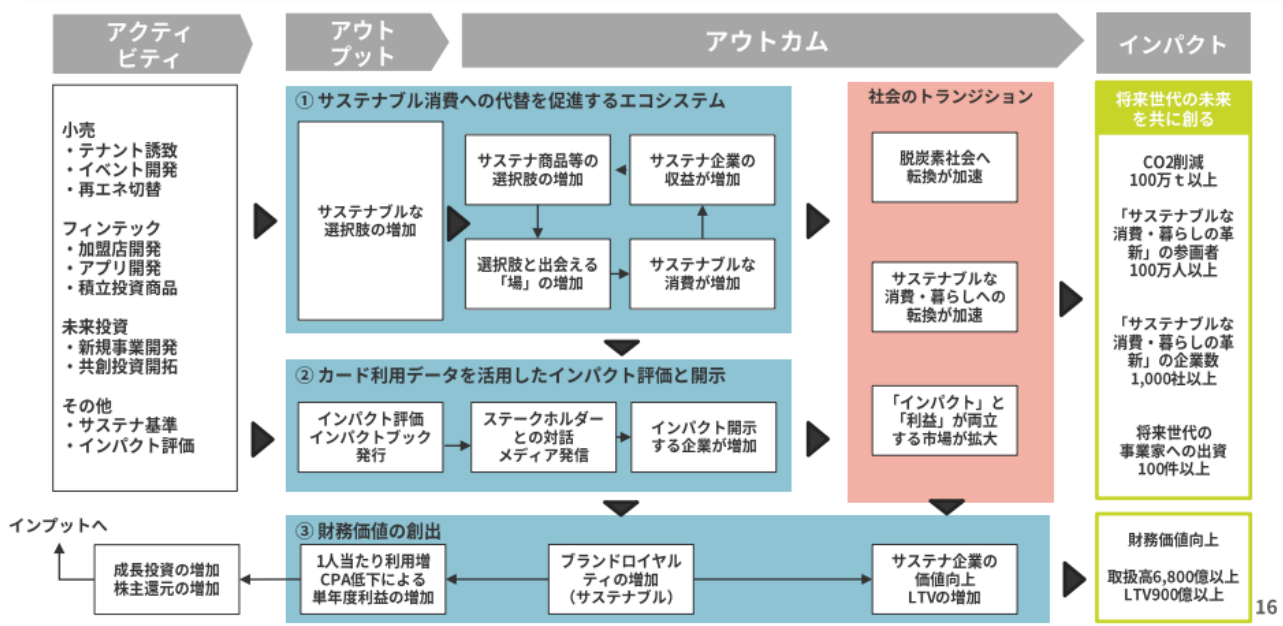
(iv) On the Slope (Theory of Change)



(Source) [On the Slope Report 2021 - 2022](#)

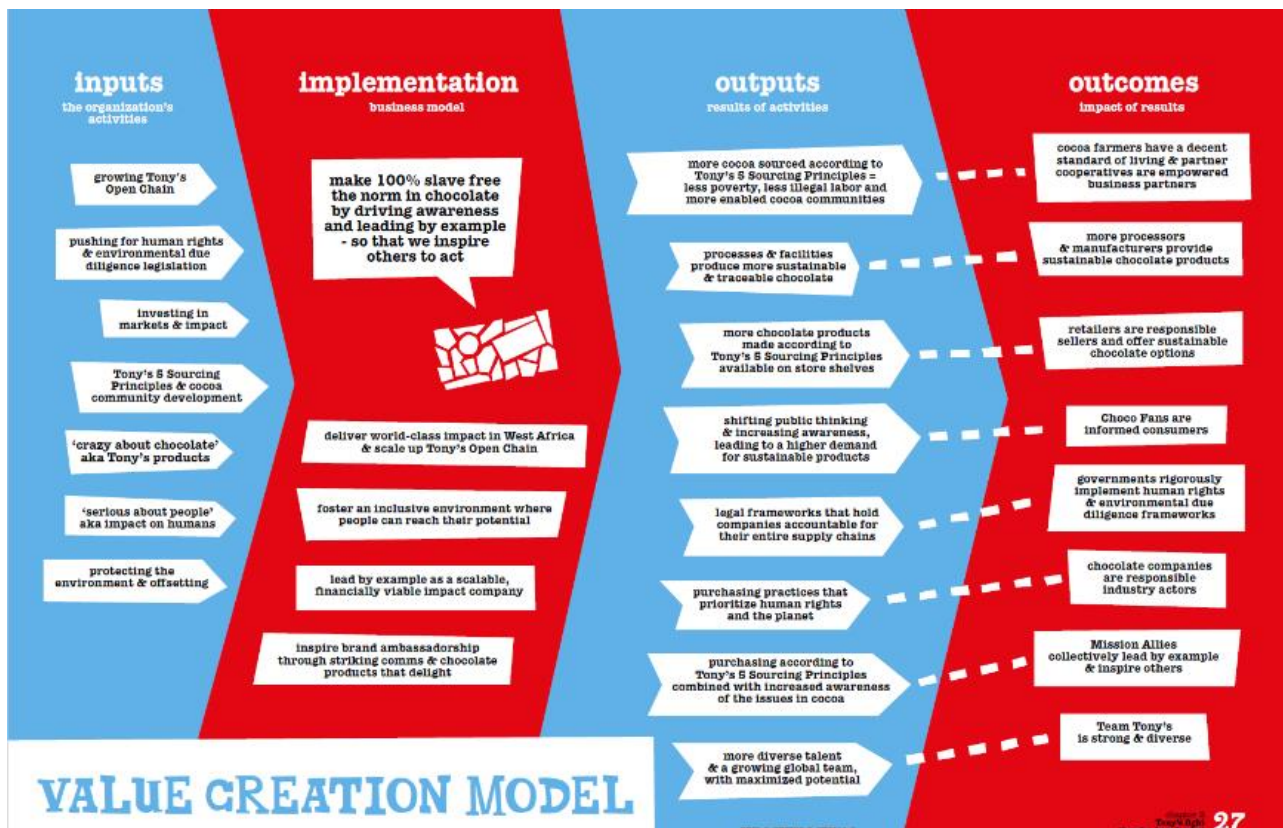
(v) [Marui Group](#) (logical framework)

2-3 ロジックモデル① 将来世代の未来を共につくる



(Source) [Marui Group Impact Book 2023](#)

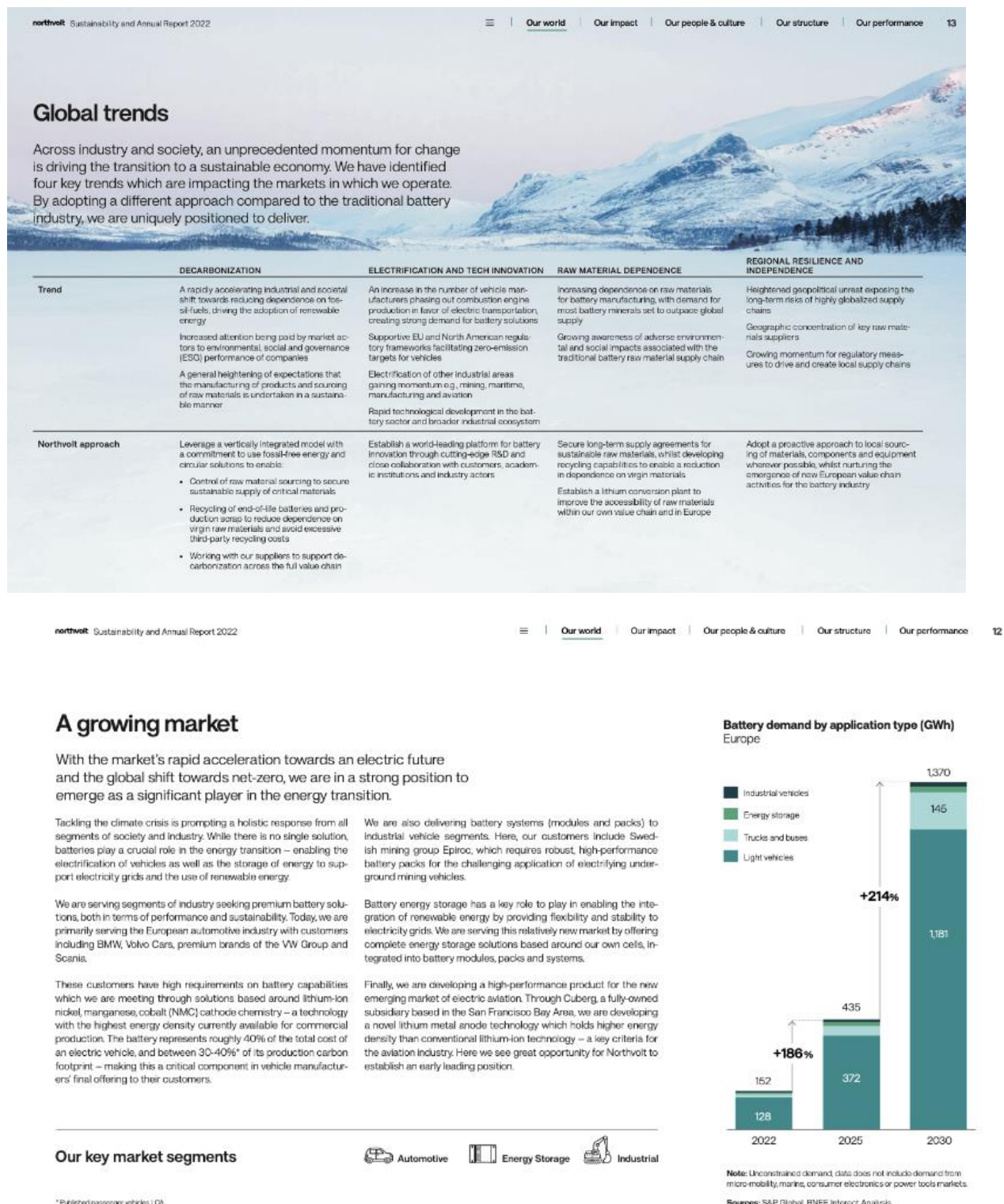
(vi) Tony's Chocolonely (value creation model)



(Source) [Tony's Chocolonely annual report 2021/2022](#)

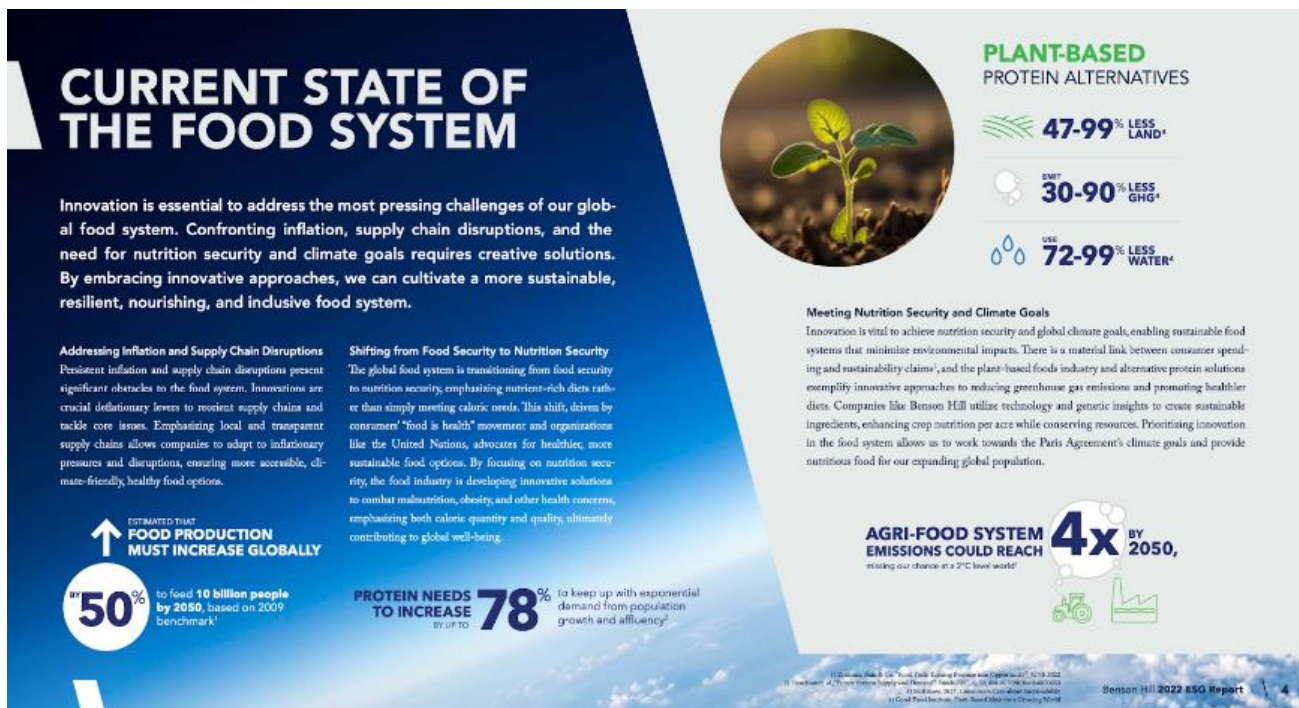
2.2. Disclosures of trends in the social/environmental issues

(i) Northvolt (global trends in the battery market toward decarbonization)



(Source) [Northvolt Sustainability and Annual report 2022](#)

(ii) [BensonHill](#) (trends in the global food system)



(Source) [BensonHill ENVIRONMENTAL SOCIAL & GOVERNANCE REPORT 2022](#)

(iii) Too Good To Go (global food waste and opportunities the problem presents to the company)

A GLOBAL problem

OK, so here's the bad news.

Worldwide, 1 in 9 people go to bed hungry (FAO, 2022).

Despite this shocking statistic, almost 40% of food goes to waste across the globe (WWF, 2021).

Not only that, but Russia's invasion of Ukraine has caused food, fuel and fertiliser prices to soar (WFP, 2022).

These factors, along with the climate crisis and the COVID-19 pandemic, mean that food instability and insecurity are timely, urgent and truly global problems.

A hopeless situation, right?
Wrong.

SPARKS OF hope

Because there's another way of reading these numbers:

By saving just a quarter of the food currently lost or wasted globally, we could feed all 828 million people affected by hunger (FAO, 2022).

That's the kind of challenge we can't turn down.
And luckily, we're not tackling it alone:

In politics, 2022's COP27 included food waste on the agenda for the first time.

—

In retail, 40% of the world's 50 largest food companies now measure and report food waste, with 20% committing to reduction programmes (Champions 12.3, 2022).

—

Consumers are doing their bit too, with an 80% post-pandemic rise in people searching online for ways to increase the life of food items (Capgemini, 2022).

A hopeful situation, right?
You got it.

(Source) [Too good to go IMPACT REPORT 2022](#)

(iv) Tesla (plans for the use of sustainable energy in the future)



Executive Summary

On March 1, 2023, Tesla presented Master Plan Part 3 – a proposed path to reach a sustainable global energy economy through end-use electrification and sustainable electricity generation and storage. This paper outlines the assumptions, sources and calculations behind that proposal. Input and conversation are welcome.

The analysis has three main components:

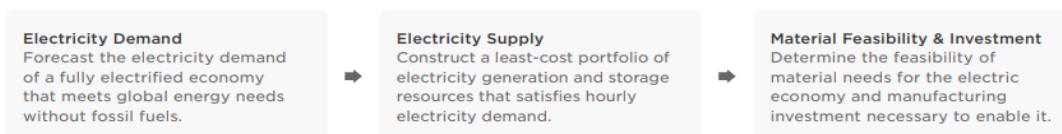


Figure 1: Process overview

This paper finds a sustainable energy economy is technically feasible and requires less investment and less material extraction than continuing today's unsustainable energy economy. While many prior studies have come to a similar conclusion, this study seeks to push the thinking forward related to material intensity, manufacturing capacity, and manufacturing investment required for a transition across all energy sectors worldwide.

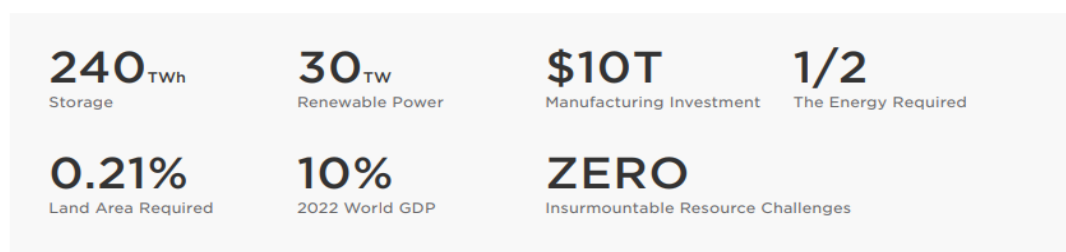


Figure 2: Estimated Resources & Investments Required for Master Plan 3

The Current Energy Economy is Wasteful

According to the International Energy Agency (IEA) 2019 World Energy Balances, the global primary energy supply is 165 PWh/year, and total fossil fuel supply is 134PWh/year²⁰. 37% (61PWh) is consumed before making it to the end consumer. This includes the fossil fuel industries' self-consumption during extraction/refining, and transformation losses during electricity generation. Another 27% (44PWh) is lost by inefficient end-uses such as internal combustion engine vehicles and natural gas furnaces. In total, only 36% (59PWh) of the primary energy supply produces useful work or heat for the economy. Analysis from Lawrence Livermore National Lab shows similar levels of inefficiency for the global and US energy supply²¹.

Today's Energy Economy (PWh/year)

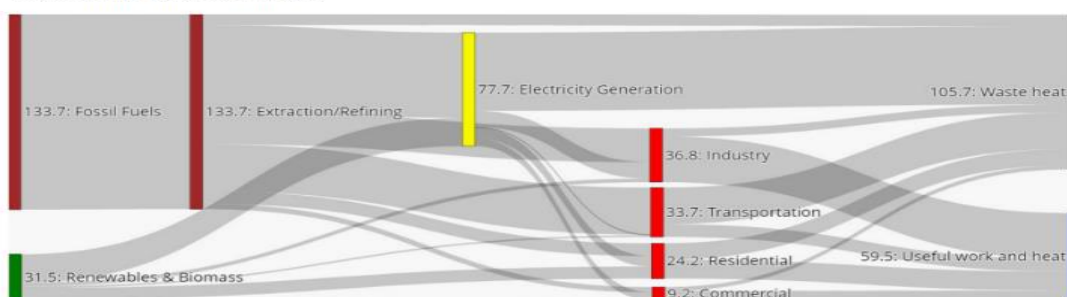
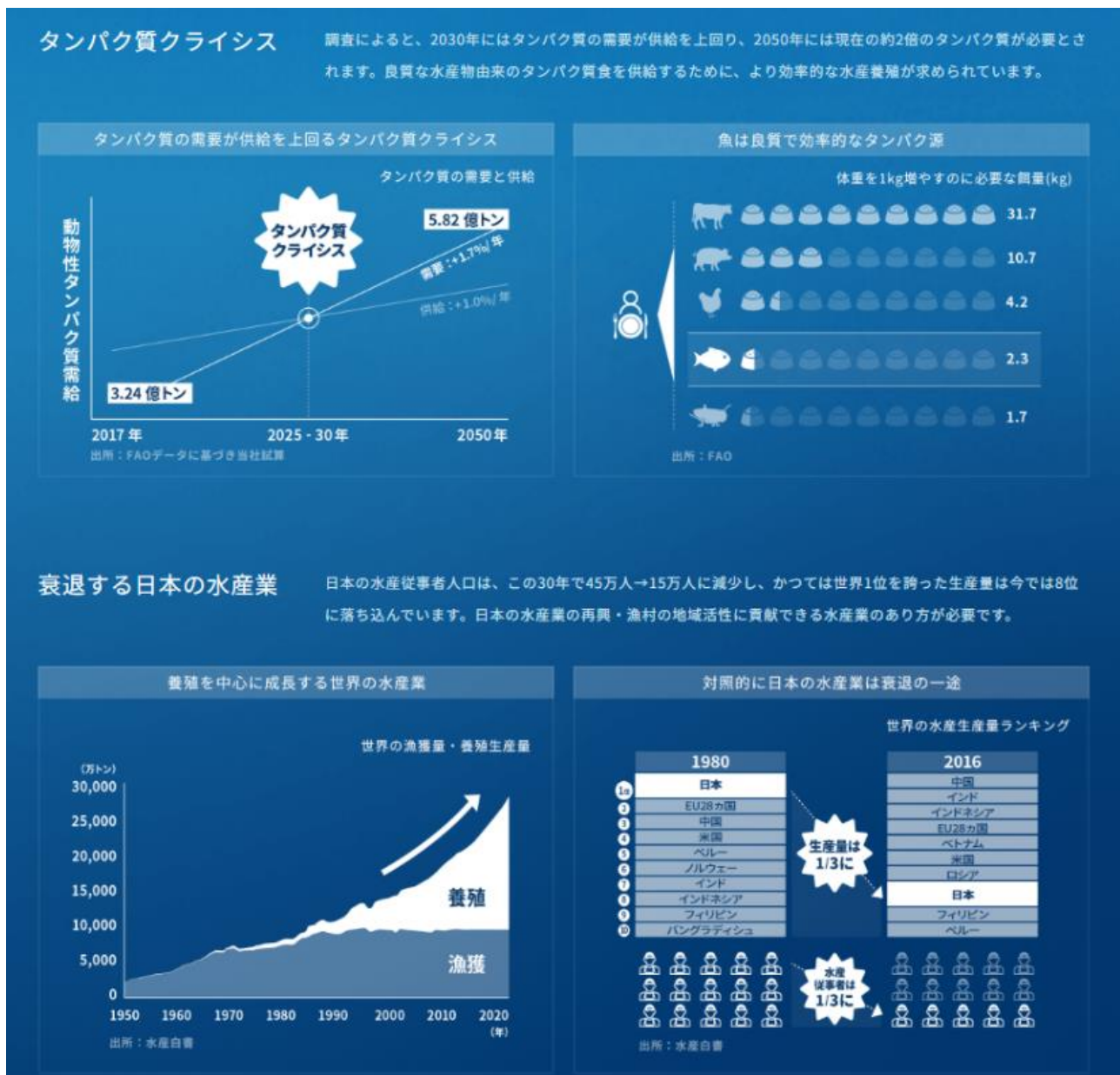


Figure 3: Global Energy Flow by Sector, IEA & Tesla analysis

(Source) [TESLA Master Plan Part 3 \(2023\)](#)

(v) Regional Fish (outlook for global demand for protein foods and Japan's aquaculture industry)



(Source) [Regional Fish website](#) (current as of December 2023)

2.3. Disclosures of growth strategies (including expansion of the TAM)

(i) [H2 Green Steel](#) (Quantification of the impact the company makes and plans for expansion)

Powering a new, clean industrial revolution

Cleaning up steel is key to tackling climate change. As one of the world's dirtiest industries, it is responsible for more than 7 percent of global CO₂ emissions. By bringing emissions close to zero, we are enabling sustainable steelmaking – building a better, cleaner future for our planet.

95%

reduction in CO₂ emissions
compared to traditional
steelmaking

5

MILLION TONNES

of green steel produced annually in Boden by
2030

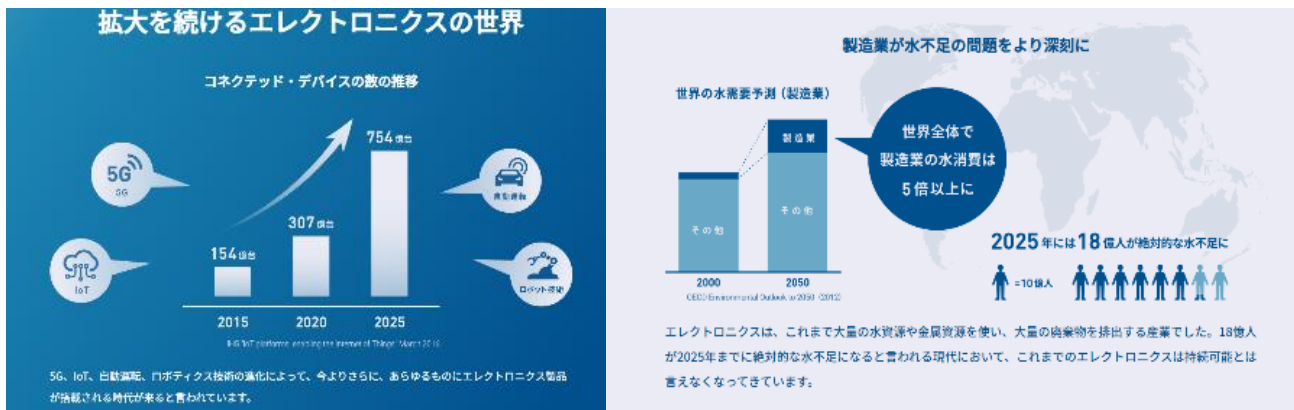
0.3

BILLION TONNES

of CO₂ avoided by 2040, which
is about 1% of total current
annual man-made emissions

(Source) [H2 Green Steel website](#) (current as of December 2023)

(ii) Elephantech (expanding market; comparative advantages of the company's products)



新しいエレクトロニクス

「不要な部分を溶かす」プロセスから「必要な部分に印刷する」プロセスへ

エレファントック製法 (ピュアディティブ法)

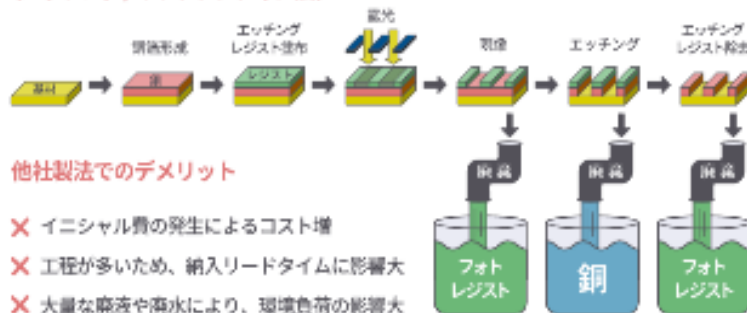


エレファントック製法にするメリット

- ✓ 必要な箇所にのみ銅線形成を施すことで製造コストと環境負荷の低減を実現
- ✓ シンプルな製造プロセスのためリードタイムの短縮を実現

他社製法

(エッチング/サブトラクティブ法)



他社製法でのデメリット

- ✗ イニシャル費の発生によるコスト増
- ✗ 工程が多いため、納入リードタイムに影響大
- ✗ 大量な廃液や廃水により、環境負荷の影響大

例えばプリント基板では、既存工程は銅箔を製造し、フィルムとラミネートし（CCL製造）、感光材料をラミネートしたあと、露光、現像、エッチングによって不要な部分の銅箔を溶解・廃棄することで、所望の銅パターンを得るという、非常に長い工程でした。

我々の工程はフィルムに金属を印刷し、成長させることで所望の銅パターンを得る方法で、銅箔製造プロセス、CCL製造プロセスが丸ごと不要になる上、エッチングで銅箔を溶解・廃棄するプロセスも不要となります。

(Source) Elephantech website (current as of December 2023)

(iii) Oxford Nanopore (availability of technologies)



(Source) [Oxford Nanopore SUSTAINABILITY REPORT FY 2022](#)

(iv) Planet Labs (availability of technologies)



(Source) [Planet Labs 2023 Investor Day Presentation](#)

(v) Gojo & Company (framework that combines customer and business perspectives)

五常のClient-Centric Framework



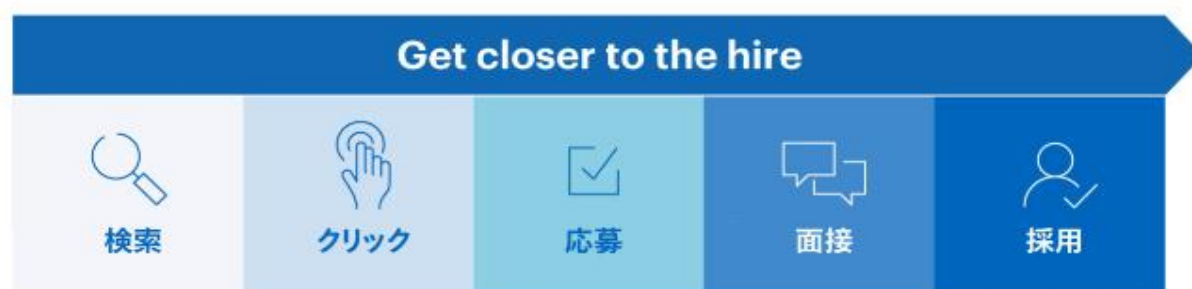
(Source) [Gojo & Company Impact Report July 2022](#)

(vi) Recruit (impact creation-related goals and a detailed approach for reaching these goals)

2030年度までに、就業までにかかる時間を2021年度比で約半分^(注2)に短縮することを目指す

2021
15週 → 2030
7.5週

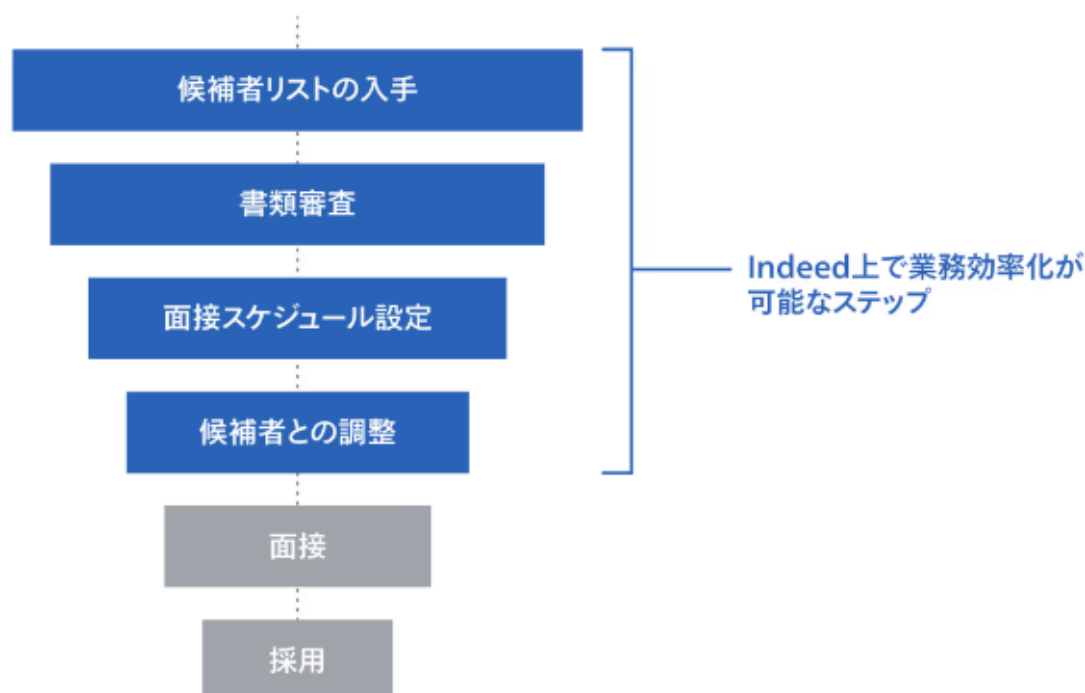
私たちは、求職者の仕事探しを支援するために、就業までに掛かる時間の短縮に取り組んでいます。企業クライアントが、求人情報の掲載や候補者管理、面接や内定まですべての採用プロセスをプラットフォーム上で完結できるようにすることも、その実現に向けた取り組みの一つです。また、Indeed上でデータを収集することで、マッチングの質とスピードを向上し続けています。



プラットフォームの進化で採用をより早くシンプルに

就業までに掛かる時間を短くするために、プロダクトを進化させ、世界中の求職者と企業クライアントの支援に取り組んでいます。

採用担当者が担う業務



(Source) [Recruit website](#) (current as of December 2023)

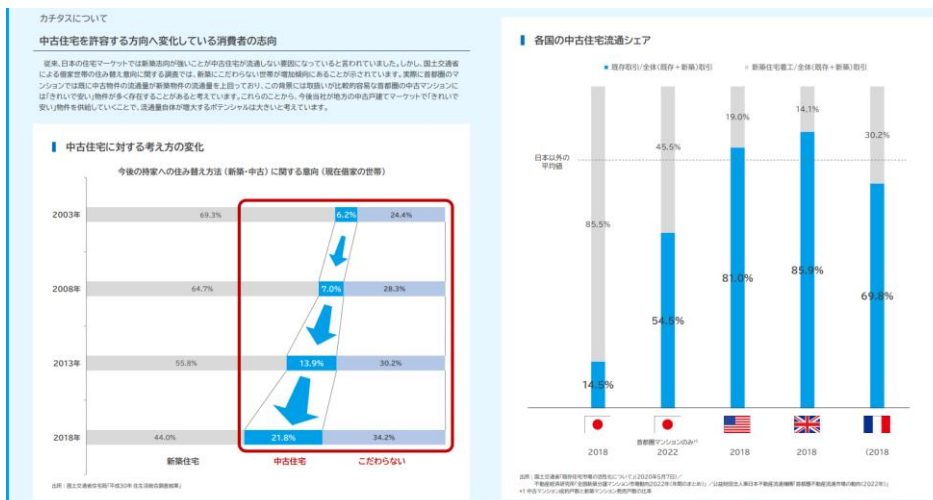
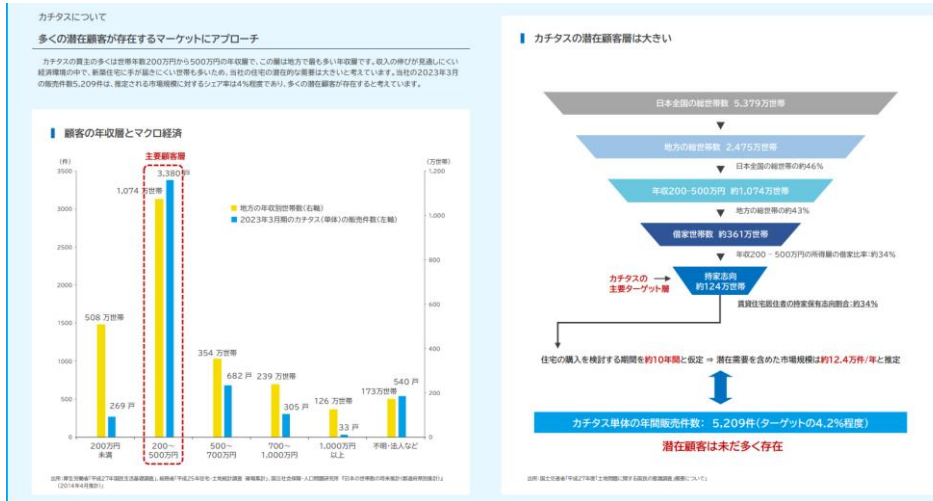
(vii) Ame Kaze Taiyo (medium- to long-term visions and impact metrics)



Copyright 2023 Ame KazeTaiyo, Inc.

(Source) [Ame Kaze Taiyo website](#) (current as of December 2023)

(viii) KATITAS (External environment)



(Source) KATITAS Co., Ltd. Integrated Report 2023

2.4. Disclosures of quantitative information that underlies the sources of the company's competitive advantages

(i) [Safaricom](#) (four bases of the company's culture and data connected to these bases)

The Spirit of Safaricom

The Spirit of Safaricom forms an important part of our human, intellectual, social and relationship capitals. It is the foundation of our culture, and guides our beliefs, behaviours and language. It comprises four key pillars – purpose, customer obsession, collaboration and innovation.



During the year under review, we continued to enable and empower staff to adopt and foster the change and culture that will support us in our purpose of transforming lives.

This involves:

Key element	Our enabling beliefs
Purpose	- Empowering others with the resources and autonomy to win - Emphasise efficiency, production and value - Providing clarity and consensus on purpose and mission - Removing impediments to achieving missions
<i>For more on our Purpose, refer to The Social Value We Contribute on page 120</i>	
Customer Obsession	- Putting the customer at the centre - Using insights concerning the external environment to act on opportunities - Putting the customer first, so that value will follow - Promoting ownership and developing simple, clear customer-centric solutions
<i>For more on Customer Obsession, refer to page 30</i>	
Innovation	- Experimenting and learning quickly - Playing to win by doing what is right - Creating a safe space to speak up - Driving innovation and creativity
<i>For more on Innovation, refer to Our Human Capital on page 86 and Our Intellectual capital on page 90</i>	

We measured our success in FY2023 through a Pulse Survey:

88%
Response rate

79%
Engagement

94%
Spirit Index

83%
Digital First

79%
Customer Obsession

(Source) [Safaricom ANNUAL REPORT AND FINANCIAL STATEMENTS 2023](#)

(ii) [Tesla](#) (use of external data to disclose its high ratings by new graduates in engineering)

Engineering students want to work for Tesla and SpaceX more than any other organization

At Tesla, meaningful engineering ideas can come from interns, analysts or executives. We strive to minimize red tape so our engineers can be creative and solve engineering problems that have never been solved.

According to Universum's 2022 U.S. rankings.

U.S. Engineering Students' Rankings

Universum 2022

1	SpaceX	11	General Motors
2	Tesla	12	Toyota
3	NASA	13	Ford Motor
4	Lockheed Martin	19	BMW Group
5	Boeing	20	Intel
6	Apple	26	Nvidia
7	Google	28	Honda
8	Microsoft	29	Blue Origin
9	Northrop Grumman	34	IBM
10	Raytheon Tech	38	AMD

Impact Report 2022

People & Culture

105

(Source) [Tesla Impact Report 2022](#)

(iii) **Teladoc** (quantified critical details about the company's mission)

What we stand for

Our mission is to empower all people everywhere to live their healthiest lives by transforming the healthcare experience.

It's an audacious goal. Yet every day, we strive to ensure that the people and organizations we serve are always cared for. That includes addressing the challenges and barriers to care that still exist for too many people—around the world and in our own communities.

These realities guide our approach to corporate social responsibility as we work to contribute to a world in which all individuals feel seen, heard and empowered to improve their health and well-being. Our guiding principles in this pursuit include:

- **Exceeding consumer and client expectations** by serving as a trusted partner and addressing their whole-person care needs
- **Building stronger, healthier communities** by using our voice and our resources to help expand equitable access to quality care across the globe
- **Investing in our colleagues** by fostering a vibrant, inclusive work environment united by a common mission and empowering people to succeed and be their authentic selves

We are passionate about **taking care of people**

We are committed to **unsurpassed quality**

We **keep our promises**

We lead with **integrity, accountability** and **transparency**

We stand up for **what's right**

We strive to **create value**

We **respect** each other and value **succeeding together**

Teladoc

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Exceeding consumer and client expectations

In 2022, Teladoc Health celebrated our 20th year of delivering on the promise of virtual care. In that time, what was once a novel approach to care delivery has become an expectation.

Today's consumers want a high-quality experience they can trust to connect them with the care they need—and maybe even care they didn't realize just how much they needed—at every step in their healthcare journey.

Meanwhile, organizations demand increased value from their virtual care investments—from extending access to care for underserved populations to improving clinical outcomes among the people they serve.

By the numbers

60+

NET PROMOTER SCORE, A KEY INDICATOR OF STRONG CUSTOMER EXPERIENCE

42%

OF MEDICARE ADVANTAGE MEMBER MENTAL HEALTH VISITS ARE FROM PEOPLE WHO SAY THEY WOULD NOT OTHERWISE SEEK CARE

25%+

OF OUR VIRTUAL PRIMARY CARE PROVIDERS WITH CHOLESTEROL OR HYPERTENSION ARE NEWLY DIAGNOSED

Teladoc

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Improving health equity

Our commitment to health equity is central to our company's mission of empowering all people everywhere to achieve their healthiest lives.

900K

OF OUR VISITS IN 2022 DELIVERED CARE TO PEOPLE WHO OTHERWISE WOULDN'T HAVE RECEIVED TREATMENT

+78

AVERAGE NET PROMOTER SCORE, A KEY INDICATOR OF STRONG CUSTOMER EXPERIENCE, AMONG BLACK AND HISPANIC USERS

\$18M

VALUE OF FINANCIAL AID TO COVER THERAPY/FOLLOW-UP FOR LOW-INCOME INDIVIDUALS

A trusted partner

In the U.S., people of color are more likely to use our services and more likely to have a favorable view of Teladoc Health compared to the general population.

“Our scale, combined with the breadth and depth of our services, enables us to deeply understand what works, for whom, in what contexts. We are embedding health equity across the enterprise in order to deliver equitable access, experience, and outcomes to all those whom we serve.”

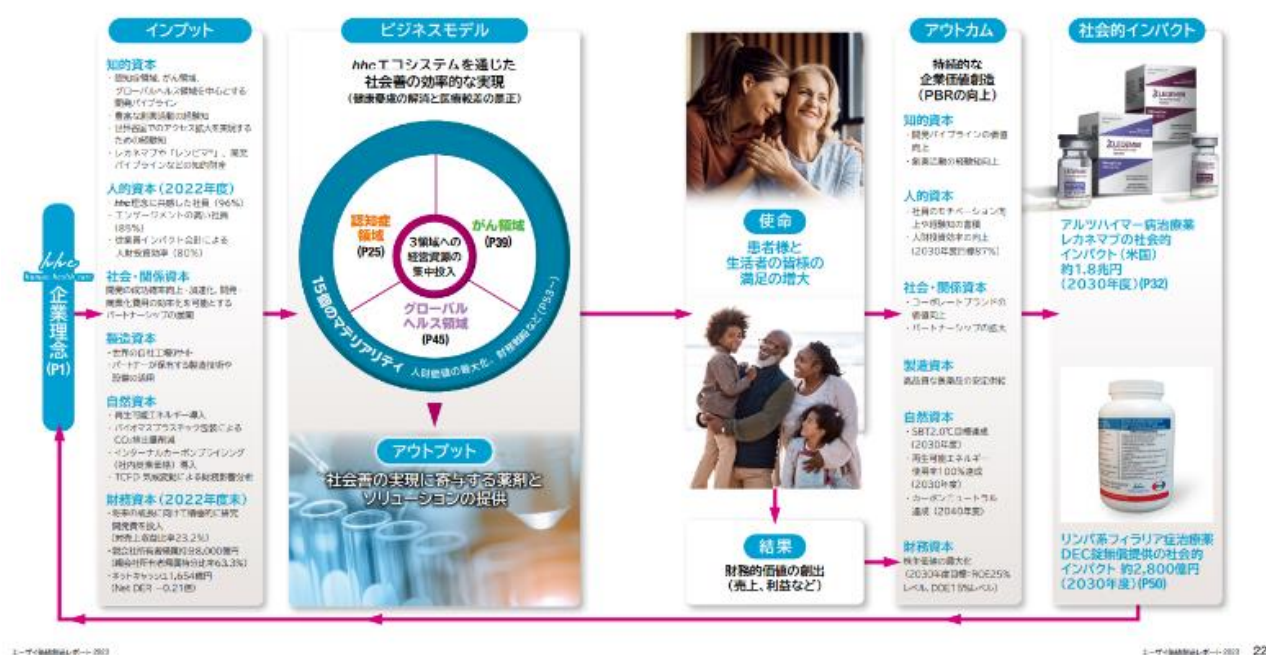
Saranya Loehrer, MD, MPH, Chief Health Equity Officer, Teladoc Health

Teladoc

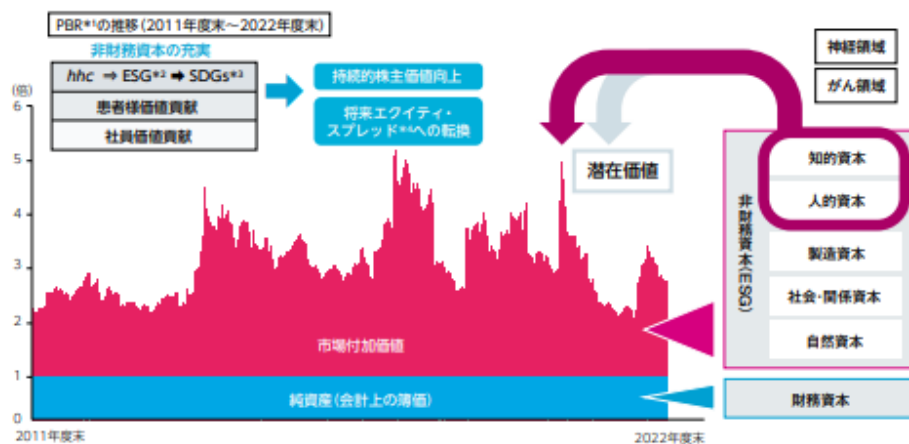
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(Source) [Teladoc 2022 Corporate Social Responsibility Report](#)

(iv) Eisai (quantified value of non-financial capital)



エーザイの企業価値を構成する6つの資本*

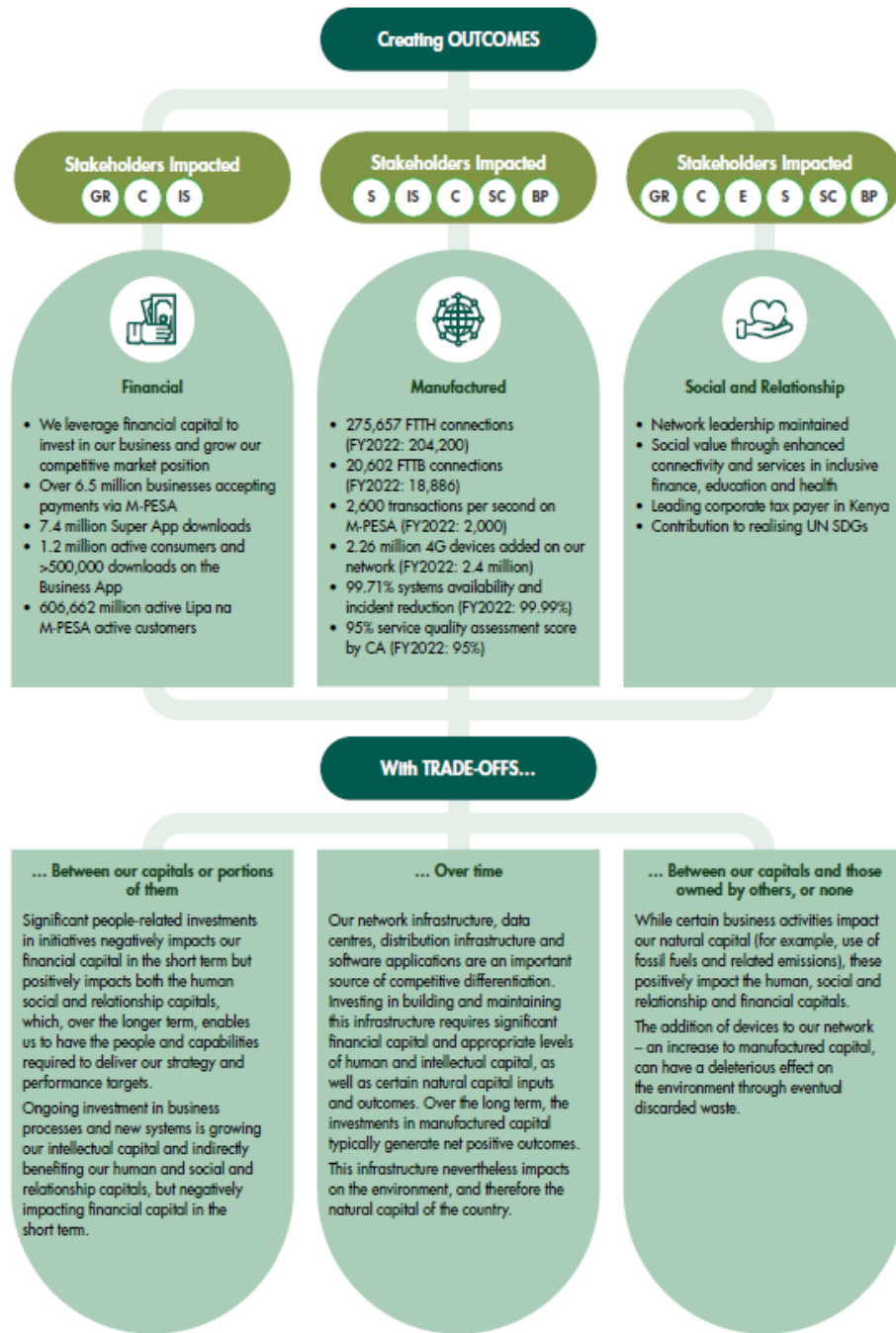


*1 Price Book-Value ratio (株価純資産倍率) *2 Environment (環境), Social (社会), Governance (企業統治) *3 Sustainable Development Goals (持続可能な開発目標)
*4 ROE (親会社所有者帰属持分当期利益率) - 株主資本コスト (当社は8%と仮定)

(Source) Eisai Value Creation Report 2023

2.5. Disclosures of risk management policies

(i) Safaricom (impact on stakeholders and acknowledged trade-offs for it)



77

(Source) [Safaricom ANNUAL REPORT AND FINANCIAL STATEMENTS 2023](#)

(ii) Orsted (comparison of new expectations from stakeholders with the company's abilities to

identify areas for improvement)

Updated approach to our sustainability themes analysis

In 2022, we updated our sustainability themes analysis for two reasons: firstly, to strengthen our understanding of our impact on our surroundings, and secondly, to better understand how to act on and work with the themes in practice to create the biggest possible positive impact.

Our sustainability themes analysis has always been guided by the principle of taking a double view on materiality – that is, considering both the impact that we as a business have on the environment and society, and the impact that identified themes may have on us as a business.

To assess our impact on our surroundings, we have been guided by the level and intensity of attention each theme has received from our stakeholders. To assess impact on our business, we have considered the reputational, operational, and regulatory risks and opportunities that a theme could pose. This is illustrated in matrix 1 to the right.

To further strengthen our understanding of the impact we have on our surroundings, we have improved our insights on stakeholder perspectives. We have done so by developing a more individualised stakeholder approach and by collecting insights from stakeholder-specific and subject-matter experts across our business to ensure that we thoroughly understand what matters to each individual stakeholder group. Our key stakeholder groups are:

- Governments and corporate customers
- Current and future employees
- Investors and joint venture partners
- Communities
- Policymakers (e.g. regulators, international standard-setting bodies)
- Energy opinion shapers (e.g. think tanks, international organisations, NGOs)

Moreover, we also wanted to better understand what type of action we should take to adequately address our material themes.

As a new addition to our analysis, we have therefore introduced a new matrix allowing us to compare the novelty of stakeholder expectations to Ørsted with our current ability to meet these expectations. This helps us identify which action is most appropriate for each identified theme. Should we continue or strengthen our efforts? Should we build new capabilities to address a theme? Or should we observe it for now, closely following developments in expectations and potential impacts on our business? This is illustrated in matrix 2.

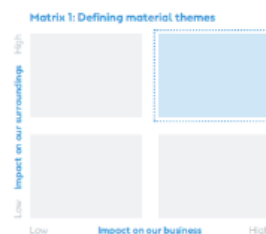
As shown, we have placed all our five key themes under 'Strengthen'. While we have worked with all five for several years and have strong practices in place, we need to further strengthen our capabilities to adequately respond to the rising importance of these themes.

Next year, we will look into how we can further strengthen our double materiality assessment, including a particular focus on financial materiality, to align our approach with the EU's upcoming Corporate Sustainability Reporting Directive (CSRD).

On our website, you can read more about our approach [here](#) and see the full results of the 2022 analysis [here](#).
→

Our approach to mapping themes and defining our response

Matrix 2: Defining appropriate action for each theme



11 Ørsted sustainability report 2022

(Source) [Ørsted Green energy to power lasting positive impact](#)

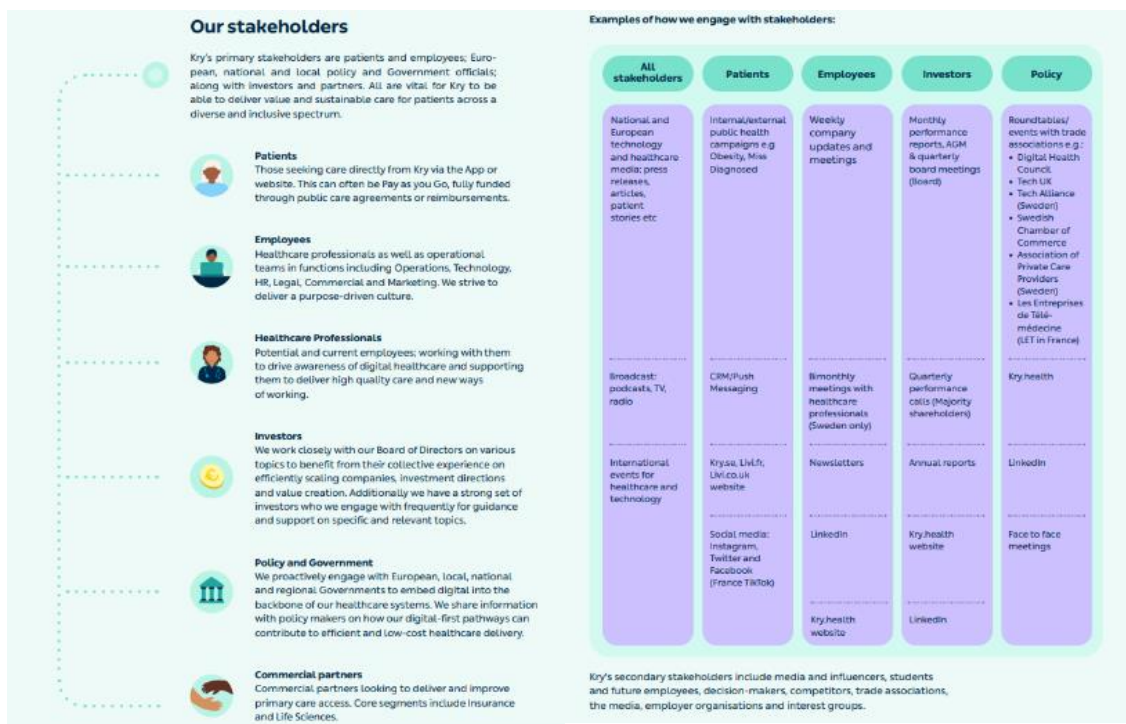
2.6. Disclosures of overall pictures of stakeholders and policy on governance

(i) Vital Farms (key stakeholders identified and governance structured to incorporate these stakeholders' interests)



(Source) [Vital Farms 2023 IMPACT REPORT](#)

(ii) [Kry](#) (example of key stakeholders identified and stakeholder engagement)



(Source) [Kry Sustainability Report 2022](#)

(iii) Beyond Meat (example of key stakeholders identified and stakeholder engagement)

Stakeholder	Type of Engagement
Consumers	- Encouraged feedback and engagement through social media platforms - Provided shopper incentive programs and product sampling, where possible
Customers	- Collaborated to promote accessibility of nutritious, sustainable plant-based protein options - Entered into a joint venture and strategic partnerships to expand our reach into new markets, customer segments, and global communities
Local Communities	- Surpassed our goal of 1 million meal donations in response to the COVID-19 pandemic - Provided 5 million meals to food banks, hospitals, front-line organizations, and vulnerable communities
Non-governmental Organizations (NGOs) – Academic Institutions and Nonprofits	- Partnered to advance clinical research on the benefits of plant-based diets - Collaborated on sustainability-focused youth education initiatives

(Source) [Beyond Meat ENVIRONMENTAL, SOCIAL, AND GOVERNANCE UPDATE JULY 2022](#)

(iv) Oxford Nanopore (established sustainability governance)

Sustainability governance

Key principles and governance highlights for 2022

We are committed to conducting all of our business in an honest and ethical manner, and we are proud of our ethical standards. These values and our approach to sustainability is directly linked to our business strategy and our vision to achieve the analysis of anything, by anyone, anywhere. Factors of corporate governance and embedding a culture of risk identification and mitigation as a key part of achieving our strategy.

- We voluntarily comply with the UK Corporate Governance Code and, following the appointments of Duncan Tait-Brown as our new Board Chair and Wendy Bodder as Senior Independent Director, we are currently fully compliant with the Code.

We have policies and procedures in place that reflect our ethical standards. In 2022, the Board approved a new Conflict Minerals Policy to document our commitment to sourcing components and minerals from companies that share our values for human rights, integrity, and environmental responsibility. This includes the responsible sourcing of minerals through our global supply chain.



Sustainability governance structure



Board
Overall responsibility for sustainability

Operating Committee
Led by CEO, oversees operational sustainability risks

EHS Steering Committee
Cross-functional committee with responsibility for environmental and health and safety issues

■ Board level ■ Management level

Board
The Board has overall responsibility for sustainability. This includes overseeing performance, and assessing and monitoring risks. The Board will review our Sustainability Reports prior to publication. ESG and sustainability is an agenda item for the Board at least twice each year. The Board is supported by the Audit and Risk Committee.

Operating Committee
The Operating Committee's role is to develop the Company's purpose, values, objectives, culture, and strategic and long-range plans. The Operating Committee also discusses and considers risks and reviews the Sustainability Report prior to approval by the Board.

EHS Committee
An operational and strategic pathway feeds into the Board through the Operating Committee supported by the EHS Steering Committee. The EHS Steering Committee meets on a biannual basis and is a cross-functional committee led by Gordon Sanghera (CEO), which has responsibility at management level over all environmental, health, and safety issues facing Oxford Nanopore, including climate-related risks and opportunities.

(Source) [Oxford Nanopore SUSTAINABILITY REPORT FY 2022](#)

2.7. Disclosures of information at the time of an IPO

(i) [Kokusai Electric](#) (disclosure of a record and targets related to human capital in a Securities Report (Part I))

(2) 指標及び目標

人的資本・多様性に関する取り組みのうち多様性については、性別、経験者（通年）採用及び国籍の3つの観点から注力しており、当社の主な指標及び目標と実績につきましては、以下のとおりです。

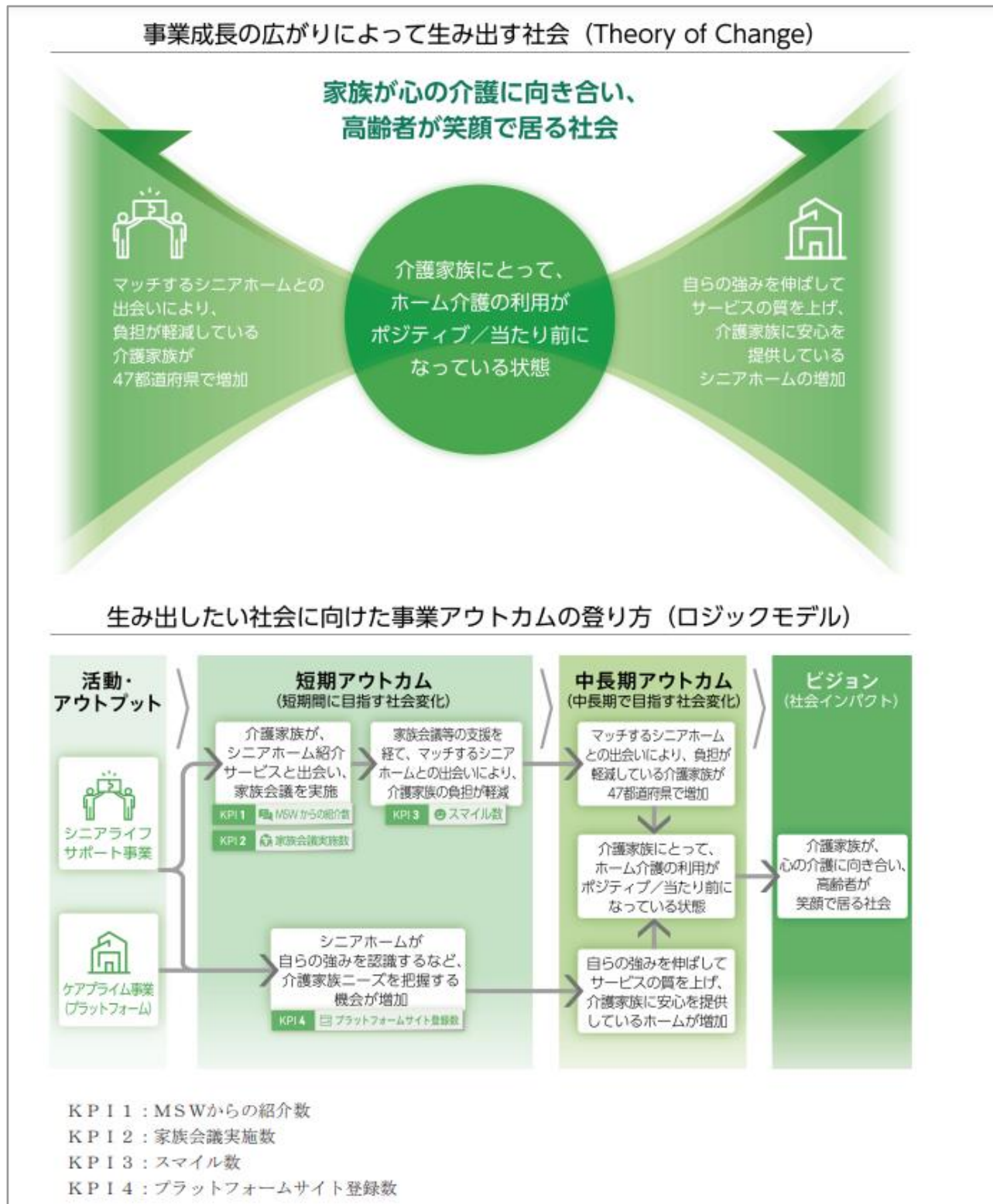
指標	目標	2022年度実績
管理職に占める女性労働者の割合（％）（注1）	2029年までに8.0％	3.2
男性労働者の育児休業取得率（％）（注2）	2029年までに30.0％	57.1
経験者採用者の割合（％）	前年比増	11.8
外国籍社員の割合（％）	前年比増	2.4
年間死亡災害件数（件）	0	0

（注）1. 「女性の職業生活における活躍の推進に関する法律」（平成27年法律第64号）の規定に基づき算出したものであります。

2. 「育児休業、介護休業等育児又は家族介護を行う労働者の福祉に関する法律」（平成3年法律第76号）の規定に基づき、「育児休業、介護休業等育児又は家族介護を行う労働者の福祉に関する法律施行規則」（平成3年労働省令第25号）第71条の4第1号における育児休業等の取得割合を算出したものであります。

(Source) [Securities Report for Initial Listing Application \(Part I\) by Kokusai Electric](#)

(ii) [Emimen](#) (disclosure of ToC and a logical framework in a Securities Report (Part I))



(Source) [Securities Report for Initial Listing Application \(Part I\) by Emimen](#)

3. Relationship between Recommended Disclosure

Items and Documents

This section focuses on the documents required at the time of an IPO, namely a securities report, documents illustrating the company's growth potential, and corporate governance report (CG). Other documents, such as a prospectus and written notice, are also required when a company goes public. Those documents, however, contain essentially the same details as those in a securities report. Information may also be disclosed in documents for voluntary disclosure in addition to those for statutory disclosure. A check (✓) indicates that the items are closely connected, although the connection is not limited to those items.

		(i) Trends in social/environmental issues to be addressed (including the scale of TAM)	(ii) Growth strategy (including potential expansion of the TAM)	(iii) Quantitative information that underlies the source of the company's competitive advantages	(iv) Risk/Opportunity management policy	(v) Overall picture of stakeholders and the company's policy on governance
Securities report	I. Overview of the Company ● Employees			✓ (employee-related information)		
	II. Overview of Business ● Management Policy, Business Environment, and Issues to be	✓	✓	✓	✓	

	Addressed					
	● Approach to Sustainability and Related Initiatives*1	✓ (strategies, metrics, and goals)	✓ (strategies, metrics, and goals)	✓ (strategies, metrics, and goals)	✓ (risk management)	✓ (governance)
	● Business Risks				✓	
	● Management Analysis of Financial Position, Operating Results, and Cash Flows		✓			
Documents illustrating the company's growth potential*2	● Business model		✓			
	● Market conditions	✓	✓			
	● Sources of competitive advantages			✓		✓
	● Business plan		✓			
	● Risk information				✓	
CG *3	I-1. Basic views					✓
	I-1 (2) Disclosure based on each	✓ (Principle 2-3)	✓ (Principle 2-1)	✓ (Principle 2-4)	✓ (Principle 2-3)	✓ (Principle 2-2, Principle 4-1)

	principle of the Code *4					
	II. Business Management Organization and Other Corporate Governance Systems regarding Decision Making, Execution of Business, and Oversight					✓
	III. Implementation of Measures for Shareholders and Other Stakeholders					✓
Voluntary reports *5	(Impact report, sustainability report, integrated report, etc.)	✓	✓	✓	✓	✓

*1: In the new section for sustainability information, the disclosure of information about governance and risk management is required of all companies, and information about strategies, as well as indicators and targets, should be disclosed if it is judged to be important ([“Commentary on Amendments to the Cabinet Office Order on Disclosure of Corporate Affairs,”](#) the Financial Services Institute). The recommended disclosure items (i) to (v) in this Guidance may also be disclosed.

*2: [“Matters related to Business Plans and Growth Potential” in the growth market](#)

*3: [Corporate Governance Report](#)

*4: The principles in [Japan’s Corporate Governance Code](#) that may be related are shown as examples,

which does not mean that these are the only related principles. Moreover, depending on which market section the company is in, some principles with supplementary principles may require more detail.

[Principle 2.1 Business Principles as the Foundation of Corporate Value Creation Over the Mid- to Long-Term]

[Principle 2.2 Code of Conduct]

[Principle 2.3 Sustainability Issues, Including Social and Environmental Matters]

[Principle 2.4 Ensuring Diversity, Including Active Participation of Women]

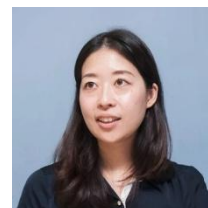
[Principle 4.1 Roles and Responsibilities of the Board (1)]

- *5: Since the voluntary disclosure of an impact report and other documents is not based on any regulations, companies are allowed considerable latitude in what to include in these documents. Consequently, companies submit reports that significantly vary in content and format.

In issuing this guidance

Sayaka Tomihara,

Director, Startup and New Business Promotion Office,
Economic and Industrial Policy Bureau,
Ministry of Economy, Trade, and Industry



In Japan, which is said to be a leading nation in social issues, it is important to be the first country in the world to create a mechanism to view social and environmental issues as positive drivers and to create new social opportunities and markets through business.

To this end, the Ministry of Economy, Trade and Industry (METI) last year established the "J-Startup Impact" startup development support program, which aims to raise awareness and build momentum for impact startups and provide intensive support through public-private partnerships.

Impact companies enhance their management capital and make upfront investments by disclosing information and engaging in dialogue with investors based on a business model and strategy that balances impact and profitability. Further, impact companies enhance corporate value while improving the capital market's evaluation of such companies. These are very important tasks, but not easy ones. I feel that issuing this guidance will be meaningful in fostering a common understanding and constructive dialogue among all parties involved.

I hope that many people, including impact startups, will make use of this guidance in the future, and that many examples will be created to accelerate such a "positive feedback loop," leading to the growth of impact companies and the development of capital markets that support them.

Hideki Takada,

Director of Strategy Development Division,
Financial Services Agency of Japan



In the past, the promotion of improvement effects (impact) on social and environmental issues was often understood as a trade-off relationship, involving costs in terms of both time and money, and not necessarily in line with business growth and profitability. On the other hand, in recent years, we have seen a variety of companies and investors working to promote and grow their businesses by addressing issues from the perspective that the two are mutually reinforcing and complementary.

This guidance was compiled by the GSG National Advisory Committee through discussions among companies and investors with a variety of knowledge and experience regarding the impact companies' evaluation and disclosure, as well as the dialogue with investors. The importance of unlisted companies

seamlessly obtaining accurate evaluations from the capital markets, including the listed markets, regarding their strategies such as the realization of impact, is a point that has been frequently raised by the JFSA's "Study Group on Impact Investment (Impact Finance)". We believe that this report will provide an important impetus for discussion.

The JFSA would like to stimulate and support discussions on various issues, including corporate valuation, through public-private partnerships such as the Impact Consortium.

Impact IPO Working Group Committee Members List

(As of January 22, 2024)

Alphabetical order within each role

★ as authors

Chair	Tomoya Shiraishi	Member of Japan National Advisory Board of GSG Representative Director, Phronesis Partners
Vice chair	Chunmei Huang	Member of Japan National Advisory Board of GSG Managing Director, Impact Investment Team, Shinsei Corporate Investment Limited
Members	Masaaki Amma	Adjunct Professor, both at Hitotsubashi University and Fukui Prefectural University
	Hiroki Iura	Chief Fund Manager, Equity Investment Division, Resona Asset Management Co., Ltd.
	Shinobu Ikegawa	Managing Director, Head of IPO Dept 1, Daiwa Securities Co. Ltd.
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