

OPERATING PRINCIPLES FOR IMPACT MANAGEMENT



DISCLOSURE STATEMENT

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We hereby declare that we have become a signatory of the Operating Principles for Impact Management (the Impact Principles) as of July 25, 2023. This disclosure statement*¹ declares that all assets under management of Capital Medica Ventures (CMV), worth a total of 5.34 billion Japanese yen*² as of July 25, 2023 are managed in alignment with the Impact Principles.



Aoki Takeshi

CEO
Capital Medica Ventures Co., Ltd.

Target assets under management

Fund name	Start year	Fund overview
Healthcare New Frontier Fund	2018	Japan's first impact VC fund specializing in the healthcare field. Planned as part of Kanagawa Prefecture's healthcare new frontier policy and operated by Capital Medica Ventures (CMV) as a GP.
Yamato Social Impact Fund	2022	A regional impact fund aimed at solving regional issues in Nara Prefecture and its surrounding areas (Yamato region). Selected as a dormant deposit utilization project and operated with local regional banks Nanto Bank and Nanto Capital Partners.
Tokyo Wellness Impact Fund	2023	One of the largest impact VC funds in Japan that aims to solve issues in the wellness field. CMV, which was planned based on the policies of the Tokyo Metropolitan Government and has a track record of impact VC investment, was selected as the GP. Operated with Monex Ventures of the Monex Group

*1 This document is made in Japanese and translated into English. The Japanese text is the original and the English text is for reference purposes. If there is any conflict or inconsistency between these two texts, the Japanese text shall prevail.

*2 Worth 38.5million USD at the rate at the time of signing

PRINCIPLE 1:

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

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

CMV defines strategic impact goals based on its investment strategy and portfolio.

About Capital Medica Ventures (CMV)

CMV is a venture capital firm whose mission is to contribute to solving social issues, mainly in the healthcare field, by working as a guide for entrepreneurs. Established in 2016, CMV targets startups in the healthcare field (especially medical care, nursing care, health, well-being, etc.) for its investments. Our staff including several who have been active on the front lines of the healthcare field, provide detailed support for the business development of our investees.

CMV investment strategy

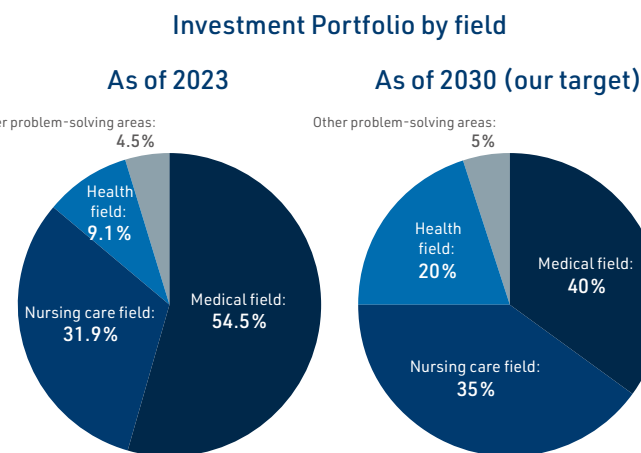
Through investment and support activities for startups, CMV aims to develop "problem-solving practitioners" (*), particularly in the wellness and healthcare fields, thereby contributing to solving social issues in these fields. CMV seeks to differentiate itself from other VCs through the following two strategies:

- 1 The practice of impact measurement and management (IMM) in the investment process enables startups to improve their problem-solving ability—and thereby their economic performance—by creating profits.
- 2 By disclosing various information on both economic and social impacts via impact reports, we can increase the levels of public sympathy and support for problem-solving practitioners.

*What is a "problem-solving practitioner"?

One of CMV's strategic impact goals is to create jobs for impact startups that grow through investment. Among the jobs we create, we particularly intend to foster the following types of human resources, which we call "problem-solving practitioners":

Refers to entrepreneurs who take on the challenge of solving social issues through business, and who continue to practice the following, leaders in positions of similar responsibility (expressed as "CxOs"), and the capitalists who support them.



Strategic impact goals (2023 to 2030)

CMV's impact goals established the number of ultimate beneficiaries of outcomes, the number of jobs created by impact startups, and the number of responsible exits. In addition to social value, we place equal importance on creating economic value and have set an average annual growth rate target of 200% for our investees. The targets for each indicator by 2030 are shown in the table below.

Impact indicators	As of 2023	2030 goals
Outcome ultimate beneficiary	988,876 people	↗ 10,000,000 people
Impact startup job creation	696 people	↗ 5,000 people
Responsible exit	2 companies	↗ 20 companies
Average annual growth rate of investment destinations	189%	↗ 200%

Strategic impact goals (2023 to 2030)

- ✓ Improving the health and well-being of their ultimate beneficiaries is the direct or indirect mandate of most businesses in the wellness and healthcare field. Therefore, we understand that creating customer outcomes is the key to building a competitive advantage and is the source of our earnings, and that proper implementation of IMM, as mentioned in CMV's investment strategy, will be key to achieving our impact goals.
- ✓ Here are some examples of how these strategies can be said to be working. As for CMV's first fund, the Healthcare New Frontier Fund (HNF), this concept has led to responsible exits such as impact IPOs and M&A, proving the effectiveness of this strategy and impact goals.

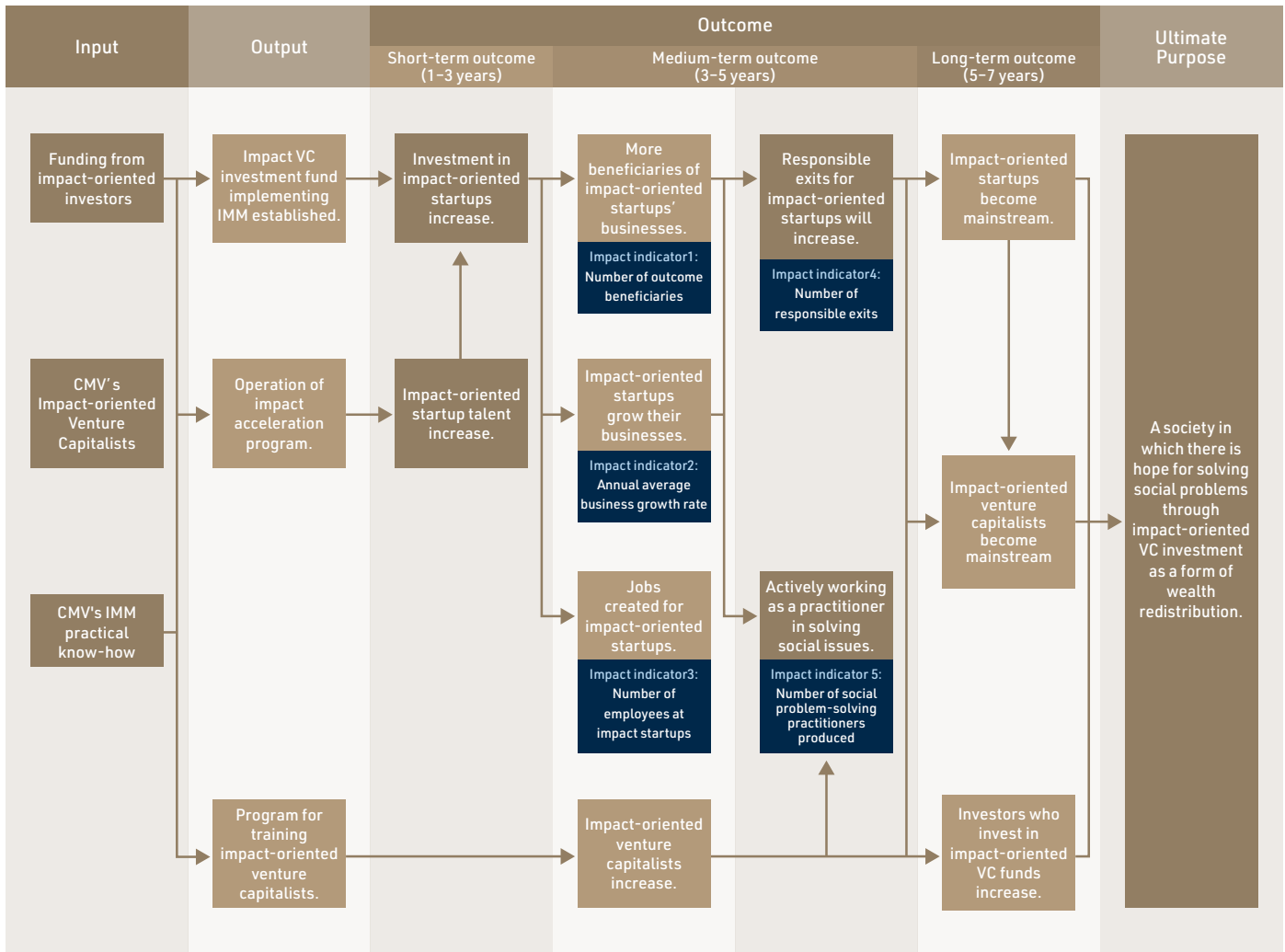
1. Continuing to work on solving problems by facing oneself and using intrinsic motivation.
2. Defining the personal tasks necessary to achieve the goal and continue to work on learning and growth.
3. Planning and executing a business process to reach the defined ideal state with a business that encourages behavioral changes in target customers.
4. Implementing 1.2.3. and achieving initial results.
Entrepreneur/CxO | Achieved so-called PMF and earns revenue from customers through business activities.

PRINCIPLE 1:

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



CMV Theory of Change (ToC)

CMV's ultimate goal is to create a society in which impact-oriented VC investment creates many impact startups that take on the challenge of resolving social issues, and it is hoped that through their diverse perspectives, all kinds of social problems can be solved. To this end, CMV believes that it is important to operate as an entity that circulates wealth and to foster impact-oriented venture capitalists who can serve as companions for entrepreneurs who create a better society.



Contribution to SDGs through CMV investment activities

Regarding the contribution of CMV's investment activities to the SDGs, we understand the following regarding Goal 3, Goal 5, Goal 8, and Goal 10: All of these contribute directly or indirectly to solving social issues in the field of "wellness and healthcare." In addition, we will clarify the related SDG targets with reference to the number of individual investment project increases in the future.

 <p>3 GOOD HEALTH AND WELL-BEING</p> <ul style="list-style-type: none"> Revention and improvement of lifestyle-related diseases Improving community health and well-being Balancing mental and physical health 	 <p>5 GENDER EQUALITY</p> <ul style="list-style-type: none"> Creating a workplace environment where women can thrive Family participation of men and women in dual-income households Realization of flexible working styles including working from home, etc.
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p> <ul style="list-style-type: none"> Realizing decent work Realizing equal-employment opportunities and expanding regular employment Improving job satisfaction for everyone 	 <p>10 REDUCED INEQUALITIES</p> <ul style="list-style-type: none"> Expansion of barrier-free facilities and transportation Realizing a society where everyone from children to adults can play an active role, regardless of age or gender. Social inclusion

PRINCIPLE 2:

Manage strategic impact on a portfolio basis

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

At CMV, we set strategic impact goals for each medical, nursing care, and health investment portfolio, and monitoring is underway.

Establishing KPIs that align impact realization with business profits

The impact indicators and target values for medical care, nursing care, and health in CMV’s portfolio by 2030 are as follows.

The most important point in CMV’s IMM practice is the KPI setting. We focus on setting KPIs that align sales and social impact based on a deep understanding of the businesses in which we invest.

In particular, HNF (Healthcare New Frontier Fund) uses KPIs that allow it to pursue both profit and impact, and demonstrates high performance. In the case of Rehab for Japan, which is an investment target in the nursing care field, its KPIs include the number of establishments that have introduced the product and the NPS score (The score measures customer loyalty).

Impact goals by investment area

Field:	Impact items	FY2023	FY2030
All CMV	Fund expected return	×5	×5
	Impact capitalist	3	10
Medical field	Outcome beneficiary	60,980	3,000,000
	Impact startup employment	251	2,000
	Responsible exit	1	8
	Investee company average annual growth rate	182%	200%
Nursing care field	Outcome beneficiary	216,506	3,000,000
	Impact startup employment	402	1,500
	Responsible exit	1	6
	Investment destination average annual growth rate	206%	200%
Health field	Outcome beneficiary	709,410	3,000,000
	Impact startup employment	14	1,000
	Responsible exit	0	4
	Investee company average annual growth rate	207%	200%
Others	Outcome ultimate beneficiary	1,980	1,000,000
	Impact startup employment	29	500
	Responsible exit	0	2
	Investee company average annual growth rate	207%	200%

Impact management and monitoring process

We classify all CMV investment projects into medical, nursing care, health, and other social issues, and manage impact goals at the portfolio level. The table shows the impact indicators common to the portfolio and investees.

- ✔ **Ultimate beneficiary:**
Define the beneficiary according to the investee business.
- ✔ **Impact startup job creation:**
See the number of jobs created through our impact-driven portfolio businesses.
- ✔ **Responsible exit:**
Counting the number of exits of investment destinations such as IPO and M&A
- ✔ **Investment destination average annual growth rate**

In addition to the information above, CMV use the impact indicator trend table of our investees for summarizing and monitoring purposes. As a general rule, the monitoring process involves sharing information on the investee’s financial and impact KPIs, and discussing and considering the implementation of countermeasures as necessary. For example, we use the following methods to communicate with our investees.

- ✔ **Shared information**
Communicate using business chat.
- ✔ **Regular progress meeting**
Conducted weekly, every two weeks, or monthly, depending on the situation of the investees. Confirm management issues and major KPIs. We also check the qualitative situation.
- ✔ **One-on-one meeting**
Implemented according to the entrepreneur’s situation. Since the practice of IMM is based on intrinsic motivation, we will exchange opinions on the direction of learning and growth and self-imposed challenges.
- ✔ **Training camp**
Implemented as necessary. A training camp is to hold medium to long term intensive discussions with executives of investee companies. We create a mission and vision, discuss ToC, etc.
- ✔ **Impact report creation**
When creating an impact report once a year, review the entire ToC and logic model. In addition, we organize the results for one year regarding the achievement status of outcomes.
- ✔ **For each investee, we identify and intensively monitor impacts that have a high correlation with investment returns, depending on the business type. (Example: In the case of RehabforJapan: Impacts linked to financial information, such as the number of businesses implementing nursing care plans and the rate of business improvement due to the use of the app, are managed individually for each investee.)**

CMV has not yet to align to create its staff incentive systems with achievement of impact only. This is because CMV believes its staff should be evaluated with both impact and financial return of its investment.

PRINCIPLE 3:

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

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

CMV contributes to the development of investees and the creation of impact through investee businesses by implementing entrepreneurial acceleration programs at the pre-investment stage and implementing IMM in the investment process.

Nurturing promising entrepreneurs through impact acceleration programs

Policy

CMV’s goal is to create profits and explore and develop impact-oriented entrepreneurs in the wellness and healthcare fields such as nursing care, medical care, and health.

Execution status

On the basis of the above policy, we have been operating the healthcare startup pitch event “Healthcare Venture Knot (HVK)” since 2018 and the impact entrepreneur development program “Knot Program” since 2021. We are also preparing to hold the “Yamato Acceleration Program” to develop problem-solving talent in the Yamato region (around Nara Prefecture).

Current results

To date, a total of 50 entrepreneurs and people preparing to start a business have participated in pitches at HVK. Currently, leading Japanese healthcare startups, such as Aillis, Rehab for JAPAN, AMI, and Kakehashi, have been on stage. (Among them, CMV invests in Aillis, Rehab for JAPAN).

The Knot Program has selected 11 companies out of nearly 100 applicants in the past and is providing support.



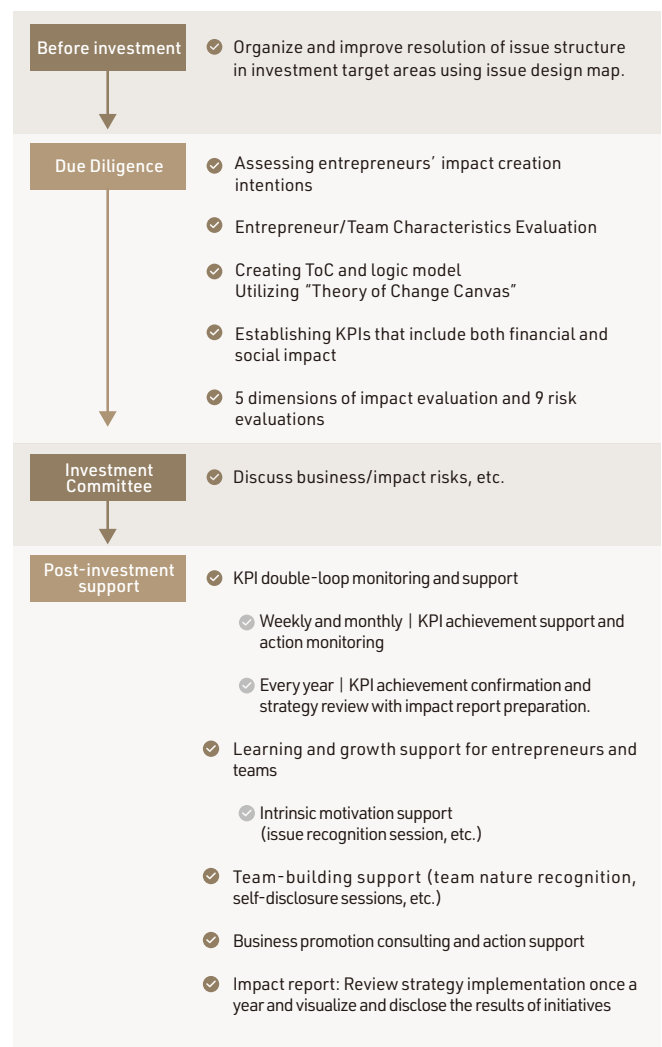
Implementing IMM in the investment process

Policy

CMV’s policy is to utilize IMM as a business management system for investees to promote their businesses, and to provide impact-oriented hands-on support to investees.

Execution status

CMV continues to implement IMM approaches and communication with investees that are necessary for each investment process (see diagram below).



Current results

Good examples of hands-on support include the following investees.



PRINCIPLE 4:

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

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

In IMM hands-on process, CMV creates a ToC and logic model, evaluates five dimensions of impact and nine risks, evaluates and identifies potential impacts and risks to the investee, and manages them during the investment period, while monitoring changes.

Theory of Change Canvas (ToC Canvas)

CMV's original ToC canvas allows you to enter ToC, customer issues, outcomes, etc., to facilitate communication between CMV and investees regarding impact management.

This helps to verbalize the social changes that the investee wants to bring about, leading to an understanding of the investee's current situation and strategies for creating profits and impact.

Logic model

- Diagrammatic representation of the path of change leading to the resolution of social issues addressed by investees
- By checking whether the defined outcomes have been achieved, you can understand whether the business is progressively achieving an impact.
- Logic models are created for all CMV investees.

Evaluation of 5 dimensions of impact and 9 risks

- Using a framework developed by the Impact Management Project, a group of impact evaluation experts and practitioners
- Comprehensive evaluation of the investee's ability to create impact, as well as the potential to influence it and the risks involved.
- Through this analysis, KPIs are considered in light of external factors.

ToC Canvas screen image

Five Dimensions of Impact	
What	<ul style="list-style-type: none"> 1 Ability to face problems, raise awareness through learning and growth, and aim for more advanced problem-solving 2 Raising awareness by supporting entrepreneurs through active involvement and building skills as a companion 3 Feeling that your own investments are yielding social goods and taking pride in being a financier who fosters new industry
Who	<ul style="list-style-type: none"> 1 Entrepreneurs, 2 capitalists, and 3 institutional investors as practitioners of impact-oriented problem-solving
Hou much	<ul style="list-style-type: none"> At least 1 1,000 startups, 2 100 impact capitalists, and 3 100 institutional investors.
Contribution	<ul style="list-style-type: none"> 1 When a practitioner achieved higher growth and recognition, the learning effects of questions and feedback from the companion increase. 2 Studying recent moon thought and IMM practice manuals leads to growth as an impact capitalist. 3 Regular reporting and feedback as well as performance lead to quantitative and qualitative experiences.
Risk	<ul style="list-style-type: none"> Growth speed might be impeded if entrepreneurs are forced to adopt outcome-centered orientation or practice IMM. If it might not be possible to avoid losses through investment techniques if one aims to achieve shared profit-making with an entrepreneur. Hard work is often involved, which might lead to long working hours and adverse mental and physical health effects (Internal governance). If performance is poor when garnering attention, it might lead to widespread recognition that impact investment does not generate money.

ToC Canvas screen image

10 steps in Creating a Theory of Change Canvas	
1. What? Put simply, what are the problems that you want to solve?	6. Contribution Can the outcome under 3 happen even without our intervention through 4 and 5? Or can we claim that our intervention makes things better?
2. Know yourself Considering what you can do, what you're good at, what you can't do, and what you're not good at, in what field can you fight at an advantage? Also, what will they do?	7. Risk What potential risks are associated with the intervention processes of 4 and 5 that result in 3?
3. Outcome Once you solve your target clients' problem, how will their behavior change, and how will they benefit?	8. Tailwind What external factors, such as legal system and subsidy system, can serve as tailwinds to support the business promotion under 4 and 5? What is possible?
4. Product/Service What kind of product or service will solve the target clients' problem?	9. Back-Casting If we look back from the goal, what are the intermediate outcomes that lead to the target social impact? (After 5, 3, and 1 year(s))
5. Mechanism Through what mechanism is this product supplied? (How do we make people aware of it? How do we make people keep using it? Through what indicators do we judge if it's used well?)	10. Mission/Purpose Mission (the significance and purposes for which this business or corporation exists) and vision (the process leading to the mission, how will you make things look in XX years?)

Theory of Change Canvas	
Social impact: Impact-oriented VC investment generates many impact startups that want to solve social problems, providing three perspectives that create a society with a hope of solving all kinds of social problems.	
2. Our strengths and battlefield This positioning as an impact VC investor with social-related to good, while accelerating programs and offering as characteristic programs that foster impact-oriented entrepreneurs. We don't do listed stock, bonds, real estate, investment trust, and such business we don't know or not about from things.	4. Problem-solving products and their value: <ul style="list-style-type: none"> 1 Providing impact accelerator programs 2 Holding impact pitch contests 3 Providing impact VC investment and B2B
1. Problems solved and clients with such problems Long term: A society where people lack hope Middle term: Financial institutions lack people in fostering future industry Short term: The impact VC funds are not attractive as financial products. (1) Entrepreneurs, (2) capitalists, and (3) Institutional investors as impact-oriented problem-solving practitioners.	3. Outcomes <ul style="list-style-type: none"> Short-term: (1) Using ToC and logic models to promote business with impact orientation. Mid-term: (1) The investee practices IMM and achieves the social impact oriented. Long-term: (1) Impact entrepreneurs as practitioners of social problem-solving for realizing ToC are active in various fields.
5. Mechanisms for continued use <ul style="list-style-type: none"> 1 Expecting 'win' growth and business growth through IMM 2 Expectation of 'win' in entrepreneur growth and business growth through investment VC investment and B2B commitment 3 Fund performance through investment VC investment and B2B commitment and OPIB, StockMarket, and other their early evaluations. 	6. Measurement methods <ul style="list-style-type: none"> 1 Recognized area and value growth (SP) growth 2 Increase business growth and feedback from entrepreneurs. 3 Measuring impact indicators and evaluations such as B2B/M.
8. Tailwind external factors (Institutions, etc.) Governmental agencies such as the Cabinet Office and the Financial Services Agency are actively discussing how to expand impact investment, such as impact-oriented financial institutions regarding to be centered on SIF. The impact investment balance exceeds 5 trillion yen. An impact report has been published by the first fund supported by SIF, with support also coming from businesses with domain experts and helping the CMV as the center of impact VC investment.	9. Back-casting <ul style="list-style-type: none"> 1 Understanding the basis of the impact investment and practices IMM as an impact capitalist. 2 Studying recent moon thought and IMM practice manuals leads to growth as an impact capitalist. 3 Regular reporting and feedback as well as performance lead to quantitative and qualitative experiences.

Item	Explanation	Evaluation	Reason
Evidence risk	Risk of no data for verifying impact with sufficient precision.	Low	Objective data can be gained through collecting medical data from clinical tests, client data after listing, client questionnaire surveys, etc.
External factor risk	Risk of external factors unrelated to the business impeding impact.	Low	Low risk of impediment if keeping track of regulating authorities, academic contacts, healthcare institutions, and clinician networks that are key to realizing impact.
Risk of stakeholder lack of understanding	Risk of impact being impeded due to misunderstanding/overlooking expectations and experiences of partners.	Low	Low risk of impediment if keeping track of regulating authorities, academic contacts, healthcare institutions, and clinician networks as stakeholders.
Dropoff risk	Risk of weakened or shrinking business impact.	Medium	Impact is only created if patients continue to use UI/UX for continued use is necessary.
Efficiency risk	Possibility of achieving impact with fewer resources and at lower cost.	Low	Compared to existing services, the rate of outcome generation is expected to be high. No alternatives seem to exist at the moment. Development systems and networks also benefit from pioneering.
Implementation risk	Risk of not being able to conduct activities needed to realize impact as planned.	Medium	Different abilities are needed in each phase, from clinical testing to pharmaceutical approval, insurance registration, and sales, so the question is whether the organization can cover these. However, it should be possible with the management's ability to build systems, learn, and grow.
Alignment risk	Risk of business strategy and model not aligning with impact strategy.	Low	Alignment by checking quadrants and the ToC Canvas.
Endurance risk	Risk of not being able to maintain good working pace throughout the period to create impact.	Low	Worries about sufficient funding to complete clinical trials. This can be hedged by having this fund and existing investors offer continuous support and financing.
Unexpected risk	Potential unexpected good and bad effects on people and the environment.	Low	It cannot be excluded that a natural disaster or network disturbance may take down systems temporarily and cause suspension, but this is risk is deemed low.

PRINCIPLE 5:

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

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

CMV identifies the environmental, social, and governance (ESG) risks of investees, and we engage in monitoring and management to reduce the impact.

Identification and evaluation of ESG risks of investees

- Using industry standards such as SASB, we understand in advance the ESG risks of each investee industry in the wellness and healthcare field.
- For businesses deemed risky, we will take appropriate measures and engage in dialogue with the investee to reduce the risk based on the impact.
- Leveraging CMV's investment experience and network with people in the wellness and healthcare industry, we constantly update information on policy trends and industry-specific trends and issues.
- We encourage appropriate ESG responses according to the stage of startups (excessive or rapid ESG responses are not required for companies in the seed/early stage, except for critical risks such as legal violations).

Examples of specific ESG risks of investees

We believe that startups in the wellness field are more likely to have a negative impact on social aspects than on the environmental aspects. In addition, a certain number of governance risks arise due to the need to comply with industry-specific GCP standards* in clinical trials and clinical trial processes, and relationships with the social security system.

Field of investment	Examples of characteristic ESG risks
B2B/B2C apps	Personal information protection/ cyber-security measures
Introduction of nursing care services	Personal information protection
Services for people with disabilities and the elderly	Abuse and accident prevention
Drug discovery/bioscience	Intellectual property, check and monitor unpredictable reaction, clinical trial protocol
Medical equipment	IP, appropriate clinical planning

*GCP: Good Clinical Practice, standards for conducting clinical trials

Addressing, monitoring, and managing ESG risks of investees

- If there are notable risks or KPIs with negative impacts, we address, monitor, and manage them along with positive impacts through regular hands-on support.

ToC Canvas screen image: "Understanding negative impacts and risks"

Step 6.7 課題解決を目指した事業を批判してみる。また、その事業が生み出す負のアウトカムを考えてみる

6 Contribution |
3のアウトカムは、4.5.による我々の介入が無くても生じえるだろうか？もしくは、介入があった方が良いといえるだろうか？

7 Risk |
3を生み出す4.5.の介入過程で、発生する可能性のあるリスク（負のアウトカム）はどのようなものがあるか？

我々の事業はターゲット顧客のアウトカム創出に貢献している。なぜならば、

- ① 実践者がより高い成長や認識を得るとき、伴走者による問いかけやFBによって学習効果が高まる
- ② 三日月思想やIMMの実践マニュアルを学習することによって、インパクトキャピタリストとして成長できる
- ③ 定期的なレポーティングやフィードバック、また実績によって、定量的かつ定期的に体感することが出来る

我々の事業によって、以下のようなリスクが発生する可能性がある

- ・ 起業家にアウトカム中心志向やIMMの実践を強いた為に、成長スピードを阻害させてしまう可能性がある
- ・ 起業家との共同利益創出体を目指すため、投資技術によって損失を回避することが出来ない可能性がある
- ・ ハードワークになりがちであり、労働時間が多くなり、メンタルヘルスや体調不良などが発生する可能性がある（社内ガバナンス）

保存する

In the Theory of change Canvas, the typical risks that arise when operating in the wellness and healthcare field are described.

We have established a system that allows us to identify risks in advance and monitor their status.

PRINCIPLE 6:

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

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

CMV uses the framework referred to in Principle 4 (logic model, five dimensions of impact) to monitor the expected impact from each investment. Data collection frequency, methods, sources, responsible parties, and reporting methods are confirmed with the investee prior to investment execution.

Portfolio management to maximize impact

CMV, we regularly hold discussions regarding impact progress with each investee in a predetermined format before making an investment.

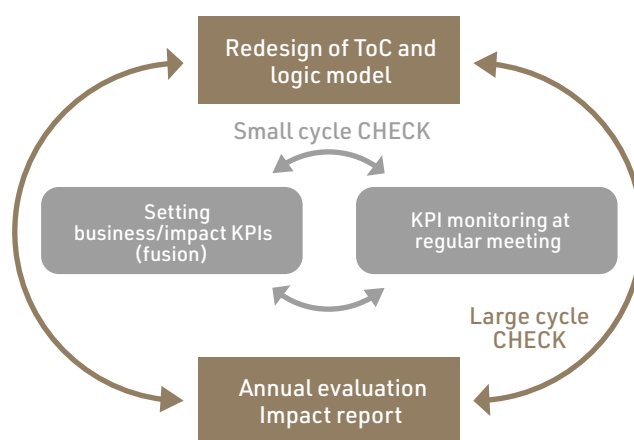
Information on reported impact is monitored and managed at fund, and portfolio levels. If a significant deviation occurs from the initial expected value when reporting from each investee, we identify the cause and take action to resolve the problem.

Handling of impact data

At CMV's investment execution, all aspects of impact data to be managed as Key Performance Indicators (KPIs) for the investees are specified. This may include frequency of collection, method of collection, sources, responsible parties, and reporting methods (refer to the table on the right, example: Rehab for Japan).

Double-loop monitoring of investee impact

Business/impact KPIs are set at the time of investment, and these KPIs are monitored at regular meetings (daily, weekly, monthly, etc., which vary depending on the characteristics and situation of the investee). Once a year, we check whether the original KPIs are correct and whether the logic model and ToC logic are correct.



Example: Healthcare New Frontier Fund investee company/Rehab for Japan

Rehab for Japan, a portfolio company, provides "Rehab Cloud," a software service that enables rehabilitation facilities to provide appropriate rehabilitation services to extend the healthy life expectancy of the elderly, and "Rehab Cloud Motion AI", a rehabilitation support service for the elderly using digital devices.

Prior to investment, KPIs are set at the output/outcome level, such as the number of facilities that have installed Rehab Cloud, improvement of middle-back operational efficiency, and so on. After investment, we handle impact data and monitor progress as follows.

Data handling	Example: Number of offices installed Rehab Cloud	Example: Improve efficiency of middle- & back-office operations
Collection frequency	Monthly	Once in a year
Collection method	Rehab internally monitors daily and compiles monthly results.	Web survey conducted by Customer Success to customers
Source	Number of contracts	Questionnaire results
Collection manager	Rehab Sales Representative	Rehab customer success
Reporting method	Report to CMV at board of directors meeting	Report to CMV at board of directors meeting

PRINCIPLE 7:

Conduct exits considering the effect on sustained impact.

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

CMV has established policies for responsible exits of investees involved in impact investing, and is working to systematize processes and approaches for implementation. We will continue to promote further standardization as the number of exits increases.

Responsible exit

We are currently proceeding with IPO and M&A initiatives based on the following policies.

IPO (Initial stock listing)

Policy

Exit support through impact IPOs: In order to accelerate and deepen the ToC realization of investees, we provide both financial and non-financial support required for impact IPOs to gain sympathy and co-creation from more stakeholders.

Current efforts

In addition to regular IPO preparations, we are implementing the following initiatives

- ✔ Support for creating a business growth story that links profit growth and social impact creation
- ✔ Support for writing about impact areas such as "Securities report for initial listing application (Section I)" and "Matters related to business plan and growth potential"
- ✔ Support for creating impact information disclosure content (web production, business explanatory materials, etc.)
- ✔ Support for appealing to institutional investors as an impact company for lead underwriter securities
- ✔ Continuous support for IMM operation system to create impact after IPO
- ✔ Support for building internal consensus regarding impact IPOs (facilitation of impact management training camps, management of impact IPO regular meetings, formulation of internal communication plans, etc.)

Achievements so far

- ✔ Impact IPO of Emimen (Nursing home referral service) (October 2023)

M&A (stock transfer)

policy

M&A and Exit to Community* Support: In addition to CMV's target investment return, we select an appropriate transferee that has the resources and network to accelerate and deepen the investee company realization of its own ToC.

Current efforts

In addition to regular M&A, we are implementing the following initiatives:

- ✔ Sourcing support for acquisition candidates
- ✔ Impact DD: Analysis and support for selecting acquisition targets to ensure that the impact created by the investee is not lost
- ✔ Support for adjusting interests with other existing shareholders (support for adjusting participation in joint sales to fixed-term investors (VCs, etc.))
- ✔ Support for writing contract terms to achieve ToC for stock transfer contracts, etc.
- ✔ Support for building internal consensus regarding stock transfers (management training camp facilitation, formulation of internal communication plans, etc.)
- ✔ PR and event implementation support for responsible exit implementation

Achievements so far

- ✔ KNOCK ON THE DOOR stock transfer to CMIC Holdings (October 2022)

*What is Exit to Community?

In order to further develop the company and accelerate the creation of social impact, shareholders such as venture capital investors who invest in the company, whose primary purpose is to earn investment profits, seek out reliable customers, business partners, instructors, etc. Efforts are made to transfer stocks at a price that is acceptable to stakeholders.

Our cases for "Responsible Exit"

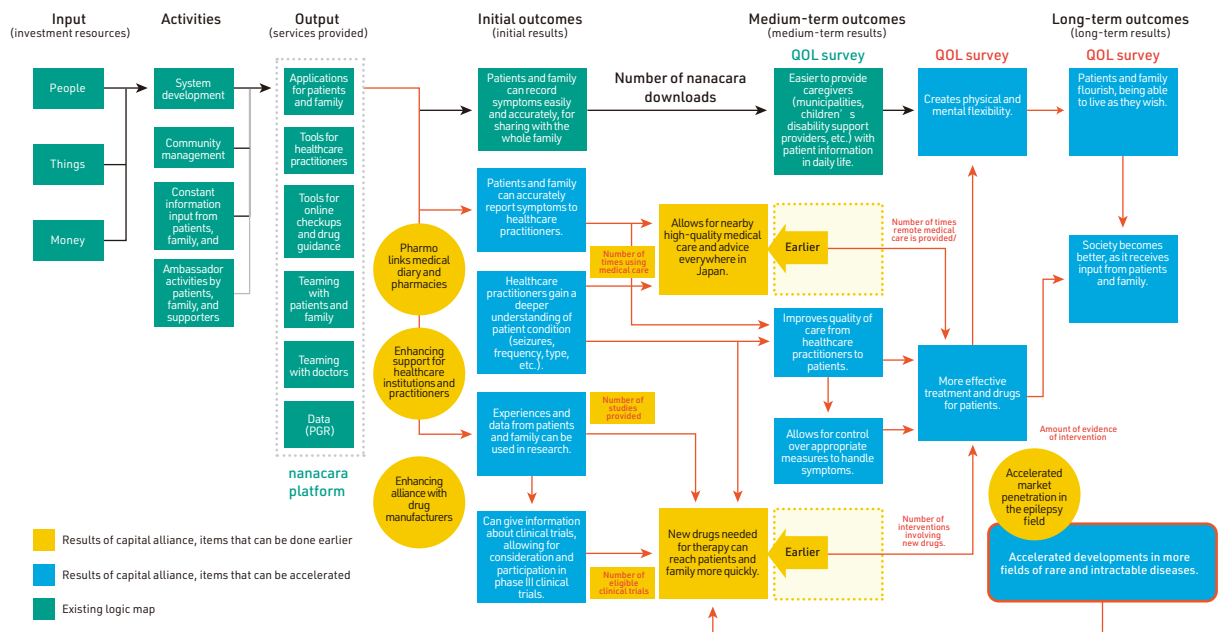
KNOCK ON THE DOOR

Company Profile

By providing apps that support the treatment of intractable diseases such as childhood epilepsy, we aim to resolve social issues related to intractable disease patients and their families.

Overview of Responsible Exits

Transferred existing VC holdings for financial purposes to CMIC Holdings, which has the resources and network to accelerate and expand outcome creation. By building a more robust system, we are striving to create a social impact.



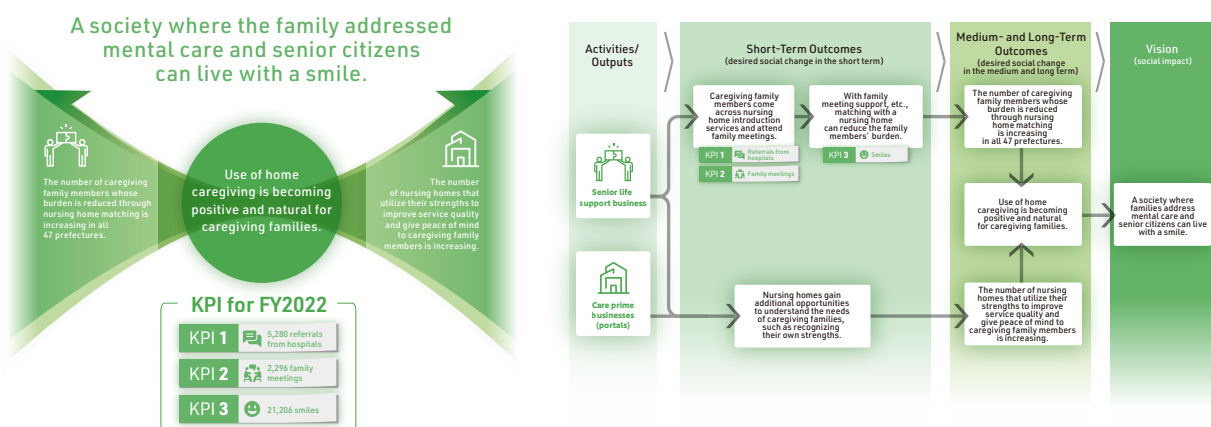
EMIMEM

Company Profile

We aim to solve social issues related to family care by providing senior homes that are suitable for individuals and their families.

Overview of Responsible exits

Supporting the realization of impact IPOs. We will continue to practice creating social impact and publish impact indicators using IMM as a business management system.



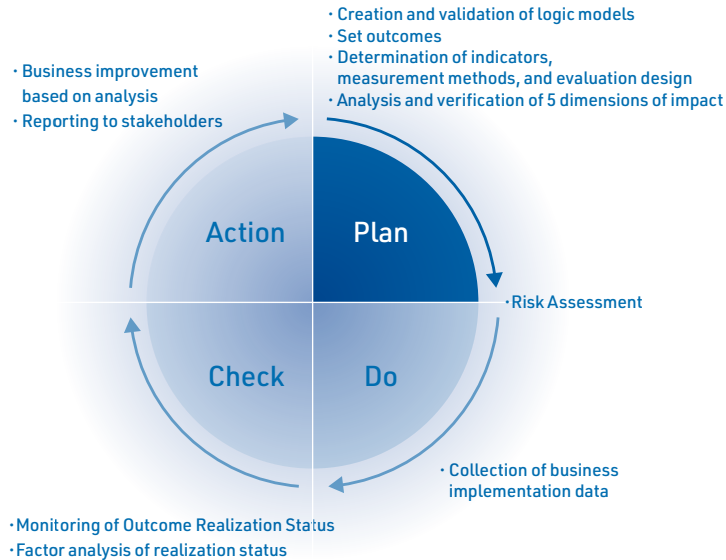
PRINCIPLE 8:

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

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these

CMV regularly reviews the progress of each portfolio company's impact and evaluates its performance. The results of this analysis are used for decision-making in other portfolio company businesses and other funds, as well as for reporting to stakeholders, and are used for continuous improvement through the PDCA cycle.

Reference PDCA approach using IMM



CMV PDCA Cycle

Plan

At the planning stage, we extract the outcomes of the investee by analyzing and verifying the five dimensions of the impact and creating a logic model. Subsequently, we will set indicators, measure the indicators, and decide on the evaluation design according to each outcome. We also perform risk assessments according to the business of the investee and share any negative impacts with the investee. (See Principles 4-5)

Do

During the implementation phase, we collect implementation data on the metrics we established to understand the impact our investees are having. The frequency of data collection regarding impact is set depending on the content. (See Principles 5-6)

Check

At the evaluation stage, we understand whether the set outcomes can be achieved. If there is a deviation from the planning stage, we will analyze its causes. (See Principles 5-6)

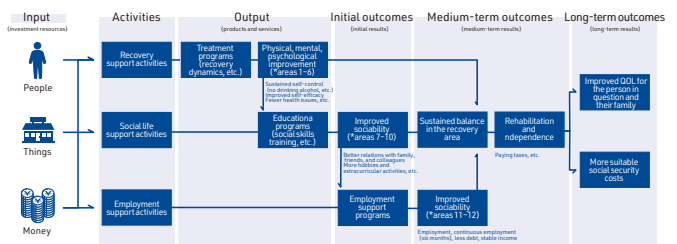
Action

In the improvement stage, improvements are made to the initial plan based on the analysis results and reflected in future plans. CMV publishes impact reports every year using a logic model that reflects the improvement status of each investee.

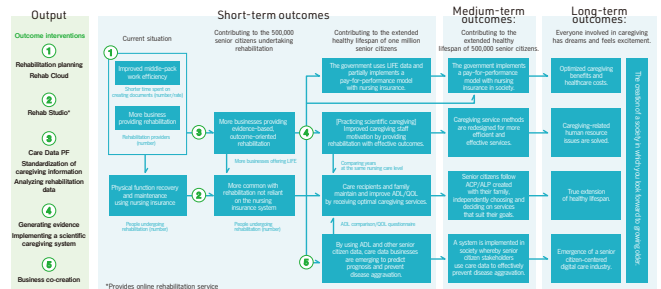
Reference case: PDCA at Rehab for Japan

The results of PDCA implementation for investees are reflected in the changes to the logic model in the 2018 and 2021 impact reports. Through project progress and monitoring, outputs and outcomes that were not evident as of 2018 have been verbalized as of 2021.

FY2018



FY2022



Our Impact report

CMV publishes an annual impact report for each fund as part of the PDCA cycle for improving the impact of each investment.



Please find our impact reports at the following link
<https://capitalmedicaventures.com/report>

PRINCIPLE 9:

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

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

CMV was verified by BlueMark, PBC on the alignment of its operational structure with the Impact Principles

- This Disclosure Statement demonstrates how CMV’s management of its impact investments is consistent with the Impact Principles and will be published annually
- CMV has been verified by BlueMark, PBC, a Delaware registered public benefit corporation having its principal place of business at 154 W 14th Street, 2nd Floor, New York, NY 10011, USA and received the following results on April 1, 2024.
- CMV’s next verification is scheduled for 2027.

About BlueMark

BlueMark provides asset owners and asset managers an opportunity to validate their impact management. BlueMark is a company specializing in impact management validation services for asset owners and asset managers. As of April 2024, BlueMark has validation experience in more than 170 countries around the world.



Detailed assessment conclusions

The chart below summarizes findings from BlueMark’s verification of CMV’s extent of alignment to the Impact Principles, using the following four ratings:³

- Advanced (Limited need for enhancement);
- High (A few opportunities for enhancement);
- Moderate (Several opportunities for enhancement); and
- Low (Substantial enhancement required).⁴

Principle	Alignment
1. Define strategic impact objective(s), consistent with the investment strategy	MODERATE
2. Manage strategic impact on a portfolio basis	HIGH
3. Establish the Manager's contribution to the achievement of impact	HIGH
4. Assess the expected impact of each investment, based on a systematic approach	HIGH
5. Assess, address, monitor, and manage potential negative impacts of each investment	MODERATE
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately	MODERATE
7. Conduct exits considering the effect on sustained impact	HIGH
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned	MODERATE



Operating Principles for Impact Management

DISCLOSURE STATEMENT

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