

November 12th, 2021

To Our Valued Stakeholders,

SHIFT's View on Dissenting Recommendation by ISS, the Proxy Advisory Company,
Regarding Proposal No.1 "Partial Amendment to the Articles of Incorporation"
of the 16th Annual General Meeting of Shareholders

SHIFT Inc. ("SHIFT," headquartered in Minato-ku, Tokyo, Japan; Masaru Tange, CEO and Representative Director) has been told that the proxy advisory, Institutional Shareholder Services Inc. (hereinafter "ISS") recommended that shareholders be against the proposal No.1 "Partial Amendment to the Articles of Incorporation." Regarding the proposal, it provides supplementary explanation as below and deeply appreciates your understandings.

1. The Summary of ISS Report and SHIFT's Basic View

ISS recommends to vote against the Proposal No.1 based on the following reasons.

- (1) In Japan, companies are temporarily allowed to hold a virtual-only shareholder meeting without amending articles for these two years. Nevertheless, with this amendment, a virtual-only shareholder meeting can be held by held, even after the current health crisis is over and the temporary regulatory relief has ended, without further discussions with shareholders.
- (2) SHIFT's proposal to amend the articles does not includes conditions to hold a virtual-only shareholder meeting. Therefore, under such situations as shareholder proposals or proxy fight, where dialogues between companies and shareholders are important, it is doubtful if a dialogue would be conducted in a meaningful way.

On contrary, SHIFT believes that a virtual-only shareholders meeting, rather, promotes dialogues between SHIFT and its shareholders. SHIFT provides supplementary explanation as below.

2. SHIFT's View

- (1) A virtual-only shareholders meeting promotes meaningful dialogue with shareholders.

Unlike traditional shareholder meetings, a virtual-only shareholder meeting reduces physical constraints, such as travel time and expenses, for shareholders who found it difficult to visit the venue. SHIFT thinks it could provide opportunities for more shareholders to participate in. Under such situations as shareholder proposals or proxy fight, where dialogues between companies and shareholders are important, it will be able to provide more opportunities for more shareholders to participate in discussions in a virtual-only shareholders meeting. It considers that the feedbacks it received can be reflected for more meaningful shareholders meetings to be held in the future and, in turn, business activities aiming at increasing corporate values in the future. In this way, it believes that a virtual-only shareholders meeting promotes meaningful dialogue between SHIFT and its shareholders.

(2) For its risk management, it is important to have an option to hold a virtual-only shareholders meeting in order to ensure that shareholders' meetings are held and business continues in an emergency situation. In addition, SHIFT will choose the most appropriate method of shareholders meetings through dialogue with shareholders.

SHIFT believes that it will lead to maximize the shareholders values to have an option to hold a virtual-only shareholders meeting in making an emergency plan. Even if the COVID-19 is over, there could happen disasters such as huge earthquakes, typhoons or floods. SHIFT regards it important to be ready for emergencies by having an option to hold a virtual-only shareholder meeting and ensure shareholder meetings are held and business continues in an emergency situation, for its risk management.

(3) A virtual-only shareholder meeting does not restrict the rights of shareholders, nor do they allow arbitrary management of the company.

Even with a virtual-only shareholder meeting, as in the conventional shareholder meetings, companies must accept questions, motions, and exercises of voting rights from shareholders in accordance with the principles of the Companies Act of Japan. Consequently, these shareholders rights will be fully guaranteed, even in a virtual-only shareholders meeting. In addition, such cases as arbitrary management of the shareholder meetings (e.g. it does not accept inconvenient questions or motions) are not permitted under the Companies Act of Japan. Once it were to be recognized, the resolutions would be cancelled for its unfairness. is not permitted under the Corporate Law of Japan, and if it is recognized as arbitrary management, the resolution of the general meeting of shareholders will be cancelled as unfair.

In addition, even if this proposal is approved at the 16th Ordinary General Meeting of Shareholders, as stipulated by the ordinance of the Ministry of Economy, Trade and Industry and the Ministry of Justice, it still needs to meet the requirements that the virtual-only shareholder meeting to be held contributes to strengthening industrial competitiveness while giving consideration to securing the interests of shareholders, at each time it holds a virtual-only shareholder meeting. Therefore, as a course of matter, an arbitrary management of shareholder meeting is not acceptable, regardless of its amendment of articles.

SHIFT will actively pursue "what is truly important" in its business operations aimed at enhancing corporate value, regardless of conventional methods. SHIFT deeply appreciates your understandings.

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