

November 7, 2023

To Our Valued Stakeholders,

**SHIFT's View on Dissenting Recommendation by ISS and Glass Lewis, the Proxy Advisory Company, Regarding Proposal 2 "Election of seven (7) Directors (excluding Directors who are Audit & Supervisory Committee Members)" of the 18th Annual General Meeting of Shareholders**

SHIFT Inc. ("SHIFT," headquartered in Minato-ku, Tokyo, Japan; Masaru Tange, CEO and Representative Director) has obtained information that regarding the case of the "Election of seven (7) Directors (excluding Directors who are Audit & Supervisory Committee Members)" on Proposal 2 to be presented at the 18th Annual General Meeting of Shareholders scheduled to be held on November 24, 2023 ("Proposal"), Institutional Shareholder Services Inc. ("ISS") and Glass Lewis & Co. ("Glass Lewis") of the proxy advisory company are advising against the election of Mr. Masaru Tange, the candidate number 1.

SHIFT would like to supplement its views below and would like to ask shareholders to understand its current situation and decide on the exercise of the voting rights.

1. Content of opposing recommendations by ISS and Glass Lewis

ISS has established quantitative criteria whereby if the amount of cross-shareholdings is 20% or more of the consolidated net assets, it recommends opposition to shareholders in the election of the top management directors.

In addition, Glass Lewis has established quantitative criteria whereby if the amount of cross-shareholdings is 10% or more of the consolidated net assets, it recommends opposition to shareholders in the election of the Chairman of the Board of Directors. However, even if the company holds cross-shareholdings in excess of the thresholds, if the percentage is less than 20% and ROE has averaged 5% or more over the last 5 years, it also exempted from advising the opposite recommendation.

2. SHIFT's view

(1) No cross-shareholdings are held.

The primary reason for establishing cross-shareholding standards for both ISS and Glass Lewis is the mutual shareholdings that lacks economic rationality and that corporate governance-which has been widely implemented in Japan-could become a mere. In this regard, SHIFT believes that the corporate governance issues advocated by the two companies are not manifested in the listed shares held by SHIFT, since the investee companies do not hold SHIFT's shares (\*).

\* See P.48 of Annual Report for the Year Ended August 31, 2022 (Japanese only)

<https://contents.xj-storage.jp/xcontents/AS95685/fceeb1c4/e2b9/4560/8b09/12712d874621/S100PPVI.pdf>

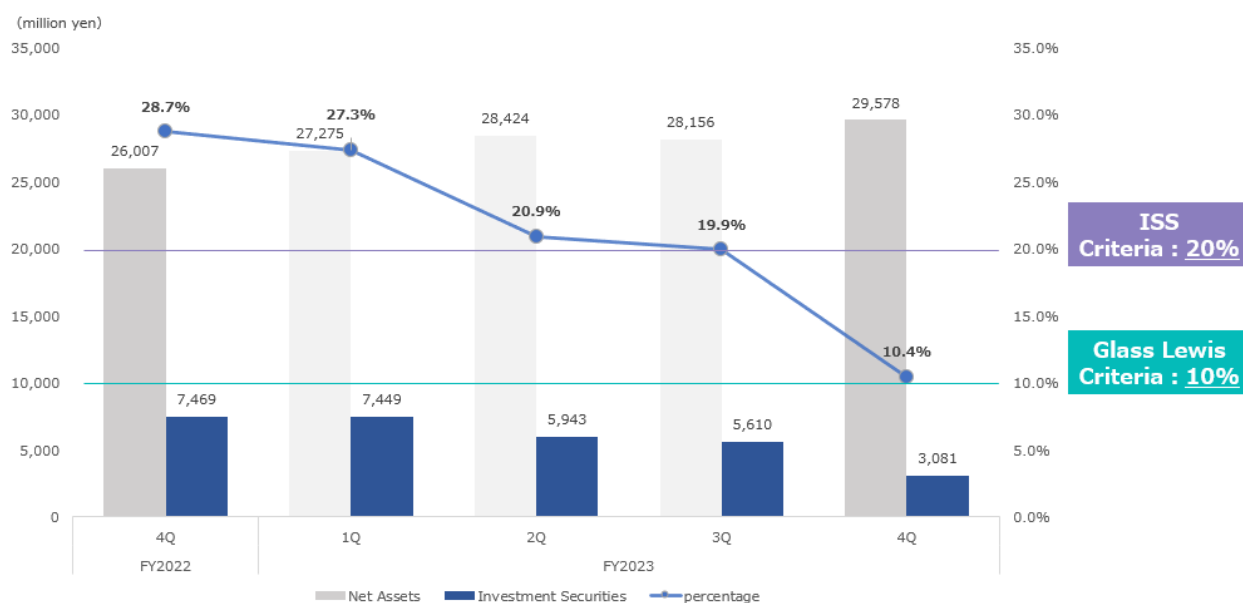
(2) The ratio of investment securities to net assets as of August 31, 2023 was 10.4%.

The chart below shows the amounts of investment securities and net assets recorded on the consolidated balance sheet from as of August 2022 to as of August 2023, and the ratio of investment securities to the amount of net assets, which ISS used in recommending opposition. As of August 2023, the percentage was 10.4% (\*), well below ISS standard of 20%.

This was mainly due to the sale of certain shares held in the year ended August 31, 2023.

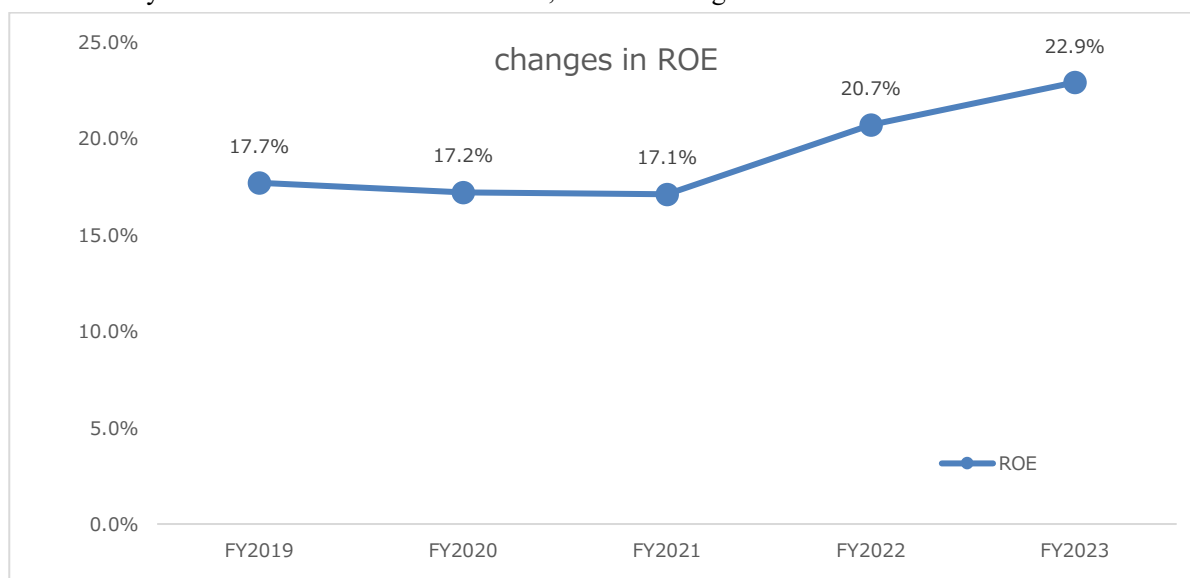
\* Calculated based on the amount of investment securities (¥3,081 million) and net assets (¥29,578 million) in the consolidated balance sheet P.40 the Notice of the 18th Annual General Meeting of Shareholders.(Japanese only)

[https://www.cdn.shiftinc.jp/assets/doc/ir/18th\\_Annual\\_General\\_Meeting.pdf](https://www.cdn.shiftinc.jp/assets/doc/ir/18th_Annual_General_Meeting.pdf)



(3) ROE averaged 19.1 percent over the last 5 years.

At Glass Lewis, if the net asset ratio of cross-shareholdings is 10% or more but less than 20%, it will not advise the opposite recommendation if the average ROE over the last 5 years is 5% or more. SHIFT's ROE over the last 5 years is as shown in the chart below, and the average is 19.1%.



SHIFT has continued to expand its business with higher margins. In the year ending August 31, 2024, it anticipates continued business expansion. Accordingly, the amount of net assets is also expected to increase and the ratio of the amount of cross-shareholdings to the amount of net assets is expected to decrease gradually.

<Reference> Forecast for the year ending August 31, 2024

- Net sales: ¥114,000 million to ¥122,000 million
- Profit attributable to owners of parent: ¥7,300 million to ¥10,000 million

In the future, SHIFT expects that the ratio of the amount of cross-shareholdings to the amount of net assets will remain below 10%, although it may acquire shares if necessary for business operations.

SHIFT would like to ask shareholders to consider the current status of SHIFT's shareholdings above and to agree with the Proposal for the election of directors.

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