

November 7, 2023

To Our Valued Stakeholders,

SHIFT's View on Dissenting Recommendation by ISS, the Proxy Advisory Company, Regarding Proposal 3 "Election of two (2) 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 two (2) Directors who are Audit & Supervisory Committee Members" on Proposal 3 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") of the proxy advisory company is advising against the election of Mr. Yusuke Arai, the candidate number 1.

SHIFT's position on this Proposal is as stated in the Notice of the 18th Annual General Meeting of Shareholders, SHIFT would like to explain its views again in supplementary explanation, and would appreciate your understanding.

1. Content of opposing recommendations by ISS

ISS recommends that the appointment of Candidate number 1 Mr. Yusuke Arai on this Proposal be disregarded as lacking independence due to the experience of working at Ernst & Young ShinNihon Audit Corporation (currently Ernst & Young ShinNihon LLC.), SHIFT's independent auditor.

2. SHIFT's view

SHIFT have determined that Mr. Arai is qualified as an outside director serving on the Audit & Supervisory Committee because there is no fact that he lacks independence due to the following reasons.

(1) There is no overlapping period of service between SHIFT's independent auditor and Mr. Arai.

Ernst & Young ShinNihon Audit Corporation (currently Ernst & Young ShinNihon LLC.) has served as SHIFT's independent auditor since December 2018, and prior to that, Deloitte Touche Tohmatsu LLC was SHIFT's independent auditor. Mr. Arai resigned from Ernst & Young ShinNihon Audit Corporation (currently Ernst & Young ShinNihon LLC.) in June 2016 and is not involved in SHIFT's accounting audits.

(2) There is no relationship with the current managing partners.

While Mr. Arai has worked for Ernst & Young ShinNihon Audit Corporation (currently Ernst & Young ShinNihon LLC.), he has not worked in the same department as the current managing partners.

(3) There is no business relationship even after leaving the audit corporation.

After Mr. Arai left Ernst & Young ShinNihon Audit Corporation (currently Ernst & Young ShinNihon LLC.), he has no business relationships with it as an individual, such as audit certification services for accounting or any part of other services performed by the said auditing firm.

In addition to the above, when Mr. Arai is a director candidate for Audit & Supervisory Committee Members, the Nominating Committee deliberates on the criteria for the independence of outside directors and the Board of Directors makes a resolution with the consent of the Audit & Supervisory Committee.

Noted that SHIFT confirmed that he also meets the criteria stipulated by Tokyo Stock Exchange, Inc. (hereinafter “TSE”) to be an independent director and notified TSE that it designates him as independent outside director who is Audit & Supervisory Committee Member.

[Reference]

<Condition of pros and cons at the time of the previous appointment>

The number of affirmative votes: 140,415, the opposite number: 16,052, percentage of affirmative: 89.68%
Percentage of affirmative is calculated as the number of affirmative votes by the number of voting rights of shareholders present at the meeting.

<Brief History of Mr. Yusuke Arai>

April 1998	Joined Tatsumi LLC.
January 2004	Joined SANKOTECHNO Co., Ltd.
January 2006	Joined Misuzu Audit Corporation (formerly ChuoAoyama Audit Corporation)
August 2007	Joined Ryusei Audit Corporation
December 2008	Joined Ernst & Young ShinNihon Audit Corporation (currently Ernst & Young ShinNihon LLC)
July 2016	Joined Crowe Toyo & Co.
November 2021	Outside Director and Audit & Supervisory Committee Member of SHIFT (current position)
March 2022	Corporate Auditor of SHIFT Growth Capital Inc. (current position)
November 2022	Corporate Auditor of SNC Co., Ltd. (current position)

<Reason for nomination as candidate for Outside Director who is an Audit & Supervisory Committee Member and summary of expected role>

Although Mr. Yusuke Arai has not been directly involved in corporate management other than as an Outside Director or Outside Auditor, as a certified public accountant he has highly specialized knowledge and extensive experience in corporate accounting. The Company nominates Mr. Arai for reappointment as an Outside Director who is an Audit & Supervisory Committee Member, judging that he will be able to appropriately perform his duties in that capacity.

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