

June 5, 2025

Corporate name: SHOFU INC.
Representative: Tetsuo Takami
Representative Director, President & COO
Listing: Tokyo Stock Exchange (Prime Market)
Code number: 7979
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Our Position on the Opposition Recommendation by ISS, a Proxy Voting Advisory Firm Regarding Agenda No. 2 to Be Proposed at the 153rd Ordinary Shareholders' Meeting

Regarding Agenda No. 2 to be proposed at the 153rd Ordinary Shareholders' Meeting of Shofu Inc. to be held on June 25, 2025, Institutional Shareholder Services Inc. (hereinafter "ISS") has issued a report recommending against the election of director candidates Noriyuki Negoro and Tetsuo Takami. We hereby explain our position on this matter as follows.

We kindly request that shareholders and investors review the following information to properly understand the proposed agenda and exercise their voting rights accordingly.

1. ISS's Opposition Recommendation

ISS has established quantitative guidelines recommending opposition to the election of top executive(s) at a company that allocates 20% or more of its consolidated net assets to strategic shareholdings.

Whereas, as stated on page 32 of our notice of convocation of this Meeting, the ratio of our strategic shareholdings decreased from 21.4% at the end of the fiscal year ended March 31, 2024, to 14.4% at the end of fiscal year ended March 31, 2025, as a result of our reduction efforts.

Notice of Convocation of the 153rd Ordinary Shareholders' Meeting:

<https://pdf.irpocket.com/C7979/hZTq/Zjlf/HPnx.pdf> (in Japanese)

However, ISS based its recommendation on the ratio at the end of fiscal year ended March 31, 2024, opposing the proposed agenda regarding the election of our top executive directors.

2. Our Position

According to ISS's "2025 Japan Proxy Voting Guidelines," companies' strategic shareholdings are generally assessed using information from securities reports. Therefore, ISS presumably made the above recommendation based on the information available in Shofu's securities report for the fiscal year ended 31 March, 2024, which we filed in June 2024. The guidelines specify general recommendations against proposals where the total of the balance sheet amount of investment shares plus shares deemed to be held, both of which are for reasons other than pure investment purposes, amounts to 20% or more of its consolidated net assets. In this regard, we did not meet this threshold as of the end of the fiscal year ended March 31, 2025, as shown below.

Status of Strategic Shareholdings at Shofu

	Fiscal year ended March 31, 2024 (previous fiscal year)		Fiscal year ended March 31, 2025 (current fiscal year)	
	Number of stocks	Total amount on balance sheet (million yen)	Number of stocks	Total amount on balance sheet (million yen)
Unlisted shares	3	20	3	20
Shares excluding unlisted shares	14	8,899	11	6,146
Total	17	8,920	14	6,167
Consolidated net assets	-	41,609	-	42,736
Ratio of strategic shareholdings to consolidated net assets	-	21.4%	-	14.4%

(Note) There are no applicable items regarding deemed held shares.

As of the end of the fiscal year ended March 31, 2025, the balance of strategic shareholdings at our company has been reduced to a ratio of 14.4% of consolidated net assets, and we plan to reduce this ratio to approximately 10% by the end of the fifth medium-term management plan (March 31, 2028), as announced in “SHOFU Group Fifth Medium-Term Management Plan” dated May 1, 2024.

Taking this into consideration, we kindly request that shareholders and investors exercise their voting rights with a proper understanding of the agenda to be proposed at the Meeting.

(Note) This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.