

April 10, 2025

SHOFU INC.

Summary of Evaluation Results on Effectiveness of SHOFU's Board of Directors

SHOFU INC. (the "Company") analyzes and evaluates the effectiveness of its Board of Directors as a whole every year, based on our Corporate Governance Guidelines, with the objective of improving the effectiveness of the Board of Directors and increasing our corporate value. Having analyzed and evaluated the Board's effectiveness for the fiscal year ended March 31, 2025 (FY2024), the Company hereby announces the results of the evaluation as outlined below.

1. Fiscal 2024 Initiatives in Response to the Issues Found in the Fiscal 2023 Effectiveness Evaluation

The Board of Directors of the Company took the following initiatives to address the issues identified in the fiscal 2023 evaluation of effectiveness of the Board of Directors.

i) Discussions on Profitability, Capital Efficiency, and Other Issues

In the process of formulating the medium-term management plan and other efforts, the Board of Directors repeatedly discussed measures to achieve management that is conscious of cost of capital and share price, and established policies and concrete measures to address to this end, followed by disclosure of such information.

ii) Discussions on Sustainability

We increased the frequency of reporting to the Board of Directors on sustainability in general, including climate change and human rights, and strived to broaden the scope of Board's discussion.

iii) Revitalizing the Board of Directors' Discussions

In addition to the agenda items for resolutions and reports, we introduced a new item for deliberation of themes that, in the opinion of each director, should be the subject of Board's deliberation.

2. Process and Method of the Fiscal 2024 Effectiveness Evaluation

In this fiscal year's evaluation of Board's effectiveness, we adopted a self-evaluation method using a questionnaire survey, in which a third-party organization was involved in order to ensure independence and objectivity. The evaluation process and method are as follows:

- i) Design of evaluation items and preparation of questionnaires
- ii) Anonymous questionnaires targeted to all directors and auditors of the Company
- iii) Compilation and analysis of the questionnaire responses
- iv) Deliberation by a meeting body consisting of outside directors and outside auditors ("Outside Officers' Opinion Exchange Meeting") based on the compiled and analyzed results
- v) Discussions and evaluations at Board meetings, taking into account the compiled and analyzed results and the deliberations at the Outside Officers' Opinion Exchange Meeting

3. Evaluation Items

- i) Roles and functions of the Board of Directors
- ii) Size and composition of the Board of Directors
- iii) Operation of the Board of Directors
- iv) Utilization of outside directors
- v) Relationships with shareholders and investors
- vi) Evaluation of each committee

4. Summary of Evaluation Results

This fiscal year's compiled and analyzed survey results on the evaluation of Board's effectiveness indicated positive evaluations in areas such as operations of the Board of Directors, utilization of outside directors, and relationships with shareholders and investors. The survey also confirmed improvements in the Board's functions as a result of our initiatives in response to the issues raised in the FY2023 effectiveness evaluation. Accordingly, the Company's Board of Directors was evaluated to be largely effective. The following issues, however, were confirmed for further improvement.

Issues confirmed:

- i) Discussions on medium- to long-term management strategies
While broadening the scope of discussion on medium- to long-term management strategies is a common understanding of the entire Board of Directors, the degree of awareness on issues appears to vary, and there is room for improvement in the opportunities to discuss management strategies.
- ii) Composition of the Board of Directors
The composition of the Board of Directors should be reviewed with a view to enhancing diversity, knowledge, experience, and skills, in order to achieve more effective discussion and exercise of its supervisory functions.
- iii) Discussions on succession planning for the CEO
Although the Nomination and Compensation Council continues to discuss and make efforts regarding succession planning for the CEO, their recommendations to the Board remain limited.

5. Future Initiatives

In response to the issues identified, we will pursue the following initiatives to improve the effectiveness of the Board of Directors.

Issues	Future initiatives
i) Discussions on medium- to long-term management strategies	<ul style="list-style-type: none">● Regularly reviewing the Board of Directors to standardize the understanding of the Board's roles● Reporting to the Board on the status of discussions on implementation of medium- to long-term strategies to create opportunities for their supervision and discussions
ii) Composition of the Board of Directors	<ul style="list-style-type: none">● Facilitating the selection of director candidates to ensure an appropriate composition of the Board
iii) Discussions on succession planning for the CEO	<ul style="list-style-type: none">● Reporting details of deliberations and activity status from the Nomination and Compensation Council to the Board