February 25th, 2025

To Our Valued Stakeholders,

Notice of Establishment of Subsidiaries

SHIFT Inc. ("SHIFT," headquartered in Minato-ku, Tokyo, Japan; Masaru Tange, CEO and Representative Director) hereby announces that it has resolved, at a meeting of the Board of Directors held on February 25th, 2025, to establish Japan Aerospace & Defense Consulting Inc. ("JADC," headquartered in Minato-ku, Tokyo, Japan; Hideo Mori, Representative Director).

1. Reasons for establishment

Since launching its software testing business in 2009, SHIFT has provided software quality assurance services across a broad range of industries, from enterprise to entertainment. In FY2020, SHIFT began actively providing services in the public sector. In FY2024, it has steadily developed its business in that sector by building relationships with all the ministries and agencies of Japan and securing large-scale projects. In addition, SHIFT is working to further expand its business by recruiting personnel with expertise in this field and inviting advisors.

In the area of defense, as the international security environment changes, the Japanese government has been increasing its defense budget since the 2020s to strengthen its defense capabilities. These budget increases have focused especially on countermeasures against cyber-attacks, which are becoming increasingly sophisticated. Accordingly, in FY2023, the Ministry of Defense revised its information security policy, the Directive on Information Assurance of the Ministry of Defense. The efforts to implement security measures based on the viewpoint of economic security are accelerating; therefore, the directive was drastically changed to include not only the IT field but also areas such as IoT and OT.

On the other hand, in the domestic defense industry, there is a problem of a limited number of highly skilled technical personnel who understand the actual situation between the public and private sectors, so there were few domestic companies capable of providing specialized security consulting.

In July 2024, SHIFT began providing "RMF Support Consulting Service" to the equipment manufacturing companies that are responsible for the risk management framework (RMF) response work on behalf of the Ministry of Defense. Through these and other measures, SHIFT has been promoting the provision of highly scarce and specialized security consulting services in the defense field and has been building relations with the Ministry of Defense and other relevant ministries and agencies as well as defense-related companies.

SHIFT has decided to establish JADC to resolve the expanding domestic defense-related issues by leveraging its advanced technical expertise and the relationships it has established with the public and private sectors.

Looking ahead, SHIFT will be responsible for sales functions, while JADC will handle technological development and consulting services. JADC will deepen its technological area of expertise through research and by promoting initiatives such as providing specialist personnel to equipment manufacturing companies. In this way, JADC aims to become the only one consulting company with specialization in the defense industry, targeting domestic defense industry, Ministry of Defense and related agencies.

The SHIFT Group will continue to strive to further increase its corporate value by enhancing its technological capabilities and expertise, facing diverse stakeholders, both public and private, and continuing to work to resolve social issues.

2. Overview of JADC

(1) Name	Japan Aerospace & Defense Consulting Co., Ltd.	
(2) Address	Azabudai Hills Mori JP Tower, 1-3-1 Azabudai, Minato-ku, Tokyo	
(3) Name and title of representative	Hideo Mori, Representative Director	
(4) Description of business	- Consulting, surveys, training, and guidance on the risk-management framework (RMF) - Labor dispatch project	
(5) Capital stock	100 million yen	
(6) Expected date of establishment	April 1st, 2025	
(7) Major shareholders and their shareholding ratio(s)	SHIFT Inc. 100%	
(8) Relationship between SHIFT and JADC	Capital relationship	JADC is a wholly owned subsidiary of SHIFT.
	Personnel relationship	Three directors and one auditor of JADC are from SHIFT.
	Business relationship	No material business relationship with SHIFT.
	Related Party Status	JADC is a wholly owned subsidiary of SHIFT.

3. Outlook

The SHIFT Group expects this establishment to have no material impact on its financial results or financial condition. However, should there be any significant changes, the company will promptly disclose any impact on its future financial outlook.

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.

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