

June 30, 2021

To Our Valued Stakeholders,

Announcement of a Credit Line Established
by “ESG/SDGs Assessment Loan (PIF Principle-applied)”

SHIFT Inc. (“SHIFT,” headquartered in Minato-ku, Tokyo, Japan; Masaru Tange, CEO and Representative Director) announced today that it has established a credit loan of 7 billion yen by “ESG/SDGs Assessment Loan (PIF Principle-applied).” The purpose of this finance is to conduct M&A. As the credit line established is flexible, SHIFT will execute borrowing in accordance with the future M&A funding requirements.

1. The Purpose and the Reason for the ESG/SDGs Assessment Loan

Since its foundation in 2005, SHIFT has continued its business activities based on its corporate philosophy, "we seek out new value concepts and work sincerely to provide value to the world." In 2009, SHIFT launched a software testing business, providing software quality assurance services in a variety of industries, such as financial, retail, logistics, and entertainment.

There still exist social issues around the Japanese IT industry, such as excessive labor due to the shortage of IT personnel, chronic structural problems, and security accidents and incidents including the leakage of personal information. As a company “supporting to produce sellable products and services,” SHIFT is committed to providing essential solutions to customers' business issues. In working to resolve essential business issues, SHIFT has continued its growth with a wide variety of initiatives that also contribute to resolving social issues around the Japanese IT industry.

Toward boosting its growth, SHIFT has set its growth strategy, “SHIFT 1000,” which aims at ¥100 billion of net sales. In pursuing it, SHIFT has been strategically acquiring businesses to expand and enrich its service portfolio. By having a wide range of service functions, SHIFT aims to be able to address any kinds of issues faced by its customers and realize a "smart society" that includes solving the social issues described above.

SHIFT believes that these initiatives are extremely compatible with ESG that governments and municipals, and many companies are getting more focus on. ESG is a term that refers to the three perspectives; E stands for “environment;” S for “social;” G for “governance.” In particular, ESG has tended to be linked to financial activities, such as investment.

The Positive Impact Finance that SHIFT has introduced is a loan product that conforms to the Principles of Positive Impact Finance* and the Model Framework (financial products for companies that do not specify the use of funds), that comprehensively analyzes and evaluates the impact of corporate business activities on the environment, society, and the economy (both positive and negative impact) in the field of ESG, and that acquired the second opinion from DNV BUSINESS ASSURANCE JAPAN K.K. (“DNV” headquartered in Kobe, Hyogo, Japan; Naoki Maeda, CEO and Representative Director).

SHIFT has established a credit line for M&A with this positive impact finance. By implementing M&A activities utilizing the established loan, SHIFT will further work to grow the business as a group and to expand the provision of social value.

*The Principles of the Positive Impact Finance were formulated by the United Nations Environment Programme and Finance Initiative (UNEP FI) in January 2017 as a principle for financial institutions to actively make investments and loans toward the achievement of SDGs. It defines how to provide funds to mitigate the negative impact from the investee/ lende companies and increase the positive impact in a realistic and reliable manner. It consists of four principles: “Definition,” “Framework,” “Transparency,” and “Evaluation.”

2. ESG Initiatives and Disclosures of SHIFT

In introducing the positive impact finance, SHIFT was evaluated by DNV for its ESG initiatives and disclosures. The key initiatives of SHIFT and their outline are as follows.

(1) Contributing to Society through the Software Quality Assurance Business

The software quality assurance business steadily prepares for basic functions such as maintaining a stable server environment, preventing personal information leaks, and strengthening security, and supports the smooth movement of software by creating products and services with strong UI/ UX. Toward “a smart society without unnecessary disruption,” SHIFT contributes to support the development of safe, secure, and comfortable software for the realization of a "smart society without waste."

(2) Contributing to the Japanese IT Industry through the Software Quality Assurance Business

- Resolving the shortage of IT human resources
- Reforming industry structure

Various social issues exist in Japanese IT industry. Among them, SHIFT particularly focuses on “Resolving the shortage of IT human resources” and “Reforming multi-subcontracting structure in the Japanese IT Industry.”

< Resolving the shortage of IT human resources >

In its recruitment activities, SHIFT utilizes its original exam, which is named “CAT-examination.” Regardless of whether they have knowledge or experience in programming or in the IT industry, SHIFT selects personnel with the necessary attitudes and talents in software testing (such as endurance or mathematical thinking) through this CAT exam. This has built a system that finds personnel who would be a high performer after joining SHIFT. This system consequently contributed to generating IT human resources.

<Reforming industry structure >

The structure of the Japanese IT industry, known as the “multi-subcontracting structure,” which SHIFT is working to reform, is considered to be one of the factors behind the low wages and overwork issues of Japanese engineers. As a company specializing in software quality assurance, SHIFT has communicated directly with user companies and worked with many SIer companies. Utilizing this experience, SHIFT will realize to place orders with development companies that are truly suited to each project regardless of hierarchy or company size.

(3) Realizing Employment Opportunities for Diverse Human Resources

Through the use of the CAT exam, SHIFT recruits talented human resources for software testing, regardless of their background (educational background, occupational background) or characteristics (gender, race, nationality, ages, religion, beliefs, sexes, physical handicaps, or other personal characteristics). As a result, SHIFT has managed to provide opportunities for diverse human resources to thrive. For example, a talented personnel who joined SHIFT from a variety of industries, including the service industry, food and beverage, apparel, and civil servants, has resulted to be a high performer.

SHIFT has also established an evaluation system based on the various "performance" of each employee, including the utilization rate and the unit price for engineer for the past 6 months.

(4) Mitigating Environmental Impact on Society

One of the values that SHIFT provides in software quality assurance service is to streamline the software development process. By mitigating the resources involved in each project, such as man-hour and load, SHIFT contributes to decreasing the environmental input into the development process and to resolving environmental issues, including climate change.

In addition, SNC, one of its group companies, conducts a business to sell used PCs. Through the reuse business, SHIFT helps to reduce CO2 by reusing PCs and desktops that were to be wasted and mitigate the amount of those that were to be manufactured.

Going forward, SHIFT will continue to contribute to society by providing its business activities including software quality assurance businesses. Based on its corporate philosophy, "we seek out new value concepts and work sincerely to provide value to the world," SHIFT will continue to grow ourselves while continuously seeking for what SHIFT can do.

3. Reference

News Release from SMBC

<https://www.smbc.co.jp/news/> (Japanese only)

News Release from DNV

<https://www.dnv.jp/news/page-203298> (Japanese only)

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