

October 22nd, 2021

To Our Valued Stakeholders,

**Announcement of the Partial Revision of
Consolidated Financial Results for the Fiscal Year Ended August 31, 2021 [Japanese GAAP]**

SHIFT Inc. (“SHIFT,” headquartered in Minato-ku, Tokyo, Japan; Masaru Tange, CEO and Representative Director) sincerely shows our apologies and announced today that SHIFT has made some revisions to the contents of the “Consolidated Financial Results for the Fiscal Year Ended August 31, 2021 [Japanese GAAP].”

Note that the corrected parts are underlined.

1. Reasons of the revision

SHIFT has made revisions on “(3) Overview of Cash Flows” in “Consolidated Financial Results for the Fiscal Year Ended August 31, 2021 [Japanese GAAP].” This revision does not affect the Business Results and Financial Condition.

2. Revised parts

Overview of Business Results

Consolidated Financial Results for the Year Ended August 31, 2021 (September 1, 2020 to August 31, 2021) (3)

Overview of Cash Flows

<Before the revision>

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
Year ended	Million yen	Million yen	Million yen	Million yen
August 31, 2021	<u>4,737</u>	<u>(5,418)</u>	<u>8,292</u>	14,147
August 31, 2020	2,250	(5,926)	1,510	6,524

<After the revision>

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
Year ended	Million yen	Million yen	Million yen	Million yen
August 31, 2021	<u>4,758</u>	<u>(5,432)</u>	<u>8,286</u>	14,147
August 31, 2020	2,250	(5,926)	1,510	6,524

Reference 1. Overview of Operating Results, (3) Overview of Cash Flows

<Before the revision>

Cash and cash equivalents amounted to ¥14,147,471 thousand as of August 31, 2021, up ¥7,623,471 thousand from August 31, 2020. The cash flows affecting this figure are outlined below.

(Cash flows from operating activities)

During the year under review, net cash provided by operating activities was ¥4,737,708 thousand, compared with ¥2,250,560 thousand provided by these activities in the year ended August 31, 2020. Net cash provided increased year on year despite an increase of ¥1,384,743 thousand in trade receivables and ¥1,193,890 thousand in income taxes paid. Primary factors contributing to the rise were ¥4,525,754 thousand in recorded profit before income taxes, ¥760,858 thousand in amortization of goodwill, a ¥542,444 thousand increase in accounts payable–other and accrued expenses, and a ¥522,826 thousand increase in trade payables.

(Cash flows from investing activities)

Investing activities used ¥5,418,750 thousand in cash during the year under review, compared with ¥5,926,354 thousand used by these activities in the previous fiscal year. Notably, the purchase of investment securities used ¥420,010 thousand, and the purchase of shares of subsidiaries resulting in change in scope of consolidation used ¥4,521,712 thousand.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥8,292,353 thousand, compared with ¥1,510,923 thousand provided by these activities in the previous fiscal year. Chief components were ¥1,157,917 thousand used for repayments of long-term borrowings and ¥930,967 thousand spent on the purchase of treasury shares. Meanwhile, proceeds from issuance of shares came to ¥9,746,870 thousand.

(Reference) Cash flow indicators

Fiscal year ended	August 31, 2017	August 31, 2018	August 31, 2019	August 31, 2020	August 31, 2021
Equity ratio	36.1	36.7	57.7	53.0	65.3
Equity ratio based on market value	384.8	1,129.1	567.5	986.8	1,294.8
Ratio of interest-bearing debt to cash flow	5.2	1.4	2.5	2.1	0.9
Interest coverage ratio	63.0	178.6	154.3	306.3	<u>328.4</u>

<After the revision>

Cash and cash equivalents amounted to ¥14,147,471 thousand as of August 31, 2021, up ¥7,623,471 thousand from August 31, 2020. The cash flows affecting this figure are outlined below.

(Cash flows from operating activities)

During the year under review, net cash provided by operating activities was ¥4,758,005 thousand, compared with ¥2,250,560 thousand provided by these activities in the year ended August 31, 2020. Net cash provided increased year on year despite an increase of ¥1,384,743 thousand in trade receivables and ¥1,193,890 thousand in income taxes paid. Primary factors contributing to the rise were ¥4,525,754 thousand in recorded profit before income taxes, ¥760,858 thousand in amortization of goodwill, a ¥542,444 thousand increase in accounts payable–other and accrued expenses, and a ¥522,826 thousand increase in trade payables.

(Cash flows from investing activities)

Investing activities used ¥5,432,861 thousand in cash during the year under review, compared with ¥5,926,354 thousand used by these activities in the previous fiscal year. Notably, the purchase of investment securities used ¥420,010 thousand, and the purchase of shares of subsidiaries resulting in change in scope of consolidation used ¥4,511,712 thousand.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥8,286,168 thousand, compared with ¥1,510,923 thousand provided by these activities in the previous fiscal year. Chief components were ¥1,157,917 thousand used for repayments of long-term borrowings and ¥930,967 thousand spent on the purchase of treasury shares. Meanwhile, proceeds from issuance of shares came to ¥9,746,870 thousand.

(Reference) Cash flow indicators

Fiscal year ended	August 31, 2017	August 31, 2018	August 31, 2019	August 31, 2020	August 31, 2021
Equity ratio	36.1	36.7	57.7	53.0	65.3
Equity ratio based on market value	384.8	1,129.1	567.5	986.8	1,294.8
Ratio of interest-bearing debt to cash flow	5.2	1.4	2.5	2.1	0.9
Interest coverage ratio	63.0	178.6	154.3	306.3	<u>329.8</u>

3. Consolidated Financial Statements and Primary Notes (4) Consolidated Statement of Cash Flows

<Before the revision>

	(Thousands of yen)	
	For the year ended August 31, 2020	For the year ended August 31, 2021
Cash flows from operating activities		
Profit before income taxes	2,535,129	4,525,754
Depreciation	327,977	443,097
Impairment loss	—	210,946
Amortization of goodwill	264,742	760,858
Increase (decrease) in allowance for doubtful accounts	3,228	6,291
Increase (decrease) in provision for bonuses	16,942	47,328
Interest and dividend income	(93,456)	(90,589)
Interest expenses	10,299	14,428
Loss on sales of non-current assets	—	11,300
Subsidy income	(90,750)	(710,197)
Foreign exchange losses (gains)	2,321	(4,840)
Decrease (increase) in trade receivables	(634,589)	(1,384,743)
Decrease (increase) in inventories	(96,430)	(184,780)
Decrease (increase) in prepaid expenses	(17,461)	(64,942)
Increase (decrease) in trade payables	(125,578)	522,826
Increase (decrease) in accounts payable—other, and accrued expenses	39,625	542,444
Other	767,596	<u>500,056</u>
Subtotal	<u>2,909,596</u>	<u>5,145,239</u>
Interest and dividends received	93,456	90,589
Interest paid	(10,299)	(14,428)
Subsidies received	90,750	710,197
Income taxes paid	(832,943)	(1,193,890)
Net cash provided by (used in) operating activities	<u>2,250,560</u>	<u>4,737,708</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(411,593)	(372,068)
Purchase of intangible assets	(71,997)	(63,635)
Purchase of investment securities	(2,697,869)	(420,010)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,650,717)	<u>(4,521,712)</u>
Payments of leasehold deposits	(134,944)	(59,477)
Proceeds from refund of leasehold deposits	5,656	11,652
Other	35,111	<u>6,502</u>
Net cash provided by (used in) investing activities	<u>(5,926,354)</u>	<u>(5,418,750)</u>
Cash flows from financing activities		
Proceeds from long-term borrowings	2,600,000	660,004
Repayments of long-term borrowings	(981,155)	(1,157,917)
Proceeds from issuance of shares	241,335	9,746,870
Purchase of treasury shares	(555)	(930,967)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(316,049)	—
Other	(32,651)	<u>(25,636)</u>
Net cash provided by (used in) financing activities	<u>1,510,923</u>	<u>8,292,353</u>
Effect of exchange rate change on cash and cash equivalents	(2,351)	12,159
Net increase (decrease) in cash and cash equivalents	<u>(2,167,222)</u>	<u>7,623,471</u>
Cash and cash equivalents at beginning of period	8,691,223	6,524,000
Cash and cash equivalents at end of period	<u>6,524,000</u>	<u>14,147,471</u>

<After the revision>

	(Thousands of yen)	
	For the year ended August 31, 2020	For the year ended August 31, 2021
Cash flows from operating activities		
Profit before income taxes	2,535,129	4,525,754
Depreciation	327,977	443,097
Impairment loss	—	210,946
Amortization of goodwill	264,742	760,858
Increase (decrease) in allowance for doubtful accounts	3,228	6,291
Increase (decrease) in provision for bonuses	16,942	47,328
Interest and dividend income	(93,456)	(90,589)
Interest expenses	10,299	14,428
Loss on sales of non-current assets	—	11,300
Subsidy income	(90,750)	(710,197)
Foreign exchange losses (gains)	2,321	(4,840)
Decrease (increase) in trade receivables	(634,589)	(1,384,743)
Decrease (increase) in inventories	(96,430)	(184,780)
Decrease (increase) in prepaid expenses	(17,461)	(64,942)
Increase (decrease) in trade payables	(125,578)	522,826
Increase (decrease) in accounts payable—other, and accrued expenses	39,625	542,444
Other	767,596	<u>520,353</u>
Subtotal	<u>2,909,596</u>	<u>5,165,536</u>
Interest and dividends received	93,456	90,589
Interest paid	(10,299)	(14,428)
Subsidies received	90,750	710,197
Income taxes paid	(832,943)	(1,193,890)
Net cash provided by (used in) operating activities	<u>2,250,560</u>	<u>4,758,005</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(411,593)	(372,068)
Purchase of intangible assets	(71,997)	(63,635)
Purchase of investment securities	(2,697,869)	(420,010)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,650,717)	<u>(4,511,712)</u>
Payments of leasehold deposits	(134,944)	(59,477)
Proceeds from refund of leasehold deposits	5,656	11,652
Other	35,111	<u>(17,608)</u>
Net cash provided by (used in) investing activities	<u>(5,926,354)</u>	<u>(5,432,861)</u>
Cash flows from financing activities		
Proceeds from long-term borrowings	2,600,000	660,004
Repayments of long-term borrowings	(981,155)	(1,157,917)
Proceeds from issuance of shares	241,335	9,746,870
Purchase of treasury shares	(555)	(930,967)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(316,049)	—
Other	(32,651)	<u>(31,821)</u>
Net cash provided by (used in) financing activities	<u>1,510,923</u>	<u>8,286,168</u>
Effect of exchange rate change on cash and cash equivalents	(2,351)	12,159
Net increase (decrease) in cash and cash equivalents	<u>(2,167,222)</u>	<u>7,623,471</u>
Cash and cash equivalents at beginning of period	8,691,223	6,524,000
Cash and cash equivalents at end of period	6,524,000	14,147,471

###

Contact

Taichi Hattori

Executive Officer and CFO

ir_info@shiftinc.jp