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Company name: Yellow Hat Ltd.
Representative: Akio Kimura, Representative Director and President
Code number: 9882 TSE Prime
Contact: Hiroyasu Mitsuhashi, Manager of Accounting
Department
Phone: +81-3-6778-1690

Notice Regarding Opinion of the Company's Board of Directors on Shareholder Proposal

Yellow Hat Ltd. (the "Company") has received a shareholder proposal (the "Shareholder Proposal") from INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP and Strategic Capital, Inc. (hereinafter, collectively the "Proposing Shareholders"), which are shareholders of the Company, as agenda items for the 68th Annual General Meeting of Shareholders scheduled for June 2026.

At a meeting of the Board of Directors held today, the Company resolved to oppose the Shareholder Proposal in its entirety and hereby announces the details described below.

I. Proposing Shareholders and Details of the Proposal

1. Proposing Shareholders

INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP and Strategic Capital, Inc.

2. Contents of the Proposal

(1) Agenda Items

- (i) Partial Amendment of the Articles of Incorporation Concerning the Decision-Making Body for Dividends of Surplus
- (ii) Appropriation of Surplus
- (iii) Revision of Remuneration for the Purpose of Granting Restricted Share-Based Remuneration to Directors (Excluding Outside Directors)

(2) Outline of Proposals and Their Rationale

An outline of the proposals and their rationale are as described in the Attachment "Details of the Shareholder Proposal." Please note that the relevant portions of the Shareholder Proposal submitted by the Proposing Shareholders are presented verbatim, with only minimal formal adjustments made.

II. Opinion of the Company's Board of Directors on the Shareholder Proposal

1. Partial Amendment of the Articles of Incorporation Concerning the Decision-Making Body for Dividends of Surplus

(1) Opinion of the Company's Board of Directors

The Board of Directors is against this proposal.

(2) Reasons for Opposition

(i) To ensure timely and flexible execution of capital policies and speed of decision-making

The Company believes that, in a rapidly changing market environment, it is essential for the enhancement of medium- to long-term corporate value to execute capital policies, including shareholder returns, with optimal timing, taking current business performance and cash flow conditions and investments for future growth (e.g. renovation of existing stores, new store openings, and systems investments), as well as financial soundness, into comprehensive consideration.

Determining that such matters require extremely sophisticated management judgments and that making timely and flexible judgments in the Board of Directors represents a reasonable, effective approach to decision-making from the perspective of sustained improvement of corporate value, the Company has adopted the Board of Directors as the decision-making body for dividends of surplus.

(ii) Reasonableness of returns that combine dividends and share repurchases

In its medium-term plan covering the three years from the fiscal year ended March 31, 2026 to the fiscal year ending March 31, 2028, the Company has set out a shareholder return policy of "a total shareholder return ratio of 100% (45% dividend payout ratio and 55% share repurchases)." As such, in the pursuit of management that is conscious of capital efficiency, the Company has determined that an appropriate combination (total shareholder return ratio of 100% or more) of direct returns through stable, continuous dividends (45% dividend payout ratio) and timely share repurchases (55%) to respond to the market environment and share price levels and maintain an optimal capital composition would at present most contribute to the interests of shareholders.

In addition, the execution of timely share repurchases is a useful means of improving return on equity (ROE) and earnings per share (EPS). It also offers the benefit of enabling flexible responses such as regarding the method and scale of returns by constantly monitoring liquidity conditions and trends in the cost of equity.

The Company has determined that the most rational option is for the Board of Directors, which is highly knowledgeable about the Company's business operations, including decisions on dividends of surplus, to hold the responsibility and authority to determine the optimal balance for such an approach to shareholder returns and link them to medium- to long-term management strategies.

For the above reasons, the Company opposes this proposal.

2. Appropriation of Surplus

(1) Opinion of the Company's Board of Directors

The Board of Directors is against this proposal.

(2) Reasons for Opposition

(i) The Company's opinion on the advantages of a total shareholder return ratio of 100% (dividends and timely share repurchases) and on the risk of a decline in liquidity

This proposal concerns the appropriation of surplus on the condition that the shareholder proposal "Partial Amendment of the Articles of Incorporation" is approved and passed.

In its current medium-term plan, the Company has decided on a total shareholder return

ratio of 100% (45% dividend payout ratio, 55% share repurchases), and has already realized returns equal to the level sought by the Proposing Shareholders. A rigid policy of allocating the entire net profit to dividends as proposed would force an extreme either-or choice between shareholder returns and growth investments such as store renovations and DX. This carries the risk of impeding flexible allocation of capital for the improvement of medium- to long-term corporate value.

The Proposing Shareholders have expressed concerns about the risk of a future decline in liquidity resulting from continued share repurchases. However, in addition to giving primary consideration to the continued listing criteria (tradable share ratio) on the TSE Prime Market, the Company continuously and appropriately monitors market liquidity and cost-of-capital conditions.

If, in the future, an event were to arise that required taking the impact on liquidity into account, the Company would, in the Board of Directors, promptly review the scale and timing of share repurchases, from the perspective of the optimal capital policy at that time, and respond flexibly. The current policy, which enables optimal judgments according to the circumstances, is precisely what contributes to the maximization of shareholder interests. The Company has determined that pre-emptively excluding share repurchases, which are an effective option for enhancing capital efficiency, solely on the grounds of future liquidity risks would impede the enhancement of medium- to long-term shareholder value.

- (ii) Emphasis on “stable, sustained return of profits” based on a track record of 16 consecutive years of dividend increases

To date, the Company has realized dividend increases for 16 consecutive fiscal years, and in doing so, has acted on its most important management challenge, namely the stable return of profits to shareholders.

We take pride in this achievement of consecutive dividend increases, believing it to be the result of building relationships of trust with our shareholders over the medium to long-term, rather than being swayed by short-term fluctuations in earnings. The Company will continue to place importance on this track record of consecutive dividend increases and strive for the sustained enhancement of dividend levels in line with medium- to long-term growth.

For the above reasons, the Company opposes this proposal.

3. Revision of Remuneration for the Purpose of Granting Restricted Share-Based Remuneration to Directors (Excluding Outside Directors)

(1) Opinion of the Company’s Board of Directors

The Board of Directors is against this proposal.

(2) Reasons for Opposition

- (i) Inappropriateness of using the “average P/B ratio of the TSE Prime Market” as a benchmark

This proposal calls for a system whereby decisions on share-based remuneration for Directors (ranging from a maximum of ¥150 million to zero) would be based solely on the difference between the Company’s price-to-book (P/B) ratio and the average P/B ratio of the TSE Prime Market.

We recognize that the “average P/B ratio of the TSE Market” proposed as a metric by the Proposing Shareholders is strongly affected by stocks from industries with completely different business structures and capital composition from that of the Company and by stocks that have a significantly larger market capitalization than the Company.

Furthermore, the P/B ratio has the characteristic of fluctuating considerably due not only to corporate efforts, but also to external factors that a company cannot control, such as macro-economic trends, interest rate levels, and temporary influxes of funds into specific sectors (e.g., IT, semiconductors).

For this reason, the Company has determined that this proposal could not be described as an appropriate remuneration structure from the perspective of the improvement of the Company's medium- to long-term corporate value.

(ii) Disregard for the objective and multifaceted remuneration decision-making process (governance)

To ensure that Directors' remuneration serves as an incentive for sustained growth, we believe that it should be evaluated comprehensively using multifaceted metrics, including not only P/B ratio, but also medium- to long-term performance improvement, capital efficiency improvement, and sharing value with shareholders.

The Company has already established a mechanism for determining the optimal balance of fixed remuneration, variable remuneration, and restricted share-based remuneration, which is designed to share value with shareholders. This is achieved through an objective and highly transparent process (Nominating and Remuneration Committee chaired by an Independent Outside Director) in which the Independent Outside Directors are also involved. Specifically, remuneration is composed of approximately 10% fixed remuneration, approximately 70% variable remuneration, and approximately 20% restricted share-based remuneration. Because the current restricted share-based remuneration directly links fluctuations in share price to the value of assets held by officers, it functions sufficiently as an incentive for the enhancement of shareholder value without attaching the kinds of conditions contained in this proposal. The Company has determined that creating a rigid remuneration scheme by adopting a single metric and calculation formula designated by specific shareholders would not be a suitable approach to the Company's corporate governance.

(iii) Misapprehension of the facts in the Proposing Shareholders' claims

In their rationale for this proposal, the Proposing Shareholders assert that the value of the Company's shares owned by the Representative Director and President of the Company is less than the Directors' average monetary remuneration.

However, this calculation does not reflect the effect of the stock split conducted by the Company on April 1, 2025 and is thus contrary to the facts. In light of actual shareholdings, the economic interests of the Representative Director and President through share ownership significantly exceed average monetary remuneration, and sufficient incentives to share value with shareholders are already in place. The Company has determined that the claims of the Proposing Shareholders, which lack an accurate understanding of the facts, are a misapprehension of the underlying facts and are therefore unreasonable.

For the above reasons, the Company opposes this proposal.

Details of the Shareholder Proposal

* The details submitted by the Proposing Shareholders are presented verbatim, with only minimal formal adjustments made.

I Proposed Agenda Items

1. Partial Amendment of the Articles of Incorporation Concerning the Decision-Making Body for Dividends of Surplus
2. Appropriation of Surplus
3. Revision of Remuneration for the Purpose of Granting Restricted Share-Based Remuneration to Directors (Excluding Outside Directors)

II Contents of the Proposal

With regard to Proposal 1. below (the “Articles Amendment Proposal”), if, as a result of the approval or rejection of the Articles Amendment Proposal and any other proposals (including those proposed by the Company) at the Annual General Meeting of Shareholders, formal adjustment of any chapter or article set forth in the Articles Amendment Proposal is required (including, but not limited to corrections to discrepancies in numbering of chapter or articles), such provisions in the Articles Amendment Proposal shall be deemed to be replaced with the text as adjusted accordingly. For detailed explanations of the following shareholder proposals, please refer to <https://stracap.jp/9882-YELLOWHAT/> or the dedicated site linked at top right of the Strategic Capital website, <https://stracap.jp/>. All companies figures presented in each shareholder proposal are based on the consolidated financial statements, unless otherwise stated as non-consolidated. In addition, treasury shares are deducted from the total number of issued shares for the calculation of market capitalization.

1. Partial Amendment of the Articles of Incorporation Concerning the Decision-Making Body for Dividends of Surplus

Amend Articles 43 and 44 of the current Articles of Incorporation as follows.

Current Articles of Incorporation

Article 43 (Decision-making Body for Dividends of Surplus, etc.)

Unless otherwise provided by laws and regulations, the Company shall determine matters set forth in each item of Article 459, paragraph (1) of the Companies Act, including dividends of surplus, by resolution of the Board of Directors, rather than resolution of the General Meeting of Shareholders.

Article 44 (Record Date for Dividends of Surplus)

1. The record date for year-end dividends of the Company shall be March 31 of each year.
2. The record date for interim dividends of the Company shall be September 30 of each year.
3. In addition to the two preceding paragraphs, the Company may distribute dividends of surplus by setting a record date.

Proposed Amendment (changes indicated by underlining)

Article 43 (Dividends of Surplus)

1. The Company may, by resolution of the General Meeting of Shareholders, pay year-end dividends to shareholders or registered pledgees of shares recorded or registered in the final register of shareholders as of the last day of each fiscal year.
2. In addition to the previous paragraph, by resolution of the Board of Directors, the Company may pay interim dividends to shareholders or registered pledgees of shares recorded or registered in the final register of shareholders as of September 30 of each year.
3. In addition to the two preceding paragraphs, the Company may distribute dividends of surplus by setting a record date.

2. Appropriation of Surplus

On the condition that “Proposal 1. Partial Amendment of the Articles of Incorporation Concerning the Decision-Making Body for Dividends of Surplus” is approved, distribute dividends of surplus as follows.

(1) Type of dividend property

Cash

(2) Matters concerning the allotment of dividend property to shareholders and the total amount thereof

Pay a dividend to ordinary shareholders of the Company as of the record date of voting rights for the 68th Annual General Meeting of Shareholders (the “Allocation Date”) in the amount per share (“Additional Dividend Amount”) obtained by subtracting from 128 yen dividend amounts per common share based on proposals for appropriation of surplus resolved by the Company’s Board of Directors (the “Company Profit Appropriation Proposal”) or dividend amounts per common share resolved by the Company’s Board of Directors as appropriation of surplus for the fiscal year ended March 31, 2026 by the date of the 68th Annual General Meeting of Shareholders (including interim dividends and plans for appropriation) under Article 43 of the Company’s Articles of Incorporation (hereinafter, these dividend amounts based on resolutions of the Board of Directors are referred to collectively as “Company Dividend Amounts”), in addition to the Company Dividend Amounts.

If basic earnings per share for the fiscal year ended March 31, 2026 exceeds 128 yen, replace the 128 yen stated at the beginning with the actual amount of basic earnings per share for the fiscal year ended March 31, 2026.

The total amount of dividends will be the amount obtained by multiplying the number of the Company’s shares eligible for dividends as of the Allocation Date by the Additional Dividend Amount.

(3) Effective date of dividends from surplus

The day following the date of the 68th Annual General Meeting of Shareholders of the Company

If a Company Profit Appropriation Proposal is made to the 68th Annual General Meeting of Shareholders, this proposal shall be made as an additional proposal, independent of and compatible with the Company Profit Appropriation Proposal.

3. Revision of Remuneration for the Purpose of Granting Restricted Share-Based Remuneration to Directors (Excluding Outside Directors)

(1) Outline of the proposal

This proposal is for the restricted share-based remuneration scheme, whose adoption was approved at the 62nd Annual General Meeting of Shareholders held on June 23, 2020 and whose revision was approved at the 66th Annual General Meeting of Shareholders held on June 20, 2024, to be revised as per (2) below. There shall be no changes to the restricted share-based remuneration scheme other than the points for revision herein.

(2) Details of the scheme

i. Number of restricted shares allocated per year

No more than 200,000 shares per year

ii. Amount of monetary remuneration claims for the allocation of restricted shares

No more than 150 million yen per year

iii. Method of calculating monetary remuneration claims

The amount of monetary remuneration claims paid to Directors after the end of each fiscal year for the granting of restricted shares is calculated by multiplying the number of common shares of the Company finally allotted to the Directors (the “Final Number of Allotted Shares”) by an amount that is not particularly advantageous to the Directors, based on the final closing price of the Company’s common shares on the Tokyo Stock Exchange on the business day immediately preceding the date of the Board of Directors’ resolution made after the last day of each fiscal year to determine the issuance or disposal of shares for the purpose of the relevant allotment. The Final Number of Allotted Shares shall be the number of shares calculated by multiplying the number of shares predetermined by the Board of Directors for each position by a ratio based on the degree of

achievement of share price targets, as described below.

- 1) if the Company's excess P/B ratio relative to the TSE Prime Market average is -0.5 or less: 0
- 2) if the Company's excess P/B ratio relative to the TSE Prime Market average is more than -0.5 and less than or equal to -0.4: 0.1
- 3) if the Company's excess P/B ratio relative to the TSE Prime Market average is more than -0.4 and less than or equal to -0.3: 0.2
- 4) if the Company's excess P/B ratio relative to the TSE Prime Market average is more than -0.3 and less than or equal to -0.2: 0.3
- 5) if the Company's excess P/B ratio relative to the TSE Prime Market average is more than -0.2 and less than or equal to -0.1: 0.4
- 6) if the Company's excess P/B ratio relative to the TSE Prime Market average is more than -0.1 and less than or equal to 0: 0.5
- 7) if the Company's excess P/B ratio relative to the TSE Prime Market average is more than 0 and less than or equal to 0.1: 0.6
- 8) if the Company's excess P/B ratio relative to the TSE Prime Market average is more than 0.1 and less than or equal to 0.2: 0.7
- 9) if the Company's excess P/B ratio relative to the TSE Prime Market average is more than 0.2 and less than or equal to 0.3: 0.8
- 10) if the Company's excess P/B ratio relative to the TSE Prime Market average is more than 0.3 and less than or equal to 0.4: 0.9
- 11) if the Company's excess P/B ratio relative to the TSE Prime Market average is more than 0.4: 1

Notes:

1. "The Company's excess P/B ratio relative to the TSE Prime Market average" refers to the value obtained by subtracting the average P/B ratio of the TSE Prime Market from the Company's P/B ratio.
2. "The Company's P/B ratio" refers to the price-to-book ratio calculated by dividing the average share price, based on the closing prices of the Company's common shares on the Tokyo Stock Exchange for each trading day during the three months immediately preceding and including the last day of each fiscal year, by the net asset value per share as of the end of that fiscal year.
3. "Average P/B ratio of the TSE Prime Market" refers to the consolidated (simple average) Prime Market P/B ratio as of the end of each month in each fiscal year, as disclosed by the Tokyo Stock Exchange in its "Long-range Data (Composite)."

III Rationale for the Proposal

1. Partial Amendment of the Articles of Incorporation Concerning the Decision-Making Body for Dividends of Surplus

The objective of this proposal is to make the General Meeting of Shareholders the decision-making body for year-end dividends.

The Company determines dividends by resolution of the Board of Directors, without requiring a resolution by the General Meeting of Shareholders. However, in the past, the Company's restriction of dividend payments has caused its equity ratio to rise, leading to the stagnation of its share price. It is therefore difficult to conclude that the Board of Directors' capital and shareholder return policies have sufficiently contributed to the enhancement of shareholder value.

The medium-term plan announced by the Company in January 2025 has set a target dividend payout ratio of 45% and states that, with the addition of share repurchases, the cumulative total shareholder return ratio over the three-year period will be 100% or more. It also states that the equity ratio will be reduced to less than 60% by the end of the fiscal year ending March 31, 2028, the final year of the medium-term plan, and to around 50% in the long term.

With this, while a certain reduction in equity ratio can be recognized in the immediate term, if, subsequent to the current medium-term plan, only the 45% dividend payout ratio were to be maintained, there is a possibility that the equity ratio would rise once more, leading to a decline in ROE.

The Company's P/B ratio has never exceeded the TSE Prime Market average P/B ratio. The Proposing

Shareholders believe that one cause of this lies in its dividend policy. In addition, to lower the equity ratio to around 50%, it will be necessary to continue shareholder returns at the current level going forward. For this reason, it is necessary to strengthen shareholders' involvement in capital and shareholder return policies by making the General Meeting of Shareholders the decision-making body for dividends and encourage management that will contribute to the enhancement of shareholder value, including the improvement of ROE and the optimization of the equity ratio.

2. Appropriation of Surplus

The intent of this proposal is to set a 100% dividend payout ratio as the shareholder return policy.

As stated in the rationale for the proposal in the previous item, with the current dividend payout ratio of 45%, it is expected that, subsequent to the medium-term plan, the equity ratio will balloon once more and ROE will decline.

On the other hand, if share repurchases from the market are continued under the conditions of the current scale of market capitalization and share liquidity on the market, it could lead to a decline in the liquidity of the Company's shares and, by extension, to a rise in cost of capital. For this reason, it is preferable for shareholder returns to be primarily centered on dividends.

Further, although the Proposing Shareholders recognize some merit in the current medium-term plan announced by the Company in January 2025, they believe that the limited rise in share prices stems from market concerns regarding the sustainability of the shareholder return policy, which is primarily centered on share repurchases rather than dividends.

For this reason, by changing the shareholder return policy from the current "45% dividend payout ratio and 100% total shareholder return ratio" to "100% dividend payout ratio," with the Company's economic position unchanged, it should be made clear that the Company will continue with long-term, stable shareholder returns toward its target of reducing the equity ratio to 50%.

3. Revision of Remuneration for the Purpose of Granting Restricted Share-Based Remuneration to Directors (Excluding Outside Directors)

In the Convocation Notice for the 62nd Annual General Meeting of Shareholders held on June 23, 2020, the Company introduced a restricted share-based remuneration scheme 'for the Company's Directors (excluding Outside Directors) "to share the benefits and risks of share price fluctuations with shareholders and to further raise their motivation to contribute to share price rises and the improvement of corporate value."

However, reference to monetary remuneration amounts in this scheme is limited to that they shall be determined by "taking various matters into comprehensive consideration, such as the degree of each eligible allottee's contribution to the Company," and there is not necessarily a clear and specific linkage to the improvement of share price.

In addition, although some time has passed since the introduction of this scheme, the Company's P/B ratio at the end of the fiscal year ended March 31, 2026 was only 1.07, below the TSE Prime Market average P/B ratio of 1.5. Furthermore, the value of Company shares owned by President Kimura falls short of the average monetary remuneration of Directors, and it must be concluded that there is a lack of incentive to enhance shareholder value. In light of these circumstances, it can be said that the Company needs to further clarify the incentives of Directors to enhance shareholder value.

Accordingly, this proposal proposes that, regarding share-based remuneration for the Company's Directors (excluding Outside Directors), from the perspective of making it a scheme that reflects the enhancement of shareholder value more clearly, the current restricted share-based remuneration scheme be revised and a share-based remuneration scheme that adopts the Company's P/B ratio as one metric be introduced.

Specifically, with respect to the restricted share-based remuneration granted to Directors after the end of each fiscal year, the number of shares to be allotted shall be determined according to a mechanism based on the difference between the Company's P/B ratio and the TSE Prime Market average P/B ratio. The objective of such a mechanism is to more clearly link Directors' remuneration to the enhancement of shareholder value.

Further, whereas, under the current scheme, the maximum amount of share-based remuneration is set at 48 million yen per year, this proposal would enable the share-based remuneration granted to Directors to

be expanded to 150 million yen per year in the event that the Company's P/B ratio exceeds the TSE Prime Market average P/B ratio and corporate value improvement is recognized by the market. This can be expected to give Directors a stronger incentive for raising the share price.