



Strategic Capital

This campaign website is an abbreviated reference translation of the original in Japanese.

In the event of any differences between the original Japanese version and the English translation, the original Japanese version shall prevail



Time for a tune up **YELLOW HAT (9882)** to enhance shareholder value





Executive Summary

Strategic Capital, Inc.'s (SC) goal is to unlock enterprise and shareholder value through dialogue with the company management team and the exercise of shareholder rights.

SC and the funds managed by our company are shareholders of YELLOW HAT LTD. ("YELLOW HAT" or "the Company").

In order to increase shareholder value, we have submitted the following proposals to YELLOW HAT by exercising our right to make a shareholder proposal.

- i. Adopt a shareholder return policy of a 100% payout ratio
- ii. Adopt Company's PBR as a metric for executive stock compensation

We earnestly request all general shareholders to understand the purpose of this proposal and provide your support





What's New

04.15.2026

Submitted Formal Shareholder Proposal to the Company





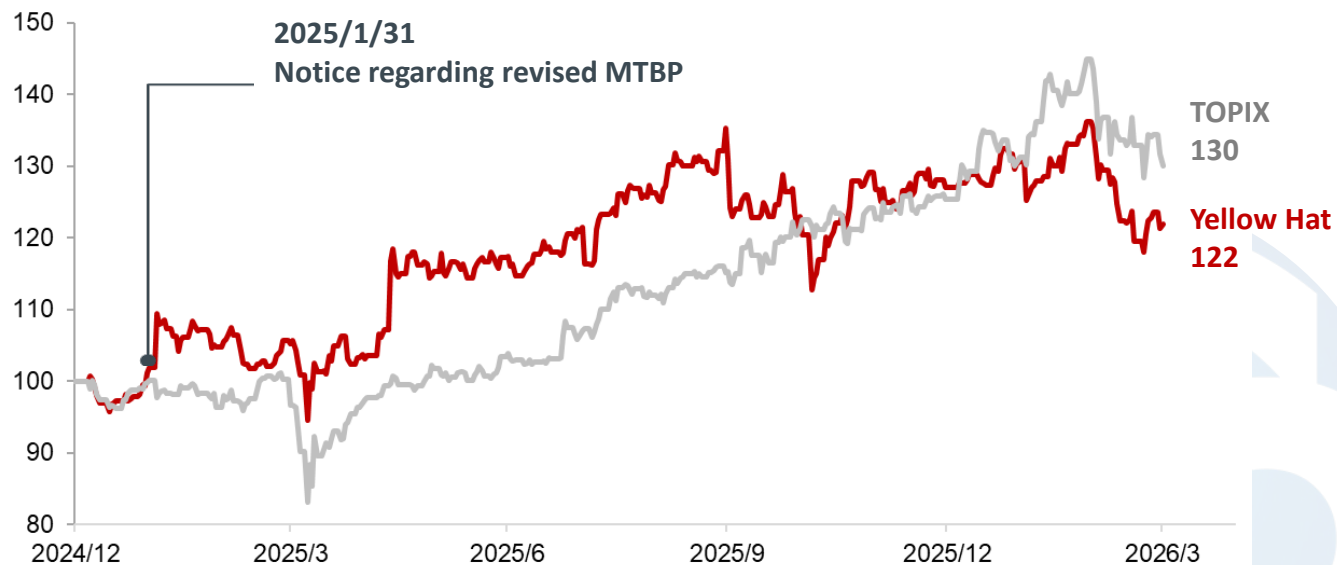
A major step forward in the MTBP. Yet market reaction is, “that’s it?”

On January 31, 2025, Yellow Hat revised its medium-term management plan (MTBP) and announced that it would set its total payout ratio to 100% or more, an ROE target of 10% or higher, establish a policy for the sale of rental real estate and cross-shareholdings, and a plan to reduce its equity ratio to around 50%.

Since investing in Yellow Hat, SC has made a variety of proposals aimed at improving the Company’s share price. The revised MTBP was broadly in line with our proposals and a reasonably comprehensive plan.

However, the **share price rose by only 7.4% on the first trading day after the announcement of the MTBP**, and in terms of total return (share price appreciation plus dividends) since 2025, the Company has underperformed the TOPIX.

Limited impact to stock price from revised MTBP



Source: Bloomberg. Indexed to 100 as of Dec 31, 2024, to Mar 31, 2026





“55% share buybacks” that is holding back stock price

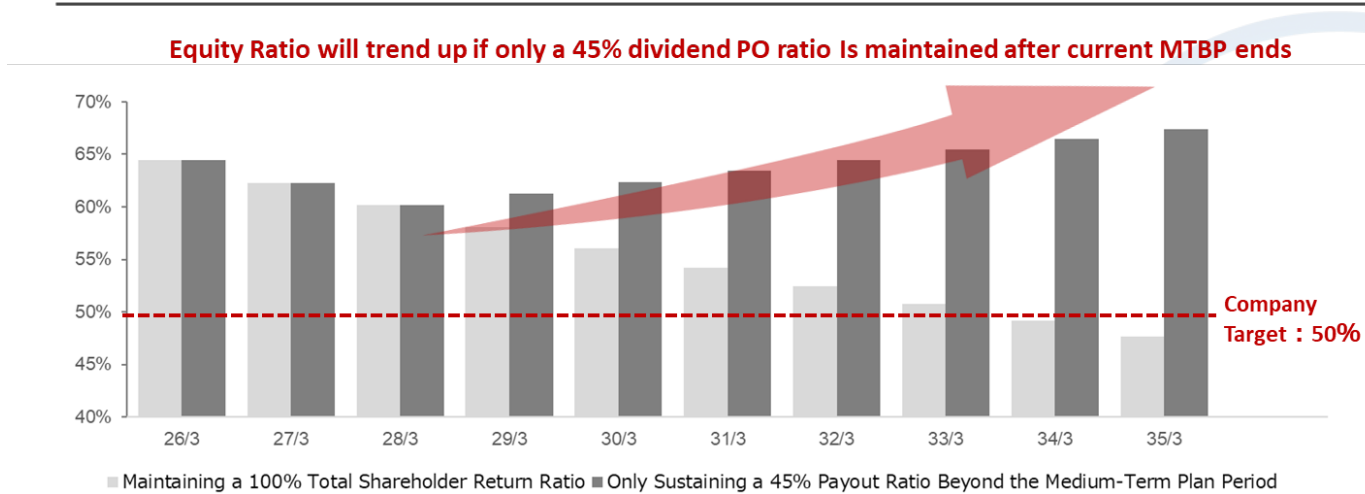
Why isn't the share price rising? We believe the reason is that, whereas SC proposed changing the shareholder return policy to a 100% dividend PO ratio, the Company instead **adopted a 100% total payout ratio (45% dividends PO ratio + 55% share buybacks)**.

The MTBP states that it will **reduce its** (excessive) **shareholders' equity ratio to around 50%**. SC places particularly high value on the fact that the Company explicitly set out this target.

At the earnings brief in May 2025, President Kimura explained that this target would be achieved within 6 to 7 years. To do so the current shareholder return policy (i.e. a 100% total PO ratio) must continue regardless of the breakdown between dividends and share buybacks.

If share buybacks stop and only the 45% dividend PO ratio continues after the MTBP, the equity ratio would begin rising again, making it unlikely that the target would be achieved. In other words, the **Company is effectively committing to maintain shareholder returns at a 100% total PO ratio level for at least 6 to 7 years.**

Achieving the equity ratio target will be difficult if buybacks stopped
Trend in the Equity Ratio (Illustrative)



Source: Projection based on MTBP. Simulation compares a scenario where the total PO ratio remains at 100% vs a scenario where only a 45% dividend payout ratio is maintained after the MTBP.





Despite a strong statement of resolve, market remains skeptical whether 55% buyback will continue

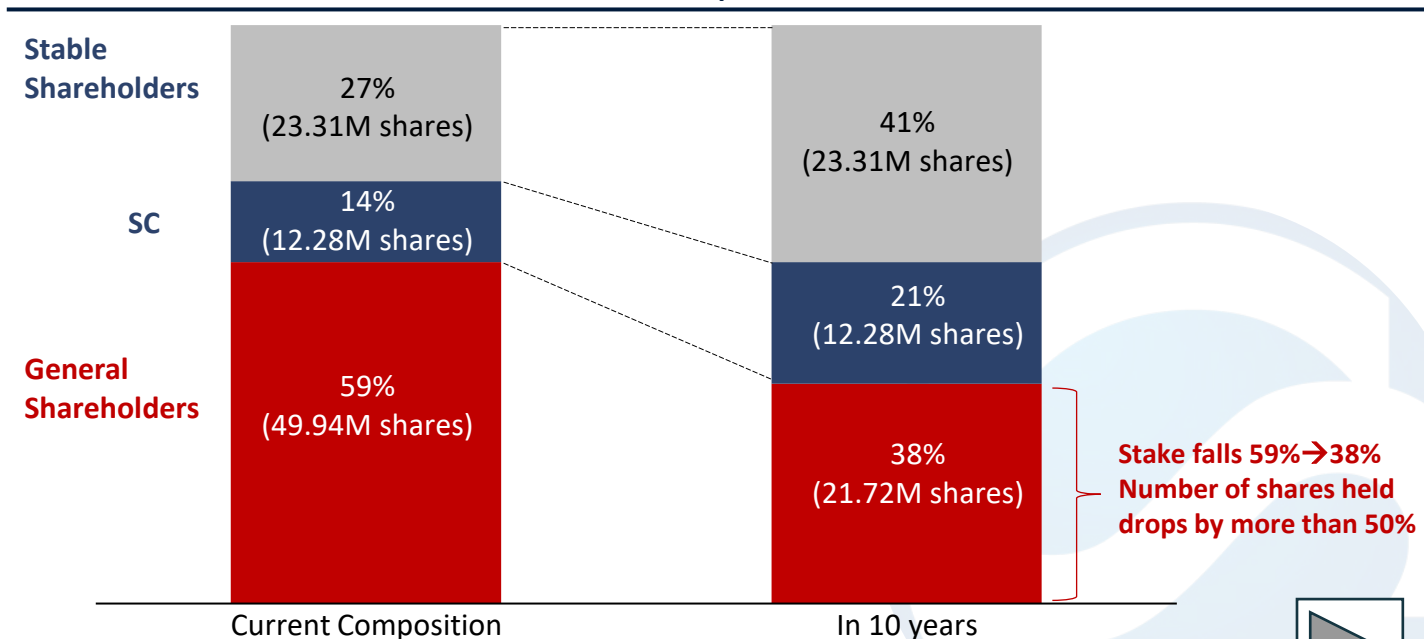
We believe that the market may not place sufficient trust in this policy. The reason is that the shareholder return policy is centered not on dividends, but on share buybacks. In other words, **investors and shareholders are skeptical that the share buybacks will continue at the current level (55% of net income)**, and that this is why the rise in the share price has been limited.

Unlike dividends, share buybacks are more likely to be viewed as a one-off, and it is only natural for investors and shareholders to think, “They will probably stop buying back shares once the current MTBP ends.”

In fact, from the standpoint of liquidity, **it would be difficult to maintain the buybacks at the current pace**. If the buybacks were to continue at the same level as in FY 2025 for 10 years, the number of shares held by shareholders other than stable shareholders and SC (i.e. general shareholders) would fall to less than half, severely impacting liquidity.

Continuing buybacks from market would result in less general shareholders and reduced liquidity

Simulation of Shareholder Composition and Number of Shares



Assuming Company continues share buyback program at the same level as in fiscal 2025 (3,135,700 shares). Number of shares held by stable shareholders estimated by SC based on shareholder composition as of Sep 30, 2025





If the financial burden is the same, then go with a 100% payout ratio

SC believes that if the Company were to **adopt a shareholder return policy centered on dividends rather than share buybacks, it would be less likely to remain undervalued as it has been up to now.**

Changing the policy from a 100% total payout ratio (45% dividend payout ratio + 55% share buybacks) to a 100% dividend payout ratio would merely alter the composition of shareholder returns and would bring no change whatsoever to the capital allocation policy set out in the MTBP. If that is the case, the Company should **switch to a 100% dividend payout ratio, which can be expected to improve its valuation.**

Shareholder returns should focus on dividends rather than share buybacks

Comparing 100% total PO ratio (share-buyback focused) and 100% dividend PO ratio

	<100% total PO ratio>	<100% dividend PO ratio>
Market reaction	✗ Often perceived as a one-off	✓ Perceived as a stable and consistent return
Liquidity	✗ If market buybacks continue, there are concerns over a decline in liquidity	✓ Anticipate an increase in general shareholders including retail investors
Impact of stock price	✗ Concern that the reduced liquidity will lead to higher cost of capital	✓ Expected to increase visibility of shareholder returns and lower cost of capital

Retail investor survey

~ which of the following best describes your investment style (top 5)

Investment style	2025	2024
Traditional investing focused on large cap and blue-chip stocks	25.5%	22.1%
Yield investing in high dividend stocks and shareholder benefits	23.9%	20.3%
Global diversified investing using mutual funds and ETFs	17.4%	19.8%
Developed markets, primarily Europe and US	7.5%	10.2%
Value investing. Waiting for undervalued stocks to rebound	5.9%	6.2%

Source: Source: Prepared by SC based on Nikkei Money survey, etc.





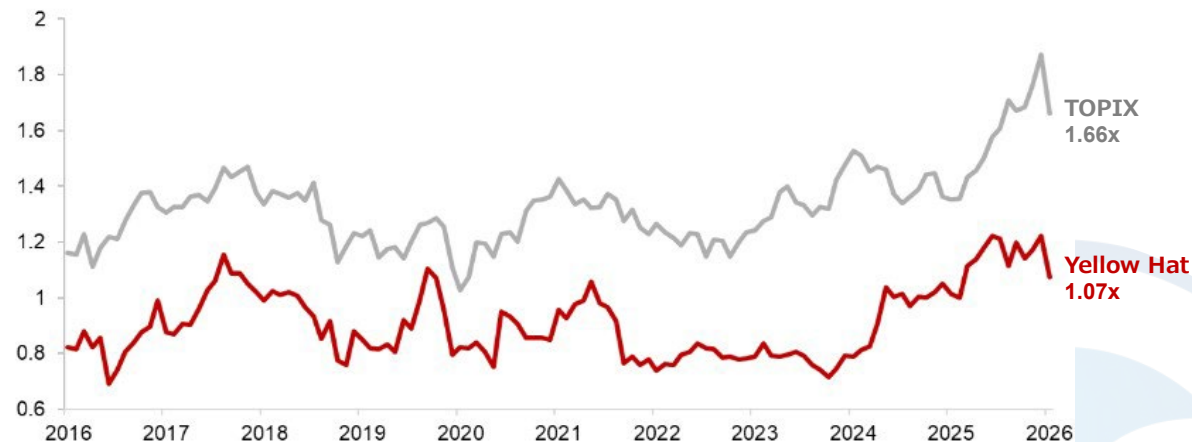
PBR has failed to catch up with the TOPIX even once in the past 10 years

Yellow Hat's PBR has not exceeded TOPIX's PBR even once in the past ten years.

At the 2020 AGM, the Company introduced a restricted stock compensation system “to further enhance directors’ motivation to contribute to share price appreciation and the enhancement of corporate value,” but even after the introduction of stock compensation and even after the announcement of the MTBP, the Company’s PBR has remained far below that of TOPIX.

Yellow Hat's PBR has not been able to exceed TOPIX

PBR (Mar 2016 – Mar 2026)



Source: Bloomberg





Problems with the compensation structure—lack of motivation to drive stock price growth

SC believes that the Company's stock compensation system is flawed.

The Company's directors' compensation consists of “fixed compensation”, “performance-linked compensation”, and “restricted stock compensation”. However, **President Kimura's holding of the Company's shares is worth roughly the same as the average annual compensation of each director**. In addition, under the current system, the annual cap on stock compensation is only JPY 48 million for six directors, or an average of JPY 8 million per director.

In other words, **even if the Company's share price rises, it has little impact on director compensation, and it is difficult to say that the compensation structure is designed to strengthen incentives to enhance shareholder value.**





Low PBR

Problematic compensation

No PBR increase, no comp

No higher PBR, no pay

Therefore, SC **proposes that, if the PBR exceeds the average PBR of the TSE Prime Market (TSE PBR) and the market recognizes the enhancement of corporate value, the annual ceiling for stock-based compensation granted to eligible directors be increased to JPY 150m.** Since the number of directors is scheduled to shrink from six to three, this would **raise the per-director limit from JPY 8m to JPY 50m.**

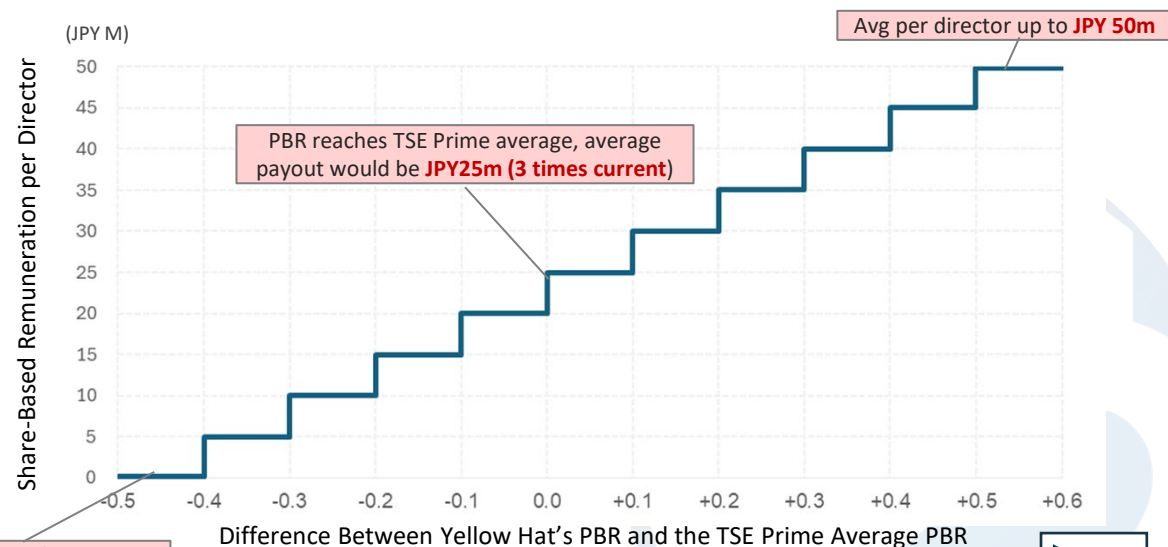
Specifically, regarding the number of restricted stock granted after the end of each fiscal year, it shall be determined according to the gap between the Company's PBR and the TSE PBR.

If the current PBR remains unchanged, stock compensation would be zero. If the PBR rises to the TSE PBR, the average annual stock compensation per director would become JPY 25m. If the PBR exceeds TSE PBR by 0.5 or more, the average annual stock compensation per director would reach JPY 50m.

This would **clearly link directors' compensation to the enhancement of shareholder value.**

Strengthen director incentive by linking share-based remuneration to PBR

Proposed restricted share-based Remuneration for directors



Source: SC





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Shareholder
Proposal

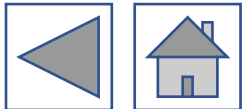
Proposal ①
100% dividend payout ratio

Proposal ②
PBR linked stock compensation

[Revision History](#)

[Disclaimer](#)

Revisions





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