May 19, 2026

To Whom It May Concern

Strategic Capital, Inc.
Tsuyoshi Maruki, President &CEO
MAIL：info@stracap.jp

<u>Re: Shareholder Proposal to YELLOW HAT LTD. (9882) and the Launch of the Campaign Website on the Proposal</u>

Strategic Capital, Inc. (hereinafter referred to as "Strategic Capital") is under a discretionary investment contract with INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP (hereinafter referred to as the "Fund") and the Fund and Strategic Capital (hereinafter referred to as "we") hold approximately 14% of Yellow Hat LTD. (hereinafter referred to as the "Company" or "Yellow Hat").

Yellow Hat's stock valuation has remained sluggish over the long term, and over the past ten years its PBR has consistently trailed that of TOPIX.

In order to unlock shareholder value, we are pleased to announce that we have notified the Company of our execution of the shareholders' right to make a proposal at the annual shareholder meeting held in the coming June.

For further details, please refer to the dedicated website (https://stracap.jp/english/YELLOWHAT.pdf) .

Details

<u>Summary of the Proposal</u>

(1) Concerning the decision-making body for determining the dividends from surplus

<Summary> In principle, the year-end dividend shall be made through a resolution of the AGM.

(2) Appropriation of surplus

<Summary>Pay a dividend with a payout ratio of 100%.

(3) Revise system for the grant of restricted stock compensation to directors (excluding outside directors)

<Summary> Introduce the Company's PBR as a metric for determining directors' stock-based compensation.

<u>Reasons for the Proposals</u>

(1) Concerning the decision-making body for determining the dividends from surplus

This proposal is to make the AGM the decision-making body for year-end dividends.

Currently, the dividends are determined by resolution of the Board rather than by resolution of the AGM. However, the Company has a history of restraining dividends, which has led to a rise in the Shareholders' equity ratio and contributed to prolonged share price weakness. Hence, it is difficult to say that the Board's capital and shareholder return policy have sufficiently contributed to enhancing shareholder value.

In the medium-term business plan (MTBP) announced January 2025, the Company stated that it would target a dividend payout ratio of 45%, and by adding share buybacks would achieve a cumulative total return ratio of 100% or more over the three-year period, as well as reduce the equity ratio to below 60% by the end of March 2028, the final year of the MTBP, and to around 50% over the longer term.

As a result, some decline in the equity ratio can currently be observed. However, if after the current MTBP only the 45% payout ratio is maintained, the equity ratio would begin to rise again, leading to a decline in ROE.

The Company's PBR has never exceeded the average PBR of companies listed on the TSE Prime Market, and one reason for this lies in the Company's dividend policy. Furthermore, in order to reduce the equity ratio to around 50%, it will be necessary to continue shareholder returns at roughly the current level on an ongoing basis.

Accordingly, by making the AGM the decision-making body for dividends, it will strengthen shareholder involvement in capital policy and shareholder return policy and encourage management that will contribute to enhancing shareholder value, including improving ROE and optimizing the equity ratio.

(2) Appropriation of surplus

This proposal is to adopt a shareholder return policy of a 100% dividend payout ratio.

As explained in the reasons for the preceding proposal, if the current 45% dividend payout ratio is maintained, the equity ratio is likely to expand again after the current MTBP, leading to a decline in ROE.

On the other hand, given the current market cap. and the liquidity of its shares in the market, continuing to buy back shares in the open market could reduce liquidity and, in turn, raise the cost of capital. For that reason, shareholder returns should be centered on dividends.

While acknowledging the merits of the current MTBP announced in January 2025, we believe the limited rise in share price stems from market concerns regarding the sustainability of a shareholder return policy centered on share buybacks rather than dividends.

Accordingly, the current shareholder return policy of "a 45% dividend payout ratio and a 100% total return ratio" should be changed to "a 100% dividend payout ratio," which would not alter the Company's financial position but make clear its commitment to continuing long-term, stable shareholder returns while working toward its target of reducing the equity ratio to 50%.

(3) Revise system for the grant of restricted stock compensation to directors (excluding outside directors)

In the notice of convocation for the 62nd AGM held June 23, 2020, the Company introduced a restricted stock compensation system "in order for the Company's directors (excluding outside directors) to share with shareholders both the benefits and risks of stock price fluctuations, and to further increase their motivation to contribute to stock price appreciation and the enhancement of corporate value."

However, the amount of monetary compensation is determined solely by "comprehensively considering various factors, including the level of contribution of each eligible recipient," and the specific linkage with the enhancement of shareholder value is not necessarily clear.

Moreover, although some time has passed since the introduction of this system, the Company's PBR stood at only 1.07x as of the end of March 2026, well below the average 1.5x PBR for companies listed on the TSE Prime Market. In light of these circumstances, the Company should clarify the incentives for directors to enhance shareholder value.

Accordingly, this proposal seeks to revise the current restricted stock compensation system for directors (excluding outside directors) and introduce a system that uses the Company's PBR as one of its metrics, with the objective of creating a system that more clearly reflects the enhancement of shareholder value.

Specifically, the number of shares granted after the end of each fiscal year would be determined according to the difference between the Company's PBR and the average PBR of the TSE Prime Market. The purpose of this is to more clearly link directors' compensation to the enhancement of shareholder value.

Furthermore, while the current system sets the maximum amount of stock compensation at JPY 48 million per year, this proposal allows for the expansion of the annual limit to JPY 150 million if the Company's PBR exceeds the average PBR of the TSE Prime Market and the market recognizes the enhancement of corporate value. As a result, it is expected to provide directors with a stronger incentive to raise the share price.

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