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Notice Regarding Introduction of Restricted Stock Compensation Plan

YOKOWO CO., LTD. (the “Company”) hereby announces that, at the meeting of the Board of Directors held today, it has resolved to introduce a restricted stock compensation plan (the “Plan”) as part of a review of its executive compensation system. The Company also resolved to submit a proposal concerning the Plan (the “Proposal”) to the 88th Ordinary General Meeting of Shareholders of the Company scheduled to be held on June 26, 2026 (the “General Meeting”), as outlined below.

1. Purpose of introduction of the Plan, etc.

(1) Purpose of introduction of the Plan

The Plan is intended to provide directors of the Company (excluding outside directors; the “Eligible Directors”) with incentives to achieve sustainable enhancement of the Company’s corporate value and to further promote the sharing of value with shareholders, and is introduced as a compensation plan under which restricted stock is granted to the Eligible Directors.

(2) Conditions for introduction of the Plan

Under the Plan, monetary remuneration claims will be granted as compensation, etc. to the Eligible Directors for the purpose of allotting restricted stock. Therefore, the introduction of the Plan is subject to the approval of shareholders at the General Meeting for the payment of such compensation, etc. At the 84th Ordinary General Meeting of Shareholders of the Company held on June 28, 2022, the amount of compensation, etc. for Directors of the Company was approved to be capped at 280 million yen per year (including the amount of compensation for Outside Directors capped at 40 million yen per year, but not including the employee salary portion for Directors concurrently serving as employees). In addition, at the 76th Ordinary General Meeting of Shareholders of the Company held on June 27, 2014, as a separate framework from the above-mentioned amount of compensation, etc. for Directors, the amount of compensation, etc. for stock options in the form of share acquisition rights granted to the Eligible Directors was approved to be capped at 50 million yen per year.

If the proposal regarding the revision of the compensation framework for Directors is approved at the General Meeting, the total amount of compensation, etc. for the Directors of the Company is expected to be capped at 400 million yen per year (including the amount of compensation for Outside Directors capped

at 60 million yen per year, but not including the salary portion for Directors concurrently serving as employees).

At the General Meeting, the Company will seek approval from shareholders to (i) abolish the provision concerning the amount of compensation, etc. related to share acquisition rights to be granted as stock options as described above, and, in light of a comprehensive consideration of various factors including the level of contribution of the Eligible Directors of the Company, to (ii) cap the total amount of monetary remuneration claims to be granted as compensation etc. related to restricted stock to the Eligible Directors at 100 million yen, as a separate framework from the above-mentioned amount of compensation, etc. for Directors.

2. Outline of the Plan

(1) Allotment and payment of restricted stock

The Company shall, based on a resolution of the Board of Directors of the Company, pay monetary remuneration claims as compensation, etc. for restricted stock to the Eligible Directors within the annual amount stated above, and each Eligible Director shall receive an allotment of restricted stock by delivering all of such monetary remuneration claims by way of contribution in kind.

The amount to be paid in for the restricted stock shall be determined by the Board of Directors of the Company based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of resolution of the Board of Directors of the Company regarding the issuance or disposal of such shares (or the closing price of the immediately preceding business day if no trading is conducted on the same day), to the extent that the amount is not particularly giving advantage to the Eligible Directors who subscribe to such restricted stock.

In addition, the above monetary remuneration claims shall be paid in the condition that the Eligible Directors have consented to the above-mentioned contribution in kind and have entered into an allotment agreement for restricted stock that includes the details set forth in (3) below.

(2) Total number of shares of restricted stock

The total number of shares of restricted stock to be allotted to the Eligible Directors shall be 50,000 shares, which shall be the maximum number of shares of restricted stock to be allotted in each fiscal year.

However, in the event of a stock split (including gratis allotment of shares of the Company's common stock) or a reverse stock split of the Company's common stock after the date of resolution of this proposal, or in the event that the total number of shares of restricted stock to be allotted needs to be adjusted in accordance with such cases, the total number of shares of restricted stock may be reasonably adjusted.

(3) Details of allotment agreement of restricted stock

Upon the allotment of restricted stock, an allotment agreement of restricted stock to be concluded between the Company and the Eligible Director receiving the allotment of restricted stock in accordance with a resolution of the Board of Directors of the Company shall include the following details.

(i) Details of transfer restriction

Eligible Directors who have received an allotment of restricted stock may not transfer, pledge, grant a security interest in, make an inter vivos gift of, bequeath, or engage in any other act of disposition to a third party (the “Transfer Restriction”) with respect to the restricted stock allotted to them (the “Allotted Shares”) from the date of delivery of the restricted stock until the date of retirement or resignation from any position as a Director, Executive Officer, or Chief Advisor of the Company (the “Transfer Restriction Period”).

(ii) Acquisition of restricted stock without compensation

If an Eligible Director who has received an allotment of restricted stock resigns or retires from any position as a Director, Executive Officer, or Chief Advisor of the Company on or after the commencement date of the Transfer Restriction Period until the day before the date of the first forthcoming Ordinary General Meeting of Shareholders of the Company, the Company shall acquire the Allotted Shares without compensation, unless there is a reason that the Board of Directors of the Company deems justifiable otherwise.

In addition, if there are any of the Allotted Shares for which the Transfer Restriction has not been lifted in accordance with the provisions on the reasons for the lifting of the Transfer Restriction in (iii) below at the time the Transfer Restriction Period in (i) above expires, the Company shall acquire them without compensation.

(iii) Lifting of the Transfer Restriction

The Company shall lift the Transfer Restriction on all of the Allotted Shares upon expiration of the Transfer Restriction Period, provided that the Eligible Director who has been allotted the restricted stock has continuously held any position as a Director, Executive Officer, or Chief Advisor of the Company from the commencement date of the Transfer Restriction Period until the date of the first forthcoming Annual General Meeting of Shareholders of the Company.

However, if such Eligible Director resigns or retires from any position as a Director, Executive Officer, or Chief Advisor of the Company from the commencement date of the Transfer Restriction Period until the date of the first forthcoming Annual General Meeting of Shareholders of the Company for reasons that the Board of Directors of the Company deems justifiable, the number of the Allotted Shares for which the Transfer Restriction is lifted and the period of lifting of the Transfer Restriction shall be reasonably adjusted as necessary.

(iv) Treatment of organizational restructuring, etc.

If, during the Transfer Restriction Period, a merger agreement in which the Company becomes an extinct company, a share exchange agreement in which the Company becomes a wholly owned subsidiary, a share transfer plan, or any other proposal concerning organizational restructuring, etc. is approved at an Ordinary General Meeting of Shareholders of the Company (or by the Board of Directors of the Company in cases where approval by the Company’s Ordinary General Meeting of Shareholders is not required for the organizational restructuring, etc.), which is only applicable to a case where such organizational

restructuring, etc. occurs prior to the expiration of the Restriction Period (the “Time of Approval of Organizational Restructuring, etc.”), and when the Eligible Director who has received an allotment of restricted stock resigns or retires from any position as a Director, Executive Officer, or Chief Advisor of the Company following the organizational restructuring, etc., the Company may, by a resolution of the Board of Directors of the Company, lift the Transfer Restriction of the number of shares of the Allotted Shares that is reasonably determined based on the period from the commencement date of the Transfer Restriction Period to the date of approval of such organizational restructuring, etc. prior to the effective date of such organizational restructuring, etc.

In addition, at the Time of Approval for Organizational Restructuring, etc., the Company shall automatically acquire, as of the business day immediately preceding the effective date of the organizational restructuring, etc., Allotted Shares without compensation on which the Transfer Restriction has not been lifted as of such date.

(Reference)

Following the conclusion of the General Meeting, the Company plans to allot restricted stock similar to the above-mentioned restricted stock to the Company’s executive officers and chief advisors.