

Shareholder Proposal to With us Corporation

Swiss-Asia Financial Services Pte Ltd (SAFS) manages the Global ESG Strategy fund (GES), an investment fund that carries out longer-term investment activity from an ESG (Environment, Social and Governance) perspective. The policy of the fund is to fulfill its role as a responsible investor by engaging in constructive dialogue and pushing listed companies in Japan towards achieving a longer-term improvement in corporate and shareholder value.

GES started investing in With us Corporation (“With us” or the “Company”, securities code: 9696), which is listed on the TSE Standard Market, in 2023, and has been engaging with management since then. At present, funds managed by SAFS hold around 19% of the voting rights for With us. To date, the Company has been affected by serious governance issues related to the founding family, and it is clear that management has been blatantly ignorant of the capital efficiency expected from listed companies.

More specifically, management policy at With us ignores both the cost of capital and capital efficiency, and its share price has dropped to a sector low. One reason for this is the huge net cash position, which completely ignores capital efficiency and for which the Company has no basic financial policy in place to address. A corporate culture that allows such unjustifiable cash accumulation is clearly contrary to the TSE’s call for management to take “more consideration of cost of capital and profitability based on the balance sheet”.

Moreover, the Company provides a privileged position and special remuneration to the founder and founding Horikawa family. This allows founding family members to serve simultaneously on rival company boards, distributes profits to founding family members through the acquisition of subsidiary equity, and has allowed the Company to introduce and maintain takeover prevention measures designed to protect the founding family. As a result, despite being a listed company, With us gives undue consideration to one group of shareholders – the founding family – and channels profits in their direction. This is detrimental both to the growth that any listed company should aim for, and the realization of the common interests of shareholders.

To date, through dialogue with With us management, GES has requested improvement in these issues. However, management has consistently argued that there is nothing inappropriate about its policies, meaning that there is no sign of the Company undertaking improvements on its own initiative. For this reason, we have submitted the following shareholder proposals to the Annual General Meeting of Shareholders scheduled for June 2024, with the aim of achieving radical governance reform and improved

capital efficiency.

The proposal consists of a total of 10 resolutions, described in the Appendix, with the following four goals: **1) Large-scale shareholder returns to help improve capital efficiency; 2) Governance reform aimed at freeing the Company from anachronistic management that prioritizes and favors the founding family; 3) The promotion of constructive dialogue with shareholders; and 4) The discontinuation of anti-takeover prevention measures designed to protect the vested interests of the founder and associates.**

GES hopes that by submitting these shareholder proposals and publicizing them to With us shareholders, it will help to resolve the critical governance failings, promote management that genuinely pursues capital efficiency, and maximizes the common interests of all shareholders.

Contact: globalesg@swissasia-group.com

About Global ESG Strategy

Global ESG Strategy ("GES"), an investment fund that is managed by SAFS, makes medium- to long-term investments from an ESG (Environment, Social and Governance) perspective, and its policy is to promote improvements on enterprise value and shareholder value of investee companies through constructive dialogue with investee companies and other means.

About Swiss-Asia Financial Services

SAFS is founded in 2004, and is a Singapore based investment management company that holds a Capital Markets Services (CMS) License under the Singapore Securities and Futures Act (SFA).

Disclaimer

This document is for the purpose of providing information on shareholder proposal by Global ESG Strategy ("**GES**") which is managed by Swiss-Asia Financial Services Pte Ltd ("**SAFS**") to With us Corporation ("**With us**") and should not be used for any other purpose.

The information contained in this document is based on SAFS's independent research and analysis and publicly-available information. We, SAFS, Global ESG Strategy and other SAFS's affiliates ("**SAFS et al.**"), do not guarantee its accuracy, appropriateness or completeness.

This document represents the unique views, expectations and opinions of SAFS et al. and is subject to change. You may not rely on this material for any purpose whatsoever, nor should it be interpreted as investment, financial, legal, tax or other advice.

The information and opinions included herein may include forward-looking statements. You should be aware that all forward-looking statements, estimates, and projections are inherently uncertain and subject to significant contingencies and have been included solely for illustrative purposes. Actual results may differ materially from the estimates, projections or assumptions contained herein due to reasons that may or may not be foreseeable. SAFS et al. accept no

liability or responsibility whatsoever for any direct or consequential loss and/or damages arising out of or in relation to any use of opinions, forecast, materials and data contained herein or otherwise arising in connection therewith.

None of the information or content in this document is, in any way, an offer, a recommendation, a promotion of services or products; and shall not be construed as an advertisement, solicitation or representation or as advice or a recommendation regarding the purchase or sale of any investment product or any investment in any securities.

This document does not, and should not be construed as, a request for SAFS et al. to grant SAFS et al. or any other third party the authority to exercise voting rights on behalf of the shareholders of With us with respect to the agenda at the General Meeting of Shareholders. In addition, it does not propose, encourage, solicit or aim to grant the shareholders of With us the right to exercise their voting rights on their behalf by designating SAFS et al. or any other third party as their proxy.

■ Improving capital efficiency and expanding shareholder returns**Management completely disregards cost of capital and capital efficiency; Share price valuations among lowest in the sector**

- With us runs a cram school business centered on the Kansai region, and has seen considerable growth in recent years in its high school and university business, which includes a distance-learning high school with nationwide reach that now generates 89% of consolidated operating profit. As a result, the company has extremely high profit margins. Despite these high margins, however, With us shares are trading at an EV/EBITDA of 2.3x FY23 EBITDA. This is conspicuously lower than sector peers, which we believe owes to the company's rich net cash position.
- With us has already built up a net cash position of over ¥70bn, equivalent to 38.5% of total assets. Although the Company deserves some credit for raising the dividend payout ratio target based on the final dividend from under 25% to around 60% on 13 May 2024, the sector average dividend payout ratio is over 50%, with some companies paying out more than 100%. Therefore, given the lack of specific, large investment plans and the expectation that the Company will continue building up its already excessive net cash position, the Company's dividend can be considered insufficient.
- GES has repeatedly asked With us management how far it intends to build up net cash, but neither President Ikoma nor other executives have provided an answer, and it has become clear through our conversations that the Company has no specific policy whatsoever governing the capital structure it is aiming for. We are therefore forced to conclude it will simply continue building up retained earnings blindly.
- In addition, With us management has explained in conversations with GES that the nature of its business means that it has no need for major capital expenditure. At the same time, the Company explained that as it is running a two-track business involving cram schools and a distance-learning high school, it has a greater need for financial headroom than a company that runs only a cram school. However, the explanation is somewhat vague, and provides no indication of specific capital requirements.
- Further, in conversations with management, GES has asked about the specific level of borrowing capacity the Company believes it has. However, management's consistent response has been to say it does not know, making it clear that management has been running the Company without knowledge of strategic information such as whether it can raise debt financing. With us has offered absolutely no information to external parties about how much financial capacity is needed, and the kind of financial indicators or credit rating it aims for. Nor is there any visible evidence that it has given serious internal consideration to financial capacity.
- Management's willingness to needlessly build up net cash beyond the current high levels leads us to conclude that it is blatantly ignorant of balance sheet efficiency. Moreover, its stance is clearly in

conflict with the TSE’s call for management to take “more consideration of cost of capital and profitability based on the balance sheet”¹.

- In light of the situation at With us, GES submits the following shareholder resolutions to improve capital efficiency and expand shareholder returns.

Shareholder resolution 1: Move decisions on dividends from the board of directors to the General Meeting of Shareholders

- Under the Articles of Incorporation for With us, the board of directors alone sets the dividend, putting retained earnings at the discretionary disposal of the board. Clearly, the board of directors’ freedom to arbitrarily set the dividend is a factor that allows management to ignore its responsibilities to shareholders and to give no heed to capital efficiency and capital allocations. We therefore propose a change to the Articles of Incorporation that will return the right to set dividends to the General Meeting of Shareholders.

Shareholder resolution 2: Set a dividend payout ratio of 150% for the end-FY2023 dividend

- Built-up retained earnings should be proactively deployed for new business investment. However, considering that the company has not disclosed a sufficiently detailed investment plan at present, we propose a bold return of profits to shareholders through payment of a dividend equivalent to a dividend payout ratio of 150%.

Shareholder resolution 3: Set a dividend payout ratio of 150% for FY2024 and FY2025

- We propose a clear commitment in the Articles of Incorporation to maintaining the dividend at the same level for the period through FY2025, as a transitory measure to return built-up retained earnings to shareholders.

- Even if the dividend payout ratio were set at 150% through FY2025, With us would remain in a significant net cash position as shown in the table below (around ¥5.6bn at end-FY2025, 1.9x EBITDA).
- If the dividend payout ratio were set at 150% for FY2024 and the With us share price valuation rose to a dividend yield of around 3%, this would equate to a share price of around ¥6,667 (around 4.6x the 20 May 2024 price), which would clearly contribute to the common interest of shareholders.

Projected impact on financial indicators if the proposed

FY2023	FY2024	FY2025
--------	--------	--------

¹ *Action to Implement Management that is Conscious of Cost of Capital and Stock Price*, page 1, <https://www.jpix.co.jp/english/news/1020/dreu250000004n19-att/dreu250000004n8s.pdf>

dividend policy is adopted²

Dividend per share (¥)	183	200	200
Dividend payout ratio	182.8%	150.6%	150.6%
Net cash (¥mn)	7,043	6,589	5,982
As % of market cap	55.9%	52.3%	47.4%
Net debt/equity	1.13	1.14	1.16
Net debt/EBITDA	2.71	2.42	2.19
Net asset ratio	32.8%	29.5%	26.4%

■ Governance reform to end domination by the founding family**● The serious confounding of public and private interests of founding Horikawa family**

Despite being a listed company, With us is still run as if it were the private company of the founding family which, together with related parties, owns around 20% of the equity. The founder and his associates exercise effective control over With us, and there are concerns that the Company and its consolidated subsidiaries are being treated as if they are private property.

(1) The provision of special status and remuneration to the founding family

The founder Kazuaki Horikawa has served for over 31 years as president of Breeze, a wholly owned subsidiary of With us. Furthermore, even after resigning as director of With us in 2015, Kazuaki Horikawa has received compensation for advisory services of ¥1.5mn per month, or ¥18mn per year. This is on par with the average total remuneration for an executive director at the Company, and over three times higher than the average annual salary for a With us employee.

The founder's eldest son, Naoto Horikawa, has served as president of wholly owned subsidiary SRJ for over 16 years, over which period he has made no visible contribution to earnings. Moreover, despite a lack of leadership experience of the cram school businesses, Naoto Horikawa was appointed executive officer of the With us cram school business from March 2024. He also serves as director of Terrace 1, a With us subsidiary. It is clear that he occupies a privileged position as a member of the family, rather than because of any proven business track record.

² Assumes sales and net profit remain unchanged from company forecasts for FY2023. EBITDA assumes depreciation and amortization costs remain unchanged from FY2022. Net cash and net assets for FY2023 assume capital expenditures equal depreciation/amortization in the fiscal year and is calculated by adding the company's net profit forecast and subtracting 1-3Q cumulative net profit as of end-December 2023. For subsequent periods, net cash and net assets assume annual capital expenditures are equal to annual depreciation and amortization, and are calculated by adding to net assets at the end of the prior fiscal year a value equal to the current year's net profit less the dividend. The net asset ratio is calculated assuming total assets are proportional to sales. Market cap is as of 17 April 2024, after deducting treasury shares.

With us has consistently emphasized that its management appointments are appropriate and justified, without providing any kind of rational explanation. Given the absence of any clear improvement in business value, we are forced to conclude that the privileged position given to certain people is an indicator that corporate governance is not functioning appropriately.

(2) Founding family's concurrent directorships with rival companies

Less than a year after Naoto Horikawa, the founder's eldest son, resigned as director of With us, he was appointed as director of rival Gakken Holdings. In March 2024, it was announced that Naoto Horikawa had resigned as director of Gakken Holdings and has been appointed as executive officer of With us. Fundamentally, directors are expected to do their utmost for the company they are currently serving. However, the decision to serve as director on the board of two rival companies in a short period invites suspicion over the inappropriate use of knowledge, confidential data, and ideas obtained elsewhere, even if unintentional. It also raises the risk of litigation from persons related to multiple companies. Indeed, we cannot ignore the possibility that Horikawa will hesitate to take strategic action at the company he presently serves owing to excessive concern to avoid misuse of confidential information and knowhow obtained during the previous appointment.

Moreover, Naoto Horikawa served until the end of February 2024 as an outside director of Wingnet, a consolidated subsidiary of rival Ichishin Holdings that offers ICT-based educational services, despite serving for 16 years as president of With us consolidated subsidiary SRJ, which operates in the same area. Again, we cannot ignore the possibility that by serving on the board of both companies, Horikawa's capacity to appropriately run the ICT business at With us will be impaired, given that the two companies offer directly competing services.

(3) Effective distribution of profit to the founding family (¥359mn)

In October 2023, With us invested ¥580mn in acquiring an additional 22.6% stake in its subsidiary Terrace 1, bringing ownership from 77.4% to 100%. The acquisition is recorded as a note in the Company's quarterly reporting.

Naoto Horikawa, the founder's eldest son, personally owned 14% of Terrace 1, so ¥359mn of the above ¥580mn amount was a payment to Naoto Horikawa personally.

GES asked President Ikoma how Naoto Horikawa came to own a 14% stake in a consolidated subsidiary, when under ordinary circumstances it would be unthinkable that the employee of a company should personally possess the equity of a consolidated subsidiary. The response given was that Naoto Horikawa was himself involved in the decision-making process at the time, and while Ikoma knows the reasons, he would prefer not to say.

There is reasonable concern that the founder and his associates treat With us subsidiaries as if they are private property, that there is a weak appreciation of non-compete obligations, and that authority is being misused to gain personal relationships and standing rather than increase business value. GES is concerned that even current management is being influenced by the self-centered desires of the founding family when appointing officers to With us and group companies. The present situation raises the justified suspicion that officer remuneration and the spending of corporate funds is being used to line the pockets of family members, and that family members' positions on the boards of subsidiary companies are being misused to build personal standing and relationships rather than raise the value of the subsidiaries themselves. Even putting general restrictions in place, it will be difficult to overturn the situation. Any further increase in the influence of the founder and his associates, who treat With us as a family-owned business, would impede prospects for improvement in corporate value and the common interests of shareholders.

GES submits the following shareholder resolutions to promote radical reform in the governance of With us.

Shareholder resolution 4: Restrictions on directorial appointments at consolidated subsidiaries

- We propose that the directors of consolidated subsidiaries of With us be barred from appointment to the same consolidated subsidiary for a period of longer than five years, consecutive or nonconsecutive.

Shareholder resolution 5: Restrictions on the appointment of persons with past experience as director or officer of rival companies to directorship or management of With us

- We propose that persons who have served as director or officer of a company that operates in the same business area as With us, be barred from appointment to a position responsible for operations in the same area as that in which they were previously involved, whether director, executive officer, company head, general manager, assistant general manager, or division head, for a period of one year from the end of their term in the competing company.

Shareholder resolution 6: Restrictions on directorial appointment of founder and associates

- We propose that the founder and his associates be barred from appointment as director of the consolidated subsidiaries, non-consolidated equity-method subsidiaries, and affiliated companies of With us.

■ **Promotion of constructive dialogue with shareholders**

- GES repeatedly asked for individual meetings with all members of the board of directors prior to preparing these shareholder proposals. However, the requests were denied. The Corporate Governance Code states that listed companies should conduct constructive dialogue with shareholders outside of the General Meetings to help raise corporate value.
- In addition, the principle of shareholder equality permits differences in treatment, within reason, commensurate with the number of shares owned. This does not provide an excuse to avoid individual meetings with major shareholders aimed at engaging in dialogue for the purpose of raising corporate value.
- Clarifying and implementing an obligation on management to consent to requests for individual meetings by major shareholders will contribute to improving corporate value at With us by promoting constructive dialogue with shareholders. In addition, should corporate value rise through such means, the benefits would accrue not only to the large shareholder in question, but to all the Company's shareholders. It follows that the common interests of the shareholders benefit from large shareholders taking the lead in holding individual meetings with management.

Shareholder resolution 7: Consent by directors to meetings with shareholders

- We propose that With us agree, within 20 working days, to a request for a private meeting from a shareholder with at least 3% of the voting rights, or an asset manager with the necessary authority to invest (however, if a private meeting cannot be held within the above time period for unavoidable reasons, the investor or asset manager who requested the meeting should be informed within five working days and an individual meeting set up when possible).
- When a request for individual meetings is made, at least one meeting per quarter should be held for each shareholder or asset manager in the case of an executive director, and at least one meeting per year in the case of any other director.

■ The discontinuation of anti-takeover measures aimed at protecting the vested interests of the founder and associates

- Generally speaking, takeover prevention measures are becoming increasingly superfluous as market norms change, including tighter regulation over the acquisition of large shareholdings, the development and uptake of the Corporate Governance Code, the distribution of the Guidelines for Corporate Takeovers³, and the growing prevalence of acquisitions aimed at future corporate development. Indeed, the number of companies that have anti-takeover measures in place is on a

³ METI Guidelines for Corporate Takeovers: Enhancing Corporate Value and Securing Shareholders' Interests, 31 Aug 2023
https://www.meti.go.jp/english/press/2023/pdf/0831_001b.pdf

sustained downward trend.

- Maintaining takeover prevention measures is not only swimming against the tide, but will also undoubtedly invite criticism from those who regard it as a tool to protect the vested interests of the board of directors and the founding family, and could undermine the incentive for raising the share price in order to prevent a takeover.
- When With us called the last General Meeting of Shareholders, it disclosed that the founder and associates together held a 20.11% stake, and stated that the purpose of maintaining the takeover prevention measures was to prevent damage to corporate value and the common interests of the shareholders arising from takeover activity by “outsiders”. The context clearly shows that the anti-takeover measures serve to protect the vested interests of the founder and his associates.
- With us emphasizes its public role in society as a reason for excluding outsiders, but the preferential treatment given to the founder and associates and the concern shown by the founding family intended by the anti-takeover measures are clear evidence that the Company is treated as if it is private property. This is the direct opposite to the “sense of public mission” the Company so strongly professes.
- The approval rating for the anti-takeover measure at the previous General Meeting of Shareholders was 79.04%, nearly 80% if taken at face value. On the other hand, if we consider that the founder and associates hold over 20% of the company equity, as noted above, and look at the actual exercise of voting rights, the approval rating from shareholders who are not related to the founder was less than 50%.
- At the last General Meeting of Shareholders, it was decided that the takeover prevention measures would come up for renewal in June 2026. However, rather than letting the anti-takeover measures expire at that date, GES believes the immediate termination of the measures will aid in improving corporate value, including the Company’s social contribution, and more crucially will accrue to the common benefit of the shareholders. GES believes that With us should not merely abolish the current anti-takeover measures, but should clearly state in the Articles of Incorporation that the entire apparatus for takeover prevention measures are now unsuited to today’s market and social context and should be dismantled. A public declaration of these changes would demonstrate a genuine intent to fulfil a public service role.
- Even if the Company were to leave itself the opportunity to implement new takeover-prevention measures in the future, at the very least the measures should be clearly founded on a premise of equal application to takeover activity by the founder and associates. This would confirm that the measures are not intended to benefit the founding family, but rather to secure corporate value and shareholder interests.
- For the reasons stated above, GES proposes first of all the cancellation of the current anti-takeover

measures and the dismantling of the framework for such measures, and failing that, the inclusion of a statement clearly indicating that such measures will be applied equally in order to prevent their use as a tool to benefit certain related parties.

Shareholder resolution 8: Abolition of anti-takeover measures

- Abolish the Measures to Prevent Large-scale Acquisition of Our Company Shares, approved at the With us Annual General Meeting of Shareholders on 28 June 2023.

Shareholder resolution 9: Deletion of Article 18 of the Articles of Incorporation (Implementation of anti-takeover measures)

- The deletion of Article 18 of the Articles of Incorporation (Implementation of anti-takeover measures)

Shareholder resolution 10: Partial amendment to the Articles of Incorporation (Application of anti-takeover measures to the founder and related persons)

- If resolution 8 is rejected, we propose that the Articles of Incorporation be amended to state clearly that anti-takeover measures defined in Article 18 of the Articles of Incorporation (Implementation of anti-takeover measures) will apply to the founder and related persons.

Shareholder resolutions by GES

Improving capital efficiency and expanding shareholder returns

Resolution 1: Deletion of Article 38 of the Articles of Incorporation (Decision-making body for distributions from surplus)

Resolution 2: Distributions from Surplus

Resolution 3 Partial amendment to the Articles of Incorporation (Surplus distribution policy)

Governance reform to end domination of founding family

Resolution 4: Partial amendment to the Articles of Incorporation (Restrictions on appointment of directors of consolidated subsidiaries)

Resolution 5: Partial amendment to the Articles of Incorporation (Restrictions on appointment of persons with experience as director or officer of a rival company to directorial or management positions)

Resolution 6: Partial amendment to the Articles of Incorporation (Selection criteria for directors)

Promotion of constructive dialogue with shareholders

Resolution 7: Partial amendment to the Articles of Incorporation (Approval of meetings with shareholders by directors)

Abolition of anti-takeover measures that protect vested interests of founder and related persons

Resolution 8: Abolition of anti-takeover measures

Resolution 9: Deletion of Article 18 of the Articles of Incorporation (Deletion of article on implementation of anti-takeover measures)

Resolution 10: Partial amendment to the Articles of Incorporation (Application of anti-takeover measures to founder and related persons)