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Keisei Electric Railway – Palliser's AGM Proposal

June 2024

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*Palliser is a global multi-strategy fund with a senior investment team with over **<u>two decades of experience investing in Asia</u>**, with Japanese equities being a core focus.*

*We are a **<u>1.98% longstanding shareholder of Keisei</u>**, having engaged with the Keisei Board and Management teams collaboratively and constructively for nearly **<u>3 years</u>** on resolving the significant and persistent gap between the Company's market and intrinsic value.*

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Palliser's Proposal to Unlock Keisei's Intrinsic Value and Catalyse Growth

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1

A Japanese Railway Company with $5.8bn Mcap but $8.5bn in Intrinsic Value (the "Value Gap") (1)

80% of intrinsic value invested in 21%(2) non-core stake in Oriental Land Co. ("OLC") (4661 JT)

2

A Straightforward Proposal to Partially Reduce the OLC Stake and Resolve the Value Gap

Right-sizing the non-synergistic OLC stake from 21% to c.15% and adopting an appropriate Capital Allocation Framework will immediately unlock intrinsic value and promote sustainability, stability and future success over the medium- to long-term

3

Board's Opposition is Misguided, Wrong, and Disappointingly Self-Serving

Eliminating the OLC Accounting Distortion shines an uncomfortable spotlight on Management's stewardship of Keisei, revealing the Company's true PBR which underperforms closest peers and falls below the TSE 1x threshold

Note: (1) All USD figures used in this document reflects FX at JPY 157.31 to USD 1
(2) Keisei and OLC company filings

The Growing and Persistent Keisei Value Gap…

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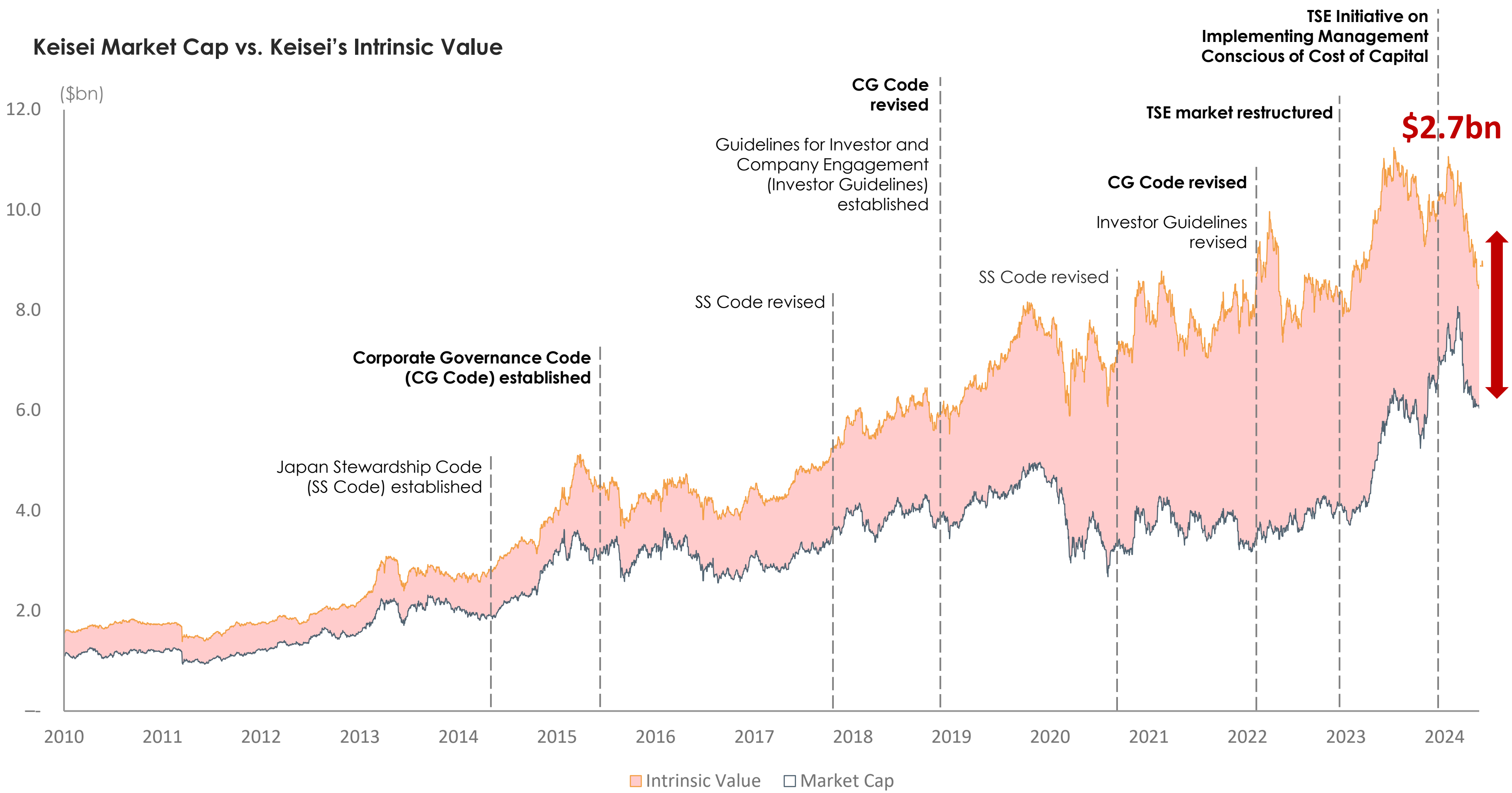
The Value Gap between Keisei's market and intrinsic value has grown over time and currently stands at $2.7bn, despite the backdrop of value-enhancing Japanese corporate governance reforms

Keisei Market Cap vs. Keisei's Intrinsic Value



Source: *Company disclosures, Bloomberg.*

Note: *For illustrative purposes. Intrinsic value is calculated by excluding the current recorded book value of the OLC Stake from Keisei's book value and applying peer multiple on the residual Keisei book value, and adding mark-to-market value of the OLC Stake net of CGT to Keisei's book value. Peers: Keio, Odakyu, Tokyu, Tobu, Keikyu and Seibu.*

… Caused by an Oversized Investment in OLC and Poor Capital Allocation…

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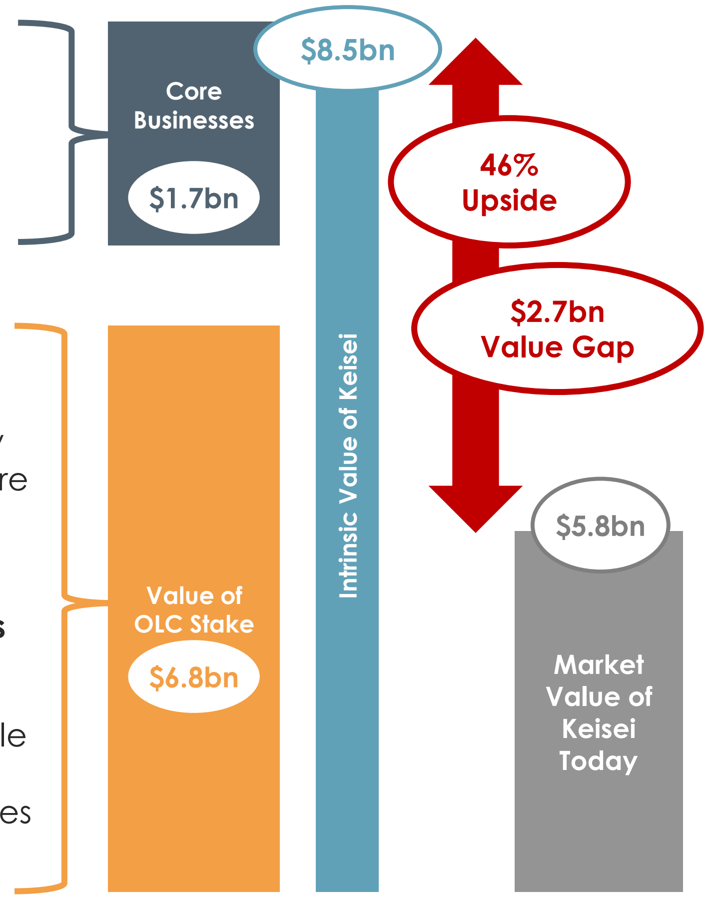
An oversized non-synergistic $6.8bn stake in OLC – accounting for c.80% of the Company's intrinsic value and causing a fundamental accounting distortion

OP Contribution

- Unique / Growth Potential / Community-Oriented
- Clear opportunity for enhancement with capital unlocked from the OLC Stake

- 21% OLC Stake worth $6.8bn
- But valued on Keisei's balance sheet at only $1.3bn[1] due to accounting anomalies where shareholding is over 15% (as detailed in Appendix 1)
- OLC Accounting Distortion **artificially inflates Keisei's PBR from 0.7x to 2.0x**[2]
- Misleading balance sheet makes it impossible for Management to allocate capital appropriately or comply with the TSE initiatives for thoughtful balance sheet management

Intrinsic Value



Source: Company disclosures, Bloomberg.
Note: (1) Assuming OLC's net asset value is recorded on Keisei's balance sheet on a proportionate basis.
(2) Core business value is calculated based on estimated book value excluding OLC stake multiplied by peer PBR. Peers: Keio, Odakyu, Tokyu, Tobu, Keihan and Seibu.

…Which Masks Keisei's True PBR

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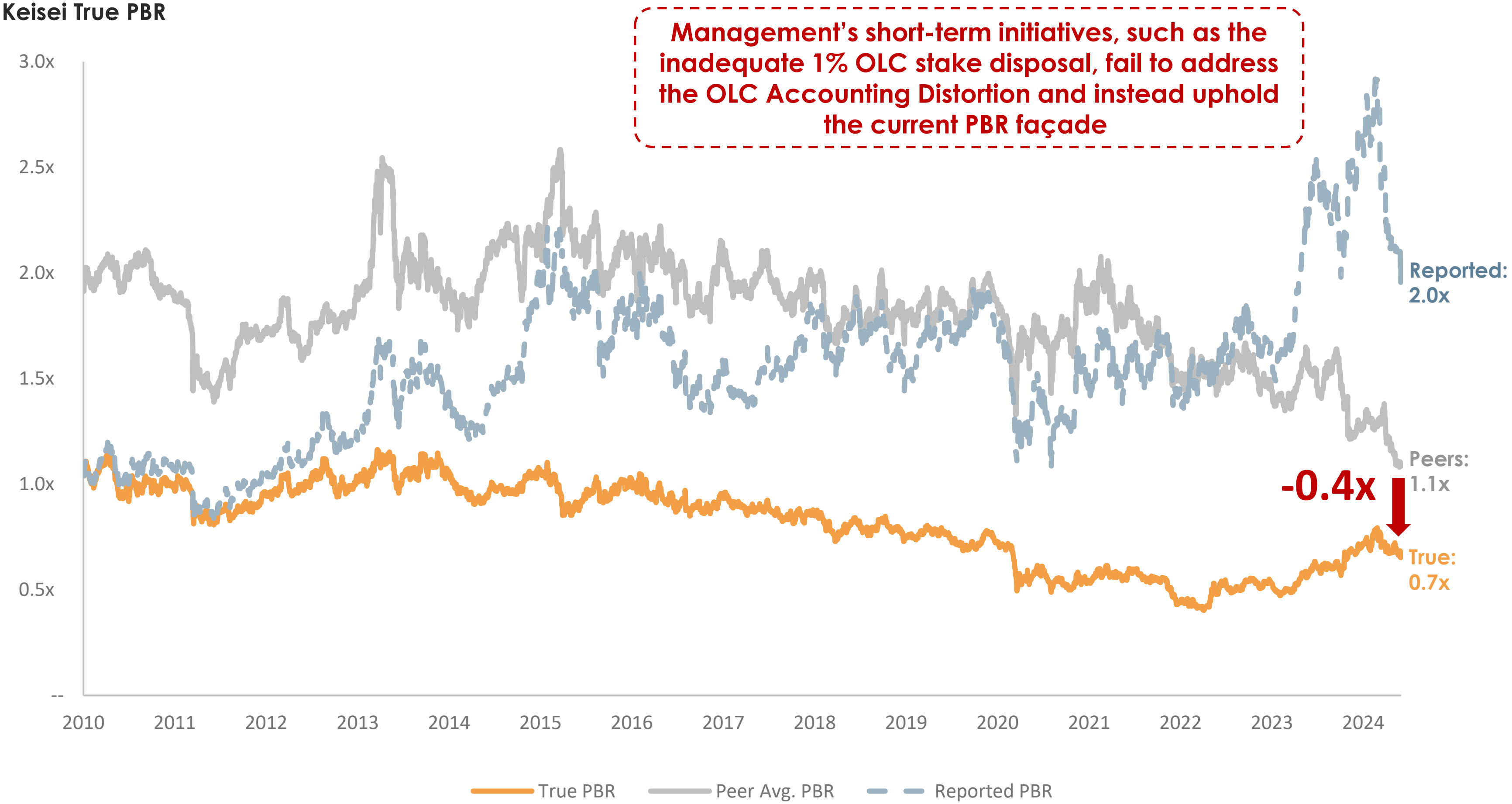
The current Board and Management team have hidden behind Keisei's artificial 2.0x PBR

Keisei's real PBR is actually just 0.7x when adjusted to remove the OLC Accounting Distortion – well below the 1.1x PBR of Keisei's peers

Keisei True PBR



Source: Company disclosures, Bloomberg.

Note: For illustrative purposes. Keisei's true book value is calculated by excluding the current recorded book value of the OLC Stake from Keisei's book value and adding mark-to-market value of the OLC Stake net of CGT to Keisei's book value.

Peers: Keio, Odakyu, Tokyu, Tobu, Keikyu and Seibu. LTM (last 12 months) PBR is used.

*"The purpose of these actions is to have the management of the company carry out their management duties **with more consideration of cost of capital and profitability based on the balance sheet, rather than just sales and profit levels on the income statement, in order to achieve sustainable growth and increase corporate value over the mid- to long-term**." … "the management team is expected to take the lead in **appropriately allocating resources with sufficient consideration of cost of capital** and profitability…"*

Action to Implement Management That is Conscious of Cost of Capital and Stock Price

JPX Tokyo Stock Exchange, March 2023

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Patient, Respectful Engagement With Keisei – But Recent Constructive Proposals To Encourage Concrete Action Dismissed by Management…

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Foundation of Palliser Capital and investment in Keisei

October 2023
Palliser announced 3-step proposal for Keisei

November 2023
Palliser became the first investor to meet President Kobayashi;
Keisei initiated publication of Integrated Report 2023

December 2023
Palliser shared the results of consumer survey which showed strong support for the disposal; Palliser refrained from disclosing the results per Keisei's request

February 2024
Palliser proposed a working group collaboration with Management to establish an action plan – rejected by Keisei

March 2024
Keisei announced a disappointing 1% disposal of OLC stake and its intention to utilise the proceeds for investment, debt reduction and shareholder returns – failing to focus on the long-term issue of the OLC Accounting Distortion

April 2024
Palliser proposed an advisory resolution to enable the Board to receive direct shareholder feedback – rejected by Keisei without reason

2021 | 2022 | 2023 | 2024

- **14 meetings with Keisei (Board, President and IR)**
- **13 trips to Tokyo**
- **Attendance at all AGMs**

● Palliser's meetings/engagement with Keisei Board, Management team, IR team

…And Shareholders Have Suffered as a Result

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Keisei Share Price

Source: Bloomberg.

As Communicated by Various Keisei Shareholders

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FRANKLIN TEMPLETON

*"In our view, Keisei Electric Railway is a discounted asset with the **potential to unlock significant value by reducing its 20% stake in Oriental Land.**"*

Franklin Japan Fund 30 April 2024

Boston Common Asset Management

***"We also expect the company to monetize its 20% stake in Oriental Land**, which equals Keisei's entire enterprise value"*

All Country International Equity Strategy 1Q 2024

2024

Fidelity INTERNATIONAL

"The entire market capitalization of Keisei is $6.6bn, and they've got this $8bn post-tax investment sitting there. On top of that you're also getting this profitable rail business thrown in there basically for free."

Equity Mates Investing Podcast 7th September 2023

SPARX

"The Fund considers that the valuation [of Keisei Electric Railway] is extremely inaccurate."

Translated from Japanese

Sparx Japan Small-Cap Fund 29 July 2022

2023

AVI Asset Value Investors

*"… it's **remarkable that Keisei Electric trades at about a 50% discount** to the value of that stake in Oriental Land, as well as the value of the land and the railway line business as well."*

Moneyweek Interview 29th July 2021

2022

M&G Investments

*"… we have added stocks where we believe either corporate action or some form of corporate reform is expected to lead to a material release of value. Companies such as … Keisei Railways … have **significant latent value hidden in net cash or cross-holdings**. Through the efforts of both ourselves and others, we believe this **value has a strong chance of being unlocked amidst this new atmosphere of reform in Japan**."*

M&G Japan Fund 29 February 2020

2021

Palliser's AGM Proposal

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Why?

- No convincing steps to improve capital allocation and right-size the OLC Stake have been taken to date; **recent initiatives such as the 1% OLC stake disposal are insufficient, short-term focused and fail to address the fundamental Value Gap**
- Keisei **Board / Management rejected working group collaborations** with Palliser and **deprived shareholders of a voice on capital allocation** issues by rejecting Palliser's advisory proposal without reason

What?

- A shareholder proposal to **ensure that all shareholders have an opportunity to vote and be heard on the need to resolve these important capital allocation issues** – whatever the outcome
- A chance to demonstrate support for sensible change, both for Keisei and as an example for all Japanese issuers, **in line with TSE expectations** on thoughtful balance sheet management
- Thoughtful, non-aggressive, non-management changing measures to address fundamental capital allocation issues and **unlock $2.7bn of latent value**
- **An all-round win for all stakeholders** – the community, customers, employees, regulators and investors – significant improvements in Keisei's growth, profitability and rail services could be unlocked

How?

- A single simple amendment to Keisei's Articles of Incorporation ("AOI"), which aligns with TSE initiatives, proposing:

  (1) publication and implementation of a suitable capital allocation plan for Keisei by 1 January 2025; and

  (2) a partial reduction of the Company's shareholding in OLC to below 15% by 31 March 2026 (with Keisei remaining by far OLC's largest shareholder)

Palliser's AGM Proposal *(cont'd)*

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Proposed – TSE aligned – AOI addition
Chapter 7 Capital Allocation Plan and Management of Investment Securities *Article 48* *(1)* *The Board of Directors shall* ***establish, publish and maintain an appropriate capital allocation plan to enhance the Company's corporate value*** *(the "Plan") commencing from 1 January, 2025. The Board of Directors shall make future capital allocation decisions taking into account the Company's cost of capital and in accordance with the Plan. The Board of Directors shall provide to shareholders an update on progress of the Plan at least once each business year in the Company's annual Securities Report or by other means.* *(2)* ***Within an appropriate timeframe and in a manner to be determined by the Board****, but in any event by no later than 31 March 2026, the Company shall* ***reduce its shareholding in The Oriental Land Co., Ltd. (hereinafter, "OLC") to less than 15%*** *of the voting rights of all shareholders of OLC and maintain the Company's shareholding in OLC below such level.*

Substantial Near-term Benefits to Eradicate the Value Gap, Promote Sustainable Growth and Increase Corporate Value over the Mid- to Long-term

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- ✓ **<u>Eliminates the OLC Accounting Distortion</u>** – currently costing Keisei shareholders c.¥2,600 per share (or $2.7bn in aggregate) – by right-sizing the OLC Stake to below 15% (at which level it still remains over 55% of Keisei's intrinsic value)[(1)]
- ✓ **<u>Catalyses best-in-class decision-making for unlocked capital</u>** through a thoughtful and publicly communicated Capital Allocation Framework
- ✓ **<u>Instills confidence in the Keisei Board / Management</u>** who would be viewed as fully aligned with TSE initiatives and optimally focused on maximising value per share over time
- ✓ **<u>Unlocks capital and strengthens equity value</u>** to considerably improve Keisei's ability to undertake organic and inorganic growth and investment initiatives and raise equity where accretive expansion requires it
- ✓ **<u>Significant inflows in Keisei stock expected with increased market value</u>**, resulting in index upweighting and the foregoing benefits stemming from the proposal
- ✓ **<u>Keisei's true equity value recognised</u>** in the FY 03/2026 financial statements

Source: Company disclosures, Bloomberg.
Note: (1) Assuming OLC stake sold at current share price with CGT, cash proceeds unused.

Fully Aligning with TSE Initiatives on Capital Efficiency and Balance Sheet Management

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"The management team is expected to take the lead in appropriately allocating resources with sufficient consideration of cost of capital and profitability…"

"A PBR below 1 is one indication that the company has not achieved profitability that exceeds its cost of capital, or that investors are not seeing enough growth potential"

Action to Implement Management That is Conscious of Cost of Capital and Stock Price
JPX Tokyo Stock Exchange

- ✓ The objectives of Palliser's proposal – focusing on optimising capital allocation and balance sheet management, true PBR transparency and maximising stakeholder value – align perfectly with TSE priorities
- ✓ Shareholders, whether local or foreign, retail or institutional, large or small, have an opportunity, through this proposal and a vote in favour, to establish a valuable precedent for change – sending an impactful signal to Keisei Management and other listed Japanese companies
- ✓ Keisei has an opportunity to establish a best-in-class approach to TSE initiatives and demonstrate leadership by making meaningful strategic, performance and governance improvements centred around the capital allocation plan at the heart of Palliser's proposal

A Disappointing Path Chosen by the Keisei Board

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1. **DISMISSIVE Private Engagement with Major Shareholders**
   Palliser has continued to seek genuine willingness for progress from Management to no avail.

2. **INSUFFICIENT Reduction of the OLC Stake by 1%**
   Short-term minimal reduction of the OLC stake fails to address long-term capital allocation issues.

3. **UNJUSTIFIED Refusal to Accept Advisory Proposal for Shareholder Vote**
   Board failed to justify why an advisory proposal to hear shareholder views was inadmissible for the AGM.

4. **INCOHERENT Rationale for Opposition to Palliser's Proposal**
   Failure to substantiate claims to justify the currently outsized OLC stake.

5. **INADEQUATE Shareholder Return Through Special Dividend**
   Special Dividend proposed to the 2024 AGM serves as a short-term effort to placate shareholder concerns.

6. **ILL-CONSIDERED Board Director Nominations to 2024 AGM**
   New Outside Director nominees do not bring the skills or track record to improve management accountability.

Why, in truth, is the Board opposed to Palliser's Proposal?

Eliminating the OLC Accounting Distortion would shine an **uncomfortable spotlight on Management's stewardship of Keisei**:

1. Removing Management's ability to hide behind the significant proportion of OLC's income currently included in Keisei's financial statements
2. Exposing that the OLC stake – a non-synergistic legacy investment – accounts for a **staggering c.80% of Keisei's intrinsic value**
3. Revealing that Keisei's reported **PBR is grossly inflated**; true PBR is in fact 0.7x – materially lower than closest peers and **well below the TSE 1x threshold**
4. Highlighting that fundamental balance sheet management, capital allocation and governance improvements are needed

The Board's Opposition is Unsubstantiated, Self-Serving and Wrong

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1

Keisei Board's Claim: There is a high likelihood that the changes to the articles of incorporation requested by the Proposing Shareholder will be a management constraint…

Palliser's View:

- We initially proposed – via our public letter to the company on 24 April 2024 [(1)] – that, rather than an AOI amendment, the Board voluntarily include an **advisory resolution at the AGM, but Management, without explanation to shareholders, refused to do that**…
- In fact, the single new article proposed by Palliser is intentionally formulated to be **non-prescriptive** to preserve **full management discretion and flexibility** and serves as a referendum in the same way that Palliser's advisory resolution was intended but, critically, which the Board are not legally permitted to deny shareholders.
- The proposal affords the Board nearly two full years to **take steps as and when Management sees fit** to achieve the objective of reducing the OLC Stake to below 15%.
- With over 4 million OLC shares traded daily[(2)], the disposal by Keisei of 74 million OLC shares over a near two-year period to achieve this stake reduction would account for less than 3% of the total OLC traded volume.
- We see no fair argument against a process to seek formal feedback on such critical topics from shareholders.

Source: Bloomberg.
Note: (1) A copy of which is available at https://www.keisei100.com/ (2) 90-day average.

The Board's Opposition is Unsubstantiated, Self-Serving and Wrong *(cont'd)*

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2

✗ **Keisei Board's Claim:** The Group's railway, bus, and other businesses are of a highly public-interest nature and have characteristics that call for stability and sustainability

✓ **Palliser's View:** Adopting a Capital Allocation Framework to assess the optimal use of Keisei's available capital for all stakeholders and releasing some of the $2.7bn trapped capital at Keisei through a partial right-sizing of the Company's OLC Stake is the only way to ensure:

- ✓ Stability and sustainability at Keisei to promote growth and development over the medium- to long-term; and
- ✓ Capital is deployed to grow and enhance the Group's railway, bus and other businesses in the public interest.

It is in fact Management's refusal to adopt initiatives aligned with the TSE's active push for responsible capital and balance sheet management, including the adoption of a suitable Capital Allocation Framework and unlocking trapped capital, that poses a risk to Keisei's public interest-oriented businesses.

The Board's Opposition is Unsubstantiated, Self-Serving and Wrong *(cont'd)*

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3

✗ **Keisei Board's Claim:** Palliser's Shareholder Proposal exclusively aims to reduce the Company's ownership of OLC to less than 15% by selling the OLC Shares in the short term

✓ **Palliser's View:** To dismiss Palliser's proposal as short-term is disingenuous, wrong and arguably misleading. The shareholder proposal, which is purely intended to enable all shareholders to express their views to the Board:

- ✓ Requires the Board to establish a Capital Allocation Framework to **shore up Keisei's long-term stability, sustainability and future success for all stakeholders**
- ✓ Provides Management **nearly two years for a partial disposal** of only a quarter of Keisei's current OLC Stake
- ✓ Addresses an **easily-rectifiable accounting anomaly** in the form of the OLC Accounting Distortion which has undermined Keisei's market value and masked its true PBR for over a decade
- ✓ Does **not prescribe any near-term shareholder returns**
- ✓ Aligns with Palliser's long-running **respectful and constructive engagement** with the Company

The Board's Opposition is Unsubstantiated, Self-Serving and Wrong *(cont'd)*

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4

✗ **Keisei Board's Claim:** The Company's relationship with OLC (as the owner and operator of Tokyo Disney Resort) is a valuable asset unique to the Company, and can serve as the basis for creating future business opportunities for the Group

✓ **Palliser's View:** The Board's claim sits entirely at odds with the fact that Management only recently described the trade between Keisei and OLC as "<u>negligible</u>".

It also ignores the immense cost, at the expense of shareholders and other stakeholders, of retaining a stake above 15% - resulting in the Keisei Value Gap of $2.7bn.

To Palliser, this appears to be an attempt to mask the Company's true 0.7x PBR and avoid the Board and Management being held to account.

As for claimed "future business opportunities", despite decades of holding an outsized OLC Stake, the Board and Management team have failed to show:

1. How such claimed value opportunities can be derived from holding OLC shares; and

2. Critically, why a partial reduction in Keisei's OLC shareholding – leaving Keisei still by far the largest OLC shareholder – would in any way deprive Keisei of any perceived future business opportunities with OLC.

The Board's Opposition is Unsubstantiated, Self-Serving and Wrong *(cont'd)*

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5

Keisei Board's Claim: The OLC Shares held by the Company are valuable assets that can serve as a source of financing for the large-scale investments necessary to enhance the Company's corporate value over the medium- to long-term

Palliser's View: We agree with the Board that large-scale investment is necessary to enhance the Company's corporate value – which is exactly what we have been proposing and presenting to the Board over our patient engagement for the last 3 years.

Palliser also agrees that the Company should sell OLC shares as a source of financing such investments where there is a clear purpose. Evidently, such a purpose already exists – the Board set out many in the AGM notice and we presented a number (see slide 32).

The issue is that for reasons which appear self-serving, the Board and Management have consistently failed to utilise the trapped capital in the OLC Shares in order to enhance the Company's corporate value.

Prior to the unsatisfactory disposal made recently, disposals have been limited and scarce – the Board's justification in its approach by referencing a transaction from 1998 (over 25 years ago) is case and point.

Moreover, any credible claims in enhancing the Company corporate value over the medium- to long-term must include a framework to address the OLC Accounting Distortion and rectify the $2.7bn value gap between Keisei's market price and its intrinsic value.

Exactly what Palliser's shareholder proposal can address.

In summary, Palliser's Proposal Is Highly Focused And Strives to Unlock Significant Benefits And Avoid Unnecessary Complexity…

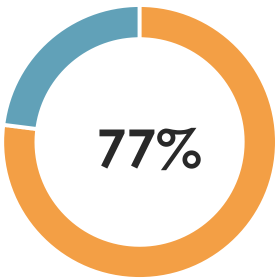
Palliser

Palliser's Proposal **IS**	Palliser's Proposal **IS NOT**
✓ A means to ensure that **shareholders have a voice** at the AGM and can provide **feedback** through a **full and fair referendum**	✗ Prescriptive
✓ Focused exclusively on **optimizing capital allocation** at Keisei with **long-term stability** in mind	✗ Short-term oriented
✓ Intended to facilitate a **growth-oriented** investment strategy and **balanced returns** to shareholders	✗ Suggesting any fundamental alteration of Keisei's Articles of Incorporation
✓ Consistent with **preserving management discretion and flexibility** in delivering the proposed capital allocation objectives	✗ A planned shareholder return of any particular size
✓ An important step in the path to **resolving the Keisei Value Gap**	✗ Intended to detract from or negatively impact the day-to-day work of the Board or usurp Management's ability to determine the best path forward for Keisei

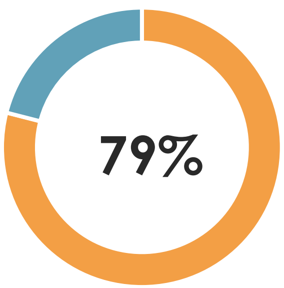
…Thousands of Stakeholders Agree Positive Changes are Long Overdue…

Palliser

An independent consumer survey of over 2,000 regular Keisei rail users (not previously published by Palliser at Management's request) show overwhelming public support for the Board to take action in line with Palliser's proposals



Believe it is more important for Keisei to improve its core businesses than to remain the largest shareholder of OLC



Support Keisei's monetisation of at least part of the OLC stake to utilise the released capital (some or all of the ¥1.7tn latent trapped value represented by the OLC stake at its current size) on key investment initiatives, like those in Appendix 3

Full results of the Independent Consumer Survey in Appendix 3

…Creating A Compelling Case For Shareholders To Vote In Favour

Palliser

- ✓ Inform the Board through your vote that more fundamental change at Keisei is needed now
- ✓ Ensure that Keisei has an optimized Capital Allocation Framework in place by the end of this year to facilitate community-oriented investments, organic and inorganic growth projects and enhanced shareholder returns
- ✓ Support Board action within a reasonable timeframe, in a manner they judge most appropriate, to right-size the OLC Stake – thereby taking a significant stride towards closing the $2.7bn Value Gap
- ✓ Drive fundamental positive change at Keisei for the benefit of all stakeholders – including the community, customers, employees and shareholders

Vote YES to Drive Positive Changes at Keisei for All Stakeholders

Palliser

Customers
Improvement in service quality and user experience

Community
Investments into local projects and development of local community

KEISEI GROUP

Employees
Opportunity to inspire employee base, making a lasting positive impact to the local community and beyond

Regulators
Best-in-class example in Japan, in line with TSE initiative on implementing management conscious of cost of capital

Shareholders
Growth-oriented investment strategy that focuses exclusively on optimizing capital allocation and balanced shareholder returns

AN ALL-ROUND WIN FOR ALL STAKEHOLDERS

An opportunity to vote in favour of a non-aggressive, non-management changing resolution with significant improvements in Keisei's long-term growth, profitability and rail services expected

Appendix 1 – OLC Accounting Distortion

Accounting Rules under J-GAAP

Palliser

Under J-GAAP, a company is permitted to classify a stake of between 15% and 20% in another company as an equity method associate. In a situation like that of Keisei / OLC where OLC trades far above its book value, such an accounting approach inevitably results in a misleading accounting / value picture.

Stake	Note	Accounting Status	Accounting Treatment
20%+	• Automatically considered to be "associates" – resulting in net income accounting method under J-GAAP	**Associate** ("*Kanren Gaisha*")	Proportionate net income basis
15% ~ 20%	• Degree of "influence" by KER (which it can control) over OLC's management and business decisions determines the accounting treatment of the OLC Stake	**Associate** OR **Other Investment Security**	Proportionate net income basis OR Mark to market
< 15%	• Automatically classified as "Other Investment Security" unless special circumstances	**Other Investment Security**	Mark to market

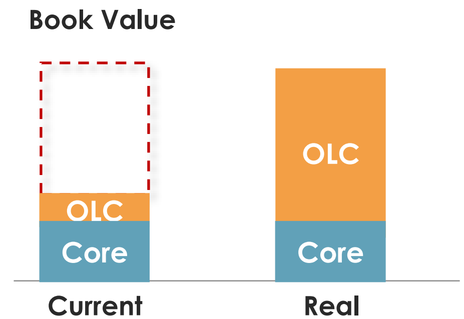
Source: Professional legal and accounting input.

Appendix 2 – Palliser’s 3-Step Plan

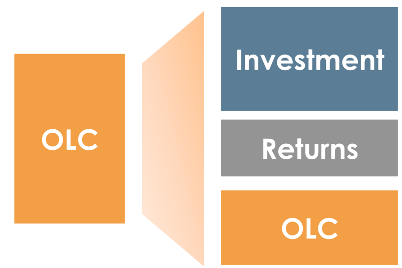
Palliser's 3-Step Plan – Straightforward, Actionable and Clear Path to Resolve Keisei's Value Gap

Palliser

Value Gap – Key Factors	Solutions
A — OLC Accounting Distortion	1 — Right-size the OLC Stake to below 15% and resolve the OLC Accounting Distortion
B — Absence of capital allocation framework	2 — Adopt a best-in-class capital allocation framework
C — Weak corporate governance & investor communications	3 — Introduce leading corporate governance and investor communications



Reducing stake to below 15% will reclassify it as Other Investment Security



Community and growth-oriented investment to generate future returns

Balanced shareholder returns

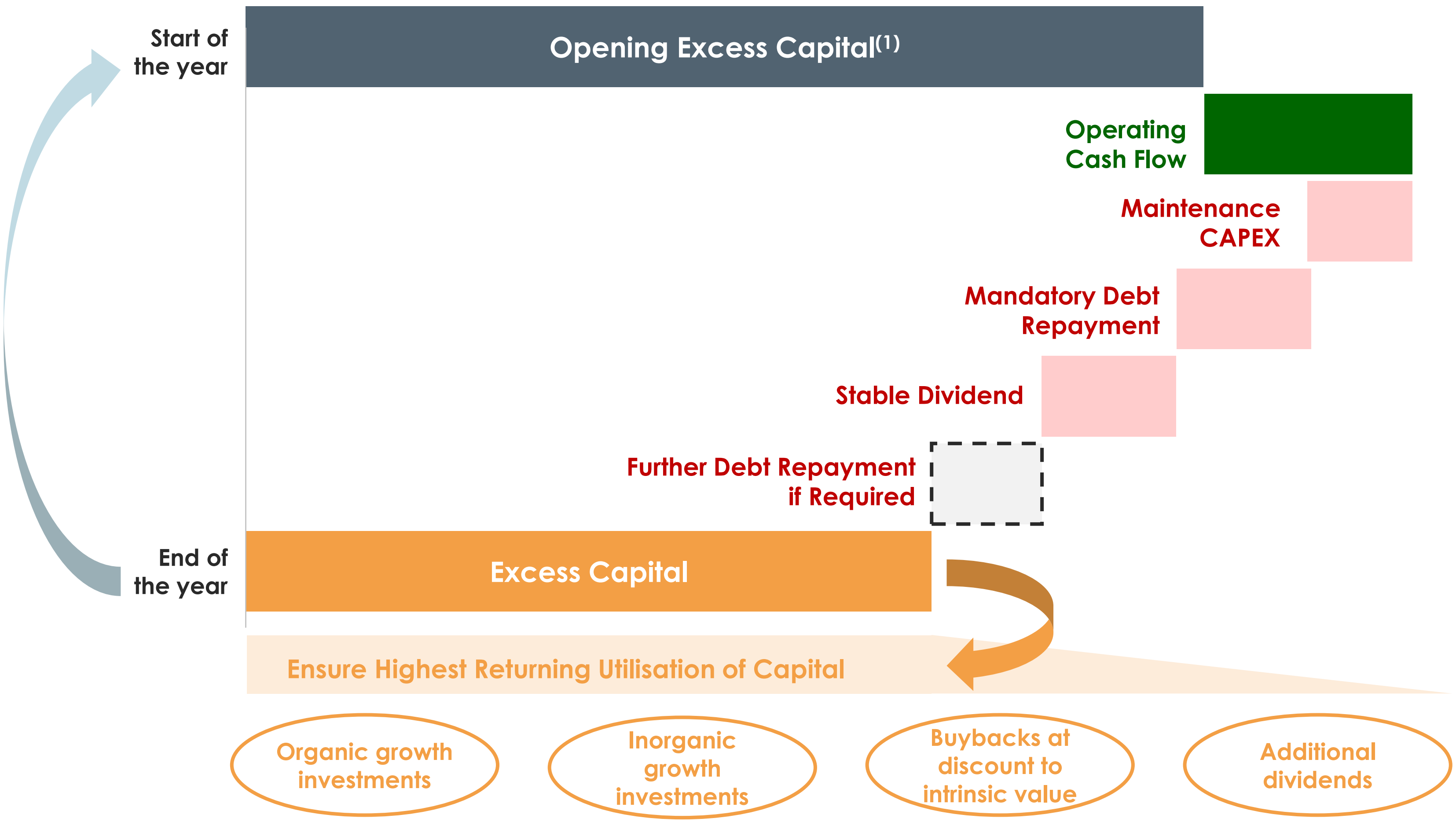
Residual OLC stake with ongoing review

Suite of measures to improve Keisei's corporate governance and IR practices

We believe these factors can be addressed easily and immediately via our 3-Step Plan, a carefully calibrated initiative that should be implemented without delay by Keisei's Board and Management.

Capital Allocation Framework:
Fundamental for Management Decisions on Corporate Activity

As a publicly listed company with duties to its stakeholders and a provider of essential infrastructure for the community, Keisei should have a capital allocation framework properly dimensioned to assess the best use of its available capital for the future of the Company.



Note: (1) For illustrative purposes only – defined as any capital in excess of minimum capital required to operate the core business of the Company.

Investment Opportunities Available for the Benefit of All Stakeholders

Palliser

Latent value released from right-sizing the OLC Stake to below 15% can be utilised to enhance Keisei's growth and profitability while also serving the broader interests of the community and customers through a variety of accretive investment opportunities. Examples of projects we have presented to Keisei Management are as follows

Unlocked Capital From the OLC Stake

Investment Type	Project	Capital Required
Community-Oriented Investment	Develop Community-Service	$1m
Community-Oriented Investment	Reduce Hokuso-Line Fare	$380m
Community-Oriented Investment	Improve Safety Measures	$380m
Community-Oriented Investment	Keisei Takasago Rail Expansion	$250m
Community-Oriented Investment	Narita Rail Expansion	$160m
Growth-Focused Investment	Start Corporate Venture Capital	$60m
Growth-Focused Investment	Increase Skyliner	$100m
Growth-Focused Investment	Develop Leisure Facility	$640m
Growth-Focused Investment	Develop Commercial Facility	$290m
Growth-Focused Investment	Develop Residential Facility	$80m
Growth-Focused Investment	Develop Hotels	$160m
Growth-Focused Investment	Start Paid Express	$20m
Growth-Focused Investment	Develop Tourist Train	$80m
Growth-Focused Investment	Increase BRT Business	$60m
Growth-Focused Investment	M&A	$3,180m

Return Horizon

Long-Term (Community Improvement)

Short-Term (Profit Increase)

Source: *Public information, Bloomberg*
Note: *(1) Our analysis (on feasibility and cost estimates in particular) is based on outside-in perspectives based on detailed advice received from industry experts and consultants.*

Best-in-Class Corporate Governance Initiatives to Reclaim Keisei's Forward-Thinking and Entrepreneurial Corporate Culture

Palliser

Japanese and international investors increasingly expect companies to strive towards best-in-class corporate governance. By implementing an enhanced suite of governance measures and addressing current governance shortcomings, Keisei can demonstrate its thoughtful corporate culture and lead by example in the Japanese market.

Good Governance = **Who (Board)** × **How (Process / Mechanism)**

Keisei should adopt the following measures to lead from the front in the Japanese market:

- ✓ Resolve "independence" concerns amongst the Board and Committees by removing any cross-appointments between current and former Keisei / OLC executives, directors and statutory auditors
- ✓ Increase gender diversity and skillset on the Board by adding greater female participation and at least one fully independent external director with relevant sectoral and strategy expertise and experience
- ✓ Reduce excessive board "advisory" roles in line with peers
- ✓ Adopt an improved equity compensation and incentive scheme that aligns senior management's targets with the broader interests of Keisei's stakeholders
- ✓ Adopt and disclose clear KPI targets to assess management performance

IR Communication Initiatives to Enhance Transparency and Attract More Stakeholder Interest

Palliser

Helping Keisei stakeholders and the broader investor community better and more readily understand and value Keisei, its core business strengths and growth opportunities, including as a class-of-one Kanto-region private railway business, will set Keisei on the right footing to close the Value Gap and increase Keisei's intrinsic value.

Good IR = **Channels of delivery** × **Quality of information** × **Frequency of distribution**

Keisei should adopt the following measures to institute best-in-class stakeholder transparency

- ✓ Create a dedicated IR team that is independent of other Company functions and focused on proactive, more frequent and high-quality investor outreach and responsiveness
- ✓ Broadcast and distribute briefing sessions and communications online
- ✓ Prepare and publish integrated reports
- ✓ Enhance English language disclosures to reflect a growing international investor base
- ✓ Increase analyst coverage through engagement and outreach
- ✓ Facilitate greater management access and expanded quarterly investor meetings

Appendix 3 – Independent Consumer Survey

Overview of Respondents

Survey overview

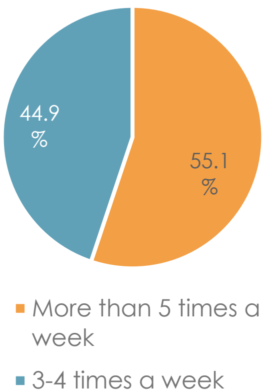
- Survey of 2,060 individuals living in the Kanto area of Japan conducted by a major Japanese Internet research firm

Respondent selection criteria

- 2,060 respondents were selected from those registered with the research firm
- **Selection criteria (1)** Users of Keisei Electric Railway on a regular basis (at least 3 times per week)
- **Selection criteria (2)** Out of the initial pool of frequent users, priority was given to those who are aware of Palliser's proposals or are/recently were Keisei shareholders

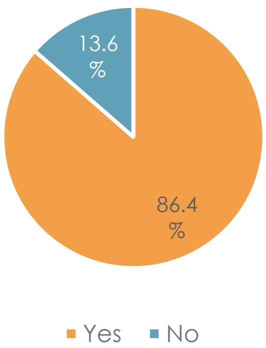
Selection criteria (1): frequent user of Keisei railway services

Frequency of use of Keisei railway by respondents

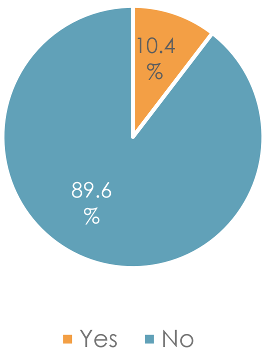


Selection criteria (2): Prioritise those who are aware of Palliser's proposals or are/recently were shareholders of Keisei

Prior awareness of Palliser's proposal

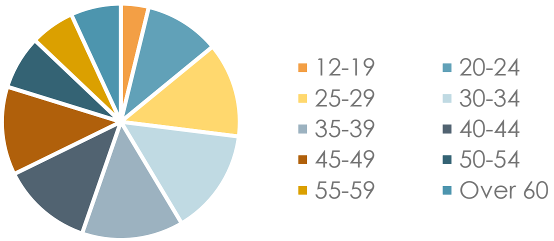


Currently investing or invested within a year in Keisei

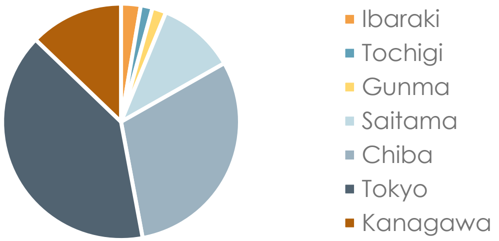


Respondent profile information

Age



Prefecture of residence



Source: Consumer survey

Results of Consumer Survey

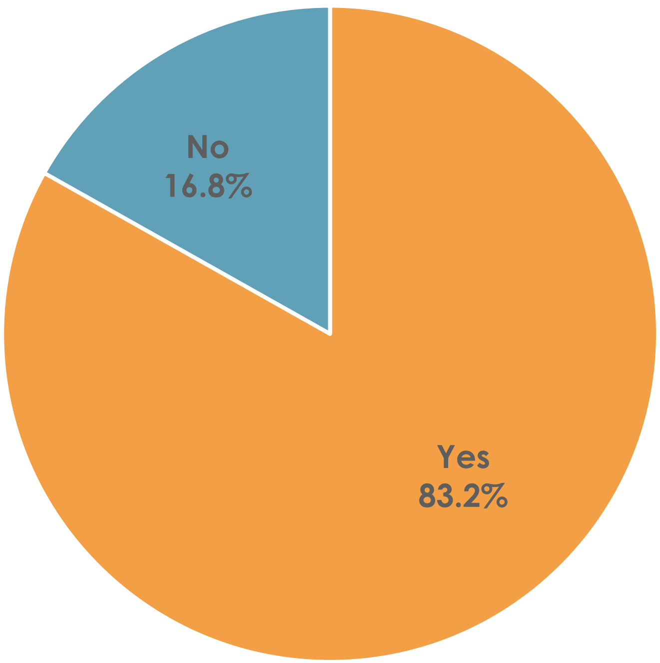
Palliser

1. **Please select from the following list (concerning fares, station facilities and service quality) the items you are dissatisfied with at Keisei Electric Railway and would like to see improved immediately (Multiple answers allowed)**

items	# of respondents	% Of 2,060
Expensive fares	673	32.7%
The quality and newness of the stations and surrounding facilities	670	32.5%
Inconvenient transfers	629	30.5%
Safety measures, such as fewer stations with platform doors	621	30.1%
Operation schedule, such as fewer train service provision	617	30.0%
	591	28.7%
Cabin environment, such as comfort of the seats	530	25.7%
Services of the station staffs, such as ticket purchase information	457	22.2%
No particular complaints	213	10.3%
Others	47	2.3%

Around 1/3 of Keisei users are dissatisfied with a range of items, including expensive fares and the quality and newness of stations and facilities

2. **Are you aware that Keisei Electric Railway owns shares in Oriental Land Co., Ltd., the operator of Tokyo Disneyland, worth JPY1.7 trillion at current market value? (Please indicate whether you were aware of this prior to participating in this questionnaire)**

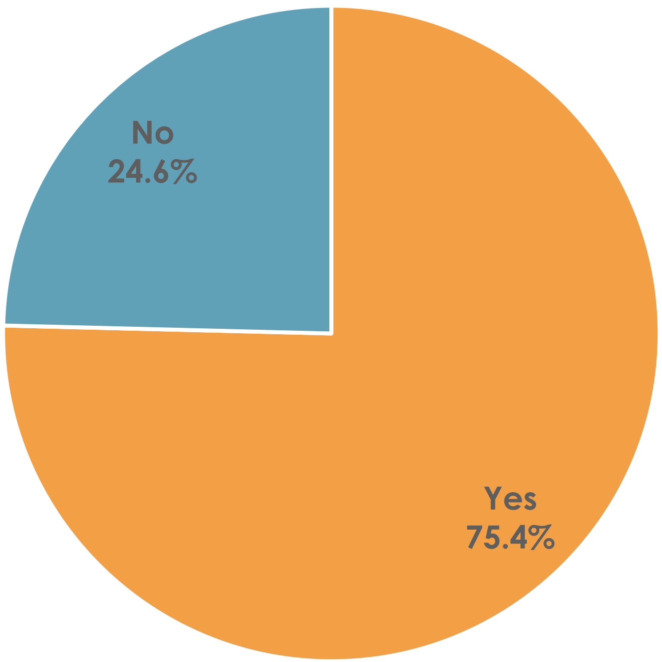


83% of respondents are aware of Keisei's investment in OLC

Source: *Consumer survey*

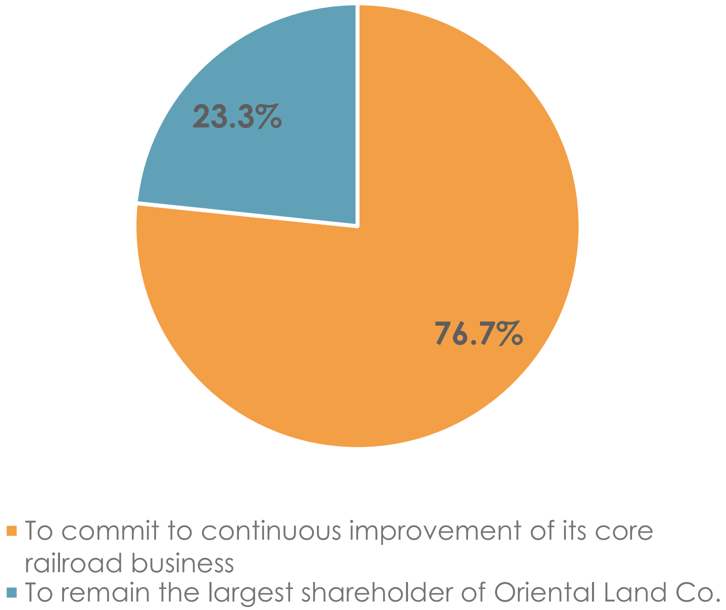
Results of Consumer Survey *(cont'd)*

3. **Do you consider it problematic that Keisei Electric Railway has hidden assets of JPY1.7 trillion which have not been liquidated to lower fares, renew facilities, improve service quality, etc.?**



75% of respondents consider it problematic that Keisei Electric Railway is not effectively utilising hidden assets amounting to 1.7 trillion yen

4. **Which do you think is more important for Keisei Electric Railway: to continue to improve the core railway business or to remain the largest shareholder of Oriental Land Co.? (Please choose the option that is most applicable to you based on your experience of Keisei's services)**



77% of respondents believe that the continued improvement of Keisei's core railway business is more important

Source: Consumer survey

Results of Consumer Survey *(cont'd)*

5. If JPY1.7 trillion of Keisei Electric Railway assets are liquidated to provide funds available to be invested, for what purpose would you like the funds to be used? (Multiple answers allowed)

items	# of respondents	% Of 2,060
Increase rail users' satisfaction by lowering fares, improving station and train facilities, etc.	1088	52.8%
Improve railroad convenience by increasing Skyliner operations, etc.	886	43.0%
Enhance the attractiveness of the region along its railway lines, by developing residences, commercial facilities, hotels, etc.	877	42.6%
Development of the region along its railway lines as tourist destinations, by introducing sightseeing trains, developing new leisure facilities, etc.	762	37.0%
Revitalisation of the region along its railway lines	551	26.7%
Others	29	1.4%

Railway enhancements: 53% of respondents want to see released funds used to enhance railway user satisfaction

6. What new services would you like Keisei Electric Railway to introduce? (Multiple answers allowed)

items	# of respondents	% Of 2,060
Increase of direct service with JR and other railway lines	843	40.9%
Increase or acceleration of direct trains between Narita and Haneda Airports	785	38.1%
	708	34.4%
Service to offer combined purchase of tickets of airplane and express train to Narita Airport	651	31.6%
Decarbonization of buses and cabs by introducing EVs and FCVs	626	30.4%
Expansion of bus network	611	29.7%
Nothing in particular	131	6.4%
Others	57	2.8%

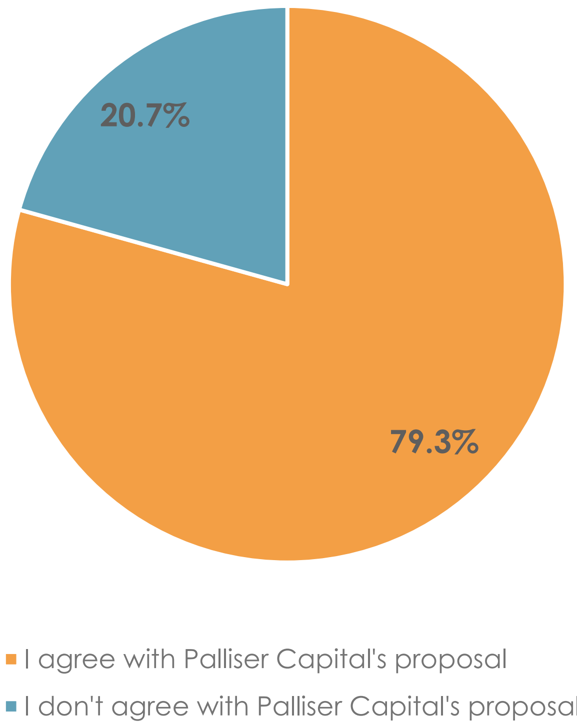
New services: 41% of respondents want to see an increase in direct services with JR and other railway lines

Source: Consumer survey

Results of Consumer Survey *(cont'd)*

Palliser

7. What do you think about Palliser Capital's proposal?



79% of respondents say they agree with Palliser Capital's proposal

Conclusions

- All 2,060 respondents surveyed were regular users of Keisei rail services in the Kanto area of Japan
- Many answers highlighted a range of customer issues with Keisei services – e.g., expensive fares, the quality and newness of stations, inconvenient transfers and safety measures
- Over 83% of the respondents were familiar with Keisei's JPY1.7 trillion OLC stake in OLC[1]
- More than three-quarters agreed it is problematic that latent value tied up in the OLC stake has not been utilised to improve services and that Keisei should focus on its core businesses
- Respondents also expressed views on the best alternative uses of this capital – e.g., over 50% highlighting a need to lower fares, improve station and train facilities
- 40% of the respondents agreed with a need to improve services through connections with JR and other railway services
- **Nearly 80% of the respondents agreed with Palliser's 3-Step Plan**

Source: Consumer survey
Note: (1) Value based at the time of the survey.

Palliser

Palliser Capital is a global multi-strategy fund based in London. Our value-oriented investment philosophy is applied to a broad range of opportunities across the capital structure with a focus on situations where positive change and value enhancement can be achieved through thoughtful, constructive and long-term engagement with companies and across a range of different stakeholder groups.

Palliser Capital is the sixth largest Keisei shareholder with a stake of 1.98%.