



Keisei Electric Railway

(Stock code: 9009)

Time for Urgent Action: Keisei's D2 Plan and Board Configuration

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Palliser's Steadfast Conviction in Keisei – a Strong Portfolio and Tremendous Value Opportunity

A **shareholder for almost four years**, we have more than **doubled the size of our investment in Keisei** since last year's AGM to a **shareholding over 4.5%**

Chronic Deep Undervaluation and Underperformance

Keisei continues to trade at a **significant and persistent discount to intrinsic value**, with transportation segment **operating profit margin**, return on assets (**ROA**), true return on equity (**ROE**) and true price-to-book ratio (**PBR**) all **significantly below peers**

Longstanding Governance Failings Unrectified by an Ineffective Board

Through **inaction and resistance** to making **basic improvements called for by Tokyo Stock Exchange ("TSE") policies** and embraced already by the vast majority of Japanese issuers, including Keisei's peers

A Dangerously Undisciplined Approach to Capital Allocation without Accountability

Underpinned by the **oversized OLC stake** which **masks consistently low true PBR and ROE** – eliminating performance-driven **voting pressure against the Board**, disincentivising fundamental governance improvements and breeding ongoing value destruction and **Management entrenchment**, e.g. the **new capital alliance with Aeon**

A Groundswell of Support for Tangible Change

Demonstrated by broad **support from c.30% of Keisei shareholders at last year's AGM** for Palliser's capital allocation-focused proposal and feedback since then based on **extensive market outreach**

Vital Measures

Ahead of the Company's D2 Plan announcement (anticipated 9 May 2025) and 2025 AGM, Management are urged to take **three immediate steps to stem the ongoing tide of value destruction at Keisei and establish the conditions for lasting change....**

We call on the Company to take three immediate steps to stem ongoing value destruction and regain market confidence

1 A Market-Leading D2 Plan

- ✓ A set of credible, transparent and immediately implementable measures to convincingly address the Company's persistent underperformance and ongoing chronic undervaluation
- ✓ Including **(i)** a properly calibrated capital allocation framework providing a pathway to right-sizing the OLC stake to below 15%; **(ii)** peer-aligned dividend payout ratios and buyback programme; **(iii)** market-aligned performance-linked management compensation; **(iv)** increased transparency, disclosure and shareholder engagement; and **(v)** peer-aligned TSE measures

2 Peer-Aligned Board Reconfiguration

- ✓ A concrete plan of action to reduce the Board to a more appropriate, dynamic and market-aligned 11 members
- ✓ 6 truly independent outside directors for effective oversight and accountability and no more than 5 inside directors with an optimized balance of skills and experience

3 Thorough and Transparent Evaluation of Palliser-identified Candidates

- ✓ A proper and impartial assessment of four best-in-class outside director candidates. True independent stalwarts of the Japanese business community who have demonstrated measurable success and skills to assist a governance overhaul at Keisei

- 
- 1. Ongoing Patient Engagement**
 2. Persistent Underperformance and Undervaluation
 3. Poor Corporate Governance and an Ineffective Board
 4. Misaligned Interests and Management Entrenchment
 5. Groundswell of Support for Change
 6. Urgent Action Required
 7. Appendix: Independent Expert Report on Keisei Performance Metrics

Palliser's holistic in-depth knowledge of Keisei from extensive ongoing due diligence

1

Finance & Tax Diligence

Retained market-leading finance & tax advisors to conduct extensive research on the Company's finance and tax structure

2

Legal & Governance Diligence

Retained market-leading legal & governance advisors to conduct extensive research on the Company's governance and legal & regulatory compliance

3

Strategic Consulting Firm

In-depth analysis of Keisei's operations, competitive environment, and opportunities for growth investments across railway related and peripheral businesses

4

Former Employees and Industry Executives

Interviewed over 30 former Keisei and OLC employees, as well as industry executives, to fully understand Keisei's operations and management

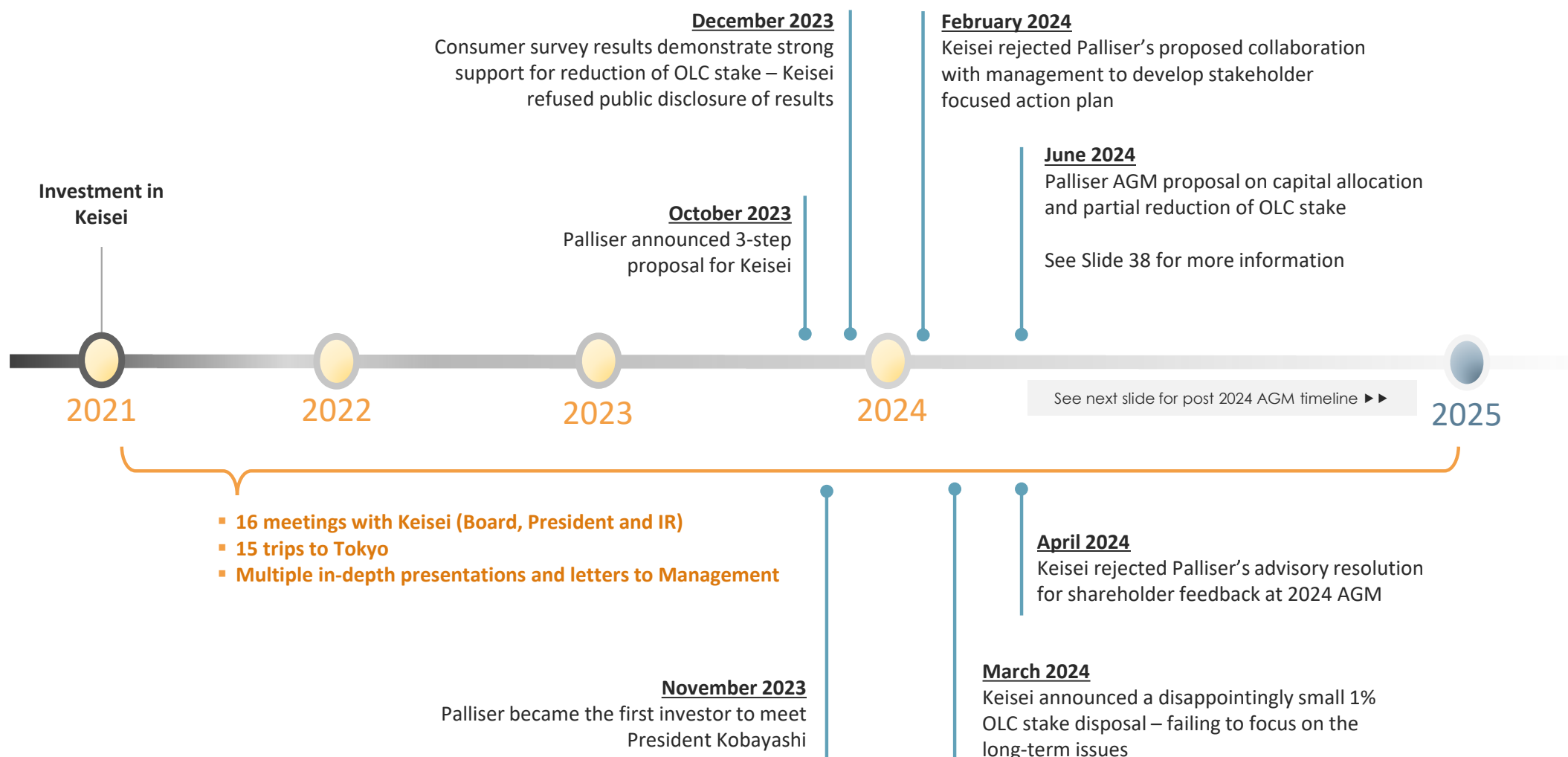
5

Shareholder Engagement

Engaged with over 60% of Keisei's institutional shareholders

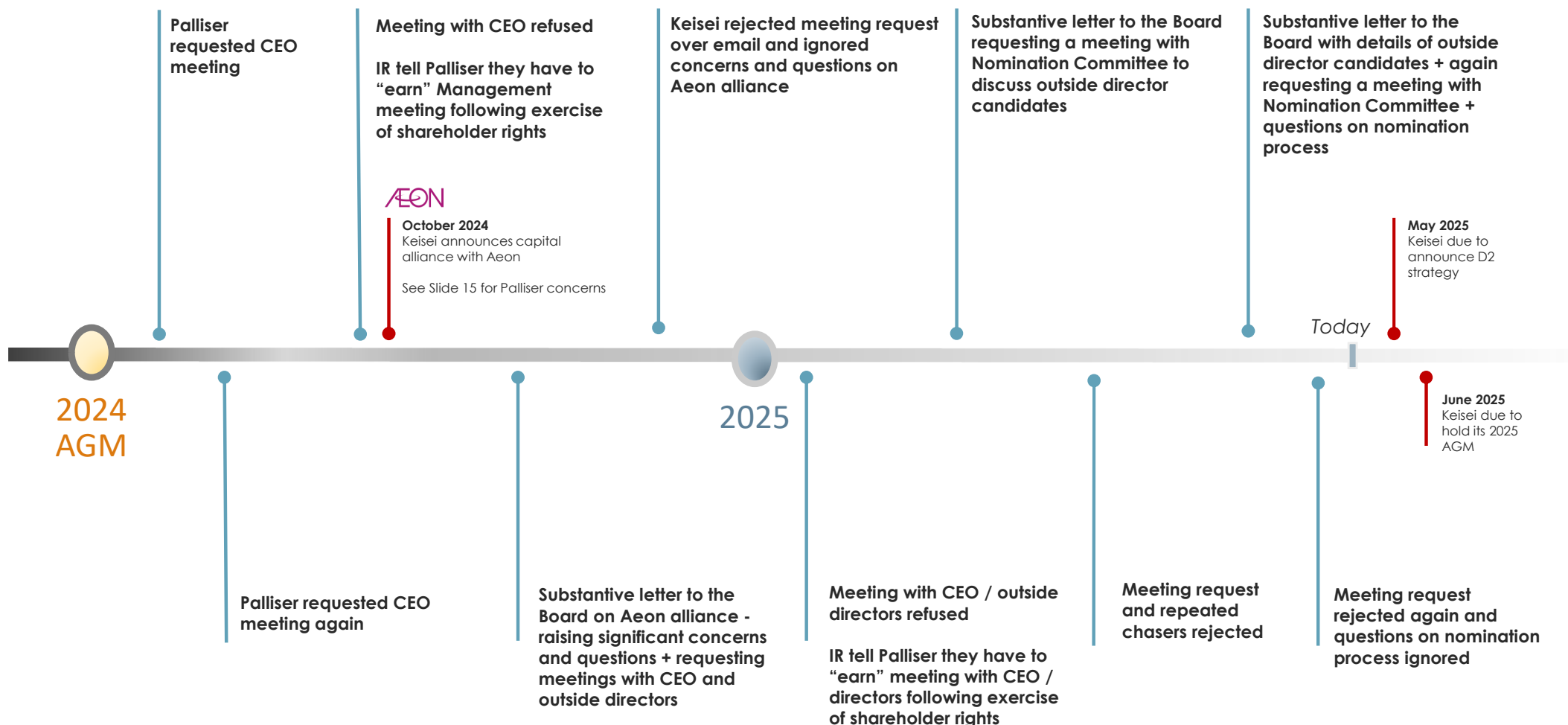
Palliser's multi-year engagement with Keisei


Palliser has more than doubled the size of its shareholding in Keisei since last year's AGM and now holds in excess of 4.5% - signaling our firm belief in the long-term value prospects of the Company



Management's unwillingness to engage since 2024 AGM

Despite c.30% of shareholders supporting our unique proposal to address capital allocation issues at last year's AGM, the current Keisei Board and Management team have ceased to engage with Palliser. This lack of responsiveness has come during a troubling period for capital allocation where the OLC stake has persisted, and a capital alliance was established with Aeon



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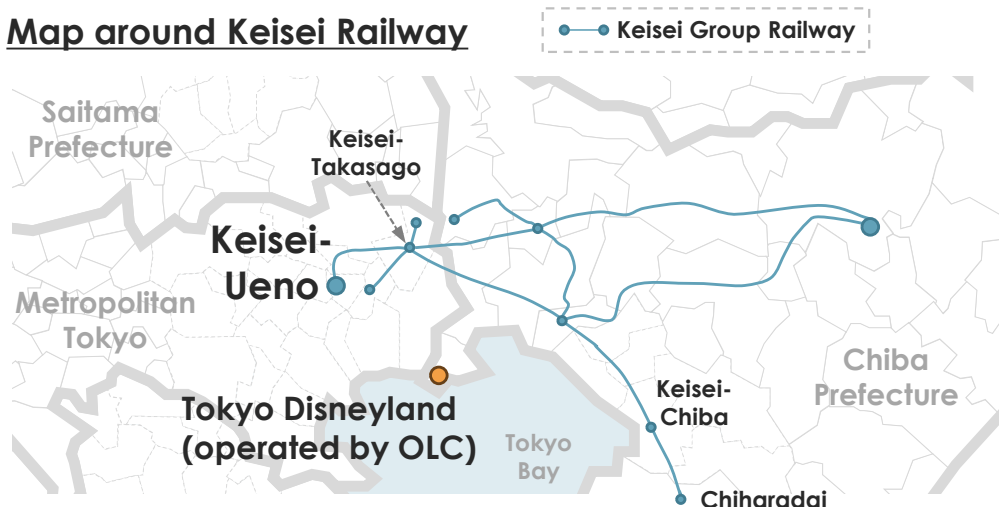
A business with a unique portfolio and excellent growth potential...

Established in 1909, Keisei operates 152km of railway serving 220m passengers annually, providing critical infrastructure for Tokyo / Chiba residents as well as connectivity with Narita Airport

Company Description

- ✓ Founded in 1909 as a railway operator in Tokyo / Chiba before expanding into other forms of transport (bus and taxi) and other businesses, such as real estate and distribution
- ✓ Now owns 606 passenger cars and operates 152.3km of railway with 69 stations as of September 30, 2024
- ✓ Launched the Skyliner Express in 1978 in conjunction with the opening of Narita Airport. Since then, Keisei has operated one of the only two lines connecting Narita Airport to the Tokyo metropolitan area
- ✓ Invested in and helped establish Oriental Land Co., Ltd. ("OLC") in 1960, which ultimately opened Tokyo Disneyland in 1983

Map around Keisei Railway



Business Description

Transportation

- Provides railway services in Chiba Prefecture and Tokyo for commuters, as well as access to Narita Airport from the Tokyo metropolitan area
- Also operates bus and taxi businesses

Real Estate

- Includes Keisei's "SUN GRANDE" condominium series, principally located along the railway network

Distribution & Others

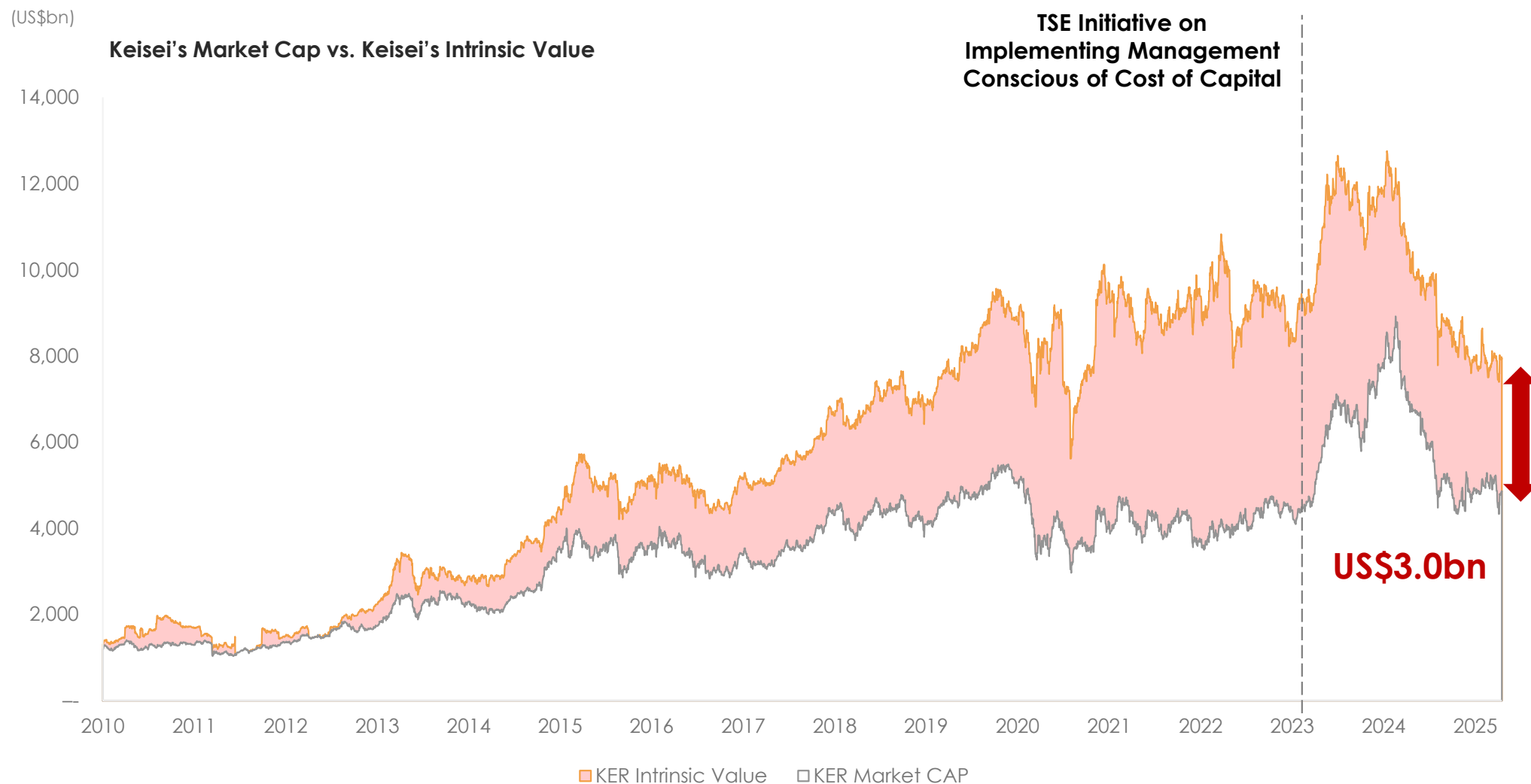
- Distribution business consists of various types of retail, including department stores
- Leisure business involves development across a wide range of amenities, including restaurants, movies and hotels

5-year Financials (ex OLC)

(JPY mn)	FY Mar'20	FY Mar'21	FY Mar'22	FY Mar'23	FY Mar'24
Revenue	274,796	207,761	214,157	252,338	296,509
YoY growth (%)	5.1%	(24.4%)	3.1%	17.8%	17.5%
EBITDA	57,405	12,184	25,282	41,844	58,593
Margin (%)	20.9%	5.9%	11.8%	16.6%	19.8%
Operating Profit	28,320	(18,056)	(5,201)	10,228	25,241
Margin (%)	10.3%	(8.7%)	(2.4%)	4.1%	8.5%
Operating Cash Flow	51,487	9,282	28,831	47,238	60,045
Capex	(47,303)	(33,348)	(38,235)	(32,832)	(54,535)

...trading at a significant and persistent discount to its intrinsic value ...

This value gap between Keisei's market and intrinsic value has grown over time and currently stands at US\$3.0bn



Source: Company disclosures, Bloomberg. Market data as of 18 April 2025.

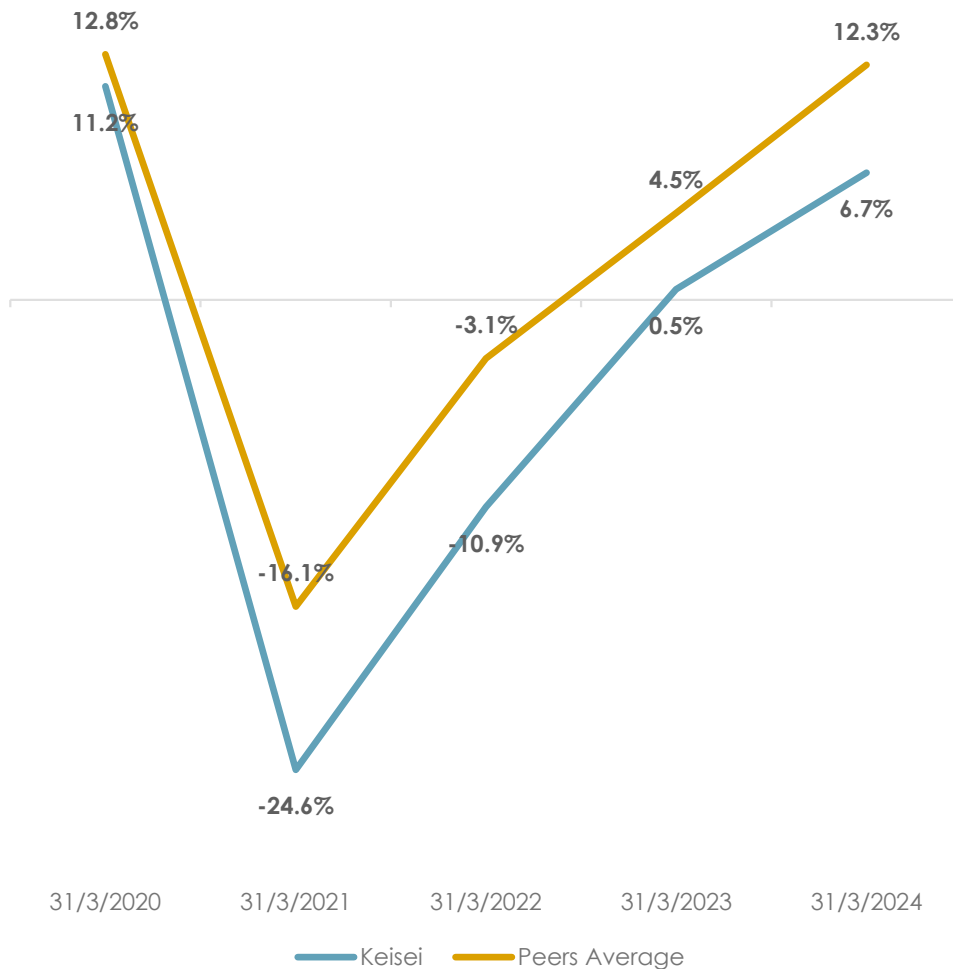
Note: For illustrative purposes. Intrinsic value is calculated by excluding the current recorded book value of the OLC stake from Keisei's book value and applying peer multiple on the residual Keisei book value, and adding mark-to-market value of the OLC stake net of CGT to Keisei's book value. Peers: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

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...and a transportation segment consistently underperforming its peers...

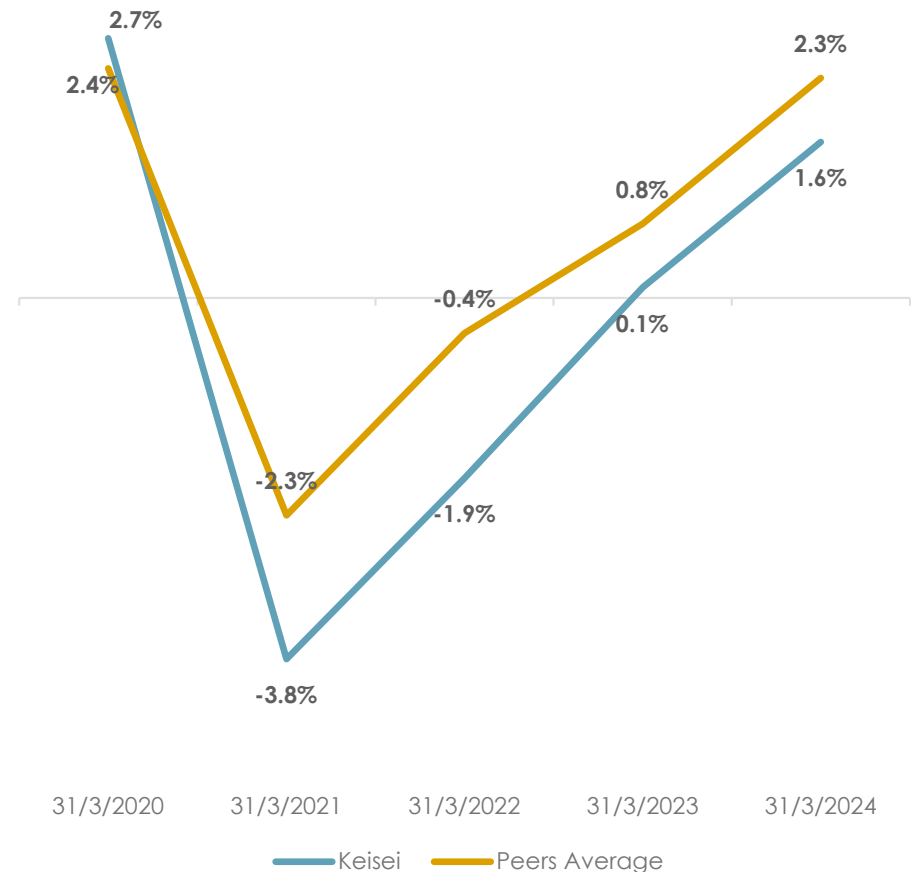
Consistently lowest transportation segment operating profit margin vs. peers

Transportation Segment Operating Profit Margin



Consistently lowest transportation segment ROA vs. peers

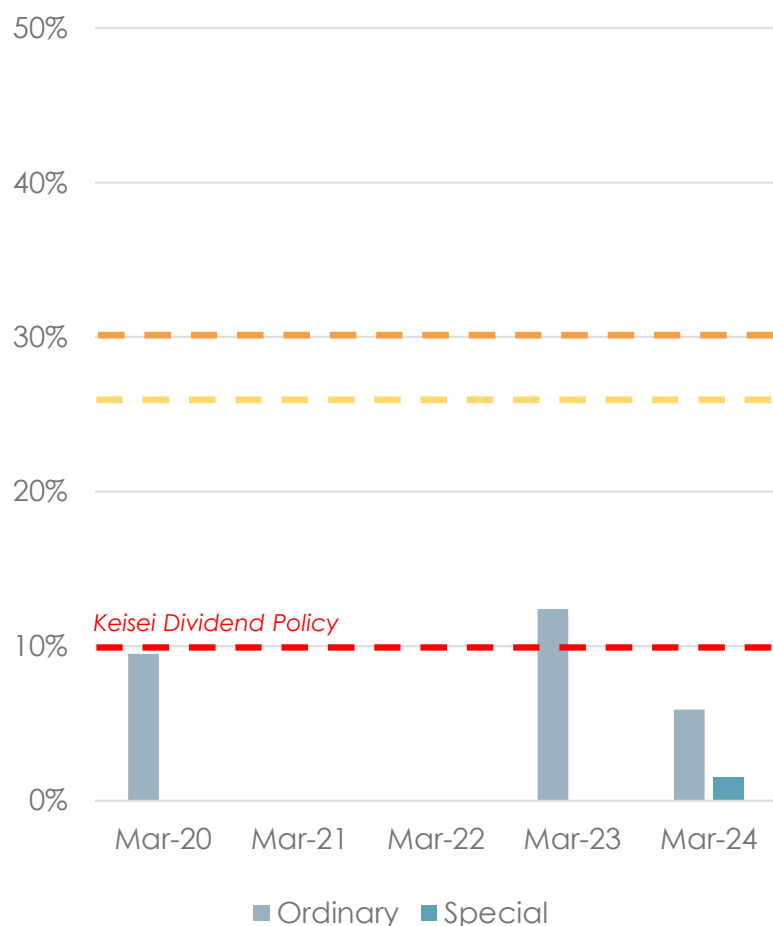
Transportation Segment ROA



... with sub-standard policies on shareholder returns...

Keisei's target for a minimum payout ratio of 10% is substantially below disclosed expectations from Japanese and non-Japanese investors, combined with no buyback programme unlike most peers

Keisei Dividend Payout Ratio



Institutional Investor Expectations on Dividend Policy



Proxy Voting Policy

Vote AGAINST approval of dividend if PBR below 1x, ROE ranking in the bottom 50 percentile in TOPIX, and **"dividend ratio below 30%"**



Guidelines for Exercising Voting Rights (Japanese Equities)

If a company's total shareholder return ratios were less than 30% and ROEs were below 8% for three consecutive years (excluding net loss-making companies), we would regard it as underpaying dividends.



Global Proxy Voting and Engagement Policy

For Japanese issuers, **we are generally supportive of dividend payouts that constitute 30 percent or more of net income**

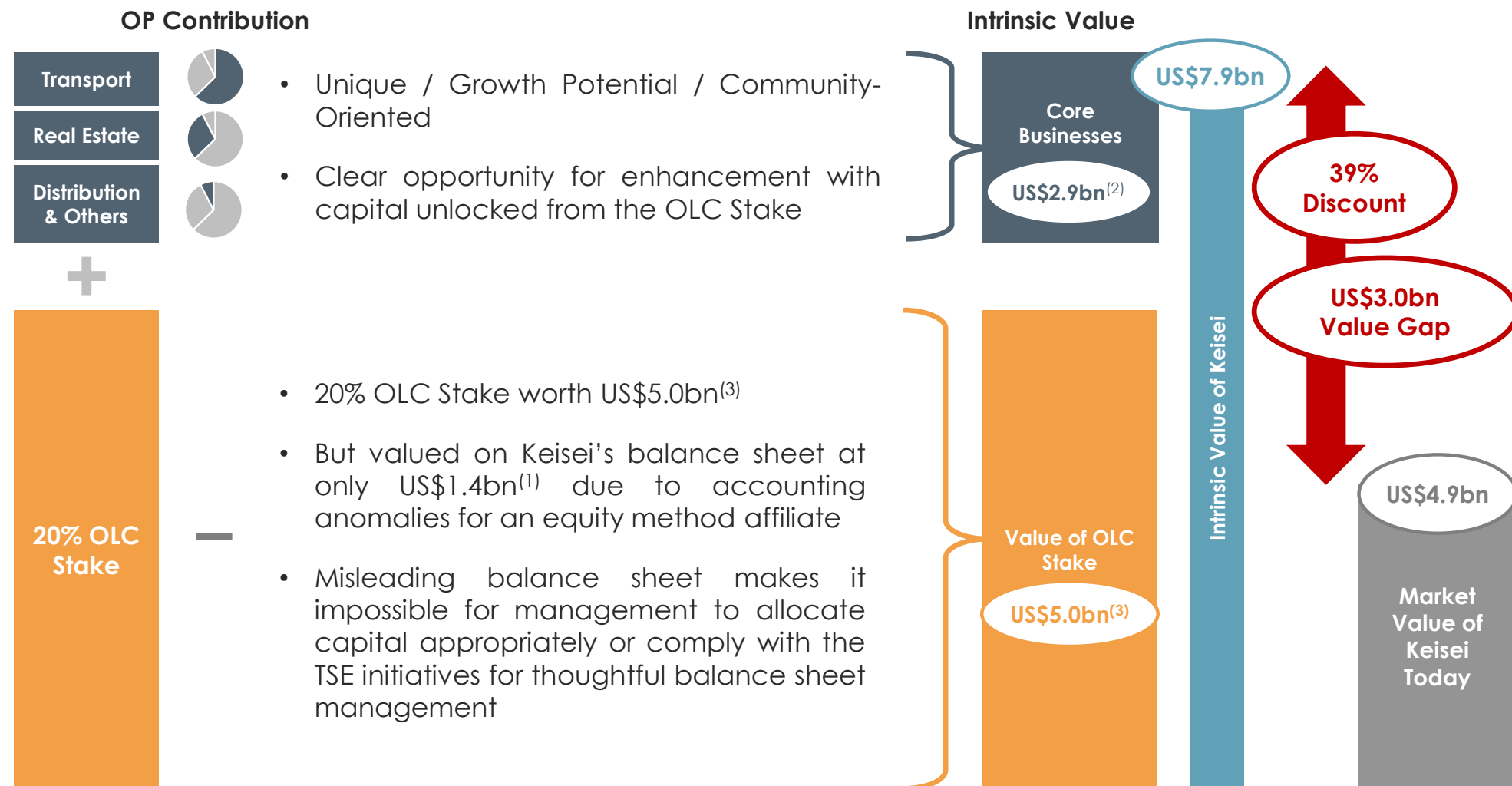


2025 Policy and Criteria for Exercising Voting Rights in Japan

We will object if the following criteria apply (...) **Dividend payout ratio is less than 25%** and return on capital is below the market average for a long period of time (ROE is below the median of listed companies for the last three consecutive fiscal years) (Translated from Japanese)

... leading to an ongoing inappropriately oversized investment in OLC and Keisei trading at a 39% discount to intrinsic value...

An oversized non-synergistic US\$5.0bn stake in OLC – accounting for c.63% of the Company's intrinsic value



Source: Company disclosures, Bloomberg. Market data as of 18 April 2025.

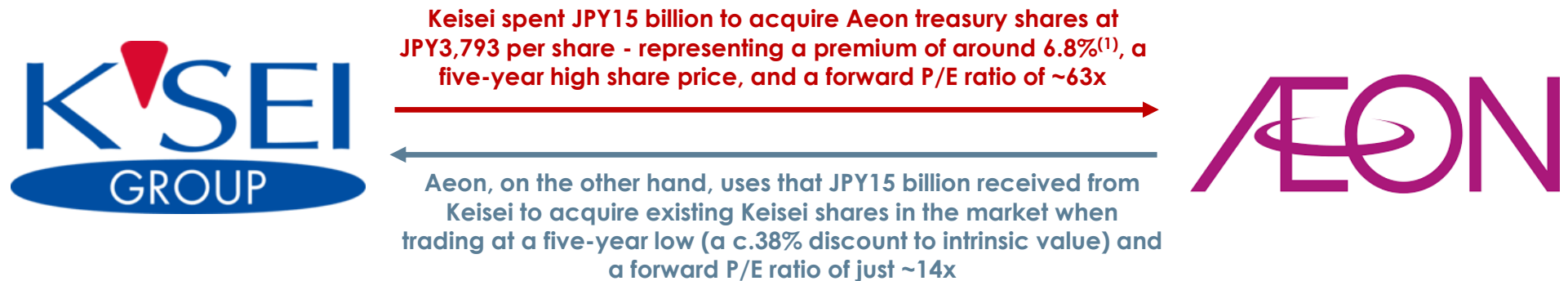
Note: (1) Based on estimate of our accounting advisor.

(2) Core business value is calculated based on estimated book value excluding OLC stake multiplied by peer PBR. Peers: Keio, Odakyu, Tokyu, Tobu, Keikey and Seibu.

(3) OLC stake value is calculated based on mark-to-market value net of estimated CGT as of 18 April 2025.

... and self-serving capital allocation decisions as illustrated by the recently established cross-shareholding with Aeon...

The Capital and Business “Alliance” announced by Keisei and Aeon in October 2024 appears to be both economically unattractive and commercially pointless for Keisei – the hallmarks of an arrangement to place more Keisei shares in the hands of cross-shareholders to support this cycle of self-serving management entrenchment



- ✗ While Keisei acquires expensive, essentially newly issued shares to end up with a 0.46% stake in Aeon, Aeon will use those funds to acquire cheap shares in Keisei from existing shareholders to end up with a more material 2.33% stake
- ✗ There is no analytical investment return-related justification from Keisei management
- ✗ The Capital and Business “Alliance” completely cuts across TSE Corporate Governance Code requirements calling for boards to provide full disclosure of the benefits and risks associated with a cross-shareholding

...all underpinned by a reckless approach to capital allocation and disregard for shareholder value

Unlike all peers, Keisei has no Capital Allocation Policy at all and falls short across all capital allocation metrics as a result


		Keisei	Keio	Odakyu	Tokyu	Tobu	Keikyu	Seibu
	MTP Time Frame	FY2022-2024	FY2022-2024	FY2024-2026	FY2024-2026	FY2024-2027	FY2024-2026	FY2024-2026
Capital Allocation Policy	Capital Allocation Policy ⁽¹⁾	✖	✔	✔	✔	✔	✔	✔
	Contents	✖	Enhancing shareholder return with increase in operating cash flow	Growth investments, mainly in real estate, and enhancement of shareholder returns	Growth and maintenance investment plan	Funding through cross-shareholding sale and active investment in non-railway business	Growth and Capex Maintenance Plan	JPY400bn sale of Tokyo Garden Terrace Kioicho and growth investment
ROE & Cost of Capital	ROE Target	✖	✖	✔	✔	✔	✔	✔
	Target ROE	✖	✖	6.2% (FY2026 Target)	8% (FY2026 Target)	8% (FY2027 Target)	6% (FY2026 Target)	8% Consistently Achieved
	Disclosure of Cost of Capital	✖	✖	✖	Cost of Equity 5.1-6.5%	✖	✖	Cost of Equity 7.2%
Shareholder Return	Shareholder Return Target	Payout ratio 10%+	Total Return Ratio ⁽³⁾ ~46% over the 3Y MTP	Payout Ratio 40%+	Payout Ratio 30%+	Total Return Ratio ⁽³⁾ 30%+	N/A	Dividend on equity 2%+
	Share Buyback announced in the last 12 months	JPY10bn share buyback in Mar 2025 (1.6% of TOSH ⁽²⁾)	JPY15bn share buyback in Nov 2024 (4.6% of TOSH ⁽²⁾)	JPY20bn share buyback in Aug 2024 (5.0% of TOSH ⁽²⁾)	JPY40bn share buyback in Nov 2024 (4.0% of TOSH ⁽²⁾)	✖	✖	JPY70bn share buyback in Dec 2024 (8.7% of TOSH ⁽²⁾)

Source: Company filings.

Note: (1) Determination of a disclosure of the respective company's capital allocation policy includes the provision of a breakdown of the capital investment plan in the company's latest mid-term business plan.

(2) Total outstanding shares excluding treasury shares. (3) Total Return Ratio = (Dividend per share + The amount of acquisition of treasury shares per share) / EPS

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Keisei's oversized board falls short of basic governance standards...

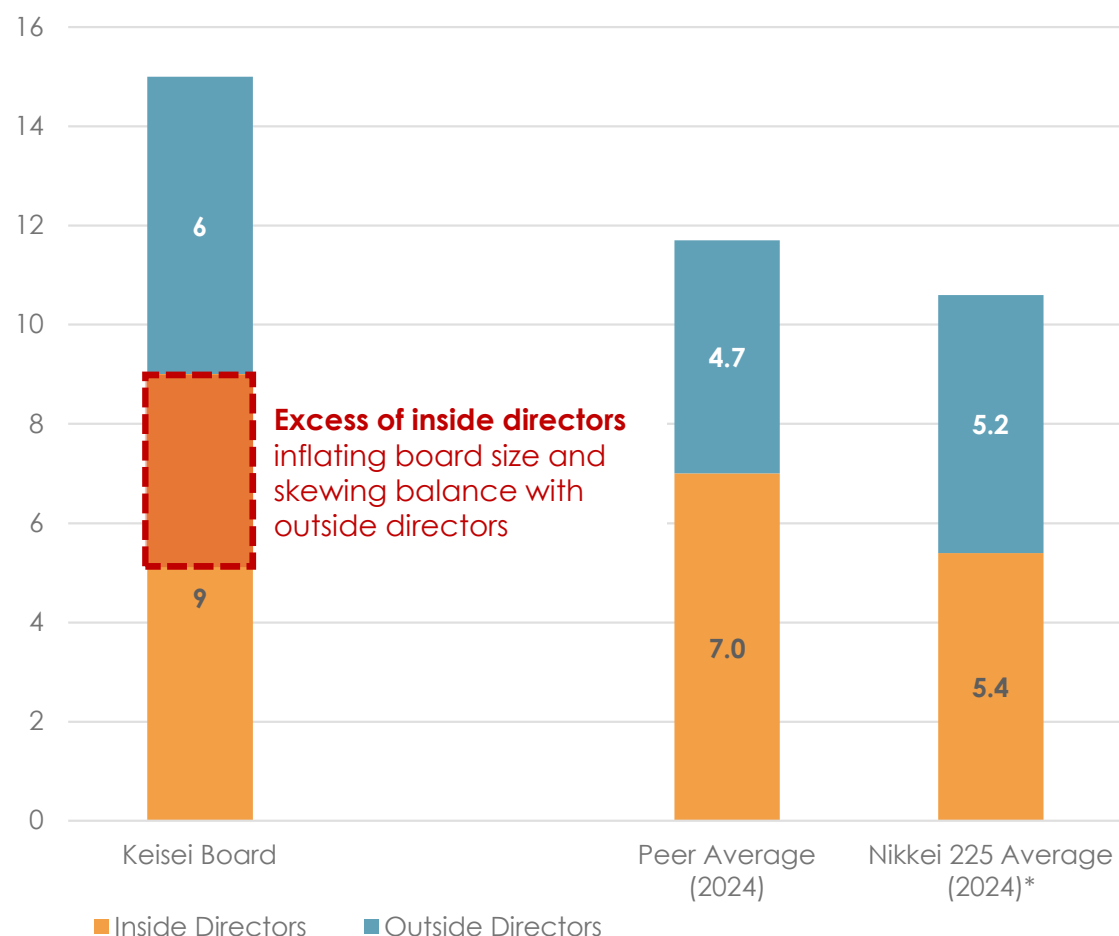
The majority of Keisei's incumbent Board are insiders, led by a tenured President, Toshiya Kobayashi. Within the outside director cohort, both ISS and Glass Lewis have flagged significant independence concerns

	Director	Independence per...			Tenure (2025 AGM)	Nomination and Compensation Committee	
		KEISEI	ISS	GL			
1	Toshiya Kobayashi [President] ®	x	x	x	15 (8 as CEO)	C	9 Inside Directors
2	Takao Amano ®	x	x	x	10	•	
3	Koji Yamada	x	x	x	4		
4	Hideki Mochinaga	x	x	x	4		
5	Tadakazu Oka	x	x	x	3		
6	Takeshi Shimizu	x	x	x	3		
7	Kazumi Taguchi	x	x	x	2		
8	Makoto Enmei	x	x	x	2		
9	Yoshikazu Kawai	x	x	x	1		
10	Shotaro Tochigi	✓	✓	✓	7	•	6 Outside Directors
11	Misao Kikuchi	✓	✓	✓	5	•	
12	Takeshi Ashizaki	✓	x	✓	3		
13	Takako Amitani	✓	✓	✓	2	•	
14	Akiko Nakajima	✓	✓	✓	1		
15	Toshiyuki Ishiuchi	✓	x	x	1		
Independence		40%	27%	33%		60%	Board Size 15

...is imbalanced and oversized due to an excessive number of inside directors...

Keisei's Board is swollen by an excessive number of inside directors resulting in misalignment with peers and falling short of acceptable governance standards – at least 4 of Keisei's current inside directors offer little to the Board and should not stand for re-election

Keisei Board Composition versus Peer and Index Average



Several Insiders Offer Little to Keisei's Board

Officer Level	Count
President	1
Senior Managing Executive	1
Managing Executive	4
Executive	2
Other	1


Executive Officer level or below are not commonly represented on peer boards.

Function Area	Count
President	1
General Affairs	1
Management Supervision	1
Real Estate	1
Railway	3
Strategy	2

Railway and Strategy functions are over-represented on the Board.

...with outside director oversight undermined by independence uncertainty...

Independence concerns over four out of the six outside directors (including direct links to OLC) raise serious doubts about their collective ability to fairly and objectively perform their duties – including fundamental checks and balances on management decision-making

	Tenure (2025 AGM)	Independence by Policy			Independence Red Flags	True Independence
		Keisei	ISS	Glass Lewis		
 Misao Kikuchi	5	✓	✓	✓	<ul style="list-style-type: none"> ▶ Ms. Kikuchi is also a board member of OLC. ▶ Ms. Kikuchi is the Executive Chair of Keiyo Gas, where she has an overlapping position with Mr. Toshio Kagami (a former Keisei employee leading the establishment of OLC and the current CEO/Chairperson of OLC). Mr. Kagami has been an Outside Corporate Auditor of Keiyo Gas since March 2004. ▶ Keiyo Gas is a business partner of both Keisei and OLC. 	✗
Shotaro Tochigi	7	✓	✓	✓	<ul style="list-style-type: none"> ▶ Mr. Tochigi was appointed outside director (and Audit & Supervisory Committee member) of Mizuho Bank in 2020, one of Keisei's and OLC's major relationship banks. 	✗
Takeshi Ashizaki	3	✓	✗	✓	<ul style="list-style-type: none"> ▶ Mr. Ashizaki is a former Managing Executive Officer at The Bank of Tokyo-Mitsubishi UFJ, Ltd., one of Keisei's major relationship banks. 	✗
Toshiyuki Ishiuchi	1	✓	✗	✗	<ul style="list-style-type: none"> ▶ Mr. Ishiuchi is a former Executive Officer of Sumitomo Mitsui Trust Bank, which is one of Keisei's and OLC's major relationship banks. 	✗


	Keisei	ISS	Glass Lewis
Board Independence	40%	27%	33%

By the assessment of leading global proxy advisors, Keisei's board is at or below threshold of independence levels stipulated in **Japan's Corporate Governance Code**:


"Companies listed on the Prime Market should therefore appoint **at least one-third** of their directors as independent directors" ([LINK](#))

...a compromised Audit & Supervisory Board...

The Audit & Supervisory Board is a key oversight body charged with monitoring the directors in their duties, but is compromised by significant doubts over independence of its members, which include direct links to OLC

	Tenure (2025 AGM)	Independence by Policy			Independence Red Flags	True Independence
		Keisei	ISS	Glass Lewis		
Kenji Yoshida 	4	✓	✗	✗	► Mr. Yoshida is currently Representative Director & COO of OLC.	✗
Takeshi Kobayashi	6	✓	✗	✗	► Former chair of DBJ Capital Co., Ltd., an entity affiliated with Development Bank of Japan Inc., one of the Company's major lenders.	✗
Tsuneaki Teshima	4	✓	✗	✓	► Former Director and Senior Managing Executive Officer, Nippon Life Insurance, a significant shareholder.	✗
Kenji Sato	6	✗	✗	✗	Inside Directors – Not Applicable	
Makoto Kawasumi	1	✗	✗	✗	Inside Directors – Not Applicable	

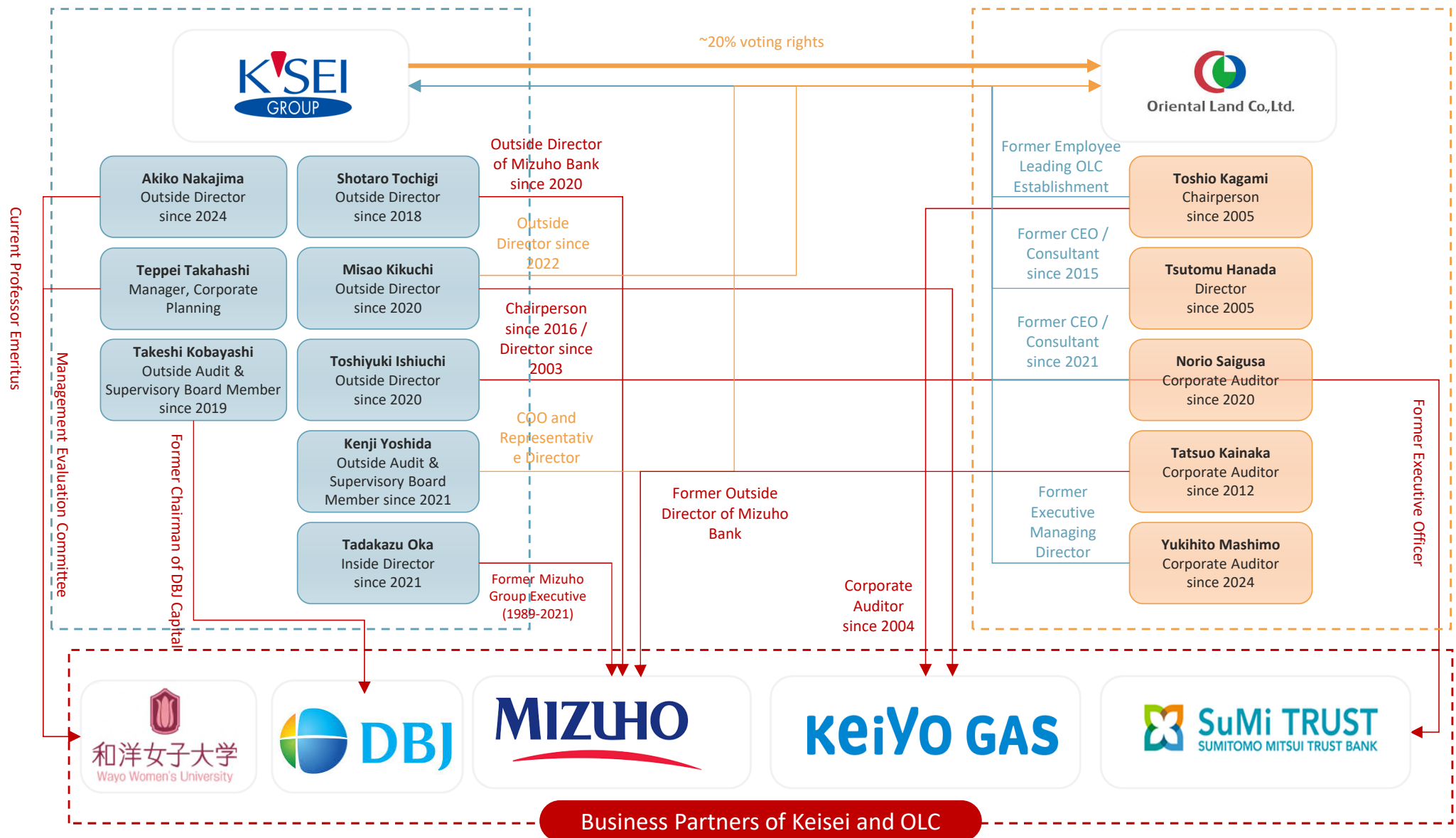
	Keisei	ISS	Glass Lewis
A&S Board Independence	60%	0%	20%

 GLASS LEWIS

2024 AGM Research Report


The statutory auditor board does not have a sufficient number of independent statutory auditors. This raises **concerns about the objectivity and independence of the board and its ability to perform its proper oversight role.**

... an alarming web of extensive ties between Keisei directors and OLC preventing an objective assessment of the outsized OLC stake...



... exacerbated by current Keisei “Komon” serving in OLC management roles...

Multiple retired presidents/CEOs serving as advisors to Keisei whilst serving in senior roles at OLC results in significant and inappropriate influence over incumbent Keisei management – further impairing an objective appraisal of the OLC stake

	Term as Keisei President / Chair	Advisor to Keisei ("Komon")	Post-Keisei Position at OLC 
Norio Saigusa	2011 - 2021	Yes - Consultant, Part-time, Compensation received	▶ Current Corporate Auditor of OLC since 2020 – see biography here
Tsutomu Hanada	President: 2004 – 2011 Chair: 2011 – 2015	Yes - Consultant, Part-time, Compensation received	▶ Current Executive Director of OLC since 2005 – see biography here
Hiroshi Otsuka	President: 1998 – 2004 Chair: 2004 – 2008	Yes - Honorary Consultant, no work, no compensation	▶ Former Corporate Auditor of OLC

Investors treat honorary advisors with caution given the lack of accountability



*"[Advisory positions] are **not held accountable to shareholders** as they do not serve on the board. Still, they **can apply pressure on the board** and are often referred to as "ghosts in the boardroom" or "corporate backseat drivers". In cases where the former CEO remains as a senior adviser, **they may exercise unreasonable influential power over incumbent management members**, which could be detrimental to the board's functioning and dynamic." (2024 - Japan corporate governance and responsible investment policy)*



PEER MISALIGNMENT

Keisei's peers **average only 0.8 honorary advisors.**

... and a CEO who alone holds the primary executive and governance powers at Keisei...

Executive leadership and the very governance systems that are designed to provide a check and balance on such executive decision-making are centralized in, and controlled by, President Kobayashi

Roles & Powers of President Kobayashi

CEO

Controls the Board through inside directors: 60% of the Board is composed of Inside Directors that directly report to the President.

Strategic Leadership: combined with his role as Chair, the President is the principal leader of strategic vision and decision making through leadership roles associated with being CEO.



PEER MISALIGNMENT

Of Keisei's six peers, five have split the Chair and CEO roles.

Chair of the Board

Determines the Board Agenda: the President is charged with setting the agenda for board discussion and deciding how this discussion is led.

Leads Effectiveness Reviews: the President is responsible for the review of board effectiveness and improvements to functioning.



PEER MISALIGNMENT

Five of Keisei's peers have an independent Chair to the Nomination Committee.

Chair of the Nomination / Compensation Committee

Runs his Own Succession Planning and Board Appointments: *"The appointment of director candidates, the nomination or removal of the representative director and executive directors, and decisions on the responsibilities of managing directors shall be based on a motion submitted by the Company president."* ([LINK](#))

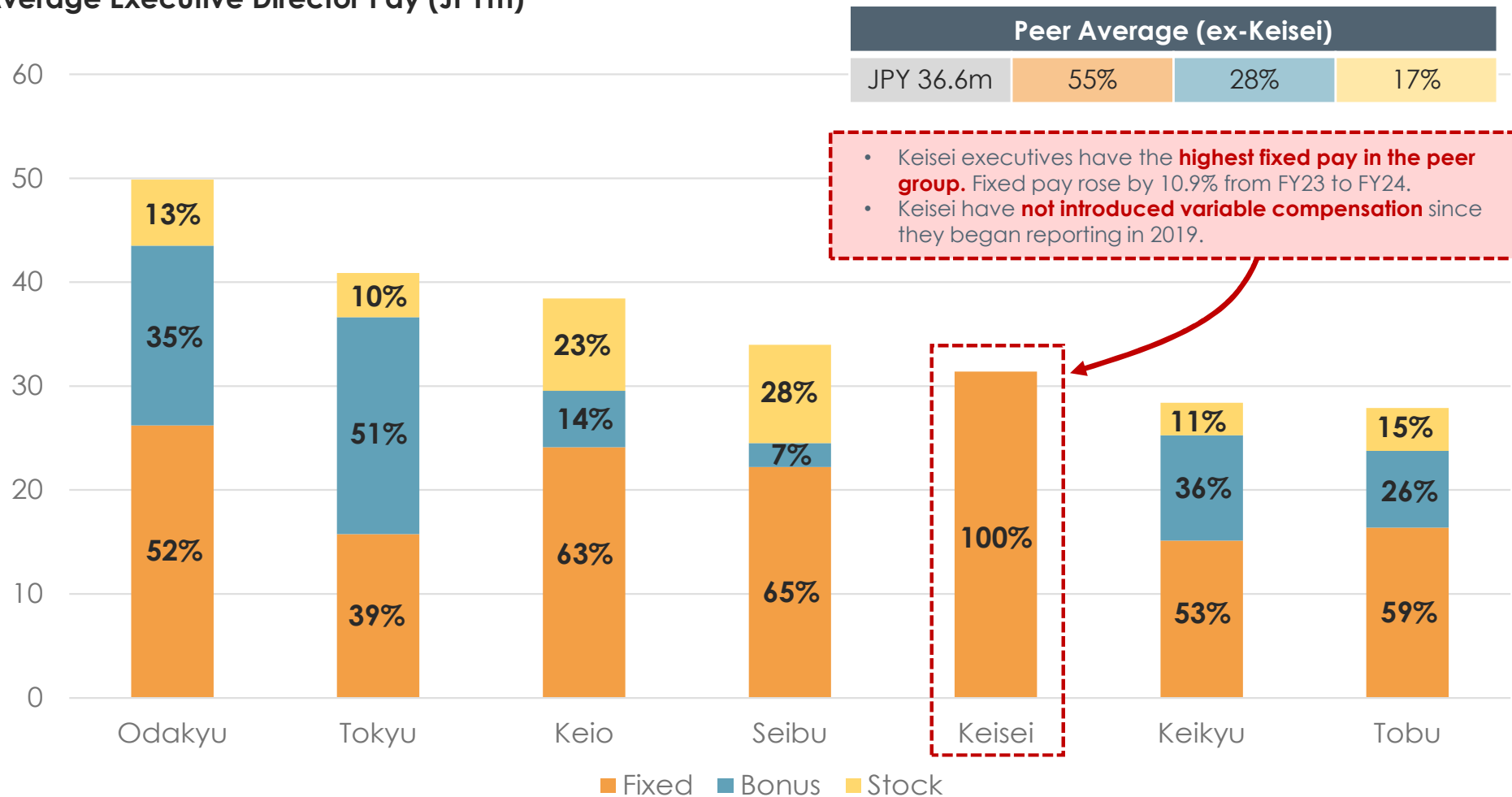
Appoints Audit & Supervisory Board Members: *"For the nomination of Audit & Supervisory Board Members, the Company president will select candidates"* ([LINK](#))

Determines Compensation: *"The Board of Directors defers decisions on the specific details of compensation amounts for individual directors to the Company president... [Keisei] requires that the Company president make decisions on individual compensation based on the report issued by the Nomination/Compensation Committee"* ([LINK](#))

...with director and management remuneration that is completely misaligned with Keisei's stakeholders...

Keisei's remuneration structure is atypical among peers and across Japanese and global markets for being 100% fixed cash salary

Average Executive Director Pay (JPYm)



... without any performance-linked metrics...

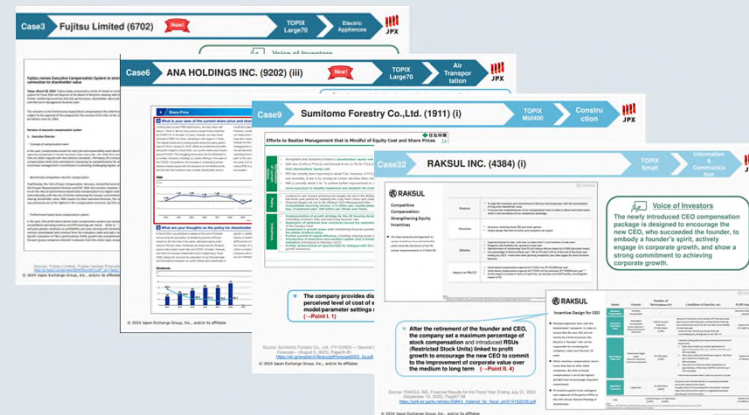
Contrary to TSE policies and all peers, Keisei refuses to base executive pay on Company performance metrics

Performance Metrics Used in Remuneration	
Keisei	None
Tokyu	<ul style="list-style-type: none"> • ROE • ROA • EBITDA • Operating profit • Net profit attributable to parent • EPS • Debt to EBITDA
Seibu	<ul style="list-style-type: none"> • EBITDA • ROE
Tobu	<ul style="list-style-type: none"> • Revenue • Operating Income • MTP Targets
Keikyu	<ul style="list-style-type: none"> • Operating Profit • Debt to EBITDA
Keio	<ul style="list-style-type: none"> • Ordinary Profit • Net profit attributable to owners
Odakyu	<ul style="list-style-type: none"> • Operating profit • ROE • Debt to EBITDA • Sustainability factors

TSE: Action to Implement Management that is Conscious of Cost of Capital and Stock Price

“As part of such efforts, **remuneration plans for management could be used as a sound incentive for sustainable growth**, for example by including indicators related to profitability and improvement of corporate value in the calculation of executive remuneration.” [\(LINK\)](#)

Case Studies Endorsed by TSE for their use of Compensation



... resulting in systemic governance failings for which the outside directors should be held to account


The outside directors have overseen persistent capital allocation failings, dismissed shareholder concerns, and failed to ensure basic checks and balances on management - rendering their ongoing tenure untenable

	Independence Uncertainty	Objective Skills Gaps	Over- Committed	Oversight of Aeon Alliance	Poor Capital Allocation	Unresponsive to 2024 AGM	Failure of Compensation and Nomination
Shotaro Tochigi	✗	✗		✗	✗	✗	✗
Misao Kikuchi	✗	✗	✗	✗	✗	✗	✗
Takeshi Ashizaki	✗			✗	✗	✗	✗
Toshiyuki Ishiuchi	✗			✗	✗	✗	
Takako Amitani	✗	✗		✗	✗	✗	
Akiko Nakajima	✗	✗		✗	✗	✗	
			See Note				

✗ Governance Failure

✗ Governance Weakness

Note: As of the 2024 AGM, **Misao Kikuchi has 9 public board mandates**. By common investor and proxy advisor standards, this constitutes **severe overboarding**. As well as Keisei, these include: **(1)** OLC (Outside Director), **(2)** Keiyo Gas (Exec Chair), **(3)** Powdertech (Exec Chair), and **(4)** K & O Energy Group (Outside Director).

- 
1. Ongoing Patient Engagement
 2. Persistent Underperformance and Undervaluation
 3. Poor Corporate Governance and an Ineffective Board
 - 4. Misaligned Interests and Management Entrenchment**
 5. Groundswell of Support for Change
 6. Urgent Action Required
 7. Appendix: Independent Expert Report on Keisei Performance Metrics

As confirmed by an independent expert report – the outsized OLC stake creates an accounting distortion which results in a US\$5.9bn understatement on Keisei's balance sheet...

According to an independent accounting expert, the current 20% stake in OLC means that, under applicable Japanese accounting rules, this stake is valued at an 83% discount to its traded market value – equivalent to US\$5.9bn of missing value

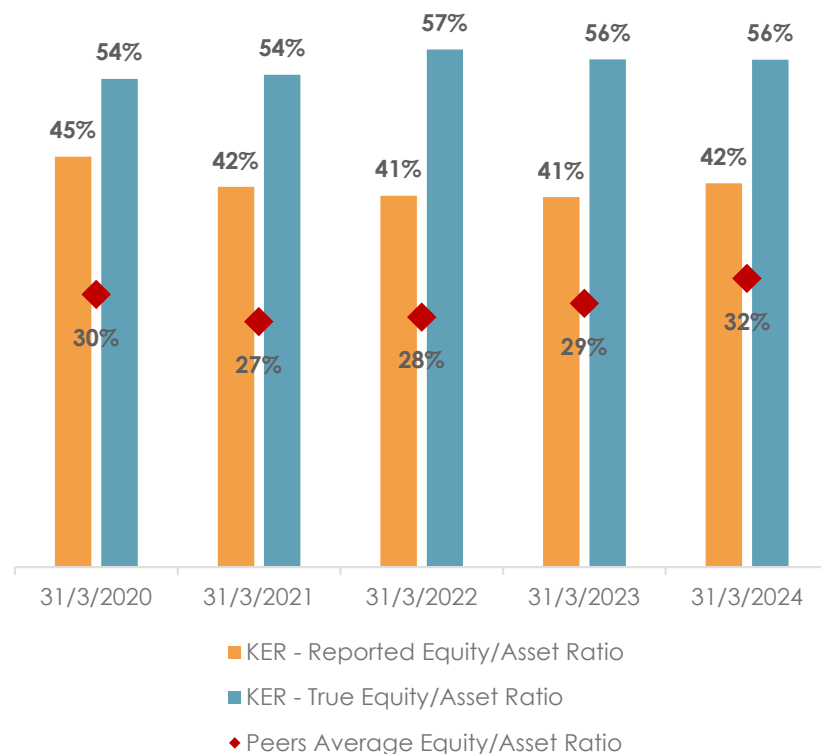
Stake	Note	OLC Accounting Status	Accounting Treatment	Resulting B/S value ⁽¹⁾	Gap vs actual value of OLC stake ⁽²⁾
>20%	<ul style="list-style-type: none"> Automatically considered to be "Affiliated Company" – resulting in equity method accounting under J-GAAP 	Investment in An Affiliated Company ("Kanren Gaisha")	Equity method accounting	US\$1.2bn	-US\$5.9bn
< 15%	<ul style="list-style-type: none"> Automatically classified as "Available-for-sale Securities" unless special circumstances 	Available-for-sale Securities	Mark to market	US\$7.1bn	US\$0

... which paints a misleading picture of Keisei's capital efficiency and performance...

According to the independent expert report (set out in full in the Appendix), valuing the OLC stake in Keisei's balance sheet on a mark-to-market basis, reveals that (1) Keisei's true equity to asset ratio is nearly double its peers; and (2) its ROE has consistently averaged just 0.6% over the last 5 years, a fifth of that achieved by Keisei's peers

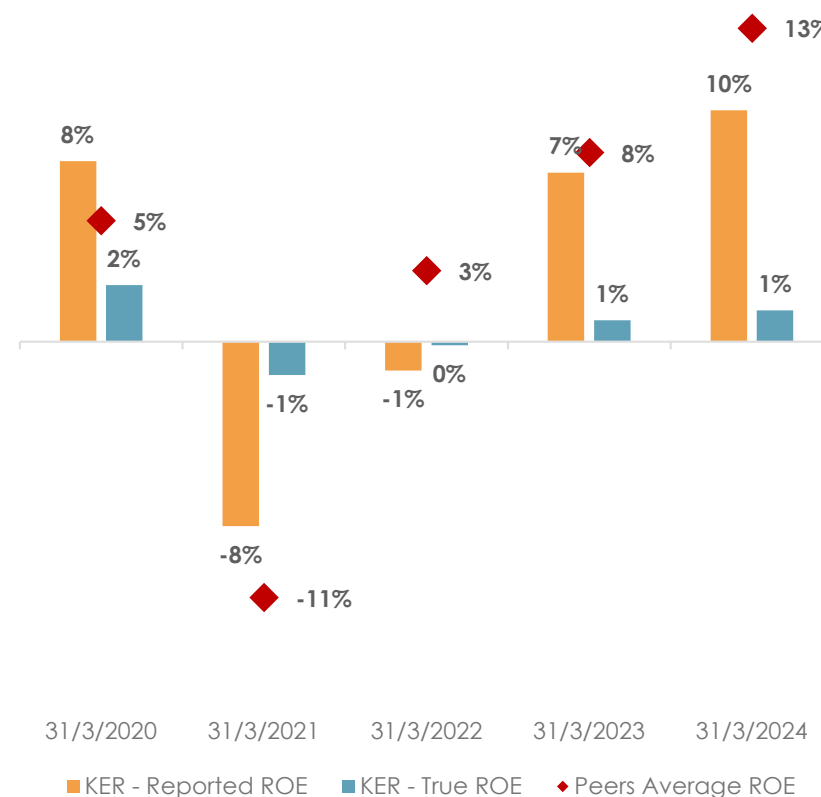
1 Keisei's True Equity to Asset Ratio vs Peers

Reported vs. True Equity to Asset Ratio



2 Keisei's True ROE vs Peers

Reported vs. True ROE



Source: Company disclosures, Bloomberg.

Note: Peers include Keio, Odakyu, Tokyu, Tobu, Keikyu and Seibu. Adjusted equity to asset ratio and ROE is estimated based on public information with advice from a leading CPA admitted in Japan, assuming KER would not treat OLC as an equity method affiliated company, rather KER would treat the investment in OLC as available-for-sale securities. Equity to asset ratio is calculated based on net assets (except for non-controlling interest) and total assets. Return-on-Equity is calculated based on net profit (or loss) (except for the gain (after tax) arising from the disposition of investments in OLC in FYE2024/03) and net assets (except for non-controlling interest).

Confidential

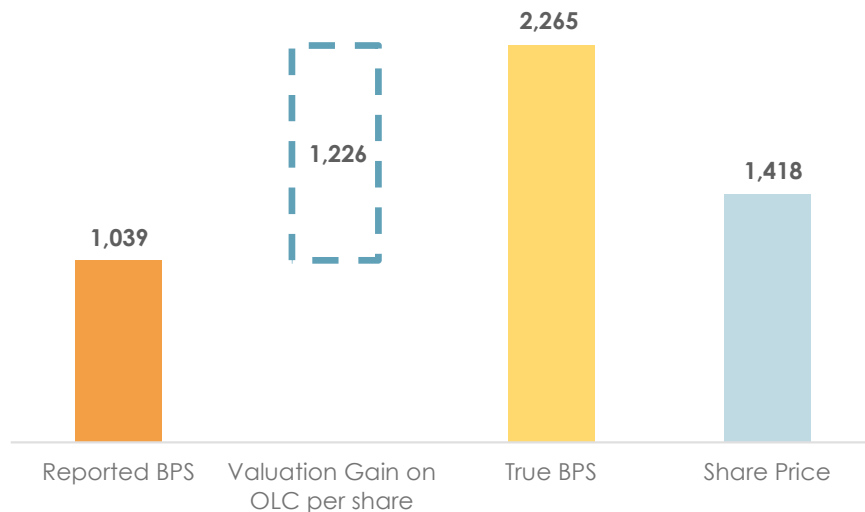
... and artificially deflates Keisei's book value – masking its true PBR as a result...

Retaining the OLC stake at its current size significantly deflates Keisei's book value – falsifying its PBR

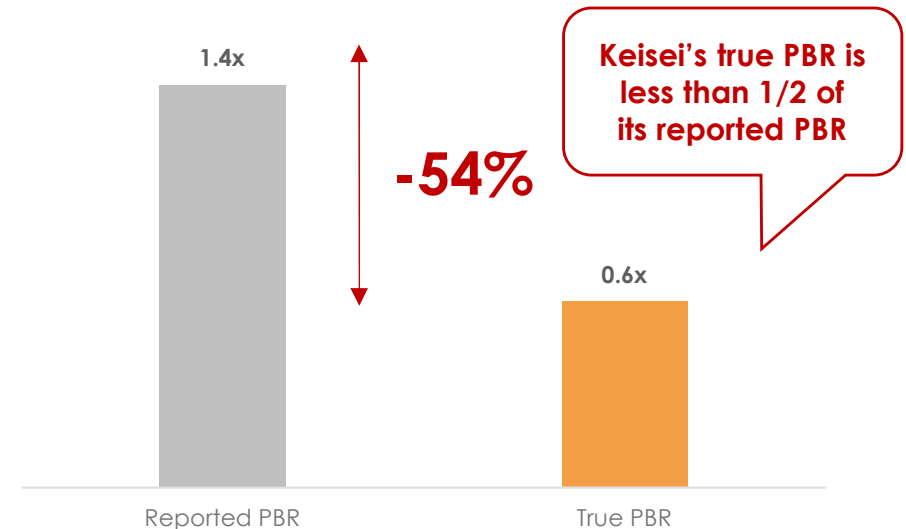
The independent expert report appended to this presentation confirms true PBR is actually c.0.6x – far below the 1.0x TSE target

Keisei's True PBR in Perspective⁽¹⁾

Keisei True BPS⁽²⁾ vs Reported BPS (JPY per share, 31 Dec 2024)



Keisei True PBR vs Reported PBR



TSE's Renowned Focus on Capital Allocation

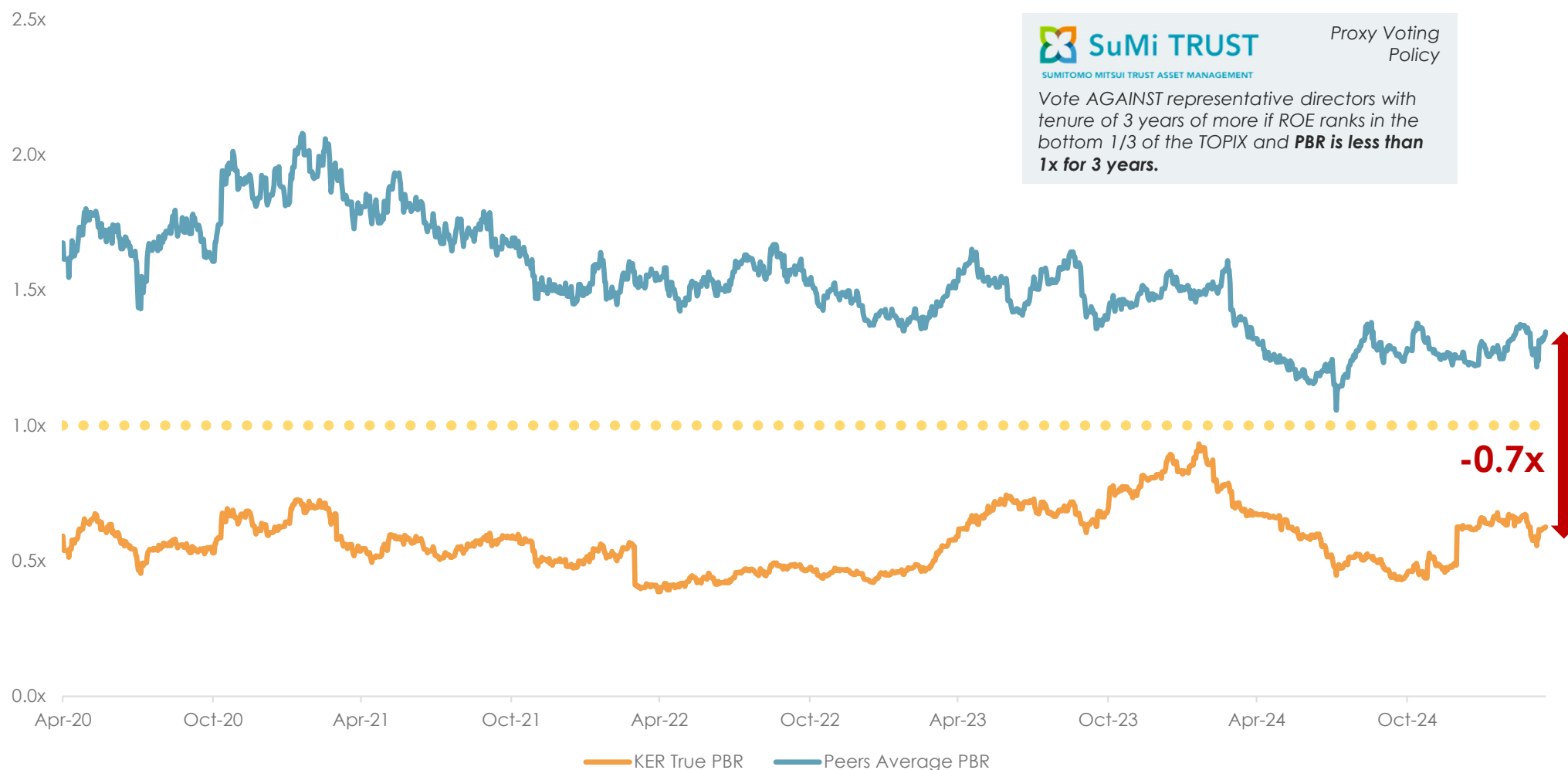
"The purpose of these actions is to have the management of the company carry out their management duties with more consideration of cost of capital and profitability based on the balance sheet, rather than just sales and profit levels on the income statement, in order to achieve sustainable growth and 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

...which persistently falls significantly short of peers...

Keisei's true PBR of 0.6x is also well below the 1.3x PBR of Keisei's peers and, as verified by the independent expert, has been below 1.0x for the past 5 years

Keisei True PBR vs. Peers Average PBR



Source: Company disclosures, Investor Voting Policies, Bloomberg. Market data as of 18 April 2025.

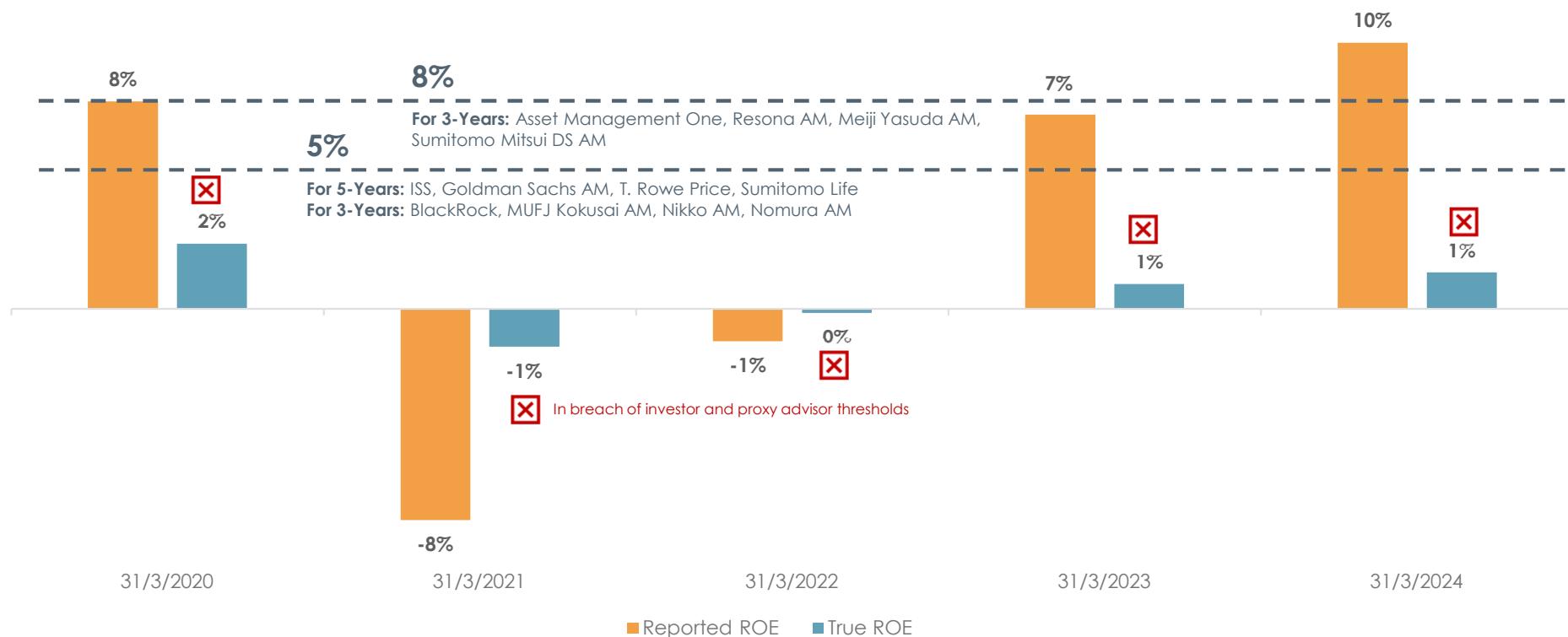
Note: Keisei's true book value is estimated based on public information with advice from a leading CPA admitted in Japan, assuming KER would not treat OLC as an equity method affiliated company, rather KER would treat the investment in OLC as available-for-sale securities. Keisei's true book value is estimated annually as of March 2020 to March 2024 and Dec 2024. Peers include Keio, Odakyu, Tokyu, Tobu, Seibu and Keikyu. LTM PBR is used.

Confidential

... and masking Keisei's true ROE - preventing management from being held to account...

According to the independent expert report, Keisei's true ROE over the past 3 and 5-year periods falls well below investor and proxy advisor thresholds which can trigger votes to hold management to account

Keisei True and Reported ROE Relative to Investor Policy Thresholds



NOMURA
ASSET MANAGEMENT

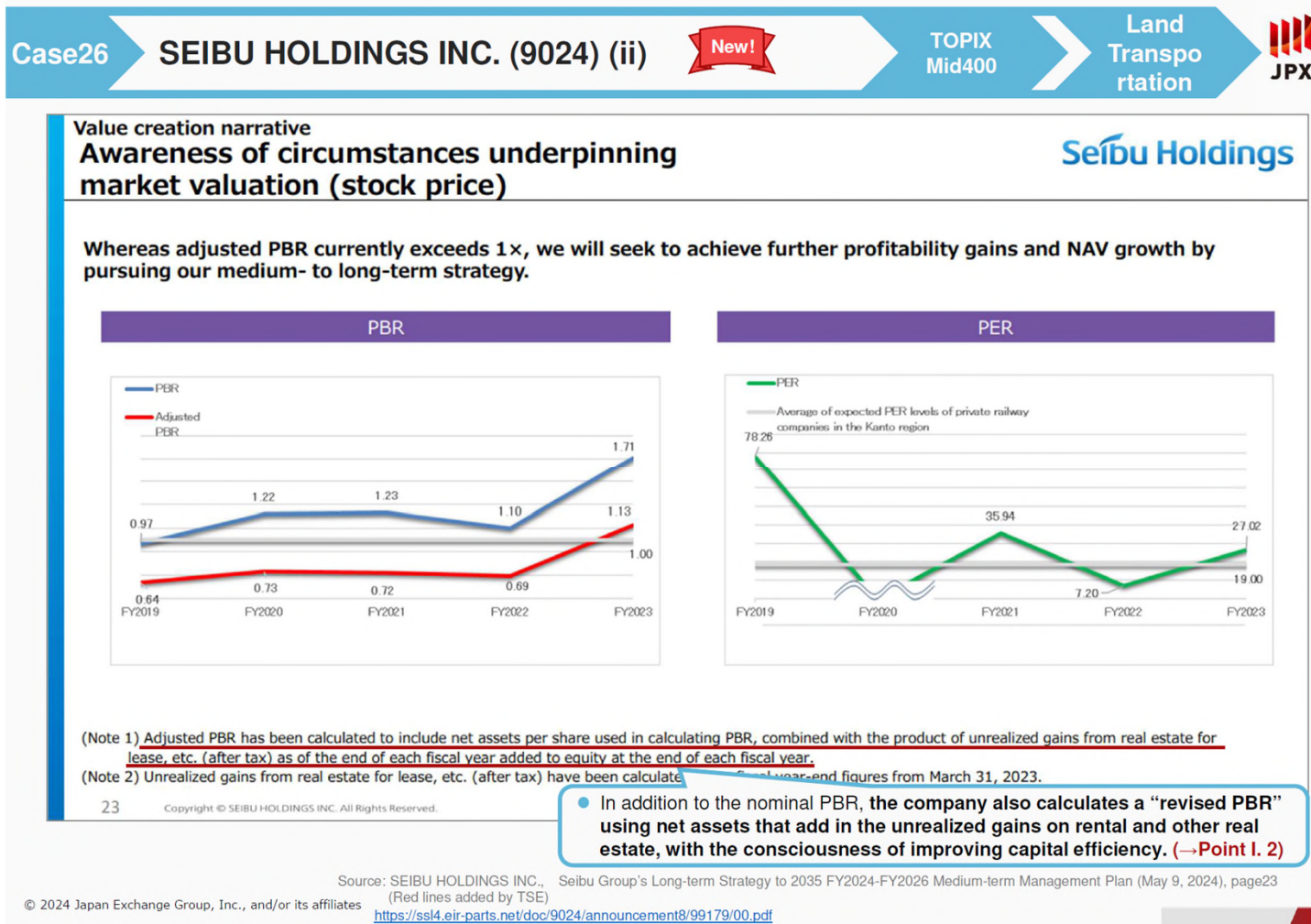
Proxy Voting Standards for Japanese Companies

Vote AGAINST Chair and President if ROE has been below 5% and in the **bottom 1/3 of the industry for the past 3 years**

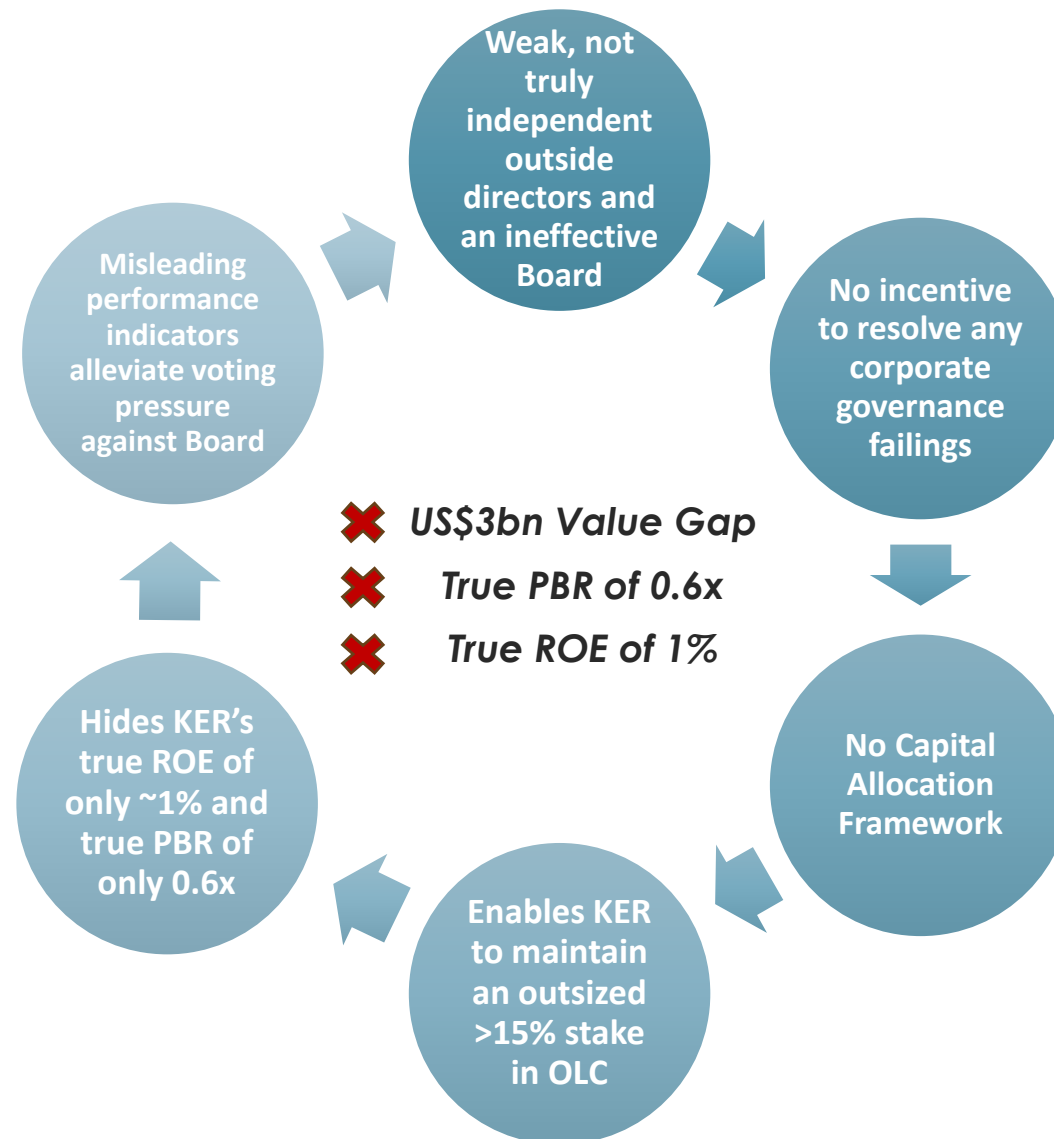
NOTE: True ROE would be in the **bottom third or lower of the industry for the past three years**


... contrary to the transparent approach adopted by peers and endorsed by the TSE...

Within Keisei's peer group, "Adjusted PBR" has been recognised as an appropriate metric for capital efficiency, with Seibu Holdings MTP transparency having been endorsed by the TSE

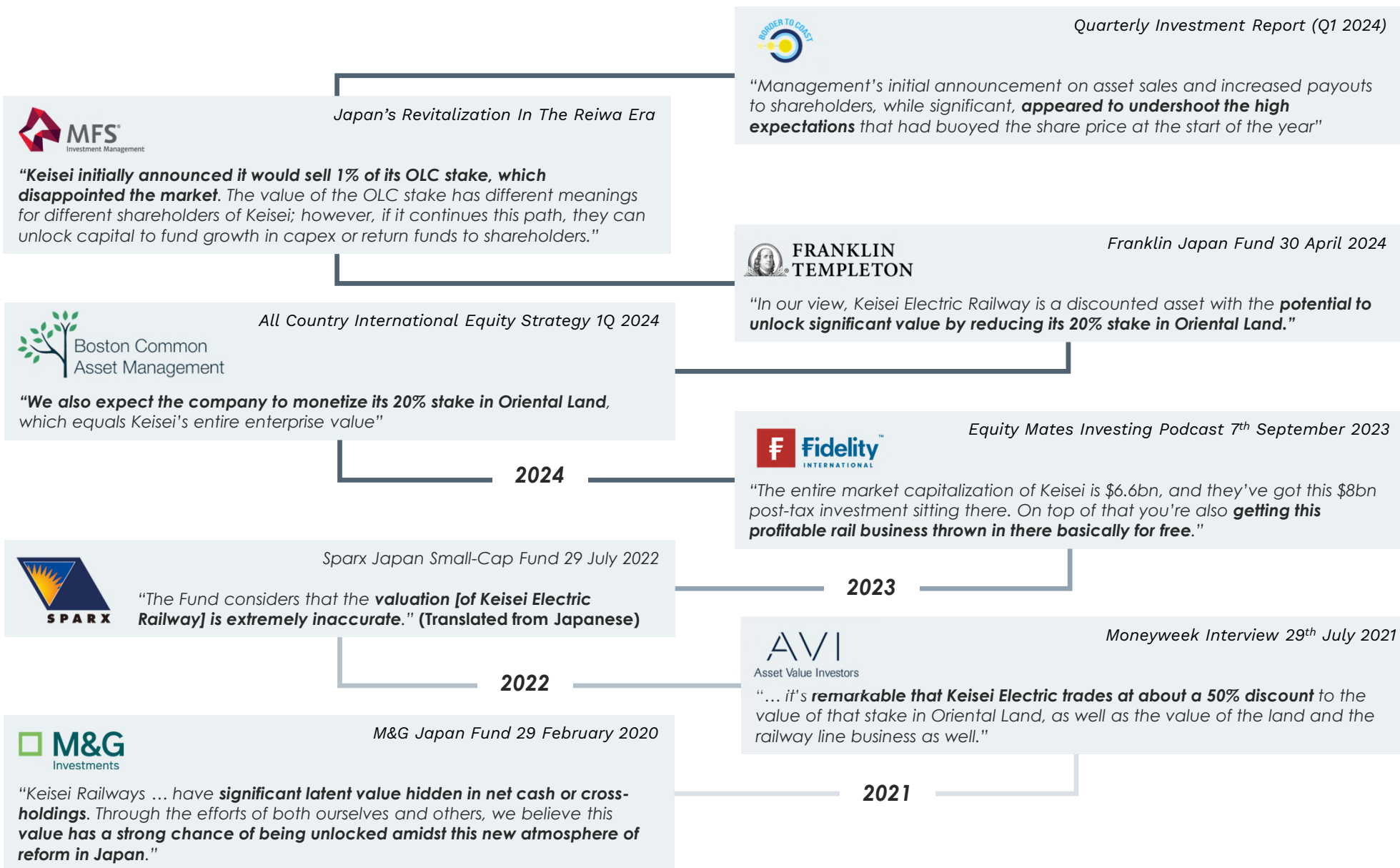


... resulting in a destructive cycle of inaction which underpins Keisei's persistent underperformance and undervaluation



- 
1. Ongoing Patient Engagement
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 4. Misaligned Interests and Management Entrenchment
 5. **Groundswell of Support for Change**
 6. Urgent Action Required
 7. Appendix: Independent Expert Report on Keisei Performance Metrics

Shareholders expect tangible action to address Keisei's undervaluation...



...motivating Palliser to submit a proposal at Keisei's 2024 AGM with a clear focus on capital allocation...

Initially submitted as an advisory proposal to solicit shareholder feedback, but rejected by Keisei, Palliser's binding proposal to reduce the OLC stake below 15% offered shareholders a voice on capital allocation, whilst preserving management flexibility

Palliser's 2024 AGM Proposal

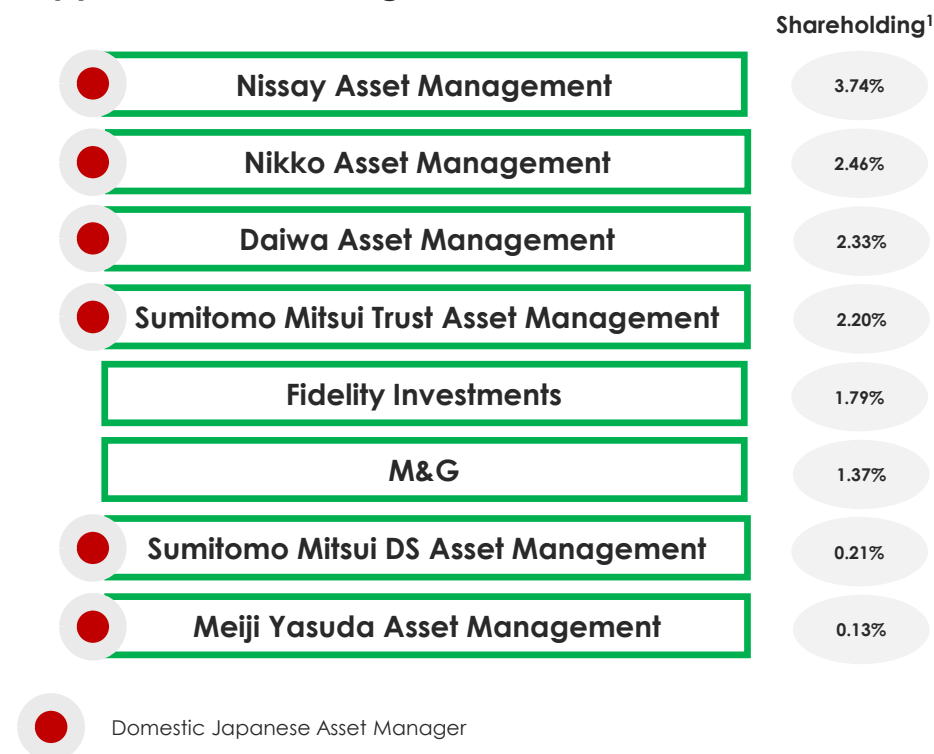
- **Chapter 7 Capital Allocation Plan and Management of Investment Securities**
- **Article 48**
- (1) The Board of Directors shall establish, publish and maintain an appropriate capital allocation plan to enhance the Company's corporate value (the "Plan") commencing from 1 January 2025. The Board of 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.

What did Palliser's Proposal Offer?

- ✓ A means to ensure that **shareholders have a voice** at the AGM and can provide **feedback** through a **full and fair referendum**
- ✓ Exclusive focus on **optimizing capital allocation** at Keisei with **long-term stability** in mind
- ✓ Intended to facilitate a **growth-oriented** investment strategy and **balanced returns** to shareholders
- ✓ Consistent with **preserving management discretion and flexibility** in delivering capital allocation objectives
- ✓ An important step in the path to **resolving the Keisei Value Gap**

...resulting in significant support from Japanese domestic and international investors and both leading global proxy advisors

Support came from Significant Institutional Investors...



... and BOTH leading Global Proxy Advisors

ISS	We believe that this proposal will remove an accounting "overhang"... forcing management to be more disciplined in its capital allocation decisions and accountable for the performance of Keisei's operating businesses
Glass Lewis	"The board does not appear to substantively address the rationale for why a partial sale of Keisei's interest in OLC would be inimical to the Company's stability and sustainability"

Investor Comments Signaled Clearly for Change

nikko am
Nikko Asset Management

Voting Rationale

"We recognize that the discrepancy where the market value of held shares exceeds the company's total market capitalization is a **significant challenge**. We evaluated this proposal as one that contributes to addressing this issue. Additionally, we believe it could **serve as an opportunity for the company to reconsider its capital policy**"

Daiwa
Asset Management


Voting Rationale

"The Company has determined that considering the option of selling the shares, taking into account the formulation of its capital allocation policy, would contribute to **improving its corporate value in the medium to long term**"

NEUBERGER BERMAN

Voting Rationale

"...the **Company has not been transparent** regarding its plan to further reduce its ownership in OLC and how it plans to use those proceeds to grow corporate value. As such, we believe support for the shareholder proposal is warranted and that its implementation would both increase transparency of the Company's capital management strategy and **improve the Company's capital efficiency and sustainable growth** as these proceeds can be used to either reinvest for growth opportunities or be redistributed to shareholders."

- 
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Time for Urgent Action: D2 Plan and Board reconfiguration to transform Keisei

To safeguard employees, shareholders, and other stakeholders' interests, Palliser call on Kobayashi-CEO and the Board to stem the ongoing value destruction and facilitate conditions for longer-term improvement with three immediate measures

1 A Market-Leading D2 Plan

- ✓ A set of credible, transparent and immediately implementable measures to convincingly address the Company's persistent underperformance and ongoing chronic undervaluation
- ✓ Including **(i)** a properly calibrated capital allocation framework providing a pathway to right-sizing the OLC stake to below 15%; **(ii)** peer-aligned dividend payout ratios and buyback programme; **(iii)** market-aligned performance-linked management compensation; **(iv)** increased transparency, disclosure and shareholder engagement; and **(v)** peer-aligned TSE measures

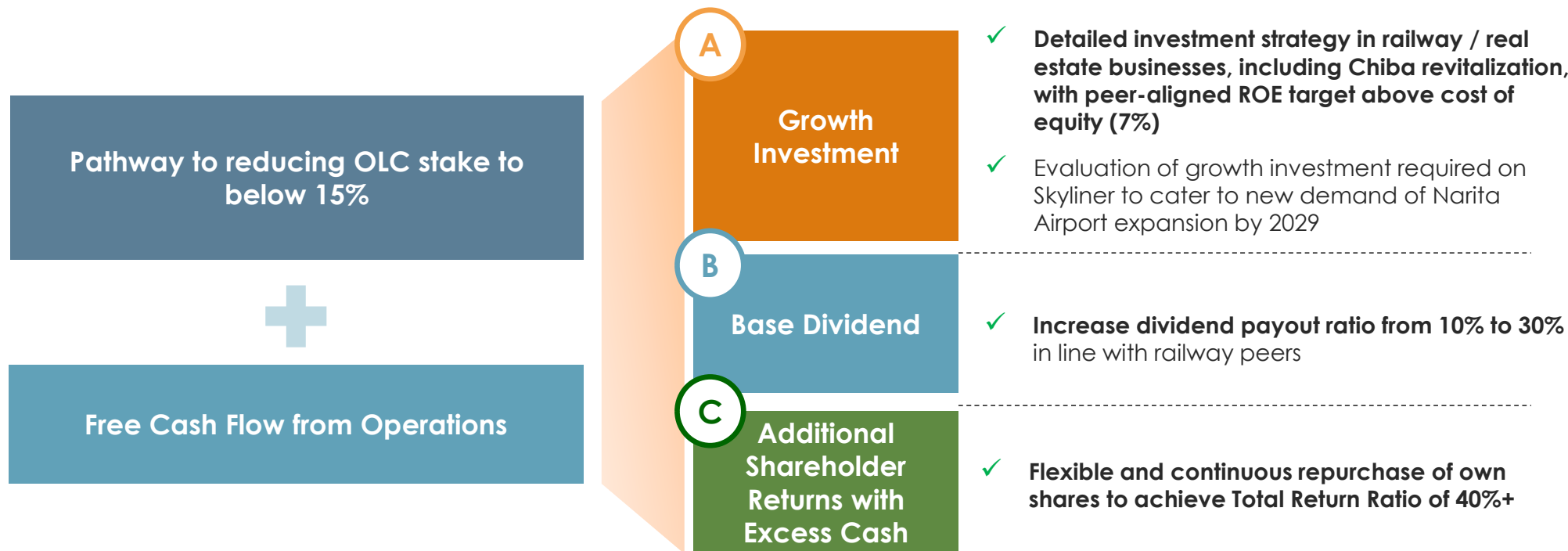
2 Peer-Aligned Board Reconfiguration

- ✓ A concrete plan of action to reduce the Board to a more appropriate, dynamic and market-aligned 11 members
- ✓ 6 truly independent outside directors for effective oversight and accountability and no more than 5 inside directors with an optimized balance of skills and experience

3 Thorough and Transparent Evaluation of Palliser-identified Candidates

- ✓ A proper and impartial assessment of four best-in-class outside director candidates. True independent stalwarts of the Japanese business community who have demonstrated measurable success and skills to assist a governance overhaul at Keisei

A transparent and well-communicated capital allocation process that ensures the highest-returning utilization of capital combined with a fair shareholder returns policy will help create a compelling D2 plan



In accordance with TSE principles and the TSE's Action to Implement Management That is Conscious of Cost of Capital and Stock Price:

- ✓ Develop a clear understanding of ROE thresholds/targets versus cost of equity – communicated to investors
- ✓ Engage with investors to formulate a plan on how best to invest capital and return excess capital
- ✓ Clearly communicate all findings and a properly calibrated capital allocation framework to investors
- ✓ Continue ongoing engagement with investors to keep targets/goals under review and improve plans as required

1 ... and an improved management compensation structure aligned with stakeholder interests

Adopt an improved equity compensation and incentive scheme based on clear and transparent KPIs that are disclosed to investors (e.g. ROE, ROIC, operating profit, operating profit margin, debt to EBITDA and/or total shareholder return)

Keisei's Current Management Compensation Structure



Illustration of Keisei's Improved Peer-Aligned Compensation Structure



In aligning with peers, Keisei would introduce both performance-linked and share based compensation to a suitable level – aligning management with wider stakeholder interests.

See Slide 25 for the peer benchmark.

Peer Average (ex-Keisei)			
Total Pay: JPY 36.6m	Fixed: 55%	Perf-Linked: 28%	Share: 17%

Potential Indicators to be included in Performance-Linked Compensation

	Keisei (Potential)	Seibu	Tokyu	Odakyu
Performance-linked Compensation Indicators	<ul style="list-style-type: none"> • ROE • ROIC • Operating profit • Operating profit margin • Debt to EBITDA • Total Shareholder Return 	<ul style="list-style-type: none"> • EBITDA • ROE 	<ul style="list-style-type: none"> • ROE • ROA • EBITDA • Operating profit • Net profit attributable to parent • EPS • Debt to EBITDA 	<ul style="list-style-type: none"> • Operating profit • ROE • Debt to EBITDA • Sustainability factors

- ✗ Oversized Board driven by excessive number of internal directors
- ✗ Outside directors lack true independence
- ✗ Outside directors lack necessary capital allocation expertise

Incumbent Board (9 Internal + 6 Outside= 15 Total)

Toshiya Kobayashi
Internal Director

Takao Amano
Internal Director

Hideki Mochinaga
Internal Director

Koji Yamada
Internal Director

Tadakazu Oka
Internal Director

Takeshi Shimizu
Internal Director

Makoto Enmei
Internal Director

Kazumi Taguchi
Internal Director

Yoshikazu Kawai
Internal Director

Akiko Nakajima
Outside Director

Misao Kikuchi
Outside Director

Takeshi Ashizaki
Outside Director

Takako Amitani
Outside Director

Shotaro Tochigi
Outside Director

Toshiyuki Ishiuchi
Outside Director

- ✓ Board size and inside vs. outside director balance consistent with peers and TPX companies' average
- ✓ Outside directors are fully independent
- ✓ Outside directors with strong capital allocation expertise

A Refreshed Board (5 Internal + 6 Outside = 11 Total)

Internal Director

Internal Director

Internal Director

Internal Director

Internal Director

New
Outside Director

New
Outside Director

New Outside Director

New
Outside Director

New
Outside Director

New Outside Director

Best-in-Class Independent Candidates
Submitted by Palliser – **see next slide**

Resulting from a
transparent,
objective nomination
process

3 Transparent evaluation and nomination of Palliser's fully independent best-in-class outside director candidates...

Candidate Profiles

Candidate #1

- Japanese expert in business and systems development with more than three decades of experience in strategic planning, operational development, investor engagement, corporate restructuring, and IT innovation.
- Experience spans both established corporations and venture companies. Instrumental in transforming a well-known business in financial terms into a global leader with significant revenues, through a number of international acquisitions and ultimately an IPO.

Candidate #2

- Japanese industry leader with 40 years of experience as a strategist and investor relations expert at a major Japanese corporation in the industrial and manufacturing sectors. Expertise in corporate turnarounds, capital allocation, strategic restructuring and M&A.
- Responsibilities included corporate planning, and management oversight, including navigating the group successfully through some highly consequential business situations, rebuilding the business and achieving record profits after the Global Financial Crisis and spearheading strategic expansion further into Asia and new product categories.
- The candidate also has Japanese public company board experience.

Candidate #3

- Senior-level banker with a wealth of leadership experience across a range of Japanese and non-Japanese financial institutions in capital markets, corporate finance, and advisory. Former COO and APAC leader of a major international financial services company, responsible for hundreds of millions of dollars in revenues and a significant number of employees across the region.
- Key expertise includes global business strategy, financial analysis and reporting, M&A and compliance and risk management.
- The candidate also has Japanese public company board experience.

Candidate #4

- Seasoned Japanese finance professional with over 35 years of investment banking experience at leading Japanese banks, including a lead role rebuilding the investment banking and capital markets franchise at one institution.
- Candidate has strong institutional relationships across Japan and unrivalled experience in capital markets and institutional banking, debt finance, corporate oversight, strategic decision-making and cross-functional collaboration.
- The candidate also has Japanese public company board experience.

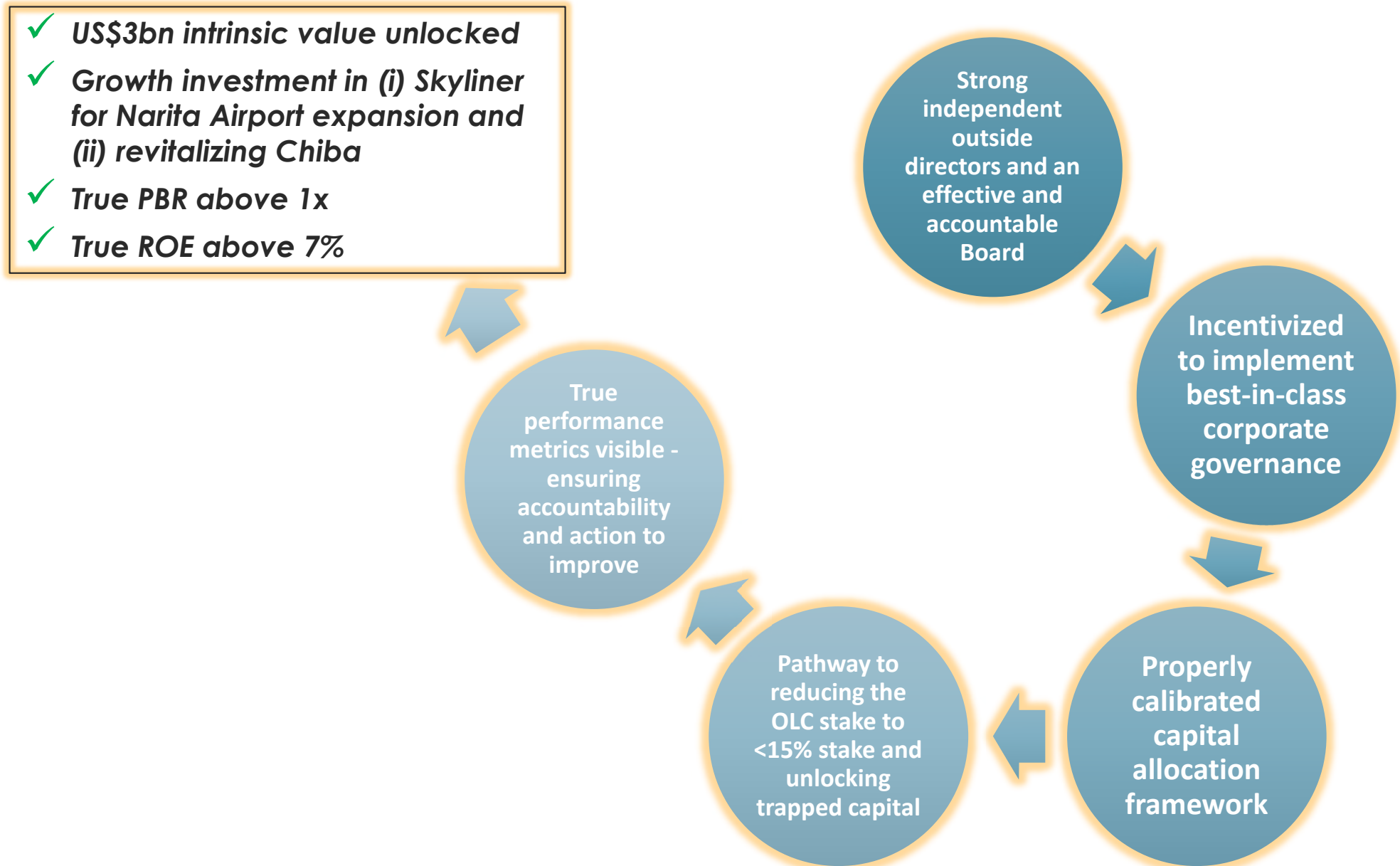
All candidates are fully independent of Palliser, Keisei and affiliates. If appointed, none of the candidates will be considered over-committed even by the strictest policies applied by global investors and proxy advisors

3 ... pursuant to a transparent and objective nomination process

Board reconfiguration to regain market trust demands a fair and objective nomination process that is aligned with governance best practice. Without a proper process, any board changes (or lack of change) will be considered a result – and thus continuation – of the status quo

Market Expectations of a Proper Nomination Process	Keisei's Disclosed Process	Ensuring a Fair and Objective Nomination Process
Outside Director Led	X	The Nomination / Compensation Committee is chaired by the President. Matters relating to the nomination of outside directors are disclosed to be initiated by a "motion submitted by the Company president". The process must <u>NOT</u> be led by the President.
Objective	X	The Nomination / Compensation Committee includes two inside directors and three outside directors (one of whom is also an outside director of OLC). The process must <u>NOT</u> be conflicted by external influences.
Meritocratic	X	Palliser has submitted profiles of best-in-class Japanese outside director candidates with established professional track records, unquestionable independence, and skills tailored to Keisei's business needs. The process must <u>NOT</u> ignore clear Board improvements.
Transparent	X	Keisei's disclosure on previous nomination processes, and the general policy, is opaque. To regain investor trust, Keisei must be more transparent on key governance processes. The process must <u>NOT</u> be subject to doubt after conclusion.
Equal	?	The Board must subject all candidates (internal and shareholder proposed) to the same scrutiny. The process must <u>NOT</u> be prejudiced based on shareholder submission.

A D2 Plan and Board reconfiguration to break Keisei's cycle of inaction and unlock the Company's intrinsic value



- 
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 7. **Appendix: Independent Expert Report on Keisei Performance Metrics**

Appendix

Independent Expert Report on Keisei Performance Metrics

Leading Japanese Accounting Firm

April 23, 2025

To: Palliser Capital (UK) LTD

Re: Proforma Consolidated Financial Statements of Keisei Electric Railway Co., Ltd.

Dear Sirs:

We have conducted the procedures (the “Procedures”) requested by and agreed upon with Palliser Capital (UK) Ltd. (“Palliser”) in relation to the preparation of proforma consolidated financial statements of Keisei Electric Railway Co., Ltd. (“KER”) as below.

1. Outline of Procedures

Per request from Palliser, we have prepared the proforma consolidated financial statements of KER together with certain key financial ratio (such as return-on-asset, return-on-equity, equity to asset ratio, debt to equity ratio, book value per share, price book-value ratio) as shown in section 4 and 5 as below, in which KER would treat the investment in Oriental Land Co., Ltd. (“OLC”) as available-for-sale securities, rather than investment in an affiliated company.

2. Outline of Accounting Treatments

(1) KER’s consolidated accounting treatment currently in place for the investment in OLC

KER currently treats OLC as its affiliated company, and KER applies an equity method of accounting to the investment in OLC for its consolidated accounting purposes under Japanese generally accepted accounting principles.

Under the equity method of accounting, the investment in an affiliated company is not measured at its relevant fair value but is initially recorded at historical cost followed by periodical adjustments based on investor’s (i.e. KER’s) percentage ownership in net income (or loss), other comprehensive income (or loss), dividend payouts, etc. of investee company (i.e. OLC). Further, when KER disposes of the shares in OLC, the relevant capital gain will be calculated based on the difference between the amount of the sales proceeds and the amount of the relevant consolidated cost base.

(2) Accounting treatment applied for the purpose of preparing the proforma consolidated financial statements of KER

While KER currently applies an equity method of accounting to the investment in OLC as described above for its consolidated accounting purposes, we have prepared the consolidated proforma financial statements of KER, in which KER would not treat OLC as an equity method affiliated company, rather KER would treat the investment in OLC as available-for-sale securities. If investment in OLC were treated as available-for-sale securities by KER, consolidated accounting treatment at KER in respect of investment in OLC would change in a way such that (i) investment in OLC would need to be measured at its fair value, (ii) the valuation difference (after tax) would be recognized as other comprehensive income, (iii) associated deferred tax liability in respect of valuation difference would be recognized in the consolidated balance sheet, (iv) OLC’s net income (or loss) would not be included in the consolidated income statement of KER, (v) dividend payment from OLC to KER would be recognized as a non-operating income, etc. Further, when KER disposes of the shares in OLC, the relevant capital gain will be calculated based on the difference between amount of the sales proceeds and amount of the historical cost.

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3. Current consolidated financial statements of KER

Consolidated financial statements of KER are as shown below.

(Million yen)	Consolidated financial statements of KER					
Consolidated balance sheet	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Dec-2024
Assets (except for investment in OLC)	716,519	727,073	729,711	779,932	862,202	876,405
investment in OLC	189,197	173,625	170,635	185,641	202,000	190,805
Assets	905,716	900,698	900,346	965,573	1,064,202	1,067,210
Liabilities (interest bearing)	293,913	327,586	339,647	359,816	364,694	333,454
Other liabilities	183,139	177,067	172,994	194,811	230,350	210,566
Liabilities	477,052	504,653	512,641	554,627	595,044	544,020
Net assets (except for non-controlling interest)	411,030	378,638	369,764	394,912	451,622	507,918
Non-controlling interest	17,634	17,406	17,941	16,033	17,535	15,271
Net assets	428,664	396,044	387,705	410,945	469,157	523,189
Number of outstanding shares issued as of fiscal year end (excluding treasury shares) (in thousand)	168,707	168,534	168,534	167,483	162,540	488,929
Consolidated Income statement	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Dec-2024
Operating revenue	274,796	207,761	214,157	252,338	296,509	238,187
Operating expenses	246,476	225,818	219,358	242,109	271,268	205,304
Operating income or losses(-)	28,320	-18,056	-5,201	10,228	25,241	32,882
Ordinary income or losses (-)	41,705	-32,165	-3,191	26,764	51,591	52,704
Profit or losses(-) before income taxes	40,958	-32,335	-2,890	32,858	121,940	91,515
Income taxes	9,250	-2,034	773	4,892	32,653	29,255
Net profit or losses(-) attributable to non-controlling interests	1,596	-10	773	1,036	1,629	1,579
Net profit or losses(-) attributable to owners of parent	30,110	-30,289	-4,438	26,929	87,657	60,680
Consolidated statement of comprehensive income	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Dec-2024
Net profit or losses(-)	31,707	-30,300	-3,664	27,966	89,286	62,260
Other comprehensive income	-2,430	896	-851	722	4,714	-925
Valuation difference on available-for-sale securities	-983	519	-731	465	3,412	-845
Remeasurements of defined benefit plans, net of tax	-10	-253	67	632	121	484
Share of other comprehensive income of entities accounted for using equity method	-1,435	631	-187	-375	1,179	-563
Comprehensive income	29,276	-29,403	-4,515	28,688	94,000	61,334
Comprehensive income attributable to owners of parent	27,693	-29,418	-5,256	27,601	92,371	59,753
Comprehensive income attributable to non-controlling interests	1,583	14	740	1,086	1,629	1,581
Consolidated cashflow statement	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Dec-2024
Cash flows from operating activities	51,487	9,282	28,831	47,238	60,045	
Cash flows from investing activities	-48,076	-28,678	-33,764	-29,505	28,137	
Cash flows from financing activities	-4,411	21,498	1,236	-20,916	-40,264	
Increase (decrease) in cash and cash equivalents	-1,000	2,103	-3,697	-3,182	47,918	
Cash and cash equivalents at beginning of period	25,018	26,675	28,900	25,277	34,410	
Increase in cash and cash equivalents following stock swap	0	0	0	11,623	0	
Increase in cash and cash equivalents from newly consolidated subsidiary	2,107	94	0	585	0	
Increase in cash and cash equivalents following merger with non-cobsolidated subsidiary	549	27	74	106	0	
Cash and cash equivalents at end of period	26,675	28,900	25,277	34,410	82,328	

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4. Pro Forma consolidated financial statements of KER after adjustments

Proforma consolidated financial statements prepared based on the accounting treatment described in section 2(2) above are as shown below.

(Million yen)	Proforma consolidated financial statements of KER after adjustments					
Consolidated balance sheet	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Dec-2024
Assets (except for investment in OLC)	716,519	727,073	729,711	779,932	862,202	876,405
investment in OLC	1,003,719	1,207,441	1,707,484	1,644,298	1,681,376	1,124,972 (*1), (*2)
Assets	1,720,238	1,934,514	2,437,196	2,424,230	2,543,579	2,001,378
Liabilities (interest bearing)	293,913	327,586	339,647	359,816	364,694	333,454
Other liabilities	480,155	536,218	684,659	687,204	734,463	545,428 (*3)
Liabilities	774,068	863,804	1,024,306	1,047,020	1,099,157	878,882
Net assets (except for non-controlling interest)	928,535	1,053,302	1,394,949	1,361,176	1,426,885	1,107,223
Non-controlling interest	17,634	17,406	17,941	16,033	17,535	15,271
Net assets	946,169	1,070,708	1,412,890	1,377,209	1,444,420	1,122,494
Number of outstanding shares issued as of fiscal year end (excluding treasury shares) (in thousand)	168,707	168,534	168,534	167,483	162,540	488,929
Consolidated Income statement	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Dec-2024
Operating revenue	274,796	207,761	214,157	252,338	296,509	238,187
Operating expenses	246,476	225,818	219,358	242,109	271,268	205,304
Operating income or losses(-)	28,320	-18,056	-5,201	10,228	25,241	32,882
Ordinary income or losses (-)	32,604	-15,534	-628	12,171	29,151	38,473 (*4)
Profit or losses(-) before income taxes	31,857	-15,704	-327	18,265	107,270	99,096 (*5)
Income taxes	9,250	-2,034	773	4,892	32,653	29,255
Net profit or losses(-) attributable to non-controlling interests	1,596	-10	773	1,036	1,629	1,579
Net profit or losses(-) attributable to owners of parent	21,009	-13,658	-1,875	12,336	72,987	68,261
Consolidated statement of comprehensive income	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Dec-2024
Net profit or losses(-)	22,606	-13,669	-1,101	13,373	74,616	69,841
Other comprehensive income	63,012	141,424	347,106	-43,605	28,383	-384,464
Valuation difference on available-for-sale securities	62,113	142,105	346,799	-43,450	30,119	-386,516 (*2)
Remeasurements of defined benefit plans, net of tax	-10	-253	67	632	121	484
Share of other comprehensive income of entities accounted for using equity method	911	-427	240	-788	-1,859	1,569 (*4)
Comprehensive income	85,617	127,756	346,005	-30,232	102,999	-314,624
Comprehensive income attributable to owners of parent	84,034	127,741	345,264	-31,319	101,370	-316,205
Comprehensive income attributable to non-controlling interests	1,583	14	740	1,086	1,629	1,581
Consolidated cashflow statement	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Dec-2024
Cash flows from operating activities	51,487	9,282	28,831	47,238	60,045	
Cash flows from investing activities	-48,076	-28,678	-33,764	-29,505	28,137	
Cash flows from financing activities	-4,411	21,498	1,236	-20,916	-40,264	
Increase (decrease) in cash and cash equivalents	-1,000	2,103	-3,697	-3,182	47,918	
Cash and cash equivalents at beginning of period	25,018	26,675	28,900	25,277	34,410	
Increase in cash and cash equivalents following stock swap	0	0	0	11,623	0	
Increase in cash and cash equivalents from newly consolidated subsidiary	2,107	94	0	585	0	
Increase in cash and cash equivalents following merger with non-cobsolidated subsidiary	549	27	74	106	0	
Cash and cash equivalents at end of period	26,675	28,900	25,277	34,410	82,328	

Note:

- (*1) Amounts of investment in OLC recorded in the consolidated financial statements of KER are calculated based on (i) the KER's ownership ratio in OLC and (ii) OLC's consolidated net assets, and necessary adjustments associated with goodwill are made.
- (*2) Investment in OLC are measured at the relevant fair value in the proforma consolidated balance sheet, and the valuation difference (after tax) are recognized at other comprehensive income.
- (*3) Deferred tax liabilities associated with the valuation difference are calculated based on the effective tax rate of KER.
- (*4) Equity method profit (or loss) in respect of OLC are excluded in order to produce proforma consolidated income statement and comprehensive income statement. Instead, dividend from OLC are added on the non-operating income.
- (*5) Capital gain amount recorded in FYE2024/03 and FYE2024/12 are adjusted because capital gain for available-for-sale securities is calculated based on original historical cost while capital gain for shares in affiliated company is calculated based on consolidated cost base.

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5. Key financial ratio of KER before and after adjustments

Reported Ratios (Before adjustments)

Key Financial ratio	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Dec-2024	as of April 18, 2025	
Return-on-Asset	2.2%	-1.4%	-0.4%	0.8%	1.7%	2.1%		(*6)
Return-on-Equity	7.5%	-7.7%	-1.2%	7.0%	9.6%	8.5%		(*7)
Equity to asset ratio	45.4%	42.0%	41.1%	40.9%	42.4%	47.6%		(*8)
Debt to equity ratio	71.5%	86.5%	91.9%	91.1%	80.8%	65.7%		(*9)
Book value per share	2,436	2,247	2,194	2,358	2,779	1,039		(*10)
Market stock price	3,120	3,620	3,415	4,075	6,159	1,419	1,418	
Price to book ratio	1.3 x	1.6 x	1.6 x	1.7 x	2.2 x	1.4 x	1.4 x	(*11), (*12)

Adjusted Ratios – (Pro Forma after adjustments)

Key Financial ratio	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Dec-2024	as of April 18, 2025	
Return-on-Asset	1.2%	-0.7%	-0.2%	0.3%	0.7%	1.0%		(*6)
Return-on-Equity	2.4%	-1.4%	-0.2%	0.9%	1.3%	2.1%		(*7)
Equity to asset ratio	54.0%	54.4%	57.2%	56.1%	56.1%	55.3%		(*8)
Debt to equity ratio	31.7%	31.1%	24.3%	26.4%	25.6%	30.1%		(*9)
Book value per share	5,504	6,250	8,277	8,127	8,779	2,265		(*10)
Market stock price	3,120	3,620	3,415	4,075	6,159	1,419	1,418	
Price to book ratio	0.6 x	0.6 x	0.4 x	0.5 x	0.7 x	0.6 x	0.6 x	(*11), (*12)

Note:

- (*6) Return-on-Assets is calculated based on operating income (or loss) (after tax) and total assets. Return-on-Assets of FYE2024/12 is calculated based on the 9-month operating income (or loss) (after tax).
- (*7) Return-on-Equity is calculated based on net profit (or loss) (except for the gain (after tax) arising from the disposition of investments in OLC in FYE2024/03 and FYE2024/12) and net assets (except for non-controlling interest). Return-on-Equity of FYE2024/12 is calculated based on the 9-month net profit (or loss) (except for the gain (after tax) arising from the disposition of investments in OLC).
- (*8) Equity to asset ratio is calculated based on net assets (except for non-controlling interest) and total assets.
- (*9) Debt to equity ratio is calculated based on interest bearing liabilities (including lease liabilities) and net assets (except for non-controlling interest).
- (*10) Book value per share is calculated based on net assets (except for non-controlling interest) and outstanding shares issued as of each fiscal year end (excluding treasury shares).
- (*11) Price book-value ratio is calculated based on book value per share and market stock price.
- (*12) Price book-value ratio as of April 18, 2025 is calculated based on book value per share as of Dec 31, 2024 and market stock price as of April 18, 2025.

6. Independence

We are an independent accounting firm having sufficient knowledge, capacity, experience, etc. in respect of relevant Japanese accounting treatment in order to prepare the proforma consolidated financial statements of KER as requested by Palliser. We have no conflict of interest with KER, OLC and Palliser that should be described, taking into consideration the prescription of the Certified Public Accountants Act in Japan.

7. Qualifications

The Procedures have been performed based on publicly available information as well as certain assumptions described herein. This does not mean that the Procedures conform to generally accepted audit standards or any generally accepted review standards, which are for the purpose of reporting an audit opinion or results of a review of financial statements. Further, the Procedures have been performed for the purpose of preparing certain proforma financial statements of KER, rather than for the purpose of preparing the financial statements of KER in accordance with the Japanese generally accepted accounting principles. Therefore, we are not able to provide any conclusion or assurance regarding the financial statements of KER in accordance with the Japanese generally accepted accounting principles. Moreover, while we have performed the Procedures in good faith, some calculations are based on estimates and assumptions which are not confirmed with public disclosure, and the results in the proforma consolidated financial statements may be different from what it should have been if the investment in OLC were treated as available-for-sale securities at KER. Had we conducted an audit or carried out review procedures on KER's financial statements based on generally accepted audit or generally accepted review standards, there is a possibility that additional items may have been identified and reported on.

The Procedures have been performed based on requests and instructions from Palliser, and we do not assume any responsibility for any actions taken by any party. Further, we are not responsible for providing comments based upon any update, change or revision etc. to be made in respect to Japanese generally accepted accounting principles etc. after the date of this letter.

Kind regards,



Palliser Capital (UK) Ltd

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