Keisei Electric Railway

(Stock code: 9009)

Breaking the Destructive Cycle of Inaction at the 2025 AGM

Confidential

June 2025

Disclaimer

palliser

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Executive Summary (1/4)

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Poor governance and chronic underperformance – hallmarks of Kobayashi's leadership
Systemic corporate governance failings and an arrogant disregard of fundamental TSE guidelines have persisted during Kobayashi's tenure as President and CEO

No Management accountability - driving entrenchment and unresponsiveness
A lack of sufficient Board independence, a skills deficit and inside directors on 100% fixed pay have fostered a dismissive approach to shareholder concerns

Continuing resistance to change despite a glaring need for reform
Illustrated by the creation of the egregious new Aeon cross-shareholding – reinforcing the same misconceived approach to capital allocation that underpins the oversized OLC stake

In a blow to market expectations surrounding the D2 Plan as a pivotal opportunity, Keisei has recently announced…

An indefensibly underwhelming D2 Plan that displays contempt for shareholders
Rather than address fundamental capital allocation and other shortcomings, the new MTP falls well short of market expectations and TSE guidelines

A Kobayashi-anointed successor for President
Ensuring more of the same, with Kobayashi transitioning to a Chair role to maintain significant influence over Keisei governance and his successor while shielded from accountability

Ineffectual Board changes that fail to address any systemic governance issues
Having dismissed Palliser's best-in-class independent candidates following a superficial evaluation, Keisei seeks to hard-wire a bloated Board in need of holistic reform

These inappropriate measures represent a rejection of shareholder concerns and demonstrate the need for a meaningful governance overhaul at Keisei, starting with the Board…

For detailed information about chronic long-term underperformance and systemic corporate governance issues at Keisei, see our April 2025 presentation and letter to the Board:

Available together with other Palliser-published materials on Keisei at our dedicated website:

KEISEI100.COM

Executive Summary (2/4)

Palliser

While culpability sits with the full Board, President Kobayashi and the N&C Committee are primarily responsible and must be held accountable in the first instance

A dismal scorecard illustrating a dereliction of duty by Kobayashi, as President, as well as Chair of the N&C Committee[(1)], and other members of the N&C Committee warrants their removal from the Board

		President Kobayashi		Committee Chair [(2)]
		CEO	Board Chair	N&C Committee
Strategy & Performance	Persistence of US$3bn Value Gap	×	×	
	Retention of an oversized OLC Stake	×	×	
	Lagging Operational Metrics	×	×	
	True ROE significantly below 5% for many years	×	×	
	True PBR significantly below 1x for many years	×	×	
	Announcement of Rebuked D2 strategy	×	×	
	Egregious New Cross-Holding with Aeon	×	×	
	Low Shareholder Returns	×	×	
Governance & Accountability	Low Board Independence & Skills Coverage		×	×
	Disregard to Support for 2024 AGM Proposal on Capital Allocation	×	×	×
	Inadequate Board Nomination Process		×	×
	Inadequate President Succession Process		×	×
	Retention of Influential Board Chair Role by President		×	×
	100% Fixed Executive Remuneration		×	×
	Refusing Engagement with a Top Shareholder	×	×	×
	Lack of Transparency on Capital Allocation Framework	×	×	×

(1) Nomination / Compensation Committee
(2) Chair up to April 2025 and a member thereafter

Executive Summary (3/4)

Palliser

Palliser will, therefore, exercise its votes against 6 directors most implicated in egregious governance practices at the forthcoming AGM to unlock conditions for change

2025 AGM Agenda (Board Elections)		N&C	NEW	Palliser Vote
2.1	*Re-Elect Toshiya Kobayashi [President] ®*	C(1)		AGAINST
2.2	*Re-Elect Takao Amano [President-Designate] ®*	●		
2.3	*Re-Elect Hideki Mochinaga*			
2.4	*Re-Elect Tadakazu Oka*			
2.5	*Re-Elect Takeshi Shimizu*			
2.6	*Re-Elect Makoto Enmei*			
2.7	*Re-Elect Shotaro Tochigi*	●		AGAINST
2.8	*Re-Elect Misao Kikuchi*	●		AGAINST
2.9	*Re-Elect Takeshi Ashizaki*			
2.10	*Re-Elect Takako Amitani*	●		AGAINST
2.11	*Re-Elect Akiko Nakajima*			
2.12	*Re-Elect Toshiyuki Ishiuchi*			
2.13	*Elect Kunihiko Yoshikawa*		●	AGAINST
2.14	*Elect Takeshi Hashimoto*		●	AGAINST
2.15	*Elect Masako Tomizuka*		●	

Inside Director (2.1–2.6, 2.13, 2.14) Outside Director (2.7–2.12, 2.15)

Why Vote NO President Kobayashi?

For ultimate responsibility for Keisei's chronic underperformance and governance failures.

The Board under Kobayashi's leadership has persistently failed to address the destructive cycle of inaction and entrenchment.

Why Vote NO the N&C Committee?

A complete dereliction of responsibility for perpetrating egregious governance policies - including 100% fixed compensation for Management - fundamental failings in executive and board nomination processes and refusing constructive engagement.

Why Vote NO new insider appointments?

The unnecessary appointment of two additional inside directors compounds the problem of a bloated board size despite too few suitably experienced and genuinely independent outside directors.

Takao Amano

Takao Amano's roles in management and on the N&C Committee implicate him deeply to Keisei's failures.

(1) Chair up to April 2025, member afterwards
® Representative Director

Executive Summary (4/4)

Palliser

An immediately re-dimensioned Board of 9 directors post-AGM removes the roadblocks to governance reform and lays the foundation for Keisei to break the destructive cycle of inaction and management entrenchment …

Takao Amano
President ®

Hideki Mochinaga
Internal Director

Takeshi Shimizu
Internal Director

Makoto Enmei
Internal Director

Tadakazu Oka
Internal Director

NEW
Masako Tomizuka
Outside Director

Akiko Nakajima
Outside Director

Takeshi Ashizaki
Outside Director

Toshiyuki Ishiuchi
Outside Director

Board Size	Inside : Outside	Independence	Gender Diversity
9	5 : 4	44%	11%

Post-AGM Board	
Governance Continuity	✓
Management Continuity	✓
Appropriate Board Size	✓
Code-aligned Board Independence (per Keisei)	✓
Sufficient Board Diversity	✓
Clear Board Leadership	✓

… and enables the appointment of additional best-in-class Japanese outside directors with the requisite expertise and true independence to revitalize Keisei and instill accountability after the failures of legacy decision-makers

+

Best-in-class Japanese Outside Directors with Requisite Skills and True Independence

Further Board Reforms	
Improved Board Skills Coverage	✓
Market-Aligned Board Size	✓
Majority Board Independence	✓
Transparent Leadership Roles	✓
Effective N&C Committee	✓

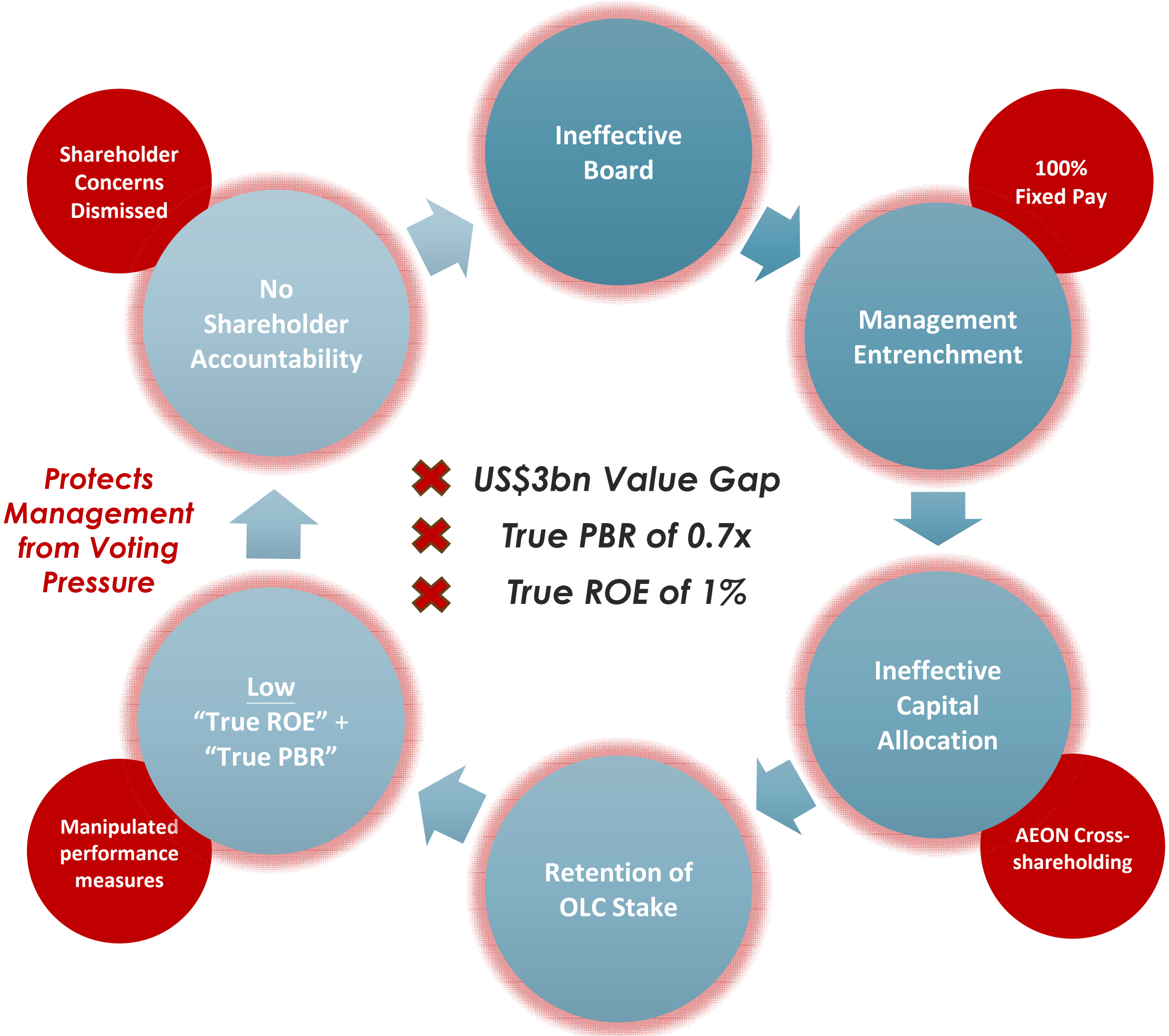
® Representative Director

Inside Director   Outside Director

1. **Poor Governance and Chronic Underperformance – Hallmarks of Failed Leadership**
2. Indefensible D2 Plan Disregards TSE Guidelines and Shareholder Concerns
3. Ineffectual Board Changes Deepening Management Entrenchment
4. Breaking the Destructive Cycle of Inaction
5. Appendix: Updated Independent Expert Report on Keisei Performance Metrics

An ongoing destructive cycle of inaction underpinning Keisei's chronic undervaluation and governance failings…

Palliser



- Under President Kobayashi's leadership, the Board has perpetuated Keisei's **chronic underperformance and governance failures**
- **A persistent refusal** to break the destructive cycle of inaction and entrenchment
- **Rejecting**:
  - **(1) Basic Capital Allocation measures** – including right-sizing the OLC stake
  - **(2) Peer-Aligned Board Reconfiguration** – including right-sizing and appointing truly independent outside directors for effective Management oversight
  - **(3) Basic TSE-requested Governance Measures** – including alignment of management incentives with shareholders

… with a disregard for stakeholder concerns and management entrenchment only getting worse …

Palliser

Shareholder Concerns Dismissed

Despite a groundswell of support for Palliser's 2024 AGM proposal:

- Keisei has shown **no interest in addressing shareholders' capital allocation concerns, including the oversized OLC stake**
- Palliser's subsequent meeting requests have been dismissed by Keisei, **citing the need to "earn" back the right to engage after submitting a shareholder proposal**

AEON Cross-shareholding

To the astonishment of the market, Keisei implemented a new inexplicable cross-shareholding with Aeon in October 2024:

- on **wholly unfavourable terms** that provide **no obvious commercial benefit** for Keisei
- **No detailed disclosure** to justify the cross-shareholding with **complete disregard for TSE guidelines**
- **further entrenching President Kobayashi and Keisei management by shoring up shareholder votes**

100% Fixed Pay

A TSE outlier paying executives **100% fixed compensation** irrespective of company performance:

- The N&C Committee, led by President Kobayashi, has facilitated an indefensible compensation structure for management that is **completely decoupled from shareholder and wider stakeholder interests**
- **No apparent performance metrics with all individual director pay determined by President Kobayashi**

Manipulated performance measures

Financial metrics continue to be manipulated by the OLC stake, masking true ROE and PBR which have been significantly less than 5% and 1x respectively over the last 6 years – **shielding Management from accountability by protecting themselves from vote pressure of shareholders**

… and all calls for Peer- and TSE-aligned change being entirely rejected

Palliser

On 23 April 2025, Palliser set out market expectations for Keisei in advance of the D2 announcement and 2025 AGM

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

1 Indefensible D2 Plan

Slide 12 - 20

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

2 Ineffectual Board Changes

Slide 22 - 23

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

3 Superficial "Interview" Process

Slide 24

Keisei's D2 Plan falls significantly short of basic TSE guidelines and market expectations…

Palliser

The D2 Plan evidences a contempt for shareholder concerns and disregard for fundamental TSE policies and guidelines

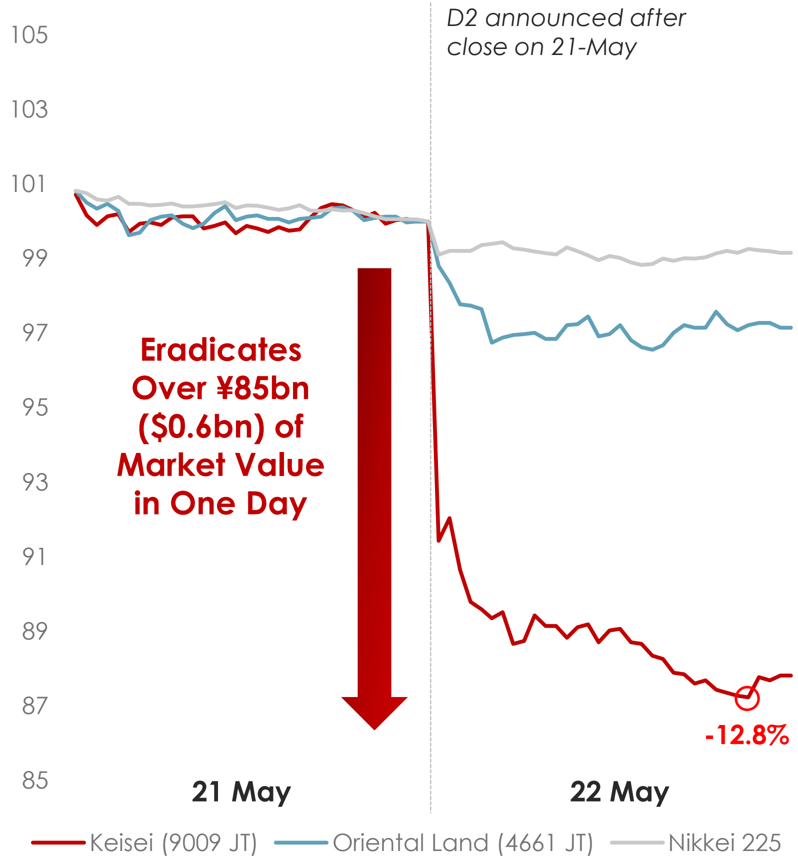
Minimum Expectations		Keisei Action
Robust Capital Allocation Framework	✘	Only a vague **"cash allocation framework"**. No mention at all of the Oriental Land Co., Ltd. ("OLC") stake, despite constituting US$5bn **(c. 80%) of Keisei's capital**, and no disclosures on source of funds or capex returns
Pathway to a Rightsized OLC Stake	✘	**No reference to OLC at all despite a groundswell of support from shareholders** to unlock the trapped capital. Ensures Keisei's financial metrics continue to be manipulated by the OLC stake - **masking true ROE and PBR**
Peer-Aligned Shareholder Returns	✘	Increased dividend payout ratio to the minimum acceptable level for institutional investors but **announced a forecasted drop in dividend** for FY26.
	✘	No buyback
Improved Transparency	✘	No transparency. Significant strategic gaps, and "cash allocation framework" which omits disclosure on large majority of Keisei's capital structure.
Alignment of Measures with TSE Guidance	✘	Ignores TSE Guidance. **Sets True ROE target at less than 1%.** And below current ROE.
Performance-linked Compensation	✘	**Retained 100% Fixed Compensation for Management** – contrary to all peers and rendering Keisei a misaligned TSE outlier.

… translating to a severe fall in share price and extensive criticism from market analysts

Palliser

The market's reaction to Keisei's D2 Plan was unsurprisingly negative – resulting in Management wiping off over JPY85bn (US$0.6bn) from Keisei's market value in one day

Market Reaction to D2 Plan



Broker Commentary to D2 Plan (all published 22-May)

J.P.Morgan

*Low FY2025 profit guidance and the **absence of OLC share sales** and the share buyback expected by some may be regarded as negative*

Via article published in Nikkei (LINK):

*"An 8% ROE is not particularly high. **OLC shares are a major factor** in improving capital efficiency, yet the **plan lacks explanation** on that front—making it **insufficient**."*

MUFG

*The **lack of clarity** on specific steps for fund procurement or an optimal capital structure gives a **poor impression**.*

*With some rail companies also guiding for profit falls the market may have been conscious of this risk, but the scale of the expected **drop looks larger than expected**.*

*Strengthening of shareholder return policy is positive but **lacks persuasiveness** to us.*

MIZUHO

*We have a **negative first impression***

*FY3/28 OP target of ¥38.0b also appears to **fall especially short of market expectations**.*

Source: Bloomberg, Sell-Side Analyst Reports

The D2 Plan offers a superficial Capital Allocation Policy that is actually no more than a weak "Cash Allocation Plan"…

Palliser

Widely criticized for its lack of clarity on key areas, Keisei also completely fail to mention OLC as the source of c.80% of its available capital within its "Capital Allocation Policy"

FY2025-27 Keisei's Available Capital

Core Businesses Operating Cash Flow JPY180bn

US$1.3bn

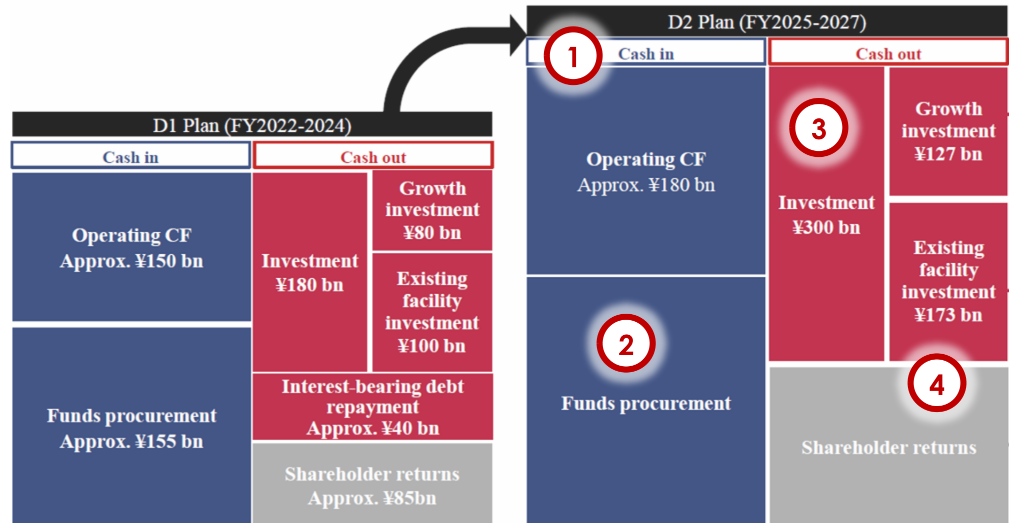
Value of OLC Stake JPY720bn

US$5.0bn

The D2 Plan offers no guidance at all on the management of the vast capital held in the OLC stake.

In fact, neither "Oriental Land" or "OLC" is mentioned in the whole D2 Plan.

Keisei's "Cash Allocation Plan"



1. *It is an ineffective and inappropriately undetailed "CASH" allocation plan and not a "CAPITAL" allocation policy at all*
2. *(a) No target amount or detailed financing plan*
   (b) No plan at all for unwinding cross-holdings – including the OLC stake, Keisei's primary capital source
   (c) No capital structure target for right-sizing the OLC stake
3. *No target return on investment plan*
4. *No target amount or appropriately detailed total shareholder return policy*

Source: Company filings, Bloomberg.

… and completely ignores fundamental shareholder concerns about the inexplicable cross-shareholding with Aeon…

Palliser

The new cross-shareholding has the hallmarks of an arrangement to place more Keisei shares in the hands of cross-shareholders to shore up support for Keisei's self-serving cycle of management entrenchment

Financially Illogical New Cross-Shareholding

KEISEI GROUP	Keisei acquire Aeon treasury shares at JPY 3,793 per share for JPY15 bn.	Aeon shares trading at a five year high, premium of ~6.8%[(1)], and a forward P/E ratio of ~63x.
AEON	Aeon uses that JPY15 billion to acquire Keisei shares in the market.	Keisei shares trading at a five-year low (~38% discount to intrinsic value) and a forward P/E ratio of just ~14x.

- ✗ **Keisei acquires expensive newly issued shares** for a 0.46% stake in Aeon; **Aeon acquires a cheap 2.33% stake** in Keisei from market purchases.
- ✗ **No analytical investment return-related justification** from Keisei management presented.
- ✗ 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

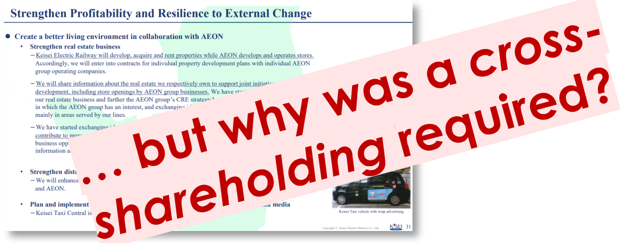
New Cross-Shareholding With No Justification

Keisei repeatedly **rejected requests for engagement and ignored all questions** from Palliser regarding Aeon cross-shareholding concerns.

No justification and only **minimal qualitative information** within the D2 strategy.

Key questions still remain for shareholders, including, **what is achieved with a governance-damaging cross-shareholding** vs. a business alliance alone?

Extensive discussions with Keisei shareholders reveal **widely held negative concerns**



nikko am

Proxy Voting Policy

If there is **material fault on the part of management**, proposals for the reappointment of a current director who is recognized as being associated with such deficiencies shall be opposed. In particular, the following cases shall be monitored carefully: When an important decision has been made and implemented without shareholder approval; **When company resources have not been effectively utilized.**

Source: Company disclosures.
Note: (1) JPY3,793 per share represents a c.6.8% premium to the average Aeon closing price over the 6-month period between 1 May and 30 October 2024.

… in breach of TSE guidance requiring a robust Capital Allocation Framework for disposing of cross-shareholdings…

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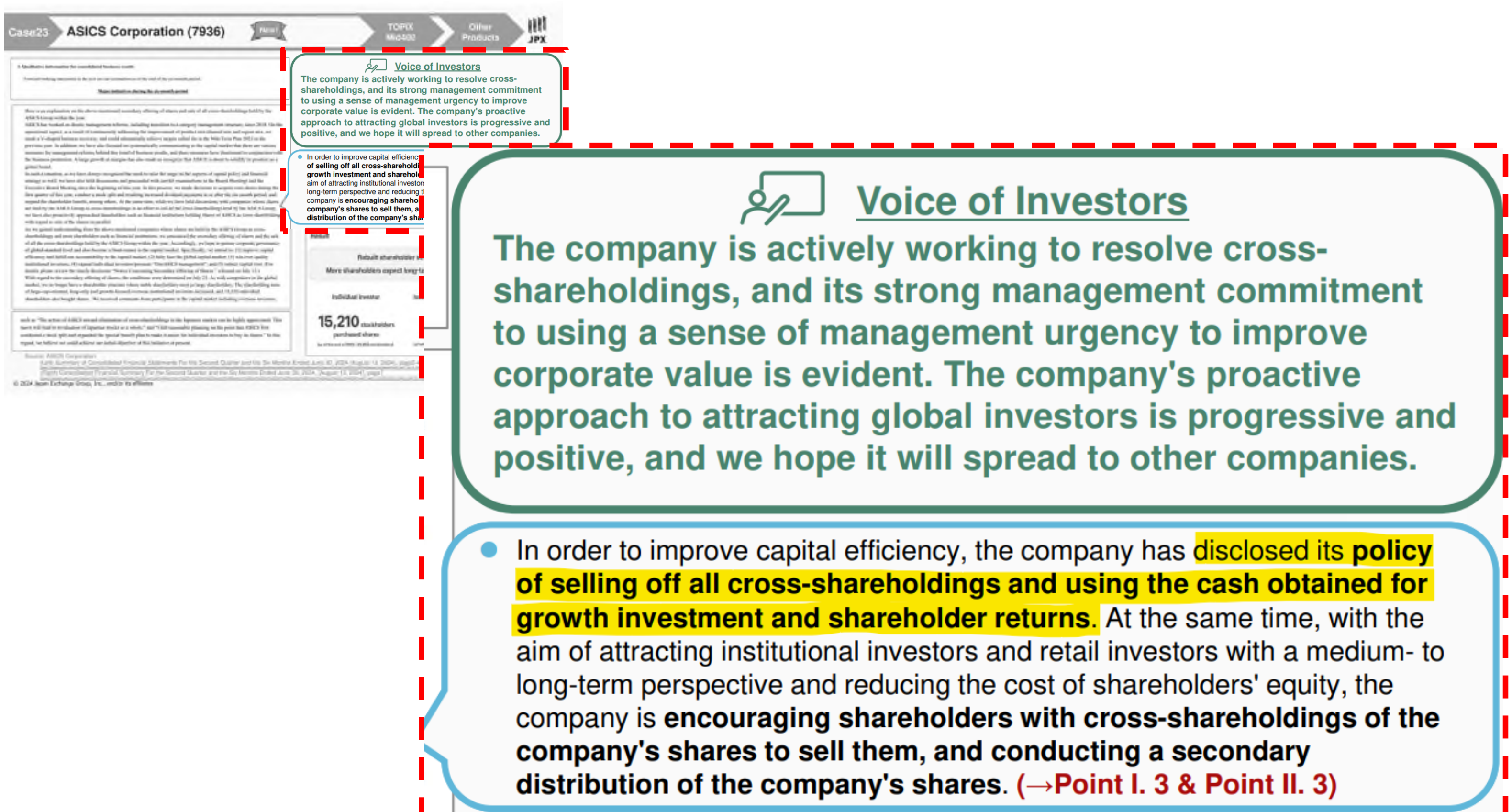
Keisei's "*Cash* Allocation Policy" excludes the management of cross-shareholdings ignoring guidance issued by TSE on good practice for management conscious of cost of capital.

JPX Case Study from the Prime Market illustrating good practice



… and disregarding the requirements of Japan's Corporate Governance Code

Palliser

Keisei's disclosures related to the egregious AEON cross-shareholding fall short of those required by Japan's Corporate Governance Code

Basic calls for transparency have also been ignored

Japan Corporate Governance Code

1.4 – when companies hold shares of other listed companies as cross-shareholdings, they should **disclose their policy** with respect to doing so, including their **policies regarding the reduction of cross-shareholdings**

1.4.2 – Companies should not engage in transactions with cross-shareholders which may harm the interests of the companies or the common interests of their shareholders by, for instance, continuing the transactions without carefully examining the underlying economic rationale

Palliser believes Keisei is in breach of both with respect to the Aeon cross-shareholding

Palliser sent a letter to Keisei's board on 6 Dec 2024 raising the below questions on the cross shareholding with Aeon

1. When was the Alliance first conceived?
2. Which party initially proposed the capital alliance?
3. Why was the value of Keisei's investment in Aeon set at JPY15 billion as opposed to any other amount?
4. What is the rationale for the creation of a new strategic shareholding that is obviously not critical in any sense for Keisei or for the operation or success of the business components of the Alliance?
5. What is the projected IRR over the next 1-2 years on the JPY 15 billion to be invested in the new cross-shareholding and what analysis was undertaken to support those financial forecasts to inform whether that is an appropriate use of capital?
6. Please confirm that the recently announced 0.89% OLC stake disposal is not in any way related to funding the new capital alliance with Aeon.
7. Specifically, what and how much debt will Keisei pay down with the proceeds from this new OLC stake disposal, and, specifically, what growth projects will you invest in with these proceeds?

Palliser is yet to receive a response

Source: *JPX disclosures*

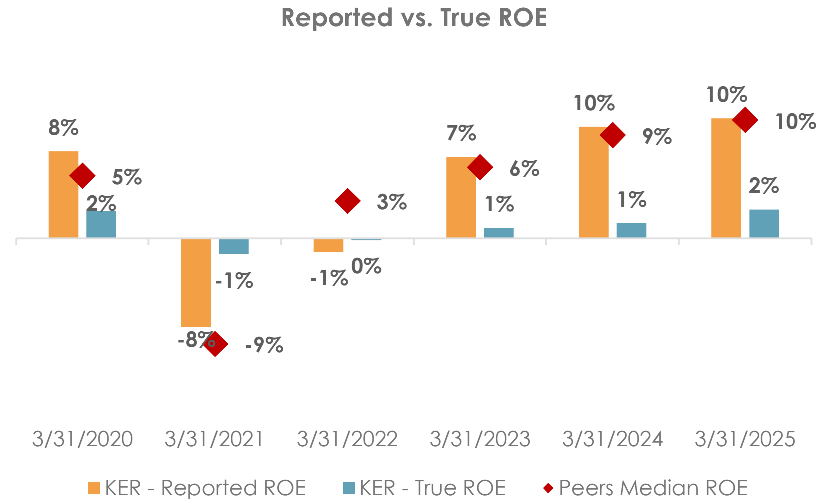
Keisei's D2 Plan ensures True ROE and PBR remain hidden by the outsized OLC stake…

Palliser

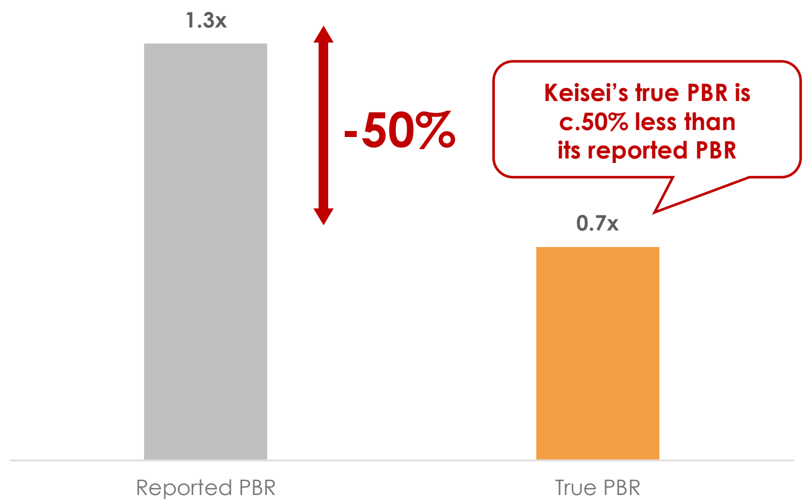
An accounting anomaly valuing the OLC stake at only 20% of its value on Keisei's balance sheet artificially deflates Keisei's assets and masks the extent of management deficiency

As verified by the updated independent expert report, "True ROE" has been well below 5% and "True PBR" well below 1x over the past 6 years

1 Keisei's True ROE vs. Reported ROE



2 Keisei True PBR vs Reported PBR



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,* ***unless the Board has demonstrated management improvements …***

JPX JAPAN EXCHANGE GROUP

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

"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****."*

Updated **independent expert report**, confirming Keisei Performance Metrics, as set out in the Appendix of this presentation

Source: Company disclosures, Bloomberg. Market data as of 28 May 2025.
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&2025/03) and net assets (except for non-controlling interest).

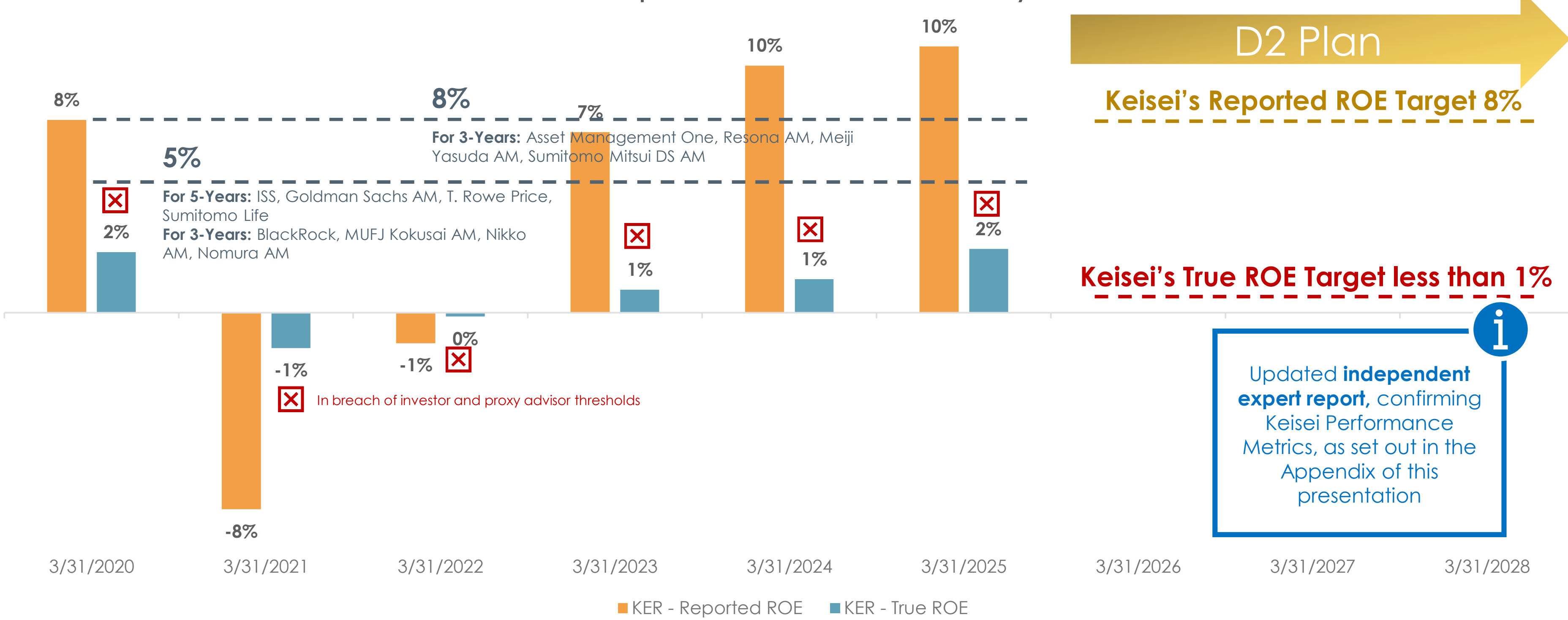
… and sets a True ROE target of less than 1% for the next 3 years…

Palliser

Keisei announced an ROE target of 8%+ for the period to 2027 – in reality, as supported by the updated independent expert report, this equates to a True ROE target of less than 1% for the next 3 years

Keisei's current and projected True ROE is well below 5% - indicating a continuation of PBR well-below 1x – which trails the minimum thresholds communicated by institutional investors to **trigger negative voting against the President**

Keisei's True and Reported ROE Relative to Investor Policy Thresholds



Source: Company disclosures, Investor Voting Policies, 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).

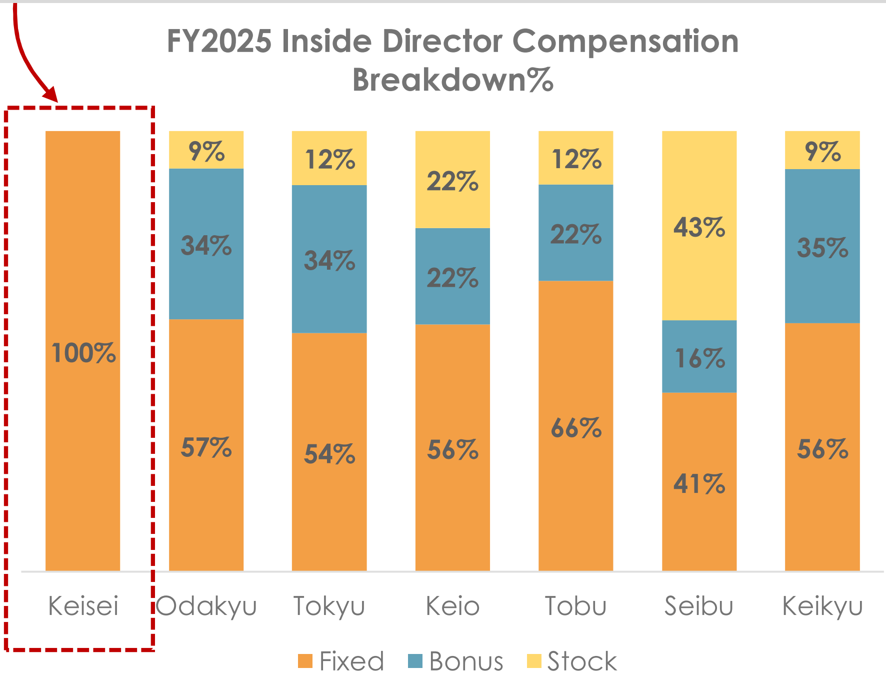
… whilst retaining an egregious 100% fixed-pay structure – driving ongoing entrenchment and a disregard for stakeholder value

Palliser

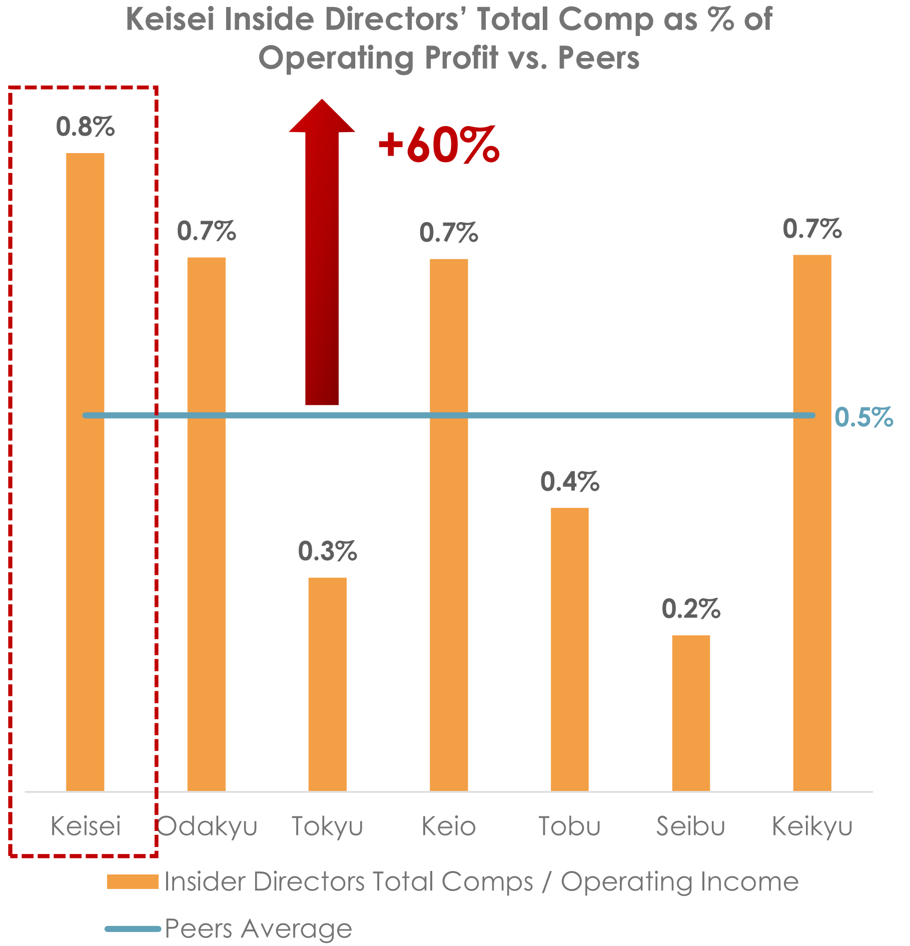
Led by President Kobayashi, the N&C Committee have retained a 100% fixed pay structure - rendering the Company an outlier across Japanese and global markets - whilst also setting Inside Director compensation 60% higher than peer average relative to operating profit

BlackRock. [Japan Proxy Voting Guidelines](#)

We look for the compensation of an executive director to be ***linked to their business performance***



Peer Average (ex-Keisei)		
55%	27%	18%



Source: Company disclosures.
Note: 1. Compensation breakdown % of Tobu includes inside audit & supervisory board members, given no further breakdown available.

Superficial Board changes fail to address Keisei's systemic governance issues…

Palliser

Palliser called for Keisei to align its board composition to market and peer metrics, while addressing key concerns around skills and independence of the outside director cohort

Palliser Ask		Keisei Action
Reduce the board size to align with peers and market	✘	Keisei intend to maintain a **bloated board size at 15** contrary to market and **peer averages of 11**
Adopt majority independence on the Board	✘	Marginal increase in claimed board independence whilst retaining a majority and excessive number of inside directors and failing to **address extensive independence concerns** within the existing outside director cohort that have been flagged by ISS and Glass Lewis
Optimize balance of skills and experience	✘	**The new outside director appointment does not enhance board expertise in capital allocation, markets, management, or strategy** – areas lacking and addressed by Palliser's director candidates

Adjoined to these requests was the **submission of truly independent best-in-class candidates to become outside directors** on a consensual basis

The N&C Committee rejected all candidates with out explanation – evidencing Keisei's disingenuous nomination process and focus on management entrenchment over much needed governance reform

… with marginal and ineffective changes and a leadership transition in name but not substance serving to deepen management entrenchment and weaken accountability…

Palliser

Changes proposed by the N&C Committee fail to recognize the extent of governance concerns held by shareholders. The proposed board 1 continues to be bloated in size and 2 prolongs concerns over the independence and skills of the outside director cohort

Incumbent Board

Proposed Changes

		Independence KEISEI / ISS / GL	Tenure (2025 AGM)	N&C Committee
1	Toshiya Kobayashi [President] ®	× × ×	15	C(1)
2	Takao Amano ®	× × ×	10	●
3	Hideki Mochinaga	× × ×	4	
4	Tadakazu Oka	× × ×	3	
5	Takeshi Shimizu	× × ×	3	
6	Makoto Enmei	× × ×	2	
7	Kazumi Taguchi *Resigned*	× × ×	2	
8	Koji Yamada *Resigned*	× × ×	4	
9	Yoshikazu Kawai *Resigned*	× × ×	1	
10	Shotaro Tochigi	✓ ✓ ✓	7	●
11	Misao Kikuchi	✓ ✓ ✓	5	●
12	Takeshi Ashizaki	✓ × ✓	3	
13	Takako Amitani	✓ ✓ ✓	2	●
14	Akiko Nakajima	✓ ✓ ✓	1	
15	Toshiyuki Ishiuchi	✓ × ×	1	

1 Peer Average Board Size

Proposed Board

Proposed Changes

		Independence KEISEI / ISS / GL	Independence Palliser	**Skill:** Capital Allocation
1	T. Kobayashi [Chair] ®	× × ×	×	-
2	T. Amano [President] ®	× × ×	×	-
3	H. Mochinaga	× × ×	×	-
4	T. Oka	× × ×	×	-
5	T. Shimizu	× × ×	×	-
6	M. Enmei	× × ×	×	-
7	Kunihiko Yoshikawa	× - -	×	-
8	Takeshi Hashimoto	× - -	×	-
9	Masako Tomizuka	✓ - -	?	×
10	S. Tochigi	✓ ✓ ✓	×	×
11	M. Kikuchi	✓ ✓ ✓	×	✓
12	T. Ashizaki	✓ × ✓	×	×
13	T. Amitani	✓ ✓ ✓	?	×
14	A. Nakajima	✓ ✓ ✓	?	×
15	T. Ishiuchi	✓ × ×	×	✓

2

Source: *Company disclosures.*
Note: ® Representative Director, *(1) Chair up to April 2025, member afterwards*

Inside Director　Outside Director

… following an artificial appraisal and unexplained rejection of Palliser candidates …

Palliser

A disingenuous evaluation process to justify the rejection of Palliser proposed best-in-class Japanese candidates with established professional track records, unquestionable independence, and skills tailored to Keisei's business needs

Palliser tries to engage with Keisei on key issues of governance and strategy

March 2025

Palliser notifies the Board that it has identified candidates, and **requests that Keisei disclose key details of the process including:** (1) what steps are typically followed, (2) who conducts interviews, (3) how the committee assesses skills, and (4) Committee views on board composition

Keisei ignore requests and asks solely for candidate names

Palliser made further requests for better disclosure. Keisei continue to just ask for candidate names

April 2025

Palliser submits the names of the candidates to Keisei and highlights expectations in a public presentation the need for a process that is **objective, meritocratic, transparent and equal**

May 2025

Keisei's eventual process falls short of every expectation:

- ✘ No disclosed information about the evaluation process or progress
- ✘ Candidates offered **<u>short 20-minute scripted interview with only a handful of questions and ended by a bell</u>**
- ✘ Candidate said that **<u>President was disengaged</u>** and "*spent most of the meeting scrolling on his iPhone*".
- ✘ No disclosed rationale for rejecting the candidates

The **outcome of the process evidences its lack of effectiveness** – Keisei's proposal of a minimally refreshed cohort of outside directors with the same independence and skills concerns

… with President Kobayashi hand-picking his own successor and transitioning to a Chair role to continue exerting dominant influence

Palliser

President Kobayashi retaining continued influence and control as "Kaicho" and self-proclaimed advisor to his hand-picked successor, Mr. Amano, means that the proposed leadership transition results in:

Unclear roles, blurred accountability and a continuation of the cycle of Management entrenchment

1 Hand-Picked Succession to facilitate continued executive control

*"I evaluated that [Amano] has performed well in each of his roles. **That is the basis for my decision to appoint him**."*

Mr. Kobayashi, Press Conference (21-May)

+

2 Influential Board Chair ("Kaicho") Role with a self-proclaimed advisory role to the new President

*"Although I will take on the role of Chairman after the General Meeting, my position as a Representative Director will remain unchanged. As Chair of the Board and as a former president, I will **support and advise the new President**, Mr. Amano."*

Mr. Kobayashi, Press Conference (21-May)

Federated Hermes

*This arrangement suggests that there is **often no clear separation between executive and monitoring and oversight functions**. We encourage companies, as a first step, to reflect on the roles that the chair of the board should play, and then clearly name the chair and **disclose the responsibilities of the role**.*

The analyst briefing for the new D2 strategy was presented by Mr. Kobayashi, and another inside director, Mr. Oka. Given Mr. Amano's announcement on the same day as D2, his omission from this – in favour of the departing President, and a subordinate – **questions his authority in strategic leadership and accountability for D2**

Source: Company disclosures.

President Kobayashi is accountable for a longstanding tenure of governance failings and recent attempts to deepen entrenchment…

Palliser

Longstanding failures during President Kobayashi's tenure have been compounded by recent actions that are clearly not in shareholder interests and egregious in nature - necessitating his removal from Keisei's Board

President Kobayashi's Longstanding Governance Failures

- Board Skill Shortfalls
- 100% Fixed Pay
- Poor Market Disclosure
- Low Board Independence
- Shareholder Concerns Dismissed

President Kobayashi's Longstanding Performance Failures

- Retention of Outsized OLC Stake
- Operational Inefficiency
- True ROE < 5%
- US$3bn Value Gap
- Low Shareholder Returns
- True PBR < 1x

President Kobayashi's Recent Governance Failures

- Hand-Picking Successor
- Rejecting Engagement
- Transition to Kaicho Role
- Flawed Nomination Process
- Poor Market Disclosure

President Kobayashi's Recent Performance/Strategy Failures

- Rebuked D2 Plan
- AEON Cross-Holding
- Poor Market Disclosure

2025 AGM Agenda		Palliser Vote
2.1	*Re-Elect Toshiya Kobayashi*	**AGAINST**

… alongside the N&C Committee who share the responsibility for these extensive governance failures…

Palliser

Led by President Kobayashi, the N&C Committee has facilitated extensive governance failures – including inexplicable 100% fixed pay for management and an egregious disregard for proper nomination processes and shareholder engagement – contributing to ongoing Management entrenchment and warranting their removal from the Board

	Board Role	Committee Role
T. Kobayashi	*President*	*Chair*
T. Amano	*Inside*	*Member*
S. Tochigi	*Outside*	*Member*
M. Kikuchi	*Outside*	*Member*
T. Amitani	*Outside*	*Member*

Takao Amano's roles in management and on the N&C Committee implicate him deeply to Keisei's failures.

Failings of the Committee		
i	Low Board Independence & Skills Coverage	×
i	100% Fixed Executive Remuneration	×
1	Refusing engagement with a top shareholder	×
2	Inadequate Board Nomination Process	×
3	Inadequate President Succession Process	×
3	Retention of President in Influential Board Chair Role	×

Failures leading up to the 2025 AGM

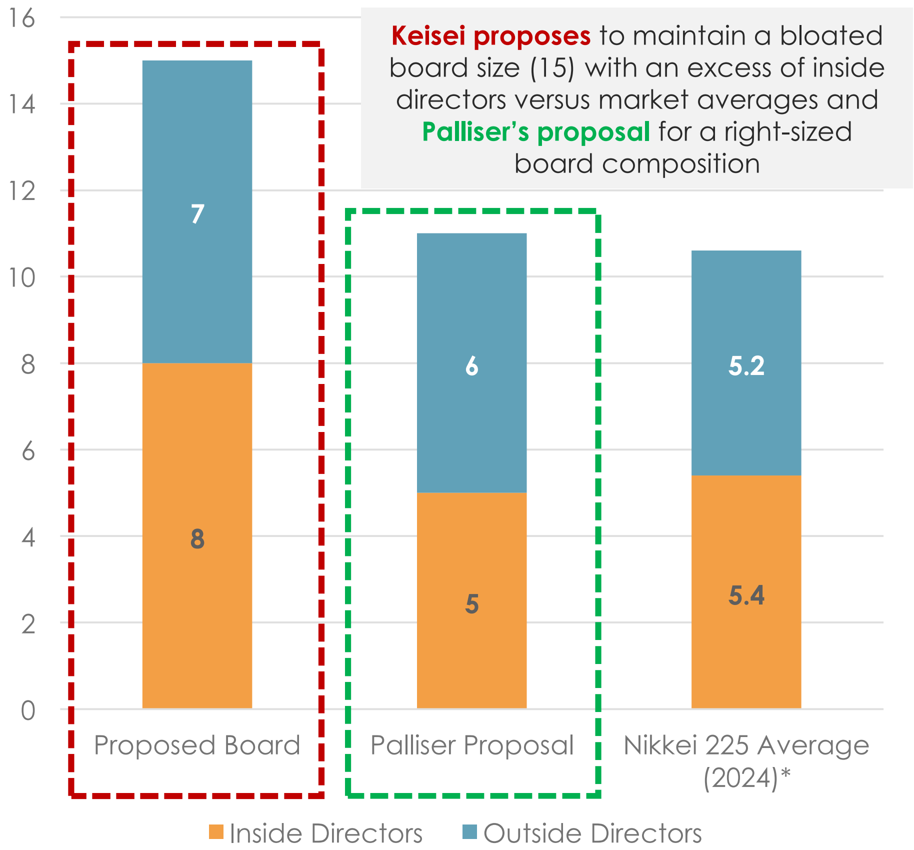
2025 AGM Agenda		Palliser Vote
2.1	*Re-Elect Toshiya Kobayashi*	**AGAINST**
2.7	*Re-Elect Shotaro Tochigi*	**AGAINST**
2.8	*Re-Elect Misao Kikuchi*	**AGAINST**
2.10	*Re-Elect Takako Amitani*	**AGAINST**

… including the appointment of two new inside directors that serves to further management entrenchment and weaken Board composition

Palliser

The nomination of two additional inside directors is unjustified, unnecessary and perpetuates Keisei's bloated board size and excessive number of inside directors - warranting opposition to their election

Keisei Board Composition versus Palliser's Proposal and Market Averages



With the resignation of three current inside directors from the Board and removal of President Kobayashi at the 2025 AGM, Keisei would have an appropriate and more effective number of inside vs. outside directors for a right-sized board that can instil management accountability.

Instead, Keisei's proposed appointment of two new inside directors only serves to perpetuate the Company's weak board composition, lack of effective management oversight and ongoing entrenchment – the product of a deeply flawed N&C Committee process.

2025 AGM Agenda		Palliser Vote
2.13	*Elect Kunihiko Yoshikawa*	AGAINST
2.14	*Elect Takeshi Hashimoto*	AGAINST

Source: Company disclosures.
Note: Peers include Odakyu, Tokyu, Keio, Tobu, Seibu and Keikyu. (*) Spencer Stuart 2024 Board Index, Japan.

Shareholders have the opportunity to take the first step in effecting meaningful change at Keisei through the 2025 AGM by voting against the 6 directors most implicated in egregious governance practices…

Palliser

Shareholders can affect meaningful governance change at Keisei by 1 holding directors to account at the 2025 AGM and 2 communicating their demand for a robust process to appoint best-in-class outside directors that are unquestionably independent and experienced to strengthen the Board to oversee management and instill accountability

Keisei's Proposed Board

		Independence (per Keisei)	N&C Committee	NEW
1	*Toshiya Kobayashi [Chair(1)] ®*	×	C(2)	
2	*Takao Amano [President(1)] ®*	×	●	
3	*Hideki Mochinaga*	×		
4	*Tadakazu Oka*	×		
5	*Takeshi Shimizu*	×		
6	*Makoto Enmei*	×		
7	*Kunihiko Yoshikawa*	×		●
8	*Takeshi Hashimoto*	×		●
9	*Shotaro Tochigi*	✓	●	
10	*Misao Kikuchi*	✓	●	
11	*Takako Amitani*	✓	●	
12	*Takeshi Ashizaki*	✓		
13	*Akiko Nakajima*	✓		
14	*Toshiyuki Ishiuchi*	✓		
15	*Masako Tomizuka*	✓		●

Most Implicated Directors in Egregious Governance

Why Palliser VOTES NO on President Kobayashi?

President Kobayashi holds ultimate responsibility for Keisei's chronic underperformance and governance failures. The Board, under his leadership, has persistently refused to break the destructive cycle of inaction and entrenchment

Why Palliser VOTES NO on new insiders?

The addition of the two new insider directors is unnecessary. Their skill sets do not address current board gaps and overlap with those of existing internal directors, offering limited incremental value and perpetuating a bloated board size

Why Palliser VOTES NO on the N&C Committee?

Members of the Committee have long overseen problematic practices and have been recently responsible for serious dereliction of their responsibilities on key governance processes in the lead up to the 2025 AGM

Source: *Company disclosures.*
Note: ® Representative Director, (1) both roles designated in the 2025 AGM Notice of Meeting, (2) *Chair up to April 2025, member afterwards*

… laying the foundation for future reform whilst preserving management continuity…

Palliser

Keisei's Post-AGM 9-director Board will (i) preserve management continuity; (ii) remove excessive inside directors and align with market standards for board composition; and (iii) lay the foundation for proper governance reform – including the appointment of additional outside director candidates with the requisite skills and true independence

Post-AGM Board

Takao Amano
President ®

Hideki Mochinaga
Internal Director

Takeshi Shimizu
Internal Director

Makoto Enmei
Internal Director

Tadakazu Oka
Internal Director

NEW
Masako Tomizuka
Outside Director

Akiko Nakajima
Outside Director

Takeshi Ashizaki
Outside Director

Toshiyuki Ishiuchi
Outside Director

Board Size	Inside : Outside	Independence	Gender Diversity
9	5 : 4	44%	11%

Post-AGM Board	
Governance Continuity	✓
Management Continuity	✓
Appropriate Board Size	✓
Code-aligned Board Independence (per Keisei)	✓
Sufficient Board Diversity	✓
Clear Board Leadership	✓

The Post-AGM Board of 9 directors lays the foundation to revitalize Keisei by:

i. ensuring those responsible for systemic and egregious governance failings are held to account;

ii. providing board–level and management continuity; and

iii. appointment of additional *truly* independent outside directors to optimize Keisei's Board to a peer- and market-aligned 11 directors with the requisite skills and experience, through a robust board process or further exercise of shareholder rights.

Further Board Reforms	
Improved Board Skills Coverage	✓
Market-Aligned Board Size	✓
Majority Board Independence	✓
Transparent Leadership Roles	✓
Effective N&C Committee	✓

Note: ® Representative Director

… and enabling Keisei to break the destructive cycle of inaction and management entrenchment and unlock its corporate value

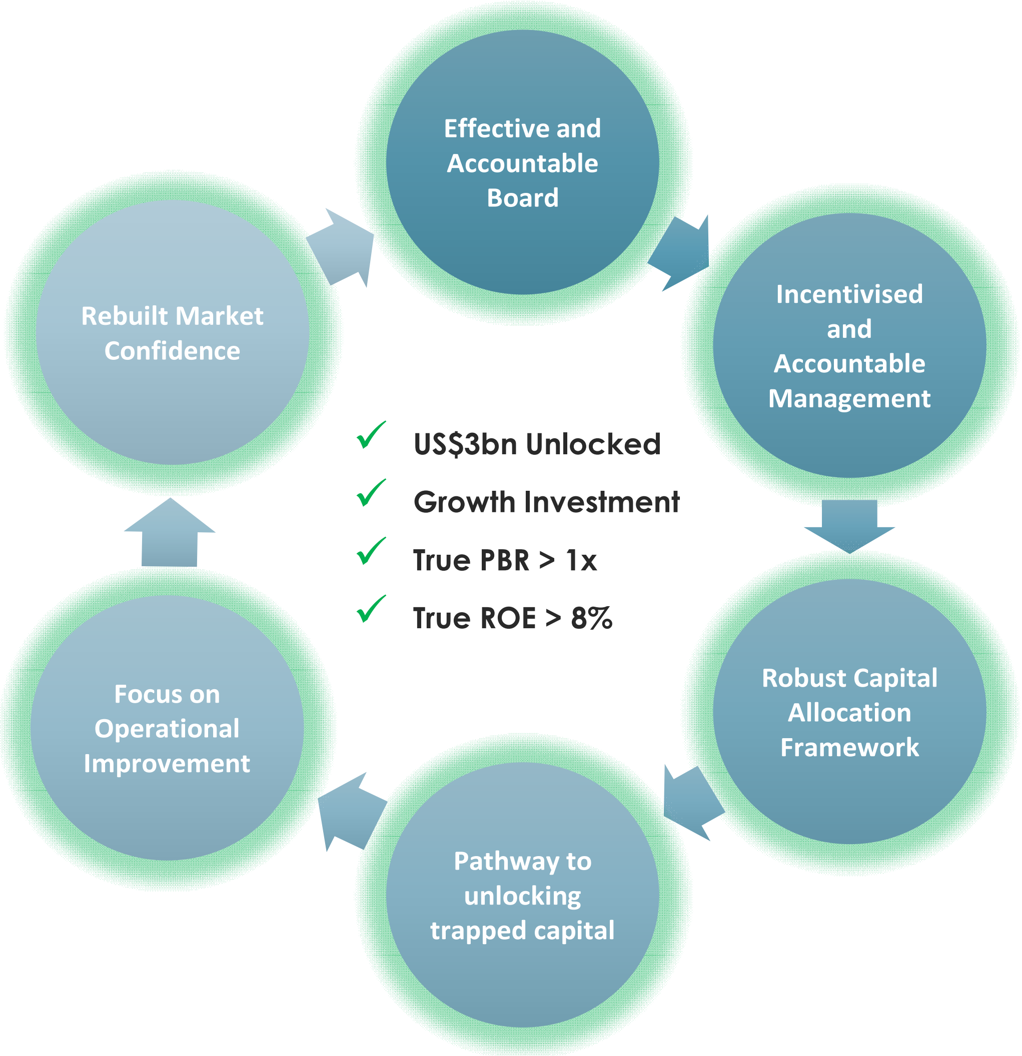
Palliser

Removal of President Kobayashi, and accountability for those outside directors facilitating ongoing entrenchment, is the **first step** in resolving Keisei's systemic undervaluation and governance failings

These board changes mean:

- **Accountability** for Keisei's chronic underperformance and governance failings
- **Accountability** for a dire D2 Plan that shows discontent for shareholders and TSE guidelines
- **Accountability** for ongoing management entrenchment through the new Aeon cross-shareholding, retention of the oversized OLC stake and a market outlying 100% fixed compensation structure for management
- **Removing the damaging influence** of a former President on future strategic and governance decision making
- **Preserving continuity** as Takao Amano has been designated as President from the 2025 AGM and has been a director since 2016

With this foundation, further governance reforms will enable Keisei to break its destructive cycle and improve corporate value with management truly conscious of cost of capital



1. Poor Governance and Chronic Underperformance – Hallmarks of Failed Leadership
2. Indefensible D2 Plan Disregards TSE Guidelines and Shareholder Concerns
3. Ineffectual Board Changes Deepening Management Entrenchment
4. Breaking the Destructive Cycle of Inaction
5. **Appendix: Updated Independent Expert Report on Keisei Performance Metrics**

Appendix

Updated Independent Expert Report on Keisei Performance Metrics

Leading Japanese Accounting Firm

PROFORMA CONSOLIDATED FINANCIAL STATEMENTS OF KEISEI ELECTRIC RAILWAY CO., LTD, 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

May 28, 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.

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	Mar-2025
Assets (except for investment in OLC)	716,519	727,073	729,711	779,932	862,202	898,073
investment in OLC	189,197	173,625	170,635	185,641	202,000	196,047
Assets	905,716	900,698	900,346	965,573	1,064,202	1,094,120
Liabilities (interest bearing)	293,913	327,586	339,647	359,816	364,694	329,403
Other liabilities	183,139	177,067	172,994	194,811	230,350	240,059
Liabilities	477,052	504,653	512,641	554,627	595,044	569,462
Net assets (except for non-controlling interest)	411,030	378,638	369,764	394,912	451,622	508,985
Non-controlling interest	17,634	17,406	17,941	16,033	17,535	15,673
Net assets	428,664	396,044	387,705	410,945	469,157	524,658
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	482,231

Consolidated Income statement	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Mar-2025
Operating revenue	274,796	207,761	214,157	252,338	296,509	319,314
Operating expenses	246,476	225,818	219,358	242,109	271,268	283,306
Operating income or losses(-)	28,320	-18,056	-5,201	10,228	25,241	36,008
Ordinary income or losses (-)	41,705	-32,165	-3,191	26,764	51,591	61,755
Profit or losses(-) before income taxes	40,958	-32,335	-2,890	32,858	121,940	100,749
Income taxes	9,250	-2,034	773	4,892	32,653	28,688
Net profit or losses(-) attributable to non-controlling interests	1,596	-10	773	1,036	1,629	2,100
Net profit or losses(-) attributable to owners of parent	30,110	-30,289	-4,438	26,929	87,657	69,961

Consolidated statement of comprehensive income	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Mar-2025
Net profit or losses(-)	31,707	-30,300	-3,664	27,966	89,286	72,061
Other comprehensive income	-2,430	896	-851	722	4,714	859
Valuation difference on available-for-sale securities	-983	519	-731	465	3,412	-1,344
Remeasurements of defined benefit plans, net of tax	-10	-253	67	632	121	2,946
Share of other comprehensive income of entities accounted for using equity method	-1,435	631	-187	-375	1,179	-742
Comprehensive income	29,276	-29,403	-4,515	28,688	94,000	72,920
Comprehensive income attributable to owners of parent	27,693	-29,418	-5,256	27,601	92,371	70,819
Comprehensive income attributable to non-controlling interests	1,583	14	740	1,086	1,629	2,101

Consolidated cashflow statement	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Mar-2025
Cash flows from operating activities	51,487	9,282	28,831	47,238	60,045	41,149
Cash flows from investing activities	-48,076	-28,678	-33,764	-29,505	28,137	-9,245
Cash flows from financing activities	-4,411	21,498	1,236	-20,916	-40,264	-62,869
Increase (decrease) in cash and cash equivalents	-1,000	2,103	-3,697	-3,182	47,918	-30,964
Cash and cash equivalents at beginning of period	25,018	26,675	28,900	25,277	34,410	82,328
Increase in cash and cash equivalents following stock swap	0	0	0	11,623	0	0
Increase in cash and cash equivalents from newly consolidated subsidiary	2,107	94	0	585	0	5
Increase in cash and cash equivalents following merger with non-cobsolidated subsidiary	549	27	74	106	0	0
Cash and cash equivalents at end of period	26,675	28,900	25,277	34,410	82,328	51,369

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	Mar-2025	
Assets (except for investment in OLC)	716,519	727,073	729,711	779,932	862,202	898,073	
investment in OLC	1,003,719	1,207,441	1,707,484	1,644,298	1,681,376	968,160	(*1), (*2)
Assets	1,720,238	1,934,514	2,437,196	2,424,230	2,543,579	1,866,233	
Liabilities (interest bearing)	293,913	327,586	339,647	359,816	364,694	329,403	
Other liabilities	480,155	536,218	684,659	687,204	734,463	527,093	(*3)
Liabilities	774,068	863,804	1,024,306	1,047,020	1,099,157	856,496	
Net assets (except for non-controlling interest)	928,535	1,053,302	1,394,949	1,361,176	1,426,885	994,063	
Non-controlling interest	17,634	17,406	17,941	16,033	17,535	15,673	
Net assets	946,169	1,070,708	1,412,890	1,377,209	1,444,420	1,009,736	
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	482,231	

Consolidated Income statement	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Mar-2025	
Operating revenue	274,796	207,761	214,157	252,338	296,509	319,314	
Operating expenses	246,476	225,818	219,358	242,109	271,268	283,306	
Operating income or losses(-)	28,320	-18,056	-5,201	10,228	25,241	36,008	
Ordinary income or losses (-)	32,604	-15,534	-628	12,171	29,151	42,013	(*4)
Profit or losses(-) before income taxes	31,857	-15,704	-327	18,265	107,270	102,819	(*5)
Income taxes	9,250	-2,034	773	4,892	32,653	28,688	
Net profit or losses(-) attributable to non-controlling interests	1,596	-10	773	1,036	1,629	2,100	
Net profit or losses(-) attributable to owners of parent	21,009	-13,658	-1,875	12,336	72,987	72,031	

Consolidated statement of comprehensive income	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Mar-2025	
Net profit or losses(-)	22,606	-13,669	-1,101	13,373	74,616	74,131	
Other comprehensive income	63,012	141,424	347,106	-43,605	28,383	-491,396	
Valuation difference on available-for-sale securities	62,113	142,105	346,799	-43,450	30,119	-495,999	(*2)
Remeasurements of defined benefit plans, net of tax	-10	-253	67	632	121	2,946	
Share of other comprehensive income of entities accounted for using equity method	911	-427	240	-788	-1,859	1,658	(*4)
Comprehensive income	85,617	127,756	346,005	-30,232	102,999	-417,265	
Comprehensive income attributable to owners of parent	84,034	127,741	345,264	-31,319	101,370	-419,366	
Comprehensive income attributable to non-controlling interests	1,583	14	740	1,086	1,629	2,101	

Consolidated cashflow statement	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Mar-2025
Cash flows from operating activities	51,487	9,282	28,831	47,238	60,045	41,149
Cash flows from investing activities	-48,076	-28,678	-33,764	-29,505	28,137	-9,245
Cash flows from financing activities	-4,411	21,498	1,236	-20,916	-40,264	-62,869
Increase (decrease) in cash and cash equivalents	-1,000	2,103	-3,697	-3,182	47,918	-30,964
Cash and cash equivalents at beginning of period	25,018	26,675	28,900	25,277	34,410	82,328
Increase in cash and cash equivalents following stock swap	0	0	0	11,623	0	0
Increase in cash and cash equivalents from newly consolidated subsidiary	2,107	94	0	585	0	5
Increase in cash and cash equivalents following merger with non-cobsolidated subsidiary	549	27	74	106	0	0
Cash and cash equivalents at end of period	26,675	28,900	25,277	34,410	82,328	51,369

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 FYE2025/03 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.

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	Mar-2025	as of May 28, 2025	
Return-on-Asset	2.2%	-1.4%	-0.4%	0.8%	1.7%	2.3%		(*6)
Return-on-Equity	7.5%	-7.7%	-1.2%	7.0%	9.6%	10.4%		(*7)
Equity to asset ratio	45.4%	42.0%	41.1%	40.9%	42.4%	46.5%		(*8)
Debt to equity ratio	71.5%	86.5%	91.9%	91.1%	80.8%	64.7%		(*9)
Book value per share	2,436	2,247	2,194	2,358	2,779	1,055		(*10)
Market stock price	3,120	3,620	3,415	4,075	6,159	1,348	1,379	
Price to book ratio	1.3 x	1.6 x	1.6 x	1.7 x	2.2 x	1.3 x	1.3 x	(*11), (*12)

Adjusted Ratios – (Pro Forma after adjustments)

Key Financial ratio	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Mar-2025	as of May 28, 2025	
Return-on-Asset	1.2%	-0.7%	-0.2%	0.3%	0.7%	1.1%		(*6)
Return-on-Equity	2.4%	-1.4%	-0.2%	0.9%	1.3%	2.5%		(*7)
Equity to asset ratio	54.0%	54.4%	57.2%	56.1%	56.1%	53.3%		(*8)
Debt to equity ratio	31.7%	31.1%	24.3%	26.4%	25.6%	33.1%		(*9)
Book value per share	5,504	6,250	8,277	8,127	8,779	2,061		(*10)
Market stock price	3,120	3,620	3,415	4,075	6,159	1,348	1,379	
Price to book ratio	0.6 x	0.6 x	0.4 x	0.5 x	0.7 x	0.7 x	0.7 x	(*11), (*12)

Note:

(*6) Return-on-Assets is calculated based on operating income (or loss) (after tax) and total assets.

(*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 FYE2025/03) and net assets (except for non-controlling interest).

(*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 May 28, 2025 is calculated based on book value per share as of March 31, 2025 and market stock price as of May 28, 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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