DISCUSSION

Dialogue Between the Chairman and an Outside Director

Building on the achievements of the previous medium-term management plan to advance into the resilience phase

As one year has passed since the commencement of Medium-Term Management Plan 2030 and we now stand at an important juncture following the change in presidency, the chairman & representative director and an outside director had a free and open exchange of opinions regarding their medium- to long-term expectations for the future and the issues ahead, focusing on initiatives to further enhance corporate value and the effectiveness of governance.



Hironori Nishikawa
Chairman & Representative Director

Makoto Kaiami
Outside Director

Makoto Kaiami has insight in corporate legal affairs, compliance and risk management that he gained as a judge and attorney. He was appointed to his current position in 2018.

Governance supporting the decision-making and effectiveness of the Board of Directors

Kaiami During your tenure as president, Mr. Nishikawa, you strongly drove forward the restructuring of our business portfolio, including the decisive divestment of Tokyu Hands Inc., Tokyu Plaza Ginza, and the fitness business. The results are reflected in higher ROE and share prices and have underscored the importance of business portfolio management to me and my fellow outside directors. If efforts do not lead to results, divestment to another company is unavoidable and even preferable. What matters is the transferee. We should choose a party that is committed to developing the business in question and taking on and valuing its employees.

Nishikawa Thank you. While I do feel a sense of loss, when I see and hear about our former employees working hard under the transferee, I feel it was the right decision. The mindset of "if it isn't working out, stop doing it" has taken root among management. This allows us to mitigate damage at an early stage and redirect management resources to other businesses, where we can further cultivate growth businesses. Understanding of this fact among our employees was, I believe, another successful outcome of the restructuring.

At around the same time I began internal alignment efforts, I was given the opportunity to explain the business portfolio restructuring to the Board of Directors. Receiving their support at that stage was extremely helpful. Many things happen in the course of restructuring, and a range of different opinions arise within the Company. A major reason I was able to push forward was the united support and encouragement I have received from the Board of Directors. On other management issues as well, the Board of Directors offers opinions from a



Encouragement from outside directors became a driving force for advancing business portfolio restructuring

variety of perspectives. At the execution stage, they provide advice from behind the scenes and, in some cases, are even prepared to step forward and promote initiatives alongside me. Such support is extremely reassuring, and I believe it also has significance in terms of the effectiveness of the Board of Directors.

Kaiami While we did not consciously set out to do so, discussions naturally led everyone to a shared understanding. In addition to formal meetings of the Board of Directors, we also hold pre-meeting briefings for outside directors on agenda items to be discussed by the Board. I view these gatherings as an integrated process. At the pre-meeting briefings, the director in charge of general management joins the discussion, and the relevant operating officers attend to provide detailed information on the agenda items. The outside directors engage in thorough discussion, asking many questions and offering their opinions. These briefings have become progressively more substantive. In fact, I think there are now very few companies that hold such comprehensive pre-meeting briefings.

Nishikawa We intentionally designed a process in which pre-meeting briefings are substantive and the official meeting of the Board of Directors builds on the outcome of discussions held at the former. I feel this process is functioning well. If we do not communicate closely and move forward naturally with decision-making, things will not progress smoothly. For particularly significant matters, such as M&A, I have even consulted with the outside directors before the pre-meeting briefings, and in many cases, they provided encouragement along with advice.

Kaiami There was only one such case that I opposed, and that was quite some time ago. I questioned whether that business was something the Group should engage in. I remember receiving repeated explanations and engaging in multiple discussions.

Nishikawa There was hesitation inside the Company as well, so I consulted the outside directors at an early stage. With many individuals in opposition, including yourself, Mr. Kaiami, we decided not to move forward with the M&A.

Kaiami In addition to pre-meeting briefings, we hold a two-day free discussion session once a year that is also meaningful, where the head of each Group company explains the current situation of the company and future issues it faces. As a highly important opportunity to consider the Group's future, we look forward to this session as well.

Nishikawa In my capacity as president, at the end of the free discussion session, I set aside time for reflection with the outside directors, through which I have received a wide range of feedback. I believe the free discussion session represents two days of great significance and provides an opportunity for outside directors to become familiar with the young executives who will lead the Group in the future, which also makes it meaningful from a succession planning perspective.

Kaiami Indeed, it is a very good opportunity to get to know the character of the candidates. In my position as a member of the Nomination and Compensation Committee, I have paid close attention to the personal qualities of those who will lead the next generation, not only during the free discussion sessions but in a variety of settings.

Building on results and passing them to the next generation

Kaiami I view the change in presidency as an important juncture between business portfolio restructuring and a second phase characterized as the pursuit of the next stage of growth. The president must look across the entire Group and make calm decisions on where to focus and, if necessary, where to withdraw, and carry out those decisions decisively. There was no objection to the selection of Hiroaki Hoshino as president, and in the Nomination and Compensation Committee as well, it seemed to be decided naturally.

From the time he served as director in charge of general management, through discussions at pre-meeting briefings, President Hoshino has struck me as someone with a broad perspective who is capable of taking on a wide range of matters in a calm and collected manner. In addition, the fact that he has been involved since the formulation of the current

long-term vision, GROUP VISION 2030, gives me great reassurance that he is someone to be relied on.

Nishikawa From my standpoint as well, the transition proceeded as I envisioned. Having largely completed the business portfolio restructuring, in May 2025 the Company announced a new medium-term management plan aimed at the next stage of growth, and then executed the change in presidency at the end of the plan's inaugural fiscal year, placing our hopes for further growth in the next generation. It is important to revisit and transform our growth drivers in line with major changes in the business environment, and I share your view and firmly believe that President Hoshino will handle this well.

Further enhancing corporate value: the role of the Board of Directors under its new structure

Nishikawa Moving forward in my new position as chairman, I would like to preserve the process of consulting and sharing information with senior management and the outside directors from an early stage and shape the direction of policies and initiatives, which I view as a valuable aspect of the Board of Directors' operation. At meetings of the Board of Directors, I will emphasize the sharing of information on not only management and business strategy but also organizational culture. Under such a setting, I believe you, Mr. Kaiami, will play an invaluable role consolidating diverse opinions as the lead independent outside director.

Kaiami Thank you, Mr. Nishikawa. I always strive to create an environment where people can exchange honest and candid opinions. Furthermore, for important issues outside of those for resolution by the Board of Directors, I think it can be effective to set up forums for discussion as needed, rather than limiting discussion to official meetings of the Board. Such discussions will help us organize our thinking regarding policy.

Nishikawa Amid a changing business environment, it may also be worthwhile to have broad discussions that are not overly constrained by specific themes. Holding repeated candid discussions about our ideal business portfolio has become more important than ever. Likewise, I believe deeper discussion is required on how to balance the three Key Themes adopted in the medium-term management plant—the promotion of the Greater Shibuya Area strategy, the establishment of a GX business model, and the expansion of glocal business—in light of changes in the business environment.

Kaiami I see great potential in the renewable energy business. While it is one of our strengths, I cannot say that its advantages are sufficiently recognized by society. More proactive communication is needed, and I have high expectations for President Hoshino's leadership in linking such strengths to growth. I hope the Group moves forward with a strong awareness of stakeholder perspectives.

Nishikawa We believe corporate value is the aggregate satisfaction level of our six groups of stakeholders: investors and shareholders, customers, employees, business partners, local communities, and future society. Our "WE ARE GREEN" slogan and our reputation as an environmentally advanced company is gradually taking root. However, environmental management is premised on leading to profits, so we as the Board of Directors intend to carefully examine how to create both environmental value and business value.

Kaiami Realizing both environmental value and profitability is an important issue for the Company's next stage. I think our business portfolio restructuring has sufficiently demonstrated the Company's execution capabilities, so now the question is what kind of value creation story we build on that foundation. Mr. Nishikawa, let's further evolve meetings of the Board of Directors under its new structure. I have high expectations of you as chairman.

Nishikawa Thank you, Mr. Kaiami. In order to link the trust we have gained with stakeholders through our business portfolio restructuring to the further enhancement of corporate value, I will strive to ensure that inside and outside directors can adequately share information and opinions and that candid and effective discussions continue and build on one another. I ask for the kind continued support of all of our stakeholders.

Further evolving Board of Directors' meetings under the new management structure

