



ISETAN (SINGAPORE) LIMITED
(Company Registration No. 197001177H)
(Incorporated in the Republic of Singapore)

49TH ANNUAL GENERAL MEETING

Responses to substantial and relevant questions

The Board of Directors (the “**Board**”) of Isetan (Singapore) Limited (the “**Company**”) wishes to thank all shareholders who have submitted their questions in advance of the Annual General Meeting (“**AGM**”) to be convened and held by way of electronic means on 19 June 2020 at 10.00 am.

Responses to substantial questions relevant to the Resolutions of the AGM

We have received questions from shareholders relating to the Company’s 2019 financials, business strategy and outlook, and COVID-19 impact. As there were various overlaps in the questions received, we have grouped related and similar questions together, and provided our corresponding responses to them. For questions relating to the impact of the COVID-19 pandemic, please refer to our announcement released on the SGXNET dated 16 May 2020 regarding the same subject matter. For other COVID-19 related questions not covered by the aforementioned announcement, we have provided our responses below.

Please refer to our responses to the substantial and relevant questions from shareholders as set out in **Appendix 1**.

By Order of the Board

Lun Chee Leong
Company Secretary

18 June 2020

Appendix 1

RESPONSES TO QUESTIONS FROM SHAREHOLDERS

Questions	Responses
<p><u>Company Performance</u></p> <p>From the respective annual reports, the Group's/Company's Revenue has declined from \$354.234 million in 2012 to \$111.885 million in 2019, and the cumulative loss for the same eight years was \$48.165 million. Will the Company be profitable in the next few years?</p> <p>The retail segment incurred a bigger loss of \$36.01 million in FY2019 as compared to the loss of \$21.227 million in FY2018, despite the recent strategic initiatives taken by the Company. The retail segment has sustained an accumulated loss of about \$106.5 million from FY2015 to FY2019. As the Company intends to retain retailing as a core business, what are the immediate and effective measures to address the issue of the lack of profitability in the retail segment?</p>	<p>The Company acknowledges that there has been a significant decline in the revenue over the past eight years.</p> <p>The Company would like to clarify that starting from 2018, it has adopted the Singapore Financial Reporting Standards (International) 15 Revenue from Contracts with Customers ("SFRS(I) 15"). Therefore, comparing the revenue figures for 2019 and 2018 against those of 2012 to 2017 would not give the reader a correct benchmark. As an illustration, prior to adoption of SFRS(I) 15, the revenue of the Company for the financial year ended 31 December 2017 ("FY2017") was \$276.571 million. Under SFRS (I) 15, certain revenue pertaining to consignment sales which were recognised at the gross amount of the consideration received for the sale of goods prior to the adoption of SFRS (1) 15 would have to be recognised at the net amount of consideration retained by the Company after paying the relevant suppliers for the purchase of these goods. As such, the revenue for FY2017 has been restated as \$128.875 million when SFRS (I) 15 was applied.</p> <p>The Company's revenue has been impacted over the past years by factors such as the opening of new malls, arrival of fast fashion brands, E-commerce disruptions and leakage of sales revenue to overseas with cheaper travel options.</p> <p>Several strategic initiatives were implemented to adapt to these challenges. One initiative was the ceasing of retailing activities at the former Isetan Orchard in 2015 to convert it into an investment property in order to diversify the Company's revenue and profit. This was followed by the major revamp of the Isetan Scotts Supermarket in 2015 and 2016. Other initiatives that have been implemented include the streamlining of operations to reduce operational expenses and increase operational efficiency, investment in E-commerce and online platforms, increasing our loyalty card member base, and digitalization of our operations. The Company is also tapping on the expertise of Isetan Mitsukoshi Ltd as we chart the Company's direction and strategy moving forward to turn the Company's fortunes around.</p>

Questions	Responses
	<p>The performance of the retail segment in the coming years will have an important bearing on the ability of the Company to return to profitability. The successful rejuvenation of Isetan Scotts will be pivotal in our effort to turn around the retail segment. Therefore, our priority now is to see to the completion of the renovations at Isetan Scotts and to maintain liquidity to tide through the Covid-19 pandemic.</p> <p>The Company is cognizant of the past losses sustained by the retail segment. We seek our shareholders' support to let the recent strategic initiatives have more time to realise its value. We will continue to monitor closely the performance of our stores and assess their individual viability moving forward.</p>
<p><u>Capital Expenditure on Isetan Scotts</u></p> <p>After the capital expenditure on the Isetan Scotts Supermarket in 2015 and 2016, the Company is spending another \$12 million to refurbish Isetan Scotts. This is despite the decline in revenue over the last eight years.</p> <p>Can the Board explain how they intend to recover the lost investments and the rationale behind the current capital expenditure?</p>	<p>The Company would like to clarify that the capital expenditure for Property Plant and Equipment (excluding leasehold land, buildings and improvements, and motor vehicles) during FY2015 and FY2016 amounted to approximately \$12.3 million. They were not exclusively for the Isetan Scotts Supermarket but also related to other renovations done at the Isetan Scotts department store and suburban stores.</p> <p>The Company views the successful rejuvenation of our Flagship Isetan Scotts store as being pivotal in returning the retail segment to profitability. The Flagship Isetan Scotts store has not had a major revamp since its opening in 1993. The recent investment in this major refurbishment of the store will enable the store to undergo changes where it will move away from the traditional department store format towards a lifestyle destination store.</p> <p>The renovations will also entail the re-configuration of the use of space, which in turn will enable us to devote more space to specialized and profitable departments as well as for Food and Beverage tenants. Together with the other strategic initiatives that have been implemented, the Board believes that the renovation will have a long-term positive impact on the Company should Isetan Scotts be successfully rejuvenated.</p> <p>The Covid-19 pandemic has however put a dampener on our rejuvenation plans for the Flagship store. Phase 2 of the renovations has been delayed due to the work stoppage caused by the "circuit breaker" measures. Some level of safe distancing measures is still in place and</p>

Questions	Responses
	<p>this is expected to affect the sales revenue of the store and its tenants. We are thus working with the Landlord towards a more sustainable rental rate during this interim period.</p>
<p>Cash Flow</p> <p>The COVID-19 pandemic is expected to have a significant impact on the results of the Company in FY2020 and cause greater net cash outlay. Therefore, conserving cash is critical.</p> <p>While management has set out various initiatives as mentioned in the FY2019 annual report, has management considered any other significant plans to conserve and generate more positive cash (other than those initiatives already set out), such as, but not limited to, closing more loss making stores and moving its head office to its property at Kallang Pudding so as to free up the whole Isetan Office Building for rental?</p>	<p>We agree that conserving cash during this period is critical and management continues to look into ways to improve our revenue and contain costs on the near- and long-term basis. Our current cash situation remains healthy as is shown in our FY2019 Annual Report. Notwithstanding this, under the retail segment, management has embarked on ways to generate sales revenue other than from each store itself. For example, we are holding more food fairs and external promotions at other malls that we do not operate in. Although the COVID-19 situation has dampened some of our efforts, we endeavour to adapt to the new retail environment having regard to the phased changes in COVID-19 measures and will resume such activities as soon as the relevant public health regulations permit. We will also build on the momentum seen from the good response to our online store (the “Online Store”) during the “circuit breaker” period.</p> <p>With regard to rentals at each store, management will negotiate with the respective landlord for a competitive rate.</p> <p>The Board constantly reviews the performance of the Company and its operations and cash flow position with the view to generating positive cashflows. This includes whether or not to close loss-making stores and how to extract the best value from the various properties that the Company owns.</p>
<p>Investment Property (Isetan Wisma Atria)</p> <p>Following a newspaper article that appeared in The Business Times on 10 September 2019, the Company made a clarification announcement on the same day that it had received a non-binding expression of interest from YTL Starhill Global REIT Management Limited (“Starhill Global REIT”).</p> <p>Have there been any developments on the matter?</p> <p>Has the Company assessed the pros and cons of selling the property to Starhill Global REIT and its best use?</p>	<p>The Board recognises that the Isetan Wisma Atria Investment Property is a strategic asset. Presently, revenue from the Investment Property provides income in line with the Company’s strategy of diversifying its income stream having regard to the challenges being faced in its retail business. It carefully and regularly reviews how the use of this strategic asset can contribute towards the Company’s long-term strategy while paying close attention to evolving circumstance relating to the Investment Property. This includes the pros and cons of keeping or disposing the property under relevant circumstances. A near-term consideration would be the new Thomson-East Coast Line’s Orchard station due for completion</p>

Questions	Responses
	<p>around 2021, which may give rise to a future possible improvement in valuation and leasing opportunities.</p> <p>Should there be any developments relating to the Investment Property that will materially affect the price of the Company shares (whether flowing from the expression of interest that the Company received from Starhill Global REIT or otherwise), the Company will make the necessary announcement on SGXNET in accordance with the listing rules of the Singapore Exchange Securities Trading Limited.</p>
<p><u>Dividend</u></p> <p>How can the Company maintain its dividend policy of a stable annual dividend if it continues to sustain losses and a pay out of dividend from profits or retained earnings may no longer be possible?</p>	<p>It is clear that, should the Company continue to sustain losses, the Company will be unable to provide its shareholders with a stable annual dividend.</p> <p>We will therefore continue to work hard to turn the Company's fortunes around so that the Company will be able to maintain the current dividend policy and to create long-term shareholder value.</p>
<p><u>Royalty</u></p> <p>Why has there been no reduction in royalty payable to Isetan Mitsukoshi Ltd despite the losses in past years?</p> <p>Shareholders would like to request that royalty payments made to Isetan Mitsukoshi Ltd in the last 8 years be refunded for the few years of losses and that they be cancelled for any year should losses be incurred.</p>	<p>The royalty is charged for the use of the Isetan Trademark and the provision of other technical and marketing knowhow. The royalty agreement between the Company and Isetan Mitsukoshi Ltd does not have any mechanism to claw back amounts paid thereunder in times of losses by the Company.</p> <p>The Board has proposed a concession regarding royalty payments but has not reached any agreement with Isetan Mitsukoshi Ltd on the terms. The Board will continue to engage Isetan Mitsukoshi Ltd with regard to this matter.</p>
<p><u>Privatisation</u></p> <p>Is a privatisation of the Company being considered?</p> <p>Has the majority shareholder indicated any interest in privatising the Company in the near future?</p>	<p>Privatisation is a matter that is generally initiated by an acquirer. The Board has not received any offer from any party in relation to the possible privatisation of the Company.</p>
<p><u>COVID-19 Pandemic</u></p> <p>How has the Company been affected by the current pandemic?</p>	<p>The Company has put in extra effort to boost the sales contributions from the supermarket at Isetan Scotts (the "Supermarket") and Online</p>

Questions	Responses
<p>Certain mitigating measures were mentioned in the Company's announcement on 16 May 2020. Have these worked and why?</p>	<p>Store. For the Online Store, we continued to gather valuable feedback from our customers during the "circuit breaker" period and made available merchandise that were requested by them. We also adjusted our logistics and manpower requirements to cope with the higher demand. So far, the Supermarket and Online Store have registered very good results as compared to the corresponding period last year. Our revamp of the Supermarket in 2015/2016 and recent enhancement of the E-commerce site have therefore been timely.</p> <p>The rest of the Company' stores and investment property were closed until the recent lifting of some restrictions by the government where malls and retail establishments can re-open for business from 19 June 2020. Notwithstanding this, as some level of social distancing will continue, we will monitor closely the extent of the impact on the Company's revenue in the coming months.</p>