



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

53rd ANNUAL GENERAL MEETING

Responses to substantial questions received.

The Board of Directors (the “**Board**”) of Isetan (Singapore) Limited (the “**Company**”) wishes to thank the Securities Investors Association (Singapore) (“**SIAS**”) which submitted its questions in advance of the Annual General Meeting (“**AGM**”) to be convened and held on 26 April 2024 at 10.00 am. There were no questions received from shareholders of the Company as of the deadline set for submitting the questions.

Responses to questions submitted by SIAS

Please refer to our responses as set out in **Appendix 1**.

Unless otherwise defined, all capitalised terms used and not defined herein shall have the same meanings given to them in the joint announcement (“**Joint Announcement**”) dated 1 April 2024 issued jointly by the respective boards of directors of Isetan Mitsukoshi Ltd. (the “**Offeror**”) and the Company.

Responsibility statement for the responses in respect of Questions 2 and 3 of this announcement

The Directors of the Company (including any who may have delegated detailed supervision of the preparation of this announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed for the responses in respect of Questions 2 and 3 in this announcement (excluding information relating to the Offeror and/or Isetan Mitsukoshi Holdings Ltd.) are fair and accurate and that no material facts have been omitted from the responses in respect of Questions 2 and 3 this announcement, and they jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from the Offeror and/or Isetan Mitsukoshi Holdings Ltd., the sole responsibility of the directors of the Company has been to ensure through reasonable enquiries that such information has been accurately and correctly extracted from such sources or, as the case may be, reflected or reproduced in the responses in respect of Questions 2 and 3 this announcement. The directors of the Company do not accept any responsibility for any information relating to the Offeror and/or Isetan Mitsukoshi Holdings Ltd.

By Order of the Board

Lun Chee Leong
Company Secretary

20 April 2024

Appendix 1

RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

Questions	Responses
<p>1) <u>The chairman’s statement and management discussion can be found on pages 4 to 5 and pages 6 to 9 of the annual report respectively. The group operates a flagship store at Isetan Scotts and suburban stores in Tampines and Serangoon Central. In the leasing business, the group partly owns Wisma Atria, and Kallang Pudding warehouse.</u></p> <p><u>The retail segment incurred a loss of \$10.11 million in FY2023, compared to a loss of \$3.70 million in FY2022. Lower-than-expected sales prompted the company to re-assess its retail revenue prospects moving forward, resulting in a higher impairment charge for right-of-use assets and property, plant and equipment for FY2023.</u></p> <p>(i) <u>Did the board evaluate and compare the performance of the local subsidiary with that of the Japanese parent company?</u></p> <p>(ii) <u>Has the board or management considered the potential erosion of the brand value in the local context, compared to the strength of its brand value in Japan? In addition, could the competitive advantage have been diminished by e-commerce more significantly than the other local retail businesses, thus explaining its challenges?</u></p>	<p>(i) Due to the differences in terms of the market, macroenvironment, the scale of its operations, and unique characteristics of each company, the performance yardsticks of the Japanese parent company would not be totally relevant. Instead, the benchmark against competitors in the same trade and market would be deemed more appropriate. Therefore, the yardsticks of the Japanese parent company are used as references only.</p> <p>(ii) The Company has focused on the challenges in the market in which it operates. The Company has adopted strategies to explore new avenues of growth besides improving the operational efficiency of our retail and property leasing businesses.</p> <p>It is possible that the growth of e-commerce platforms has affected</p>

Questions	Responses
<p>(iii) <u>Could the frequent turnover in the management team have played a role in the company's underperformance?</u></p> <p>(iv) <u>What led to the suspension of the group's online business since June 2023? If management decides to resume online operations, what strategies are they considering to make it appealing to customers and profitable for the Company?</u></p> <p>(v) <u>Separately, in the property leasing segment, how does the open tender for 35/37 Kallang Pudding Road affect the Company's warehouse at 5 Kallang Pudding Road in terms of rental and/or capital value?</u></p> <p>(vi) <u>Has the Board or management considered the possibility of completely exiting the retail business and subsequently winding down the entire operations to return cash and capital to shareholders?</u></p>	<p>the competitive advantage that the Company may have had in the past.</p> <p>(iii) The majority of the management team members, which supports the Board of Directors, have been with the Company for many years, and helped guide the company over tough times like the Covid-19 pandemic.</p> <p>(iv) The suspension of our Isetan I-Online business since June 2023 is to focus and streamline operations post pandemic. The Company will attempt to refocus and redeploy e-commerce to complement the stores moving forward. Currently, we are planning to gradually reintroduce our I-Online service later this year.</p> <p>(v) We are not certain of the outcome or plans of the new owner after 35/37 Kallang Pudding Road is sold and how our warehouse building at 5 Kallang Pudding Road would be affected in terms of rental or capital value.</p> <p>(vi) There is presently no intention to discontinue our retail business in Singapore.</p>


Questions	Responses
<p>2) <u>On 1 April 2024, the Company announced the proposed acquisition by Isetan Mitsukoshi Ltd of all the ordinary shares in the Company, Isetan (Singapore) Limited, effected by way of a scheme of arrangement for a consideration of \$7.20 per share in cash.</u></p> <p><u>While the scheme consideration looks attractive relative to the recent trading prices, it is noted that much value has been eroded due to less-than-satisfactory operational results and the lack of dividends. In fact, the net assets</u></p>	

Questions	Responses
<p><u>value per share has fallen by 55 cents per share in the last 4 years.</u></p> <p>(i) <u>Could the board, particularly the independent directors (IDs), clarify their roles and level of involvement in the joint announcement and the implementation agreement? What input did the IDs provide to the offer to safeguard the interests of Isetan Singapore shareholders?</u></p> <p>(ii) <u>Specifically, how extensively did the IDs deliberate with the offeror regarding the scheme consideration of \$7.20 per share?</u></p>	<p>(i) & (ii) The Board approved the formation of a special committee (“Special Committee”) comprising the directors considered independent for the purposes of the Scheme, namely Associate Professor Victor Yeo Chuan Seng, Mr. Richard Tan Chuan Lye, Ms. Carmen Wee Yik Cheng and Ms. Lim Bee Choo (“Independent Directors”), to, <i>inter alia</i>, engage with the Offeror and to evaluate and discuss the possible privatisation of the Company. The Special Committee took immediate steps to appoint legal advisors. The Special Committee, through numerous meetings, discussions and correspondence with the Company’s legal advisors, were actively involved in the preparation of the joint announcement and implementation agreement. For the avoidance of doubt, Mr. Toshifumi Hashizume, who is a Non-Independent and Non-Executive Director of the Company, and Mr. Shioji Hiramatsu, who is an Executive Director of the Company, did not participate in any discussions or decisions made by the Special Committee in relation to proposed transaction. Mr. Shioji Hiramatsu had only provided factual input that was necessary for the purposes of preparing the Joint Announcement and the Implementation Agreement.</p> <p>The Special Committee met with the representatives and professional advisors of the Offeror over a series of meetings that started in Q4 2023 to deliberate the Offeror’s intentions and discuss and negotiate the terms of the</p>

Questions	Responses
<p>(iii) <u>What is the procedure for shortlisting and selecting the independent financial adviser? What criteria are used, and what progress has been achieved in this regard?</u></p> <p>(iv) <u>What input would the IDs have in the process of obtaining independent valuations of the Company's key assets?</u></p>	<p>transaction, including the proposed scheme consideration.</p> <p>(iii) The Special Committee shortlisted potential independent financial advisors through personal knowledge, desktop research and obtaining of recommendations from their legal advisors. The process took into account the need to adhere to legal and regulatory obligations with respect to maintaining confidentiality of the proposed transaction. The independence, experience and reputation were key criteria in appointing the IFA. The Special Committee also considered the availability of the IFA to complete the work in the planned timeline.</p> <p>(iv) The Special Committee, comprising the Independent Directors, was involved in deciding on the appointment of the independent valuer of the Company's key property asset for the purposes of the proposed transaction.</p>
<p>3) <u>It is believed that Isetan Mitsukoshi Holdings, the parent company, is motivated by efforts of the Tokyo Stock Exchange (TSE) to boost market valuations of Japanese companies listed on the TSE. The TSE recognised that "corporate values" of listed companies have to improved and a key metric that stood out is that half of all listed companies have a price-to-book ratio of below 1. The TSE recognised that the main actor in enhancing corporate value is the company itself and the exchange raised awareness and literacy regarding the cost of capital, capital efficiency and stock prices of listed companies.¹</u></p> <p><u>Specifically, it required companies with price/book consistently below 1x to disclose their policies and specific initiatives to improve their valuations.²</u></p>	

¹ <https://www.jpx.co.jp/english/news/1020/p1j4l400000014ul-att/p1j4l400000014x9.pdf>

² <https://www.jpx.co.jp/english/news/1020/p1j4l400000014ul-att/p1j4l400000014x9.pdf#page=7>

Questions	Responses
<p>The stock price performance of Isetan Mitsukoshi Holdings and the Company is shown below. As can be seen from the chart, the share price of Isetan Singapore has languished for years and traded around \$2.80 prior to the announcement. On the other hand, the share price of Isetan Mitsukoshi Holdings has more than tripled in the past three years,³ outpacing the Nikkei 225 index as well.</p>  <p>(Source: https://sg.finance.yahoo.com/quote/I15.SI/)</p> <p>For Isetan Singapore, a more relevant measure would be the <u>revalued/realisable net asset values (RNAV)</u> given its accounting policies and assets held.</p> <p>(i) What is the cost of capital for Isetan (Singapore) Limited? Has management consistently generated returns exceeding the cost of capital over the past 10 years?</p> <p>(ii) Could the board, particularly the independent directors, clarify their efforts in enhancing corporate value and improving capital efficiency? To what extent have these efforts been successful?</p>	<p>(i) Relying on the discount rate used to calculate the recoverable amounts of the Property, Plant and Equipment, and Right-of-use assets, the estimated cost of capital is 8.50%. The Company's Returns on Equity has not exceeded 8.50% over the last 10 years.</p> <p>(ii) Over the years, the Company has taken the following key initiatives to enhance corporate value.</p> <ul style="list-style-type: none"> Converted its property at Wisma Atria and part of the Kallang Pudding Warehouse into investment properties to diversify the Company's income stream;

³ <https://www.imhds.co.jp/en/ir/stockholder/stockprice.html>

Questions	Responses
	<ul style="list-style-type: none"> • Assessed the viability of loss-making stores and closed these stores where their long-term viability was in doubt; • Revamping of its flagship store at Scotts in 2019 to be a lifestyle destination with more F&B outlets; and • Exploring different possibilities of renting the Havelock property and maximising the returns. <p>The Company also continues to focus on improving operational efficiency by digitalising and streamlining its work processes to enhance returns on invested capital. Maintaining efficient working capital by managing our inventory, receivables and payables well has also been an ongoing focus of the Company.</p>
<p>(iii) What is the RNAV of the company?</p>	<p>(iii) The Company and the Offeror are currently in the process of preparing the relevant documents in relation to the Scheme. Details of the RNAV of the Company for the purposes of the Scheme as evaluated by the IFA will be set out in the letter from the IFA appended to the Scheme Document, which will be released in due course.</p>
<p>(iv) Would it be more prudent for the Company to implement its own capital efficiency measures before considering any privatisation efforts with the parent company so that value can be crystallised? For instance, the Company holds cash and cash equivalent of up to \$69.8 million which could be distributed to shareholder with ease. Certain non-core assets such as the Kallang Pudding warehouse could be sold and the proceeds returned to shareholders. Estimates of the RNAV ranged from \$9 to \$10. Proceeding with</p>	<p>(iv) As announced in the Joint Announcement, further information on the Scheme and the terms and conditions upon which the Scheme will be implemented by the Company and the Offeror will be set out in the Scheme Document to be released by the Company in due course. Thereafter, the Scheme Meeting will be convened at the direction of the Court for shareholders to consider and if thought fit, approve the Scheme. An opportunity will be provided to</p>

Questions	Responses
<p>the proposed scheme consideration of \$7.20 per share may potentially undervalue the company, leaving significant value on the table for shareholders.</p> <p>(v) Are the IDs revisiting the issue of the scheme consideration with the offeror to enhance the likelihood of the scheme being approved by the shareholders? The scheme must be fair and reasonable to be delisted from SGX-ST and it requires approval by a majority in number (i.e. headcount) representing three fourths in value (votes) of shareholders present and voting at the scheme meeting. It is not in the interest of shareholders nor the offeror if the company fails to secure shareholder approval at the scheme meeting.</p>	<p>shareholders to raise any queries that they may have pertaining to the Scheme at the Scheme Meeting itself.</p> <p>(v) As announced in the Joint Announcement, further information on the Scheme and the terms and conditions upon which the Scheme will be implemented by the Company and the Offeror will be set out in the Scheme Document to be released by the Company in due course. Thereafter, the Scheme Meeting will be convened at the direction of the Court for shareholders to consider and if thought fit, approve the Scheme. An opportunity will be provided to shareholders to raise any queries that they may have pertaining to the Scheme at the Scheme Meeting itself.</p>