

# ISETAN (SINGAPORE) LIMITED

(Company Registration No.: 197001177H)

(Incorporated in Singapore)

(the "Company")

## MINUTES OF THE 52<sup>nd</sup> ANNUAL GENERAL MEETING ("AGM")

HELD ON FRIDAY, 28 APRIL 2023 AT 10.00 A.M.

AT VENUS 1, FURAMA RIVERFRONT, LEVEL 3,

405 HAVELOCK ROAD, SINGAPORE 169633

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Present : Please refer to the attendance lists attached.

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The chairman of the board of Directors of the Company (the "**Board**"), Mr. Satoru Tanaka ("**Mr. Tanaka**"), extended a warm welcome to all present at the 52<sup>nd</sup> Annual General Meeting of the Company (the "**Meeting**").

It was noted that the Secretary had confirmed that a quorum was present for the Meeting.

Mr. Tanaka informed the Meeting that the Board had proposed Associate Professor Victor Yeo Chuan Seng to be the chairman of the Meeting (the "**Chairman**"). As there were no objections from the floor, the Chairman took the Chair and called the Meeting to order. The Chairman introduced the persons seated at the head table in the Meeting.

The Chairman then informed the shareholders that an audio recording of the Meeting would be made to assist in the preparation of the minutes.

With regard to the sequence of events, Mr. Tanaka and the managing director, Mr. Shioji Hiramatsu ("**Mr. Hiramatsu**") would each be invited to give their respective address to the Meeting. Each resolution would be proposed in turn and asked to be seconded. After each resolution had been proposed and seconded, the Chairman would invite questions from the floor in respect of the particular resolution. The resolutions would then be put to the Meeting and a poll would be taken.

The Chairman also informed the shareholders that in his capacity as Chairman of the Meeting, he had been appointed as a proxy by some shareholders, and would vote in accordance with the specific instructions of these shareholders. Where shareholders failed to specify instructions as to voting, or abstentions from voting, in respect of any resolution, the duly appointed proxy would be entitled to use his discretion. However, incomplete, improperly completed, illegible or unclear instructions in the proxy form might result in the votes of such voters not being counted. The Board had appointed TS Tay Public Accounting Corporation as scrutineers (the "**Scrutineer**") and Trusted Services Pte Ltd as the polling agent (the "**Polling Agent**"). The Scrutineer had supervised and verified the counting of all valid votes that were submitted via proxy forms earlier, and would also verify the electronic votes cast during the Meeting.

The Chairman lastly informed shareholders that all resolutions would be voted by way of poll, and that votes could be cast electronically anytime during the Meeting. Voting would be closed 5 minutes after the last question was addressed. All results would be announced immediately after the Polling Agent completed the collation of results. A video containing instructions on how votes could be cast electronically was then broadcasted.

The Notice convening the Meeting was taken as read.

1. **CHAIRMAN'S ADDRESS**

The Chairman invited Mr. Tanaka to address the shareholders. Mr. Tanaka informed the shareholders that a translator would be reading out the speech in English on his behalf.

In the speech, it was highlighted that the retail business continued to be one of the Company's core business segments, with its 2022 revenue forming about 88% of the Company's total 2022 revenue. This was due to the easing of pandemic-related Safe Management Measures ("**SMM**") which led to stronger instore traffic and resumption of mall activities (e.g., mall atrium events). Despite the closure of Isetan Katong in January 2022, the retail segment nevertheless registered a 0.09% increase in revenue in 2022, as compared to 2021.

In the investment property segment, there was a 20.5% increase in revenue in 2022, as compared to 2021, which was mainly due to the new operating lease income derived from a new tenant at Isetan Wisma Atria. As operating expenses had also increased at a slower pace, the results of the investment property segment improved by 58% in 2022 relative to 2021. The Company expected that barring any unforeseen circumstances, revenue from the investment property segment would remain stable in 2023.

Moving ahead, there was a projected slowdown of GDP growth. The increase in GST, high interest rate environment, high energy costs and higher wages, might dampen consumer spending. The Company would remain focused on the operational efficiency of the stores and investment properties, while simultaneously exploring new avenues of growth. The Company would also adopt a prudent approach for financial investments, and looked forward to the support of its stakeholders.

Mr. Tanaka handed over the conduct of the Meeting back to the Chairman at the end of his address.

2. **MANAGING DIRECTOR'S ADDRESS**

The Chairman then invited Mr. Hiramatsu to address the shareholders.

Mr. Hiramatsu stated that the Company experienced a faster pace of recovery after the Government eased SMMs and domestic and border restrictions were relaxed in FY2022. The revenue of the Company was \$87.62 million, representing a 2.12% increase as compared to 2021, mainly due to improved retail sales and an increase in rental income from Isetan Wisma Atria. The total expenses of \$90.46 million remained similar to that in 2021, but the Company incurred higher impairment losses on its investment in an associate ("**Isetan Chengdu**"), right-of-use assets ("**ROU Assets**"), and property, plant and equipment ("**PPE**"). However, the net profit after tax in 2022 decreased as compared to 2021, mainly due to the higher impairment losses. Mr. Hiramatsu addressed the retail segment results of the Company from 2020 to 2022. Without the impairment of ROU Assets and PPE, the retail segment would have improved with a marginal profit of \$60,000 in 2022, as compared to \$0.6 million in losses in 2021 and \$2.09 million in losses in 2020.

Mr. Hiramatsu explained the major variances in the retail segment, which were: (i) a gradual recovery in the retail industry from the impact of the pandemic, (ii) new tenants for Isetan Scotts and lesser rental rebates provided to tenants in 2022, (iii) significantly reduced government grant income from the Job Support Scheme and Jobs Growth Incentive, and (iv) the improved

performance of the retail segment (before impairment), which benefited from the gradual recovery in the Singapore retail industry. Mr. Hiramatsu highlighted the increase in net profit for the property segment of the Company, which consists of Isetan Wisma Atria and Kallang Pudding Warehouse. The major variances included: (i) the new tenant in Isetan Wisma Atria which contributed to higher rental income for 2022 and (ii) a lack of rental rebates given to tenants in 2022, as compared to the previous mandatory rental relief framework for eligible SMEs under the COVID-19 (Temporary Measures) (Amendment) Act.

Mr. Hiramatsu next addressed the post-COVID-19 updates. Firstly, the revenue of the Company in the retail and property segments recovered as SMMs were fully eased. Secondly, the Russia-Ukraine war caused geopolitical tensions among major global powers, which could impact supply chains and dampen consumer and business confidence. Thirdly, the global inflationary trend and high interest rate environment may impact operating costs and consumer spending. Fourthly, Isetan Chengdu was undergoing liquidation, and a full impairment value of \$1.75 million was recorded as the cost of investment was non-recoverable. Lastly, the impending GST hike in 2024 may cause consumers to moderate their spending, and thus impact the revenue of the Company.

Mr. Hiramatsu highlighted that the Company's mid-term plans would be prudent and aligned with the aforementioned prevailing economic conditions. The Company's growth strategy would remain centred on the retail segment as the core business. Areas of focus included: (i) store efficiency; (ii) the renewed tenancy and ongoing renovation of Isetan Serangoon Central, where the renovation was scheduled to complete in April 2023; (iii) increase in customer loyalty via the upgraded mobile application; (iv) enhancement of the E-commerce website by bringing in more niche merchandise; and (v) enhancement of customer convenience by digitalising operations. In relation to the investment properties, the Company sought to maintain a 100% occupancy rate of Isetan Wisma Atria and would also consider a possible future sale or revamping of the tenancy mix. Mr. Hiramatsu provided an update on digitalisation, I-online and digital marketing, noting that the Company would continue: (i) integrating its online and physical stores, membership system and promotion mechanics; (ii) focusing on communicating with customers and encouraging employees to reform their mindsets; and (iii) enhancing customer touchpoints after its transition to the new Enterprise Resource Planning system.

Mr. Hiramatsu handed over the conduct of the Meeting back to the Chairman at the end of his address.

### **3. ORDINARY RESOLUTION 1 - DIRECTORS' STATEMENT AND ACCOUNTS**

The Directors' Statement and Accounts for FY2022 together with the Auditor's Report thereon were taken as read.

The following resolution was duly proposed by the Chairman and seconded by a shareholder:-

"To receive and adopt the Directors' Statement and Accounts for the financial year ended 31 December 2022 together with Auditor's Report thereon."

The following queries were raised:

Shareholder 1 queried as to the profitability of the retail segment, with specific reference to the category of impairments in page 57 of the Annual Report 2022 ("**2022 AR**") and the Company's outlook on the future of the retail segment and future impairments, given that the "Disease Outbreak

Response System Condition" (DORSCON) level was Green and SMMs had been relaxed. The Chairman explained that impairment is a reflection of losses, and factors in future potential losses before they eventuate. Without the impairment sum, the Company would have made a profit of \$60,000 for FY2022. The representative of the External Auditor, Ms. Chua Lay See ("**Ms. Chua**"), explained that impairment involved a store-by-store assessment of the future cash flows that may be generated from each store, and extended to the impairment of ROU Assets that were reflected as an asset on the balance sheet. The Chairman further explained that the Company had to make accurate assumptions and brace itself for the approaching headwinds due to increase in GST and interest rates which could impact consumer sentiment, but the Company remained optimistic about turning the retail segment around.

Shareholder 1 queried as to the possibility of obtaining monetary returns from the liquidation process of Isetan Chengdu. The Chairman explained that the Company could not obtain any monetary returns, and that the liquidation process had ended.

Shareholder 1 queried as to the rationale of non-declaration of dividends, despite the profits made in FY2022. He stated that historically, the Company had declared dividends based on the profits gained and the amount of dividends would vary accordingly, with specific reference to the earnings per share at page 61 of the 2022 AR, and the balance sheet at page 63 of the 2022 AR. He commented that the balance sheet carried excessive cash and investments. Mr. Richard Tan Chuan Lye ("**Mr. Tan**") explained that in looking at profitability holistically, the profitability of the Company had decreased by 37% from 2021 to 2022. Therefore, the profits gained in FY2022 had decreased such that any dividend declared would be minimal. The Company preferred to adopt a prudent approach in declaring dividends and to build up its reserves, given the recent recovery from the COVID-19 pandemic and the uncertain economic environment. Further, the possibility of future impairments could not be discounted as the assessment was done on a store-by-store basis. The Chairman also explained that the Company did not declare dividends as it wished to reduce the accumulated losses from past years, notwithstanding that dividends could have been declared out of the profits made in FY2022. Shareholder 1 queried as to why the Company was investing in financial assets unrelated to the core business of the Company. He suggested that in light of the Company's reduced scale of operations, the Company should conduct a capital reduction exercise to cancel off the accumulated losses and return the excess monies to shareholders. The Chairman explained that the Company would consider this suggestion for capital reduction to enhance shareholder returns, and explained that the Company held on to liquid cash to ensure it would have enough reserves to tide through any unforeseen emergencies (e.g., new variants of COVID-19).

Shareholder 1 queried on whether the Company was actively looking to sell Isetan Wisma Atria. He provided three justifications for sale as follows: (a) the opening of the Thomson-East Coast MRT line which would increase the foot traffic and market valuation of Isetan Wisma Atria, (b) the depreciating lease of Isetan Wisma Atria and (c) the rental income from Isetan Wisma Atria, given the current 100% occupancy rate. The Chairman explained that the Company was open to selling Isetan Wisma Atria.

Shareholder 2 queried on the timeline for the sale of Isetan Wisma Atria, and urged the Company to actively search for prospective buyers given the high interest rate and depreciating lease of Isetan Wisma Atria. He added that the shift in consumer interest to E-commerce boded ill for brick-and-mortar premises. Mr. Tan explained that in 2022, the Company had engaged a professional firm to sell Isetan's property at Wisma Atria, but this did not yield any result. As such, the Company took steps to enhance the existing value of Isetan Wisma Atria by aiming for (and now achieving)

a 100% tenant occupancy rate and will continue to search for a buyer. The Chairman also stated that via its announcements, the Company made clear that it is open to selling its investment property at Wisma Atria.

Shareholder 3 observed that the continual losses of the retail segment, rather than the amount of impairment, was the main issue and suggested that the Company should consider reconfiguring the premises used for its core retail business to make it profitable (e.g., having F&B units at all floors of Isetan Scotts so as to increase rental income and offset the losses in the retail business segment). Shareholder 3 queried as to whether it was nevertheless feasible to have F&B units at the newly renovated Isetan Serangoon Central (located at NEX), given that F&B was not a core business and these units would be competing with the supermarket at NEX. Shareholder 3 also observed that the gains from investment properties was low at 1.7%, with specific reference to page 109 of the 2022 AR. He noted that a prompt sale of Isetan Wisma Atria at a below-market price was preferable to a prolonged search for buyers willing to buy at market value, as the lease duration decreased with time. He suggested that the Company could provide detailed calculations to justify a below-market sale to the shareholders. He suggested that the Company could consider selling Isetan Wisma Atria to foreigners who might prefer investing in commercial properties given the recent increases to Additional Buyer's Stamp Duty announced by the Government. The Chairman noted that the Board agreed with all of Shareholder 3's observations above, and explained that: (i) the Company was currently taking steps to improve the retail segment by engaging with its Japanese holding company (i.e., Isetan Mitsukoshi Holdings), as the Isetan Shinjuku store hit the highest ever revenue, to discuss practices that could be applied to the Singapore context, (ii) the Company was and would continue analysing the profitability of the operating stores to help turn the retail segment towards profitability. Ceasing business at unprofitable stores was commercially sound in the long-term, but would increase impairment costs in the short-term. Barring unforeseen circumstances, and should the assumptions made in impairment testing be achieved, the likelihood of further impairments in the next year will be low, (iii) the Company was taking steps to appeal to changing consumer preferences (e.g., renovating Isetan Serangoon Central, targeting older consumers given an ageing population, and possibly changing the mix of its tenants), and (iv) the Company would assess the economic soundness of selling Isetan Wisma Atria and would sell Isetan Wisma Atria at a price that made commercial sense, having regard to what the company can gain from rental income if the company were to keep the property. The Company had received expressions of interest from both local and international buyers. Shareholder 3 also observed that the Company should seriously discuss with Isetan Mitsukoshi Holdings to obtain shareholder approval for any proposed sale of Isetan Wisma Atria. He stated that the Company should aim to understand the concerns of the targeted consumer base (i.e., selling healthy food choices or items used by children), so as to cater to the elderly consumers. Further, the Company should consider benchmarking its gross profit margin against that of other listed companies in similar industries, instead of aiming to increase its revenue.

Shareholder 4 commented that concerning a sale of Isetan Wisma Atria, the Company was uniquely placed as it was the minority owner of the overall premises and the likeliest buyer is the majority owner of the overall premises, Starhill REIT. The Company should reconsider their strategy in selling off Isetan Wisma Atria, and perhaps sell off Isetan Wisma Atria along with the entire retail business segment. Otherwise, it may be difficult to sell Isetan Wisma Atria, as prospective buyers would become the minority owner of the property.

Shareholder 5 queried on the Company's marketing efforts concerning the sale of Isetan Wisma Atria, and specifically whether there were concrete steps taken to appoint professional marketing

agents previously and whether the previous marketing efforts targeted a global or local market. The Chairman explained that the Company had appointed a professional marketing agent 1.5 years ago, but was currently not engaging a professional marketing agent as the Company was focusing on increasing rental yields at Isetan Wisma Atria. The previous marketing efforts targeted a global market. Shareholder 5 queried as to alternative modalities of sale (e.g., auction), and suggested introducing new players and setting a high reserve price so that the Company could make a profitable sale. The Chairman explained that the Company would consider the professional assessment of the marketing agent on modalities of sale, and the Board would also specifically consider this issue on modalities of sale. Shareholder 5 queried as to whether the strata title for Isetan Wisma Atria could be sub-divided and whether professional advice was sought concerning this issue, as the previous marketing efforts to sell the entire premises received no offers despite a few expressions of interest being made. The Chairman explained that this was unlikely, as the Company was a minority owner of the entire premises. The strata title was a 99-year reversionary leasehold interest granted by the Ngee Ann Kongsi Foundation, which has a different set of rules concerning sub-division (as compared to the typical leasehold interest granted by the Government). Further, from a commercial perspective, it is unlikely that any buyers will be interested in a sub-divided leasehold interest in Isetan Wisma Atria.

The Chairman suggested that further questions, if concerning the other resolutions, be posed after the resolutions have been read as some shareholders might have to leave the AGM early.

#### **4. ORDINARY RESOLUTION 2 - RE-ELECTION OF MR. RICHARD TAN CHUAN LYE**

The following resolution was duly proposed by the Chairman and seconded by a shareholder:-

“To re-elect Mr. Richard Tan Chuan Lye as a Director who will be retiring pursuant to Regulation 96 of the Company’s Constitution, and who, being eligible, has offered himself for re-election.”

The following queries were raised:

Shareholder 3 queried on the voting procedure and when voting would occur. He requested that the voting results appear on the screen afterwards. The Chairman explained that the instructional video would be replayed, shareholders may vote electronically at any time during the Meeting, and the results would be announced on the screen afterwards.

Shareholder 2 requested that each resolution be shown on the screen. The Chairman agreed.

#### **5. ORDINARY RESOLUTION 3 - RE-ELECTION OF MS. LIM BEE CHOO**

The following resolution was duly proposed by the Chairman and seconded by a shareholder:-

“To re-elect Ms. Lim Bee Choo as a Director who will be retiring under Regulation 96 of the Company’s Constitution and who, being eligible, has offered herself for re-election.”

The following query was raised:

Shareholder 1 queried on the effect of Ordinary Resolution 3. He commented that the tenure of Ms. Lim Bee Choo (“**Ms. Lim**”) as Director had exceeded 9 years, and she would be considered as non-independent after the 2024 AGM, referencing the SGX-ST Listing Rules (Mainboard) Rule 210(5)(d)(iv)

and Transitional Practice Note 4 'Transitional Arrangements Regarding the Tenure Limit for Independent Directors'. Ms. Lim responded that she would step down as Director before the 2024 AGM and the search for her replacement was ongoing. The Company intended to have said replacement join the Board before the end of 2023.

**6. ORDINARY RESOLUTION 4 - RE-ELECTION OF MR. SHIOJI HIRAMATSU**

The following resolution was duly proposed by the Chairman and seconded by a shareholder:-

"To re-elect Mr. Shioji Hiramatsu as a Director who will be retiring under Regulation 103 of the Company's Constitution and who, being eligible, has offered himself for re-election."

No queries were raised from the floor in relation to Ordinary Resolution 4.

**7. ORDINARY RESOLUTION 5 - DIRECTORS' FEES FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2023**

The following resolution was duly proposed by the Chairman and seconded by a shareholder:-

"To approve the payment of Directors' fees of up to S\$191,250/- for the financial year ending 31 December 2023 (payable quarterly in arrears) (for the financial year ended 31 December 2022: S\$163,000)."

The Chairman highlighted the table in the Notice showing the fees payable for each position on the Board and Board committees, and explained that the increase in Directors' fees was due to: (i) the reinstatement of the original Directors' fees, as the independent Directors had voluntarily taken a 15% fee cut during the pandemic; and (ii) the Directors' fees last being increased in 2014.

The following query was raised:

Shareholder 3 observed that the maximum proposed amount of Directors' fees exceeded the total paid to the independent Directors, and queried whether this was to cover the pro-rated fees of an incoming independent Director as the Company intended to have the term of said incoming independent Director overlap with Ms Lim's term as a Director. Shareholder 3 further queried as to whether Ms Lim's replacement would likely be female, as the Company intended to maintain a 20% gender diversity target on its Board. The Chairman responded affirmatively to both queries.

**8. ORDINARY RESOLUTION 6 - RE-APPOINTMENT OF AUDITORS**

The following resolution was duly proposed by the Chairman and seconded by a shareholder:-

"To re-appoint PricewaterhouseCoopers LLP, the existing auditors of the Company, as Auditors to hold office until the conclusion of the next general meeting of the Company and to authorise the Directors to fix their remuneration."

The following query was raised:

Shareholder 3 queried on the large increase of \$100,000 in audit fees. Ms. Chua explained that the increase was not due to the new sustainability reporting requirements, and was justified by: (a) the

Company's new enterprise resource planning system which necessitated greater checks and investigations and (b) the increase in base audit fees attributed to current market conditions.

Shareholder 6 commented that the increase in audit fees is acceptable given that: (i) it was not major (about 36%); (ii) the impairment assessment and liquidation of Isetan Chengdu necessitated extra work for the Auditors; and (iii) there was a general increase in remuneration in the accounting industry (for the purposes of retaining staff).

## **9. ANY OTHER BUSINESS**

As there was no other business, the Chairman reminded the shareholders to proceed to cast their votes electronically, as voting would close in 5 minutes.

## **10. RESULTS OF THE POLL**

The Chairman announced the results of the poll as follows:-

- (i) Ordinary Resolution 1 – Adoption of Directors' Statement and Accounts and Auditor's Report thereon. With a total of 23,315,765 shares voted for Resolution 1 (which represented 99.93% of the total shares voted) and 17,300 shares voted against Resolution 1 (which represented 0.07% of the total shares voted), the Chairman declared Resolution 1 carried by majority vote.
- (ii) Ordinary Resolution 2 – Re-election of Mr. Richard Tan Chuan Lye as a Director. With a total of 25,259,115 shares voted for Resolution 2 (which represented 99.71% of the total shares voted) and 73,950 shares voted against Resolution 2 (which represented 0.29% of the total shares voted), the Chairman declared Resolution 2 carried by majority vote.
- (iii) Ordinary Resolution 3 – Re-election of Ms. Lim Bee Choo as a Director. With a total of 25,269,815 shares voted for Resolution 3 (which represented 99.75% of the total shares voted) and 63,250 shares voted against Resolution 3 (which represented 0.25% of the total shares voted), the Chairman declared Resolution 3 carried by majority vote.
- (iv) Ordinary Resolution 4 – Re-election of Mr. Shioji Hiramatsu as a Director. With a total of 25,275,815 shares voted for Resolution 4 (which represented 99.77% of the total shares voted) and 57,250 shares voted against Resolution 4 (which represented 0.23% of the total shares voted), the Chairman declared Resolution 4 carried by majority vote.
- (v) Ordinary Resolution 5 – Approval of the payment of Directors' fees for the financial year ending 31 December 2023 of up to S\$191,250/-. With a total of 25,309,980 shares voted for Resolution 6 (which represented 99.91% of the total shares voted) and 22,175 shares voted against Resolution 5 (which represented 0.09% of the total shares voted) the Chairman declared Resolution 5 carried by majority vote.
- (vi) Ordinary Resolution 6 – Re-appointment of PricewaterhouseCoopers LLP as Auditors and authorise the Directors to fix their remuneration. With a total of 25,277,690 shares voted for Resolution 6 (which represented 99.79% of the total shares voted) and 54,375 shares voted against Resolution 6 (which represented 0.21% of the total shares voted), the Chairman declared Resolution 6 carried by majority vote.

There being no other matters, the Meeting then ended at 11.57am with thanks to the Board and Chair.





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**VICTOR YEO CHUAN SENG**  
Chairman of the Meeting