

2019 Annual General Shareholders' Meeting of Far Eastern Department Stores Ltd.

Rising Above Challenges Registering Record High Revenues

FEDS Digital Transformation Satisfying Consumers' Digital Experience

FEDS (2903) Annual General Shareholders' Meeting was held

Date: 9:00 am, Tuesday, June 25, 2019

Venue: Auditorium in the Taipei Hero House

The slowdown in the retail market in 2018 is largely due to keen competitions from e-commerce and changes in customer needs. Far Eastern Retail Group, equipped with new technology to deploy smart retail operations, has expedited its digital transformation to register outperforming revenues. In particular with the department stores, the dual brand of Far Eastern Department Stores (FEDS) and Far Eastern SOGO Department Stores continued to boost revenues and deliver outstanding performance despite the slump in the retail market.

■ **Financial Results: 2018 consolidated net profit was NT\$1.65 billion**

The Far Eastern Retail Group (including Far Eastern Department Stores, Far Eastern SOGO Department Stores, Far Eastern A.Mart, and Far Eastern City Super) registered consolidated sales of NT\$116.4 billion in 2018. Consolidated net profit was NT\$1.65 billion, earnings per share were NT\$0.94, cash dividend payout for 2018 was NT\$0.85, making a surplus distribution ratio of 90%. Among which, the 52-year old parent company FEDS delivered record breaking revenues of NT\$44.28 billion and operating profit of NT\$2.09 billion, respectively. Operating income exceeded NT\$2 billion, up 11% year on year, double than a decade before. Far Eastern SOGO Department Stores, Far Eastern A.Mart, and Far Eastern City Super also performed well, in particular pre-tax net income of Far Eastern SOGO Department Stores grew nearly 20% year on year, and operating income of Far Eastern A.Mart also increased more than 20% to focus on e-commerce, build up multiple platforms for store deliveries operating model, and fully optimize revenue streams via virtual and physical integration.

■ **Business Strategy: Digital Transformation on the FEDS, fulfill the digital experience of customers**

Embracing digital transformation, Far Eastern Department Stores has been focusing on “digital operation, digital experience, digital management” to build digital retailing in order to offer customers a unique digital shopping experience. Through setting up POS, APP, and CRM, the three core systems, FEDS is able to assess customer needs, and by following the 4R marketing model (Right Time, Right Way, Right Person, and Right Service) our consumers can receive the real time information and experience personalized services when shopping at our stores; for example, convenient smart parking, e-billboard fashion products alerts, APP to inform merchandise discount, direct mobile payment for the parking fee. Through a digitized shopping journey, FEDS provides customers with a heartwarming and wonderful shopping experience. Furthermore, the Company also formed 46 task forces, established over 40 sets of digital systems, established a mobile office to lower operating costs by 17%, and increased annual operating profit of NT\$500 million, equivalent to the operating profit generated by an annual revenue of \$10 billion mega store.

■ **Expansion Plan: Far Eastern Retail Group will open three more stores to expand its retail market share**

With its operation in Taiwan for over 52 years, FEDS continues to transform, rebuild, innovate, and maintain growth momentum. In the second half of 2019, the trend leading “Smart Shopping Mall” Hsinyi A13 Store will provide an innovative digital experience and offer new services to fulfill consumers’ imagination and needs for digital shopping. Far Eastern A.Mart and city’ super will also open new stores in Taichung and Taipei respectively. Far Eastern Retail Group is scheduled to open three stores to continuously expand its retail scope and scale. As for cross-strait deployment, alongside optimizing revenue growth of existing stores, the Company will also seek for possible merger targets and investment opportunities, continue to open stores in China, develop new markets, and increase market share.

■ CSR Efforts & Initiatives: Hosted 336 CSR events, dedication to local communities

This year coincides with the 70th founding anniversary of the Far Eastern Group. As a responsible corporate citizen, the Group has long been committed to corporate social responsibilities and the Company has been dedicating to social wellbeing. In 2018, FEDS maintained an outstanding performance in CSR efforts and received nearly 20 awards both domestically and abroad, being accredited with “National Sustainable Development Awards” by the Executive Yuan. As for sustainable environment, the Company has adopted the highest standard of the manufacturing industry, other than the service industry, to review its energy conservation. Accumulated energy saving for the past four years has amounted to 16.38 million kilowatt-hours (kWh.), making FEDS Taiwan’s first department store to establish the real time energy efficiency index platform to achieve high-tech energy saving level. In terms of feedback to the society, in 2018 FEDS sponsored 336 non-profit events to care for women, children, and under-privileged families which averages to one charitable event per day contributing to local communities and collaborating with the general public to raise social awareness around environmental sustainability, charity, health, and sustainable life styles.