

SHINSEGAE

Shinsegae Inc.
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06545

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Dear Shareholders,

We are grateful for your interest in our company and we would like to invite you to the 64th AGM. The AGM will be held on **March 24th, 2021** at the Korea Post tower Building located in Seoul. The matters to be voted at the Annual Shareholders' Meeting can be found in the attached Notice of Annual Shareholders' Meeting.

- The dividend per share this year is **1,500 KRW**.
- Resolution on the amendments to Articles of Incorporation :
See the Attachment
- Candidates for Internal Board of Directors : **Won-sik Seo**, an expert at planning/management, has extensive experience and abundant knowledge about all aspects of fashion/cosmetics/duty free. Mr. Seo is suitable for establishing company's vision and making company's financial structure solid.
- Candidate for External Board of Directors and Audit Committee Member : **Jung-hee Won**, is a financial expert who can play an outstanding role in making decision in company's management policies and give objective, useful advice based on extensive experience and expertise in finance
- Candidate for External Board of Directors : **Chul-Whan We**, is a legal expert who can play an outstanding role in making decision in company's management policies and give objective and useful advice based on extensive experience and expertise.
- Candidate for External Board of Directors and Audit Committee Member : **Kyeong-won Kang** is a audit expert who can play an outstanding role in making decision in company's management policies and give objective and useful advice based on extensive experience in administration field.
- The Limit of Directors' Remuneration remains the same as the previous year (**10B KRW**).
The total remuneration of FY2020 amounted to 4B KRW.

If you have any further questions, please do not hesitate to contact us at any time.

We believe it is important that your shares are represented at the Annual Shareholders' Meeting. The estimated deadline for voting is **March 23rd**, therefore, we urge you to exercise your votes.

Thank you again for the participation as our shareholder.

Sincerely,

Dae-ho Kim

Vice President of Financing

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NOTICE OF ANNUAL SHAREHOLDERS' MEETING

- Date: Wednesday, March 24th, 2021
- Time: 9:00 am
- Place: 10F Korea Post tower Building Auditorium
70, Sogong-ro, Jung-gu, Seoul, Korea
- Agenda: - Matters to be reported -
1. Auditor's Report
 2. Business Report
 3. Report of Internal Accounting Control System
 4. Report of Transaction with the Largest Shareholder & Affiliates
- Matters to be voted -
1. Approval of Financial Statements for the 64th Fiscal Year
-including Statements of Appropriation of Retained Earnings
& Consolidated Financial Statements
 2. Amendments to Articles of Incorporation
 3. Election of Directors
 - Election of Internal Board of Director Seo Won Sik
 - Election of External Board of Director Won Jung Hee
 - Election of External Board of Director We Chul Whan
 4. Election of Audit Committee and Directors
 - Election of Audit Committee and external board of Director Kang Kyeong Won
 5. Election of Audit Committee
 - Election of Audit Committee Won Jung Hee
 6. Limit of Directors' Remuneration

Details of Agenda

No. 1 : Approval of Non-Consolidated and Consolidated Financial Statements for the 64th Fiscal Year

1. Non-Consolidated Financial Statements

Statements of Financial Position

(KRW in Billions)	<u>2020</u>	<u>2019</u>
Current Assets	480	401
Non-current assets	7,055	6,865
<u>Total assets</u>	<u>7,535</u>	<u>7,266</u>
Current Liabilities	1,977	1,434
Non-current liabilities	1,926	2,061
<u>Total liabilities</u>	<u>3,903</u>	<u>3,495</u>
Capital Stock	49	49
Retained earnings	3,005	2,792
Other components of equity	262	247
<u>Total equity</u>	<u>3,633</u>	<u>3,771</u>

Statement of Income

(KRW in Billions)	<u>2020</u>	<u>2019</u>
<u>Sales</u>	<u>1,460</u>	<u>1,558</u>
Cost of sales	293	285
<u>Gross profit</u>	<u>1,167</u>	<u>1,273</u>
Selling, general and administrative expenses	1,040	1,051
<u>Operating profit</u>	<u>127</u>	<u>222</u>
Profit before income tax	188	946
Income tax expense	(52)	240
<u>Net Income</u>	<u>240</u>	<u>706</u>

Statement of Comprehensive Income

(KRW in Billions)	<u>2020</u>	<u>2019</u>
Profit for the period	240	706
Other comprehensive income(loss)	12	(31)
Total comprehensive income for the period	253	675

Statement of Appropriations of Retained Earnings

(KRW in Millions)	<u>2020</u>	<u>2019</u>
Retained earnings before appropriations:	<u>232,954</u>	<u>674,136</u>
Unappropriated Retained earnings from the previous year	-	(16,005)
Other Comprehensive Income	232,954	690,141
Appropriations:	<u>232,954</u>	<u>674,135</u>
Legal reserve of retained earnings	-	-
Reserve for business expansion	218,200	654,463
Other capital adjustment	-	-
Cash dividends Per Share : <u>1,500 KRW</u>	14,755	19,673
Unappropriated retained earnings to be carried forward to the subsequent year	-	-

Statement of Changes in Equity

(KRW in Billions)	<u>Total</u>
Balance as of Jan 1st, 2019	<u>3,124</u>
Total Comprehensive Income	675
Annual Dividends	(20)
Issuance of Perpetual Bond etc	(8)
Balance as of Dec 31, 2019	<u>3,771</u>
Balance as of Jan 1, 2020	<u>3,771</u>
Total Comprehensive Income	240
Annual Dividends	(20)
Issuance of Perpetual Bond etc	(5)
Balance as of Dec 31, 2020	<u>3,633</u>

Statement of Cash Flows

(KRW in Billions)	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Net cash generated from operating activities	268	309
Cash flows from investing activities		
Net cash used in investing activities	(351)	(179)
Cash flows from financing activities		
Net cash generated from financing activities	223	(274)
Net increase in cash and cash equivalents	140	(144)
Cash and cash equivalents(Beginning of the period)	71	215
Cash and cash equivalents(End of the period)	211	71

2. Consolidated Financial Statements

Statements of Financial Position

(KRW in Billions)	<u>2020</u>	<u>2019</u>
Current Assets	1,670	1,831
Non-current assets	11,093	11,187
<u>Total assets</u>	<u>12,763</u>	<u>13,018</u>
Current Liabilities	3,520	3,173
Non-current liabilities	4,192	4,330
<u>Total liabilities</u>	<u>7,712</u>	<u>7,503</u>
Capital Stock	49	49
Retained earnings	2,782	2,921
Other components of equity	261	245
Non-Controlling Interest	1,615	1,589
<u>Total equity</u>	<u>5,051</u>	<u>5,515</u>

Statement of Income

(KRW in Billions)	<u>2020</u>	<u>2019</u>
<u>Sales</u>	<u>4,769</u>	<u>6,394</u>
Cost of sales	2,369	3,126
<u>Gross profit</u>	<u>2,400</u>	<u>3,268</u>
Selling, general and administrative expenses	2,312	2,800
<u>Operating profit</u>	<u>88</u>	<u>468</u>
Profit before income tax	(117)	798
Income tax expense	(42)	205
<u>Net Profit</u>	<u>(75)</u>	<u>593</u>

Statement of Comprehensive Income

(KRW in Billions)	<u>2020</u>	<u>2019</u>
Profit for the period	(75)	593
Other comprehensive income(loss)	9	(40)
Total comprehensive income for the period	(66)	553
Comprehensive income attribute to :		
Owners of parents	(99)	488
Non-controlling interests	33	65

Statement of Changes in Equity

(KRW in Billions)	<u>Total</u>
<u>Balance as of Jan 1st, 2019</u>	<u>4,999</u>
Total Comprehensive Income	553
Annual Dividends	(29)
Others (Issuance of perpetual bonds etc.)	(8)
<u>Balance as of Dec 31, 2019</u>	<u>5,515</u>
<u>Balance as of Jan 1, 2020</u>	<u>5,515</u>
Total Comprehensive Income	(66)
Annual Dividends	(30)
Acquisition of subsidiary's shares	(50)
Change in consolidation scope	4
Others (Issuance of perpetual bonds etc.)	(322)
<u>Balance as of Dec 31, 2020</u>	<u>5,051</u>

Statement of Cash Flows

(KRW in Billions)	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Net cash generated from operating activities	644	790
Cash flows from investing activities		
Net cash used investing activities	(389)	(71)
Cash flows from financing activities		
Net cash generated from financing activities	(44)	(894)
Net increase in cash and cash equivalents	211	(175)
Cash and cash equivalents(Beginning of the period)	178	352
Cash and cash equivalents(End of the period)	389	178

No. 2 : Amendments to Articles of Incorporation

1. Purpose of Amendments

Article 2 (Purpose)

To add “Advertising, advertising agency and other advertising business”
“Display, sales, agency, rental and consult about artwork business”
to purpose of new business

Article 9-2, 14, 15-2, 17, 42 (Related to Record date)

Change the record date from last day of fiscal year to determined by board of directors

Article 38-2 (Composition of Audit committee)

Appointing audit committee member from directors separately from other directors.
Resolved with the majority vote from the shareholders in attendance when the voting right exercised electronically

2. Current & Amended

	Current	Amended
Article 2 (purpose)		
	The company bases its purpose on the following business areas: 1~36 (unchanged) 37. All the subsidiary business and investment related to above each number	(Unchanged) 1~36 (unchanged) <u>37. Advertising, advertising agency, and other advertising business</u> <u>38. Display, sales, rental and consult about artwork business</u> 39. All the subsidiary business and investment related to above each number

Article 7-2 (Number and details of Preferred Shares)		
	<p>⑦ The period of existence for preferred shares shall be determined by the Board of Directors at the time of issuance within the period of three (3) years to ten (10) years from the issuance date, and shall be converted to common shares upon the expiration of this period. Provided, that if any specified dividends is not distributed during the above period, the period shall be extended until the specified dividend is terminated. <u>In such cases the provision of Article 9-2 shall apply mutatis mutandis to the distribution of dividends on the shares issued upon conversion.</u></p>	<p>⑦ The period of existence for preferred shares shall be determined by the Board of Directors at the time of issuance within the period of three (3) years to ten (10) years from the issuance date, and shall be converted to common shares upon the expiration of this period. Provided, that if any specified dividends is not distributed during the above period, the period shall be extended until the specified dividend is terminated. <u>Deleted</u></p>
Article 9-2 (Equal Dividends)		
	<p>If the Company issues new shares by paid-in capital increase, capital increase without consideration, or share dividends, the dividend on profits for new shares shall be deemed to have been issued at the end of fiscal year immediately preceding the fiscal year to which the new shares concerned were issued. Provided, that the dividend shall be assessed in proportion to such period of existence for redeemable preferred shares.</p>	<p><u>The Company shall distribute equal dividends regardless of the issuing date for the same type of shares including the shares issued or converted as of the record date of the dividend.</u></p>
Article 9-3 (Share Option)		
	<p>⑦ Article 9-2 shall apply mutatis mutandis to the dividend of the profit gained from the new shares as a result of an exercise of share options.</p>	<p>⑦ <u>Deleted</u></p>
Article 14 (Record Date)		
	<p>① The Company shall suspend any entry of alterations in the register of shareholders concerning shareholders' rights from January 1 to January 31 each year.</p> <p>② The Company shall only permit the shareholders listed in the register of shareholders as of the last day of each fiscal year to exercise their rights. If necessary, the Company may suspend the title transfer, etc., or designate a record date over a certain period of time less than three (3) months after giving a public notice thereof two (2) weeks in</p>	<p>① <u>The Company shall designate the shareholders listed in the register of shareholders on the date determined by the Board of Directors each year as the shareholders who shall exercise their rights at the regular general meeting of shareholders.</u></p> <p>② <u>If it is deemed necessary for convening the extraordinary general meeting of shareholders or for any other purpose, the Company may designate the shareholders listed in the register of shareholders on the date determined by the Board of Directors</u></p>

	advance through the resolution of the board of directors.	<u>as the shareholders who shall exercise their rights. The Company shall give public notice thereof two (2) weeks prior to the date set forth by a resolution of the Board of Directors.</u>
Article 15-2 (Issuance of Convertible Bonds)		
	⑤ Conversion of shares shall be considered to have taken place at the end of previous fiscal year for dividends for profit or interest from shares issued due to conversion.	<u>⑤ The Company shall only pay interest accrued beyond the payment period prior to conversion when the convertible bonds have been converted into shares.</u>
Article 16 (Issuance of Bonds with Warrants)		
	⑤ Regarding bonds with warrants, new shares shall be considered to have been issued at the end of the fiscal year prior to the fiscal year when total payment of issuing price of new shares for dividends for profit or interest from shares issued due to exercise of preemptive rights.	⑤ <u>Deleted</u>
Article 17 (Convocation)		
	② The regular general meeting of shareholders shall be convened within three (3) months after the ending of annual financial closing period, and an extraordinary general meeting of shareholders shall be convened from time to time when deemed necessary.	<u>② The regular general meeting of shareholders shall be convened within three (3) months under the base date prescribed in Article 14-1,</u> and an extraordinary general meeting of shareholders shall be convened from time to time when deemed necessary.
Article 38-2 (Composition of Audit Committee)		
	④ <Change to ⑦> ⑤ <Newly Inserted> ⑥ <Newly Inserted>	<u>④ Members of the audit committee shall appoint audit committee members from the appointed directors after the directors have been appointed at the general meeting of shareholders. In such instance, one of the audit committee members shall be appointed separately from other directors as a director to serve as an audit committee member through the resolution of the general meeting of shareholders.</u> <u>⑤ Appointment of audit committee member shall require majority vote from the voting rights of shareholders in attendance and at least one-fourth (1/4) of total outstanding number of shares. Provided, that when the voting right can be exercised electronically</u>

		<p><u>under Article 368-4 (1) of the Commercial Act, the appointment of an audit committee members may be resolved with the majority vote from the shareholders in attendance.</u></p> <p><u>⑥ Shareholders holding shares in excess of three-hundredths (3/100) of a total number of outstanding shares aside from shares without voting rights (aggregate the shares held by an affiliated person(s), and other parties prescribed by the Enforcement Decree of the Commercial Act for the majority shareholder regarding appointment and dismissal of audit committee members other than an outside director) cannot exercise voting rights from such shares held in excess.</u></p>
Article 42 (Dividends)		
	<p>② Dividends under Paragraph (1) shall be paid to the shareholders or pledgees who are registered in the Register of Shareholders as of the end of each fiscal year.</p>	<p><u>② Dividends under Paragraph (1) shall be paid to the shareholders or pledgees who are registered in the register of shareholders as of the date prescribed in Article 14 (1)</u></p>
Article 42-2 (Quarterly Dividends)		
	<p>④ If the Company issues new shares (including conversion of reserves into capital share, share dividends, request of conversion of convertible bonds, or exercise of warrants attached to bonds with warrants) prior to the quarterly dividend record date under Paragraph (1) above, but after the commencement date of the fiscal year concerned, the new shares shall be deemed to have been issued at the end of the fiscal year immediately prior to the fiscal year concerned for the purpose of quarterly dividends.</p>	<p>④ <u>Deleted</u></p>

No. 3 : Election of Directors

The following candidate is nominated for Internal Board of Director.

Name:	Seo, Won Sik
Date of Birth:	September 15 th , 1966
Term:	3 years
Professional Background:	Executive Vice President of Administration Department at Shinsegae Inc. (Present) Vice President of Administration Department at Shinsegae DF Inc. (2018) Chief Officer at Administration Department at Shinsegae International Inc (2014)
Academic Qualification:	Major in Korean Language and Literature, Korea University
Nationality:	Republic of Korea
Relationship with the largest shareholder:	None
Transactions with the company in the past three years	None

The following candidates are nominated for External Board of Director.

Name:	Won, Jung Hee
Date of Birth:	January 17 th , 1959
Term:	2 years
Professional Background:	Advisor at Lee & Ko (Present) Head of National Tax Service of Busan Province (2014)
Academic Qualification:	Undergraduate at Korea Military Academy Master degree in Taxation and Accounting at Hongik University
Nationality:	Republic of Korea
Relationship with the largest shareholder:	None
Transactions with the company:	None

Name:	We, Chul Whan
Date of Birth:	February 17 th , 1958
Term:	2 years
Professional Background:	Lawyer at Dongsuwon Law Firm (Present) Head of Korean Bar Association (2013)
Academic Qualification:	Undergraduate at Seoul National University of Education Major in Law at SungKyunKwan University
Nationality:	Republic of Korea
Relationship with the largest shareholder:	None
Transactions with the company:	None

No. 4 : Election of Audit Committee and Directors

**The following candidate is nominated for
External Board /Audit Committee Member.**

Name:	Kang, Kyeong Won
Date of Birth:	January 15 th , 1960
Term:	2 years
Professional Background:	First Deputy Secretary General at Board of Audit and Inspection of Korea (2015) Deputy Secretary General for Public Sector Inspection (2014)
Academic Qualification:	Major in Public Administration, Yonsei University
Nationality:	Republic of Korea
Relationship with the largest shareholder:	None
Transactions with the company:	None

No. 5 : Election of member of Audit Committee

The following candidate is nominated for Audit Committee Members.

Name:	Won, Jung Hee
Date of Birth:	January 17 th , 1959
Term:	2 years
Professional Background:	Advisor at Lee & Ko (Present) Head of National Tax Service of Busan Province (2014)
Academic Qualification:	Undergraduate at Korea Military Academy Master degree in Taxation and Accounting at Hongik University
Nationality:	Republic of Korea
Relationship with the largest shareholder:	None
Transactions with the company:	None

No. 6 : Limit of Directors' Remuneration

	<u>2021</u>	<u>2020</u>
The total remuneration	-	4.0
Remuneration Limit (KRW bn)	10	10
Number of Directors	7	7

Shinsegae Inc.

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