



PRESIDENT CHAIN STORE CORPORATION



## 2011 Annual Report

ATTENTIVE & INNOVATIVE

7-ELEVEN embraces customers with HAPPINESS

## PCSC 2011 ANNUAL REPORT

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Service from the **HEART** . **NEW** feeling



CITY CAFÉ

Attentive service, making customers smile with satisfaction



Cosmed



Cold Stone

## Products from the **HEART** . **NEW** experiences

7-ELEVEN Fresh Vegetable



Attentive products, offering customers diversified choices



## Foods from the **HEART** . **NEW** delicious meals

7-ELEVEN Food Service



Attentive foods, providing customers with delicious and healthy food



Afternoon Tea



21 Century



## Observation from the **HEART** . **NEW** convenience



Takkyubin

Attentive observation, giving customers convenient life anytime and anywhere



## Management from the **HEART** . **NEW** perspectives



Attentive management, enabling the group's services to cross boundaries

Shanghai Starbucks 、Shanghai 7-ELEVEN 、Shanghai Mister Donuts



Philippine 7-ELEVEN



## Overall Performance

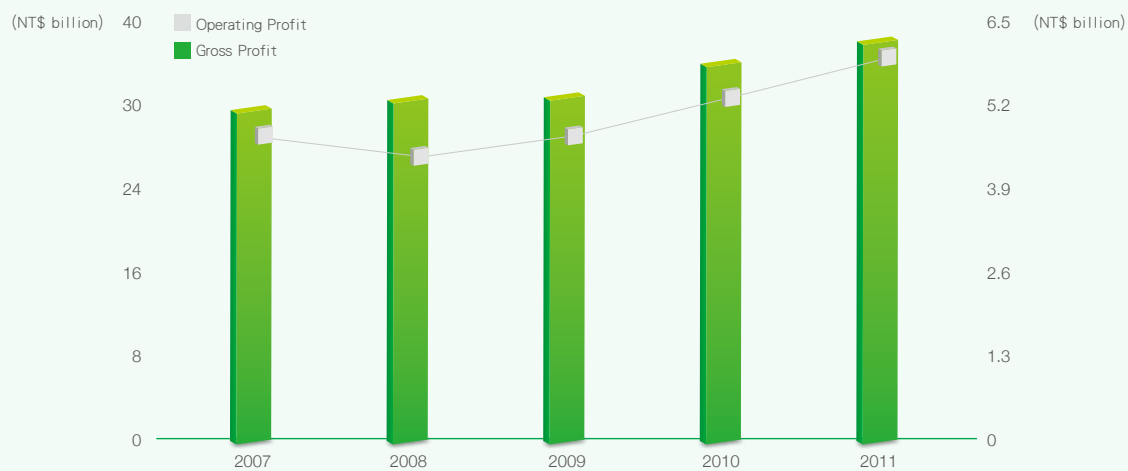
Item / Year (NTD in thousands)	2011	2010	YOY %
Revenue	122,712,725	114,663,893	7.02%
Gross Profit	38,275,309	35,922,611	6.55%
Operating Profit	6,074,940	5,527,488	9.90%
Pre-tax Profit	7,430,465	6,628,936	12.09%
Net Profit	6,352,410	5,725,757	10.94%
EPS(NT\$)	6.11	5.51	-
Weighted Average Outstanding Shares	1,039,622,255	1,039,622,255	-

Financial Ratios	2011	2010
Gross Margin	31.19%	31.33%
Operating Expense Ratio	26.24%	26.51%
Operating Margin	4.95%	4.82%
Net Margin	5.18%	4.99%
ROA	12.56%	11.72%
ROE	31.06%	29.26%
Inventory Turnover (times)	25.62	26.79
Fixed Asset Turnover (times)	14.37	14.77

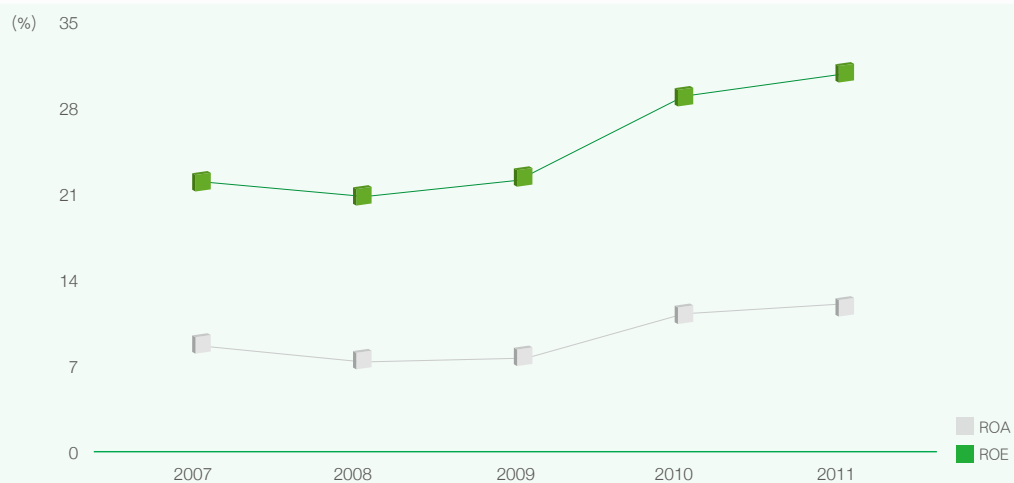
## Total No. of Stores & Revenue



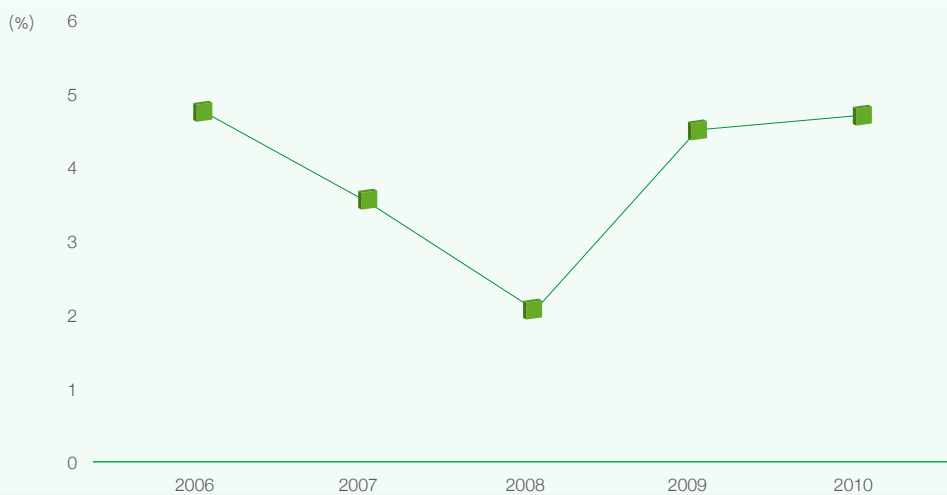
## Gross Profit & Operating Profit



## ROE & ROA



## Cash Dividend Yield



# 01 Letter to the shareholders

## Dear Shareholders,

Due to the influence of the European debt crisis on the global economy, the business environment again faced challenges since the second half of 2011. In spite of the unstable economic environment, the management team continues its innovative business model in actively improving store quality, strengthening private-labeled products, developing virtual business, and jointly engaging in integrated marketing activities for all stores in conjunction with subsidiaries. As a result, we have successfully boosted overall profitability, and achieved historic consolidated revenue and profit records of NT\$189.25 billion and NT\$7.16 billion respectively.

## Operating Performance

As far as merchandising is concerned, PCSC continues to monitor customers trends and provide a wide variety of fresh food and light food products satisfying people's need for healthy and good-tasting foods. We insist on using only 100% Taiwan rice, and using rice grown under contract by Taiwanese farmers to provide superior products containing wholesome ingredients. In addition, we maintain strict control over every link in our fresh food supply chain, including our fresh food factories, logistics, and stores. With more than 1,000 farmers throughout Taiwan and over 400 fresh/fast food factories and satellite factories, we have created the largest fresh food industry in Taiwan. Looking ahead to the future, we will continue to commit our resources, and combine modern technology with traditional agriculture to provide customers with safe, delicious fresh foods. Furthermore, we have entered the seventh year since we introduced City Café. Revenue from City Café increased by nearly 30% in 2011, and the superior coffee induced even more customers to become City Café fans. In addition, 7-SELECT gave customers more varieties of fashionable designs to choose from at affordable prices.

As for the development of new opportunities, the 7 NET shopping website has served as an extension of 7-ELEVEN's physical channel since it was established in 2010. Thanks to our intensive network of stores and complete logistics system, we can provide customers a convenient, diversified shopping platform. We are continuing to expand our "ibon" combining transportation, entertainment ticketing services, and to add a convenient laundry service in 2011, which contribute further to our efforts of building 7-ELEVEN stores with full community services.

Apart from 7-ELEVEN in Taiwan, PCSC actively expand its retail business in Taiwan and abroad, and has a total of 7,006 stores as of the end of 2011-which was an increase of 369 compared with the previous year. Among that, the number of 7-ELEVEN stores in the Philippines reached the 600-store milestone in July 2011. Taiwan Cosmed store number surpassed 350, and is now the third-largest retail channel within the group. Furthermore, President Pharmaceutical Corp.'s "My Beauty Diary" has become a multinational brand, and is now sold in 10 overseas markets, including China, Japan, Korea, and the United States; in the future, we will continue to expand its overseas visibility.



Chairman: Kao, Chin-Yen

A handwritten signature in black ink, appearing to read 'CY Kao'.

## Social Responsibilities

PCSC has taken active measures to fulfill its corporate social responsibilities, and has done its utmost to make contributions to disaster relief, concern for the underprivileged, and environmental protection. When the Japanese tsunami and Thai floods occurred during 2011, PCSC promptly activated its public fundraising platform, and cooperated with domestic and foreign charitable groups to express the spirit of empathy and ensure that all donated funds went to disaster relief and reconstruction work in Japan and Thailand.

In addition, responding to the government's environmental protection policies, PCSC jumped ahead of all other convenience stores by implementing full-scale electronic invoices starting on December 19, 2011. Thanks to our keen awareness that we must contribute to society as well as taking from society, we will continue to undertake our responsibilities as good corporate citizens to the best of our ability. We were again recognized by Commonwealth Magazine and Global Views Monthly Corporate Social Responsibility Award in 2011.

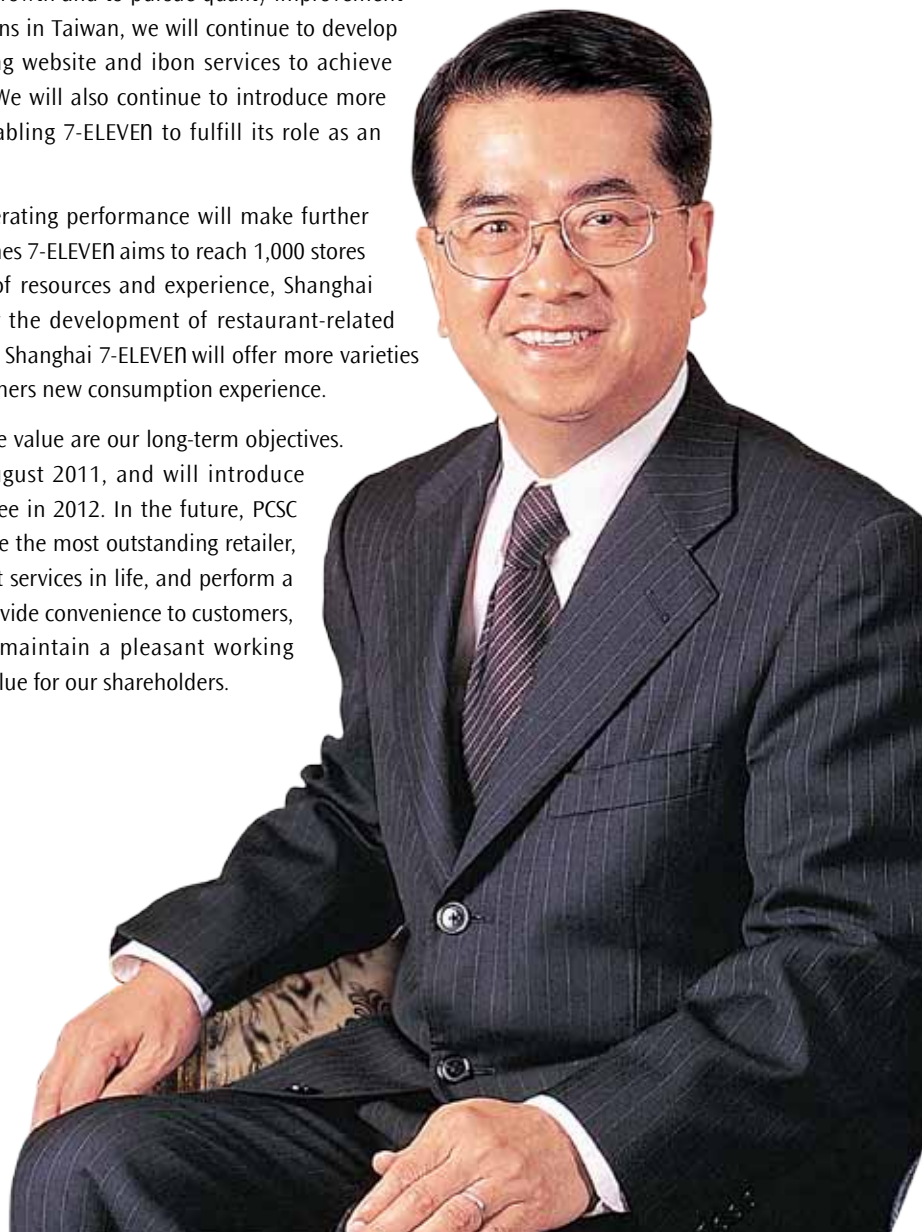
## Business Prospects

We anticipate that 2012 will still be a year full of challenges, however, with sincere and honest business philosophy, PCSC will try our best to maintain stable growth and to pursue quality improvement through structural change. As for 7-ELEVEN's operations in Taiwan, we will continue to develop food store concept, and to integrate 7NET shopping website and ibon services to achieve synergy between our physical and virtual channels. We will also continue to introduce more differentiated products and innovative services, enabling 7-ELEVEN to fulfill its role as an optimal community service center.

As far as subsidiaries are concerned, our overall operating performance will make further progress through group synergy. Among that, Philippines 7-ELEVEN aims to reach 1,000 stores in 2013. Thanks to its long-standing accumulation of resources and experience, Shanghai Starbucks can provide an important foundation for the development of restaurant-related business in Shanghai. Apart from opening new stores, Shanghai 7-ELEVEN will offer more varieties of fresh food products and services, giving local customers new consumption experience.

Further improving corporate governance and corporate value are our long-term objectives. PCSC established a remuneration committee in August 2011, and will introduce independent directors to establish an audit committee in 2012. In the future, PCSC will persist in fulfilling its mission of "determined to be the most outstanding retailer, achieve the mission for providing the most convenient services in life, and perform a good citizen's responsibility. "We will do our best to provide convenience to customers, ensure the stable profitability of our franchisees, maintain a pleasant working environment for employees, and enhance corporate value for our shareholders.

President: Hsu, Chung-Jen

## 02 Corporate Overview

### 01. Date of Incorporation: June 10, 1987

### 02. Company History

<b>1987</b>	Formally part of Uni-President, PCSC was established as an independent entity.	<b>2002</b>	Issued the first secured corporate bond in the amount of NT\$700 million. 3000th store opened. 7-ELEVEN lunch box is certified by the Chinese Frozen Food Institute to meet CAS standards and is Taiwan's first certified lunch box that can be stored at 18°C.
<b>1988</b>	Gradual roll-out Electronic Order System (EOS) to enhance distribution efficiency and increase sales opportunities.	<b>2003</b>	President Chain Store Corporation opened its stores in superstores for the first time. With regard to the development of new outlets, 7-ELEVEN first time open stores in large composite markets. Issued the second secured corporate bond in the amount of NT\$1.5 billion. Established MUJI (Taiwan) Co., Ltd.
<b>1989</b>	300th store opened; PCSC became the third largest 7-ELEVEN chain in the world.	<b>2004</b>	POS (Point-of-Sales) II implemented. Debut of 7-ELEVEN icash card. 7-ELEVEN lunch box was the first Taiwanese boxed meals to pass Customers' Foundation inspections and be attested as free from MSG, preservations and bleaching agents. Established President YiLan Art and Culture Corp., Mister Donut Taiwan Corp. and President Cosmed Chain Store (Shen Zhen) Co.,Ltd.
<b>1990</b>	Established Retail Support International Corp. Started 7-ELEVEN franchise system in Taiwan.	<b>2005</b>	4000th store opened. Expansion into the hypermarket and supermarket business in China with the establishment of Shan Dong President Yinzuo Commercial Limited and PCSC (SICHUAN) Hypermarket Limited. Honored with the Executive Yuan's 2005 Taiwan Sustainable Development Award and the Ministry of Economic Affairs' first Green Accounting Award as the first company in the service industry to receive such awards.
<b>1991</b>	100th franchise store opened.	<b>2006</b>	Debut of ibon, the Multi Media Kiosk, offering ticketing payment and mobile office etc; to materialize the vision of 7-ELEVEN in turning into a community service center. Invested to establish the "UNI-PRESIDENT Department Store Corp.", "Cold Stone Ice Cream", Cold Stone (Shanghai) Corporation. Conferred the Excellence in Corporate Social Responsibility Award, Best Service Company award by Global View Magazine; conferred the Best Service Company award by Next Magazine; the 1st "Corporate Citizen Award" by Commonwealth Magazine; ranked the 4th place in the Top 10 Benchmark Enterprises by Commonwealth Magazine, and the champion of the industry for 12 consecutive years.
<b>1994</b>	Established Duskin Serve Taiwan Co.		
<b>1995</b>	1000th store opened. Established President Drugstore Business Corp. and President Direct Marketing Corp.		
<b>1996</b>	POS (Point-of-Sales) I implemented to fully understand customers' demands and market intelligence.		
<b>1997</b>	PCSC listed in Taiwan Stock Exchange. Established President Coffee Corp., Starbucks Taiwan.		
<b>1999</b>	Expension into off-shore islands such as Pinggu and Kinmen, to provide convenient services to local residents. 2000th store opened. Established Wisdom Distribution Corp., Uni-President Cold Chain Corp., President Musashino Corp., and President Transnet Corp.		
<b>2000</b>	Signed perpetual area licensing agreement with 7-ELEVEN Inc. Established Shanghai President Starbucks Coffee Corp. Acquired Philippine Seven Corp., extending overseas convenience store businesses.		

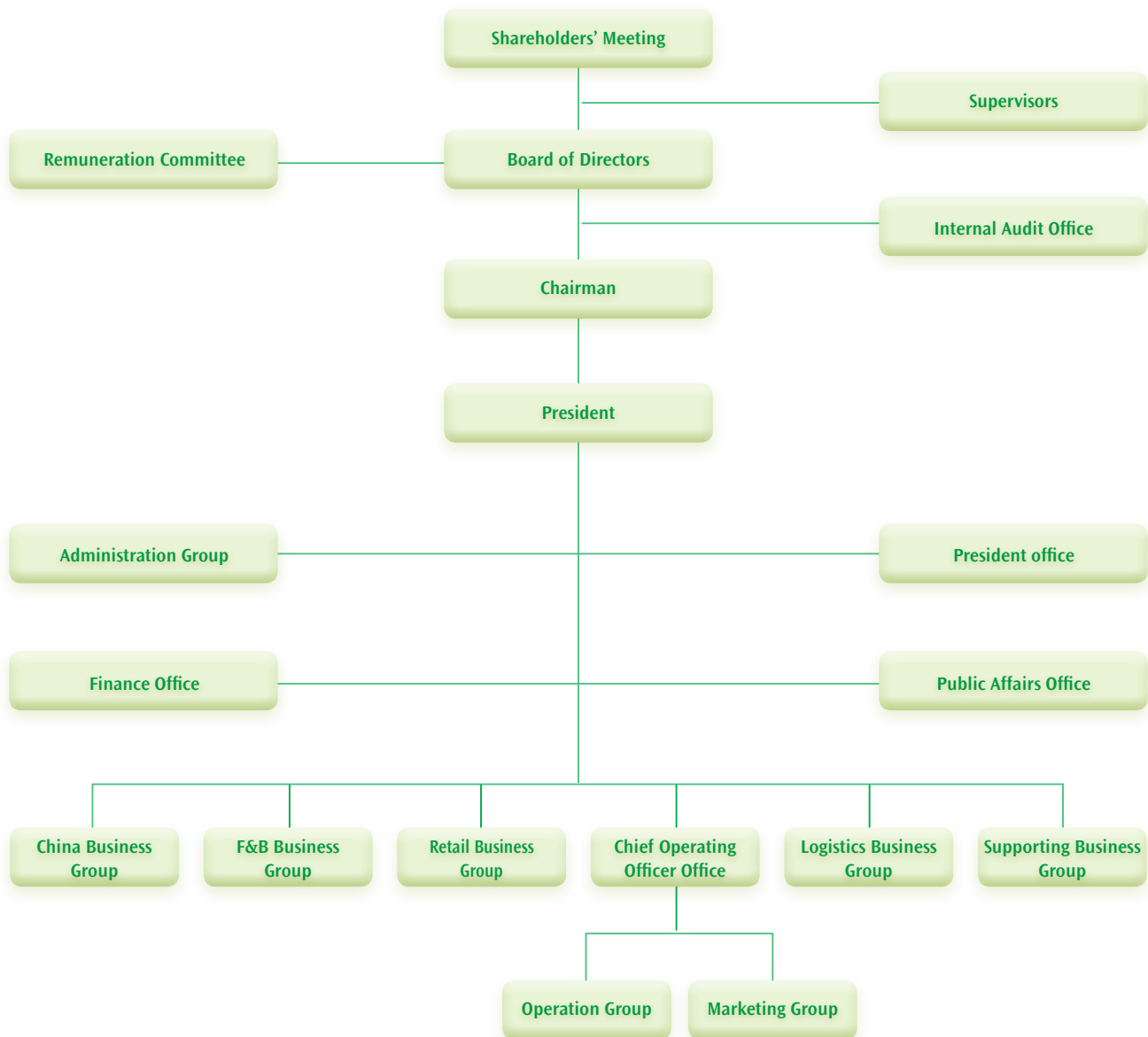
- 2007** In 7-ELEVEN Light Down Campaign promoted over 4,000 stores to shut off lamps from 1am to 5am every day during Summer Time, to fight against global warming.
- 7-ELEVEN CITY CAFE deployed over 1,000 coffee machines and became the largest coffee chain store in Taiwan.
- The second runner-up of the "Top 10 Benchmark Enterprises" by CommonWealth Magazine; winner of the Top Service Awards by NextMedia; winner of the 2007 Global Magazine Top 10 Service Enterprises in convenience chain store operation, the second time in two consecutive years.
- 2008** Invested to establish "Taiwan Rakuten Corp.", "Afternoon Tea Taiwan Corp.", "Petplus"
- 7-ELEVEN entered mobile telecommunications market by launching "OPEN Talk" prepaid cards.
- PCSC won the 2008 Common Wealth Corporate Citizenship, with its efforts in social commitment, social participation and environmental protection highly recognized.
- Uni-President Chain Store Corporation was conferred with the "2008 CommonWealth Magazine Corporate Citizen Award" and the "Global View Magazine Corporate Social Responsibility Award"
- As part of its ongoing efforts to promote environmental protection and energy saving, PCSC instituted a new policy of keeping the lights outside all 7-ELEVEN stores in Taiwan switched off during the daytime.
- Integrated the function of convenience store and gasoline station, and opened the first "7-ELEVEN self-service gasoline station" at Lin Kou.
- 2009** Established President Chain Store (Shanghai) Corporation and entered into an authorization agreement with 7-ELEVEN (China) Business Corporation under which 7-ELEVEN chain stores was officially opened in Shanghai.
- Equity joint venture with DUSKIN of Japan to establish Mister Donut in Shanghai offering donuts in the city.
- Conferred with the "Most Admired Company in Taiwan" award for 15 consecutive years; conferred with the "Top Service Award" by NextMedia for 6 consecutive years; conferred with the 7th Global Views Magazine's "Outstanding Service Award" as the best convenience store, and the "2009 CommonWealth Magazine Corporate Citizen Award"; the "Outstanding Corporate Social Innovation Award" in solicitation for donation. These are recognition of the efforts of the Company in charitable activities.
- 2010** Jointly launched the service of "Easy Delivery" with outdoor auction stands, the first of its kind in the world and which has since become the biggest online auction center in Taiwan.
- The monthly rental service of "7Mobile" was officially launched. This product is aimed at customers looking for a minimum level of service and those looking for a second mobile number. This is a brand new economic policy in telecommunication service.
- Established the Royal Host restaurant operation in a joint venture with Royal Host of Japan, a famous restaurant chain for western cuisine in Japan.
- Established Sato Shanghai Co., Ltd. in a joint venture with Sato Restaurant Systems Co., Ltd. of Japan.
- 7-ELEVEN opened a store at Taoyuan International Airport, which provides services to some 20 million air travelers as well airport staff.
- 7-ELEVEN continues its policy of environmental protection and energy saving and was accredited as a green shop by the Environmental Protection Administration.
- The efforts of 7-ELEVEN in energy saving have been recognized, and were cited by the "Taipei Gold Energy Saving Awards", and it will continue its steps towards the goal of becoming a green enterprise.
- Uni-President Chain Store Corporation was conferred with the "2010 CommonWealth Magazine Corporate Citizen Award", and the "Most Admired Company in Taiwan" by CommonWealth magazine for 16 consecutive years.
- 2011** The 7-PREMIUM wine was unveiled through the 30,000 7-ELEVEN stores around the world, a result of global merchandising.
- Concerned about Japan's earthquake, 16 companies of PCSC raised a donation.
- 7-ELEVEN introduces the "ibon convenient purchasing" service, initiating a new sales platform for daily products via the ibon and 7 NET online website.
- 7-ELEVEN opens a 2,640-square meter international food court in Terminal 2 at Taoyuan International Airport, bringing the airport's dining service into a new era.
- Employing "Great Taiwan, Colorful Taiwan" as a theme, 7-ELEVEN opens a 1,650-square meter "Fashion Shopping Arcade" promoting Taiwan's distinctive products and tourism inside the international terminal at Songshan Airport.
- Taking the lead in the convenience store industry and writing a new chapter in Taiwan, 7-ELEVEN introduces E-Invoice throughout Taiwan.
- 2012** Uni-President Enterprises Corp., 7-ELEVEN, President Coffee Corp, and Muji(Taiwan)Co., Ltd. are conferred with the "2012 Digital Service Benchmark Company Award" by Business Next Magazine.

# 03 Corporate Governance

## 01. Organization Chart

### 1-1 Organization Chart of the Company

Date: 30 April 2012



### 1-2 Function Description of Each Group

- China Business Group: Development and management of investment in China.
- F&B Business Group: Development and management of F&B investments.
- Retail Business Group: Development and management of retail investments.
- Logistics Business Group: Development and management of logistics investments.
- Supporting Business Group: Development and management of supporting investments.

- Chief Operating Officer Office: Directing the operation and management of 7-ELEVEN and vertically investments in Taiwan.
- Operation Group: Operation and Planning of stores
- Marketing Group: Product development and marketing strategy planning.
- Internal Audit Office: Management and implementation of internal auditing and internal control system.
- President Office: Corporate management and strategic planning.
- Public Affairs Office: Planning and implementation of public affairs and CSR.
- Administration Group: Integration, planning of back office.
- Finance Office: Management and Planning of financial and accounting affairs, investor relations.

## 02. Information of Directors, Supervisors, and Management Team:

### 2-1 Directors and Supervisors

#### a. Information of Directors and Supervisors:

Date: 30 April 2012

Title	Name	Elected Date	Term (years)	First Elected Date	Shareholding When Elected		Current Shareholdings		Spouse's and Minor Children's Shareholding		Shareholding by Nominee Arrangements		Education & Experience (Note 4)	Positions at Other Companies	Other Officer, Director or Supervisor who is the spouse or a relative within the second degree of Consanguinity		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relations
Director and institutional shareholder	Uni-President Enterprises Corp.	2009.06.10	3	1987.06.10	415,489,816	45.40%	471,996,430	45.40%	—	—	—	—	—	—	—	—	—
Chairman (Representative)	Kao, Chin-Yen (Note 1)	2009.06.10	3	1987.06.10	26,254	—	29,824	—	—	—	—	—	Honorary PhD, Lincoln University, USA Honorary PhD, Sun Yat-Sen University Honorary PhD, National Cheng Kung University	(Note 5)	Directors	Lo, Chih-Hsien	Son-in-law
															Directors	Kao, Hsiu-Ling	daughter
Managing Director (Representative)	Lin, Chang-Sheng (Note 1)	2009.06.10	3	1987.06.10	27,148	—	30,840	—	—	—	—	—	Dept. of Electrical Engineering Cheng Kung University	(Note 5)	—	—	—
Managing Director (Representative)	Hsu, Chung-Jen (Note 1)	2009.06.10	3	1987.06.10	20,499	—	23,286	—	—	—	—	—	MBA, Waseda University, Japan	President of the Company (Note 5)	—	—	—
Director (Representative)	Lin, Lung-Yi (Note 1)	2009.06.10	3	2000.06.15	16,514	—	18,759	—	25,139	—	—	—	Dept. of Accounting and Statistics National Cheng Kung University	(Note 5)	—	—	—
Director (Representative)	Lo, Chih-Hsien (Note 1)	2009.06.10	3	2000.06.15	908,640	0.10%	1,032,215	0.10%	1,014,315	0.10%	—	—	MBA, UCLA, USA	(Note 5)	Directors	Kao, Chin-Yen	Father-in-law
															Directors	Kao, Hsiu-Ling	Spouse
Director (Representative)	Yang, Wen-Long (Note 1)	2009.06.10	3	2003.06.24	—	—	—	—	—	—	—	—	Dept. of Sociology National Chung Hsing University	(Note 5)	—	—	—
Director (Representative)	Su, Tsung-Ming (Note 1)	2009.06.10	3	2008.02.14	—	—	—	—	—	—	—	—	MBA, University of Iowa, USA	(Note 5)	—	—	—
Director (Representative)	Chang Jen, Yun-Huei (Note 1)	2009.06.10	3	2006.06.14	—	—	—	—	—	—	—	—	Dept. of Chemistry, University of Chinese Culture	Senior Vice President of the Company (Note 5)	—	—	—
Director (Institutional shareholder)	Kao Chuan Investment Co., Ltd	2009.06.10	3	2009.06.10	3,995,401	0.44%	4,538,775	0.44%	—	—	—	—	—	—	—	—	—
Director (Representative)	Kao, Hsiu-Ling (Note 2)	2010.03.20	2.25	2010.03.20	—	—	1,014,315	0.10%	1,032,215	0.10%	—	—	Dept. of Commerce University of Southern California	(Note 5)	Directors	Kao, Chin-Yen	Father
															Directors	Lo, Chih-Hsien	Spouse
Supervisor (Natural Person)	Yin, Chien-Li	2009.06.10	3	2003.06.24	—	—	—	—	—	—	—	—	Dept. of Accounting National Chung Hsing University	(Note 5)	—	—	—
Supervisor (Institutional shareholder)	Kai Yu Investment Corp.	2009.06.10	3	2009.06.10	3,700,000	0.40%	4,203,200	0.40%	—	—	—	—	—	—	—	—	—
Supervisor (Representative)	Wu, Chung-Pin (Note 3)	2009.06.10	3	2009.06.10	—	—	—	—	—	—	—	—	Dept. of Accounting National Chung Yuen University	(Note 5)	—	—	—

Note 1: Representative of Uni-President Enterprises Corp.

Note 2: Representative of Kao Chyuan Investment Co. Ltd.

Note 3: Representative of Kai Yu Investment Corp.

Note 4: For more information on the experience of directors and supervisors, please refer to the attached 2011 annual report disc.

Note 5: For more information on the positions held by directors and supervisors at PCSC and other companies, please refer to the attached 2011 annual report disc.

## b. Independence and Professional Expertise of Board Members and Supervisors

Name \ Item	With over 5 years of work experience and the following professional qualifications			Independence Ranking (Note)										Number of independent directorship in other public companies
	Lecturing at public or private colleges or universities in business, law, finance, accounting or company operations	Licenses and qualifications, obtained through national examinations, such as judges, district attorneys, lawyers, accountants, or other practices	Work experience in business, law, finance, accounting or company operations	1	2	3	4	5	6	7	8	9	10	
Kao, Chin-Yen			✓	✓		✓				✓		✓		—
Lin, Chang-Sheng			✓			✓	✓			✓	✓	✓		—
Hsu, Chung-Jen			✓			✓	✓			✓	✓	✓		—
Lin, Lung-Yi			✓			✓	✓			✓	✓	✓		—
Lo, Chih-Hsien			✓							✓		✓		—
Yang, Wen-Long			✓			✓	✓			✓	✓	✓		—
Su, Tsung-Ming		✓	✓			✓	✓			✓	✓	✓		—
Chang Jen, Yun-Huei			✓			✓	✓			✓	✓	✓		—
Kao, Hsiu-Ling			✓	✓				✓		✓		✓		—
Yin, Chien-Li			✓			✓	✓			✓	✓	✓	✓	—
Wu, Chung-Pin			✓			✓	✓			✓	✓	✓		—

Note: "✓" indicates that the board member(s) or supervisor(s) meet the following criteria:

- (1) Not an employee of the Company or the Company's affiliate.
- (2) Not a director or supervisor of the Company or the Company's affiliate.  
(However, this does not apply to the independent directors of the Company, its parent company or any of the Company's subsidiaries which the Company holds directly and indirectly over 50% stake.)
- (3) Not an individual shareholder who holds, or whose spouse or minor children hold, or who uses nominee accounts to hold, over 1% of the Company's issued shares or as one of the top 10 major shareholders.
- (4) Neither a spouse, a relative within two degrees of consanguinity, nor lineal relative within five degrees of the person listed in the previous three items.
- (5) Not a director, supervisor or employee of an juridical person shareholder that directly owns over 5% of the Company's issued shares or an institutional investors that is one of the top 5 major juridical person shareholder.
- (6) Not a director, supervisor or manager of any company or organization that has business or financial relations with the Company or that owns over 5% of the Company's shares.
- (7) Not an owner, partner, director, supervisor, manager or spouse of any of such individual whose sole proprietorship, partnership, company or institution provides services or consulting advise in business, law, finance and accounting to the Company or the Company's affiliates.
- (8) Not a spouse or a relative within two degrees of consanguinity to any director.
- (9) Not in a situation described in Article 30 of the Company Act.
- (10) Not elected as a government agency, juridical person or their representative as stated in Article 27 of the Company Act.

## c. In the cases where directors and supervisors are representatives of juridical person shareholders, the top ten major shareholders and their proportion of such juridical person shareholders are as follows:

31 December 2011

Name of institutional shareholders	Dominant shareholders of the institutional shareholders
Uni-President Enterprise Corp	Kao Chyuan Investment Co., Ltd. (4.29%); Hou, Po-Ming (2.6%); Central Bank of Saudi Arabia special investment account in the custody of Chase Bank (2.54%); Hou, Po-Yu (2.27%); BNP Private Bank Singapore Branch in the custody of HSBC (2.11%); Kao, Hsiu-Ling (1.64%); Liu, Hsiu-Ren (1.55%); Mitsubishi investment account in the custody of Standard Chartered Bank (1.54%); FS Global Emerging account in custody of Deutsche Bank (1.40%); iShares MSCI Newly Emerged Market ETF investment account in the custody of Standard Chartered Bank (1.37%).
Kao Chyuan Investment Co. Ltd.	Kao, Hsiu-Ling (61.68%); Lo, Chih-Hsien (20.19%); Kao, Lai-Huan (13.47%); Lin, Hang-Di (1.58%); Kao, Chin-Yen (1.05%); Kao, Tsu-Yi (1.07%); Lo, Hsi-Ai (0.96%)
Kai Yu Investment Co., Ltd	Uni-President Enterprise Corp (100%)

## d. List of top ten major juridical person shareholders showed above and their respective major shareholders

31 December 2011

Name of institutional shareholder	Dominant shareholders of the institutional shareholders
Kao Chyuan Investment Co. Ltd.	Kao, Hsiu-Ling (61.68%); Lo, Chih-Hsien (20.19%); Kao, Lai-Huan (13.47%); Lin, Hang-Di (1.58%); Kao, Chin-Yen (1.05%); Kao, Tsu-Yi (1.07%); Lo, Hsi-Ai (0.96%)
Uni-President Enterprise Corp	Kao Chyuan Investment Co., Ltd. (4.29%); Hou, Po-Ming (2.6%); Central Bank of Saudi Arabia special investment account in the custody of Chase Bank (2.54%); Hou, Po-Yu (2.27%); BNP Private Bank Singapore Branch in the custody of HSBC (2.11%); Kao, Hsiu-Ling (1.64%); Liu, Hsiu-Ren (1.55%); Mitsubishi investment account in the custody of Standard Chartered Bank (1.54%); FS Global Emerging account in custody of Deutsche Bank (1.40%); iShares MSCI Newly Emerged Market ETF investment account in the custody of Standard Chartered Bank (1.37%).

## 2-2 Information of President, Senior Vice Presidents, Vice Presidents and Division Heads

30 April 2012

Title	Name	Elected Date	Shareholding		Spouse's and Minor Children's Shareholding		Shareholding by Nominee Arrangements		Education & Experience (Note 1)	Positions in Other Companies	Managers Who Are Spouse or Relatives Within Two Degrees of Consanguinity		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	Hsu, Chung-Jen	1987.07.01	23,286	—	—	—	—	—	MBA, Waseda University, Japan	(Note 2)	—	—	—
Senior Vice President	Chang Jen, Yun-Huei	1999.01.01	—	—	—	—	—	—	BS, Dept of Chemistry, University of Chinese Culture	(Note 2)	—	—	—
Chief Operating Officer (Senior Vice President)	Hsieh, Chien-Nan	2000.09.01	2,053	—	—	—	—	—	BA, Dept of Business Administration, Christian Chung Yuan University	(Note 2)	—	—	—
Senior Vice President	Lai, Nan-Bey	2008.06.13	—	—	—	—	—	—	BA, Dept of Business Administration, Tung Hai University	(Note 2)	—	—	—
Senior Vice President	Huang, Chien-Li	2009.01.01	7,411	—	221	—	—	—	MBA, Marketing and Logistics, National Kaohsiung First University of Science and Technology	(Note 2)	—	—	—
Senior Vice President	Chen, Jui-Tang	2010.04.01	13,652	—	—	—	—	—	BA, Dept of Economics, National Taiwan University	(Note 2)	—	—	—
Senior Vice President	Yang, Yen-Sen	2010.04.01	—	—	—	—	—	—	MBA, The City University of New York	(Note 2)	—	—	—
Senior Vice President	Tsai, Tu-Chang	2010.04.01	260	—	—	—	—	—	BA, Business Administration, Tatung Institute of Technology	(Note 2)	—	—	—
Chief Auditor (Vice President)	Lin, Wen-Ching	1999.01.01	326	—	—	—	—	—	National Tainan Commercial Vocational Senior high school	(Note 2)	—	—	—
Vice President	Wang, Wen-Kui	2004.10.01	15,279	—	—	—	—	—	MBA, National Kaohsiung First University of Science and Technology	(Note 2)	—	—	—
Vice President	Lee, Chi-Ming	2008.10.01	1,121	—	—	—	—	—	BA, Accounting, Suchow University	None	—	—	—
Chief Financial Officer (Vice President)	Wu, Wen-Chi	2010.04.01	556	—	737	—	—	—	BA, Accounting, University of Missouri, USA	(Note 2)	—	—	—
Vice President	Hong, Gin-Guu	2010.09.01	12,539	—	—	—	—	—	BA, Dept of Business Administration, Tung Hai University	(Note 3)	—	—	—
Accounting Division Manager	Lai, Hsin-Ti	2001.04.01	—	—	919	—	—	—	BA, Economics, Tamkang University	(Note 2)	—	—	—
Financial Division Manager	Cheng, Yea-Yun	2011.07.01	—	—	—	—	—	—	BA, Dept of Business Administration, Pingtung University of Science and Technology	None	—	—	—

Note 1: For more information on the background of the management, please refer to the attached 2011 annual report disc "The List of Positions Held by Management Team in Other Companies".

Note 2: For the list of position held by management team in other companies, please refer to the attached 2011 annual disc "The List of Position Held by Management Team on Other Companies".

Note 3: Hong, Gin-Guu, an Vice President of PCSC, was relieved since February 2012 due to transfer of position.

## 2.3 Remunerations to Directors, Supervisors, President and Senior Vice Presidents

### a. Remuneration for directors:

31 December 2011 / Unit: NTD in thousands

Title	Name	Remunerations to Directors								Summation of A, B, C and D as % of After-Tax Income		Compensation paid to directors who are also serving as company employees										Summation of A,B,C, D, E, F and G as % of After-Tax Income		Other Compensations from Affiliates other than Subsidiaries (Note 5)	
		Remuneration (A)		Pensions (B)		Earnings Distributions (C)		Execution Fees (D)				Salary, bonuses and special allowance (E)		Pensions (F)		Earnings Distribution to Employees (G)				Employee Stock Option Plan (H)					
		PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	Dividends	Cash	Stock Bonuses	Cash	Stock Bonuses	PCSC	All consolidated companies	PCSC		All consolidated companies
Director, Juridical Person shareholder	Uni-President Enterprise Corp																								
Director, Juridical Person shareholder	Kao Chyuan Investment Co., Ltd.																								
Chairman	Kao, Chin-Yen (Note 1)																								
Managing Director	Lin, Chang-Sheng (Note 1)																								
Managing Director/President	Hsu, Chung-Jen (Note 1)																								
Director	Lin, Lung-Yi (Note 1)	19,200	31,680	—	—	84,305	84,465	2,400	4,695	1.67%	1.69%	133,446 (Note 4)	133,446 (Note 4)	1,053	1,053	2,417 (Note 3)	—	2,417 (Note 3)	—	—	—	—	3.82%	3.60%	240
Director	Lo, Chih-Hsien (Note 1)																								
Director	Yang, Wen-Lung (Note 1)																								
Director	Su, Tsung-Ming (Note 1)																								
Director/Senior Vice President	Chang Jen, Yun-Huei (Note 1)																								
Director	Kao, Hsiu-Ling (Note 2)																								

Note 1: Representative of Uni-President Enterprise Corp.

Note 2: The representative of Representative of Kao Chyuan Investment Co., Ltd. the tenure of representative to institutional director.

Note 3: Earning Distribution for has not yet been approved by the General Meeting. The Figures are based on the proposal approved by Board Meeting.

Note 4: Including car leasing expense for managers.

Note 5: Compensation for acting as directors for the trustees that are not consolidated in the Financial statement.

Compensations to Directors	Names of Directors			
	(A+B+C+D)		(A+B+C+D+E+F+G)	
	PCSC	All consolidated companies	PCSC	All consolidated companies
NTD0	Kao, Hsiu-Ling	Kao, Hsiu-Ling	Kao, Hsiu-Ling	Kao, Hsiu-Ling
NTD1(incl.) ~ 2,000,000	Lin, Chang-Sheng; Lin, Lung-Yi; Lo, Chih-Hsien; Hsu, Chung-Jen; Yang, Wen-Long; Su, Tsung-Ming; Chang Jen, Yun-Huei	Lin, Chang-Sheng; Lin, Lung-Yi; Lo, Chih-Hsien; Yang, Wen-Long; Su, Chung-Ming; Chang Jen, Yun-Huei	Lin, Chang-Sheng; Lin, Lung-Yi; Lo, Chi-Hsien; Yang, Wen-Long; Su, Tsung-Ming	Lin, Chang-Sheng; Lin, Lung-Yi; Lo, Chih-Hsien; Yang, Wen-Long; Su, Tsung-Ming
NTD2,000,000(incl.) ~ NTD5,000,000	—	Hsu, Chung-Jen	—	—
NTD5,000,000(incl.) ~ NTD10,000,000	Kao Chyuan Investment Co. Ltd.	Kao Chyuan Investment Co. Ltd.	Kao Chyuan Investment Co. Ltd., Chang Jen, Yun-Huei	Kao Chyuan Investment Co. Ltd., Chang Jen, Yun-Huei
NTD10,000,000(incl.) ~ NTD15,000,000	—	—	—	—
NTD15,000,000(incl.) ~ NTD30,000,000	Kao, Chin -Yen	Kao, Chin -Yen	—	—
NTD30,000,000(incl.) ~ NTD50,000,000	—	—	—	—
NTD50,000,000(incl.) ~ NTD100,000,000	Uni-President Enterprise Corp	Uni-President Enterprise Corp	Uni-President Enterprise Corp., Kao, Chin- Yen; Hsu, Chung-Jen	Uni-President Enterprise Corp., Hsu, Chung-Jen
NTD100,000,000 or above	—	—	—	Kao, Chin -Yen
Total	11	11	11	11

## b. Remunerations to Supervisors

31 December 2011 / Unit: NTD in thousands

Title	Name	Remunerations to Supervisors						Summation of A, B and C as % of After-Tax Income (Note 8)		Other Compensations from Affiliates other than Subsidiaries
		Remuneration (A)		Earnings Distributions(B)		Execution Fees (C)				
		PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	
Supervisor, Juridical Person shareholder	Kai Yu Investment Co., Ltd	—	—	7,331 (Note 2)	7,331 (Note 2)	—	—	0.115%	0.102%	None
Supervisor	Wu, Chung-Pin (Note 1)	—	—	—	—	300	300	0.005%	0.003%	None
Supervisor (natural person)	Yin, Chien-Li	—	—	7,331 (Note 2)	7,331 (Note 2)	300	300	0.12%	0.105%	None

Note 1: Legal representative of Kai Yu Investment Co., Ltd.

Note 2: Earnings distribution for 2011 has not yet been approved by the Sareholders' Meeting; the figures are based on the proposal approved by the Board Meeting.

Compensations to Supervisors	Names of Supervisors (A+B+C)	
	PCSC	All consolidated companies
NTD0	—	—
NTD1 (incl.) ~ NTD2,000,000	Wu, Chung Pin	Wu, Chung Pin
NTD2,000,000 (incl.) ~ NTD5,000,000	—	—
NTD5,000,000 (incl.) ~ NTD10,000,000	Yin, Chien-Li; Kai Yu Investment Co., Ltd	Yin, Chien-Li; Kai Yu Investment Co., Ltd
NTD10,000,000 (incl.) ~ NTD15,000,000	—	—
NTD15,000,000 (incl.) ~ NTD30,000,000	—	—
NTD30,000,000 (incl.) ~ NTD50,000,000	—	—
NTD50,000,000 (incl.) ~ NTD100,000,000	—	—
NTD100,000,000 or above	—	—
Total	3	3

## c. Remunerations to President and Senior Vice Presidents:

31 December 2011 / Unit: NTD in thousands

Title	Name	Salary (A)		Pensions (B)		Bonus and Special Allowance (C)		Earning Distributions to Employees(D)				Summation of A, B, C and D as % of After-Tax Income		Employee Stock Option Plan		Other Compensation from Affiliates other than Subsidiaries		
		PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC			All consolidated companies			PCSC	All consolidated companies		PCSC	All consolidated companies
								Dividends	Cash	Stock Bonuses	Dividends	Cash	Stock Bonuses					
President	Hsu, Chung-Jen	25,353	27,662	3,054	3,054	77,727 (Note 1)	77,919 (Note 1)	7,174 (Note 2)	—	7,174 (Note 2)	—	1.78%	1.62%	—	—	None		
Senior Vice President	Chang Jen, Yun-Huei																	
COO (Senior Vice President)	Hsieh, Chien-Nan																	
Senior Vice President	Lai, Nan-Bey																	
Senior Vice President	Huang, Chien-Li																	
Senior Vice President	Chen, Jui-Tang																	
Senior Vice President	Yang, Yen-Sen																	
Senior Vice President	Tsai, Tu-Chang																	

Note 1: Including the car leasing expense for managers.

Note 2: Earnings distribution for 2011 has not yet been approved by the Sareholders' Meeting; the figures are based on the proposal approved by the Board Meeting.

Compensations to President and Senior Vice Presidents	Names of President and Senior Vice Presidents	
	PCSC	All consolidated companies
NTD0	—	—
NTD1 (incl.) ~ NTD2,000,000	—	—
NTD2,000,000 (incl.) ~ NTD5,000,000	—	—
NTD5,000,000 (incl.) ~ NTD10,000,000	Chang Jen, Yun-Huei; Hsieh, Chien-Nan; Lai, Nan-Bey; Huang, Chien-Li; Chen, Jui-Tang; Yang, Yen-Sen; Tsai, Tu-Chang	Chang Jen, Yun-Huei; Hsieh, Chien-Nan; Lai, Nan-Bey; Huang, Chien-Li
NTD10,000,000 (incl.) ~ NTD15,000,000	—	—
NTD15,000,000 (incl.) ~ NTD30,000,000	—	—
NTD30,000,000 (incl.) ~ NTD50,000,000	—	—
NTD50,000,000 (incl.) ~ NTD100,000,000	Hsu, Chung-Jen	Hsu, Chung-Jen
NTD100,000,000 or above	—	—
Total	8	8

## d. Distribution of Employee Bonuses to Management Team

31 December 2011 / Unit: NTD in thousands

	Title	Name	Stock Bonus	Cash Bonus	Total	Total as % of After-Tax Income
Managers	President	Hsu, Chung-Jen	—	10,996	10,996	0.17%
	Senior Vice President	Chang Jen, Yun-Huei				
	Chief Operating Officer (Senior Vice President)	Hsieh, Chien-Nan				
	Senior Vice President	Lai, Nan-Bey				
	Senior Vice President	Huang, Chien-Li				
	Senior Vice President	Chen, Jui-Tang				
	Senior Vice President	Yang, Yen-Sen				
	Senior Vice President	Tsai, Tu-Chang				
	Chief Auditor (Vice President)	Lin, Wen-Ching				
	Vice President	Wang, Wen-Kui				
	Vice President	Lee, Chi-Ming				
	Chief Financial Officer (Vice President)	Wu, Wen-Chi				
	Vice President	Hong, Gin-Guu				
	Accounting Division Manager	Lai, Hsin-Ti				
	Financial Division Manager	Cheng, Yea-Yun				

Note: Earnings distribution for 2011 has not yet been approved by the Shareholders' Meeting; the figures are based on the proposal approved by the Board Meeting.

## 2-4 Analysis of the total remunerations (as a percentage of net income) to directors, supervisors, president and senior vice presidents of PCSC and all the consolidated companies over the past two years. Explanations of the remuneration policies, standards, arrangements, procedures for defining compensations and the relation between remuneration packages and the company's performance.

- a. Remuneration paid to Directors, Supervisors, President and Senior Vice Presidents over the past two years as a percentage of net profit after tax:

	Title	Directors	Supervisors	President and Senior Vice Presidents
2011	PCSC (Note 1)	3.82%	0.24%	1.78%
	All consolidated companies (Note 2)	3.60%	0.21%	1.62%
2010	PCSC (Note 1)	3.25%	0.14%	1.82%
	All consolidated companies (Note 2)	3.17%	0.13%	1.72%

Note 1: PCSC's net profit after tax in 2011 was NTD6,352,410,000; PCSC's net profit after tax in 2010 was NTD5,725,757,000.

Note 2: Total net profit after tax in 2011 for all consolidated companies was NTD7,158,919,000; total net profit after tax in 2010 for all consolidated companies was NTD6,368,415,000.

- b. Explanation of remuneration policy, standards and arrangements, the procedures for setting remunerations, and the relationship between remuneration and company performance
- (1) PCSC's remuneration policy is based on the company's business strategy, human resources strategy and financial capability. Every year, the company takes part in salary surveys undertaken by specialist salary survey organizations; the company's remuneration levels are then reviewed based on the results of these surveys.
  - (2) The standards of remuneration for directors and supervisors are clearly specified in the company's Article of Incorporation. (Please refer to "Employees' Bounses" and "Remuneration to Directors and Supervisors" in 2011 annual report)
  - (3) The remuneration paid to PCSC's President and Senior Vice Presidents is set according to their individual performance and their contribution to the company's operations, in line with PCSC's remuneration regulations and taking into consideration the typical remuneration levels paid by other companies (using data compiled by specialist market research firms). The awarding of bonuses is based on PCSC's performance management regulations, taking into consideration the company's performance in the year in question and the performance of the individual.

### 03. Corporate Governance Mechanism

#### 3-1 Operations of Board Meetings

The Board has convened Five meetings (A) during the most recent year and by the end of the published date of annual report. Below is the attendance record of individual directors and supervisors.

Title	Name	Attendance in Person(B)	Attendance by Proxy	Attendance Rate (%) (A/B) (Note)	Remark
Chairman	Uni-President Enterprise Corp. Kao, Chin-Yen	1	4	20%	—
Managing Director	Uni-President Enterprise Corp. Lin, Chang-Sheng	5	0	100%	—
Managing Director	Uni-President Enterprise Corp. Hsu, Chung-Jen	5	0	100%	—
Director	Uni-President Enterprise Corp. Lin, Lung-Yi	4	1	80%	—
Director	Uni-President Enterprise Corp. Lo, Chih-Hsien	5	0	100%	—
Director	Uni-President Enterprise Corp. Yang, Wen-Long	5	0	100%	—
Director	Uni-President Enterprise Corp. Su, Tsung-Ming	5	0	100%	—
Director	Uni-President Enterprise Corp. Chang Jen, Yun-Huei	5	0	100%	—
Director	Kao Chyuan Investment Co., Ltd. Kao, Hsiu-Ling	5	0	100%	—
Supervisor	Yin, Chien-Li	5	0	100%	—
Supervisor	Kai Yu Investment Co., Ltd. Wu, Chung-Pin	5	0	100%	—

Other issues to be noted:

- I. Issues specified in Article 14-3 of Securities Transaction Law and other issued opposed by independent directors or to which directors reserve their opinions should be recorded in writing in the meeting minutes of the Board. Dates, sessions, and contents of resolutions of the Board Meetings, opinions from all the directors and the responses to their opinions should be noted.  
[Explanations] The Company has not yet appointed any independent directors. Therefore, the issues specified in Article 14-3 of securities Transaction Law and other issued opposed by independents directors or to which independent directors reserve their opinions do not apply.
- II. In cases where directors avoid the issues in which they have conflicts of interests, the names of the directors, contents of resolutions, reasons why they should avoid and the results of votes should be noted.  
[Explanations] For issues where directors have conflicts of interests with the Company, the principle is that such conflicts of interests shall not affect the voting results.
- III. The intended augmentations of the functions of the Board (such as the establishment of Audit Committee and the enhancement of information transparency) during the recent years and the evaluation of the actual implementations  
[Explanations] The Company has established its procedure for Board session in accordance with the Practice of Corporate Governance on March 8, 2005, and reported to the General Shareholders' Meeting on June 14, 2005, and has made amendment to related procedure of the Board on the avoidance of conflict of interests on March 12, 2008. Such move helped to vitalize the functions of the Board. In responding to organizational change and the regulation of Executive Yuan Financial Supervisory Commission, the Company amended the procedure for Board session again in the Board Meeting held on March 19, 2009. This amendment was approved by the General Shareholders' Meeting dated June 10, 2009. The functions of Board became viable since then. In addition, in order to coordinate with the introduction and practical operation by independent directors and the Audit Committee, this Company revised the rules of procedures of the Board Meeting on March 21, 2012 so the functions of the Board of Directors have become more perfect.

#### 3-2 Operations of Audit Committee: PCSC has not yet established an Audit Committee. Therefore, there is no information to be disclosed.

#### 3-3 Participation by Supervisors in the Operations of the Board of Directors

During the most recent fiscal year and by the end of the published date of annual report, a total of five Board Meetings were held (A). Attendance by supervisors at these Board Meetings was as follows:

Title	Name	Actual no. of meetings attended (B)	Actual attendance rate(B/A)(%) (Note)	Remark
supervisors	Yin, Chien-Li	5	100%	—
supervisors	Kai Yu Investment Co., Ltd. Wu, Chung-Pin	5	100%	—

Other points noted:

- a. Responsibilities of the supervisors:
  - (1) Communication between supervisors and the company's employees and shareholders: Supervisors are able to communicate with employees and shareholders through various types of reports and communication channels (including telephone, fax, e-mail, etc.)
  - (2) Communication between supervisors and the internal auditors and accounting division manager: The periodic reports compiled by the internal auditors keep the supervisors informed of the company's operational status and auditing status. The supervisors can also use telephone, mail, fax, conferences etc. to communicate with the external auditor, to keep themselves up-to-date with the company's financial and operational status.

### 3-4 Discrepancy and Reasons between Corporate Governance Best-Practice Principles for TSE/GTSM Listed Companies and Company Practices

Items	Status	Deviation from Corporate Governance Best Practice for TSE/GTSM Listed Companies,
<b>I. Shareholder structure and shareholder rights</b>		
1. The Company's policy in handling shareholders' suggestions and disputes	In addition to authorizing a stockbroker as a common share transfer agent to handle shareholder affairs, PCSC has also established a comprehensive spokesperson system and investor relations team to deal with shareholder issues.	compliant
2. Availability of a list of major shareholders and details of the ultimate owners of these shareholders	PCSC is fully aware of its major shareholders through the assistance of the common share transfer agent. Changes in the shareholding of the directors, supervisors and management are filed periodically. Apart from natural person shareholders, PCSC are affiliated with its major shareholders. If necessary, PCSC will obtain the list of ultimate owners of these shareholders from its juridical person shareholders.	compliant
3. Establishment of risk control mechanisms and firewalls with respect to affiliates	PCSC has defined Procedures Governing the Monitoring of Subsidiaries in accordance with the Regulations for the Establishment of Internal Control Systems by Public Companies, in order to effectively manage and control risks for its subsidiaries.	compliant
<b>II. Structure and Responsibilities of the Board of Directors</b>		
1. Appointment of independent directors	PCSC has not yet appointed any independent directors.	<p>1. The director representatives in PCSC are all financial and business professional who fulfill their duties in accordance with requirement of the law or with PCSC's Articles of Incorporation.</p> <p>2. The Company will introduce three independent directors in the reelection of directors in 2012 by following the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies promulgated by the Financial Supervisory Commission, R.O.C. in March 2011.</p> <p>3. Subject to the Articles of Association of the Company and Section 4 of Article 14 of the Law of Securities Trading, in March 2012, the Board of Directors put forward proposals that all independent directors form Audit Committee in lieu of supervisors, and Audit Committee has been established since the election and appointment of independent directors.</p>
2. Periodic assessment of the independence of the external auditors	On the basis of an annual internal evaluation of external auditors' independence, PCSC has concluded that the external auditors are independent, as they are not serving as directors or supervisors, do not hold shares in the company, do not receive a salary from the company, and have no conflicting interests with the company.	compliant
<b>III. Establishment of communication channels with stakeholders</b>		
	<p>1. PCSC deals with banks and other creditors in accordance with the principles of honesty and openness, providing all necessary operational and financial information to enable them to make informed decisions in light of PCSC's operational status.</p> <p>2. PCSC encourages its employees to communicate directly with the management. In addition, a discussion platform has been set up to facilitate discussion among employees and enable them to express their views on the company's operations.</p> <p>3. The Company has established an internal organization for showing its concern to employees. This organization will take positive action to provide effective consultation and supervision to employees whenever required.</p> <p>4. PCSC has set up a public website, which not only expresses its responsibilities and obligations as a corporate citizen, but also discloses business and financial information of the Company.</p> <p>5. PCSC has established a Call Center to serve as a channel for communication among PCSC, its suppliers, employees, and customers</p>	compliant
<b>IV. Information disclosure</b>		
1. Establishment of a public website to disclose operational, financial and corporate governance information	PCSC has established a corporate website at <a href="http://www.7-11.com.tw">www.7-11.com.tw</a> , which discloses sales, financial and corporate governance information.	compliant
2. Other methods used for disclosure	<p>1. PCSC has established a corporate website at <a href="http://www.7-11.com.tw">www.7-11.com.tw</a>, which also offers English version. There is a dedicated investor relations team, responsible for the collection and disclosure of corporate information and the updating of the website contents.</p> <p>2. In accordance with legal requirements, PCSC has established a comprehensive spokesperson system, with PCSC President Chung-Jen Hsu serving as Spokesperson and Senior Vice President Chien-Nan Hsieh as Acting Spokesperson.</p> <p>3. The presentation materials for analysts and institutional investors meetings are posted on the company website and also on Taiwan Stock Exchange Market Observation Post System at <a href="http://www.mops.tse.com.tw">http://www.mops.tse.com.tw</a>.</p>	compliant

Items	Status	Deviation from Corporate Governance Best Practice for TSE/GTSM Listed Companies,
V. Operations of the Company's Nomination Committee, Remuneration Committee, or other functional committee		
Operation of Remuneration Committee	<div>1. The Company has established the Remuneration Committee on Aug. 19, 2011 in accordance with the "Regulation Governing the Appointment and Exercise of Power by the Remuneration committee of a company whose Stock is Listed on the Stock Exchange or Traded over the Counter.</div> <div>2. Up to the date of the publication of the annual report, the Company has held Remuneration Committee meetings for two times.</div>	Undifferentiated
VI. Any discrepancy between the Operation of Corporate Governance Practice and the Corporate Governance Best-Practice Principles for TSE/GTSM Listed Companies		
	PCSC has not defined a set of rules governing its corporate governance practices; however, PCSC complies with all relevant regulations and has been working steadily towards the implementation of best practice. PCSC has already formulated Rules of Procedures for Shareholders Meetings, Procedures for selection of Directors and Supervisors, Procedures for Board Meetings, Rules for the Practice of Corporate Social Responsibility, Rules for the Organization of Remuneration Committee, Rules for the Organization of Auditing Committee", Rules for the Scope of Obligations of Independent Directors, and Procedures for Authorization by Managers, etc	
VII. Other important information to facilitate better understanding of the Company's corporate governance practices		
<div>1. There is no spousal relationship between PCSC's Chairman and President, and they are not relatives within one degree of consanguinity.</div> <div>2. The Company has complied with the requirements of continuing education for the directors and supervisors of companies listed in TSE or GreTai and arranged directors Lin, Lung-Yi, Yang, Wen-Lung, Su, Tsung-Ming and Kao, Hsiu-Ling, and supervisors Yin, Chien-Li, Wu, Chung-Pin to participate in the 3-hour course on "the Latest Changes in and Development Trends of Company Governance Regulations" held by "Securities and Futures Institute" in 2011; Director Kao, Hsiu-Ling to participate in the 3-hour course on "Directors and Supervisors advanced seminar on the practice of corporate governance and law of securities trading: the obligations and responsibilities of the directors and supervisors" held by "Securities and Futures Institute".</div> <div>3. With respect to proposals where there is a conflict of interest between a director and the company, the company seeks to ensure that such conflict of interest does not affect the voting results.</div> <div>4. PCSC has purchased liability insurance for its directors, supervisors and key personnel.</div> <div>5. PCSC discloses financial and business information pursuant to relevant laws and regulations, and is working on an ongoing basis to strengthen transparency. The company has also established an investor relations team to provide direct communication between PCSC and investors.</div> <div>6. PCSC formulates strategies, procedures and indicators, and undertakes regular analysis and appraisal of changes in risk status, in accordance with relevant laws and regulations, policies, and market changes; the company also takes appropriate measures to reduce the overall level of latent risk.</div> <div>7. With regard to other matters relating to corporate governance, PCSC will continue to comply with all relevant laws and regulations.</div>		
VIII. Any self evaluation of corporate governance or any other professional organization to conduct such an evaluation		
PCSC has adopted a corporate governance self-appraisal system in 2012 and has published in the market observation post system.		Undifferentiated

### 3-5 Formation, duties and operation of Remuneration Committee of PCSC:

The rules for the organization of Remuneration Committee approved by the Board of Directors on June 22, 2011 Remuneration Committee is established on August 19, 2011, and it's major duties are to assist the Board of Directors in regular inspection and evaluation of overall salary, remuneration and benefit policies for directors, supervisors and the management. Up to the date of the publication of annual report, PCSC has held Remuneration Committee meetings for two times, and reported on the Remuneration Committee Constitution, and discussed the salaries and remunerations of directors, supervisors and the management for 2011. In addition, with the introduction by independent directors, it has worked out the standards for the payment of salaries, remuneration and benefits for independent directors. All members approved the proposals from PCSC.

Title	Name	Number of times of actual presence	Actual presence
Chairman	Wang, Wen-Yeu	2	100%
Committee member	Chen, M. David	2	100%
Committee member	Shu, Pei-Gi	2	100%

### 3-6 Performance of Corporate Social Responsibility:

Subject	Status of Implementation	Variation with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
<b>I. The implementation of corporate governance</b>		
<ol style="list-style-type: none"> <li>1. The Company has established the policy or system of corporate social responsibility and reviewed the result of implementation.</li> <li>2. The Company has appointed designated personnel to implement the policy of corporate social responsibility.</li> <li>3. The Company has regularly held education programs for the Directors, Supervisors, and employees on corporate ethics and has integrated corporate an ethics code as a part of the performance evaluation system. There is a clearly defined reward and punishment system in effect.</li> </ol>	<ol style="list-style-type: none"> <li>1. In 2010, the Public Affairs Office of the Company has established the CSR Project Team to rally for the formation of the 7-ELEVEN CSR Integrated Project and announced the official establishment of a President Chain Store CSR Committee and officially incorporated corporate governance into the CSR Corporate Reengineering Strategy. Currently, the focus of the strategy is – internally: establish consensus among all on CSR; externally: fully focus on the topics of environmental protection and community concerns.</li> <li>2. The 7-ELEVEN CSR Committee is positioned at the corporate governance level with the mode of top-down management in effect. The COO of 7-ELEVEN acts as the Director of the committee while the heads of the business groups act as the committee members. The head of the Public Affairs Office acts as the CEO of the committee. It is divided into four departments, respectively as Corporate Ethic Department, Environmental Management Department, Fair Trading Department, and Community Involvement Department. In 2011, it completed the standards for corporate governance behaviors, happy cooperative employees care, green merchandise marketing, community upgraded operation and other projects.</li> </ol>	In compliance with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”
<b>II. Sustainable Environment Development</b>		
<ol style="list-style-type: none"> <li>1. The Company has made effort to enhance the efficient use of all resources and reuse recycled materials in order to mitigate the impact on the environment.</li> <li>2. The Company has established an environmental management system relevant with its industry feature.</li> <li>3. The Company has established an environmental management function or appointed designated personnel for such purpose to protect the environment.</li> <li>4. The Company has paid close attention to the effect of climatic change on its operation and established relevant policies to reduce the emission of carbon and greenhouse gases.</li> </ol>	<ol style="list-style-type: none"> <li>1. President Chain Store has established a recycling system with cash compensation through its stores. Empty bottles, dumped voltage testers and batteries, and even abandoned mobile phones may be dropped off for recycling at the stores. The Company is the first enterprise in Taiwan that pursued the "Cash bonus for recycled items" and has become the biggest recycling platform in Taiwan.</li> <li>2. Nearly 4,800 stores of the Company have practiced energy saving, recycling, and the reduction of waste. Furthermore, the Company has made use of the capacity of its channels in promoting the concepts of environmental protection to the public. Indeed, 7-ELEVEN started to consume green energy long ago. It has set up a solar power generating system at the Tung Shan Rest Area on one of the national highways, and has incorporated the ideas of solar energy, wind energy and recycled energy into the design of the "7-ELEVEN" gasoline stations and fully demonstrated the spirit of LOHAS in its store architecture. Starting with environmental protection at the stores, the Company has used reverse logistics as the platform for the recycling of resources for more than 15 years. In 2011, its battery recycling accounted for 1.42 million tons, and used compact disks accounted for 0.33 million tons, with the total recycling height equivalent to 2,337 units of Taipei Building 101.</li> <li>3. 7-ELEVEN has designed a viable process for the recycling of waste. Exclusively designed sealable recycling bags were used for packing recycled dry cells and CDs to avoid a second contamination. Heavy-duty recycling bags were used for packing dumped voltage testers and mobile phones to avoid damage to the bags and ensure the bags will not be opened during the entire recycling process. Through reverse logistics, the Company delivered the recycled items to professional and licensed treatment plants for handling as a measure of environmental protection. Further to cash bonus for recycled items, the Company also rallied the support of the public and volunteers to clean up the environment, plant trees, introduce green label products. The Company has been recognized as a green store chain by the Environmental Protection Administration. We hope the public can work hand in hand with 7-ELEVEN to perform our duties as citizens of the earth to materialize environmental protection in our daily lives.</li> <li>4. As the benchmark of retail business in Taiwan, in 2011, president Chain Store was the first to declare the resolution to reduce carbon discharge to start the greenhouse gas investigative operation across departments. Called by Environment Control Department under CSR Committee, the related organizations signed 2015 declarations on carbon discharge reduction, and they put forward the target as "carbon discharge reduction by 5% by 2015, green purchasing amounts increase by 5% and sustainable increase in resource recycling products".</li> </ol>	In compliance with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”
<b>III. Promotion of Social Welfare</b>		
<ol style="list-style-type: none"> <li>1. The Company has complied with applicable laws governing labor affairs and protected the legal rights of the employees through the establishment of an appropriate management system and procedure.</li> <li>2. The Company has provided its employees with a safe and healthy work environment and regularly provided education on safety and health.</li> <li>3. The Company has established and publicized its policy for the protection of consumers, and has established an effective and transparent procedure for consumers filing complaints on services and products.</li> <li>4. The Company works in collaboration with the suppliers to jointly upgrade CSR</li> <li>5. The Company has participated in community development and charitable events through business activities, donation in kind, corporate volunteer service and other free of charge professional services.</li> </ol>	<ol style="list-style-type: none"> <li>1. The Company establishes “Happy Cooperative” to build care mechanisms for employees. 36 volunteers have been chosen to complete professional training dedicated to internal individual concerns, and in 2011, the volunteer care system will be promoted among related enterprises.</li> <li>2. The Company provides employees with perfect education and training programs and good benefit systems (such as allowances for physical examination and allowances for marriage), and it implements humanistic care, and improves physical health of employees. The “Teacher-Chang Foundation” is authorized by PCSC to assist its employees in consulting and training, hoping to create a warm, harmonious and safe working environment.</li> <li>3. The Company sets up “Joint Service Center”. PCSC’s manufacturers, consumers and employees can express their opinions via free line 0800-008-711, or email to public@mail.7-11.com.tw.</li> <li>4. In order to encourage retail chain partners to implement CSR into daily life, PCSC has established CSR in 4,800 retail store practice models. In 2011, PCSC launches the “CSR Happy Embassador Training” program, and by course scheduling, they lead shop presidents to start thinking from core business of retail shops themselves, and use operation structures of merchandises, services and marketplace space, etc, focuses on CSR topics and encourages retail stores to become a CSR practice base.</li> <li>5. The number of the Company's volunteers, along with the Group's volunteers, has exceeded 300 since its establishment in 2009. In 2011, it performed four nationwide activities, two regional supporting activities, and they were greatly developed in place by establishing regional organizations in the north, the middle and the south.</li> <li>6. In order to benefit community residents so that retail stores become the center of community service in a real sense, all retail stores of President Chain Store Good Neighbor Foundation launched the “Good Neighbor Foundation” activities. In 2011, all over the province, there were more than 600 times of them, with more than 80000 people involved in them. It created unforgettable memories with the public in the communities by many lively and diversified activities.</li> </ol>	In compliance with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”

Subject	Status of Implementation	Variation with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
IV. Enhancement of Information Disclosure		
1. The method of disclosure of relevant and reliable information on CSR.	The Company has published the CSR Report once every other year and will be disclosed at the official website, www.7-11.com.tw.	In compliance with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”
2. The Company has compiled the report on CSR for disclosure of its effort in CSR		
V. Specify the operational status and differences if the Company has established CSR rules in accordance with the“Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”		
Subject to the“Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”, the Company worked out the rules for the practice of corporate social responsibility in the Board Meeting of March 21, 2012, including the implementation of advancement of company control, development of perpetual environments, protection of social public welfare, enhancement of the disclosure of corporate social responsibility information so as to facilitate common compliance therewith by the Company’s employees, and to manage the environmental social risks and their impacts.		In compliance with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”
VI. Other important information for facilitating the understanding of CSR and its implementation (e.g., internal system and regulation on environmental protection, community involvement, social contribution, social service, charity work, consumer right, human right, safety and health, and other CSR activities, and the status of implementation).		
7-ELEVEN puts long-term efforts to in public welfare activities, and changes funding modes with the trend of social environments. Over the past two years, it has organized the House of Care so that little children from the emergency families may do free shopping at retail stores. Moreover, it calls on volunteers from its affiliates and provides materials and raises care boxes of support to 1,500 disadvantaged families. It further builds the ibon funding mechanism to facilitate donation by the public in great sums to operate public welfare as its own business. In 2011, the mount funded at retail stores was as much as NTD159 million, all of which was used to support different social benefit groups. By professional service networks of all groups, it delivers care to different parts of the country.7-ELEVEN performs long-term investment in public welfare activities, and changes funding modes with the trend of social environments. Over the past two years, it has organized the House of Care so that little children from the emergency families may do free shopping at retail stores. Moreover, it calls on volunteers from its affiliates and provides materials and raises care boxes of support to 1,500 disadvantaged families. It further builds the ibon funding mechanism to facilitate donation by the public in great sums to operate public welfare as its own business. In 2011, the mount funded at retail stores was as much as NTD159 million, all of which was used to support different social benefit groups. By professional service networks of all groups, it delivers care to different parts of the country.		
VII. Other information regarding products or CSR report which are verified by certification bodies: None.		

### 3-7 The Company duly observes the principle of sincerity in operation and pursues the following:

1. The Company complies with applicable legal rules governing companies listed in the TSE or GreTai and business conduct as the prerequisite of trust and sincerity in business operation.
2. The Company has established an internal control system. The internal auditors have routinely conducted compliance tests with the system and prepared audit reports for presenting to the Board. In addition, the Company has also reviewed the design and the continued effectiveness of the implementation of the system once annually in order to establish viable corporate governance and risk control mechanisms.
3. The Company has kept the conduct of all personnel transparent through management of the code of ethics. The Chief Auditor acts as the chief officer of the corporate ethics code and is responsible for launching "Ethics Management". By entering into a self-disciplinary agreement, the Company encourages good conduct in the employees. Further, citations will be given every quarter of the year to those who are ethically sound in order to make the ethics code the guideline of conduct and as the foundation of a positive corporate culture.

### 3-8 Procedure of processing material information of the Company:

Although the Company has not set up the procedures of processing material information, the Company has instituted regulations for governing the internal material information as the standard procedure for the directors, supervisors, the management, and employees. These regulations are posted at the official website of the Company for all staffs to comply with; meanwhile, the regulations will be inspected and revised every year according to the relevant regulations and laws. In the future, these regulations will comply with applicable regulations and laws.

### 3-9 Implementation Status of Internal Control System :

1. Internal Control Declaration: Please refer to the attached 2011 annual report disc.
2. If the company has commissioned external auditors to review the company's internal control system, the external auditor's report should be disclosed: Not applicable.

### 3-10 During the most recent year and as of the date of publication of the Annual Report, any disciplinary measures taken to the Company or its internal staff due to violations of legal requirements or taken by the Company to its internal staff due to their violations of the internal control system. The details of the disciplinary measures, major faults and improvement measures should be noted: None.

### 3-11 During the most recent year and until the published date of the Annual Report, major resolutions of Shareholders' Meeting and Board Meetings:

a. Major resolutions approved by the Shareholders' Meeting (The following resolutions have been completed)

The Company held its general meeting of 2011 on June 22, 2011. The resolutions of the meeting are shown below:

- (1) Approval of the financial report for 2010: including business report, financial statements, and distribution of 2010 profits.  
Resolved, that the 2010 business report and financial statements be and hereby were accepted as submitted.
- (2) Proposal for on the distribution of 2010 profits: the Company had distributable income amounting to NT\$5,184,986,643 for fiscal year 2010 and proposed to pay cash dividend of NT\$4.90/pershare.  
Resolved, that the above proposal be and hereby were approved as proposed.  
Cash dividend of NT\$4.90/pershare was paid on August 26, 2011
- (3) Amendment to the Articles of Incorporation  
Resolved, that the above proposal be and hereby were approved as proposed.  
The Articles of Incorporation have been amended subject to the resolution in the shareholders' meeting.
- (4) Amendment to the regulations for the election of directors and supervisors:  
Resolved, that the above proposal be and hereby were approved as proposed.  
The regulations for the election of directors and supervisors have been amended subject to the resolution in the shareholders' meeting.
- (5) Amendment to the operational procedure for Granting Loans:  
Resolved, that the above proposal be and hereby were approved as proposed.  
The procedure for granting loans has been amended subject to the resolution in the shareholders' meeting.
- (6) Amendment to the operational procedure for making endorsements and guarantees:  
Resolved, that the above proposal be and hereby were approved as proposed.  
The procedure for making endorsements and guarantees has been amended subject to the resolution in the shareholders' meeting.

b. Major resolutions approved by the Board Meetings:

(The following motions have been resolved and executed except the motion on the acquisition of equity of Presidclerc Limited Co., Ltd by PCSC (BVI) Ltd, the motion on raising capital of PCSC (BVI) Ltd, Presidclerc Limited Co., Ltd and Presidclerc (Beijing) Supermarket Co., Ltd, and the motion on raising capital of Integrated Marketing Communications Co., Ltd., the motion for selling the equity of Bank Pro E-service Technology Co., Ltd, the investment of "icash Payment Systems Ltd. (tentative)" and the motion on the termination of investment of "Pet Plus Co., Ltd", which are still in process. The proposal for the earning distribution of incomes and dividends of the Company in 2011, the amendments to the regulations for the election of directors and supervisors of the Company, procedure for granting loans, procedure for making endorsements and guarantees, amendment to the procedure for the acquisitions and disposal of assets, amendment to the regulations for procedures of shareholders' meetings, amendment to the the Articles of Incorporation, re-election of directors and independent directors, and and removal of non-competition restriction for directors of the Company, shall be subject to the final approval of the shareholders' meeting in 2012).

During the 2011 calendar year, and through the publication date of the annual report in 2011, five regular Board Meetings were convened. Major resolutions approved at these meetings are summarized below:

(1) The 9th meeting of the 9th Board (Date: March 18, 2011)

- Approving 2010 business reports and financial statements.
- Approving 2010 asset impairment loss.
- Approving 2010 motion on earning distribution and dividends of the Company.
- Approving the motion on the application for the renewal of credit limits from financial institutions.
- Approving the removal of Guarantee and Endorsement amount of NTD 600 million to Retail Support International Corp.
- Approving the amendment to the regulations for the election of directors and supervisors of the Company.
- Approving the amendment to the Articles of Incorporation of the Company.

- Approving the motion on the investment of President Sato Co., Ltd. (tentative)
- Approving the motion on the evaluation of strategic partner of Sichuan Uni-Mart.
- Approving the results examined by internal control of the Company.
- Approving the amendment of 2010 " Internal Management and Control System".
- Approving the donation of NTD 155,000 of the Company.
- Approving the personal promotion on operational needs.
- Approving the rights of shareholders in proposal and related procedure.
- Approving date and venue of 2011 Shareholders' Meeting and 10th meeting of the 9th Board.
- Approving the the agenda of 2011 Shareholders' Meeting.

(2) The 10th meeting of the 9th Board (Date: June 22, 2011)

- Approving the acquisition of purchasing the equity of of "Muji (Taiwan) Co., Ltd".
- Approving the recognition of Guarantee and Endorsement of "Presidclerc (Beijing) Supermarket Co., Ltd." provided by the Company.
- Approving the recognition of selling the equity of "Dayeh Takashimaya Taiwan Inc."
- Approving the endorsement amount of NTD10.90375 million to Japanese joint ventures by the Company as disaster relief for the earthquake in the northeast of Japan.
- Approving the motion on raising capital for "Sato (Shanghai) Catering Mathematic Co., Ltd".
- Approving the alteration of external auditors.
- Approving the ex-dividend date and record date of 2010 cash dividend distribution.
- Approving the application for new credit and renewal of loan agreements with financial institutions.
- Approving the motion on the renewal of professional liability insurance for the protection of the directors, supervisors, and key personnel.
- Approving the amendment to the Remuneration Committee Constitution of the Company.
- Approving the investment of "icash Payment Systems Ltd (tentative)", and the recognition of selling the equity of 53.33% of "Bank Pro E-service Technology Co., Ltd".
- Approving the personal transfer for operational needs.
- Approving the donation of amount of NT600,000.
- Approving the motion on the date and venue for the 11th meeting of the 9th Board of Directors.

(3) The 11th meeting of the 9th Board (Date: August 19, 2011)

- Approving the financial reports of the first half year of 2011.
- Approving the acquisition of purchasing the equity of " President Information Corp."
- Approving the motion of selling the equity of of "Uni-President Yellow Hat Corp."
- Approving the motion on raising capital for "Rakuten Taiwan Co., Ltd".
- Approving the motion on raising capital for "PCSC Afternoon Tea Shanghai Ltd".
- Approving the removal of the limit of endorsement amount of NTD100 million to "21 Century Enterprise Co., Ltd".
- Approving the endorsement amount of NTD7,438,200 to "Q-Ware Systems & Services Corp. " by the Company.
- Approving the motion on the application for the renewal of credit limits from financial institutions.

- Approving the motion on addition to the procedures of wedding, funeral ceremonies and leaving office compassion ceremonies for Directors and Supervisors of the Company.
  - Approving the motion on the appointment of committee members of Remuneration Committee.
  - Approving the motion on the standards for payment of salaries, remuneration and benefits for members of the Remuneration Committee.
  - Approving the personal promotion on operational needs.
  - Approving the donation plan of NTD446,386 as care products on Mother's Day of 2011 to the public welfare groups in collaboration with the Company.
  - Approving the motion on the date and venue for the 12th meeting of the 9th Board of Directors.
- (4) The 12th meeting of the 9th Board (Date: December 13, 2011)
- Approving the motion on the application for the renewal of credit limits from financial institutions..
  - Approving the motion on the incorporation of branches for 2012.
  - Approving 2012 internal audit program.
  - Approving the motion on the planned donation by the Company in 2012.
  - Report of the resolutions approved by 1st meeting of the 1st Remuneration Committee.
  - Approving the date and venue for for the 13th meeting of the 9th Board of Directors.
- (5) The 13th meeting of the 9th Board (Date: March 21, 2012)
- Approving 2011 business report and financial statements of the Company.
  - Approving 2011 asset impairment loss of the Company.
  - Approving the 2011 motion on earning distribution and dividends of the Company.
  - Approving the motion on the re-election of Directors of the Company and appointment of Independent Directors.
  - Approving the motion on the removal of non-competition restriction for Directors of the Company.
  - Approving the nomination for Independent Directors by shareholders with shareholding over 1%.
  - Approving the amendment to the Articles of Incorporation of the Company.
  - Approving the amendment to the procedure for acquisition or disposal of assets of the Company.
  - Approving the amendment to the procedure for granting loans.
  - Approving the amendment to the procedure for making endorsements and guarantees.
  - Approving the amendment to the regulations for the election of directors and supervisors.
  - Approving the amendment to regulations of shareholders' meeting of the Company
  - Approving the amendment to constitution of the Company's Remuneration Committee.
  - Approving the amendment to authorization method of the management of the Company.
  - Approving the the amendment to Procedure for Board of Directors Meetings.
  - Approving the constitution of the Company's Audit Committee.
  - Approving the Rules of the responsibility of Company's independent directors.
  - Approving Corporate Social Responsibility Practice Principles of the Company.
  - Approving the motion on the removal of the limit of endorsement for Presiclerc (Beijing) Ltd provided by the Company with amount of RMB11,082,000.
  - Approving the motion on the acquisition of "Presiclerc Ltd by "PCSC (BVI) Holdings Ltd".
  - Approving the motion on raising capital for "Presiclerc Ltd" and "Presiclerc (Beijing) Ltd".
  - Approving the motion on capital raising for "PCSC (BVI) Holdings Ltd".
  - Approving the motion on the application for renewal of credit limits from financial institutions.
  - Approving the alteration of external auditors.
  - Approving the motion on the termination of investment and management of "Pet Plus Co., Ltd".
  - Approving the motion on raising capital for Integrated Marketing Communications Co., Ltd.
  - Approving the motion on the establishment of Store Division of the Company.
  - Approving the removal of the branches of the Company.
  - Approving the motion on the relocation of branches of the Company and changes in the management.
  - Submitting the motion on the declaration of "Internal Control Statements" of the Company.
  - Approving the amendment to "Internal Management and Control System".
  - Approving the personal promotion on operational needs.
  - Approving the right of shareholders in proposal and related procedure.
  - Approving the date and venue for the 14th meeting of the 9th Board of Directors.
  - Approving the agenda of 2012 Shareholders' Meeting.

### 3-12 Different opinions in records or written statements from directors or supervisors regarding important resolutions made by the Board in the most recent year and until the published date of the Annual Report: None.

### 3-13 Resignation or dismissal of personnel responsible for preparing financial statements:

During 2011 and up until to April 30, 2012, no personnel related to financial reports resigned or were dismissed.

## 04. External Auditors Information

### 4-1 Audit fees

Firm	Auditors		Audit period	Remark
PRICEWATERHOUSECOOPERS	Chang, Mei-Tzu	Tsai, Ching-Pao	1st quarter of 2011	As required by internal administrative operation of the firm
PRICEWATERHOUSECOOPERS	Chang, Mei-Tzu	Tseng, Hui-Chin	2nd to 4th quarter of 2011	

Unit: NTD in thousands

Public	Audit fees	Non-auditing fees	Total
spendingAmount scale			
Less than NTD2,000K	—	—	—
NTD2,000K (incl.) ~ NTD4,000K	—	—	—
NTD4,000K (incl.) ~ NTD6,000K	—	5,520	5,520
NTD6,000K (incl.) ~ NT8,000K	—	—	—
NTD8,000K (incl.) ~ NT10,000K	9,930	—	9,930
NTD10,000K or above	—	—	15,450

Unit: NTD in thousands

Firm	Auditors	Audit fees	Non-auditor fees					Audit period	Remarks
			System design	Business registration	Human Resources	Others (Note 2)	Total		
PRICE WATERHOUSE COOPERS	Chang, Mei-Tzu	5,850	—	—	—	1,070	6,920	1st quarter of 2011	Note 1: Internal administrative operation of the firm. Note 2: Consultant fee of IFRS, transfer pricing, regular consultant, and branches establishment.
	Tsai, Ching-Pao								
	Chang, Mei-Tzu	4,080	—	—	—	4,450	8,530	2nd to 4th quarter of 2011	
	Tseng, Hui-Chin								

### 4-2 Switching of auditors: The following shall be disclosed if the company changed its Accounting firm in the past two year:

#### a. About the previous external auditors

Date of replacement	2010.01.01	2011.04.01	2012.01.01
Reasons for replacement	Internal adjustments at PRICEWATERHOUSECOOPERS		
Details of why the previous auditor terminated or refused to accept the assignment	None		
Reports with any opinion other than an unqualified opinion over the most recent two years, and the reasons	None		
Opinions different from those of the company	None		
Other disclosures(Article X-(V)-1-(4) of this standard shall be disclosed)	None		

#### b. About the new external auditors

Firm	PRICEWATERHOUSECOOPERS		
Auditors	Chang, Mei Tzu	Tseng, Hui Chin	Hsiao, Chun-Yuan
Appointment Date	January 1, 2010	April 1, 2011	January 1, 2012
The possible opinions, consulting advise and results regarding any specific accounting treatments or principles before appointment date	None		
Any written opinions issued by new auditors that are different from those of previous auditors	None		

#### c. Previous auditors' response to Item 1, Paragraph 5, Article 10 and Sub-item 3 of Item 2, Paragraph 5, Article 10 of these principles: None.

### 4-3 If the Company's Chairman, President, or managers responsible for financial and accounting affairs have held any position in the accounting firm or its affiliates during the past year, all the relevant information should be disclosed: Not applicable to PCSC

## 05. Net Change in Shareholdings and in Shares Pledged by Directors, Supervisors, Management and Shareholders with Shareholding more than 10%.

### 5-1 Status of changes:

Unit: shares

Title	Name	2011		As of 30 April, 2012	
		Net Change in Shareholdings	Net Changes in Shares Pledged	Net Change in Shareholdings	Net Changes in Shares Pledged
Director; juridical person shareholder; major shareholder	Uni-President Enterprise Corp	—	—	—	—
Director; juridical person shareholder	Kao Chyuan Investment Co. Ltd.	—	—	—	—
Supervisor; juridical person shareholder	Kai Yu Investment Co., Ltd	—	(4,200,000)	—	—
Chairman	Kao, Chin-Yen	—	—	—	—
Managing director	Lin, Chang-Sheng	—	—	—	—
Managing director / President	Hsu, Chung-Jen	—	—	—	—
Director	Lin, Lung-Yi	—	—	—	—
Director	Lo, Chih-Hsien	—	—	—	—
Director	Yang, Wen-Lung	—	—	—	—
Director	Su, Chung-Ming	—	—	—	—
Director / Senior Vice President	Chang Jen, Yun-Huei	—	—	—	—
Director	Kao, Hsiu-Ling	—	—	—	—
Supervisor	Yin, Chien-Li	—	—	—	—
Supervisor	Wu, Chung-Pin	—	—	—	—
Senior Vice President (Chief Operating Officer)	Hsieh, Chien-Nan	(7,000)	—	—	—
Senior vice president	Lai, Nan-Bey	—	—	—	—
Senior vice president	Huang, Chien-Li	—	—	—	—
Senior vice president	Chen, Jui-Tang	—	—	—	—
Senior vice president	Yang, Yen-Sen	(895)	—	—	—
Senior vice president	Tsai, Tu-Chang	—	—	—	—
Vice president (Chief Auditor)	Lin, Wen-Ching	—	—	—	—
Vice president	Wang, Wen-Kui	—	—	—	—
Vice President	Lee, Chi-Ming	—	—	—	—
Vice president (Chief Financial Officer)	Wu, Wen-Chi	—	—	—	—
Vice President	Hong, Gin-Guu	—	—	(Note 1)	—
Accounting Division Manager	Lai, Hsin-Ti	—	—	—	—
Financial Division Manager	Cheng, Yea-Yun	(Note 2)	—	—	—

Note 1: Hong, Gin-Guu, the Vice president of the Company, was relieved since February 2012 due to transfer of his position.

Note 2: Cheng, Yea-Yun has been acting as the financial division manager for the Company since July 2011.

### 5-2 Stock Transfer Agreements with Related Party: None.

### 5-3 Stock Pledge Agreements with Related Party: None.

## 06. Related Party Relationship among Top10 Shareholders:

30 April 2012

Name	Shareholding		Spouse and Minor Children Shareholding		PCSC Shareholding by Nominee Arrangements		Names and relations of top 10 shareholders as defined in the SFAS No. 6	
	Shares	%	Shares	%	Shares	%	Name	Relations
Uni-President Enterprise Corp	471,996,430	45.40%	0	0	0	0	None	None
Representative of Uni-President Enterprise: Kao, Chin-Yen	29,824	0.00%	0	0	0	0	Representative of Uni-President Enterprise Corp. Lo, Chih-Hsien	Son-in-law
Representative of Uni-President Enterprise: Lin, Chang-Sheng	30,840	0.00%	0	0	0	0	None	None
Representative of Uni-President Enterprise: Hsu, Chung-Jen	23,286	0.00%	0	0	0	0	None	None
Representative of Uni-President Enterprise: Lin, Lung-Yi	18,759	0.00%	25,139	0.00%	0	0	None	None
Representative of Uni-President Enterprise: Lo, Chih-Hsien	1,032,215	0.10%	1,014,315	0.10%	0	0	Representative of Uni-President Enterprise Corp. Kao, Chin-Yen	Father-in-law
Representative of Uni-President Enterprise: Yang, Wen-Lung	0	0	0	0	0	0	None	None
Representative of Uni-President Enterprise: Su, Tsung-Ming	0	0	0	0	0	0	None	None
Representative of Uni-President Enterprise: Chang Jen, Yun-Huei	0	0	0	0	0	0	None	None
National Westminster Bank plc as Depositary of First State Asia Pacific Leaders Fund a sub fund of First State Investments ICVC	27,001,208	2.60%	0	0	0	0	None	None
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Saudi Arabian Monetary Agency-State Street Global Advisors as external fund manager	21,242,344	2.04%	0	0	0	0	None	None
MATTHEWS INTERNATIONAL FUNDS	19,439,608	1.87%	0	0	0	0	None	None
National Westminster Bank plc as Depositary of First State Global Emerging Markets Leaders Fund a sub fund of First State Investments ICVC	18,200,776	1.75%	0	0	0	0	None	None
PCSC Employees Benefits Trust account in the custody of China Trust Commercial Bank	17,126,162	1.65%	0	0	0	0	None	None
JPMorgan Chase Bank N.A. Taipei Branch in custody for Templeton Developing Markets Trust	13,383,114	1.29%	0	0	0	0	None	None
Government of Singapore	10,852,255	1.04%	0	0	0	0	None	None
JPMorgan Chase Bank N.A. Taipei Branch in custody for T.Rowe Price New Asia Fund	10,598,000	1.02%	0	0	0	0	None	None
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	10,544,547	1.01%	0	0	0	0	None	None

## 07. Long-term Investment Ownership:

31 December 2011 / Unit: shares; %

Long-Term Investments	Ownership by PCSC		Direct/Indirect Ownership by Directors, Supervisors and Management		Total Ownership	
	Shares	%	Shares	%	Shares	%
PCSC (BVI) Holdings Ltd	106,575,196	100.00%	—	0.00%	106,575,196	100.00%
PCSC (China) Holdings Ltd	8,746,008	100.00%	—	0.00%	8,746,008	100.00%
President Drug Store Business	40,000,000	100.00%	—	0.00%	40,000,000	100.00%
21 Century Enterprise Co., Ltd	13,000,000	100.00%	—	0.00%	13,000,000	100.00%
Ren-Hui Investment Corp.	53,194,997	100.00%	—	0.00%	53,194,997	100.00%
Capital Inventory Service Corp.	2,500,000	100.00%	—	0.00%	2,500,000	100.00%
Wisdom Distribution Service Corp.	10,847,421	100.00%	—	0.00%	10,847,421	100.00%
Uni-president Oven Bakery Corp	6,511,963	100.00%	—	0.00%	6,511,963	100.00%
President Being Corp.	3,000,000	100.00%	—	0.00%	3,000,000	100.00%
Uni-President Yi-Lan Art and Culture Corp.	15,000,000	100.00%	—	0.00%	15,000,000	100.00%
President FN Business Corp.	400,000	100.00%	—	0.00%	400,000	100.00%

Long-Term Investments	Ownership by PCSC		Direct/Indirect Ownership by Directors, Supervisors and Management		Total Ownership	
	Shares	%	Shares	%	Shares	%
Cold Stone Creamery Taiwan Ltd	12,244,390	100.00%	—	0.00%	12,244,390	100.00%
President Chain Store Tokyo Marketing Corp.	9,800	100.00%	—	0.00%	9,800	100.00%
President Musashino Corp.	48,519,891	90.00%	—	0.00%	48,519,891	90.00%
Q-Ware Systems & Services Corp.	24,382,922	86.76%	—	0.00%	24,382,922	86.76%
President Sato Co., Ltd	4,860,000	81.00%	—	0.00%	4,860,000	81.00%
Mech-president Corp.	55,858,816	80.87%	13,046,358	18.89%	68,905,174	99.76%
President Pharmaceutical Corp	19,909,765	73.74%	—	0.00%	19,909,765	73.74%
President Transnet Services Co., Ltd	70,000,000	70.00%	20,000,000	20.00%	90,000,000	90.00%
President Collect Services Co., Ltd	1,050,000	70.00%	—	0.00%	1,050,000	70.00%
Uni-President Department Store Corp.	112,000,000	70.00%	48,000,000	30.00%	160,000,000	100.00%
Pet Plus Co., Ltd	7,000,000	70.00%	—	0.00%	7,000,000	70.00%
Uni-President Cold-Chain Corp.	19,563,272	60.00%	6,521,090	20.00%	26,084,362	80.00%
President Information Corp.	25,714,476	86.00%	—	0.00%	25,714,476	86.00%
Bank Pro E-Service Technology Co.,Ltd	7,200,000	53.33%	675,000	5.00%	7,875,000	58.33%
Duskin Service Taiwan Co.	10,200,000	51.00%	—	0.00%	10,200,000	51.00%
Afternoon Tea Taiwan Co., Ltd	8,670,000	51.00%	—	0.00%	8,670,000	51.00%
Books.com Co., Ltd	10,000,000	50.03%	—	0.00%	10,000,000	50.03%
Mister Donut Taiwan Corp.	8,791,268	50.00%	—	0.00%	8,791,268	50.00%
Rakuten Taiwan Co., Ltd	27,146,000	49.00%	—	0.00%	27,146,000	49.00%
Muji (Taiwan) Co., Ltd	8,431,269	51.00%	—	0.00%	8,431,269	51.00%
President Organic Corp.	1,833,333	36.67%	2,833,333	56.67%	4,666,666	93.34%
President Coffee Corp.	10,691,337	30.00%	7,127,558	20.00%	17,818,895	50.00%
Retail Support International Corp.	6,430,000	25.00%	5,144,000	20.00%	11,574,000	45.00%
Uni-President Development Corp.	72,000,000	20.00%	108,000,000	30.00%	180,000,000	50.00%
Tong-Ho Development Corp.	19,930,000	19.93%	72,120,000	72.12%	92,050,000	92.05%
Presicarre Corp.	130,801,027	19.50%	137,511,893	20.50%	268,312,920	40.00%
Tong-Jeng Development Co., Ltd	209,000,000	19.00%	445,500,000	40.50%	654,500,000	59.50%
President Technology Co., Ltd	750,000	15.00%	—	0.00%	750,000	15.00%
President Yamako Co., Ltd	650,000	10.00%	—	0.00%	650,000	10.00%
President Investment Trust Corp.	2,667,600	7.60%	561,600	1.60%	3,229,200	9.20%
PK Venture Capital Corp.	6,666,667	6.67%	6,666,667	6.67%	13,333,334	13.34%
Career Inpek Co.	837,753	5.37%	—	0.00%	837,753	5.37%
President International Development Corp.	44,100,000	3.33%	900,094,230	68.03%	944,194,230	71.36%
Uni-OAO Travel Service Corp.	60,000	2.86%	—	0.00%	60,000	2.86%
President Securities Corp.	34,567,837	2.69%	355,965,142	27.71%	390,532,979	30.40%
Kaohsiung Rapid Transit Corp.	20,000,000	2.00%	20,000,000	2.00%	40,000,000	4.00%
Duskin Co., Ltd	300,000	0.45%	—	0.00%	300,000	0.45%
Chimei Innolux	18,556,967	0.25%	7,957,569	0.11%	26,514,536	0.36%
Grand Bills Corp.	108,160	0.02%	78,209,035	14.46%	78,317,195	14.48%

# 04 Fund Raising

## 01. Capital and Shares

### 1-1 Capitalization:

#### a. Shares Issued:

As of April 30, 2012 / Unit: NT\$; Shares

Month/ Year	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Expansion by Assets other	Capital Expansion by Assets other
2002/07	10	900,000,000	9,000,000,000	772,031,899	7,720,318,990	Capitalization of profit	None	July 19, 2002 (91) Tai-Tsai-Cheng (1) No. 0910140565
2003/07	10	900,000,000	9,000,000,000	858,499,471	8,584,994,710	Capitalization of profit	None	July 07, 2003 (92) Tai-Tsai-Cheng (1) No. 092013222
2004/08	10	960,000,000	9,600,000,000	915,160,436	9,151,604,360	Capitalization of profit	None	July 20, 2004 Chin-Kuan-Cheng-Yi-Tse No. 0930132295
2009/08	10	1,050,000,000	10,500,000,000	1,039,622,255	10,396,222,550	Capitalization of profit	None	July 16, 2009 Approval Letter hin-Kuan- Cheng-He-Fa No. 0980035714 on file

Note: the stated capital of the Company at its initial operation in June 1987 amounted to NT\$ 100,000,000, and the paid-in capital as of April 30, 2012, after capitalization of retained earnings for several times, amounted to NT\$10,396,222,550.

#### b. Capital and Shares:

Unit: Shares

Type of Stock	Authorized Capital			Remark
	Outstanding Shares	Non-Issued	Total	
Common Stock, Inscribed	1,039,622,255	10,377,745	1,050,000,000	Publicly Traded

### 1-2 Shareholder Structure:

As of April 30, 2012 / Unit: Shares

Shareholder Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Individuals	Foreign Institutions & Individuals	Total
No. of Shareholders	1	0	219	24,820	669	25,709
Shareholding	5	0	562,574,533	62,528,976	414,518,741	1,039,622,255
Holding Percentage	0.00%	0.00%	54.11%	6.02%	39.87%	100.00%

### 1-3 Distribution Profile of Shareholder Ownership:

As of April 30, 2012 / Par Value NT\$10

Tiers of Shareholding (Unit: Shares)	No. of Shareholders	Total Shareholding (Unit: Shares)	Holding Percentage
1 ~ 999	10,497	2,271,300	0.22%
1,000 ~ 5,000	12,558	23,219,563	2.23%
5,001 ~ 10,000	1,136	8,420,812	0.81%
10,001 ~ 15,000	364	4,542,597	0.44%
15,001 ~ 20,000	207	3,765,912	0.36%
20,001 ~ 30,000	184	4,635,342	0.45%
30,001 ~ 50,000	179	7,026,047	0.68%
50,001 ~ 100,000	180	13,142,673	1.26%
100,001 ~ 200,000	119	17,097,250	1.65%
200,001 ~ 400,000	102	29,872,159	2.87%
400,001 ~ 600,000	39	19,708,415	1.90%
600,001 ~ 800,000	26	17,685,369	1.70%
800,001 ~ 1,000,000	19	16,709,481	1.61%
Over 1,000,001	99	871,525,335	83.83%
Total	25,709	1,039,622,255	100.00%

## 1-4 Major Shareholders:

As of April 30, 2012

Shareholders	Share	Shareholding (Shares)	Holding Percentage (%)
Uni-President Enterprise Corp.		471,996,430	45.40%
National Westminster Bank Plc As Depositary Of First State Asia Pacific Leaders Fund A Sub Fund Of First State Investments Lvc		27,001,208	2.60%
Jpmorgan Chase Bank, N.A., Taipei Branch In Custody For Saudi Arabian Monetary Agency-State Street Global Advisors As External Fund Manager		21,242,344	2.04%
Matthews International Funds		19,439,608	1.87%
National Westminster Bank Plc As Depositary Of First State Global Emerging Markets Leaders Fund A Sub Fund Of First State Investments Lvc		18,200,776	1.75%
PCSC Employees Benefits Trust Account In The Custody Of China Trust Commercial Bank		17,126,162	1.65%
Jpmorgan Chase Bank N.A. Taipei Branch In Custody For Templeton Developing Markets Trust		13,383,114	1.29%
Government Of Singapore		10,852,255	1.04%
Jpmorgan Chase Bank N.A. Taipei Branch In Custody For T.Rowe Price New Asia Fund		10,598,000	1.02%
Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds		10,544,547	1.01%

## 1-5 Share Prices, Net Value, Earnings, Dividends and Relevant Share Information for Last Two Years:

Unit: NT\$

Item		Year	2010	2011	As of April 30, 2012
Market Price per Share	Highest		138	195	172
	Lowest		71.9	119.50	149
	Average		101.75	156.49	159.01
Net Value per Share	Before Distribution		19.44	19.91	21.67
	After Distribution		14.54	(Note 1)	(Note 1)
Earnings per Share	Weighted Average Shares (Shares)		1,039,622,255	1,039,622,255	1,039,622,255
	Earnings per Share (Undiluted)		5.51	6.11	1.66(Note 2)
	Earnings per Share (Diluted)		5.51	(Note 1)	—
Dividend per Share	Cash Dividends		4.90	4.80	—
	Stock Dividends	Dividends from Retained Earnings	0	(Note 1)	—
		Dividend from Capital Surplus	0	(Note 1)	—
	Accumulated Undistributed Dividends		0	(Note 1)	—
Return on Investment	Price/Earning Ratio		18.47	25.61	—
	Price/Dividend Ratio		20.77	(Note 1)	—
	Cash Dividend Yield Rate		4.82%	(Note 1)	—

Note 1: the earnings distribution of 2011 and the first quarter of 2012 has not been approved by the General Shareholders' Meeting.

Note 2: the EPS of Q1 in 2012 was NT\$1.66.

## 1-6 Dividend Policy and Implementation Status:

### a. Dividend Policy:

The dividend pool is net profit after tax, after the offsetting of previous losses, the payment of corporate income taxes, the allocation of 10% legal reserve and the adjustment of special retained earnings of the year at any amount deducted from shareholders' equity. The reverse of the deduction items in shareholders' equity afterwards may be included in the pool of the distributable earnings of the year. The remaining earnings of the year, along with undistributed earnings from the previous year are considered accumulated distributable earnings. The distribution of accumulated distributable earnings is proposed by the Board of Directors in consideration of industry conditions, the Company's future operations and investment plans. The proposal to distribute earnings shall take effect upon the approval from the Shareholders' Meeting.

The Shareholders' Meeting shall determine the distribution percentage of accumulated distributable earnings based on the following principles:

- (1) Directors and Supervisors' remunerations: 2% of the net profit of the year
- (2) Employees' bonuses: no less than 0.2% of the net profit of the year
- (3) Shareholders' dividends and bonuses: after deductions (1) and (2) from the accumulated distributable earnings, a range between 80% and 100% may be distributed. However, a percentage between 50% and 100% of such distributions should be paid as cash dividends. The remainder is booked as undistributed earnings.

- b. The proposal to distribute earnings of 2011 by the Board of Directors will be submitted to the 2011 Annual Shareholder's Meeting for approval. The proposal finalized by the Board of Directors on March 21, 2012 is as follows: The cash dividends are planned that a total of NT\$ 4,990,186,824 (NT\$ 4.8 per share) shall be distributed from the accumulated distributable earnings. After the approval from the Annual Shareholder's Meeting, the Board of Directors shall propose a ex-dividend date and record date for the distribution of dividends.

### 1-7 Impact to the Company's Operating Performance and Earnings per Share from the Stock Dividend Proposed by the Shareholders' Meeting:

According to Guidelines for Disclosure of Financial Forecasts by Public Companies, PCSC is not required to release its 2012 financial forecasts. Therefore, under the decree of Tai-tsai-cheng (1) Letter No. 00371 issued on February 1, 2000, PCSC is not required to disclose this information.

### 1-8 Employees' Bonuses and Remunerations to Directors and Supervisors:

- a. According to PCSC's Articles of Incorporation, the dividend pool is net profit after tax, after the offsetting of previous losses, the allocation of 10% legal reserve and the adjustment of special retained earnings of the year at any amount deducted from shareholders' equity. The reverse of the deduction items in shareholders' equity afterwards may be included in the pool of the distributable earnings of the year. The remaining earnings of the year, along with undistributed earnings from the previous year are considered accumulated distributable earnings. The distribution of accumulated distributable earnings is proposed by the Board of Directors in consideration of industry conditions, the Company's future operations and investment plans. The proposal to distribute earnings shall take effect upon the approval from the Shareholders' Meeting. The remunerations of Directors and Supervisors are set at 2% of the total earnings and the employees' bonuses shall be no less than 0.2% of the total earnings of the year.
- b. The Board proposed allocating retained earnings in 2011 as employee bonuses, remuneration for the directors and supervisors specified as follows:
  - (1) The Board proposed allocating the amount of NT\$296,900,827 as employee bonuses, and the amount of NT\$98,966,943 as remuneration for the directors and supervisors.
  - (2) The proportion of employee stock dividends to capitalization of retained earnings into new shares: all employee bonuses of the Company will be paid in cash.

Actual amount resolved by the Board	
Distribution: (Unit: NT\$ 1,000)	
Employee Bonuses	\$ 296,901
Remunerations to Directors and supervisors	\$ 98,967
EPS: (currency, in NTD)	
EPS after bonuses and remunerations	\$ 6.11

- c. Distribution of earnings in 2010 as employees' bonuses and remunerations to Directors and Supervisors:  
PCSC's distribution earnings in 2010 as employees' bonuses and remunerations to Directors and Supervisors are as follows:

Allocations Determined by the Shareholders' Meeting and the Board of Directors	
Distribution: (Unit: NT\$ 1,000)	
Employee Bonuses	\$ 309,470
Directors' and Supervisors' Remunerations	\$ 51,578

- d. The estimate of employee bonuses and remuneration for the directors and the supervisors is made by multiplying the percentage as stated in the Articles of Incorporation by corporate earnings as of the end of the accounting period. In case of any discrepancy between the actual amount paid out and the estimate, a reconciliation will be made by the accounting method as recognized as profit or loss of the next period.
- e. The actual payout of employee bonuses and remuneration for the directors and supervisors of the previous year (including the quantity of shares, amount and stock price) and the recognized amount of such were consentient.
- f. The top 10 employees entitled to bonus and the distribution in 2010.

Unit: NTD in thousands

	Title	Name	Amount of stock dividend	Amount of cash dividend	Total
Management	President	Hsu, Chung-Jen	—	8,384	8,384
	Senior Vice President	Chang Jen, Yun-Huei			
	COO (Senior Vice President)	Hsieh, Chien-Nan			
	Senior Vice President	Lai, Nan-Bey			
	Senior Vice President	Huang, Chien-Li			
	Senior Vice President	Chen, Jui-Tang			
	Senior Vice President	Yang, Yen-Shen			
	Senior Vice President	Tsai, Tu-Chang			
	Chief Auditor (Vice President)	Lin, Wen-Ching			
	Vice President	Wang, Wen-Kuei			
	Vice President	Lee, Chi-Ming			
	CFO(Vice President)	Wu, Wen-Chi			
	Vice President	Hong, Gin-Guu			
	Accounting Division Manager	Lai, Hsin-Ti			

## 1-9 Share Buyback: None

## 02. Status of Corporate Bonds, Preferred Stock, GDR, Employee Stock Option Plan, Mergers, Acquisitions and Spin-Offs

### 2-1 Issuing of Corporate Bonds: None

### 2-2 Preferred Stock: None

### 2-3 Global Depository Receipts: None

### 2-4 Employee Stock Option Plan: None

### 2-5 Issuance of New Shares to Merge or Acquire Other Companies: None

## 03. Status of Capital Utilization Plan

### 3-1 Capital Projection:

Any incomplete share issuance or private placement or any completed share issuance or private placement over the past three years from which benefits have not yet been reported, as of March 31, 2012: None.

### 3-2 Status of Implementations:

Analysis of the purpose of each capital investment project, and comparison of implementation with the originally anticipated benefits, as of March 31, 2012: None

# 05 Operating Highlights

## 01. Business Activities

### 1-1 Business Scope

#### a. Officially Registered Business Items

- |  |   |
|--|---|
| (1) F203020 Tobacco & alcohol retails  | (27) IZ14011 Public welfare lottery                                     |
| (2) F206020 Retails of daily products  | (28) JZ99050 Agency services  |
| (3) F203010 Retails of food, groceries and beverages                           | (29) IZ99990 Other services   |
| (4) F208040 Retails of cosmetics   | (30) F401161 Importing of tobacco                                       |
| (5) F399990 Other retails  | (31) F401171 Importing of alcohol                                       |
| (6) IZ01010 Photocopying   | (32) ZZ99999 Any business activities unless otherwise restricted by law |
| (7) F201070 Retails of flowers   | (33) F301010 Department stores  |
| (8) F209060 Retails of educational, musical and entertainment products         | (34) F301020 Supermarkets   |
| (9) JE01010 Leasing  | (35) F399010 Convenience stores   |
| (10) IE01010 Distribution of telecommunications subscriptions                  | (36) F501030 Beverage stores  |
| (11) I401010 Advertising services  | (37) F501060 Restaurants  |
| (12) F207050 Retails of fertilizers  | (38) G902011 Type II telecommunications service                         |
| (13) F210010 Retails of watches and clocks                                     | (39) I301010 IT & software Services                                     |
| (14) F210020 Retails of glasses  | (40) I301030 Provision of electronic information and services           |
| (15) F216010 Retails of photo and film equipment                               | (41) F206010 Hardware retailing   |
| (16) JZ99030 photography   | (42) F212011 Gas station operation                                      |
| (17) F204110 Retails of cloth, clothes, shoes, hats, umbrellas and accessories | (43) F212050 Petroleum products retailing                               |
| (18) A102060 Retails of staple food  | (44) JA01990 Other automobile-related services                          |
| (19) F213010 Retails of home appliances  | (45) F212061 Gas station  |
| (20) F208031 Retails of medical equipment                                      | (46) I101090 Food Consulting  |
| (21) F205040 Retail of furniture, beds, kitchenware, decorative items          | (47) IZ09010 Management System Accreditation                            |
| (22) F207030 Retails of cleaning products                                      | (48) J701020 Amusement Parks  |
| (23) F401010 International trading   | (49) F102040 Wholesale of Nonalcoholic Beverages                        |
| (24) JA01010 Automotive repair services  | (50) F102170 Grocery wholesaling  |
| (25) F214030 Retails of automobile and motorcycle accessories and merchandise  | (51) F106020 Wholesale of Articles for Daily Use                        |
| (26) G202010 Parking lot operations  | (52) I103060 Management Consulting                                      |
|  | (53) J304010 Book Publication   |
|  | (54) J303010 Publication of Magazines/Periodicals                       |
|  | (55) IZ12010 Human Resource Dispatch                                    |

#### b. Sales Breakdown by Category in Year 2010 and 2011

Unit: NTD in thousands

Product Category	Sales & Percentages			
	2010		2011	
	Amount	%	Amount	%
Food services	18,245,698	16.42%	19,054,692	16.29%
Publications	16,378,903	14.74%	14,428,448	12.34%
Beverages	40,258,322	36.23%	42,322,758	36.19%
Non-food	24,679,474	22.21%	28,689,284	24.53%
Ordinary Food	11,234,105	10.11%	12,057,525	10.31%
Others	322,246	0.29%	383,753	0.33%
Gross Sales	111,118,748	100.00%	116,936,461	100.00%
Sales Discount	-44,442	—	-85,931	—
Net Sales	111,074,306	—	116,850,530	—
Other Operating Revenue	3,589,587	—	5,862,195	—
Total Operating Revenue	114,663,893	—	122,712,725	—

### c. Present and Future Products and Services

With the awareness of environmental protection and food safety improvement, 7-ELEVEN has established a mechanism from contracted planting, agricultural product certification, trace to the source inspection, and strictly held the pass from source to sale on behalf of consumers for the purpose of health, safety and ease. Besides, the company has continuously supported the agriculture in Taiwan, used a large amount of agricultural products in Taiwan, and brought consumers the freshest food. In 2011, 7-ELEVEN carried out contracted purchase, created the photosynthetic farm with more than 200 Taiwan farmers, and became the biggest production & marketing platform of agricultural products in Taiwan.

As the proportion of eating-out population and bachelors is continuously increasing, and consumers are too busy to shop and cook, 7-ELEVEN has grasped the market trend, made good use of life style proposals, developed the combination meal of breakfast and lunch, personalized simple and popular commodities, and provided seating area for customers so that they can have meals in the store. In addition, with health fashion continuously prevailing, 7-ELEVEN has developed calorie journal activities through the Apple App Store, and connected with customers for interaction of life in combination with science and technology.

On the basis of leading continuous innovation of the industry, the company has increased all-round service for buying such tickets as railway tickets, bus tickets, entertainment tickets, tourism & food tickets. Icash Easy Card bonus points, laundry service and the new scheme of 7-Mobile monthly fee also drive fashionable life tide, and turn 7-ELEVEN into a diversified service platform of convenient life. In 2011, focusing on increasing individual tourists in Taiwan, the company offered multiple discount package for individual tourists, showing its advantages to establish a platform of tourist service.

As technical commodities and service had gradually become essential living necessities, 7-ELEVEN made the first step of new times, and offered the first mobile phone APP, providing happy and preferential information, and making people enjoy the fun of virtual treasure hunting, signing-in and medal collection. CITY CAFÉ, in combination with art and literature, supported the development of art, obtained the Digital Service Model Enterprise Prize and Yahoo! Emotive Brand Awards, and became a corporate brand of the most powerful digital service touching e-friends' emotion. 7-ELEVEN has grasped the fancy of customers and the trend at any time, and gained the operating advantage in the competitive market.

In order to fully satisfy customers' demand, 7-ELEVEN has developed diversified commodities, applied new packages, and successfully led a fashionable trend. OPEN-kan also expanded the business scope by establishing the first OPEN-kan Postal Agency and four villas, as well as introducing OPEN Outdoor show for the first time. OPEN-kan is continuously bringing happiness to the public.

In 2012, we will continuously develop fresh food and private-labeled commodities, and provide delicacy and convenience for customers; at the same time, we will expand the purchase scale, introduce commodities directly from the origin, and bring the best products at favorable prices to customers; besides, we will provide various innovative services via various service platforms, and aim at becoming the community service center.

## 1-2 Macroeconomy and Industry Overview

### a. Macroeconomy

Influenced by European debt crisis in 2011, the growth of global economy slows down. However, due to the positive impact on Economic Cooperation Framework Agreement between Taiwan and China, increasing tourists from China, and uplift of minimum wage etc., the annual average unemployment rate was 4.39%, decreased by 0.82% than that in 2010, the recovery of the employment market contributed to the raise of consumption willingness, which drove the revenues of the whole retail industry and convenience stores to rapidly increase in last two years.

### b. Industry Overview

In 2011, the revenues from overall retail sales is NT\$37,213 billion, increased by 6.41% from the same period in 2010. The revenues of the comprehensive retail sales is NT\$978.3 billion, increased by 6.68% from the same period in 2010, in which, the overall revenues of the convenience store industry is NT\$246 billion, increased by 6.74% from the same period in 2010.

Domestic prices of commodities are significantly impacted by the shortage of raw material supply due to climate change, and the surge of international oil price. The international CPI rose by 1.42% in 2011, and the core CPI (except energy, fresh vegetable and aquatic product that are susceptible to short-term factors or contingencies) also rose by 1.12%. Based on the flattish real income, civilian economy still dominates the market. Most retailing channels adopted the low-price strategy and developed super-value

packages of commodities, bulk sales of daily items and products carrying their own brands, which are all price-oriented items. At the same time, they also put additional value on the products and seek product differentiation to allow customers to experience super-value consumption.

The store numbers of convenience store chains in Taiwan by the end of 2011 are as follows:

	7-ELEVEN	FamilyMart	Hi-Life	OK	Total
Total	4,803	2,823	1,295	867	9,788

c. The association of the upper, middle and lower courses of industries

With the viable logistics system of the group, the Company can integrate suppliers and provide professional fast delivery service so that all 7-ELEVEN stores are able to supply customers with the round-the-clock services. In the supply of fresh food, the Company remains committed to high value product quality and is engaged in a mode of supply-retail cooperation by exercising quality control from the origin of supply, to production, materials procurement, processing, packing. The entire supply chain and production technologies were kept under proper control, which served as an edge in differentiating channels.

The Company also makes use of the advantage of the high density of store locations to integrate information and the logistic basic structure to establish an intensive and extensive service network. This is "the last mile" convenience of service for customers.

d. The trend of product development and competition

(1) The trend of product development

The people in Taiwan have transformed into a group of evolutionary customers adaptive to an adverse environment. They pursue stable life, and believe in real consumption, at the same time, they are smart and require no outside help, they are proficient in using information tools and make consumption decisions by the strength of the masses. Therefore, commercial opportunities are created in all industries because of the change of consumption trend. For example, retail channels without stores, commercial opportunities for consumption of the aged, health and catering, and the living concept of single life and demand for eating out are all with highly growth potential.

(2) Competition

- Virtual retail channels without stores: The media and internet have substantially and significantly change the life style of customers. The channel of virtual retail shops has been developing much faster and has created a huge market for new, surprising, diversified, design-oriented and low-price products.
- In 2011, customers are more willing to spend, but they are also more cautious. The progress of digital technology drives the potential of mobile media, and the marketing way of community share is created.
- Daily items: Taiwan customers continuously raise their expectations of Value for Money and High Quality, so multi-functional and convenient products arisen from all channels are well received by consumers, which also rapidly drives the growth trend.

### 1-3 Research and Development

7-ELEVEN launched multiple innovative services in 2011 for the purpose of provision of the most convenient service in life:

a. The upgrade of the ibon kiosks

The ibon kiosks were installed in 4800 stores across Taiwan, with the easy to manage touch screen device, the public can enjoy convenient and instantaneous services. In 2011, some ticket services were increased, such as pickup of railway tickets, bus tickets, entertainment tickets, tourism & food tickets, at the same time, domestic air ticket credit card use service was originally provided; the service of booking today and picking up tickets tomorrow called ibon Super Convenient Purchase was launched, which started the new revolution of people's consumption and purchase, and provided people with all kinds of real-time and convenient service.

b. icash Easy Card: Service of icash with Easy Card bonus points is increased, to provide the public with more shopping discounts, and improve the satisfaction index of 7-ELEVEN.

c. 7-Mobile: The monthly rent of 7-Mobile with net-group free call plan is devised, driving a new upsurge of telecommunication service.

- d. Laundry Service: Launch the agency service of clothing collection and pickup by integrating logistics and ibon life service function, in order to provide more convenient service for the public.
- e. Gift card: Provide a new fashionable option of giving presents, drive the present market by highly sensitive card surface, and thematic and seasonable commodities, and provide another service of giving presents and selecting presents for consumers.
- f. E-invoice: Use e-invoices in response to the government policy and in concert with green, environmental protection, energy-saving and emission reduction, and make contributions to the earth.
- g. The expense for research and development of related system was NT\$108.369 million in 2011.

## 1-4 Short and Long Term Operating Strategies

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>a. Short-term operating strategy               <ul style="list-style-type: none"> <li>(1) Continue the integration of shopping district and establish a competitive niche with large format stores.</li> <li>(2) Strengthen the autonomy per store for advantages through innovation and differentiation.</li> <li>(3) Expand the scope of integration between virtual and reality in operation for more business opportunities through the virtual world.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>b. Long-term business development plan               <ul style="list-style-type: none"> <li>(1) Enhance profitability per store</li> <li>(2) Establish an effective model for sustainable operation of franchise store.</li> <li>(3) Integrate group synergy for stable profits.</li> <li>(4) Speed up manpower cultivation and implement on going improvements to human resources systems.</li> </ul> </li> </ul> |
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## 02. Market Analysis and Merchandise:

### 2-1 Market Analysis

- a. Main product (service) sales areas:  
Oriented towards the goal of “the most convenient and joyful community service center for the peace of mind of customers”, PCSC proactively supplies merchandise with high-value and continues to develop innovative services as it responds to rapid changes in consumption patterns and to satisfy the needs of consumers.  
  
PCSC provides service all across Taiwan, Penghu, Kinmen, Matsu, and Green Island. These stores form a densely populated service network. With the notion of where there are customers, there is a 7-ELEVEN store, the Company tackles all problems to deliver merchandise to even rural areas for customer satisfaction, and hope the people in all 368 township and villages of Taiwan enjoy a high quality and convenient way of life.
- b. Supply / Demand in the future and growth prospects:  
As of the end of 2011, PCSC gained 49.1% of the market in terms of the number of stores, which made it the champion in the industry and the number one brand in the minds of consumers. Over the years, the Company has made ceaseless effort to strengthen the operational capacity of individual stores, which helped to bring about simultaneous growth of the stores and the Company.  
  
In the future, the operation environment for all sectors will be even more acute and the stores will face more severe challenges. The changeable market reinforced the mentality of consumers in the quest for change. As long as the stores can keep track of the business opportunities deriving from the challenges, the convenience store business in Taiwan will still have the potential for growth.
- c. Competitive Niche:  
The convenience store business in Taiwan is highly competitive. With the best use of its advantages and keeping track of the needs of customers, excellence in operation can be achieved. The major competitive advantages of the Company are:
  - (1) Positive corporate image and good brand reputation.
  - (2) Multi-channels are favorable for product development, bargaining, and sales.
  - (3) Have innovative commodities in response to the change of consumption style, service development, and innovative and integrated marketing resources and capability.
  - (4) Have a complete logistics support system, and go on establishing more complete supply chain.
  - (5) Strong IT system platform and infrastructure with high potential for further development to meet the needs of consumers. More business opportunities can be created.

## d. Positive and negative factors for future growth and strategic responses:

## (1) Positive factors:

- Aging society, late marriage and few children in families, business opportunities from seniors and singles rising.
- Such diversified network activities as smart mobile phones are rapidly developed, the information is highly transparent, the online shopping business springs up, and smart, recreational and efficient consumption consciousness come up.
- Tourists from Mainland China are permitted to travel individually in Taiwan.
- Green environment continues its momentum, which triggered off LOHAS business opportunities.

## (2) Negative factors:

- The market of convenience stores becomes saturated. With the blurred industry boundary, competition becomes highly intensive.
- High raw material prices and utility expenses push up the cost of operation.
- Inflation and the decline of real income compels customers to be conservative in spending.

## (3) Strategic responses

In responding to rapid change in the consumer market and the new consumption trends, PCSC continues the effort in innovation and launching differentiated products and services to satisfy the needs of customers. With the business philosophy of “Diversity of products, superior quality, health guarantee, and hearty service”, the Company properly controls product quality and offers good quality of service.

## 2-2 Major applications of key products and their production processes

a. Utilization: Daily necessities and innovative service

b. Production: None

## 2-3 Supply of major raw materials: Not applicable.

## 2-4 Information on major clients/suppliers who have accounted for at least 10% of sales/ procurements in either of the recent two years:

a. List of customers that have accounted for at least 10% of sales over the past two years:

PCSC is a retailer of daily life merchandise. Our customers are the general public.

b. List of suppliers that have accounted for at least 10% of procurements over the past two years:

(1) List of suppliers that account for at least 10% of procurements:

Unit: NTD in thousands

Item	Name	2010			2011			As of the first quarter of 2012		
		Amount	Percentage of annual net purchase (%)	Affiliation to the issuer	Amount	Percentage of annual net purchase (%)	Affiliation to the issuer	Amount	Percentage of annual net purchase (%)	Affiliation to the issuer
1	Retail Support International Corp.	40,365,498	51%	Subsidiary	46,770,244	54%	Subsidiary	13,736,348	58%	Subsidiary
2	Uni-President Cold-Chain Corp.	20,584,012	26%	Subsidiary	22,221,357	26%	Subsidiary	5,320,417	23%	Subsidiary
3	Wisdom Distribution Service Corp.	10,989,223	14%	Subsidiary	10,006,527	12%	Subsidiary	2,735,625	12%	Subsidiary
4	Others	7,148,158	9%	—	7,145,140	8%	—	1,731,319	7%	—
	Net purchase	79,086,891	100%	—	86,143,268	100%	—	23,523,709	100%	—

(2) Reasons for significant changes: The increase and decrease in procurement amounts were due to fluctuations in sales.

**2-5 Production over the past two years: Not applicable.****2-6 Sales over the past two years**

Unit: NTD in thousands

Year	2010	2011
Sales	Domestic sales	Domestic sales
Main Product Categories	Sales	Sales
Food services	18,245,698	19,054,692
Publication	16,378,903	14,428,448
Beverages	40,258,322	42,322,758
Non-food	24,679,474	28,689,284
Ordinary food	11,234,105	12,057,525
Others	322,246	383,753
Sales allowance	-44,442	-85,931
Total sales revenue	111,074,306	116,850,530

Note: All products are domestic sales; all sales figures are expressed as sales value

**03. Human Resources****3-1 Personnel Information**

Year	2010	2011	As of Apr. 30, 2012
No. of Employees	Store Employees	2,094	1,993
	Headquarters	1,852	1,938
	Part-time	3,579	4,842
	Total	7,525	8,773
Average age		29	29
Average Years of Service		6 years	5.3 years
Education Level (%)	PhD	—	—
	Master	3.2	6.9
	Bachelor	48.2	52.6
	High School	47.0	39.3
	Others	1.6	1.2

**3-2 Training and Development**

PCSC provides a full-range learning environment and training programs so that all employees can have their career development planning. PCSC makes every effort to assist employees in personal learning and growth.

**a. Individual development planning**

PCSC has a tailor-made“ Personal Development Plan” made between each employee and his/her immediate superior officer on the basis of the education, experience, work requirement, performance evaluation result, and career development needs to help employees design the best training programs at different stages of learning. This helps all employees to learn and grow with a goal, proper planning, and in discipline so that they can acquire different professional knowledge and skills.

**c. Training plan**

Provide training programs for a full-range of skills. Further to internal training, the Company also introduces good external training programs to upgrade the quality and competitive power of employees. The programs will be carried out in diversity. In addition to lectures, events, group studies or discussion will be organized depending on the attribution of the programs so that learning will be more alive, vivid, and effective. The online e-Learning programs allow employees to learn effectively at their convenience.

Training hours of the Company in 2011 are shown in the table below.

Internal Training by Operation Department				Internal Training by Logistics Department				External Training			Online Learning	
Training sessions	Number of trainees	Training hrs.	Training expenses	Training sessions	Number of trainees	Training hrs.	Training expenses	Number of trainees	Training hrs.	Training expenses	Number of trainees	Training hrs.
2,689	43,959	291,144 Hrs.	NT\$ 48.515 million	231	19,150	121,137Hrs.	NT\$45.366 million	336	3,589 Hrs.	NT\$951,000.00	96,580	16,577 Hrs.

c. Continuing education channels

In PCSC, employees can nurture their learning at any time through the diverse learning channels, including: supervision by supervisors and peers, knowledge management system, external training programs, internal training programs, lectures and seminars, online learning, on-site operation drills, continuing education, library facilities, and digital library.

d. Career development

(1) Opportunities for multiple-channel career development

PCSC has made efforts in the training and development of its employees to its entirety. We fully support employees learning new knowledge and upgrading work skills. Through training programs, online resources and tutorship system, the Company enhances the personal development plan and assists employees to map out their career development plan and the diversity of opportunities for personal growth.

(2) Job rotation

We encourage our employees to learn a wide array of functions, and learn in different functional departments in order to broaden their horizon and competence in professionalism.

(3) Overseas appointment

While PCSC is seeking for global expansion, it also provides employees the opportunity to assume positions overseas. This unique opportunity allows employees to demonstrate their experience and show their strengths. They may understand the breadth of the world and enhance the competitive power of both the individual and the Company.

## 04. Environmental Protection and Expenditures

### 4-1 Environmental (Green) Accounting:

PCSC continuously pursues energy saving and emission reduction and the LOHAS life of loving creatures and treasuring happiness, provides healthy and LOHAS product and service for consumers, and tries its best in energy and resource saving, development of additive-free product, maintenance of environment and clean, and environment-friendly concept of life, embraces the spirituality of corporate social responsibility (CSR), and continuously makes more contributions to the social benefit of Taiwan. We have converted such information into detailed financial data via the green accounting system, and concluded them into environmental expenditure statistics (see the following table).

All assets investment and expenses related to environmental protection accounted to NT\$1,058million in 2011, including (1) Expenses for environment-friendly packing materials of commodities and testing for commodity safety sub-totalling about NT\$350million; (2) expenses for implementation of energy saving, emission reduction, and introduction of frequency-conversion electric appliances in stores sub-totalling about NT\$210million;(3) expenses for environment cleaning, greening and waste disposal sub-totalling about NT\$140million; (4) expenses for investment in environment-friendly equipment and equipment service life extension in stores sub-totalling about NT\$160million;(5) expenses for green purchase and paper added with reclaimed material sub-totalling about NT\$140million; (6) expenses for holding and participating social service activities sub-totalling about NT\$43,250,000.

The Company persists its efforts in the following: no additives in food, plasticizing agent inspection, paperless environment, resource recovery and energy saving in stores, and community cleaning response activities.

## 4-2 Environmental related expenditures:

### a. Table of environmental related expenditures

Unit: NT\$

Category	Item	Content	Effect and the efficient use of resources/reduced emission of green house gas	Investment (NTD)	Expense (NTD)	Total
Merchandise	Take into account the safety and effect on the environment of merchandise sales and switched to environmentally friendly materials; use no additives, no artificial flavor to fresh food.	Purchase paper-made lunch box, conduct environmental and general inspection, fresh food inspection.	Protect the health of people	—	348,448,615	348,448,615
Stores	Pursue energy saving policy	Purchase power savers – used in 198 stores; freezing/refrigeration shared radiator – used in 1,310 stores; energy-saving lighting tubes –used in 860 stores; 2,172 cooling air circulation fans at hypermarkets; 1,513 frequency-conversion air conditioners	Energy saving	205,462,000	210,543	205,672,543
	Cleaning, handling waste, and resources recycling	Environmental cleaning, greening, beautification and waste (old uniforms) disposal in stores	Keep a clean environment, recycling of resources	—	139,207,056	139,207,056
	Extend the life span of equipment and building materials.	Use steel counters in 920 stores	Save the chopping of 4,600 trees	73,600,000	89,271,887	162,871,887
		Other environment-friendly equipment (for example, equipment renewing and recycling): 6,069 sets	Recycled the equipment, rebuilt, and reuse to reduced waste.			
	Purchase green products	20% reclaimed materials are added to invoices, and 95t paper is saved; environment-friendly stone paper and photothermal and photoelectric system are used for plug-in cards in stores, 1,361t carbon emission is reduced; introduce EPOP equipment and department store POS hard equipment	Reduce cut-down of trees, decrease Co <sub>2</sub> emission, be in compliance with RoHS standard of the EU, and reduce environment pollution.	—	137,672,654	137,672,654
Social charity	Publicize environment information externally	Carry out various recovery education, encourage Light Down and energy saving, and sponsor related associations to promote environmental protection	Propose and promote environmental protection externally, and offer environmental education	—	19,470,890	43,257,735
	Hold or participate in environmental protection and social charity events	Organize all kinds of social service activities of CSR, such as environmental protection, cleaning and beautification activities themed with “clean up the world”, 311 earthquake hazard in Japan, Hunger 30 public service activities, and sponsor related environmental protection associations	Social charities	—	23,786,845	
Internal training and promotion in environmental protection	Advocacy and education on environmental protection	Educate and promote different aspects of environmental protection, pursue the paperless policy and organize the cleanup institution.	Promote the idea of environmental protection.	—	1,052,967	1,052,967
Delivery	Pursue reverse logistics for recycling (recycling business), enhance the efficiency of delivery service and reduce the emission of carbon dioxide.	The input of human resources for the reverse logistic operation at the stores, and the purchase of environmentally friendly coolants.	Reduce carbon emission, the environmentally friendly coolants are 20% more energy efficient than the traditional coolants.	—	3,831,958	3,831,958
	Waste disposal, recover resources and maintain the environment	Environment inspection, waste disposal (statement, environment cleaning)	Keep the environment clean	—	16,805,434	16,805,434
Total				279,062,000	779,758,849	1,058,820,849

- b. In 2011, some stores paid related authorities NT\$178,990 as penalty due to breach of Noise Control Law, Smoke Damage Prevention and Control Law and delayed payment of electricity bills. Besides, Fair Trade Commission is lodging an administrative appeal against convenience store operators and claiming for a penalty of NT\$16million because of the case of united inflation in price of coffee.

Improvement measures: seeing that part stores breached Noise Control Law and Smoke Damage Prevention and Control Law, and delayed the payment of electricity bills, the Company has required all operating stores to tangibly improve, and strengthen advocacy of related regulations to every store.

### 4-3 Benefits of Investments in Environmental Protection:

a. The effect of energy saving for major environmental protection equipment:

- (1) Installation of ventilation fans to the air-conditioning system of stores in 2011.  
Ventilation fans were added to 2,172 stores alongside the existing air-conditioning systems with investment amounting to NT\$4,995 million and which helped to save electricity at 270,000 kWh/month and 1,650,000 kWh/year,
- (2) Introduction of energy saving appliances in 2011  
These appliances were introduced to 198 stores at the cost of NT\$14.25 million, which helped to save electricity at 260,000 kWh/month and 1,600,000 kWh/year.
- (3) Introduction of steel cabinets and counters in 2011  
Introduced 920 sets of such equipment at the cost of \$73.60 million, which helped to reduce the cutting of 4,600 trees. Previously wood cabinets and counters were used. Wood mode equipment required the cutting of a large number of trees and the life spans of this equipment cannot be recycled and reused. Steel cabinets and counters have much longer life spans and can be recycled and reused.
- (4) Introduction of VFD to refrigerators without such function in 2011  
Installation of VFD to 1,513 stores at the cost of NT\$ 130.11 million, which helped to save electricity of 600,000 kWh/month and 3,630,000 kWh/year.
- (5) Keep the hanging lamps and lighting for the arcade off during daytime and reduced the lighting at the arcade and the sign boards in 2011  
A total of 1,075 participated in this campaign with investment of NT\$36.5 million, which helped to save electricity of 730,000 kWh/month and 4,400,000 kWh/year.
- (6) Introduction of T5 28W sunlight bulbs to the stores and the lighting system of the arcade in 2011  
These facilities were introduced to 860 stores, which helped to save electricity of 240,000 kWh/month and 1,460,000 kWh/year.
- (7) Switch all tungsten light bulbs to energy saving bulbs/all coffee light boxes were lit by LED lights  
A total of 3,701 stores participated in the change, which helped to save electricity of 96,000 kWh/month and 570,000 kWh/year.
- (8) Discontinuation/dormant of Slurpee machine in low season of 2011  
A total of 2,809 stores participated in the event, which helped to save electricity of 1,020,000 kWh/month and 4,110,000 kWh/year.

b. Protect the consumers in food safety

For the peace of minds of consumers in eating, and protecting their health, each item of fresh food is subject to strict inspection for additive-free, microorganism-free and safe packing materials before launching to market. In 2011, we spent NT\$417 million in inspection for 300 items of additive-free food.

### 4-4 Corrective Action:

The Company has demanded all stores to take corrective action and commit further effort in education of related rules and regulations.

### 4-5 Information on RoHS of EU:

The Company and its subsidiaries do not sell directly or indirectly to Europe, and is not involved in any way of RoHS.

## 05. Labor-Capital Relations

### 5-1 Employee benefits

a. Integration of the group's HR system and resources:

PCSC and its affiliates jointly review, revise and integrate their HR systems and formulate a robust talent pools and career planning systems for the group, in order to build an environment that facilitates a fair and reasonable development of in-house talents.

b. Comprehensive employee benefits:

By the decree of Official Letter Taipei City Social II No. 58459 of Department of Social Welfare, Taipei City Government (1987), PCSC established Employee Benefit Committee on December 21, 1987. Members of the Committee are jointly elected by both of labor and capital. The Committee regularly hosts a variety of activities, organizes health check-ups for employees and other benefits such as subsidies for on-the-job training and studies.

PCSC offers benefits such as self-select benefit program, overseas trips for senior employees, health examination, employee stock ownership plans, club subsidies, library centers, discount purchasing, wedding and funeral allowances, paid maternity and paternity leaves, dormitories for female employees, group insurances, employee travel allowances and other benefits provided by Employee Benefits Committee to meet the needs of employees.

For assisting employees in effective and efficient management of their work, living, and health, and enable all employees to be physically and mentally healthy and positive interpersonal relation, the Company started to commission the Teacher Chang Foundation in 2009 to provide consultation service and organizing psychological health colloquium for employees.

In 2010, we hope to care for our colleagues more enthusiastically. Therefore, we established the "Happy Cooperation Club" in May. In 2011, there were 36 volunteers, the individual case grading management was set up, and 402 individual cases related to care were finished. gathered 24 volunteers, and accomplished 227 caring cases.

c. Special franchise program:

PCSC provides an incentive program to encourage its employees to become franchisees so that they can grow and develop with the Company.

d. Safe and harmonious workplace:

PCSC provides its employees with a safe and harmonious workplace that encourages positive interactions between male and female employees, and a set of related crisis management policies have been defined.

In addition, President Chain Store Corporation will duly comply with the "Labor Safety and Health Law" in materializing its self-motivated management:

- (1) Establish the safety and health organization: establish the Safety and Health Committee and the Labor Safety Office to study and implement labor safety and health issues.
- (2) Enforcement of safety and health regulation: The Company will institute related system in accordance with the Labor Safety and Health Law for the compliance of employees.
- (3) Provide education, training, and drill on labor safety and health: Provide education and training for the new recruits and employees, and hold "response to emergency" exercise drill regularly so that all employees learn the skills of escape from disasters.
- (4) Conduct safety and health inspection:
  - Check to detect any unsafe facility and make improvement. In 2011, 25 onsite examinations without prewarning were carried out in the workplace in 2011, and improvement advice and implementation track were advanced.
  - Detect indoor air quality, water quality, illuminance, and regularly clean and disinfect the workplace.
- (5) Health care: Effective the day of reporting to duties, each employee will be covered by group accident insurance, life insurance, and medical insurance. In addition, assistance for physical examination will be provided.
- (6) Events for safety and health: The Company prepares "cases of education on occupational hazards" regularly to remind employees of labor safety and health.
- (7) Promote the Family Day in Wednesday, and remind employees to pay attention to the balance of work and family.

## e. Retirement plan:

## (1) Old system under the Labor Standards Act

On January 29, 2007, PCSC modified its employee retirement program, applicable to all the formally hired employees. This program calculates the service years by dating back to the first date of employment. Employees who have been in service for less than 15 years (inclusive) shall be granted two basic units for each full year of service. From the 16th year onward, each full year of service shall be translated into one basic unit in the calculation of pensions. Any service period that is less than six months shall be calculated as half a year; while any service period that is between six months and twelve months shall be calculated as one full year. The number of basic units in the calculation of pensions is capped at 45.

Pensions are calculated on the basis of service years and the average monthly salary at the time of retirement. Calculation of average salaries shall be made in compliance with the Labor Standard Act.

## (2) Pension policy to include the service years in affiliates for transferred employees:

- The calculation of service years for transferred employees includes the number of years they serve in every PCSC affiliate or members of the Uni-President Group.
- The sharing of pensions among affiliates is based on the percentage of the service years spread over the affiliates that employee serves.

## (3) New system under the Labor Pension Act:

Beginning on July 1, 2005, in accordance with the Labor Pension Act, PCSC implements a new system that is applicable to all hired employees. All the employees can opt for the old system under the Labor Standard Act as stated in (1) or the new system under the Labor Pension Act. A switch to the new system is still possible within five years after an employee has chosen the old system. According to the regulations of the Labor Pension Act, the payout is made based on the Monthly Contribution Wages Classification. In other words, 6% of their monthly income is transferred to their personal retirement account with Bureau of Labor Insurance.

**(II) Labor-Capital relations:**

## a. Open communications channel:

Aside from the service center at the headquarters and the email suggestion box to answer questions from employees, PCSC has established an on-line discussion forum to facilitate communications among all employees for issues in life and at work and the exchanges of their ideas and feedbacks.

## b. Employee Code of Conduct:

PCSC has published an Employee's Handbook and set out a scheme for rewards and disciplinary actions. An implementation committee has been put in place to execute these procedures. Self-Discipline Pack for Employees has also been defined to clearly state the code of conduct for employees.

According to Self-Discipline Pack for Employees, employees should observe the following regulations in ethics and code of behaviors:

- (1) Employees cannot embezzle public funds for personal purposes, engage in unscrupulous behaviors for profits, involve in illegal acts, violate any contracts, damage public properties or jeopardize the company's reputation.
- (2) Employees shall not abuse any other individual, affect other individual's work performance or threaten to exchange the establishment of service contracts, compensations, Performance reviews, promotions/demotions, rewards/disciplinary actions with any words or actions that contain sexual requests, sexual connotations or sexual discriminations.
- (3) Employees shall not give gifts to managers or treat managers for meals; however, managers may give gifts to subordinates and treat subordinates for meals as a token of gratitude for their hard work.
- (4) Employees shall not be engaged in non-business monetary transactions with any business related vendors or individuals.
- (5) Employees shall not receive any benefits from business-related vendors or individuals.
- (6) Employees shall not make any publications, statements or displays in the name of the Company without permission from the Company.
- (7) Employees should maintain the confidentiality of the business activities they are responsible for and shall never, in any circumstances, assist any company or individual that has conflicts of interests with our company or compete against our company by revealing the business secrets of our company.
- (8) The attendance and all kinds of behaviors should be in compliance with the regulations set forth by HR.

## c. Labor-Capital negotiations:

PCSC has always valued its human resources as its most significant asset, and has worked to align the vision of the Company and the development goals of employees. Therefore, the interaction between PCSC and its employees has been very positive and harmonious over the years.

## d. Loss due to labor disputes:

PCSC provides employees with a comprehensive benefit system, quality working environment and open communications channel. Therefore, no major labor disputes have occurred and no significant losses have been reported.

## 06. Important Contracts

As of Apr. 30, 2012

Contract Type	Contracting Party	Term of Agreement	Summary	Clauses
Regional licensing agreement	7-ELEVEN, Inc..	July 20, 2000 ~ Perpetuity	1. During the term of the agreement, PCSC is authorized by 7-ELEVEN Inc. to operate its convenience store chain business in the licensed areas, and has the right to use the 7-ELEVEN franchise system, logos, business know-how, trademarks and service marks. 2. PCSC is required to pay royalties to 7-ELEVEN Inc. every month.	PCSC is obliged to make its best efforts to manage, operate and expand the convenience store business within the authorized area. PCSC is not permitted to operate its convenience store business outside the authorized area, or to continue with the operation of its convenience store business during the period of one year after the termination of the contract.
Long-term loan agreement	Far Eastern International Commercial Bank	Apr. 01, 2011~July 01, 2012	Performance bond guarantee of NT\$10 million	None
Long-term loan agreement	HSBC	Aug. 05, 2011~Jun. 30, 2013	Credit line of USD 7million	None
Long-term loan agreement	E. SUN Bank	Nov. 08, 2011~ Nov. 08, 2013	Credit line of NT\$300million	None
Long-term loan agreement	Chang Hwa Bank	Jan. 01, 2011~ Feb. 28, 2013	Credit line of NT\$500million	None
Long-term loan agreement	Mizuho Corporate Bank	Sep. 28, 2011~ Sep. 28, 2013	Credit line of NT\$500million	None
Long-term loan agreement	Mizuho Corporate Bank	Sep. 28, 2011~ Sep. 28, 2014	Credit line of NT\$1 billion	None
Long-term loan agreement	Cathay Commercial Bank	Nov. 03, 2011~ Nov. 03, 2014	Credit line of NT\$600million	None
Long-term loan agreement	Bank of Tokyo-Mitsubishi UFJ	July 31, 2011~ July 31, 2014	Credit line of NT\$690million	None
Long-term loan agreement	Bank Of Nova Scotia	Jan. 31, 2011~ Jan. 31, 2013	Credit line of NT\$1billion	None
Long-term loan agreement	Tai Shin International Commercial Bank	Mar. 31, 2011~ Mar. 31, 2014	Credit line of NT\$1billion	None
Long-term loan agreement	Bank of Taiwan	Aug. 02, 2011~ Aug. 02, 2013	Credit line of 13 billion	None
Long-term loan agreement	Chinatrust Commercial Bank	Sep. 01, 2011~ Nov. 30, 2013	Credit line of 13 billion	None
Long-term loan agreement	Taipei Fubon Bank	Nov. 09, 2011~ Nov. 09, 2013	Credit line of 14 billion	None
Long-term loan agreement	Hwa Nan Commercial Bank	May 25, 2011~ May 25, 2013	Credit line of 15 billion	None
Long-term loan agreement	First Bank	Jun. 10, 2011~ Jun. 10, 2013	Credit line of 15 billion	None
Long-term loan agreement	Bank SinoPac	Jun. 30, 2011~ Jun. 30, 2014	Credit line of 15 billion	None
Long-term loan agreement	Mega International Commercial Bank	Jan. 26, 2011~ Jan. 25, 2013	Credit line of 19 billion	None
Long-term loan agreement	DBS Bank	Oct. 05, 2011~ Oct. 05, 2016	Credit line of 20 billion	None

# 06 Financial Information

## 01. Five Year Brief Balance Sheet and Income Statement

### 1-1 Brief Balance Sheet

Unit: NTD in thousands

Year		Five Year Balance Sheet Summary (Note 1)					As of March 31, 2012 (Note 1)
		2007	2008	2009	2010	2011 (Note 2)	
Current Assets		\$13,351,641	\$16,919,915	\$17,414,985	\$18,319,352	\$21,581,358	\$19,832,362
Funds & Long-Term Investments		19,277,238	19,847,572	21,280,468	20,750,019	19,635,754	20,083,600
Fixed Assets		7,644,534	7,803,868	7,619,825	7,764,809	8,540,837	8,660,705
Intangible Assets		90,380	273,206	282,820	171,030	222,356	201,243
Other Assets		2,273,719	2,286,031	2,252,397	2,266,648	2,298,263	2,295,656
Total Assets		42,637,512	47,130,592	48,850,495	49,271,858	52,278,568	51,073,566
Current Liabilities	Before Distribution	17,550,683	19,242,516	20,236,262	21,492,215	25,496,055	23,958,637
	After Distribution	20,772,612	21,109,443	23,978,902	26,586,364	Not yet distributed	Not yet distributed
Long-Term Liability		6,700,000	9,100,000	7,100,000	5,000,000	3,400,000	1,890,000
Other Liabilities		2,132,349	2,340,433	2,593,381	2,567,442	2,688,204	2,697,176
Total Liabilities	Before Distribution	26,383,032	30,682,949	29,929,643	29,059,657	31,584,259	28,545,813
	After Distribution	29,604,961	32,549,876	33,672,283	34,153,806	Not yet distributed	Not yet distributed
Capital		9,151,604	9,151,604	10,396,222	10,396,222	10,396,222	10,396,223
Capital Reserve		—	—	5,082	5,082	5,082	5,082
Retained Earnings	Before Distribution	6,575,118	6,872,870	7,820,448	9,803,565	11,061,826	12,784,055
	After Distribution	3,353,189	5,005,943	4,077,808	4,709,416	Not yet distributed	Not yet distributed
Unrealized Revaluation Increments		469,191	54,010	52,646	51,281	49,917	49,576
Unrealized Gains (Loss) from Financial Products		—	258,551	595,033	234,124	-634,091	-522,535
Accumulated Translation Adjustments		58,567	110,608	56,081	-222,559	-51,876	-51,877
Net Loss Not Recognized as Pension Cost		—	—	-4,660	-55,514	-132,771	-132,771
Shareholders' Equity	Before Distribution	16,254,480	16,447,643	18,920,852	20,212,201	20,694,309	22,527,753
	After Distribution	13,032,551	14,580,716	15,178,212	15,118,052	Not yet distributed	Not yet distributed

Note 1: All the annual financial information is audited by external auditors. Information regarding the first quarter of 2012 is reviewed by external auditors.

Note 2: As of the publication date of the Annual Report, the Annual Shareholders' Meeting has not yet decided on the earnings distribution of 2011.

## 1-2 Brief Income Statement

Unit: NTD in thousands (EPS=NT\$)

item	Year	Five Year Income Statement Summary (Note 1)					As of March 31, 2012 (Note 1)
		2007	2008	2009	2010	2011 (Note 2)	
Revenue		\$102,363,841	\$102,191,258	\$101,756,386	\$114,663,893	\$122,712,725	\$32,249,091
Gross Profit		31,744,297	32,734,914	32,965,767	35,922,611	38,275,309	9,286,168
Operating Profit		4,853,533	4,606,927	4,893,463	5,527,488	6,074,940	1,397,168
Non-Operating Income		907,093	1,049,786	1,363,859	1,931,706	2,285,947	640,758
Non-Operating Expenses		950,560	1,274,969	1,613,582	830,258	930,422	30,933
Pre-tax Income from Continuing Operation		4,810,066	4,381,744	4,643,740	6,628,936	7,430,465	2,006,993
After-tax Income from Continuing Operation		3,622,413	3,519,681	4,059,124	5,725,757	6,352,410	1,722,228
Profit/loss of discontinued operation		—	—	—	—	—	—
Contingent profits/loss		—	—	—	—	—	—
Accumulated Adjustments due to Changes of Accounting Principles		—	—	—	—	—	—
Net Income		3,622,413	3,519,681	4,059,124	5,725,757	6,352,410	1,722,228
Earnings per Share (NT\$)		3.96	3.85	3.90	5.51	6.11	1.66

Note 1: All the annual financial information is audited by external auditors. Information regarding the first quarter of 2012 is reviewed by external auditors.

Note 2: As of the publication date of the Annual Report, the Annual Shareholders' Meeting has not yet decided on the earnings distribution of 2011.

## 1-3 Auditors' Opinions in Recent Five Years

Year	Audit Firm	Name of external auditor		Auditors' opinion
2007	PRICEWATERHOUSECOOPERS	Tsai, Chin-Pao	Chen, Mei Tzu	Modified Unqualified
2008	PRICEWATERHOUSECOOPERS	Chang, Ming-Huei	Tsai, Chin-Pao	Modified Unqualified
2009	PRICEWATERHOUSECOOPERS	Chang, Ming-Huei	Tsai, Chin-Pao	Modified Unqualified
2010	PRICEWATERHOUSECOOPERS	Chen, Mei-Tzu	Tsai, Chin-Pao	Modified Unqualified
2011	PRICEWATERHOUSECOOPERS	Chen, Mei-Tzu	Tseng, Hui-Chin	Modified Unqualified
2012 Q1	PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	Tseng Hui-Chin	Qualified

Note: The financial report for the first quarter of 2011 is reviewed by auditors. However, the profits and losses for the long-term investments and the information in Note 11 are based on the financial statements and disclosures of the investees during the same period but not reviewed by external auditors. Therefore, the external auditors issued Qualified Report

## 1-4 Changes of External Auditors in the Past Five Years:

Due to the internal job rotation of PRICEWATERHOUSECOOPERS, Taiwan, the external auditors were changed to Chang Ming-Hui and Tsai, Chi-Pao, in 2008. In 2010, the external auditors were changed to Chen Mei-Tzu and Tsai Chin-Pao. In the second quarter of 2010, the external auditors were changed to Chen Mei-Tzu and Tseng, Hui-Chin. From the first quarter of 2012 onward, the external auditors of the Company are Hsiao, Chun-Yuan and Tseng, Hui-Chin.

## 02. Five Year Financial Analysis

item		Year	Five Year Financial Analysis Summary (Note 1)					As of March 31, 2012 (Note 1)
			2007	2008	2009	2010	2011(Note 2)	
Financial Structure	Debt to Assets (%)		61.88	65.10	61.27	58.98	60.42	55.89
	Long-Term Capital to Fixed Asset (%)		300.27	327.37	341.49	324.70	282.11	281.94
Liquidity	Current Ratio (%)		76.07	87.93	86.06	85.24	84.65	82.78
	Quick Ratio (%)		54.22	66.98	68.25	70.91	69.78	67.93
	Interest Coverage		56.18	29.41	112.91	195.94	232.59	290.11
Operating Performance	Accounts Receivable Turnover (times) (Note 2)		—	—	—	—	—	—
	Average Collection Days (Note 2)		—	—	—	—	—	—
	Inventory Turnover (times)		24.00	22.09	22.05	26.79	25.62	6.62
	Accounts Payable Turnover (times)		9.62	7.91	6.46	7.67	7.81	1.99
	Average Inventory Turnover Days		15	17	17	14	14	14
	Fixed Assets Turnover (times)		13.39	13.09	13.35	14.77	14.37	3.72
	Total Assets Turnover (times)		2.40	2.17	2.08	2.33	2.35	0.63
	ROA (%)		9.34	8.10	8.52	11.72	12.56	3.34
Profitability	ROE (%)		22.47	21.53	22.95	29.26	31.06	7.97
	Ratio to Paid-in Capital (%)	Operating Income	53.03	50.34	47.07	53.17	58.43	13.44
		Pre-tax Profit	52.56	47.88	44.67	63.76	71.47	19.31
	Net Margin (%)		3.54	3.44	3.99	4.99	5.18	5.34
	EPS (NT\$)		3.96	3.85	3.90	5.51	6.11	1.66
	Cash Flow Ratio (%)		34.67	28.49	36.79	34.72	59.10	6.20
Cash Flow	Cash Flow Adequacy (%)		145.55	127.83	152.08	146.03	145.51	155.81
	Cash Flow Reinvestment Ratio (%)		8.41	6.68	13.97	9.33	25.37	3.73
Leverage	Operating Leverage		1.86	1.93	1.78	1.81	1.80	1.89
	Financial Leverage		1.02	1.03	1.01	1.01	1.01	1.00

Please explain the reason for changes of financial ratios over the past two years.

- Cash flow adequacy ratio (%): The cash flow from operating activities went up significantly compared to 2010.
- Cash flow reinvestment ratio (%): The cash flow from operating activities went up significantly compared to 2010.

Note 1: All the annual financial information is audited by external auditors. Information regarding the first quarter of 2012 is reviewed by external auditors.

Note 2: Not applicable, as PCSC is a retail business.

Note 3: The calculations of the above financial ratios are as follows:

### ■ Financial Structure

- (1) Debt to Assets = total liabilities / total assets
- (2) Long-term Capital to Fixed Asset = (shareholders' equity + long-term liabilities) / net fixed assets

### ■ Liquidity

- (1) Current Ratio = current assets / current liabilities
- (2) Quick Ratio = (current assets – inventory – prepaid expenses) / current liabilities
- (3) Interest Coverage = earnings before interest and taxes / interest expenses

### ■ Operating Performance

- (1) Average Accounts Receivable Turnover (including accounts receivable and notes receivable due to business activities) = net sales / average accounts receivable (including accounts receivable and notes receivable due to business activities)
- (2) Average Collection Days = 365 / average accounts receivable turnover
- (3) Inventory Turnover = cost of goods sold / average inventory
- (4) Average Accounts Payable Turnover (including accounts payable and notes payable due to business activities) = cost of goods sold / average accounts payable (including accounts payable and notes payable due to business activities)
- (5) Average Inventory Turnover Days = 365 / inventory turnover ratio
- (6) Fixed Asset Turnover = net sales / net fixed assets
- (7) Total Asset Turnover = net sales / total assets

### ■ Profitability

- (1) Return on Assets [ net income after tax + interest expense × (1 – effective tax rate) ] / average total assets
- (2) Return on Equity = net income after tax / average shareholders' equity
- (3) Net Margin = net income after tax / net sales
- (4) Earnings per Share = (net income after tax – preferred stock dividends) / weighted average number of shares outstanding

### ■ Cash Flows

- (1) Cash Flow Ratio = net cash flows from operating activities / current liabilities
- (2) Cash Flow Adequacy Ratio = five year sum of net cash flows from operating activities / five year (sum of capital expenditures + increase in inventory + cash dividends)
- (3) Cash Flow Reinvestment Ratio = (net cash flows from operating activities – cash dividends) / (gross fixed assets / long-term investments + other assets + working capital)

### ■ Leverage

- (1) Operating Leverage = (net sales – variable costs and expenses) / operating profit
- (2) Financial Leverage = operating profit / (operating profit – interest expenses)

## 03. Supervisor's Report:

Please refer to attached 2011 annual report disc for supervisor's report of the most recent year.

## 04. Financial Report of Recent Years:

Please refer to attached 2011 annual report disc for financial report of the most recent year.

## 05. Audited Consolidated Financial Statements (of parent company and subsidiaries) of Recent Years:

Please refer to attached 2011 annual report disc for consolidated financial statements and independent auditor's report of the most recent year.

## 06. Any financial difficulties during the most recent year and as of March, 31, 2012 for the Company and its affiliates:

None.

## 01. Financial Position

Unit: NTD in thousands

Item \ Year	Year	2010	2011	Variance	
				Difference	%
Current assets		\$18,319,352	\$21,581,358	\$3,262,006	17.81%
Long-term investments		20,750,019	19,635,754	-1,114,265	-5.37%
Fixed assets		7,764,809	8,540,837	776,028	9.99%
Intangible assets		171,030	222,356	51,326	30.00%
Other assets		2,266,648	2,298,263	31,615	1.39%
Total assets		49,271,858	52,278,568	3,006,710	6.10%
Current liabilities		21,492,215	25,496,055	4,003,840	18.63%
Long-term liabilities		5,000,000	3,400,000	-1,600,000	-32.00%
Other liabilities		2,567,442	2,688,204	120,762	4.70%
Total liabilities		29,059,657	31,584,259	2,524,602	8.69%
Capital		10,396,222	10,396,222	0	0.00%
Capital reserves		5,082	5,082	0	0.00%
Retained earnings		9,803,565	11,061,826	1,258,261	12.83%
Total stockholders' equity		20,212,201	20,694,309	482,108	2.39%

a. Variance analysis for deviations over the last two years:

(1) The increase in intangible assets is mainly due to the cost increase of computer software

(2) The decrease in long-term liabilities is mainly due to paying back part of long-term bank loan this year

b. Effect of the changes in financial position in the last 2 years: the aforesaid changes did not affect the Company significantly.

c. Future strategy: the working capital generated from operation and part of the bank loans are sufficient to support the needs of the Company's operations.

## 02. Operating Results

Unit: NTD in thousands

Item \ Year	Year	2010	2011	Variance	
				Difference	%
Revenue		\$114,663,893	\$122,712,725	\$8,048,832	7.02%
Gross profit		35,922,611	38,275,309	2,352,698	6.55%
Operating expenses		30,395,123	32,200,369	1,805,246	5.94%
Operating profits		5,527,488	6,074,940	547,452	9.90%
Non-operating income		1,931,706	2,285,947	354,241	18.34%
Non-operating expenses		830,258	930,422	100,164	12.06%
Pre-tax Income of Continuing Operations		6,628,936	7,430,465	801,529	12.09%
Income tax		903,179	1,078,055	174,876	19.36%
Net income		5,725,757	6,352,410	626,653	10.94%

a. Explanation for Variance:

(1) The increase in operating profit is mainly because continuously developed new commodities and new services. It promotes the increase in gross operating profit, and the operating cost is effectively controlled.

(2) The increase in net profit is mainly due to the growth of profitability from main business and long-term investments.

b. Factors that might impact the Company's sales and financial situations of the following year and proposed responses: the Company adopts different innovative and differentiated products and services to maintain sustained growth in operation.

### 03. Cash Flow

#### 3-1 Cash flow analysis for this year:

Unit: NTD in thousands

Cash Balance at Beginning of Year 2011	Net Cash Inflow from Operating Activities	Net Cash Outflows Throughout the Year	Cash Surplus (Shortage)	Remedies for Cash Shortage	
				Investment plans	Financing plans
4,626,008	15,067,013	(9,881,999)	9,811,022	-	-

- Operating activities : The net cash inflow from operating activities is about NT\$15 billion. The cash inflow is steady mainly because of the stable growth of the company.
- Investing activities : The net cash outflow from investment activities is about NT\$ 3 billion. The cash outflow is mainly due to the investments of operations- related fixed assets and new long- term investments.
- Financing activities : The net cash outflow from financing activities is about NT\$6 billion, mainly resulted from paying back part of long-term bank loans and distribution of cash dividend this year.

#### 3-2 Remedies for cash deficiency and analysis on liquidity: Not applicable to PCSC.

#### 3-3 Cash Flow Analysis for the Coming Year:

Unit: NTD in thousands

Cash Balance at Beginning of Year 2011	Net Cash Inflow from Operating Activities	Net Cash Outflows Throughout the Year	Anticipated Cash Surplus (Shortage)	Remedies for Cash Shortage	
				Investment plans	Financing plans
9,811,022	9,494,706	( 10,522,766)	8,782,962	-	-

- Operating activities :stable revenue is expected in 2012, which can bring in net cash inflow.
- Investing activities : mainly for the payment of the purchase of fixed assets and the increase in long-term equity investments.
- Financing activities : mainly expected payments of cash dividends.

### 04. Major Capital Expenditures & Their Impacts to Financial Situations:

#### 4-1 Major Capital Expenditures and Sources of Capital:

Unit: NTD in thousands

Project	Actual or Planned Source of Capital	Actual or Planned Date of Project Completion	Total Capital Required	Actual or Planned Capital Expenditures				
				2009	2010	2011	2012	2013
Investments in new stores	Working capital and loans	Annual	7,375,438	466,142	951,886	2,578,466	1,689,472	1,689,472
P.O.S. (Point-of-Sale) equipment	Working capital and loans	Annual	2,178,007	25,800	26,104	170,098	1,539,647	416,358
Remodeling of Existing Stores	Working capital and loans	Annual	1,881,681	192,866	475,597	313,564	449,827	449,827
Equipment Purchases/ Replacement for Stores	Working capital and loans	Annual	2,702,138	275,689	753,153	350,834	661,231	661,231

## 4-2 Estimated benefits

### a. Anticipated Increase in Sales and Gross Profits:

Unit: NTD in thousands

Year	Item	Sales value	Gross profit
2012	New and existing Store Investments	3,199,136	971,497
2013	New and existing Store Investments	3,256,721	989,504
2014	New and existing Store Investments	3,312,085	990,711
2015	New and existing Store Investments	3,348,518	1,006,293
2016	New and existing Store Investments	3,415,488	1,016,356

### b. Other Potential Benefits:

The capital expenditure in this year are mainly used for introduction of the third generation POS system and expansion of stores, with the expectation of the following benefits:

- (1) The third generation POS system can transfer information more quickly between the front and back operation and help sales analysis more accurate, so as to provide services and products to fit in with market demand. At the same time, it can make the ordering system more humanistic, and improves the convenience and timeliness of operation in stores.
- (2) The expansion of store format can provide more seats and comfortable living space for customers; meanwhile, customers can have a comfortable consuming experience in convenience stores besides home, schools and offices.

## 05. Analysis of Long-Term investment Policy in Recent Years

### 5-1 Long-Term investment policy and plan:

PCSC invests in a wide array of business including convenience stores, food and beverages, cosmetics and pharmacies, department store, super and hypermarkets, online shopping website, and etc.; the business of the Company extends over Taiwan, Mainland China, Philippines, Vietnam and Japan. High-quality business units are continuously developed, in order to bring rich and diversified life experience to customers. The store number of 7-ELEVEN stores in Philippines was up to 600 in July 2011. COSMED in Taiwan has exceeded 350, which is the third biggest retail channel of subsidiaries. "My Beauty Diary" subordinated to medicine of PCSC has been sold in ten overseas markets including China, Japan, Korea, the US, and the overseas market will be continuously expanded in the future.

### 5-2 Main reasons for subsidiaries' profit or loss

Major long-term investment of the Company in 2011:

Unit: NTD in thousands

Company	Note	Amount of investment in 2011	Main reason for profit / loss
PCSC Afternoon Tea Shanghai, Ltd		59,918	Still in the early stage of operations. Business not yet stable and yet to break-even.
President Information Corp.		227,394	The equity is integrated in response to the group development strategy.
MUJI (Taiwan) Co., Ltd		92,367	The equity is integrated in response to the group development strategy.
Integrated Marketing Communications Co., Ltd.		85,980	At the preparation stage, the operation still suffers loss.
Rakuten (Taiwan) Market Co., Ltd.		49,000	Still in the early stage of operations. Business not yet stable and yet to break-even.

Note: President Chain Store (Hong Kong) Holdings Ltd invested in PCSC Afternoon Tea Shanghai, Ltd. in 2011.

### 5-3 Improvement and investment plan in the next year

The Company will adjust its subsidiaries' business model by improving the product mix and effective cost control in order to promote the subsidiaries' performance.

The planned long-term investments in 2012 are shown in the table below:

Company	Note	Planned investment amount in 2012
Intergrated Marketing Communications Co., Ltd.		NT\$ 86 million
President Chain Store (Shanghai) Ltd.		NT\$ 288 million
Presiclerc (Beijing) Supermarket Limited		NT\$ 336million

## 06. Policies, Organizational Structure and Issues Concerning Risk Management

### 6-1 Policies and Organizational Structure of Risk Management

PCSC endeavours to maintain a comprehensive risk management system and manages the risks of the organization as a whole (including subsidiaries). The Board, managers and employees of all levels work together in risk control and management.

In addition to the observations of all the relevant regulations, PCSC identifies, analyzes, measures, monitors, controls, reports and improves all the potential risks throughout operating activities regarding the characteristics of influence of such risks. This is to assure the achievement of PCSC's strategic goals and the effective maintenance and control of relevant potential risks.

The major risk management units and management execution teams of the Company are as follows:

- a. Strategic and Operational Risks: Each business unit and subsidiary is responsible for planning and risk assessment for any new investments and operational decisions. President office will conduct key performance indicator analysis and track performance in the monthly meeting with companies within the business group, in order to align the strategic plan and performance of subsidiaries with their visions and strategic targets.
- b. Financial Risks, Liquidity Risks and Credit Risks: The Finance Group defines several sets of risk management strategies, procedures and indicators by referring to the changes in regulations, policies and markets, to periodically analyze all the relevant risks and take responding measures accordingly, so as to mitigate the potential risks for the Company as a whole.
- c. Market Risks: All the business units analyze and assess market risks of their responsible functions and businesses by referring to the changes in key policies, regulations and technologies, so as to come up with appropriate responding measures to mitigate the potential management risks going forward. In addition, PCSC has established a Cross-Function Regulation Identification Team. The team meets on a regular basis to constantly update the information regarding the changes in regulations in order to devise responding measures. Meanwhile, a Crisis Handling Team, composed of division managers, has been established to monitor, manage and handle any potential or existing market risks and crises.
- d. The internal Audit Office, through risk assessments and regulatory reviews, defines the annual audit plans and self-inspection procedures and methods. The implementations of audit plans and self-inspections are to constantly monitor and control all kinds of potential risks. The results shall be presented to the Board of Directors on a periodical basis.

### 6-2 Risk Assessment and Analysis

- a. Impacts to the Company's Profits and Losses from Changes in Interest Rates, Foreign Exchange Rates and Inflation / Deflation; Proposed Responding Measures:

#### (1) Interest rate fluctuation:

According to the government, the economic growth rate was about 4.03% in 2011, and decreased to 3.38% in 2012. The growth of global economy slows down due to the influence of European debt crisis. The demand for main trade partners is weakened, which influences the export growth and private consumption in China, so Central Bank stops increasing the interest rate from Sept. 2011.

Response: The Company will control the cost to the relative minimum of the market interest rate by observing the trend of interest rate and contacting financial institutions for price negotiation, so as to make use of other financing channels in the capital market.

## (2) Exchange rate fluctuation:

Most sales and purchases of the Company are settled in NT dollars. Imports accounted for just a marginal portion of its total sales. As such, exchange rate fluctuation did not cause significant influence to the income status of the Company.

## (3) Inflation:

The CPI in 2011 was 1.42%. The government, Directorate-General of Budget, Accounting and statistics, Executive Yuan, projected the CPI in 2012 at 2% due to the recent surge of the cost of materials imported and further rises in consumer prices are expected.

Response: The Company has made effort to adjust the product portfolio and improve the gross margin and pursued a diversified marketing strategy to reduce the rising cost due to inflation and mitigate the effect on the operation of the Company.

## b. Engagement in highly risky or highly leveraged investments, Loans to others, Endorsements or Trading of Derivatives; Reasons for Profits or Losses of Such Activities and Proposed Responding Measures:

## (1) Company policy:

PCSC focuses on the retail related businesses and has not engaged in highly risky or highly leveraged investments. However, in order to effectively control and manage business-related activities, PCSC has structured a set of internal management and operational procedures on the basis of the relevant regulations from the Securities and Futures Bureau. These requirements and procedures include "Procedures for Lending Funds to Others", "Procedures for Acquisitions or Disposals of Assets" and "Procedures for Endorsements". In accordance with Standards for Publicly Held Companies to Internal Control Systems, PCSC's Internal Audit Office has defined a set of risk management and assessment procedures.

## (2) The Status of Loans to Others, Endorsements and Trading of Derivatives; Reasons for Profits and Losses of Such Activities:

- Loans to others: None
- Endorsements:

PCSC offers reasonable endorsements for credit facilities to its investees that require funding for their operations.

Below are the details of PCSC's endorsements to its investees:

Recipient of Endorsement	Relationship	Outstanding Balance of Endorsement in 2011	Outstanding Balance of Endorsement as of Mar. 31, 2012
Uni-President Department Store Corp.	Subsidiary	NT\$2.385 million	NT\$2.221 million
Wisdom Distribution Service Corp.	Subsidiary	NT\$50million	NT\$ 50million
Q-ware System and Service Corp.	Mutual investment	NT\$29.978 million	NT\$29.978 million

Note: This company limits its endorsements and guarantees to 50% of its net worth, with endorsements and guarantees granted to a single business limited to 20% of its net worth.

- Derivatives: The Company is not engaged in any derivative trade.

## (3) Proposed Responding Measures:

- The Company adopts the risk control and hedging policy aiming at the aversion of operation risk. For this end, the Company establishes the hedging position in the conduct of derivative trade and selects products for purpose of hedging the risks deriving from the interest expenses incurred from the operation, assets or liabilities.
- The treasury function of the Company is responsible for monitoring and managing the position of derivative trade and conducts routine market evaluation. If there is any unusual situation of trading or income position, the Company will take the necessary action and report to the Board immediately. In addition, the Company also conducts routine evaluation on the performance of derivative trade to ensure it follows the operation strategy and that the risks are controlled within the toleration threshold.

## c. R&amp;D Plans and Projected Investment:

- (1) POS COUPON: It is planned to develop Coupon, a diversified promotion pattern, to accumulate trustworthiness and increase consumers' repurchase rate by providing targeted customers with coupons and advertising information.
- (2) eTag application and prepayment: As the national highway charging system is planned to comprehensively apply electronic distance recording and charging, the Company has researched and developed the related auxiliary system, provided consumers with such functions as eTag initial application and eTag prepayment service, so as to continuously increase the number of customers visiting stores, and effectively grasp business opportunity.
- (3) EC service upgrade, E-Tracking Online service provision: E-Tracking Online (realtime inquiry for status of goods) is one of service items that EC practitioners pay highest attention to, promote the existing service of inquiry for state of goods into realtime online service of inquiry for state of goods, and provide more convenient service for users and stores.
  - For customers: send message real-timely after goods arrival to stores, so that customers can pick up their goods as early as possible, shorten the time for waiting goods distribution, and improve satisfaction of service.
  - For stores: Customers' pickup of goods earlier can increase the turnover rate of storage cabinets. No time difference between information flow and logistics can reduce customers' complaint and dispute.
- (4) GOT at stores: A new generation of GOT is developed, in order to provide more information reference for ordering in stores, make ordering more accurate and efficient, and reduce opportunity loss and wastage.
- (5) Development of third generation POS system: Plan software, hardware and network architecture, targeted at business application localization, reasonable system investment, flexible support of new commercial opportunities, and new technology construction with stable foundation.
- (6) The estimation of the expense for R&D related to the system in 2012 is NT\$193.958 million.

## d. Financial Impacts from Major Government Policies and Statutory Changes in the country and overseas:

- (1) The Company has properly responded to recent changes in the policies and the legal environment of the country and abroad. All these changes did not significantly affect the financial position and operation of the Company.
- (2) Because of Methods for Setup of A Compensation Committee of Companies with Stock listed or traded in Securities Dealers' Business Places and Its Exertion of Functions and Powers issued by the Bureau of Securities and Futures of the Financial Supervisory Commission, the company joined the Compensation Committee in Aug. 2011. Due to the release of Scope of Application for Public Offering Companies' Setup of Independent Directors in Mar. 2011, and for the purpose of improvement of the company governance, the company will set up independent directors during reelection of directors and supervisors in 2012, and establish Audit Committee.
- (3) As listed companies shall comprehensively apply International Financial Reporting Standards (IFRS) from 2013, the company established a cross-department project group in 2009 for the promotion, and prepared the response plan for related enterprises inside the group. Besides, the company has established a cross-unit laws & regulations identification team, so as to grasp the latest information of laws&regulations change at any time.

## e. Financial Impacts from Changes in Technology and Industry Environment and Response:

The Company has paid close attention to the changes in the e-business, the development of telecommunications, and consumer banking and related technologies. The changes in previous years did not cause significant influence to the financial position and operation of the Company.

f. Impacts on Crisis Management due to Changes of Corporate Images and Response:

The Company is dedicated to offering reliable, convenient and top quality products and services to the public at a standard beyond national requirements for protecting the rights and privileges of consumers. President Chain Store proactively participates in social charities and environmental protection in performing its responsibilities as a corporate citizen in good standing and moving toward the goal of constant growth. In both 2005 and 2006, the Company won the 1st "Corporate Social Responsibility" Award by Global Views Magazine. In 2007, the Company was conferred the "Corporate Citizen Award" by CommonWealth Magazine among 1100 other enterprises, and was the only company in the general line wholesale sale & retail industry that won such award. In October of the same year, President Chain Store won third place in the "Top 10 Benchmark Enterprises of Taiwan" by CommonWealth Magazine, behind only TSMC and Honhai. One could say the Company is the most outstanding enterprise in the service sector. In 2008, the Company was once again conferred the "Corporate Citizen Award" by CommonWealth Magazine and the "Corporate Social Responsibility Award" by Global Views Magazine in recognition of its efforts in corporate commitment, social participation, and environmental protection. In 2010, 7-ELEVEN obtained the green store certification of the Department of Environmental Protection and the national top honor Corporate Environmental Protection Prize of the Republic of China, and gained the 2010 World Corporate Citizenship Prize. 2011 witnessed the honor of one of Good Performance & Green Purchase Enterprises of Taipei City Government due to the implementation of green purchase and remarkable achievements. In addition, PCSC has prepared perfect contingency measures and had rich experience in rapid mobilization in connection with prevention and treatment of various natural and man-made disasters, such as typhoon, earthquake, fire, and casualties. Once occurrence of significant critical incidents, the headquarters will establish cross-department emergency squad immediately, know situations real-time, discuss the most appropriate solution, and minimize the potential harm of disasters brought to the enterprise rapidly. At the same time, the company regularly holds internal Laws and Regulations Identification Meeting, actively finds out all laws, regulations and other requirements that should be obeyed, and evaluate if all internal activities are in compliance with its requirements.

g. Possible benefits and risks from mergers and acquisitions and proposed response: not applicable.

h. Possible benefits, risks from the expansion of factories and proposed response: not applicable

i. Possible risk due to a concentration of purchasing and distribution and proposed response: not applicable

j. Possible effects and risks due to massive transfers or change-hands of shares by directors, supervisors or major shareholders with over 10% stake in the Company and proposed response: not applicable.

k. Possible benefits and risks due to change of control and proposed response: not applicable.

l. Litigation or Non-Contention Matter; Any major litigations, non-contentious matters or administrative disputes that involve the Company, the Company's Directors, Supervisors, Presidents, responsible parties, major shareholders with over 10% stake, or affiliated companies should be disclosed as long as the outcome may have significant impacts to shareholders' equity or share prices, no matter whether such litigations, non-contentious matters or administrative disputes are still pending or settled. The disclosure should include the factual matters of disputes, underlying monetary values, date of lawsuit originations, main parties involved and measures taken in response until the publication date of the annual report: None.

m. Other major risks and proposed response: None.

## 07 Other Supplements: None

## 08 Specific Notes

### 01. Affiliates Information:

1-1 Consolidated Business Report of Affiliates, 2011: Please refer to the attached 2011 annual report disc.

1-2 Affiliation Report, 2011: Please refer to the attached 2011 annual report disc.

02. Private Placement Securities:None (in the most recent year and up to the published date of this Annual Report)

03. Balance of PCSC Securities Acquired, Disposed of and Held by Subsidiaries :None (in the most recent year and up to the published date of this Annual Report)

04. Other Necessary Supplements: None

05. Clause Described in Part 2, Section 2, Article 36 of the Securities and Exchange Act:In the most recent year and up to the published date of this Annual Report, PCSC has not experienced any events as described in Part 2, Section 2, Article 36 of the Securities Exchange Act that has major impacts to shareholders' equity or share prices.

# 09 Supplements

## 01. Key Performance Indicators

	2010	2011
Net operating margin (%)	4.82%	4.95%
Net profit margin (%)	4.99%	5.18%
EPS (NT\$)	5.51	6.11
ROE (%)	29.26%	31.06%
Inventory turnover (times)	26.79	25.62

## 02. Estimation Bases for the Valuation Allowance on the Balance Sheet

### 2-1 Provisions for doubtful accounts and devaluation of inventory and bad debts

Assets and liabilities subject to revaluation	Reference for revaluation	Basis for evaluation
Provision for doubtful accounts	Aging analysis method.	Account receivables overdue for more than one year and are difficult to recover are recognized as doubtful accounts (100%)
Provisions for devaluation of inventory and bad debts	Lower of cost and market method (replacement cost or net realizable value)	The method of purchase cost and retailing price estimation is based on SFAS No. 10.

### 2-2 Financial assets

- a. Financial assets whose changes in fair values are recognized in the income statements
  - (1) Trade date accounting is practiced on equities. Settlement date accounting is practiced on beneficiary certificates. Financial assets are measured in terms of fair values for original recognition.
  - (2) Financial assets and liabilities whose changes in fair value are recognized in the income statements are measured in terms of fair values and their value changes are recognized as gains or losses of the period. The fair values of listed shares are measured by the closing prices in open market on the balance sheet date. The fair values of open-end funds are measured by the net asset value of the funds on the balance sheet date.
- b. Available-for-sale financial assets
  - (1) Trade date accounting is practiced on equities. For original recognitions, the financial assets are measured by their fair values plus the transaction costs at acquisition or issuing.
  - (2) Available-for-sale financial assets are recognized at their fair values and the changes in their values are recognized as adjustments to shareholders' equities. The fair values of listed shares are measured by the closing price in the open market on the balance sheet date.
  - (3) Impairment losses are recognized when there is objective evidence of impairment. When the amount of the impairment decreases afterwards, the decrease in impairments of equity product are recognized as adjustments to shareholders' equities.
- c. Financial assets valued at costs
  - (1) Trade date accounting is practiced. For original recognition, financial assets are measured by their fair values (buying cost) plus transaction costs of acquisition or issuing.
  - (2) Impairment losses are recognized when there is objective evidence of impairment. The amount of impairment is irreversible.

d. Long-term Investments under the equity method

- (1) Long-term investments in which the Company owns at least 20% of the voting rights of the investee or have significant influence over the investee are valued under the equity method. If the acquisition cost exceeds the Company's share of the investee's net book value on the date of acquisition, the surplus is recognized as goodwill. Impairment tests are carried out annually. Amortization of impairment loss on goodwill during the previous year is not allowed to adjust. For the investees that the Company owns over 50% of the voting rights or have control power, they should be valued under the equity method and be included in the consolidated statements for the interim and annual consolidated financial reports. Starting from January 1, 2009, quarterly consolidated financial statements have also been compiled in the first and third quarter of each year.
- (2) For the long-term Investments in which the Company exercises significant influence but has no control power, the recognition of investment losses has the upper limit of the book value of investments in the investees and the advanced amounts to the investees reaching zero. However, if the Company has endorsement to the investee or intends to continue supporting the investee, investment losses will be recognized in proportion to shareholding. If the Company has the control power over the investees, all investment losses of the investees shall be recognized by the Company except those that the other shareholders of the investees shall be liable for and afford to shoulder their losses by presenting additional capital. If the investees are profitable hereafter, the profits shall belong to the Company till the losses the Company recognized are made up.
- (3) For offshore investments valued under the equity method, cumulative translation adjustment resulting from translating the offshore investee's financial statement is recognized as adjustment to shareholder's equity of PCSC.

### 03. Target and Methods for Hedge Accounting

#### 3-1 For hedging purposes:

When the financial products qualify for hedge accounting, the changes in fair values should be recognized as profits or losses of the period based on their hedging relations by netting off the values of hedging tools and hedged items. The accounting treatments are as follows:

a. Fair Value Hedging:

When hedging instruments are measured by their fair values or when their book values are adjusted to exchange rate fluctuations, the resulting gains (losses) are immediately recognized as gains (losses) of the period. If the hedged items produce gains or loss due to hedged risks, the book values of the hedged items should be adjusted and the resulting gains (losses) are immediately recognized as gains (losses) of the period.

b. Cash Flow Hedging:

The gains (losses) of the hedging instruments are recognized as adjustments to shareholders' equities.

### 04. Certificates Issued by Competent Authorities to Personnel Relevant to Financial Information Transparency

#### 4-1 Number of employees who own professional certificates:

Certified Internal Auditor (CIA): 1  
Enterprise Internal Control Basic Ability Exam: 7  
Certified public accountants (CPA): 1  
Project Management Professional (PMP): 1

#### 4-2 Professional training of employees:

Accounting managers: Publicly Traded Company Finance and Accounting Administrator Professional Certificate Course (15 hours)

Auditing supervisors and all of internal audit staff shall annually study the internal control programs as required by the Guidelines for Establishment of Internal Control Systems by Public Companies, and shall register their study hours and programs with the Securities and Futures Bureau.