



PRESIDENT CHAIN STORE CORPORATION



2012 ANNUAL REPORT

2012 ANNUAL REPORT CONTENT

012 01 Letter to the shareholders

014 02 Corporate Overview

016 03 Corporate Governance

- I. Organization Chart
- 2. Information on Directors, Supervisors, and Management Team
- 3. Corporate Governance
- 4. External Auditors
- 5. Net Change in Shareholdings and in Shares Pledged by Directors, Supervisors, Management and Shareholders holding more than a 10% share in the Company
- 6. Relationships between the Company's top 10 largest Shareholders
- 7. PCSC and the Company's director, supervisor and management direct and ownership of shares in affiliated enterprises

038 04 Fund Raising

- 1. Capital and Shares
- 2. Status of Corporate Bonds, Preferred Stock, GDR, Employee Stock Option Plan, Mergers, Acquisitions, Spin-Offs and employee restricted stock plans
- 3. Status of Capital Utilization Plan

042 05 Operating Highlights

- I. Business Activities
- 2. Market Analysis and Merchandise
- 3. Human Resources
- 4. Environmental Protection Expenditures
- 5. Labor-Management Relations
- 6. Important Contracts

054 06 Financial Information

- 1. Five Year Condensed Balance Sheet and Consolidated Income Statement
- 2. Five Year Financial Analysis

- 3. Audit Committee Report
- 4. Financial Report of Recent Years
- 5. Audited Consolidated Financial Statements (of parent company and subsidiaries) of Recent Years
- 6. Any financial difficulties during the most recent year and as of publication of the Annual Report for the Company and its affiliates

060 07 Financial Status, Operating Results and

Risk Management

- I. Financial Position Analysis
- 2. Operating Results Analysis
- 3. Cash Flow Analysis
- 4. Major Capital Expenditures Over the past fiscal year and their impact
- 5. Analysis of Investments in affiliated enterprises over the past fiscal year
- 6. Policies, and Organizational Structure and Risk Assessment
- 7 Other Important Items

066 08 Specific Notes

- 1. Information about Affiliated Enterprises
- 2. Private Placement of Securities
- 3. PCSC Securities Acquired, Disposed of, or Held by Subsidiaries
- 4. Other Supplementary Information Required
- 5. Situations described in Article 36, Paragraph 2, Item 2 of the Securities and Exchange Act

067 09 Supplementl Disclosures

- 1. Key Performance Indicators
- 2. Evaluation Method and Basis for Valuation
- 3. Allowance on the Balance Sheet Hedge Accounting Goals and Methods
- 4. Certificates Earned by Employees Involved in Information Transparency and Related Training



The Place to Go For Convenience and Selection



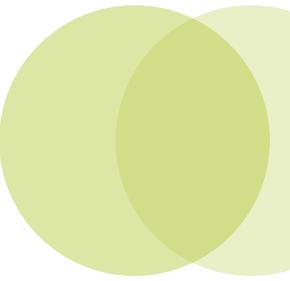




The Place to Go
For Lifestyle and Fashion







The Place to Go For Enjoyment and Hospitality







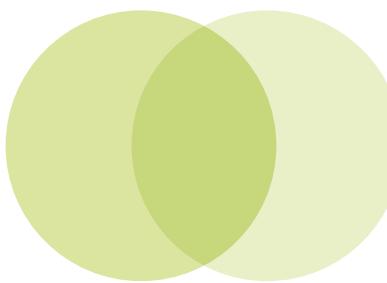
The Place to Go For Beauty and Health



BEING sport



President Pharmaceutical Corp.

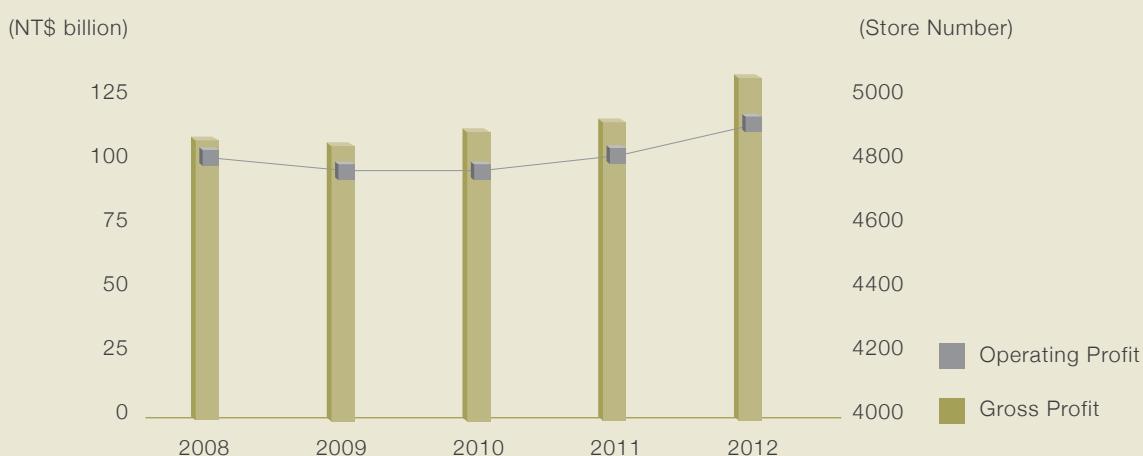


Overall Performance

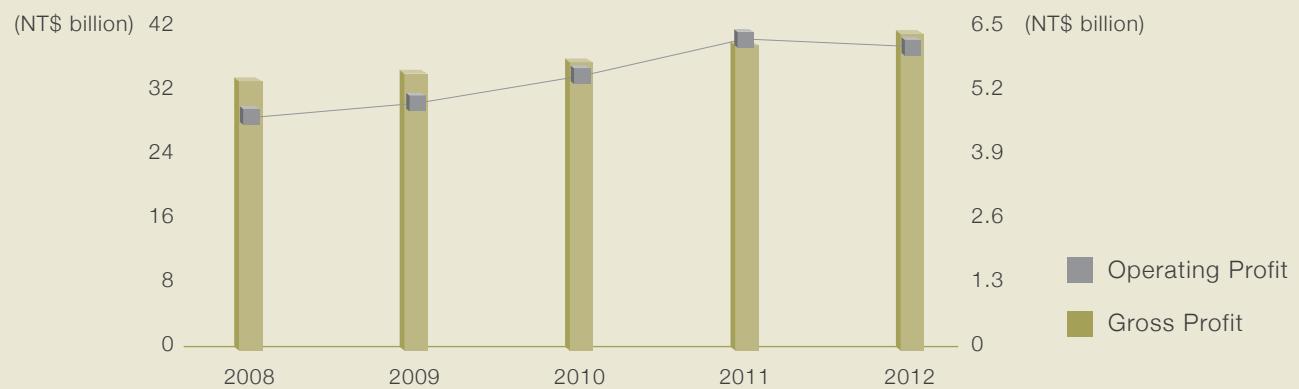
Item / Year (NT\$1,000)	2012	2011	YOY %
Revenue	134,569,525	122,712,725	9.66%
Gross Profit	39,408,208	38,275,309	2.96%
Operating Profit	5,785,988	6,074,940	-4.76%
Pre-tax Profit	7,779,949	7,430,465	4.70%
Net Profit	6,789,362	6,352,410	6.88%
EPS(NT\$)	6.53	6.11	-
Weighted Average Outstanding	1,039,622,255	1,039,622,255	-
Shares			

Financial Ratios	2012	2011
Gross Margin	29.28%	31.19%
Operating Expense Ratio	24.99%	26.24%
Operating Margin	4.30%	4.95%
Net Margin	5.05%	5.18%
ROA	12.52%	12.56%
ROE	31.14%	31.06%
Inventory Turnover	22.07	25.62
Fixed Asset Turnover	14.61	14.37

Total No. of Stores & Revenue



Gross Profit & Operating Profit



ROE & ROA



Cash Dividend Yield



01 Letter to the shareholders



Chairman
Kao, Chin-Yen



President
Chen, Jui-Tang

Dear Shareholders,

Europe's debt crisis continued to weigh on the global economy in 2012, while increases in electricity and labor costs domestically added to the already challenging business environment. Despite these unfavorable economic conditions, President Chain Store Corporation (PCSC) was able to increase overall profitability by improving store quality, strengthening private-label product offerings, and developing virtual business opportunities. The various subsidiaries also engaged in integrated marketing activities further improving operating results. Together, these efforts led to record consolidated revenue and profits in 2012, which totaled NT\$208.26 billion and NT\$6.79 billion respectively.

Operating performance

Following the large format store strategy, PCSC has expanded the self-service food store concept to provide consumers with a more comfortable and friendly shopping environment. By staying on top of consumer trends and better understanding our customers' lifestyles, PCSC can offer diverse fresh food and light meal products to best suit their needs. In support of "Taiwan's New Agriculture", PCSC established the 7-ELEVEN Photosynthetic Farm, the first such project in Taiwan using the latest greenhouse and cultivation techniques from the EU. PCSC also took the lead to establish a distribution industry quality testing lab. By enhancing traceability management, customers can enjoy the protection of our comprehensive food safety system. Since its launch eight years ago, CITY CAFÉ has successfully utilized marketing and cultural activities to mold a unique brand image, making "the whole city my coffeehouse". In addition, PCSC strengthened product offerings in our reasonable-priced, fashionable 7-SELECT private-label brand and branched out into new product categories. From snack foods, beverages, liquor, and beauty care products to functional clothing, LED light bulbs, and ecologically-sound cleaning products, PCSC provides consumers with a variety of appealing choices. Our ibon kiosks offer an ever expanding slate of transportation and entertainment services. Through the present, PCSC has over 200 ibon vendor partners, providing access to over 600 convenient services. Online store 7NET brings 7-ELEVEN into the home and creates a seamless shopping experience for our customers.

In addition to 7-ELEVEN Taiwan, PCSC has also branched out into other retail businesses in Taiwan and overseas. Through the end of 2012, PCSC had a total of 7,336 stores, up by 330 stores since the previous year. Of these, 7-ELEVEN Philippines is a product of transnational cooperation between 7-ELEVEN in Taiwan and the USA. In February 2012, the spacious first store was opened featuring a self-service fresh food island. In July, PCSC expanded beyond Luzon to open a store in the Philippines' second largest city, Cebu. Starbucks Shanghai has already operated in Eastern China for 12 years and in November 2012 we reached a new milestone, our 300th location. President Pharmaceutical Corp.'s "My Beauty Diary" brand is now sold in 11 countries. Since its establishment in 2002, President Collect Service Corp. has provided merchants with high quality payment collection and other payment services through Takkyubin. In May 2012, Yamato Transportation recognized President Collect Service Corp.'s 10 years of outstanding results

by officially extended permanent license of the Collect brand. After 7-ELEVEN and Takkyubin, this is the third brand for PCSC to receive a permanent license.

Social Responsibilities

PCSC has long been committed to fulfilling the corporate social responsibilities and has initiated programs for disaster relief, care for the disadvantaged, and environmental protection. In August 2012, PCSC launched the OPEN CARES campaign in the hopes that visits from our cute, energetic company “spokesman” OPEN-chan will bring comfort to ailing children. Giving back to the community that gives us so much is the key to being a good corporate citizen. In 2012, our efforts were once again recognized by CommonWealth and Global Views Magazines with their annual Corporate Social Responsibility Awards, while PCSC also received the Excellent Green Procurement Award from the Taipei City Government.

Business Prospects

PCSC anticipates that 2013 will be a year full of challenges. Nonetheless, PCSC remains confident we can maintain stable growth by operating with integrity and continuously improving seven key business factors--employees, stores, products, systems, logistics, structure, and culture. Through structural change, PCSC can create sustained growth. 7-ELEVEN Taiwan will continue to develop our self-service fresh fast food concept to provide customers with delicious, convenient foods that they can trust. Combining the 7NET online shop and our ibon kiosks, PCSC can achieve a synergy between our virtual and physical presence and launch more unique products and services.

By integrating operations and company resources both in Taiwan and overseas, PCSC will be able to further boost operating performance at our subsidiaries. 7-ELEVEN Philippines will take up the challenge in 2013 to expand to a total of 1,000 locations. Starbucks Shanghai too will expand the number of outlets and continue to spread coffee culture in China. By offering high quality fresh food products and innovative services, 7-ELEVEN Shanghai will provide local consumers with an exciting new shopping experience.

Improving corporate governance and providing increased value to PCSC shareholders are our long-term goals. To achieve these aims, PCSC introduced independent directors to the Board and established an Audit Committee in 2012. PCSC is “determined to be the most outstanding retailer by both providing convenient services and being a good corporate citizen”. PCSC will do our utmost to offer convenient services to customers, ensure stable profitability of our franchisees, provide employees with a fair and friendly work environment, and increase shareholder value.

02 Corporate Overview

1. Date of Incorporation: June 10, 1987

2. Company History

1987	Formerly part of Uni-President, PCSC was established as an independent entity.	2004	Second generation POS implemented. Debut of 7-ELEVEn icash card.
1988	The Electronic Order System (EOS) was gradually rolled out to enhance logistics efficiency and increase sales opportunities.		7-ELEVEn's lunch box offerings became the first convenience store boxed meals to meet national standards as confirmed by Customers' Foundation inspection.
1989	PCSC became the third largest 7-ELEVEn chain in the world with the opening of our 300th store.		Established President YiLan Art and Culture Corp., Mister Donut Taiwan Corp., and President Cosmed Chain Store (Shenzhen) Co., Ltd.
1990	Established Retail Support International Corp. Held the first franchisee seminar, thereby launching the 7-ELEVEn franchise system in Taiwan.	2005	4000th store opened. Expanded into the hypermarket and supermarket business in China with the establishment of Shan Dong President Yinzuo Commercial Limited and PCSC (SICHUAN) Hypermarket Limited.
1991	100th franchise store opened.		Honored with the Executive Yuan's 2005 Taiwan Sustainable Development Award and the Ministry of Economic Affairs' first Green Accounting Award.
1994	Established Duskin Serve Taiwan Co.	2006	With the debut of the ibon multimedia kiosk, which offers many services including ticketing, bill payment, and mobile office services, PCSC achieved our vision of 7-ELEVEn as a community service center.
1995	1000th store opened. Established President Drugstore Business Corp.		Established subsidiaries UNI-PRESIDENT Department Store Corp., Cold Stone Creamery Taiwan Ltd., and Cold Stone (Shanghai) Corporation.
1996	First generation POS (Point-of-Sale) implemented to better understand customers' needs and collect market intelligence.		Received Global Views Magazine's Excellence in Corporate Social Responsibility Award and Outstanding Service Award. The company was also conferred with CommonWealth Magazine's first Corporate Citizen Award and ranked as one of the magazine's Top 10 Benchmark Enterprises for the 12th consecutive year.
1997	PCSC listed on the Taiwan Stock Exchange. Established President Coffee Corp. (Starbucks Taiwan).	2007	With 7-ELEVEn Light Down Campaign, over 4,000 7-ELEVEn stores conserved power by turning off lights during summer months, joining the fight against global warming.
1999	Expanded into off-shore islands Penghu 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.		The number of 7-ELEVEn CITY CAFÉ machines reached 1,000, making it the largest coffee chain in Taiwan.
2000	Signed perpetual area licensing agreement with 7-ELEVEn Inc. Established Shanghai President Starbucks Coffee Corp.		For the 13th year running, PCSC was named among CommonWealth Magazine's Top 10 Benchmark Enterprises, while we again received the Outstanding Service Award in the convenience store category from Global Views Magazine.
	Acquired Philippine Seven Corp., extending convenience store business overseas.	2008	Invested to establish Taiwan Rakuten Corp. and Afternoon Tea Taiwan Corp.
2002	Issued the company's first secured corporate bond in the amount of NT\$700 million. 3000th store opened. Chinese Frozen Food Institute certified the 7-ELEVEn lunch box meets CAS standards, the first such lunch box that can be stored at 18°C.		7-ELEVEn entered the NT\$10 billion mobile telecommunications market by launching "OPEN Talk" prepaid cards.
2003	7-ELEVEn's lunch box was awarded the International Marketing Communications Excellence Award 2002. PCSC issued a second secured corporate bond in the amount of NT\$1.5 billion. Established MUJI (Taiwan) Co., Ltd.		

PCSC was named among the Top 10 Benchmark Enterprises by CommonWealth Magazine for the 14th year in a row and also won the 2008 CommonWealth Corporate Citizenship Award and Global View Magazine's Corporate Social Responsibility Award.

As part of our ongoing efforts to promote environmental protection and energy conservation, PCSC began switching off all outdoor lighting at Taiwan 7-ELEVEn stores during the daytime.

2009 Established President Chain Store (Shanghai) Corporation and entered into an authorization agreement with 7-ELEVEn (China) Business Corporation to open stores in Shanghai.

Established an equity joint venture with DUSKIN of Japan to establish Mister Donut Shanghai Co.

Named among the Top 10 Benchmark Enterprises award for 15 consecutive years by CommonWealth Magazine and received the 2009 CommonWealth Magazine Corporate Citizen Award. PCSC received the Outstanding Service Award in the convenience store category from Global Views Magazine and were recognized by United Way Worldwide with the Outstanding Corporate Social Innovation Award. Such honors demonstrate how the Company is using the core competencies to excel in public service.

2010 Jointly launched "Easy Delivery" with Ruten.com, which has become Taiwan's largest online auction marketplace.

In an innovative move, "7Mobile" monthly rental service was officially launched with an eye towards customers looking for a minimum level of service or as a second mobile number.

Established the Royal Host Shanghai in a joint venture with famous western-style chain Royal Host Japan.

Established Sato Shanghai Co., Ltd. in a joint venture with Sato Restaurant Systems Co., Ltd. of Japan.

7-ELEVEn opened a store in Taoyuan International Airport, providing services to some 20 million air travelers as well as airport staff.

7-ELEVEn was accredited as a green shop by the Environmental Protection Administration and was awarded first place in the Taipei Gold Energy Saving Awards as PCSC continues to strive to become a green enterprise.

2011 Following the devastating earthquake in Japan, PCSC and 15 affiliated companies launched a fundraising campaign to collect donations in our stores.

7-ELEVEn introduced the "ibon convenient

purchasing" service, creating a new sales platform via the ibon and 7NET online website.

7-ELEVEn opened a 2,640-square meter international food court in Taoyuan International Airport's Terminal 2, marking a new era in airport dining.

Taking the lead in the convenience store industry, 7-ELEVEn introduced the E-Invoice in stores throughout Taiwan.

2012 7-ELEVEn became the largest transportation ticket platform in Taiwan, with ibon offering tickets from the three major domestic carriers. Ninety percent of domestic air tickets can be purchased and paid for by credit card through ibon.

Developed and continued to integrate third generation POS system to keep track of consumer trends and optimize operational performance of individual stores.

In support of "Taiwan's New Agriculture", PCSC established the 7-ELEVEn Photosynthetic Farm to provide farm to table traceability management, food safety transparency, and show our commitment to offering delicious food consumers can trust.

In a pioneering move, PCSC established a distribution industry quality testing lab, resulting in an even more rigorous food safety mechanism for consumers.

7-ELEVEn Philippines opened its 800th store and expanded to Cebu in the southern part of the country.

Released the film, "Pull a River", documenting the story of our new Jiasian store, which features the first mobile 7-ELEVEn allowing us to provide services to remote villages.

For the 18th year in a row, PCSC was named as one of CommonWealth Magazine's Top 10 Benchmark Enterprises. We were also awarded the Digital Service Benchmark Enterprise Award 2012 by Business Next Magazine. In Global Views Magazine's Excellence in Corporate Social Responsibility Awards we were the only company to be recognized in the Community Involvement, Promotion of Public Interest, and Overall Performance categories.

2013 Uni-President Enterprises Corp., PCSC, and Starbucks Taiwan were recognized as green brands in the Food and Beverage, Retail Channel, and Food Services categories by Business Next Magazine.

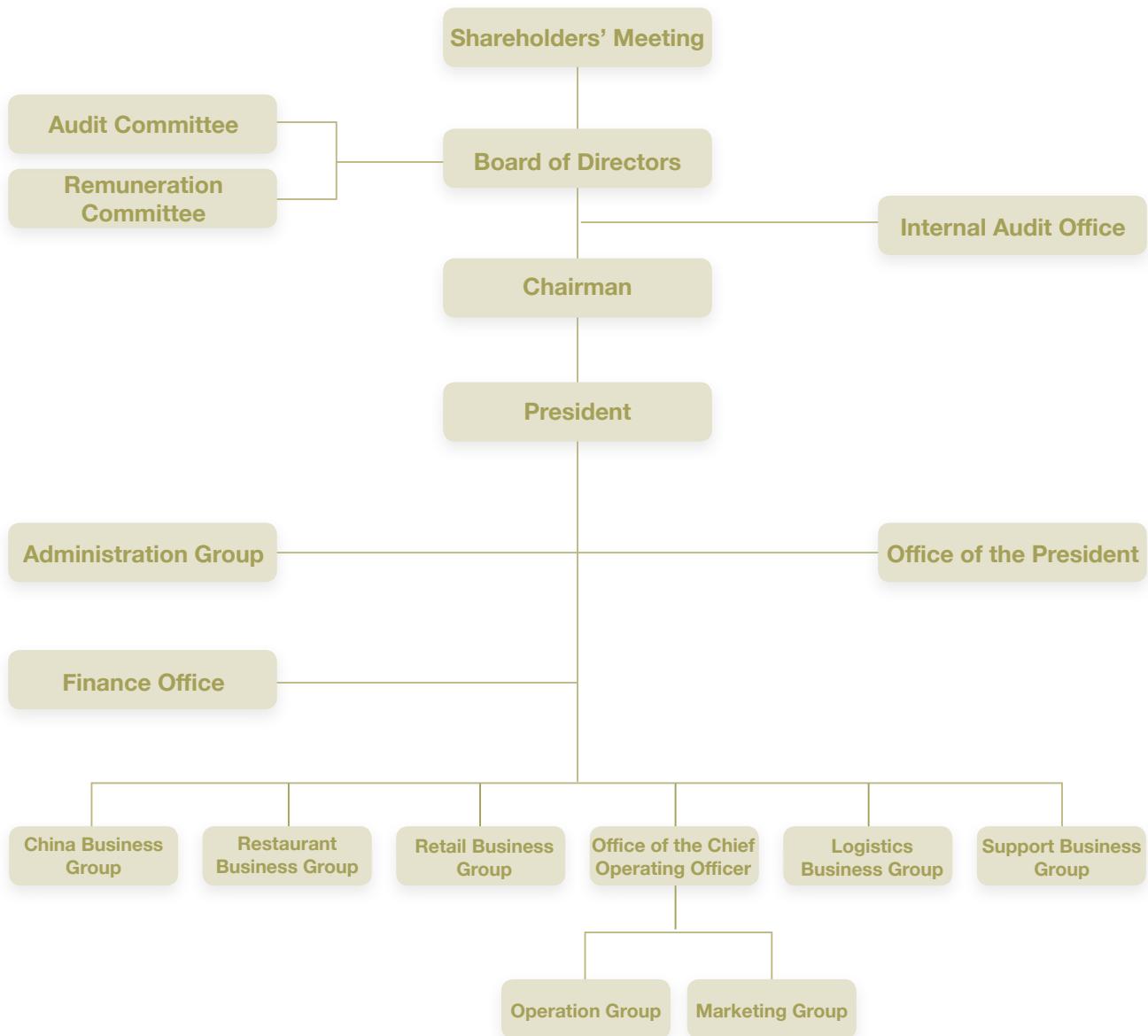
In recognition of their efforts to implement corporate social responsibility, PCSC and Starbucks Taiwan received the Excellent Green Procurement Award from the Taipei City Government.

03 Corporate Governance

01. Organization

1-1. Organization Chart

Date: April 30, 2013



1-2. Responsibilities of Key Groups

- China Business Group: Development and management of investment in China.
- Restaurant Business Group: Development and management of restaurant investments.
- Retail Business Group: Development and overall management of retail operations.
- Logistics Business Group: Development and management of logistics business.
- Support Business Group: Development and management of supporting investments.

- Office of the Chief Operating Officer: Direction of operation and management of 7-ELEVEn and vertical investments in Taiwan.
- Operation Group: Operation and planning of 7-ELEVEn stores.
- Marketing Group: Product development and marketing strategy planning of 7-ELEVEn stores.
- Office of the President: Administration of corporate management, strategic planning, and public affairs.
- Administration Group: Back office resource integration and planning.
- Finance Office: Management and planning of financial and accounting affairs, tax affairs and investor relations.
- Internal Audit Office: Management and implementation of internal auditing and the internal control system.

02. Information on Directors, Supervisors, and Management of the Company and Various Departments and Branches

2-1. Directors and Supervisors:

a. Information on Directors and Supervisors:

April 30, 2013

Title	Name	Date Elected to the Board	Term (years)	Date of Initial Election	Shares Held at Time of Election		Current Shareholdings		Shares Held by Spouse or Minor Children		Shareholding by Nominee Arrangements		Education and Experience (Note 3)	Positions Held Concurrently at PCSC and Other Companies	Spouse or Relatives Within the Second-Degree of Consanguinity also Holding Management, Directorial, or Supervisory Positions		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Director and Institutional Shareholder	Uni-President Enterprises Corp.	2012.06.21	3	1987.06.10	471,996,430	45.40%	471,996,430	45.40%	—	—	—	—	—	—	—	—	—
Chairman (Representative)	Kao, Chin-Yen (Note 1)	2012.06.21	3	1987.06.10	29,824	—	29,824	—	—	—	—	—	Honorary PhD, Lincoln University, USA; Honorary PhD, Sun Yat-sen University; Honorary PhD, National Cheng Kung University	(Note 4)	Director	Lo, Chih-Hsien	Son-in-law
															Director	Kao, Hsiao-Ling	Daughter
Director (Representative)	Lin, Chang-Sheng (Note 1)	2012.06.21	3	1987.06.10	30,840	—	30,840	—	—	—	—	—	BA, Dept. of Electrical Engineering, National Cheng Kung University	(Note 4)	—	—	—
Director (Representative)	Lin, Lung-Yi (Note 1)	2012.06.21	3	2000.06.15	18,759	—	18,759	—	25,139	—	—	—	BA, Dept. of Accounting and Statistics, National Cheng Kung University	(Note 4)	—	—	—
Director (Representative)	Lo, Chih-Hsien (Note 1)	2012.06.21	3	2000.06.15	1,032,215	0.10%	1,032,215	0.10%	1,014,315	0.10%	—	—	MBA, UCLA, USA	(Note 4)	Chairman	Kao, Chin-Yen	Father-in-law
															Director	Kao, Hsiao-Ling	Spouse
Director (Institutional shareholder)	Kao Chyuan Investment Co. Ltd	2012.06.21	3	2009.06.10	4,538,775	0.44%	4,564,775	0.44%	—	—	—	—	—	—	—	—	—
Director (Representative)	Kao, Hsiao-Ling (Note 2)	2012.06.21	3	2010.03.20	1,014,315	0.10%	1,014,315	0.10%	1,032,215	0.10%	—	—	(-) Marymount College (二) University of Southern California	(Note 4)	Chairman	Kao, Chin-Yen	Father
															Director	Lo, Chih-Hsien	Spouse
Director (Representative)	Su, Tsung-Ming (Note 1)	2012.06.21	3	2008.02.14	—	—	—	—	—	—	—	—	MBA, University of Iowa, USA	(Note 4)	—	—	—
Director (Representative)	Wu, Chung-Pin (Note 1)	2012.06.21	3	2012.06.21	—	—	—	—	—	—	—	—	BA, Dept. of Accounting, National Chung Yuan Christian University	(Note 4)	—	—	—
Director (Representative)	Yang, Wen-Long (Note 1)	2012.06.21	3	2003.06.24	—	—	—	—	—	—	—	—	BA, Dept. of Sociology, National Chung Hsing University	(Note 4)	—	—	—
Director (Representative)	Chen, Jui-Tang (Note 1)	2012.06.21	3	2012.06.21	13,652	—	13,652	—	—	—	—	—	BA, Dept. of Economics, National Taiwan University	(Note 4)	—	—	—
Director (Representative)	Lai, Nan-Bey (Note 1)	2012.08.01	3	2012.08.01	—	—	—	—	—	—	—	—	BA, Dept. of Business Administration, Tunghai University	(Note 4)	—	—	—
Independent Director	Wang, Wen-Yeu	2012.06.21	3	2012.06.21	—	—	—	—	20,000	—	—	—	PhD, Stanford Law School	(Note 4)	—	—	—
Independent Director	Chen, M. David	2012.06.21	3	2012.06.21	—	—	—	—	—	—	—	—	PhD, University of Illinois at Urbana-Champaign	(Note 4)	—	—	—
Independent Director	Shu, Pei-Gi	2012.06.21	3	2012.06.21	—	—	—	—	—	—	—	—	PhD, National Chengchi University	(Note 4)	—	—	—

Note 1: Representative of Uni-President Enterprises Corp.

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

Note 3: For more information on the experience of directors (including independent directors), please refer to the "Positions Concurrently Held by Directors in Other Companies" table on 2012 Annual Report.

Note 4: For more information on the positions held by directors (including independent directors) at PCSC and other companies, please refer to the "Positions Concurrently Held by Directors in Other Companies" table on 2012 Annual Report.

Note 5: On June 21, 2012, the Company established the Audit Committee, which replaced supervisors.

b. Independence and Professional Expertise of Board Members and Supervisors

Item Name	Has over 5 years of work experience and the below professional qualifications			Independence Ranking (Note 1)										Number of independent directorships held in other public companies
	Holds the position of lecturer (or higher) at public or private college or university in business, law, finance, accounting or company operations	Holds a license, obtained through national examination, for the position of judge, district attorney, lawyer, accountant, or similar	Work experience in business, law, finance, accounting or company	1	2	3	4	5	6	7	8	9	10	
Kao, Chin-Yen			✓	✓		✓					✓		✓	—
Lin, Chang-Sheng			✓			✓	✓				✓	✓	✓	—
Lin, Lung-Yi			✓			✓	✓				✓	✓	✓	—
Lo, Chih-Hsien			✓								✓		✓	—
Kao, Hsiao-Ling			✓	✓				✓			✓		✓	—
Su, Tsung-Ming		✓	✓			✓	✓				✓	✓	✓	—
Wu, Chung-Pin			✓			✓	✓				✓	✓	✓	—
Yang, Wen-Long			✓			✓	✓				✓	✓	✓	—
Chen, Jui-Tang			✓			✓	✓				✓	✓	✓	—
Lai, Nan-Bey			✓			✓	✓				✓	✓	✓	—
Wang, Wen-Yeu	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Chen, M. David	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Shu, Pei-Gi	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—

Note 1: “✓” indicates that the board member or supervisor meets the following criteria:

- (1) Not an employee of the Company or the Company's affiliates.
- (2) Not a director or supervisor of the Company or the Company's affiliates. (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 is one of the top 10 shareholders.
- (4) This individual's spouse, relatives within two degrees of consanguinity, and lineal relatives within five degrees also meet the criteria in the above three statements.
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly owns over 5% of the Company's issued shares or an institutional investor that is among the top five institutional shareholders.
- (6) Not a director, supervisor, or manager of any company or organization that has business or financial relations with the Company and does not own over 5% of such a 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) Does not meet any of the criteria described in Article 30 of the Company Act.
- (10) Not the proxy of any government agency, judicial person, or their representative that is a shareholder in the Company as outlined in Article 27 of the Company Act.

Note 2: On June 21, 2012, the Company established the Audit Committee, which replaced supervisors.

c. Some directors and supervisors are representatives of institutional shareholders. The top ten major shareholders in such institutional shareholders (including % of stocks held) are as follows:

December 31, 2012

Name of Institutional Shareholder	Principal Shareholders in PCSC Institutional Shareholders
Uni-President Enterprise Corp.	Kao Chyuan Investment Co. Ltd. (4.29%), Hou, Po-Ming(2.60%), JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency (2.49%), BNP Paribas Wealth Management Singapore Branch (2.38%), Hou, Po-Yu (2.27%), Government of Singapore (1.92%), Kao, Hsiao-Ling (1.64%), Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (1.62%), Liu, Hsiao-Ren (1.55%), The Royal Bank of Scotland plc as Depositary of First State Global Emerging Markets Leaders Fund a sub fund of First State Investments ICVC (1.40%)
Kao Chyuan Investment Co., Ltd.	Kao, Hsiao-Ling (61.65%), Lo, Chih-Hsien (20.17%), Kao, Lai-Huan (13.45%), Lin, Hang-Di (1.58%), Kao, Tsu-Yi (1.12%), Kao, Chin-Yen (1.03%), Lo, Hsi-Ai (1.00%)

Note: On June 21, 2012, the Company established the Audit Committee, which replaced supervisors.

d. Below is a list of the top 10 shareholders (including % of stocks held) in the Principal Shareholders in PCSC Institutional Shareholders listed above that are themselves institutional shareholders:

December 31, 2012

Name of Institutional Shareholder	Principal Shareholders in Institutional Shareholders
Kao Chyuan Investment Co., Ltd.	Kao, Hsiao-Ling (61.65%), Lo, Chih-Hsien (20.17%), Kao, Lai-Huan (13.45%), Lin, Hang-Di (1.58%), Kao, Tsu-Yi (1.12%), Kao, Chin-Yen (1.03%), Lo, Hsi-Ai (1.00%)

2-2. Information on the Company president, senior vice presidents, vice presidents, and division heads:

December 31, 2012

Title	Name	Date Assumed Current Position	Shareholding		Shares Held by Spouse and Minor Children		Shareholding by Nominee Arrangements		Education and Experience (Note 1)	Positions Held Concurrently at Other Companies	Spouse or Relatives Within the Second-Degree of Consanguinity also Holding Management, Directorial, or Supervisory Positions		
			Shares	%	Shares	%	Shares	%			Title	Name	Relationship
President	Chen, Jui-Tang	2012.06.21	13,652	—	—	—	—	—	BA, Dept of Economics, National Taiwan University	(Note 2)	—	—	—
Senior Vice President	Chang Jen, Yun-Huei	1999.01.01	—	—	—	—	—	—	BA, Dept of Chemistry, Chinese Culture University	(Note 2)	—	—	—
Chief Operating Officer (Senior Vice President)	Wu, Kuo-Hsuan	2012.08.01	—	—	—	—	—	—	BA, Marketing & Distribution Management, Fortune Institute of Technology	(Note 2)	—	—	—
Senior Vice President	Lai, Nan-Bey	2008.06.13	—	—	—	—	—	—	BA, Dept of Business Administration, Tunghai University	(Note 2)	—	—	—
Senior Vice President	Chung, Mao- Chia	2012.08.01	—	—	—	—	—	—	BA, International Trade, Feng Chia University	(Note 2)	—	—	—
Senior Vice President	Hsieh, Po-Chung	2013.01.01	—	—	—	—	—	—	BA, Mathematics, National Taiwan Normal University	(Note 2)	—	—	—
Vice President	Hsieh, Lien-Tang	2012.08.01	—	—	113	—	—	—	BA, Business Administration, Chinese Culture University	(Note 2)	—	—	—
Vice President	Chang, Chia-Hua	2012.08.01	—	—	3,411	—	—	—	BA, Chemical Engineering, National Tsing Hua University	(Note 2)	—	—	—
Vice President	Hong, Gin-Guu	2012.08.01	12,539	—	—	—	—	—	BA, Dept of Business Administration, Tunghai University	(Note 2)	—	—	—
Chief Auditor (Vice President)	Lin, Wen-Ching	1999.01.01	326	—	—	—	—	—	National Tainan Commercial Vocational Senior High School	None	—	—	—
Vice President	Wang, Wen-Kui	2004.10.01	15,279	—	—	—	—	—	MBA, National Kaohsiung First University of Science and Technology	(Note 2)	—	—	—
Vice President	Tzeng, Fan-Bin	2013.01.01	—	—	—	—	—	—	BA, International Trade, Soochow University	(Note 2)	—	—	—
Vice President	Lin, Chi-Chang	2013.01.01	717	—	—	—	—	—	BA, Social Work, Soochow University	None	—	—	—
Vice President	Lee, Chi-Ming (Note 3)	2008.10.01	1,121	—	—	—	—	—	BA, Accounting, Soochow University	None	—	—	—
Chief Financial Officer (Vice President)	Wu, Wen-Chi	2010.04.01	556	—	737	—	—	—	BA, Accounting, University of Missouri, USA	(Note 2)	—	—	—
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	(Note 2)	—	—	—

Note 1: For more information on the background of Company management, please refer to the "Positions Concurrently Held by Management in Other Companies" table on 2012 Annual Report.

Note 2: For the list of positions held by management team in other companies, please refer to the "Positions Concurrently Held by Management in Other Companies" table on 2012 Annual Report.

Note 3: Due to a change in job responsibilities, Vice President Lee, Chi-Ming was relieved of this position in January 2013.

2-3. Remuneration paid to Company directors, supervisors, president, and senior vice presidents over the past year.

a. Director remuneration:

December 31, 2012 / Unit: NT\$1000

Title	Name	Total Director Remuneration				Summation of A, B, C, and D as a % of After-Tax Income	Compensation to Directors Also Serving as Company Employees				Compensation from Affiliates Other than Subsidiaries (Note 5)			
		Remuneration (A)	Pensions (B)	Earnings Distribution (C)	Business Expenses (D)		Salary, Bonuses, and Special Allowance (E)	Pensions (F)	Earnings Distribution (G)	Shares Received through the Employee Stock Option Plan (H)	New Shares Received through Employee Restricted Stock Awards (I)	Summation of A, B, C, D, E, F and G as a % of After-Tax Income		
												PCSC	Stock Bonuses	
		All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	Stock Bonuses	Cash Bonuses	
Director and Institutional Shareholder	Uni-President Enterprises Corp.													
Director and Institutional Shareholder	Kao Chyuan Investment Co., Ltd													
Chairman	Kao, Chin-Yen (Note 1)													
Director (Representative)	Lin, Chang-Sheng (Note 1)													
Director (Representative)	Lin, Lung-Yi (Note 1)													
Director (Representative)	Lo, Chih-Hsien (Note 1)													
Director (Representative)	Kao, Hsiao-Ling (Note 2)													
Director (Representative)	Su, Tsung-Ming (Note 1)													
Director (Representative)	Wu, Chung-Pin (Note 1)													
Director (Representative)	Yang, Wen-Long (Note 1)													
Director (Representative)/President	Chen, Jui-Tang (Note 1)	24,700	37,901	—	—	120,902	124,185	3,270	5,705	2.19%	2.20%	139,990	140,350	
President Director (Representative) /Senior Vice President	Chang Jen, Yun-Huei (Note 3)													
Director (Representative) /Senior Vice President	Lai, Nan-Bey (Note 3)													
Director (Representative)/President	Hsu, Chung-Jen (Note 3)													
Director(Representative) /Senior Vice President	Hsieh, Chien-Nan (Note 3)													
Independent Director	Wang, Wen-Yeu (Note 4)													
Independent Director	Chen, M. David (Note 4)													
Independent Director	Shu, Pei-Gi (Note 4)													

Note 1: Representative of Uni-President Enterprise Corp.

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

Note 3: Lai, Nan-Bey's term began on August 1, 2012; the terms of Hsu, Chung-Jen and Chang Jen, Yun-Huei ended on 20 June 2012; Hsieh, Chien-Nan's term started on 21 June 2012 and ended on 31 July 2012.

Note 4: The term for independent director started on 21 June 2012.

Note 5: Includes car leasing expense for managers.

Note 6: Earnings distribution for 2012 has not yet been approved by shareholders at the general meeting. These figures are based on the proposal approved by the Board.

Note 7: Compensation received for directors and supervisors of affiliated enterprises that are not consolidated into the financial statement.

Compensation Level	Names of Directors					
	A+B+C+D			A+B+C+D+E+F+G		
	PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies
Less than NT\$2,000,000	Lin, Chang-Sheng; Lin, Lung-Yi; Lo, Chih-Hsien; Kao, Hsiao-Ling; Su, Tsung-Ming; Wu, Chung-Pin; Yang, Wen-Long; Chen, Jui-Tang; Chang Jen, Yun-Huei; Lai, Nan-Bey; Hsieh, Chien-Nan; Wang, Wen-Yeu; Chen, M. David and Shu, Pei-Gi	Lin, Lung-Yi; Kao, Hsiao-Ling; Su, Tsung-Ming; Wu, Chung-Pin; Yang, Wen-Long; Chen, Jui-Tang; Chang Jen, Yun-Huei; Lai, Nan-Bey; Hsieh, Chien-Nan; Wang, Wen-Yeu; Chen, M. David and Shu, Pei-Gi	Lin, Chang-Sheng; Lin, Lung-Yi; Lo, Chih-Hsien; Kao, Hsiao-Ling; Su, Tsung-Ming; Wu, Chung-Pin; Yang, Wen-Long; Wang, Wen-Yeu; Chen, M. David and Shu, Pei-Gi; Hsieh, Chien-Nan	Lin, Chang-Sheng; Lin, Lung-Yi; Lo, Chih-Hsien; Kao, Hsiao-Ling; Su, Tsung-Ming; Wu, Chung-Pin; Yang, Wen-Long; Wang, Wen-Yeu; Chen, M. David and Shu, Pei-Gi; Hsieh, Chien-Nan	Lin, Lung-Yi; Kao, Hsiao-Ling; Su, Tsung-Ming; Wu, Chung-Pin; Yang, Wen-Long; Wang, Wen-Yeu; Chen, M. David and Shu, Pei-Gi; Hsieh, Chien-Nan	
NT\$2,000,000 (incl.) – NT\$5,000,000	—	Lin, Chang-Sheng, Lo, Chih-Hsien and Hsu, Chung-Jen	—	Lai, Nan-Bey	—	Lin, Chang-Sheng, Lo, Chih-Hsien and Lai, Nan-Bey
NT\$5,000,000 (incl.) – NT\$10,000,000	—	—	—	Chang Jen, Yun-Huei	—	Chang Jen, Yun-Huei
NT\$10,000,000 (incl.) – NT\$15,000,000	Kao Chyuan Investment Co. Ltd	Kao Chyuan Investment Co. Ltd	Kao Chyuan Investment Co. Ltd	Kao Chyuan Investment Co. Ltd and Chen, Jui-Tang	Kao Chyuan Investment Co. Ltd and Chen, Jui-Tang	Kao Chyuan Investment Co. Ltd and Chen, Jui-Tang
NT\$15,000,000 (incl.) – NT\$30,000,000	Kao, Chin-Yen	—	—	Hsu, Chung-Jen	—	—
NT\$30,000,000 (incl.) – NT\$50,000,000	—	Kao, Chin-Yen	—	—	—	Hsu, Chung-Jen
NT\$50,000,000 (incl.) – NT\$100,000,000	—	—	—	—	—	—
NT\$100,000,000 and above	Uni-President Enterprises Corp.	Uni-President Enterprises Corp.	Uni-President Enterprises Corp. and Kao, Chin-Yen	Uni-President Enterprises Corp. and Kao, Chin-Yen	Uni-President Enterprises Corp. and Kao, Chin-Yen	Uni-President Enterprises Corp. and Kao, Chin-Yen
Total	18	18	18	18	18	18

b. Supervisor remuneration:

December 31, 2012 / Unit: NT\$1000

Title	Name	Total Supervisor Remuneration						Summation of A, B, and C as a % of After-Tax Income		Compensation from Affiliates Other than Subsidiaries	
		Remuneration (A)		Earnings Distribution (B)		Business Expenses (C)					
		PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies		
Supervisor, Institutional Shareholder	Kai Yu Investment Co., Ltd.										
Supervisor	Wu, Chung-Pin (Note 1)	150	150	9,672	9,672	300	360	0.15%	0.13%	None	
Supervisor (natural person)	Yin, Chien-Li										

Note 1: Representative of Kai Yu Investment Co., Ltd.

Note 2: Earnings distribution for 2012 has not yet been approved by shareholders at the general meeting. These figures are based on the proposal approved by the Board.

Compensation Level	Names of Supervisors			
	A+B+C			
	PCSC		All consolidated companies	
Less than NT\$2,000,000	Wu, Chung-Pin		Wu, Chung-Pin	
NT\$2,000,000 (incl.) – NT\$5,000,000	Kai Yu Investment Co., Ltd.		Kai Yu Investment Co., Ltd.	
NT\$5,000,000 (incl.) – NT\$10,000,000	Yin, Chien-Li		Yin, Chien-Li	
NT\$10,000,000 (incl.) – NT\$15,000,000	—		—	
NT\$15,000,000 (incl.) – NT\$30,000,000	—		—	
NT\$30,000,000 (incl.) – NT\$50,000,000	—		—	
NT\$50,000,000 (incl.) – NT\$100,000,000	—		—	
NT\$ 100,000,000 and above	—		—	
Total	3		3	

c. President and senior vice president remuneration:

December 31, 2012 / Unit: NT\$1000

Title	Name	Salary (A)		Pensions (B)		Bonus and Special Allowance (C)		Company Earnings Distribution to Employees (D)		Summation of A, B, C, and D as a % of After-Tax Income		Shares Received through the Employee Stock Option Plan		New Shares Received through Employee Restricted Stock Awards		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	PCSC	All consolidated companies
								Cash Bonuses	Stock Bonuses	Cash Bonuses	Stock Bonuses						
President	Chen, Jui-Tang																
Senior Vice President	Lai, Nan-Bey																
Senior Vice President	Wu, Kuo-Hsuan																
Senior Vice President	Chung, Mao-Chia																
Senior Vice President	Chang Jen, Yun-Huei																
President	Hsu, Chung-Jen																
Senior Vice President	Hsieh, Chien-Nan																
Senior Vice President	Huang, Chien-Li																
Senior Vice President	Yang, Yen-Sen																
Senior Vice President	Tsai, Tu-Chang																

Note 1: The terms of Wu, Kuo-Hsuan and Chung, Mao-Chia began on 1 August 2012.

Note 2: Hsu, Chung-Jen's term ended on 21 June 2012; the terms of Hsieh, Chien-Nan, Huang, Chien-Li, and Yang, Yen-Sen, and Tsai, Tu-Chang ended on 31 July 2012.

Note 3: Includes car leasing expense for managers.

Note 4: Earnings distribution for 2012 has not yet been approved by shareholders at the general meeting. These figures are based on the proposal approved by the Board.

Compensation Level	Names of the President and Senior Vice Presidents			
	PCSC		All consolidated companies	
Less than NT\$2,000,000	—		—	
NT\$2,000,000 (incl.) – NT\$5,000,000	Wu, Kuo-Hsuan; Chung, Mao-Chia; Tsai, Tu-Chang		Wu, Kuo-Hsuan; Chung, Mao-Chia; Tsai, Tu-Chang	
NT\$5,000,000 (incl.) – NT\$10,000,000	Chang Jen, Yun-Huei; Hsieh, Chien-Nan; Huang, Chien-Li; Yang, Yen-Sen		Chang Jen, Yun-Huei; Hsieh, Chien-Nan; Huang, Chien-Li; Yang, Yen-Sen	
NT\$10,000,000 (incl.) – NT\$15,000,000	Lai, Nan-Bey		Lai, Nan-Bey	
NT\$15,000,000 (incl.) – NT\$30,000,000	Chen, Jui-Tang; Hsu, Chung-Jen		Chen, Jui-Tang	
NT\$30,000,000 (incl.) – NT\$50,000,000	—		Hsu, Chung-Jen	
NT\$50,000,000 (incl.) – NT\$100,000,000	—		—	
NT\$100,000,000 and above	—		—	
Total	10		10	

d. Distribution of bonuses to Company management

December 31, 2012 / Unit: NT\$1000

	Title	Name	Stock Bonus	Cash Bonus	Total	Total as % of After-Tax Income
Management	President	Chen, Jui-Tang	-	11,523	11,523	0.17%
	Senior Vice President	Chang Jen, Yun-Huei				
	Chief Operating Officer (Senior Vice President)	Wu, Kuo-Hsuan				
	Senior Vice President	Lai, Nan-Bey				
	Senior Vice President	Chung, Mao- Chia				
	Vice President	Hsieh, Lien-Tang				
	Vice President	Chang, Chia-Hua				
	Vice President	Hong, Gin-Guu				
	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				
	Accounting Division Manager	Lai, Hsin-Ti				
	Financial Division Manager	Cheng, Yea-Yun				
	President (Ceased to hold this position as of June 21, 2012)	Hsu, Chung-Jen				
	Senior Vice President (Ceased to hold this position as of July 31, 2012)	Hsieh, Chien-Nan				
	Senior Vice President (Ceased to hold this position as of July 31, 2012)	Huang, Chien-Li				
	Senior Vice President (Ceased to hold this position as of July 31, 2012)	Tsai, Tu-Chang				
	Senior Vice President (Ceased to hold this position as of July 31, 2012)	Yang, Yen-Sen				

Note: Earnings distribution for 2012 has not yet been approved by shareholders at the general meeting. These figures are based on the proposal approved by the Board.

2-4. The below includes analysis of total remuneration (as a percentage of net income) given to directors, supervisors, president and senior vice presidents by PCSC and all consolidated companies over the past two years along with a discussion of the remuneration policies, standards, arrangements, procedures for defining compensation and the relationship between remuneration packages and the company's performance and future risk.

a. Remuneration paid over the past two years as a percent after-tax net income:

	Title	Directors	Supervisors	President and Senior Vice Presidents
2012	PCSC (Note 1)	4.31%	0.15%	1.42%
	All consolidated companies (Note 2)	4.09%	0.13%	1.29%
2011	PCSC (Note 1)	3.82%	0.24%	1.78%
	All consolidated companies (Note 2)	3.60%	0.21%	1.62%

Note 1: PCSC's net income after tax in 2012 was NT\$6,789,362,000; PCSC's net income after tax in 2011 was NT\$6,352,410,000.

Note 2: Consolidated net income after tax in 2012 was NT\$7,623,507,000; Consolidated net income after tax in 2011 was NT\$7,158,919,000.

b. Remuneration policy, standards, and arrangements, the procedures for determining remuneration, and the relationship between remuneration and company performance:

- (1) PCSC's remuneration policy is based on the Company's business strategy, human resource policy, 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' Bonuses" and "Remuneration to Directors and Supervisors" on page 40.)
- (3) Remuneration paid to the PCSC President and Senior Vice Presidents is set according to their individual performance and their contribution to the company's operations. Said remuneration shall also conform to PCSC's remuneration regulations and take into consideration typical remuneration levels paid by other companies (using data compiled by market research firms). Bonuses shall be awarded based on PCSC's performance management regulations and take into consideration both PCSC's operating performance and the individual's own performance.

03. Corporate governance

3-1. Board of Directors:

As of publication of the Annual Report, there had been a total of seven (A) meetings of the Board of Directors over the past fiscal year. Director and supervisor attendance is detailed below:

Title	Name	Meetings Attended Personally (B)	Meetings Attended by Proxy	Personal Attendance Rate (B/A)	Remark
Chairman	Uni-President Enterprises Corp. Kao, Chin-Yen	0	7	0 %	Was reelected on June 21, 2012
Director	Uni-President Enterprises Corp. Lin, Chang-Sheng	6	1	86 %	Was reelected on June 21, 2012
Director	Uni-President Enterprises Corp. Lin, Lung-Yi	7	0	100 %	Was reelected on June 21, 2012
Director	Uni-President Enterprises Corp. Lo, Chih-Hsien	7	0	100 %	Was reelected on June 21, 2012
Director	Kao Chyuan Investment Co. Ltd. Kao, Hsiao-Ling	7	0	100 %	Was reelected on June 21, 2012
Director	Uni-President Enterprises Corp. Su, Tsung-Ming	7	0	100 %	Was reelected on June 21, 2012
Director	Uni-President Enterprises Corp. Wu, Chung-Pin	4	1	80 %	Term for this newly appointed institutional director representative began on June 21, 2012
Director	Uni-President Enterprises Corp. Yang, Wen-Long	7	0	100 %	Was reelected on June 21, 2012
Director	Uni-President Enterprises Corp. Chen, Jui-Tang	5	0	100 %	Term for this newly appointed institutional director representative began on June 21, 2012
Director	Uni-President Enterprises Corp. Lai, Nan-Bey	3	0	100 %	Term for this newly appointed institutional director representative began on August 1, 2012
Director	Uni-President Enterprises Corp. Hsu, Chung-Jen	2	0	100 %	Term for this outgoing institutional director representative ended on June 20, 2012
Director	Uni-President Enterprises Corp. Chang Jen, Yun-Huei	2	0	100 %	Term for this outgoing institutional director representative ended on June 20, 2012
Director	Uni-President Enterprises Corp. Hsieh, Chien-Nan	1	1	50 %	Term for this outgoing institutional director representative ended on July 31, 2012
Supervisor	Yin, Chien-Li	2	0	100 %	Term for this outgoing supervisor ended on June 20, 2012
Supervisor	Kai Yu Investment Co., Ltd. Wu, Chung-Pin	2	0	100 %	Term for this outgoing institutional supervisor representative ended on June 20, 2012
Independent Director	Wang, Wen-Yeu	5	0	100 %	Term for this newly appointed independent director began on June 21, 2012
Independent Director	Chen, M. David	5	0	100 %	Term for this newly appointed independent director began on June 21, 2012
Independent Director	Shu, Pei-Gi	5	0	100 %	Term for this newly appointed independent director began on June 21, 2012

Note: Personal attendance rate (%) is calculated based on the actual number of meetings each director or supervisor personally attended and the number of meetings held during their term.

- I. Terms for newly appointed institutional director representatives began on June 21, 2012 and August 1, 2012, so the number of meetings during their terms was five and three respectively.
- II. Terms for outgoing institutional director representatives ended on June 20, 2012 and July 31, 2012, so the number of meetings during their terms was two.
- III. Terms for outgoing supervisors and institutional supervisor representatives ended on June 20, 2012 and there were two meetings during their term.
- IV. Terms for newly appointed independent directors began on June 21, 2012 and there were five meetings during their term.

Other issues to be noted:

1. Issues specified in Article 14-3 of the Securities Transaction Law and other issues opposed by independent directors or about which said directors have reservations should be recorded in writing in the meeting minutes of the Board. Dates, sessions, contents of resolutions of the Board Meetings, opinions from all independent directors, and Company responses to their opinions should be noted.
[Further explanation] On June 21, 2012, PCSC established independent directors on the Board. There are currently no issues opposed by independent directors as outlined in Article 14-3 of the Securities Transaction Law.
2. Should a director recuse him or herself from a decision about which he or she has a conflict of interest, the name of the director, contents of the resolution, reasons for recusal, and the results of the vote should be noted.
[Further explanation] If a director has a stake in any issue brought before the Board, he or she shall provide their opinion and submit to inquiry. Said director may not participate in discussion or vote on the issue. Such a situation did not exist at PCSC.
3. During this and recent past fiscal years, PCSC has worked to strengthen the function of the Board (by establishing the Audit Committee and increasing information transparency) and evaluate the implementation of such measures.
[Further explanation] On March 8, 2005, in accordance with the Company's Corporate Governance Code of Practice, PCSC established Rules of Procedure for Board Meetings, which was reported to the General Shareholder's Meeting held on June 14, 2005. In accordance with the addition of independent directors and regulations issued by the Financial Supervisory Commission R.O.C., during the Board meetings held on March 21, 2012 and December 19, 2012, PCSC revised the functions of independent directors and regulations governing director recusal due to conflict of interest. To ensure even stronger supervisory capabilities of the Company's Board, on August 19, 2011 PCSC established the Remuneration Committee and then on June 21, 2012 further established the Audit Committee.

3-2. Operations of the Audit Committee:

As of publication of the Annual Report, there had been a total of three (A) meetings of the Audit Committee over the past fiscal year. Independent director attendance is detailed below:

Title	Name	Meetings Attended (B)	Attendance Rate (%) [B/A] (Note)	Remark
Independent Director	Wang, Wen-Yeu	3	75 %	Term for this newly appointed independent director began on June 21, 2012
Independent Director	Chen, M. David	4	100 %	Term for this newly appointed independent director began on June 21, 2012
Independent Director	Shu, Pei-Gi	4	100 %	Term for this newly appointed independent director began on June 21, 2012

Other issues to be noted:

1. For matters listed in Article 14-5 of the Securities and Exchange Act and other matters not passed by the Audit Committee, but which have been approved by two-thirds of the Board of Directors, the Board Meeting date, session, content of the resolution, result of the Audit Committee vote, and the Company's response to the Audit Committee's opinion shall be properly recorded.
[Further explanation] PCSC did not have any matters listed in Article 14-5 of the Securities and Exchange Act or other matters not passed by the Audit Committee, which were then agreed upon by two-thirds of the entire membership of the Board of Directors.
2. In situations where independent directors recuse themselves due to conflict of interest, the independent director's name, content of the resolution, reason for recusal, and his or her voting participation should be properly recorded.
[Further explanation] If an independent director has any conflict of interest regarding issues discussed during the meeting that could result in harm to the Company's interests, said director shall recuse him or herself. If this prevents the Committee from coming to a decision, then the situation shall be reported to the Board of Directors and the Board will make the final decision on said resolution. The Company did not have this situation.
3. Communication between independent directors and internal audit managers and external auditors (regarding issues such as Company financial and operational status, procedures, and results)
[Further explanation 1] The Company's internal audit managers provide the Audit Committee members with regular updates on audit report results and report additional findings during the quarterly Audit Committee Meeting. If a special situation should arise, internal audit managers shall immediately report to the Audit Committee. In 2012, no such situation occurred and the communication links between internal auditors and the Audit Committee were strong.
[Further explanation 2] The Company retains external auditors who report their findings after auditing the quarterly financial statement to the Audit Committee and discuss any additional matters as required by law. If a special situation should arise, external auditors shall immediately report to the Audit Committee. In 2012, no such situations occurred. The Audit Committee and the external auditors retained by the Company maintain strong communication.

3-3. Participation by supervisors in the operations of the Board of Directors:

As of publication of the Annual Report, there had been a total of seven meetings of the Board of Directors over the past fiscal year. Supervisors attended two (A) of these meetings. Supervisor attendance is detailed below:

Title	Name	Meetings Attended Personally (B)	Attendance Rate (%) [B/A]	Remark
Supervisor	Yin, Chien-Li	2	100%	Term for this outgoing supervisor ended on June 20, 2012
Supervisor	Kai Yu Investment Co., Ltd. Wu, Chung-Pin	2	100%	Term for this outgoing institutional supervisor representative ended on June 20, 2012

Other issues to be noted:

- a. Composition and responsibilities of Company supervisors:
[Explanation 1] Communication between supervisors and the Company's employees and shareholders: Supervisors are able to communicate with employees and shareholders through a variety of reports and communication channels (including telephone, fax, e-mail, etc.)
[Explanation 2] Communication between supervisors and internal audit managers and external auditors: The periodic reports compiled by the internal auditors keep the supervisors informed of the company's operational and auditing status. Supervisors can also communicate with external auditors over the phone, by mail, by fax, and at meetings to keep tabs on the Company's financial and operational status.
- b. When supervisors address the Board to express their opinion on a certain issue, the Board Meeting date, session, content of the resolution, result of the Board vote, and the Company's response to supervisor's opinion shall be properly recorded.
[Further explanation] No such situations occurred at PCSC.

3-4. Differences between Company policy and Corporate Governance Best-Practice Principles for TSE/GTSM Listed Companies and reasons for said differences

Items	Status	Variations (if any) with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
I. Company ownership structure and shareholder rights		
1. Handling of shareholders' suggestions and disputes	In addition to authorizing a share transfer agent to handle related affairs, PCSC has also established a comprehensive spokesperson system and investor relations team to deal with shareholder issues.	Compliant
2. PCSC's awareness of the list of major Company shareholders and the ultimate owners of these shareholders	Through the assistance of the share transfer agent, PCSC remains fully aware of its major shareholders and regularly files any changes in shareholding by directors, supervisors, or PCSC management. Apart from natural person shareholders, PCSC maintains a relationship with its major corporate shareholders. If necessary, PCSC can obtain the list of their ultimate owners from these corporate shareholders.	Compliant
3. Establishment of risk control mechanisms and firewalls at the Company and affiliated enterprises	In accordance with the Regulations Governing Establishment of Internal Control Systems by Public Companies, PCSC has defined Procedures Governing the Monitoring of Subsidiaries to establish a risk management mechanism at its subsidiaries.	Compliant
4. Other shareholder protections	1. The Company's Board of Directors convenes the General Shareholders' Meeting within six months of the end of the fiscal year as prescribed by law. The meeting minutes are recorded, including attendance and results of voting, and posted on the market observation post system and the PCSC website. 2. In addition to convening Shareholders' Meetings as required by law, we also drew up the Rules of Procedure for Shareholder Meetings. 3. In accordance with the Financial Supervisory Commissions' Scope of Application Electronic Voting for Companies announced on Feb. 20, 2012, in 2013 PCSC utilized electronic voting at the General Shareholders' Meeting and implemented voting by polls.	Compliant
II. Structure and responsibilities of the Board of Directors		
1. Board structure	The Company has a total of 13 directors (including independent directors), who are chosen through a candidate nomination process. At the General Shareholders' Meeting, the directors are selected from the list of nominees, which is finalized in accordance with Article 198 of the Company Act. To select the Chairman, at least two-thirds of directors must attend the Board meeting and half of those in attendance must choose the same candidate for him or her to be declared Chairman. The Chairman is the public face of the Company and is the moderator of both Shareholders' and Board meetings. As prescribed by law, the Articles of Incorporation, Shareholders' Meeting, and Board of Directors determine and implement all Company matters.	Compliant
2. Appointment of independent directors	1. In accordance with Article 192-1 of the Company Act and Article 17 of PCSC's Articles of Incorporation, the Company's independent directors are chosen through a candidate nomination process. After approval by the Board, from April 13, 2012 through April 25, 2012 shareholders holding and over 1% share of PCSC were authorized to nominate independent directors in accordance with Article 192-1 of the Company Act. Following the nomination period, on May 3, 2012, the Board reviewed the list of nominees and determined that they met the qualifications for independent directors and sent the names to the Shareholders' Meeting for final selection. On June 21, 2012, the Shareholders' Meeting selected Wang, Wen-Yeu; Chen, M. David; and Shu, Pei-Gi as independent directors. 2. PCSC's independent directors hold the position of lecturer or above at an institution of higher education in the fields of business, law, finance, or accounting.	Compliant

Items	Status	Variations (if any) with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
3. Rules of Procedure for Board Meetings	According to PCSC's Rules of Procedure for Board Meetings: 1. The Board must meet at least 4 times per year, with one meeting per quarter. 2. Should a director or the company he/she is representing have a conflict of interest with any of the matters under discussion by the Board that could negatively affect PCSC, said director may make comments and answer questions, but he or she is barred from the discussion and vote on the proposal. The director shall recuse him or herself from the discussion and vote and may not act as proxy to vote on the resolution on behalf of another director. 3. When the Board discusses issues listed in Article 14-3 of the Securities and Exchange Act, independent directors must personally attend the meeting or send a representative. Should an independent director oppose or have reservations about the matter under discussion, this must be recorded in the meeting minutes. If an independent director cannot personally attend and the director's representative opposes or has reservations, he or she must, unless otherwise justified, submit their written opinion in advance, which will be recorded in the Board meeting minutes. 4. Proceedings of Board meetings must be documented clearly and include the meeting session, date, place, the moderator's name, director attendance, non-voting delegate attendance, name of the person recording these details, reports and issues discussed, temporary motions, and any other details that should be noted.	Compliant
4. Periodic assessment of the independence of external auditors	PCSC holds an annual internal evaluation of the independence of external auditors to ensure they do not serve as Company directors or supervisors, do not hold shares in the Company, do not receive a salary from PCSC, and have no conflicting interests with the Company. Findings have shown that the independence of external auditors is not in doubt.	Compliant
III. Establishment of communication channels with stakeholders		
	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. 2. PCSC encourages its employees to communicate directly with management. In addition, a discussion platform has been set up to enable them to express their views on the company's operations. 3. The Company has established an internal employee care group that actively works to provide effective, timely consultation and guidance to employees whenever required. 4. PCSC has set up a public website, which not only discloses business and financial information, but also expresses its responsibilities and obligations as a corporate citizen. 5. PCSC has established the Integrated Services Center to serve as a centralized communication channel between PCSC, its suppliers, employees, and customers	Compliant
IV. Information disclosure		
1. Establishment of a public website to disclose operational, financial, and corporate governance information	PCSC has established a corporate website at http://www.7-11.com.tw , which discloses sales, financial, and corporate governance information.	Compliant
2. Other methods of information disclosure	1. PCSC has established a corporate website at http://www.7-11.com.tw , which also includes an English language version. Our dedicated investor relations team is responsible for the collection and disclosure of corporate information and the updating of website content. 2. In accordance with legal requirements, PCSC has established a comprehensive spokesperson system with Senior Vice President Wu Kuo-Hsuan as Spokesperson and Senior Vice President Chung, Mao-Chia as Deputy Spokesperson. 3. PCSC holds and attends annual investor conferences. The materials prepared for these meetings are also posted on the company website and also on Taiwan Stock Exchange Market Observation Post System at http://mops.twse.com.tw/index.htm .	Compliant
V. Operations of the Company's Nomination Committee and other functional committees		
Operation of the Audit Committee	1. In accordance with the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, PCSC established an Audit Committee on June 21, 2012. 2. As of publication of the Annual Report, the Company has held four Audit Committee meetings over the most recent fiscal year.	Compliant
Operation of the Remuneration Committee	1. The Company established the Remuneration Committee on Aug. 19, 2011 in accordance with the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter. 2. As of publication of the Annual Report, the Company has held three Remuneration Committee meetings over the most recent fiscal year.	Compliant
VI. Discrepancies between Company corporate governance practices and the Corporate Governance Best-Practice Principles for TSE/GTSM Listed Companies: PCSC has not yet defined a corporate governance code of practice, but the Company complies with all relevant regulations and has been working steadily towards the implementation of best practice. PCSC has already formulated the Rules of Procedure for Shareholder Meetings, Regulations Governing the Election of Directors, Board of Directors Meeting Procedures, Rules for the Practice of Corporate Social Responsibility, Organizational Rules Governing the Remuneration Committee, Organizational Rules Governing the Audit Committee, Rules Governing the Scope of Obligations of the Independent Directors, and Manager Authorization Procedures.		
VII. Other important information to facilitate better understanding of the Company's corporate governance practices (such as employee rights, care for employees, investor relations, supplier relations, stakeholder rights, continuing education for directors and supervisors, risk management policies and implementation risk exposure measurements, implementation of customer relations policies, and insurance policies purchased by the Company on behalf of directors and supervisors): 1. There is no spousal relationship between PCSC's Chairman and President, and they are not relatives within one degree of consanguinity. 2. In accordance with suggested training regimes for directors and supervisors of publicly-traded companies, in 2012 PCSC arranged for Directors Lin, Chang-Sheng; Lin, Lung-Yi; Lo, Chih-Hsien; Yang, Wen-Long; Su, Tsung-Ming; Kao, Hsiao-Ling; and supervisors Yin, Chien-Li and Wu, Chung-Pin to attend a 3 hour training course entitled "Analysis of Changes to the Company Act and Areas of Caution following Such Changes" by the Taiwan Corporate Governance Association. 3. As part of the Company's continuing education program for managers, in 2012 President Hsu, Chung-Jen, Senior Vice Presidents Chang Jen, Yun-Huei and Yang, Yen-Sen, Chief Financial Officer Wu, Wen-Chi, and financial managers attended the 3 hour training course entitled "Analysis of Changes to the Company Act and Areas of Caution following Such Changes" by the Taiwan Corporate Governance Association, while accounting managers attended a total of 18 hours of training held by the Accounting Research and Development Foundation, which included The Practice and Study of Consolidated Statements, Accounting Standards in China and Taiwan as Compared to IFRS, A Comparison of Cross-Strait Insider Trading Regulations, Recent Case Studies Regarding Corporate Tax Administrative Appeals, and Operations and Practices of Remuneration Committees. 4. Should a proposal result in a conflict of interest between a director and the Company, said director may make comments or answer questions, but he or she is barred from the discussion and vote on the proposal. This situation did not occur at PCSC. 5. PCSC has purchased liability insurance for its directors, supervisors, and key personnel. 6. PCSC discloses financial and business information as required by relevant laws and regulations and is working to strengthen transparency on an ongoing basis. The company has also established an investor relations team to provide direct communication between PCSC and investors. 7. 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. 8. PCSC will continue to comply with all laws and regulations governing corporate governance. We will also review corporate governance developments in Taiwan and abroad in our effort to continually improve in this area.		
VIII. For any internal corporate governance evaluation or evaluation performed by a professional organization, the resulting report must state the results of the review, problem areas (or suggestions), and improvements implemented: In 2012, PCSC adopted a corporate governance self-appraisal system and published its self-assessment report in the market observation post system.		

3-5. Composition, responsibilities, and operation of the Remuneration Committee:

a. Remuneration Committee Members

Position	Name	Has over 5 years of work experience and the below professional qualifications			Independence Ranking (Note)								Number of Remuneration Committee memberships held in other public companies	Remark
		Holds the position of lecturer (or higher) at public or private college or university in business, law, finance, accounting or company operations	Holds a license, obtained through national examination, for the position of judge, district attorney, lawyer, accountant, or similar	Work experience in business, law, finance, accounting or company operations	1	2	3	4	5	6	7	8		
Independent Director	Wang, Wen-Yeu	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	3	—
Independent Director	Chen, M. David	✓			✓	✓	✓	✓	✓	✓	✓	✓	1	—
Independent Director	Shu, Pei-Gi	✓			✓	✓	✓	✓	✓	✓	✓	✓	—	—

Note: For the two years prior to becoming committee members and during their term, members met the following criteria indicated with a "✓"

- (1) Not an employee of the Company or the Company's affiliates
- (2) Not a director or supervisor of the Company or the Company's affiliates. 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 is one of the top 10 shareholders.
- (4) This individual's spouse, relatives within two degrees of consanguinity, and lineal relatives within five degrees also meet the criteria in the above three statements.
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly owns over 5% of the Company's issued shares or an institutional investor that is among the top five institutional shareholders.
- (6) Not a director, supervisor, or manager of any company or organization that has business or financial relations with the Company and does not own over 5% of such a 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) Does not meet any of the criteria described in Article 30 of the Company Act.

b. Operations of the Remuneration Committee

- (1) PCSC's Remuneration Committee is composed of three members.
- (2) The term of office for current members runs from June 21, 2012 through June 20, 2015

As of publication of the Annual Report, there had been a total of three (A) meetings of the Remuneration Committee over the past fiscal year. Member attendance is detailed below:

Title	Name	Meetings Attended Personally (B)	Meetings Attended by Proxy	Personal Attendance Rate (B/A) (Note)	Remark
Convener	Wang, Wen-Yeu	3	0	100%	Reelected on July 19, 2012
Member	Chen, M. David	3	0	100%	Reelected on July 19, 2012
Member	Shu, Pei-Gi	3	0	100%	Reelected on July 19, 2012

Other issues to be noted:

1. If the Board does not adopt or amends Remuneration Committee proposals, the Board meeting date, session, session, content of the resolution, result of the Board vote, and the Company's response to the Remuneration Committee's opinion shall be properly recorded (for example, if the remuneration package approved by the Board is superior to that suggested by the Remuneration Committee, the difference and reasons must be noted).
[Further explanation] There has not been any instance of the Board rejecting or amending a Remuneration Committee proposal. Also, there have not been any recorded instances of Remuneration Committee members opposing or reserving opinion on any decision by the Board.
2. Should a committee member oppose or reserve their opinion regarding any decision made by the Remuneration Committee and their opinion has been recorded or submitted in a written statement, the committee meeting date, session, content of the resolution, opinions of all members, and the response to the opinions shall be recorded.
[Further explanation] PCSC did not have a case in which a member of the Remuneration Committee recorded or submitted a written statement in opposition or reserving opinion on a resolution decided upon by the committee.

3-6. Implementation of corporate social responsibility:

Area	Status	Variations (if any) with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
I. Implementation of CSR		
1. The Company has established corporate social responsibility policies or a CSR system and reviewed the effectiveness of implementation. 2. The Company has appointed designated personnel to implement corporate social responsibility policy. 3. The Company has regularly held education programs for directors, supervisors, and employees on corporate ethics and includes ethics as part of the performance evaluation system. There is a clearly defined system of rewards and punishments in effect.	1. In 2010, PCSC's Public Affairs Office established a CSR Project Team to lead the 7-ELEVEN CSR Integration Project and announced the official establishment of a President Chain Store CSR Committee. Such steps officially integrated corporate governance into the CSR Corporate Reengineering Strategy. Currently, the focus of the strategy internally is to create a common understanding among all employees regarding CSR, while externally the goal is to concentrate efforts on environmental protection and community involvement. 2. The President Chain Store CSR Committee is positioned at the corporate governance level of the Company and implements top-down management. The COO of 7-ELEVEN acts as committee chairman, while membership is made up of heads of the Company's various business groups. The head of the Public Affairs Office acts as the committee's chief executive. It is divided into four divisions, which include the Corporate Ethics Division, Environmental Management Division, Fair Trade Division, and Community Involvement Division. In 2012, it drew up Rules for the Practice of Corporate Social Responsibility and implemented the Happy Cooperative employee care program, green merchandise marketing, and community advancement projects.	Compliant

Area	Status	Variations (if any) with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies	
II. Sustainable Environmental Development	<p>1. The Company has endeavored to make more efficient use of resources and use recycled materials that have a lower impact on the environment.</p> <p>2. The Company has established an environmental management system that is specifically designed with PCSC's operations in mind.</p> <p>3. PCSC has established an environmental management division or designated environmental management personnel to implement relevant policies</p> <p>4. The Company pays close attention to the potential impacts of climate change on our operations and has established a carbon and greenhouse gas reduction strategy.</p>	Compliant	
III. Promotion of Social Welfare	<p>1. The Company complies with applicable laws governing labor affairs and internationally-recognized labor rights principles. We safeguard the legitimate interests of our employees and utilize non-discriminatory employment policies. We have established appropriate management methods, procedures, and implementation.</p> <p>2. The Company provides employees with a safe and healthy work environment and regularly implements safety and health education programs for employees.</p> <p>3. PCSC established a mechanism enabling periodic communication with employees and a reasonable method of informing employees of those operational changes that will most affect their work.</p> <p>4. The Company has established and publicized its consumer protection policy and has established an effective and transparent consumer complaint filing procedure.</p> <p>5. The Company works in collaboration with its suppliers to jointly upgrade CSR</p> <p>6. Through business activities, goods donations, company volunteer services, and providing professional services at no cost, PCSC participates in activities held by community development and charity organizations.</p>	Compliant	
IV. Strengthening information disclosure	<p>1. The relevance and reliability of information disclosed about Company CSR.</p> <p>2. The Company has compiled a report disclosing our various efforts towards meeting our CSR.</p>	Compliant	
V. PCSC has drawn up a code for CSR and listed any differences between this code and the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies	<p>In accordance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, PCSC drew up the Rules for the Practice of Corporate Social Responsibility, which was approved during the Board Meeting of March 21, 2012. Said rules include the implementation strong corporate governance, development of sustainable operations, protection of public welfare, and strengthening of CSR information disclosure and will give employees appropriate guidelines to ensure we can manage environmental and social risks and their impact.</p>		Compliant
VI. Other important information for facilitating the understanding of CSR and its implementation (including the internal systems and regulations governing environmental protection, community involvement, social contribution, social service, charity work, consumer rights, human rights, health and safety, and other CSR activities and the status of implementation).	<p>7-ELEVEn has long been committed to supporting social welfare activities and as social trends have evolved, we have adjusted our fundraising methods. Over the past two years, we closed some stores to the public and invited young disaster survivors to shop, while PCSC picked up the bill. We also encouraged our affiliated enterprises to volunteer and donate goods to support 1,500 disadvantaged families. Our Ibon kiosks now feature a cloud donation platform that enables smaller groups with fewer resources to set up donation programs. In 2012, the Ibon charity donation platform helped 28 groups to gather donations. In the same year, donations to in-store change collection boxes and through Ibon kiosks totaled NT\$182 million, all of which went to domestic social welfare organizations. Through the various social welfare groups' professional service networks, 7-ELEVEn helped to send the public's care to every corner of the island.</p>		
VII. If Company products or CSR report have received certification from relevant certification bodies, please detail below.	<p>To put customer minds at ease when enjoying our vegetable and fruit products, 7-ELEVEn expanded certification of our agricultural partners. We work together with the production and marketing teams of 10 counties and cities within Taiwan to implement strict controls on fresh products through implementing traceability programs and GAP certification.</p>		

3-7. Ethical corporate management at the Company and related implementation:

Area	Status	Variations (if any) with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and reasons for such discrepancies
I. Establishment of ethical corporate management policies and programs	<p>1. PCSC's Articles of Incorporation and external documents explicitly express our ethical corporate management policies, while our Board and management are committed to their active implementation.</p> <p>2. The Company has established programs to prevent unethical conduct and the programs include relevant procedures, conduct guidelines, and education.</p> <p>3. When creating programs to prevent unethical conduct, the Company should specifically implement measures to prevent bribery and improper political contributions for operations that have higher risk of unethical behavior.</p>	Compliant
II. Implementing ethical corporate management	<p>1. The Company should avoid having any business interactions with individuals or companies with records of unethical corporate behavior and include articles regarding ethical corporate behavior in contracts.</p> <p>2. Establishment of a dedicated ethical corporate management position and implementation of Board oversight.</p> <p>3. Company formulation of a policy to prevent conflicts of interest and provides appropriate ways to record any potential conflicts found.</p> <p>4. In order to implement ethical corporate management, the Company should establish an effective accounting and internal control system, and review internal auditing implementation.</p>	Compliant
III. The Company shall establish proper channels to receive complaints and a system of discipline and appeal to deal with cases of unethical business practices.	PCSC has established the Internal Audit Office and Integrated Services Center, which can receive reports of unethical behavior, while the Company has also set up an appeal process. The Internal Audit Office maintains fairness and objectivity at all times. The Awards and Punishment Committee follows PCSC policy in the review of each individual case and the results of deliberation are posted on our internal website.	
VI. Improving information disclosure	1. The Company has set up a website that discloses ethical corporate management related matters.	Compliant
V. If the Company has established a code of ethical corporate management based on the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please discuss the specifics of the code and implementation below:	While PCSC has not established a dedicated ethical corporate management code of practice, in addition to following all related laws, the Company issues an Ethical Management Bulletin and formulated Rules of Procedure for Shareholder Meetings, Regulations Governing the Election of Directors, Board of Directors Meeting Procedures, Rules for the Practice of Corporate Social Responsibility, Organizational Rules Governing the Remuneration Committee, Organizational Rules Governing the Audit Committee, Rules Governing the Scope of Obligations of the Independent Directors, and Manager Authorization Procedures.	
VI. Other information that will assist in the understanding of Company ethical corporate management practices (such as expressing the Company's commitment to ethical corporate management to our suppliers and inviting them to attend related training, or review and revision of the Company's existing ethical corporate management code of practice):	While PCSC has not established a dedicated ethical corporate management code of practice, we not only follow relevant laws and our above internal regulations, we also issue a regular Ethical Management Bulletin. In addition, the Company has set up guidelines regarding employee integrity, gender relations, gift giving, and behavior when dealing with outside companies. Each quarter PCSC holds regular ethics advocacy programs. We have also implemented an appropriate disciplinary system. In order to achieve integrity in business operations, PCSC has established an effective internal control system, internal auditors, and regular compliance checks.	

3-8. Company procedures for processing material information:

Although the Company has not set up procedures regarding the processing of material information, in order to properly manage important internal information, PCSC has established the Operating Standards for Unscheduled Announcements to serve as standard procedure for directors, managers, and employees. These standards are posted on the Company's internal website for employee reference. As required by law, the standards are reviewed annually and revised as necessary. In the future, these standards will meet all applicable regulations and laws.

3-9. Status of internal control system implementation:

1. Internal Control Declaration: Please refer to page 73.
2. If the company has commissioned external auditors to review the company's internal control system, the external auditor's report should be disclosed: N/A

3-10. During the most recent year and as of the date of publication of the Annual Report, any disciplinary measures taken against the Company or its internal staff due to violations of legal requirements or taken by the Company against its own staff due to violations of the internal control system. The details of the disciplinary measures, major faults, and improvement measures should be noted: None.**3-11. Major resolutions voted on at Shareholder and Board Meetings during the most recent year and as of the date of publication of the Annual Report:**

- a. Major resolutions voted on by the Shareholders' Meeting (The following resolutions have been implemented)

During 2012 and this year as of the date of publication of the Annual Report, one General Shareholders' Meeting was held. The annual General

Shareholders' meeting was held on June 21, 2012. The below resolutions were voted on at the meeting:

- (1) Approval of the financial report for 2011: including business report, financial statements, and distribution of 2011 profits.

Result: Approval of the financial report for 2011: including business report, financial statements, and distribution of 2010 profits.

- (2) Proposal for on the distribution of 2011 profits: the Company had distributable income amounting to NT\$5,039,184,716 and proposed to pay a cash dividend of NT\$4.80 per share.

Result: The resolution was approved and a cash dividend of NT\$4.80 was paid out on August 30, 2012.

- (3) Amendment to the Articles of Incorporation

Result: The above resolution was approved by the Shareholders' Meeting.

- (4) Amendment to the Procedures Governing the Acquisition or Disposal of Assets

Result: The above resolution was approved by the Shareholders' Meeting.

- (5) Amendment to the Procedures Governing Loans to Others

Result: The above resolution was approved by the Shareholders' Meeting.

- (6) Amendment to the Operational Procedures Governing Endorsements and Guarantees

Result: The above resolution was approved by the Shareholders' Meeting.

- (7) Amendment to the Regulations Governing the Election of Directors and Supervisors

Result: The above resolution was approved by the Shareholders' Meeting.

- (8) Amendment to Board of Directors Meeting Procedures

Result: The above resolution was approved by the Shareholders' Meeting.

- (9) Resolution regarding the selection of new directors and independent directors

Result: The above resolution was approved by the Shareholders' Meeting.

- (10) Resolution regarding the removal of non-competition restrictions for PCSC directors

Result: The above resolution was approved by the Shareholders' Meeting.

- b. Major resolutions approved at Board Meetings:

(Among the following listed resolutions, the capital increases for Presiclerc (Beijing) Supermarket Co., Ltd. and President Chain Store (Shanghai) Ltd.; termination of investment in and operation of Pet Plus Co., Ltd.; termination of operation of President Cosmed Chain Store (Shenzhen) Co., Ltd. and Sato (Shanghai) Catering Mathematic Co., Ltd; termination of Wuhan Uni-President Oven Fresh Bakery Co., Ltd. and equity sale of Vietnam Uni-mart Markets are currently being implemented, while the Company's 2012 earnings and dividend distribution proposal, amendments to the Articles of Incorporation, Procedures Governing Loans to Others, and Rules of Procedure for Shareholder Meetings must be approved at the 2013 Shareholders' Meeting. All other resolutions have completed execution.)

During the fiscal year 2012 and through the publication of the annual report, seven Board Meetings were convened. Major resolutions approved at these meetings are summarized below:

- (1) The 13th meeting of the 9th Board (Date: March 21, 2012)
- Approved 2011 business reports and financial statements.
 - Approved the 2011 asset impairment.
 - Approved the 2011 earnings and dividend distribution proposal.
 - Approved the resolution regarding the selection of new directors and independent directors.
 - Approved the resolution regarding the removal of non-competition restrictions for PCSC directors.
 - Approved the resolution allowing shareholders holding over 1% of PCSC shares to nominate independent directors.
 - Approved amendments to the Articles of Incorporation.
 - Approved amendments to the Procedures Governing the Acquisition or Disposal of Assets.
 - Approved amendments to the Procedures Governing Loans to Others.
 - Approved amendments to the Operational Procedures Governing Endorsements and Guarantees.
 - Approved amendments to the Regulations Governing the Election of Directors and Supervisors.
 - Approved amendments to the Rules of Procedure for Shareholder Meetings.
 - Approved amendments to the Organizational Rules Governing the Remuneration Committee.
 - Approved amendments to the Manager Authorization Procedures.
 - Approved amendments to the Board of Directors Meeting Procedures.
 - Approved the resolution to establish the Organizational Rules Governing the Audit Committee.
 - Approved the resolution to establish the Rules Governing the Scope of Obligations of the Independent Directors.
 - Approved the resolution to establish the Rules for the Practice of Corporate Social Responsibility.
 - Approved the resolution to cancel the company's RMB 11,082,000 endorsement of Presiclerc (Beijing) Supermarket Co., Ltd.
 - Approved the resolution regarding subsidiary PCSC (BVI) Holdings Ltd.'s equity purchase of Presiclerc Limited Co., Ltd.
 - Approved the capital increase proposal for Presiclerc Limited Co., Ltd. and Presiclerc (Beijing) Supermarket Co., Ltd.
 - Approved the capital increase proposal for PCSC (BVI) Holdings Ltd.
 - Approved the motion on the application for the increase or renewal of credit limits from financial institutions.
 - Approved the change of external auditors.
 - Approved the motion on the termination of investment in and operation of Pet Plus Co., Ltd.
 - Approved the capital increase proposal for Integrated Marketing Communications Co., Ltd.
 - Approved the motion to establish of a Store Division at the Company.
 - Approved the removal of Company branches.
 - Approved the motion on the relocation of Company and changes in their management.
 - Presentation of the 2011 PCSC Internal Control Statement.
 - Approved the 2012 amendment to the PCSC Internal Management and Control System.
 - Approved the motion regarding promotion of personnel to meet operational needs.
 - Approved the right of shareholders to make proposals and related procedures.
 - Approved the date and venue for the 14th meeting of the 9th Board of Directors.
 - Approved the proposed agenda of 2012 Shareholders' Meeting.

(2) The 14th meeting of the 9th Board (Date: May 3, 2012)

- Approved the motion regarding independent director nominee qualifications.
- Approved the establishment date of the Company's Audit Committee.
- Report of the resolutions approved at the 2nd meeting of the 1st Remuneration Committee.
- Approved the remuneration and benefits standards for independent directors.
- Approved amendments to the distributional weights of director and supervisor remuneration.
- Approved amendments to the remuneration and benefits standards for Remuneration Committee members.
- Approved the resolution to transfer one share of a portion of the Company subsidiaries to Ren-Hui Investment Corp.
- Approved the motion on the termination of operation of President Cosmed Chain Store (Shenzhen) Co., Ltd.
- Approved the motion on the termination of operation of PCSC Afternoon Tea Shanghai Ltd.
- Approved the capital increase proposal for Q-Ware Systems & Services Corp.
- Approved the date and venue for the 1st meeting of the 10th Board.

(3) The 1st meeting of the 10th Board (Date: June 21, 2012)

- Approved the election of the Chairman of the 10th Board.
- Approved the appointment of the new PCSC President.
- Approved the date and venue for the 2nd meeting of the 10th Board.

(4) The 2nd meeting of the 10th Board (Date: July 19, 2012)

- Approved the motion to continue purchasing liability insurance for PCSC's Chairman and key employees.
- Approved the ex-dividend date and record date of 2011 cash dividend distribution.
- Approved the motion to change the custodian of the Company's official chop.
- Approved the increase in capital of Shanghai Cold Stone Ice Cream Corporation by RMB 60 million.
- Approved the Company's sale of equity in Uni-OAO Travel Service Corp.
- Approved the appointment of the members of the 2nd Remuneration Committee.
- Approved the academic donation proposal.
- Approved the establishment, change, and removal of Company branches and stores.
- Approved the date and venue for the 3rd meeting of the 10th Board.
- Approved the appointment of managers.
- Approved the resolution regarding the removal of non-competition restrictions for PCSC directors.

(5) The 3rd meeting of the 10th Board (Date: August 27, 2012)

- Approved the motion regarding promotion of personnel to meet operational needs.
- Approved business reports and financial statements for the first half of 2012.
- Approved the motion on the application for the renewal of credit limits from financial institutions.
- Approved the increase in capital of Pet Plus Co., Ltd. by NT\$38.50 million.
- Approved the proposal to sell equity in Philippine Seven Corp.
- Approved the proposal to reduce the endorsement amount for Q-Ware Systems & Services Corp.
- Approved the change and removal of Company branches and stores proposal.
- Approved the date and venue for the 4th meeting of the 10th Board.

(6) The 4th meeting of the 10th Board (Date: December 19, 2012)

- Approved the 2013 internal audit program.
- Approved the motion on the application for the increase or renewal of credit limits from financial institutions.
- Approved the resolution on additions to the policy regarding endorsements and guarantees, loans, and audits.
- Approved amendments to the Board of Directors Meeting Procedures.
- Approved the motion on the termination and transfer of operation of the Yungchiang and Yungchia gas stations.
- Approved the equity purchase of Bank Pro E-Service Technology Co., Ltd.
- Approved the capital increase proposal for 21 Century Enterprise Co., Ltd.
- Approved the proposal to adjust the proportion of investment in icash Payment Systems Ltd.
- Approved the capital increase proposal for President Chain Store (Shanghai) Ltd.
- Approved the capital divestment motion for Integrated Marketing Communications Co., Ltd.
- Approved the sale of Wuhan Uni-President Oven Fresh Bakery Co., Ltd.
- Approved the termination of operation of Sato (Shanghai) Catering Mathematic Co., Ltd.
- Approved sale of company equity in Vietnam Uni-mart.
- Report of the resolutions approved at the 1st meeting of the 2nd Remuneration Committee.
- Approved the remuneration and benefits standards for directors and independent directors on the 10th Board and Remuneration Committee members.
- Approved the motion regarding planned donation by the Company in 2013.
- Approved the 2013 establishment, change, and removal of Company branches and stores proposal.
- Approved the motion regarding transfer or promotion of personnel to meet operational needs.
- Approved the date and venue for the 5th meeting of the 10th Board.

(7) The 5th meeting of the 10th Board (Date: March 21, 2013)

- Approved the Innolux Corporation share disposal.
- Approved 2012 business reports and financial statements.
- Approved the 2012 asset impairment.
- Approved the 2012 earnings distribution proposal.
- Approved the 2011 dividend distribution proposal.
- Presentation of the 2012 PCSC Internal Control Statement.
- Approved amendments to the Articles of Incorporation.
- Approved amendments to the Procedures Governing Loans to Others.
- Approved amendments to the Rules of Procedure for Shareholder Meetings.
- Approved the motion on the application for the renewal of credit limits from financial institutions.
- Approved the 2013 amendment to the PCSC Internal Management and Control System.
- Approved the right of shareholders to make proposals and related procedures.
- Approved the motion on the termination of operation of Wuhan Uni-President Oven Fresh Bakery Co., Ltd.
- Approved the 2013 establishment, change, and removal of Company branches and stores proposal.
- Approved the date and venue for the 6th meeting of the 10th Board
- Approved the proposed agenda of 2013 Shareholders' Meeting.

3-12. Differing opinions in records or written statements from directors, supervisors, or the Audit Committee regarding important resolutions made by the Board in the most recent year and through the publication of the Annual Report:
None

3-13. Resignation or dismissal of PCSC Chairman, President, or accounting, finance, internal auditing, or R&D managers in the most recent year and through the publication of the Annual Report

April 30, 2013

Title	Name	Date Assumed Position	Date Relieved of Position	Reason for Resignation or Dismissal
President	Hsu, Chung-Jen	1987.07.01	2012.06.21	Retirement

04. External auditors

4-1. Audit fees

Auditing Firm	Auditor Names		Audit Period	Remark
PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	Tseng, Hui-Chin	Fiscal Year 2012	–

Unit: NT\$1000

Expense Scale	Fee Category	Audit Fees		Non-Audit Related Fees			Total
		System Design	Business Registration	Human Resources	Other (See Remark)		
1	Less than NT\$2 million	–	–	–	–	–	–
2	NT\$2 million - NT\$4 million	–	–	–	2,148	–	2,148
3	NT\$4 million (incl.) - NT\$6 million	–	–	–	–	–	–
4	NT\$6 million (incl.) - NT\$8 million	–	–	–	–	–	–
5	NT\$8 million (incl.) - NT\$10 million	–	–	–	–	–	–
6	NT\$10 million (incl.) and above	12,820	–	–	–	–	12,820
Total		12,820	–	–	2,148	–	14,968

Unit: NT\$1000

Auditing Firm	Auditors	Audit Fees	Non-Audit Related Fees					Audit Period	Remark
			System Design	Business Registration	Human Resources	Other (See Remark)	Subtotal		
PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	12,820	–	–	–	2,148	2,148	Fiscal Year 2012	Other Non-Audit Related Fees include IFRS implementation, transfer pricing, and tax consulting fees.
	Tseng, Hui-Chin		–	–	–	–	–		

4-2. Changing of auditors- Should the Company change auditors over the past two years, the below information shall be disclosed:

a. Regarding previous auditors

Date of Replacement	Apr. 4, 2011		Jan. 1, 2012
Reasons for replacement	Internal adjustments at PRICEWATERHOUSECOOPERS		
Explain why the previous auditor was terminated or refused to accept the assignment	N/A		
Instances of an auditor opinion other than unqualified over the past two years and reasons for such an assessment	None		
Opinions different from the issuer	None		
Other disclosures (Article X- (V)-1- (4) of this standard shall be disclosed)	None		

b. Regarding the new auditors

Auditing Firm	PricewaterhouseCoopers	
Auditors	Tseng, Hui-Chin	Hsiao, Chun-Yuan
Appointment Date	Apr. 1, 2011	Jan. 1, 2012
The possible opinions, consulting advice, 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 relevant information should be disclosed: Not applicable to PCSC

05. Net Change in shareholdings and in shares pledged by directors, supervisors, management, and shareholders holding more than a 10% share in the Company

5-1. Recent changes:

Unit: Shares

Title	Name	2012		This year as of Apr. 30, 2013	
		Net increase (decrease) in shares held	Net increase (decrease) in shares pledged	Net increase (decrease) in shares held	Net increase (decrease) in shares pledged
Institutional Shareholder; Major Shareholder	Uni-President Enterprises Corp.	0	0	0	0
Institutional Shareholder	Kao Chyuan Investment Co. Ltd.	0	0	26,000	0
Institutional Supervisor Shareholder	Kai Yu Investment Co., Ltd. (Note 2)	0	0	0	0
Chairman	Kao, Chin-Yen	0	0	0	0
Director	Lin, Chang-Sheng	0	0	0	0
Director	Lin, Lung-Yi	0	0	0	0
Director	Lo, Chih-Hsien	0	0	0	0
Director	Kao, Hsui-Ling	0	0	0	0
Director	Su, Tsung-Ming	0	0	0	0
Director	Wu, Chung-Pin (Note 2)	0	0	0	0
Director	Yang, Wen-Long	0	0	0	0
Director / President	Chen, Jui-Tang (Note 4)	0	0	0	0
Director / Senior Vice President	Lai, Nan-Bey	0	0	0	0
Director / Senior Vice President	Chang Jen, Yun-Huei (Note 1)	0	0	0	0
Independent Director	Wang, Wen-Yeu	0	0	0	0
Independent Director	Chen, M. David	0	0	0	0
Independent Director	Shu, Pei-Gi	0	0	0	0
Chief Operating Officer (Senior Vice President)	Wu, Kuo-Hsuan (Note 4)	0	0	0	0
Senior Vice President	Chung, Mao- Chia (Note 4)	0	0	0	0
Senior Vice President	Hsieh, Po-Chung (Note 4)	0	0	0	0
Vice President	Hsieh, Lien-Tang (Note 4)	0	0	0	0
Vice President	Chang, Chia-Hua (Note 4)	0	0	0	0
Vice President	Hong, Gin-Guu (Note 4)	0	0	0	0
Chief Auditor (Vice President)	Lin, Wen-Ching	0	0	0	0
Vice President	Wang, Wen-Kui	0	0	0	0
Vice President	Tzeng, Fan-Bin (Note 4)	0	0	0	0
Vice President	Lin, Chi-Chang (Note 4)	0	0	0	0
Vice President	Lee, Chi-Ming (Note 3)	0	0	–	–
Chief Financial Officer (Vice President)	Wu, Wen-Chi	0	0	0	0
Accounting Division Manager	Lai, Hsin-Ti	0	0	0	0
Financial Division Manager	Cheng, Yea-Yun	0	0	0	0
Director	Hsu, Chung-Jen (Notes 1 & 3)	0	0	–	–
Director	Hsieh, Chien-Nan (Notes 1 & 3)	0	0	–	–
Supervisor	Yin, Chien-Li (Note 2)	0	0	–	–
Senior Vice President	Huang, Chien-Li (Note 3)	0	0	–	–
Senior Vice President	Tsai, Tu-Chang (Note 3)	0	0	–	–
Senior Vice President	Yang, Yen-Sen (Note 3)	0	0	–	–

Note 1: Representative of institutional director, Uni-President Enterprises Corp., Hsu, Chung-Jen and Chang Jen, Yun-Huei were relieved of this position on Jun. 21, 2012, while Hsieh, Chien-Nan was relieved of the same position on Jul. 31, 2012.

Note 2: Representative of institutional supervisor, Kai Yu Investment Co., Ltd., Wu, Chung-Pin and supervisor Yin, Chien-Li were relieved of their positions on Jun. 21, 2012.

Wu, Chung-Pin assumed the position of representative of institutional director of Uni-President Enterprises Corp. on June. 21, 2012.

Note 3: President Hsu, Chung-Jen was relieved of this position on Jun. 21, 2012; Senior Vice Presidents Hsieh, Chien-Nan; Huang, Chien-Li; Tsai, Tu-Chang; and Yang, Yen-Sen were relieved of this position on Jul. 31, 2012; Vice President Lee, Chi-Ming was relieved of this position on Jan. 1, 2013.

Note 4: Chen, Jui-Tang assumed the position of President on Jun. 21, 2012; Wu, Kuo-Hsuan and Chung, Mao-Chia assumed the position of Senior Vice President on Aug. 1, 2012, while Hsieh, Po-Chung assumed the position of Senior Vice President on Jan. 1, 2013; Hsieh, Lien-Tang; Chang, Chia-Hua; and Hong, Gin-Guu assumed the position of Vice President on Aug. 1, 2012, while Tzeng, Fan-Bin and Lin, Chi-Chang assumed the position of Senior Vice President on Jan. 1, 2013.

5-2. Stock transfers to related parties: None

5-3. Pledge of stock rights to related parties: None

06. Relationships between the Company's Top 10 largest shareholders:

April 30, 2013

Name	Shares Held Personally		Shares Held by Spouse or Minor Children		Shares Held by Nominee Agents		Name and Relationship (as defined by SFAS No. 6) with Other Top 10 Shareholders		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Uni-President Enterprises Corp.	471,996,430	45.40%	0	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Kao, Chin-Yen	29,824	0.00%	0	0.00%	0	0.00%	Uni-President Enterprises Corp. Representative: Lo, Chih-Hsien	Son-in-law	—
Uni-President Enterprises Corp. Representative: Lin, Chang-Sheng	30,840	0.00%	0	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Lin, Lung-Yi	18,759	0.00%	25,139	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Lo, Chih-Hsien	1,032,215	0.10%	1,014,315	0.10%	0	0.00%	Uni-President Enterprises Corp. Representative: Kao, Chin-Yen	Father-in-law	—
Uni-President Enterprises Corp. Representative: Su, Tsung-Ming	0	0.00%	0	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Wu, Chung-Pin	0	0.00%	0	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Yang, Wen-Long	0	0.00%	0	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Chen, Jui-Tang	13,652	0.00%	0	0.00%	0	0.00%	None	None	—
Uni-President Enterprises Corp. Representative: Lai, Nan-Bey	0	0.00%	0	0.00%	0	0.00%	None	None	—
National Westminster Bank plc. as Depositary of First State Global Emerging Markets Leaders Fund a sub fund of First State Investments ICVC	29,840,776	2.87%	0	0.00%	0	0.00%	None	None	—
National Westminster Bank plc. as Depositary of First State Asia Pacific Leaders Fund a sub fund of First State Investments ICVC	25,491,208	2.45%	0	0.00%	0	0.00%	None	None	—
Central Bank of Saudi Arabia special investment account in the custody of Chase Bank	23,850,456	2.29%	0	0.00%	0	0.00%	None	None	—
MATTHEWS INTERNATIONAL FUNDS	23,489,608	2.26%	0	0.00%	0	0.00%	None	None	—
PCSC Employees Benefits Trust account in the custody of China Trust Commercial Bank	17,612,162	1.69%	0	0.00%	0	0.00%	None	None	—
JPMorgan Chase Bank N.A. Taipei Branch in custody for Fleming Investment Management Limited	12,901,000	1.24%	0	0.00%	0	0.00%	None	None	—
JPMorgan Chase Bank N.A. Taipei Branch in custody for T.Rowe Price New Asia Fund	12,776,000	1.23%	0	0.00%	0	0.00%	None	None	—
Labor Insurance Fund	11,547,000	1.11%	0	0.00%	0	0.00%	None	None	—
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	11,482,647	1.10%	0	0.00%	0	0.00%	None	None	—

07. PCSC and Company director, supervisor, and manager direct and ownership of shares in affiliated enterprises:

December 31, 2012 / Units: Shares, %

Affiliated Enterprises	PCSC Investment		Direct or Indirect Ownership by Directors, Supervisors, and Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
PCSC (BVI) Holdings Ltd.	138,899,045	100.00%	-	0.00%	138,899,045	100.00%
PCSC (China) Drugstore Ltd.	8,746,008	100.00%	-	0.00%	8,746,008	100.00%
President Drugstore Business Corp.	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 Services 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%

Affiliated Enterprises	PCSC Investment		Direct or Indirect Ownership by Directors, Supervisors, and Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
President Being Corp.	3,000,000	100.00%	-	0.00%	3,000,000	100.00%
President Yilan Art and Culture Corp.	15,000,000	100.00%	-	0.00%	15,000,000	100.00%
President Chain Store Corporation Insurance Brokers Co.,Ltd.	1,500,000	100.00%	-	0.00%	1,500,000	100.00%
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.	24,382,921	86.76%	-	0.00%	24,382,921	86.76%
President SATO Co., Ltd.	4,860,000	81.00%	-	0.00%	4,860,000	81.00%
Mech-President Corp.	55,858,815	80.87%	13,046,358	18.89%	68,905,173	99.76%
President Pharmaceutical Corp.	22,121,963	73.74%	-	0.00%	22,121,963	73.74%
President Transnet Corp.	69,999,999	70.00%	20,000,000	20.00%	89,999,999	90.00%
President Collect Services Co., Ltd	1,050,000	70.00%	-	0.00%	1,050,000	70.00%
Uni-President Department Store Corp.	111,999,999	70.00%	48,000,000	30.00%	159,999,999	100.00%
Pet Plus Co., Ltd.	10,850,000	70.00%	-	0.00%	10,850,000	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.	25,714,475	86.00%	-	0.00%	25,714,475	86.00%
Bank Pro E-Service Technology Co., Ltd.	7,874,999	58.33%	-	0.00%	7,874,999	58.33%
Duskin Serve 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.	9,999,999	50.03%	-	0.00%	9,999,999	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.	13,995,907	51.00%	-	0.00%	13,995,907	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%
Integrated Marketing Communications Co., Ltd.	8,599,999	44.45%	-	0.00%	8,599,999	44.45%
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.	209,000,000	19.00%	445,500,000	40.50%	654,500,000	59.50%
President Technology Co.	750,000	15.00%	-	0.00%	750,000	15.00%
President Yamako Co.	650,000	10.00%	-	0.00%	650,000	10.00%
President Investment Trust Corp.	2,667,600	7.60%	2,129,400	6.07%	4,797,000	13.67%
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%	924,790,230	69.90%	968,890,230	73.23%
President Securities Corp.	35,604,872	2.69%	393,360,044	29.73%	428,964,916	32.42%
Kaohsiung Rapid Transit Corp.	20,000,000	2.00%	20,000,000	2.00%	40,000,000	4.00%
Duskin Co.	300,000	0.45%	-	0.00%	300,000	0.45%
Innolux Corp.	18,556,967	0.25%	1,064,388	0.001%	19,621,355	0.25%
Grand Bills Corp.	108,160	0.02%	89,574,848	16.56%	89,683,008	16.58%

04 Fund Raising

01. Capital and shares

1-1 Capitalization:

a. Shares issued:

As of April 30, 2013 / Units: NTD; Shares

Year / Month	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Expansion by Assets other than Cash	Date of Approval and Document Number
2002/07	10	900,000,000	9,000,000,000	772,031,899	7,720,318,990	Capitalization of retained earnings	None	July 19, 2002 (91) Tai-Tsai-Tzeng (1) No. 0910140565
2003/07	10	900,000,000	9,000,000,000	858,499,471	8,584,994,710	Capitalization of retained earnings	None	July 17, 2003 (92) Tai-Tsai-Tzeng (1) No. 0920132220
2004/08	10	960,000,000	9,600,000,000	915,160,436	9,151,604,360	Capitalization of retained earnings	None	July 20, 2004 Chin-Kuan-Cheng-Yi-Zi No. 0930132295
2009/08	10	1,050,000,000	10,500,000,000	1,039,622,255	10,396,222,550	Capitalization of retained earnings	None	July 16, 2009 Approval Letter Chin-Kuan-Cheng-Fa-Tzu No. 0980035714 on file

Note: When established in June 1987, the stated capital of the Company amounted to NT\$ 100,000,000. After several capitalizations of retained earnings, the paid-in capital as of April 30, 2013 totaled NT\$10,396,222,550.

b. Capital and shares:

Unit: Shares

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

1-2. Shareholder structure:

April 30, 2013 / Unit: Shares

Shareholder Quantity	Government Agencies	Financial Institutions	Other Legal Entities	Individuals	Foreign Institutions and Individuals	Total
Number of Shareholders	1	0	161	19,514	641	20,317
Shares Held	5	0	553,539,071	41,464,760	444,618,419	1,039,622,255
Holding Percentage	0.00%	0.00%	53.25%	3.99%	42.77%	10.00%

1-3. Distribution of shareholders:

April 30, 2013 / Par value NT\$10

Tiers of Shareholding	No. of Shareholders	Total Shares Held	Holding Percentage
1 – 999	10,190	2,188,786	0.21%
1,000 – 5,000	8,158	15,228,349	1.47%
5,001 – 10,000	769	5,558,099	0.54%
10,001 – 15,000	296	3,651,789	0.35%
15,001 – 20,000	121	2,186,453	0.21%
20,001 – 30,000	147	3,673,406	0.35%
30,001 – 50,000	128	5,003,987	0.48%
50,001 – 100,000	144	10,372,173	1.00%
100,001 – 200,000	102	14,465,783	1.39%
200,001 – 400,000	82	22,744,749	2.19%
400,001 – 600,000	42	20,654,911	1.99%
600,001 – 800,000	19	13,378,447	1.29%
800,001 – 1,000,000	21	19,023,161	1.83%
1,000,001 and above	98	901,492,162	86.71%
Total	20,317	1,039,622,255	100.00%

1-4. Major shareholders:

April 30, 2013

Shareholders	Shares	Number of Shares Held	Holding Percentage
Uni-President Enterprises Corp.	471,996,430		45.40%
National Westminster Bank plc as Depositary of First State Global Emerging Markets Leaders Fund a sub fund of First State Investments ICVC	29,840,776		2.87%
National Westminster Bank plc as Depositary of First State Asia Pacific Leaders Fund a sub fund of First State Investments ICVC	25,491,208		2.45%
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Saudi Arabian Monetary Agency-State Street Global Advisors as external fund manager	23,850,456		2.29%
MATTHEWS INTERNATIONAL FUNDS	23,489,608		2.26%
PCSC Employees Benefits Trust account in the custody of China Trust Commercial Bank	17,612,162		1.69%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Fleming Investment Management Limited	12,901,000		1.24%
JPMorgan Chase Bank N.A. Taipei Branch in custody for T. Rowe Price New Asia Fund	12,776,000		1.23%
Labor Insurance Fund	11,547,000		1.11%
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	11,482,647		1.10%

1-5. Share prices, net value, earnings, dividends, and other relevant information for the last two years

Unit: NT\$

Item	Year	2011	2012	As of April 30, 2013
Market Price per Share	Highest	195	172	185
	Lowest	119.50	135	155.5
	Average	156.49	157.11	166.96
Net Value per Share	Before Distribution	19.91	22.04	22.15
	After Distribution	15.11	(Note 1)	(Note 1)
Earnings per Share	Weighted Average Number of Shares (Shares)	1,039,622,255	1,039,622,255	1,039,622,255
	Earnings per Share (Undiluted)	6.11	6.53	1.94 (Note 2)
	Earnings per Share (Diluted)	6.11	(Note 1)	—
Dividend per Share	Cash Dividends	4.80	4.85	—
	Stock Dividends	Dividends from Retained Earnings	0	(Note 1)
		Dividends from Capital Surplus	0	(Note 1)
Return on Investment	Accumulated Undistributed Dividends	0	(Note 1)	—
	Price/Earning Ratio	25.61	24.06	—
	Price/Dividend Ratio	32.60	(Note 1)	—
	Cash Dividend Yield Rate	3.07%	(Note 1)	—

Note 1: The earnings distributions for 2012 and the first quarter of 2013 have not yet been approved by the Shareholders' Meeting.

Note 2: Earnings per Share (EPS) in the first quarter of 2013 was NT\$1.94.

1-6. Dividend policy and implementation:

- a. Dividend policy: Each year, if the Company is found to have a surplus, by law said surplus is first used to offset previous losses and to pay for income tax owed. If there is still a surplus, 10% must be reserved by law and the adjustment of special retained earnings of the year deducted from shareholders' equity. The reverse of the deduction items in shareholders' equity may be included in the pool of the distributable earnings of the following year. The remaining yearly earnings 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 approval by the Shareholders' Meeting. The Shareholders' Meeting shall determine the distribution of accumulated distributable earnings based on the following principles:
- (1) Director and Supervisor remuneration: 2% of fiscal year net profit.
 - (2) Employee bonuses: No less than 0.2% of fiscal year net profit.
 - (3) Shareholders' dividends and bonuses: After deducting (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.
 - (4) Due to requirements stemming from the adoption of International Financial Reporting Standards and practical operations, President plans to propose at the shareholders meeting on 17 June 2013 making amendments to regulations on dividend distribution in the charter.
- b. The distribution of 2012 earnings approved by the Board of Directors will be submitted to the 2013 Annual Shareholder's Meeting for approval. The proposal finalized by the Board of Directors on March 21, 2013 is as follows: A total of NT\$5,042,167,936 (NT\$ 4.85 per share) shall be distributed from the accumulated distributable earnings. After the approval at the Shareholder's Meeting, the Board of Directors shall set an ex-dividend date.

1-7. Impact on the Company's operating performance and EPS of the stock dividend proposed at the Shareholders' Meeting:

According to Guidelines for Disclosure of Financial Forecasts by Public Companies, PCSC is not required to release its 2013 financial forecasts. Under the decree of Tai-Tsai-Tzeng (1) Letter No. 00371 issued on February 1, 2000, PCSC is not obliged to disclose this information.

1-8. Employee bonuses and director and supervisor remuneration:

- a. According to PCSC's Articles of Incorporation, the dividend pool is net profit after tax, following 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 that year. The remaining yearly earnings, along with undistributed earnings from the previous year are considered accumulated distributable earnings. The distribution of said 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 approval by the Shareholders' Meeting. Remuneration for directors and supervisors is set at 2% of the total earnings and the employees' bonuses shall be no less than 0.2% of the total annual earnings.
- b. The Board adopted the below proposal allocating retained earnings in 2012 as employee bonuses and remuneration for the directors and supervisors:
- (1) The Board proposed allocating the amount of NT\$391,721,706 as employee bonuses and the amount of NT\$130,573,902 as remuneration for directors and supervisors.
- (2) The amount of employee stock bonuses and their proportion of overall earnings distribution: all employee bonuses will be paid in cash.

Distribution Approved by the Board

Distribution: (Unit: NT\$1000)	
Employee Bonuses	\$391,722
Remuneration to Directors and Supervisors	\$130,574
Earnings per Share: (Unit: NT\$)	
EPS after Bonuses and Remuneration	\$ 6.53

- c. Distribution of earnings in 2011 as employee bonuses and remuneration to directors and supervisors:

PCSC's earnings in 2011 were distributed as employee bonuses and remuneration to Directors and Supervisors as follows:

Distribution Approved by the Board and at the Shareholder's Meeting

Distribution: (Unit: NT\$1000)	
Employee Bonuses	\$296,901
Remuneration to Directors and Supervisors	\$ 98,967

- d. The estimate of employee bonuses and remuneration for directors and the supervisors is made by multiplying the net after-tax profit as of the end of the accounting period by the bonus multiplier stated in the Articles of Incorporation. In case of a discrepancy between the actual amount paid out and the estimate, reconciliation will be made using the accounting method and the difference will be recognized as profit or loss in the following fiscal year.
- e. In the 2011 financial statement, employee bonuses totaled NT\$296,900,827, while remuneration for directors and supervisors totaled NT\$98,966,943.

These amounts are consistent with the amounts approved by the Shareholders' Meeting.

f. The top 10 recipients of employee bonuses in 2011 are listed below with the amount distributed:

Unit: NT\$1000

	Title	Name	Value of Stock Dividend	Cash Dividend	Total
Manager	President	Hsu, Chung-Jen	-	10,996	10,996
	Senior Vice President	Chang Jen, Yun-Huei			
	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			
	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			

1-9. Share buyback: None

02. Status of corporate bonds, preferred shares, GDR, employee stock option plans, mergers, acquisitions, spin-offs, and employee restricted stock plans

2-1. Issuance of corporate bonds: N/A

2-2. Issuance of preferred shares: N/A

2-3. Global depository receipts: N/A

2-4. Employee stock option plan: N/A

2-5. Employee restricted stock plan: N/A

2-6. Issuance of new shares to merge with or acquire other companies: N/A

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, 2013: None

3-2. Status of implementation:

Analysis of the purpose of each capital investment project as of March 31, 2013 and comparison of implementation with the originally anticipated benefits: N/A

05 Operating Highlights

01. Business activities

01. Business activities

1-1. Business scope

a. PCSC's Key Operations

- (1) F203020 Alcohol and tobacco retailing
- (2) F206020 Daily necessities retailing
- (3) F203010 Food, groceries, and beverage retailing
- (4) F208040 Cosmetics retailing
- (5) F399990 Retailing other products
- (6) IZ01010 Photocopy services
- (7) F201070 Floral retailing
- (8) F209060 Educational, musical, and entertainment products retailing
- (9) JE01010 Leasing
- (10) IE01010 Distribution of telecommunications contracts
- (11) I401010 Advertising services
- (12) F207050 Fertilizer retailing
- (13) F210010 Watch and clock retailing
- (14) F210020 Eyeglass retailing
- (15) F216010 Photographic and film equipment retailing
- (16) JZ99030 Photography
- (17) F204110 Cloth, clothes, shoes, hats, umbrellas, and accessories retailing
- (18) A102060 Sales of staple foods
- (19) F213010 Electrical appliance retailing
- (20) F208031 Medical equipment retailing
- (21) F205040 Furniture, bedding, kitchenware, and decorative item retailing
- (22) F207030 Cleaning product retailing
- (23) F401010 International trade
- (24) JA01010 Automotive repair services
- (25) F214030 Automotive and motorcycle accessory retailing
- (26) G202010 Operation of parking lots
- (27) IZ14011 Public welfare lottery
- (28) JZ99050 Agency services
- (29) IZ99990 Other industry and commerce services not elsewhere classified
- (30) F401161 Importing of tobacco
- (31) F401171 Importing of alcohol
- (32) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- (33) F301010 Department stores
- (34) F301020 Supermarkets
- (35) F399010 Convenience stores
- (36) F501030 Coffee/tea shops and bars
- (37) F501060 Restaurants
- (38) G902011 Type II telecommunications enterprise
- (39) I301010 Software design services
- (40) I301030 Digital information supply services
- (41) F206010 Retail sale of ironware
- (42) F212011 Gasoline stations
- (43) F212050 Retail sale of petrochemical fuel products
- (44) JA01990 Other automobile services
- (45) F212061 Automobile liquefied petroleum gas station
- (46) I101090 Food consultancy
- (47) IZ09010 Management system verification
- (48) J701020 Amusement parks
- (49) F102040 Wholesale of nonalcoholic beverages
- (50) F102170 Wholesale of food and grocery
- (51) F106020 Wholesale of articles for daily use
- (52) I103060 Management consulting services
- (53) J304010 Book publishers
- (54) J303010 Magazine and periodical publication
- (55) IZ12010 Manpower services
- (56) JA03010 Laundry services
- (57) F201010 Retail sale of agricultural products
- (58) F501990 Other food and beverage establishment not elsewhere classified

b. Sales breakdown by category over the past two years

Unit: NT\$1000

Product Category	Sales and Proportion of the Total			
	2011		2012	
	Amount	%	Amount	%
Food Services	19,054,692	16.29%	20,947,008	16.37%
Publications	14,428,448	12.34%	13,559,464	10.60%
Beverages	42,322,758	36.19%	45,125,584	35.27%
Non-food Products	28,689,284	24.53%	35,627,394	27.84%
General Food Products	12,057,525	10.31%	12,323,606	9.63%
Other	383,753	0.33%	366,271	0.29%
Gross Sales	116,936,461	100.00%	127,949,328	100.00%
Sales Discounts	-85,931	—	-48,904	—
Net Sales	116,850,530	—	127,900,424	—
Other Operating Revenue	5,862,195	—	6,669,102	—
Total Operating Revenue	122,712,725	—	134,569,525	—

c. Present and future products and services

As part of 7-ELEVEN's commitment to the safety of our food products, we have been strong backers of Taiwan's New Agriculture movement. The Company established the 7-ELEVEN Photosynthetic Farm system, which includes a produce and meat traceability mechanism. We now directly manage the supply chains of the four main building blocks of our fresh foods -- vegetables, rice, meat, and eggs. While enjoying safe, convenient foods, customers can also support Taiwanese agriculture and hopefully attract a new generation back to the profession.

Over the past few years, a series of food safety scandals has raised consumer expectations of food hygiene to levels far outpacing legal standards. Understandably, food safety is also an issue that is at the forefront of consumers'minds. 7-ELEVEN has therefore continued to place demands on ourselves to ensure comprehensive food safety protections. In November 2012, we officially established a quality testing lab in the hopes that through more extensive self-testing we can construct a comprehensive food safety assurance system.

We continue to develop a variety of high-quality products for our 7-SELECT range, including beverages, snack foods, frozen foods, sundries, clothing, alcoholic beverages, and beauty products. We have worked with renowned designers in Taiwan and abroad to develop stylish packaging and are working with top models to promote the brand. With well-designed packaging and attractive spokesmodels, we can bolster 7-SELECT's image as fashionable, yet low-cost option. In addition, we expanded into the light bulb and laundry detergent categories by introducing LED (8W) light bulbs and concentrated antibacterial laundry detergent. These products not only undercut the competition, but offer new and improved features. While attracted by our low prices, the public can easily save water, energy, and time by purchasing our products. Moving forward, 7-SELECT will continue its quest to develop inexpensive, innovative products for consumers to enjoy.

Recent public reaction to price increases in the Taiwan market has shown that local consumers'have become more sensitive to price. With the added convenience of smartphones, 7-ELEVEN's New Economic Policy discount program has now been enhanced to better attract the price conscious. A total of 200 products from well-known brands can now be purchased on a smart phone using QR Code technology. Added to that, 7-WiFi offered in our stores enables convenient web browsing and purchasing on-site. If customers decide to pick up their order in stores, they can save time, gas, and shipping costs. In addition to our physical locations and our 7NET online shop, the QR Code mobile purchasing mechanism makes shopping even more convenient.

A favorite of local consumers, our Calorie Diary promotion encourages people to"eat prudently and keep moving" to stay healthy. In addition to encouraging a balanced diet, the program now offers improved food choices, advice from nutritionists, and more weight loss tools. Whether you use the Calorie Diary notebook, webpage, or the newly introduced 7-ELEVEN Calorie Diary smartphone app, users can conveniently manage their diet on the go. Our innovations, including new apps and upgrades to the ibon kiosk, help us to best meet the needs of our customers and again earned 7-ELEVEN the 2012 Digital Service Benchmark Company Award.

As we look towards 2013, PCSC's goal is to provide customers with safe, delicious products they can enjoy with the highest level of service. 7-ELEVEN has our finger on the pulse of our customers and continues to provide them with high quality, high value products

1-2. General economic and industry overview

a. General economic analysis

Impacted by the European debt crisis and slowing growth in the US and China, the world economy in 2012 was weak. The domestic economy too was affected by outside forces, but did begin to stabilize in the fourth quarter. In the first half of 2012, domestic economic growth was slow, with an average growth rate of 0.23%. While the global economy stabilized in the second half of the year, the annual economic growth rate for 2012 was 1.3%, still lower than the 4.1% achieved in 2011. In 2012, the domestic CPI had an annual increase of 1.93% compared to the 1.42% rate in 2011. There was a small improvement in employment in 2012 with an average unemployment rate of 4.25%, slightly lower than 2011's 4.39%.

b. Industry overview

In 2012, turnover in the retail sector totaled NT\$3.8 trillion, a 2.40% increase over 2011. In the general merchandise category, turnover was NT\$1.280 trillion, a jump of 5.11% from 2011 numbers. Convenience store sales contribute most to that total, with a total annual turnover of NT\$267.7 billion, which represents an 8.82% y-o-y increase.

Around the world, the effects of global warming are becoming more apparent. Raw materials are in short supply in the international market and the price of oil continues to rise. Domestically, these issues have had a significant impact on prices. In 2012, the Consumer Price Index (CPI) had a y-o-y increase of 1.93%, while the core CPI (which does not include the price of energy, fresh fruits and vegetables, or seafood products as these can easily be affected by short-term or one-time events) also increased 0.93%. Domestic salaries have yet to catch up with increases, so consumers continue to look for bargains. All PCSC channels continue to hold on to the core ideas of offering reasonable prices, developing value combo meals, offering volume discounts, and introducing house brands. At the same time, we are actively increasing added value and product differentiation to bring consumers excellent value for their money.

Through the end of 2012, the key players in the convenience store industry had the below numbers of stores:

	7-ELEVEn	FamilyMart	Hi-Life	OK	Total
Number of Stores	4,852	2,851	1,304	890	9,897

c. Vertical supply chain

PCSC controls the quality of ingredients for our fresh food products from the source, participating in the production process and working to develop innovative technologies to best fulfill our quality promise. For retail operations, we utilize our comprehensive logistics system in coordination with supply chain management to provide rapid, professional delivery services. Through continued IT innovation coupled with 24 hour services at stores, we provide the most convenient services and help customers create a new, high-quality lifestyle.

d. Product development trends and competitiveness

(1) Product development trends

Taiwan's slow economic growth, coupled with a decline in consumer confidence, has led to heightened public awareness of price fluctuations. Consumer frugality is becoming more visible in their purchasing decisions regarding every day necessities. At the same time, consumers are making the most of technology and group information to make their decisions. All industries are working to respond to these changes in consumer behavior and use them to their advantage. Sectors with growth potential include house brands, online shopping, seniors, healthy food and beverage offerings, and options for singles and those who often eat out.

(2) Product competitiveness

- House brands: With slowing economic growth, consumers are cutting back on unnecessary expenditures. Lower priced daily necessities and foods are becoming a larger proportion of overall spending. High-quality goods and brand strength can drive consumer acceptance of house brands, so we have high expectations for sales growth in this sector.
- Online shopping: Mainstream media and the Internet have changed the lives of consumers. Online shopping that incorporates a real-life component will result in greater differentiation from the competition.

1-3. Technology and R&D

In order to keep pace with the ever-changing marketplace and our competition, PCSC continues to provide innovative new services:

a. ibon kiosk upgrades: In 2012, PCSC introduced airline ticket purchasing, mobile kiosk, and Taiwan Railway ticket ordering features, while the ticket printing machines were all upgraded. By providing members of the public with fast, convenient services, ibon has become Taiwan's largest ticket sales platform.

b. QR Code mobile shopping: We are able to provide consumers with discounts through mobile shopping, such as our QR Code smartphone shopping platform, which can best meet our customer's needs. Customers need just scan the QR Code, confirm the item, then place their order. Three simple steps allow customers to purchase goods at a discount while enhancing the shopping experience.

c. 7-Mobile: PCSC was the first to introduce monthly mobile internet services without a contract. With no contracts, lower prices, free in-network texts, and 7-WiFi with unlimited data, we lead the competition and have attracted many new customers.

d. E-greeting card: The Hallmark e-greeting card utilizes smartphone and QR Code technology to create a personalized e-card for a special someone. The recipient can use the ibon smartphone app to retrieve and play his or her card.

e. In-store graphic ordering terminal (GOT): The Company developed a new generation of ordering terminals to ensure stores have enough information to make correct and efficient orders, which will result in less waste.

f. E-invoice: We did our part to conserve energy and reduce carbon emissions by following the government's call to switch to the e-invoice system.

g. In 2012, a total of NT\$189,583,000 was spent on R&D and system upgrades.

1-4. Short and long-term operating strategies

a. Short-term operating strategy

- (1) Continue to integrate stores into existing shopping districts and establish a competitive niche with large format stores.
- (2) Strengthen individual store autonomy to create advantages through differentiation.
- (3) Further integrate virtual and brick and mortar operations to create more virtual and service business.
- (4) Improve operating efficiency.

b. Long-term business development plan

- (1) Implement high-value marketing and successfully differentiate ourselves from the competition.
- (2) Implement a low-cost business model to reduce operating expenses.
- (3) Establish a franchise model enabling sustainable operations.
- (4) Integrate the Group's varied resources and seek stable profits.
- (5) Hasten the development of a workforce with comprehensive skills.

02. Market analysis and merchandise

2-1. Market analysis

a. Main product (service) sales areas:

PCSC not only provides consumers with products and services to meet their basic needs, we also work to bring them a convenient, high-quality lifestyle. To this aim, PCSC keeps on top of changes in consumer trends to develop high-quality products and innovative services that fulfill all our customers' needs.

In order to reach our goal of becoming a convenient, safe, and enjoyable community service center, we serve not only every corner of Taiwan's main island, but also the outlying islands of Penghu, Kinmen, Matsu, and Green Island creating a comprehensive store network. Wherever customers need us, 7-ELEVEN will be there. We actively work to overcome logistics difficulties involved in locating in remote areas, so that all of Taiwan's residents can enjoy this high-quality, convenient lifestyle.

b. Future market supply and demand and potential growth:

As of the end of 2012, PCSC held a 49% share in the convenience store market in terms of store locations, which made us once again the industry leader and the number one brand in the minds of consumers. In recent years, the Company has made ceaseless efforts to strengthen the operational capacity of individual stores, develop innovative products, and better integrate virtual business opportunities thereby growing both revenue and profits. In the future, in an environment of fierce competition, operations in all business sectors will inevitably face difficult challenges. The market, with its ever expanding product offerings, has reinforced consumers' quest for innovation and newness. By taking advantage of the resulting business opportunities, Taiwan's convenience store industry still has the potential for significant future growth.

c. Competitive niche:

The convenience store industry in Taiwan is highly competitive. However, by capitalizing on its advantages and understanding customer needs, a company can emerge at the head of the pack. PCSC's major competitive advantages are:

- (1) Positive corporate image and good brand reputation.
- (2) The capacity to develop new products (services) to meet customers' changing needs and use innovative integrated marketing techniques to promote them.
- (3) Comprehensive channels favorable to successful product development, price negotiation, and sales.
- (4) A comprehensive logistics support system and an ever more seamless supply chain.
- (5) Strong IT platform and infrastructure with high potential for further development to meet the needs of consumers and effectively create new business opportunities.
- (6) The Group has significant resources that can be integrated and shared between members.

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

(1) Positive factors:

- The market for ready-to-eat food continues to grow as has demand for natural, organic food and beverage options.
- Taiwan's society is aging, while young people are delaying marriage and having fewer children, so there are growing businesses opportunities from seniors and singles.
- With the rise of smartphones and other Internet technologies, information has become highly transparent. As online shopping has become ever more popular, shoppers have become savvier and are searching for an entertaining, timely shopping experience.
- Regulations governing Mainland Chinese tourists'movements in Taiwan have been relaxed, so more people from China will likely visit the island.

(2) Negative factors:

- The convenience store market is saturated, while discount supermarkets have sprung up, blurring the line between the two, resulting in increasingly fierce competition.
- Rising raw material prices and utility costs result in higher operating costs.
- Increasing inflation results in a decrease in real income, so consumers will remain cautious with their purchases.

(3) Strategic responses:

- To keep up with the ever-changing consumer marketplace and new purchasing trends, PCSC is committed to innovation. We launch differentiated products and services to meet consumers' needs and further build our competitive advantages. Our mission is to provide a wide variety of high quality, trustworthy products with a smile. Through stringent quality controls and outstanding customer service, we work continually improve ourselves to ensure 7-ELEVEn is perceived to be the nation's best convenience store.

2-2. Key purpose of major products and the production process

a. Key purpose: Provide consumers with products and innovative services to meet their needs.

b. Production process: N/A

2-3. Supply of raw materials: N/A

2-4. Information on major clients/suppliers who have accounted for at least 10% of sales/procurement in either of the past 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 procurement over the past two years:

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

Unit: NT\$1000

Rank	Name	2011			2012			Name	As of the first quarter of 2013		
		Amount	Percent of Annual Net Purchase	Affiliation to the Issuer	Amount	Percent of Annual Net Purchase	Affiliation to the Issuer		Amount	Percent of Annual Net Purchase	Affiliation to the Issuer
1	Retail Support International Corp.	46,770,244	54%	Subsidiary	55,250,090	57%	Subsidiary	Uni-President Enterprises Corp.	3,216,759	11%	Ultimate Parent Company
2	Uni-President Cold-Chain Corp.	22,221,357	26%	Subsidiary	24,132,013	25%	Subsidiary	others	26,728,507	89%	–
3	Wisdom Distribution Service Corp.	10,006,527	12%	Subsidiary	11,083,850	11%	Subsidiary	–	–	–	–
4	Others	7,145,140	8%	–	6,210,728	7%	–	–	–	–	–
	Net Purchase	86,143,268	100%	–	96,676,681	100%	–	Net Purchase	29,945,266	100%	–

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

2-5. Production over the past two years: N/A**2-6. Sales over the past two years:**

Unit: NT\$1000

Year	2011	2012
Sales	Domestic Sales	Domestic Sales
Main Product Categories	Sales	Sales
Food services	19,054,692	20,947,008
Publications	14,428,448	13,559,464
Beverages	42,322,758	45,125,584
Non-food Products	28,689,284	35,627,394
General Food Products	12,057,525	12,323,606
Other	383,753	366,271
Sales Discounts	-85,931	-48,904
Total Sales Revenue	116,850,530	127,900,424

Note: All products are sold domestically; all sales figures are expressed as sales value.

03. Human resources:**3-1. Personnel information:**

Year	2011	2012	As of April 30, 2013
No. of Employees	Store Employees	1,993	2,015
	Management	1,938	1,782
	Part-Time	4,842	4,944
	Total	8,773	8,741
Average Age	29	29	29
Average Years of Service	5.3 years	5.4 years	5.8 years
Education Level (as a % of the total)	PhD	-	0.03
	Masters Degree	6.9	7
	Bachelors Degree	52.6	53.4
	High School	39.3	38.2
	Junior High School or Below	1.2	1.37

3-2. Training and development

PCSC provides extensive training programs and an environment conducive to learning. Employees can map out their own career development path and PCSC makes every effort to assist employees in personal learning and growth.

a.Individual Development

PCSC employees map out a tailor-made “Personal Development Plan” together with their immediate superiors by taking into account education, experience, work requirements, performance evaluation results, and career development needs to help employees select the best training programs at different stages of learning. We help all employees to learn and grow with specific goals and proper planning so that they can acquire wide-ranging professional knowledge and skills.

b.Training Plan

PCSC provides training programs to develop a full-range of skills. In addition to internal training, the Company also participates in external training programs to further upgrade employee skills and competitiveness. The diverse programs include lectures, events, group studies, and discussions designed specifically with the type of course and student in mind, so learning can be more alive, vivid, and effective. The online e-learning programs allow employees to learn effectively at their convenience.

PCSC training in 2012 was as follows:

Internal Training by Operation Department				Internal Training by Logistics Department				External Training			Online Training	
Training Sessions	Number of Trainees	Hours of Training	Training Expense	Training Sessions	Number of Trainees	Hours of Training	Training Expense	Number of Trainees	Hours of Training	Training Expense	Number of Trainees	Hours of Training
2,533	48,164	358,792	NT\$52,271,000	356	26,209	144,730	NT\$50,451,000	305	2,728	NT\$1,058,000	107,686	19,090

c. Continuing education channels

At PCSC, employees can take charge of their own learning through the many diverse training channels available, which include guidance by supervisors and peers, knowledge management system, external and internal training programs, lectures and seminars, online learning, on-site operation drills, continuing education, library facilities, and a digital library.

d. Career development

(1) Multi-channel career development opportunities

PCSC has spared no effort in the training and personal development of its employees and we fully support employees' quest for knowledge and enhanced work skills. Through training programs, online resources, and a mentoring system, the Company assists employees to map out their career development plan and provides a diverse range of opportunities for personal growth.

(2) Job rotation

We encourage our employees to try new things and expand their learning by working in various units within the Company where they can broaden their horizons and increase competence in a range of skills.

(3) Overseas appointments

At the same time as PCSC expands globally, we also provide employees the opportunity to assume positions overseas. This unique opportunity allows employees to demonstrate their experience and show their strengths. Such an experience can expand their horizons and enhance the competitiveness of both the individual and the Company.

04. Environmental protection expenditure

4-1. Environmental (green) accounting:

PCSC is committed to fulfilling our corporate social responsibility (CSR) and provide consumers with products and services for a healthy life. At the same time, we work to reduce energy consumption and carbon emissions, while also contributing to our community through social welfare activities in Taiwan. Through our green accounting system, we turn these concrete actions into financial data and compile the information into an environmental expenditure table (see below). In 2012, investments and costs related to environmental protection totaled NT\$1.02 billion, which comprises (1) environmentally-friendly packaging and testing costs of NT\$390 million, (2) energy and carbon emissions reduction activities and installation of inverter air conditioning units in stores costing NT\$170 million, (3) environmental cleaning, greening, and waste handling expenses of NT\$220 million, (4) installation of environmentally-friendly equipment in stores and investments in equipment refurbishing totaling NT\$150 million, (5) green procurement and e-invoice costs of NT\$31.79 million, and (6) holding and participating in social welfare activities at a cost of NT\$39.93 million. Other ongoing initiatives include additive-free foods, plasticizer testing, paperless operations, recycling at stores, and community cleanup activities.

4-2. Environmental-related expenditures:

a. Table of environmental-related expenditures

Unit: NT\$1000

Category	Item	Details	Effect and Reduction in Resource Use or Greenhouse Gas Emissions	Investment	Expense	Total
Merchandise	Considering the safety and environmental impact of merchandise, we switched to more environmentally-friendly materials; Refrained from using preservatives or artificial flavorings in fresh foods.	Began sourcing paper lunch boxes, conducted environmental and general product testing and testing of fresh foods.	Protecting consumers' health, while also taking into consideration safety and the environmental impact.	—	387,324	387,324
Stores	Energy saving measures	Purchased energy saving equipment for 225 stores; Installed A/C circulation fans in 1,615 stores, 1,085 inverter A/C units, and T5 28W energy saving bulbs in 2,606 stores as part of our energy saving light bulb program in 2012.	Energy savings	145,608	21,351	166,959
	Cleaning, handling of waste, and recycling	Cleaning, greening, beautification, and waste (old uniforms) disposal in stores	Maintaining a clean environment and reusing resources	—	220,927	220,927
	Extending the life span of equipment and building materials.	Installed steel counters in 512 stores	Reducing the need for lumber	76,800	75,482	152,282
	Purchasing green products	Other environment-friendly equipment (including refurbishing and reusing 3,524 pieces of used equipment)	Reduce waste by refurbishing existing equipment	—	31,793	31,793
Social Contributions	Community environmental awareness advocacy	Taught energy saving and conservation, while promoting CSR and sponsoring environmental groups	Environmental advocacy and education	—	27,049	39,930
	Environmental protection and social charity events	Held the Beautification Association's 10th annual National Congress and the "Clean Up the World" activity and sponsored World Vision's 30 Hour Famine	Fulfilled our corporate social responsibility. A decrease of 10,318 bags of garbage, recycling totaled 1,548 kgs, and a total of 47,988 volunteers participated.	—	12,881	
Internal Environmental Education	Environmental education and office resource recycling	Promoted paperless operations, environmental clearing and greening, and recycling of waste.	Collected 3,024 kgs of plastic bottles, 19,943kgs of paper, and 1,025 kgs of metal cans.	—	18,211	18,211
Delivery	Delivery efficiency increases and recycling	Invested manpower and equipment in reverse logistics recycling operations at stores.	Recycling results: 293 tons of dry batteries, 106 tons of CDs, 14,000 discarded notebook computers, 238,000 cell phones, and 347,000 cell phone chargers	—	3,818	3,818
Total				222,408	798,837	1,021,245

b. Due to breaches of the Noise Control Law and the Building Act and delayed payment of electricity bills in 2012, stores were fined a total of NT\$592,831. PCSC has already required improvements in all stores and has strengthened education regarding relevant regulations. In addition, the Fair Trade Commission (FTC) fined convenience stores NT\$16 million in 2011 due to alleged coffee price manipulation, but the fine was struck down. The FTC is now appealing the decision.

4-3. Benefits of investments in environmental protection:

a. Effects of major environmental equipment on energy savings:

(1) Installation of ventilation fans in store air-conditioning system in 2012

Ventilation fans were added to a total of 1,615 existing air conditioning systems at a cost of NT\$3.71 million and which helped to save 200,000 kWh of electricity / month and 2.4 million kWh / year.

(2) Installation of energy saving equipment in 2012

These appliances were introduced in 225 stores at a cost of NT\$18.90million and helped to save 295,000 kWh of electricity / month and 3.54 million kWh / year.

(3) Installation of steel counters in 2012

Installed 512 steel counters at a cost of \$76.8 million, which helped to prevent the felling of 2,560 trees. Wood cabinets and counters not only require the cutting of a large number of trees, but also the life span of wooden equipment is relatively short and they cannot be refurbished. Steel cabinets and counters have much longer life spans and can be recycled or refurbished.

(4) Installation of inverter air conditioning units in 2012

Installed 1,085 inverter air conditioning units at a cost of NT\$ 97.65 million, which helped to save 430,000 kWh of electricity / month and 5.16 million kWh / year.

(5) Introduction of VFD to existing refrigerators in 2012

Installed VFD to refrigerators in 670 stores at a cost of NT\$22.74 million, which helped to save 455,000 kWh / month and 5.46 million kWh / year.

(6) Installation of T5 28W light bulbs in stores in 2012

Installed in 2,606 stores, which helped to save 730,000 kWh of electricity / month and 8.73 million kWh / year.

(7) Installation of LED lighting in stores in 2012

Installed in 295 stores, which helped to save 7,500 kWh of electricity / month and 90,000 kWh / year.

(8) Slurpee machine offseason shutdowns in 2012

Practiced at 3,203 stores, which helped to save 1.52 million kWh of electricity / month in the offseason adding up to 6.09 million kWh over the entire year.

b. Consumer food safety protections:

To ensure that customers can eat our products without worry and best protect their health, PCSC performs testing to show that goods are free from preservatives and microorganisms and that packaging meets relevant standards before they can hit our shelves. In 2012, we invested NT\$11.54 million in food testing costs and 300 of our fresh food products are completely preservative-free (and are labeled thusly).

4-4. Corrective action:

The Company has demanded all stores take corrective action and has strengthened education regarding related regulations.

4-5. Information regarding EU Restriction of Hazardous Substances (RoHS) Directive:

The Company and its subsidiaries do not sell directly or indirectly to Europe, and therefore is not subject to RoHS. °

05. Labor-management 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 to build a robust talent pool and career planning systems for the group. The result is an environment that facilitates a fair and reasonable development of in-house talents.

b. Comprehensive employee benefits:

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

(2) PCSC benefit scheme includes a flexible benefit program, overseas trips for senior employees, health examinations, employee stock ownership plans, club subsidies, library centers, discount purchasing, wedding and funeral allowances, paid maternity and paternity leaves, dormitories for female employees, group insurance, employee travel allowances, and other benefits provided by Employee Benefits Committee to meet the needs of employees.

(3) In order to assist employees to effectively and efficiently manage their work, home life, and health, bolster their physical and emotional health, and encourage positive interpersonal relationships, the Company commissioned the Teacher Chang Foundation in 2009 to provide consultation services and organize psychological health colloquiums for employees.

(4) In 2010, the Company decided to become more proactive in our care for employees and therefore established the "Happy Cooperative" in May of that year. In 2012, the program boasted 59 volunteers and began individual case grading management. Together, the program assisted employees in a total of 1,084 cases.

c. Providing entrepreneurial opportunities:

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 friendly workplace:

PCSC provides its employees with a safe and harmonious workplace that encourages positive interactions between male and female employees. To best ensure employee rights and interests, the Company has defined a set of related crisis management policies. In accordance with the Labor Safety and Health Act, the Company has taken the following steps:

(1) Establishment a health and safety organization:

Established the Health and Safety Committee and Work Safety Office to review and implement health and safety affairs.

(2) Implementation of health and safety management:

In accordance with the Labor Safety and Health Act, PCSC issues a health and safety bulletin to update employees on new regulations.

(3) Health and safety training and drills:

Both new and existing employees participate in training and we hold regular emergency evacuation drills to keep employees' skills fresh.

(4) Health and safety inspections:

Check for any unsafe equipment or situations and improve if found. In 2012, we held 24 unannounced workplace safety audits, provided improvement suggestions, and tracked related progress.

Tested indoor air quality, water quality, and lighting levels, and performed regular cleaning and disinfection.

(5) Healthcare:

As soon as employees first report for work, they are signed up for group accident insurance, life insurance, medical insurance, and we provide subsidies for physicals.

(6) Health and safety activities:

Each month, PCSC holds an Occupational Safety Promotion Event to remind employees of the importance of work safety and encourage them to stay aware of any safety hazards.

(7) Each Wednesday is "family day", when we encourage employees to find a balance between their work and home lives.

e. Retirement plan:

(1) Old system under the Labor Standards Act:

On January 29, 2007, PCSC modified its employee retirement program, applicable to all existing employees. As stipulated by law, the program calculates an employee's years of service starting with his or her hiring date. Employees who have worked for the company 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 month 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 years of service 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) Service year calculations under the old system for transferred employees:

Service years for transferred employees include the number of years they served in every PCSC affiliate and/or members of the Uni-President Group.

The sharing of pensions among affiliates is based on the percentage of the years of service spread over the affiliates that the employee has served.

(3) New system under the Labor Pension Act:

Beginning on July 1, 2005, in accordance with the Labor Pension Act, PCSC implemented a new system that is applicable to all employees.

Existing employees could opt for the old system under the Labor Standard Act as stated in (1) or the new system under the Labor Pension Act.

As stipulated in the Labor Pension Act, the monthly contribution is made based on the Monthly Contribution Wages Classification, which currently amounts to 6% of employee monthly income transferred to a personal retirement account with Bureau of Labor Insurance.

5-2. Labor-management relations:

a. Open communication channels:

Aside from a service center at our headquarters and an email suggestion box, PCSC has established an on-line discussion forum to facilitate communications among employees regarding a range of issues at work and at home, to exchange ideas, and provide feedback to the Company.

b. Employee code of conduct:

PCSC has written an employee handbook and regulations regarding incentives and has also set up a committee to implement related affairs.

Furthermore, the Company has established an employee code of conduct to spell out specific regulations governing employee behavior. The code of conduct includes the below requirements:

- (1) Employees may not embezzle company funds for personal purposes, engage in unscrupulous behaviors for profit, participate in illegal acts, violate any contracts, damage public property, or otherwise 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 language or actions that contain sexual requests, that are sexually suggestive, or discriminate on the basis of sex.
- (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 any unofficial 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 complete confidentiality in all business activities for which they are responsible and shall never, under any circumstance, assist anyone with interests at odds with those of PCSC or reveal trade secrets to competing enterprises or individuals.
- (8) Employee attendance and behavior shall comply with regulations set forth by HR.

c. Labor-management negotiations:

PCSC has always felt that our employees are our most important asset. The Company works to align our vision for the future to the development goals of employees. PCSC also holds regular labor-management meetings as required by law. Therefore, the interaction between PCSC and its employees has been very positive and harmonious over the years.

d. Losses due to labor disputes:

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

06. Important Contracts

April 30, 2013

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. each month.	PCSC is obliged to make its best effort 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 operate a convenience store business within one year after termination of the contract in any country where 7-ELEVEn, Inc. has registered a trademark.
Long-term performance bond agreement	Far Eastern International	Jun. 14, 2012 - Sept. 14, 2013	NT\$30 million performance bond	None
Long-term loan agreement	Bank of Taiwan	Dec. 17, 2012 - Dec. 17, 2014	NT\$300 million credit loan	None
Long-term loan agreement	E. Sun Bank	Jan. 15, 2013 - Jan. 15, 2015	NT\$300 million credit loans	None
Long-term loan agreement	HSBC	Sept. 28, 2012 - Jun. 30, 2014	US\$12 million credit loan	None
Long-term loan agreement	Chang Hwa Bank	Jan. 01, 2013 - Feb. 28, 2015	NT\$500 million credit loan	None
Long-term loan agreement	Cathay Commercial Bank	Nov. 03, 2011 - Nov. 03, 2014	NT\$600 million credit loan	None
Long-term loan agreement	The Bank of Tokyo-Mitsubishi UFJ	Jul. 31, 2012 - Jul. 31, 2015	NT\$690 million credit loan	None
Long-term loan agreement	Scotiabank	Feb. 27, 2013 - Feb. 27, 2015	NT\$1 billion credit loan	None
Long-term performance bond agreement	Chinatrust Commercial Bank	Sept. 01, 2012 - Nov. 30, 2014	NT\$1 billion performance bond	None
Long-term loan agreement	Taipei Fubon Bank	Nov. 09, 2012 - Nov. 09, 2014	NT\$1.4 billion credit loan	None
Long-term loan agreement	Hua Nan Bank	Jun. 06, 2012 - Jun. 06, 2014	NT\$1.5 billion credit loan	None
Long-term loan agreement	First Bank	Jun. 15, 2012 - Jun. 15, 2014	NT\$1.5 billion credit loan	None
Long-term loan agreement	Bank SinoPac	Jun. 30, 2012 - Jun. 30, 2014	NT\$1.5 billion credit loan	None
Long-term loan agreement	Mizuho Corporate Bank	Sept. 28, 2012 - Sept. 28, 2015	NT\$1.5 billion credit loan	None
Long-term loan agreement	Mega International Commercial	Jan. 26, 2012 - Jan. 25, 2014	NT\$1.9 billion credit loan	None
Long-term loan agreement	DBS Bank	Sept. 08, 2011 - Sept. 07, 2016	NT\$2 billion credit loan	None

06 Financial Information

01. Five year condensed balance sheet and consolidated income statement

1-1. Condensed balance sheet- IFRS

Unit: NT\$1000

Item	Year	Financial information for the most recent five years (Note 1)					As of March 31, 2013 (Note 2)
		2008	2009	2010	2011	2012	
Current Assets		—	—	—	—	—	45,321,977
Fixed Assets Machinery and Equipment		—	—	—	—	—	21,641,549
Intangible Assets		—	—	—	—	—	1,387,246
Other Assets		—	—	—	—	—	14,155,412
Total Assets		—	—	—	—	—	82,506,184
Current Liabilities	Before Distribution	—	—	—	—	—	47,300,987
	After Distribution	—	—	—	—	—	Not yet distributed
Non Current Liabilities		—	—	—	—	—	8,598,673
Total Liabilities	Before Distribution	—	—	—	—	—	55,899,660
	After Distribution	—	—	—	—	—	Not yet distributed
Equity Attributable to Owners of the Company		—	—	—	—	—	23,023,494
Capital		—	—	—	—	—	10,396,223
Capital Reserve		—	—	—	—	—	890,233
Retained Earnings	Before Distribution	—	—	—	—	—	11,175,040
	After Distribution	—	—	—	—	—	Not yet distributed
Other Equity		—	—	—	—	—	561,998
Treasury Stock		—	—	—	—	—	0
Non-controlling Interest		—	—	—	—	—	3,583,030
Total Equity	Before Distribution	—	—	—	—	—	26,606,524
	After Distribution	—	—	—	—	—	Not yet distributed

Note 1: The Company just began using International Financial Reporting Standards (IFRS), so we have also included a table below (1-2) showing financial information for the past 5 years calculated using Taiwan Financial Accounting Standards.

Note 2: Financial information regarding the first quarter of 2013 follows IFRS and has been verified by independent auditors.

1-2. Condensed balance sheet-ROC GAAP

Unit: NT\$1000

Item	Year	Financial information for the most recent five years				
		2008	2009	2010	2011	2012 年 (Note 1)
Current Assets		\$16,919,915	\$17,414,985	\$18,319,352	\$21,581,358	\$23,703,570
Funds & Long-Term		19,847,572	21,280,468	20,750,019	19,635,754	20,870,339
Investments		7,803,868	7,619,825	7,764,809	8,540,837	9,210,594
Fixed Assets		273,206	282,820	171,030	222,356	395,969
Intangible Assets		2,286,031	2,252,397	2,266,648	2,298,263	2,396,992
Other Assets		47,130,592	48,850,495	49,271,858	52,278,568	56,577,464
Current Liabilities	Before Distribution	19,242,516	20,236,262	21,492,215	25,496,055	29,330,748
	After Distribution	21,109,443	23,978,902	26,586,364	30,486,241	Not yet distributed
Long-Term Liabilities		9,100,000	7,100,000	5,000,000	3,400,000	1,200,000
Other Liabilities		2,340,433	2,593,381	2,567,442	2,688,204	3,136,306
Total Liabilities	Before Distribution	30,682,949	29,929,643	29,059,657	31,584,259	33,667,054
	After Distribution	32,549,876	33,672,283	34,153,806	36,574,445	Not yet distributed
Capital			10,396,222	10,396,222	10,396,222	10,396,222
Capital Reserve		—	5,082	5,082	5,082	5,082
Retained Earnings	Before Distribution	6,872,870	7,820,448	9,803,565	11,061,826	12,847,558
	After Distribution	5,005,943	4,077,808	4,709,416	6,071,640	Not yet distributed
Unrealized Revaluation Increments			52,646	51,281	49,917	48,553
Unrealized Gains (Loss) from Financial Products		258,551	595,033	234,124	-634,091	488,133
Accumulated Translation Adjustments		110,608	56,081	-222,559	-51,876	-256,925
Net Loss Not Recognized as Pension Cost		—	-4,660	-55,514	-132,771	-618,213
Shareholders' Equity	Before Distribution	16,447,643	18,920,852	20,212,201	20,694,309	22,910,410
	After Distribution	14,580,716	15,178,212	15,118,052	15,704,123	Not yet distributed

Note 1: As of the publication date of the Annual Report, the Annual Shareholders' Meeting has not yet approved on the earnings distribution of 2012.

1-3. Condensed consolidated income statement-IFRS

Unit: NT\$1000 (EPS=NT\$)

Item	Year	Financial information for the most recent five years (Note 1)					As of March 31, 2013 (Note 2)
		2008	2009	2010	2011	2012	
Revenue	—	—	—	—	—	—	\$48,374,210
Gross Profit	—	—	—	—	—	—	14,907,147
Operating Profit	—	—	—	—	—	—	2,428,819
Non-Operating Income (Expenses)	—	—	—	—	—	—	373,831
Net Income Before Tax	—	—	—	—	—	—	2,802,650
Net Income from Continuing Operations	—	—	—	—	—	—	2,268,424
Income (or Loss) from Discontinued Operations	—	—	—	—	—	—	—
Net Income (Loss)	—	—	—	—	—	—	2,268,424
Other Comprehensive Income (Loss) (After-Tax)	—	—	—	—	—	—	184,982
Total Comprehensive Income (Losses)	—	—	—	—	—	—	2,453,406
Net Income Attributable to the Parent	—	—	—	—	—	—	2,021,859
Net Income Attributable to Non-Controlling Interests	—	—	—	—	—	—	246,565
Total Comprehensive Income Attributable to the Parent	—	—	—	—	—	—	2,206,841
Total Comprehensive Income Attributable to Non-Controlling Interests	—	—	—	—	—	—	246,565
Earnings per Share (NT\$)	—	—	—	—	—	—	1.94

Note 1: The Company just began using International Financial Reporting Standards (IFRS), so we have also included a table below (1-4) showing financial information for the past 5 years calculated using Taiwan Financial Accounting Standards.

Note 2: Financial information regarding the first quarter of 2013 follows IFRS and has been verified by independent auditors.

1-4. Condensed income statement-ROC GAAP

Unit: NT\$1000 (EPS=NT\$)

Item	Year	Financial information for the most recent five years				
		2008	2009	2010	2011	2012 (Note 1)
Revenue	\$102,191,258	\$101,756,386	\$114,663,893	\$122,712,725	\$134,569,525	
Gross Profit	32,734,914	32,965,767	35,922,611	38,275,309	39,408,208	
Operating Profit	4,606,927	4,893,463	5,527,488	6,074,940	5,785,988	
Non-Operating Income	1,049,786	1,363,859	1,931,706	2,285,947	3,159,156	
Non-Operating Expenses	1,274,969	1,613,582	830,258	930,422	1,165,195	
Pre-tax Income from Continuing Operations	4,381,744	4,643,740	6,628,936	7,430,465	7,779,949	
After-tax Income from Continuing Operations	3,519,681	4,059,124	5,725,757	6,352,410	6,789,362	
Profit/Loss from Discontinued Operations	—	—	—	—	—	
Extraordinary Gains/Losses	—	—	—	—	—	
Accumulated Adjustments due to Changes of Accounting Principles	—	—	—	—	—	
Net Income	3,519,681	4,059,124	5,725,757	6,352,410	6,789,362	
Earnings per Share (NT\$)	3.85	3.90	5.51	6.11	6.53	

Note 1: As of the publication date of the Annual Report, the Annual Shareholders' Meeting has not yet approved on the earnings distribution of 2012.

1-5. Names and opinions of external auditors over the past five years

Year	Auditing Firm	Name of Auditor		Audit Opinions
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	PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	Tseng, Hui-Chin	Modified Unqualified
2013 Q1	PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	Tseng, Hui-Chin	Qualified

Note: The financial report for the first quarter of 2013 has been reviewed by independent auditors. However, the profits and losses listed for long-term investments calculated under the equity method and the information in Note 11 are based on the financial statements and disclosures of investees during the same period, which were not reviewed by external auditors. Therefore, the external auditors issued a qualified opinion report.

1-6. Changes of external auditors in the past five years

Due to internal changes at PRICEWATERHOUSECOOPERS, Taiwan, President hired accountants Chen Mei-Tzu and Tsai, Chin-Pao to serve as external auditors in 2010. In the second quarter of 2011, the external auditors were changed to Chen Mei-Tzu and Tseng, Hui-Chin. Since the first quarter of 2012, the external auditors have been Hsiao, Chun-Yuan and Tseng, Hui-Chin.

02. Five year financial analysis

2-1. Financial analysis-IFRS

Item	Year	Financial information for the most recent five years (Note 1)					As of March 31, 2013 (Note 3)
		2008	2009	2010	2011	2012	
Financial Structure	Debt to Assets Ratio(%)	—	—	—	—	—	67.75
	Long-Term Capital to Fixed Assets, Machinery and equipment Ratio (%)	—	—	—	—	—	162.67
Liquidity	Current Ratio (%)	—	—	—	—	—	95.82
	Quick Ratio (%)	—	—	—	—	—	72.34
Operating Performance	Interest Coverage	—	—	—	—	—	92.71
	Accounts Receivable Turnover (times) (Note 2)	—	—	—	—	—	—
	Average Collection Days (Note 2)	—	—	—	—	—	—
	Inventory Turnover (times)	—	—	—	—	—	3.28
	Accounts Payable Turnover (times)	—	—	—	—	—	1.58
	Average Inventory Turnover Days	—	—	—	—	—	27
	Fixed Assets, Machinery and equipment Turnover (times)	—	—	—	—	—	2.25
	Total Assets Turnover (times)	—	—	—	—	—	0.59
Profitability	ROA (%)	—	—	—	—	—	2.78
	ROE (%)	—	—	—	—	—	8.94
	Ratio to Paid-in Capital (%)	—	—	—	—	—	23.36
	Operating Income	—	—	—	—	—	26.96
	Pre-tax Profit	—	—	—	—	—	4.69
	Net Margin (%)	—	—	—	—	—	1.94
	EPS (NT\$)	—	—	—	—	—	0.97
Cash Flow	Cash Flow Ratio (%)	—	—	—	—	—	133.17
	Cash Flow Adequacy (%)	—	—	—	—	—	1.45
Leverage	Cash Flow Reinvestment Ratio (%)	—	—	—	—	—	2.07
	Operating Leverage	—	—	—	—	—	1.01
	Financial Leverage	—	—	—	—	—	—

Note 1: The Company just began using International Financial Reporting Standards (IFRS), so we have also included a table below (2-2) showing financial information for the past 5 years calculated using Taiwan Financial Accounting Standards.

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

Note 3: Financial information regarding the first quarter of 2013 follows IFRS and has been verified by independent auditors.

Note 4: The above ratios are calculated using the below formulas (based on IFRS):

• **Financial Structure**

- (1) Debt to Assets Ratio = total liabilities / total assets
 (2) Long-term Capital to Fixed Assets, Machinery and Equipment Ratio = (total equity + non-current liabilities) / net Fixed Assets, Machinery and Equipment

• **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 arising from business activities) = net sales / average accounts receivable (including accounts receivable and notes receivable arising from 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 arising from business activities) = cost of goods sold / average accounts payable (including accounts payable and notes payable arising from business activities)
 (5) Average Inventory Turnover Days = 365 / inventory turnover ratio
 (6) Fixed Assets, Machinery and Equipment Turnover = net sales / net Fixed Assets, Machinery and Equipment
 (7) Total Asset Turnover = net sales / average total assets

• **Profitability**

- (1) Return on Assets = [net income after tax + interest expense \times (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 = (profit or loss attributable to the parent - preferred stock dividends) / weighted average number of shares outstanding

• **Cash Flow**

- (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 PP&E / long-term investments + other non-current assets + working capital)

• **Leverage**

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

2-2. Financial analysis-ROC GAAP

Item	Year	Financial information for the most recent five years				
		2008	2009	2010	2011	2012
Financial Structure	Debt to Assets Ratio(%)	65.10	61.27	58.98	60.42	59.51
	Long-Term Capital to Fixed Asset Ratio (%)	327.37	341.49	324.70	282.11	261.77
Liquidity	Current Ratio (%)	87.93	86.06	85.24	84.65	80.81
	Quick Ratio (%)	66.98	68.25	70.91	69.78	63.26
Operating Performance	Interest Coverage	29.41	112.91	195.94	232.59	251.47
	Accounts Receivable Turnover (times) (Note 1)	—	—	—	—	—
Operating Performance	Average Collection Days (Note 1)	—	—	—	—	—
	Inventory Turnover (times)	22.09	22.05	26.79	25.62	22.07
Operating Performance	Accounts Payable Turnover (times)	7.91	6.46	7.67	7.81	7.58
	Average Inventory Turnover Days	17	17	14	14	17
Operating Performance	Fixed Assets Turnover (times)	13.09	13.35	14.77	14.37	14.61
	Total Assets Turnover (times)	2.17	2.08	2.33	2.35	2.38
Profitability	ROA (%)	8.10	8.52	11.72	12.56	12.52
	ROE (%)	21.53	22.95	29.26	31.06	31.14
Profitability	Ratio to Paid-in Capital (%)	50.34	47.07	53.17	58.43	55.65
	Operating Income	47.88	44.67	63.76	71.47	74.83
Profitability	Pre-tax Profit	3.44	3.99	4.99	5.18	5.05
	Net Margin (%)	3.85	3.90	5.51	6.11	6.53
Cash Flow	Cash Flow Ratio (%)	28.49	36.79	34.72	59.10	45.92
	Cash Flow Adequacy (%)	127.83	152.08	146.03	145.51	153.97
Cash Flow	Cash Flow Reinvestment Ratio (%)	6.68	13.97	9.33	25.37	21.39
	Operating Leverage	1.93	1.78	1.81	1.80	1.85
Leverage	Financial Leverage	1.03	1.01	1.01	1.01	1.01

Please explain the reasons for changes in financial ratios over the past two years:

- Long-Term Capital to Fixed Asset Ratio (%): The change in 2012 is primarily due to a decrease in long-term liabilities compared to the same period last year.
 ■ Inventory Turnover Days: In response to the use of IFRS, at the end of 2012 logistics inventory began to be held by PCSC.

Note 1: Not applicable, as PCSC is a retail business

Note 2: The calculations of the above financial ratios utilize the below formulas (based on ROC GAAP):

- **Financial structure**

- (1) Debt to Assets Ratio = total liabilities / total assets
- (2) Long-term Capital to Fixed Asset Ratio = (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 arising from business activities) = net sales / average accounts receivable (including accounts receivable and notes receivable arising from 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 arising from business activities) = cost of goods sold / average accounts payable (including accounts payable and notes payable arising from 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 average 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 flow**

- (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. Audit Committee Report regarding the most recent annual financial report: Please see 2012 Annual Report.

04. The most recent Annual Financial Report: Please see Appendix.

05. The most recent fiscal year audited consolidated financial statements : Please see Appendix.

06. Any cash flow difficulties during the most recent year and as of March, 31, 2013 at the Company and its affiliates: None

Financial Status, Operating Results and Risk Management

01. Financial position analysis

Unit: NT\$1000

Item	Year	2011	2012	Variance	
				Difference	%
Current assets		\$21,581,358	\$23,703,570	\$2,122,212	9.83%
Long-term investments		19,635,754	20,870,339	1,234,585	6.29%
Fixed assets		8,540,837	9,210,594	669,757	7.84%
Intangible assets		222,356	395,969	173,613	78.08%
Other assets		2,298,263	2,396,992	98,729	4.30%
Total assets		52,278,568	56,577,464	4,298,896	8.22%
Current liabilities		25,496,055	29,330,748	3,834,693	15.04%
Long-term liabilities		3,400,000	1,200,000	-2,200,000	-64.71%
Other liabilities		2,688,204	3,136,306	448,102	16.67%
Total liabilities		31,584,259	33,667,054	2,082,795	6.59%
Capital		10,396,222	10,396,222	0	0.00%
Capital reserves		5,082	5,082	0	0.00%
Retained earnings		11,061,826	12,847,558	1,785,732	16.14%
Total shareholders' equity		20,694,309	22,910,410	2,216,101	10.71%

a. Explanation for variance:

- (1) The increase in intangible assets is mainly due to the increased costs of computer software.
- (2) The decrease in long-term liabilities is primarily due to repayment of a portion of a long-term bank loan this year.

b. Effect of said changes on the Company: The aforementioned changes did not affect the Company significantly.

c. Future strategy: The working capital generated from operations and utilization of bank financing is sufficient to support the needs of the Company's operations.

02. Operating results analysis

Unit: NT\$1000

Item	Year	2011	2012	Variance	
				Difference	%
Operating revenue		\$122,712,725	\$134,569,525	\$11,856,800	9.66%
Gross operating profit		38,275,309	39,408,208	1,132,899	2.96%
Operating expenses		32,200,369	33,622,220	1,421,851	4.42%
Operating profits		6,074,940	5,785,988	-288,952	-4.76%
Non-operating income		2,285,947	3,159,156	873,209	38.20%
Non-operating expenses		930,422	1,165,195	234,773	25.23%
Income before income tax from continuing operations		7,430,465	7,779,949	349,484	4.70%
Income tax		1,078,055	990,587	-87,468	-8.11%
Net income		6,352,410	6,789,362	436,952	6.88%

a. Explanation for variance:

- (1) Increase in non-operating income: primarily due to profit growth from affiliated enterprises.
- (2) Increase in non-operating expenses and losses: primarily due to increases in impairment losses at consolidated affiliated enterprises.

b. Factors that may impact the Company's sales volume and finances over the coming year and proposed responses: The Company expects that by developing innovative and differentiated products and services we can maintain steady growth.

03. Cash flow analysis

3-1. Cash flow analysis for the past fiscal year:

Unit: NT\$1000

Cash Balance at the Beginning of 2012	Net Cash Inflow from Operating Activities in 2012	Net Cash Outflows in 2012	Cash Surplus (Shortage)	Remedies for Cash Shortage	
				Investment Plans	Financing Plans
9,811,022	13,469,704	(11,027,205)	12,253,521	—	—

- a. Operating activities: The net cash inflow from operating activities was about NT\$13.47 billion. The cash inflow remained steady primarily due to stable profits.
- b. Investment activities: The net cash outflow from investment activities totaled about NT\$3.92 billion, which was primarily due to increases of long-term equity investments over the past year and purchases of operations-related fixed assets.
- c. Financing activities: The net cash outflow from financing activities was about NT\$7.11 billion, mainly resulting from paying back portions of long-term bank loans and distribution of cash dividends.

3-2. Remedies for cash shortfall and liquidity analysis: Not applicable to PCSC.

3-3. Cash flow analysis for the coming year:

Unit: NT\$1000

Cash Balance at the Beginning of 2013	Estimated Yearly Net Cash Inflow from Operating Activities	Estimated Yearly Net Cash Outflow	Anticipated Cash Surplus (Shortage)	Remedies for Cash Shortage	
				Investment Plans	Financing Plans
12,253,521	8,969,283	(8,437,760)	12,785,044	—	—

- a. Operating activities: Stable revenue is expected in 2013, which should bring in a net cash inflow.
- b. Investment activities: Investment outflows will primarily include the purchase of fixed assets and long-term equity investments.
- c. Financing activities: Financing outflows are primarily expected to be the payment of cash dividends.

04. Major capital expenditures over the past fiscal year and their impact

4-1. Major capital expenditures and sources of capital:

Unit: NT\$1000

Project	Actual or Planned Source of	Actual or Planned Date of Project Completion	Total Capital Required	Actual or Planned Capital Expenditures				
				2010	2011	2012	2013	2014
Investments in new stores	Working capital and loans	Annual	8,349,126	951,886	2,578,466	1,689,472	1,564,651	1,564,651
POS (Point-of-Sale) Equipment	Working capital and loans	Annual	2,252,966	26,104	170,098	1,539,647	517,117	0
Remodeling of Existing Stores	Working capital and loans	Annual	1,779,198	475,597	313,564	449,827	270,105	270,105
Store Equipment Purchases / Replacement	Working capital and loans	Annual	3,294,478	753,153	350,834	661,231	764,630	764,630

4-2. Estimated benefits

- a. Anticipated increase in sales and gross profits:

Unit: NT\$1000

Year	Item	Sales Value	Gross Profit
2013	Investments in new and existing stores	3,260,850	988,363
2014	Investments in new and existing stores	3,423,000	1,037,854
2015	Investments in new and existing stores	3,595,050	1,090,379
2016	Investments in new and existing stores	3,774,800	1,144,142
2017	Investments in new and existing stores	3,963,580	1,201,757

b. Other potential benefits:

The past year's capital expenditures were primarily used to introduce the third generation POS system and implement store expansion, which we expect to have the following benefits:

- (1)The third generation POS system enables rapid, often real-time, information transfer between front and back-end operations and more accurate sales analysis, so PCSC can offer the services and products that meet market demand. At the same time, it can make the ordering system more intuitive, making the process more convenient and timely for stores.
- (2)Expanding to larger format stores provides space for additional seating and creates an inviting shopping experience. Extra room gives consumers a place away from home, school, or the office where they can enjoy a comfortable space to eat or relax.

05. Analysis of investments in affiliated enterprises over the past fiscal year

5-1. Affiliated enterprise investment policy:

PCSC invests in a wide array of business including convenience stores, food and beverages, cosmetics and pharmacies, department stores, super and hypermarkets, and an online shopping website. The Company oversees operations in Taiwan, Mainland China, the Philippines, Vietnam, and Japan. In order to provide customers with a rich, varied shopping experience, PCSC continually expands into new areas. In 2012, 7-ELEVEn Philippines reached 800 stores. "My Beauty Diary", a product of President Pharmaceutical Corp., is now sold in 11 overseas markets. We will also continue to focus on core business operations to enhance the effectiveness of long-term investments.

5-2. Reasons for profits or losses at affiliated enterprises:

Long-term investments in 2012 include the following:

Unit: NT\$1000

Company	Amount of Investment in 2012	Main reasons for profit / loss
Presiclerc (Beijing) Supermarket Ltd.	140,445	The profit model has not yet stabilized, so the affiliate operated at a loss.
President Chain Store (Shanghai) Ltd.	283,342	The profit model has not yet stabilized, so the affiliate operated at a loss.
Shanghai Cold Stone Ice Cream Corporation	278,649	The profit model has not yet stabilized, so the affiliate operated at a loss.
Integrated Marketing Communications Co., Ltd.	86,020	Operations have not yet begun as the affiliate is still in its preparatory period, so it operated at a loss.
Q-Ware Communication Co.,Ltd.	40,918	The profit model has not yet stabilized, so the affiliate operated at a loss.

Note: A portion of 2012 investments in Presiclerc (Beijing) Supermarket Ltd. was provided by PCSC (BVI) Holdings Ltd.

5-3. Improvement Plan for Investments in Affiliated Enterprises and Investment Plans for the Coming Year

To improve performance at affiliated enterprises showing a loss, the Company will adjust their business model, improve the product mix offered, and implement effective cost control measures.

The long-term investments planned for 2013 are shown in the table below:

Company	Planned investment in 2013
President Chain Store (Shanghai) Ltd.	NT\$384 million
Wuhan Uni-President Oven Fresh Bakery Co., Ltd.	NT\$158 million
Presiclerc (Beijing) Supermarket Co., Ltd.	NT\$136 million

06. Risk management policies and organizational structure, and risk assessment

6-1. Risk management policies and structure

PCSC endeavors to maintain a comprehensive risk management system that works to manage risks for the entire organization including subsidiaries. The Board of Directors, managers at all levels, and employees work together to promote proper implementation of risk management.

In addition to observing relevant regulations, PCSC identifies, analyzes, measures, monitors, responds to, reports, and mitigates all potential risks that could arise from operating activities based on the characteristics and impact of such risks. While working to achieve PCSC's strategic goals, we can also effectively maintain and control potential risk.

The Company's primary risk management structure and the various business units responsible for risk management and its implementation are discussed below:

- a. Strategic and operational risks: Each business unit and subsidiary is responsible for the planning and risk assessment of any new investments or operational decisions. PCSC's Office of the President regularly conducts related indicator analysis and tracks performance at the PCSC and affiliated enterprises monthly exchange meetings to ensure each business entity's operating strategy is in line with its operational goals and strategic vision.
- b. Financial, liquidity, and credit risks: To respond to changes in related regulations, policies, and the market, PCSC's Finance Office defines a range of strategies, procedures, and indicators to perform regularly-scheduled analysis and evaluation of changes in risk status and respond appropriately in order to mitigate potential risks for the entire company.
- c. Market risks: Each business unit analyses and assesses major government policies, laws, and technological advances both in Taiwan and abroad and formulates appropriate response measures to reduce potential future risks. In addition, PCSC established an inter-division Regulation Identification Team and holds regular Regulation Identification Meetings to track the latest changes in laws and regulations and formulate appropriate responses. Also, the Crisis Management Team, made up of division managers, was established to effectively control and manage any potential or existing market risks and crises.
- d. Through risk assessment and regulatory reviews, the Internal Audit Office draws up an annual audit plan and self-inspection procedures and methods, which, when implemented, help to control aforementioned risks. The results of these inspections shall be reported periodically to the Board of Directors.

6-2. Risk Assessment and Analysis

- a. Impact on company profits and responses to fluctuations in interest rates, foreign exchange rates, and inflation:

(1) Interest rate fluctuation:

Taiwan's Directorate General of Budget, Accounting and Statistics announced that the 2012 economic growth rate was 1.26%, while 2013 estimates are for a growth rate of 3.59%. Because of the European debt crisis, the global economy experienced slow growth and demand fell from Taiwan's major trade partners, which in turn impacted export growth and consumer spending. The country's central bank has kept interest rates from rising since September 2011.

Response: By continuing to observe interest rate trends and effectively negotiating with financial institutions and other fundraising channels, the Company ensures that financing costs are in line with the current low interest rates.

(2) Exchange rate fluctuation:

Most Company's purchases and sales are settled in NT dollars. As imports account for just a marginal portion of its total sales, exchange rate fluctuation does not have a significant impact on Company profits.

(3) Inflation:

The CPI in 2012 increased to 1.93%, while the Directorate-General of Budget, Accounting and Statistics predicted 2013's CPI will fall to 1.37%, marking a stabilization of commodity prices.

Response: The Company has made efforts to adjust our product portfolio, improve gross margins, and pursue a diversified marketing strategy to minimize the cost pressure resulting from inflation and mitigate its effects on the Company's operations.

- b. Policies regarding engagement in highly risky or highly leveraged investments, loans to others, endorsements, or derivatives trading; reasons for profits or losses from such activities; and proposed response measures:

(1) Company policy:

PCSC focuses on our retail and distribution business and has not engaged in risky or highly-leveraged investments. However, in order to effectively control and manage business-related risks and enhance the safety of financial operations, 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 the Securities and Futures Bureau's Guidelines Governing Establishment of Internal Control Systems at Publicly Held Companies, PCSC's Internal Audit Office has defined a set of risk management and assessment procedure

(2) Status of loans to others, endorsements, and derivatives trading and reasons for profit or losses of such activities:

(a) Loans to others: None

(b) Endorsements and guarantees:

PCSC offers reasonable endorsements 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 2012	Outstanding Balance of Endorsement as of Mar. 31, 2013
Uni-President Department Store Corp.	Subsidiary	NT\$2.17 million	NT\$1.61 million
Wisdom Distribution Service Corp.	Subsidiary	NT\$50 million	NT\$50 million
Q-ware System and Service Corp.	Mutual Investment	NT\$21.77 million	NT\$19.60 million

Note: PCSC 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.

(c) Derivatives: The Company is not engaged in any derivative trade.

(3) Future response measures:

- (a) The main goal of the risk control and hedging policy implemented by PCSC is to avoid operational risks. To this end, the Company utilizes derivatives to establish a hedging position and selects financial products for the purpose of hedging operational risks resulting from interest expenses, assets, or liabilities.
- (b) PCSC's Finance Office is responsible for managing the Company's derivatives trading position and performs routine market evaluations. If the Finance Office discovers unusual trading or losses, it shall take necessary action and report the situation to the Board immediately. In addition, the Company also conducts routine performance evaluations of derivative trades to ensure they are in line with our operating strategy and that the risks are maintained within the Company's risk tolerance.

c. R&D Plans and Projected Investment:

- (1) POS Coupon: Now under development, PCSC is planning on launching a discount coupon program. By providing customers with targeted discount coupons and advertising, we can increase customer loyalty and retention.
- (2) Strengthening ibon services: Working to expand services that are useful to the entire community, we are planning to implement National Labor and Health Insurance proof of payment printing services and reprints of utility bills at ibon kiosks. At 7-ELEVEn, a variety of services are at our customers' fingertips.
- (3) Development of 3rd generation POS: The hardware and software architecture for the new system was designed locally and at a reasonable cost to enable the Company to build a strong new technical foundation and create new business opportunities.
- (4) In 2013, estimated R&D costs to upgrade existing systems total NT\$ 210 million, which will primarily be used to fund the following:

Plan	Current Progress	Additional Funds to be Invested	Expected Date of Completion	Main Factors Determining the Success of Future R&D
Installation of the 3rd generation POS software	Integrated testing in progress	NT\$152 million	2013/12	Through integration of hardware, software, and the Internet, we can strengthen management of both stores and the corporation
Upgrades to the pre-order system	Planning stage	NT\$25 million	2014/03	Provide customers and stores with better purchasing services
Comprehensive supply chain platform for the entire group	Planning stage	NT\$15 million	2013/12	By integrating into one system, PCSC can strengthen management intelligence and information sharing mechanisms to ensure stable supply and prevent out-of-stock situations.

d. Financial impacts of and responses to major changes to domestic and overseas laws and government policies:

- (1) PCSC has already taken appropriate measures to respond to recent changes in government policies and laws in Taiwan and overseas, so these changes did not significantly impact the Company's financial operations.
- (2) In response to the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter announced in March 2011 by the Securities and Futures Bureau, PCSC established the Remuneration Committee in June 2011. In June 2012, PCSC held new elections for the Company's Board of Directors, invited independent directors to the Board, and established the Audit Committee in response to the March 2011 announcement of the Applicable Scope of Appointment of Independent Directors for Publicly Traded Companies.
- (3) Publicly-traded companies are required to begin using International Financial Accounting Standards in 2013. To fulfill this new requirement, in 2009 the Company established an interdepartmental team responsible for the switch over and developed a plan for launching the standards at our subsidiaries as well. In addition, we established an interdepartmental Regulation Identification Team that is tasked with reviewing and identifying new or updated laws that will affect PCSC.

e. Financial impacts of and responses to technological and industry changes:

The Company has continually paid close attention to the rise of e-commerce, new trends in telecommunications, and developments in consumer finance. In that case, related developments occurring over this past year did not significantly impact the Company's financial operations.

f. Impacts of changes in corporate image on corporate crisis management and related response measures:

PCSC does our utmost to provide the public with safe, convenient, high-quality products and services. Our standards are higher than those required by law to best protect the interests of our customers. As a good corporate citizen, PCSC actively takes part in social welfare and environmental protection activities as we work to achieve our goal of sustainable corporate development. In addition to being named one of CommonWealth Magazine's Top 10 Benchmark Enterprises for 18 years running, in 2012 PCSC was also recognized in the Community Involvement, Promotion of Public Interest, and Overall Performance categories of Global Views Magazine's CSR Awards, the most of any enterprise. Furthermore, PCSC has also implemented comprehensive disaster response measures to deal with any natural or manmade event. Should a crisis occur, PCSC headquarters will immediately convene an interdepartmental crisis management team, which is responsible for taking stock of the situation, discussing responses, and rapidly working to minimize the effect of the crisis on the Company. At the same time, PCSC also holds internal regulation identification meeting to keep track of and ensure the Company is in full compliance with all relevant laws, regulations, and requirements.

g. Anticipated benefits, risks of M&A activity and appropriate responses: N/A

h. Anticipated benefits, risks of factory expansion and appropriate responses: N/A

i. Anticipated risks of concentrating purchasing and distribution and appropriate responses: N/A.

j. Possible effects and risks caused by large transfers or changing hands of shares by directors, supervisors, or major shareholders who hold an over 10% stake in the Company and proposed responses: N/A

k. Possible benefits and risks to the Company due to a change in operating rights and proposed responses: N/A

l. All major litigation, non-litigation disputes, and administrative disputes that involve the Company, the Company's Directors, Supervisors, President, responsible parties, major shareholders with over 10% stake, or affiliated enterprises should be disclosed as long as the outcome may have a significant impact on shareholder equity or share prices, whether said dispute has been settled or is still pending. The disclosure should include the factual matters of the dispute, underlying monetary values, date actions commenced, the main parties involved, and response measures taken as of the Annual Report publication date.

m. Other major risks and proposed responses: None

07. Other important items: None

08 Specific Notes

01. Information about Affiliated Enterprises :

1-1. Consolidated Business Report for Affiliated Enterprises 2012: Please refer to Appendix.

1-2 Affiliated Enterprise Report 2012: Please refer to Appendix.

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

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

04. Other Supplementary Information Required: None

05. Situations described in Article 36, Paragraph 2, Item 2 of the Securities and Exchange Act: In the most recent fiscal year and up to the issue date of this Annual Report, PCSC has not experienced any events as described in Article 36, Paragraph 2, Item 2 of the Securities and Exchange Act that have had major impacts to shareholders' equity or share prices.

09 Supplemental Disclosures

01. Key performance indicators

	2011	2012
Net operating margin (%)	4.95%	4.30%
Net profit margin (%)	5.18%	5.05%
EPS (NT\$)	6.11	6.53
ROE (%)	31.06%	31.14%
Inventory turnover (times)	25.62 次	22.07 次

02. Evaluation method and basis for valuation allowance on the balance sheet

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

Assets and Liabilities Subject	Evaluation Method	Basis of Evaluation
Provisions for doubtful accounts	Lower of Cost or Market (replacement)	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	cost or net realizable value)	The method of purchase cost and retailing price estimation is based on the Statement of Financial Accounting Standards (SFAS) No. 10

2-2. Financial assets

a. Financial assets whose changes in fair value are recognized in the income statement

- (1) Trade date accounting is practiced on equities. Settlement date accounting is practiced on beneficiary certificates. Financial instruments are measured in terms of fair values for initial 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 fluctuations in value are recognized as gains or losses for the period. The fair values of listed shares are measured by the closing prices on the open market as of the balance sheet date. The fair values of open-end funds are measured by the net asset value of the funds as of the balance sheet date.

b. Available-for-sale financial assets

- (1) Trade date accounting is practiced on equities. For initial recognition, financial assets are measured by their fair values plus the transaction costs at the time of acquisition or issuance.
- (2) Available-for-sale financial assets are recognized at their fair values and the changes in their values are recognized as adjustments to shareholder equity. The fair values of listed shares are measured by the closing price on the open market as of 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 products are recognized as adjustments to shareholder equity.

c. Financial assets valued at costs

- (1) Trade date accounting is practiced. For initial recognition, financial assets are measured by their fair values (buying cost) plus transaction costs of acquisition or issuance.
- (2) Impairment losses are recognized when there is objective evidence of impairment. The amount of impairment is irreversible.

09 Supplemental Disclosures

d. Long-term investments under the equity method

- (1) Long-term investments in which the Company owns at least 20% of the voting shares of the investee or have significant influence over the investee are valued using the equity method. If the acquisition cost exceeds the Company's share of the fair value of the investee's identifiable net assets 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 may not be adjusted. If the Company owns over 50% of the voting rights or has control over an investee, the investee should be valued under the equity method and be included in the quarterly consolidated financial statements.
- (2) For long-term investments calculated under the equity method 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 endorsed the investee or intends to continue supporting the investee, investment losses will be recognized in proportion to shareholding. If the Company has control power over the investee, all investee investment losses shall be recognized by the Company except those that are the obligation of other investee shareholders who are capable of shouldering the loss by presenting additional capital. If the investee becomes profitable in the future, the profits shall belong to the Company until the losses the Company recognized are recouped.
- (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 PCSC shareholder equity.

03. Hedge accounting goals and methods

3-1. When financial products qualify for hedge accounting, the changes in fair values should be recognized as profits or losses for the period based on their hedging relations by offsetting 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 due to exchange rate fluctuations, the resulting gains (losses) are immediately recognized as gains (losses) for the period. If the hedged items produce gains or losses due to hedged risks, the book values of the hedged items are adjusted and the resulting gains (losses) are immediately recognized as gains (losses) for the period.
- b. Cash Flow Hedging: The gains (losses) of the hedging instruments are recognized as adjustments to shareholder equity.

04. Certificates earned by employees involved in information transparency and related training

4-1. Number of employees who hold professional certificates:

Certified Internal Auditor (CIA): 1

Enterprise Internal Control Basic Ability Exam: 7

Certified public accountants: 1

Project Management Professional (PMP): 1

TPIPAS Personal Information Management Professional: 1

TPIPAS Personal Information Internal Assessment Professional: 1

4-2. Professional training:

Accounting managers: Publicly Traded Company Finance and Accounting Administrator Professional Certificate Course (18 hours)

As required by the Guidelines for Establishment of Internal Control Systems by Public Companies, auditing supervisors and the Company's entire internal auditing staff shall participate in training courses regarding internal control systems and register their study hours and programs with the Securities and Futures Bureau.