



PRESIDENT CHAIN STORE CORPORATION



## 2013 ANNUAL REPORT

# 2013 ANNUAL REPORT

## CONTENT

### 012 01 Letter to shareholders

### 014 02 Corporate Overview

### 016 03 Corporate Governance

- 1. 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

### 037 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

### 041 05 Operating Highlights

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

### 053 06 Financial Information

- 1. Condensed balance Sheet and Statement of Comprehensive income for the past five fiscal years
- 2. Financial Analysis for the past five fiscal years
- 3. Audit Committee Report

- 4. The audited financial report (alone) for the most recent fiscal year

- 5. The audited financial report (consolidated) for the most recent fiscal year

- 6. Any cash flow difficulties with the company and its affiliates during the most recent year and as of the date of publication of annual report

### 064 07 Financial Status, Financial Performance and Risk Management

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

### 072 08 Specific Notes

- 1. Information about subsidiaries
- 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

### 073 09 Supplementary Disclosures

- 1. Key Performance Indicators
- 2. Evaluation Method and Basis for Valuation
- 3. Purposes and Methods for Hedging Accounting
- 4. Certificates Earned by Employees Involved in Information Transparency and Related Training



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# Professional

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Your needs met by our professional, friendly service



PCSC, Starbucks Taiwan and President Transnet Corp. received first place in Common Wealth Magazine's Golden Service Award.



# Quality

Your search for tasty, healthy fresh food ensured  
by our careful and rigorous management





# Convenient

Your desire for convenience met by our diverse services and comprehensive logistics





# Comfortable

Your wish for an enjoyable shopping experience fulfilled  
by our quality products, service and local design



7-ELEVEN in Sanxia, Taipei

## Overall Performance(alone)

Item / Year (NT\$1,000)	2013	2012	YOY
Revenue	126,998,794	124,760,009	1.79%
Gross Profit	41,082,720	39,779,492	3.28%
Operating Profit	6,293,799	5,955,560	5.68%
Pre-tax Profit	9,129,187	6,929,213	31.75%
Net Profit	8,036,752	5,915,636	35.86%
EPS(NT\$)	7.73	5.69	—
Weighted Average Outstanding Shares	1,039,622,255	1,039,622,255	—

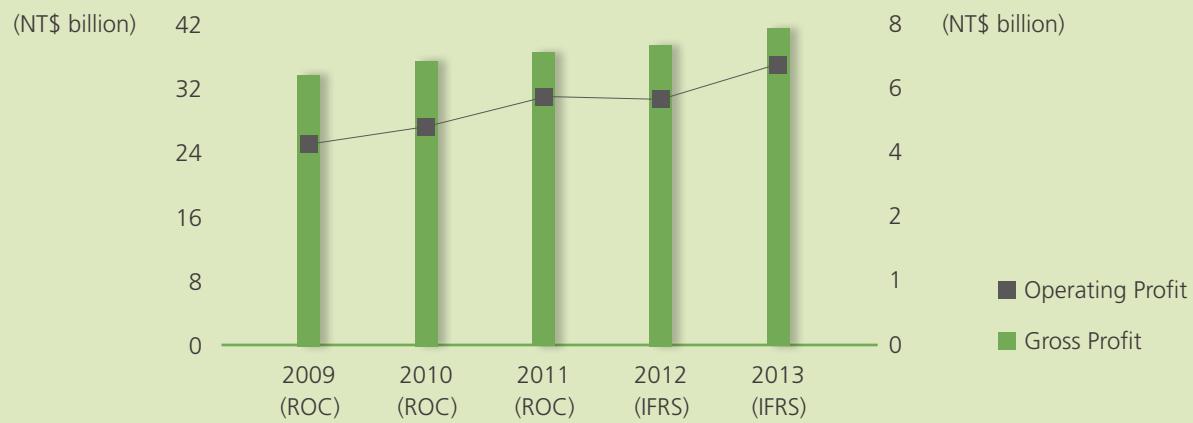
### Financial Ratios

	2013	2012
Gross Margin	32.35%	31.88%
Operating Expense Ratio	27.39%	27.11%
Operating Margin	4.96%	4.77%
Net Margin	6.33%	4.74%
ROA	14.17%	10.95%
ROE	36.06%	29.95%
Inventory Turnover	17.53 times	19.71 times
Fixed Asset Turnover	13.93 times	13.55 times

## Total No. of Stores & Revenue



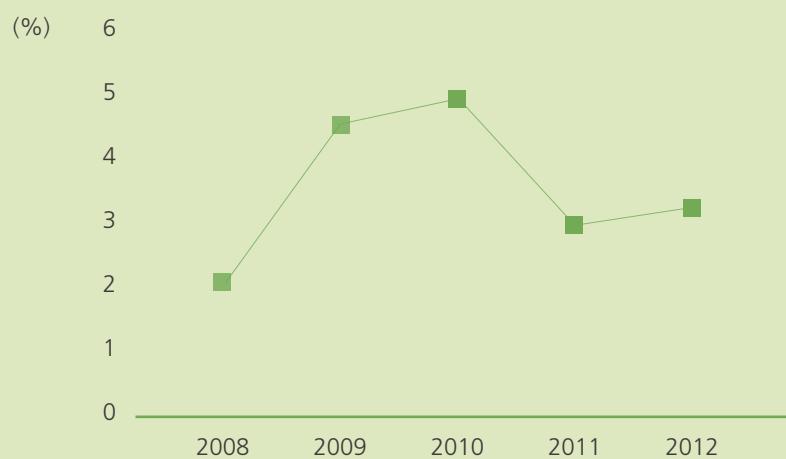
## Gross Profit & Operating Profit



## ROE & ROA



## Cash Dividend Yield



# 1 Letter to shareholders



Honorary Chairman  
Kao, Chin-Yen



Chairman  
Lo, Chih-Hsien



President  
Chen, Jui-Tang

Dear Shareholders,

The global economy in 2013 was marked by ongoing instability. Coupled with the increase in electricity prices and labor costs, the business environment in Taiwan has become ever more challenging. Despite unfavorable economic conditions, President Chain Store Corporation (PCSC) was able to achieve greater overall profitability by improving its store quality and enhancing product offerings, as well as implementing integrated marketing activities through its various subsidiaries. As such, these efforts ensured record consolidated revenue and profits, which came to NT\$200.6 billion and NT\$8.04 billion respectively, and our first time being ranked as one of Forbes Global 2000's top businesses around the world.

## Operating Performance

To provide customers with a comfortable, friendly shopping space at its convenience stores, PCSC continues its business strategy of large stores that doubles as a self-service restaurant. A new array of fresh and ready-made foods has also been launched to suit a variety of lifestyle needs, promising our customers safety, convenience and great taste. This is ensured by directly sourcing fresh produce from contract farms, where PCSC's employees are involved to oversee all related operations. Moreover, our quality control laboratory conducts thorough examinations of the produce from farm to shelf, striving to offer customers comprehensive food safety processes of high standards. As for PCSC's very own CITY CAFÉ, now in its ninth year, a campaign was launched in 2013 to further improve the quality of our coffee. This involved the renewal of the brand's vision, finer selection of beans and the expertise of a team of coffee professionals, taking the coffee experience to a new level. Meanwhile, the ibon electronic kiosks found in 7-ELEVEN Taiwan now work with more than 200 vendor partners to provide access to 600 or so convenient services including transportation and entertainment. The speed and availability of ibon services have changed the way customers shop in Taiwan. A seamless shopping experience is ultimately made possible with 7NET's Virtual Second Floor online store, which boosts a new line of OPEN 3C products jointly developed by 7NET and Foxconn in 2013.

In addition to 7-ELEVEn Taiwan, PCSC has also expanded into other retail businesses both in Taiwan and overseas. As of 2013, we had a total of 7,714 stores, 390 more than the previous year. Outside Taiwan, the Philippines now accounts for more than 1,000 of the stores, with 180 additions in 2013 alone, making 7-ELEVEn the current leading convenience store chain in the country. In Eastern China, Starbucks Shanghai opened its 460th store, whereas in Taiwan, President Starbucks Coffee Corp. marked a new milestone with the opening of its 300th store. President Pharmaceutical Corp continues to cultivate its product offerings under the brands "My Beauty Diary", "FACE Q", "White formula" and "My Healthy Diary", among which "My Beauty Diary" is sold in more than 12 countries. Following an increase in e-commerce activities between Taiwan and China and

the concomitant growing logistical needs, in July 2013, President Transnet Corp. entered into partnership with YTO Express, China's second biggest logistics company. The act opened a new chapter for cross-straits logistic services. Last but not least, Duskin Serve Taiwan Co. has been a steady presence in Taiwan's cleaning products and services industry since 1994. In December 2013, Duskin granted permanent license to Duskin Serve Taiwan Co. in recognition of its outstanding performance. It is the fourth PCSC brand to be awarded a permanent license after 7-ELEVEN, Takkyubin and President Collect Service Corp.

## Social Responsibilities

For many years PCSC has worked tirelessly to fulfill its corporate social responsibilities in the areas of corporate governance, care for the underprivileged and environmental protection. In 2013, PCSC implemented electronic voting and voting by polls in all its shareholder meeting, with an emphasis on information transparency and the prompt disclosure of information. In the same year, PCSC was rated A+ in the evaluation of information disclosure in Taiwan's listed companies undertaken by Securities and Futures Institute. As well, PCSC was voted by FinanceAsia as one of the top ten companies in Taiwan in the categories of "Best Managed Company", "Best Corporate Governance" and "Best Corporate Social Responsibility". Our commitment to the underprivileged manifested in fully financing the film, "Bridge Over Troubled Water", which documented 7-ELEVEN's service to the people living in remote areas. Directed by prominent Taiwanese documentary filmmaker Yang Li-Chou, the motion picture centers on a group of young flood survivors of Typhoon Morakot who are indefatigable in their determination to win the national tug-of-war championships. Their efforts rekindled a sense of pride and glory and instilled courage in the hearts of Jiaxian residents in the aftermath of the 2009 disaster. The movie raised public awareness of the wellbeing of those living in rural areas. To help empower the stricken community, PCSC has also pooled resources to rebuild the library of Jiaxian Elementary School. In the spirit of giving back to society what it has given us, PCSC constantly prides itself in acting with corporate conscience. In 2013, once again we received accolade from Commonwealth Magazine with the "Benchmark Enterprise Award" and other awards under "Digital Age Green Brand" and "Retail Stores". We also won the Excellent Green Procurement Award from the Taipei City Government.

## Business Prospects

2014 appears to be another year filled with challenges. However, PCSC will continue to strive for sustainable growth through structural changes and improve on the management of staff, stores, product offerings, logistics, systems and company infrastructure and culture. All our decisions will be informed by our business philosophy of honesty and integrity. 2014 will see the opening of the 5000th 7-ELEVEN store in Taiwan, and the ongoing development of the self-service restaurant in all locations island-wide offering safe, convenient and tasty food. By combining our brick-and-mortar stores with the 7NET online store and ibon interactive kiosks, a synergy is achieved to bring out more unique products and services.

In terms of PCSC's business investments, through focused management and the consolidation of domestic and overseas resources, we anticipate further improvement in our overall business performance. In the Philippines, the number of 7-ELEVEN stores will reach more than 1,200. Starbucks Shanghai will also increase new store openings to promote coffee culture. As for 7-ELEVEN Shanghai, the range of high quality fresh foods and services on offer will add to any shopping experience.

PCSC is "determined to become an outstanding retailer by offering convenient services and being a good corporate citizen". We strive to make life more convenient for all our customers, ensure steady profitability of our franchises, create a friendly and fair work environment for our employees and increase shareholder value. Our ultimate goal is to ensure the satisfaction of our customers, business partners, shareholders and society.

## 2 Corporate Overview

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

### 2. Company History:

<b>1987</b>	Formerly part of Uni-President Enterprises, President Chain Store Corporation (PCSC) was established as an independent entity.	standards as confirmed by Consumers' Foundation health inspection.
<b>1988</b>	The Electronic Order System (EOS) gradually rolled out to enhance distribution efficiency and increase sales opportunities.	Established President YiLan Art and Culture Corp., Mister Donut Taiwan Corp., and President Cosmed Chain Store (Shen Zhen) Co., Ltd.
<b>1989</b>	PCSC became the third largest 7-ELEVEN chain in the world with the opening of our 300th store.	
<b>1990</b>	Established the Retail Support International Corp. Held the first franchisee seminar, thereby launching the 7-ELEVEN franchise system in Taiwan.	
<b>1991</b>	100th franchise store opened.	4000th store opened.
<b>1994</b>	Established the joint venture Duskin Serve Taiwan Co.	Officially expanded into the hypermarket business in China with the establishment of Shan Dong President Yinzuo Commercial Limited and PCSC (SICHUAN) Hypermarket Limited.
<b>1995</b>	1000th store opened. Established President Drugstore Business Corp.	Honored with the Executive Yuan's 2005 Taiwan Sustainable Development Award and the Ministry of Economic Affairs' first Green Accounting Award.
<b>1996</b>	First generation of POS (Point-of-Sales) implemented to fully understand customers' demands and gather market intelligence.	With the launch of the ibon multimedia kiosk with eight major functions, including ticket sales, bill payments and mobile office services, PCSC achieved our vision of 7-ELEVEN as a community service center.
<b>1997</b>	PCSC listed on the Taiwan Stock Exchange Established the joint venture President Coffee Corp. (Starbucks Taiwan).	Established subsidiaries UNI-PRESIDENT Department Store Corp., Cold Stone Creamery Taiwan Ltd., and Cold Stone (Shanghai) Corp.
<b>1999</b>	Expanded into offshore islands such as Penghu and Kinmen to provide convenience services to local residents. 2000th store opened. Established Wisdom Distribution Corp., Uni-President Cold Chain Corp., President Musashino Corp., and President Transnet Corp.	Received Global Views Magazine's Excellence in Corporate Social Responsibility Award and Outstanding Service Award, as well as NextMedia's Top Service Award. We were 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.
<b>2000</b>	Signed perpetual area licensing agreement with 7-ELEVEN Inc. Established Shanghai President Starbucks Coffee Corp. Acquired Philippine Seven Corp., extending operations to overseas.	With 7-ELEVEN Light Down Eco-Campaign, over 4,000 stores shut off store lights during designated times in the summer months in a pioneering effort to fight global warming.
<b>2002</b>	Issued the company's first secured corporate bond in the amount of NT\$700 million. 3000th store opened. 7-ELEVEN lunch box meals certified by the Chinese Frozen Food Institute to meet CAS standards, making it the first lunch box in Taiwan certified to be stored at 18° C.	The number of 7-ELEVEN CITY CAFÉ machines reached 1,000, making it the largest coffee chain in Taiwan.
<b>2003</b>	7-ELEVEN's lunch box awarded the International Marketing Communications Excellence Award 2002. PCSC opened our first retail stores in large shopping complexes. PCSC issued a second secured corporate bond in the amount of NT\$1.5 billion.	For the 13th year running, PCSC named among CommonWealth Magazine's Top 10 Benchmark Enterprises; winner of the Top Service Award by NextMedia; winner of the Global Views Magazine's 2007 Top 10 Service Enterprises in the convenience chain store category, for the second consecutive year.
<b>2004</b>	Second generation of POS implemented. Launch of 7-ELEVEN icash stored-value card.	Established Afternoon Tea Taiwan Corp.
	7-ELEVEN's lunch box products became the first convenience store boxed meals to meet national	7-ELEVEN entered the NT\$10 billion mobile telecommunications market by launching "OPEN Talk" prepaid cards.
<b>2009</b>		PCSC 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 Views 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, effectively reducing carbon emissions.
		Established President Chain Store (Shanghai) Corporation and signed a licensing agreement with 7-ELEVEN (China) Business Corporation, launching 7-ELEVEN stores in Shanghai.

Equity joint venture with DUSKIN of Japan to establish Mister Donut Shanghai Co.

Conferred with the Top 10 Benchmark Enterprises Award for the 15th consecutive year; NextMedia's Top Service Award for the 6th consecutive year; winner of the 7th Global Views Magazine's Outstanding Service Award in the convenience store category; winner of 2009 CommonWealth Magazine's Corporate Citizen Award; recognized by United Way Worldwide with the Outstanding Corporate Social Innovation Award. Such honors demonstrate how the Company is using our core competencies to excel in public service.

**2010** Jointly launched "Easy Delivery" service with Ruten.com, the first of its kind in the world, 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. This is a brand new telecommunications service.

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

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

7-ELEVEN accredited as a "green store" by the Environmental Protection Administration and was awarded first place in the Taipei Gold Energy Saving Awards as we continue to strive towards becoming a green enterprise.

**2011** Following the devastating earthquake in Japan, PCSC and 16 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.

Third generation of POS gradually implemented, accurately capturing customer trends and optimizing retail sales efficiency.

Introduced "Taiwan's New Agriculture" program, establishing the 7-ELEVEN Photosynthetic Farm to provide farm-to-table traceability management, food safety transparency, and show our commitment to offering delicious food customers can trust.

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

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

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

**2013** Third generation of POS fully implemented across Taiwan 7-ELEVEN network of stores.

7-ELEVEN started selling premium fruit and fresh produce in 1,000 stores.

7-ELEVEN product quality inspection lab received three different international certifications, further raising the bar on product inspection.

President Transnet Corp. established the Comprehensive Distribution Center in Zhongli, gearing up for rapidly expanding market needs with the new center's large-scale, automated, highly efficient facilities.

Released the film, "Bridge Over Troubled Water," nominated for Best Documentary in the 50th Golden Horse Film Festival.

In recognition of their efforts to implement corporate social responsibility, PCSC and Starbucks Taiwan once again received the Excellent Green Retail Business Award from the Taipei City Government. Both enterprises were recognized as green brands in the Food and Beverage, Retail, and Food Services categories by Business Next Magazine.

**2014** Zhongli Fresh Food Commissary completed; together with Kaohsiung's Taisha Fresh Food Commissary, playing the important role of regional distribution centers, efficiently handling the rising demand for takeout food.

PCSC held the 2014 Quality Policy Seminar, working with its suppliers to increase quality assurance management.

Officially established icash Corp., wholly undertaking the icash trademark's proprietary rights and power of management. icash proved itself as a versatile payment method applicable across different channels.

7-ELEVEN Philippines marked a milestone by opening branches in the 4th largest city, Bacolod, with the total number of stores nation-wide surpassing 1,000.

PCSC, Starbucks Taiwan and President Transnet Corp. received first place in CommonWealth Magazine's Gold Medal Service Awards.

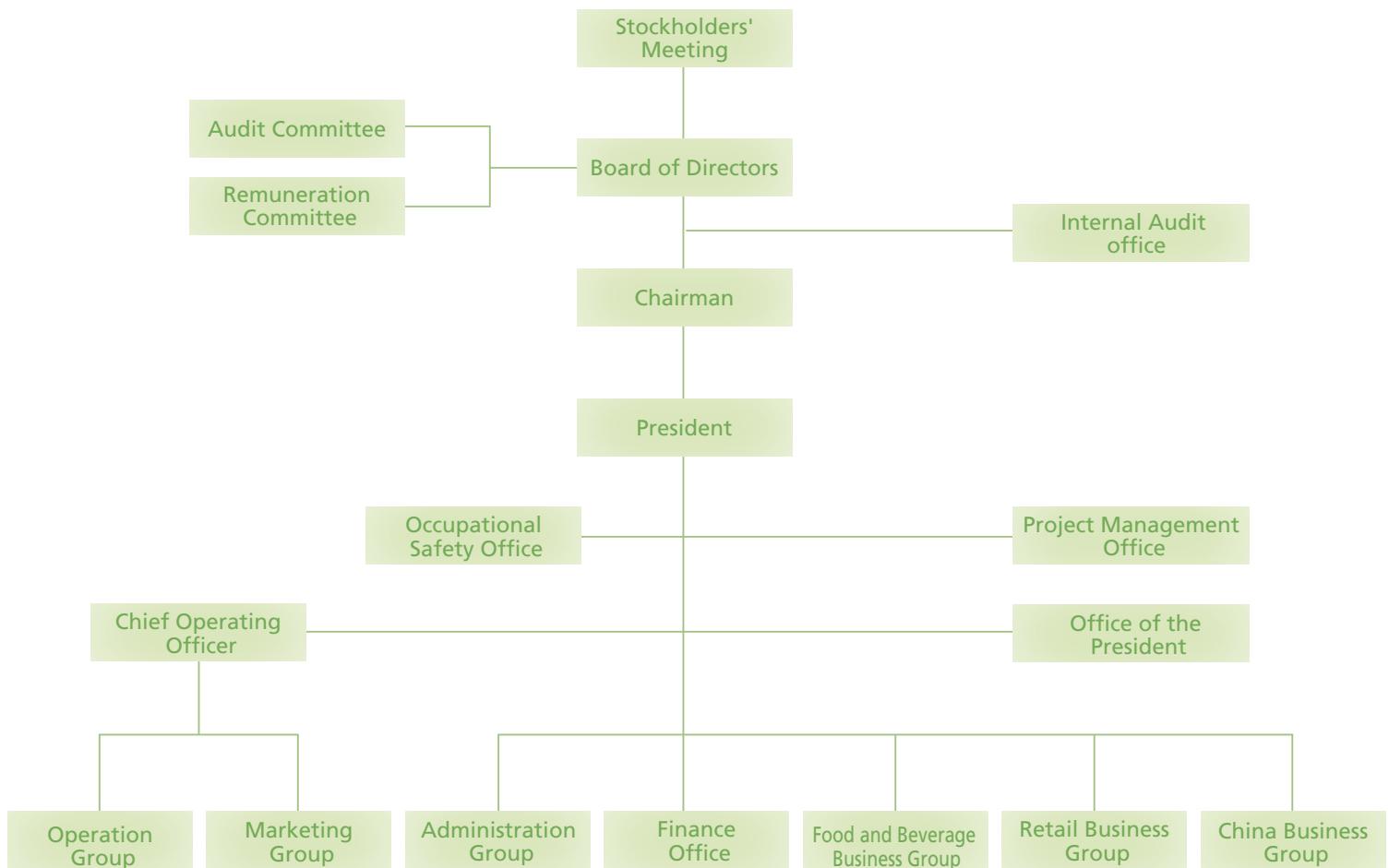
PCSC first time being ranked as one of Forbes Global 2000's top businesses around the world.

# 3 Corporate Governance

## 01. Organization

### 1-1 Organization Chart

30 April 2014



### 1-2 Responsibilities of Key Group

- China Business Group: Development and management of investment in China.
- Retail Business Group: Development and management of logistics business.
- Food and Beverage Business Group: Development and management of Food and Beverage investments.
- Office of the President: Administration of corporate management, strategic planning, and public affairs.
- 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.

- Project Management Office: Responsible for implementing projects for managers and president.
- 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.
- Occupational Safety Office: Management of staff safety and health.

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

### 2-1 Information on directors and supervisors:

#### a. Information on directors and supervisors:

30 April 2014

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 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)	Lo, Chih-Hsien (Note 1) (Note 5)	2013.12.19	3	2013.12.19	1,032,215	0.10%	1,032,215	0.10%	1,014,315	0.10%	-	-	(Note 4)	Director	Kao, Chin-Yen	Father-in-law	
														Director	Kao, Hsiu-Ling	Spouse	
Director (Representative)	Kao, Chin-Yen (Note 1) (Note 5)	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)	Chairman	Lo, Chih-Hsien	Son-in-law
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		Director	Kao, Hsiu-Ling	Daughter
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 Institutional shareholder	Kao Chyuan Investment Co. Ltd	2012.06.21	3	2009.06.10	4,538,775	0.44%	4,756,775	0.46%	-	-	-	-	-	-	-	-	-
Director (Representative)	Kao, Hsiu-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%	-	-	(1) Marymount College (2) University of Southern California	Director	Kao, Chin-Yen	Father	
														Chairman	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 Yuen 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 (Note 6)	2012.06.21	3	2012.06.21	-	-	-	-	20,000	-	-	-	PhD, Stanford Law School	(Note 4)	-	-	-
Independent director	Chen, M. David (Note 6)	2012.06.21	3	2012.06.21	-	-	-	-	-	-	-	-	PhD, University of Illinois at Urbana-Champaign, USA	(Note 4)	-	-	-
Independent director	Shu, Pei-Gi (Note 6)	2012.06.21	3	2012.06.21	-	-	-	-	-	-	-	-	PhD, National Chengchi University	-	-	-	-

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 (including Independent Directors) in Other Companies" table on 2013 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 (including Independent Directors) in Other Companies" table on 2013 Annual Report.

Note 5: Kao, Chin-Yen resigned as chairman on 19 December 2013; the Board of Directors elected Lo, Chih-Hsien be chairman.

Note 6: On June 21, 2012, the Company established the Audit Committee, which replaced supervisors.

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

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 above) 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	9	10	
Lo, Chih-Hsien			✓							✓		✓		—
Kao, Chin-Yen			✓	✓	✓					✓		✓		—
Lin, Chang-Sheng			✓		✓	✓				✓	✓	✓		—
Lin, Lung-Yi			✓		✓	✓				✓	✓	✓		—
Kao, Hsiao-Ling			✓	✓				✓		✓		✓		—
Su, Tsung-Ming	✓	✓		✓	✓					✓	✓	✓		—
Wu, Chung-Pin			✓		✓	✓				✓	✓	✓		—
Yang, Wen-Long			✓		✓	✓				✓	✓	✓		—
Chen, Jui-Tang			✓		✓	✓				✓	✓	✓		—
Lai, Nan-Bey			✓		✓	✓				✓	✓	✓		—
Wang, Wen-Yeu	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
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, juridical 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:

31 December 2013

Name of Institutional Shareholder	Principal Shareholders in PCSC Institutional Shareholders
Uni-President Enterprise Corp.	Kao Chyuan Investment Co. Ltd. (4.47%) JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency (3.44%) BNP Paribas Wealth Management Singapore Branch (2.96%), Hou, Po-Ming(2.60%), Hou, Po-Yu(2.27%), Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Funds(1.80%), Government of Singapore (1.77%), The Royal Bank of Scotland plc as Depositary of First State Global Emerging Markets Leaders Fund a sub fund of First State Investments ICVC (1.69%), Kao, Hsiao-Ling(1.64%), Liu, Hsiao-Ren (1.55%)
Kao Chyuan Investment Co. Ltd.	Kao, Hsiao-Ling (61.64%), Lo, Chih-Hsien (20.16%), Kao, Lai-Huan (13.44%), Kao, Han-Di (1.57%), Kao, Tsu-Yi (1.15%), Lo, Hsiao-Ai (1.03%), Kao, Chin-Yen (1.01%)

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:

31 December 2013

Name of Institutional Shareholder	Principal Shareholders in Institutional Shareholders
Kao Chyuan Investment Co. Ltd.	Kao, Hsiao-Ling (61.64%), Lo, Chih-Hsien(20.16%), Kao, Lai-Huan (13.44%), Kao, Han-Di (1.57%), Kao, Tsu-Yi (1.15%), Lo, Hsiao-Ai (1.03%), Kao, Chin-Yen (1.01%)

**2-2 Information on the company president, senior vice presidents, vice presidents, and division heads:**  
30 April 2014

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	(Note 2)	—	—	—
Vice President	Wang, Wen-Kui	2004.10.01	15,279	—	—	—	—	—	MBA, National Kaohsiung First University of Science and Technology	(Note 2)	—	—	—
Vice President	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	(Note 2)	—	—	—
Vice President	Lee, Chi-Ming (Note 3)	2013.08.01	1,121	—	—	—	—	—	BA, Accounting, Soochow University	(Note 2)	—	—	—
Chief Financial Officer (Vice President)	Wu, Wen-Chi	2010.04.01	556	—	737	—	—	—	BA, Accounting, University of Missouri, USA	(Note 2)	—	—	—
Accounting Division Manager	Chang, Sung-Hong (Note 3)	2013.06.17	—	—	—	—	—	—	BA, Department of Public Finance, Cheng Chi University	(Note 2)	—	—	—
Finance 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 2013 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 2013 Annual Report.

Note 3: Vice President Lee, Chi-Ming and Manager Chang, Sung-Hong assumed their offices in August and June of 2013, respectively.

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

### a. Directors and Independent Directors remuneration:

31 December 2013 / Unit: NT\$1,000

Title	Name	Director remuneration				Summation of A, B, C, and D as a % of After-Tax Income	Compensation to Directors Also Serving as Company Employees					Summation of A,B,C,D, E, F and G as a % of After-Tax Income	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)														
									PCSC	All consolidated companies		PCSC														
Director and Institutional Shareholder	Uni-President Enterprises Corp.	19,200	32,030	—	—	107,862	111,414	4,140	6,060	1.63%	1.86%	168,275	168,275	480	480	2,146	—	2,146	—	—	—	—	3.76%	3.99%	820	
Director and Institutional Shareholder	Kao Chyuan Investment Co. Ltd																									
Chairman	Lo, Chih-Hsien (Note 1)																									
Director(Representative)	Kao, Chin-Yen (Note 1)																									
Director(Representative)	Lin, Chang-Sheng (Note 1)																									
Director(Representative)	Lin, Lung-Yi (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)/Company president	Chen, Jui-Tang (Note 1)																									
Director(Representative) Senior vice president	Lai, Nan-Bey (Note 1)																									
Independent director	Wang, Wen-Yeu																									
Independent director	Chen, M. David																									
Independent director	Shu, Pei-Gi																									

Note 1: Representative of Uni-President Enterprise Corp.

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

Note 3: Includes car leasing expense for managers.

Note 4 : Earnings distribution for 2013 has not yet been approved by general shareholders meeting . These figures are based on the proposal approved by the Board.

Note 5: Compensation received for directors and supervisors of affiliated enterprises that are not consolidated into the financial statement

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

## b. President and senior vice president remuneration:

31 December 2013 / Unit: NT\$1,000

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				
President	Chen, Jui-Tang	21,576	24,196	1,393	1,393	51,628	51,628	6,148	1.00%	1.04%	—	None
Senior Vice President	Chang Jen, Yun-Huei											
Senior Vice President	Wu, Kuo-Hsuan											
Senior Vice President	Lai, Nan-Bey											
Senior Vice President	Chung, Mao-Chia											
Senior Vice President	Hsieh, Po-Chung											

Note 1: Includes car leasing expense for managers.

Note 2: Earnings distribution for 2013 has not yet been approved by general shareholders 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	—		—
NT\$5,000,000 (incl.) – NT\$10,000,000	Chang Jen, Yun-Huei; Hsieh, Po-Chung		Chang Jen, Yun-Huei; Hsieh, Po-Chung
NT\$10,000,000 (incl.) – NT\$15,000,000	Wu, Kuo-Hsuan; Lai, Nan-Bey; Chung, Mao-Chia		Wu, Kuo-Hsuan; Lai, Nan-Bey; Chung, Mao-Chia
NT\$15,000,000 (incl.) – NT\$30,000,000	Chen, Jui-Tang		Chen, Jui-Tang
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	6		6

## c. Distribution of bonuses to Company management

31 December 2013 / Unit: NT\$1,000

	Title	Name	Stock Bonus	Cash Bonus	Total	Total as a % of After-Tax Income
Management	President	Chen, Jui-Tang	—	13,485	13,485	0.17%
	Senior Vice President	Chang Jen, Yun-Huei				
	Senior Vice President	Wu, Kuo-Hsuan				
	Senior Vice President	Lai, Nan-Bey				
	Senior Vice President	Chung, Mao-Chia				
	Senior Vice President	Hsieh, Po-Chung				
	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	Tzeng, Fan-Bin				
	Vice President	Lin, Chi-Chang				
	Vice President	Lee, Chi-Ming				
	Chief Financial Officer (Vice President)	Wu, Wen-Chi				
	Finance Division Manager	Cheng, Yea-Yun				
	Accounting Division Manager	Chang, Sung-Hong				

Earnings distribution for 2013 has not yet been approved by general shareholders 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
2013(Note 1)	PCSC	3.76%	—	1.00%
	All consolidated companies	3.99%	—	1.04%
2012(Note 1)	PCSC	4.31%	0.15%	1.42%
	All consolidated companies	4.60%	0.15%	1.45%

Note 1: PCSC's net income after tax in 2013 was NT\$8,036,752,000; PCSC's net income after tax in 2012 was NT\$6,789,362,000 (Net income was based on IFRS and ROC GAPP in 2013 and 2012, separately).

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

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 are clearly specified in the company's Article of Incorporation. (Please refer to "Employees' Bonuses" and "Remuneration to Directors" on page 39.)
- (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. Implementation of Corporate governance

#### 3-1 Operations of 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 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. Lo, Chih-Hsien	7	0	100 %	Reelected on 19 December 2013
Director	Uni-President Enterprises Corp. Kao, Chin-Yen	1	6	14 %	Term as chairman ended 19 December 2013, but still held position of director
Director	Uni-President Enterprises Corp. Lin, Chang-Sheng	7	0	100 %	—
Director	Uni-President Enterprises Corp. Lin, Lung-Yi	7	0	100 %	—
Director	Kao Chyuan Investment Co. Ltd Kao, Hsiu-Ling	7	0	100 %	—
Director	Uni-President Enterprises Corp. Su, Tsung-Ming	6	1	86 %	—
Director	Uni-President Enterprises Corp. Wu, Chung-Pin	7	0	100 %	—
Director	Uni-President Enterprises Corp. Yang, Wen-Long	7	0	100 %	—
Director	Uni-President Enterprises Corp. Chen, Jui-Tang	7	0	100 %	—
Director	Uni-President Enterprises Corp. Lai, Nan-Bey	7	0	100 %	—
Independent Director	Wang, Wen-Yeu	6	1	86 %	—
Independent Director	Chen, M. David	7	0	100 %	—
Independent Director	Shu, Pei-Gi	7	0	100 %	—

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 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 six (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	6	100 %	—
Independent Director	Chen, M. David	6	100 %	—
Independent Director	Shu, Pei-Gi	6	100 %	—

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 2013, 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 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 2013, no such situations occurred. The Audit Committee and the independent auditors retained by the Company maintain strong communication.

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

Items	Implementation 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 reports any changes in shareholding by directors 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

Items	Implementation Status	Variations (if any) with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
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	<ol style="list-style-type: none"> <li>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.</li> <li>In addition to convening Shareholders' Meetings as required by law, we also drew up the Rules of Procedure for Shareholder Meetings.</li> <li>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.</li> </ol>	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 elected 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	<ol style="list-style-type: none"> <li>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 elected through a candidate nomination process. After discussion 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.</li> <li>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.</li> </ol>	Compliant
3. Rules of Procedure for Board Meetings	<p>According to PCSC's Rules of Procedure for Board Meetings:</p> <ol style="list-style-type: none"> <li>The Board must meet at least 4 times per year, with one meeting per quarter.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ol>	Compliant
4. Periodic assessment of the independence of independent auditors	<ol style="list-style-type: none"> <li>PCSC holds an annual internal evaluation of the independence of independent auditors to ensure they do not serve as Company directors, supervisors, or managers 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 independent auditors is not in doubt.</li> <li>Each year, PCSC's independent auditors provide PCSC with a Statement of Independence. PCSC also complies with rules for rotating independent auditors.</li> </ol>	Compliant
III. Establishment of communication channels with stakeholders		
	<ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol>	Compliant

Items	Implementation Status	Variations (if any) with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	<p>3. The Company has established an internal employee care group that actively works to provide effective, timely consultation and guidance to employees whenever required.</p> <p>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.</p> <p>5. PCSC has established the Integrated Services Center to serve as a centralized communication channel between PCSC, its suppliers, employees, and customers.</p>	
<b>IV. Information disclosure</b>		
1. Establishment of a public website to disclose operational, financial, and corporate governance information	PCSC has established a corporate website at <a href="http://www.7-11.com.tw">http://www.7-11.com.tw</a> , which discloses sales, financial, and corporate governance information.	Compliant
2. Other methods of information disclosure	<p>1. PCSC has established a corporate website at <a href="http://www.7-11.com.tw">http://www.7-11.com.tw</a>, 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.</p> <p>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.</p> <p>3. PCSC holds and attends annual investor conferences. The materials prepared for and multimedia files of these meetings are also posted on the company website and also on Taiwan Stock Exchange Market Observation Post System at <a href="http://mops.twse.com.tw/index.htm">http://mops.twse.com.tw/index.htm</a>.</p>	Compliant
<b>V. Operations of the Company's Nomination Committee and other functional committees</b>		
Operations of the Audit Committee	<p>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.</p> <p>2. As of publication of the Annual Report, the Company has held six Audit Committee meetings over the most recent fiscal year.</p>	Compliant
Operations of the Remuneration Committee	<p>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.</p> <p>2. As of publication of the Annual Report, the Company has held four Remuneration Committee meetings over the most recent fiscal year.</p>	Compliant
<b>VI. Discrepancies between Company corporate governance practices and the Corporate Governance Best-Practice Principles:</b>		
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.		
<b>VII. Other important information to facilitate better understanding of the Company's corporate governance practices:</b>		
<p>1. There is no spousal relationship between PCSC's Chairman and President, and they are not relatives within one degree of consanguinity.</p> <p>2. In accordance with suggested training regimes for directors and supervisors of publicly-traded companies, in 2013, PCSC arranged for directors Lo, Chih-Hsien, Kao, Chin-Yen, Lin, Chang-Sheng, Lin, Lung-Yi, Yang, Wen-Long, Su, Tsung-Ming, Kao, Hsiao-Ling, Wu, Chung-Pin, Chen, Jui-Tang to attend a 3 hour training course entitled "Using Case Studies of Malfeasance to Discuss the Director and Supervisor Law Risks and the Judicial Investigation Practices" by the Taiwan Corporate Governance Association and independent director Wang, Wen-Yeu to attend a 3 hour training course entitled "Strategies and Key Performance Indices" by the Securities and Futures Market Development Foundation.</p> <p>3. As part of the Company's continuing education program for managers, in 2013, President Chen, Jui-Tang, Senior Vice Presidents Chung, Mao-Chia and Lai, Nan-Bey, Chief Financial Officer Wu, Wen-Chi, and Financial managers attended a 3 hour course entitled "Using Case Studies of Malfeasance to Discuss the Director and Supervisor Law Risks and the Judicial Investigation Practices" by the Taiwan Corporate Governance Association and Accounting Division Manager to attend a total of 30 hours of training held by the Accounting Research and Development Foundation.</p> <p>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.</p> <p>5. PCSC has purchased liability insurance for its directors and key personnel.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>9. Corporate governance will gradually be incorporated into PCSC's subsidiaries operations in accordance with the company regulations.</p>		
<b>VIII. For any internal corporate governance evaluation or evaluation performed by a professional organization, the resulting report must state the results of the review, evaluation results (or suggestions), and improvements implemented:</b>		
In 2012, PCSC adopted a corporate governance self-appraisal system and regularly updates its self-assessment report in the market observation post system.		

### 3-4 Composition, responsibilities, and operation of the Remuneration Committee:

#### a. Remuneration Committee Members

Position	Name	Item			Independence Ranking (Note)								Number of Remuneration Committee memberships held in other public companies	Remarks	
		Has over 5 years of work experience and the below professional qualifications	Holds the position of lecturer (or above) 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	√			√	√	√	√	√	√	√	√	√	—	—
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 19 July 2012 through 20 June 2015.

As of publication of the Annual Report, there had been a total of four (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	4	0	100%	-
Member	Chen, M. David	4	0	100%	-
Member	Shu, Pei-Gi	4	0	100%	-

Other issues to be noted:

1. If the Board does not adopt or amends Remuneration Committee proposals, the Board meeting date, 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.

### 3-5 Implementation of corporate social responsibility:

Items	Implementation Status	Variations (if any) with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
<b>I. Implementation of CSR</b>	<p>1. The Company has established corporate social responsibility policies or a CSR system and reviewed the effectiveness of implementation.</p> <p>2. The Company has appointed designated personnel to implement corporate social responsibility policy.</p> <p>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.</p>	<p>1. To realize its CSR and strive to realize the objectives of economic, social, and the environmental sustainability, PCSC has formulated the Corporate Social Responsibility Best Practice Principles to serve as a basis for realizing CSR, developing a sustainable environment, safeguarding social good, and enhancing CSR information disclosure.</p> <p>2. PCSC has incorporated CSR into its operation activities and development direction and has drawn up a CSR mission which it checks regularly to ensure its effectiveness and which it continually improves. It is overseen by operational managers to ensure that the company's CSR responsibilities are carried out.</p> <p>3. PCSC has issued a regular Ethical Management Bulletin. Employees were invited to pledge to follow an honor code, thereby promoting ethical behavior as a model to the entire workforce. We also formulated the standards Governing Awards and Punishment to enforce strict discipline and moral integrity, while employees involved in interactions with outside firms are periodically roated to eliminate the risk of bribery.</p>
<b>II. Sustainable Environmental Development</b>	<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>	<p>1. PCSC has implemented a cash-for-recycling system in its stores. Empty bottles, old laptops, batteries, and even abandoned mobile phones may be dropped off for recycling. The Company is the first enterprise in Taiwan allowing recycling bonuses to be used towards store purchases and has become the largest recycling platform in Taiwan.</p> <p>2. In the area of product design, President employed the promotion and influence of its own brand names to advance the sustainable development in products, production methods, and package designs. Our 7-SELECT Extra Heat thermal clothing series, for example, employs recycled CITY CAFÉ coffee grounds as one of its materials and we introduced a number of energy saving, carbon reducing green products, including LED and concentrated laundry detergent, to encourage sustainable habits among our customers. In terms of procurement, CITY CAFÉ shopping bags, Slurpee cups, hanging cards and price cards in the refrigerated food section are all employ environmentally friendly materials. In addition, the upgrading of our third generation POS system enhances retail store operations and check out efficiency, while reducing electricity costs.</p> <p>3. Nearly 4,900 stores practice energy saving measures, accept recycling, and work to reduce waste. Furthermore, the Company has taken advantage of the power of its various channels to promote environmental protection to the public. PCSC's environmental protection responsibilities start at our retail stores and has set up a reverse logistics recycling in cooperation with JS Express Logistics, Retail Support International, and Wisdom Distribution. The Company has used the reverse logistics recycling platform for more than 16 years. In 2013, we helped to recycle 280.8 tons of batteries, 92.7 tons of CDs, 11,420 old notebook computers, 188 thousand of discarded cell phones, and 259 thousand of battery chargers. Since the implementation of this program in April of 2010, we have collected enough materials to circle Taiwan 378 times.</p> <p>4. PCSC has a waste recycling team and a comprehensive waste recycling process. Dry batteries and CDs for recycling are packed in specially-designed sealable bags to prevent secondary contamination. Heavy-duty recycling bags are used for packing used notebooks and mobile phones to ensure the bags will not open during transportation. Through reverse logistics, the Company delivers the items for processing to professional, licensed treatment plants that have been rigorously screened.</p> <p>5. As the leader in Taiwan's retail industry, in 2011, PCSC took it upon itself to set greenhouse gas reduction targets. By 2015, we will reduce the greenhouse gas emissions of our operations by 5% over those of 2010. Furthermore, having led the industry in implementing interdepartmental greenhouse gas inventories and expanded its logistics related operations to include Retail Support International, JS Express Logistics, Uni-President Cold-Chain, Wisdom Distribution Service, and President Transnet in 2011. In 2013, PCSC began its comprehensive employment of green logistics, incorporating a digital driving record management system that employs upgraded management functions, including GPS and a monitoring mechanism to reduce the use of gasoline, a temperature control system, and functions for making driving safer. It will also employ a combined delivery and integrated mechanism to optimize performance, reducing carbon emissions by about 4,000 tons, which is tantamount to saving over 1.5 million liters or gas, each year. It is PCSC's hope that in doing so, it can set the example for other companies in Taiwan's logistics and transportation industry, thereby launching a new era in green logistics in Taiwan.</p> <p>6. Starting with its stores, PCSC integrated seven major green engineering concepts, including power management, light design, air conditioning, improved ice-making equipment, environmentally friendly construction materials, better construction methods, and water saving equipment as well as changing power saving equipment to more efficiently save power and reduce carbon emissions.</p>
<b>III. Promotion of Social Welfare</b>		

Items	Implementation Status	Variations (if any) with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies		
<ol style="list-style-type: none"> <li>1. PCSC 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.</li> <li>2. PCSC provides employees with a safe and healthy work environment and regularly implements safety and health education programs for employees.</li> <li>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.</li> <li>4. PCSC has established and publicized its consumer protection policy and has established an effective and transparent consumer complaint filing procedure.</li> <li>5. PCSC works in collaboration with its suppliers to jointly upgrade CSR.</li> <li>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.</li> </ol>	<ol style="list-style-type: none"> <li>1. To comply with relevant labor laws and provide a safe, comfortable working environment where employees' rights are protected and respected, PCSC established the "PCSC Labor Rights Policies" based on such documents as the International Labour Conventions. In 2012, PCSC launched labor auditor training and in 2013, 60 employees in 20 branches of affiliated enterprises, including 7-ELEVEN, have already completed the course and worked to improve workplace safety.</li> <li>2. The Company provides employees with comprehensive education and training programs and an outstanding benefit regime (which includes subsidies for physical examinations and marriage), showing our care for employees and improving their physical and mental health. PCSC launched its "Health Management Program" to provide employees supplementary health services and held health promotion activities for employees and hired a specialized nurse practitioner to provide health counseling. PCSC further employed health education campaigns, such as its "Health Passport", e-newsletters, and lectures, to encourage employees to manage their personal health and create a warm, harmonious, and safe working environment.</li> <li>3. To encourage direct communication between employees and managers, PCSC established the Integrated Services Center and e-mailbox enabling employees to get timely answers to their questions. In addition, the Company set up an internal suggestion system, which allows employees to bring their opinions and suggestions about company operations directly to management. Our internal communication platform also sends out important messages directly to employees.</li> <li>4. The Company set up the Integrated Services Center, which enables PCSC's vendors, customers, and employees to express their opinions via our toll free hotline (0800-008-711) or email (public@mail.7-11.com.tw.). By coordinating all service inquiries through the Integrated Services Center, a dedicated staff member can help to ensure that the matter is handled quickly and to meet the caller's satisfaction.</li> <li>5. PCSC has not only incorporated CSR into its own operations, it worked with suppliers so that together we can further implement our CSR. As to the management of suppliers, beginning in 2008, prior to cooperating with new engineering, IT equipment, and general suppliers, PCSC provided CSR self-rating surveys that deal with workplace safety and health conditions, employee freedom, legal employment relations, equality, and environmental protection. When necessary, PCSC sends procurement specialists to the workplaces of suppliers to carry out evaluations. To carry out CSR purchases, PCSC encourages suppliers to take it upon themselves to adhere to fundamental principles, including freedom of choice in employment and providing equal employment opportunities and remuneration, concepts that we have included in all of our annual contract. We plan to incorporate CSR into our annual supplier assessments, so that together with our suppliers, we can strive toward a future characterized by sustainable development.</li> <li>6. For the benefit of area residents, PCSC would like our stores to become true community service centers. The President Chain Store Good Neighbor Foundation launched a series of Good Neighbor Club activities and in 2013 a total of 577 activities were held throughout Taiwan attended by over 76,000 people. Through these diverse and entertaining activities, we are building unforgettable memories within our community.</li> </ol>	Compliant		
IV. Strengthening information disclosure				
<ol style="list-style-type: none"> <li>1. The relevance and reliability of information disclosed about Company CSR.</li> <li>2. The Company has compiled a report disclosing our various efforts towards meeting our CSR.</li> </ol>	The Company publishes a CSR Report in both English and Chinese once every other year, which is disclosed on the official website, <a href="http://www.7-11.com.tw">http://www.7-11.com.tw</a> . In 2010, PCSC began using the GRI G3 for our CSR report, improving comparability and comprehensiveness.	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.				
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. 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.				
VI. Other important information for facilitating the understanding of CSR and its implementation:				
<ol style="list-style-type: none"> <li>1. 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 three years, we closed some stores to the public and invited young disaster survivors to shop, while PCSC picked up the bill. Our ibon kiosks now feature a cloud donation platform that enables smaller groups with fewer resources to set up donation programs. In 2013, the ibon charity donation platform helped 23 groups to gather donations. In the same year, donations to in-store change collection boxes and through ibon kiosks totaled NT\$180 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.</li> <li>2. 7-ELEVEN headquarters and stores also support employing the mentally and physically challenged. In order to help them become more independent, we provide them stable employment opportunities. In July 2013, 7-ELEVEN rolled out its "Employment Opportunity Match-up Platform for the Disabled" which brings together 7-ELEVEN's human resources network mechanism and the United Way to provide an employment medium specifically for the mentally and physically challenged.</li> <li>3. Other PCSC businesses, including its logistics enterprises, have spared no effort in reducing their power consumption and carbon emissions and for quite some time, have been continually working to reduce the number of trips needed to make deliveries, set up a maintenance mechanism to increase transportation efficiency and has employed many approaches, including combined delivery and upgrading logistics equipment, to enhance performance and reduce potential impact on the environment.</li> </ol>				
VII. If Company products or CSR report have received certification from relevant certification bodies, please detail below:				
To provide quality fresh foods, 7-ELEVEN has been working with local farmers and produce suppliers using traceability system and GAP certification. In addition, 7-ELEVEN invested in product testing process, bringing together business resources like SGS and in 2012, we set up a quality testing lab in the hopes of bringing ourselves in step with technology used internationally so as to create a comprehensive food safety protection mechanism.				

### 3-6 Ethical corporate management at the Company and related implementation:

Items	Implementation Status	Variations (if any) with the Taiwan Corporate Conduct and Ethics
1. Establishment of ethical corporate management policies and programs	<p>a. 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>b. The Company has established programs to prevent unethical conduct and the programs include relevant procedures, conduct guidelines, and education.</p> <p>c. 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>	<p>1. The Company complies with the Company Act and all applicable legal rules governing companies listed on the TSE or GreTai, which serves as the foundation of our implementation of ethical corporate management.</p> <p>2. The Company publishes an Ethical Management Bulletin and our Chief Auditor also serves as PCSC's Ethics Officer responsible for launching company-wide ethics management activities. Employees were invited to pledge to follow an honor code, thereby promoting ethical behavior as a model to the entire workforce. In addition, each quarter the Company publicizes specific ethics management cases to assist employees in internalizing ethical standards and creating a strong moral culture at PCSC.</p> <p>3. PCSC formulated the Standards Governing Awards and Punishment to enforce strict discipline and moral integrity, while employees involved in interactions with outside firms are periodically rotated to eliminate the risk of bribery.</p>
2. Implementing ethical corporate management	<p>a. 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>b. Establishment of a dedicated ethical corporate management position and implementation of Board oversight.</p> <p>c. Company formulation of a policy to prevent conflicts of interest and provides appropriate ways to record any potential conflicts found.</p> <p>d. In order to implement ethical corporate management, the Company should establish an effective accounting and internal control system, and review internal auditing implementation.</p>	<p>1. To ensure that both parties to any transaction act in an ethical manner, as to protect their common interests, PCSC has created an honesty affidavit, which is part of every contract. Any request for an improper benefit by a Company employee or supplier must immediately be reported orally or in writing to the PCSC Internal Audit Office. In 2013, the Company's Legal Department incorporated articles regarding ethical corporate management and bribery in our standard chain store contract.</p> <p>2. The Chief Auditor also serves as PCSC's Ethics Officer responsible for launching company-wide ethics management activities. Employees were invited to pledge to follow an honor code, thereby promoting ethical behavior as a model to the entire workforce. In addition, each quarter the Company publicizes specific ethics management cases to assist employees in internalizing ethical standards and creating a strong moral culture at PCSC.</p> <p>3. PCSC's Board of Directors Meeting Procedures state that 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.</p> <p>4. In accordance with the law, PCSC established an effective accounting and internal control systems and internal auditors routinely conduct compliance tests and employ a self-check system to ensure effectiveness of risk control mechanisms and prepare audit reports to be submitted to the Board for passage.</p>
3. 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.		Compliant
4. Improving information disclosure	a. The Company has set up a website that discloses ethical corporate management related matters. b. The Company utilizes other information disclosure methods (including setting up an English website, appointing dedicated personnel to collect and disclose information on the website).	PCSC has set up an investor relations website which discloses information regarding ethical corporate management including operations of the Remuneration and Audit Committees and the Board of Directors. We have also set up an English version of the site to enable overseas investors to learn more about our corporate governance. Finally, the Company has appointed dedicated personnel to collect and disclose information on our website.
5. 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.		Compliant
6. 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. In addition, PCSC's affiliated enterprises also achieve integrity in business operations in accordance with Company regulations.		

**3-7 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 and the 7-ELEVEN Spokesperson System 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.

**3-8 Status of internal control system implementation:**

1. Internal Control Declaration: Please refer to 2013 Annual Report.

2. If the company has commissioned external auditors to review the company's internal control system, the external auditor's report should be disclosed: None.

**3-9 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.****3-10 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 2013 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 17 June 2013. The below resolutions were voted on at the meeting:

(1) Approval of the financial report for 2012: including business report, financial statements, and distribution of 2012 profits.

Result: Resolution passed.

(2) Proposal on the distribution of 2012 profits: the Company had distributable income amounting to NT\$6,577,692,987 and proposed to pay a cash dividend of NT\$4.85 per share.

Result: Resolution passed and a cash dividend of NT\$4.85 was paid out on September 5, 2013.

(3) Amendment to the Articles of Incorporation

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

(4) Amendment to the Procedures for Governing Loans to Others

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

(5) Amendment to Board of Directors Meeting Procedures

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

b. Major resolutions approved at Board Meetings:

(The capital increases for President Chain Store (Shanghai) Ltd., termination of operation of President Cosmed Chain Store(Shen Zhen) Co.,Ltd. and Sato(Shanghai) Catering Mathematics Co.,Ltd., and disposal of Wuhan Uni-President Oven Fresh Bakery Corp., Vietnam Uni-mart Markets are currently being implemented, while the Company's 2013 earnings and dividend distribution proposal, the capital surplus distribution proposal, handling procedures for acquiring and disposing assets, and resolution regarding the removal of non-competition restrictions for PCSC directors must be approved at the 2014 Shareholders' Meeting. All other resolutions have completed execution.)

During the fiscal year 2013 and as the date of the publication of the annual report, seven Board Meetings were convened. Major resolutions approved at these meetings are summarized below:

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

- Approved the Innolux Corporation share disposal.
- Approved 2012 financial statements, consolidated financial statement, and business reports.
- Approved the 2012 asset impairment.

- Approved the 2012 profits distribution proposal.
- Approved the 2012 dividend distribution proposal.
- Presentation of the 2012 PCSC Internal Control Statement.
- Approved amendments to the Articles of Incorporation.
- Approved amendments to the Procedures for Governing Loans to Others.
- Approved amendments to the Rules of Procedure for Shareholder Meetings.
- 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 Corp.
- 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.

(2) 6th meeting of the 10th Board (Date: 9 May 2013)

- Approved the resolution to transfer one share of a portion of the Company subsidiaries to Ren-Hui Investment Corp.
- Approved the resolution to cancel the company's NT\$21 million endorsement of Uni-President Department Store Corp.
- Report of the resolutions approved at the 2nd meeting of the 2nd Remuneration Committee.
- Approved the removal of Company branches.
- Approved the date and venue for the 7th meeting of the 10th Board.

(3) 7th meeting of the 10th Board (Date: 17 June 2013)

- Approved the resolution to cancel the company's NT\$50 million endorsement of Wisdom Distribution Service Corp.
- Approved the resolution to renewing liability insurance for the directors and key employees.
- Approved the ex-dividend date and record date of 2012 cash dividend distribution.
- Approved capital increases of NT\$120 million for President Being Corp.
- Approved sales of all equities in Rakuten Taiwan Co., Ltd.
- Approved the motion on the application for the renewal of credit limits from financial institutions.
- Approved the establishment, change, and removal of Company branches and stores in 2013.
- Approved the motion regarding transfer of personnel to meet operational needs.
- Approved the date and venue for the 8th meeting of the 10th Board.

(4) 8th meeting of the 10th Board (Date: 8 August 2013)

- Approved auditing fees for independent auditor in 2013.
- Approved the proposal to cancel the endorsement of NT\$24.1 million for Q-Ware Systems & Services Corp.
- Approved the establishment, change, and removal of Company branches and stores in 2013 proposal.
- Approved the date and venue for the 9th meeting of the 10th Board.

(5) 9th meeting of the 10th Board (Date: 8 November 2013)

- Approved the change and removal of Company branches and stores in 2013 proposal.
- Approved the date and venue for the 10th meeting of the 10th Board.

(6) 10th meeting of the 10th Board (Date: 19 December 2013)

- Approved the transfer of one share of President Musashino Corp. to Ren-Hui Investment Corp.
- Approved the sale of all equities in Global Strategic Investment Inc.
- Approved the corporate donation of US\$100,000 in relief for the Philippines after it was hit by a strong typhoon.
- Presented 2014 audit plan.
- Approved the sale of all equities in Muji (Taiwan) Co., Ltd.
- Approved the proposal to endorse Mister Donut Shanghai Co., Ltd.
- Approved the motion on the application for the renewal of credit limits and new applications from financial institutions.
- Report of the resolutions approved at the 3rd meeting of the 2nd Remuneration Committee.
- Approved the proposal for planned donation in 2014.
- Approved the establishment, change, and removal of Company branches and stores in 2014.
- Approved the date and venue for the 11th meeting of the 10th Board.

(7) 11th meeting of the 10th Board (Date: 20 March 2014)

- Approved 2013 financial statements, consolidated financial statement, and business reports.
- Approved the 2013 asset impairment.

- Approved the 2013 profits distribution proposal.
- Approved the 2013 dividend distribution proposal.
- Approved the 2013 capital surplus distribution proposal.
- Presentation of the 2013 PCSC Internal Control Statement.
- Approved the 2014 "7-ELEVEN Internal Control System" amendment.
- Approved amendment to " Procedures for Acquisition and Disposal of Assets" .
- Approved proposal to use iCASH business, assets, and new shares to invest in the iCASH Corp.
- Approved the sale of of Wuhan Uni-President Oven Fresh Bakery Corp.
- Approved the resolution to transfer one share of a portion of the Company subsidiaries to Ren-Hui Investment Corp.
- I. Approved the change of independent auditors.
- Approved the motion on the application for the renewal of credit limits and new applications from financial institutions.
- Approved the motion to change the custodian of the Company's official chop.
- Approved the motion for severance pay and a remuneration package for the chairman.
- Approved amendment on remuneration package standard for the chairman.
- Approved resolution regarding the removal of non-competition restrictions for PCSC directors.
- Approved the right of shareholders to make proposals and related procedures.
- Approved the 2014 establishment, change, and removal of Company branches and stores proposal.
- Approved the date and venue for the 12th meeting of the 10th Board.
- Approved the proposed agenda for 2014 Shareholders' Meeting.

3-11 Differing opinions in records or written statements from directors or supervisors regarding important resolutions made by the Board in the most recent year and through the publication of the Annual Report: None

3-12 The following chart is a summary of the resignations and dismissals of the chairman, president, accountant division manager, chief financial officer, internal auditing manager, and R&D manager during the last year and up to the time of printing:

30 April 2014

TITLE	NAME	DATE ASSUMED POSITION	DATE RELIEVED OF POSITION	REASON FOR RESIGNATION OR DISMISSAL
CHAIRMAN	KAO, CHIN-YEN	1987.06.10	2013.12.19	RESIGNED
Accounting Division Manager	LAI, HSIN-TI	2001.04.01	2013.06.17	REASSIGNED

## 04. Independent auditors

### 4-1 Audit fees

Auditing Firm	Auditor Names		Audit Period	Remark
PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	Tseng, Hui-Chin	Fiscal Year 2013	—

Unit: NT\$1000

Expense Scale	Fee Category	Audit Fees	Non-Audit Related Fees	Total
1	Less than NT\$2 million	—	—	—
2	NT\$2 million - NT\$4 million	—	2,684	2,684
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	13,878	—	13,878
Total		13,878	2,684	16,562

Unit: NT\$1,000

Auditing Firm	Auditors	Audit Fees	Non-Audit Related Fees					Audit Period	Remark
			System Design	Business Registration	Human Resources	Other (Note 2)	Subtotal		
PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	13,878	-	-	-	2,684	2,684	Fiscal Year 2013	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	Jan. 1, 2014
Reasons for replacement	Internal adjustments at PRICEWATERHOUSECOOPERS
Explain why the previous auditor was terminated or refused to accept the assignment	None
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	None
(Article X- (V)-1- (4) of this standard shall be disclosed)	None

b.Regarding the new auditors:

Auditing Firm	PRICEWATERHOUSECOOPERS
Auditors	Chou, Chien-Hung
Appointment Date	Jan. 1, 2014
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: None.**

## 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	2013		This year as of 30 April	
		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	218,000	0	0	0
Chairman	Lo, Chih-Hsien	0	0	0	0
Director	Kao, Chin-Yen	0	0	0	0
Director	Lin, Chang-Sheng	0	0	0	0
Director	Lin, Lung-Yi	0	0	0	0
Director	Kao, Hsiao-Ling	0	0	0	0
Director	Su, Tsung-Ming	0	0	0	0
Director	Wu, Chung-Pin	0	0	0	0
Director	Yang, Wen-Long	0	0	0	0
Director/President	Chen, Jui-Tang	0	0	0	0
Director/Senior Vice President	Lai, Nan-Bey	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	0	0	0	0
Senior Vice President	Chang Jen, Yun-Huei	0	0	0	0
Senior Vice President	Chung, Mao-Chia	0	0	0	0
Senior Vice President	Hsieh, Po-Chung	0	0	0	0
Vice President	Hsieh, Lien-Tang	0	0	0	0
Vice President	Chang, Chia-Hua	0	0	0	0
Vice President	Hong, Gin-Guu	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	0	0	0	0
Vice President	Lin, Chi-Chang	0	0	0	0
Vice President	Lee, Chi-Ming (Note 1)	0	0	0	0
Chief Financial Officer(Vice President)	Wu, Wen-Chi	0	0	0	0
Finance Division Manager	Cheng, Yea-Yun	0	0	0	0
Accounting Division Manager	Chang, Sung-Hong (Note 1)	0	0	0	0
Accounting Division Manager	Lai, Hsin-Ti (Note 1)	0	0	0	0

Note 1: Due to internal position adjustments, Vice President Lee, Chi-Ming assumed position in August 2013, Accounting Division Manager Chang, Sung-Hong assumed position in June, relieving Accounting Division Manager Lai, Hsin-Ti.

### 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 and their shareholding percentages:

30 April 2014

Name	Shares Held Personally		Shares Held by Spouse or Minor Children		Shares Held by Nominee Agents		Name and Relationship 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: 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: 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: 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	—
MATTHEWS INTERNATIONAL FUNDS	26,989,608	2.60%	0	0.00%	0	0.00%	None	None	—
PCSC Employees Benefits Trust account in the custody of China Trust Commercial Bank	17,523,162	1.69%	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	17,318,208	1.67%	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	16,746,776	1.61%	0	0.00%	0	0.00%	None	None	—
Government of Singapore	14,724,044	1.42%	0	0.00%	0	0.00%	None	None	—
Fubon Life Insurance Co., Ltd.	10,290,000	0.99%	0	0.00%	0	0.00%	None	None	—
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	10,021,508	0.96%	0	0.00%	0	0.00%	None	None	—
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	9,909,647	0.95%	0	0.00%	0	0.00%	None	None	—
JPMorgan Chase Bank N.A. Taipei Branch in custody for Fleming Investment Management Limited	9,640,000	0.93%	0	0.00%	0	0.00%	None	None	—

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

31 December 2013/Unit: Shares, %

Affiliated Enterprises	PCSC Investment		Direct or Indirect Ownership by Directors, Supervisors, and Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
PCSC (BVI) Holdings Ltd.	138,899,066	100.00%	-	0.00%	138,899,066	100.00%
PCSC (China) Drugstore Ltd.	8,746,008	100.00%	-	0.00%	8,746,008	100.00%
President Drug Store Business	40,000,000	100.00%	-	0.00%	40,000,000	100.00%
21 Century Enterprise Co., Ltd.	10,000,000	100.00%	-	0.00%	10,000,000	100.00%
Ren-Hui Investment Corp.	10,000	100.00%	-	0.00%	10,000	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%
President Being Corp.	1,500,000	100.00%	-	0.00%	1,500,000	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%
iCASH Corp.	30,000,000	100.00%	-	0.00%	30,000,000	100.00%
President Musashino Corp.	48,519,890	90.00%	1	0.00%	48,519,891	90.00%
Q-Ware Systems & Services Corp.	24,382,921	86.76%	1	0.00%	24,382,922	86.76%
President SATO Co., Ltd.	4,859,999	81.00%	1	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.	22,121,962	73.74%	1	0.00%	22,121,963	73.74%
President Transnet Corp.	77,699,999	70.00%	22,200,001	20.00%	99,900,000	90.00%
President Collect Services Co., Ltd	1,050,000	70.00%	-	0.00%	1,050,000	70.00%
Uni-President Department Store Corp.	55,999,999	70.00%	24,000,001	30.00%	80,000,000	100.00%
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%	1	0.00%	25,714,476	86.00%
Bank Pro E-Service Technology Co., Ltd.	7,874,999	58.33%	1	0.00%	7,875,000	58.33%
Duskin Serve Taiwan Co.	10,199,999	51.00%	1	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%	1	0.00%	10,000,000	50.03%
Mister Donut Taiwan Corp.	8,791,267	50.00%	1	0.00%	8,791,268	50.00%
Muji (Taiwan) Co., Ltd.	16,515,169	51.00%	1	0.00%	16,515,170	51.00%
President Organic Corp.	1,833,333	36.67%	2,833,333	56.67%	4,666,666	93.34%
President Coffee Corp.	10,691,337	30.00%	7,127,558	20.00%	17,818,895	50.00%
Retail Support International Corp.	6,430,000	25.00%	5,144,000	20.00%	11,574,000	45.00%
Uni-President Development Corp.	72,000,000	20.00%	108,000,000	30.00%	180,000,000	50.00%
President Technology Corp.	750,000	15.00%	-	0.00%	750,000	15.00%

# 4 Fund Raising

## 01. Capital and shares

### 1-1 Capitalization:

a. Shares issued:

As of April, 30 2014 / Units: NT\$; 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, 2014 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 2014 / Units: NT\$; Shares

Shareholder Quantity	Government Agencies	Financial Institutions	Other juridical persons	Individuals	Foreign Institutions and Individuals	Total
Number of Shareholders	1	3	180	18,115	841	19,140
Shares Held	5	221,881	560,076,955	35,946,154	443,377,260	1,039,622,255
Holding Percentage	0.00%	0.02%	53.87%	3.46%	42.65%	100%

### 1-3 Distribution of shareholders:

April, 30 2014 / Par value NT\$10

Tiers of Shareholding	No. of Shareholders	Total Shares Held	Holding Percentage
1 至 999	9,664	2,007,757	0.19%
1,000 至 5,000	7,446	13,774,283	1.33%
5,001 至 10,000	732	5,291,380	0.51%
10,001 至 15,000	245	3,024,394	0.29%
15,001 至 20,000	102	1,826,352	0.18%
20,001 至 30,000	170	4,274,730	0.41%
30,001 至 50,000	150	5,870,666	0.57%
50,001 至 100,000	176	13,011,404	1.25%
100,001 至 200,000	146	20,698,394	1.99%
200,001 至 400,000	90	25,268,364	2.43%
400,001 至 600,000	51	24,733,390	2.38%
600,001 至 800,000	27	18,412,885	1.77%
800,001 至 1,000,000	21	19,012,597	1.83%
1,000,001 以上	120	882,415,659	84.88%
合計	19,140	1,039,622,255	100%

**1-4 Major shareholders:**

April, 30 2014

Shareholders	Shares	Number of Shares Held	Holding Percentage
Uni-President Enterprises Corp.	471,996,430	45.40%	
MATTHEWS INTERNATIONAL FUNDS	26,989,608	2.60%	
PCSC Employees Benefits Trust account in the custody of China Trust Commercial Bank	17,523,162	1.69%	
National Westminster Bank plc as Depositary of First State Asia Pacific Leaders Fund a sub fund of First State Investments ICVC	17,318,208	1.67%	
National Westminster Bank plc as Depositary of First State Global Emerging Markets Leaders Fund a sub fund of First State Investments ICVC	16,746,776	1.61%	
Government of Singapore	14,724,044	1.42%	
Fubon Life Insurance Co., Ltd.	10,290,000	0.99%	
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	10,021,508	0.96%	
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	9,909,647	0.95%	
JPMorgan Chase Bank N.A. Taipei Branch in custody for Fleming Investment Management Limited	9,640,000	0.93%	

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

Unit: NT\$

Item	Year	2012	2013	As of April, 30 2014
Market Price per Share	Highest	172	229	228
	Lowest	135	154	181
	Average	157.11	192.50	200.94
Net Value per Share	Before Distribution	20.04	22.84	25.67
	After Distribution	15.19	(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)	5.69	7.73	2.86(Note 3)
	Earnings per Share (Diluted)	5.69	(Note 1)	—
Dividend per Share	Cash Dividends	4.85	6.00(Note 2)	—
	Stock Dividends	0	(Note 1)	—
		0	(Note 1)	—
	Accumulated Undistributed Dividends	0	(Note 1)	—
Return on Investment	Price/Earning Ratio	27.61	24.90	—
	Price/Dividend Ratio	32.39	(Note 1)	—
	Cash Dividend Yield Rate	3.09%	(Note 1)	—

Note 1: The earnings distributions for 2013 and the first quarter of 2014 have not yet been approved by the Shareholders' Meeting.

Note 2: The Board passed a resolution stating that 2013 per share cash dividends would include NT\$5.15 in earnings distribution and NT\$0.85 of capital surplus.

Note 3: Earnings per Share (EPS) in the first quarter of 2014 was NT\$2.86.

**1-6 Dividend policy and implementation:****a. Dividend policy:****(1) Dividend policy and implementation**

Each year, if the Company is found to have a surplus, by law, said surplus is first to be used to offset any previous losses and to pay for any income tax owed. If there is still a surplus, by law, after 10% must be reserved or reversed into a special reserve, it will be considered distributable surplus for the current year and distributable surplus for the current year plus the undistributed surplus from the prior year will be the accumulated distributable surplus. 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

1. Director 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: 50-100% of the accumulated distributable surplus, 50-100% of which is to be issued as cash dividends, while the remainder is to be undistributed surplus.

(2) PCSC business is growing stably. Taking the capital requirements and profitability of the Company into consideration, the Company's profit distribution over the next 3 years will consist primarily of cash dividends. In accordance with the rules of the Articles of Incorporation, 50%~100% are to be issued in the form of cash dividends.

b. The distribution of 2013 profit approved by the Board of Directors will be submitted to the 2014 annual Shareholder's Meeting for approval. The proposal finalized by the Board of Directors on March 20, 2014 is as follows: allocating NT\$5,354,054,613 from the 2013 accumulated distributable earning to be issued as cash dividends, distributing NT\$5.15 per share; in addition, allocating NT\$883,678,916 from capital reserves to be distributed as cash to shareholders, distributing NT\$0.85 per share. After the approval at the Shareholder's Meeting, the Board of Directors shall set an ex-dividend date and distribution record 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 2014 financial forecasts. Under the decree of Tai-Tsai-Tzeng (1) Letter No. 00371 issued on February 1, 2000, PCSC is not obligated to disclose this information.

#### **1-8 Employee bonuses and director and supervisor remuneration**

a. According to PCSC's Articles of Incorporation, if the Company is found to have a surplus, by law, said surplus is first to be used to offset any previous losses and to pay for any income tax owed. If there is still a surplus, by law, after 10% must be reserved or reversed into a special reserve, it will be considered distributable surplus for the current year and distributable surplus for the current year plus the undistributed surplus from the prior year will be the accumulated distributable surplus. 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. 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 2013 as employee bonuses and remuneration for the directors:

(1) The Board proposed allocating the amount of NT\$323,586,878 as employee bonuses and the amount of NT\$107,862,293 as remuneration for directors.

(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	\$ 323,587
Remuneration to Directors	\$ 107,862
Earnings per Share: (Unit: NT\$)	
EPS after Bonuses and Remuneration	\$ 7.73

c. Distribution of earnings in 2012 as employee bonuses and remuneration to directors and supervisors:

PCSC's earnings in 2012 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	\$ 391,722
Remuneration to Directors and Supervisors	\$ 130,574

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 2012 financial statement, employee bonuses totaled NT\$ 391,721,706, while remuneration for directors and supervisors totaled NT\$130,573,902. These amounts are consistent with the amounts approved by the Shareholders' Meeting.

f. The top 10 recipients of employee bonuses in 2012 are listed below with the amount distributed:

	Title	Name	Value of Stock Dividend	Cash Dividend	Total
Management	President	Chen, Jui-Tang	-	11,523	11,523
	Senior Vice President	Chang Jen, Yun-Huei			
	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-Kuei			
	Vice President	Lee, Chi-Ming			
	CFO (Vice President)	Wu, Wen-Chi			
	Accounting Division Manager	Lai, Hsin-Ti			
	Finance 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-Shen			

### 1-9 Share buyback: None

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

2-1. Issuance of corporate bonds: None

2-2. Issuance of preferred shares: None

2-3. Global depository receipts: None

2-4. Employee stock option plan: None

2-5. Employee restricted stock plan: None

2-6. Issuance of new shares to merge with or acquire other companies: None

## 03. Status of capital utilization plan

### 3-1. Capital projection:

Any incomplete share issuance or private placement or any completed share issuance or private placement over the past three years from which benefits have not yet been reported as of March 31, 2014: None

### 3-2. Status of implementation:

Analysis of the purpose of each capital investment project as of March 31, 2014 and comparison of implementation with the originally anticipated benefits: None

# 5 Operating Highlights

## 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)I201010 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 Electronic 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)I101090 Food consultancy
- (46)IZ09010 Management system verification
- (47)J701020 Amusement parks
- (48)F102040 Wholesale of nonalcoholic beverages
- (49)F102170 Wholesale of food and grocery
- (50)F106020 Wholesale of articles for daily use
- (51)I103060 Management consulting services
- (52)J304010 Book publishers
- (53)J303010 Magazine and periodical publication
- (54)IZ12010 Manpower services
- (55)JA03010 Laundry services
- (56)F201010 Retail sale of agricultural products
- (57)F501990 Other food or beverage establishment not elsewhere classified

#### b. The revenue and the percentage of overall business over the past two years

Unit: NT\$1,000

Major Business	Revenue and percentage of overall business			
	2012		2013	
	Revenue	Percentage	Revenue	Percentage
Convenience stores	123,781,149	64.27%	126,106,071	62.86%
Retail Business	49,323,592	25.61%	55,703,682	27.77%
Logistics Business	3,527,467	1.83%	2,461,596	1.23%
Other Business	15,970,762	8.29%	16,339,490	8.14%
Total Consolidated Revenues	192,602,970	100%	200,610,839	100%

#### c. Present and future products and services

As part of 7-ELEVEN's commitment to the safety of our food products, we have accelerated the expansion of the safe food and beverage proposal, continued our produce, meats, and rice contractual relationships, and entered the area of fruit source management, and employs farm-to-table philosophy and contract farming model with local farmers to enhance source control. In addition, we employ advanced technologies, including cold food storage, to ensure the quality and taste of our fruit. We select only the best produce to ensure that our customers can enjoy quality fresh fruit as we become the most convenient and trustworthy purveyor of quality fruit.

Due to the strong competition on Taiwan's coffee market, 7-ELEVEN launched a program to upgrade the quality of its CITY CAFÉ. This program included introducing new brand visuals, coffee beans, and a team of specialists to provide a look and a taste that the public enjoys. Starting with the 48th Golden Horse Awards, ceremony organizers designated ours as the only official coffee for three consecutive years. In 2012, we set up Music Garden " which employs real and virtual

space to promote music performances by Taiwanese musicians. In 2013, we worked with the Taipei Fine Arts Museum to help it celebrate its 30th anniversary, inviting the public to visit the museum and enjoy the art for free every Friday. We later launched a program promoting Taiwanese movies, design, and art to help young people identify more closely with CITY CAFÉ products as we became an important force to help businesses support Taiwan's cultural and creative industries. In the development of our 7-SELECT series of products, noting the habits and needs of the Taiwanese in terms of food preparation and dining as well as in the areas of get-togethers and seasonal events, in 2013, we introduced our refrigerated food Homeal series consisting of complete meals with main dishes, seafood, meat dishes, and soup designed for small families with two to three individuals. Customers only need to warm them up to enjoy a tasty meal that tastes home-cooked. In addition, we offer combo meals which come with four dishes, a main dish, and a soup or four dishes that go great with alcoholic beverages that can be ordered for next day pick up.

In light of Taiwan's thriving e-commerce industry, to provide the public with more convenient e-commerce service, 7-ELEVEN continued to expand its digital service platform. The ibon services originally only found in our stores were made available online and on digital devices like cell phones. Moreover, we are now working with TransAsia Airways in a program that allows consumers to book tickets on ibon, making ibon Taiwan's largest transportation ticket sales platform.

As we look towards 2014, PCSC will continue focusing on the take-away food market, keeping our finger on the pulse on consumer preferences and trends as we take the initiative to offer an assortment of tasty fresh quality foods that customers can enjoy safely.

## 1-2. General economic and industry overview

### a. General economic analysis

In 2013, the US economy saw mild recovery, while Abenomics brought moderate inflation to Japan. The economies of China and ASEAN countries slowed down, while recovery in Europe remained tenuous. The global economy remained unstable and the domestic economy, affected by outside forces, saw slow growth. Economic growth in Taiwan for 2013 was 2.11%, up 1.3% from the previous year. Domestic CPI increased by a relatively moderate 0.79%. There was a small improvement in employment in 2013 with an average unemployment rate of 4.18%, slightly lower than 2012's 4.24%.

### b. Industry overview

In 2013, turnover in the retail sector totaled NT\$3.9 trillion, a 1.9% increase over 2012. In the general merchandise category, turnover was a record NT\$1.6 trillion, a 2.9% increase over 2012 numbers. Department store sales contributed most to that total, with overall sales volume of NT\$288.6 billion, representing a 3.1% increase over 2012. Convenience store sales contribute the second largest amount to that total, with a total annual turnover of NT\$276.1 billion, which represents a 3.1% 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. Domestically, oil and electricity prices continued to climb driving up commodity prices. In 2013, the Consumer Price Index (CPI) had a y-o-y increase of 0.79%, 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 0.65%. 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 low prices, developing value combo meals, offering volume discounts, and introducing private brands. At the same time, we are actively increasing value- added and differentiated product to bring consumers excellent value for their money.

Through the end of 2013, the key players in the convenience store industry had the below numbers of stores:

	7-ELEVEN	FamilyMart	Hi-Life	OK	Total
Number of Stores	4,922	2,901	1,290	866	9,979

### c. Vertical supply chain

PCSC worked in cooperation with suppliers to establish a system to control the quality of ingredients for our fresh food products from the source, realizing the principle of good faith in labeling and advertising and expanded its inspection range from first tier suppliers to second tier raw material suppliers, thereby controlling the entire process from farm-to-table to ensure food safety. We also upgraded quality control on our channels and self-checking capabilities. 7-ELEVEN is

the first retailer in Taiwan to have its own quality internationally certified QC labs, helping us to continue enhancing our self-checking capabilities, which in addition to underscoring our determine to realize food safety management, bolsters consumer confidence in 7-ELEVEn products.

d. Product development trends and competitiveness

(1) Product development trends

Taiwan's economic growth has shown moderate improvement, but increases in commodity prices have made customers increasingly guard their wallets. At the same time, consumers are making the most of technology and social media 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 private brands, online shopping, seniors, healthy food and beverage offerings, and options for singles and those who often eat out.

(2) Product competitiveness

- Take-away food business opportunities: The opportunities represented by single people and the demand for take-away food, in addition to offering delicious and healthy fresh food products, we provide refrigerated foods characterized by small servings to drive sales.
- E-commerce: Mainstream media and the Internet have changed the lives of consumers, but 7-ELEVEn boasts a ubiquitous network of brick-and-mortar stores, excellent logistics and cash flow systems, operational know-how developed over the years, as well as active investing, therefore it is able to take advantage of business opportunities as the e-commerce industry continues to flourish both in Taiwan and around the world.

### 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:

- ibon kiosk upgrades: We integrated High Speed Rail combined (package) tickets into the ibon system to create advantages through differentiation and now offer a Taiwan Rail ticket reservation service on our ibon app, providing members of the public with fast, convenient services.
- Media and digital operations: We use new mobile social network apps, like Line, to encourage people to visit our stores and to promote product sales.
- Creating advantages through differentiation: In addition to featuring a large scale play OPEN Chan's birthday party included the first OPEN!RUN running festival which was very well received.
- Integrating online shopping with pre-order purchasing: We introduced 3C products, such as a large screen OPEN television, successfully creating a buzz and market redistribution, providing customer more diverse and convenient options.
- Finishing updating the entire third generation POS, enhancing information analysis and new business opportunity integration, while completing retail product management, information analysis, and taking the initiative to provide consumers more shopping information.
- In 2013, a total of NT\$170,475,000 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 growth.
- (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 ensure the safety and taste of our fresh convenient foods. To this aim, PCSC keeps on top of changes in consumer trends to develop high value added products and innovative services.

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 2013, PCSC held a 49.3% 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 readymade 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 smart phones 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.
- Increasing in cross-strait online trading causing a surge in trade flow and material flow.

##### (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: None

## 2-3. Supply of raw materials: None

## 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:

Rank	Name	2012			Name	2013			Name	As of the first quarter of 2014		
		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.	55,250,090	57%	Subsidiary	Uni-President Enterprises Corp.	13,888,410	10%	Ultimate parent company	Uni-President Enterprises Corp.	3,263,670	10%	Ultimate parent company
2	Uni-President Cold-Chain Corp.	24,132,013	25%	Subsidiary	—	—	—	—	—	—	—	—
3	Wisdom Distribution Service Corp.	11,083,850	11%	Subsidiary	—	—	—	—	—	—	—	—
4	Other	6,210,728	7%	—	—	—	—	—	—	—	—	—
	Net Purchase	96,676,681	100%	—	Net Purchase	134,716,502	100%	—	Net Purchase	34,054,819	100%	—

(2) Reasons for significant changes: Because of the change in logistic service model, the suppliers change from logistics company to ultimate suppliers.

## 2-5 Production over the past two years: None.

## 2-6 Sales over the past two years:

Year	2012	2013
Sales	Domestic Sales	Domestic Sales
Major Business	Sales	Sales
Convenience stores	123,781,149	126,106,071
Retail Business	49,323,592	55,703,682
Logistics Business	3,527,467	2,461,596
Other Business	15,970,762	16,339,490
Total consolidated revenues	192,603,970	200,610,839

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

### 03. Human resources:

#### 3-1. Personnel information:

Year		2012	2013	As of April 30, 2014
No. of Employees	Store Employees	9,477	9,433	9,562
	Management	4,321	4,353	4,272
	Part-Time	14,318	13,899	14,077
	Total	28,116	27,685	27,911
Average Age		31 years old	31 years old	32 years old
Average Years of Service		5.1 years	5.3 years	5.6 years
Education Level (as a % of the total)	PhD	0.0%	0.0%	0.0%
	Masters Degree	4.4%	4.4%	4.8%
	Bachelors Degree	56.1%	57.2%	58.0%
	High School	36.4%	35.4%	33.8%
	Junior High School or Below	3.0%	3.1%	3.4%

Note: The information includes PCSC and subsidiaries.

#### 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, group case 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 2013 was as follows:

Internal Training by Operation Department				Internal Training by headquarter				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
2,916	55,103	334,438	NT\$ 60,868,000	280	23,402	151,156	NT\$ 48,905,000	316	2,998	NT\$ 1,233,000	59,010	12,235

##### 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-the-job training, 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 departments within the Company where they can broaden their vision and increase competence in a range of skills.

(3) Overseas appointments

unique opportunity allows employees to demonstrate their experience and show their strengths. Such an experience can expand their vision 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 customers with products and services for a healthy life. At the same time, we work to reduce energy consumption and carbon emissions, and uphold our original philosophy of staying open all-day everyday to serve customers, while 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 2013, PCSC investments and costs related to environmental protection totaled NT\$1.276 billion, which comprises (1) environmentally-friendly packaging and testing costs of NT\$530 million, (2) energy and carbon emissions reduction activities and installation of inverter air conditioning units in stores costing NT\$250 million, (3) environmental cleaning, greening, and waste handling expenses of NT\$260 million, (4) installation of environmentally-friendly equipment in stores and investments in equipment refurbishing totaling NT\$120 million, (5) green procurement and e-invoice costs of NT\$60 million, and (6) holding and participating in social welfare activities at a cost of NT\$30 million. Other ongoing initiatives include product traceability, plasticizer and pesticide testing, reduced paper operations, recycling at stores, and CSR ambassador training.

#### 4-2. Environmental-related expenditures:

##### a. Table of environmental-related expenditures

Unit: NT\$1,000

Category	Item	Details	Effect and Reduction in Resource Use or Greenhouse Gas Emissions	Investment	Expense	Total
Merchandise	Using environmentally friendly packaging for products, testing of fresh foods	Began sourcing paper lunch boxes, cups, bowls, and environmentally-friendly packaging material-PLA, for products; refrained from using preservatives or artificial flavorings in fresh foods; tested for pesticide residues.	Protecting consumers' health, while also taking into consideration safety and the environmental impact.	—	526,240	526,240
Stores	Energy-saving measures	Purchased energy-saving equipment for 285 stores; Installed A/C circulation fans in 1,615 stores, 1,708 inverter A/C units, installed variable-frequency plug-in drives for freezing and refrigeration units in 1,762 stores, and T5 28W energy-saving bulbs in all stores.	Saving energy and reducing carbon emissions.	231,728	18,516	250,244
	Cleaning and waste disposal	Cleaning, greening, beautification, and waste	Maintaining store cleanliness.	—	256,808	256,808
	Extending the life span of equipment and building materials.	Installed steel counters in 560 stores, 3,162 types of equipment reclaimed and reused.	Reducing lumber use and wasted resources.	84,000	37,806	121,806
	Green procurement	Purchased energy-saving equipment, environmentally-friendly paper and building materials, and introduced the e-invoice in stores.	Meeting European Union standards, FCS certification, saving energy and reducing carbon emissions.	51,005	13,258	64,263
Social Contributions	Community environmental awareness advocacy	Taught energy-saving and conservation, while promoting CSR and sponsoring environmental groups	Promoted environmental education and the Happy Ambassador activity.	—	17,170	32,826
	Environmental protection and social charity events	Sponsored World Vision's 30 Hour Famine; held Clean Up the World in September 2013.	Fulfilling our corporate social responsibility. A total of 36,982 volunteers belonging to 202 groups participated in cleaning activities at 578 locations and 85 night markets collecting 3,601 bags of garbage and retrieving 1,548 kgs of materials for recycling.	—	15,656	
Internal Environmental Education	Environmental education and office resource recycling	Promoted reduced-paper operations, environmental cleaning and greening, and recycling of waste.	Collecting 2,437 kgs of plastic bottles, 24,174 kgs of paper, and 605 kgs of metal cans.	—	19,866	19,866
Delivery	Worked with President Logistics International Corp., Retail Support International, and Wisdom Distribution logistics center using reverse logistics to increase delivery efficiency and implement recycling.	Invested manpower and equipment in reverse logistics recycling operations at stores.	Recycling 280 tons of dry batteries, 92 tons of CDs, 11,000 discarded notebook computers, 188,000 cell phones, and 259,000 cell phone chargers.	—	3,818	3,818
Total				366,733	909,138	1,275,871

b. Due to breaches of the Noise Control Law and the Building Act and delayed payment of electricity bills in 2013, stores were fined a total of NT\$994,623.

c. Measures taken: PCSC has already required improvements in all stores and has strengthened education regarding relevant regulations. In addition, the Fair Trade Commission (FTC) fined PCSC NT\$16 million in 2011 due to alleged coffee price manipulation. Since the Supreme Administrative Court dismissed the FTC's appeal, there is no fine to be paid.

#### 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 2013

Ventilation fans were added to a total of 1,615 existing air conditioning systems at a cost of NT\$3.88 million and which helped to save 195,000 kWh of electricity / month and 2.34 million kWh / year.

(2) Installation of energy-saving equipment in 2013

These appliances were introduced in 285 stores at a cost of NT\$23.94million and helped to save 373,000 kWh of electricity / month and 4.48 million kWh / year.

(3) Installation of steel counters in 2013

Installed 560 steel counters at a cost of \$84 million, which helped to prevent the falling of 2,800 trees. Wooden 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 2013

Installed 1,708 inverter air conditioning units at a cost of NT\$153.72 million, which helped to save 676,000 kWh of electricity / month and 8.12 million kWh / year.

(5) Introduction of VFD to existing refrigerators in 2013

Installed VFD to refrigerators in 1,762 stores at a cost of NT\$54.06 million, which helped to save 414,000 kWh / month and 4.97 million kWh / year.

(6) Installation of T5 light fixtures in stores in 2013

A total of 13,560 light fixtures were install in all 2,606 stores, which helped to save 3.25 million kWh of electricity / month and 39.05 million kWh / year.

(7) Slurpee machine offseason shutdowns in 2013

3,203 stores shut off their Slurpee machines all day for 6 hours each day during the four month slow season for the beverages, which helped to save 6.27 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 2013 we invested NT\$19.79 million in food testing costs and 631 of our fresh food products are completely preservative-free (and are labeled thusly).

#### 4-4 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 2013, the program boasted 60 volunteers and began individual case grading management. Together, the program assisted employees in a total of 1,418 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 of 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 2013, 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 months shall be calculated as half a year; while any service period that is between six months and twelve months shall be calculated as one full year. The number of basic units in the calculation of pensions is capped at 45. Pensions are calculated on the basis of 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, 2014

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 for one year following the termination of the contract in any country in which 7-ELEVEn, Inc. has registered a trademark.
Long-term loan agreement	Bank of Taiwan	2014.01.23~2016.01.23	NT\$300 million credit loan	None
Long-term loan agreement	E. Sun Bank	2013.12.24~2014.12.24	NT\$300 million credit loan	None
Long-term loan agreement	HSBC	2013.06.30~2015.06.30	US\$12 million credit loan	None
Long-term loan agreement	Chang Hwa Bank	2014.01.03~2014.12.31	NT\$770 million credit loan	None
Long-term loan agreement	Cathay Commercial Bank	2011.11.03~2014.11.03	NT\$6 million credit loan	None
Long-term loan agreement	The Bank of Tokyo-Mitsubishi UFJ	2013.07.31~2016.07.31	NT\$690 million credit loan	None
Long-term loan agreement	Scotiabank	2014.02.27~2016.02.27	NT\$1 billion credit loan	None
Long-term performance guarantee agreement	Chinatrust Commercial Bank	2013.09.01~2014.11.30	NT\$1 billion performance bond agreement	None
Long-term loan agreement	Taipei Fubon Bank	2013.11.08~2015.11.09	NT\$300 million credit loan	None
Long-term loan agreement	First Bank	2013.06.13~2015.06.13	NT\$1.5 billion credit loan	None
Long-term loan agreement	Hua Nan Bank	2013.08.07~2015.08.07	NT\$1.5 billion credit loan	None
Long-term loan agreement	Bank SinoPac	2013.06.30~2015.06.30	NT\$1.5 billion credit loan	None
Long-term loan agreement	Mizuho Corporate Bank	2014.01.06~2016.01.06	NT\$2.5 billion credit loan	None
Long-term loan agreement	DBS Bank	2011.09.08~2016.09.07	NT\$2 billion credit loan	None

# 6 Financial Information

## 01. Five year condensed balance sheet and comprehensive income statement

### 1-1. Condensed balance sheet (alone)

Unit: NT\$1,000

Item	Year	Financial information for the most recent five years (Note 1)				
		2009	2010	2011	2012	2013
Current Assets	—	—	—	—	23,838,586	25,197,126
Property, Plant and Equipment	—	—	—	—	9,210,594	9,118,823
Intangible Assets	—	—	—	—	395,969	465,268
Other Assets	—	—	—	—	22,935,410	22,637,051
Total Assets	—	—	—	—	56,380,559	57,418,268
Current Liabilities	Before Distribution	—	—	—	29,849,885	27,872,628
	After Distribution	—	—	—	34,892,053	Not yet distributed
Non-Current Liabilities	—	—	—	—	5,693,976	5,805,764
Total Liabilities	Before Distribution	—	—	—	35,543,861	33,678,392
	After Distribution	—	—	—	40,586,029	Not yet distributed
Capital-Common Stock	—	—	—	—	10,396,223	10,396,223
Capital Surplus	—	—	—	—	910,278	890,234
Retained Earnings	Before Distribution	—	—	—	9,153,181	11,886,156
	After Distribution	—	—	—	4,111,013	Not yet distributed
Other Equity	—	—	—	—	377,016	567,263
Treasury Stock	—	—	—	—	—	—
Total Equity	Before Distribution	—	—	—	20,836,698	23,739,876
	After Distribution	—	—	—	15,794,530	Not yet distributed

Note 1: The Company just began using International Financial Reporting Standards (IFRS), so we have also included a table below (1-3) showing historical financial information under ROC GAAP.

## 1-2. Condensed balance sheet (consolidated)

Unit: NT\$1,000

Item	Year	Financial information for the most recent five years (Note 1)					As of March 31, 2014 (Note 2)
		2009	2010	2011	2012	2013	
Current Assets		—	—	—	45,145,793	46,451,616	46,726,294
Property, Plant and Equipment		—	—	—	21,375,351	21,542,772	21,869,422
Intangible Assets		—	—	—	1,395,529	1,205,388	1,181,953
Other Assets		—	—	—	14,299,511	14,298,192	14,432,346
Total Assets		—	—	—	82,216,184	83,497,968	84,210,015
Current Liabilities	Before Distribution	—	—	—	49,252,124	47,136,578	46,054,385
	After Distribution	—	—	—	54,294,292	Not yet distributed	Not yet distributed
Non-Current Liabilities		—	—	—	8,812,427	8,862,950	7,849,206
Total Liabilities	Before Distribution	—	—	—	58,064,551	55,999,528	53,903,591
	After Distribution	—	—	—	63,106,719	Not yet distributed	Not yet distributed
Equity Attributable to Owners of the Company		—	—	—	20,836,698	23,739,876	26,691,041
Capital-Common Stock		—	—	—	10,396,223	10,396,223	10,396,223
Capital Surplus		—	—	—	910,278	890,234	873,330
Retained Earnings	Before Distribution	—	—	—	9,153,181	11,886,156	14,843,867
	After Distribution	—	—	—	4,111,013	Not yet distributed	Not yet distributed
Other Equity		—	—	—	377,016	567,263	577,621
Treasury Stock		—	—	—	—	—	—
Non-controlling Interest		—	—	—	3,314,935	3,758,564	3,615,383
Total Equity	Before Distribution	—	—	—	24,151,633	27,498,440	30,306,424
	After Distribution	—	—	—	19,109,465	Not yet distributed	Not yet distributed

Note 1: The Company just began using International Financial Reporting Standards (IFRS), so we have also included a table below (1-4) showing historical financial information under ROC GAAP.

Note 2: Financial information regarding the first quarter of 2014 follows IFRS and has been reviewed by independent auditors.

## 1-3. Condensed balance sheet (alone)-ROC GAAP

Unit: NT\$1,000

Item	Year	Historical financial information			
		2009	2010	2011	2012
Current Assets		17,414,985	18,319,352	21,581,358	23,703,570
Funds & Investments		21,280,468	20,750,019	19,635,754	20,870,339
Fixed Assets		7,619,825	7,764,809	8,540,837	9,210,594
Intangible Assets		282,820	171,030	222,356	395,969
Other Assets		2,252,397	2,266,648	2,298,263	2,396,992
Total Assets		48,850,495	49,271,858	52,278,568	56,577,464
Current Liabilities	Before Distribution	20,236,262	21,492,215	25,496,055	29,330,748
	After Distribution	23,978,902	26,586,364	30,486,241	34,372,916
Long-Term Liabilities		7,100,000	5,000,000	3,400,000	1,200,000
Other Liabilities		2,593,381	2,567,442	2,688,204	3,136,306
Total Liabilities	Before Distribution	29,929,643	29,059,657	31,584,259	33,667,054
	After Distribution	33,672,283	34,153,806	36,574,445	38,709,222
Capital-Common Stock		10,396,222	10,396,222	10,396,222	10,396,222
Capital Surplus		5,082	5,082	5,082	5,082
Retained Earnings	Before Distribution	7,820,448	9,803,565	11,061,826	12,847,558
	After Distribution	4,077,808	4,709,416	6,071,640	7,805,390
Unrealized Revaluation Increments		52,646	51,281	49,917	48,553
Unrealized Gains (Loss) from Financial Products		595,033	234,124	-634,091	488,133
Accumulated Translation Adjustments		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	18,920,852	20,212,201	20,694,309	22,910,410
	After Distribution	15,178,212	15,118,052	15,704,123	17,868,242

## 1-4. Condensed balance sheet (consolidated)-ROC GAAP

Unit: NT\$1,000

Item	Year	Historical financial information			
		2009	2010	2011	2012
Current Assets		34,136,783	36,454,146	41,184,876	45,131,133
Funds & Investments		12,343,784	11,236,100	9,515,634	9,328,594
Fixed Assets		15,509,119	16,697,462	18,763,844	21,435,776
Intangible Assets		983,098	921,472	1,141,578	1,493,434
Other Assets		3,721,019	3,779,152	3,767,727	3,823,803
Total Assets		66,693,803	69,088,332	74,373,659	81,212,740
Current Liabilities	Before Distribution	34,205,093	37,039,202	42,845,923	48,173,129
	After Distribution	37,947,733	42,133,351	47,836,109	53,215,297
Long-Term Liabilities		7,661,884	5,526,538	3,958,774	2,263,568
Other Liabilities		3,033,040	3,125,369	3,345,158	4,141,739
Total Liabilities	Before Distribution	44,900,017	45,691,109	50,149,855	54,578,436
	After Distribution	48,642,657	50,785,258	55,140,041	59,620,604
Capital-Common Stock		10,396,222	10,396,222	10,396,222	10,396,222
Capital Surplus		5,082	5,082	5,082	5,082
Retained Earnings	Before Distribution	7,820,448	9,803,565	11,061,826	12,847,558
	After Distribution	4,077,808	4,709,416	6,071,640	7,805,390
Unrealized Revaluation Increments		52,646	51,281	49,917	48,553
Unrealized Gains (Loss) from Financial Products		595,033	234,124	-634,091	488,133
Accumulated Translation Adjustments		56,081	-222,559	-51,876	-256,925
Net Loss Not Recognized as Pension Cost		-4,660	-55,514	-132,771	-618,213
Total Parent Company Shareholders' Equity		18,920,852	20,212,201	20,694,309	22,910,410
Minority interest		2,872,934	3,185,022	3,529,495	3,723,894
Shareholders' Equity	Before Distribution	21,793,786	23,397,223	24,223,804	26,634,304
	After Distribution	18,051,146	18,303,074	19,233,618	21,592,136

## 1-5. Condensed comprehensive income statement (alone)

Unit: NT\$1,000 (EPS=NT\$)

Item	Year	Financial information for the most recent five years (Note 1)				
		2009	2010	2011	2012	2013
Operating Revenue	—	—	—	—	124,760,009	126,998,794
Gross Profit	—	—	—	—	39,779,492	41,082,720
Operating Income	—	—	—	—	5,955,560	6,293,799
Non-Operating Income (Expenses)	—	—	—	—	973,653	2,835,388
Net Income Before Tax	—	—	—	—	6,929,213	9,129,187
Net Income from Continuing Operations	—	—	—	—	5,915,636	8,036,752
Income (or Loss) from Discontinued Operations	—	—	—	—	—	—
Net Income (Loss)	—	—	—	—	5,915,636	8,036,752
Other Comprehensive Income (Loss)	—	—	—	—	353,437	-71,362
Total Comprehensive Income (Losses)	—	—	—	—	6,269,073	7,965,390
Net Income Attributable to Owners of the Company	—	—	—	—	—	—
Net Income Attributable to Non-Controlling Interests	—	—	—	—	—	—
Total Comprehensive Income Attributable to Owners of the Company	—	—	—	—	—	—
Total Comprehensive Income Attributable to Non-Controlling Interests	—	—	—	—	—	—
Earnings per Share (NT\$)	—	—	—	—	5.69	7.73

Note 1: The Company just began using International Financial Reporting Standards (IFRS), so we have also included a table below (1-7) showing historical financial information under ROC GAAP.

## 1-6. Condensed comprehensive income statement (consolidated)

Unit: NT\$1,000 (EPS=NT\$)

Item	Year	Financial information for the most recent five years (Note 1)					As of March 31, 2014 (Note 2)
		2009	2010	2011	2012	2013	
Operating Revenue	—	—	—	—	192,602,970	200,610,839	49,787,544
Gross Profit	—	—	—	—	63,214,670	63,422,059	15,732,725
Operating Income	—	—	—	—	8,767,877	10,196,565	2,340,779
Non-Operating Income (Expenses)	—	—	—	—	-161,693	1,096,231	1,375,764
Net Income Before Tax	—	—	—	—	8,606,184	11,292,796	3,716,543
Net Income from Continuing Operations	—	—	—	—	6,756,260	9,242,293	3,208,147
Income (or Loss) from Discontinued Operations	—	—	—	—	—	—	—
Net Income (Loss)	—	—	—	—	6,756,260	9,242,293	3,208,147
Other Comprehensive Income (Loss)	—	—	—	—	159,437	-72,378	-1,739
Total Comprehensive Income (Losses)	—	—	—	—	6,915,697	9,169,915	3,206,408
Net Income Attributable to Owners of the Company	—	—	—	—	5,915,636	8,036,752	2,969,808
Net Income Attributable to Non-Controlling Interests	—	—	—	—	840,624	1,205,541	238,339
Total Comprehensive Income Attributable to Owners of the Company	—	—	—	—	6,269,073	7,965,390	2,968,069
Total Comprehensive Income Attributable to Non-Controlling Interests	—	—	—	—	646,624	1,204,525	238,339
Earnings per Share (NT\$)	—	—	—	—	5.69	7.73	2.86

Note 1: The Company just began using International Financial Reporting Standards (IFRS), so we have also included a table below (1-8) showing historical financial information under ROC GAAP.

Note 2: Financial information regarding the first quarter of 2014 follows IFRS and has been reviewed by independent auditors.

## 1-7. Condensed income statement (alone)-ROC GAAP

Unit: NT\$1,000 (EPS=NT\$)

Item	Year	Historical financial information			
		2009	2010	2011	2012
Operating Revenue		\$101,756,386	\$114,663,893	\$122,712,725	\$134,569,525
Gross Profit		32,965,767	35,922,611	38,275,309	39,408,208
Operating Income		4,893,463	5,527,488	6,074,940	5,785,988
Non-Operating Income		1,363,859	1,931,706	2,285,947	3,159,156
Non-Operating Expenses		1,613,582	830,258	930,422	1,165,195
Pre-tax Income from Continuing Operations		4,643,740	6,628,936	7,430,465	7,779,949
After-tax Income from Continuing Operations		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		4,059,124	5,725,757	6,352,410	6,789,362
Earnings per Share (NT\$)		3.90	5.51	6.11	6.53

## 1-8. Condensed income statement (consolidated)-ROC GAAP

Unit: NT\$1,000 (EPS=NT\$)

Item	Year	Historical financial information			
		2009	2010	2011	2012
Operating Revenue		148,278,160	169,916,919	189,251,568	208,263,975
Gross Profit		48,582,443	53,955,791	60,367,967	63,219,746
Operating Income		6,554,897	7,650,829	8,919,750	8,727,160
Non-Operating Income		1,312,752	1,475,239	1,309,675	2,541,845
Non-Operating Expenses		-2,315,715	-1,235,182	-1,267,767	-1,795,277
Pre-tax Income from Continuing Operations		5,551,934	7,890,886	8,961,658	9,473,728
Consolidated Gross Profit/Loss		4,406,002	6,368,415	7,158,919	7,623,507
Profit/Loss from Discontinued Operations		—	—	—	—
Extraordinary Gains/Losses		—	—	—	—
Accumulated Adjustments due to Changes of Accounting Principles		—	—	—	—
Net Income Attributable to the Parent		4,059,124	5,725,757	6,352,410	6,789,362
Earnings per Share (NT\$)		3.90	5.51	6.11	6.53

### 1-9. Names and opinions of external auditors over the past five years

Year	Auditing Firm	Name of Auditor		Audit Opinions
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	PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	Tseng, Hui-Chin	Modified Unqualified
2014 Q1	PRICEWATERHOUSECOOPERS	Hsiao, Chun-Yuan	Chou, Chien-Hung	Qualified

Note: The financial report for the first quarter of 2014 has been reviewed by independent auditors. However, the profits and losses listed for long-term investments under the equity method and the information in Note 13 are based on the unaudited financial statements of investees during the same period. Therefore, the independent auditors issued a qualified opinion report.

### 1-10. Changes of independent auditors in the past five years

Due to internal changes at PRICEWATERHOUSECOOPERS, Taiwan, Chen Mei-Tzu and Tsai, Chin-Pao had served as independent auditors since 2010. Since the second quarter of 2011, the independent auditors were changed to Chen Mei-Tzu and Tseng, Hui-Chin. Since the first quarter of 2012, the independent auditors were changed to Hsiao, Chun-Yuan and Tseng, Hui-Chin. Since the first quarter of 2014, the independent auditors have been Hsiao, Chun-Yuan and Chou, Chien-Hung.

## 02. Five year financial analysis

### 2-1. Financial analysis (alone)

Item	Year	Financial information for the most recent five years (Note 1)				
		2009	2010	2011	2012	2013
Financial Structure	Debt to Assets Ratio (%)	—	—	—	63.04	58.65
	Long-Term Capital to Property, Plant and Equipment Ratio (%)	—	—	—	288.05	324.01
Liquidity	Current Ratio (%)	—	—	—	79.86	90.40
	Quick Ratio (%)	—	—	—	62.61	71.73
Operating Performance	Interest Coverage (Note 4)	—	—	—	224.09	291.62
	Accounts Receivable Turnover (times) (Note 2)	—	—	—	—	—
Operating Performance	Average Collection Days (Note 2)	—	—	—	—	—
	Inventory Turnover (times)	—	—	—	19.71	17.53
Operating Performance	Accounts Payable Turnover (times)	—	—	—	6.77	6.73
	Average Inventory Turnover Days	—	—	—	18.57	20.82
Operating Performance	Property, Plant and Equipment Turnover (times)	—	—	—	13.55	13.93
	Total Assets Turnover (times)	—	—	—	2.21	2.21
Profitability (Note 4)	ROA (%)	—	—	—	10.95	14.17
	ROE (%)	—	—	—	29.95	36.06
Profitability (Note 4)	Ratio of Pre-tax Profit to Paid-in Capital (%)	—	—	—	66.65	87.81
	Net Margin (%)	—	—	—	4.74	6.33
Profitability (Note 4)	Earnings per Share (NT\$)	—	—	—	5.69	7.73
	Cash Flow Ratio (%)	—	—	—	45.09	24.75
Cash Flow (Note 4)	Cash Flow Adequacy (%)	—	—	—	153.99	148.10
	Cash Flow Reinvestment Ratio (%)	—	—	—	23.04	4.69
Leverage	Operating Leverage	—	—	—	1.86	1.86
	Financial Leverage	—	—	—	1.01	1.01

Note 1: The Company just began using International Financial Reporting Standards (IFRS), so we have also included a table below (2-3) showing historical financial information under ROC GAAP.

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

Note 3: The calculations of the above financial ratios utilize the formulas listed on page 60 based on IFRS.

Note 4 : The reasons for changes in financial ratios over the past two years:

■ Interest Coverage and Profitability related ratio(%): The change in 2013 is primarily due to increases in sales, gross profit and profit contribution from subsidiaries compared to the same period last year.

■ Cash Flow Ratio related ratio (%): Primarily due to deferred payments of accounts payable during year-end holidays causing cash flow fluctuations in operating activities in two years.

## 2-2. Financial analysis (consolidated)

Item	Year	Financial information for the most recent five years (Note 1)					As of March 31, 2014 (Note 3)
		2009	2010	2011	2012	2013	
Financial Structure	Debt to Assets Ratio (%)	—	—	—	70.62	67.07	64.01
	Long-Term Capital to Property, Plant and Equipment Ratio (%)	—	—	—	154.22	168.79	174.47
Liquidity	Current Ratio (%)	—	—	—	91.66	98.55	101.46
	Quick Ratio (%)	—	—	—	67.88	74.54	78.26
Operating Performance	Interest Coverage (Note 5)	—	—	—	75.66	95.30	129.39
	Accounts Receivable Turnover (times) (Note 2)	—	—	—	—	—	—
Operating Performance	Average Collection Days (Note 2)	—	—	—	—	—	—
	Inventory Turnover (times)	—	—	—	12.28	13.20	3.48
Operating Performance	Accounts Payable Turnover (times)	—	—	—	6.34	6.65	1.76
	Average Inventory Turnover Days	—	—	—	29.81	27.65	25.60
Operating Performance	Property, plant and equipment Turnover (times)	—	—	—	9.01	9.31	2.28
	Total Assets Turnover (times)	—	—	—	2.34	2.40	0.59
Profitability (Note 5)	ROA (%)	—	—	—	8.71	11.27	3.86
	ROE (%)	—	—	—	29.34	35.79	11.10
Profitability (Note 5)	Ratio of Pre-tax Profit to Paid-in Capital (%)	—	—	—	82.78	108.62	35.75
	Net Margin (%)	—	—	—	3.51	4.61	6.44
Profitability (Note 5)	Earnings per Share (NT\$)	—	—	—	5.69	7.73	2.86
	Cash Flow Ratio (%)	—	—	—	34.62	27.95	2.13
Cash Flow	Cash Flow Adequacy (%)	—	—	—	129.36	136.76	129.37
	Cash Flow Reinvestment Ratio (%) (Note 5)	—	—	—	22.71	14.09	1.63
Leverage	Operating Leverage	—	—	—	2.28	2.09	2.54
	Financial Leverage	—	—	—	1.01	1.01	1.01

Note 1: The Company just began using International Financial Reporting Standards (IFRS), so we have also included a table below (2-4) showing historical financial information under ROC GAAP.

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

Note 3: Financial information regarding the first quarter of 2014 follows IFRS and has been reviewed by independent auditors.

Note 4: The calculations of the above financial ratios utilize the below formulas based on IFRS :

Note 5: The reasons for changes in financial ratios over the past two years:

■ Interest Coverage and Profitability related ratio(%): The change in 2013 is primarily due to increases in Sales, gross profit and profit contribution from subsidiaries compared to the same period last year.

■ Cash Flow Ratio Reinvestment ratio (%): Primarily due to deferred payments of accounts payable during year-end holidays causing cash flow fluctuations in operating activities in two years.

**※Calculations based on IFRS :****• Financial structure**

- (1) Debt to Assets Ratio = Total Liabilities/Total Assets
- (2) Long-term Capital to Property, plant and equipment Ratio = (total shareholders' equity + non-current liabilities) / net Property, plant 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) Property, plant and Equipment Turnover = net sales / net Property, plant and equipment
- (7) Total Asset Turnover = net sales / average total assets

**• Profitability**

- (1) Return on Assets = [net income + interest expense  $\times$  (1 – effective tax rate)] / average total assets
- (2) Return on Equity = net income / average shareholders' equity
- (3) Net Margin = net income / net sales
- (4) Earnings per Share = (net income attributable to owners of the Company – 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 Property, plant and Equipment / long-term investments + other non-current assets + working capital)

**• Leverage**

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

**2-3. Financial analysis (alone)-ROC GAAP**

Item	Year	Historical financial information			
		2009	2010	2011	2012
Financial structure	Debt to Assets Ratio (%)	61.27	58.98	60.42	59.51
	Long-Term Capital to Fixed Asset Ratio (%)	341.49	324.70	282.11	261.77
Liquidity	Current Ratio (%)	86.06	85.24	84.65	80.81
	Quick Ratio (%)	68.25	70.91	69.78	63.26
Interest Coverage	Interest Coverage	112.91	195.94	232.59	251.47
	Accounts Receivable Turnover (times) (Note 1)	—	—	—	—
Operating Performance	Average Collection Days (Note 1)	—	—	—	—
	Inventory Turnover (times)	22.05	26.79	25.62	22.07
Accounts Payable Turnover (times)	6.46	7.67	7.81	7.58	
	Average Inventory Turnover Days	16.55	13.62	14.24	16.54
Fixed Assets Turnover (times)	13.35	14.77	14.37	14.61	
	Total Assets Turnover (times)	2.08	2.33	2.35	2.38
Profitability	ROA (%)	8.52	11.72	12.56	12.52
	ROE (%)	22.95	29.26	31.06	31.14
Ratio to Paid-in Capital (%)	Operating Income	47.07	53.17	58.43	55.65
	Pre-tax Profit	44.67	63.76	71.47	74.83
Net Margin (%)	Net Margin (%)	3.99	4.99	5.18	5.05
	Earnings per Share (NT\$)	3.90	5.51	6.11	6.53
Cash Flow	Cash Flow Ratio (%)	36.79	34.72	59.10	45.92
	Cash Flow Adequacy (%)	152.08	146.03	145.51	153.97
Leverage	Cash Flow Reinvestment Ratio (%)	13.97	9.33	25.37	21.39
	Operating Leverage	1.78	1.81	1.80	1.85
	Financial Leverage	1.01	1.01	1.01	1.01

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

Note 2: The calculations of the above financial ratios utilize the formulas listed on page 62 based on ROC GAAP.

## 2-4. Financial analysis (consolidated)-ROC GAAP

Item	Year	Historical financial information			
		2009	2010	2011	2012
Financial Structure	Debt to Assets Ratio (%)	67.32	66.13	67.43	67.20
	Long-Term Capital to Fixed Asset Ratio (%)	189.92	173.22	150.20	134.81
Liquidity	Current Ratio (%)	99.80	98.42	96.12	93.69
	Quick Ratio (%)	72.50	70.38	69.26	69.33
Operating Performance	Interest Coverage	42.66	90.30	94.93	83.19
	Accounts Receivable Turnover (times) (Note 1)	—	—	—	—
Operating Performance	Average Collection Days (Note 1)	—	—	—	—
	Inventory Turnover (times)	12.22	13.48	13.07	13.76
Operating Performance	Accounts Payable Turnover (times)	6.16	7.08	6.99	7.11
	Average Inventory Turnover Days	29.87	27.08	27.94	26.59
Operating Performance	Fixed Assets Turnover (times)	9.56	10.18	10.09	9.72
	Total Assets Turnover (times)	2.22	2.46	2.54	2.56
Profitability	ROA (%)	6.92	9.49	10.09	9.92
	ROE (%)	21.72	28.18	30.07	29.98
Profitability	Ratio to Paid-in Capital (%)	63.05	73.59	85.80	83.95
	Operating Income Pre-tax Profit	53.40	75.90	86.20	91.13
Profitability	Net Margin (%)	2.97	3.75	3.78	3.66
	Earnings per Share (NT\$)	3.90	5.51	6.11	6.53
Cash Flow	Cash Flow Ratio (%)	21.65	33.49	42.70	35.26
	Cash Flow Adequacy (%)	105.79	116.96	118.19	130.54
Leverage	Cash Flow Reinvestment Ratio (%)	10.71	16.27	24.44	21.74
	Operating Leverage	2.48	2.25	2.24	2.29
	Financial Leverage	1.02	1.01	1.01	1.01

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 :

### ※Calculations 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 / average total assets

#### · Profitability

- (1) Return on Assets = [net income + interest expense  $\times$  (1 – effective tax rate)] / average total assets
- (2) Return on Equity = net income / average shareholders' equity
- (3) Net Margin = net income / 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 operating 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 2013 Annual Report.
04. The audited financial report (alone) for the most recent fiscal year: Please see 2013 Annual Report.
05. The audited financial report (consolidated) for the most recent fiscal year: Please see 2013 Annual Report.
06. Any cash flow difficulties with the Company and its affiliates during the most recent year and as of the date of publication of the annual report: None

# Financial Status, Financial Performance and Risk Management 7

## 01. Financial position analysis(consolidated)

Unit: NT\$1,000

Item	Year	2012	2013	Variance	
				Difference	%
Current assets		\$45,145,793	\$46,451,616	\$1,305,823	2.89%
Property, Plant and Equipment		21,375,351	21,542,772	167,421	0.78%
Intangible assets		1,395,529	1,205,388	-190,141	-13.63%
Other assets		14,299,511	14,298,192	-1,319	0%
Total assets		82,216,184	83,497,968	1,281,784	1.56%
Current liabilities		49,252,124	47,136,578	-2,115,546	-4.30%
Non-current liabilities		8,812,427	8,862,950	50,523	0.57%
Total liabilities		58,064,551	55,999,528	-2,065,023	-3.56%
Capital		10,396,223	10,396,223	0	0%
Capital surplus		910,278	890,234	-20,044	-2.20%
Retained earnings		9,153,181	11,886,156	2,732,975	29.86%
Equity attributable to the parent company		20,836,698	23,739,876	2,903,178	13.93%
Total equities		24,151,633	27,498,440	3,346,807	13.86%

a. Explanation for variance:

Increase in retained earnings: This is primarily due to the fact that in 2012, the change of accounting principal to IFRS caused a decrease of NT\$3.69 billion in retained earnings.

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. Financial Performance Analysis(consolidated)

Unit: NT\$1,000

Item	Year	2012	2013	Variance	
				Difference	%
Operating revenue		\$192,602,970	\$200,610,839	\$8,007,869	4.16%
Gross profit		63,214,670	63,422,059	207,389	0.33%
Operating profit		8,767,877	10,196,565	1,428,688	16.29%
Total non-operating income (expenses)		-161,693	1,096,231	1,257,924	-777.97%
Net income before tax		8,606,184	11,292,796	2,686,612	31.22%
Net Income		6,756,260	9,242,293	2,486,033	36.80%
Other comprehensive income (loss)		159,437	-72,378	-231,815	-145.40%
Total comprehensive income		6,915,697	9,169,915	2,254,218	32.60%
Net Income Attributable to the parent company		5,915,636	8,036,752	2,121,116	35.86%
Total Comprehensive Income Attributable to the parent company		6,269,073	7,965,390	1,696,317	27.06%

a. Explanation for variance:

(1) Increases in non-operating income and expense: primarily due to increases in disposal gain and decreases in impairment losses from subsidiaries.

(2) Increases in net income: primarily due to operating profit growth and increases in non-operating income.

(3) Decreases in other comprehensive income (loss): primarily due to decreases in gains on unrealized evaluation of financial asset available for sale.

(4) Increases in net income, total comprehensive income attributable to the parent company: primarily due to increases in net income.

b. Factors that may impact the Company's sales and financial status 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(consolidated)

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

Unit: NT\$1,000

Cash Balance at the Beginning of 2013	Net Cash Inflow from Operating Activities in 2013	Net Cash Outflows in 2013	Cash Surplus (Shortage)	Remedies for Cash Shortage	
				Investment Plans	Investment Plans
20,024,944	13,174,462	(12,191,163)	21,008,243	—	—

a.Operating activities: The net cash inflow from operating activities was NT\$13.17 billion. The cash inflow remained steady

primarily due to stable profits.

b.Investing activities: The net cash outflow from investing activities totaled about NT\$5.33 billion, which was primarily due to purchases of operations-related fixed assets.

c.Financing activities: The net cash outflow from financing activities was about NT\$7.01 billion, mainly resulting from 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\$1,000

Cash Balance at the Beginning of 2014	Estimated Yearly Net Cash Inflow from Operating Activities	Estimated Yearly Net Cash Outflow	Anticipated Cash Surplus (Shortage)	Remedies for Cash Shortage	
				Investment Plans	Investment Plans
21,008,243	16,323,665	(13,630,446)	23,701,462	—	—

a.Operating activities: Stable revenue is expected in 2014, which should bring in a net cash inflow.

b.Investing activities: In 2014, investing outflows will primarily include the purchase of fixed assets.

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:

1.7-ELEVEN Taiwan

Unit: NT\$1,000

Project	Actual or Planned Source of Capital	Actual or Planned Date of Project Completion	Total Capital Required	Actual or Planned Capital Expenditures				
				2011	2012	2013	2014	2015
Investments in new stores	Working capital and loans	Annual	8,459,236	2,578,466	1,689,472	1,564,651	1,313,323	1,313,323
POS (Point-of-Sale) Equipment	Working capital and loans	Annual	2,226,862	170,098	1,539,647	517,117	0	0
Remodeling of Existing Stores	Working capital and loans	Annual	1,813,096	313,564	449,827	270,105	389,800	389,800
Store Equipment Purchases / Replacement	Working capital and loans	Annual	3,596,667	350,834	661,231	764,630	909,986	909,986

## 2. Major subsidiaries

Unit: NT\$1,000

Project	Actual or Planned Source of Capital	Actual or Planned Date of Project Completion	Total Capital Required	Actual or Planned Capital Expenditures		
				2013	2014	2015
Investments in new stores	Working capital and loans	Annual	4,134,113	627,733	1,645,914	1,860,466
POS (Point-of-Sale) equipment	Working capital and loans	Annual	56,183	178	47,324	8,682
Remodeling of existing stores	Working capital and loans	Annual	922,428	141,825	336,183	444,420
Store equipment purchases / replacement	Working capital and loans	Annual	1,675,473	535,128	545,721	594,623
Logistics system and related equipment	Working capital and loans	Annual	1,582,890	569,018	399,939	613,933
Other (e.g., replacing 2G ibon equipment)	Working capital and loans	Annual	1,192,311	306,320	671,905	214,085

## 4-2. Estimated benefits

## a. Anticipated increase in sales and gross profits:

Unit: NT\$1,000

Year	Item	Sales Value	Gross Profit
2014	Investments in new and existing stores	5,910,941	1,844,214
2015	Investments in new and existing stores	6,206,488	1,942,234
2016	Investments in new and existing stores	6,516,813	2,045,463
2017	Investments in new and existing stores	6,842,653	2,154,180
2018	Investments in new and existing stores	7,184,786	2,268,674

## b. Other potential benefits:

The past year's capital expenditures were primarily used to introduce new store, expand store space, set up logistics systems and related equipment which we expect to have the following benefits:

Expanding to larger format stores provides space for additional seating and creates an inviting shopping experience. Extra room gives customers a place away from home, school, or the office where they can enjoy a comfortable space to eat or relax. The logistics systems and related equipment are expected to increase delivery and route layout efficiency.

## 05. Analysis of investments in subsidiaries over the past fiscal year

## 5-1. 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, and Japan. In order to provide customers with a rich, varied shopping experience, PCSC continually expands into new areas. In 2013, 7-ELEVEN Philippines reached 1,000 stores. "My Beauty Diary", a product of President Pharmaceutical Corp., is now sold in 12 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 2013 include the following:

Unit: NT\$1,000

Company	Amount of Investment in 2013	Main reasons for profit / loss
President Chain Store (Shanghai) Ltd. (Note 1)	385,600	The profit model has not yet stabilized, so the affiliate operated at a loss.
ICASH Corporation	300,000	Operations have not yet begun as the affiliate is still in its preparatory period, so it operated at a loss.
Wuhan Uni-President Oven Bakery Corp. (Note 2)	184,285	Due to Group development strategies, this company has been terminated.
President Being Corp.	120,000	Currently developing, operating profit model stabilizing.
21 Century Enterprise Co., Ltd.	70,000	The profit model has not yet stabilized, so the affiliate operated at a loss.
Presidclerc (Beijing) Supermarket Ltd.(Note 3)	153,128	The profit model has not yet stabilized, so the affiliate operated at a loss.

Note 1: A portion of 2013 investments in President Chain Store (Shanghai) Ltd. was provided by PCSC (BVI) Ltd.

Note 2: A portion of 2013 investments in Wuhan Uni-President Oven Bakery Corp. was provided by PCSC (BVI) Ltd.

Note 3: A portion of 2013 investments in Presidclerc (Beijing) Supermarket Ltd. was provided by PCSC (BVI) 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 2014 are shown in the table below:

Company	Planned investment in 2014
Presidclerc (Beijing) Supermarket Ltd.	NT\$128 million
President Chain Store (Shanghai) Ltd.	NT\$288 million
Mister Donut Taiwan Corp.	NT\$100million
ICASH Corporation	NT\$25 million
Mister Donut Shanghai Corp.	NT\$59 million
President Royal Host (Shanghai) Ltd.	NT\$17 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 consolidated 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 quarterly meetings and regularly scheduled themed project operation reviews for key affiliated enterprises, 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 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 2013 economic growth rate was 2.11%, while 2014 estimates are for a growth rate of 2.82%. Due to moderate domestic economic growth and no fear of inflation, the Central Bank maintained a moderately loose monetary policy. Interest rates have not changed.

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 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 increase rate in 2013 was 0.79%, while the Directorate-General of Budget, Accounting and Statistics predicted 2014's CPI increase rate will fall to 1.21%, 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 Loading of Funds”, “Procedures for Acquisitions or Disposals of Assets” and “Procedures for Making of 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 and subsidiaries have defined a set of risk management and assessment procedures.

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

a. Loans to others: The Company and the subsidiaries are not engaged in any loans to others.

b. Endorsements and guarantees:

PCSC and its affiliated enterprises offer reasonable endorsements their investees that require funding for their operations. Below are the details of PCSC’s endorsements to its investees:

Company Name	Recipient of Endorsement	Relationship	Outstanding Balance of Endorsement in 2013	Outstanding Balance of Endorsement as of Mar. 31, 2014
PCSC	Mister Donut Shanghai Co., Ltd.	Mutual Investment	NT\$104,377,000	NT\$104,754,000
Wisdom Distribution Service Corp.	President Drugstore Business Corp.	PCSC Subsidiary	NT\$7,000,000	NT\$7,000,000

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 and the subsidiaries are 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: 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 and integrate public services that are useful to the entire community.
- (3) 3rd generation POS backup system: 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) R&D Plans for 2014 are expected to cost around NT\$214,330,000.

Plan	Current Progress	Additional Funds to be Invested	Expected Date of Completion	Main Factors Determining the Success of Future R&D
Materials and quality management platform	Integrated testing in progress	NT\$18,000,000	2014/12	Through integration of hardware, software, and the Internet, we can strengthen management of both stores and the corporation.
3rd generation POS backup system	Planning stage	NT\$9,200,000	2014/03	The backup system will increase operation stability and will bring PCSC closer to realizing sustainable operations.
Convenience store network optimization	Planning stage	NT\$65,000,000	2014/12	Utilization of public network will serve to provide a more stable network environment for operations.
Innovative services for operation system	Planning stage	NT\$52,000,000	2014/06 2014/09 2014/12	Bringing together market opportunities, business innovation and service enhancement to provide more labor-saving, diverse services.
Sell cards with international gaming credits	Developing and testing system	NT\$9,400,000	2014/04	Offer and display tangible international gaming credits to increase purchasing convenience and offer consumers more diversified services.
Self-service pre-order platform	Planning system	NT\$11,730,000	2014/04 2014/08	Provide consumers with more ways to buy products, including from purchasing at the checkout counter to the ibon self-help system.
Developing logistics-related system software	Planning system	NT\$49,000,000	2014/07	Primarily to enhance logistics system efficiency.

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 Publically Traded Companies. In response to amendments to the Company Act, PCSC implemented electronic voting and voting by polls at the General Shareholders' Meeting in 2013. In addition, we established an interdepartmental Regulation Identification Team that is tasked with reviewing and identifying quarterly new or updated laws that will affect PCSC.

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

- (1) In 2013, the Financial Supervisory Commission authorized iCash and Kaohsiung MRT e-ticketing operations. Because convenience stores serve as channels for paying money and storing it on e-tickets, corresponding systems and operations will also be incorporated.
- (2) A bill concerned with third party payment is currently being studied by the government. As this bill concerns deposit

methods and payment recipients, it is relevant to the service operations of PCSC's retail stores, so we will continue to keep tabs on developments of the bill.

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. PCSC was named one of CommonWealth Magazine's Top 10 Benchmark Enterprises for 19 years running, being ranked eighth, and first place in department store, retail, and wholesale category of the 2013 Benchmark Enterprise Survey. In 2013, it received first place in the service category for the 10th year in a row in Next Magazine's Cosmetics and Convenience Store survey.

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 regular internal regulation identification meetings and has fully implemented Personal Information Protection Act management and inspections 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: None

h. Anticipated benefits, risks of factory expansion and appropriate responses: None

i. Anticipated risks of concentrating purchasing and distribution and appropriate responses: None

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: None

k. Possible benefits and risks to the Company due to a change in operating rights and proposed responses: None

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: None

m. Other major risks and proposed responses: None

**07. Other important items: None**

# Specific Notes 8

## 01. Information about subsidiaries

1-1. 2013 Consolidated Business Report for subsidiaries: Please refer to 2013 Annual Report.

1-2. 2013 Affiliation Report: Please refer to 2013 Annual Report.

## 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.

# 9 Supplementary Disclosures

## 01. Key performance indicators

	2012	2013
Net operating margin (%)	4.77%	4.96%
Net profit margin (%)	4.74%	6.33%
Earnings per share (NT\$)	5.69	7.73
ROE (%)	29.95%	36.06%
Inventory turnover (times)	19.71	17.53

Note: The above percentages were calculated in accordance with the parent company only financial statements under IFRS.

## 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 to Evaluation	Evaluation Method	Basis of Evaluation
Provisions for doubtful accounts	Aging analysis method	Account receivables overdue for more than one year and are difficult to recover are recognized as doubtful accounts (100%)
Provisions for devaluation of inventory and bad debts	Lower of cost and net realizable value	The cost is estimated using retailing price method.

### 2-2. Financial assets

#### a. Financial assets measured at fair value with profits or losses

- (1) Refers to held-for-trade financial assets. If, when obtained, the primary purpose of a financial asset is to sell it in the near term, then it is to be categorized as held-for-trade financial assets. Settlement date accounting is practiced is used by the Group for held-for-trade financial assets that are in line with trade practices.
- (2) When recognized initially, financial assets with profits or losses are measured at fair value and relevant transaction costs are recognized as current profits or losses. Changes in subsequent fair value measurements are recognized as current profits or losses.

#### b. Available-for-sale financial assets

- (1) Refers to non-derivative financial assets that are available for sale or that have not been placed in any other category. Settlement date accounting is practiced is used by the Group for Available-for-sale financial assets that are in line with trade practices.
- (2) When recognized initially, available-for-sale financial assets are measured at fair value plus transaction costs and are subsequently measured at fair value with fair value changes recognized as other consolidated profits or losses.
- (3) When there is objective evidence of impairment, the difference between the cost for obtaining the asset and the current fair trade value minus any impairment loss on that financial asset previously recognized in profit or loss from other consolidated profits or losses and re-categorized as current profits or losses. Profits or losses of investments in equity instruments already recognized as impairment losses are irreversible through current profits and losses. Recognized and reversed impairment loss amounts are to adjust carrying amount of assets using allowance accounts.

c. Financial assets valued at cost

- (1) For holders of equities investments without active public market quotations, when a fair price cannot be reliably measured, the Group reports it as a financial assets valued at cost.
- (2) Impairment losses are recognized when there is objective evidence of impairment. The amount of impairment is irreversible.

d. Investments/affiliated enterprises under the equity method

- (1) Affiliated enterprises refers to all entities that the Group has significant influence over, generally holding 20% or more of voting shares directly or indirectly, but does not control. When voting, the Group employs the equity method with these affiliated enterprises and recognized as cost on acquisition less any accumulated impairment losses subsequently estimated.
- (2) Any profits or losses realized from the acquisition of affiliated enterprises is recognized as current profits or losses. Other consolidated profits or losses after acquisition are to be recognized as other consolidated profits or losses. When losses are equal to or surpass the amount of shares the Group has in an affiliated enterprise, the Group is not to recognize any further losses, unless the Group has legal or constructive obligation in regard to said affiliated enterprise.
- (3) Any non profit or loss or other comprehensive profit or loss changes in equities experienced by an affiliated enterprise that does not affect the Group's stock holdings ratio will be recognized by the Group as capital reserve.
- (4) Unrealized profits or losses resulting from trade between the Group and affiliated enterprises are to be eliminated based on the ratio of equities it has in the affiliated enterprise. Unless evidence indicates that the asset transferred in the trade is already impaired, the unrealized profits or losses are also to be eliminated. The affiliated enterprise is to make amendments to its accounting policies, so that they are consistent with those of the Group.
- (5) When an affiliated enterprise issues new shares, if the Group does not subscribe or acquire shares in accordance with the share percentage it already has in the affiliated enterprise, so that it affects the ratio of stocks the Group has, but the Group still has significant influence with the affiliated enterprise, the increase or decrease resulting from the change in the net worth of the shares will adjust capital reserves and investments under the equity method. If it results in a decrease in the investment ratio, in addition to the aforementioned adjustments, any relevant profits or losses resulting in a decrease in the ownership interest already recognized as other consolidated profits or losses and the gain or loss is re-categorized as a profit or loss when disposing of relevant assets or liabilities, it is to be re-categorized as profit or loss in accordance with loss ratio.
- (6) When a loss experienced by the Group significantly influences an affiliated enterprise, any remaining investment in the affiliated enterprise is to be re-measured in accordance with fair value. The difference between fair value and carrying amount is to be recognized as current profits or losses.
- (7) When the Group disposes of an affiliated enterprise, so that the Group loses significant influence with the affiliated enterprise, all amounts recognized previously as profits or losses under other comprehensive profits or losses that have to do with this affiliated enterprise are to be re-categorized at the time of disposal as profits or losses.

(8) When the Group disposes of an affiliated enterprise, so that the Group loses significant influence with the affiliated enterprise, capital reserves related to the affiliated enterprise are to be recognized as profits or losses. If the Group continues to have significant influence in the affiliated enterprise, shares are to be transferred to profit or loss in based on the disposal ratio.

### 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:**

1. 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.
2. 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: 2

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 Junior Accounting Administrator Training Course (30 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.