

# PRESIDENT CHAIN STORE CORPORATION

## ANNUAL REPORT 2014



# 2014 ANNUAL REPORT

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# Fresh produce controlled at the source

Monitored from farm to table for your protection

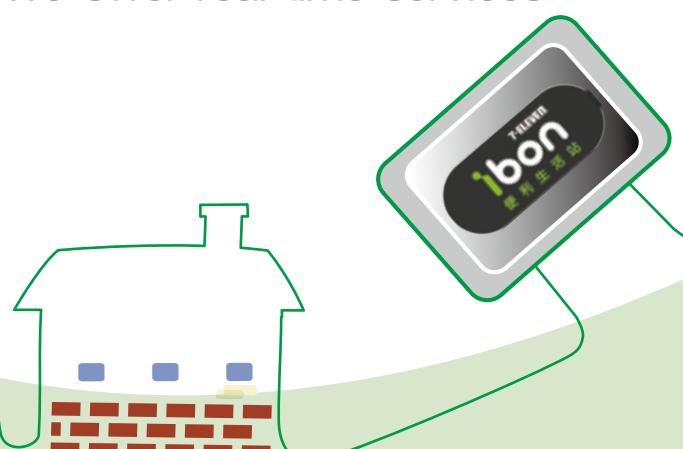






# Digital life for your protection and convenience

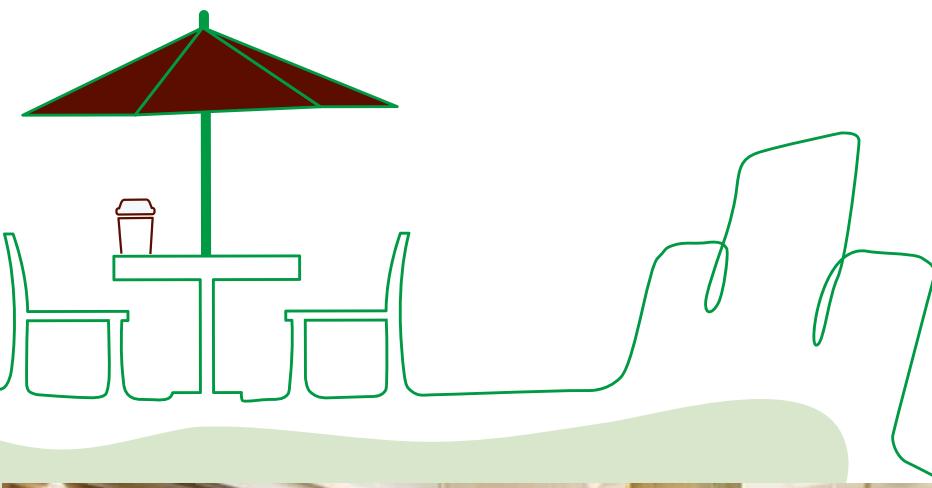
From brick & mortar to virtual, we offer real-time services





# Friendly services that win your hearts

From products to services, we meet your every need



Starbucks Bao-An, Taipei



BEING sport





## Wide Variety of products to enrich your life

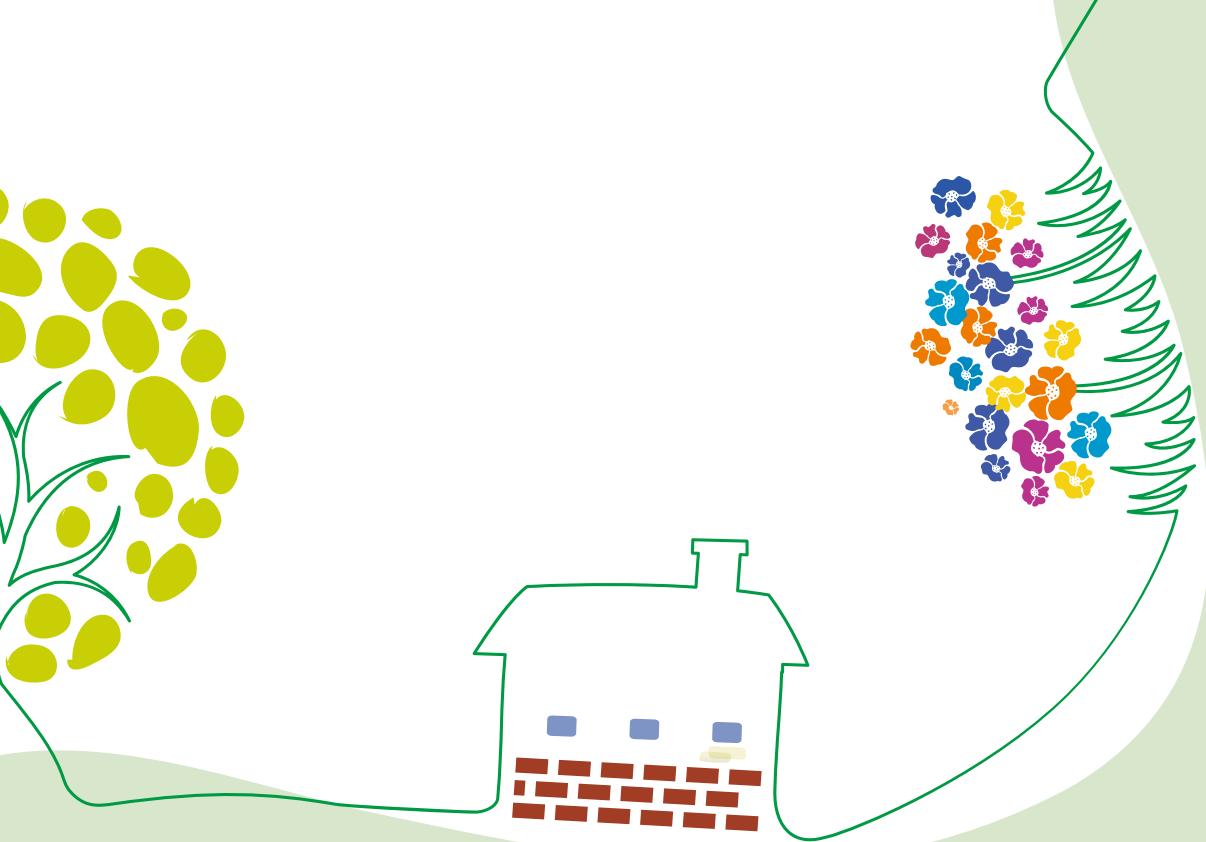
From convenience to diversity, we continue to expand our innovative services



# Concern for society, sustainable operations

From stores to neighborhoods, we care all the time





The 5,000th 7-ELEVEN store opened in Neimen, Kaohsiung

## Overall Performance(alone)

Item / Year (NT\$1,000)	2014	2013	YOY
Revenue	131,330,857	126,998,794	3.41%
Gross Profit	43,179,892	41,082,720	5.10%
Operating Profit	6,297,669	6,293,799	0.06%
Pre-tax Profit	10,307,131	9,129,187	12.90%
Net Profit	9,086,015	8,036,752	13.06%
EPS(NT\$)	8.74	7.73	—
Weighted Average Outstanding Shares	1,039,622,255	1,039,622,255	—

### Financial Ratios

	2014	2013
Gross Margin	32.88%	32.35%
Operating Expense Ratio	28.08%	27.39%
Operating Margin	4.80%	4.96%
Net Margin	6.92%	6.33%
ROA	15.62%	14.17%
ROE	36.16%	36.06%
Inventory Turnover	17.07times	17.53times
Fixed Asset Turnover	13.49times	13.93times

## Total No. of Stores & Revenue



## Gross Profit & Operating Profit



## ROE & ROA



## Cash Dividend Yield





Honorary Chairman

Kao, Chin-Yen



Chairman

Lo, Chih-Hsien



President

Chen, Jui-Tang

Dear valued Shareholders,

2014 was characterized by ongoing economic instability globally and issues, including food safety and increased labor costs, locally. As a result, the business environment in Taiwan remained challenging. Despite the unfavorable economic conditions, President Chain Store Corporation (PCSC) opened its 5,000th store, located in Neimen, Kaohsiung, as it continued to pursue its goal of providing customers convenient services. By continuing to enhance product offerings, PCSC's consolidated revenue and after-tax net profits for 2014 reached record highs of NT\$208 billion and NT\$9.09 billion, respectively. PCSC was also the only Taiwanese retailer to be ranked among the world's top 250 most powerful retailers by Deloitte.

### Operating Performance

To provide customers a comfortable, friendly shopping experience, PCSC continues its business strategy of providing large stores and giving each store a unique character of its own. PCSC also continues to work to narrow the rural-urban divide by opening stores in rural areas, such as Neimen, Kaohsiung and Orchid Island, Taitung. In the area of food safety, PCSC has expanded its selection of fresh produce and put a great deal of effort into establishing a food traceability system that links contract farms, its quality control laboratory and its customers. PCSC is striving to offer customers foods that meet comprehensive and rigorous food safety standards. In addition, 7-ELEVEN stores have also become stable sales channels for local farmers selling fresh produce through its retail stores. On another note, CITY CAFE, now in its tenth year, has upgraded its coffee beans and equipment, and hired coffee specialists to promote its brands. Its coffee delivery service also offers customers a more convenient shopping experience. In addition, by adopting a strategic alliance and integrating the group's resources, PCSC now offers MUJI products at 7-ELEVEN stores and works with Cosmed to develop the private brand, UNIDESIGN, to meet the diverse needs of customers. Besides physical products, PCSC leveraged its intensive network of stores and enhanced its digital application services. ibon and the ibon app have undergone complete upgrades, bringing together over 200 businesses and providing customers with more than 600 convenient, time-saving, and diversified services. Additionally, icash 2.0 can be used for transportation, in restaurants, and in drugstores. Integrating with OPENPOINT, icash 2.0 allows customers to accumulate bonus points while shopping, which aims to create the most convenient electronic payment service. PCSC received the 2014 World Congress on Information Technology's Click-and-Mortar Digital Service App award for outstanding high tech businesses.

In addition to 7-ELEVEN Taiwan, PCSC has also expanded into other retail businesses both in Taiwan and overseas. As of the end of 2014, PCSC had a total of 8,275 stores, 561 stores more than the previous year. For overseas businesses, 7-ELEVEN Philippines has more than 1,200 stores, making it the current leading convenience store chain in the country. It has opened stores in Iloilo, which is an important city in the central Philippines. In eastern China, Shanghai Starbucks has more than 640 stores. In Taiwan,

Cosmed enjoys steady growth as a result of opening new format stores, launching private-labeled products, and offering professional consultation services of beauty specialists. Cosmed also partnered up with President Pharmaceutical Corp, Hankyu Department Store, and BEING Spa to further expand PCSC's beauty business. Taiwan President Starbucks Coffee continues to integrate distinguishing characteristics of local culture into new stores. Taiwan Starbucks also opened virtual stores and introduced mobile services, making Taiwan the first country in Asia in which the country began to provide e-commerce services. Replicating its experience in Taiwan, Books.com began to offer merchandise pickup services at convenience stores in other countries in 2014. Customers can now make purchases on Book.com and pick up their orders at Hong Kong 7-ELEVEN stores. In 2014, DUSKIN Group of Japan recognized the outstanding operation performance of Taiwan Mister Donut over the past ten years, and as a result, granted Taiwan Mister Donut a permanent license in August 2014. It is the fifth PCSC brand to be awarded a permanent license after 7-ELEVEN, Takkyubin, President Collect Service Corp, and DUSKIN. PCSC, President Transnet Corp, and Starbucks were selected by Commonwealth Magazine for the top 2014 Gold Service Awards in the Convenience Store, Delivery Services, and Coffee Franchise categories.

## Social Responsibilities

For many years, PCSC has worked tirelessly to fulfill its corporate social responsibilities in the areas of corporate governance, social participation, and environmental protection. For corporate governance, PCSC continues to focus on the prompt disclosure of information and transparency. In 2014, PCSC was rated A++ in the evaluation of information disclosure in Taiwan's listed companies undertaken by Securities and Futures Institute. It's also recognized as the most improved in the area of corporate governance among rated companies in Asia in 2014 by The Asian Corporate Governance Association (ACGA). PCSC's 2013 Corporate Social Responsibility Report was given an A+ rating by British Standards Institution (BSI). In addition, PCSC was selected for the MSCI Global Sustainability Index for the first time in 2014. As to social participation, after the gas explosion in Kaohsiung, PCSC immediately assisted in rescue efforts and helped raise money for victims to rebuild. Representatives of "The OPEN! Cares" made trips to hospitals in remote locations to encourage suffering children, bringing them songs, dance, and interactive games. In the spirit of giving back to society, PCSC has endeavored to fulfill its responsibility as a corporate citizen. In 2014, PCSC again received accolades from Commonwealth Magazine with the 'Benchmark Enterprise Award' as well as other awards, including 'Digital Age Green Brand' in retailers.

## Business Outlook

2015 promises to be another year filled with challenges. However, PCSC will continue to strive for sustainable growth through structural changes and to improve the management of staff, stores, product offerings, logistics, systems, infrastructure, and culture. All our decisions will be informed by our business philosophy of honesty and integrity. Taiwan 7-ELEVEN will make good use of its strengths, such as accessibility and convenience, to further develop safe, fresh, and delicious self-service food, while integrating group resources to offer more differentiated products and services.

In terms of PCSC's business investments, through focused management and the consolidation of domestic and overseas resources, we expect business performance to improve steadily. In the Philippines, the number of 7-ELEVEN stores will surpass 1,500; Shanghai Starbucks will also continue to open new stores to promote coffee culture. As for 7-ELEVEN Shanghai, the range of high quality fresh foods and services on offer will enrich customers' shopping experience.

PCSC is 'determined to become an even better retailer by offering convenient services and being a good corporate citizen'. PCSC strives to make life more convenient for all customers, ensure steady profitability of all franchisees, create a friendly and fair work environment for employees, and increase shareholder value. PCSC's ultimate goal is to ensure the satisfaction of all customers, business partners, shareholders, and society.

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

## 2. Company History

<b>1987</b>	<ul style="list-style-type: none"> <li>Formerly part of Uni-President Enterprises, President Chain Store Corporation (PCSC) was established as an independent entity.</li> </ul>
<b>1988</b>	<ul style="list-style-type: none"> <li>The Electronic Order System (EOS) gradually rolled out to enhance distribution efficiency and increase sales opportunities.</li> </ul>
<b>1989</b>	<ul style="list-style-type: none"> <li>PCSC becomes the third largest 7-ELEVEN chain in the world with the opening of the 300th store.</li> </ul>
<b>1990</b>	<ul style="list-style-type: none"> <li>Established Retail Support International Corp.</li> <li>Held the first franchisee seminar, thereby launching the 7-ELEVEN franchise system in Taiwan.</li> </ul>
<b>1991</b>	<ul style="list-style-type: none"> <li>100th franchise store opened.</li> </ul>
<b>1994</b>	<ul style="list-style-type: none"> <li>Established the joint venture Duskin Serve Taiwan Co.</li> </ul>
<b>1995</b>	<ul style="list-style-type: none"> <li>1,000th store opened.</li> <li>Established President Drugstore Business Corp.</li> </ul>
<b>1996</b>	<ul style="list-style-type: none"> <li>First generation of POS (Point-of-Sales) implemented to fully understand customers' demands and gather market intelligence.</li> </ul>
<b>1997</b>	<ul style="list-style-type: none"> <li>PCSC listed on Taiwan Stock Exchange.</li> <li>Established the joint venture President Coffee Corp. (Starbucks Taiwan).</li> </ul>
<b>1999</b>	<ul style="list-style-type: none"> <li>Expanded into offshore islands such as Penghu and Kinmen to provide convenience services to local residents.</li> <li>2,000th store opened.</li> <li>Established Wisdom Distribution Corp., Uni-President Cold Chain Corp., President Musashino Corp., and President Transnet Corp.</li> </ul>
<b>2000</b>	<ul style="list-style-type: none"> <li>Signed perpetual area licensing agreement with 7-ELEVEN Inc.</li> <li>Established Shanghai President Starbucks Coffee Corp.</li> <li>Acquired Philippine Seven Corp., extending operations to overseas.</li> </ul>
<b>2002</b>	<ul style="list-style-type: none"> <li>Issued the company's first secured corporate bond in the amount of NT\$700 million.</li> <li>3,000th store opened.</li> <li>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.</li> </ul>
<b>2003</b>	<ul style="list-style-type: none"> <li>7-ELEVEN's lunch box awarded the International Marketing Communications Excellence Award 2002.</li> <li>PCSC opened our first retail stores in large shopping complexes.</li> <li>PCSC issued a second secured corporate bond in the amount of NT\$1.5 billion.</li> </ul>
<b>2004</b>	<ul style="list-style-type: none"> <li>Second generation of POS implemented.</li> <li>Launch of 7-ELEVEN icash stored-value card.</li> <li>7-ELEVEN's lunch box products became the first convenience store boxed meals to meet national standards as confirmed by Consumers' Foundation health inspection.</li> <li>Established President YiLan Art and Culture Corp., Mister Donut Taiwan Corp., and President Cosmed Chain Store (Shen Zhen) Co., Ltd.</li> </ul>
<b>2005</b>	<ul style="list-style-type: none"> <li>4,000th store opened.</li> <li>Officially expanded into the hypermarket and supermarket business in China with the establishment of Shan Dong President Yinzuo Commercial Limited and PCSC (SICHUAN) Hypermarket Limited.</li> <li>Honored with the Executive Yuan's 2005 Taiwan Sustainable Development Award and the Ministry of Economic Affairs' first Green Accounting Award.</li> </ul>
<b>2006</b>	<ul style="list-style-type: none"> <li>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.</li> <li>Established subsidiaries UNI-PRESIDENT Department Store Corp., Cold Stone Creamery Taiwan Ltd., and Cold Stone (Shanghai) Corp.</li> <li>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.</li> </ul>
<b>2007</b>	<ul style="list-style-type: none"> <li>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.</li> <li>The number of 7-ELEVEN CITY CAFE machines reached 1,000, making it the largest coffee chain in Taiwan.</li> <li>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.</li> </ul>
<b>2008</b>	<ul style="list-style-type: none"> <li>Established Afternoon Tea Taiwan Corp.</li> <li>7-ELEVEN entered the NT\$10 billion mobile telecommunications market by launching "OPEN Talk" prepaid cards.</li> <li>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.</li> <li>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.</li> </ul>
<b>2009</b>	<ul style="list-style-type: none"> <li>Established President Chain Store (Shanghai) Corporation and signed a licensing agreement with 7-ELEVEN (China) Business Corporation, launching 7-ELEVEN stores in Shanghai.</li> <li>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.</li> </ul>
<b>2010</b>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>Established the Royal Host (Shanghai) in a joint venture with famous western-style chain Royal Host of Japan.</li> <li>Established President SATO Co.Ltd. in a joint venture with Sato Restaurant Systems of Japan.</li> </ul>

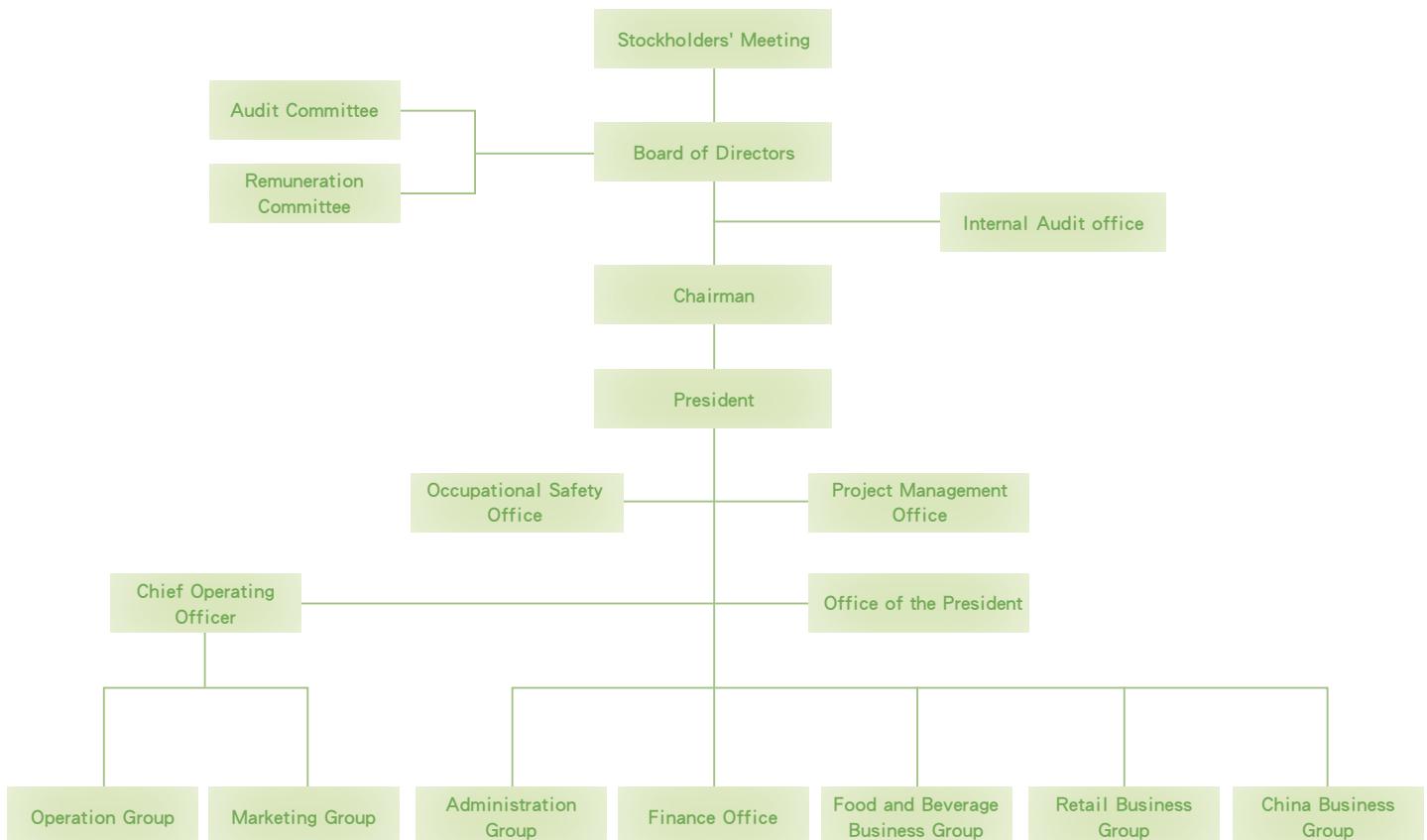
<ul style="list-style-type: none"> <li>· 7-ELEVEN accredited as a "green store" by the Environmental Protection Administration and was awarded first place in the Taipei Gold Energy Saving Awards as we continue to strive towards becoming a green enterprise.</li> </ul>	<p><b>2014</b></p> <ul style="list-style-type: none"> <li>· Opened 5,000th store.</li> <li>· Completes Zhongli Fresh Food commissary; together with Kaohsiung's Taisha Fresh Food commissary, playing the important role of regional distribution centers, efficiently handling the rising demand for takeout food.</li> <li>· Officially established iCASH Corp., wholly undertaking the iCASH trademark's proprietary rights and power of management. iCASH quickly proves itself a versatile payment method applicable across different industries.</li> <li>· 7-ELEVEN open stores in Philippines' 4th largest city of Bacolod, surpassing 1,000 stores nationwide, a milestone for 7-ELEVEN in the Philippines.</li> <li>· Mister Donut obtained a permanent license for Taiwan.</li> <li>· 7-ELEVEN listed for first time on MSCI, receiving its highest marks in corporate governance evaluation, surpassing the average of evaluated companies in the same category.</li> <li>· 7-ELEVEN makes list Forbes Global 2000 for the first time.</li> <li>· PCSC given top A++ score by 11th Publicly Traded and OTC Company Information Disclosure and Transparency Rating System, the only retailer in Taiwan to receive the honor.</li> </ul>
<p><b>2011</b></p> <ul style="list-style-type: none"> <li>· Following the devastating earthquake in Japan, PCSC and 16 affiliated companies launched a fundraising campaign to collect donations in our stores.</li> <li>· 7-ELEVEN introduced the "ibon convenient purchasing" service, creating a new sales platform via the ibon and 7NET online website.</li> <li>· 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.</li> <li>· Taking the lead in the convenience store industry, 7-ELEVEN introduced the E-Invoice in stores throughout Taiwan.</li> </ul>	
<p><b>2012</b></p> <ul style="list-style-type: none"> <li>· 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.</li> <li>· Third generation of POS gradually implemented, accurately capturing customer trends and optimizing retail sales efficiency.</li> <li>· 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.</li> <li>· In a pioneering move, PCSC established a distribution industry quality-testing lab, resulting in an even more rigorous food safety mechanism for customers.</li> <li>· Philippines 7-ELEVEN opened its 800th store and expanded to Cebu in the southern part of the country.</li> <li>· 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.</li> </ul>	<p><b>2015</b></p> <ul style="list-style-type: none"> <li>· 7-ELEVEN begins working with Taiwan Organic Farms to promote "organic produce cases".</li> <li>· 7-ELEVEN officially set up a CSR Committee, stressing interdepartmental cooperation and a systematic CSR management mechanism.</li> <li>· BSI certified PCSC's Corporate Social Responsibility Report AA100 and rated PCSC as an A+ sustainable enterprise.</li> <li>· 7-ELEVEN rated by Deloitte Taiwan as one of the top 250 global retailers for 2015, the only retailer in Taiwan to receive the honor.</li> <li>· 7-ELEVEN given top A++ score by 12th Publicly Traded and OTC Company Information Disclosure and Transparency Rating System.</li> <li>· Manager Today lists 7-ELEVEN, Takkyubin, and Starbucks as Most Influential Brands in 2015. They receive the highest ranking in the Retailer and Wholesaler, and Logistic and Transportation Categories, respectively.</li> <li>· 7-ELEVEN, Uni-President Enterprises, Starbucks, Takkyubin, and Cosmed made BusinessWeek's list of 100 Most Influential Companies with 1st in retail and food as well as 2nd and 3rd for transportation/logistics.</li> <li>· 7-ELEVEN ranked among the top 5% in the 1st Taiwan Corporate Governance Evaluation System.</li> </ul>
<p><b>2013</b></p> <ul style="list-style-type: none"> <li>· Third generation of POS fully implemented across Taiwan 7-ELEVEN network of stores.</li> <li>· 7-ELEVEN started selling premium fruit and fresh produce in 1,000 stores.</li> <li>· 7-ELEVEN product quality inspection lab received three different international certifications, further raising the bar on product inspection.</li> <li>· President Transnet Corp. established the Comprehensive Distribution Center in Zhongli, gearing up for rapidly expanding market needs with the new center's largescale, automated, highly efficient facilities.</li> <li>· Released the film, "Bridge Over Troubled Water," nominated for Best Documentary in the 50th Golden Horse Film Festival.</li> <li>· 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.</li> </ul>	

# 3 Corporate Governance

## 1. Organization

### (1) Organization Chart

4 May 2015



### (2) Responsibilities of Key Groups

- China Business Group: Development and management of investment in China.
- Retail Business Group: Development and management of Retail 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 president.
- Administration Group: Back office resource integration and planning, administration of public affairs.
- Finance Office: Management and planning of financial, accounting affairs and investor relations.
- Internal Audit Office: Management and implementation of internal auditing and the internal control system.
- Occupational Safety Office: Management of employee safety and health.

## 2. Information on directors, the company president, senior vice presidents, vice presidents, division heads

### (1) Information on directors:

#### 1. Information on directors:

30 April 2015

Title	Name	Nationality or Place of Registration	Date Elected to the Board	Term (years)	Date of Initial Election	Shares Held at Time of Election		Current Shareholdings		Shares Held by Spouse or Minor Children		Shareholding by Nominee Arrangements		Education and Experience (Note 3)	Positions Held Concurrently at PCSC and Other Companies	Spouse or Relatives Within the Second-Degree of Consanguinity also Holding Management, Directorial, or Supervisory Positions			
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Director and Institutional Shareholder	Uni-President Enterprises Corp.	Taiwan	2012.06.21	3	1987.06.10	471,996,430	45.40%	471,996,430	45.40%	—	—	—	—	—	—	—	—	—	
Chairman (Representative)	Lo, Chih-Hsien (Note 1)	Taiwan	2013.12.19	3	2013.12.19	1,032,215	0.10%	1,032,215	0.10%	1,014,315	0.10%	—	—	MBA, UCLA, USA	(Note 4)	Director	Kao, Chin-Yen	Father-inlaw	
																Director	Kao, Hsieu-Ling	Spouse	
Director (Representative)	Kao, Chin-Yen (Note 1)	Taiwan	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	Kao, Hsieu-Ling	Daughter	
Director (Representative)	Lin, Chang-Sheng (Note 1)	Taiwan	2012.06.21	3	1987.06.10	30,840	—	30,840	—	—	—	—	—	—	BA, Dept. of Electrical Engineering, National Cheng Kung University	(Note 4)	—	—	—
Director (Representative)	Lin, Lung-Yi (Note 1)	Taiwan	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 and Institutional Shareholder	Kao Chyuan Investment Co., Ltd.	Taiwan	2012.06.21	3	2009.06.10	4,538,775	0.44%	4,876,775	0.47%	—	—	—	—	—	—	—	—	—	—
Director (Representative)	Kao, Hsieu-Ling (Note 2)	Taiwan	2012.06.21	3	2010.03.20	1,014,315	0.10%	1,014,315	0.10%	1,032,215	0.10%	—	—	Marymount College, USA	(Note 4)	Director	Kao, Chin-Yen Lo,	Father	
																Chairman	Lo, Chih-Hsien	Spouse	
Director (Representative)	Su, Tsung-Ming (Note 1)	Taiwan	2012.06.21	3	2008.02.14	—	—	—	—	—	—	—	—	—	MBA, University of Iowa, USA	(Note 4)	—	—	—
Director (Representative)	Wu, Chung-Pin (Note 1)	Taiwan	2012.06.21	3	2012.06.21	—	—	—	—	—	—	—	—	—	BA, Dept. of Accounting, National Chung Yuen University	(Note 4)	—	—	—
Director (Representative)	Yang, Wen-Long (Note 1)	Taiwan	2012.06.21	3	2003.06.24	—	—	—	—	—	—	—	—	—	BA, Dept. of Sociology, National Chung Hsing University	(Note 4)	—	—	—
Director (Representative)	Chen, Jui-Tang (Note 1)	Taiwan	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)	Taiwan	2012.08.01	3	2012.08.01	—	—	—	—	—	—	—	—	—	BA, Dept. of Business Administration, Tunghai University	(Note 4)	—	—	—
Independent director	Wang, Wen-Yeu	Taiwan	2012.06.21	3	2012.06.21	—	—	—	—	20,000	—	—	—	—	J.S.D., Stanford Law School	(Note 4)	—	—	—
Independent director	Chen, M. David	Taiwan	2012.06.21	3	2012.06.21	—	—	—	—	—	—	—	—	—	PhD, University of Illinois at Urbana-Champaign, USA	(Note 4)	—	—	—
Independent director	Shu, Pei-Gi	Taiwan	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 2014 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 2014 Annual Report.

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

Name	Item	Has over 5 years of work experience and the below professional qualifications		Independence Ranking (Note 1)										Number of independent directorships held in other public companies
		Holds the position of lecturer (or higher) at public or private college or university in business, law, finance, accounting or company Operations	Holds a license, obtained through national examination, for the position of judge, district attorney, lawyer, accountant, or similar	1	2	3	4	5	6	7	8	9	10	
Lo, Chih-Hsien				✓							✓		✓	—
Kao, Chin-Yen				✓	✓	✓					✓		✓	—
Lin, Chang-Sheng				✓			✓	✓			✓	✓	✓	—
Lin, Lung-Yi				✓			✓	✓			✓	✓	✓	—
Kao, Hsiu-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.

1. 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 2014

Name of Institutional Shareholder	Principal Shareholders in PCSC Institutional Shareholders
Uni-President Enterprise Corp.	Kao Chyuan Investment Co. Ltd. (4.52%), BNP Paribas Wealth Management Singapore Branch (3.10%), JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency (2.69%), Hou, Po-Ming (2.60%), Hou, Po-Yu (2.27%), Singapore Government Fund in the custody of Citibank Taiwan (1.98%), 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, Hsiu-Ling (1.64%), Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds (1.58%), Kao, Chin-Yen (1.55%)
Kao Chyuan Investment Co. Ltd.	Kao, Hsiu-Ling (61.63%), Lo, Chih-Hsien (20.14%), Kao, Lai-Huan (13.42%), Kao, Han-Di (1.59%), Kao, Tsu-Yi (1.17%), Lo, Hsi-Ai (1.05%), Kao, Chin-Yen (1.00%)

2. 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 2014

Name of Institutional Shareholder	Principal Shareholders in Institutional Shareholders
Kao Chyuan Investment Co. Ltd.	Kao, Hsiu-Ling (61.63%), Lo, Chih-Hsien (20.14%), Kao, Lai-Huan (13.42%), Kao, Han-Di (1.59%), Kao, Tsu-Yi (1.17%), Lo, Hsi-Ai (1.05%), Kao, Chin-Yen (1.00%)

## (2) Information on the company president, senior vice presidents, vice presidents, and division heads:

30 April 2015

Title	Name	Nationality	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	Taiwan	2012.06.21	13,652	—	—	—	—	—	BA, Dept. of Economics, National Taiwan University	(Note 2)	—	—	—
Senior vice President	Chang Jen, Yun-Huei	Taiwan	1999.01.01	—	—	—	—	—	—	BA, Dept. of Chemistry, Chinese Culture University	(Note 2)	—	—	—
Senior Vice President	Lai, Nan-Bey	Taiwan	2008.06.13	—	—	—	—	—	—	BA, Dept. of Business Administration, Tunghai University	(Note 2)	—	—	—
Chief Operating Officer (Senior Vice President)	Wu, Kuo-Hsuan	Taiwan	2012.08.01	—	—	—	—	—	—	BA, Marketing & Distribution Management, Fortune Institute of Technology	(Note 2)	—	—	—
Senior Vice President	Chung, Mao-Chia	Taiwan	2012.08.01	—	—	—	—	—	—	BA, International Trade, Feng Chia University	(Note 2)	—	—	—
Vice President	Hsieh, Lien-Tang	Taiwan	2012.08.01	—	—	113	—	—	—	BA, Business Administration, Chinese Culture University	(Note 2)	—	—	—
Vice President	Hong, Gin-Guu	Taiwan	2012.08.01	3,539	—	—	—	—	—	BA, Dept. of Business Administration, Tunghai University	(Note 2)	—	—	—
Vice President	Tzeng, Fan-Bin	Taiwan	2013.01.01	—	—	—	—	—	—	BA, International Trade, Soochow University	(Note 2)	—	—	—
Vice President	Lin, Chi-Chang	Taiwan	2013.01.01	717	—	2,000	—	—	—	BA, Social Work, Soochow University	(Note 2)	—	—	—
Vice President	Lee, Chi-Ming	Taiwan	2008.10.01	1,121	—	—	—	—	—	BA, Accounting, Soochow University	(Note 2)	—	—	—
Chief Auditor (Vice President)	Hsieh Hong, Hui-Tzu	Taiwan	2014.06.19	282	—	—	—	—	—	BA, Department of Business Administration National Cheng-kung University	(Note 2)	—	—	—
Chief Financial Officer (Vice President)	Wu, Wen-Chi	Taiwan	2010.04.01	556	—	737	—	—	—	BA, School of Accountancy, University of Missouri at Columbia, U.S.A.	(Note 2)	—	—	—
Vice President	Lin, Hong-chun (Note 3)	Taiwan	2014.10.15	1,129	—	—	—	—	—	BA, Department of Electrical Engineering Southern Taiwan University of Science and Technology	(Note 2)	—	—	—
Vice President	Hsieh, Ching-Hsun (Note 3)	Taiwan	2015.3.19	1,251	—	—	—	—	—	MA, Dept. of Labor Relations, Chinese Culture University	—	—	—	—
Financial Division Manager	Cheng, Yea-Yun	Taiwan	2011.07.01	—	—	—	—	—	—	BA, Dept. of Business Administration, Pingtung University of Science and Technology	(Note 2)	—	—	—
Accounting Division Manager	Chang, Li-Ling (Note 3)	Taiwan	2014.11.06	—	—	—	—	—	—	BA, Accounting Department, Ming Chuan University	(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 2014 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 2014 Annual Report.

Note 3: Vice President Hsieh Hong, Hui-Tzu and Vice President Lin, Hong-chun assumed their offices in June and October 2014, respectively. Vice President Hsieh, Ching-Hsun assumed office in March 2015. Accounting Division Manager Chang, Li-Ling assumed office in November 2014.

**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 2014 / 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					Compensation from Affiliates Other than Subsidiaries (Note 3)								
		Remuneration (A)	Pensions (B)	Earnings Distribution (C)	Business Expenses (D)		Salary, Bonuses, and Special Allowance (E)	Pensions (F)	Earnings Distribution (G) (Note 2)		Shares Received through the Employee Stock Option Plan (H)	New Shares Received through Employee Restricted Stock Awards (I)	Summation of A,B,C, D, E, F and G as a % of After-Tax Income							
									All consolidated companies	PCSC			All consolidated companies (Note 3)							
Director and Institutional Shareholder	Uni-President Enterprises Corp	138,387	138,447	-	-	146,454	150,099	-	-	3.13%	3.18%	-	-	-	-	-	3.13%	3.18%	-	
Director (Representative)	Kao, Chin-Yen (Note 1)	161,394	172,794	-	-	-	-	9,600	10,080	1.88%	2.01%	-	-	-	-	-	-	1.88%	2.01%	-

Note 1: Representative of Uni-President Enterprise Corp.

Note 2 : Earnings distribution for 2014 has not yet been approved by general shareholders meeting . These figures are based on the proposal approved by the Board.

Note 3: Compensation received for directors and supervisors of affiliated enterprises that are not consolidated into the financial statement.

31 December 2014 / 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 3)		
		Remuneration (A)	Pensions (B)	Earnings Distribution (C)	Business Expenses (D)		Salary, Bonuses, and Special Allowance (E)	Pensions (F)	Earnings Distribution (G) (Note 2)		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	Kao Chyuan Investment Co., Ltd														
Chairman	Lo, Chih-Hsien (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)	Chen, Jui-Tang (Note 1)														
Director (Representative)	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 2014 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					Kao Chyuan Investment Co., Ltd.	Kao Chyuan Investment Co., Ltd.		
	A+B+C+D		A+B+C+D+E+F+G						
	PCSC	All consolidated companies	PCSC	All consolidated companies					
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; Kao,Hsiao-Ling;Su,Tsung-Ming; Wu,Chung-Pin;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;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;Wang,Wen-Yeu; Chen,M.David;Shu,Pei-Gi				
NT\$2,000,000 (incl.) – NT\$5,000,000	—	—	—	—	—	—	—		
NT\$5,000,000 (incl.) – NT\$10,000,000	—	—	—	—	—	—	—		
NT\$10,000,000 (incl.) – NT\$15,000,000	Kao Chyuan Investment Co., Ltd.	Kao Chyuan Investment Co., Ltd.	Kao Chyuan Investment Co., Ltd.	Lai,Nan-Bey	Kao Chyuan Investment Co., Ltd.	Kao Chyuan Investment Co., Ltd.	Lai,Nan-Bey		
NT\$15,000,000 (incl.) – NT\$30,000,000	—	—	—	—	—	—	—		
NT\$30,000,000 (incl.) – NT\$50,000,000	—	—	—	—	Chen,Jui-Tang	—	Chen,Jui-Tang		
NT\$50,000,000 (incl.) – NT\$100,000,000	—	—	—	—	—	—	—		
NT\$100,000,000 and above	—	—	—	—	—	—	—		
Total	13	13	13	13	13	13	13		

## b. President and senior vice president remuneration:

31 December 2014 / Unit: NT\$1,000

Title	Name	Salary (A)		Pensions (B)		Bonus and Special Allowance (C) (Note1)	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	Cash Bonuses	Stock Bonuses					
President	Chen, Jui-Tang	25,334	27,194	1,538	1,538	58,426	58,426	7,215	—	7,215	—	1.02%	1.04%	—	—
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 2014 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	—	—
NT\$10,000,000 (incl.) – NT\$15,000,000	Chang Jen, Yun-Huei; Lai, Nan-Bey; Wu, Kuo-Hsuan ; Chung, Mao- Chia; Hsieh, Po-Chung	Chang Jen, Yun-Huei; Lai, Nan-Bey; Wu, Kuo-Hsuan ; Chung, Mao- Chia; Hsieh, Po-Chung
NT\$15,000,000 (incl.) – NT\$30,000,000	—	—
NT\$30,000,000 (incl.) – NT\$50,000,000	Chen, Jui-Tang	Chen, Jui-Tang
NT\$50,000,000 (incl.) – NT\$100,000,000	—	—
NT\$100,000,000 and above	—	—
Total	6	6

## 1. Distribution of bonuses to Company management:

31 December 2014 / Unit: NT\$1000

	Title	Name	Stock Bonus	Cash Bonus	Total	Total as a % of After-Tax Income
Managers	President	Chen, Jui-Tang	—	16,252	16,252	0.18%
	Senior Vice President	Chang Jen, Yun-Huei				
	Senior Vice President	Lai, Nan-Bey				
	Senior Vice President	Wu, Kuo-Hsuan				
	Senior Vice President	Chung, Mao-Chia				
	Senior Vice President	Hsieh, Po-Chung				
	Vice President	Hsieh, Lien-Tang				
	Vice President	Hong, Gin-Guu				
	Vice President	Tzeng, Fan-Bin				
	Vice President	Lin, Chi-Chang				
	Vice President	Lee, Chi-Ming				
	Chief Auditor (Vice President) (Note2)	Hsieh Hong, Hui-Tzu				
	Chief Financial Officer (Vice President)	Wu, Wen-Chi				
	Vice President (Note2)	Lin, Hong-Chun				
	Vice President (Note 2)	Lin, Wen-Ching				
	Vice President	Wang, Wen-Kui				
	Vice President	Chang, Chia-Hua				
	Financial Division Manager	Cheng, Yea-Yun				
	Accounting Division Manager (Note 2)	Chang, Li-Ling				
	Accounting Division Manager (Note 2)	Chang, Sung-Hong				

Note 1: Earnings distribution for 2014 has not yet been approved by shareholders at the general meeting. These figures are based on the proposal approved by the Board.

Note 2: Vice President Hsieh Hong, Hui-Tzu assumed office on 19 June 2014; Vice President Lin, Wen-Ching left office on 31 July 2014; Vice President Lin, Hong-chun assumed office on 15 October 2014; Accounting Division Manager Chang, Sung-Hong left office on 6 November 2014; Accounting Division Manager Chang, Li-Ling assumed office on 6 November 2014.

**(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.**

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

	Title	Directors	President and Senior Vice Presidents
2014 (Note 1)	PCSC	5.72%	1.02%
	All consolidated companies	5.92%	1.04%
2013 (Note 1)	PCSC	3.76%	1.00%
	All consolidated companies	3.99%	1.04%

Note 1: PCSC's net income after tax in 2014 was NT\$9,086,015,000; PCSC's net income after tax in 2013 NT\$8,036,752,000.

## 2. 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 46.)

(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.

### 3. Corporate governance

#### (1) Board of Directors:

At the time of printing, 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)	Remarks
Chairman	Uni-President Enterprises Corp. Lo, Chih-Hsien	7	0	100%	—
Director	Uni-President Enterprises Corp. Kao, Chin-Yen	0	7	0%	—
Director	Uni-President Enterprises Corp. Lin, Chang-Sheng	6	1	86%	—
Director	Uni-President Enterprises Corp. Lin, Lung-Yi	6	1	86%	—
Director	Kao Chyuan Investment Co., Ltd. Kao, Hsiu-Ling	7	0	100%	—
Director	Uni-President Enterprises Corp. Su, Tsung-Ming	7	0	100%	—
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	7	0	100%	—
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. The Board passed a management consultation agreement with Uni-President Enterprises Corp. on 18 March 2015, because all non-independent directors are appointed as representatives of related parties, so all non-independent directors did not vote on this issue to avoid conflict of interest. This proposal was passed without objection with all independent directors.

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.

## (2) Operations of the Audit Committee:

At the time of printing, there had been a total of seven (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)	Remarks
Independent director	Wang, Wen-Yeu	7	100 %	—
Independent director	Chen, M. David	7	100 %	—
Independent director	Shu, Pei-Gi	7	100 %	—

Other issues to be noted:

- 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.
- 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.
- 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 2014, no such situation occurred and the communication links between internal auditors and the Audit Committee were strong.  
[Further explanation 1] The Company retains external auditors who audits the financial statement on a regular basis and report their findings 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 2014, no such situation occurred and the communication links between internal auditors and the Audit Committee were strong.

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

Items Evaluated	Status			Variations (if any) with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
1.Did PCSC establish its Corporate Governance Best Practice Principles in accordance with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and disclose those Principles?	√		In order to establish a sound corporate governance system, the Company considered regulations set forth in the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies coproduced by TWSE and GTSM and passed the Corporate Governance Best Practice Principles at the meeting of the Board on 19 December 2014.	Compliant
2. Company ownership structure and shareholder rights				
(1) Did PCSC establish internal operational procedures for dealing with shareholder suggestions, questions, disputes, and lawsuits and established them in accordance with procedures?	√		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) Did PCSC obtain 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 institutional shareholders. If necessary, PCSC can obtain the list of their ultimate owners from these institutional shareholders.	Compliant
(3) Did PCSC establish and implement 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

Items Evaluated	Status			Variations (if any) with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
(4) Did PCSC establish internal standards to prevent Company personnel from using market information not yet made public to purchase securities?	✓		PCSC has an ethics management and trade secret code of conduct in place to serve as its standard. Its internal management control system also clearly has operation procedures in place to prevent insider trading to preclude individuals with access to information from engaging in insider trading, so as to maintain fairness of the securities market and to safeguard the rights of the investors.	Compliant
3. Structure and responsibilities of the Board of Directors				
(1) Has PCSC established policies calling for diversity among members of the Board of Directors and put said policies into practice?	✓		1.In accordance with PCSC's Corporate Governance Best Practice Principles and the director election guidelines, the composition of the members of the Board of Directors emphasizes diversity as well as the knowledge, skills, and backgrounds needed for members to carry out their responsibilities. 2.The Company's current 13 directors have specialized backgrounds in operations and management, finance ,accounting, and legal affairs. One director is female.	Compliant
(2) In addition to the establishment of the Remuneration Committee and Audit Committee as required by law, did PCSC institute committees with other functions of its own accord?	✓		In addition to establishing the Remuneration and Audit Committees as required by law, the Company has filled the positions with independent directors. The Company currently does not have any other functional committees, but it does have a CSR Committee set up by the management team which reports the status and achievements of its work to the directors on a regular basis. The Company will take into consideration the legal environment, Company operations, and management needs in deciding whether or not to establish other functional committees in the future.	Compliant
(3) Has PCSC established performance evaluation guidelines and evaluation methods for the Board of Directors and does it evaluate its performance regularly each year?	✓		PCSC currently does not have guidelines or methods for evaluating the performance of the Board of Directors in place. It will evaluate the feasibility of doing so based on the legal environment, Company operations, and management needs in the future.	Not Compliant
(4) Does PCSC periodically assess the independence of external auditors?	✓		1.PCSC's Audit Committee and Board of Directors periodically evaluate the independence of its certified accountants. The Company's accounting department evaluates accountants based on independence evaluation items it has established based on the Certified Public Accountant Act and the 10th Code of Ethics for Professional Accountants. 2.Each year, PCSC's external auditors provide PCSC with a Statement of Independence. The external auditor firm also complies with rules for rotating external auditors.	Compliant
4. Has PCSC established communication channels with stakeholders and set up an area dedicated to stakeholders on the Company website and does the Company respond appropriately to corporate social responsibility issues that stakeholders consider important?	✓		1. In accordance with legal requirements, PCSC has established a comprehensive spokesperson system, establishing an Integrated Services Center to respond appropriately to corporate social responsibility issues that stakeholders consider important. In addition, PCSC's website ( <a href="http://www.7-11.com.tw">www.7-11.com.tw</a> ) fully discloses the issues that stakeholders consider important and has a mechanism in place to respond appropriately. 2. 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. 3. 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. 4. The Company has established an internal employee care group that actively works to provide effective, timely consultation and guidance to employees whenever required. 5. 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. 6. PCSC has established the Integrated Services Center to serve as a centralized communication channel between PCSC, its suppliers, employees, and customers.	Compliant
5. Has PCSC designated an agent specializing in the handling of stock affairs to handle shareholder meeting affairs?	✓		PCSC has designated President Securities Corporation Stock Affairs Department to handle shareholder meeting affairs..	Compliant
6. Information disclosure				

Items Evaluated	Status			Variations (if any) with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
(1) Has PCSC established 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 operational, financial, and corporate governance information.	Compliant
(2) Has PCSC adopted other methods of information disclosure (e.g., setting up an English website, designating a specialist responsible for gathering and disclosing Company information, setting up a spokesperson system, uploading recordings of investor conferences onto the Company website)?	√		<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 and video are 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
7. Does PCSC have other important information to facilitate better understanding of the Company's corporate governance practices (including, but not limited to current status of employee rights, employee care, investor relations, supplier relations, stakeholder rights, director and supervisor training regimes, risk management policies, and risk measurement standards as well as the current status of client policies and the Company purchasing liability insurance for its directors and supervisors)?	√		<p>1. There is no spousal relationship between PCSC's Chairman and President, and they are not relatives within one degree of consanguinity. The president and chairman as well as managers responsible for finance and accounting of PCSC have not worked for the Company's currently designated accounting office or affiliated enterprises within the past one year.</p> <p>2. In 2014, Directors Lo, Chih-Hsien, Lin, Chang-Sheng, Lin, Lung-Yi, Yang, Wen-Long, Kao, Hsiao-Ling, Su, Tsung-Ming, Wu, Chung-Pin, Chen, Jui-Tang, and Lai, Nan-Bey attended a 3-hour training course entitled "Food Safety—Revelations on Food Safety for Businesses" by the Taiwan Corporate Governance Association.</p> <p>3. As part of the Company's continuing education program for managers, in 2014, 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 training course entitled "Food Safety—Revelations on Food Safety for Businesses" by the Taiwan Corporate Governance Association.</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.</p> <p>5. PCSC has purchased liability insurance for its directors, and key personnel.</p> <p>6. BSI certified PCSC's 2013 Corporate Social Responsibility Report AA100 and rated PCSC as an A+ sustainable enterprise.</p> <p>7. PCSC was listed on MSCI Global Sustainability Indexes for the first time in 2014, receiving its highest marks in corporate governance evaluation, surpassing the average of evaluated companies in the same category.</p> <p>8. PCSC places a great deal of emphasis on the transparency and immediacy of information disclosure, receiving an A++ for information disclosure in 2014.</p> <p>9. PCSC received the highest rating in CG Watch for most improved score in corporate governance by ACGA (Asian Corporate Governance Association) in 2014.</p> <p>10. 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>11. 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>12. 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>13. The subsidiaries of PCSC also follow the guidelines of PCSC to gradually improve corporate governance.</p>	Compliant

Items Evaluated	Status			Variations (if any) with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
8. Does PCSC have corporate governance self-evaluation report or evaluation performed by a professional organization? (If yes, please indicate the views of its Board of Directors, the results of the evaluations, major deficiencies, suggestions, and improvements in the situations)	✓		In 2012, PCSC adopted a corporate governance self-appraisal system and regularly updates its self-assessment report in the market observation post system.	Compliant

#### (4) Composition, responsibilities, and operation of the Remuneration Committee:

##### 1. Remuneration Committee Members

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

##### 2. 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 three (A) meetings of the Remuneration Committee over the past fiscal year. Member attendance is detailed below:

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

Other issues to be noted:

- If the Board does not adopt or amends Remuneration Committee proposals, the Board meeting date, session, session, content of the resolution, result of the Board vote, and the Company’s response to the Remuneration Committee’s opinion shall be properly recorded (for example, if the remuneration package approved by the Board is superior to that suggested by the Remuneration Committee, the difference and reasons must be noted).

[Further explanation] There has not been any instance of the Board rejecting or amending a Remuneration Committee proposal. Also, there have not been any recorded instances of Remuneration Committee members opposing or reserving opinion on any decision by the Board.

2. Should a committee member oppose or reserve their opinion regarding any decision made by the Remuneration Committee and their opinion has been recorded or submitted in a written statement, the committee meeting date, session, content of the resolution, opinions of all members, and the response to the opinions shall be recorded.

[Further explanation] PCSC did not have a case in which a member of the Remuneration Committee recorded or submitted a written statement in opposition or reserving opinion on a resolution decided upon by the committee.

#### (5) Implementation of Corporate Social Responsibility:

Area Evaluated	Status			Variations (if any) with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
<b>I. Corporate Governance</b>				
(1) Has PCSC established corporate social responsibility policies or a CSR system and reviewed the effectiveness of implementation?	√		In order to implement and management its CSR, PCSC established an interdepartmental CSR Committee with the president serving as chairman, the chief operations officer as co-chairman. The committee is divided up into five major groups, including "Corporate Governance", "Sustainable Products and Services", "Environmental Friendly", "Coexisting with the Community", and "Employee and Franchisee Relations", responsible for proposing and implementing concrete plans related to CSR policies, systems, or relevant management guidelines and reporting the status on a regular basis to the Board of Directors. Please refer to CSR report for detailed description.	Compliant
(2) Does PCSC regularly give CSR education and training?	√		PCSC's departments provide CSR education and training related to their areas of responsibility as deemed necessary. In 2012, PCSC launched labor auditor training.	Compliant
(3) Has PCSC designated personnel to implement corporate social responsibility policy with senior management authorized by the Board of Directors to manage them and do they give status reports to the Board of Directors?	√		PCSC established an interdepartmental CSR Committee with the president serving as chairman, the chief operations officer as co-chairman. The committee is divided up into five major groups responsible for proposing and implementing concrete plans related to CSR policies, systems, or relevant management guidelines and reporting the status on a regular basis to the Board of Directors.	Compliant
(4) Has PCSC established reasonable remuneration policies and combined the employee performance evaluation system and CSR policies, and established a clear and effective incentive and discipline system?	√		PCSC pays employees competitive wages and, each year, uses various pay and benefit surveys to ensure that the starting pay that it offers is higher than standard starting pay around the nation. To ensure fairness, PCSC offers same starting pay for males and females performing the same work, so that pay and benefits do not vary based on gender or age. In addition, PCSC holds quarterly labor and management meetings as required by law with 5 individuals representing labor and 5 individuals representing management to negotiate issues related to benefits and the systems. They work together to create a harmonious and friendly work environment.	Compliant
<b>II. Sustainable Environmental Development</b>				
(1) Has PCSC endeavored to make more efficient use of resources and use renewable materials that have a lower impact on the environment?	√		PCSC continues to incorporate concrete action plans to conserve energy, such as adjusting the times Slurpee machines run during different times of the year, using frequency converters to reduce the amount of energy used by refrigerators, installing T5 environmental lights in new stores and open showcases; using LEDs in freezers, refrigerators, and hanging dining lamps; taking advantage of natural lighting to reduce the amount of time electric lights near store windows; reducing light brightness and reducing the amount of time that lights are used; and reducing the amount of time that lighted store signs are used at night.	Compliant
(2) Has PCSC established an environmental management system that is specifically designed with PCSC's operations in mind?	√		PCSC makes good use of energy to enhance efficiency of operations to give the people of Taiwan a better, greener environment. PCSC has incorporated self-check procedures at stores to improve energy conservation, for equipment like air conditioning, circulating fans, lighting, freezer and refrigeration cases, signs, and store windows. They all have SOPs for self-checking to achieve reasonable electricity bills, so as to realize a comprehensive energy conservation and carbon emissions reduction.	Compliant

Area Evaluated	Status			Variations (if any) with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
(3) Does PCSC pay close attention to the potential impacts of climate change on operations, has it taken an examination of its greenhouse gas emissions, and has it established a carbon and greenhouse gas reduction strategy?	√		<p>As it has helped increase the convenience of life in Taiwan, PCSC recognizes that energy conservation and carbon emissions reduction are important issues for sustainable operations. As such, 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. With permission from the Equipment Procurement Committee, PCSC invested in improving energy saving equipment and worked with governments, the Industrial Technology Research Institute, and relevant academic institutions to enhance the energy efficiency of its stores and reduce store operation costs in the hope that stores will become environmentally friendly and sustainable shopping venues to reduce the impact of operations on the environment. In addition, the greenhouse gas emissions examination is done in coordination with government policies to update the greenhouse gas emissions from electricity use, while reducing greenhouse gas emissions.</p>	Compliant
III. Social Welfare				
(1) Has PCSC established management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	√		<p>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 the guidelines of the International Labour Conventions. In 2012, PCSC launched labor auditor training and in 2014, 55 employees in 26 affiliated enterprises, including 7-ELEVEN, have already completed the course and worked to improve workplace safety. In addition to refusing to hire anybody below the age of 15 as required by the Labor Standards Law, PCSC also upholds the principle that employment is the most direct way to assist disadvantaged. Not only does PCSC offer more job opportunities to emotionally and physically disabled individuals, it offers middle-aged women part-time work, allowing them to find a second career, providing them a work environment with diversified culture.</p>	Compliant
(2) Does PCSC have an employee complaint mechanism and channel and does it take care of said complaints appropriately?	√		<p>PCSC encourages employees and managerial level personnel to communicate directly. In addition to setting up an Integrated Services Center and email account dedicated to answering employee questions, 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.</p>	Compliant
(3) Does PCSC provide employees with a safe and healthy work environment and regularly implement safety and health education programs for employees?	√		<p>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 health services, hold health promotion activities for employees, and hire 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.</p>	Compliant
(4) Has PCSC established a mechanism enabling periodic communication with employees and a reasonable method of informing employees of those operational changes that will most affect their work?	√		<p>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.</p>	Compliant

Area Evaluated	Status			Variations (if any) with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
(5) Has PCSC established an effective career skill development plan for employees?	√		PCSC provides a comprehensive learning environment and training classes. Employees can have their own personal development plans. 7-ELEVEN assists employees in their personal learning growth. PCSC provides all-round training, in addition to offering courses that we design ourselves, the Company also brings in quality training courses from outside the Company to enhance the caliber of our staff and improve our overall competitiveness. We have a diverse collection of classes and we design a variety of learning activities based on the type of course being taught and the needs of the individuals receiving training. These activities, which include case studies, small group discussion, hands-on training, make study more lively, fun, and effective. Our digital learning platform offers diverse, quality online e-learning courses, so employees can engage in effective learning activities anytime, anywhere. In addition to promotions, we offer other ways to further career development, including job rotations and overseas job opportunities.	Compliant
(6) Has PCSC established policies related to R&D, procurement, production, operations, and service processes and complaint procedures to safeguard the rights of customers?	√		PCSC endeavors to provide products the quality, safety, and cleanliness of which customers do not need to worry about. Taking fresh foods as an example, 7-ELEVEN has a complete source management mechanism in place for the purchase of food. In the area of the product production process, 7-ELEVEN requires that each individual takes food safety and hygiene education training classes to ensure that the rigorouslyness of process management. 7-ELEVEN also has a fleet of trucks dedicated to logistics and delivery with temperature control capabilities to ensure that customers can obtain fresh and tasty foods. In 2013, PCSC established the Product Safety Information Collection and Inventory Tracking Operation Standards. The Product Department and the Quality Assurance Department join forces to regularly collect relevant product safety information and set up inventory and tracking procedures to ensure that the products the Company sells are safe. For a long time now, the Company has been investing resources and raising food safety standards to ensure our products are safe. If consumers have any suggestions, they can use our Integrated Service Center to ensure that their suggestions are handled satisfactorily.	Compliant
(7) Does PCSC's product and service marketing and labeling adhere to relevant laws and regulations and international standards?	√		7-ELEVEN has its own product packaging designs, all of which have passed packaging inspection process, and the labeling and advertising have been further checked and passed by relevant PCSC departments, such as Quality Assurance and Legal, to make sure they conform to laws and regulations of regulating authorities.	Compliant
(8) Prior to entering a business relationship with a supplier, does PCSC first determine whether or not the supplier has any records of negatively impacting the environment or society?	√		As to the management of suppliers, in addition to laying importance on product quality, delivery dates, and costs, PCSC places even more emphasis on whether the supplier is concerned for employee safety, human rights, and environmental issues as well as whether their operation model conforms to relevant laws and regulations. Since 2008, prior to cooperating with new engineering, IT equipment, and general suppliers, PCSC has provided potential suppliers CSR self-rating surveys that deal with workplace safety and health conditions, employee freedom, legal employment relations, equality, and environmental protection. If it's necessary, PCSC sends procurement specialists to the workplaces of suppliers to carry out evaluations.	Compliant
(9) Does PCSC's contracts with its major suppliers include provisions for terminating the agreement at any time in the event that the suppliers are involved in any activities that violate its CSR policies and that significantly adversely impact the environment or society?	√		In order to ensure business activities characterized by corruption-free trade, in 2013, PCSC added a provision to its supplier agreements stipulating that suppliers should engage in business in good faith and not to accept bribes.	Compliant
IV. Information disclosure				

Area Evaluated	Status			Variations (if any) with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
(1) Does PCSC disclose on its website and TWSE market observation post system relevant and reliable information about Company CSR?	√		1. PCSC's website discloses CSR related issues. The Company also discloses information on greenhouse emissions and amounts of reduction on TWSE market observation post system. 2. PCSC disclosed its CSR Report on TWSE market observation post system and the Company's website.	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. The rules include the implementation of corporate governance, development of sustainable operations, protection of public welfare, and strengthening of CSR information disclosure. We can manage environmental and social risks by following the rules.				
VI. Other important information for facilitating the understanding of CSR and its implementation: 1. Our quality inspection laboratory obtained ISO/IEC17025:2005 Certification and became qualified to test for aerobic plate counts, escherichia coli, and coliform. In addition, it can independently perform 334 chemical tests, allowing it to maintain rigorous standards for food safety. 2. Due to food safety issued, PCSC drew up the Product Safety Information Collection and Examination Tracking Operation Standards to enhance our crisis management capabilities.				
VII. If Company products or CSR report have received certification from relevant certification bodies, please detail below: In 2014, PCSC began issuing its CSR Report annually, which it puts up on its website at <a href="http://www.7-11.com.tw">http://www.7-11.com.tw</a> . We issued a CSR Report on 29 December 2014 based on GRI G3 framework. Our CSR report received the certification from British Standards Institution (BSI) with the AA1000 APS (2008) principles of inclusiveness, materiality, and responsiveness.				

#### (6) Ethical corporate management at the Company and related implementation:

Items Evaluated	Status			Variations (if any) with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Summary	
1. Establishment of ethical code				
a. Do PCSC's Articles of Incorporation and external documents explicitly express its ethical corporate management policies and methods and is the Board and management committed to their active implementation?	√		In order to establish a sound corporate management system, PCSC considered regulations set forth in the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies coproduced by TWSE and GTSM and passed the Ethical Corporate Management Best Practice Principles at the meeting of the Board on 19 December 2014 to serve as a guidelines for directors, managers, employees, fiduciary, and substantive controllers.	Compliant
b. Has PCSC established and implemented programs to prevent unethical conduct and do the programs clearly specify relevant procedures, conduct guidelines, and education as well as discipline and appeals system for rule violations?	√		PCSC has established a code of conduct and guidelines and for ethics management and business secrets. Our Chief Auditor also serves as PCSC's Ethics Officer responsible for launching company-wide ethics management activities. Employees were encouraged 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.	Compliant
c. Does PCSC implement preventative measures for each item under Clause 2, Article 7 of the Ethical Corporate Management Best Practice Principles for Listed Companies operations that have higher risk of unethical behavior?	√		PCSC formulated the Standards Governing Awards and Discipline to enforce strict discipline and moral integrity, while employees involved in interactions with outside firms are periodically rotated to eliminate the risk of bribery.	Compliant
2. Implementing ethical corporate management				

Items Evaluated	Status			Variations (if any) with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Summary	
a. Does PCSC evaluate the records of ethics of the businesses with which it has dealings and include articles regarding ethical corporate behavior in contracts?	✓		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 marketing contract.	Compliant
b. Does PCSC have an organization under the direct jurisdiction of the Board of Directors that promotes best practice principles that reports to the Board concerning the implementation of these principles?	✓		PCSC has established a code of conduct and guidelines for awards and discipline for ethics management and business secrets. 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.	Compliant
c. Has PCSC formulated and implemented policies to prevent conflicts of interest, provide appropriate ways to record any potential conflicts found?	✓		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, a 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. In addition, PCSC has an ethics management and trade secret code of conduct and an awards and discipline for employees to follow.	Compliant
d. Has PCSC implemented an effective accounting system and internal control system and does it have an internal unit or an accountant periodically review them?	✓		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. The audit reports are prepared and submitted to the Board.	Compliant
e. Does PCSC periodically hold internal and external ethical corporation behavior training and education classes?	✓		PCSC strengthens the guidelines of ethical conduct to employees on internal website. We will further draw up plans for training courses.	Compliant
3. Current status of PCSC's offense reporting system				
a. Has PCSC established a concrete offense reporting and rewarding system and appointed suitable personnel to handle these cases?	✓		PCSC has hotlines dedicated to offense reporting in both its Internal Audit Department and Integrated Services Center as well as an appeals system. Personnel are assigned cases based on the nature of the report. The reporting and rewarding systems are implemented based on regulations stipulated in the rewarding and discipline guidelines, business safety maintenance guidelines drawn up by the Human Resources and Quality Assurance Departments. An reward and discipline committee deliberates on cases in accordance with Company policy. The results of cases are posted on the Company's internal website.	Compliant
b. Has PCSC established an investigation SOP for offense reporting and a relevant confidentiality mechanism?	✓		PCSC has established an internal investigation SOP for offense reporting and a relevant confidentiality mechanism. Information related to reported offences are only held and known to auditing personnel and direct supervisors. It is reviewed and placed on file by the vice president.	Compliant
c. Does PCSC have any measures in place to protect individuals from possible mistreatment arising from reporting offenses?	✓		PCSC has a duty to keep information about individuals who report offenses confidential. Information about individuals who report offenses cannot be released without their prior consent to keep them from being improperly punished.	Compliant
4. Improving information disclosure				

Items Evaluated	Status			Variations (if any) with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies
	Yes	No	Brief Summary	
a. Does PCSC disclose the Best Practice Principles that its draws up the results thereof on its website and on TWSE market observation post system?	√		PCSC has disclosed 7-ELEVEN's Best Practice Principles on its investor relations website and TWSE market observation post system.	Compliant
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: On 9 December 2014, PCSC established its Ethical Corporate Management Best Practice Principles as required by the Financial Supervisory Commission.				
6. Other information that will assist in the understanding of Company ethical corporate management practices (such as reviewing and revision of the Company's existing ethical corporate management code of practice). The Company has established Ethical Corporate Management Best Practice Principles. Besides, the Company has set up guidelines regarding employee integrity, gender relations, gift giving, and behavior when dealing with outside companies. We have also implemented an appropriate disciplinary system. Our contracts with other companies include corruption-free affidavits. 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.				

#### (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. Moreover, PCSC has instituted related procedure in internal control system to prevent insider trading by directors and employees. In the future, these standards will meet all applicable regulations and laws.

#### (8) Status of internal control system implementation:

1. Internal Control Declaration: Please refer to 2014 Annual report.
2. If the company has asked external auditors to review the company's internal control system, the external auditor's report should be disclosed: N/A.

**(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.

#### (10) Major resolutions at Shareholder and Board Meetings during the most recent year and as of the date of publication of the Annual Report:

1. Major resolutions at the Shareholders' Meeting (The following resolutions have been implemented)  
During 2014 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 19 June 2014. The below resolutions were approved at the meeting:
  - (1) Approval of the financial report for 2013: including business report, financial statements, and distribution of profits.  
Result: Resolution passed.
  - (2) Proposal on the distribution of 2013 profits: the Company had distributable income amounting to NT\$5,393,114,634 and proposed to pay a cash dividend of NT\$5.15 per share.  
Result: Resolution passed and a cash dividend of NT\$5.15 was paid out on 5 September 2014.
  - (3) Proposal on the distribution of 2013 capital surplus: PCSC proposed to allocate NT\$883,678,916 from capital surplus and proposed to pay a cash dividend of NT\$0.85 per share.  
Result: Resolution passed and a cash dividend of NT\$0.85 was paid out on 5 September 2014.
  - (4) Amendments of Operational Procedures for acquisition and disposal of assets  
Result: The above resolution was approved by the Shareholders' Meeting and implemented.
  - (5) Adoption of the proposal for releasing Directors from non-competition  
Result: The above resolution was approved by the Shareholders' Meeting and implemented.

## 2. Major resolutions approved at Board Meetings:

(Among the following listed resolutions, the termination the operations of President Royal Host (Shanghai) Ltd., the disposal of Vietnam Uni-mart Markets and Mister Donut Shanghai Co., Ltd., and the capital increases for Presiclerc Holding (China) and Presiclerc (Beijing) Supermarket Co., Ltd., are currently being implemented, while the Company's 2014 earnings and dividend distribution resolution, amendments to the director election guidelines, director (including independent director) re-election proposal, resolution regarding the removal of non-competition restrictions for directors must be approved at the 2015 Shareholders' Meeting. All other resolutions have completed execution.)

### (1) The 11th meeting of the 10th Board (Date convened: 20 March 2014)

- Approved the 2013 financial statements, consolidated financial statement, and business reports.
- Approved the 2013 asset impairment.
- Approved the 2013 earnings 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 amendment to the PCSC Internal Management and Control System.
- Approved amendment to "Dealing with Handling Procedures for Acquiring and Disposing of Assets".
- Approved proposal to use iCASH business, assets, and new shares to transfer the iCASH Corp.
- Approved the sale 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.
- Approved the change of external 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 of 2014 Shareholders' Meeting.

### (2) 12th meeting of the 10th Board (Date convened: 8 May 2014)

- Approved the financial statement and business income tax auditing fees.
- Approved the proposal to increase capital for Mister Donut Shanghai Co., Ltd. by RMB12.3 million.
- Approved the establishment, change, and removal of Company branches and stores.
- Approved the motion regarding transfer of personnel to meet operational needs.
- Approved the date and venue for the 13th meeting of the 10th Board.

### (3) 13th meeting of the 10th Board (Date convened: 19 June 2014)

- Approved the resolution to renewing liability insurance for the directors and key employees.
- Approved the motion regarding the ex-dividend date and record date of 2013 cash dividend and capital surplus distribution .
- Approved the termination the operations of President Royal Host (Shanghai) Ltd.
- Approved the capital increases of RMB70 million for Presiclerc Holding (China) and Presiclerc (Beijing) Supermarket Co., Ltd.
- Approved the motion regarding transfer and promotion of personnel to meet operational needs.
- Approved the motion regarding corporate donation.
- 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 proposal.
- Approved the date and venue for the 2014 14th meeting of the 10th Board.

### (4) 14th meeting of the 10th Board (Date convened: 5 August 2014)

- Approved the motion on increasing capital for President Yilan Art and Culture Corp. by NT\$50 million.
- Approved the motion regarding corporate contribution of NT\$5,000,000 for Kaohsiung gas line explosion.
- Approved the motion on increasing capital for Mister Donut Taiwan Corp. by NT\$75 million.
- Approved the motion to change the custodian of the Company's official chop.
- Approved the establishment, change, and removal of Company branches and stores proposal.
- Approved the date and venue for the 15th meeting of the 10th Board 2014.

### (5) 15th meeting of the 10th Board (Date convened: 6 November 2014)

- Approved the motion regarding transfer and promotion of personnel to meet operational needs.
- Approved the establishment, change, and removal of Company branches and stores proposal.
- Approved the date and venue for the 2014 16th meeting of the 10th Board.

## (6) 16th meeting of the 10th Board (Date convened: 19 December 2014)

- Approved the 2015 "7-ELEVEN Internal Control System" amendment.
- Approved the 2015 audit plan.
- Approved revisions to Best Practice Principles.
- Approved revisions to Corporate Governance Best Practice Principles.
- Approved the motion on the application for the renewal of credit limits from financial institutions.
- Approved sales of all equities in Mister Donut Shanghai Co., Ltd.
- Approved the resolutions approved at the 5th and 6th meetings of the 2nd Remuneration Committee.
- Approved the proposal for planned donations in 2015.
- Approved the establishment, change, and removal of Company branches and stores proposal.
- Approved the date and venue for the 2015 17th meeting of the 10th Board.

## (7) 17th meeting of the 10th Board (Date convened: 18 March 2015)

- Approved 2014 financial statements, consolidated financial statement, and business reports.
- Approved the 2014 asset impairment.
- Approved the 2014 earnings distribution proposal.
- Approved the 2014 dividend distribution proposal.
- Approved the 2015 operations plan proposal.
- Presentation of the 2014 PCSC Internal Control Statement.
- Approved the proposed agenda of 2015 Shareholders' Meeting.
- Approved the procedures regarding the "Notice of the right of shareholders to make proposals".
- Approved the director (including independent director) election guidelines.
- Approved the "Notice of the nomination of individuals for positions of director (including independent directors)" for the 2015 Shareholders' Meeting.
- Approved the list of candidates for director (including independent director) proposed by the Board of Directors.
- Approved resolution regarding the removal of non-competition restrictions for PCSC directors.
- Approved the Regulations Governing the Election of Directors.
- Approved the revised Rules for the Practice of Corporate Social Responsibility.
- Approved the motion to change the custodian of the Company's official chop.
- Approved the proposal to cancel the endorsement to Mister Donut Shanghai Co., Ltd.
- Approved the motion on the application for the renewal of credit limits and new applications from financial institutions.
- Approved the Management Consulting Services contracts.
- Approved the establishment, change, and removal of Company branches and stores proposal 2015.
- Approved the date and venue for the 2015 18th meeting of the 10th Board.

## (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

## (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&amp;D manager during the last year and up to the time of printing:

30 April 2015

Title	Name	Date Assumed Position	Date Relieved of Position	Reason for Resignation or Dismissal
Chief Auditor	Lin, Wen-Ching	1999.01.01	2014.06.19	Retired
Accounting Division Manager	Chang, Sung-Hong	2013.06.17	2014.11.06	Reassigned

#### 4. External auditors

##### (1) Audit fees

Auditing Firm	Auditor Names		Audit Period	Remarks
PricewaterhouseCoopers	Hsiao, Chun-Yuan	Tseng, Hui-Chin	2013Q1~Q4	Required internally for administrative purposes.
PricewaterhouseCoopers	Hsiao, Chun-Yuan	Chou, Chien-Hung	2014 Q1~Q4	

Unit: NT\$1000

Expense Scale	Fee Category	Audit Fees	Non-Audit Related Fees	Total
1	Less then NT\$2million	—	—	—
2	NT\$2million ~ NT\$4million	—	2,200	2,200
3	NT\$4million ( incl. ) ~ NT\$6million	—	—	—
4	NT\$6million ( incl. ) ~ NT\$8million	—	—	—
5	NT\$8million ( incl. ) ~ NT\$10million	—	—	—
6	NT\$10million ( incl. ) and above	12,020	—	12,020
Total		12,020	2,200	14,220

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Auditing Firm	Auditors	Audit Fees	Non-Audit Related Fees					Audit Period	Remarks
			System Design	Business Registration	Human Resources	Other (Note 2)	Subtotal		
Pricewaterhouse Coopers	Hsiao,Chun-Yuan	12,020	—	—	—	2,200	2,200	2014	Other Non-Audit Related Fees include IFRS and CSR implementation, transfer pricing, and tax consulting fees.
	Chou,Chien-Hung		—	—	—	2,200	2,200		

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

##### a. Regarding previous auditors:

##### a. Regarding previous auditors:

Date of Replacement	1 January 2014
Reason for Replacement	Internal adjustments at PricewaterhouseCoopers
Explain why the previous auditor was terminated or refused to accept the assignment	N/A
Instances of an auditor opinion other than unqualified over the past two years and reasons for such an assessment	None
Opinions different from the issuer	None
Other disclosures (Article X- (V)-1- (4) of this standard shall be disclosed)	None

b. Regarding the new auditors:

Auditing Firm	PricewaterhouseCoopers
Auditors	Chou, Chien-Hung
Appointment Date	1 April 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.

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

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

### (1) Recent changes:

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Title	Name	2014		as of 30 April, 2015	
		Net increase (decrease) in shares held	Net increase (decrease) in shares pledged	Net increase (decrease) in shares held	Net increase (decrease) in shares pledged
Director and Institutional Shareholder, Major Shareholder	Uni-President Enterprises Corp.	0	0	0	0
Director and Institutional Shareholder	Kao Chyuan Investment Co., Ltd.	0	0	120,000	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, Hsiu-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/ Company 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
Senior Vice President	Chang Jen, Yun-Huei	0	0	0	0
Chief Operating Officer (Senior Vice President)	Wu, Kuo-Hsuan	0	0	0	0
Senior Vice President	Chung, Mao-Chia	0	0	0	0

Title	Name	2014		as of 30 April, 2015	
		Net increase (decrease) in shares held	Net increase (decrease) in shares pledged	Net increase (decrease) in shares held	Net increase (decrease) in shares pledged
Senior Vice President	Hsieh, Po-Chung(Note 1)	0	0	0	0
Vice President	Hsieh, Lien-Tang	0	0	0	0
Vice President	Hong, Gin-Guu	0	0	-9,000	0
Vice President	Tzeng, Fan-Bin	0	0	0	0
Vice President	Lin, Chi-Chang	0	0	0	0
Vice President	Lee, Chi-Ming	0	0	0	0
Chief Auditor(Vice President)	Hsieh Hong, Hui-Tzu(Note 1)	0	0	0	0
Chief Financial Officer(Vice President)	Wu, Wen-Chi	0	0	0	0
Vice President	Lin, Hong-chun (Note 1)	0	0	0	0
Vice President	Hsieh, Ching-Hsun (Note 1)	—	—	0	0
Vice President	Lin, Wen-Ching (Note 1)	0	0	0	0
Vice President	Wang, Wen-Kui (Note 1)	0	0	0	0
Vice President	Chang, Chia-Hua	0	0	0	0
Financial Division Manager	Cheng, Yea-Yun	0	0	0	0
Accounting Division Manager	Chang, Li-Ling (Note 1)	0	0	0	0
Accounting Division Manager	Chang, Sung-Hong (Note 1)	0	0	0	0

Note 1: Due to internal position adjustments, Vice President Hsieh Hong, Hui-Tzu assumed position in June 2014; Vice President Lin, Hong-chun assumed position in October 2014; Vice President Hsieh, Ching-Hsun assumed position in March 2015; Accounting Division Manager Chang, Li-Ling assumed position in November 2014; Vice President Lin, Wen-Ching retired in July 2014; Vice President Wang, Wen-Kui retired in August 2014; Vice President Hsieh, Po-Chung retired in February 2015; Position adjusted for Accounting Division Manager Chang, Sung-Hong in November 2014, for Vice President Chang, Chia-Hua in March 2015.

## (2) Stock transfers to related parties: None

## (3) Pledge of stock rights to related parties: None

## 6. Relationships between the Company's Top 10 largest shareholders and their shareholding percentages:

Name	Shares Held Personally		Shares Held by Spouse or Minor Children		Shares Held by Nominee Agents		Name and Relationship (as defined by SFAS No. 6) with Other Top 10 Shareholders		Remarks
	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	—

Name	Shares Held Personally		Shares Held by Spouse or Minor Children		Shares Held by Nominee Agents		Name and Relationship (as defined by SFAS No. 6) with Other Top 10 Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
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 Pacific Tiger Fund	26,989,608	2.60%	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	19,323,208	1.86%	0	0.00%	0	0.00%	None	None	—
PCSC Employees Benefits Trust account in the custody of China Trust Commercial Bank	17,707,162	1.70%	0	0.00%	0	0.00%	None	None	—
Government of Singapore	14,458,044	1.39%	0	0.00%	0	0.00%	None	None	—
Vanguard Emerging Markets Stock Index Fund	10,377,647	1.00%	0	0.00%	0	0.00%	None	None	—
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	10,248,508	0.99%	0	0.00%	0	0.00%	None	None	—
Labor Insurance Fund	9,406,000	0.90%	0	0.00%	0	0.00%	None	None	—
JPMorgan Chase Bank Taipei Branch in Custody for Columbia Acorn Trust-Columbia Acorn International	9,100,000	0.88%	0	0.00%	0	0.00%	None	None	—
Norges Bank	8,355,733	0.80%	0	0.00%	0	0.00%	None	None	—

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

31 December 2014/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	0.00%	138,899,066	100.00%
PCSC (China) Holdings Ltd.	8,746,008	92.20%	0	0.00%	8,746,008	92.20%
President Drug Store Business	40,000,000	100.00%	0	0.00%	40,000,000	100.00%
21 Century Enterprise Co., Ltd.	10,000,000	100.00%	0	0.00%	10,000,000	100.00%
Ren-Hui Investment Corp.	10,000	100.00%	0	0.00%	10,000	100.00%
Capital Inventory Services Corp.	2,500,000	100.00%	0	0.00%	2,500,000	100.00%
Wisdom Distribution Service Corp.	10,847,421	100.00%	0	0.00%	10,847,421	100.00%
Uni-President Oven Bakery Corp.	6,511,963	100.00%	0	0.00%	6,511,963	100.00%
President Being Corp.	1,500,000	100.00%	0	0.00%	1,500,000	100.00%
President Yilan Art and Culture Corp.	20,000,000	100.00%	0	0.00%	20,000,000	100.00%
President Chain Store Corporation Insurance Brokers Co., Ltd.	1,500,000	100.00%	0	0.00%	1,500,000	100.00%
Cold Stone Creamery Taiwan Ltd.	12,244,390	100.00%	0	0.00%	12,244,390	100.00%
President Chain Store Tokyo Marketing Corp.	9,800	100.00%	0	0.00%	9,800	100.00%
icash Corp.	32,500,000	100.00%	0	0.00%	32,500,000	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.	86,246,999	70.00%	24,642,001	20.00%	110,889,000	90.00%
President Collect Services Co., Ltd	1,049,999	70.00%	1	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.	19,563,271	60.00%	6,521,091	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.	8,669,999	51.00%	1	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.	16,291,267	50.00%	1	0.00%	16,291,268	50.00%
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.	6,429,999	25.00%	5,144,001	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%
Tungho Development Corp.	19,930,000	19.93%	72,120,000	72.12%	92,050,000	92.05%
PresiCarre. Corp.	130,801,027	19.50%	137,511,893	20.50%	268,312,920	40.00%
President Fair Development Corp.	209,000,000	19.00%	445,500,000	40.50%	654,500,000	59.50%
President Technology Corp.	750,000	15.00%	0	0.00%	750,000	15.00%
President International Development Corp.	44,100,000	3.33%	942,430,230	71.24%	986,530,230	74.57%
Grand Bills Finance Corp.	108,160	0.02%	89,574,848	16.56%	89,683,008	16.58%

# 4 Fund Raising

## 01. Capital and shares

### 1-1 Capitalization:

a. Shares issued:

As of April 30, 2015 / Units: NT\$; Shares

Year / Month	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Shares	Amount
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, 2015 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, 2015 / Units: NT\$; Share

Shareholder Quantity	Government Agencies	Financial Institutions	Other Legal Entities	Individuals	Foreign Institutions and Individuals	Total
Number of Shareholders	0	2	183	18,935	912	20,032
Shares Held	0	804	552,451,835	39,727,209	447,442,407	1,039,622,255
Holding Percentage	0.00%	0.00%	53.14%	3.82%	43.04%	100%

### 1-3 Distribution of shareholders:

April 30, 2015 / Par value NT\$10

Tiers of Shareholding	No. of Shareholders	Total Shares Held	Holding Percentage
1 – 999	9,406	1,887,999	0.18%
1,000 – 5,000	8,448	15,736,058	1.51%
5,001 – 10,000	793	5,817,906	0.56%
10,001 – 15,000	277	3,435,273	0.33%
15,001 – 20,000	134	2,446,609	0.24%
20,001 – 30,000	179	4,475,515	0.43%
30,001 – 50,000	158	6,209,090	0.60%
50,001 – 100,000	185	13,585,115	1.31%
100,001 – 200,000	134	18,645,118	1.79%
200,001 – 400,000	96	27,510,675	2.65%
400,001 – 600,000	57	28,566,982	2.75%
600,001 – 800,000	30	20,356,730	1.96%
800,001 – 1,000,000	21	18,763,326	1.81%
1,000,001 and above	114	872,185,859	83.89%
Total	20,032	1,039,622,255	100%

## 1-4 Major shareholders:

April 30, 2015

Shareholders	Shares	Number of Shares Held	Holding Percentage
Uni-President Enterprises Corp. Representative: Lai, Nan-Bey	471,996,430	45.40%	
Matthews Pacific Tiger Fund	26,989,608	2.60%	
National Westminster Bank plc as Depositary of First State Asia Pacific Leaders Fund a sub fund of First State Investments ICVC	19,323,208	1.86%	
PCSC Employees Benefits Trust account in the custody of China Trust Commercial Bank	17,707,162	1.70%	
Government of Singapore	14,458,044	1.39%	
Vanguard Emerging Markets Stock Index Fund	10,377,647	1.00%	
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	10,248,508	0.99%	
Labor Insurance Fund	9,406,000	0.90%	
JPMorgan Chase Bank Taipei Branch in Custody for Columbia Acorn Trust-Columbia Acorn International	9,100,000	0.88%	
Norges Bank	8,355,733	0.80%	

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

Unit: NT\$

Item	Year	2013	2014	As of April 30, 2015
Market Price per Share	Highest	229	253	259
	Lowest	154	181	220
	Average	192.50	222.25	237.84
Net Value per Share	Before Distribution	22.84	25.51	27.47
	After Distribution	16.84	(Note1)	(Note1)
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)	7.73	8.74	2.03(Note2)
	Earnings per Share (Diluted)	7.73	(Note1)	—
Dividend per Share	Cash Dividends	6.00	7.00	—
	Stock Dividends	0	(Note1)	—
		0	(Note1)	—
	Accumulated Undistributed Dividends	0	(Note1)	—
Return on Investment	Price/Earning Ratio	24.90	25.43	—
	Price/Dividend Ratio	32.08	(Note1)	—
	Cash Dividend Yield Rate	3.12%	(Note1)	—

Note 1: The earnings distributions for 2014 and the first quarter of 2015 have not yet been approved by the Shareholders' Meeting.

Note 2: Earnings per Share (EPS) in the first quarter of 2015 was NT\$2.03.

## 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 earnings for the current year, and distributable earnings for the current year plus the undistributed earnings from the prior year will be the accumulated distributable earnings. The distribution of accumulated distributable earnings is proposed by the Board of Directors in consideration of industry conditions, the Company's future operations, and investment plans. The proposal to distribute earnings shall take effect upon approval by the Shareholders' Meeting:

1. Directors' remuneration: 2% of fiscal year distributable earnings.
2. Employee bonuses: No less than 0.2% of fiscal year distributable earnings.
3. Shareholders' dividends and bonuses: 50-100% of the accumulated distributable surplus, and 50-100% of which is to be issued as cash dividends, while the remainder is to be undistributed earnings.

(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 2014 profit approved by the Board of Directors will be submitted to the 2015 annual Shareholder's Meeting for approval. The proposal finalized by the Board of Directors on March 18, 2015 is as follows: allocating NT\$7,277,355,785 from the 2014 accumulated distributable earning to be issued as cash dividends, distributing NT\$7 per share; After the approval at the Shareholder's Meeting, the Board of Directors shall set an exdividend 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:

The Company does not distribute stock dividends this year, so there is no impact.

#### 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 2014 as employee bonuses and remuneration for the directors:
  - (1) The Board proposed allocating the amount of NT\$481,206,920 as employee bonuses and the amount of NT\$160,402,307 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)	
Employees' Bonuses	\$ 481,207
Directors' Remuneration	\$ 160,402
Earnings per Share: (Unit: NT\$)	
EPS after Bonuses and Remuneration	\$ 8.74

c. Distribution of earnings in 2013 as employees' bonuses and directors' remuneration:

PCSC's earnings in 2013 were distributed as employee bonuses and Directors' remuneration as follows:

Distribution Approved by the Board and at the Shareholder's Meeting	
Distribution: (Unit: NT\$1000)	
Employees' Bonuses	\$ 323,587
Directors' Remuneration	\$ 107,862

- d. The estimate of employee bonuses and directors' remuneration 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 2013 financial statement, employee bonuses totaled NT\$ 323,586,878, while Directors' remuneration totaled NT\$107,862,293. These amounts are consistent with the amounts approved by the Shareholders' Meeting.

f. The top 10 recipients of employee bonuses in 2013 are listed below with the amount distributed:

Unit: NT\$1000

	Title	Name	Value of Stock Dividend	Cash Dividend	Total
Management	President	Chen, Jui-Tang	—	13,485	13,485
	Senior Vice President	Chang Jen, Yun-Huei			
	Senior Vice President	Lai, Nan-Bey			
	Senior Vice President	Wu, Kuo-Hsuan			
	Senior Vice President	Chung, Mao-Chia			
	Senior Vice President	Hsieh Po-Tsung			
	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	Tseng, Fan-Pin			
	Vice President	Lin, Chi-Chang			
	Vice President	Lee, Chi-Ming			
	CFO (Vice President)	Wu, Wen-Chi			
	Accounting Division Manager	Chang, Sung-hung			
	Financial Division Manager	Cheng, Yea-Yun			

1-8 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: N/A
- 2-2. Issuance of preferred shares: N/A
- 2-3. Global depository receipts: N/A
- 2-4. Employee stock option plan: N/A
- 2-5. Employee restricted stock plan: N/A
- 2-6. Issuance of new shares to merge with or acquire other companies: N/A

## 03. Status of capital utilization plan

### 3-1. Capital projection:

Any incomplete share issuance or private placement or any completed share issuance or private placement over the past three years from which benefits have not yet been reported as of March 31, 2015: None

### 3-2. Status of implementation:

Analysis of the purpose of each capital investment project as of March 31, 2015 and comparison of implementation with the originally anticipated benefits: N/A

# 5 Operating Highlights

## 01. Business activities

### 1-1. Business scope

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

### 2. Key groups' revenue and the percentage of overall business over the past two years

Unit: NT\$1,000

Key Groups	Revenue and percentage of overall business			
	2013		2014	
	Revenue	Percentage	Revenue	Percentage
Convenience stores	126,106,071	62.86%	130,402,036	62.70%
Retail-related business	55,703,682	27.77%	57,510,828	27.65%
Logistics-related business	2,461,596	1.23%	2,478,952	1.19%
Other business groups	16,339,490	8.14%	17,597,205	8.46%
Total revenues	200,610,839	100%	207,989,021	100%

### 3. Present and future products and services

Optimistic that the needs of this age, characterized by small families, personalization, and the aging society would continue to drive the market, 7-ELEVEN continued to focus on operating strategies that emphasize the “green gold” market niche, including product quality that gives customers peace of mind, buying locally, and moderate amounts of packaging, successfully drawing consumers and winning the hearts of the public. Foreseeing the business opportunities represented by a large population of people that like to eat out, 7-ELEVEN continued to introduce product series suited to their needs, including boxed lunches, onigiri (rice balls), and sandwiches. Also, to meet the demands of the Taiwanese for balanced diets consisting of fruits and vegetables, 7-ELEVEN offered fresh, in season produce and developed new series of freshly prepared, ready to eat foods, including fresh boiled corn on the cob, purple corn on the cob, and warm five-vegetable salad. We continued to develop light repasts with plenty of produce, employing these innovative products to meet the needs of people who eat out for plenty of produce and provide Taiwanese consumers a fresh, quality dining experience.

In view of the fact that the people of Taiwan are becoming increasingly particular about their coffee, in addition to maintaining a high level of quality for its “black gold legend” CITY CAFÉ, 7-ELEVEN also organized a new Adventures in Coffee activity, so the people of Taiwan can learn more about the beauty and culture of the land that produces mandheling beans, the most popular in Taiwan, and sharing their experiences in a series of blogs that include essays, photographs, and multimedia files to educate consumers on the quality of the coffee beans used in CITY CAFÉ products, our insistence on maintaining quality, and our core values. So that consumers can enjoy high quality, reasonably priced coffee in any store in Taiwan whenever they like, last year, we began investing resources into the training of “baristas” and everybody, from branches to headquarters, joined hands to in the hope of carrying out comprehensive improvement of the management and expertise involved in our brand, so that each time a consumer takes a sip of our coffee they’ll taste the difference between CITY CAFÉ and products of the competition.

Since introducing its own brand 7-SELECT in 2007, 7-ELEVEN has continued to introduce new products, based on changes in the overall environment of Taiwan and international trends, to meet the needs of the people of Taiwan. In addition to rolling out new flavors of and packaging for tea stand drinks and afternoon tea biscuits, 7-ELEVEN continued to introduce more new quality products, so customers can enjoy a more diversified product selection. Every spring with the selling of our Extra Cool T-shirts and winter with the selling of our Extra Heat Inners, we strive for further breakthroughs in terms of function, style, and quality, so consumers can enjoy high quality products at reasonable prices.

As e-commerce market grows rapidly, PCSC strengthens the digital application services with our store network in order to provide customers a more convenient e-commerce business service. The upgrade of ibon and ibon APP allows customers to enjoy convenient and time-saving services as we cooperate with 200 plus merchants with more than 600 services.

For our outlook in 2015, PCSC will continue to focus on fresh produce from further construct the food traceability system for the purpose of monitoring food safety for all customers. Moreover, with our extended physical channels and fully developed POS system, PCSC will continue to develop digital application services and to master the trend of e-commerce business.

## 1-2. General economic and industry overview

### a. General economic analysis

In 2014, the US economy was recovering. Faced with the strong US dollar and the continued weakening of other currencies, including the Japanese Yen and the Euro, it is feared that some countries will implement quantitative easing policies, even competitive devaluation, which would impact Taiwan exports and the economy as a whole. The dropping crude oil price and the slowing down of China’s economic growth are two other factors stoking uncertainty about the world and local economy. In 2014, Taiwan’s economic growth stood at 3.74%, an improvement over the 2.11% rate of growth in 2013. In the area of commodity prices, the CPI for 2014 increased by a relatively moderate 1.2%. The average unemployment rate for 2014 was 3.79%, slightly better than the 4.08% of 2013.

### b. Industry overview

In 2014, turnover in the retail sector totaled NT\$4.0074 trillion, a 3.9% increase over 2013. In the general merchandise category, turnover was a record NT\$1.1065 trillion, a 5.1% increase over 2013 numbers. Department store sales contributed most to that total, with overall sales volume of NT\$306.1 billion, representing a 6.1% increase over 2013. Convenience store sales contribute the second largest amount to that total with NT\$289.2 billion, which represents a 4.8% y-o-y increase. Around the world, the effects of global warming were becoming more apparent. Strife brought on by international politics, economics, and religion resulted in unstable supplies. In 2014, the Consumer Price Index (CPI) had a y-o-y increase of 1.2%, 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 1.26%. Domestic salaries have yet to catch up with increases, so consumers continued to look for bargains. A number of food safety issues cropped up, thus customers tend to buy safer quality food. In addition to offering consumers low prices, businesses are now focusing on product quality control and raising value added with differentiations.

Through the end of 2014, the key players in the convenience store industry had the below numbers of stores:

	7-ELEVEN	FamilyMart	Hi-Life	OK	Total
Number of Stores	5,040	2,936	1,278	876	10,130

c. Vertical supply chain

As to the management of fresh food products, in addition to signing contracts with local farmers and working with local fresh food producers to offer a continual stream of innovative products, PCSC worked in cooperation with suppliers to establish a system to control the quality of our fresh food products from the source, realizing our principle of good faith in labeling and advertising and expanded our 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. In order to increase customer satisfaction, 7-ELEVEn became the first retailer in Taiwan to have its own quality internationally certified QC labs as it continued to upgrade its self-checking capabilities, bolstering consumer confidence in 7-ELEVEn products as we meet our corporate social responsibilities.

d. Product development trends and competitiveness

(1) Product development trends

Although the economic growth is improving, the public tends to make plans before they shop and to use social media while they make decisions as product price rises. All industries are also finding their business opportunities with the new consuming trend as the quality and price of private labels, online shopping elderly consumer market, health dining, neo-family market, and dine-out life style are all potential.

(2) Product competitiveness

- Take-away food business opportunities: The opportunities represented by single people, small families, and people who eat out on a regular basis, in addition to offering safe food products, we will develop fresh produce and refrigerated foods that are healthy and come in small servings to drive sales.
- E-commerce: The Internet, social media, and smart mobile devices have changed the lives of consumers. 7-ELEVEn will continue to key tabs on new technologies, using them when appropriate, employing its network of channels, excellent logistics, cash flow systems, as well as operational know-how developed over the years to take advantage of business opportunities.

### 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:

1. ibon kiosk upgrades: The introduction of ibon APP has served to further integrate a number of bill payment services for mobile phone users, including Cloud Print, stored-value games, and parking fees, paid using QR codes. The 2G ibon uses a simple touchscreen interface, enabling the public to a variety of convenient, time-saving services at the touch of a finger. Ibon is steadily becoming synonymous with convenience in the lives of the people of Taiwan.
2. Media and digital operations: We continued to employ a high level of ingenuity, incorporating “digital experience stores” operation methods that bring together both hardware and software, including electronic display boards, TV walls located in the seating sections, and tablet computers, to use digital means to further enhance the in-store shopping experience of customers.
3. Fresh produce: Having observed that consumers want produce that is easy to carry and eat, we introduced “personalized” fruit that can be purchased in different portion sizes with the customer’s choice of meals. Fruit and vegetables are sold employing different means, including ready-cooked in store and vacuum packed. This has helped to drive the expansion of the types of fruit products sold by 7-ELEVEn.
4. In 2014, a total of NT\$144,563,000 was spent on R&D and system upgrades.

#### 1-4. Short and long-term operating strategies

##### a. Short-term operating strategies

- (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) Strengthen fundamentals to lay a good foundation for medium and long-term development.

##### b. Long-term business development plan

- (1) Firm up franchise system so that everyone wins.
- (2) Implement high-value marketing and successfully differentiate ourselves from the competition.
- (3) Realize lean operations to ensure that full use is made of resources.
- (4) Integrate the Group's varied resources and seek stable profits.
- (5) Work to train personnel to ensure sustainable operations.

### 02. Market analysis and merchandise

#### 2-1. Market analysis

##### a. Main product (service) sales areas:

7-ELEVEN has continued to observe society and keep its thumb on consumer trends as it has continued to develop high-value products and services that meet the needs of consumers. In addition to satisfying consumers' basic need for convenience and offering fresh, fast, safe food, we have been striving to offer higher quality and friendlier services.

##### b. Future market supply and demand and potential growth:

As of the end of 2014, PCSC held a 49.8% 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 capability of individual stores, emphasizing the autonomy of individual stores, and 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 challenges. The market, with its ever expanding product offerings, has reinforced consumers' quest for innovation and freshness. 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, understanding customer needs and quickly responding to them, a company can emerge at the head of the pack. PCSC's major competitive advantages are

- (1) Good corporate and brand image.
- (2) The capacity to develop new products (services) to meet customers' changing needs and use innovative integrated marketing techniques to promote them.
- (3) Comprehensive store channels favorable to successful product research, development, and sales.
- (4) A comprehensive logistics 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 develop 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, healthy food and beverage options.
- Taiwan's society is aging, families are having fewer children, and more people are living alone, so there are growing business opportunities from seniors, singles, and smaller families.
- With the rise of smart mobile phones, online shopping, social network platforms, and other Internet technologies, information has become highly transparent, shoppers have become savvier and are searching for an entertaining, timely, mobile 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 between brick and mortar and virtual sales channels.
- Unstable raw material prices and higher wages resulted in higher overall operating costs.
- Increased commodities prices, lack of increase in real income, caused consumers to 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 the leading brand of convenience store in Taiwan.

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

a. Key purpose: Provide consumers with products and innovative services to meet their needs.  
 b. Production process: N/A

**2-3. Supply of raw materials: N/A****2-4. Information on major clients/suppliers who have accounted for at least 10% of sales/procurement in either of the past two years:**

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

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

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

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

Unit:NT\$1000

Name	2013			Name	2014			Name	As of the first quarter of 2015		
	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
Uni-President Corp.	13,888,410	10%	Ultimate parent company	Uni-President Corp.	14,049,017	10%	Ultimate parent company	Uni-President Corp.	3,245,911	10%	Ultimate parent company
Net Purchase	137,188,780	100%	—	Net Purchase	141,050,853	100%	—	Net Purchase	33,004,716	100%	—

(2) Primary reason for change: The Company changed its logistics operation model for agent purchasing system, so the entity helping with restocking was changed from logistics companies to suppliers.

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

Unit: NT\$1000

Year	2013		2014	
	Sales		Domestic Sales	
	Key Groups		Sales	
Convenience stores		126,106,071		130,402,036
Retail-related business		55,703,682		57,510,828
Logistics-related business		2,461,596		2,478,952
Other		16,339,490		17,597,205
Combined total		200,610,839		207,989,021

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

### 03. Human resources:

#### 3-1. Personnel information:

Year		2013	2014	As of April 30, 2015
No. of Employees	Store Employees	9,433	10,049	10,120
	Management	4,353	4,507	4,597
	Part-Time	13,899	14,984	15,186
	Total	27,685	29,540	29,903
Average Age		31	32	32
Average Years of Service		5.3	5.6	4.7
Education Level (as a % of the total)	PhD	0.0%	0.0%	0.0%
	Masters Degree	4.4%	8.21%	8.81%
	Bachelors Degree	57.2%	66.41%	65.56%
	High School	35.4%	22.51%	22.64%
	Junior High School or Below	3.1%	2.86%	2.98%

Note: The above information includes 7-ELEVEn and affiliates.

#### 3-2. Training and development

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

##### a. Individual Development

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

##### b. Training Plan

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

PCSC training in 2014 was as follows:

Internal Training by Operation Department				Internal Training by Logistics Department				External Training			Online Training	
Training Sessions	Number of Trainees	Hours of Training	Training Expense	Training Sessions	Number of Trainees	Hours of Training	Training Expense	Number of Trainees	Hours of Training	Training Expense	Number of Trainees	Hours of Training
2,968	48,878	309,745	12,960	423	29,964	157,201	35,215	295	3,600	1,957	85,317	32,740

## c. Continuing education channels

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

## d. Career development

## (1) Multi-channel career development opportunities

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

## (2) Job rotation

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

## (3) Overseas appointments

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

**04. Environmental protection expenditure****4-1. Environmental (green) accounting:**

PCSC is committed to fulfilling our corporate social responsibility (CSR) and provide 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 2014, PCSC investments and costs related to environmental protection totaled NT\$930 million, which comprises

(1) environmentally-friendly packaging and testing costs of NT\$170 million, (2) energy and carbon emissions reduction activities and installation of inverter air conditioning units in stores costing NT\$230 million, (3) environmental cleaning, greening, and waste handling expenses of NT\$270 million, (4) installation of environmentally-friendly equipment in stores and investments in equipment refurbishing totaling NT\$190 million and (6) holding and participating in social welfare and Community environmental awareness advocacy activities at a cost of NT\$60 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.	13,690	157,634	171,324

Category	Item	Details	Effect and Reduction in Resource Use or Greenhouse Gas Emissions	Investment	Expense	Total
Stores	Energy-saving measures	Purchased energy-saving equipment for 446 stores; Installed A/C circulation fans in 1,874 stores, 1,444 inverter A/C units, installed variable-frequency plug-in drives for freezing and refrigeration units in 628 stores, and T5 28W energy-saving bulbs in all stores.	Saving energy and reducing carbon emissions.	229,627	143	229,769
	Cleaning and waste disposal	Cleaning, greening, beautification, and waste	Maintaining store cleanliness.	—	274,101	274,101
	Extending the life span of equipment and building materials.	Installed steel counters in 527 stores, 2,791 types of equipment reclaimed and reused.	Reducing lumber use and wasted resources.	69,000	19,922	88,922
	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.	37,935	64,926	102,861
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.	—	1,016	41,439
	Environmental protection and social charity events	2014 money raising activity for the Kaohsiung gas explosion 2014 theme promotion for environmental protection month	We fulfilled our social responsibility as a corporate citizen. Our stores took the initiative to take part in the street cleaning activity and recycling competition with 9,536 individuals helping to clean up 108 locations.	—	40,423	
Internal Environmental Education	Environmental education and office resource recycling	Promoted reduced-paper operations, environmental cleaning and greening, and recycling of waste.	Collecting 2,560 kgs of plastic bottles, 25,757 kgs of paper, and 595 kgs of metal cans.	—	18,543	18,543
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 229.8 tons of dry batteries, 62.1 tons of CDs, 5,000 discarded notebook computers, 80,000 cell phones, and 104,000 cell phone chargers.	—	2,455	2,455
Total				350,252	579,163	929,414

b. Due to breaches of the Noise Control Law and the Building Act and delayed payment of electricity bills in 2014, stores were fined a total of NT\$939,348.

c. Measures taken: PCSC has already required improvements in all stores and has strengthened education regarding relevant regulations.

#### 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 2014

Ventilation fans were added to a total of 1,874 existing air conditioning systems at a cost of NT\$4.49 million and which helped to save 226,000 kWh of electricity / month and 2.71 million kWh / year.

###### (2) Installation of energy-saving equipment in 2014

These appliances were introduced in 446 stores at a cost of NT\$37.46 million and helped to save 584,000 kWh of electricity / month and 7.01 million kWh / year.

###### (3) Installation of steel counters in 2014

Installed 527 steel counters at a cost of \$69 million, which helped to prevent the falling of 2,635 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 2014

Installed 1,444 inverter air conditioning units at a cost of NT\$129.96 million, which helped to save 572,000 kWh of electricity / month and 6.86 million kWh / year.

###### (5) Introduction of VFD to existing refrigerators in 2014

Installed VFD to refrigerators in 628 stores at a cost of NT\$19.21 million, which helped to save 148,000 kWh / month and 1.78 million kWh / year.

###### (6) Installation of T5 light fixtures in stores in 2014

A total of 35,731 light fixtures were installed, which helped to save 0.209 million kWh of electricity / month and 2.51 million kWh / year.

###### (7) Slurpee machine offseason shutdowns in 2014

3,706 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 5.48 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 2014, we invested NT\$22.59 million in food testing costs and 461 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 2014, the program boasted 60 volunteers and began individual case grading management. Together, the program assisted employees in a total of 1,638 cases.

c.Providing entrepreneurial opportunities:

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

d.Safe and friendly workplace:

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

(1)Establishment a health and safety organization:

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

(2)Implementation of health and safety management:

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

(3)Health and safety training and drills:

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

(4)Health and safety inspections:

- Check for any unsafe equipment or situations and improve if found. In 2014, 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 physcials.

(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.

**e. Retirement plan:****(1) Old system under the Labor Standards Act:**

On June 1, 2014, PCSC modified its employee retirement program, applicable to all existing employees. As stipulated by law, the program calculates an employee's years of service starting with his or her hiring date. Employees who have worked for the company for less than 15 years (inclusive) shall be granted two basic units for each full year of service. From the 16th year onward, each full year of service shall be translated into one basic unit in the calculation of pensions. Any service period that is less than six month shall be calculated as half a year; while any service period that is between six months and twelve months shall be calculated as one full year. The number of basic units in the calculation of pensions is capped at 45. Pensions are calculated on the basis of years of service and the average monthly salary at the time of retirement. Calculation of average salaries shall be made in compliance with the Labor Standard Act.

**(2) Service year calculations under the old system for transferred employees:**

- Service years for transferred employees include the number of years they served in every PCSC affiliate and/or members of the Uni-President Group.
- The sharing of pensions among affiliates is based on the percentage of the years of service spread over the affiliates that the employee has served.

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

Beginning on July 1, 2005, in accordance with the Labor Pension Act, PCSC implemented a new system that is applicable to all employees. Existing employees could opt for the old system under the Labor Standard Act as stated in (1) or the new system under the Labor Pension Act. As stipulated in the Labor Pension Act, the monthly contribution is made based on the Monthly Contribution Wages Classification, which currently amounts to 6% of employee monthly income transferred to a personal retirement account with Bureau of Labor Insurance.

**5-2. Labor-management relations:****a. Open communication channels:**

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

**b. Employee code of conduct:**

PCSC has written an employee handbook and regulations regarding incentives and has also set up a committee to implement related affairs. Furthermore, the Company has established an employee code of conduct to spell out specific regulations governing employee behavior. The code of conduct includes the below requirements:

- (1) Employees may not embezzle company funds for personal purposes, engage in unscrupulous behaviors for profit, participate in illegal acts, violate any contracts, damage public property, or otherwise jeopardize the company's reputation.
- (2) Employees shall not abuse any other individual, affect other individual's work performance or threaten to exchange the establishment of service contracts, compensations, performance reviews, promotions/demotions, rewards/disciplinary actions with any language or actions that contain sexual requests, that are sexually suggestive, or discriminate on the basis of sex.
- (3) Employees shall not give gifts to managers or treat managers for meals; however, managers may give gifts to subordinates and treat subordinates for meals as a token of gratitude for their hard work.
- (4) Employees shall not be engaged in any unofficial monetary transactions with any business related vendors or individuals.
- (5) Employees shall not receive any benefits from business-related vendors or individuals.
- (6) Employees shall not make any publications, statements, or displays in the name of the Company without permission from the Company.
- (7) Employees should maintain complete confidentiality in all business activities for which they are responsible and shall never, under any circumstance, assist anyone with interests at odds with those of PCSC or reveal trade secrets to competing enterprises or individuals.
- (8) Employee attendance and behavior shall comply with regulations set forth by HR.

**3. 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.

**4. 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, 2015

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 royalty fee 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	2014.12.25~2016.02.16	NT\$300 million credit loan	None
Long-term loan agreement	HSBC	2014.09.30~2016.09.30	US\$12 million credit loan	None
Long-term loan agreement	Chang Hwa Bank	2015.03.01~2016.02.29	NT\$770 million credit loan	None
Long-term loan agreement	The Bank of Tokyo-Mitsubishi UFJ	2014.07.31~2017.07.31	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 loan agreement	Taipei Fubon Bank	2014.11.12~2016.11.09	NT\$300 million credit loan	None
Long-term loan agreement	Bank SinoPac	2014.06.30~2016.06.30	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)				
		2010	2011	2012	2013	2014
Current Assets	—	—	23,838,586	25,197,126	26,242,755	
Property, Plant, and Equipment	—	—	9,210,594	9,118,823	9,735,711	
Intangible Assets	—	—	395,969	465,268	451,139	
Other Assets	—	—	22,935,410	22,637,051	22,780,562	
Total Assets	—	—	56,380,559	57,418,268	59,210,167	
Current Liabilities	Before Distribution	—	—	29,849,885	27,872,628	27,664,928
	After Distribution	—	—	34,892,053	34,110,362	Not yet distributed
Non Current Liabilities	—	—	5,693,976	5,805,764	5,029,271	
Total Liabilities	Before Distribution	—	—	35,543,861	33,678,392	32,694,199
	After Distribution	—	—	40,586,029	39,916,126	Not yet distributed
Capital-Common Stock	—	—	10,396,223	10,396,223	10,396,223	
Capital surplus	—	—	910,278	890,234	7,031	
Retained Earnings	Before Distribution	—	—	9,153,181	11,886,156	15,404,280
	After Distribution	—	—	4,111,013	5,648,422	Not yet distributed
Other Equity	—	—	377,016	567,263	708,434	
Treasury Stock	—	—	—	—	—	
Total Equity	Before Distribution	—	—	20,836,698	23,739,876	26,515,968
	After Distribution	—	—	15,794,530	17,502,142	Not yet distributed

Note 1: The Company adopts International Financial Reporting Standards (IFRS) less than 5 years, 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, 2015 (Note 2)
		2010	2011	2012	2013	2014	
Current Assets	—	—	45,145,793	46,451,616	48,726,267	49,132,729	
Property, plant and equipment	—	—	21,375,351	21,542,772	22,934,321	22,176,475	
Intangible Assets	—	—	1,395,529	1,205,388	1,198,381	1,219,422	
Other Assets	—	—	14,299,511	14,298,192	14,970,404	15,733,148	
Total Assets	—	—	82,216,184	83,497,968	87,829,373	88,261,774	
Current Liabilities	Before Distribution	—	—	49,252,124	47,136,578	49,162,440	47,415,453
	After Distribution	—	—	54,294,292	53,374,312	Not yet distributed	Not yet distributed
Non Current Liabilities	—	—	8,812,427	8,862,950	8,369,024	8,267,540	
Total Liabilities	Before Distribution	—	—	58,064,551	55,999,528	57,531,464	55,682,993
	After Distribution	—	—	63,106,719	62,237,262	Not yet distributed	Not yet distributed
Equity Attributable to Owners of the Company	—	—	20,836,698	23,739,876	26,515,968	28,559,247	
Capital-Common Stock	—	—	10,396,223	10,396,223	10,396,223	10,396,223	
Capital Surplus	—	—	910,278	890,234	7,031	7,094	
Retained Earnings	Before Distribution	—	—	9,153,181	11,886,156	15,404,280	17,510,019
	After Distribution	—	—	4,111,013	5,648,422	Not yet distributed	Not yet distributed
Other Equity	—	—	377,016	567,263	708,434	645,911	
Treasury Stock	—	—	—	—	—	—	
Non-controlling Interest	—	—	3,314,935	3,758,564	3,781,941	4,019,534	
Total Equity	Before Distribution	—	—	24,151,633	27,498,440	30,297,909	32,578,781
	After Distribution	—	—	19,109,465	21,260,706	Not yet distributed	Not yet distributed

Note 1: The Company adopts International Financial Reporting Standards (IFRS) less than 5 years, 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-ROC GAAP

Unit: NT\$1,000

Item	Year	Historical financial information		
		2010	2011	2012
Current Assets		18,319,352	21,581,358	23,703,570
Funds & Investments		20,750,019	19,635,754	20,870,339
Fixed Assets		7,764,809	8,540,837	9,210,594
Intangible Assets		171,030	222,356	395,969
Other Assets		2,266,648	2,298,263	2,396,992
Total Assets		49,271,858	52,278,568	56,577,464
Current Liabilities	Before Distribution	21,492,215	25,496,055	29,330,748
	After Distribution	26,586,364	30,486,241	34,372,916
Long-Term Liabilities		5,000,000	3,400,000	1,200,000
Other Liabilities		2,567,442	2,688,204	3,136,306
Total Liabilities	Before Distribution	29,059,657	31,584,259	33,667,054
	After Distribution	34,153,806	36,574,445	38,709,222
Capital-Common Stock		10,396,222	10,396,222	10,396,222
Capital Surplus		5,082	5,082	5,082
Retained Earnings	Before Distribution	9,803,565	11,061,826	12,847,558
	After Distribution	4,709,416	6,071,640	7,805,390
Unrealized Revaluation Increments		51,281	49,917	48,553
Unrealized Gains (Loss) from Financial Products		234,124	(634,091)	488,133
Accumulated Translation Adjustments		(222,559)	(51,876)	(256,925)
Net Loss Not Recognized as Pension Cost		(55,514)	(132,771)	(618,213)
Shareholders' Equity	Before Distribution	20,212,201	20,694,309	22,910,410
	After Distribution	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		
		2010	2011	2012
Current Assets		36,454,146	41,184,876	45,131,133
Funds & Investments		11,236,100	9,515,634	9,328,594
Fixed Assets		16,697,462	18,763,844	21,435,776
Intangible Assets		921,472	1,141,578	1,493,434
Other Assets		3,779,152	3,767,727	3,823,803
Total Assets		69,088,332	74,373,659	81,212,740
Current Liabilities	Before Distribution	37,039,202	42,845,923	48,173,129
	After Distribution	42,133,351	47,836,109	53,215,297
Long-Term Liabilities		5,526,538	3,958,774	2,263,568
Other Liabilities		3,125,369	3,345,158	4,141,739
Total Liabilities	Before Distribution	45,691,109	50,149,855	54,578,436
	After Distribution	50,785,258	55,140,041	59,620,604
Capital-Common Stock		10,396,222	10,396,222	10,396,222
Capital Surplus		5,082	5,082	5,082
Retained Earnings	Before Distribution	9,803,565	11,061,826	12,847,558
	After Distribution	4,709,416	6,071,640	7,805,390
Unrealized Revaluation Increments		51,281	49,917	48,553
Unrealized Gains (Loss) from Financial Products		234,124	(634,091)	488,133
Accumulated Translation Adjustments		(222,559)	(51,876)	(256,925)
Net Loss Not Recognized as Pension Cost		(55,514)	(132,771)	(618,213)
Total Parent Company Shareholders' Equity		20,212,201	20,694,309	22,910,410
Minority interest		3,185,022	3,529,495	3,723,894
Shareholders' Equity	Before Distribution	23,397,223	24,223,804	26,634,304
	After Distribution	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)				
		2010	2011	2012	2013	2014
Operating Revenue	—	—	124,760,009	126,998,794	131,330,857	
Gross Profit	—	—	39,779,492	41,082,720	43,179,892	
Operating Profit	—	—	5,955,560	6,293,799	6,297,669	
Non-Operating Income (Expenses)	—	—	973,653	2,835,388	4,009,462	
Net Income Before Tax	—	—	6,929,213	9,129,187	10,307,131	
Net Income from Continuing Operations	—	—	5,915,636	8,036,752	9,086,015	
Income (or Loss) from Discontinued Operations	—	—	—	—	—	
Net Income (Loss)	—	—	5,915,636	8,036,752	9,086,015	
Other Comprehensive Income (Loss)	—	—	353,437	(71,362)	(55,478)	
Total Comprehensive Income (Losses)	—	—	6,269,073	7,965,390	9,030,537	
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	8.74	

Note 1: The Company adopts International Financial Reporting Standards (IFRS) less than 5 years, 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, 2015 (Note 2)
		2010	2011	2012	2013	2014	
Operating Revenue	—	—	192,602,970	200,610,839	207,989,021	48,248,674	
Gross Profit	—	—	63,214,670	63,422,059	66,938,168	15,243,958	
Operating Profit	—	—	8,767,877	10,196,565	10,597,280	2,263,668	
Non-Operating Income (Expenses)	—	—	(161,693)	1,096,231	2,012,496	592,118	
Net Income Before Tax	—	—	8,606,184	11,292,796	12,609,776	2,855,786	
Net Income from Continuing Operations	—	—	6,756,260	9,242,293	10,242,755	2,367,042	
Income (or Loss) from Discontinued Operations	—	—	—	—	—	—	
Net Income (Loss)	—	—	6,756,260	9,242,293	10,242,755	2,367,042	
Other Comprehensive Income (Loss)	—	—	159,437	(72,378)	(55,742)	(62,446)	
Total Comprehensive Income (Losses)	—	—	6,915,697	9,169,915	10,187,013	2,304,596	
Net Income Attributable to Owners of the Company	—	—	5,915,636	8,036,752	9,086,015	2,109,156	

Item	Year	Financial information for the most recent five years (Note 1)					As of March 31, 2015 (Note 2)
		2010	2011	2012	2013	2014	
Net Income Attributable to Non-Controlling Interests	—	—	840,624	1,205,541	1,156,740	257,886	
Total Comprehensive Income Attributable to Owners of the Company	—	—	6,269,073	7,965,390	9,030,537	2,046,710	
Total Comprehensive Income Attributable to Non-Controlling Interests	—	—	646,624	1,204,525	1,156,476	257,886	
Earnings per Share (NT\$)	—	—	5.69	7.73	8.74	2.03	

Note 1: The Company adopts International Financial Reporting Standards (IFRS) less than 5 years, 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-ROC GAAP

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

Item	Year	Historical financial information		
		2010	2011	2012
Operating Revenue	\$114,663,893	\$122,712,725	\$134,569,525	
Gross Profit	35,922,611	38,275,309	39,408,208	
Operating Profit	5,527,488	6,074,940	5,785,988	
Non-Operating Income	1,931,706	2,285,947	3,159,156	
Non-Operating Expenses	(830,258)	(930,422)	(1,165,195)	
Pre-tax Income from Continuing Operations	6,628,936	7,430,465	7,779,949	
After-tax Income from Continuing Operations	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	5,725,757	6,352,410	6,789,362	
Earnings per Share (NT\$)	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		
		2010	2011	2012
Operating Revenue	169,916,919	189,251,568	208,263,975	
Gross Profit	53,955,791	60,367,967	63,219,746	
Operating Profit	7,650,829	8,919,750	8,727,160	
Non-Operating Income	1,475,239	1,309,675	2,541,845	

Item	Year	Historical financial information		
		2010	2011	2012
Non-Operating Expenses		(1,235,182)	(1,267,767)	(1,795,277)
Pre-tax Income from Continuing Operations		7,890,886	8,961,658	9,473,728
Consolidated Gross Profit/Loss		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		5,725,757	6,352,410	6,789,362
Earnings per Share (NT\$)		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
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	PricewaterhouseCoopers	Hsiao, Chun-Yuan	Chou, Chien-Hung	Modified Unqualified
2015 Q1	PricewaterhouseCoopers	Hsiao, Chun-Yuan	Chou, Chien-Hung	Qualified

Note: The financial report for the first quarter of 2015 has been reviewed by independent auditors. However, the profits and losses listed for partially-owned subsidiaries and the information in Note 13 have been reviewed by other auditors. Non-major subsidiaries, 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 external auditors in the past five years

Due to internal changes at PRICEWATERHOUSECOOPERS, Taiwan, Chen Mei-Tzu and Tsai, Chin-Pao had served as 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 five recent years (Note 1)				
		2010	2011	2012	2013	2014
Financial Structure	Debt to Assets Ratio(%)	—	—	63.04	58.65	55.22
	Long-Term Capital to Property, plant, and equipment Ratio (%)	—	—	288.05	324.01	324.02
Liquidity	Current Ratio (%)	—	—	79.86	90.40	94.86
	Quick Ratio (%)	—	—	62.61	71.73	74.26
	Interest Coverage (Note 4)	—	—	224.09	291.62	366.70
Operating Performance	Accounts Receivable Turnover (times) (Note 2)	—	—	—	—	—
	Average Collection Days (Note 2)	—	—	—	—	—
	Inventory Turnover (times)	—	—	19.71	17.53	17.07
	Accounts Payable Turnover (times)	—	—	6.77	6.73	7.28
	Average Inventory Turnover Days	—	—	18.57	20.82	21.39
	Property, plant and equipment turnover (times)	—	—	13.55	13.93	13.49
	Total Assets Turnover (times)	—	—	2.21	2.21	2.22
Profitability (Note 4)	ROA (%)	—	—	10.95	14.17	15.62
	ROE (%)	—	—	29.95	36.06	36.16
	Ratio of Pre-tax Profit to Paid-in Capital (%)	—	—	66.65	87.81	99.14
	Net Margin (%)	—	—	4.74	6.33	6.92
	Earnings per Share (NT\$)	—	—	5.69	7.73	8.74
Cash Flow	Cash Flow Ratio (%)	—	—	45.09	24.75	34.81
	Cash Flow Adequacy (%)	—	—	153.99	148.10	130.06
	Cash Flow Reinvestment Ratio (%)	—	—	23.04	4.69	8.02
Leverage	Operating Leverage	—	—	1.86	1.86	1.98
	Financial Leverage	—	—	1.01	1.01	1.00

Note 1: The Company adopts International Financial Reporting Standards (IFRS) less than 5 years, 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 64 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 2014 was primarily due to increases in sales, gross margin and profit from subsidiaries compared to the same period last year.

## 2-2. Financial analysis (consolidated)

Item	Year	Financial information for the most five recent years (Note 1)					As of March 31, 2015 (Note 3)
		2010	2011	2012	2013	2014	
Financial Structure	Debt to Assets Ratio (%)	—	—	70.62	67.07	65.50	63.09
	Long-Term Capital to Property, Plant and Equipment Ratio (%)	—	—	154.22	168.79	168.60	184.19
Liquidity	Current Ratio (%)	—	—	91.66	98.55	99.11	103.62
	Quick Ratio (%)	—	—	67.88	74.54	73.98	79.83
Operating Performance	Interest Coverage(Note 5)	—	—	75.66	95.30	123.87	120.60
	Accounts Receivable Turnover (times) (Note 2)	—	—	—	—	—	—
	Average Collection Days (Note 2)	—	—	—	—	—	—
	Inventory Turnover (times)	—	—	12.28	13.20	13.31	3.17
	Accounts Payable Turnover (times)	—	—	6.34	6.65	6.84	1.65
	Average Inventory Turnover Days	—	—	29.81	27.65	27.42	28.35
	Property, Plant and Equipment Turnover (times)	—	—	9.01	9.31	9.07	2.18
Profitability(Note 5)	Total Assets Turnover (times)	—	—	2.34	2.40	2.37	0.55
	ROA (%)	—	—	8.71	11.27	12.05	2.74
	ROE (%)	—	—	29.34	35.79	35.44	7.53
	Ratio of Pre-tax Profit to Paid-in Capital (%)	—	—	82.78	108.62	121.29	27.47
	Net Margin (%)	—	—	3.51	4.61	4.92	4.91
Cash Flow	Earnings per Share (NT\$)	—	—	5.69	7.73	8.74	2.03
	Cash Flow Ratio (%)	—	—	34.62	27.95	32.86	5.26
	Cash Flow Adequacy (%)	—	—	129.36	136.76	131.32	131.37
Leverage	Cash Flow Reinvestment Ratio (%) (Note 5)	—	—	22.71	14.09	16.06	3.91
	Operating Leverage	—	—	2.28	2.09	2.27	2.23
	Financial Leverage	—	—	1.01	1.01	1.01	1.01

Note 1: The Company adopts International Financial Reporting Standards (IFRS) less than 5 years, 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 2015 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 2014 was primarily due to increases in sales, gross margin and profit from subsidiaries compared to the same period last year.

**※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-ROC GAAP**

Item	Year	Financial information for the most recent years		
		2010	2011	2012
Financial structure	Debt to Assets Ratio (%)	58.98	60.42	59.51
	Long-Term Capital to Fixed Asset Ratio (%)	324.70	282.11	261.77
Liquidity	Current Ratio (%)	85.24	84.65	80.81
	Quick Ratio (%)	70.91	69.78	63.26
	Interest Coverage	195.94	232.59	251.47
Operating Performance	Accounts Receivable Turnover (times) (Note 1)	—	—	—
	Average Collection Days (Note 1)	—	—	—
	Inventory Turnover (times)	26.79	25.62	22.07
	Accounts Payable Turnover (times)	7.67	7.81	7.58
	Average Inventory Turnover Days	14	14	17
	Fixed Assets Turnover (times)	14.77	14.37	14.61
	Total Assets Turnover (times)	2.33	2.35	2.38
Profitability	ROA (%)	11.72	12.56	12.52
	ROE (%)	29.26	31.06	31.14
	Ratio to Paid-in Capital (%)	53.17	58.43	55.65
	Pre-tax Profit	63.76	71.47	74.83
	Net Margin (%)	4.99	5.18	5.05
	Earnings per Share (NT\$)	5.51	6.11	6.53
Cash Flow	Cash Flow Ratio (%)	34.72	59.10	45.92
	Cash Flow Adequacy (%)	146.03	145.51	153.97
	Cash Flow Reinvestment Ratio (%)	9.33	25.37	21.39

Item	Year	Financial information for the most recent years		
		2010	2011	2012
Leverage	Operating Leverage	1.81	1.80	1.85
	Financial Leverage	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 65 based on ROC GAAP.

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

Item	Year	Financial information for the most recent years		
		2010	2011	2012
Financial Structure	Debt to Assets Ratio (%)	66.13	67.43	67.20
	Long-Term Capital to Fixed Asset Ratio (%)	173.22	150.20	134.81
Liquidity	Current Ratio (%)	98.42	96.12	93.69
	Quick Ratio (%)	70.38	69.26	69.33
Operating Performance	Interest Coverage	90.30	94.93	83.19
	Accounts Receivable Turnover (times) (Note 1)	—	—	—
Profitability	Average Collection Days (Note 1)	—	—	—
	Inventory Turnover (times)	13.48	13.07	13.76
Cash Flow	Accounts Payable Turnover (times)	7.08	6.99	7.11
	Average Inventory Turnover Days	27.08	27.94	26.59
Leverage	Fixed Assets Turnover (times)	10.18	10.09	9.72
	Total Assets Turnover (times)	2.46	2.54	2.56
Profitability	ROA (%)	9.49	10.09	9.92
	ROE (%)	28.18	30.07	29.98
	Ratio to Paid-in Capital (%)	73.59	85.80	83.95
	Pre-tax Profit	75.90	86.20	91.13
	Net Margin (%)	3.75	3.78	3.66
	Earnings per Share (NT\$)	5.51	6.11	6.53
	Cash Flow Ratio (%)	33.49	42.70	35.26
	Cash Flow Adequacy (%)	116.96	118.19	130.54
	Cash Flow Reinvestment Ratio (%)	16.27	24.44	21.74
	Operating Leverage	2.25	2.24	2.29
	Financial Leverage	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 2014 Annual Report.**

**04. The most recent fiscal year audited (alone) financial report (of parent company and subsidiaries): Please see 2014 Annual Report.**

**05. The most recent fiscal year audited (consolidated) financial report: Please see 2014 Annual Report.**

**06. Any cash flow difficulties with the Company and its affiliates during the most recent year and as of printing: None**

# Financial Status, Operating Results and Risk Management

7

## 01. Financial position analysis(consolidated)

Unit: NT\$1,000

Item	Year	2013	2014	Variance	
				Difference	Difference
Current assets		\$46,451,616	\$48,726,267	\$2,274,651	4.90%
Fixed Assets Machinery and Equipment		21,542,772	22,934,321	1,391,549	6.46%
Intangible assets		1,205,388	1,198,381	(7,007)	-0.58%
Other assets		14,298,192	14,970,404	672,212	4.70%
Total assets		83,497,968	87,829,373	4,331,405	5.19%
Current liabilities		47,136,578	49,162,440	2,025,862	4.30%
Non-current liabilities		8,862,950	8,369,024	(493,926)	-5.57%
Total liabilities		55,999,528	57,531,464	1,531,936	2.74%
Capital		10,396,223	10,396,223	0	0.00%
Capital Surplus		890,234	7,031	(883,203)	-99.21%
Retained earnings		11,886,156	15,404,280	3,518,124	29.60%
Equity attributable to owners of the Company		23,739,876	26,515,968	2,776,092	11.69%
Total equities		27,498,440	30,297,909	2,799,469	10.18%

a. Explanation for variance:

Decrease in capital surplus: This is due primarily to the fact that the Company set aside NT\$880 million from capital surplus to allocate to shareholders.

Increase in retained earnings: This is primarily due to increase in earnings in 2014 over the previous year.

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

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

## 02. Financial Performance Analysis(consolidated)

Unit: NT\$1,000

Item	Year	2013	2014	Variance	
				Difference	Difference
Operating revenue		\$200,610,839	\$207,989,021	\$7,378,182	3.68%
Gross operating profit		63,422,059	66,938,168	3,516,109	5.54%
Operating expenses		10,196,565	10,597,280	400,715	3.93%
Non-operating income (expenses) total		1,096,231	2,012,496	916,265	83.58%
Pre-tax net profit		11,292,796	12,609,776	1,316,980	11.66%
Net Income		9,242,293	10,242,755	1,000,462	10.82%
Other comprehensive income (loss)		(72,378)	(55,742)	16,636	loss amount decreased by 16,636
Total comprehensive income		9,169,915	10,187,013	1,017,098	11.09%
Net Income Attributable to Owners of the Company		8,036,752	9,086,015	1,049,263	13.06%
Total Comprehensive Income Attributable to the Parent		7,965,390	9,030,537	1,065,147	13.37%

a. Explanation for variance:

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

(2) Increases in other comprehensive income (loss): Primarily due to decreases in actuary losses in benefits plan.

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

### 03. Cash flow analysis

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

Unit: NT\$1,000

Cash Balance at the Beginning of 2014	Net Cash Inflow from Operating Activities in 2014	Net Cash Outflows in 2014	Cash Balance at the end of 2014	Remedies for Cash Shortage	
				Investment Plans	Investment Plans
21,008,243	16,154,211	(14,792,825)	22,369,629	—	—

a.Operating activities: The net cash inflow from operating activities was NT\$16.15 billion. The cash inflow remained steady primarily due to stable profits.

b.Investment activities: The net cash outflow from investment activities totaled about NT\$6.08 billion, which was primarily due to purchases of operation-related fixed assets.

c.Financing activities: The net cash outflow from financing activities was about NT\$8.91 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 2015	Estimated Yearly Net Cash Inflow from Operating Activities	Estimated Yearly Net Cash Outflow	Expected cash balance at the end of 2015	Remedies for Cash Shortage	
				Investment Plans	Investment Plans
22,369,629	13,476,247	(12,189,352)	23,656,524	—	—

1.Operating activities: Stable revenue is expected in 2015, which should bring in a net cash inflow.

2.Investment activities: In 2015, investment outflows will primarily include the purchase of fixed assets.

3.Financing activities: Financing outflows are primarily expected to be the distribution 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				
				2012	2013	2014	2015	2016
Investments in new stores	Working capital and loans	Annual	7,001,106	1,689,472	1,564,651	1,119,643	1,216,830	1,216,830
POS (Point-of-Sale) Equipment	Working capital and loans	Annual	2,056,764	1,539,647	517,117	0	0	0
Remodeling of Existing Stores	Working capital and loans	Annual	2,496,832	449,827	270,105	406,040	693,550	693,550
Store Equipment Purchases / Replacement	Working capital and loans	Annual	3,577,023	661,231	764,630	882,175	620,588	620,588

## 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		
				2014	2015	2016
Investments in new stores	Working capital and loans	Annual	14,472,318	3,718,054	5,535,867	5,218,397
Remodeling of existing stores	Working capital and loans	Annual	625,479	164,079	235,150	226,250
Store equipment purchases / replacement	Working capital and loans	Annual	159,565	29,784	79,781	50,000
Investments in information system(e. g. POS equipment)	Working capital and loans	Annual	1,025,969	238,608	434,736	352,625
Logistics system and related equipment	Working capital and loans	Annual	1,073,681	361,665	318,700	393,316
Others (build up logistics center and Transfer Center)	Working capital and loans	Annual	5,695,344	879,899	1,954,979	2,860,466

## 4-2. Estimated benefits

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

Unit: NT\$1,000

Year	Item	Sales Value	Gross Profit
2015	Investments in new and existing stores	3,909,227	1,292,781
2016	Investments in new and existing stores	4,026,504	1,335,560
2017	Investments in new and existing stores	4,147,299	1,379,753
2018	Investments in new and existing stores	4,271,718	1,425,409
2019	Investments in new and existing stores	4,399,870	1,472,576

## b. Other potential benefits:

The past year's capital expenditures were primarily used to open 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 variety in the stores. Extra room gives customers a place away from home, school, or the office where they can enjoy a comfortable space to eat or to relax. The logistics systems and related equipment are expected to increase delivery and route layout efficiency.

## 05. Analysis of investments in subsidiaries enterprises 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 2014, 7-ELEVEN and subsidiaries both in Taiwan and abroad have reached 8,200 stores with 7-ELEVEN Philippines reaching 1,200 stores. In terms of dining, PCSC has a total of 900 Starbucks in Taiwan and Shanghai. iCASH corp launched iCASH2.0 allowing consumers to use points accumulated with different retailers, offering more convenience and better service. In the future, we will continue to work hard to integrate operations to enhance long-term return on investments.

**5-2. Reasons for profits or losses at subsidiaries:**

Long-term investments in 2014 include the following:

Unit: NT\$1,000

Company	Amount of Investment in 2014	Main reasons for profit / loss
Presclerc (Beijing) Supermarket Ltd. (Note 1)	131,948	The business model has not yet stabilized, so the subsidiary still suffers loss.
President Cosmed Chain Store (Shenzhen) Co. Ltd. (Note 2)	21,805	The Company is in a transition phase.
Uni-President Yi-lan Art & Culture Corp.	50,000	Profits continue to be stable.
Mister Donut Shanghai Co., Ltd. (Note 3)	60,636	The business model has not yet stabilized so the subsidiary still suffers loss.
Mister Donut Taiwan Corp.	75,000	Profits are steadily improving.

Note 1: The capital injection is from PCSC(BVI)Ltd.

Note 2: PCSC(China) bookstore Limited purchased 35% of shares in Cosmed (Shenzhen) from the Livzon Pharmaceutical Group Inc. (raising its shareholding ratio from 65% to 100%).

Note 3: A portion of 2014 investments in Mister Donut Taiwan Corp. (Shanghai) was provided by President Chain Store (Hong Kong) Holdings Ltd.

**5-3. Improvement Plan for Investments in Subsidiaries and Investment Plans for the Coming Year**

To improve performance at subsidiaries 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 2015 are shown in the table below:

Company	Planned investment in 2015
President Chain Store (Shanghai) Corporation	NT\$305 million
President Fair Development Corp.	NT\$870 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:

- 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 exchange 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.
- 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.
- Market risks: Each business unit analyzes 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.
- 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:

With its economy steadily improving, the US will become the engine driving the global economic growth in 2015, including Taiwan's trade growth. Taiwan's Directorate General of Budget, Accounting and Statistics estimates that Taiwan's growth next year will remain above 3%. Due to moderate domestic economic growth and no fear of inflation, the Central Bank maintained a moderately loose monetary policy.

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:

Taiwan's Central Bank has maintained the rediscount rate at 1.875% for 14 consecutive quarters. The CPI is expected to increase 1.2% in the coming year, indicating stable prices.

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

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

#### (1) Company policy:

PCSC focuses on our retail and distribution business and has not engaged in risky or highly-leveraged investments. However, in order to effectively control and manage business-related risks and enhance the safety of financial operations, PCSC has structured a set of internal management and operational procedures on the basis of the relevant regulations from the Securities and Futures Bureau. These requirements and procedures include "Procedures for Lending Funds to Others", "Procedures for Acquisitions or Disposals of Assets" and "Procedures for Endorsements". In accordance with the Securities and Futures Bureau's Guidelines Governing Establishment of Internal Control Systems at Publicly Held Companies, PCSC's Internal Audit Office has defined a set of risk management and assessment procedures. PCSC's subsidiaries also follow these guidelines.

#### (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: None

b(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 2014	Outstanding Balance of Endorsement as of Mar. 31, 2015
PCSC	Mister Donut Shanghai Co., Ltd.	Mutual Investment	NT\$108,845,000	None
Wisdom Distribution Service Corp.	President Drugstore Business Corp.	PCSC Subsidiary	NT\$5,000,000	NT\$5,000,000

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) Advance purchasing from smart phones: PCSC is providing consumers more channels to purchase products in advance, from advanced purchasing with the assistance of retail store employees to the completion in 2014 of the ibon advance purchase platform. In 2015, we will take advantage of mobile phones to provide consumers services, such as viewing products and ordering them in advance anytime, anywhere, to make shopping more convenient.
  - (2) Laboratory management system: As it continues to strive to ensure food safety, PCSC will increase the scope and frequency of product inspections. As such, it will work to systematize operational procedures used in labs to improve the tracking the management progress of each sample and to streamline lab management.
  - (3) R&D plans for 2015 are expected to cost around NT\$79,370,000, as shown below:

Plan	Current Progress	Additional Funds to be Invested	Expected Date of Completion	Main Factors Determining the Success of Future R&D
Remote backup Project	Planning construction	NT\$189,900,000	2015/06	In view of the latest developments in technology and business operations, PCSC is contemplating new mainframe room architecture to deal efficiently with any natural disasters. The objective is to consider the systems environment required to ensure effectiveness of investment and sustainable operations.
Pre-ordering system for smart phones	Planning procedures	NT\$28,500,000	2015/07	Providing consumers purchasing channels for different situations. PCSC takes consumer convenience and the feasibility of stores utilizing various purchasing methods, from purchasing face to face and using cash registers to employing the ibon self-service system and purchasing products on cell phones, when considering new methods.
Laboratory management system	Planning procedures	NT\$31,700,000	2015/10	PCSC is striving to automatize management of as it systemizes lab procedures so as to increase efficiency and reduce the time needed for inspection and testing.
Quality assurance product inspection, customer complaint management	Planning procedures	NT\$42,900,000	2015/12	To realize food safety management, product management will be extended to new product management.
Incorporating e-ticketing operations	Planning procedures and system	NT\$154,200,000	2015/10	PCSC provides more compatibility for electronic payment tools to offer convenience for customers.
Incorporating points for membership operations	Planning procedures and system	NT\$146,900,000	2015/12	Make use of member and point accumulation mechanisms to increase customer retention and to more accurately draw customer profiles and opportunities.
O2O application service	Planning procedures and system	NT\$199,600,000	2015/12	In response to changes in consumer habits, O2O mechanism services will be increased to draw more customers.

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

- (1) PCSC has already taken appropriate measures to respond to recent changes in government policies and laws in Taiwan and overseas, so these changes did not significantly impact the Company's financial operations.
- (2) In response to the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter announced in March 2011 by the Securities and Futures Bureau, PCSC established the Remuneration Committee in June 2011. In June 2012, PCSC held new elections for the Company's Board of Directors, invited independent directors to the Board, and established the Audit Committee in response to the March 2011 announcement of the Applicable Scope of Appointment of Independent Directors for Publicly Traded Companies. In response to amendments to the Company Act, PCSC implemented electronic voting and a case-by-case voting system during a General Shareholders' Meeting in 2013 and revised its Ethical Corporate Management Best Practice Principles and Corporate Governance Best-Practice Principles in 2014. 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) The law of Third Party Payment was passed by the government on 16 Jan. in 2015. 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 development.

(2) Food safety issues caused consumers to demand higher standards on food safety in the past few years. As a result, PCSC has placed even more emphasis on raw materials and traceability management.

(3) In light of the prevalence of active seniors and health consciousness in society combined with the personalization of technology and mobile telecommunications terminals, wearable devices used by all age groups, as well as demand for health measuring and healthy diets, 7-11 will continue to carry out research business opportunities characterized by convenience and health.

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 interest of our customers. As a good corporate citizen, PCSC actively takes part in social welfare and environment protection activities as we work to achieve our goal of sustainable corporate development. PCSC was listed for first time on MSCI sustainability index and received its highest marks in corporate governance evaluation, which surpassed the average of evaluated companies in the same category. Besides, PCSC made list Forbes Global 2000 for the first time. Moreover, PCSC got top A++ score by 11th Publicly Traded and OTC Company Information Disclosure and Transparency Rating System, the only retailer in Taiwan to receive the honor. 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 effort 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: N/A

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

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

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

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

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

m. Other major risks and proposed responses: None

## 07. Other important items: None

# 8 Specific Notes

## 01. Information about subsidiaries

1-1. 2014 Consolidated Business Report for subsidiaries: Please refer to 2014 Annual Report.

1-2. 2014 Affiliation Report: Please refer to 2014 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.

# Supplementary Disclosures 9

## 01. Key performance indicators

	2013	2014
Net operating margin (%)	4.96%	4.80%
Net profit margin (%)	6.33%	6.92%
EPS (NT\$)	7.73	8.74
ROE (%)	36.06%	36.16%
Inventory turnover (times)	17.53	17.07

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 are 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. The goals and methods for hedge accounting

- 3-1. The Company does not have issue on using hedge accounting due to no derivatives. 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: 3
- Certified public bookkeeper: 1
- Project Management Professional (PMP): 1
- TPIPAS Personal Information Management Professional: 1
- TPIPAS Personal Information Internal Assessment Professional: 1

#### 4-2. Professional training:

Accounting managers: The accounting division manager Chang, Sung-Hong, who left office in November of Junior Accounting Administrator Training Course for 30 hours and Chang,Li-Ling, who assumed office in November of 2014 will attend the class in July of 2015.

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.



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