

# President Chain Store

2912TT





# Group Overview

## Dominant Brand Image

- The first store was opened in 1980 as the 1<sup>st</sup> CVS in Taiwan.
- The largest CVS operators in Taiwan with 50% market share
  - 85% franchise ratio and 4822 store network.
- Permanent 7-Eleven licensee in Taiwan, and ranked No.5 of the world's 7-Eleven network.

## Leverage Extensive Network

- **Strengthen “real” retail platform:**  
Focus on “Food store” concept and increase private label product offerings
- **Establish “virtual” 2<sup>nd</sup> floor:**  
Ticketing services through “ibon”  
Online shopping website “7nET”



## Full-Range Service in Asia

- **7154 store network in Taiwan, Philippine, China, Vietnam**  
**Domestic:** Retail, Logistic, F&B  
**Overseas:** CVS (Philippine 7-Eleven, Shanghai 7-Eleven)  
F&B (Shanghai F&B Platform )  
Super & Hypermarket (China, Vietnam)



# 2012H1 Results



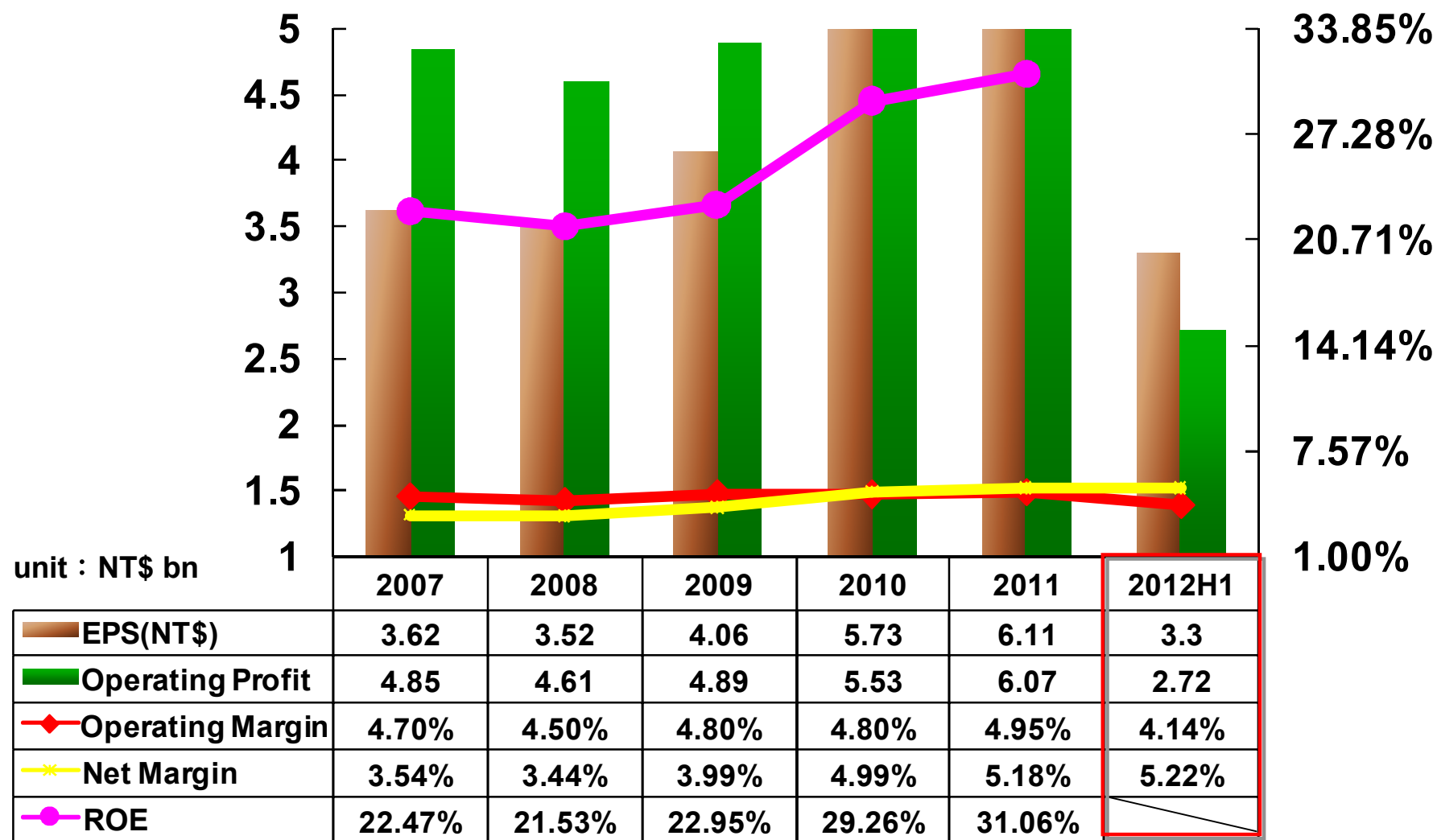
# Parent Income Statement

Unit:\$NT'million

	<u>2011FY</u>		YOY	<u>2012Q1-Q2</u>		YOY
	<u>Amount</u>	<u>%</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>%</u>
Net sales	118,751	96.8%	6.9%	63,428	96.6%	12.2%
Other operating revenue	3,962	3.2%	10.4%	2,259	3.4%	17.1%
Total operating revenue	122,713	100.0%	7.0%	65,687	100.0%	12.4%
Gross profit	38,275	31.2%	6.5%	19,193	29.2%	3.8%
Operating expenses	(32,200)	-26.2%	5.9%	(16,474)	-25.1%	6.4%
Operating income	6,074	4.9%	9.9%	2,719	4.1%	-9.9%
Non-operating income	1,356	1.1%	23.1%	1,260	1.9%	5.1%
Income before taxes	7,430	6.1%	12.1%	3,979	6.1%	-5.7%
Income tax expense	1,078	0.9%	19.4%	547	0.8%	-4.1%
<b>Net Income</b>	<b>\$6,352</b>	<b>5.2%</b>	<b>10.9%</b>	<b>\$3,432</b>	<b>5.2%</b>	<b>-5.9%</b>
Earnings per share	(pre-tax)	(after tax)		(pre-tax)	(after tax)	
Net income (unit:\$NTD)	<u>7.15</u>	<u>6.11</u>		<u>3.83</u>	<u>3.30</u>	



# Profitability Trend





# Business Scope

## Taiwan 7-11

### Retail

- Cosmed (100%)
- Being Spa (100%)
- Smile Gas Station (80.87%)
- President Pharmaceutical (73.74%)
- Hankyu (70%)
- Takkyubin (70%)
- Philippine 7-11(56.59%)
- Muji (Taiwan) (51%)
- Uni-mart Vietnam (51%)
- Book.com (50.03%)
- Rakutan (49%)

### China

- Shanghai 7-11 (100%)
- Shanghai Cold Stone (100%)
- Wuhan Oven Bakery (100%)
- Sichuan Uni-Mart (100%)
- Sato(Shanghai) (81%)
- Shandong Uni-Mart (55%)
- Royal Host (51%)
- Shanghai Mister Donuts (50%)
- Shanghai Starbucks (30%)

### Support

- Capital Inventory (100%)
- Tokyo Marketing (100%)
- Musashino (90%)
- Q-Ware (86.76%)
- President Information (56%)
- Bank Pro E-Service (53.33%)

### Logistic

- Retail Support (25%)
- Cold-Chain (60%)
- Wisdom (100%)

### F&B

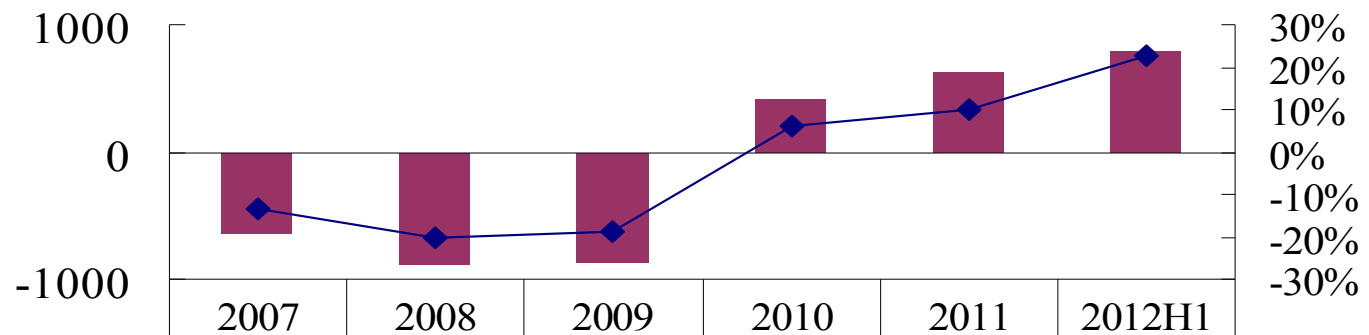
- 21 Century (100%)
- Oven Bakery (100%)
- Cold Stone (100%)
- Sato (81%)
- Afternoon Tea (51%)
- Mister Donut (50%)
- Starbucks (30%)



# Long term Investment

Loss Stage

Profitable Stage

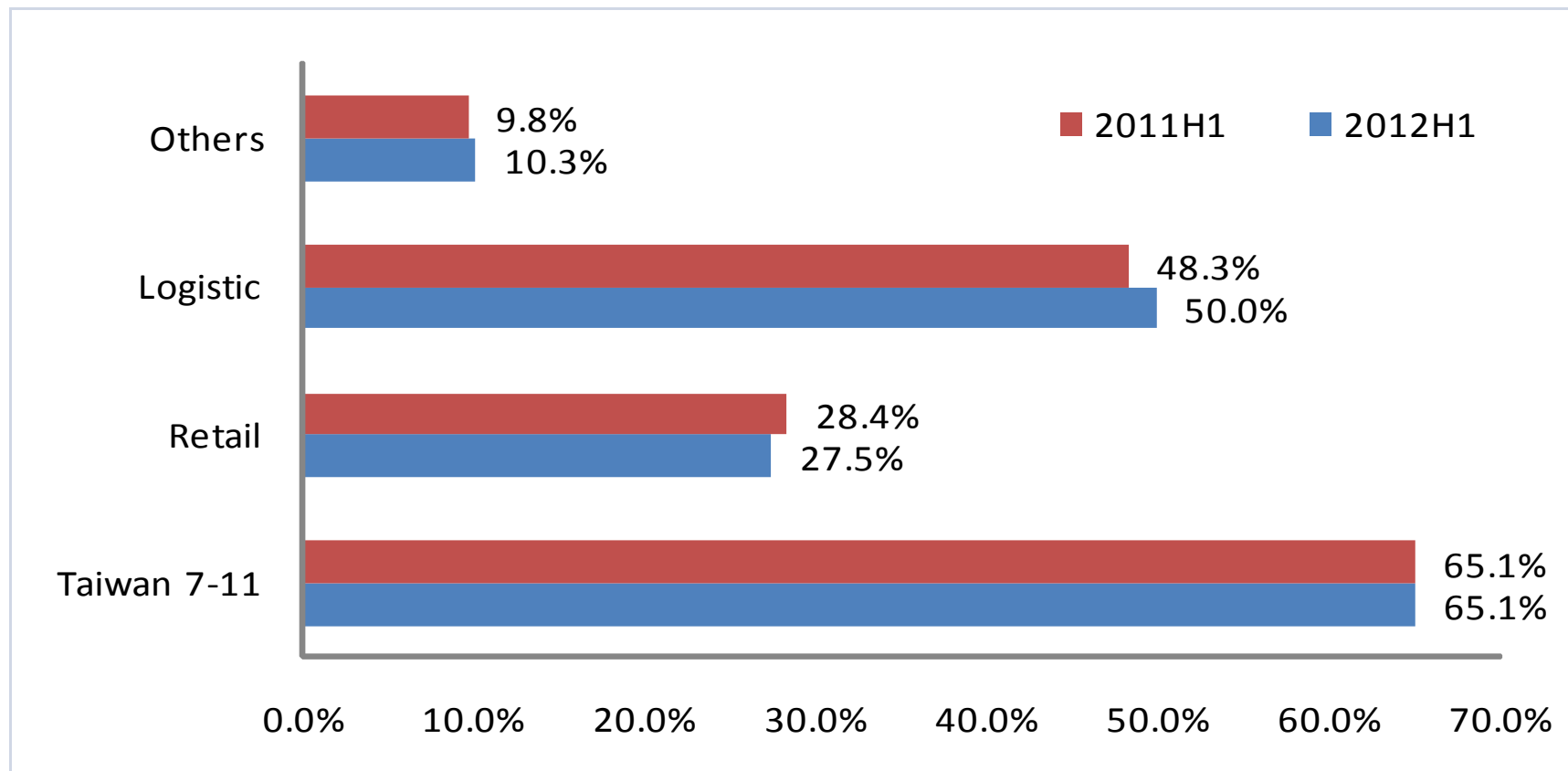


Investment gain or loss (Million NT\$)	-637	-890	-862	419	620	781
Profit Contribution(%)	-13.25%	-20.31%	-18.55%	6.32%	9.76%	22.77%

Long term Investment (Billion NT\$)	19.3	19.8	21.3	20.8	19.6	19.5
To total assets (%)	45.21%	42.11%	43.56%	42.11%	37.56%	33.90%



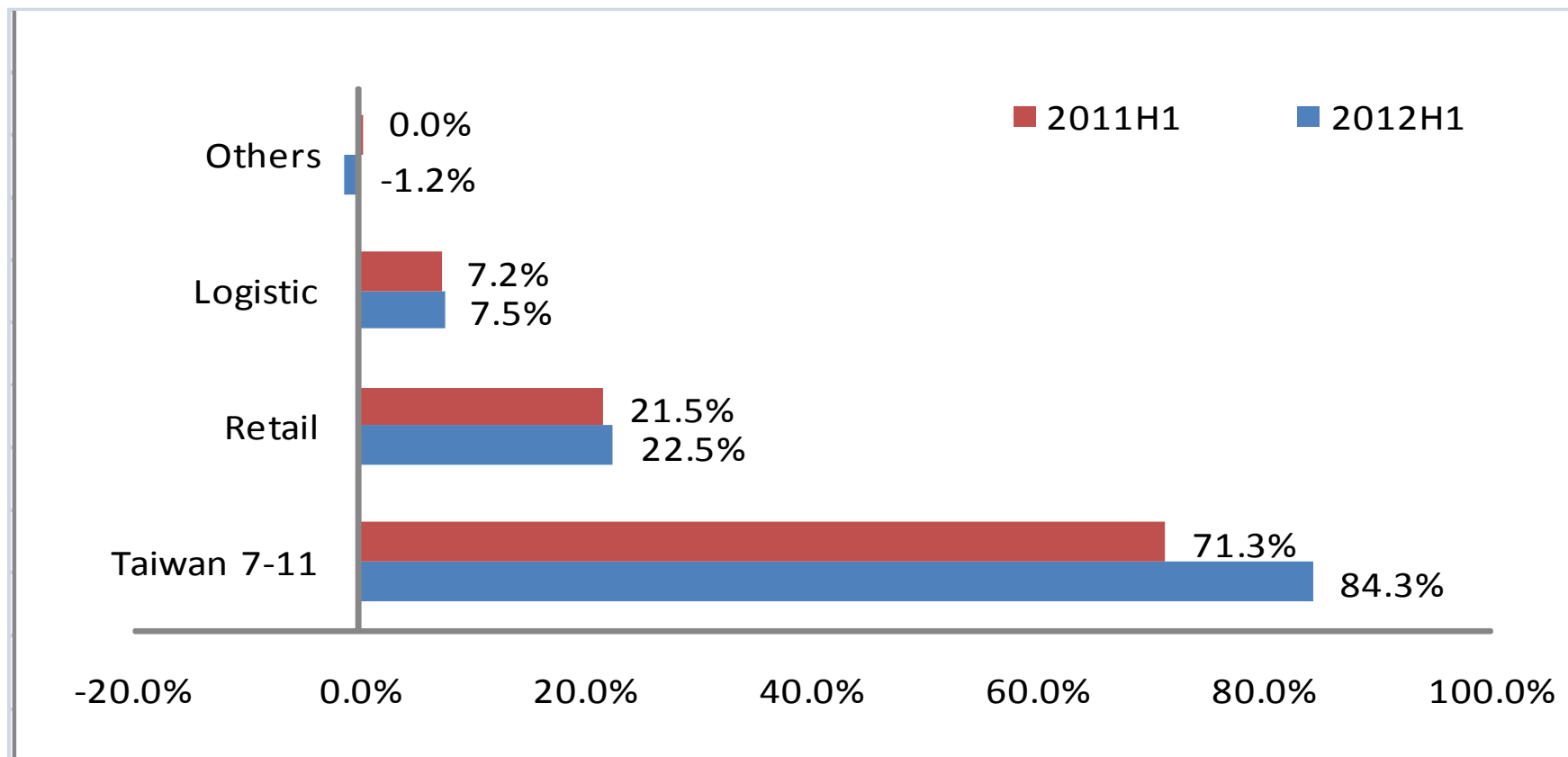
# Consolidated Sales Contribution



NTD million	Taiwan 7-11	Retail	Logistic	Others	Elimination
2012H1	65,687	27,767	50,404	10,347	-53,313
2011H1	58,456	25,554	43,426	8,825	-46,439



# Consolidated Net Profit Contribution



NTD million	Taiwan 7-11	Retail	Logistic	Others	Elimination
2012H1	3,979	1,064	354	-56	-621
2011H1	3,521	1,064	357	-2	0



# Taiwan Major Subsidiaries

Unit: \$NT'm

## Retail

### Cosmed Taiwan

(100%)



**Stores: 362**

NI: 12'H1: 73    11'FY: 338  
11'H1: 152    10'FY: 297

### MUJI Taiwan

(51%)



**Stores: 25**

NI: 12'H1: 49    11'FY: 206  
11'H1: 111    10'FY: 160

### Hankyu Dept. Taiwan

(70%)



**Stores: 2**

NI: 12'H1: -59    11'FY: -137  
11'H1: -36    10'FY: -241

### President Pharmaceutical

(73.74%)

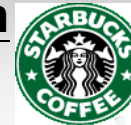


NI: 12'H1: 216    11'FY: 271  
11'H1: 128    10'FY: 167

## F&B

### Starbucks Taiwan

(30%)



**Stores: 270**

NI: 12'H1: 205    11'FY: 425  
11'H1: 200    10'FY: 329

### Afternoon Tea

(51%)



**Stores: 14**

NI: 12'H1: -3    11'FY: -21  
11'H1: -8    10'FY: -35

### Mister Donut

(50%)



**Stores: 53**

NI: 12'H1: -29    11'FY: 7  
11'H1: 18    10'FY: 2

### Cold Stone

(100%)



**Stores: 37**

NI: 12'H1: 5    11'FY: 21  
11'H1: 10    10'FY: 32

## Retail (E-Commerce)

### Books.com

(50.03%)



NI: 12'H1: 132    11'FY: 222  
11'H1: 111    10'FY: 189

### Rakuten

(49%)



NI: 12'H1: -21    11'FY: -28  
11'H1: -8    10'FY: -112



# China Major Subsidiaries

Unit: \$NT'm

## F&B

### Starbucks

(30%)



**Stores: 262**

NI:12'H1:539 11'FY:742  
11'H1:307 10'FY:387

### Mister Donut

(50%)



**Stores: 20**

NI:12'H1:-27 11'FY:-71  
11'H1:-20 10'FY:-55

### Cold Stone

(100%)



**Stores: 55**

NI: 12'H1:-10 11'FY:-26  
11'H1:-19 10'FY:-52

## Retail

### Shanghai 7-11

(100%)



**Stores: 100**

NI: 12'H1:-200 11'FY:-314  
11'H1:-121 10'FY:-162

## Supermarket & Hypermarket

### Sichuan Uni-mart

Hypermarket (100%)

**Stores: 4**



NI: 12'H1:5 11'FY:-118  
11'H1:0.1 10'FY:-23

### Shandong Uni-mart

Supermarket (55%)

**Stores: 169**



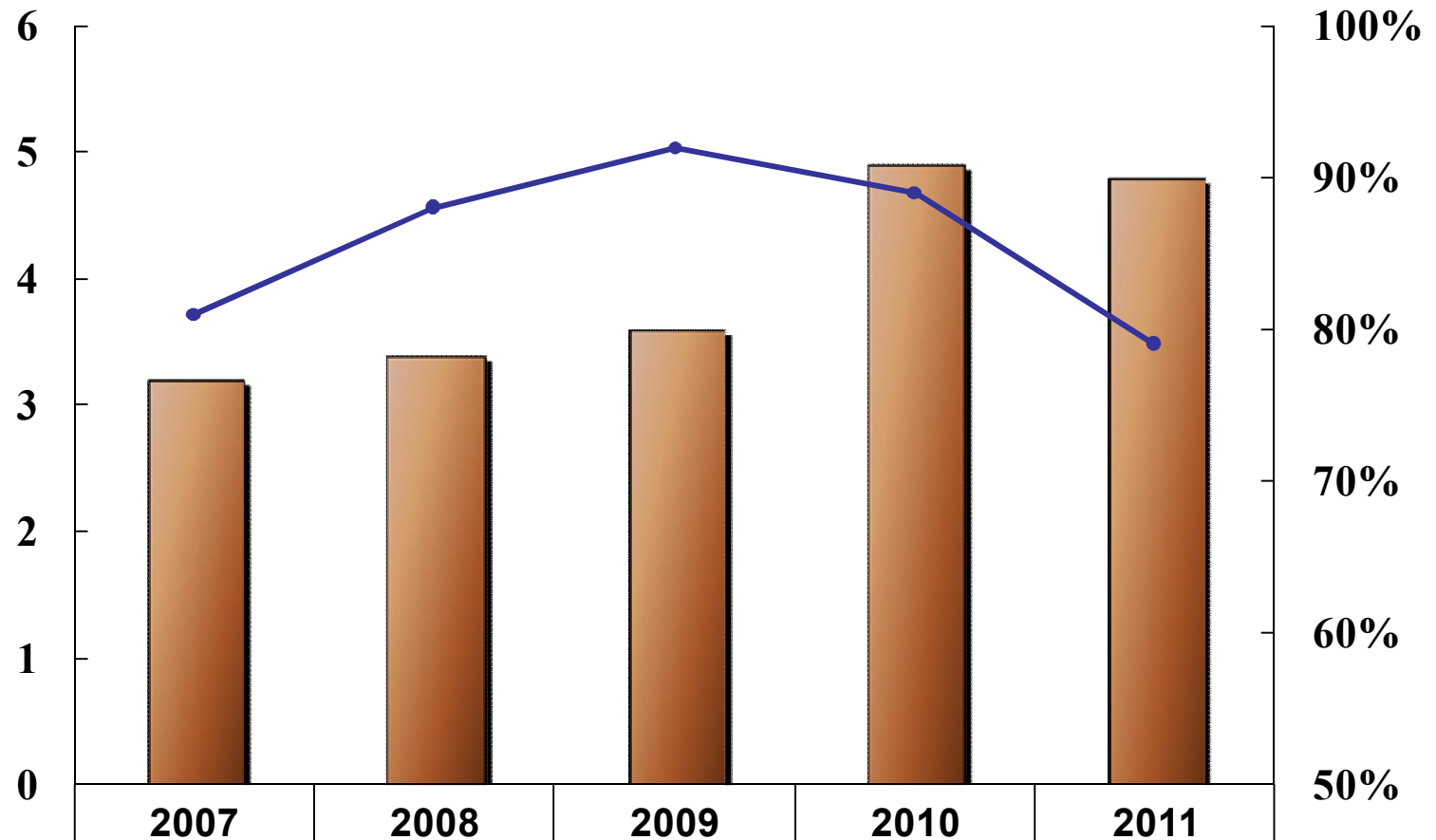
NI:12'H1:25 11'FY:129  
11'H1:80 10'FY:157



# Dividend Policy



# Dividend Trend



<span style="display:inline-block; width:10px; height:10px; background-color: #A52A2A; border: 1px solid black;"></span> <b>Total Dividends</b>	<b>3.2</b>	<b>3.4</b>	<b>3.6</b>	<b>4.9</b>	<b>4.8</b>
<b>Cash Dividends</b>	<b>3.2</b>	<b>2.04</b>	<b>3.6</b>	<b>4.9</b>	<b>4.8</b>
<span style="display:inline-block; width:10px; height:10px; background-color: #4169E1; border: 1px solid black;"></span> <b>Payout Ratio(%)</b>	<b>81%</b>	<b>88%</b>	<b>92%</b>	<b>89%</b>	<b>79%</b>



# Long-term Strategies



# Operational Strategy

## New Store Format

- Bigger stores account for 51% until Q2 in 2012, and will keep expanding in the future.
- Focus on “Food store” concept .

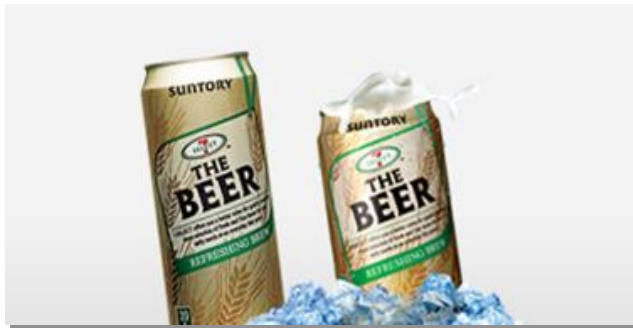




# Operational Strategy

## Product Mix Adjustments

- **Higher quality** : City Café provides convenience and good quality coffee.
- **More choices** : a variety of national brands and private label products.
- **Reasonable prices** : reasonable prices for daily necessities and private label products.





# Operational Strategy

## Strengthen Real-virtual Retail Platform



Rakuten  
Store Opening Platform



Books.com  
Online Book Store



Online shopping website  
for daily necessity

ibon  
Over 4700 ibons  
Provide 10,000  
services

WiFi  
Over 4600 stores  
Provide WiFi

App  
600,000 downloads



**Real Stores**  
4822 Stores  
3000 SKU  
Complete logistic  
support



# Operational Strategy

## Innovative Promotions

- Enhance value-added experience through cooperation with group affiliates and other channels.
- We have the most facebook fans among Taiwanese companies. We use it as communication and marketing platform.





# Overseas Businesses – Transfer and localize

**Philippine 7-11**-Aiming for becoming best retailer of convenience for emerging markets.

- ☐ Enhance PSD through product mix adjustment (Fresh food, general merchandise)
- ☐ Market Dominance
  - expand boundaries
  - intensify franchisingTarget: 1000 stores in 2013.
- ☐ Cost controls

**China**-Aiming for becoming regional leading brands

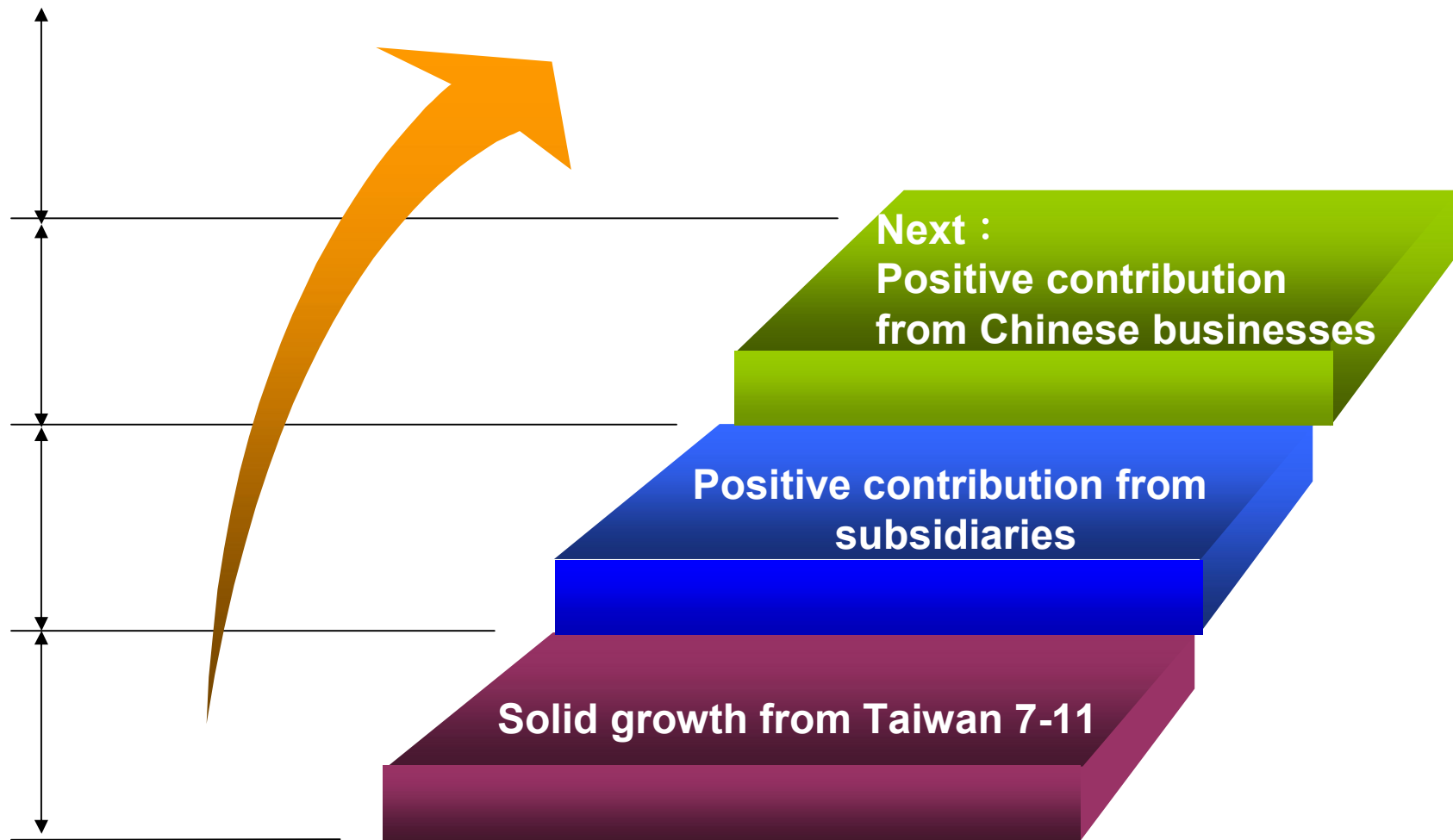
651 stores in China. 466 stores in east China.

- ☐ Shanghai 7-11 :  
steady roll-out plan and product mix differentiation.
- ☐ F&B businesses :  
develop existing brands
- ☐ Supermarket : entering new markets and differentiation.



# Key to Continued growth

## Focus, Execution





# Appendix



# Parent Balance Sheet

Unit:\$NT'million

	<u>At the end of 2011</u>		<u>At the end of 2012Q2</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Assets</b>				
Cash, equivalents & ST investment	16,161	31%	19,784	34%
Receivable-net	524	1%	553	1%
Inventories	3,659	7%	3,600	6%
Other current assets	1,237	2%	3,057	5%
Total current assets	21,581	41%	26,994	47%
Available-for-sale financial assets	898	2%	914	2%
LT investments (Equity method)	11,070	21%	10,974	19%
LT investments (Cost method)	7,667	15%	7,607	13%
Total LT investments	19,635	38%	19,495	34%
Total fixed assets	8,541	16%	8,459	15%
Total other assets	2,522	5%	2,579	4%
<b>Total assets</b>	<b>\$52,279</b>	<b>100%</b>	<b>\$57,527</b>	<b>100%</b>



# Parent Balance Sheet

Unit:\$NT'million

	<u>At the end of 2011</u>		<u>At the end of 2012Q2</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Liability</b>				
Notes /Accounts Payable	11,772	23%	13,367	23%
Accrued expenses	2,876	6%	2,474	4%
Advance receipts	2,132	4%	2,146	4%
Income taxes payable	605	1%	537	1%
Others	8,111	16%	13,061	23%
Total current liabilities	25,496	49%	31,585	55%
Total long-term liabilities	3,400	7%	4,100	7%
Other Liabilities	2,689	5%	2,722	5%
<b>Total liabilities</b>	<b>31,585</b>	<b>60%</b>	<b>38,407</b>	<b>67%</b>
<b>Shareholders' equity</b>				
Capital	10,396	20%	10,396	18%
Retained earnings	11,062	21%	9,503	17%
Others	(764)	-1%	(779)	-1%
<b>Total shareholders' equity</b>	<b>20,694</b>	<b>40%</b>	<b>19,120</b>	<b>33%</b>
<b>Liabilities and shareholders' equity</b>	<b>\$52,279</b>	<b>100%</b>	<b>\$57,527</b>	<b>100%</b>



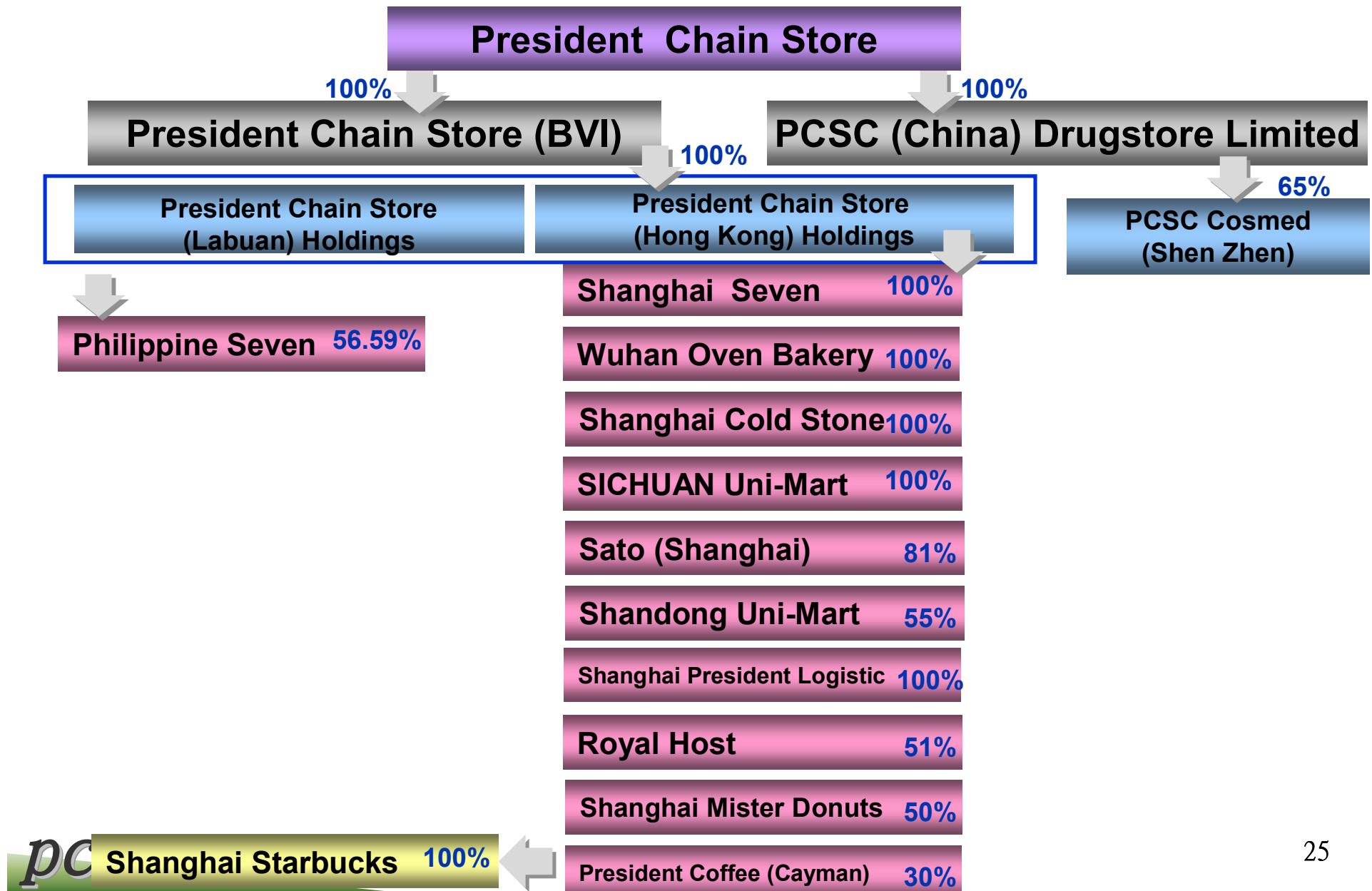
# Parent Statement of Cash Flow

Unit:\$NT'million

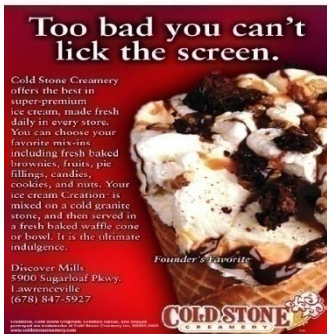
	<u>2011FY</u>	<u>2012Q1-Q2</u>
Cash flows from operating activities	15,067	3,258
Cash flows from investing activities	(3,199)	(2,045)
Cash flows from financing activities	(6,683)	742
<b>Net increase (decrease) in cash &amp; equivalents</b>	<b>5,185</b>	<b>1,955</b>
Cash and cash equivalents, beginning of year	4,626	9,811
Cash and cash equivalents, end of year	<u>9,811</u>	<u>11,766</u>



# Overseas Investment Structure







# Q&A