VII. FINANCIAL STATUS, OPERATING RESULTS & RISK MANAGEMENT

1. Financial Position:

Unit: NT$1,000

Item / Year	2008	2007	Variance	
			Difference	%
Current Assets	16,919,915	13,351,641	3,568,274	26.73%
Long-Term Investments	19,847,572	19,277,238	570,334	2.96%
Fixed Assets	7,803,868	7,644,534	159,334	2.08%
Intangible Assets	273,206	90,380	182,826	202.29%
Other Assets	2,286,031	2,273,719	12,312	0.54%
Total Assets	47,130,592	42,637,512	4,493,080	10.54%
Current Liabilities	19,242,516	17,550,683	1,691,833	9.64%
Long-Term Liabilities	9,100,000	6,700,000	2,400,000	35.82%
Other Liabilities	2,340,433	2,132,349	208,084	9.76%
Total Liabilities	30,682,949	26,383,032	4,299,917	16.30%
Capital	9,151,604	9,151,604	-	0.00%
Capital Reserves	-	-	-	-
Retained Earnings	6,872,870	6,575,118	297,752	4.53%
Total Shareholders' Equity	16,447,643	16,254,480	193,163	1.19%

1-1 Variance analysis for deviations over the last two years

(a) Increase in current assets primarily due to the borrowing of NT$9.1 billion long-term loans from banks in 2008 to strengthen the company's financial structure, which caused cash-on-hand and short-term financial assets to increase.

(b) Increase in long-term liabilities primarily due to the borrowing of NT$9.1 billion long-term loans from banks in 2008.

(c) Increase in intangible assets due to increase in cost of computer software.

1-2 Impact to financial situations over the last two years:

The aforesaid changes have no significant impact to the Company.

1-3 Future strategies

The cash flows from operating activities and the loans from financial institutions will be sufficient to meet the needs of PCSC's future operation.

2. Operating Result:

Unit: NT$1,000

Item / Year	2008	2007	Variance	
			Difference	%
Revenue	102,191,258	102,363,841	(172,583)	-0.17%
Gross Profit	32,734,914	31,744,297	990,617	3.12%
Operating Expenses	28,127,987	26,890,764	1,237,223	4.60%
Operating Profits	4,606,927	4,853,533	(246,606)	-5.08%
Non-Operating Income	1,049,786	907,093	142,693	15.73%
Non-Operating Expenses	1,274,969	950,560	324,409	34.13%
Pre-tax Income of Continuing Operations	4,381,744	4,810,066	(428,322)	-8.90%
Income Tax	862,063	1,187,653	(325,590)	-27.41%
Cumulative Effects of Changes in Accounting Principles	-	-	-	-
Net Income	3,519,681	3,622,413	(102,732)	-2.84%

2-1 Explanation for Variance

(a) Decrease in revenue primarily due to the global economic downturn and the resulting tendency towards more cautious consumer behavior.
(b) Increase in gross profit primarily due to the change in the company's product mix and the ongoing introduction of new services.
(c) Decrease in operating profit primarily due to the inclusion of employee bonuses and Directors' and Supervisors' compensation (start from year 2008) in operating expenses.
(d) Increase in non-operating expenses and losses primarily due to impairment loss of NT$559 million from long-term investments under cost method in 2008, pursuant to the conservative accounting principles specified in Taiwan's Statement of Standard Accounting Practice No. 34.
(e) Decrease in pre-tax income of continuing operations and in net income primarily due to impairment losses and long-term investment loss.

2-2 Factors that may impact the company's sales in the coming year, their possible impact on the company's financial status, and the strategies to be adopted in response:

PCSC intends to maintain continuing sales growth through the introduction of various innovative new services and products that will help the company to diversify.

3. Cash Flow

3-1 Cash Flow Analysis for This Year:

Unit: NT$1,000

Cash Balance at Beginning of Year 2008	Net Cash Inflow from Operating Activities	Net Cash Outflows Throughout the Year	Cash Surplus (Shortage)	Remedies for Cash Shortage	
				Investment Plans	Financing Plans
5,878,691	5,483,034	(5,849,781)	5,511,944	-	-

a. Operating activities: Net operating inflow of approximately NT$5,879 million, mainly due to adjustments in bill payment terms.
b. Investing activities: Net investing outflow of approximately NT$4,057 million, mainly due to the acquisition of operations-related fixed assets and new long-term investments.
c. Financing activities: Net financing outflow of approximately NT$1,793 million, mainly due to the payouts of cash dividends and repayment of corporate bonds.

3-2 Remedies for Cash Shortage and Liquidity Analysis: Not applicable to PCSC.

3-3 Cash Flow Analysis for the Coming Year:

Unit: NT$1,000

Cash Balance at Beginning of Year 2009	Projected Cash Inflow from Operating Activities Throughout the Year	Projected Net Cash Outflow Throughout the Year	Anticipated Cash Surplus (Shortage)	Remedies for Cash Shortfall	
				Investment Plans	Financing Plans
5,511,944	5,916,640	(6,400,834)	5,027,750	-	-

a. Operating activities: Stable growth in revenue and a resulting net operating cash inflow are anticipated in 2009.
b. Investing activities: Cash outflow will mainly be due to increased long-term investment and the purchase of fixed assets.
c. Financing activities: Cash outflow will mainly be due to anticipated payouts of cash dividends, Directors' and Supervisors' compensation.

4. Major Capital Expenditures & Their Impacts to Financial Situations:

4-1 Major Capital Expenditures and Sources of Capital

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				
				2006	2007	2008	2009	2010
Investments in New Stores	Working capital and loans	Annual	6,404,290	826,513	938,528	662,490	807,537	807,537
P.O.S. (Point-of-Sale) Equipment	Working capital and loans	Annual	937,506	143,843	125,582	48,230	143,719	143,719
Remodeling of Existing Stores	Working capital and loans	Annual	2,720,857	113,102	260,696	125,880	407,156	407,156
Equipment Purchases/Replacement for Stores	Working capital and loans	Annual	3,995,805	457,242	1,162,287	734,310	448,048	448,048

4-2 Estimated Benefits

a. Anticipated Increase in Sales and Gross Profits

Unit: NT$1,000

Year	Item	Sales	Gross Profit
2009	New Store Investments	3,154,800	994,077
2010	New Store Investments	3,013,120	958,775
2011	New Store Investments	3,058,960	980,090
2012	New Store Investments	3,058,960	980,090
2013	New Store Investments	3,058,960	980,090

b. Other Potential Benefits

PCSC expects its investments in POS (Point-of-Sale) equipment and system development will bring about the following benefits:
(1) Track changes in customers' needs and strength the R&D capabilities in products and services.
(2) Monitor inventory levels to enhance operational efficiency.

5. Long-Term Investments:

5-1 Long-Term Investment Policies and Plans:

From the inception of the first convenience store in Taiwan, PCSC has been setting the trends in lifestyles and prompting the development and progress of the retail industry in Taiwan. PCSC endeavors' to meet with the needs of customers and duplicate the successful stories and models continuingly. PCSC has investments in the convenience store, drugs and cosmetics store, food and beverage store, supermarket and department store in Taiwan, China, Philippines, Vietnam and Canada. In 2007, Uni-President Department Store (Hankyu), President FN Business Corp. (Plaza), and Cold Stone Creamery Taiwan Ltd. formally started operations. In 2008, PCSC continued to develop new brands, including Afternoon Tea Taiwan Co., Ltd., Pet Plus Co., Ltd., and Rakuten Taiwan Co., Ltd.. From the physical premises to virtual shopping platforms, from fine cuisine to fashionable life necessities, we aim to establish a more extensive scope and make our interactions with customers more close.

5-2 Reasons for Profits or Losses due to Long-Term Investments:

The major long-term investments in 2008 are as follows:

Unit: NT$ 1,000

Explanation / Item	Investments in 2008	Main Reasons for Making a Profit (Loss)
Uni-President Department Store (Hankyu)	280,000	Still in the early stage of operation, business model is not yet stable so still in losses
President FN Business Corp. (Plaza)	100,000	Still in the early stage of operation, business model is not yet stable so still in losses
Uni-President Development Corp.	400,000	Still in the preparatory stages so still in losses
PCSC (China) Limited	390,366	Subsidiaries' business models are not yet stable so still in losses
Cold Stone Creamery Taiwan Ltd. (Cold Stone)	100,000	Still in the early stage of operation, business model is not yet stable so still in losses

5-3 Plan for Remedying Problems with Long-Term Investments, and Investment Plan for the Coming Year

With respect to those long-term investments still making a loss, PCSC will examine their business model, adjust their product mix, and ensure the cost control is being effectively implemented, so as to improve their operating performance.
PCSC's major long-term investments in 2009 will be as follows:

Company / Explanation	Anticipated Amount of Investments in 2009
President Chain Store (Shanghai) Ltd.	RMB 100million
Rakuten Taiwan Co., Ltd.	NT$ 137million
Uni-President Department Store Corp. (Hankyu)	NT$ 280million

6. Policies, Organizational Structure and Issues Concerning Risk Management

6-1 Policies and Organizational Structure of Risk Management

PCSC endeavours to maintain a comprehensive risk management system and manages the risks of the organization as a whole (including subsidiaries). The Board, managers and employees of all levels work together in risk control and management.
In addition to the observations of all the relevant regulations, PCSC identifies, analyzes, measures, monitors, controls, reports and improves all the potential risks throughout operating activities regarding the characteristics of influence of such risks. This is to assure the achievement of PCSC's strategic goals and the effective maintenance and control of relevant potential risks.
The major risk management units and management execution teams of the Company are as follows:

a. Strategic and Operational Risks: Each business unit and subsidiary is responsible for planning and risk assessment for any new investments and operational decisions. President's office will conduct key performance indicator analysis and track performance in the monthly meeting with companies within the business group, in order to align the strategic plan and performance of subsidiaries with their visions and strategic targets.

b. Financial Risks, Liquidity Risks and Credit Risks: The Finance Group defines several sets of risk management strategies, procedures and indicators by referring to the changes in regulations, policies and markets, to periodically analyze all the relevant risks and take responding measures accordingly, so as to mitigate the potential risks for the Company as a whole.

c. Market Risks: All the business units analyze and assess market risks of their responsible functions and businesses by referring to the changes in key policies, regulations and technologies, so as to come up with appropriate responding measures to mitigate the potential management risks going forward. In addition, PCSC has established a Cross-Function Regulation Identification Team. The team meets on a regular basis to constantly update the information regarding the changes in regulations in order to devise responding measures. Meanwhile, a Crisis Handling Team, composed of division managers, has been established to monitor, manage and handle any potential or existing market risks and crises.

d. The internal Audit Office, through risk assessments and regulatory reviews, defines the annual audit plans and self-inspection procedures and methods. The implementations of audit plans and self-inspections are to constantly monitor and control all kinds of potential risks. The results shall be presented to the Board of Directors on a periodical basis.

6-2 Risk Assessment and Analysis

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

(1) Interest rate fluctuations
PCSC's exposure to interest rate risks is mainly due to interest expenses from long-term and short-term debts required to finance the expansion of businesses. However, as a cash sales company, PCSC is able to quickly repay debts and as such, interest rate fluctuations do not have significant impact to PCSC's profits or losses.

(2) Foreign exchange rate fluctuations
PCSC's trading currency is mainly in NT Dollars and imported goods account for a very small percentage of total sales. Therefore, foreign exchange rate fluctuations do not have significant impact to PCSC's profits or losses.

(3) Deflation
The deflation in the past year has had no significant impact on PCSC's profits and losses.

b. Engagement in Highly Risky or Highly Leveraged Investments, Lending Activities, Endorsements or Trading of Derivatives; Reasons for Profits or Losses of Such Activities and Proposed Responding Measures:

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

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

(i) Loans to others:

Unit: NT$1,000

Receipt	2006					
	Highest Balance		Balance at the End of the Period	Interest Rate	Interest Income
	Period of Loan	Amount			
Uni-President Yellow Hat Corp.	April 2006~May 2006	$ 20,000	$ -	2.82%	$ 45
21 Century Enterprise Co., Ltd.	January 2006~February 2006	5,000	-	2.51%~2.52%	19
			$ -		$ 64

Note: PCSC provided no loans to third parties in 2007, 2008 or the first quarter of 2009

(ii) Endorsements:

PCSC offers reasonable endorsements for credit facilities to its investees that require funding for their operations. Below are the details of PCSC's endorsements to its investees:

Recipient of Endorsement	Relations	Outstanding Balance of Endorsement in 2008	Outstanding Balance of Endorsement as of March 31, 2009
Retail Support International Corp.	Business relations	NT$ 600,000,000	NT$ 600,000,000
Uni-President Department Store Corp.	Subsidiary	NT$ 424,742,000	NT$ 484,999,000
Wisdom Distribution Service Corp.	Subsidiary	NT$ 50,000,000	NT$ 50,000,000
President YiLan Art and Culture Corp.	Subsidiary	NT$ 15,000,000	NT$ 15,000,000
Wuhan Uni-President Oven Fresh Bakery Co., Ltd.	Subsidiary of a subsidiary	US$ 3,500,000	US$ 3,500,000
Mech-President Corp.	Subsidiary	US$ 3,000,000	US$ 3,000,000

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

(iii) Derivatives:

The Company may see fluctuations of the future cash flows of the FRNs (floating rate notes) it issued, due to the changes of the market interest rates risks. To hedge against such market risks, the Company has entered an interest-rate swap contract.

Unit: NT$1,000

Hedged Item	Assigned hedging tools			Expected Cashflow period	Recognition into Income Statement
	Financial instrument assigned as hedging tools	Fair value			
		Dec 31, 2008	Mar 31, 2009		
Corporate Bonds Payable	Interests rate swap	$ -	$ -	June 2003~June 2008	2006~2008

(3) Proposed Responding Measures:

Finance Department is responsible for the monitor and management of trading positions of derivatives. Market prices are regularly monitored and assessed. If any abnormality regarding trading or profits/losses is identified, necessary measures will be taken and reports will be made to the Board of Directors immediately. In addition, PCSC periodically reviews the performance of derivative trading to see whether the performance is in line with the defined strategy and the level of risks is still within the bearable range.

c. Research & Development Plans and Projected Investments:

(1) Convenient Return Service:

In 2009, all 7-ELEVEn stores in Taiwan will begin to accept return of goods purchased online 24 hours a day. This will help customers save time to pack and mail goods that they wish to return, or save time to wait for the express delivery firm to pick up the items. Online sales merchants will be able to use 7-ELEVEn's network of physical stores as locations for customers to pick up and return goods, thereby enabling them to provide more comprehensive service, and creating synergy between virtual and physical sales channels.

(2) ibon Ticket Sales Platform:
To save consumers' time, PCSC is seeking to obtain the right to sell High Speed Rail tickets through 7-ELEVEn stores. In the future, consumers will be able to book, collect and pay for High Speed Rail tickets at 7-ELEVEn outlets, and enjoy the convenience that the High Speed Rail system provides (by making it possible to travel easily between any major cities in Taiwan, there and back in the same day).

(3) PCSC plans to spend NT$ 213,838,000 on new system development in 2009.

d. Financial Impacts from Major Government Policies and Statutory Changes, Domestic and Overseas; Proposed Responding Measures:
PCSC has taken appropriate measures in light of government policies and statutory changes, domestic and overseas, over the recent years. Therefore, the company has not experienced any major impacts to its financial situations. Meanwhile, PCSC has established a Cross-Function Regulations Identification Team to constantly update the information of regulatory changes.

e. Financial Impacts from Changes in Technology and Industry Environment and Responding Measures:
We constantly keep abreast of the latest developments of technologies highly relevant to consumers, such as e-commerce, telecommunications and consumer finance. None of the major changes over the recent years have any significant impacts to PCSC's financial situations.

f. Impacts on Crisis Management due to Changes of Corporate Images and Responding Measures:
PCSC strives to provide the general public with the most assuring, convenient and high-quality goods and services. The Company is proactively promoting its quality control policies, a set of standards higher than the national requirements, to ensure the protection of consumers' right. PCSC has been playing its role as a corporate citizen and pursuing its own sustainable developments with actively involvements in social welfare and environmental protection campaigns. In 2005 and 2006, PCSC was awarded Global Views Monthly's Corporate Social Responsibility Award. In 2007, PCSC was chosen among 1,100 companies to be the recipient of CommonWealth magazine's first Corporate Citizenship Award, the only wholesaling/retailing firm to be so honored. In October of the same year, PCSC placed third in CommonWealth magazine's list of the 10 Most Admired Companies in Taiwan, behind only TSMC and Honhai, and ahead of any other service sector company. In 2008, PCSC won CommonWealth magazine's Corporate Citizenship Award again, and was also the recipient of Global Views Monthly's Corporate Social Responsibility Award, in recognition of the company's commitment to furthering the well-being of society as a whole and its efforts in the area of environmental protection. PCSC has drawn up comprehensive measures to respond to and prevent natural disaster such as typhoons, earthquakes, fires, epidemics such as SARS, and workplace accidents. The company has extensive experience in implementing rapid mobilization of its workforce in response to emergencies; whenever a serious emergency occurs, PCSC's company headquarters immediately establishes an inter-departmental emergency response team which analyzes the situation and decides on the most appropriate response strategy, with the aim of minimizing the negative impact on the company's operations. PCSC also implements regular internal meetings to discuss changes in the legal and regulatory environment, to identify new legal and regulatory requirements and evaluate the extent to which the company's activities comply with these requirements.

g. Possible benefits and risks from mergers and acquisitions and proposed responding measures: None.

h. Possible benefits and risks from the expansion of factories and proposed responding measures: None.

i. Possible risks due to a concentration of purchasing and distribution and proposed responding measures: None.

j. Possible effects and risks due to massive transfers or change-hands of shares by Directors, Supervisors or major shareholders with over 10% stake in the Company and proposed responding measures: None.

k. Possible effects and risks due to change of control and proposed responding measures: None.

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

m. Other major risks and proposed responding measures: None.

7. Other Supplements: None