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7-ELEVEN

Life is to savor the taste of happiness  
and feel content at every moment.



STARBUCKS COFFEE



MISTER DONUT



MARKS & SPENCER PLAZA

**Life** is to feast in trends and fashions  
and display the style of one's own.



Uni-President Department Store (Hankyu) MUJI



President Transnet Corp. (Takyubin)

**Life** is to express real-time emotions  
and enrich the mind and the spirit.



President YiLan Art and Culture Corp.



President YiLan Art and Culture Corp.

## Overall Performance

Item/Year	2006	2005	YOY %
Total No. of Stores	4,385	4,037	8.62%
Market Share (Note)	48.25%	46.35%	—
Total No. of Franchise Stores	3,657	3,293	11.05%
Franchise Store Proportion	83.40 %	81.57%	—

Note: Source from Distribution News

Item/Year (NT \$1000)	2006	2005	YOY %
Sales Revenue	99,979,618	93,673,610	6.73%
Gross Profit	30,242,681	28,159,084	7.40%
Operating Profit	4,514,001	4,177,040	8.07%
Pre-tax Profit	5,057,588	4,630,654	9.22%
Net Profit	3,822,328	3,652,685	4.64%
EPS (NT\$)	4.18	3.99	—
Weighted Average Outstanding Shares	915,160,436	915,160,436	—

Financial Ratios	2006	2005
Gross Margin	30.25%	30.06%
Operating Expense Ratio	25.73%	25.60%
Operating Margin	4.51%	4.46%
Net Margin	3.82%	3.90%
ROA	11.07%	11.81%
ROE	24.53%	24.73%
Inventory Turnover (times)	24.42	26.08
Fixed Asset Turnover (times)	14.59	13.47

## Total Store No. & Revenue



## Gross Profit & Net Profit

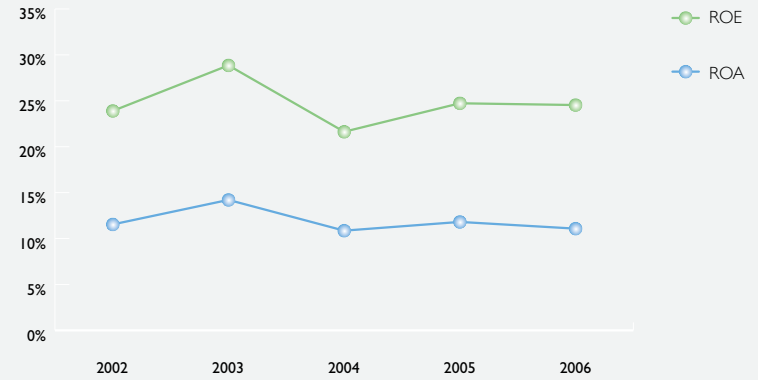
(NT\$ billion)

(Gross Profit NT\$billion) (Net Profit NT\$billion)

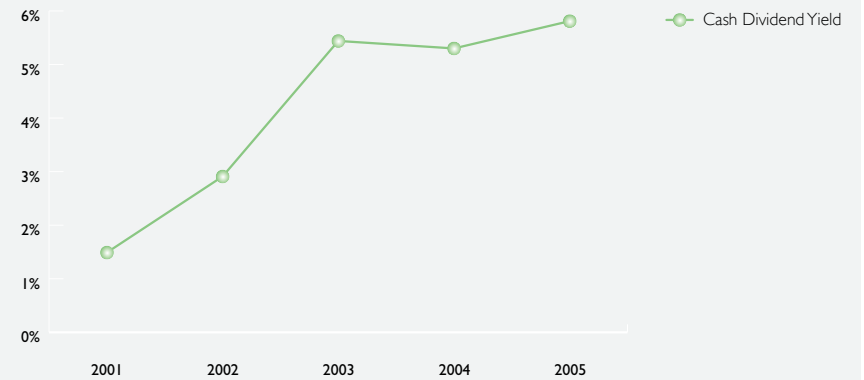


—■— Gross Profit —■— Net Profit

## ROE & ROA



## Cash Dividend Yield



# I. Letter To Shareholders



## Dear shareholders,

The business environment for the retail industry in Taiwan was not ideal in 2006 when consumers were plagued with their credit card debts. The revenue created by the retail industry as a whole increased by only 1.85% in 2006 from 2005. However, with the efforts of the management team and all the colleagues, PCSC once again reported impressive results. The number of 7-ELEVEN stores reached 4,385 nationwide and the annual revenue in 2006 hit NT\$99.98 billion. The number of PCSC retail group stores exceeded 5,000 and reached 5,466. The consolidated revenue totaled NT\$132.94 billion with an after-tax profit of NT\$3.82 billion. Both revenue and profit hit record high.

In PCSC's core business in the convenience store market, we continue to insist on the concept of "immersing in the customer situations to create the brand value." 7-ELEVEN has been constantly bringing new life styles and joys to customers. In order to promote the concept of "LOHAS" (Note I) to consumers in Taiwan, we organized a series of events and products in the theme of "Nature & Health". Our efforts have been well received by the market. Meanwhile, the concept of "fresh food free from MSG and preservatives" has already been brought to over 180 fresh food products at 7-ELEVEN, as gatekeeper to the health of customers. 7-ELEVEN utilize innovative marketing techniques and constantly improve our product mix. By creating unique and enjoyable customer experience, we hearten the relationship between customers and our stores. Moreover, Slurpee was re-launched with the new look of "Fun & Cool". The multimedia kiosk, ibon, whose eight features include bonus point schemes, ticketing services and mobile office went online in northern Taiwan and will be introduced to the rest of Taiwan in July 2007. This service does not only provide customers with "super" convenience in life but also creates the absolute competitive advantages for PCSC.

(Note I: LOHAS=Life Style of Health and Sustainability)

As for our investments, Uni-President Department Stores Corp., President Fn Business Corp, Cold Stone Creamery Taiwan Ltd. and Marks & Spencer Taiwan Co., Ltd. were set up

Chairman Kao, Chin Yen

Handwritten signature of Chairman Kao, Chin Yen in black ink, consisting of the initials 'CY' followed by a stylized surname.

in 2006 and started operations in 2007. Our Taiwan investments initiated in 2006 such as Uni-President Department Stores Corp. (Hankyu), President Fn Business Corp. (PLAZA), Cold Stone Creamery Taiwan Ltd., and Marks & Spencer Taiwan Co., Ltd., have all become fully operative in year 2007. These investments map out our current scheme in lifestyle industry; with these we lay the bedrocks of a prospective business development in this area. In terms of overseas investments, Uni-Mart Shandong started to turn losses into profits in 2006, clear indication that PCSC's investments in China are getting prosperous.

While constantly pursuing growth and bracing for challenges, PCSC incorporates corporate social responsibilities into every aspect of its operations. We have included the concept of environmental protection into our operations and green accounting system in order to conserve energies and reduce wastes. In addition, we assist in funding-raising for charities via our extensive service networks consisting of our stores as we believe that we should contribute to philanthropic causes whenever we can. Our efforts have been recognized by the society. PCSC was one of the recipients of Commonwealth magazine's first annual corporate citizenship awards. We are the only company in the retail sector that was nominated and awarded. Also, PCSC ranked No. 4 in the top ten best enterprises in Taiwan in 2006. It is the 12th year running that we rank No. 1 in the retail sector.

Looking ahead into 2007, it is expected that the number of 7-ELEVEN stores will break the 4,600 mark. We are planning to launch contactless icashwave (a contactless IC card that combines e-wallet and credit card function) to provide customers another convenient payment option. The services and contents of ibon will continue to expand in order to establish ibon as a comprehensive digital service platform. We strive to create a more convenient shopping environment for customers. Moreover, our investments will continue to advance stably and improve their operational results. PCSC will focus on its corporate governance and live up to its core principle of creating shareholders' value. We strive to satisfy all the needs of customers in their daily lives and fulfill our responsibilities as a corporate citizen. We never cease our efforts to establish sustainable growth.



President Hsu, Chung Jen 

## II. CORPORATE OVERVIEW

### I Established on June 10th, 1987

### 2 Corporate Milestones

1987	Formally part of Uni-President, PCSC was established as an independent entity.	1997	PCSC listed on Taiwan Stock Exchange. Established President Coffee Corporation, Starbucks Taiwan.	2002	Issued the first secured corporate bond in the amount of NT\$700 million. 3000th store opened.
1988	Gradual roll-out of Electronic Order System (EOS) to enhance distribution efficiency and increase sales opportunities.	1999	Expansion into off-shore islands such as Pinggu and Kinmen, to provide convenient services to local residents. 2000th store opened.	2003	Issued the second secured corporate bond in the amount of NT\$1.5 billion. Established MUJI Taiwan Co. Ltd.
1989	300th store opened; PCSC became the third largest 7-ELEVEN chain in the world.		Established Wisdom Distribution Corp., Uni-President Cold Chain Corp., President Musashino Corp., and President Transnet Corp.	2004	POS (Point-of-Sales) II implemented. Debut of 7-ELEVEN icash. 7-ELEVEN lunch box was the first Taiwanese boxed meals to pass Consumers' Foundation inspections and be attested as free from MSG, preservatives and bleaching agents.
1990	Established Retail Support International Corp.	2000	Signed perpetual area licensing agreement with 7-ELEVEN Inc. Established President Starbucks Coffee Shanghai Corp.		Established President YiLan Art & Culture Corp., Mister Donut Corp. and President Cosmed Chain Store (Shenzhen) Co., Ltd.
1991	100th franchise store opened.		Acquired Philippine Seven Corp., extending overseas convenience store businesses.		
1994	Established Duskin Serve Taiwan Co, Ltd.,				
1995	1000th store opened. Established President Drugstore Business Corp. and President Direct Marketing Corp.				
1996	POS (Point-of-Sales) I implemented to fully understand consumers' demands and market intelligence.				



7-ELEVEN



MUJI



COSMED

2005

7-ELEVEN launched the first integrated marketing promotion in the convenience store industry in Taiwan.

4000th store opened.

Debut of 7-ELEVEN's new franchise system.

Established PCSC (Vietnam) Supermarket Ltd.

Expansion into the hypermarket and supermarket business in China with the establishment of Shan Dong President Yinzuo Commercial Limited and PCSC (SICHUAN) Hypermarket Limited.

Honored with the Executive Yuan's 2005 Taiwan Sustainable Development Award and the Ministry of Economic Affairs' first Green Accounting Award as the first company in the service industry to receive such awards.

2006

(up to the published date of the Annual Report)

PCSC introduced the new motto of LOHAS (Lifestyles of Health and Sustainability) to once again, set the trend of new life in Taiwan.

Re-launch of Slurpee with a new face of "Fun & Cool."

Debut of ibon, the Multi Media Kiosk.

Introduction of Cold Stone Creamery from the U.S. to both China and Taiwan.

Established Uni-President Department Stores Corp., President FN Business Corp., and Marks & Spencer Co. in Taiwan to expand our footprint in the retail and department store markets.

Received Corporate Social Responsibility Award offered by Global Views Monthly Magazine for the second year and ranking No. 1 in Next Magazine's ranking of best service-oriented company for the third year. Both PCSC and Starbucks won the Global

Views Excellent Service Award offered by Global Views Monthly Magazine.

No. 5 among Commonwealth Magazine's list of top 500 service-oriented corporations; eight companies within PCSC retail group were listed: PCSC, Retail Support International Corp., Uni-President Cold-Chain Corp., Mech-President Corp., Wisdom Distribution Service Corp., President Drugstore Business Corp. (Cosmed), President Transnet Corporation and President Coffee Corp. (Starbucks).

Received Commonwealth Magazine's first Corporate Citizenship Award; No. 4 for Commonwealth Magazine's Best Performing Company; No. 1 in the retail industry for 12 consecutive years in the same award.