

Consolidated Financial Statements for the Six Months Ended September 30, 2012

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan. All figures in these statements which are less than 1 million yen have been rounded down. (English translation)

November 7 2012

CITIZEN HOLDINGS CO., LTD.

Code No.: 7762

Representative: Toshio Tokura, President and CEO

Contact: Shigeru Kabata, Director, In charge of Corporate Planning Division

Scheduled release of fiscal 2012 Quarterly Business Report: November 13, 2012

Scheduled start of dividend payment: December 4, 2012

Listings: First section of Tokyo Stock Exchange

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1. Results for the Six months ended September 30, 2012 (April 1, 2012 to September 30, 2012)

(1) Consolidated operating results (Percentages represent changes over the corresponding period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Six months ended September 30, 2012	135,758	△0.0	7,730	2.3	6,947	13.6	4,455	0.6
Six months ended September 30, 2011	135,759	△1.5	7,559	△5.6	6,114	△4.4	4,428	20.1

Note: Comprehensive Income:

As of September 30, 2012: ¥ △988million(-%) As of September 30, 2011: ¥ △3,379million(-%)

	Earnings per share	Fully diluted earnings per share
	(Yen)	(Yen)
Six months ended September 30, 2012	13.75	-
Six months ended September 30, 2011	13.67	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
Six months ended September 30, 2012	337,349	188,563	54.9	571.86
March 31, 2012	338,025	188,853	55.5	578.69

Reference: Shareholders' Equity: As of September 30, 2012: ¥ 185,284 million As of March 31, 2012: ¥ 187,499million

2. Dividends

(Record date)	Dividends per share				
	First quarter (Yen)	Second quarter (Yen)	Third quarter (Yen)	Year-end (Yen)	Full year (Yen)
March 31, 2012	-	4.00	-	4.00	8.00
March 31, 2013	-	5.00	-	-	-
March 31, 2013 (Estimate)	-	-	-	5.00	10.00

Note: Revision of dividend forecast for quarter in review: None

3. Projected Consolidated Results for the Year ending March 31, 2013

(Percentages represent changes over the corresponding period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(yen)
Full Year	280,000	0.1	14,500	△12.3	13,500	△19.3	8,500	10.4	26.23

Note: Revision of consolidated forecasts for quarter in review: Yes

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4. Others

- (1) Change in significant subsidiaries during this period: None
- (2) Adoption of simplified accounting method and special accounting methods: None
- (3) Changes of accounting policies applied, procedures and disclosures
 - (i) Changes associated with revised accounting standards: Yes
 - (ii) Changes other than those in (i)above: None
 - (iii) Changes in accounting estimate: Yes
 - (iv) Restatements: None

Note: For details, please refer to Attached Documents "2. Other Information (3) Changes in accounting policies, changes in accounting estimates, and restatements" on page 4.

(4) Number of shares issued and outstanding (common stock)

	shares		shares	
(i) Number of shares issued and outstanding at the end of term (including treasury stock)	September 2012	350,353,809	March 2012	350,353,809
(ii) Number of treasury stock at the end of term	September 2012	26,351,843	March 2012	26,350,406
(iii) Average number of common stocks	September 2012	324,002,903	September 2011	324,005,549

** Information regarding the implementation of quarterly review procedures*

These quarterly financial results are not subject to quarterly review procedures. Thus, at the time of disclosure of these financial results, the quarterly financial statement review procedures based on the Financial Instruments and Exchange Law, have not been completed.

** Explanation about the proper use of financial forecasts and other important notes*

Statements above relating to financial forecasts are based on information available to the Company and certain assumptions the Company considers reasonable as of the date of the announcement of these statements. Actual results may differ materially from these forecasts, depending on a variety of factors. Please refer to the attached "Qualitative data on the consolidated earnings forecasts" on page 4 for assumptions underlying the above forecasts and precautions regarding their use.

(Attached Documents)

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1. Qualitative Information Regarding These Quarterly results

(1) Qualitative data on the consolidated financial results

Summary of Operating Results

During the six months ended September 30, 2012, the sense of stagnation grew in the global economy as the uncertain outlook for the U.S. economy had yet to disappear, debt crisis in Europe had an increasingly serious influence on the real economy, and China and other emerging countries were slowing down. The Japanese economy, which had been at a mild recovery path, was also sluggish under the influence of the yen's appreciation and the global economic slowdown.

Under these circumstances, the Citizen Group reported in its consolidated financial results for the first half under review lower sales and higher profit, with net sales of 135.7 billion yen (down 0.0% year on year) and operating income of 7.7 billion yen (up 2.3% year on year).

Watches and clocks

In the domestic market, CITIZEN brand watches and clocks achieved significant revenue growth with brisk sales of the mainstay brands ATTESA and xC and increasing sales of high-end products. In the overseas markets, revenues declined as the debt crisis in Europe deepened and emerging countries' growth started to slow. In the U.S., despite a solid market situation, sales were almost unchanged from a year earlier as some customers suffered from business downturns or made inventory adjustments. In Europe, despite sales in the U.K. remaining solid, the overall revenues in the region ended up in a decline as the impact of the economic slowdown spread to countries that had maintained growth, including Germany. In the Asian markets, sales were solid mainly in Southeast Asia and the Middle and Near East but the Chinese market lost momentum with slowing economy, resulting in an overall revenue decline.

For the BULOVA brand, despite procurement adjustments made by customers such as major department stores in the main North American market, the overall sales were on a par with those a year earlier, helped by robust sales of popular models.

The Q&Q brand showed a remarkable revenue growth in Japan with increasing sales mainly to major customers. In the overseas markets, sluggish sales in Europe were more than offset by robust sales in Latin America, resulting in an overall revenue increase.

For movements, sales of standard goods were sluggish as demand growth in the year-end shopping season was slow, causing inventory adjustments. Demand for high-value-added products was also stagnant mainly due to the slump in the European economy, resulting in an overall revenue decline.

As a result of these developments, the watches and clocks segment reported higher sales and lower profit, with net sales of 66.0 billion yen (up 1.5% year on year) and operating income of 5.4 billion yen (down 1.0% year on year).

Machine Tools

Domestic sales related to automobile and IT parts manufacturing continued to be solid since the beginning of the period, contributing to a slight revenue growth despite the accelerating market slowdown in and after July with worsening external environment such as the yen's appreciation. A sense of uncertainty about the future heightened in the Asian markets where the Chinese market, which had maintained strong sales in communications and healthcare-related sectors, showed a sign of slowdown. Nevertheless, a significant revenue growth was achieved overall with reconstruction demand in the aftermath of the floods in Thailand and large orders for automobile-related projects in ASEAN countries. The U.S. market was led by automobile and healthcare-related sectors to show solid sales, resulting in an overall revenue growth, despite negative factors such as a slow growth of electric and electronics-related markets and time-consuming process for concluding contracts. In Europe, where concerns about an economic slowdown grew, we achieved a certain result with orders received from active sectors such as those related to automobiles and precision devices. Since the summer, however, the currency crisis accelerated the economic downturn and the declining motivation for capital expenditures, resulting in a steep revenue decrease.

Against this background, the Cincom brand posted higher revenues with solid sales in domestic and Asian markets.

As for the Miyano brand, revenues declined as stagnant demand pushed down sales related to construction machinery and motorcycles in Japan and the Asian region, more than offsetting some positive factors such as sales expansion of CNC chuckers in the overseas markets.

As a result of these developments, the machine tools segment posted lower sales and higher profit, with net sales of 20.2 billion yen (down 0.7% year on year) and operating income of 2.2 billion yen (up 0.9% year on year).

Devices and components

Among opto-devices, the market of LED lighting products continued to expand with global demand growth, while the competitive environment was harsh with aggressive price offensive mainly by South Korean and Taiwanese manufacturers and the effect of the stronger yen. In these circumstances, we strived to enhance the lineup and developed new products,

resulting in an increase in orders in Japan, Europe, the U.S. and Asia, and an eventual revenue growth. Revenues of backlight units decreased with a sales decline as a result of selective order receipt in the mobile phone market, despite the fact that sales of those used for car navigation systems were solid after customers' inventory adjustments seen at the beginning of the period ended.

Among quartz crystals, tuning fork type quartz crystals sold well in volume with increased demand from major customers but revenues decreased mainly due to a steep decline in unit price. Revenues of quartz crystal blanks remained at the level of a year earlier as expanded demand from the robust smartphone market recovered the initial delay.

For ferroelectric micro LCDs, we needed to respond to customers' production adjustments in the second quarter when the economic situation worsened, but sales steadily grew along with the growing markets of compact high-zoom cameras and mirrorless digital interchangeable lens cameras, resulting in higher revenues.

Revenues of switches declined as sales of key sheet module products used in mobile phones decreased, more than offsetting solid sales of side switches used in smartphones.

Sales of automobile components in the domestic market were strong as they rebounded from last year when deep production cuts were necessitated after the Great East Japan Earthquake, and they also benefited from the positive effect of the eco-car tax break program, which spurred demand. Revenues in the overseas markets increased as share expansion efforts helped overcome the downturn in the automobile sales volume due to the debt crisis in Europe.

As a result of these developments, the devices and components segment recorded lower sales and higher profit, with net sales of 31.5 billion yen (down 1.0% year on year) and operating income of 1.2 billion yen (up 10.5% year on year).

Electronic products

For printers, revenues of POS printers and label printers rose in the Americas with new large orders, but in Japan and Europe, customers' declining motivation for capital expenditures pushed down revenues below the year-earlier level. Revenues decreased for large-size printers, which mainly target the Chinese market, as the introduction of tax collection systems in China slowed down. Revenues for photo printers increased owing to the higher replacement demand and the growth of media sales. For calculators, revenues decreased with a year-on-year sales decline in Asia and the Americas that more than offset solid performance in Europe centering on Russia and Eastern European countries.

Healthcare equipment revenues grew in Japan helped by expanded sales channels and new products. Overseas, the overall revenues declined as sales in Asia decreased in the absence of special demand seen last year, more than offsetting solid sales in China and the Americas.

As a result of these developments, the electronic products segment reported lower sales and lower profit, with net sales of 10.3 billion yen (down 11.7% year on year) and 100 million yen operating income (down 77.4% year on year).

Other products

For jewelries, a sign of moderate recovery was seen in the ongoing seesaw market condition, and high-end products such as PICCHIOTTI jewelry pushed up sales at various events, resulting in higher revenues.

Pachinko-related products did not sell well in the summer sales season as pachinko hall operators took a cautious stance in capital expenditures, but the overall revenues for the products increased with recovering sales of pachisuro slot machines, for which major customers' replacement demand were solid.

As a result of these developments, the other products segment reported higher sales and higher profit, with net sales of 7.5 billion yen (up 12.1% year on year) and an operating income of 300 million yen (compared to a 300 million yen loss for the same period last year).

(2) Qualitative data on the consolidated financial position

As of the end of the second quarter under review, total assets decreased by 600 million yen from the end of the previous fiscal year to 337.3 billion yen. Current assets decreased by 5.6 billion yen to 213.8 billion yen mainly due to declines in cash and deposits. Fixed assets increased by 4.9 billion yen to 123.5 billion yen mainly due to an increase in machinery, equipment and carriers as well as an increase in goodwill. Total liabilities decreased by 300 million yen from the end of the previous fiscal year to 148.7 billion yen mainly due to a decrease in short-term bank loans payable as well as a decrease in reserve for business restructuring losses. Net assets decreased by 200 million yen from the end of the previous fiscal year to 188.5 billion yen mainly due to a decrease in net unrealized gain on other securities, despite an increase in retained earnings.

(3) Qualitative data on the consolidated earnings forecasts

In the consolidated earnings forecasts for the fiscal year ending March 31, 2013, net sales and incomes are expected to fall below the latest forecasts with the protracted slump in demand due to worsening European economy and China's slowdown. As a result, the forecasts have been revised as indicated below.

Full Year (April 1, 2012 to March 31, 2013)

(Unit: Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Earnings per share (yen)
Previous forecast (A)	295,000	20,500	20,000	12,000	37.04
Revised forecast (B)	280,000	14,500	13,500	8,500	26.23
Changes (B-A)	△15,000	△6,000	△6,500	△3,500	-
Changes (%)	△5.1	△29.3	△32.5	△29.2	-
Reference: March 31, 2012	279,786	16,528	16,727	7,698	23.76

2. Other Information**(1) Important changes of subsidiaries during the term**

Not applicable

(2) Adoption of special accounting methods for presenting quarterly consolidated financial statements

Not applicable

(3) Changes in accounting policies, changes in accounting estimates, and restatements

Changes in accounting policies

(Changes in depreciation method)

Pursuant to an amendment to the Corporation Tax Act, the Company and its domestic consolidated subsidiaries changed the depreciation method starting from the first quarter under review based on the stipulations in the amended Act for property, plant and equipment acquired on and after April 1, 2012.

Impacts on earnings results caused by this change are immaterial.

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3. Consolidated Financial Statements
(1) Consolidated Balance Sheet

(Unit: Millions of yen)

	As of March 31, 2012	As of September 30, 2012
Assets		
Current assets		
Cash and cash equivalents	73,026	65,104
Notes and accounts receivable	61,490	58,527
Merchandise and Finished goods	34,016	35,353
Work in process	20,707	24,615
Raw materials	13,452	15,128
Consumption tax receivable	1,639	1,042
Deferred tax assets	10,057	9,878
Other	6,250	5,398
Allowance for doubtful accounts	△1,203	△1,229
Total Current assets	219,438	213,819
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	31,227	31,022
Machinery, equipment and carriers, net	19,220	20,433
Tools, furniture and fixtures, net	3,861	3,866
Land	12,403	12,700
Lease assets	413	521
Construction in progress	2,457	2,926
Total Property, plant and equipment	69,582	71,470
Intangible fixed assets		
Goodwill	6,412	7,565
Software	2,368	2,604
Leased assets	41	30
Other	1,611	5,082
Total Intangible fixed assets	10,433	15,284
Investments and other assets		
Investment securities	30,046	28,669
Long-term loans receivable	707	581
Deferred tax assets	5,176	4,916
Other	3,420	3,370
Allowance for doubtful accounts	△282	△302
Allowance for investment loss	△499	△460
Total Investments and other assets	38,570	36,775
Total Fixed assets	118,587	123,530
Total assets	338,025	337,349

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(Unit: Millions of yen)

	As of March 31, 2012	As of September 30, 2012
Liabilities		
Current liabilities		
Notes and accounts payable	19,135	19,383
Short-term bank loans payable	21,522	21,249
Bonds to be redeemed within a year	500	500
Accrued income taxes	1,987	1,957
Deferred tax liabilities	5	7
Accrued expenses	11,901	12,156
Reserve for bonuses to employees	5,027	5,212
Reserve for bonuses to directors	137	-
Reserve for product warranties	723	766
Notes payable-facilities	465	1,243
Reserve for business restructuring losses	1,909	1,481
Asset retirement obligations	62	63
Reserve for disaster losses	70	70
Other	20,899	19,280
Total Current liabilities	84,349	83,373
Long-term liabilities		
Bonds	550	300
Long-term loans payable	50,650	50,400
Deferred tax liabilities	490	1,082
Reserve for defined retirement benefits	11,976	12,472
Reserve for environmental measures	50	50
Asset retirement obligations	271	248
Other	833	858
Total Long-term liabilities	64,822	65,412
Total liabilities	149,171	148,786
Net assets		
Shareholders' equity		
Paid-in capital	32,648	32,648
Additional paid-in Capital	37,167	37,167
Retained earnings	152,562	155,688
Treasury stock	△22,319	△22,319
Total Shareholders' equity	200,059	203,185
Valuation and translation adjustments		
Net unrealized gain/loss on other securities	3,142	2,084
Deferred gains or losses on hedges	51	-
Foreign currency translation adjustments	△15,755	△19,985
Total Valuation and translation adjustments	△12,560	△17,900
Minority interest	1,354	3,278
Total net assets	188,853	188,563
Total liabilities and net assets	338,025	337,349

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(2) Consolidated Statement of Income and Consolidated Statements of Comprehensive Income

Consolidated Statement of Income (Six months ended September 30, 2012)

(Unit: Millions of yen)

	Six months ended September 30, 2011 (April 1, 2011 to September 30, 2011)	Six months ended September 30, 2012 (April 1, 2012 to September 30, 2012)
Net sales	135,759	135,758
Cost of sales	87,744	86,732
Gross profit	48,014	49,026
Selling, general and administrative expenses	40,455	41,295
Operating income	7,559	7,730
Nonoperating income		
Interest Income	196	186
dividend income	297	354
Amortization expense of negative goodwill	-	66
Other	605	507
Total Nonoperating income	1,099	1,114
Nonoperating expenses		
Interest changes	607	612
Foreign currency exchange loss	1,510	988
Investment loss from the application of equity method	76	-
Other	350	296
	2,545	1,897
Ordinary income	6,114	6,947
Extraordinary gains		
Gain on sales of fixed assets	36	112
Other	134	30
Total Extraordinary gains	170	142
Extraordinary losses		
Loss on disposal of properties	49	231
Valuation loss on investment securities	57	44
Loss on sales of fixed assets	3	6
Loss on impairment of fixed assets	20	4
Loss on disaster	73	-
Other	272	124
Total Extraordinary losses	477	411
Income before income taxes	5,807	6,678
Income, inhabitants and enterprise taxes	1,412	2,248
Income before minority interests	4,394	4,430
Minority interests	△34	△25
Net income	4,428	4,455

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Consolidated Statements of Comprehensive Income

(Unit: Millions of yen)

	Six months ended September 30, 2011 (April 1,2011 to September 30, 2011)	Six months ended September 30, 2012 (April 1,2012 to September 30, 2012)
Income before minority interests	4,394	4,430
Other comprehensive income		
Valuation difference on available-for-sale securities	△1,897	△1,058
Deferred gains or losses on hedges	-	△51
Foreign currency translation adjustment	△5,722	△4,295
Share of other comprehensive income of associates accounted for using equity method	△153	△13
Other comprehensive income	△7,774	△5,418
Comprehensive Income	△3,379	△988
(Breakdown)		
Comprehensive income attributable to owners of the parent	△3,478	△883
Comprehensive income attributable to minority interests	98	△104

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(3) Consolidated Statement of Cash Flow

(Unit: Millions of yen)

	Six months ended September 30, 2011 (April 1,2011 to September 30, 2011)	Six months ended September 30, 2012 (April 1,2012 to September 30, 2012)
Cash flows from operating activities		
Income before income taxes	5,807	6,678
Depreciation	6,629	7,198
Amortization of goodwill	546	638
Increase/decrease in allowance for doubtful accounts	△396	14
Interest and dividends income	△494	△541
Interest charges	607	612
Loss on Valuation of investment securities	57	44
Loss on sales of fixed assets	△33	△105
Loss on disposal of fixed assets	48	231
Increase/decrease in receivables - trade	△1,160	1,380
Increase/decrease in inventories	△9,321	△7,522
Increase/decrease in payables - trade	5,572	1,386
Other	3,609	1,419
Sub total	11,473	11,436
Interest and dividends received	470	531
Interest payments	△592	△657
Income taxes	△2,145	△1,508
Net cash provided by operating activities	9,206	9,802
Cash flows from investing activities		
Payments for the purchase of investment securities	△6	△41
Proceeds from the sale of investment securities	21	-
Payments for the purchase of property, plant and equipment	△6,257	△8,693
Proceeds from the sale of property, plant and equipment	49	220
Payments for the purchases of Intangible fixed assets	△521	△1,263
Payments for loans receivable	△273	△632
Collection of loans receivable	249	571
Payments for purchase of shares of consolidated subsidiary	△0	△5,632
Other	△1,238	320
Net cash used in investing activities	△7,978	△15,150
Cash flows from financing activities		
Net increase/decrease in borrowings	△392	△472
Repayment from long-term loans payable	△0	△250
Redemption of bonds	△250	△250
Proceeds from issuance of common stock	-	1,999
Dividends paid	△1,134	△1,296
Dividends paid to the minority stockholders	△7	△7
Payments for purchase of treasury stock	△0	△0
Other	△39	△63
Net cash used in financing activities	△1,823	△340
Effect of exchange rate changes on cash and cash equivalents	△3,354	△1,374
Increase in cash and cash equivalents	△3,950	△7,062
Cash and cash equivalents at beginning of term	68,201	68,937
Increase/decrease in cash and cash equivalents resulting from change of scope of consolidation	1,019	-
Cash and cash equivalents at end of term	65,269	61,875

(4) Notes regarding premise of going concern

Not applicable

(5) Notes on significant changes in shareholders' equity accounts

Not applicable

(6) Segment information**(i) Six months ended September 30, 2011 (April 1, 2011 to September 30, 2011)**

1. Net sales and profit or loss by reporting segment

(Millions of yen)	Watches and clocks	Machine Tools	Devices and components	Electronic Products	Other products	Segment totals	Eliminations or general corporate	Consolidated totals
Net sales								
Customers	65,064	20,361	31,827	11,747	6,758	135,759	-	135,759
Inter-segment	2,095	100	2,568	411	469	5,645	△5,645	-
Total	67,160	20,462	34,395	12,158	7,228	141,405	△5,645	135,759
Segment income (loss/△)	5,507	2,184	1,150	508	△341	9,008	△1,449	7,559

(Notes) 1. Adjustments to segment loss (operating loss) of △1,449 million yen include intersegment transactions of 24 million yen to be eliminated as well as corporate expenses of △1,473 million yen not allocated to each reporting segment.

2. Segment income was reconciled with operating income presented in the Quarterly Consolidated Statement of Income.

(ii) Information concerning loss on impairment of fixed assets or goodwill by reporting segment

The information has been omitted for lack of materiality.

(i) Six months ended September 30, 2012 (April 1, 2012 to September 30, 2012)

1. Net sales and profit or loss by reporting segment

(Millions of yen)	Watches and clocks	Machine Tools	Devices and components	Electronic Products	Other products	Segment totals	Eliminations or general corporate	Consolidated totals
Net sales								
Customers	66,057	20,228	31,520	10,375	7,576	135,758	-	135,758
Inter-segment	1,460	325	2,924	590	353	5,653	△5,653	-
Total	67,518	20,553	34,444	10,965	7,930	141,412	△5,653	135,758
Segment income (loss/△)	5,452	2,202	1,271	114	311	9,353	△1,623	7,730

(Notes) 1. Adjustments to segment loss (operating loss) of △1,623 million yen include intersegment transactions of △69 million yen to be eliminated as well as corporate expenses of △1,553 million yen not allocated to each reporting segment.

2. Segment income was reconciled with operating income presented in the Quarterly Consolidated Statement of Income.

(ii) Information concerning loss on impairment of fixed assets or goodwill by reporting segment

(Material changes in the goodwill)

The Company acquired the shares in Prothor Holding S.A. to make it our subsidiary under the watches and clocks segment. As a result of this event, goodwill for the six months ended September 30, 2012 increased by 1,635 million yen.

(7) Subsequent events

Cancellation of Treasury Stock

The Company, at a board of directors meeting held on November 7, 2012, resolved the cancellation of a part of treasury stock as indicated below, pursuant to Article 178 of the Companies Act.

1. Class of shares to be cancelled	Common stock
2. Total number of shares to be cancelled number of shares issued and outstanding before the cancellation)	20,000,000 shares (5.7% of the total)
3. Scheduled date of cancellation	November 30, 2012
4. Total number of shares issued and outstanding after the cancellation	330,353,809 shares