Consolidated Financial Statements for the First Half of Fiscal Year Ending March 31, 2012 (Six Months Ended September 30, 2011) (Based on J-GAAP)

November 14, 2011

Company Name : Nippon Manufacturing Service Corporation. Listing : JASDAQ (Osaka Securities Exchange)
Stock Code : 2162 URL : http://www.n-ms.co.jp/
Representative : Fumiaki Ono, President and CEO
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Scheduled Date of Filing Quarterly Securities Report : November 14, 2011
Scheduled Commencement Date of Dividend Payout : —
First Half Financial Results Presentation Materials : Yes
Explanatory Meeting on First Half Financial Results : Yes (For Institutional Investors and Analysts)

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Half of Fiscal Year Ending March 31, 2012 (April 1, 2011 – September 30, 2011)

(1) Consolidated results of operations (six months) (Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1H FY 2012	11,006	22.5	149	(46.0)	83	(68.3)	1,273	66.5
1H FY 2011	8,983	—	276	—	265	—	764	—

(Note) Comprehensive income (million yen): 1H FY 2012: 1,184 (62.1%) 1H FY 2011: 730 (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
1H FY 2012	12,796.05	11,951.19
1H FY 2011	7,685.85	7,341.68

Note 1: Quarterly consolidated financial statements were first prepared beginning with the second quarter of the fiscal year ended March 31, 2011. Changes compared with the same quarter a year earlier are therefore not stated.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
1H FY 2012	20,543	5,853	16.1
FY 2011	7,362	2,169	29.2

Reference: Shareholders' equity (million yen): 1H FY 2012: 3,297 FY 2011: 2,147

2. Dividends

	Annual dividends				
	1Q-end	Interim	3Q-end	Yearend	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2011	—	0.00	—	2,000.00	2,000.00
FY 2012	—	0.00			
FY 2012 (forecasts)			—	300.00	300.00

Note: Revision of the latest released dividend forecast: None

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2012 (April 1, 2011 – March 31, 2012)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	35,000	69.3	750	24.4	730	25.0	1,050	15.7	10,548.52

Note: Revision of the latest released business performance forecast: None

4. Others

(1) Changes in significant subsidiaries during the consolidated quarter (six months) under review
(changes in subsidiaries accompanying change in the scope of consolidation): Yes

New: 6 (Company name) TKR Corporation, Tohoku TKR Corporation, TKR MANUFACTURING (MALAYSIA) SDN. BHD., TKR PRECISION (MALAYSIA) SDN. BHD., TKR HONG KONG LIMITED, TKR HUANAN ELECTRONICS (DONG GUAN) CO., LTD.

Excluded: None (Company name:)

(Note) For details, refer to "2. Summary (Other) Information" on page 4 of the Attachment.

(2) Application of accounting procedures specific to creation of quarterly consolidated financial statements: Yes

(Note) For details, refer to "2. Summary (Other) Information" on page 4 of the Attachment.

(3) Change of accounting policies; change and/or restatement of accounting estimates

1) Change of accounting policies caused by revision of accounting standards: Yes
2) Change of accounting policies other than stated in (1): None
3) Change of accounting estimates: None
4) Retroactive restatement: None

(Note) For details, refer to "2. Summary (Other) Information" on page 4 of the Attachment.

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

1) Number of shares outstanding (including treasury stock) at end of period	1H FY 2012	108,055 shares	FY 2011	108,055 shares
2) Number of treasury stock at end of period	1H FY 2012	7,980 shares	FY 2011	8,515 shares
3) Average number of shares outstanding during the period	1H FY 2012	99,543 shares	1H FY 2011	99,533 shares

(Note) On April 1, 2011, the Company instituted a 5-for-1 stock split of common shares. The number of shares is calculated assuming that the stock split was carried out the beginning of the previous consolidated fiscal year.

* Implementation of quarterly review procedures

This summary of quarterly financial statements is not subject to quarterly review procedures pursuant to the Financial Instruments and Exchange Act. At the time of disclosure of this summary of quarterly financial statements, the review procedures of quarterly financial statements pursuant to the FIEA were completed.

* Cautionary statement with respect to forward-looking statements

The forward-looking statements such as the forecasts for the business performance described in this document are based on the judgments made by the Company in accordance with information currently available that is rational. For this reason, actual results may differ from these forecasts due to a number of factors, including but not limited to the operating environment. For the underlying assumptions and usage of earnings projections refer to the disclaimer in “(3) Qualitative information concerning business performance forecast” under “1. Qualitative Information Concerning Financial Results of the Quarter under Review” on page 4 of the Attachment.

(How to obtain Quarterly Financial Results Presentation Materials)

Quarterly financial results presentation materials are published on the same day on TDnet.
Explanatory meeting for institutional investors and analysts is scheduled to be held on December 7, 2011. The video of the meeting will be available on the Company’s website promptly.

(Stock sprit)

On April 1, 2011, the Company instituted a 5-for-1 stock split of common shares. The net income per share and diluted net income per share are calculated assuming that the stock split was carried out the beginning of the previous consolidated fiscal year.

1. Qualitative Information Concerning Financial Results of the Quarter under Review

Forward-looking information included in the text reflects the judgment of the nms Group (the Company and consolidated subsidiaries) as of the end of the consolidated quarter under review.

(1) Qualitative information concerning operating results

In the period under review, as the impact of the Great East Japan Earthquake that hit in March 2011 showed signs of spreading extensively, there was movement toward reconstruction, such as the manufacturing industry quickly restoring parts and materials supply chains. However, despite the fact that a new Japanese prime minister took office, there were no signs of the government being able to secure funds for reconstruction, and consensus could not even be reached on how to resolve the nuclear power issue. Under these conditions, there was a sense of economic stagnation within Japan, exemplified by the Japanese government's inability to settle on basic stances regarding numerous economic issues such as measures to combat the strong yen, pension reform, and whether to participate in negotiations on the Trans-Pacific Partnership. In addition, the Japanese economy struggled as numerous negative global economic developments unfolded that suggest more economic turbulence since the collapse of Lehman Brothers, including the downgrading of U.S. government debt and the Greek debt crisis.
Under these conditions, Production at manufacturers in our industry has started to recover faster than previously expected after the Great East Japan Earthquake. With the supply chain recovering at a considerable speed and each company swiftly facilitating readjustment of their production systems in fears of the power supply shortage during the summer, we were able to restore a stable production status.
However, situations in which manufacturers keep domestic production remain difficult due to obstacles such as high corporation tax rates and the signs of long-term strong yen. In mid-and-long term, shifting manufacturing bases overseas is unavoidable.
Occasioned by these circumstances, nms Group (the Company and its consolidated subsidiaries) has formulated a new business strategy concept ("neo EMS") under which the Group will promote business initiatives that address key issues of the Group's individual operations. The Group has been successful to a certain degree in regard to these efforts. Specific measures include the following:

- Raise the competitive strength of Inline Solutions (IS) operations, the Group's core business
- Expand Manufacturing Solution (MS) operations, a business with growth potential
- Improve business systems in Global Engineering (GE) operations, indispensable for the "neo EMS" one-stop service concept
- Establish a business platform for Electronics Manufacturing Service (EMS) operations, necessary for gaining greater manufacturing prowess

The earthquake has impacted also the Group's earnings to no small extent. In spite of this, results have been ahead of expectations, as the Group has frequently been nominated as a service provider by Group clients whose production shifted into higher gear to cover inventory shortages.
As a result, for the second quarter sales revenue increased 22.5 percent on the year to 11,006 million yen, but operating income declined 46.0 percent to 149 million yen and ordinary income fell 68.3 percent to 83 million yen. Net income for the period totaled 1,273 million yen (+66.5 % on the year).

Segment results developed as follows.

[1] Inline Solutions (IS) operations

The Group's manufacturing clients have been faced with an array of problems after the Great East Japan Earthquake and in the subsequent recovery efforts, such as physical damage to plant and equipment, partly dysfunctional supply chains for components procurement, and unstable production operations due to electric power shortages. Considering these obstacles, in mid-and-long term, manufacturers have reached a situation compelling them to review their production systems from wider global perspective on the assumption of shifting manufacturing bases overseas.
On the other hand, in the period under review, parts procurement has been recovering fast despite unavoidable production adjustments. Manufacturers has changed their direction from depleted inventories towards increased production and built up the agile production shift to address electricity supply problems in the summer. As a result, earnings of the Group's IS operations were almost back to the level before the earthquake in June and has exceeded the last year's earnings from August.
Moreover, in connection with the launch of overseas IS operations, to acquire new orders, aggressive sales and marketing activities were promoted in China and Vietnam respectively in cooperation with Beijing Zhongji Zhonghe International Technical Services Ltd. ("Zhongji Zhonghe") and nms International Vietnam Company Limited. ("nms Vietnam"). In particular, Zhongji Zhonghe was unable to achieve the net sales forecasts for the first half but trade inquiries from Japanese manufacturers have been strong and the company was able to steadily make progress on preparations for expanding business, which included

opening an office in the city of Wuxi, located in eastern China where there is a concentration of Japanese manufacturers.
Based on the foregoing, for the consolidated quarter under review, the Group reported revenues of 4,407 million yen (+2.0 % on the year) with operating income of 464 million yen (+8.7 % on the year).

[2] Manufacturing Solution (MS) operations

With regard to MS operations, although the physical damage from the earthquake, specifically with respect to buildings, was not small, in May the Group was quick to implement transfers of operating bases and worked with the objective of a speedy resumption of operations. Thanks to these efforts, performance in June recovered almost to the level before the earthquake.
Moreover, under a management policy of proactive development activities in new business areas, MS operations has worked to develop repair operations and acquire orders also outside the existing operations for home-use game consoles and mobile phones.
In the period under review, the lineup of target items for repair was increased in the field services area which provides visit repair services. Moreover, existing repair operations which contract repair work have continued to enjoy the trust of manufacturers, and efforts have been made to at further business growth.
As a result, the Group reported revenues of 1,491 million yen (−6.9 % on the year) with operating income of 229 million yen (−5.8 % on the year).

[3] Global Engineering (GE) operations

GE operations in the period under review engaged in aggressive sales and marketing activities to acquire new orders from manufacturing clients with a view to keep the effects of the earthquake as small as possible. With respect to business initiative in nms Group’s global contracting business (“The UKEOI”) designed to capitalize on the Group’s contracting power overseas, by shifting the responsible department in Japan side that collaborate with Zhongji Zhonghe and nms Vietnam to the IS operations, the domestic technical staff dispatch business became the main entity at GE operations. In the period under review, there were initial signs of difficulty in securing engineers in the market for Japanese engineers dispatch, which nms viewed as a business opportunity; working with Beijing Rihua Caichuang International Technical Services Ltd. and Zhongji Zhonghe, two local affiliates in China, nms made further improvements to the Group’s unique business model of dispatching Chinese engineers to Japanese manufacturers in China and met the needs of its clients.
As a result, the Group reported revenues of 308 million yen (−5.9 % on the year) with operating income of 22 million yen (+27.5 % on the year).

[4] Electronics Manufacturing Service (EMS) operations

As a business centered on SHIMA Electronic Industry Co., Ltd, which joined the Group in July 2010, and its subsidiaries in Hong Kong and Malaysia and the China based manufacturing service plant that caters to the Hong Kong subsidiary ("SHIMA Electronic Industry Group"), EMS operations has developed its business up to the period under review. In addition, due to the management integration of TKR Corporation by purchasing more than half of its shares in July 2011, nms constructed the framework to promote EMS operations with TKR Corporation and its subsidiaries in Japan (3 corporations), Malaysia (2 corporations), Hong Kong (2 corporations) and China (1 corporation) ("TKR Group") along with the SHIMA Electronic Industry Group, which was turned into a subsidiary last year. However, results for the period under review declined more strongly than at the Group’s other operations due to the direct effects from disrupted global components procurement after the Great East Japan Earthquake.
On the other hand, all-out efforts were made to limit performance deterioration as much as possible through cost minimum operations as well as rigorous reviews will be implemented with regard to sales, marketing, and technology in order to obtain further synergies between group operations in the future.
As a result, the Group reported revenues of 4,799 million yen (+75.7 % on the year) with operating income of 7 million yen (−86.2 % on the year).

As the financial results of TKR for the first-half period include the results before the date of acquisition, the financial results of TKR Group are not included in the quarterly consolidated financial statements.

(2) Qualitative information concerning financial position

Consolidated assets at the end of the period under review increased 13, 181 million yen compared with the end of the prior fiscal year to 20,543 million yen.
Current assets increased 7,896 million yen compared with the end of the prior fiscal year to 14,404 million yen. This was due to cash and deposits, trade notes and accounts receivable, and raw materials and supplies, which increased 2,976 million yen, 3,312 million yen, and 593 million yen, respectively.
Fixed assets increased 5,284 million yen compared with the end of the prior fiscal year to 6,139 million yen. This was due to

property, plant, and equipment, and investments and other assets, which increased 4,126 million yen and 868 million yen, respectively.
Consolidated liabilities increased 9,497 million yen compared with the end of the prior fiscal year to 14,690 million yen.
Current liabilities increased 7,365 million yen compared with the end of the prior fiscal year to 11,597 million yen. This was due to trade notes and accounts payable and short-term loans payable, which increased 2,233 million yen and 4,313 million yen, respectively.
Long-term liabilities increased 2,132 million yen compared with the end of the prior fiscal year to 3,092 million yen. This was due to long-term loans and accrued employees' retirement benefits, which increased 1,298 million yen and 423 million yen, respectively.
Consolidated net assets 3,683 million yen compared with the end of the prior fiscal year to 5,853 million yen. This is due to retained earnings and minority shareholder's interest, which increased 1,233 million yen and 2,529 million yen, respectively.

(Cash flow)
Consolidated net cash and cash equivalents ("Cash") at the end of the period under review totaled 4,095 million yen (1,773 million yen at the same period in the previous year).
Cash flows and relevant factors in the period under review are as follows:
[Cash flows from operating activities]
Cash used in operating activities totaled 295 million yen (Cash provided by operating activities totaled 377 million yen at the same period in the previous year). Main factors were a 1,331 million yen in income before taxes, a 1,198 million yen in goodwill expenses and a 259 million yen decrease in accounts payable.
[Cash flows from investing activities]
Cash provided by investing activities totaled 462 million yen (Cash used in investing activities totaled 420 million yen at the same period in the previous year). Main factor was a 517 million yen in income from the acquisition of subsidiary stocks due to a change in the scope of consolidation.
[Cash flows from financing activities]
Cash provided by financing activities totaled 2,229 million yen (Cash provided by financing activities totaled 920 million yen at the same period in the previous year). Main factors were a 2,405 million in net repayment of short-term loans and a 139 million in repayment of long-term loans.

(3) Qualitative information concerning business performance forecast
The earning estimates for the fiscal year ending March 31, 2012 (full year) listed in "Notice about Revision on Earning Estimates for the Consolidated Fiscal Year Ending March 31, 2012 (Full Year)" released on September 27, 2011, remain unchanged. The forward-looking statements such as the forecasts for the business performance described in this document are based on the judgments made by the Company in accordance with information currently available that is rational. For this reason, actual results may differ from these forecasts due to a number of factors, including but not limited to the operating environment.

2. Summary (Other) Information

(1) Changes in significant subsidiaries during the consolidated quarter (six months) under review
On July 28, 2011, the Company acquired 53.01% of TKR Corporation's shares, turning the company into a subsidiary. With the acquisition, the subsidiaries of TKR Corporation, Tohoku TKR Corporation, Iwate TKR Corporation, Ibaraki TKR Corporation, TKR HOLDINGS LIMITED, TKR MANUFACTURING (MALAYSIA) SDN. BHD., TKR PRECISION (MALAYSIA) SDN. BHD., TKR HONG KONG LIMITED, TKR HUANAN ELECTRONICS (DONG GUAN) CO., LTD., become second-tier subsidiaries of the Company.

(2) Application of accounting procedures specific to creation of quarterly consolidated financial statements
(Application of accounting procedures specific to creation of quarterly consolidated financial statements)
None.
(Application of simplified accounting procedures and special accounting procedures)
Consolidated depreciation charges on non-current assets are computed pursuant to the declining balance method and periodically prorated based on the depreciation charge amount for the fiscal year.

(3) Change of accounting policies; change and/or restatement of accounting estimates
(Application of the Financial Accounting Standard for Net Income Per Share)
Beginning with the first quarter of the current fiscal year, the Company applies the Accounting Standard for Net Income Per Share (Business Accounting Standard No. 2; June 301, 2010), the Application Guideline for the Accounting Standard for Net Income Per Share (Business Accounting Standard Application Guideline No. 4, June 30, 2010; Promulgated Portion) and

Practical Solution on Net Income Per Share (Professional Issue Task Force Report No.9, June 30, 2010).

A stock split was conducted during the first quarter of the fiscal year under review. The net income per share and diluted net income per share are calculated assuming that the stock split was carried out the beginning of the previous consolidated fiscal year.