Consolidated Financial Statements for the Third Quarter of Fiscal Year Ending March 31, 2012 (Nine Months Ended December 31, 2011) (Based on J-GAAP)

February 14, 2012

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 : February 14, 2012
Scheduled Commencement Date of Dividend Payout : —
First Half Financial Results Presentation Materials : Yes
Explanatory Meeting on First Half Financial Results : None

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

1. Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2012 (April 1, 2011 – December 31, 2011)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
3Q FY 2012	21,685	44.8	70	(84.0)	11	(97.2)	1,242	43.6
3Q FY 2011	14,974	—	440	—	417	—	865	—

(Note) Comprehensive income (million yen): 3Q FY 2012: 884 (7.9%) 3Q FY 2011: 819 (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
3Q FY 2012	12,455.45	11,665.86
3Q FY 2011	8,690.62	8,311.91

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	%
3Q FY 2012	18,984	5,555	16.1
FY 2011	7,362	2,169	29.2

Reference: Shareholders' equity (million yen): 3Q FY 2012: 3,047 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 (nine 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	3Q FY 2012	108,055 shares	FY 2011	108,055 shares
2) Number of treasury stock at end of period	3Q FY 2012	7,530 shares	FY 2011	8,515 shares
3) Average number of shares outstanding during the period	3Q FY 2012	99,758 shares	3Q FY 2011	99,535 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.

(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.

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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, global economy is overshadowed by a darker cloud on the horizon, triggered by the debt issues in Europe. Since the Lehman Brothers' fall, there has been an inability to completely maneuver around the arrival of the economic crisis including the default in Greece. Under these conditions, it has not been possible to cast aside the concerns that impact cash flow, such as the downgrading of European government bonds and a spate of large amount of redemptions.
Meanwhile, Japanese economy had been experiencing gradually less negative impact from the Great East Japan Earthquake, when it was again faced with both direct and indirect damages due to the massive flooding in Thailand, mainly in manufacturing industry. In addition to the uncertainties toward European economic crisis mentioned above, manufacturing industry struggles from so-called sixfold difficulty which includes strong yen, high corporate tax rates, and delay in trade liberalization, and is destined to transition into increasingly severe business environment.
Under these conditions, order situation in our industry has reached its recovery trend as production at manufacturers recovers from the Great East Japan Earthquake aftermath. However, impacts from the natural disasters have provided manufacturers an opportunity to review their production system in a medium- and long-term standpoint. Some manufacturers have started considering overseas transfer at a speed far beyond the industry expectation. Moreover, although the market volume is in balanced contraction, recruitment continues to be an issue, and even leading manufacturers with competitive advantage have a difficulty securing enough employees to satisfy their clients' demand. Therefore, costs for securing human resources such as recruitment cost are on the rise.
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 the Group's core business, and develop overseas market
- Pursue high-margined business models, expand domestic operations, and make preparations to enter overseas market
- Pursue synergies between operations, recognizing that such operations are indispensable for the "neo EMS"
- Aim for greater group manufacturing prowess and re-establish a business platform for domestic and overseas operations

The unprecedented natural disasters including the Great East Japan Earthquake and Thailand floods have impacted the Group's earnings to no small extent. The Group has been rapidly expanding group manufacturing bases both domestically and internationally and results for TKR Corporation ("TKR Group") along with the SHIMA Electronic Industry Co., Ltd. ("SHIMA Group") were more notably impacted than expected. In spite of this, downturn in results was minimized, as the Group has frequently been nominated as a service provider by Group clients whose production shifted into higher gear after the natural disasters.
As a result, in the period under review, sales revenue increased 44.8 percent on the year to 21,685 million yen, but operating income declined 84.0 percent to 70 million yen and ordinary income fell 97.2 percent to 11 million yen. Net income for the period totaled 1,242 million yen (+43.6 % on the year).

Segment results developed as follows.

[1] Inline Solutions (IS) operations

The Group's manufacturing clients had been gradually recovering from the damages from the Great East Japan Earthquake, beginning to steadily overcome challenges that were recognized as important during the first-half period such as repairing physical damage to plant and equipment, resolving partly dysfunctional supply chains, and dealing with unstable production operations due to electric power shortages. However, with newly added damages from Thailand floods, manufacturers have reached a situation compelling them to form supply chains from global perspective and to establish internationally diversified manufacturing bases in a mid-and-long term standpoint.
In the period under review, domestic IS operations are recovering smoothly. Following the earthquake, the Group has been frequently nominated as a service provider when manufacturing clients shifted towards increased production after depleting

inventories. As a result, enrollment has reached its highest since the Lehman Brothers' fall. This is attributed to the Group's competitive advantage in manufacturing, which was highly evaluated in comparison to competitors because the Group owns in-house factories where it is able to promote contracting services, as well as EMS subsidiaries that offer services such as substrate mounting and product assembly in Japan and overseas.

On the other hand, for manufacturing clients considering production transfer to overseas, the Group's ability to offer services such as overseas manufacturing outsourcing and contract manufacturing, not to mention the ability to meet the domestic outsourcing needs, has enabled it to achieve perfect discrimination, and aggressive sales and marketing activities were promoted in China and Vietnam respectively in full cooperation with Beijing Zhongji Zhonghe International Technical Services Ltd. ("Zhongji Zhonghe") and nms International Vietnam Company Limited. ("nms Vietnam"). This has led Zhongji Zhonghe to plan launching three bases (in Beijing, Wuxi, and Shenzhen) already, and the inception of full operation is just around the corner.
Based on the foregoing, for the consolidated quarter under review, the Group reported revenues of 6,851 million yen (+5.1 % on the year) with operating income of 667 million yen (-1.1 % 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 including the transfer of Iwate Factory, the main base, and worked toward a speedy resumption of operations. The result has been better than expected, as performance in June recovered almost to the level before the earthquake. Meanwhile, however, there was no development of major new business with a potential of becoming a future pillar. In the period under review, MS operations has pursued to further advance from the existing contracting business form, and has worked to expand business by launching field services area which provides visit repair services, resulting in increased number of manufacturing clients and wider product range. Looking ahead, MS operations' mission has been redefined so that the concept of the operations covers not only the repair operations but also the customer service operations as a whole.
Moreover, in a manner similar to IS operations, MS operations also further strengthened the cooperation with Zhongji Zhonghe who offers overseas human resource business, along with nms Vietnam, TKR Group who offers EMS operations, and SHIMA Group. In order to seek business opportunity potentials overseas, a feasibility study which includes marketing review as well as business model review has been initiated.
As a result, the Group reported revenues of 2,239 million yen (−7.3 % on the year) with operating income of 364 million yen (−1.0 % on the year).

[3] Global Engineering (GE) operations

GE operations in the period under review, while maintaining domestic engineer dispatch services as a key operation, experienced a 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.
In addition, GE operations has been practicing its business development as "neo EMS", meaning that it has been focusing on the creation of new contract-base design business by cooperating with TKR Group and SHIMA Group, which had been turned into subsidiaries and offer EMS operations, while at the same time dispatching engineers from TKR Group and SHIMA Group to meet the demand within the nms Group as production fluctuated.
As a result, the Group reported revenues of 464 million yen (−8.7 % on the year) with operating income of 38 million yen (+18.6 % on the year).

[4] Electronics Manufacturing Service (EMS) operations

EMS operations has developed its 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. 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 SHIMA Group and TKR Group.
Results for the period under review declined most strongly among the Group's operations due to the direct effects from disrupted global components procurement after the Great East Japan earthquake. Additionally, the massive flooding in Thailand had an enormous impact again on supply chains dependent on Japanese manufacturers for component procurement, resulting in especially severe deterioration. In spite of all-out efforts made throughout the period to improve performance through cost minimum operations and rigorous reviews implemented with regard to sales, marketing and technology in order to obtain further

synergies between group operations in the future, results for the period under review was weak.
As a result, the Group reported revenues of 12,129 million yen (+119.4 % on the year) with operating loss of 103 million yen (corresponding period in the previous year had operating income of 89 million yen).

(2) Qualitative information concerning financial position

Consolidated assets at the end of the period under review increased 11,622 million yen compared with the end of the prior fiscal year to 18,984 million yen.
Current assets increased 6,643 million yen compared with the end of the prior fiscal year to 13,151 million yen. This was due to cash and deposits, trade notes and accounts receivable, and raw materials and supplies, which increased 2,817 million yen, 2,703 million yen, and 162 million yen, respectively.
Fixed assets increased 4,979 million yen compared with the end of the prior fiscal year to 5,833 million yen. This was due to property, plant, and equipment, and investments and other assets, which increased 3,879 million yen and 810 million yen, respectively.
Consolidated liabilities increased 8,236 million yen compared with the end of the prior fiscal year to 13,429 million yen.
Current liabilities increased 6,438 million yen compared with the end of the prior fiscal year to 10,671 million yen. This was due to trade notes and accounts payable and short-term loans payable, which increased 1,678 million yen and 4,028 million yen, respectively.
Long-term liabilities increased 1,797 million yen compared with the end of the prior fiscal year to 2,758 million yen. This was due to long-term loans and accrued employees' retirement benefits, which increased 944 million yen and 455 million yen, respectively.
Consolidated net assets increased 3,386 million yen compared with the end of the prior fiscal year to 5,555 million yen. This is due to retained earnings and minority shareholder's interest, which increased 1,201 million yen and 2,482 million yen, respectively.

(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 (nine 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)
For some of its consolidated subsidiaries, the effective tax rate expected to be imposed on pretax net income (after tax effect accounting) applicable to the tax year in which this third quarter is included was estimated based on reasonable assumptions. Then, tax expenses for the first three quarters were calculated by multiplying the pretax net income for the quarter by the estimated effective tax rate.
(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.