

**Consolidated Financial Statements for the Third Quarter of Fiscal Year Ending March 31, 2011  
(Nine Months Ended December 31, 2010) (Based on J-GAAP)**

February 14, 2011

Company Name : Nippon Manufacturing Service Corporation. Listing : JASDAQ (Osaka Securities Exchange)  
 Stock Code : 2162 URL : <http://www.n-ms.co.jp/>  
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 Scheduled Date of Filing Quarterly Securities Report : February 14, 2011  
 Scheduled Commencement Date of Dividend Payout : —  
 Third Quarter Financial Results Presentation Materials : Yes (Japanese version only)  
 Explanatory Meeting on Third Quarter Financial Results : None

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

**1. Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2011 (April 1, 2010 – December 31, 2010)**

(1) 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 2011	14,974	—	440	—	417	—	865	—
3Q FY 2010	—	—	—	—	—	—	—	—

	Net income per share		Diluted net income per share	
	Yen		Yen	
3Q FY 2011	43,453.08		41,559.55	
3Q FY 2010	—		—	

Note: Quarterly consolidated financial statements were first prepared beginning with the first half of the fiscal year ended March 31, 2011. Figures for the third quarter of the fiscal year ended March 31, 2010 and changes compared with the same quarter a year earlier are therefore not stated.

(2) Financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
3Q FY 2011	7,892		2,115		26.6		105,312.97	
FY 2010	—		—		—		—	

Reference: Shareholders' equity (million yen): 3Q FY 2011: 2,096 FY 2010: —

Note: Quarterly consolidated financial statements were first prepared beginning with the first half of the fiscal year ended March 31, 2011. Figures for the third quarter of the fiscal year ended March 31, 2010 are therefore not stated.

**2. Dividends**

	Annual dividends				
	1Q-end	Interim	3Q-end	Yearend	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2010	—	0.00	—	500.00	500.00
FY 2011	—	0.00	—	—	—
FY 2011 (forecasts)	—	—	—	1,000.00	1,000.00

Note: Revisions to the dividend forecast in the current quarter: None

**3. Forecasts for the Fiscal Year Ending March 31, 2011 (April 1, 2010 – March 31, 2011)**

(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	21,000	—	470	—	440	—	700	—	35,163.51

Note: Revisions to the financial forecast in the current quarter: None

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

**4. Others (For details, refer to “2. Other Information” on page 3 of the Attachment)**

(1) Changes in significant subsidiaries during the current quarter: None

New: None (Company name: )  
Excluded: None (Company name: )

(Note) This section shows a change that led to the change of the consolidation scope during the current quarter.

(2) Application of simplified accounting procedures and special accounting procedures: Yes

(Note) This item inquires whether the reporting entity applies simplified accounting treatment and special accounting treatment in the preparation of quarterly financial statements.

(3) Changes in accounting principles, procedures and method of presentation

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

(Note) Items to be disclosed in “Significant Changes in the Basis of Presenting Quarterly Financial Statements”.

(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 2011	21,611 shares	FY 2010	21,608 shares
2) Number of treasury stock at end of period	3Q FY 2011	1,703 shares	FY 2010	1,703 shares
3) Average number of shares outstanding during the period	3Q FY 2011	19,907 shares	3Q FY 2010	20,039 shares

**\* 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” on page 3 of the Attachment to the summary of quarterly financial statement.

## 1. Qualitative Information Concerning Financial Results

### (1) Qualitative information concerning operating results

The Japanese economy in the period under review continued to show a moderate recovery, supported by the growth in emerging economies in Asia, specifically China. The outlook remains uncertain, however, due to negative factors such as the recent yen appreciation and deflationary pressures as well as the crisis-level national fiscal deficit for which no solution is in sight.

Moreover, while other countries have set their sights on the abolition of tariff barriers and the promotion of free trade, Japan has yet to draw up a clear growth strategy for the future and reach a consensus on a participation in the Trans-Pacific Strategic Economic Partnership Agreement (TPP). In this setting, Japan's export-driven industries, which have been driving the economy, have been dealt a blow by the current yen appreciation, prompting an accelerating overseas shift in manufacturing.

Although manufacturers in the contractor industry where nms has been making effort to bolster earnings have been working to rebuild earnings, for manufacturing worker dispatch services and contract manufacturing services a business recovery has yet to take clear shape, given an undercurrent that has a growing number of clients consider moving their manufacturing bases overseas. Moreover, although the parliamentary debate about the Worker Dispatching Act remains suspended, industry members and manufacturing clients alike are making preparations in the anticipation that manufacturing worker dispatch will in principle be barred. Specifically, manufacturers have started probing for the optimal solution among moving their manufacturing bases overseas, outsourcing to partner companies (i.e., contracting), and hiring employees under irregular contracts on their own account, among other options. The ongoing shakeout in the contractor industry will therefore likely continue as a consequence of weakening comprehensive manufacturing frameworks in terms of legal compliance issues and contracting capabilities.

Occasioned by these developments, 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. 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

Based on the foregoing, for the period under review, the Group reported revenues of 14,974 million yen, operating income of 440 million yen, ordinary income of 417 million yen, and net income of 865 million yen.

Segment results developed as follows.

#### [1] Inline Solutions (IS) operations

As mentioned above, in an operating environment marked by progressing yen appreciation, nms's manufacturer clients have started to look for manufacturing frameworks for the time after a ban of manufacturing worker dispatch. In this situation, the ability to offer proposals will make the difference for future earnings performance. In fact, despite the number of manufacturers who close their domestic manufacturing bases in preparation for a shift overseas and others who switch to hiring irregular-contract employees on their own account, many manufacturers have appointed the nms Group to use contracting. The Group has been making valuable propositions to existing and new clients and continues to proactively engage in the contracting business. Moreover, in connection with a possible principle ban on manufacturing worker dispatch, for almost ten years the Group has been continuously engaged in dispatching permanent employees of nms to which different regulations apply, and created a framework enabling manufacturer clients to enter into manufacturing worker dispatch agreements with the Group without having to worry about compliance matters. Manufacturers have been rating the nms Group highly for its policy initiatives, business stance, solid track record, and specific propositions, etc., which has enabled the Group to increase order receipts by some width. Based on the foregoing, revenues in the period under review totaled 6,519 million yen.

#### [2] Manufacturing Solution (MS) operations

Starting last fiscal year, the Group rolled out a management policy that proposes highly profitable business initiatives by using the Company's in-house factories, and has been proactively working on developing new business fields. During the period under review, continuing on from the last fiscal year, repair operations for home-use game consoles and mobile phones, etc., posted business growth amid a stable scope of operations and rising handling volumes. This expansion was possible thanks to manufacturers' trust in nms's repair business operations for both home-use game consoles and mobile phones.

Based on the foregoing, revenues for the period under review totaled 2,417 million yen.

### **[3] Global Engineering (GE) operations**

The Group's Engineering Solution (ES) operations and Global Solution (GS) operations have historically been treated and developed as distinct individual business models. However, business efficiency improvement measures implemented last fiscal year to achieve organizational integration activated inter-operational synergies, which connected to the redefinition of Engineering Solution (ES) operations and Global Solution (GS) operations, combining the two as Global Engineering (GE) operations.

In the period under review, to reduce the standby cost of ES operations, cost controls were enforced and steps implemented to enhance profitability. Moreover, at GS operations, to develop nms Group's global contracting business ("The UKEOP") and to capitalize on the Groups contracting power overseas, the Group established a local subsidiary in Vietnam as the first Vietnam-based business model of its kind and accelerated activities to acquire new customers. Based on the foregoing, revenues for the period under review totaled 508 million yen.

### **[4] Electronics Manufacturing Service (EMS) operations**

These operations constitute a new 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 the period under review, sales, marketing, and technology aspects underwent rigorous reviews for a restructuring of business strategies in order to activate inter-operational synergies at the Group level; at the same time infrastructure for future business growth was put into place. In sales and marketing in particular, efforts concentrated on the search for possible integration effects such as by commencing business with nms clients. Based on the foregoing, revenues for the period under review totaled 5,528 million yen.

As no quarterly consolidated financial statements were prepared for the third-quarter period of the previous fiscal year, prior-year comparisons are omitted.

## **(2) Qualitative information concerning financial position**

Consolidated assets at the end of the period under review totaled 7,892 million yen.

Current assets totaled 6,964 million yen, which included 1,705 million yen in cash and deposits, 3,290 million yen in trade notes and accounts receivable, and 1,186 million yen in raw materials and supplies.

Fixed assets totaled 927 million yen, which included 463 million yen in property, plant, and equipment, and 447 million yen in investments and other assets.

Consolidated liabilities totaled 5,776 million yen.

Current liabilities totaled 4,745 million yen, which included 1,707 million yen in trade notes and accounts payable, 1,079 million yen in short-term loans payable, and 1,083 million yen in other accounts payable.

Consolidated net assets totaled 2,115 million yen, comprised of 500 million yen in legal capital, 216 million yen in capital surplus, and 1,468 million yen in retained earnings.

### **(Cash flows)**

Consolidated cash and cash equivalents at the end of the period under review totaled 2,044 million yen.

Net cash provided by operating activities was a 657 million yen. Main factors were a 1,017 million yen in net income before income taxes and a 592 million yen in goodwill expenses.

Net cash used in investing activities was a 201 million yen. Main factors were a 293 million yen in income from the repayment of time deposits and a 498 million yen in expenses for the acquisition of subsidiary stocks due to a change in the scope of consolidation.

Net cash provided by financing activities was a 700 million yen. Main factors were a 1,400 million yen in income from new long-term loans and, among expenses, a 450 million in net repayment of short-term loans and a 239 million in repayment of long-term loans.

As no quarterly consolidated financial statements were prepared for the third-quarter period of the previous fiscal year, prior-year comparisons are omitted.

## **(3) Qualitative information concerning business performance forecast**

The initial consolidated earnings estimates for the full fiscal year ended March 31, 2011 released on August 2, 2010, remain

unchanged.

It should be noted that earnings estimates are based on the information available at the time of release and are subject to revision in case earnings trends change due to events.

## **2. Other Information**

### **(1) Summary of changes in significant subsidiaries during the period under review**

None.

### **(2) Summary of simplified 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) Summary of changes in accounting principles, procedures, and method of presentation, etc.**

(Application of the Financial Accounting Standard for Business Combinations)

Beginning with the second quarter of the current fiscal year, the Company applies the following accounting standards and accounting standard application guidelines: Accounting Standard for Business Combinations (Business Accounting Standard No. 21, December 26, 2008), Accounting Standard for Consolidated Financial Statements (Business Accounting Standard No. 22, December 26, 2008), Partially Revised Accounting Standard for Research and Development Costs (Business Accounting Standard No. 23, December 26, 2008), Accounting Standard for Business Divestitures, etc. (Business Accounting Standard No. 7, December 26, 2008), Accounting Standard for Equity Method Accounting (Business Accounting Standard No. 16, December 26, 2008; Promulgated Portion) and the Application Guidelines for the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures (Business Accounting Standard Application Guidelines No. 10, December 26, 2008).

(Application of the Accounting Standard for Asset Retirement Obligations)

Beginning with the first quarter of the current fiscal year, the Company applies the Accounting Standard for Asset Retirement Obligations (Business Accounting Standard No. 18; March 31, 2008) and the Application Guideline for the Accounting Standard for Asset Retirement Obligations (Business Accounting Standard Application Guideline No. 21, March 31, 2008).

This accounting change has no effect on the operation income, ordinary income, and net income before income taxes reported for the period under review.

### **(4) Summary of material matters concerning the going-concern assumption**

None.