

**Consolidated Financial Statements for the First Quarter of Fiscal Year Ending March 31, 2013  
(Three Months Ended June 30, 2012) (Based on J-GAAP)**

August 8, 2012

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 : August 8, 2012  
 Scheduled Commencement Date of Dividend Payout : —  
 First Quarter Financial Results Presentation Materials : Yes  
 Explanatory Meeting on First Quarter Financial Results : None

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

**1. Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2013 (April 1, 2012 – June 30, 2013)**

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q FY 2013	8,172	52.8	192	327.7	243	—	107	—
1Q FY 2012	5,346	—	45	—	21	—	(0)	—

(Note) Comprehensive income (million yen): 1Q FY 2013: 436 (—%) 1Q FY 2012: (12) (—%)

	Net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
1Q FY 2013	1,047.39		1,006.44	
1Q FY 2012	(7.46)		—	

Note 1: Quarterly consolidated financial statements were first prepared beginning with the second quarter of the fiscal year ended March 31, 2011. Changes for the first quarter of the fiscal year ended March 31, 2012 compared with the same quarter a year earlier are therefore not stated.

Note 2: With regard to diluted net income per share data for the first quarter of the fiscal year ending March 31, 2012, although dilutive instruments are in issue, diluted net income per share is not stated since a net loss was reported for the period.

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen	Million yen	Million yen	Million yen	%	%
1Q FY 2013	19,325	6,236			18.3	
FY 2012	18,709	5,839			17.9	

Reference: Shareholders' equity (million yen): 1Q FY 2013: 3,543 FY 2012: 3,343

**2. Dividends**

	Annual dividends				
	1Q-end	Interim	3Q-end	Yearend	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2012	—	0.00	—	400.00	400.00
FY 2013	—				
FY 2013 (forecasts)		0.00	—	300.00	300.00

Note: Revision of the latest released dividend forecast: None

**3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2013 (April 1, 2012 – March 31, 2013)**

(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
1H (six months)	19,000	72.6	360	141.1	415	394.1	190	(85.1)	1,758.36
Full year	45,000	41.4	1,000	297.5	1,050	294.3	500	(63.1)	4,627.27

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

#### 4. Others

(1) Changes in significant subsidiaries during the consolidated quarter (three months) under review

(changes in subsidiaries accompanying change in the scope of consolidation): None

New: None (Company name: )

Excluded: None (Company name: )

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

(Note) For details, refer to "2. Summary (Other) Information: (2) Application of accounting procedures specific to creation of quarterly consolidated financial statements 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: Yes

4) Retroactive restatement: None

(Note) For details, refer to "2. Summary (Other) Information: (3) Change of accounting policies; change and/or restatement of accounting estimates" 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

1Q FY 2013	108,055 shares	FY 2012	108,055 shares
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2) Number of treasury stock at end of period

1Q FY 2013	5,815 shares	FY 2012	5,815 shares
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3) Average number of shares outstanding during the period

1Q FY 2013	102,240 shares	1Q FY 2012	99,540 shares
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#### \* 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.

## 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 consolidated operating results

In the period under review, the world economy is yet to eliminate sovereign risks in Europe where economic crisis of Spain is feared following Greece, and slower economic growth of China and developing nations adds to concerns in forecast. European debt crisis, after more than two and half years, is yet to conclude and extent of damage to world economy is unforeseeable if situation becomes more severe.

Meanwhile, future of Japanese economy remains unclear; it has been unable to find a way to depart from the deflationary economy, and aging society combined with falling population adds to the burden of social security cost on national finances. In today's trend toward service economy, manufacturing industry, which is Japan's key industry, struggles from strong yen, high corporate tax rates, delay in trade liberalization, and electricity supply restriction, all in addition to the uncertainties toward European economic crisis, and it significantly lacks global competitiveness.

Under these conditions, many manufactures in our industry are shifting their manufacture bases to overseas, making it more difficult to maintain and expand business as in the past. Natural disasters last year urged manufactures to review their procurement, production and supply structures from BCP point of view, and manufacturers began restructuring their manufacture bases at a speed far beyond the industry expectation. In addition, more manufactures are requesting to reduce their cost in order to maintain cost competitiveness in domestic production, forcing our industry to control cost per hire, affecting considerably in recruiting activities. Even industry leaders with competitive advantages have difficulty securing appropriate number of workers with proper cost, and in some cases mid-size regional companies without competitive edge are beginning to have difficulty continuing their business.

Occasioned by these developments, nms Group (the Company and its consolidated subsidiaries) has formulated a 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:

- Inline Solutions (IS) operations: Raise the domestic competitive strength of the Group's core business, and develop overseas market
- Customer Service (CS) operations: Pursue high-margined business models, expand domestic operations, and make preparations to enter overseas market
- Global Engineering (GE) operations: Pursue synergies between operations, recognizing that such operations are indispensable for "neo EMS"
- Electronics Manufacturing Service (EMS) operations: Aim for greater group manufacturing prowess and re-establish a business platform for domestic and overseas operations

In the period under review, business environment was severe for nms Group who operates manufacturing outsourcing services under "neo EMS" business strategy concept described above. Nevertheless, the Group was able to record strong results by pursuing operational synergy between business segments.

As a result, consolidated sales for the first quarter increased 52.8% to 8,172 million yen, with operating income of 192 million yen (+327.7% on the year), ordinary income of 243 million yen (+1,010.2% on the year), and net income of 107 million yen (near break-even the prior year).

Segment results developed as follows.

Note that from the period under review, changes have been made in calculation of profit or loss of reportable segments. As regards the comparisons made with the same quarter of the previous year that appear in the following financial result summaries for each segment, the figures for the previous year have been reclassified to take account of the new segment decisions so as to enable direct comparison.

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

Japanese manufacturers are restructuring their base strategies according to manufacturing functions from global perspective, taking into account lessons learned from massive natural disasters last year. All manufacturing processes including material procurement activity, production activity (substrate mounting and product assembly), and supply activity are being reviewed strategically. The Group's manufacturing clients are looking ahead to what each place of procurement, production, and consumption should be, and are advocating establishment of internationally diversified manufacturing bases in a mid-and-long term standpoint in light of severe business environment with so-called six-fold difficulties including strong yen which is significantly weakening international competitiveness of domestic production.

Under these circumstances, for the period under review, domestic IS operations gained a high reputation from clients because in comparison to other companies, the Group possesses: overwhelmingly broad range of solution menus available in “neo EMS” business development; an advantage in contract manufacturing thanks to its consistent commitment to manufacturing; an ability to make global proposals including overseas production, by having multiple overseas bases for EMS operations and overseas staff dispatch. As a result of foregoing combined with aggressive marketing, enrollment has reached its highest since the Lehman Brothers’ fall.

Especially 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 the Group 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 steadily increase enrollment at its two branch offices (in Wuxi and Shenzhen), enabling a smooth launch of business.

Based on the foregoing, the Group reported revenues of 2,432 million yen (+21.1% on the year) with operating loss of 27 million yen (corresponding period in the previous year had operation income of 11 million yen).

## **[2] Customer Service (CS) operations**

Note that since April 1, 2012, former “Manufacturing Solutions (MS) operations” has been renamed as “Customer Service (CS) operations”.

CS operations, despite of its small business size, is a unique and highly profitable business model not present with other companies, creating a differentiator in the industry. Especially in the Group’s “neo EMS” business development, in-house factories serve multiple purposes as bases for CS operations, bases for adjusting supply and demand of human resources, educational facilities to improve add-on values of human resources, and mother factories to the client bases that are scattered as satellites. With such an important mission, though, there has been no major development of new business for the past few years, and even the main repair business for home-use video game equipment and mobile phones has been unable to record significant growth in today’s severe business environment. Nonetheless, with regard to field services business which provides visit repair services, its launch has been smoothly underway since last period, and during period under review, a new organization for field service business was added to an existing organization for contracting business, resulting in a system restructuring for promoting CS operations.

Also in the period under review, continuing from the previous period, CS operations 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 under way.

Based on the foregoing, the Group reported revenues of 606 million yen (-11.5% on the year) with operating income of 15 million yen (-16.4% on the year).

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

In the period under review, continuing from the previous period, GE operations mainly focused on domestic engineer dispatch services as a key operation. While experiencing a difficulty in securing Japanese engineers in the engineer dispatch market, nms viewed it as a business opportunity; working more closely 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 156 million yen (+0.7 % on the year) with operating income of 3 million yen (+15.0 % on the year).

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

EMS operations develops its business with SHIMA Electronic Industry Co., Ltd, which joined the Group in July 2010, and its two subsidiaries, along with TKR Corporation, who entered into management integration with the Group also in July 2010, and its eight subsidiaries.

In the period under review, the goal of EMS operations was to display business synergy with the Group’s IS, CS and GE operations and to more powerfully promote “neo EMS”. In particular, a cross-sectional sales strategy organization named EMS sales group was set up in April 2012, in order to vigorously promote sales toward key accounts by head office. Following these

moves, the Group is beginning to steadily receive orders that extends to multiple operations, and EMS operations, which originally did not own any management resources, is gathering momentum to play a certain role as a mother factory for “neo EMS” within the Group, along with in-house factories, bases of CS operations.

As a result, the Group reported revenues of 4,977 million yen (+99.3 % on the year) with operating income of 200 million yen (+1,527.0% on the year).

Note that SHIMA Electronic Industry Co., Ltd and SHIMA Electronic Industry (H.K) Co., Ltd. have changed account closing date from March 31 to December 31, and their results for the first quarter are reported in the beginning balance of retained earnings. Results for the two companies, therefore, are not included in the consolidated results of operations for the first quarter.

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

Consolidated assets at the end of the period under review increased 616 million yen compared with the end of the prior fiscal year to 19,325 million yen.

Current assets increased 379 million yen compared with the end of the prior fiscal year to 13,416 million yen. This was due to trade notes and accounts receivable, which increased 367 million yen.

Fixed assets increased 236 million yen compared with the end of the prior fiscal year to 5,909 million yen. This was due to intangible assets, and investments and other assets, which increased 150 million yen and 111 million yen, respectively.

Consolidated liabilities increased 219 million yen compared with the end of the prior fiscal year to 13,089 million yen.

Current liabilities increased 480 million yen compared with the end of the prior fiscal year to 10,709 million yen. This was due to accrued liabilities and short-term loans payable, which increased 98 million yen and 336 million yen, respectively.

Long-term liabilities decreased 261 million yen compared with the end of the prior fiscal year to 2,379 million yen. This was due to long-term loans, which decreased 230 million yen.

Consolidated net assets increased 396 million yen compared with the end of the prior fiscal year to 6,236 million yen. This was due to retained earnings, translation adjustments and minority shareholder's interest, which increased 66 million yen, 108 million yen and 197 million yen, respectively.

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

The earning estimates for the consolidated first half of fiscal year ending March 31, 2013 (six months ending September 30, 2012) listed in “Consolidated Financial Statements for the Fiscal Year Ended March 31, 2012 (Based on J-GAAP)” released on May 15, 2012, 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. Summary (Other) Information**

### **(1) Changes in significant subsidiaries during the consolidated quarter (three months) under review**

None.

Note that since the consolidated first quarter under review, SHIMA Electronic Industry Co., Ltd and SHIMA Electronic Industry (H.K) Co., Ltd. have changed account closing date from March 31 to December 31 in order to promote efficiency in operations. Their results for the first quarter (January 1, 2012 to March 31, 2012) are reported in the beginning balance of retained earnings.

### **(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 first quarter is included was estimated based on reasonable assumptions. Then, tax expenses for the first quarter were calculated by multiplying the pretax net income for the quarter by the estimated effective tax rate.

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

Change of accounting policies

(Change of depreciation method)

In accordance with the amendment of the Corporation Tax Law, effective from the consolidated first quarter of fiscal year ending March 31, 2013, nms and its domestic consolidated subsidiaries have changed their depreciation method for those property and equipment acquired on or after April 1, 2012.

The impact of this change on operating income, ordinary income and net income before income taxes and minority interests is not significant compared to the former method.