

**Launch of the First In-plant Contract Manufacturing Service (The UKEOI)  
by a Japanese Company In Vietnam**

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**nms Has Obtained Vietnam's First Business License for "In-Plant Contract  
Manufacturing" and Established Overseas Affiliated Company**  
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On July 5, 2010, Nippon Manufacturing Service Corporation (nms), which is expanding its manufacturing outsourcing operations, was issued a business license for in-plant contract manufacturing, the first of its kind for Vietnam, by the People's Committee of the Socialist Republic of Vietnam. In-plant contract manufacturing has already taken root in Japan. However, this type of business does not exist in China or ASEAN countries including Vietnam, and this is the first time that a license for such a business has been issued (approved) overseas. Having obtained the license, nms established a local subsidiary in Vietnam on August 1, 2010 and will expand "the UKEOI," Japan's unique manufacturing outsourcing operation services, for both Japanese and non-Japanese companies that are setting up operations in Vietnam.

**Corporate Profile of Subsidiary in Vietnam**

- (1) Company name: NMS International Vietnam Company Limited
- (2) Headquarters: Ho Chi Minh City, Socialist Republic of Vietnam
- (3) Date founded: August 1, 2010  
(Date business license obtained (approved): July 5, 2010)
- (4) Business activities: in-plant contract manufacturing and other contract manufacturing
- (5) Capital: 100,000 USD
- (6) Capital Investor : Nippon Manufacturing Service Corporation (President Fumiaki Ono)
- (7) President: Kouji Kantou

After the collapse of Lehman Brothers, costs have dramatically risen as a result of higher wages and improved benefits especially in China and serious shortages of workers are developing more rapidly in the manufacturing region of southern China. On account of this, some manufacturers have begun to move their manufacturing bases to inland China where labor costs are relatively low. At some point, however, labor shortages will spread to the inland areas too, and moving manufacturing facilities outside of China is becoming a necessity. Under these conditions, Vietnam, which has not been as exposed to the excessive competition caused by foreign capital as other ASEAN countries where manufacturing bases are flooding into, is drawing a lot of attention and is being used for secondary overseas manufacturing bases. However, companies are reluctant to invest in (enter) Vietnam because doing so would entail redundant costs as they have already established operations in other countries, and low-cost investments (entry) is an important issue.

In order to resolve the issue, nms will support companies setting up operations in Vietnam through “the UKEOI” (the global shift to contracting) that is based on know-how acquired in Japan. In addition, Vietnam is gradually beginning to experience structural shortages of workers in cities. For manufacturers with existing facilities that are considering expanding into the third or fourth largest cities that are not major ones in the North or South, nms will strive to create a strong support system by providing in-plant contract manufacturing services after facilities are completed or conducting manufacturing outsourcing at facilities such as existing local nms plants which act as a branch plants for clients (nms has already started building business partnerships with the local governments of several mid-size cities and is working to construct a support system for companies entering Vietnam).

Japan’s unique “the UKEOI” (the global shift to contracting) refers not simply to providing or introducing personnel but extends to supporting new production bases and responding to the main problems faced by Japanese manufacturers such as the burden of recruiting employees and managing operations, declines in skill levels and work efficiency as a result of low retention rates, and the burden of quality control operations. With “the UKEOI,” nms undertake the full range of operations including recruiting, managing, training, production, quality control, and production management based on the contract manufacturing and contracting know-how that we have built up in Japan. In particular, we recruit the outstanding Vietnamese personnel who have graduated from the nms course (Japanese language education) that was specially established at the University of Da Nang, University of Technology, a leading science university that nms has business ties with; manage operations based on the 5S and SQDCM, the core of manufacturing, on a contract basis by dispatching managers from Japan to Vietnam. Efforts are also made to resolve the problem of declines in quality that can easily occur due to labor-intensive manufacturing overseas.

There is no halting the acceleration in the transfer of manufacturing bases to ASEAN countries that has been spurred on by the pursuit of lower costs in order to increase international competitiveness and developments related to regulations on the dispatch of manufacturing workers. nms not only supplies manufacturing and education systems and adjustable employment that Japanese manufacturers can fully by providing quality contract manufacturing and contracting services in Japan but also has established its position as a global partner of the manufacturing industry that can meet the needs of customers locally.

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