

April 20, 2010
Nippon Manufacturing Service Corporation

Nippon Manufacturing Service Corporation is Proud to Announce the Acquisition of Shares in SHIMA Electronic Industry Co., Ltd., Turning the Company into Subsidiary

Nippon Manufacturing Service Corporation (nms) is proud to announce that at the board of directors meeting held on April 20, 2010, a resolution was passed to purchase shares of SHIMA Electronic Industry Co., Ltd., turning the company into a subsidiary, details of which are provided below. nms is also proud to announce that the subsidiaries of SHIMA Electronic Industry, SHIMA Electronic Industry (H.K.) Co., Ltd., and Shima Electronic Industry (Malaysia) Sdn., Bhd., will become second-tier subsidiaries.

1. Reason for acquiring the shares

The business environment that nms operates in remains harsh as earnings of Japanese manufacturers have deteriorated after the collapse of Lehman Brothers, the Worker Dispatching Act has been revised, and Japanese factories are transferred overseas at a faster pace. In this environment, nms has created a medium-term business plan and adopted a platform of achieving future growth based on the following three strategies.

- Promoting contracting in the Japanese market for manufacturing outsourcing
- Winning contracting orders from Japanese manufacturers in overseas markets (the UKEOI)
- Expanding high-added-value and highly sustainable operations such as repair, assembly, and customer service in Japan

The purchase of all the shares of the SHIMA Electronic Industry Group perfectly matches the direction that nms should follow adopted in the medium-term business plan and is an effective measure to dramatically reduce the time to implement the strategy. In other words, nms will obtain in one stroke three important bases in Asia (a Hong Kong corporation, a Chinese factory tied to the Hong Kong corporation through the processing of imported materials for export scheme^(note), and a Malaysian corporation), which, in combination with the Vietnamese corporation that nms is currently preparing to establish, will create a well-balanced network of bases in Asia.

In addition, the SHIMA Electronic Industry Group is an EMS company that has developed its electronic circuit board surface mounting business for 15 years in Asia (Hong Kong, China, and Malaysia), and the purchase of the group will likely further accelerate nms' shift to a Japanese-style EMS company, which has been the aim of the company for some time. In addition, SHIMA Electronic Industry possesses a development and design department and pilot assembly lines in Japan, which can be used to reinforce nms' outsourcing services for Japanese manufacturers.

On account of the above, nms firmly believes that it has strengthened its position as a strategic partner of Japanese manufacturers who are global leaders in the field of *Monozukuri*, will be able to provide one-stop services for all processes undertaken by manufacturers, including development, design, mounting, manufacturing, repairs, and customer service, and will be able to further evolve as a *Monozukuri* company (the UKEOI: the global shift to contracting).

With the acquisition of the SHIMA Electronic Industry group, overseas sales will account for

substantially more than 40% of sales appearing in the income statement created by simply aggregating the figures for nms and SHIMA Electronic Industry; therefore the acquisition will likely be an effective countermeasure to slowing growth in the Japanese manufacturing outsourcing market.

(note) “processing of imported materials for export scheme” refers to contracted processing undertaken in Hong Kong and Guangdong Province, China, starting at the end of the 1970s. In particular, it refers to foreign outsourcing companies supplying raw materials and parts free of charge to Chinese commissioned companies who process the raw materials and parts into finished products and then transfer the finished products back to the outsourcing company free of charge. After that, the outsourcing company pays the commissioned company a fee.

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