

August 3, 2010
Nippon Manufacturing Service Corporation

**Nippon Manufacturing Service Corporation is Proud to Announce
the Establishment of a Vietnamese Subsidiary**

Nippon Manufacturing Service Corporation (nms) is proud to announce that on July 5, 2010, the company 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. Details are provided below.

1. Reason for establishing the subsidiary

In recent years there has been a trend among Japanese manufacturers to seek further cost cuts in order to raise their international competitiveness and to move their manufacturing bases to ASEAN countries. In addition, this movement of manufacturing bases overseas is said to be accelerating because of concerns about the recent principle prohibition on the dispatch of manufacturing workers. 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.

Under these business conditions, nms has adopted the slogan "the UKEOI" (the global shift to contracting) and moved forward with preparations to provide, even overseas, contract manufacturing and contracting services, which the company has developed in the *monozukuri* culture of Japan. Having completed these preparations, nms has obtained Vietnam's first business license for "in-plant contract manufacturing" and established overseas affiliated company in Ho Chi Minh City, Vietnam's southern commercial capital.

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.

2. Corporate Profile of Subsidiary

- (1) Company name: NMS International Vietnam Company Limited
(The Japanese name is NMS インターナショナル ベトナム有限会社)
- (2) Representative: Kouji Kantou
- (3) Headquarters: Ho Chi Minh City, Socialist Republic of Vietnam
- (4) Date founded: August 1, 2010
(Date business license obtained (approved) : July 5, 2010)
- (5) Business activities: in-plant contract manufacturing and other contract manufacturing
- (6) Capital: 100,000 USD
- (7) End of fiscal year: March

3. Impact on earnings

The new subsidiary is not expected to conduct extensive business this year and is projected to have only a minor impact on earnings for the year. Using this overseas affiliated company as a foothold, nms will, of course, develop business with the factories of Japanese-affiliated companies in Vietnam but also plans to expand operations to include business with factories of Japanese-affiliated companies in ASEAN countries.

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