



March 30, 2015

Company name: Nippon Manufacturing Service Corporation
Representative: President and CEO, Fumiaki Ono
Code: 2162
Contact: Executive Managing Director, Norihiko Suehiro
Telephone: +81-3-5333-1711 (main number)

Notice of Conclusion of Capital and Business Alliance Agreement with Kanematsu Corporation and Disposition of Treasury Stock Through Private Placement

Nippon Manufacturing Service Corporation (hereinafter “nms”) announces that a meeting of its Board of Directors held on March 30, 2015 resolved to form a capital and business alliance (hereinafter “the Alliance”) with Kanematsu Corporation (hereinafter “Kanematsu”) and dispose of treasury stock to Kanematsu through a private placement (hereinafter “the Disposition of Treasury Stock”).

I. Purpose and content of the Alliance

1. Purpose of the Alliance

Since its foundation in 1985 as a human resource services company, nms has cultivated human resources, emphasizing the manufacturing and the contractor capabilities that it has developed. In July 2010, nms made SHIMA Electronic Industry Co., Ltd., an EMS (Electronics Manufacturing Services) company, its subsidiary, and in July 2011, it made TKR Corporation (hereinafter “TKR”) its subsidiary. In October 2013, TKR acquired the power supply, transformer, in-vehicle tuner, and video board businesses of Hitachi Media Electronics Co., Ltd. In October 2014, nms acquired Panasonic’s general power supply business. As a result, the nms Group is able to provide high-quality services in all fields of EMS, including design, development, board mounting, module assembly, and the manufacture of key devices of electrical components and electronic components.

In the manufacturing industry, demand for outsourcing is on an upward trend. While expectations of EMS companies are increasing, the selection of EMS companies has begun, reflecting intensifying competition and companies’ capabilities to respond to the unit prices of products falling year after year.

In this environment, as a manufacturer, nms urgently needs to expand its sales channels and cut costs by strengthening its capability to source components for its EMS business to meet customer needs and achieve further growth.

Kanematsu operates a wide range of businesses, including the electronics & devices, foods, steel, materials & plant, and vehicles & aerospace businesses, trading in a variety of products and providing services. In the electronics & devices business, in particular, Kanematsu is seeking to build a high value-added business by proposing value chains from development to mass production and supply that meet customer needs, making the most of the expertise that it has developed through a great deal of experience.

Against this backdrop, nms has negotiated with Kanematsu an alliance, including not only a business alliance but also a

capital alliance, and has decided to conclude the Alliance based on the understanding shared with Kanematsu that both companies can expect significant synergies, with nms using Kanematsu's capability to source components and sales power and Kanematsu using nms's technologies and manufacturing expertise. The nms Group expects that the Alliance will help the Group streamline its components sourcing process and expand its sales channels in its EMS business, its greatest strength, and that as a result, the EMS business will expand.

Both companies will be able to formulate speedy, efficient, and aggressive strategies and build management structures that will make stable sales and profits possible by providing their unique technologies and expertise to each other, and that, nms believes, will contribute to the expansion of the EMS market in Japan.

2. Content of the Alliance

(1) Content of the business alliance

The pillars of the business alliance are described below. The details will be negotiated.

(i) Expanding the EMS business

The nms Group's EMS business will collaborate with Kanematsu's electronics & devices business to provide total solutions for customers. With the collaboration, the EMS business aims to expand its customers and boost sales by 10 billion yen from the fiscal year ending March 31, 2015 in the medium to long term.

(ii) Sourcing components strategically

Each company of the nms Group is sourcing components individually, and there is room for improvement in cost and efficiency. The Group will use Kanematsu's sourcing functions in Japan and overseas to cut costs through streamlining and volume discounts in the entire Group's sourcing of electronic components.

(iii) Promoting collaboration in overseas operations

Kanematsu and nms will jointly provide EMS for in-vehicle electronics companies in North America in around two years. Kanematsu will be responsible for materials sourcing and sales, and nms will be responsible for technologies and manufacturing. Both companies are considering building a structure for full cooperation not only in North America but also in Asia.

(2) Content of the capital alliance

Kanematsu offered to hold 10% of the stock of nms to form a capital alliance, in addition to the business alliance, to maximize business synergy and enterprise value for both companies and strengthen the relationship of trust. Considering that a capital alliance with Kanematsu will help to strengthen the companies' relationship, nms concluded a share transfer agreement on March 30, 2015. Under the agreement, nms will allot 1,080,600 shares of treasury stock (10.0% of the number of shares issued, the total value of which is 443,046,000 yen) to Kanematsu through a private placement, and Kanematsu will acquire the shares.

(3) Schedule

(i) Resolution of the Board of Directors

March 30, 2015

(ii) Conclusion of a basic agreement on a business alliance and a share transfer agreement

	March 30, 2015
(iii) Commencement of the business alliance	March 30, 2015
(iv) Due date of payment for the disposition of treasury stock	April 15, 2015

(4) Profile of the counterparty to the capital and business alliance

(i) Name	Kanematsu Corporation																						
(ii) Head office	119 Itomachi, Chuo-ku, Kobe																						
(iii) Representative	President & CEO, Masayuki Shimojima																						
(iv) Business	A trading company that provides a variety of goods and services, organically combining its networks in Japan and overseas, the expertise that it has developed in business fields, and its trading functions, including trade, information gathering, market development, business development and arrangement, risk management, and logistics																						
(v) Paid-in capital	27,781 million yen																						
(vi) Established	March 18, 1918																						
(vii) Number of shares issued	422,501,010																						
(viii) Fiscal year end	March																						
(ix) Number of employees	5,843 (consolidated)																						
(x) Major shareholders and their shareholding	<table> <tr> <td>Japan Trustee Services Bank, Ltd. (trust account)</td> <td style="text-align: right;">3.99%</td> </tr> <tr> <td>The Master Trust Bank of Japan, Ltd. (trust account)</td> <td style="text-align: right;">3.49%</td> </tr> <tr> <td>The Bank of Tokyo-Mitsubishi UFJ, Ltd.</td> <td style="text-align: right;">3.14%</td> </tr> <tr> <td>The Norinchukin Bank</td> <td style="text-align: right;">2.94%</td> </tr> <tr> <td>The Mitsui Sumitomo Insurance Co., Ltd.</td> <td style="text-align: right;">2.74%</td> </tr> <tr> <td>Tokio Marine & Nichido Fire Insurance Co., Ltd.</td> <td style="text-align: right;">2.74%</td> </tr> <tr> <td>Hayat</td> <td style="text-align: right;">1.28%</td> </tr> <tr> <td>Japan Trustee Services Bank, Ltd. (trust account 1)</td> <td style="text-align: right;">1.06%</td> </tr> <tr> <td>Mellon Bank Treaty Clients Omnibus</td> <td style="text-align: right;">1.05%</td> </tr> <tr> <td>Japan Trustee Services Bank, Ltd. (trust account 6)</td> <td style="text-align: right;">1.04%</td> </tr> </table> (as of September 30, 2014)			Japan Trustee Services Bank, Ltd. (trust account)	3.99%	The Master Trust Bank of Japan, Ltd. (trust account)	3.49%	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3.14%	The Norinchukin Bank	2.94%	The Mitsui Sumitomo Insurance Co., Ltd.	2.74%	Tokio Marine & Nichido Fire Insurance Co., Ltd.	2.74%	Hayat	1.28%	Japan Trustee Services Bank, Ltd. (trust account 1)	1.06%	Mellon Bank Treaty Clients Omnibus	1.05%	Japan Trustee Services Bank, Ltd. (trust account 6)	1.04%
Japan Trustee Services Bank, Ltd. (trust account)	3.99%																						
The Master Trust Bank of Japan, Ltd. (trust account)	3.49%																						
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3.14%																						
The Norinchukin Bank	2.94%																						
The Mitsui Sumitomo Insurance Co., Ltd.	2.74%																						
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2.74%																						
Hayat	1.28%																						
Japan Trustee Services Bank, Ltd. (trust account 1)	1.06%																						
Mellon Bank Treaty Clients Omnibus	1.05%																						
Japan Trustee Services Bank, Ltd. (trust account 6)	1.04%																						
(xi) Relationships with nms	Capital relationship	Not applicable																					
	Business relationship	Not applicable																					
	Human resource relationship	Not applicable																					
	Related party or not	No																					
(xii) Operating results and financial position in the past three fiscal years (consolidated)																							
	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014																				
Consolidated net assets	¥55,992 million	¥75,912 million	¥96,204 million																				
Consolidated total assets	¥399,753 million	¥399,186 million	¥428,459 million																				
Consolidated net assets per share	¥93.16	¥129.82	¥170.54																				

Consolidated sales	¥1,006,365 million	¥1,019,232 million	¥1,114,539 million
Consolidated operating income	¥21,426 million	¥18,262 million	¥19,776 million
Consolidated ordinary income	¥17,752 million	¥16,705 million	¥20,160 million
Consolidated net income	¥6,110 million	¥9,564 million	¥11,799 million
Consolidated net income per share	¥14.60	¥22.80	¥28.09
Dividend per share	—	—	¥3

(5) Outlook

The Alliance and the Disposition of Treasury Stock have no impact on the results in the current fiscal year. Their impact on results in the future is being examined and will be reflected in results forecasts.

II. Disposition of treasury stock through a private placement

5. Outline of the disposition

- | | | |
|-----|------------------------------------|--|
| (1) | Date of disposition | April 15, 2015 |
| (2) | Number of shares to be disposed of | 1,080,600 common shares |
| (3) | Disposal value | 410 yen per share |
| (4) | Funds to be raised | 443,046,000 yen |
| (5) | Disposition method | A private placement |
| (6) | Allottee | Kanematsu Corporation |
| (7) | Other | The items above are conditional on a securities registration statement under the Financial Instruments and Exchange Act coming into force. |

6. Purpose and reason of the disposition

As described in I. 2. Content of the Alliance, nms and Kanematsu have agreed to form a capital alliance to strengthen their mutual relationship and cooperation in order to develop operations, including the strategic sourcing of components and the expansion of sales channels in the EMS business and overseas operations, especially in North America. Considering that the building of trust with Kanematsu and promotion of the Alliance will help to develop nms's business and improve its earnings power, nms has decided to dispose treasury stock to Kanematsu through a private placement.

3. Amount of funds to be raised, their use, and the timing of spending

(1) Amount of funds to be raised

- | | | |
|-------|-----------------------------------|--------------|
| (i) | Amount of funds to be raised | ¥443,046,000 |
| (ii) | Estimated expenses | ¥500,000 |
| (iii) | Estimated net amount to be raised | ¥442,546,000 |

(Notes) 1. The estimated expenses do not include consumption tax.

2. The estimated expenses include legal fees and expenses for the preparation of documents, including a securities registration statement.

(2) Use of funds to be raised

The estimated net amount to be raised, 442,546,000 yen, through the Disposition of Treasury Stock, whose purpose is

to strengthen collaboration in business with Kanematsu, the allottee, will be appropriated for the repayment of a syndicated term loan by the end of April 2015 (voluntary prepayment). The term loan has been taken out by nms to raise funds to implement its growth strategy and carry out M&A transactions. The Company believes that it needs to expand its borrowing capacity to accelerate the implementation of its medium-term growth strategy, taking advantage of business opportunities to be created through the Alliance with Kanematsu, and will appropriate the funds to be raised for strengthening its financial base. The funds to be raised will be deposited at banks until they are paid.

4. Views on the reasonableness of the use of funds

Appropriating the funds to be raised through the Disposition of Treasury Stock for the repayment of a term loan is based on nms's idea that it will strengthen its financial base in preparation for new business opportunities to be created through the Alliance with Kanematsu and the medium-term expansion of business. In the past few years, nms has maintained a management style having high financial leverage in its M&A strategy and capital policy instead of depending on equity finance. Going forward, nms will seek to maximize its enterprise value by implementing growth strategies from a medium-term perspective and at the same time strengthening its financial base. The Company believes the use of the funds is reasonable.

5. Reasonableness of the conditions of the disposition

(1) Basis for the calculation of the amount to be paid in and details

To avoid arbitrariness in the calculation of the disposal value, nms has calculated the average of the closing prices of the nms stock on the TSE JASDAQ market in six months immediately before the day of the resolution of the Board of Directors on the disposition (from September 29, 2014 to March 27, 2015), and it is 410 yen (rounded down to the nearest yen; 3.01% higher than 398 yen, the closing price on March 27, 2015). The disposal value has been calculated as the average of the closing prices of the nms stock in the six months immediately before the day of the resolution because nms has determined that the calculation reflects the fairest stock price, considering factors that caused the most recent temporary stock price changes and trends in the stock price and the trading volume. More specifically, nms considers that the effect of a temporary stock price change following the announcement of a revision to the dividend forecast (a commemorative dividend for the 30th anniversary) on March 19, 2015 should be reduced and that the stock price immediately before the resolution is likely to be affected by temporary factors if the volatility of the nms stock is taken into consideration. By setting the six-month calculation period, nms thinks that it has obtained a fair stock price reflecting the acquisition of Panasonic's general power supply business on October 1, 2014 and the full-year results forecast after the publication on February 13, 2015 of the results in the first nine months of the fiscal year ending March 31, 2015. Based on the consideration above, nms and Kanematsu, the allottee, have confirmed that the calculation method is reasonable and adequate and have decided to adopt it after consultation.

The calculated stock price is 3.01% higher than the closing price on the TSE JASDAQ market immediately before the resolution of the Board of Directors, 398 yen (rounded down to the nearest yen), 0.24% lower than the average of the closing prices in three months immediately before the resolution (from December 29, 2014 to March 27, 2015), 411 yen (rounded down to the nearest yen), and 2.50% higher than the average of the closing prices in a month immediately before the resolution (from March 2, 2015 to March 27, 2015), 400 yen (rounded down to the nearest yen). Considering these comparisons, nms has determined that the calculated stock price is not a particularly favorable disposal value.

The disposal value has been calculated after full consultations with Kanematsu, the allottee. Whether the private placement is favorable issuance or not has been examined in accordance with the Japan Securities Dealers Association's

guidelines for private placements, and nms has determined that the disposal value is not particularly favorable. All the three auditors of nms have stated the opinion that nms's Board of Directors has determined that the Disposition of Treasury Stock will increase the enterprise value of nms and Kanematsu through collaboration between them and that the disposal value is not particularly favorable to Kanematsu, the allottee, through a reasonable process. The auditors have said that the Disposition of Treasury Stock is therefore lawful.

(2) Reason that nms has determined that the number of shares to be disposed of and the scale of the dilution are reasonable

In the Disposition of Treasury Stock, 1,080,600 shares will be allotted to the allottee, and the number of shares is 10.00% of the number of issued shares, 10,805,500 (the percentage is rounded off to the second decimal place; the number of shares to be allotted is 12.28% of 87,971, the total number of voting rights as of December 31, 2014). As a result, nms's stock will be diluted. The Company believes that the capital relationship with Kanematsu, the allottee, will strengthen the business alliance with Kanematsu and has determined that the number of shares to be disposed of in the Disposition of Treasury Stock and the scale of the resulting dilution of the stock are reasonable.

6. Reason of the selection of the allottee, etc.

For a profile of the allottee, please refer to I. 2 (4) Profile of the counterparty to the capital and business alliance.

The allottee is listed on the Tokyo Stock Exchange. In the corporate governance report that it has submitted to the Tokyo Stock Exchange, it states that its basic policy on antisocial forces that pose a threat to the order and safety of society is to maintain a resolute attitude toward them and avoid any relations with them. The Company has determined that there is no evidence of the allottee or any officers or major shareholders of the allottee being a member of any organized crime groups or any other antisocial forces, of any organized crime groups or any other antisocial forces being involved in the management of the allottee, of the allottee or any officers or major shareholders of the allottee cooperating or being involved in the maintenance or management of any organized crime groups or other antisocial forces through funding and other action, or of the allottee or any officers or major shareholders of the allottee intentionally interacting with organized crime groups or other antisocial forces.

(1) Reason of the selection of the allottee

For the reason of the selection of the allottee, please refer to I. 1. Purpose of the Alliance.

(2) The allottee's policy to hold the nms shares

The Company has confirmed with the allottee that the allottee intends to hold for a long time the nms shares that it will acquire in the Disposition of Treasury Stock to strengthen the relationship between both companies following the Alliance.

The Company plans to obtain the assurance that the allottee will agree on the following: (1) If the allottee transfers all or part of the common shares of nms to be issued for the private placement within two years of the due date of payment, it will report the transfer to nms in writing, (2) nms will report the reported transfer to Tokyo Stock Exchange, Inc., and (3) The report will be available for public inspection.

(3) Confirmation of the existence of property needed for the allottee to pay for the allotment

The Company has perused the allottee's cash and deposits, total assets, net assets, and sales, among other items

included in its securities report for the 120th term (submitted on June 24, 2014) and quarterly report for the third quarter of the 121st term (submitted on February 13, 2015) and as a result, has determined that the allottee has cash and deposits necessary and sufficient for the payment for the Disposition of Treasury Stock.

7. Major shareholders and their shareholding after the private placement

Before the disposition (as of December 31, 2014)		After the disposition	
Fumiaki Ono	16.63%	Fumiaki Ono	16.63%
Kazumitsu Shiozawa	13.20%	Kazumitsu Shiozawa	13.20%
SBI Securities Co., Ltd.	4.81%	Kanematsu Corporation	10.00%
Nomura Securities Co., Ltd Nomura Net & Call	2.67%	SBI Securities Co., Ltd.	4.81%
Kyouji Hasegawa	2.16%	Nomura Securities Co., Ltd Nomura Net & Call	2.67%
Hidehisa Fukumoto	2.03%	Kyouji Hasegawa	2.16%
Fumiya Yamada	1.71%	Hidehisa Fukumoto	2.03%
Employee Stock Ownership	1.26%	Fumiya Yamada	1.71%
Norihiko Suehiro	1.17%	Employee Stock Ownership	1.26%
Sumitomo Mitsui Banking Corporation	0.92%	Norihiko Suehiro	1.17%

- (1) The major shareholders and their shareholding (rounded down to the second decimal place) before and after the disposition are based on the shareholders' register as of December 31, 2014.
- (2) The Company has 2,008,000 shares of treasury stock. After the disposition, the number of treasury shares will be 927,400.
- (3) Following the private placement, the major shareholders of nms will change. For further information, please refer to the Notice of a (Scheduled) Change in Major Shareholders, which is published on March 30, 2015.

8. Outlook

Please refer to 2. Content of the Alliance, (5) Outlook.

9. Procedure associated with corporate code of conduct

The Disposition of Treasury Stock does not require obtaining the opinion of a third party and confirming the intention of the shareholders as stipulated in Article 432 of the securities listing regulations of the Tokyo Stock Exchange because (i) the rate of dilution is less than 25% and (ii) the controlling shareholder will not change.

10. Results and equity finance in the most recent three fiscal years

(1) Results in the most recent three fiscal years

	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014
Consolidated sales	¥31,832 million	¥38,869 million	¥41,905 million
Consolidated operating income	¥251 million	¥387 million	¥-643 million
Consolidated ordinary	¥266 million	¥564 million	¥-175 million

income			
Consolidated net income	¥1,356 million	¥235 million	¥648 million
Consolidated net income per share	¥13,552.23	¥2,303.42	¥63.43*
Dividend per share	¥400	¥300	¥3*
Consolidated net assets per share	¥32,707.18	¥36,745.45	¥451.79*

*On January 1, 2014, a 100-for-1 common stock split was conducted. The per-share data for the fiscal year ended March 31, 2012 and the fiscal year ended March 31, 2013 are figures before the stock split.

(2) Number of issued shares and number of dilutive shares (as of March 15, 2015)

Type of shares	Number of shares	Ratio to number of issued shares
Issued shares	10,805,500	100%
Dilutive shares at the current conversion price (exercise price)	44,200	0.40%
Dilutive shares at the minimum conversion price (exercise price)	—	—
Dilutive share at the maximum conversion price (exercise price)	—	—

(3) Trends in stock prices in recent years

(i) Trends in the most recent three fiscal years

	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014
Opening price	¥763	¥475	¥463
High	¥984	¥548	¥413
Low	¥373	¥304	¥283
Closing price	¥468	¥460	¥335

On January 1, 2014, a 100-for-1 common stock split was conducted, and the figures in the table above are stock prices as if the stock split had already been conducted. The stock prices are rounded off to the nearest yen.

(ii) Trends in the past six months

	September 2014	October 2014	November 2014	December 2014	January 2015	February 2015
Opening price	¥373	¥391	¥459	¥410	¥412	¥422
High	¥492	¥456	¥474	¥430	¥450	¥436
Low	¥370	¥376	¥385	¥390	¥412	¥386
Closing price	¥391	¥447	¥409	¥414	¥421	¥395

(iii) Stock prices on the business day immediately preceding the day of the resolution

March 27, 2015

Opening price	¥400
High	¥406
Low	¥397
Closing price	¥398

- (4) Equity finance in the past three years
Not applicable

11. Outline of the Disposition of Treasury Stock

- (1) Class and number of shares 1,080,600 common shares
(2) Disposal value per share 410 yen per share
(3) Total disposal value 443,046,000 yen
(4) Disposal method Disposition of treasury stock through a private placement
(5) Date of disposition April 15, 2015
(6) Allottee Kanematsu Corporation
(7) The items above are conditional on a securities registration statement under the Financial Instruments and Exchange Act coming into force.

(For reference) Consolidated results forecast for this fiscal year (published on May 15, 2014) and results in the previous fiscal year

(Million yen)	Consolidated sales	Consolidated operating income	Consolidated ordinary income	Consolidated net income
Forecast for the fiscal year ending March 31, 2015	48,800	490	510	320
Results in the fiscal year ended March 31, 2014	41,905	-643	-175	648