

June 2, 2014

Nippon Manufacturing Service Corporation

Notice of Participation in the Manufacturing Contract Research Project of the China Labor Dispatching Specialist Committee

Nippon Manufacturing Service Corporation (abbreviated as: nms; Head office: Shinjuku-ku, Japan; President and CEO: Fumiaki Ono) announces that it concluded a memorandum of agreement on May 10, 2014 with the China Labor Dispatching Specialist Committee on the Cheng Lan* (Manufacturing Contract) Research Project of the labor dispatching business in China in order to participate in the project. The Cheng Lan (Manufacturing Contract) Research Project was set up by the China Labor Dispatching Specialist Committee. *Cheng lan: This is a coined word meaning manufacturing contract.

*Labor dispatching is equivalent to all dispatching services including worker dispatching, manufacturing dispatching and engineer dispatching in Japan.

The “Transitional Provision on Labor Dispatching in China” enforced on March 1, 2014 stipulates that the number of dispatched workers to be used shall not exceed 10% of the total number of workers at a company to which the workers are dispatched. This provision is expected to make it difficult to build an appropriate manpower system in accordance with production fluctuations at manufacturers who use many dispatched workers in China, as the provision will limit the number of dispatched workers. On the other hand, if a manufacturer hires workers directly, it will face the risk that economic compensation may arise at the time when workers retire from work. Therefore, it has become necessary for manufacturers to use an external resource in lieu of dispatching.

As a solution to this problem, manufacturing contracts have been attracting attention. The China Labor Dispatching Specialist Committee has set up a project to turn manufacturing contracts into a rule to introduce their use, and nms and its subsidiary Sino Manufacturing Service Co., Ltd. (hereinafter “Sino Manufacturing Service”) have recently decided to participate in the project.

nms believes that this will enable it to establish a competitive advantage in the manufacturing contract market, which is expected to grow in China.

<Regarding the Project>

Project name: Cheng Lan (Manufacturing Contract) Research Project

Main purpose: To study, establish and legislate the introduction of cheng lan (manufacturing contract)

Role of nms and its subsidiary:

- Preparing a draft of the basic rules on the introduction of cheng lan (manufacturing contract)
- Operating and managing a model of a business place
- Cultivating the management staff of a cheng lan (manufacturing contract) business place, providing advice and consulting.
- Auditing the notification of cheng lan (manufacturing contract) business and approving the management staff of cheng lan (manufacturing contract)
- Acquiring Japanese companies that will participate in the project

As the first stage of the project activities, a seminar on the project hosted by the China Labor Dispatching Specialist Committee is scheduled to be held in Wuxi, China on Saturday, June 7. Approximately 100 Japanese companies are expected to participate in the seminar.

In the seminar, the Chairman of the China Labor Dispatching Specialist Committee will speak about the purpose of setting up the Cheng Lan (Manufacturing Contract) Research Project and the current situation of the human resources market in China, and some leading figures from the Ministry of Human Resources and Social Security will speak about the background of the Transitional Provision on Labor Dispatching in China this time (* Please note in advance that the content of speeches may change).

<Regarding the China Labor Dispatching Specialist Committee>

The China Labor Dispatching Specialist Committee (official name: the Labor Economy and Domestic Worker Dispatching Specialist Committee of the China Association for Labour Studies) was established to study the standards in the labor dispatching industry and laws and rules for labor dispatching in China. This committee is an institution under direct control of the Ministry of Human Resources and Social Security (equivalent to the Ministry of Health, Labour and Welfare in Japan).

Established: December 28, 2010

Purpose:

- Proposing draft laws and rules for labor dispatching
- Proposing standards in the labor dispatching industry
- Holding seminars on labor dispatching (in Japan and China)
- Developing training programs for labor dispatching and conducting publicity campaign, etc.

Sino Manufacturing Service, a subsidiary of nms, is the only Japanese company that has been selected as a member of the Specialist Committee, and Zhang Guo Liang, the Chairman of Sino Manufacturing Service, has assumed the honorable position of Vice Chairman. For details, please refer to “Notice of the Selection as a Member of the China Labor Dispatching Specialist Committee as the Only Japanese Company” released on January 20, 2011 (* The member company at the time of the press release was Beijing Rihua Caichuang International Technical Services Ltd., a subsidiary of nms, but now Sino Manufacturing Service is registered as the member company in lieu of Rihua Caichuang as Sino Manufacturing Service was later established by nms.)

■ Regarding Nippon Manufacturing Service Corporation

nms provides manufacturing companies with manufacturing and human resources services as a one-stop service in all manufacturing processes from planning and development to manufacturing, logistics and repair. nms operates businesses in not only Japan but also China and ASEAN countries.

In China, nms was the first foreign-affiliated company to acquire a labor dispatching license in December 2010, and continues to operate the human resources business.

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