

nms Holdings Corporation Overview of Financial Results for the First Half of Fiscal Year Ending March 31, 2020

- **Net sales: Increased in all business segments, +12% YoY overall**

Sales were firm overall, despite a decline in demand for machine tool-related products in the EMS Business.

All business segments achieved YoY growth in sales.

- **Operating income: 176% higher than forecast, +15% YoY**

- **HS Business:** Segment income rose 72.5% YoY. The launch of a third party logistics contracting and technical logistics processing business and a technician dispatch company last fiscal year and progress on improving the profitability of overseas business contributed to this.
- **EMS Business:** Segment income declined YoY as a result of the impact from lower demand for machine tool-related products, costs associated with the launch of locations in Vietnam and Mexico, and other factors, but was in line with the plan.
- **PS Business:** Segment income increased due to steps taken to strengthen the profit structure by revising sales prices to counteract the steep rise in material prices and reducing fixed costs, and due to an increase in sales from firm demand.

- **Profit attributable to owners of parent:**

A change in the timing of the dissolution of a local Chinese subsidiary changed our plan to recognize extraordinary income (approx. ¥170 million yen) from this during the first half. We now expect to post it in the third quarter.

- **Topics: Businesses in U.S. and Mexico started operating**

The businesses in the U.S. and Mexico, which were acquired from Sony Corporation, started operating under the new structure from April 1.

1. Financial Performance Highlights for the First Half of Fiscal Year Ending March 31, 2020

(Million yen)	First Half FYE Mar. 31, 2019	First Half FYE Mar. 31, 2020		
		First Half Results	YoY	Main Points
Net sales	27,719	31,108	12.2%	<p>[Net sales] Sales increased for all business segments.</p> <p>[Operating income] HS Business, PS Business: Segment income increased EMS Business: Segment income declined YoY as a result of the impact from lower demand for machine tool-related products, costs associated with the launch of locations in Vietnam and Mexico, and other factors, but was in line with the plan.</p> <p>[Ordinary income] Non-operating income: ¥205 million (Down ¥60 million YoY) Non-operating expenses: ¥278 million (Down ¥7 million YoY)</p> <p>[Extraordinary income] ¥3 million (Down ¥35 million YoY) [Extraordinary loss] ¥1 million (Down ¥46 million YoY)</p>
Operating income	239	276	15.1%	
Ordinary income	220	203	(7.7%)	
Profit attributable to owners of parent	62	34	(45.7%)	

2. Financial Performance Highlights by Segment

(Million yen)		First Half FYE Mar. 31, 2019 Results	First Half FYE Mar. 31, 2020		
			First Half Results	YoY	Main Points
HS Business	Net sales	9,155	10,791	17.9%	Firm demand, the launch of a third party logistics contracting and a technical logistics processing business and a technician dispatch company last fiscal year and progress on improving the profitability of overseas business contributed to substantial growth in segment income.
	Segment income	147	254	72.5%	
EMS Business	Net sales	12,942	13,780	6.5%	Results were in line with the plan despite the impact from the decline in demand for machine tool-related products, the deterioration in labor productivity caused by the increase in production of household appliance parts overseas, and costs associated with the launch of locations in Vietnam and Mexico, among other factors.
	Segment income	157	68	(56.2%)	
PS Business	Net sales	5,621	6,535	16.3%	Both net sales and segment income increased due to steps taken to strengthen the profit structure by revising sales prices to counteract the steep rise in material prices and reducing fixed costs, and due to an increase in sales from firm demand.
	Segment income	182	190	4.1%	
Segment Eliminations	Segment income	(247)	(237)	—	Company-wide expenses attributable to the holding company * These expenses were not allocated to the individual segments due to the migration to a holding company structure and have thus been eliminated from segment profits.
Total	Net sales	27,719	31,108	12.2%	
	Segment income	239	276	15.1%	

* HS Business: Human Resource Solution Business; EMS Business: Electronics Manufacturing Service Business; PS Business: Power Supply Business

(For Reference) Financial Performance by Segment: HS Business

Net sales

¥**10,791** million

Up 17.9% YoY

Segment income

¥**254** million

Up 72.5% YoY

[Business Entity]

Nippon Manufacturing
Service Group



Japan

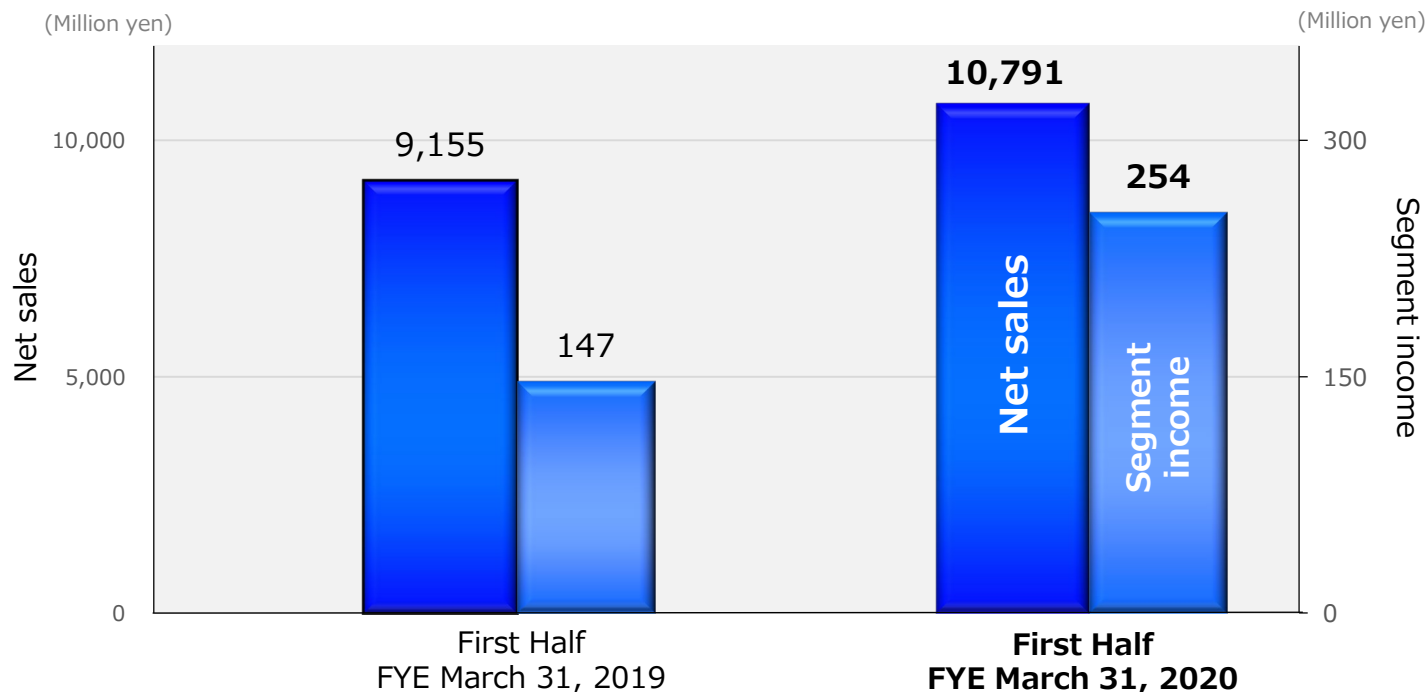
Demand remained firm owing to the use of newly hired graduates and foreign technical trainees in the manufacturing worker dispatch/contract manufacturing business.



Overseas

Demand remained firm in China and ASEAN. However, there was a temporary increase in the cost of capturing new orders at the location in Vietnam (NMS VIETNAM CO., LTD.), which operates a human resources business and contract manufacturing business, and an increase in costs accompanying the launch of business in Indonesia, Laos, and elsewhere.

We will implement the strategy to expand the scale of the business both in Japan and overseas in stages and work to reap the results quickly and improve profitability.



(For Reference) Financial Performance by Segment: EMS Business

Net sales

¥**13,780** million

Up 6.5% YoY

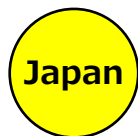
Segment income

¥**68** million

Down 56.2% YoY

[Business Entity]

- SHIMA ELECTRONIC INDUSTRY Group
- TKR Group



Japan

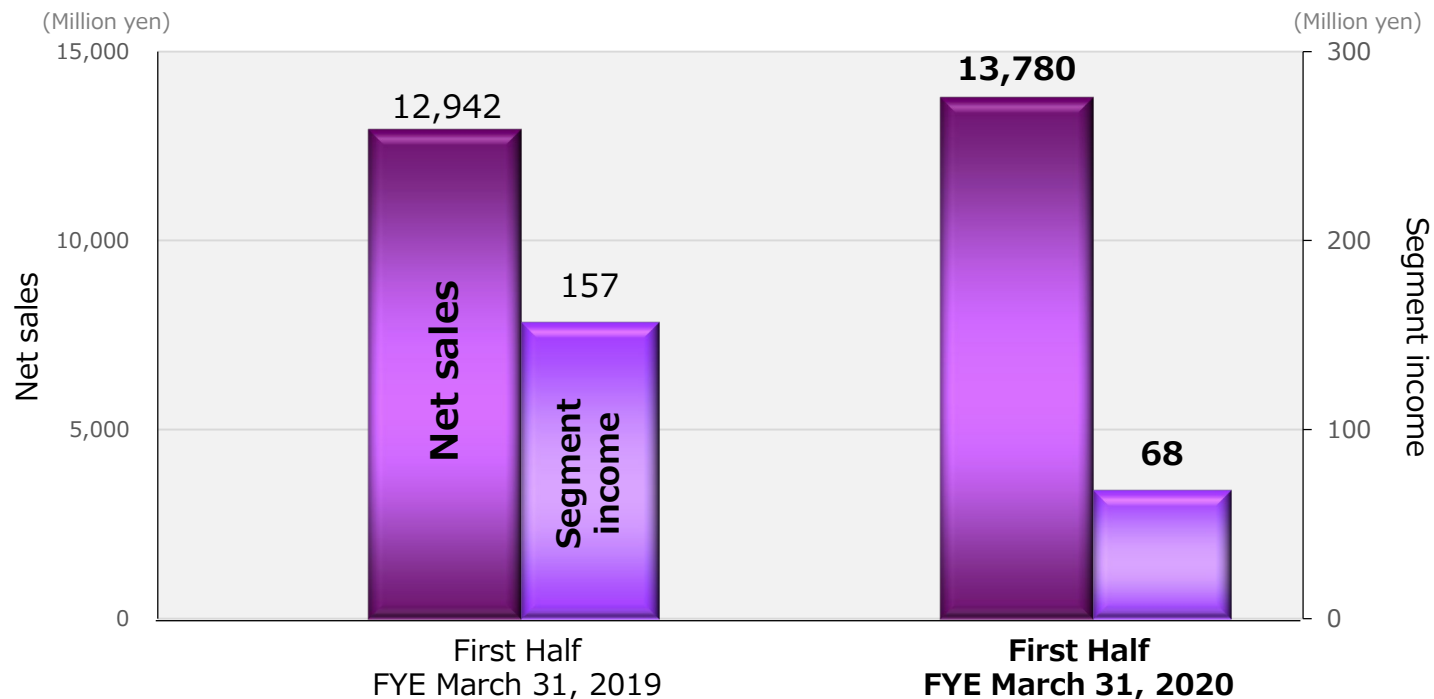
The pace of growth in machine tool-related demand slowed, due in part to the trade friction between the U.S. and China, but demand was firm in general, mainly for existing products.



Overseas

Results were in line with the plan despite the impact from the decline in demand for machine tool-related products, the deterioration in labor productivity caused by the increase in production of household appliance parts overseas, and costs associated with the launch of locations in Vietnam and Mexico, among other factors.

TKR Corporation (TKR): A new plant was completed in Vietnam in April 2019 in addition to those already established in China and Malaysia, and the businesses in the U.S. and Mexico, which were acquired from Sony Corporation, started operations on April 1, 2019. We are responding to the geographical multipolarization of production by customers in response to U.S.-China trade friction and other factors, and are working to expand our global business structure.



(For Reference) Financial Performance by Segment: PS Business

Net sales

¥6,535 million

Up 16.3% YoY

Segment income

¥190 million

Up 4.1% YoY

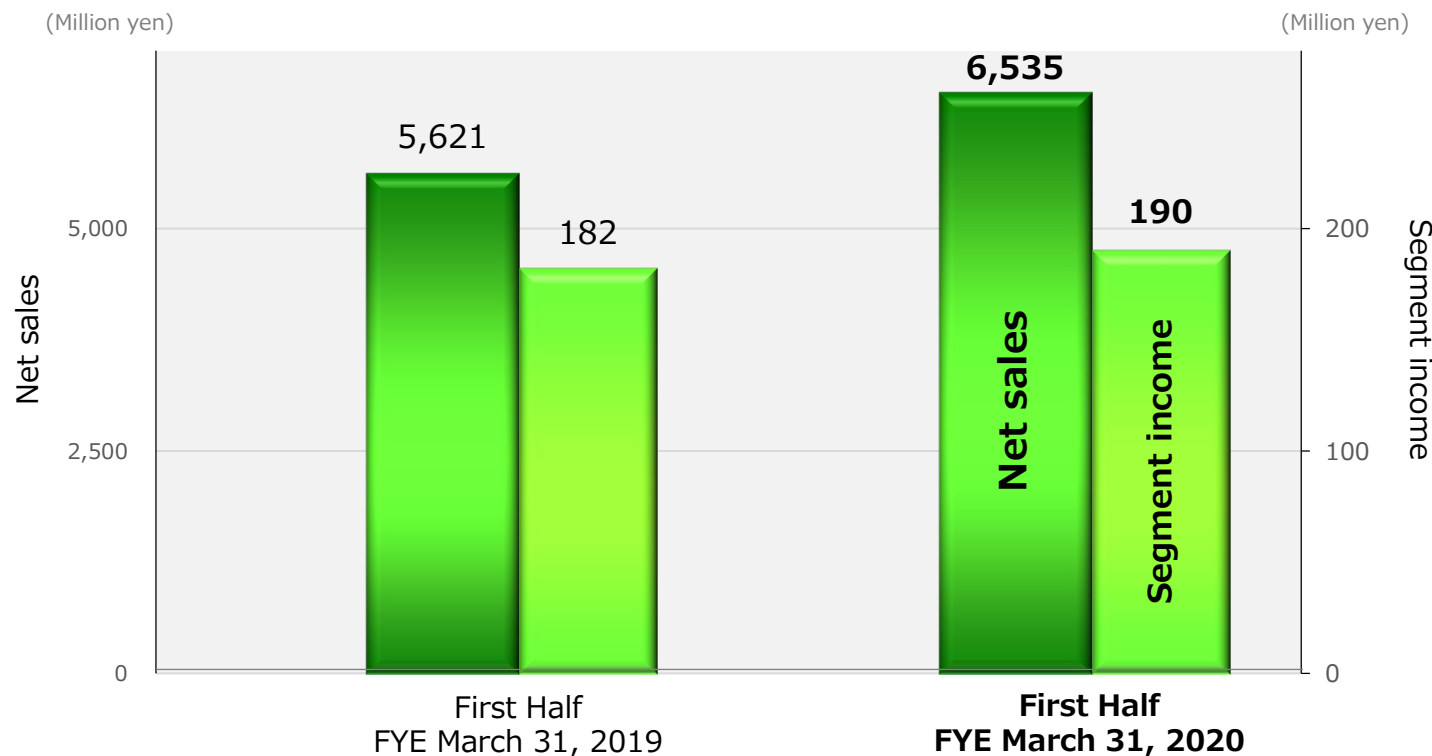
[Business Entity]

Power Supply
Technology CO., LTD.



- Demand was firm as the segment completed adjustments to demand for existing products, moved past the hiatus in introduction of new products for new areas, and achieved a steady start in mass production of new orders.
- Both net sales and segment income increased due to steps taken to strengthen the profit structure by revising sales prices to counteract the steep rise in material prices and reducing fixed costs, and due to an increase in sales from firm demand.

We are utilizing our accumulated expertise in power supply technology to gain access to the new market segments for LiB secondary battery packs and aim to achieve growth in both net sales and segment income by strengthening the business base and introducing new products.



3. Financial Performance Highlights (B/S)

(Million yen)	March 31, 2019	September 30, 2019	Change	Main Points
Current assets	22,082	22,521	439	Cash and deposits: (¥145 million) Notes and accounts receivable – trade: ¥527 million Inventories: (¥21 million)
Non-current assets	7,380	9,106	1,725	
Property, plant and equipment	5,612	6,879	1,267	Capital investment in the EMS business, Vietnam, etc: ¥1,345 million
Intangible assets	540	936	396	
Investments and other assets	1,227	1,289	61	
Total assets	29,462	31,627	2,165	
Total liabilities	23,717	26,054	2,336	
Current liabilities	21,744	21,909	165	[Loans payable balance] Sep. 30, 2019 ¥15,560 million Mar. 31, 2019 ¥14,286 million
Non-current liabilities	1,973	4,145	2,171	
Total net assets	5,744	5,573	(171)	
Total liabilities and net assets	29,462	31,627	2,165	

4. Financial Performance Highlights (Cash Flows)

(Million yen)	1H FYE March 31, 2019	1H FYE March 31, 2020	Main Points
Income before income taxes	211	204	
Depreciation	396	483	
Change in operating capital	(1,266)	(1,429)	Notes and accounts receivable – trade: (¥630 million) Inventories: ¥141 million Accounts payable – trade: (¥940 million)
Other	(378)	1,298	
Net cash flow from operating activities	(1,037)	556	
Purchase/sales of non-current assets	(1,546)	(987)	Gains on sale: ¥3 million Expenditures for acquisition: (¥991 million)
Other	(73)	(850)	Business acquisition: (¥845 million)
Net cash flow from investing activities	(1,619)	(1,838)	
Free cash flow	(2,657)	(1,281)	
Change in loans payable	2,949	1,360	
Payment of dividends, etc.	(428)	(190)	Dividends paid: (¥85 million)
Net cash flow from financing activities	2,521	1,169	
Cash and cash equivalents at end of period	4,213	4,044	

5. Earnings Forecasts for Fiscal Year Ending March 31, 2020 (Figures disclosed on May 10, 2019)

- The earnings forecasts disclosed on May 10, 2019 (for April 1, 2019 to March 31, 2020) have not been revised despite anticipated continued uncertainty in the business environment.
- A change in the timing of the dissolution of a local Chinese subsidiary changed our plan to recognize extraordinary income (approx. ¥170 million yen) from this during the first half. We now expect to post it in the third quarter.
- We will continue to implement measures linked to next fiscal year and will continue to target growth.

(Million yen)	FYE March 31, 2019 Results	FYE March 31, 2020 Forecasts (Disclosed on May 10, 2019)	YoY
Net sales	57,759	72,000	24.7%
Operating income	548	1,300	136.9%
Ordinary income	569	1,000	75.6%
Profit attributable to owners of parent	415	850	104.5%

Bringing Japanese Manufacturing Quality to the World

This is the rallying cry of the nms group.

Our business is a combination of three business segments that meet the many different needs of our customers, from the Human Resource Solution Business, to the EMS (Electronics Manufacturing Service) Business which performs contract manufacturing and achieves production efficiency, and the Power Supply Business, which engages in the development, manufacturing, and sale of power sources that ensure the safety and security of many types of equipment.

HS

Human Resource Solution Business

Staff members who are highly knowledgeable about products, manufacturing processes and production sites are taking an active role in each region of Japan, China and ASEAN member countries.

Legal Entity

Nippon Manufacturing Service Corporation

EMS

Electronics Manufacturing Service Business

This business implements total solutions that help customers to improve their competitive strength.

Legal Entity

**SHIMA ELECTRONIC INDUSTRY CO., LTD.
TKR Corporation**

PS

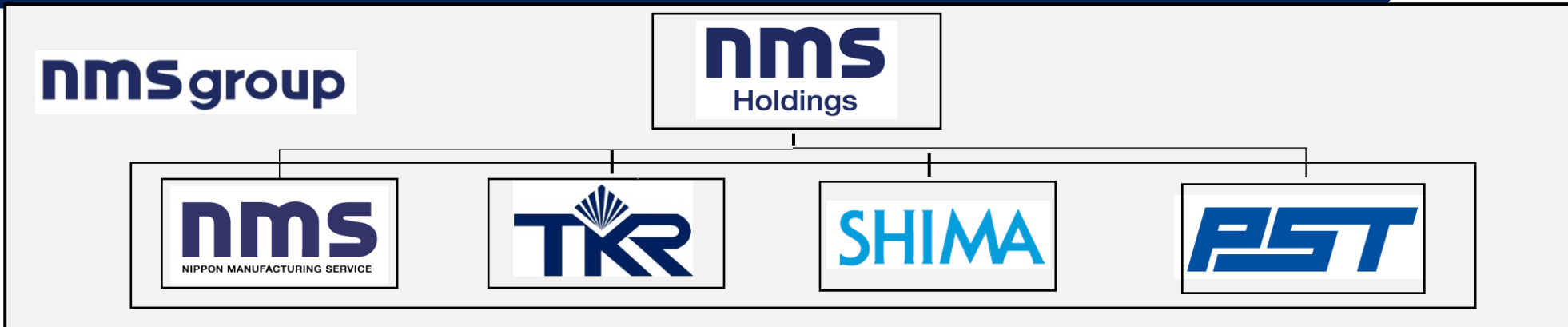
Power Supply Business

This business offers improved solutions that are a step above the rest with our technical expertise as a dedicated power source manufacturer.

Legal Entity

Power Supply Technology CO., LTD.

(For Reference) nms Group Business Structure



Main Consolidated Subsidiaries (fiscal year end for each company listed in parentheses)	Countries/R egions Entered	Main Business Activities
Human Resource Solution Business (HS Business)		
<ul style="list-style-type: none"> Nippon Manufacturing Service Corporation (Mar.) Sino-Japan Stafftraining and Dispatch Co., Ltd. (Dec.) Sino Manufacturing Service Corporation (Dec.) 	Japan China Vietnam Thailand	<ul style="list-style-type: none"> Worker dispatch for manufacturing Customer service for repairs Dispatch of engineers
Electronics Manufacturing Service Business (EMS Business)		
<ul style="list-style-type: none"> SHIMA ELECTRONIC INDUSTRY CO., LTD. (Dec.) TKR Corporation (Dec.) 	Japan Hong Kong (China) Malaysia	<ul style="list-style-type: none"> Electronics Manufacturing Service business (substrate mounting, substrate assembling, simple pressing, resin molding, assembly, etc.) Labor-saving Device Manufacturing/Sales business
Power Supply Business (PS Business)		
<ul style="list-style-type: none"> Power Supply Technology CO., LTD. (Dec.) TKR Corporation (Dec.) 	Japan Hong Kong (China)	<ul style="list-style-type: none"> Custom power supply (low/high-voltage): development, design, manufacturing, sales Magnet roll: development, design, manufacturing, sales A wide variety of transformers (switching/high-voltage transformers): development, design, manufacturing, sales Development, design, manufacture and sale of battery management system related products

nms Holdings Corporation

<http://www.n-ms.co.jp/english/>

Company Name	nms Holdings Corporation
Head Office	Tokyo Opera City Tower 45F, 3-20-2 Nishi-shinjuku, Shinjuku-ku, Tokyo 163-1445, Japan
Representative	Fumiaki Ono, President and CEO
Capital	500,690,000 yen (as of September 30, 2019)
Stock Exchange Listings	Tokyo Securities Exchange (JASDAQ market) Securities Code 2162
Business Activities	Integration of group businesses, management of operations, etc. in the Human Resource Solution (HS) Business, Electronics Manufacturing Service (EMS) Business, and Power Supply (PS) Business
Main Consolidated Subsidiaries	Nippon Manufacturing Service Corporation SHIMA ELECTRONIC INDUSTRY CO., LTD. TKR Corporation Power Supply Technology CO., LTD.

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The financial forecasts and other forward-looking statements in these materials are based on information available at the time these materials were produced as well as certain assumptions deemed reasonable by the company. Actual results may differ substantially due to various risks and uncertainties.

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