

nms Holdings Corporation

Overview of Financial Results

for Fiscal Year Ended March 31, 2020

Both net sales and operating income increased YoY

- **Net sales: Increased in all business segments, + 8 % YoY overall**

All business segments achieved YoY growth in sales despite a decline in demand for machine tool-related products in the EMS Business, production cuts by customers in Japan and postponement of overseas production plans in the latter part of the second half.

- **Operating income: High growth in the HS Business, + 68% YoY (1.7x)**

- **HS Business:** Segment income rose by 3.5x 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 decisive action on comprehensive cost restructuring and revision of sales prices to counteract the steep rise in material prices.

- **Topics: Continuation of strategic investments**

- The businesses in the U.S. and Mexico, which were acquired from Sony Corporation, started operating under the new structure from April 1, 2019.
- In the EMS Business, we began building a second plant at the location in Vietnam in response to the transfer of control over production to the ASEAN region by Japanese companies.

1. Financial Performance for Fiscal Year Ended March 31, 2020

(Million yen)	FYE March 31, 2019 Results	FYE March 31, 2020		
		Results	YoY	Main Points
Net sales	57,759	62,611	8.4%	<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: ¥274 million (Down ¥268 million YoY) Non-operating expenses: ¥653 million (Up ¥131 million YoY)</p> <p>[Extraordinary income] ¥193 million (Down ¥79 million YoY)</p> <p>[Extraordinary loss] ¥48 million (Down ¥99 million YoY)</p>
Operating income	548	920	67.8%	
Ordinary income	569	541	(4.8%)	
Profit attributable to owners of parent	415	280	(32.5%)	

2. Financial Performance Highlights by Segment

(Million yen)		FYE March 31, 2019 Results	FYE March 31, 2020		
			Results	YoY	Main Points
HS Business	Net sales	19,331	21,685	12.2%	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	196	693	253.2%	
EMS Business	Net sales	25,819	27,046	4.8%	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	436	33	(92.3%)	
PS Business	Net sales	12,608	13,879	10.1%	Both net sales and segment income increased due to decisive action on comprehensive cost restructuring, revision of sales prices to counteract the steep rise in material prices, and from an increase in sales from firm demand.
	Segment income	443	698	57.6%	
Segment Eliminations	Segment income	(527)	(505)	—	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	57,759	62,611	8.4%	
	Segment income	548	920	67.8%	

* 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

¥21,685 million

Up 12.2% YoY

Segment income

¥693 million

Up 253.2% YoY

[Business Entity]

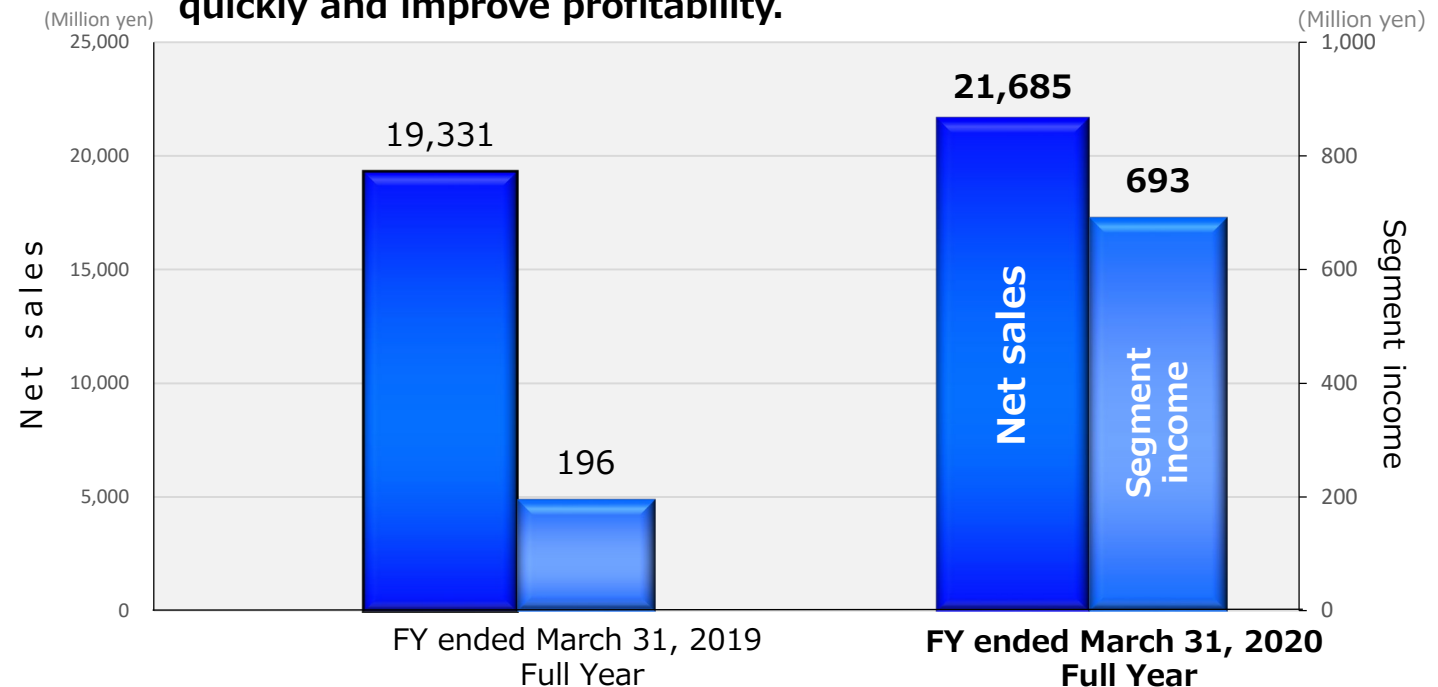
Nippon
Manufacturing
Service Group



The manufacturing worker dispatch/contract manufacturing business focused on the use of newly hired graduates and foreign technical trainees, and the third party logistics contracting and technical logistics processing business and technician dispatch company maintained strong performance.

The location in Vietnam (NMS VIETNAM CO., LTD.), which operates a human resources business and contract manufacturing business, improved labor productivity and saw strong performance overall in both the ASEAN region and China, despite costs accompanying the launch of business in Indonesia and Laos.

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

¥27,046 million

Up 4.8% YoY

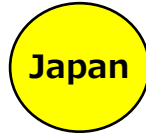
Segment income

¥33 million

Down 92.3% YoY

[Business Entity]

- SHIMA ELECTRONIC INDUSTRY Group
- TKR Group



Japan

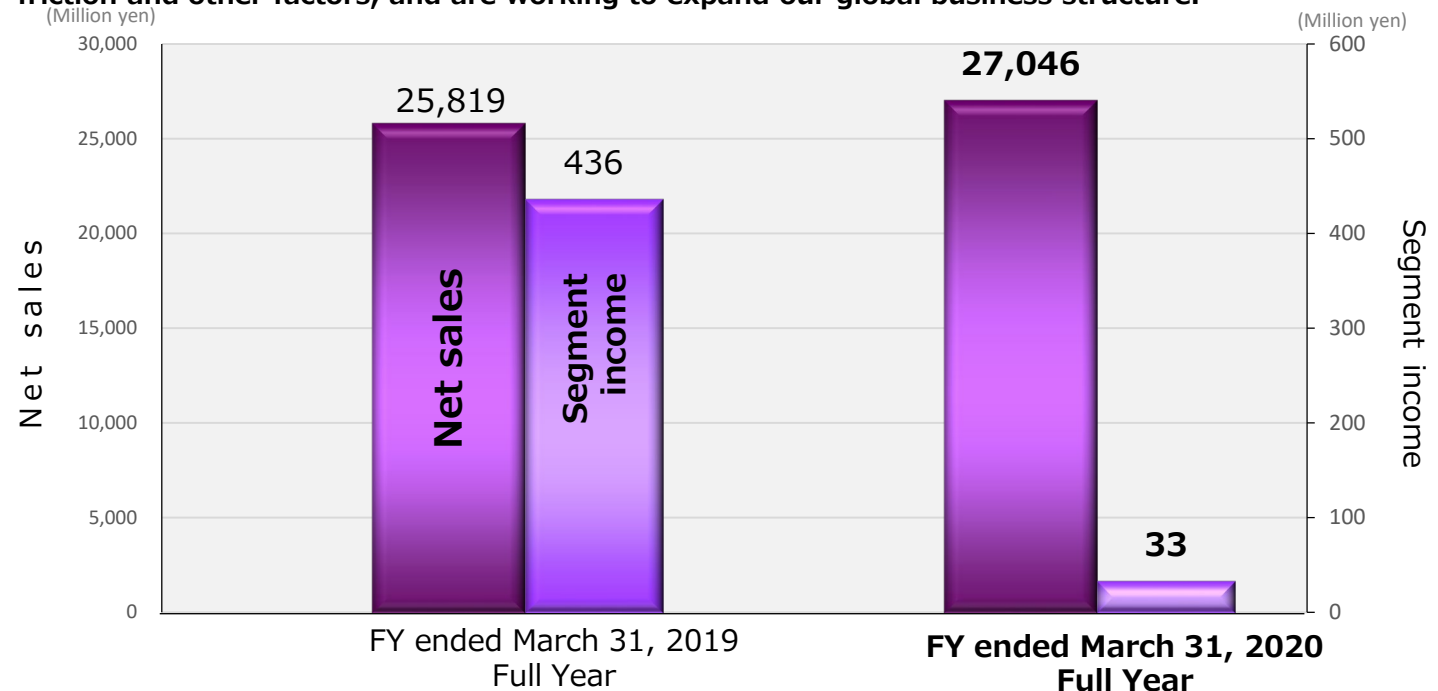
Machine tool-related demand declined due to the trade friction between the U.S. and China, production adjustments in Japan and other actions necessitated by the trade friction.



Overseas

Overall sales were broadly in line with the plan despite the YoY decline in segment income owing to the cost of advance investment associated with the launch of business at locations in Vietnam, the U.S., and Mexico. Demand remained strong in the ASEAN region and China, primarily in relation to household appliances.

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

¥13,879 million

Up 10.1% YoY

Segment income

¥ 698 million

Up 57.6% YoY

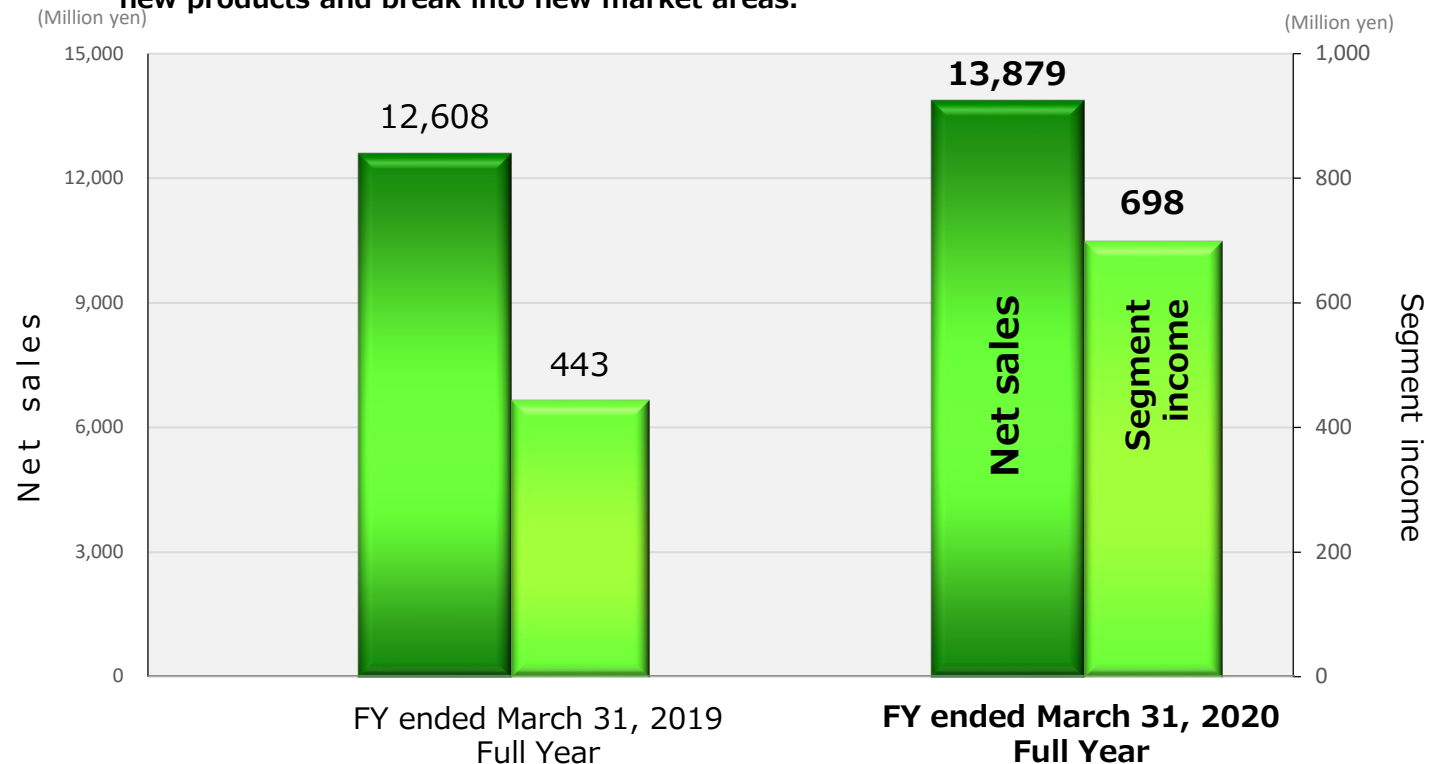
[Business Entity]

Power Supply
Technology CO., LTD.

Overall

- 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.
- The YoY increase in segment income resulted from the revision of sales prices in response to the steep rise in the cost of materials procured last fiscal year, in addition to the comprehensive cost restructuring to rebuild the business platform.

The Company aims to achieve growth in both net sales and segment income through a dual focus on strengthening the business base and developing new products. We will achieve this by utilizing our accumulated expertise in power supply technology to develop new products and break into new market areas.



3. Financial Performance Highlights (B/S)

(Million yen)	March 31, 2019	March 31, 2020	Change	Main Points
Current assets	22,082	23,115	+1,033	Cash and deposits: (¥69 million) Note and accounts receivable-trade: ¥1,051 million Inventories: (¥71 million)
Non-current assets	7,380	10,288	+2,908	
Property, plant and equipment	5,612	8,060	+2,447	
Intangible assets	540	1,095	+555	
Investments and other assets	1,227	1,133	(94)	
Deferred assets	—	66	+66	Corporate bond issue expense
Total assets	29,462	33,470	+4,007	
Total liabilities	23,717	27,620	+3,902	
Current liabilities	21,744	16,290	(5,454)	[Loans payable balance] Mar. 31, 20: ¥13,776 million Mar. 31, 19: ¥14,286 million
Non-current liabilities	1,973	11,330	+9,356	
Total net assets	5,744	5,849	+104	
Total liabilities and net assets	29,462	33,470	+4,007	

4. Financial Performance Highlights (Cash Flows)

(Million yen)		March 31, 2019	March 31, 2020	Main Points
	Income before income taxes	694	686	
	Depreciation	828	1,169	
	Change in operating capital	(1,852)	(861)	Notes and accounts receivable - trade : (¥1,062 million) Inventories: ¥245 million Accounts payable - trade: (¥45 million)
	Other	(942)	822	
Net cash flow from operating activities		(1,272)	1,816	
	Purchase/sales of non-current assets	(1,943)	(2,002)	Gains on sale: ¥72 million Expenditures for acquisition: (¥2,075 million)
	Other	(156)	(830)	Business acquisition: (¥845 million)
Net cash flow from investing activities		(2,100)	(2,833)	
Free cash flow		(3,372)	(1,016)	
	Change in loans payable	3,676	(484)	
	Payment of dividends, etc.	(521)	1,461	Dividends paid: (¥85 million)
Net cash flow from financing activities		3,154	976	
Cash and cash equivalents at end of period		4,195	4,156	

- Consolidated liquidity on hand in the form of cash and cash equivalents was ¥4,156 million as of March 31, 2020.
- In addition to this, the nms Group obtained ¥6,426 million in financing from financial institutions in fiscal year ended March 31, 2020 to cover the cash needs of the Group, refinancing needs, and other funding needs. The ¥2,000 million in proceeds from the first tranche of unsecured corporate bonds issued on March 31, 2020 has established a structure enabling the company to secure sufficient financing.
- The nms Group has also been investing strategically from fiscal year ended March 31, 2019 onward and we are taking the trend in demand in consideration in scrutinizing additional investment plans for fiscal year ending March 31, 2021.
- We will work to secure financing by consolidating financing in the holding company to improve efficiency and strengthening the systems for circulation of funds in the Group.

- The domestic business of the nms Group is experiencing the ripple effects on domestic production of production cuts in automotive-related areas around the world. Production plans relating to semiconductors and electronic components are holding firm, and the labor shortages in busy industries continue. We expect to maintain the plan for the technician dispatch services provided by the nms Group.
- In our overseas business, operations are gradually resuming at all Group locations in China, Malaysia, and elsewhere, and the hold-ups in the supply chain for materials, logistics, etc. have been resolved. However, the restrictions on movement of people outside of national borders have caused delays in new product launches with customers and production start-up schedules, and we also expect an impact from higher distribution costs, etc.
- As a result of the above factors, the first half of fiscal year ending March 31, 2021 (April-September) will see an impact from the slowdown in demand from stagnation of the global economy and production adjustments and suspension of the operations of our customers in many countries and regions. However, the benefits from the economic stimulus measures implemented in various countries and regions will become apparent in the third and fourth quarters, and we expect the operating rates at nms Group locations to normalize in the second half.
- In regard to the earnings and dividend forecasts, however, it is still difficult to predict the impact of the novel coronavirus on economic trends in each country and region, the impact on domestic production in relation to this, and the impact that these factors will have on the performance of the nms Group, at present. We will therefore carefully examine the future impacts and related factors and will promptly disclose the dividend forecast along with the earnings forecast once it becomes possible to calculate reasonable forecasts.
- While the business environment will continue to be severe, we will minimize the impact of the decline in sales on the entire Group by lowering indirect costs and making changes to operations to improve productivity. We will also expand the provision of human resource solutions to industries and customers with busy production schedules, and work to secure sales and profit.
- We also anticipate an increasing acceleration in fabless manufacturing due to the global economic stagnation, and also plan to utilize the expertise within the Group to expand contract manufacturing. We will take steps to prepare for when the economic environment improves and roll out initiatives that will lead to the development of future business.

7. Status of Each Business Due to the Impact From the Novel Coronavirus (as of May 15, 2020)

Segment	Status Report	
Domestic Business	The domestic automotive-related business has seen the ripple effects of the global decrease in production, and we expect to see an impact from production cuts by customers in the future. However, production plans for semiconductors and electronic components for uses other than in-vehicle systems are remaining firm. The labor shortages continue in busy industries such as communications systems manufacturing and some areas of logistics and we expect technician dispatch for development to trend according to plan, at present. However, the global deceleration in demand has caused a high degree of uncertainty regarding the future. We will implement emergency measures to reduce fixed costs and other costs to minimize the impact of a decline in sales.	
Overseas Business	Operations will resume at all locations in every country and region, and we expect the decline in net sales to impact first half results.	
HS Business	China	Operations are resuming at the locations in Shanghai, Shenzhen, Guangzhou, and Wuxi, and the operating rates are being increased while keeping an eye on customer trends.
	Thailand, Vietnam, et al.	We are pursuing business and starting up operations while keeping an eye on production trends at customers, in accordance with government policy.
EMS Business	China	Normal operations resumed from February 10 and the hold-ups in the supply chain for materials, logistics, etc. have been resolved. However, the restrictions on movement of people beyond national boundaries have delayed new product launches with customers and production commencement schedules. Steps are being taken to reduce fixed costs because of the impact anticipated from rising logistics costs and other costs.
	Malaysia	Operations were suspended on March 18 in accordance with Malaysian government policy and have gradually resumed since May 4. We expect the suspension of operations for around 1.5 months, production adjustments by customers, and the decline in demand to cause a decline in net sales.
	Vietnam	Production is continuing, but restrictions on the movement of people beyond national borders have delayed the launch of new products with customers and production schedules, and this has caused low operating rates. We will mitigate the impact by revising investment plans in addition to launching production of new orders.
	U.S.	Office and logistics functions are operating with no problems, and we have recommended that indirect personnel work from home.
	Mexico	Operations have been suspended since April 2 in accordance with government policy, but production is gradually resuming from May 11 for those categories permitted to resume operations. Fiscal year ending March 31, 2021 is a year for advance investment and the contributions to performance will begin to emerge from fiscal year ending March 31, 2022 onward. An impact from a decline in sales, etc. is therefore not anticipated.
PS Business	China	Normal operations were resumed from February 10 and we expect an impact from the decline in net sales resulting from the suspension of operations by customers. Emergency measures are being implemented to reduce fixed costs to minimize the impact.

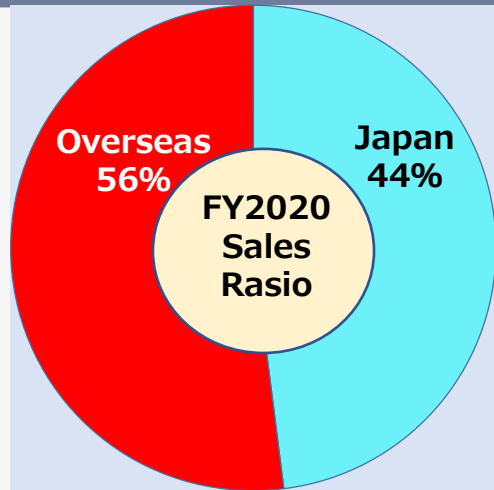
nms Holdings Corporation

<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 March 31, 2020)
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.

Group Company Total
26

(For Reference) nms Holdings Group Overseas Expansion



Integrate the unique characteristics of each business and capture new demand

**China
(Hong Kong)**

HS

EMS

PS



Sino-Japan Stafftraining and Dispatch Co., Ltd.
Sino Manufacturing Service Corporation
Wuxi office Shenzhen office Shanghai office
Dongguan office Guangzhou office

TKR HUANAN ELECTRONICS CO., LTD (DONG GUAN)
PST HUANAN ELECTRONICS CO., LTD (Foshan)

Thailand • Laos • Cambodia

HS

PS



nms(Thailand) Co., Ltd.
Power Supply Technology
(Thailand) Co., Ltd.



Representative office
of nms (Thailand) Co., Ltd.



NMS Lao Sole
Co., LTD.



TKR HONG KONG LIMITED
Power Supply Technology CO.,LTD. HONG KONG Branch

Vietnam

HS

EMS



NMS INTERNATIONAL RESOURCES CO.,LTD.
NMS VIETNAM CO., LTD.
TKR MANUFACTURING VIETNAM CO., LTD

U.S.A • Mexico

EMS



TKR USA, Inc.



TKR DE MEXICO
S.A de C.V.

Malaysia

EMS



SHIMA ELECTRONIC INDUSTRY(MALAYSIA)SDN.BHD.
TKR MANUFACTURING (MALAYSIA) SDN. BHD.
TKR PRECISION (MALAYSIA) SDN. BHD.

Indonesia

HS



PT. NMS CONSULTING INDONESIA

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

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

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 Holdings Group Business Structure

Main Consolidated Subsidiaries	Countries/ Regions Entered	Main Business Activities
Human Resource Solution Business (HS Business)		
<ul style="list-style-type: none"> Nippon Manufacturing Service Corporation Japan Technical Education organization (JATEO) nms Logistics and Technical solution Co., Ltd. nms Engineering Co., Ltd. Sino-Japan Staff training and Dispatch Co., Ltd. Sino Manufacturing Service Corporation NMS VIETNAM CO.,LTD. NMS INTERNATIONAL RESOURCES CO.,LTD. nms (Thailand) Co., Ltd. NMS Lao Sole Co., LTD Representative office of NMS (Thailand)Co., Ltd. PT. NMS CONSULTING INDONESIA 	Japan China Vietnam Thailand Laos Cambodia Indonesia	General manufacturing services in Japan and overseas <ul style="list-style-type: none"> Contract manufacturing business (contracting [on-premises contract manufacturing] and contract manufacturing staffing and recruitment services) IT production engineering business (staffing and recruitment services) IT and design development engineering business (staffing, recruitment services and contracting) Technical service business (various repairs, rework and analysis / general customer services) Logistics service business (distribution 3PL / flow surface processing / staffing) Contract education/training after entering Japan for technical interns and business support for companies accepting interns concerning the technical intern training program for foreigners
Electronics Manufacturing Service Business (EMS Business)		
<ul style="list-style-type: none"> SHIMA ELECTRONIC INDUSTRY CO., LTD. TKR Corporation TKR Manufacturing Japan Co., Ltd. TKR HUANAN ELECTRONICS CO.,LTD TKR Hong Kong Limited TKR Manufacturing (Malaysia) SDN. BHD. TKR Precision (Malaysia) SDN. BHD. TKR Manufacturing Vietnam Co., Ltd. TKR USA, Inc. TKR DE MEXICO S.A de C.V. 	Japan China Hong Kong (China) Malaysia Vietnam U.S.A. Mexico	<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 Energy-saving Device Manufacturing/Sales business
Power Supply Business (PS Business)		
<ul style="list-style-type: none"> Power Supply Technology CO., LTD. PST Huanan Electronics (Foshan) Co., Ltd. Power Supply Technology Co., Ltd. Hong Kong Branch Power Supply Technology (Thailand) Co., Ltd. 	Japan China 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

None of the information in these materials constitutes a solicitation to purchase or sell shares in nms Holdings Corporation.

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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