

Financial results briefing for Fiscal Year Ended March 31, 2021

May 14, 2021
nms Holdings Corporation

(JASDAQ 2162)

Piece of Innovation.

nms
Holdings

nms Holdings Corporation

Overview of Financial Results

for Fiscal Year Ended March 31, 2021

- The slump in economic activity caused by the spread of the novel coronavirus led to a decline in net sales. However, demand was firm from the semiconductor, electronic components, and other industries experiencing a busy period, mainly in the HS Business.
- In the EMS Business, the start-up of mass production of new products at the location in Vietnam was delayed for longer than anticipated, due in part to restrictions on entering/leaving countries, and a substantial slowdown in business activities was unavoidable at locations in Mexico and the U.S. due to local lockdowns. We succeeded in extensively reducing fixed costs across the Group despite these conditions and operating income has continued to improve from the second quarter onward. While operating income declined compared to fiscal year ended March 31, 2020, the decline was less than initially forecast.
- Non-operating expenses included recognition of 300 million yen in foreign exchange losses, and the extraordinary losses included 395 million yen in allowances paid for suspension of business operations and other costs associated with the novel coronavirus and 92 million yen for business structure reform aimed at next fiscal year.

(Million yen)	FYE Mar. 31,2020 Results	FYE Mar. 31,2021 Results					
							Main Points
		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total	
Net sales	62,611	13,725	12,324	13,873	14,933	54,856	[Non-operating income/expenses] Non-operating income: ¥196 million (Down ¥78 million YoY)
Operating income	920	(29)	168	222	327	689	Non-operating expenses: ¥726 million (Up ¥73 million YoY)
Ordinary income	541	(157)	88	121	105	158	[Extraordinary income/losses] Extraordinary income: ¥28 million (down ¥164 million YoY)
Profit attributable to owners of parent	280	(349)	(150)	(87)	(147)	(735)	Extraordinary losses: ¥497 million (up ¥449 million YoY)
EBITDA	2,089	292	474	603	583	1,954	

■ Financial Performance Highlights by Segment

(Million yen)		FYE Mar. 31, 2020 Results	FYE Mar. 31, 2021 Results							
								Total	YoY	Main Points
			1st Quarter	2nd Quarter	3rd Quarter	4th Quarter				
HS Business	Net sales	21,685	4,695	4,521	4,821	5,097	19,135	(11.8%)	Segment income for the HS business overall increased despite a YoY decline in net sales. This resulted from an extensive review of expenses and the continuing rebound in demand in overseas business in China in addition to a rebound in demand in the domestic business.	
	Segment income	693	133	250	202	287	874	26.1%		
EMS Business	Net sales	27,046	6,280	5,125	6,179	6,469	24,054	(11.1%)	Despite firm demand in Malaysia, both net sales and segment income declined. This was partially due to the cost of advance investments in locations in Vietnam and Mexico that are in the start-up period, in addition to the impact from lockdowns in the U.S. and Mexico.	
	Segment income	33	(45)	12	45	(41)	(29)	—		
PS Business	Net sales	13,879	2,749	2,677	2,872	3,367	11,666	(15.9%)	Segment income declined compared to the previous year when sales prices were revised to counteract the steep rise in material prices. However, it improved from the second quarter onward due to improvement in operations at production locations in China and extensive cost restructuring.	
	Segment income	698	(1)	39	97	191	327	(53.2%)		
Segment Eliminations	Segment income	(505)	(115)	(134)	(122)	(110)	(482)	—	Company-wide expenses attributable to the holding company * These expenses not allocated to the individual segmentweres due to the migration to a holding company structure and have thus been eliminated from segment profits.	
Total	Net sales	62,611	13,725	12,324	13,873	14,933	54,856	(12.4%)		
	Segment income	920	(29)	168	222	327	689	(25.1%)		

• 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

¥19,135 million

Down 11.8% YoY

Segment income

¥874 million

Up 26.1% YoY

[Business Entity]

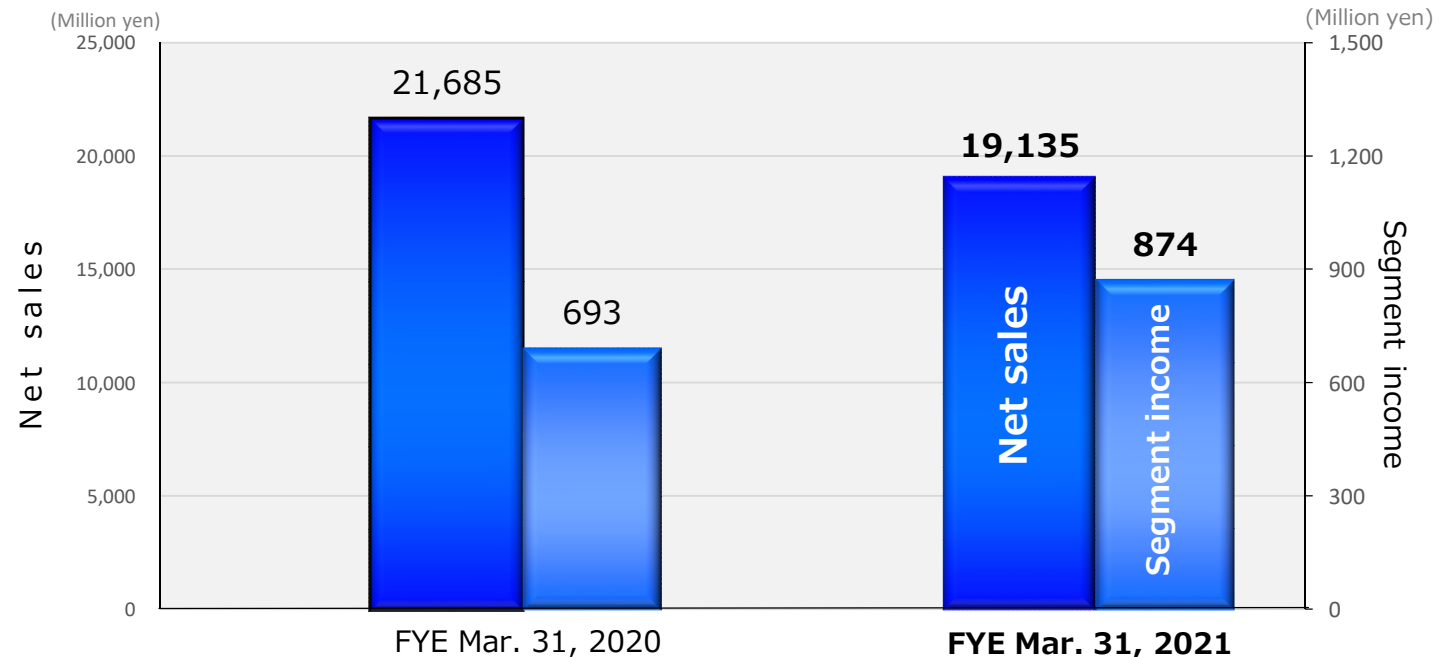
**Nippon Manufacturing
Service Group**

Japan

- Although net sales declined from the impact of the novel coronavirus, automotive-related business in the manufacturing worker dispatch/contract manufacturing business rebounded and the need for the supply of human resources in busy industries continued.
- In addition to the rebound in demand, segment income was secured through an extensive review of expenses and efforts to shrink fixed costs in the domestic business overall.

Overseas

- There was a lingering impact on costs accompanying the business launch in Indonesia on top of operating adjustments in the ASEAN region due to the impact of the novel coronavirus. However, business in China was firm due the early rebound in economic activity.
- Sales operations were strengthened to prepare for when the market environment improves.



(For Reference) Financial Performance by Segment: EMS Business

Net sales

¥24,054 million

Down 11.1% YoY

Segment income

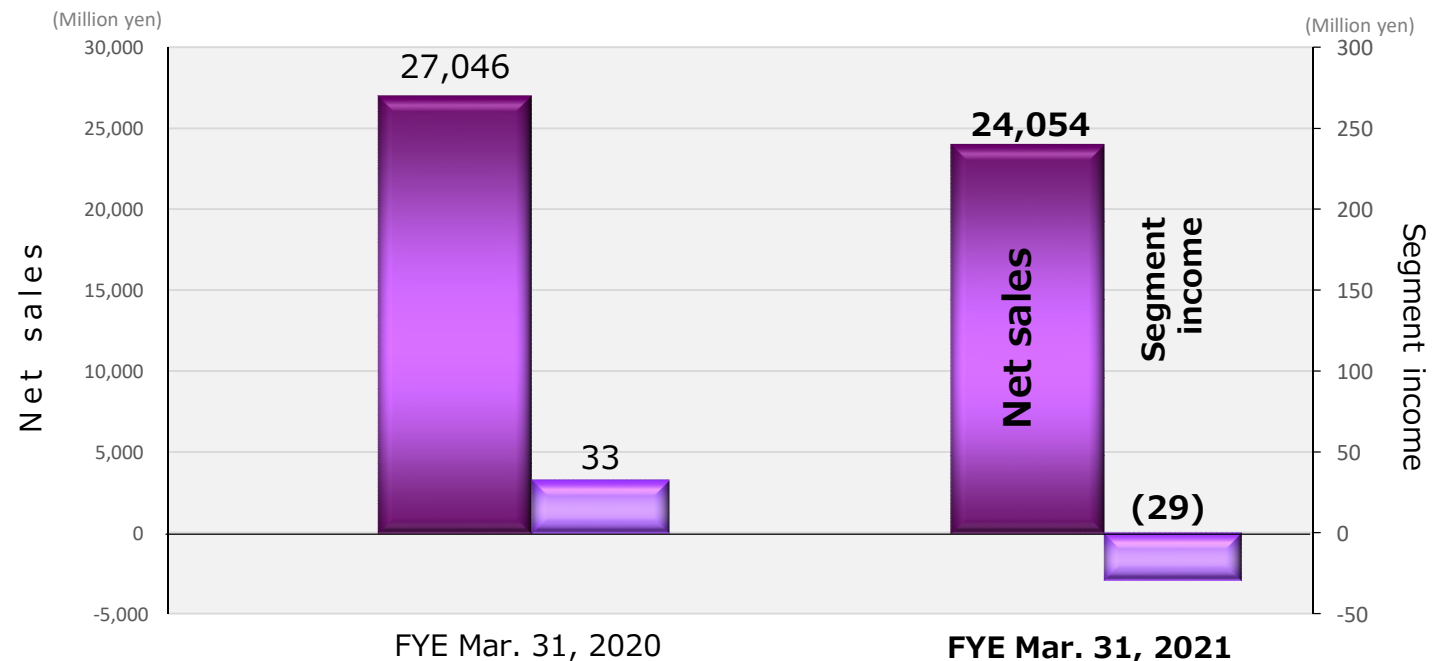
(¥29 million)

[Business Entity]

TKR Group

- Net sales declined in the domestic EMS Business due to production cuts and decreased demand for machine tool-related products by domestic customers. This resulted from ongoing U.S.-China trade friction over the past two years, in addition to the impact of the novel coronavirus.
- In the overseas EMS Business, net sales remain low overall despite improvement in operations in China and Malaysia due to the impact from a persistent slowdown in economic activity from lockdowns, stay-at-home orders, restrictions on entering/leaving countries, and other governmental policies accompanying the global spread of the novel coronavirus amid the strategic investments and launch of operations.
- In particular, the substantial unavoidable slowdown in business activities at locations in Mexico and the U.S. due to local lockdowns in addition to the delay in start-up of mass production of new products at the location in Vietnam and the cost of advance investment resulted in a segment loss.

We launched sharing business with customers as a new business and used our global EMS business model and expertise in design, manufacturing, and manufacturing services cultivated over many years to provide solutions matched to customers' needs.



(For Reference) Financial Performance by Segment: PS Business

Net sales

¥11,666 million

Down 15.9% YoY

**Segment
income**

¥327 million

Down 53.2% YoY

[Business Entity]

**Power Supply
Technology CO., LTD.**

- Despite the early improvement in the slowdown of production activities at locations in China due to the novel coronavirus, disruptions in the supply chain and production and inventory adjustments by customers caused net sales to decline from the previous consolidated fiscal year.
- Segment income declined substantially compared to fiscal year ended March 31, 2020, in which the PS Business benefitted from a stronger structure from extensive cost restructuring and further cost reductions to secure profit, and also benefitted from price revisions to counteract the steep rise in material prices. However, The steps taken to create a stronger structure will be effective in building the foundation for the next fiscal year.

As the novel coronavirus pandemic grew in scale and demand expanded for power supply products for sterilization and disinfection equipment, we entered the industrial equipment sector for the first time and established Power Supply Technology (Hong Kong) Co., Limited in July 1, 2020 to unify the sales structure for the PS Business. The company began operations in January 2021.



■ Financial Performance Highlights (B/S)

(Million yen)	March 31, 2020	March 31, 2021	Change
Current assets	23,115	21,658	(1,457)
Non-current assets	10,288	9,796	(492)
Property, plant and equipment	8,060	7,890	(170)
Intangible assets	1,095	883	(212)
Investments and other assets	1,133	1,022	(110)
Deferred assets	66	52	(13)
Total assets	33,470	31,507	(1,963)
Total liabilities	27,620	26,804	(815)
Current liabilities	16,290	17,460	1,170
Non-current liabilities	11,330	9,344	(1,986)
Total net assets	5,849	4,702	(1,147)
Total liabilities and net assets	33,470	31,507	(1,963)

■ Financial Performance Highlights (Cash Flows)

(Million yen)		March 31, 2020	March 31, 2021	Main Points
	Income before income taxes	686	(310)	
	Depreciation	1,169	1,266	
	Change in operating capital	(861)	1,348	Notes and accounts receivable – trade: ¥1,329 million Inventories: ¥350 million Notes and accounts payable – trade: (¥331 million)
	Other	822	(1,361)	
	Net cash flow from operating activities	1,816	943	
	Purchase/sales of non-current assets	(2,002)	(1,014)	Gains on sale: ¥25 million Expenditures for acquisition: (¥1,039 million)
	Other	(830)	95	
	Net cash flow from investing activities	(2,833)	(919)	
Free cash flow		(1,016)	24	
	Change in loans payable	(484)	1,394	
	Payment of dividends, etc.	1,461	(729)	Lease debt repayment: (¥403 million) Dividends paid: (¥85 million)
	Net cash flow from financing activities	976	664	
Cash and cash equivalents at end of period		4,156	4,741	

■ Earnings Forecasts and Dividend Forecast for FYE Mar. 31, 2022

- The uncertain business environment will likely continue due to impact on economic activities from the novel coronavirus, the risk of production cuts in the automotive industry due to concern over semiconductor supply, and other uncertainties. However, we forecast growth in net sales and segment income in all business segments despite this, owing to the benefits from strengthening the business base in fiscal year ended March 31, 2021, the increase in the percentage of contracting in the HS business, the launch of mass production of new products in the EMS Business, and growth in demand for power supply products for sterilization and disinfection equipment in the PS Business.
- We forecast consolidated performance for fiscal year ending March 31, 2022 compared to the previous fiscal year as follows, in light of the factors noted above: Net sales of 69,000 million yen, an increase of 26% YoY; Operating income of 1,200 million yen, an increase of 74% YoY; and profit attributable to owners of parent of 600 million yen (return to profitability).
- We plan to declare a dividend of 5 yen per share in fiscal year ending March 31, 2022, based on collective consideration of projected performance and the business environment.

(Million yen)	FYE Mar. 31, 2020 Results	FYE Mar. 31, 2021 Results	FYE Mar. 31, 2022 Forecasts	YoY	
				(Amount)	(Percent)
Net sales	62,611	54,856	69,000	+14,143	25.8%
Operating income	920	689	1,200	+510	74.2%
Ordinary income	541	158	1,200	+1,041	7.6x
Profit attributable to owners of parent	280	(735)	600	+1,335	—
Dividend per share (year-end dividend)	5 yen	4 yen	5 yen	+ 1 yen	

Overview of Measures and Initiatives

- Building a base for growth through strategic measures that capitalize on the opportunities presented by change—

- **HS Business: Strengthened the business base**
Strengthened the domestic business structure.
Improved the profitability of overseas business.
- **EMS Business: Implemented business structure reform and launched new businesses**
Redefined location functions and reorganized the domestic EMS business.
Launched the sharing business.
- **PS Business: Entered new market segments**
Entered the industrial equipment segment based on the demand for sterilization and disinfection during the COVID-19 pandemic, and began expanding sales.

**HS
Business**

Formulate new plans
for diversification of
human resources

- Expand the contracting business.
- Develop and contract provision of highly proficient human resources.
- Develop alliances with various ASEAN countries and regions.
- Build a proprietary platform.

Focus of Implementation in FY2021

■ Expand the scale of the contracting business

- ⇒ Propose and provide the contract manufacturing infrastructure and expertise within the Group according to the customer's needs.
Respond rapidly to fabless manufacturing in the manufacturing industry and roll out the "staffing + manufacturing" business model across the organization.

■ Develop and contract provision of highly proficient human resources

- ⇒ Strengthen the technician dispatch function and rebuild the hiring and development program of engineers.
Expand human resources proficient in digital technology and strengthen and improve the efficiency of the hiring strategy.
Introduce a system for moving up to higher job grades.

■ Build a digital platform targeted at the post-COVID-19 environment

- ⇒ Build a proprietary digital platform that contributes to shifting to fabless manufacturing in the manufacturing industry based on human resource business expertise and to improving the advances in manufacturing.

EMS
Business

Shift to fabless manufacturing in the manufacturing industry and expand new businesses

- Strengthen the functions of locations in Asia, and North and Central America.
- Redefine the functions of domestic production locations.
- Create new value through Mega EMS, made-to-order EMS, and new business alliances.

Focus of Implementation in FY2021

■ Gradually launch mass production of products at the location in Vietnam and resume business in North and Central America

⇒ Expand orders received due to the competitive superiority of Japanese quality despite postponement of the start-up of mass production of new products and the slowdown in business activities at locations in Mexico and the U.S. due to local lockdowns caused by the COVID-19 pandemic.

■ Implement measures to strengthen domestic EMS Business functions

⇒ Integrate management of TKR Corporation (TKR), which is the main axis of the Group's EMS Business and the domestic manufacturing subsidiary*¹. Improve the quality of one-stop solutions through domestic and overseas alliances by combining manufacturing locations that provide both mass production and development with design, sales, and marketing functions.

*¹ TKR Manufacturing Japan

■ Roll out and expand the sharing business and the 3D printer business

⇒ Expand the sharing business and launch the 3D printer business that was acquired. These provide expertise from TKR Group's domestic and overseas locations in design, manufacturing, manufacturing services, and infrastructure according to the customer's needs. Create new value by combining these with EMS.

**PS
Business**

Respond to demand for electric vehicles (EV), energy conservation, and sterilization and disinfection

- Rebuild the Power Supply (PS) Business revenue base.
- Expand sales in the ASEAN region.
- Roll out products for the industrial equipment market.
- Expand sales of battery packs.

Focus of Implementation in FY2021

■ Strengthen the revenue base of core products

- ⇒ Build a foothold to achieve stable revenues centered on high-voltage power supplies and magnetic rolls.
Launch sales of magnet rolls in the ASEAN region.

■ Roll-out products for the industrial equipment market, acquire new customers, and expand sales

- ⇒ Roll out products for the sterilization and disinfection equipment market and access the new markets, based on expansion of the robotics market due to the need for reduction in worker hours and automation, and measures to combat COVID-19.

■ Respond to demand for battery pack in new areas

- ⇒ Utilize technology for designing safe, secure power supplies, storage and charging technology, and expertise to expand target segments.
Work to access new segments, such as the expanding demand for producing electric construction equipment and agricultural equipment.

The Japanese manufacturing industry is facing serious problems!

1. Delays in introduction and use of digital technology in manufacturing sites.
2. Deterioration in productivity from reduction in full-time employees, quality issues, and difficulties in establishing stable production operations.

Build a proprietary business model for the nms Group by
adding a new framework to our accumulated expertise.

Support promotion of digital transformation (DX) in the manufacturing industry.
Provide one-stop solutions for the technology and tools needed.

Use the diverse characteristics possessed by AI firms and partner companies, and overseas governments and universities in our network.
Provide services for achieving DX according to the customer's needs, including human resources, production management, automation, procurement of components and materials, and logistics.

Develop and provide highly proficient human resources who will contribute to shifting to fabless manufacturing in the manufacturing industry, domestically and overseas.

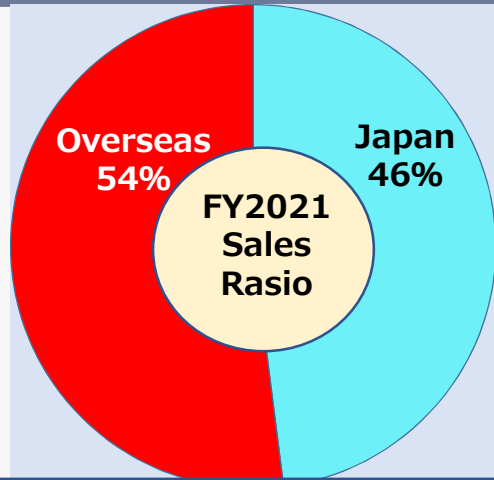
Develop human resources who are capable of making an immediate contribution to fulfilling various needs by introducing a system for moving up to higher job grades and expanding technology and skills training, in addition to synergies within the Group in the EMS and PS Businesses.

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

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, 2021)
Stock Exchange Listings	Tokyo Securities Exchange (JASDAQ market) Securities Code 2162
Numbers of employees	12,378 people (as of March 31, 2021)
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 TKR Corporation Power Supply Technology CO., LTD.

Group Company Total
27

(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)
Shenzhen office Suzhou office

Thailand • Cambodia • Laos

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 (HONG KONG) Co., Limited

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.

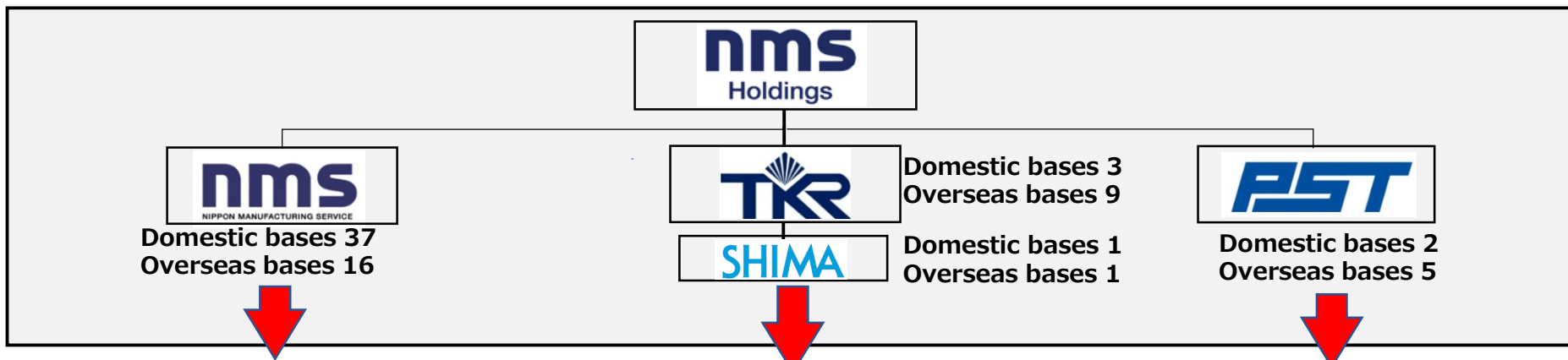
Indonesia

HS



PT. NMS CONSULTING INDONESIA

Bringing Japanese Manufacturing Quality to the World



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 • nms Logistics and Technical solution Co., Ltd. • nms Engineering Co., Ltd. • Japan Technical Education organization (JATEO) • 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. • PT. NMS CONSULTING INDONESIA • NMS Lao Sole Co., LTD etc. 	Japan China Vietnam Thailand Laos Indonesia Cambodia	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"> • TKR Corporation • TKR HUANAN ELECTRONICS CO.,LTD • 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. • SHIMA ELECTRONIC INDUSTRY CO., LTD. etc. 	Japan 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 • Business initiatives shared with the customer, and design, development and sales efforts related to such • Startup solutions business • 3D Printer business (design, manufacture, sales, repair and maintenance)
Power Supply Business (PS Business)		
<ul style="list-style-type: none"> • Power Supply Technology CO., LTD. • PST Huanan Electronics (Foshan) Co., Ltd. • TKR Hong Kong Limited • Power Supply Technology (Thailand) Co., Ltd. • Power Supply Technology (Hong Kong) Co., Limited 	Japan China Hong Kong (China) Thailand	<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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