

# nms Holdings Corporation

## Overview of Fiscal Year Ended March 31, 2018

May 14, 2018

(JASDAQ 2162)

### Financial Performance for Fiscal Year Ended March 31, 2018 (FY2017)

**Operating income increased substantially and ordinary income and profit attributable to owners of parent more than doubled.**

Performance was strong in general and operating income, ordinary income, and profit attributable to owners of parent increased substantially, despite a decline in sales in the EMS Business segment due to dissolution of a Chinese subsidiary.

Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
FY2017 results	YoY	FY2017 results	YoY	FY2017 results	YoY	FY2017 results	YoY
Million yen 54,172	Down 0.7%	Million yen 1,292	Up 33%	Million yen 1,506	2.7 times	Million yen 1,188	2.4 times

### Forecast for Fiscal Year Ending March 31, 2019 (FY2018)

**We project strong performance overall, and the plan projects growth in net sales. Growth in operating income is projected despite factors that will put pressure on profits from strategic investments.**

Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
FY2018 forecast	YoY	FY2018 forecast	YoY	FY2018 forecast	YoY	FY2018 forecast	YoY
Million yen 61,000	Up 13%	Million yen 1,300	Up 1%	Million yen 1,550	Up 3%	Million yen 1,100	Down 7%

This will mark the start of the FY2020 Medium-Term Business Plan, a three-year period beginning in FY2018, during which we will rebuild the foundation for growth. We will aim for the next stage as we also make strategic investments.

**[FY2020 Goals] Net sales: 100 billion yen; EBITDA: 4.5 billion yen**

# 1. Financial Performance for Fiscal Year Ended March 31, 2018

- The Human Resource Solution (HS) Business and Electronics Manufacturing Service (EMS) Business made good progress toward achieving the plan, supported by demand in Japan and overseas.
- On the profit front, the company recorded high growth in ordinary income and profit attributable to owners of parent. This growth resulted from an increase in operating income, and an increase in non-operating income, a decrease in non-operating expenses, and a gain on sale of investment securities (¥161 million), among other factors.

(Million yen)	FYE March 31, 2017 Results	FYE March 31, 2018 Results		
		Results	YoY	Main Points
Net sales	54,581	<b>54,172</b>	(409) ((0.7)%)	[Net sales and Operating income] Good progress toward achieving plan in the HS Business and EMS Business
Operating income	974	<b>1,292</b>	317 (+32.6%)	[Ordinary income] Non-operating income: ¥468 million (Up ¥356 million YoY) Non-operating expenses: ¥254 million (Down ¥270 million YoY)
Ordinary income	561	<b>1,506</b>	944 (2.7 times)	[Extraordinary income] ¥222 million Gain on sale of investment securities: ¥161 million Gain on sale of non-current assets: ¥60 million
Profit attributable to owners of parent	493	<b>1,188</b>	695 (2.4 times)	[Extraordinary loss] ¥64 million Loss on retirement of non-current assets: ¥15 million Loss on dissolution of subsidiary: ¥33 million

## 2. Financial Performance Highlights by Segment

- **HS Business:** We booked advance investment costs in Q2, but had strong demand both in Japan and overseas.
- **EMS Business:** We enjoyed much higher profits despite the negative impact of the dissolution of a Chinese subsidiary, thanks to benefits achieved from strengthening the soundness of the business and other factors.
- **PS Business:** Both sales and profits declined for the period due to off-season results, but we will win new orders and introduce new battery packs and other products next period.

(Million yen)		FYE March 31, 2017 Results	FYE March 31, 2018 Results		
			Results	YoY Net sales: % Profit: Million yen	Main Points
<b>HS Business</b>	Net sales	13,906	<b>17,069</b>	22.7%	We recognized the cost of advance investment in Q2 due to the implementation of a growth strategy in Japan and overseas. Demand remained strong overall.
	Segment income	682	<b>610</b>	<sup>(71)</sup> ((10.5)%)	
<b>EMS Business</b>	Net sales	28,300	<b>26,165</b>	(7.5)%	Although sales declined due to the impact from dissolution of a Chinese subsidiary, indicators such as machine tool-related demand performed well, and the benefits derived from strengthening fiscal soundness of the segment also contributed to high growth in profits.
	Segment income	122	<b>648</b>	<sup>526</sup> (5.3 times)	
<b>PS Business</b>	Net sales	12,374	<b>10,936</b>	(11.6)%	Both sales and profits declined due to a hiatus in introduction of products for new areas, but heading into the next period we will win new orders and prepare to introduce developed products.
	Segment income	622	<b>469</b>	<sup>(153)</sup> ((24.6)%)	
<b>Segment Eliminations</b>	Adjustment to segment income	(452)	<b>(436)</b>	16	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.
<b>Total</b>	Net sales	54,581	<b>54,172</b>	(0.7)%	
	Segment income	974	<b>1,292</b>	<sup>317</sup> (32.6%)	

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

\* With the migration to a holding company structure from the fiscal year ended March 31, 2018, the method for calculating profits and losses of reportable segments was revised. Under the new method, company-wide expenses attributable to the holding company are not allocated to each segment. The new post-revision method is also reflected for the previous fiscal year.

## Net sales

¥17,069 million

Up 22.7% YoY

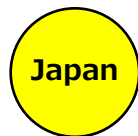
## Segment income

¥610 million

Down ¥71 million YoY  
(Down 10.5%)

[Business Entity]

Nippon Manufacturing  
Service Group



Japan

The company worked to improve hiring ability and retention by making employees full-time employees, enhancing benefits, etc.

In contract manufacturing, the company improved productivity by reinforcing the management structure and improved profitability through negotiation of unit prices.

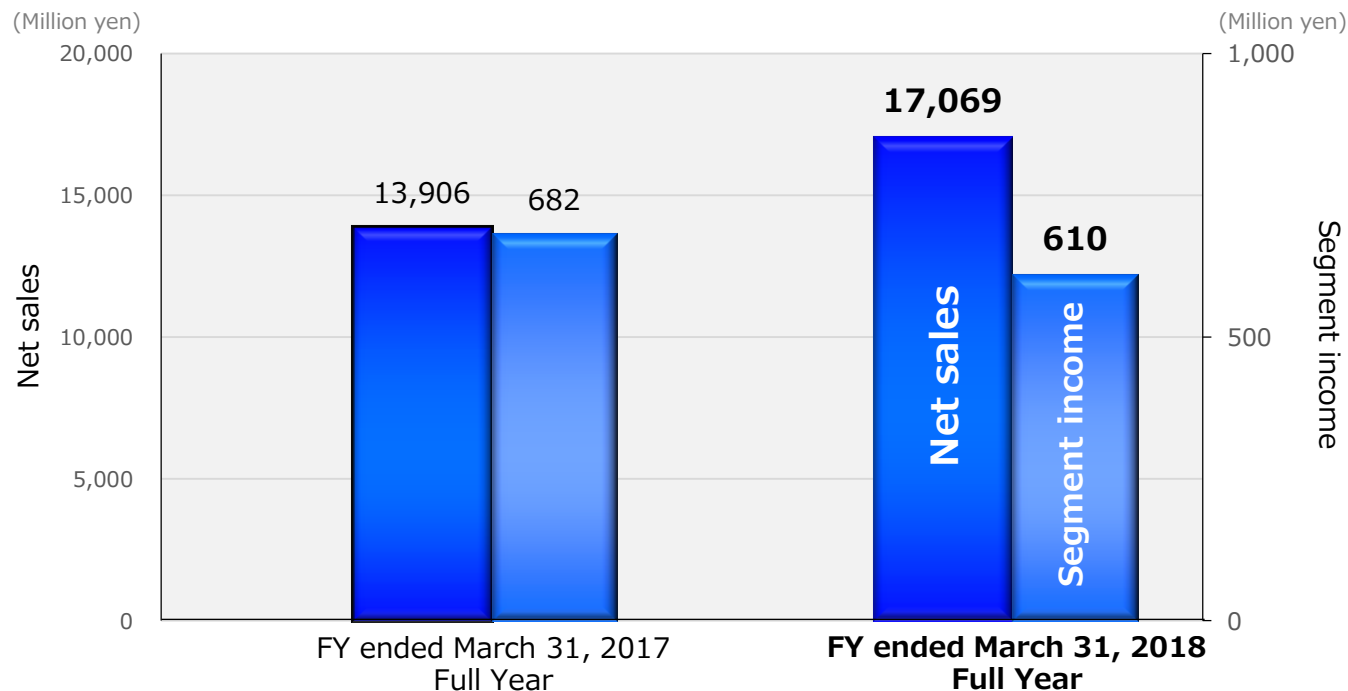


Overseas

The subsidiaries in Thailand and Vietnam (3 companies in total) became consolidated subsidiaries from this fiscal year.

Changes in the market environment and the steep rise in personnel costs persisted in China, however, progress was made on contract manufacturing overseas. The new combination of services combining human resource solutions and EMS Business expertise within the group (on contract manufacturing) worked particularly well in Vietnam.

We recognized costs incurred for advance investments in Japan and overseas in Q2, putting pressure on profits, but we will work to improve profitability by teaming up with and using group resources.



## Net sales

¥26,165 million

Down 7.5% YoY

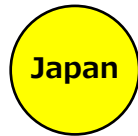
## Segment income

¥648 million

Up ¥526 million YoY  
(5.3 times)

### [Business Entity]

- SHIMA ELECTRONIC INDUSTRY Group
- TKR Group



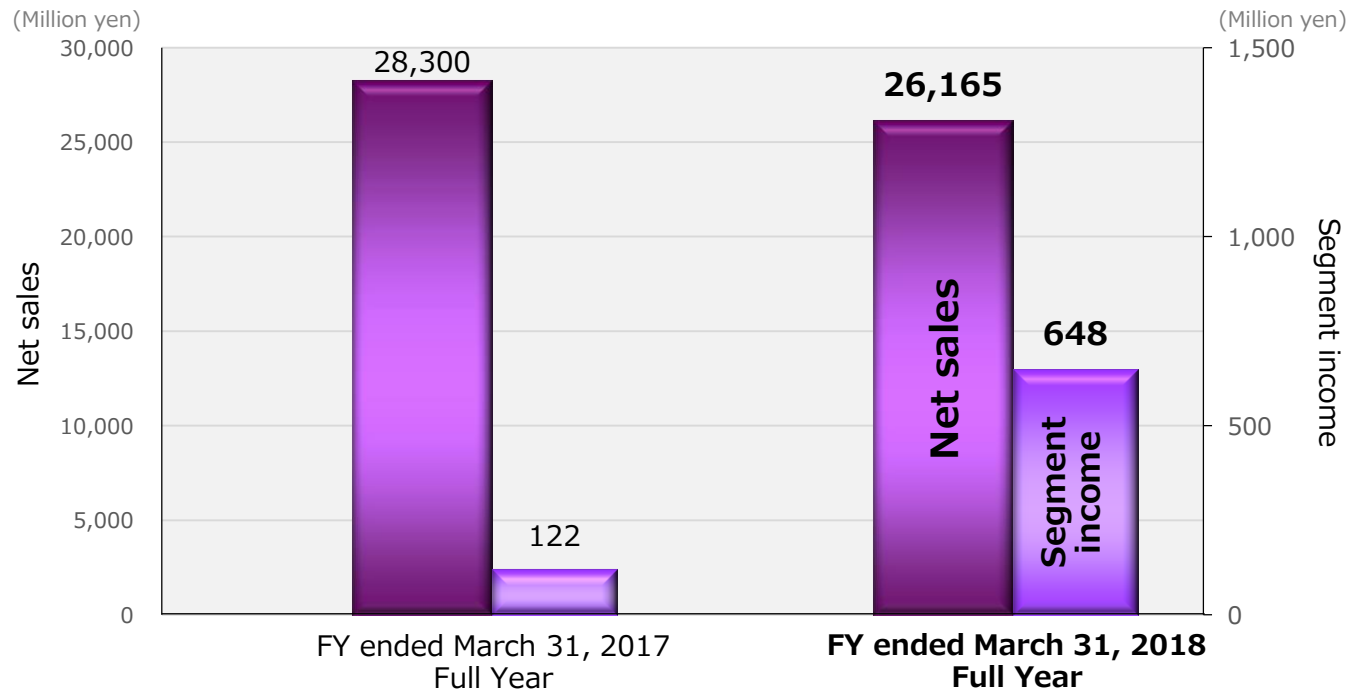
Japan

Sales made good progress toward achievement of the plan. This was due to a rebound in orders for machine tools and improved profits resulting from structural reforms such as the consolidation of plants in Japan at the various companies in TKR Corporation implemented last fiscal year.



Overseas

The EMS Business recorded high YoY growth in profits despite a YoY decline in sales due to the dissolution of SHIMA Electronic Industry (SHENZHEN) Co., Ltd. This growth resulted from the improvement in profits derived from structural reform.





Overall

- Both sales and profits declined due to adjustments in existing products and a hiatus in the introduction of products in new areas.
- We are pursuing the following initiatives into the next fiscal year: Leverage the power supply technology that we have developed up to this point to launch a business in battery management systems, and development and market launch of LiB secondary battery packs and other products in the EV segment.
- The Matsusaka Factory in Mie Prefecture was opened on January 11, 2018 as a development and mass production center for that, and mass production is scheduled to begin in October 2018.
- We will target expansion of orders through the two strategies of strengthening the business base and developing, manufacturing, and expanding sales of new products.

## Net sales

¥10,936 million

Down 11.6% YoY

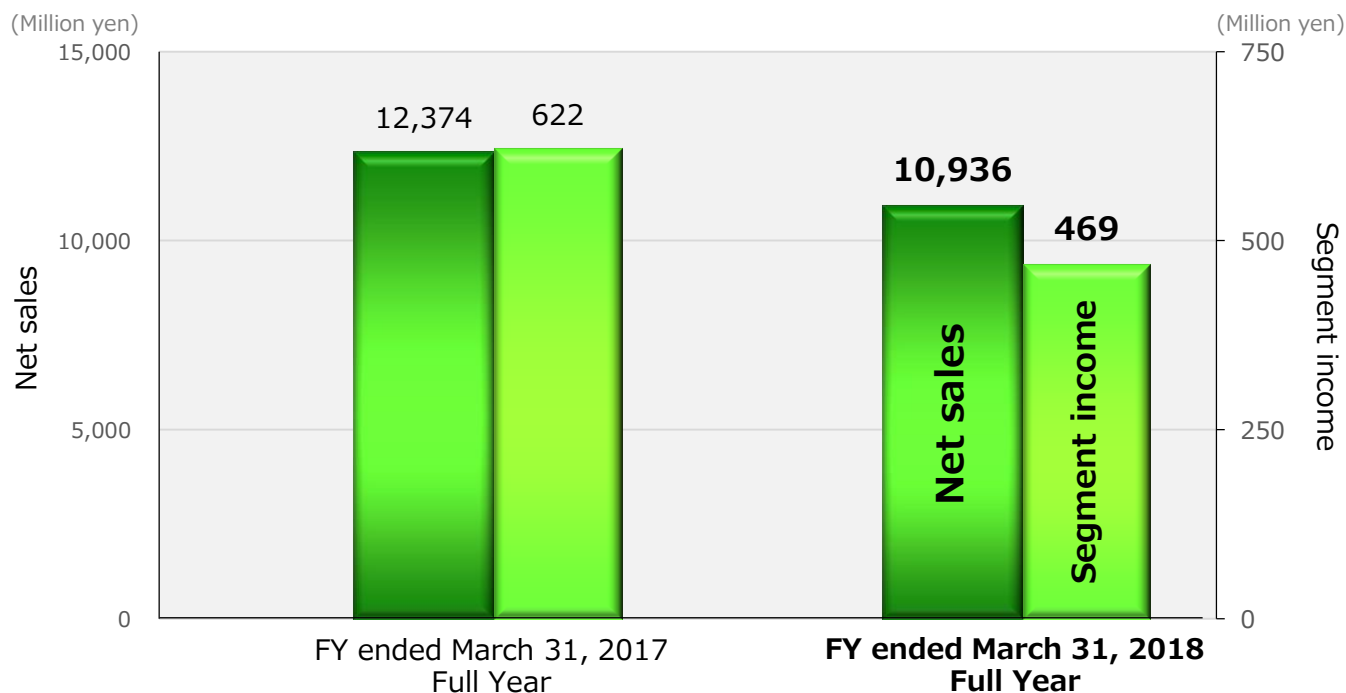
## Segment income

¥469 million

Down ¥153 million  
(Down 24.6%)

[Business Entity]

Power Supply  
Technology CO., LTD.



### 3. Financial Performance Highlights (B/S)

- Beginning with the current consolidated fiscal year, group financing and management has been consolidated in the holding company, transitioning the group to an efficient structure for the management of funds.
- We have also migrated to the same system for borrowing, under which the parent company will borrow and manage money for domestic affiliates. Borrowings had decreased by ¥1,029 million as of March 31, 2018.

(Million yen)	March 31, 2017	March 31, 2018	Change	Main Points
Current assets	18,308	<b>20,666</b>	2,357	Cash and deposits: ¥881 million Notes and accounts receivable – trade: ¥968 million Inventories: ¥304 million
Non-current assets	6,251	<b>5,830</b>	(420)	
Property, plant and equipment	4,197	<b>4,505</b>	307	
Intangible assets	526	<b>503</b>	(23)	
Investments and other assets	1,527	<b>821</b>	(705)	Investment securities: (¥198 million) Affiliate loans: (¥374 million)
<b>Total assets</b>	24,559	<b>26,496</b>	1,937	
<b>Total liabilities</b>	19,599	<b>20,345</b>	746	
Current liabilities	15,879	<b>13,590</b>	(2,289)	[Loans payable balance] (¥1,029 million)
Non-current liabilities	3,719	<b>6,755</b>	3,035	Mar. 31, 2018: ¥10,635 million Mar. 31, 2017: ¥11,664 million
<b>Total net assets</b>	4,960	<b>6,150</b>	1,190	
<b>Total liabilities and net assets</b>	24,559	<b>26,496</b>	1,937	

## 4. Financial Performance Highlights (Cash Flows)

(Million yen)	March 31, 2017	March 31, 2018	Main Points
Income before income taxes	854	<b>1,664</b>	
Depreciation	648	<b>716</b>	
Change in operating capital	230	<b>(132)</b>	Notes and accounts receivable – trade: (¥763 million) Inventories: (¥323 million) Accounts payable – trade: ¥954 million
Other	(137)	<b>18</b>	
<b>Net cash flow from operating activities</b>	<b>1,595</b>	<b>2,266</b>	
Purchase/sales of non-current assets	253	<b>(604)</b>	Gains on sale: ¥284 million Expenditures for acquisition: (¥888 million)
Other	(671)	<b>516</b>	Proceeds from sale of investment securities: ¥232 million
<b>Net cash flow from investing activities</b>	<b>(417)</b>	<b>(87)</b>	
<b>Free cash flow</b>	<b>1,177</b>	<b>2,178</b>	
Change in loans payable	413	<b>(1,115)</b>	
Payment of dividends, etc.	(882)	<b>(17)</b>	Dividends paid: (¥59 million)
<b>Net cash flow from financing activities</b>	<b>(469)</b>	<b>(1,133)</b>	
<b>Cash and cash equivalents at end of period</b>	<b>3,253</b>	<b>4,449</b>	



## 5. Earnings Forecasts for Fiscal Year Ending March 31, 2019

- Demand will remain firm in fiscal year ending March 31, 2019, despite pressure on profits from strategic investments. The plan projects growth in net sales and in operating and ordinary income.
- This will mark the start of the FY2020 Medium-Term Business Plan, a three-year period beginning in FY2018, during which we will rebuild the foundation for growth. We will aim for the next stage as we also make strategic investments.

(Million yen)	FYE March 31, 2017 Results (2 periods prior)	FYE March 31, 2018 Results (Previous period)	FYE March 31, 2019 Forecasts (Current period)	YoY
Net sales	54,581	54,172	<b>61,000</b> H1: 28,500/H2: 32,500	12.6%
Operating income	974	1,292	<b>1,300</b> H1: 400/H2: 900	0.6%
Ordinary income	561	1,506	<b>1,550</b> H1: 500/H2: 1,050	2.9%
Profit attributable to owners of parent	493	1,188	<b>1,100</b> H1: 350/H2: 750	(7.4%)

# (For Reference) Full-year Earnings Forecasts by Segment

- The HS Business is expected to see strong growth, both in Japan and overseas.
- The EMS Business will experience limited profit growth due to the cost of advance investments. The PS Business will move past the hiatus in new product introductions and return to growth. It will also begin mass production of products it has developed (battery packs).

(Million yen)		FYE March 31, 2017 Results (2 periods prior)	FYE March 31, 2018 Results (Previous period)	FYE March 31, 2019 Forecasts (Current period)	YoY
HS Business	Net sales	13,906	17,069	<b>21,500</b>	26.0%
	Segment income	682	610	<b>690</b>	13.1%
EMS Business	Net sales	28,300	26,165	<b>27,400</b>	4.7%
	Segment income	122	648	<b>650</b>	0.3%
PS Business	Net sales	12,374	10,936	<b>12,100</b>	10.6%
	Segment income	622	469	<b>500</b>	6.6%
Segment Eliminations	Adjustment to segment income	(452)	(436)	<b>(540)</b>	—
Total	Net sales	54,581	54,172	<b>61,000</b>	12.6%
	Segment income	974	1,292	<b>1,300</b>	0.6%

# **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 April 1, 2017)
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.

## 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

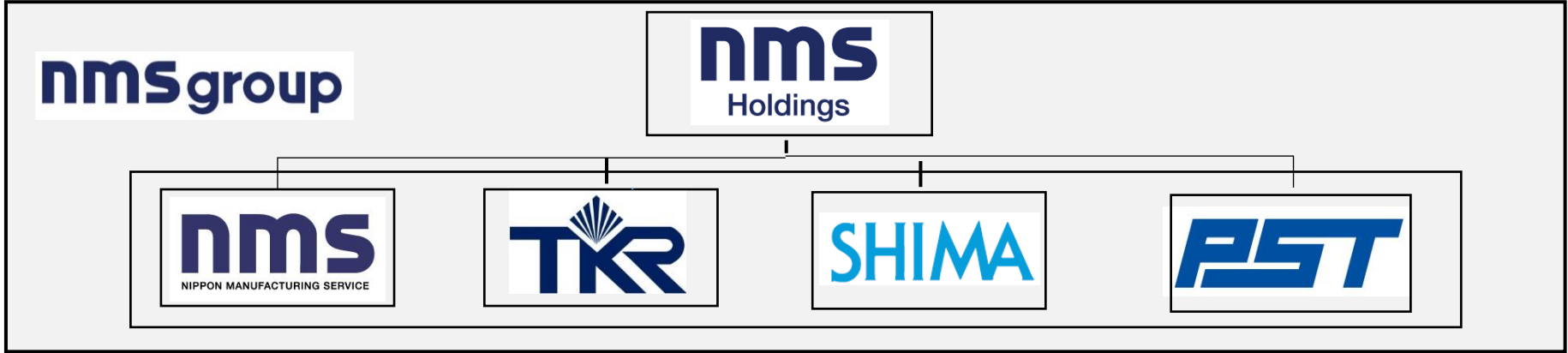
## Power Supply Business

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

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