nms Holdings Corporation Overview of Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2019

(JASDAQ 2162)

● **Net sales**

The EMS Business saw a decline in demand for machine tool-related products and overseas household appliances. However, the Power Supply Business (PS Business) saw new orders for the main power supply products and the start-up of mass production for those products following the previous hiatus in demand. The Human Resource Solution Business (HS Business) also saw firm demand, mainly in the domestic human resources business. This led to YoY growth in net sales.

● **Operating income**

Operating income declined YoY overall. Advance investment costs incurred in the HS Business in relation to contracting foreign technical trainees and the establishment of a third party logistics contracting and technical logistics processing company depressed profits. Profits also came under pressure from start-up costs associated with NeoTechnology Inc., a company that dispatches technicians which became a consolidated subsidiary of the nms Group during the third quarter of the current fiscal year, as well as the decline in orders and steep rise in material prices in the EMS Business and the PS Business due to deceleration in the growth in the Chinese economy.

● **Profit attributable to owners of parent**

Profit attributable to owners of parent declined due to the recognition of costs incurred in reforming the business structure on top of the decline in operation income, and despite extraordinary income of ¥156 million derived mainly from gains on the sale of non-current assets and investment securities.

[Financial Performance for the Third Quarter of Fiscal Year Ending March 31, 2019]

Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Million yen 42,269	Million yen 300	Million yen 312	Million yen 211

1. Financial Performance Highlights Through the Third Quarter (April to December 2018) of Fiscal Year Ending March 31, 2019

(Million yen)	Third Quarter FYE Mar. 31, 2018 Results (Apr. to Dec. 2017)	Third Quarter FYE Mar. 31, 2019 (April to December 2018)		
		Results	YoY	Main Points
Net sales	**40,728**	**42,269**	*3.8%*	[Net sales] Sales were firm in the HS Business and PS Business. [Operating income] The decline in operating income was mainly caused by the cost of advance investment and the steep rise in material prices. [Ordinary income] Non-operating income: ¥404 million (Up ¥66 million YoY) Non-operating expenses: ¥391 million (Up ¥187 million YoY) [Extraordinary income] Gain on the sale of investment securities: ¥38 million Gain on the sale of non-current assets: ¥10 million Gain on reversal of FX translation adjustment: ¥91 million [Extraordinary loss] Cost of business structure reform: ¥47 million
Operating income	**980**	**300**	*(69.3%)*	
Ordinary income	**1,113**	**312**	*(71.9%)*	
Profit attributable to owners of parent	**924**	**211**	*(77.2%)*	

2. Financial Performance Highlights by Segment

(Million yen)		Third Quarter FYE Mar. 31, 2018 Results (Apr. to Dec. 2017)	Third Quarter FYE Mar. 31, 2019 (April to December 2018)		
			Results	YoY	Main Points
HS Business	Net sales	**12,630**	**14,239**	*12.7%*	Domestic demand was firm, demand for the business was firm despite the pressure on profits from the cost of advance investment in a new logistics-related company, a company to provide training for foreign technical trainees, and other investments.
	Segment income	**433**	**114**	*(73.6%)*	
EMS Business	Net sales	**19,949**	**19,051**	*(4.5%)*	The pace of growth in demand decelerated for machine tool-related products and overseas household appliances. Segment income declined due to expenses associated with the establishment of a manufacturing plant in Vietnam, but steps will be taken to improve income next period and beyond.
	Segment income	**543**	**320**	*(40.9%)*	
PS Business	Net sales	**8,148**	**8,978**	*10.2%*	Segment income declined due to impact from the steep rise in material prices, but hiatus in demand ended, and new orders also contributed to a rebound in sales. We also began shipping and delivery of battery packs.
	Segment income	**325**	**262**	*(19.4%)*	
Segment Eliminations	Segment income	**(322)**	**(397)**	—	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	**40,728**	**42,269**	*3.8%*	
	Segment income	**980**	**300**	*(69.3%)*	

* 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

¥14,239 million

UP 12.7% YoY

Segment income

¥114 million

Down 73.6% YoY

[Business Entity]

Nippon Manufacturing Service Group

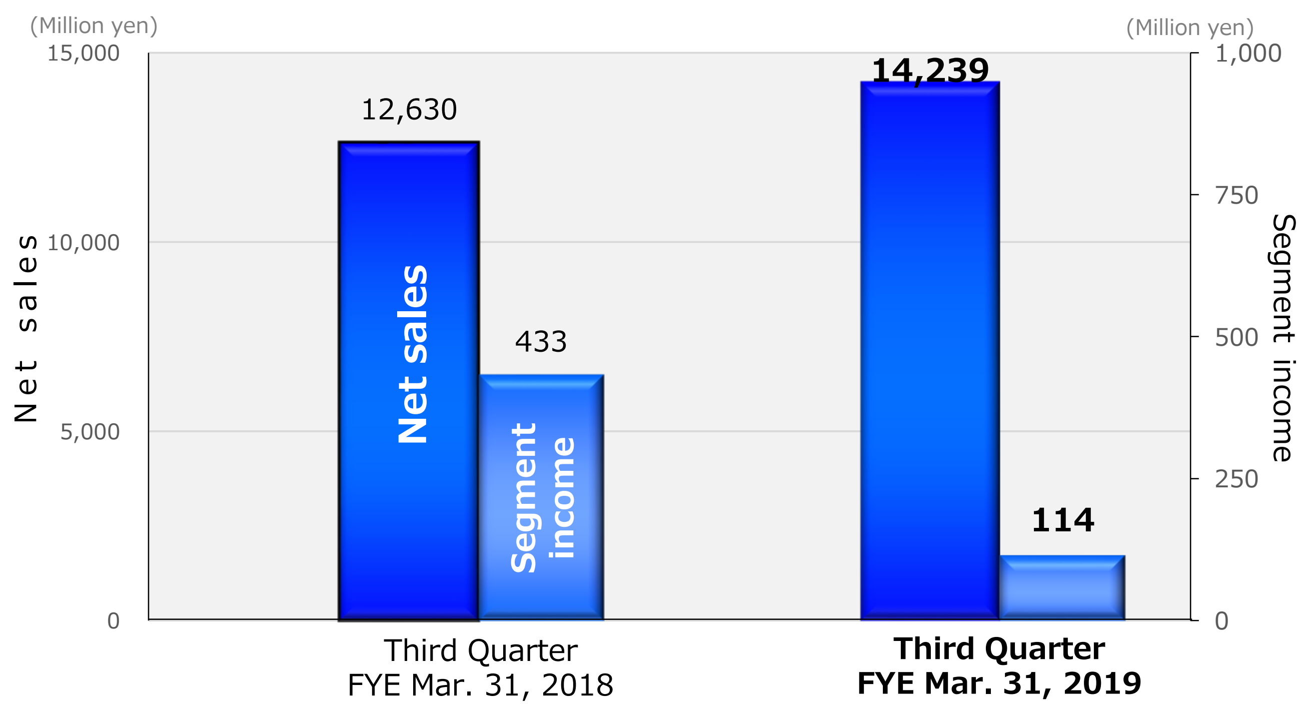
Japan

In the manufacturing worker dispatch/contract manufacturing business, we worked to improve hiring ability and retention by making employees full-time employees, utilizing foreign technical trainees, and taking other steps. Demand remained firm.

Overseas

China continued to see changes in the market environment and a rapid rise in personnel costs and other expenses, but we stepped up efforts to expand local contract manufacturing overseas. In Vietnam and Thailand, we worked to promote combining expertise in the EMS Business within the group, proposed the introduction of labor-saving measures, and took other steps to promote new services and improve profitability.

The cost of advance investment in establishing a contracting business for foreign technical trainees, and establishing a third party logistics contracting and technical logistics processing company, as well as the start-up costs associated with consolidation of a technician dispatch company put pressure on profits. However, these costs were incurred as part of our growth strategy and we will work to reap the results quickly and improve profitability.



nms Holdings

Net sales

¥19,051 million

Down 4.5% YoY

Segment income

¥320 million

Down 40.9% YoY

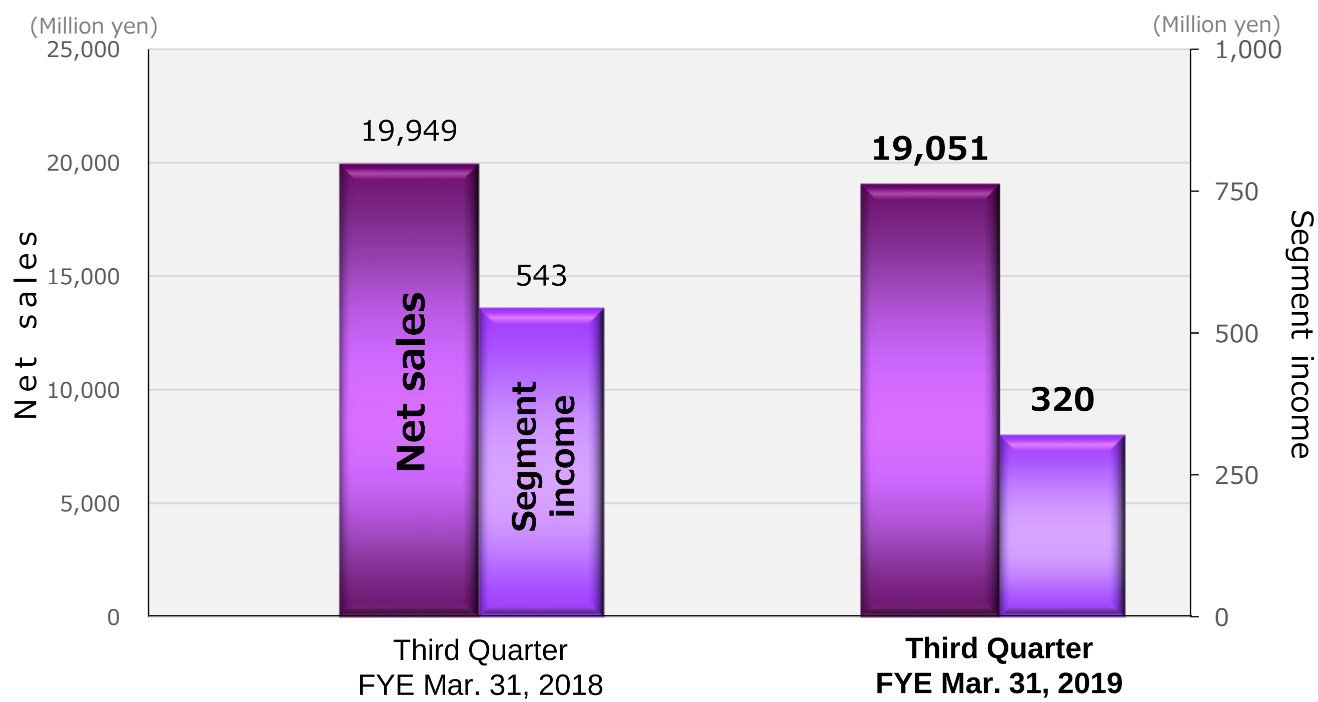
[Business Entity]

- **SHIMA ELECTRONIC INDUSTRY Group**
- **TKR Group**

Japan: The pace of growth in machine tool-related demand slowed upon entering the second quarter, but demand was firm for existing products in general.

Overseas: The pace of growth in household appliance-related demand slowed in Malaysia, while demand in China was strong.

TKR Corporation (TKR) will bring its new plant in Vietnam online in April 2019, and we also plan to enter the North American and Mexican markets via the acquisition of the business from Sony as announced on December 19, 2018, in an effort to further expand the business scale.



(For Reference) Financial Performance by Segment: PS Business

Net sales

¥8,978 million

UP 10.2% YoY

Segment income

¥262 million

Down 19.4% YoY

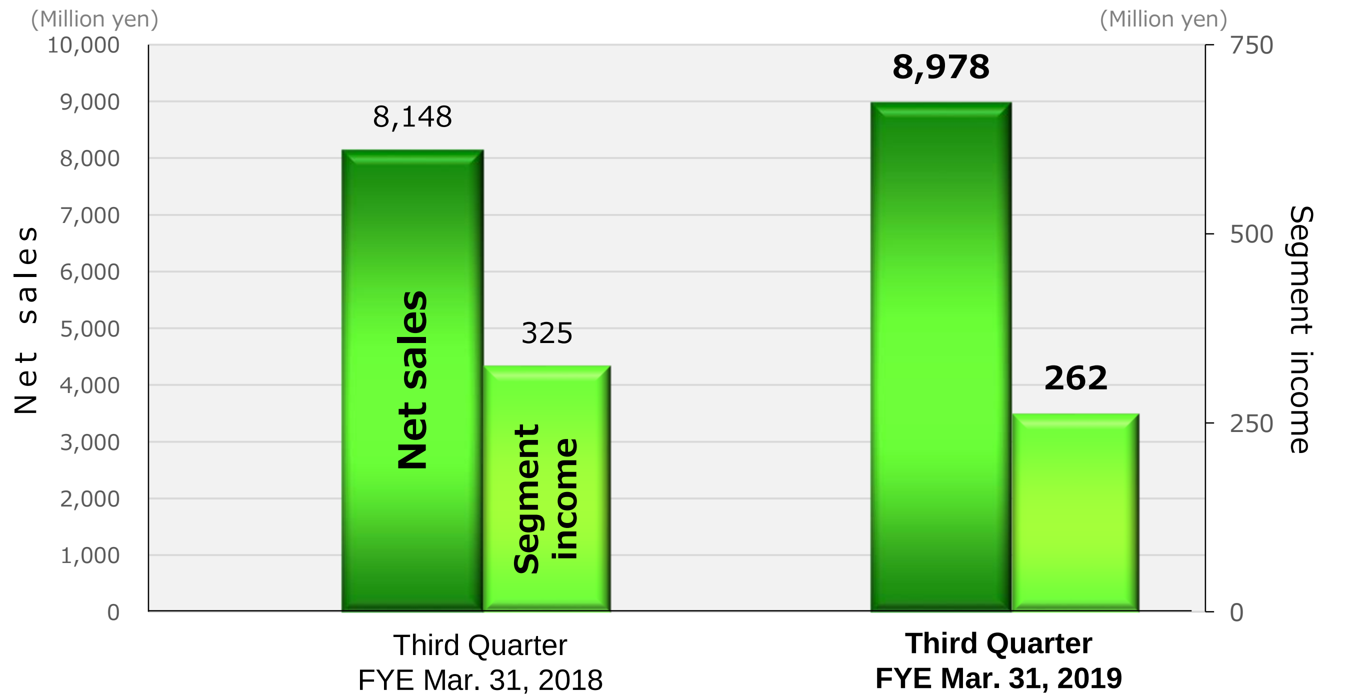
[Business Entity]

Power Supply Technology CO., LTD.

Overall

- Sales rebounded, due in part to the steady start of mass production of new orders and increase in the shipment of sample products as the segment completed adjustments to demand for existing products and moved past the hiatus in introduction of new products for new areas.
- The power supply technology developed up to this point was used to launch the battery management system business, and order inquiries were strong for LiB secondary battery packs.
- The Matsusaka Factory in Mie Prefecture was opened on January 11, 2018 as a development and mass production center for that. Production started in September 2018, and deliveries began in October.

The areas of application for battery packs are expanding, and we aim to grow net sales and segment income through the two strategies of strengthening the business base and developing, manufacturing, and expanding sales of new products.



3. Financial Performance Highlights (B/S)

(Million yen)	March 31, 2018	December 31, 2018	Change	Main Points
Current assets	20,434	**21,808**	*1,373*	Cash and deposits: (¥92 million) Notes and accounts receivable – trade: ¥500 million Inventories: ¥766 million
Non-current assets	6,061	**7,356**	*1,294*	
Property, plant and equipment	4,505	**5,660**	*1,155*	The increase was due to acquisition of the Matsusaka Factory in the PS Business.
Intangible assets	503	**539**	*36*	
Investment and other assets	1,053	**1,155**	*102*	
Total assets	26,496	**29,164**	*2,667*	
Total liabilities	20,345	**23,540**	*3,194*	
Current liabilities	13,584	**16,220**	*2,636*	[Loans payable balance] Dec. 31, 2018: ¥14,425 million Mar. 31, 2018: ¥10,636 million
Non-current liabilities	6,761	**7,320**	*558*	
Total net assets	6,150	**5,623**	*(526)*	
Total liabilities and net assets	26,496	**29,164**	*2,667*	

4. Revision of Full-year Earnings Forecasts for Fiscal Year Ending March 31, 2019

We have revised the full-year earnings forecasts for fiscal year ending March 31, 2019 disclosed on May 14, 2018 as follows, based on the trend in performance.

(Million yen)	FYE March 31, 2018 Results (Previous period)	FYE March 31, 2019		
		Previous Forecasts	Current Forecasts	Percentage change
Net sales	54,172	**61,000**	**57,500**	*(5.7%)*
Operating income	1,292	**1,300**	**520**	*(60.0%)*
Ordinary income	1,506	**1,550**	**510**	*(67.1%)*
Profit attributable to owners of parent	1,188	**1,100**	**430**	*(60.9%)*