



nms nms Holdings Corporation

Overview of Financial Results for the First Half of Fiscal Year Ending March 31, 2019

November 16, 2018

nms Holdings Corporation

Overview of Financial Results

for the First Half of Fiscal Year Ending March 31, 2019

- **Net sales and profits rebounded in the Power Supply Business (PS Business), following the previous hiatus in demand, owing to new orders for the main power supply products and the start-up of mass production. The EMS Business saw a decline in demand for machine tool-related products and overseas household appliances upon entering the second quarter, but net sales were strong overall.**
- **Operating income declined YoY overall. This was due to a delay in production plans in the PS Business during the second quarter due to difficulty in procuring parts, in addition to advance investment costs incurred in the Human Resource Solution Business (HS Business) in relation to contracting foreign technical trainees, and the establishment of a third party logistics contracting and technical logistics processing company.**
- **Profit attributable to owners of parent declined from the first half of last fiscal year, during which extraordinary income of ¥221 million was posted for a gain on sale of investment securities, etc. Operating income also declined during the first half of the current fiscal year and the gain on sales of non-current assets that the company had expected to recognize during the first half was delayed to the second half. We expect to post this gain on the sales of non-current assets during the third quarter.**

[Financial Performance for the First Half of Fiscal Year Ending March 31, 2019]

Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Million yen 27,719	Million yen 239	Million yen 220	Million yen 62

1. Financial Performance Highlights for the First Half of Fiscal Year Ending March 31, 2019

(Million yen)	First Half FYE Mar. 31, 2018 Results	First Half FYE Mar. 31, 2019		
		First Half Results	YoY	Main Points
Net sales	26,939	27,719	2.9%	
Operating income	596	239	(59.8%)	[Ordinary income] Non-operating income: ¥266 million (Up ¥47 million YoY) Non-operating expenses: ¥285 million (Up ¥74 million YoY)
Ordinary income	603	220	(63.5%)	[Extraordinary income] ¥39 million (Down ¥182 million YoY)
Profit attributable to owners of parent	570	62	(89.0%)	[Extraordinary loss] ¥48 million (Up ¥5 million YoY)

2. Financial Performance Highlights by Segment

(Million yen)		First Half FYE Mar. 31, 2018 Results	First Half FYE Mar. 31, 2019		
			Results	YoY Net sales: % Profit: Million yen	Main Points
HS Business	Net sales	8,268	9,155	10.7%	Domestic demand 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	264	147	(116)	
EMS Business	Net sales	13,331	12,942	(2.9%)	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 investment will continue next period and thereafter.
	Segment income	408	157	(251)	
PS Business	Net sales	5,339	5,621	5.3%	The period of adjustment to demand for existing products and the hiatus in the introduction of products in new areas ended and we achieved a steady start to mass production of new orders, resulting in growth in both net sales and segment income. We also began shipping and delivery of battery packs.
	Segment income	125	182	57	
Segment Eliminations	Segment income	(200)	(247)	(47)	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	26,939	27,719	2.9%	
	Segment income	596	239	(357)	

* 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

¥9,155 million

Up 10.7% YoY

Segment income

¥147 million

Down ¥116 million YoY
(Down 44.1%)

[Business Entity]

Nippon Manufacturing Service Group

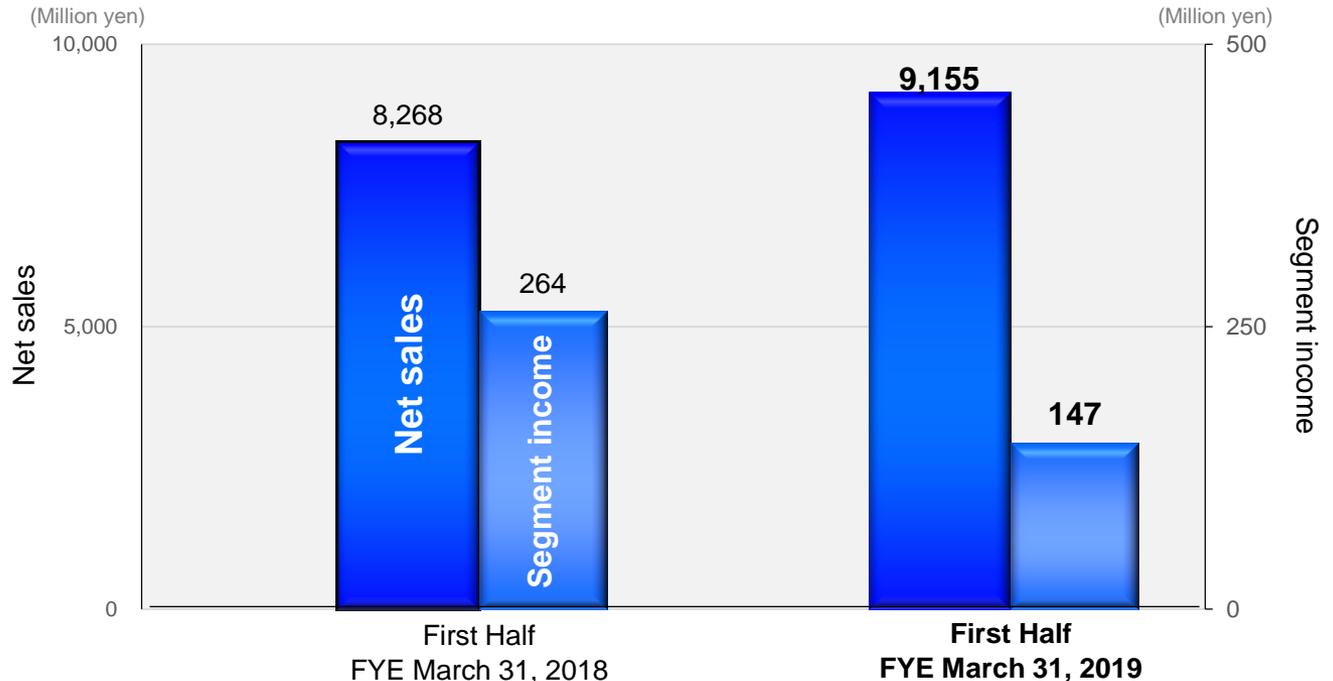


In the manufacturing worker dispatch/contract manufacturing business, we built a framework for utilizing foreign human resources, including foreign technical trainees by making employees full-time employees, enhancing benefits, and improving hiring ability and retention. We will take steps to expand the market in the future.



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 for establishing a contracting business for foreign technical trainees, and establishing a third party logistics contracting and technical logistics processing company aimed at future market expansion puts pressure on profits, but we will work to reap the results quickly and improve profitability.



(For Reference) Financial Performance by Segment: EMS Business

Net sales

¥12,942 million

Down 2.9% YoY

Segment income

¥157 million

Down ¥251 million YoY
(Down 61.5%)

[Business Entities]

- SHIMA ELECTRONIC INDUSTRY Group
- TKR Group



Japan

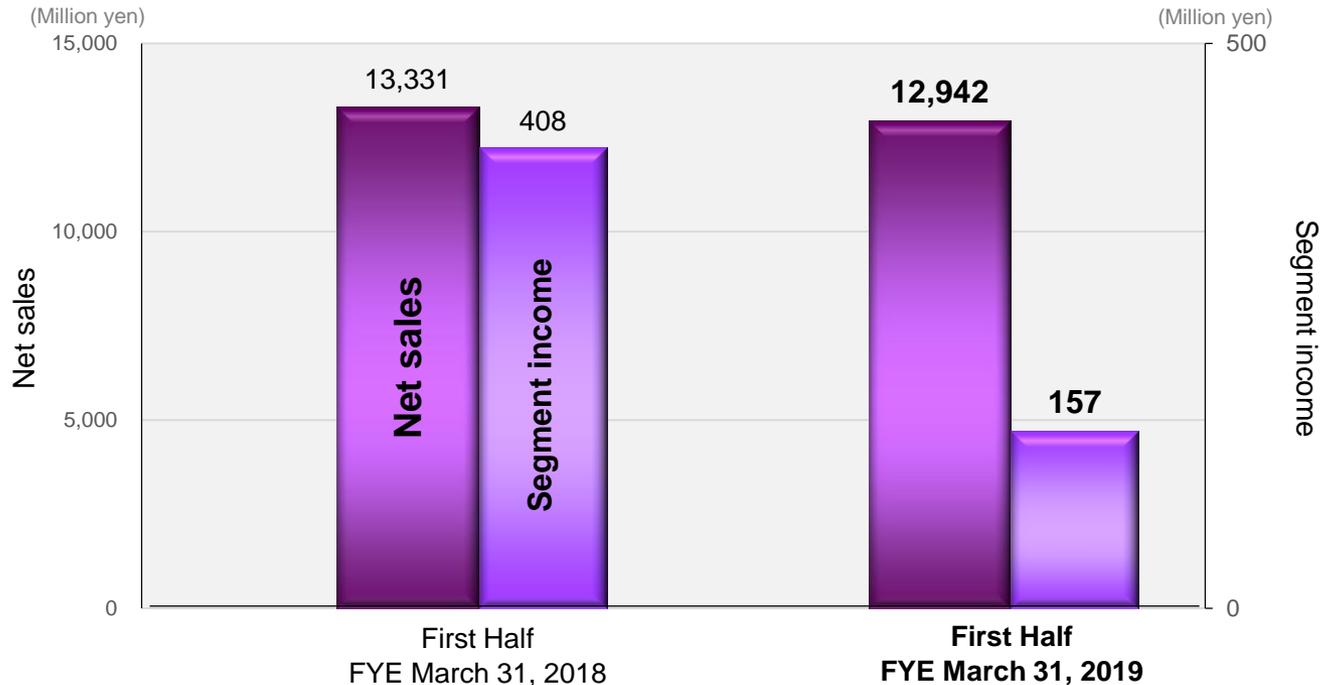
The pace of growth in machine tool-related demand slowed upon entering the second quarter, but demand was firm for existing products in general.



Overseas

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

Construction is progressing steadily on the plant in Vietnam, which is a new market for TKR. TKR plans to bring the plant online in April 2019 and will work to expand demand in the new market.



(For Reference) Financial Performance by Segment: PS Business



- Both segment sales and income increased, 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.

Net sales

¥5,621 million

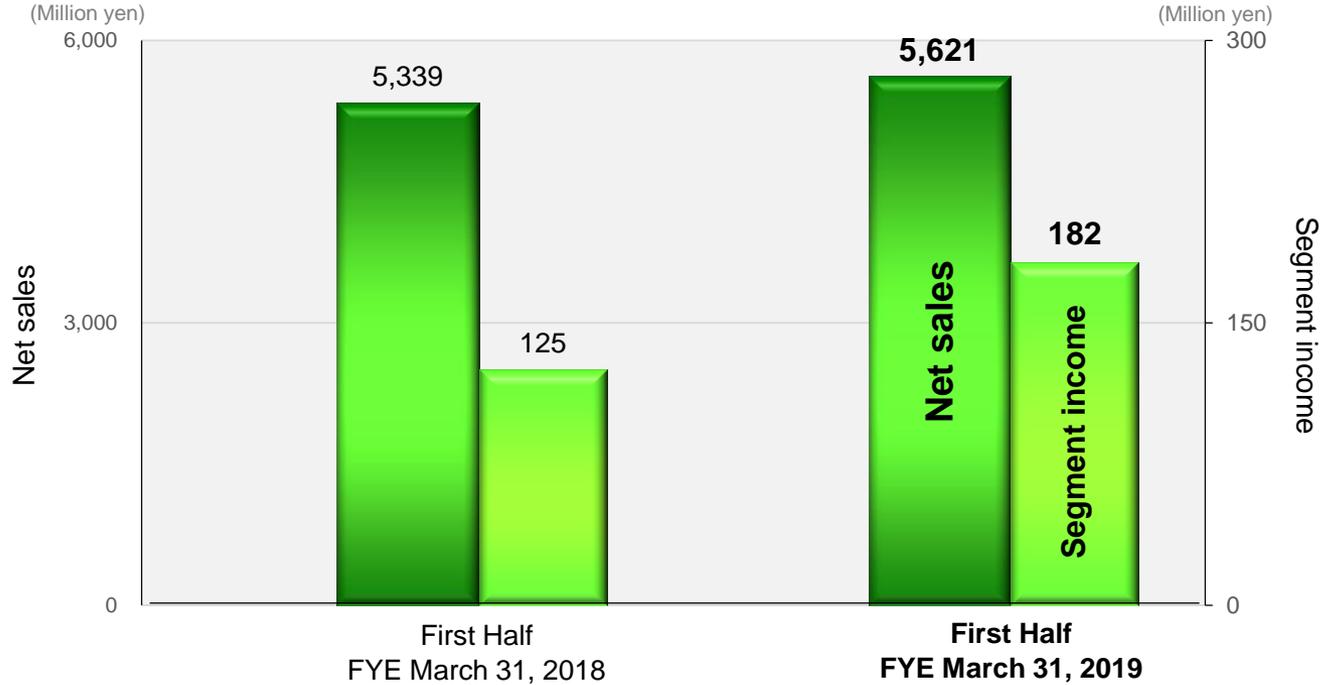
Up 5.3% YoY

Segment income

¥182 million

Up ¥57 million YoY
(Up 46.0%)

[Business Entity]
Power Supply Technology CO., LTD.



3. Financial Performance Highlights (B/S)

(Million yen)	March 31, 2018	September 30, 2018	Change	Main Points
Current assets	20,434	21,145	711	Cash and deposits: (¥247 million) Notes and accounts receivable – trade: ¥459 million Inventories: ¥302 million
Non-current assets	6,061	7,042	980	
Property, plant and equipment	4,505	5,553	1,048	
Intangible assets	503	521	17	
Investments and other assets	1,053	968	(85)	
Total assets	26,496	28,188	1,692	
Total liabilities	20,345	22,556	2,211	
Current liabilities	13,584	15,024	1,440	[Loans payable balance] ¥2,965 million
Non-current liabilities	6,761	7,531	770	Sep. 30, 2018: ¥13,601 million Mar. 31, 2018: ¥10,635 million
Total net assets	6,150	5,632	(518)	
Total liabilities and net assets	26,496	28,188	1,692	

4. Financial Performance Highlights (Cash Flows)

(Million yen)	1H FYE March 31, 2018	1H FYE March 31, 2019	Main Points
Income before income taxes	781	211	
Depreciation	347	396	
Change in operating capital	(982)	(1,266)	Notes and accounts receivable – trade: (¥592 million) Inventories: (¥307 million) Accounts payable – trade: (¥367 million)
Other	(218)	(378)	
Net cash flow from operating activities	(71)	(1,037)	
Purchase/sales of non-current assets	(151)	(1,546)	Expenditures for acquisition: (¥1,549 million) Gains on sale: ¥2 million
Other	654	(73)	
Net cash flow from investing activities	502	(1,619)	
Free cash flow	431	(2,657)	
Change in loans payable	364	2,949	
Payment of dividends, etc.	81	(428)	Dividends paid: (¥77 million) Acquisition of additional subsidiary shares: (¥247 million)
Net cash flow from financing activities	446	2,521	
Cash and cash equivalents at end of period	4,135	4,213	

5. Earnings Forecasts for Fiscal Year Ending March 31, 2019 (Figures disclosed on May 14, 2018)

- While the future remains uncertain, there is no change in the full-year earnings forecasts disclosed on May 14, 2018 at the present time. We anticipate growth in acceptance and management services contracting, mainly for foreign technical trainees, and plan to increase production in the PS Business during the second half.
- We will promptly disclose any revisions to forecasts based on future business trends, should the need arise.

(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	61,000	12.6%
Operating income	974	1,292	1,300	0.6%
Ordinary income	561	1,506	1,550	2.9%
Profit attributable to owners of parent	493	1,188	1,100	(7.5%)

Summary of Strategic Measures in Each Segment

- **Build a base for growth through strategic measures that capitalize on the opportunities presented by change –**

Key Points
1

Use the growth in acceptance of foreign human resources as a good opportunity to quickly complete the system of support for human resources upon acceptance, in getting established, and after returning to their home countries, and create a virtuous cycle.

Growth in acceptance of foreign human resources

The revisions to the law on foreign technical trainees has provided a tail wind for the nms Group, which possesses its own infrastructure in Japan and overseas.



Measures Implemented During the First Half of Fiscal Year Ending March 31, 2019

Entering new markets

- **October 2018: Established nms Indonesia and launched business**
 - Entered alliance with AP2LN local government sending organizations and formulated a sending plan
 - In Japan, we entered an alliance with the Japan Technical Education Organization (JATEO), an organization which provides training for foreign technical trainees in the nms Group and an external supervisory organization and worked to build a foundation for the smooth acceptance and quick establishment of trainees.

Breaking into the agricultural human resources sector

- **August 2018: Participated in the Eastern Hokkaido Regional Origination Conference**
Worked to expand acceptance of foreign technical trainees in the agricultural sector and contributed to the revitalization of the regional economy.

Expansion of education system

- **May 2018: Developed and began using the 3L System, a Japanese language training system for Vietnamese human resources**
Created educational programs for different cultures, manufacturing and nursing care skills, onsite education at manufacturing plants, and other educational programs and rolled these out in other countries

Diversification of highly proficient human resources

- **From April 2018: Expanded the number of engineers registered and also expanded use and dispatch of foreign human resources**

Key Points
2

- Contribute to achieving cost-competitiveness for customers by entering the labor-saving device business and proposing the addition of staffing services.
- Expand business laterally by utilizing our expertise in manufacturing worker dispatch and contract manufacturing.

Entrance into the labor-saving device business

Unique characteristics of nms

Contribute to improving customer cost competitiveness by combining multiple proposals with human resource solutions



**Staffing services
Production line contracting**

+

Production line diagnostics & inspection

+

Design, manufacture, and installation of labor-saving devices

- **April 2018: Entered manufacturing and sale of labor-saving devices with a high-resolution camera from KEYENCE CORPORATION.**
 - Substantially reduced worker hours previously used in visual inspection and contributed to the achievement of consistent quality management.
 - Pursued on-premises contracting while developing the devices as contracting service menus to meet needs overseas. Inquiries are already increasing in Vietnam and China, and we also plan to roll this out in Thailand.
 - In the future, we will work to strengthen design and development capabilities and enhance the support infrastructure to expand the business.

Strengthening third-party logistics contracting and technical logistics processing

- **May 2018: Established an operating company and accelerated implementation**

Established nms Logistics and Technical solution Co., Ltd.

- Built a new core business by utilizing our accumulated expertise and track record in third-party logistics contracting and technical services to integrate the logistics contracting and technical segments.
- Configured efficient logistics routes, supported innovative logistics strategies, and provided advanced processing in logistics for various kinds of electronic devices.
- Fully utilized the human resources business and group resources to also meet customers' needs in regard to challenges in the logistics industry of flexible acquisition of human resources and familiarizing them with their work, and overall operating efficiency.

Launch a new business in substrate repair

- **June 2018: Obtained certification as a Huawei-certified repair center and rolled out the business nationwide**



- Worked to open certified repair centers under the “nms mobile” business brand (7 centers: Hokkaido, Sendai, Shibuya, Yokohama, Nagoya, Hiroshima, and Fukuoka)
- Responded to the increasingly diversified repair needs of customers in anticipation of rapid growth in SIM-free devices.
- Rolled out a total solution to meet customers' needs by partnering with the logistics business on everything from parts management to repair, after-service, and delivery.

Key Points

- Expand business opportunities by implementing a location strategy based on the acceleration of the move to fables manufacturing in the manufacturing industry.
- Work to achieve differentiation by strengthening design and development capabilities and secure customers.

Construction of a new plant in Vietnam

- **May 2018: Established TKR MANUFACTURING VIETNAM CO., LTD.**
 - Scheduled to begin production in April 2019 as the Vietnam business location of the TKR Group.
 - The plant will consist of a press plant and a mount assembly plant on a 40,000 m² lot. The press plant is currently under construction and construction is proceeding according to schedule.
 - We will build a flexible production structure that divides functions with the location in Malaysia.

Conceptual drawing of completed plant

Ba Thien II Industrial Park
The main customers are located nearby, and the location offers many advantages from the perspectives of securing human resources and logistics.



Steady progress on construction

Strengthening the functions of the location in China

- **September 2018: Established R&D center in Dongguan, China and strengthened the design and development structure**
 - Worked to differentiate the business by strengthening the design and development structure at TKR HUANAN ELECTRONICS CO., LTD (DONG GUAN), the production location of the TKR Group in China, to improve product and parts design capabilities.
 - Also implemented labor-saving measures on production lines in the plant, worked to roll these out to other locations, and pursued other initiatives aimed at improving cost competitiveness.

Key Points

- Transform the business into a growth business by strengthening existing businesses and entering growth markets.
- Work to enter new areas and new markets, using energy management to create an opening.

Beginning battery pack supply

● **October 2018: Began supplying lithium-ion battery packs for the Nissan NV350 Caravan “glamper van” (glamorous camping)**

- The Nissan NV350 Caravan “glamper van” is equipped with a lithium-ion battery that enables use of a wide variety of electronic equipment such as A/C, AV equipment and kitchen appliances. It is a camper that is a step above the rest.
- The battery pack, which was developed by Power Supply Technology Co., Ltd. (PST), is the power source for various kinds of equipment and provides proper control of charging and storage (battery management).
- Based on the delivery track record, the number of inquiries for various kinds of industrial equipment is increasing and we are expanding sales while also keeping an increase in battery capacity in mind.



PST Lithium-ion secondary battery pack



NV350 Caravan



NV350 Caravan “glamper van” equipped with a lithium-ion battery
(Source: NISSAN MOTOR CORPORATION)

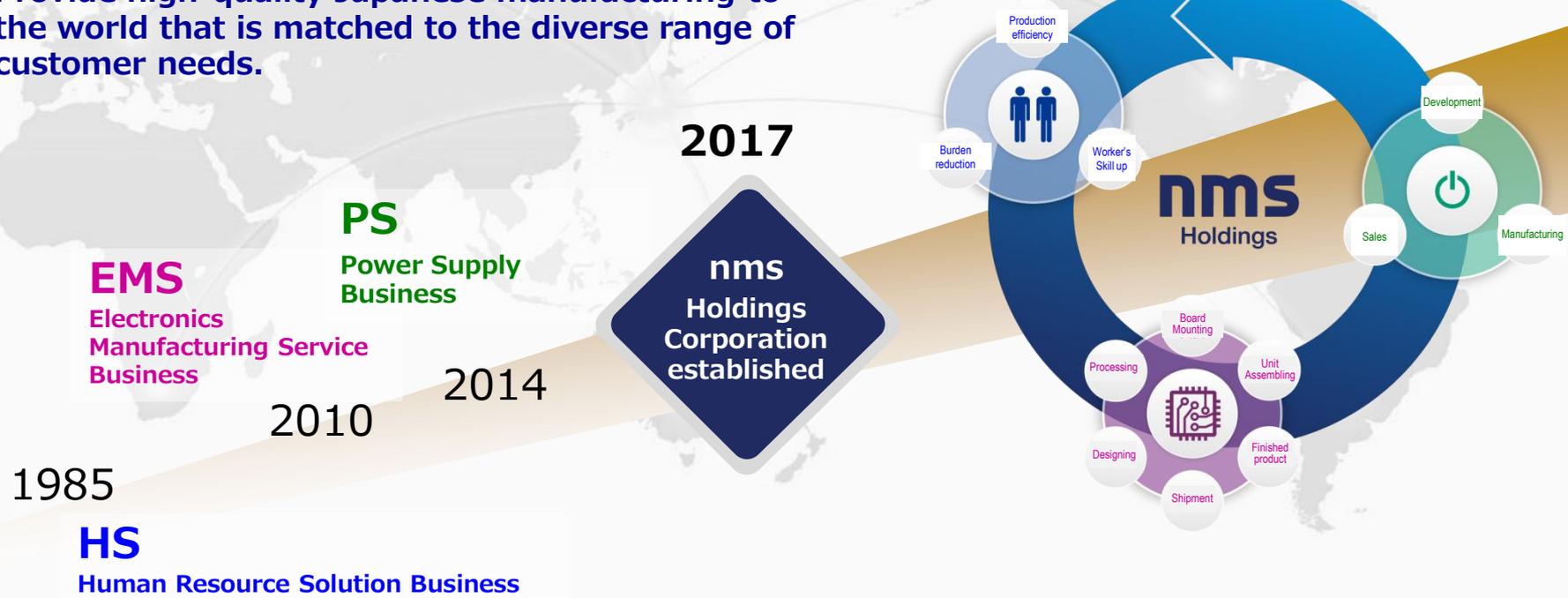
Assemble group resources and bring Japanese manufacturing quality to the world.

Take advantage of the good opportunities presented by the changing market environment.
Use the strength of our diversified business structure to implement total solutions.

Provide high-quality Japanese manufacturing to the world that is matched to the diverse range of customer needs.

Next Stage >>

2018 ⇒ 2020



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

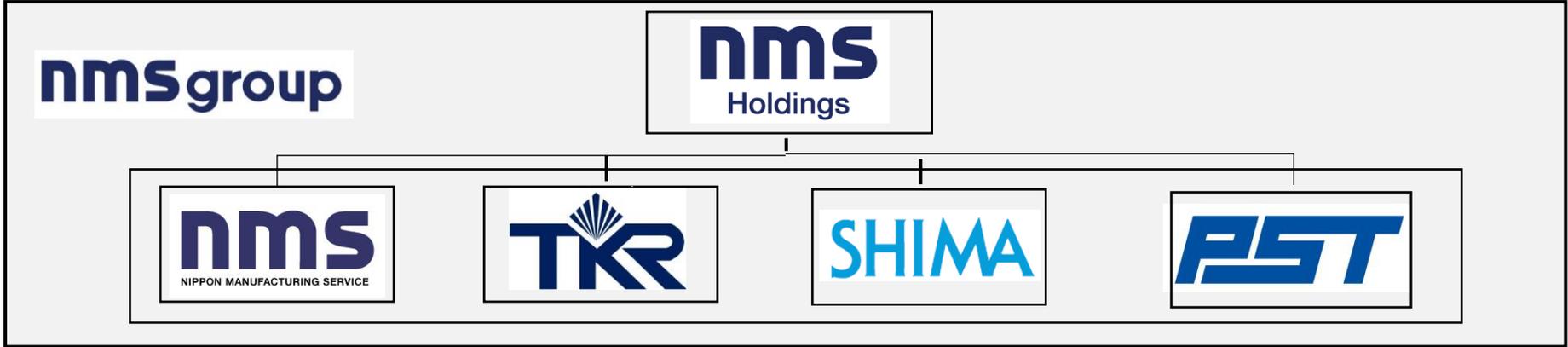
PS
Power Supply Business

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.

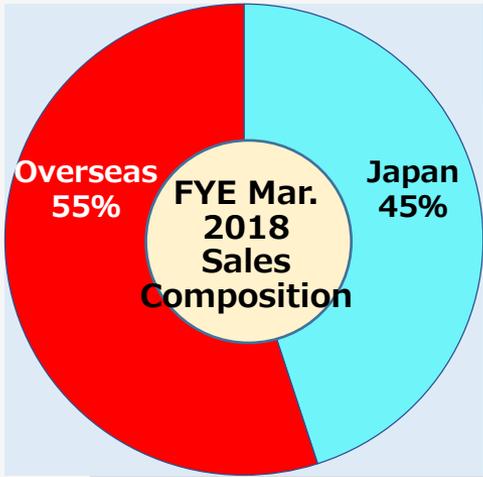
(For Reference) nms Group Business Structure



Main Consolidated Subsidiaries (fiscal year end for each company listed in parentheses)	Countries/ Regions Entered	Main Business Activities
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

(For Reference) nms Group Overseas Expansion

Integrate the unique characteristics of each business and capture new demand



China · HongKong



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

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

Thailand · Cambodia · Laos



nms (Thailand) Co., Ltd.
Amata City Branch
Nava Nakorn Branch
Amata nakorn Branch



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



NMS Lao Sole Co., LTD.

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



Philippines

TKR MANUFACTURING PHILIPPINES INC.



Malaysia



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



Viet Nam



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

Indonesia



PT. NMS CONSULTING INDONESIA



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, 2018)
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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