

A Total Sales/Marketing Solution Provider for Maximizing Client Profitability

# Direct Marketing MiX Inc.

## Financial results briefing (FY2021/12 1Q)

May 14<sup>th</sup>, 2021



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# 1. Financial results (FY2021/12 1Q)

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# Financial results highlights (FY2021/12 1Q)

- Sales Revenue : Sales increased steadily by **+18.5%** even compared to the strong 1Q of the previous fiscal year
- Various Profits : In the seasonality peculiar to this term (p.8) we achieved **an increase in profits, even though the margin has decreased** due to the enlarged costs of strategic acceleration of office space expansion & growth in personnel numbers

## Topics

### Sales revenue (by sector)

- Telecommunications : Steadily progressed despite seasonal changes
- Web/IT : Growth rate of cashless payment and food delivery services has increased significantly due to changes in lifestyle under Covid-19
- Public : Increased YoY due to continuation of spot business from FY2020/12

### Various Profits

- In the telecommunications sector, the excitement of the year-end sales was limited in comparison to the previous years, due to the low-cost mobile plan having fully developed only after the month of April.
- Expenses such as depreciation and paid leave increased due to accelerated expansion of bases and personnel accompanying business expansion.
- Net income was also affected by a one-time expense of Δ82 million yen which occurred due to refinancing.

Sales revenue	7.12 billion yen	YoY	+18.5%
EBITDA*1	1.68 billion yen	YoY	+13.3%
Operating profit	1.46 billion yen	YoY	+10.6%
Net income *2	930 million yen	YoY	+6.1%

\*1 EBITDA=operating income + depreciation + amortization

\*2 Profit attributable to owners of parent

# FY 2021/12 1Q P/L

- Sales Revenue : Although there was **no usual excitement in view of changes in seasonality due to the low-cost mobile plan**, there was steady progress, by **26.5% of the new budget**
- Various profits : The operating profit margin declined by  $\Delta 1.5\text{pt}$  due to seasonal changes but progressed at a high level of **38.4% of the budget**

## Consolidated P / L full-year forecast and YoY change

( ¥ mm)	2020/12 Full year	2021/12 Full year	
	Results	Forecast	YoY
<b>Sales revenue</b>	<b>22,461</b>	<b>26,800</b>	<b>119.3%</b>
Operating expenses	$\Delta 18,902$	—	—
Other revenue	39	—	—
Other expenses	$\Delta 12$	—	—
<b>Operating profit</b>	<b>3,586</b>	<b>3,800</b>	<b>106.0%</b>
Operating profit margin	<b>16.0%</b>	<b>14.2%</b>	—
Financial profit	40	—	—
Financial expenses	$\Delta 122$	—	—
<b>Profit before tax</b>	<b>3,504</b>	<b>3,700</b>	<b>105.6%</b>
Income tax expense	$\Delta 1,080$	—	—
<b>Net income<sup>*1</sup></b>	<b>2,425</b>	<b>2,500</b>	<b>103.1%</b>
Net income margin	<b>10.8%</b>	<b>9.3%</b>	—

<b>EBITDA<sup>*2</sup></b>	<b>4,321</b>	<b>4,600</b>	<b>106.5%</b>
EBITDA margin	<b>19.2%</b>	<b>17.2%</b>	—

## Consolidated P / L 1Q results and YoY comparison

2020/12 1Q	2021/12 1Q		
	Results	YoY	Progress rate <sup>*3</sup>
<b>6,002</b>	<b>7,115</b>	<b>118.5%</b>	<b>26.5%</b>
$\Delta 4,686$	$\Delta 5,677$	121.1%	—
5	24	—	—
$\Delta 0$	$\Delta 2$	—	—
<b>1,320</b>	<b>1,460</b>	<b>110.6%</b>	<b>38.4%</b>
<b>22.0%</b>	<b>20.5%</b>	$\Delta 1.5\text{pt}$	—
39	0	—	—
$\Delta 48$	$\Delta 106$	—	—
<b>1,311</b>	<b>1,355</b>	<b>103.3%</b>	<b>36.6%</b>
$\Delta 438$	$\Delta 428$	—	—
<b>873</b>	<b>926</b>	<b>106.1%</b>	<b>37.1%</b>
<b>14.5%</b>	<b>13.0%</b>	$\Delta 1.5\text{pt}$	—

<b>1,486</b>	<b>1,683</b>	<b>113.3%</b>	<b>36.6%</b>
<b>24.8%</b>	<b>23.6%</b>	—	—

\*1 Profit attributable to owners of parent

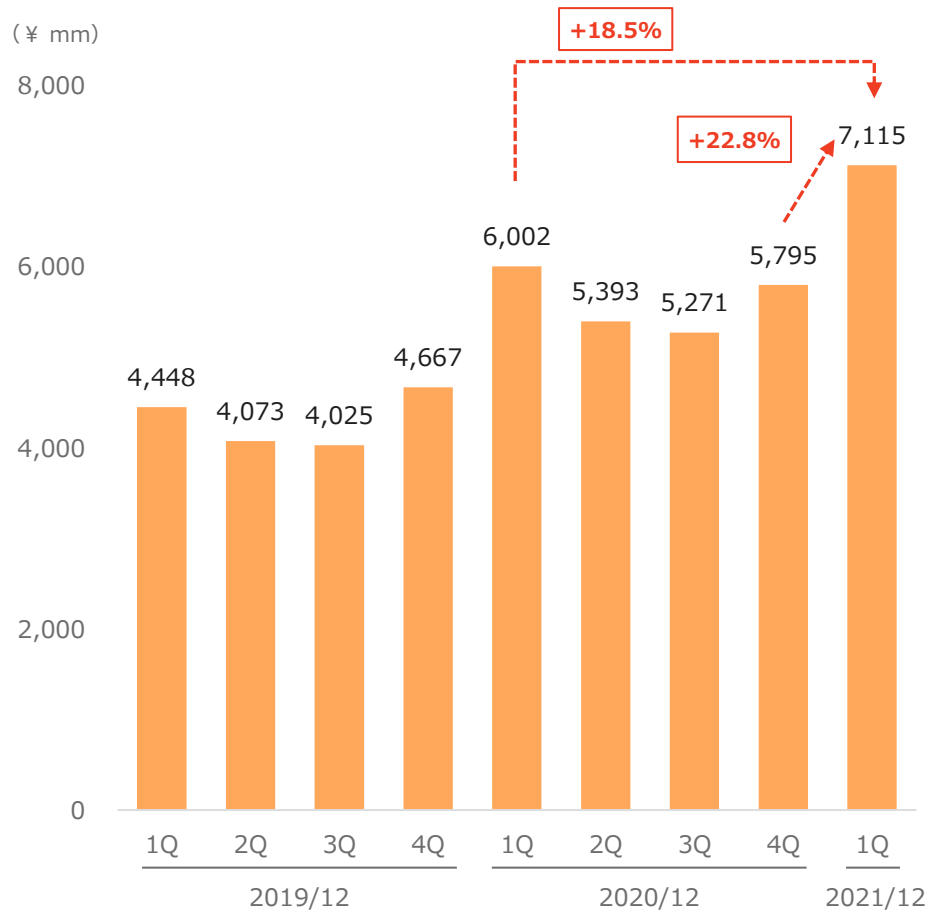
\*2 EBITDA = operating profit + depreciation + amortization

\*3 2021/12 progress rate against full-year forecast

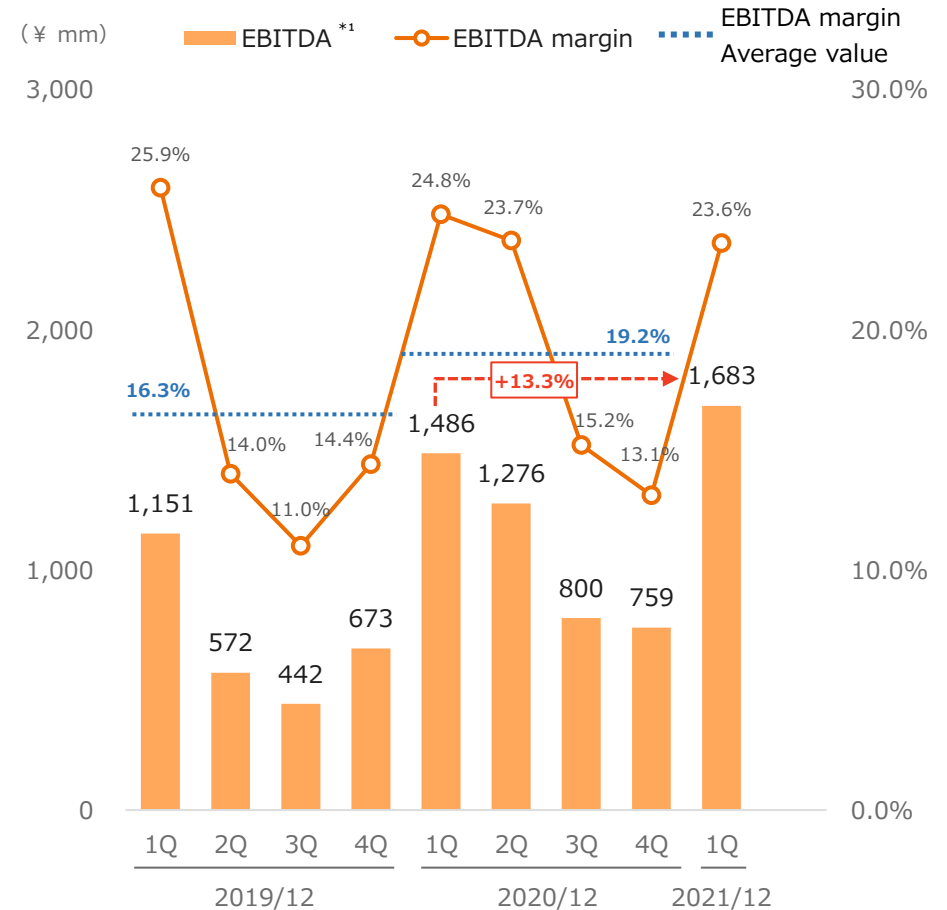
# Quarterly Results

- Sales revenue : **YoY +18.5%**、**QoQ +22.8%** increase in sales
- EBITDA : Secured a **YoY +13.3%** increase in profits, anticipating **different seasonality in comparison to the usual 1Q-weighted one**

## Quarterly changes in consolidated sales revenue



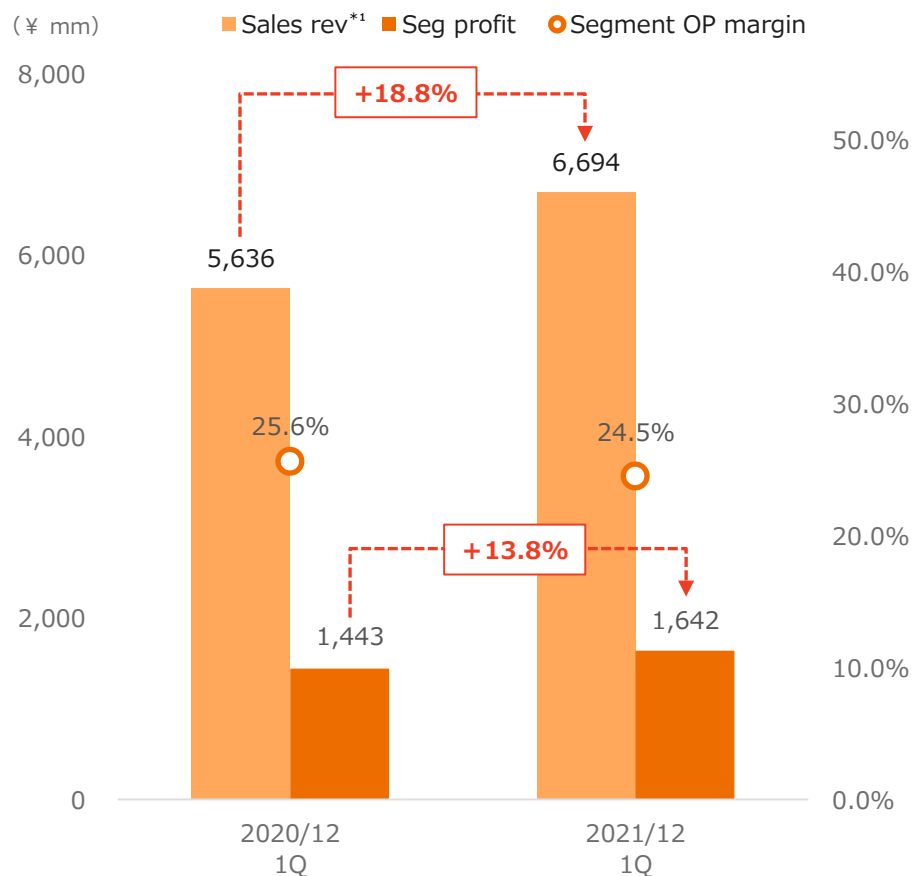
## EBITDA・Quarterly trends in EBITDA margin



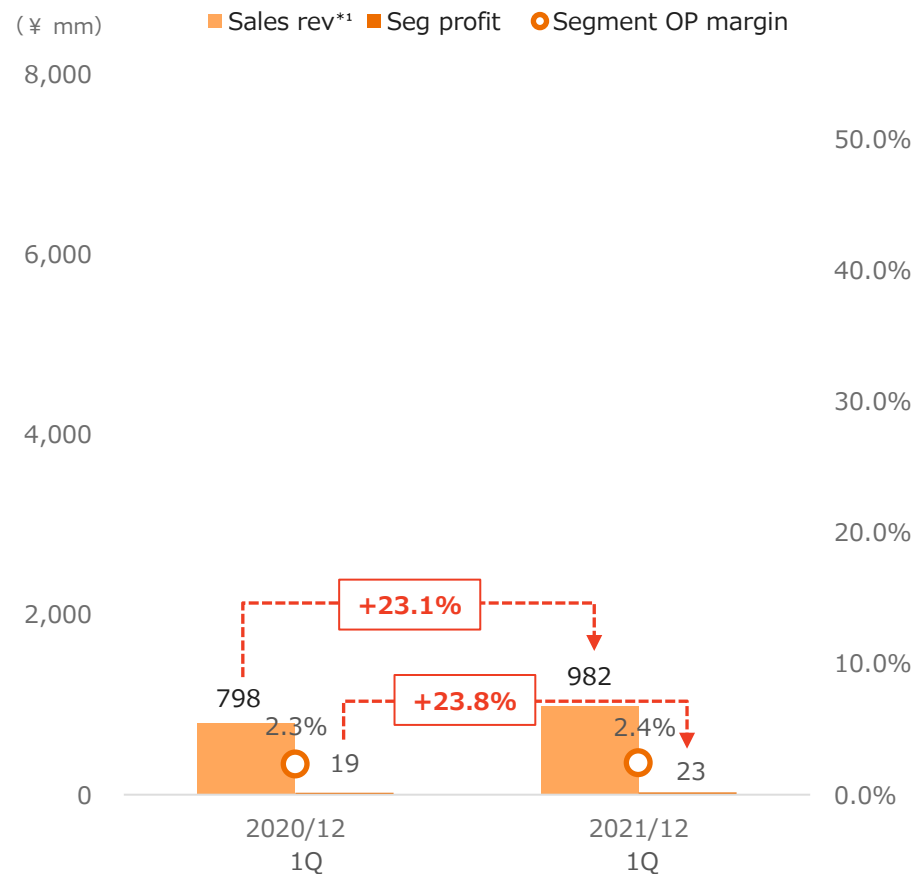
# Results per Segment

- Marketing business: Sales increased by +18.8% and operating profit by +13.8% even in the different seasonality in comparison to the usually 1Q-weighted one
- On-site business : Sales increased by +23.1% and operating profit by +23.8%. OP margin slightly increased despite an increase in recruitment costs in anticipation of new corona vaccine-related work on and after 2Q and in paid leave costs owing to addition in personnel

## Marketing business



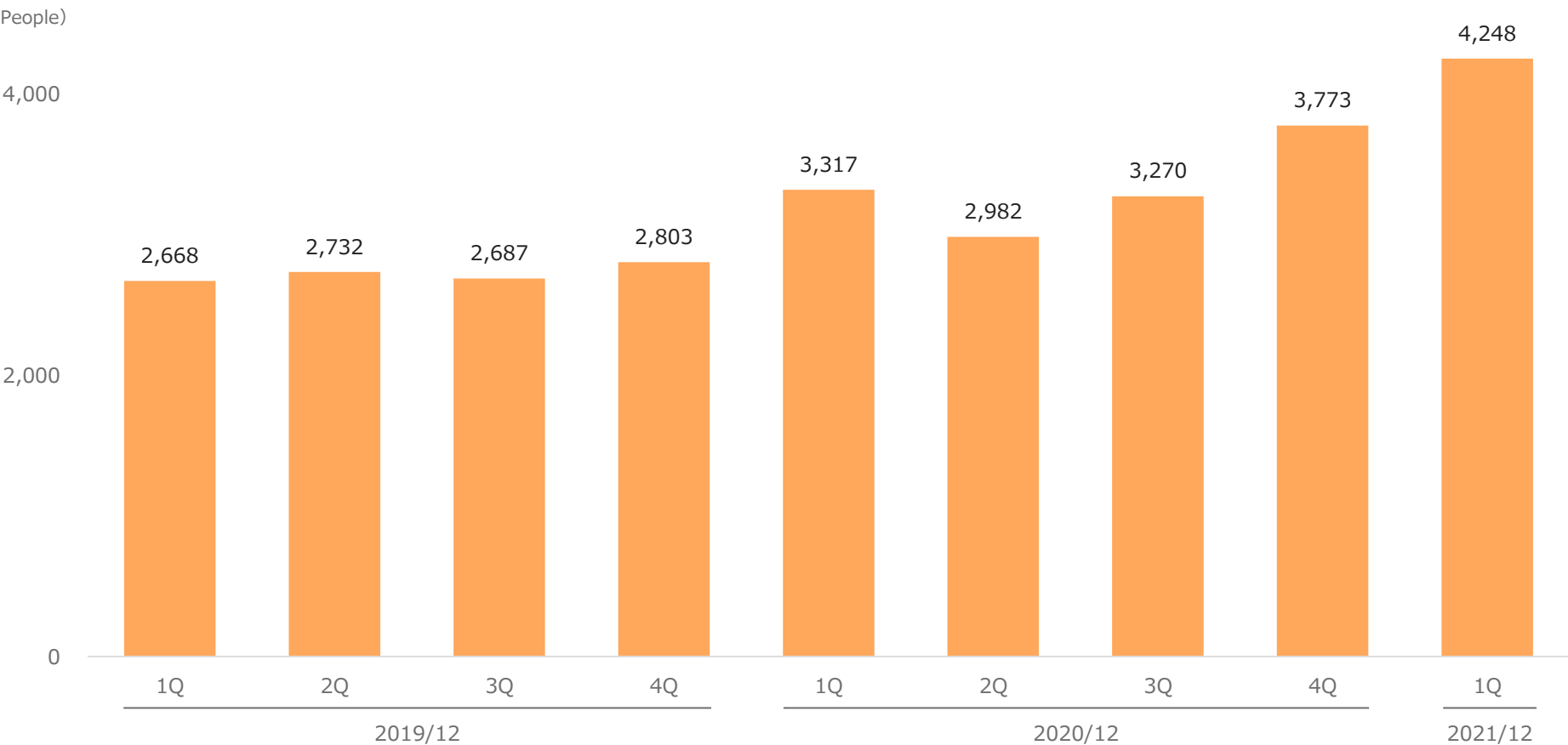
## On-site business



# Marketing Business KPI

- The number of operating staff: **Expanded at a pace exceeding the initial plan** due to strategic increase in personnel
- Recruitment: Recruitment environment continues to be satisfactory

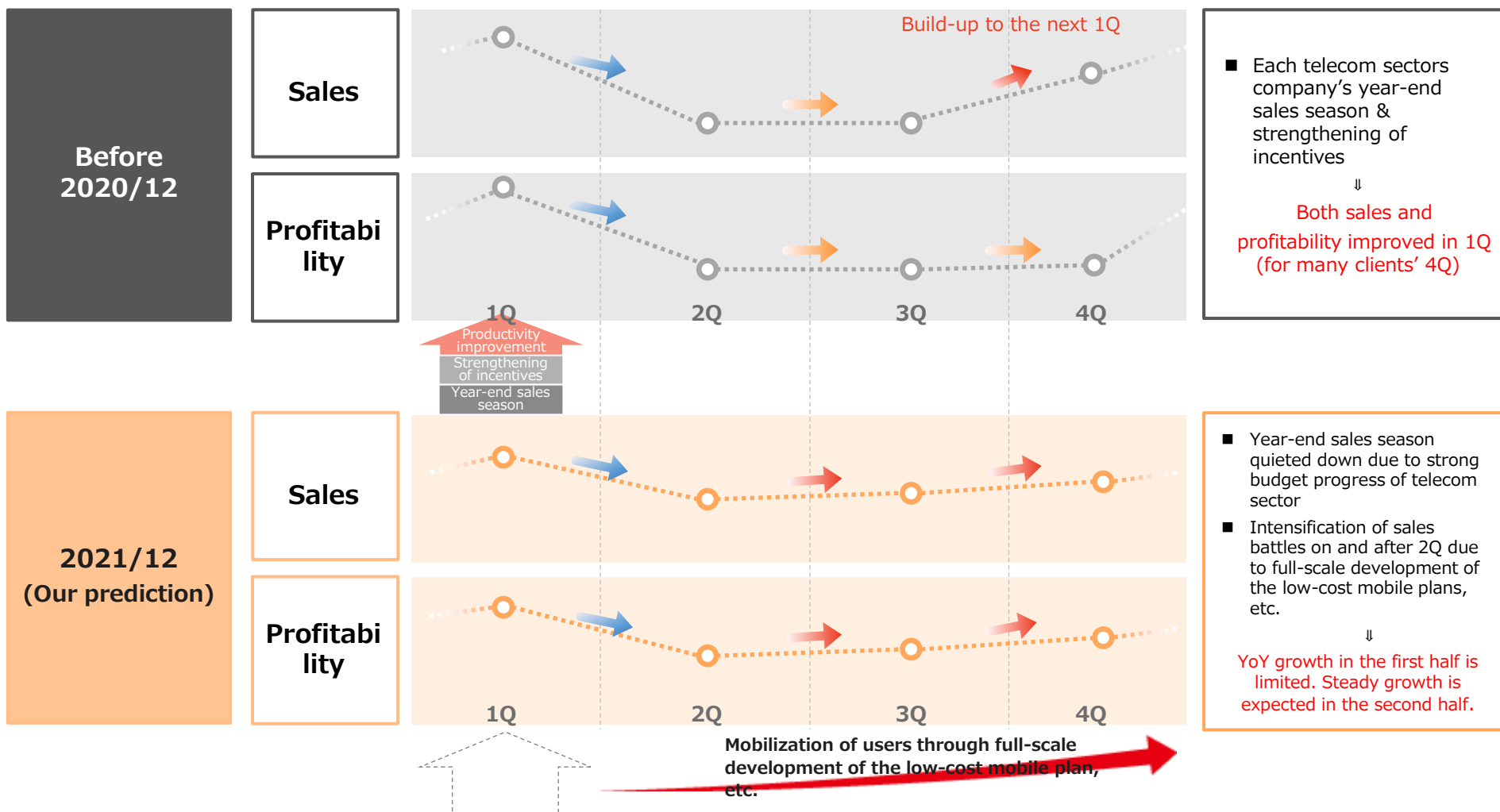
Quarterly changes in the number of operating staff





# Seasonality of present term (excluding spot business)

- Before the 2020/12 period, both sales and profits increased significantly in 1Q due to the impact of the year-end sales season. We predict that **seasonal volatility will decrease this term**
- YoY growth potential in the first half of the FY is limited due to changes in sales strategies of companies in the telecommunication sector
- The mobilization of users under the low-cost mobile plan will regularize on and after 2Q. **We expect steady growth in the 2nd half**



# FY2021/12 1Q B/S and C/F

- Equity ratio attributable to owners of parent grew significantly owing to increased retained earnings on account of revenue expansion

## Consolidated B / S Comparison YoY

( ¥ mm)	End of 2020/12	End of 2021/3	YoY Change
<b>Total assets</b>	<b>21,251</b>	<b>21,248</b>	<b>△3</b>
Current assets	6,877	6,397	△480
Non-current assets	14,374	14,851	+477
Goodwill	10,984	10,984	±0
<b>Total liabilities</b>	<b>13,251</b>	<b>12,415</b>	<b>△835</b>
Current liabilities	6,073	5,609	△463
Non-current liabilities	7,178	6,806	△372
<b>Total equity</b>	<b>8,000</b>	<b>8,833</b>	<b>+833</b>
Total equity attributable to owners of parent	8,000	8,833	+833
Attributable total equity			
<b>Total liabilities &amp; equity</b>	<b>21,251</b>	<b>21,248</b>	<b>△3</b>

### Main factors of increase/ decrease

- Liabilities : Repayment of some borrowings ahead of schedule by implementing refinancing

## Consolidated C / F YoY

( ¥ mm)	2020/1Q	2021/1Q	YoY
Operating cash flow	338	△960	△1,298
Investment cash flow	△65	△163	△99
Financial cash flow	△879	△845	35
<b>Free cash flow</b>	<b>273</b>	<b>△1,123</b>	<b>△1,396</b>

### Main factors of increase/ decrease

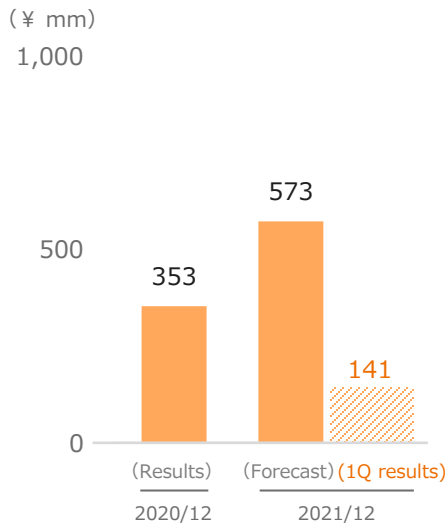
- Sales CF : △ 554 million yen (YoY) due to an increase in trade and other receivables  
 △ 518 million yen (YoY) due to reduction in trade and other payables  
 \* Of which, due to the reduction of unpaid consumption tax,  
 it was △ 272 million yen (YoY)  
 △ 442 million yen (YoY) due to an increase in income tax payments
- Investment CF : Expenditure due to security deposit △ 71 million yen
- Financial CF : Repayment of some borrowings ahead of schedule by implementing refinancing

# Investment Plan

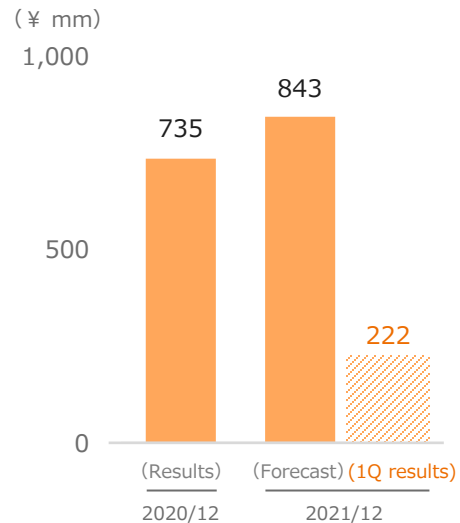
- In response to business expansion, we plan to expand offices and aggressively invest in the system to improve business efficiency
- In addition, we expect investment in AI development in this term

## Capital investment plan and depreciation outlook

### Capital Investment



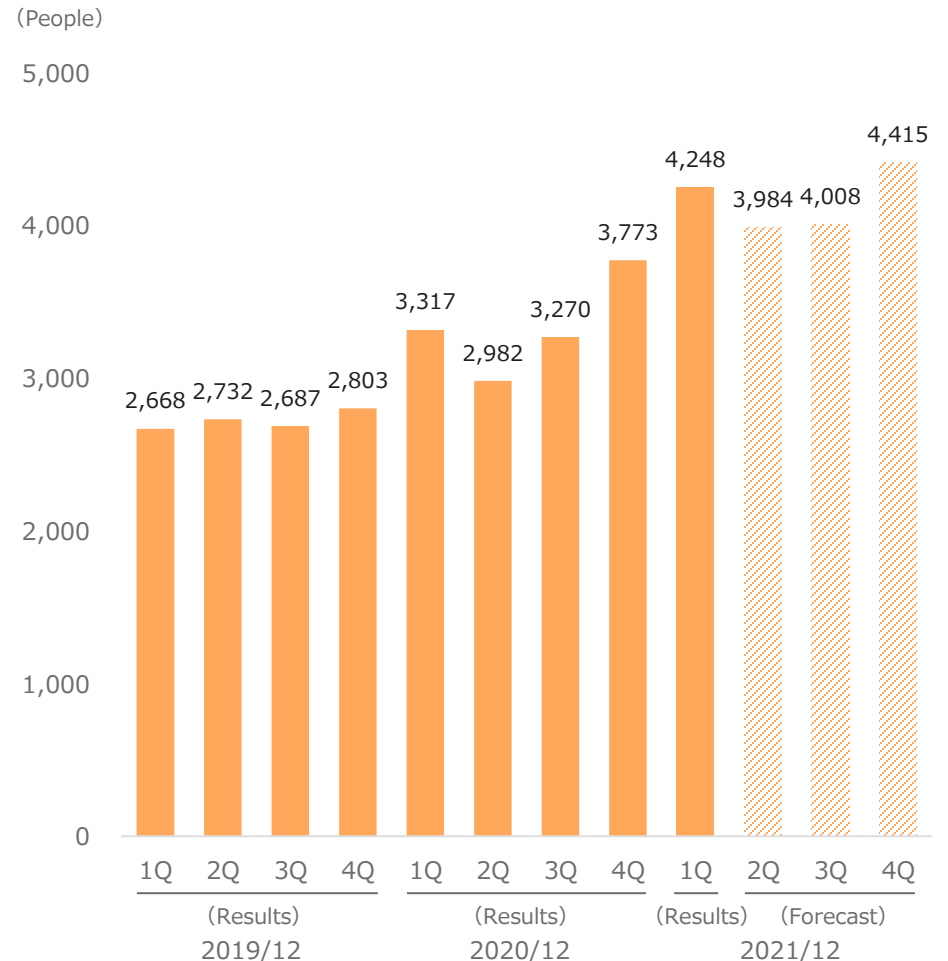
### Depreciation & Amortization



### Major capital investment plans for 2021/12

- Addition of bases : 265 million yen
- AI development costs : 50 million yen
- Other system costs : 258 million yen

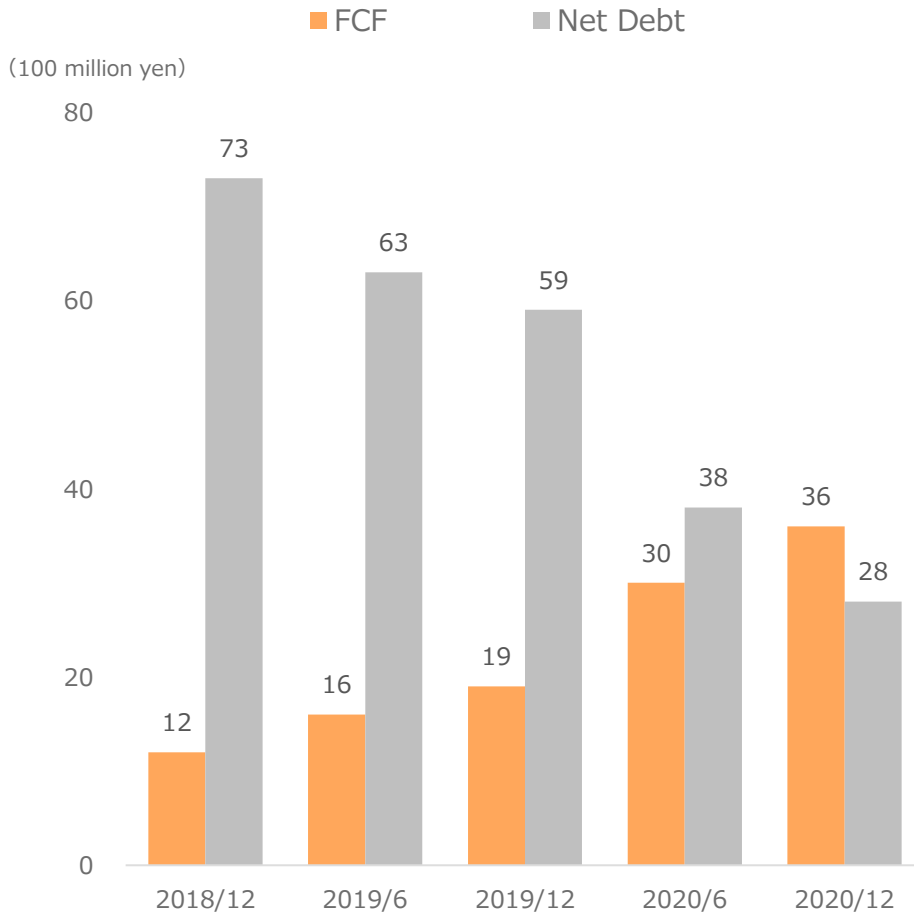
## Personnel planning (the number of operating staff)



# Solid cash flow and policies for shareholder returns

- Target total return ratio is **40%**, considering capital policy including share repurchase

## Historical FCF and Net Debt \*1



## Policies for shareholder returns

- We consider the profit return to shareholders as one of the essential management issues and aim a **total return ratio of 40%**, while securing necessary internal returns for future business expansion and improving financial strength
- We will consider our capital policy including share repurchase

# Appendix

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# DmMiX Group Overview

■ **Sales & marketing professionals**, sustaining sales expansion since the foundation



CEO  
**Yuki Kobayashi**

1982 Born in Saitama Pref. Japan

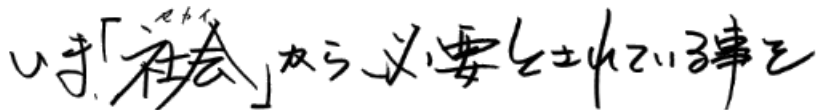
**2007 Founded Customer**

**Relation Telemarketing Co., Ltd.**

2014 Appointed as CEO

2015 Appointed as CEO of  
DmMiX (formerly, CRTMHD) (present post)

## Corporate Philosophy



Take on what our society needs now

## Vision

Society

In our society, there  
are things we should  
not change

Voice

With our voice, we must unite  
and change what must be  
changed



## Our Mission

Clients' issue

Struggling to improve top line



Shortage of  
sales staff



Inefficient marketing  
Striving for high  
performance



**DmMiX**

**Provide the sales/marketing solutions  
that maximize client profitability**

**Sales**

**Marketing**



Access to external  
sales functions



Sales increase compared to  
using internal resources

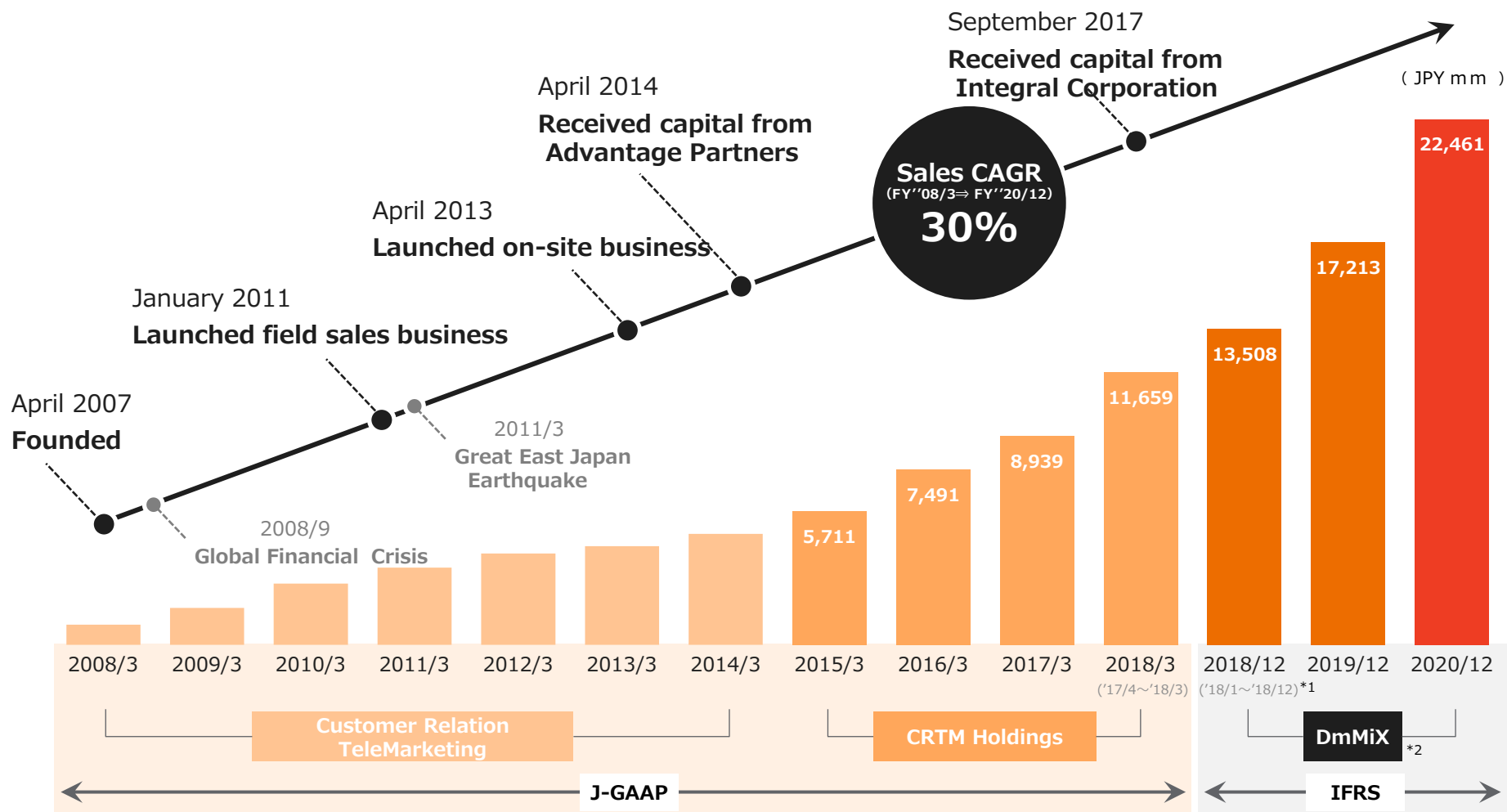


**Result**

**Top line improvement**

# Key Milestones Since Incorporation

## ■ Sustainable sales growth since the foundation in 2007

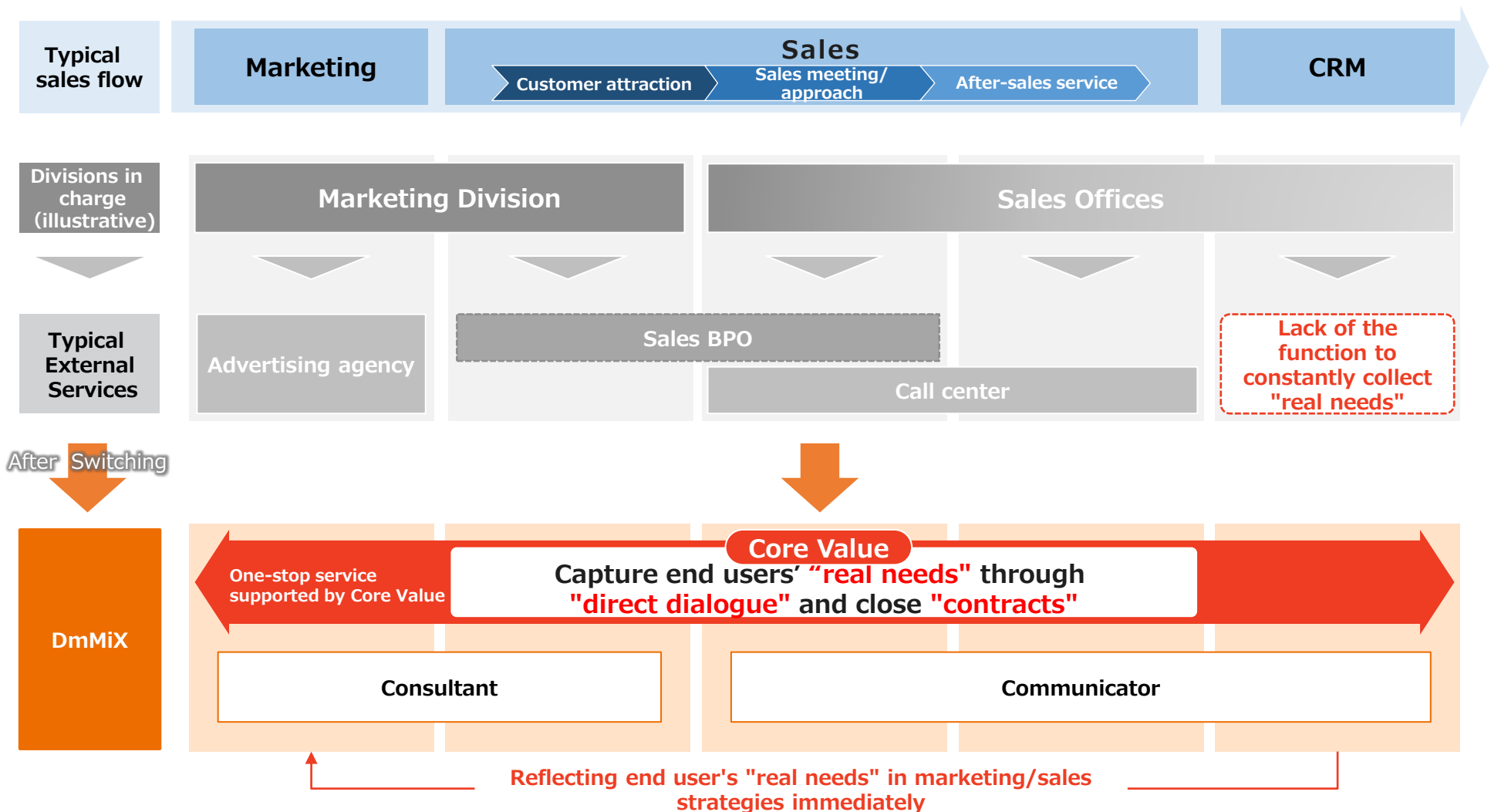


\*1 Changed to IFRS (and fiscal year end from March to December) from the fiscal year ended December 2018. J-GAAP FY2018/3 and IFRS FY2018/12 overlap between January and March 2018.

\*2 Changed the trade name in April 2018

# One-stop service for clients' sales processes

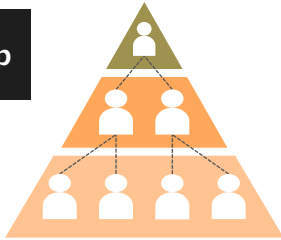
- DmMiX supports clients in **strengthening/substituting indispensable core sales functions**





# Our Distinct Business Model from Other Companies

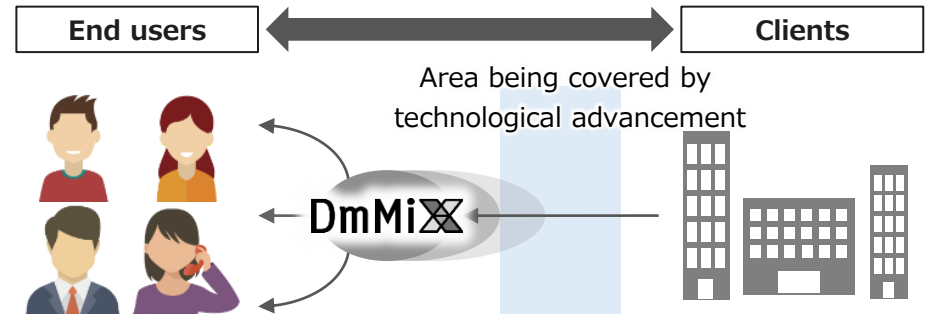
## DmMiX Group



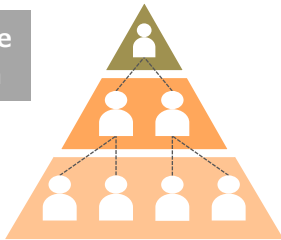
Management: Sales rep

Managerial: Sales rep.

On-site: Sales rep.



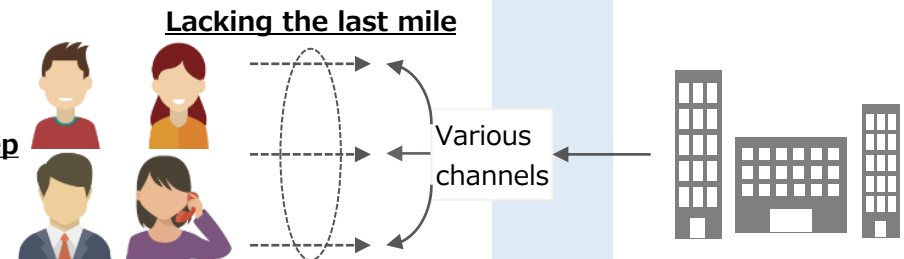
## Clients' in-house sales function



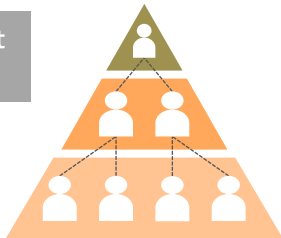
Management: Supervisor

Managerial: Supervisor/Sales rep

On-site: Sales rep



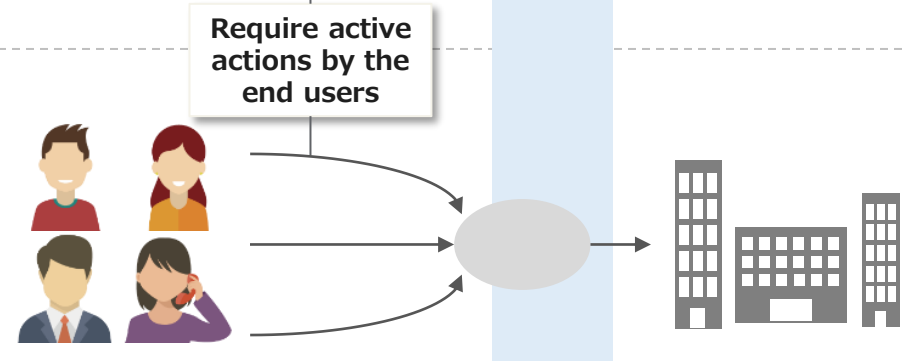
## Typical contact centers



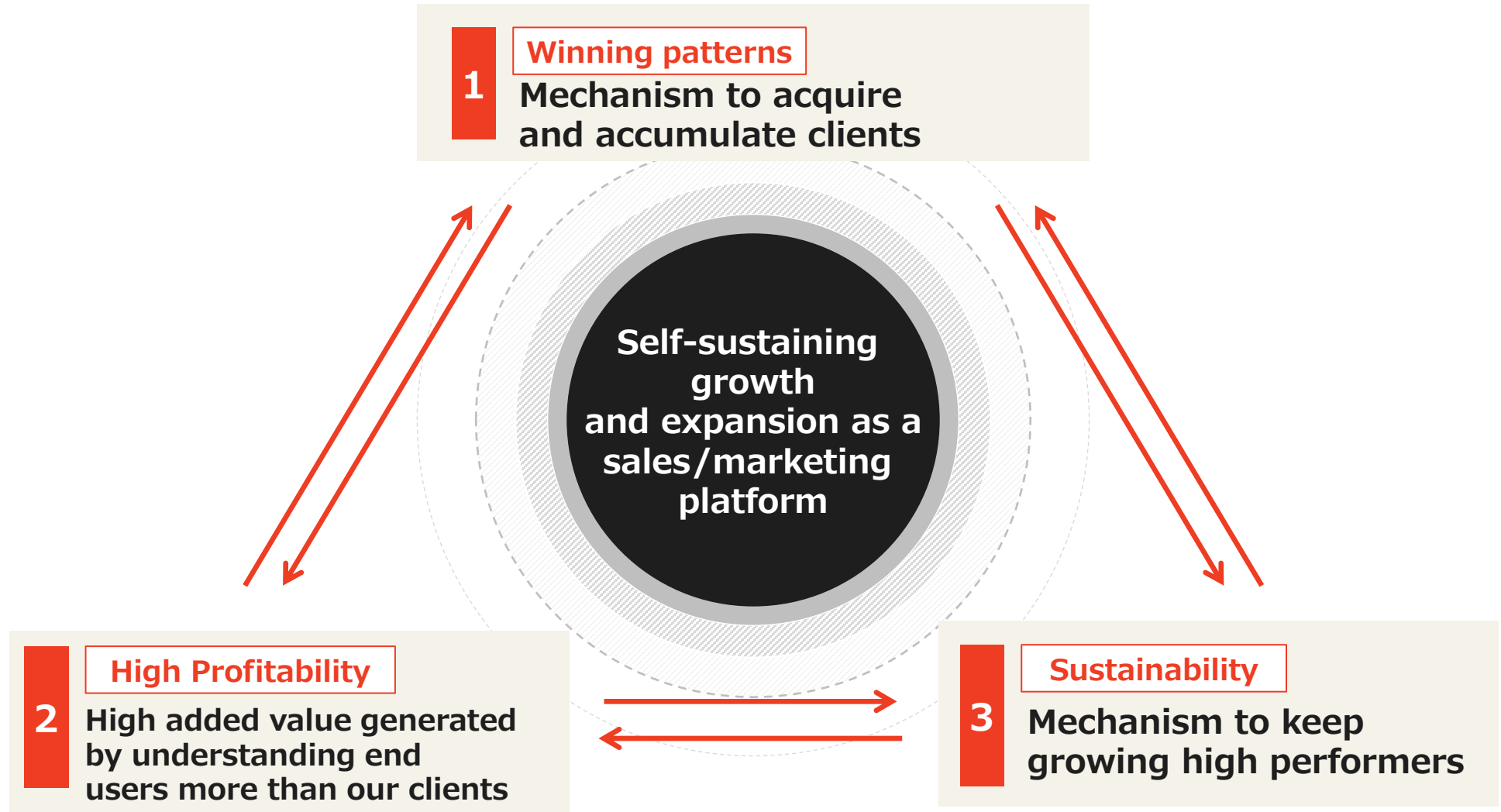
Management: Supervisor

Managerial: Supervisor

On-site: Responder

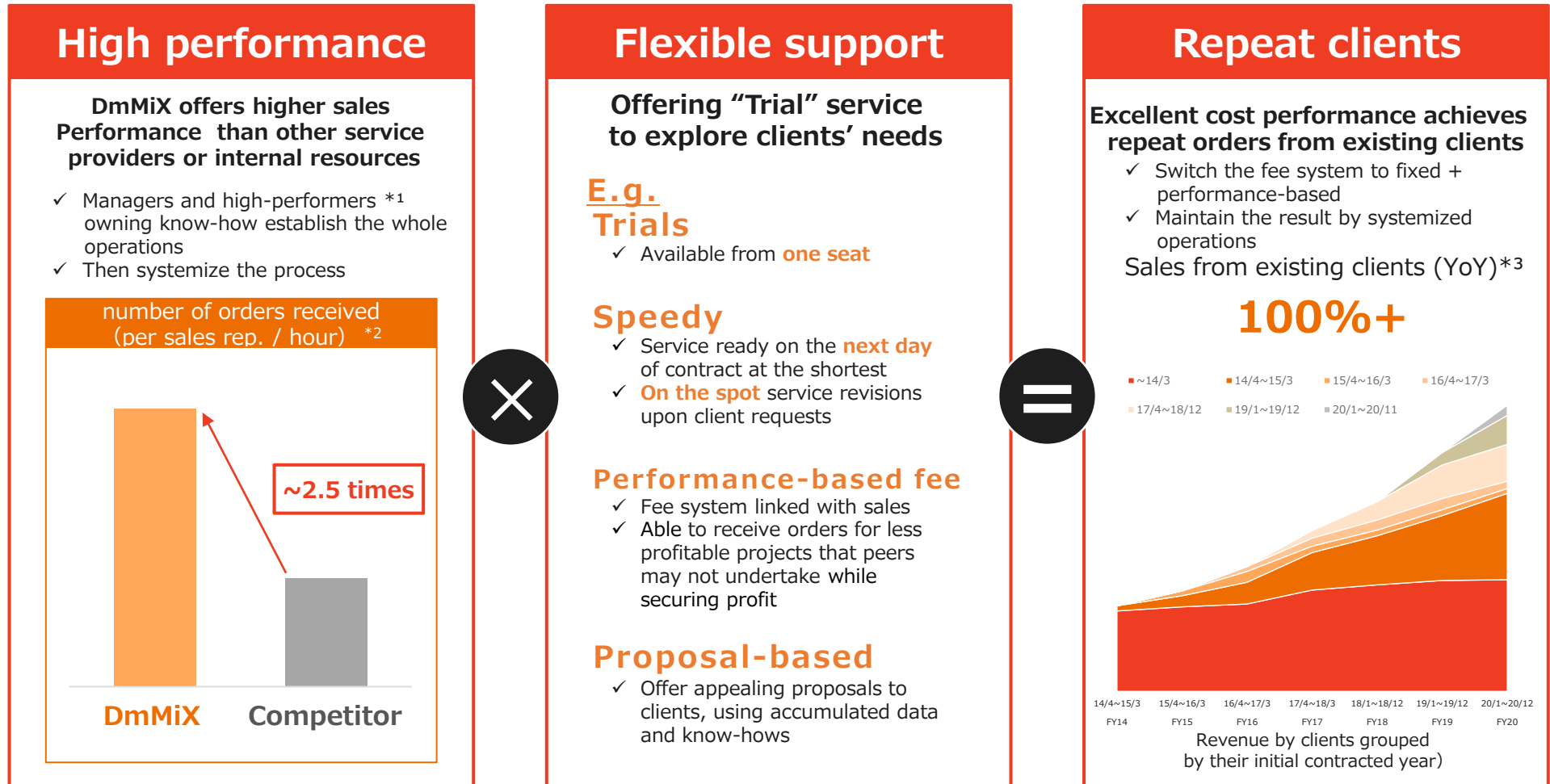


# DmMiX's core competencies for autonomous growth



# Mechanism to Acquire and Accumulate Clients

- High performance & flexible support converts **trial users into clients**



\*1 A general term for staff who have achieved a certain level of sales performance according to our standards.

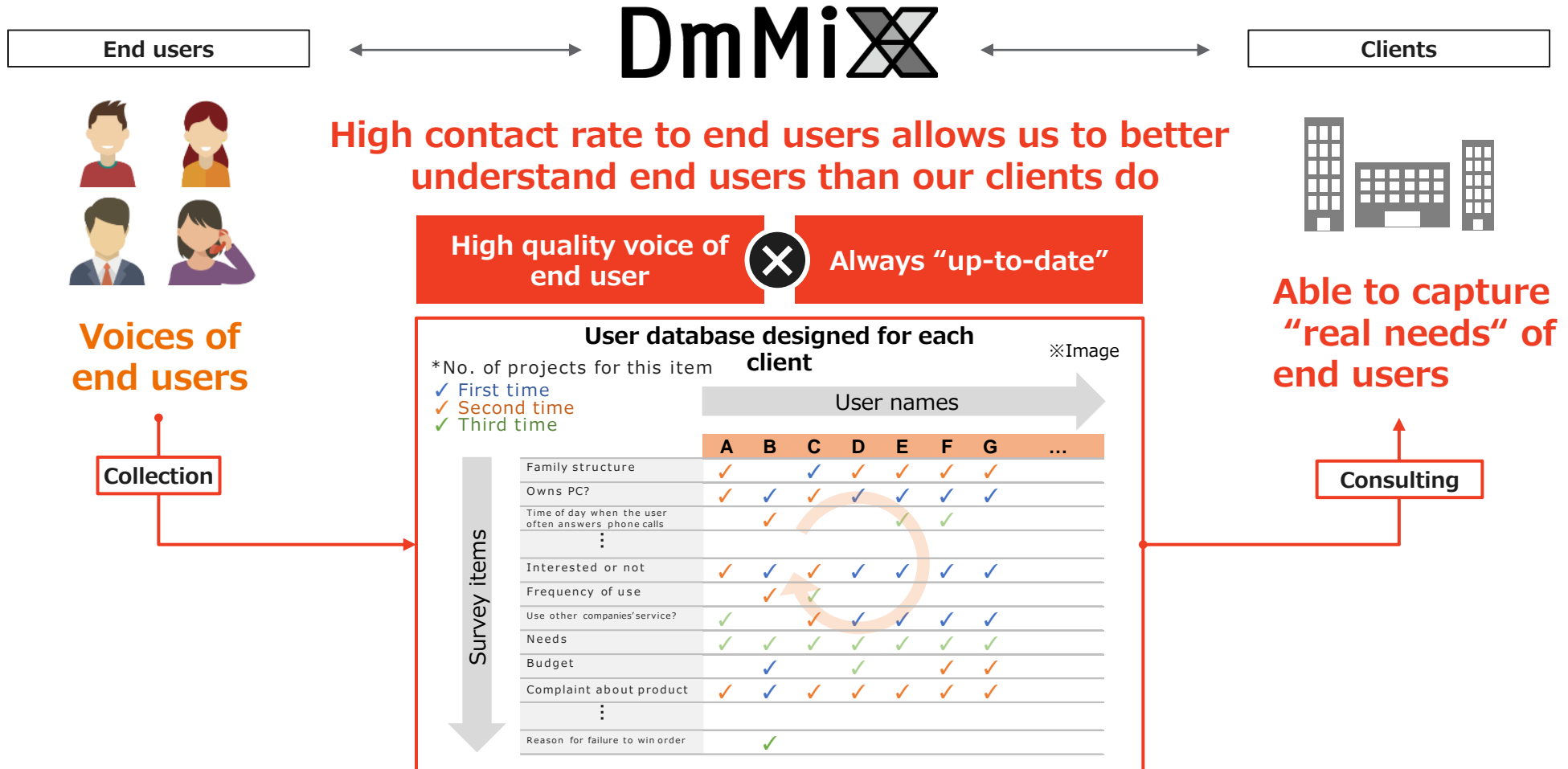
\*2 Our estimate based on the data received from the clients in 2019

\*3 Refer to p.20

# Continuously Accumulated User Database Creates High Barrier to Entry

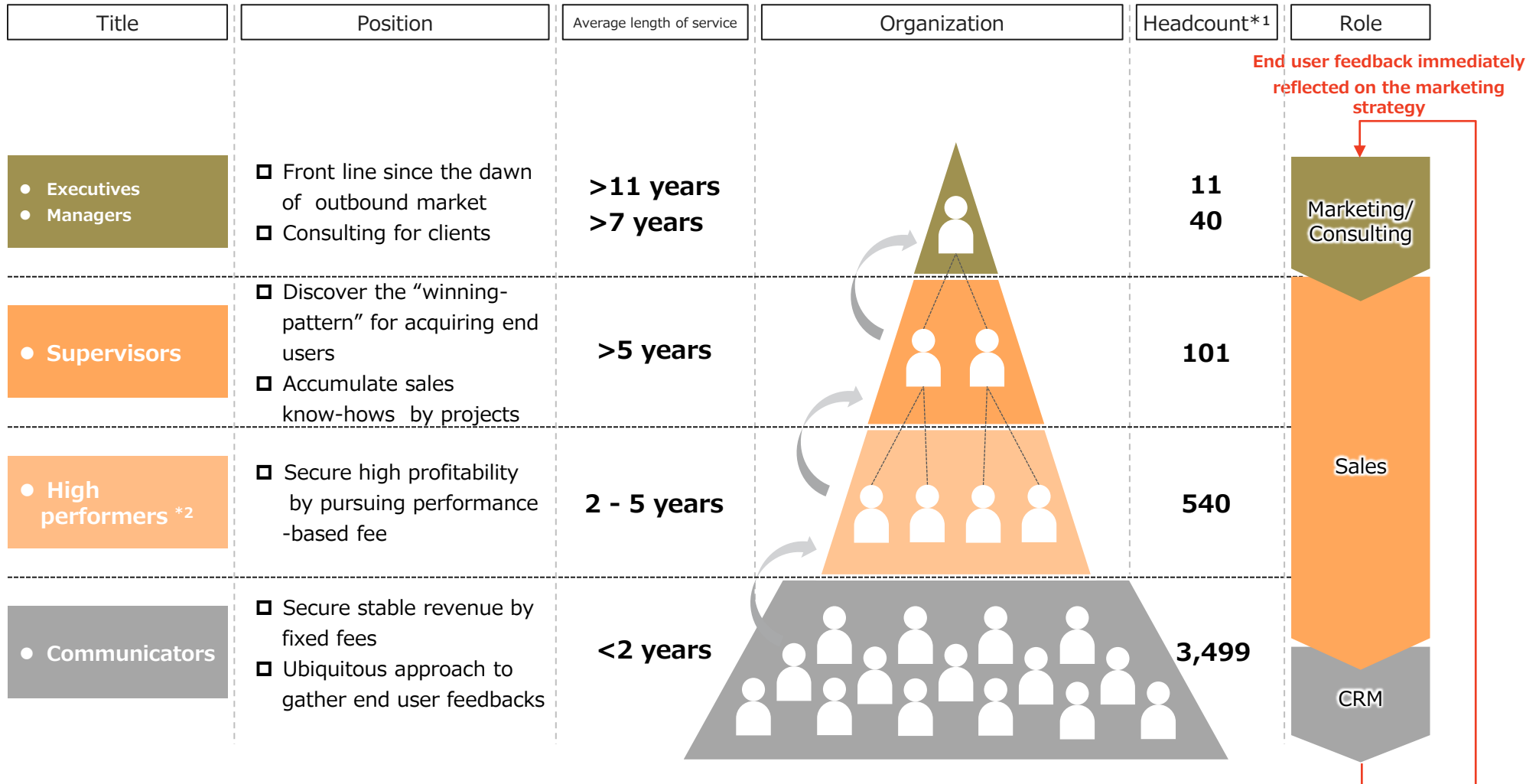
- Provide up-to-date database created for each client based on repeated transactions

Adding more and more user data



# Strong organizational Structure to Realize Clients' Sales/ Marketing Reform

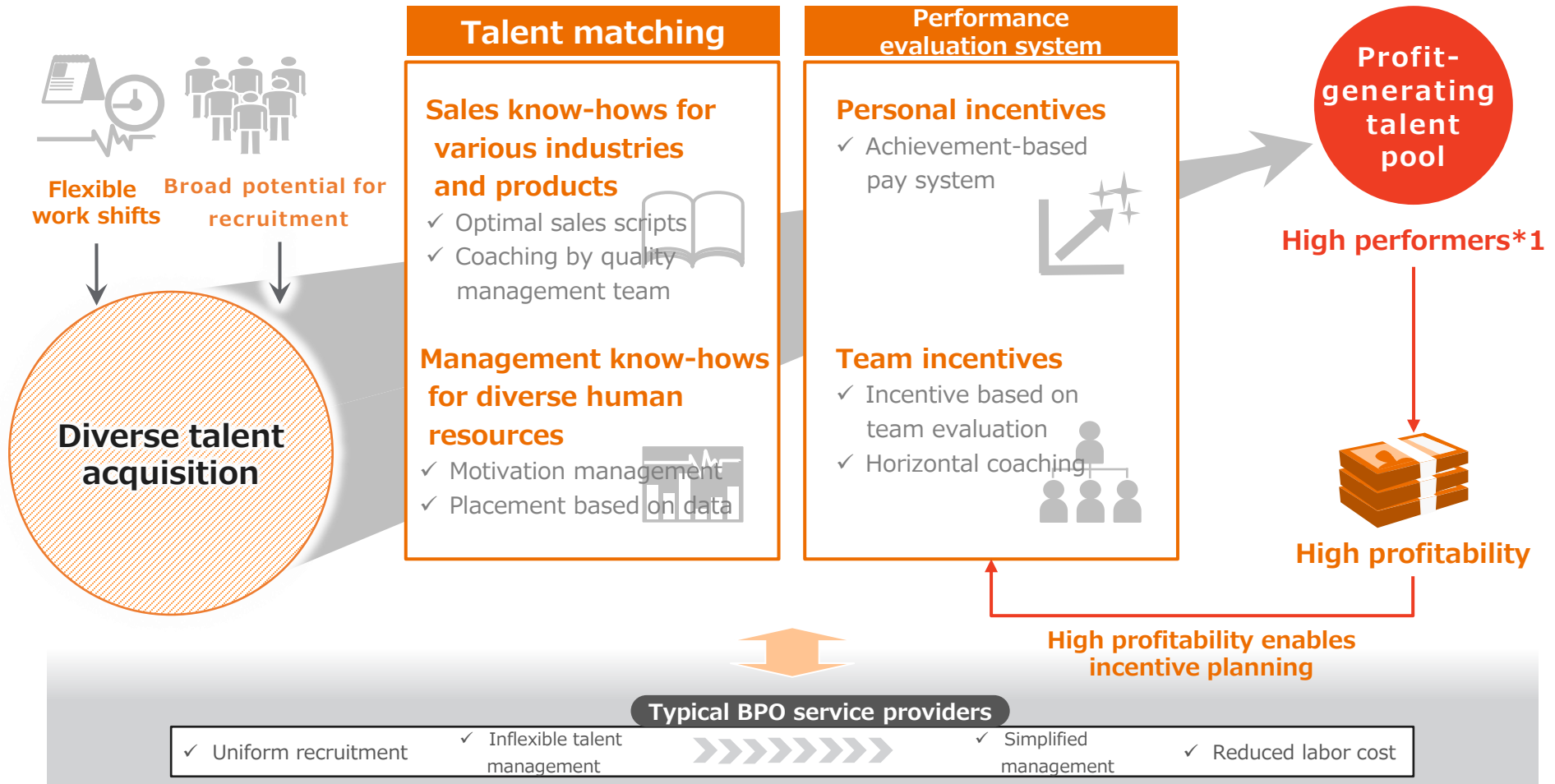
- **Distinctive roles by positions** contribute to the optimized organization for professional sales/ marketing



# Mechanism to Continuously Cultivate High Performers\*1

- Our unique training method enables to **quickly develop talents that peers cannot**

## Mechanism to cultivate high performers\*1

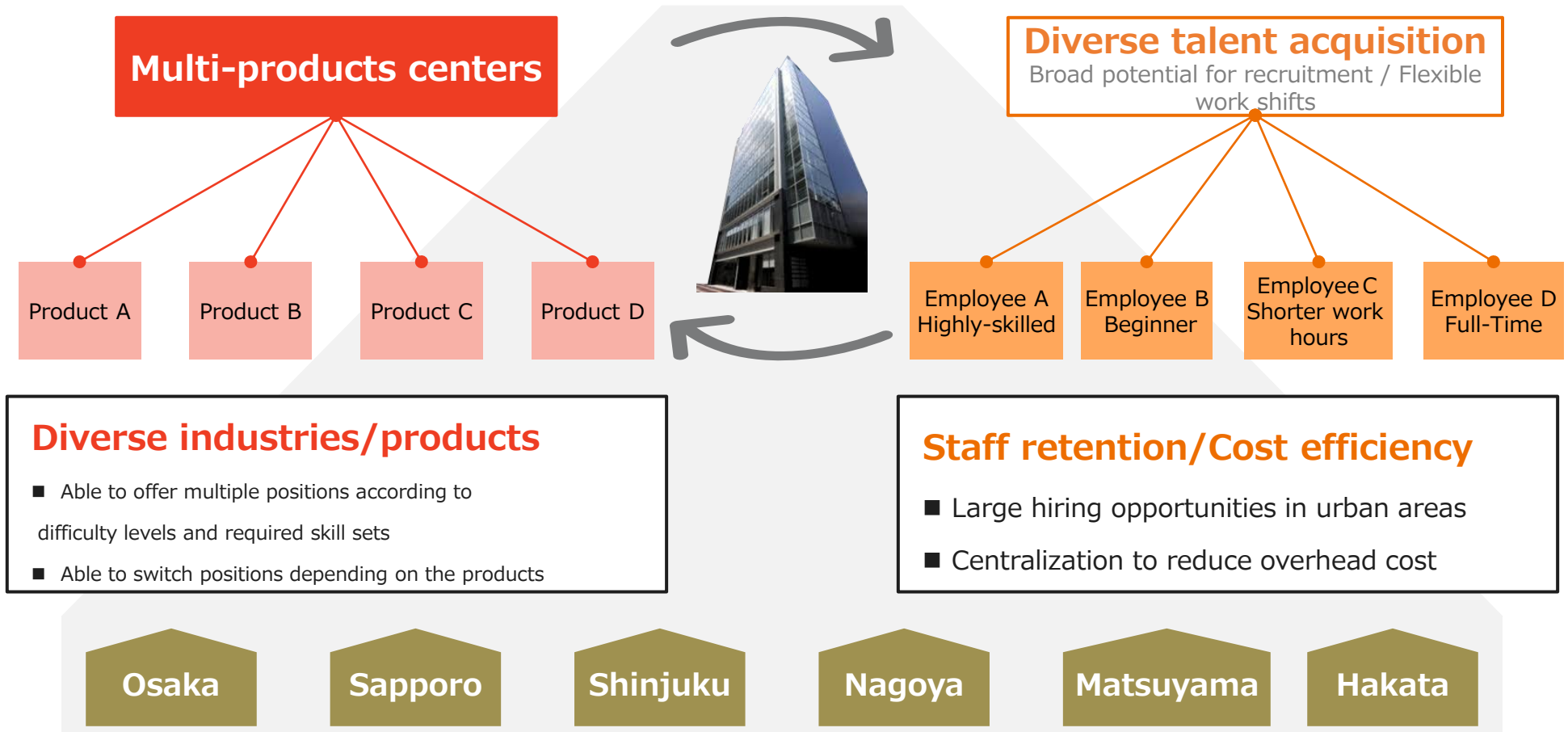


\*1 A general term for staff who have achieved a certain level of sales performance according to our standards

# Diverse Talent Acquisition and Talent Matching

- **Able to match with diverse talents** with all branches being “Multi-products centers”
  - Branches located in populated areas with high human resources concentration.

## Characteristics and advantages of “Multi-products centers”



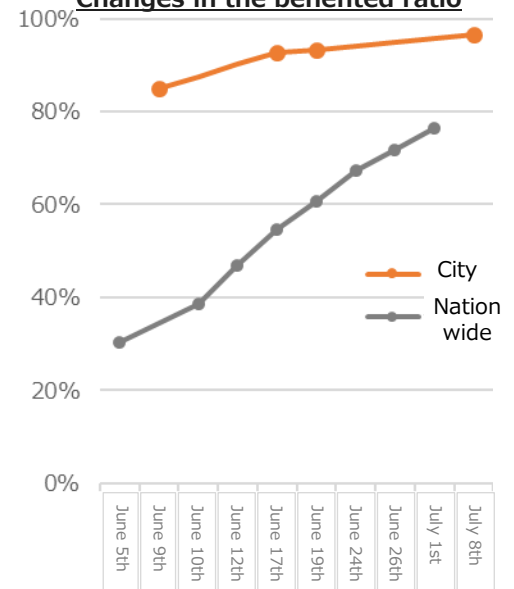
# Impact of Covid-19 on business performance : Drastic shift to non-face-to-face sales

		Previous term (FY20)	Current Term (FY21)	From Next Term									
Benefit S	● Increase in inbound business and BPO business such as various inquiries corresponding to "corona vaccine" and related business, especially in public sector.	✓	✓	✓	✓	✓	✓	Unclear					
	● Increase in inquiry response operations due to continuous changes in consumer behavior, online shopping, cashless payments, and growth in food delivery, etc.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	● The hiring environment has improved. With the increase in job seekers (especially students), the recruitment of human resources has improved further. At the same time, turnover rate declines.	✓	✓	✓	✓	✓	✓	✓	Unclear				
	● Changes in client approach. Re-evaluate direct marketing and non-face-to-face sales. Drastic shift in sales strategy accelerated shift from face-to-face sales to non-face-to-face sales.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Color legend ⇒		Big influence		Small impact									
Demerits	● Suppression of sales activities (calls) in the area subject to the state of emergency based on the request of the client	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	● Refrain from visiting sales of communication products and OA equipment to mid-sized companies. Due to unknown recovery time revert to Zoom & etc.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	● Cost burden due to implementation of various measures such as masks, thermography, acrylic boards, etc.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	● Impact of changes in internal business structure due to working from home and work restrictions	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

## Entrusted with "new coronavirus" related business

- Entrusted with certain municipalities "special cash payment" application procession.
- Responded to the rapidly increasing number of applications from before GW with overwhelming on-site capabilities, commitment to work and enthusiasm
- Achieved and overwhelmingly exceed results on the national level (See figure below\*1)

## Changes in the benefited ratio

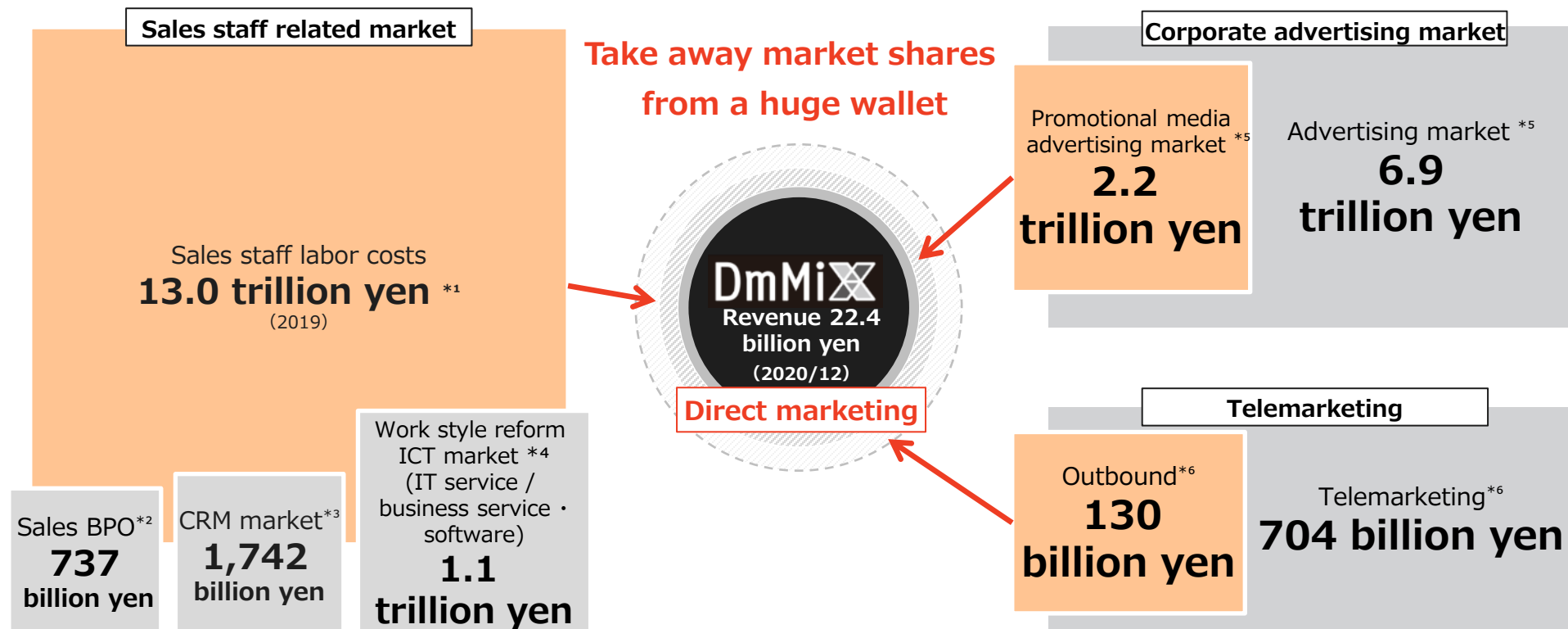




# DmMiX's vast target market

- Our target market has a vast scope for development beyond telemarketing.

Advertising and SG & A expenses for target clients (sales staff personnel expenses)



\*1 Calculated based on the number of sales staff x average salary income in Japan. According to the Ministry of Internal Affairs and Communications "Labor Force Survey", the number of sales workers who work 35 hours or more a week is 2.99 million. According to the National Tax Agency "Private Salary Survey", the average salary income is 4.36 million yen.

\*2 Yano Research Institute "BPO market reality and prospects 2020-2021"

\*3 IDC Japan "Domestic CRM Application Market Forecast (June 25, 2020)"

\*4 IDC Japan "Domestic Work Style Reform ICT Market Forecast (August 2020)"

\*5 Dentsu "2019 Japan Advertising Expenses"

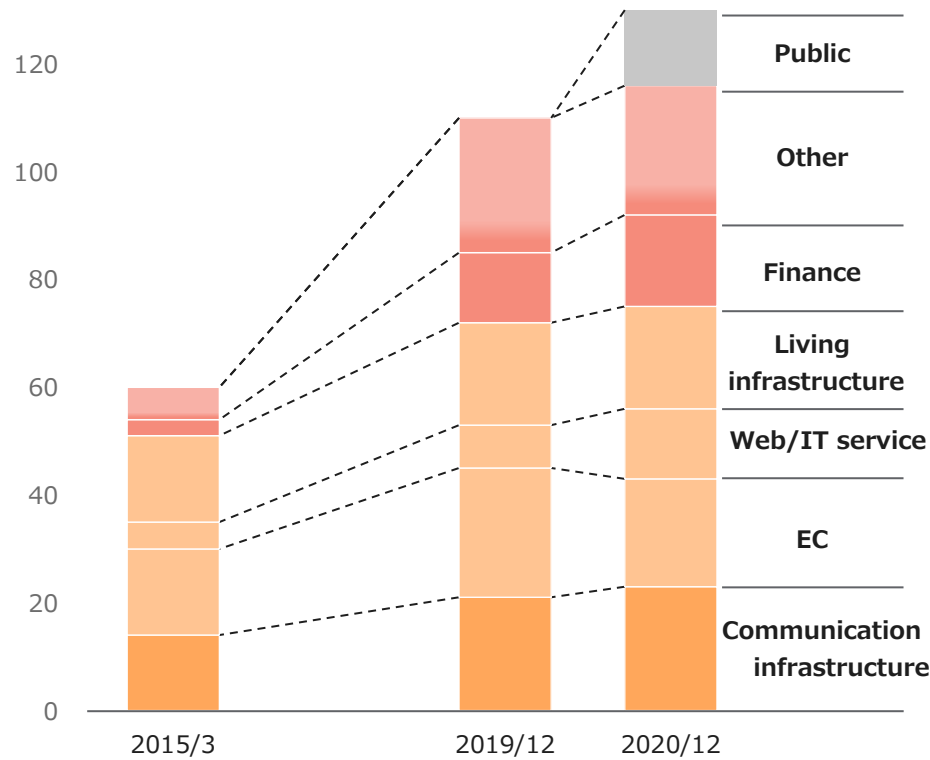
\*6 Yano Research Institute "Call Center Market Overview 2020-Services & Solutions-"

# Current earnings base and future focus sectors

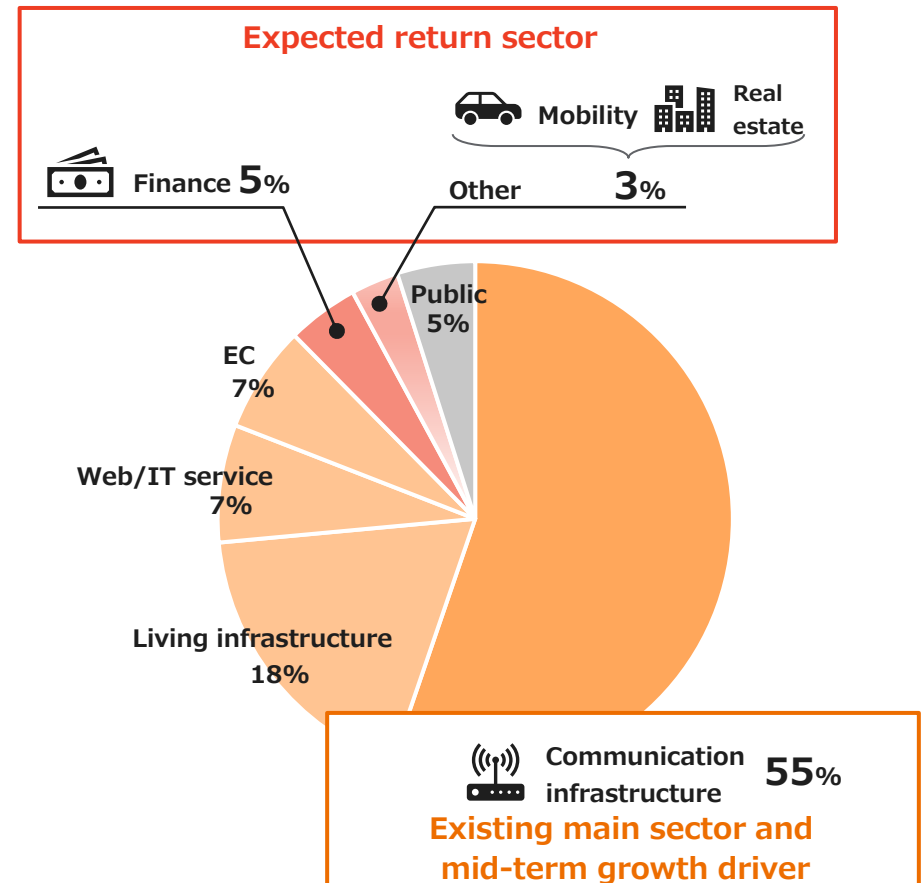
- Build a diversified customer portfolio based on the number of clients. **Acquire many potential monetization points**
- As potential market development, we aim to **expand the main telecommunications sector and make it a second and third profit sector.**

Changes in the number of clients by industry\*1\*2\*3

(Number of companies)  
140



Revenue composition ratio by industry (FY2020/12)



\*1 Counted on a contract basis with each group company. Excludes clients with annual transaction amount of less than 1 million yen

\*2 Communication infrastructure = mobile phone carrier affiliated companies / Living infrastructure = electricity, gas, internet lines, etc.

\*3 On-site business (temporary staffing) is excluded for 2019/12 and 2020/12

# Scope for growth in existing main sector (communication infrastructure)

- Revenue earning share in the telecommunications infrastructure sector is **still limited at around 0.5%**, and we have a huge business opportunity in reaching the needs for a wide user base

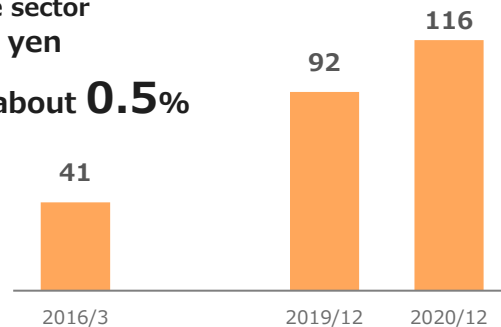
## Revenue potential of the telecom. infrastructure sector



Achievements in the telecommunications infrastructure sector

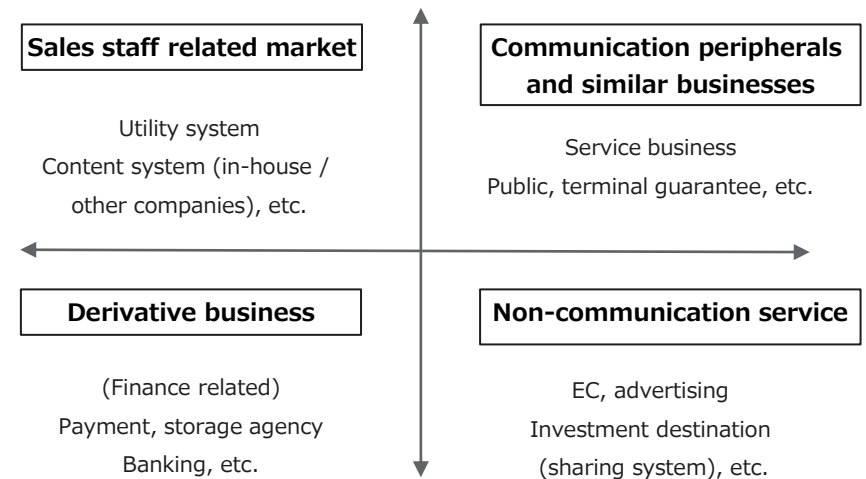
Revenue **11.6 billion yen**

Operating cost share about **0.5%**



## Challenges in the telecom. infrastructure sector and business opportunities

### Diversifying services



### Huge user base

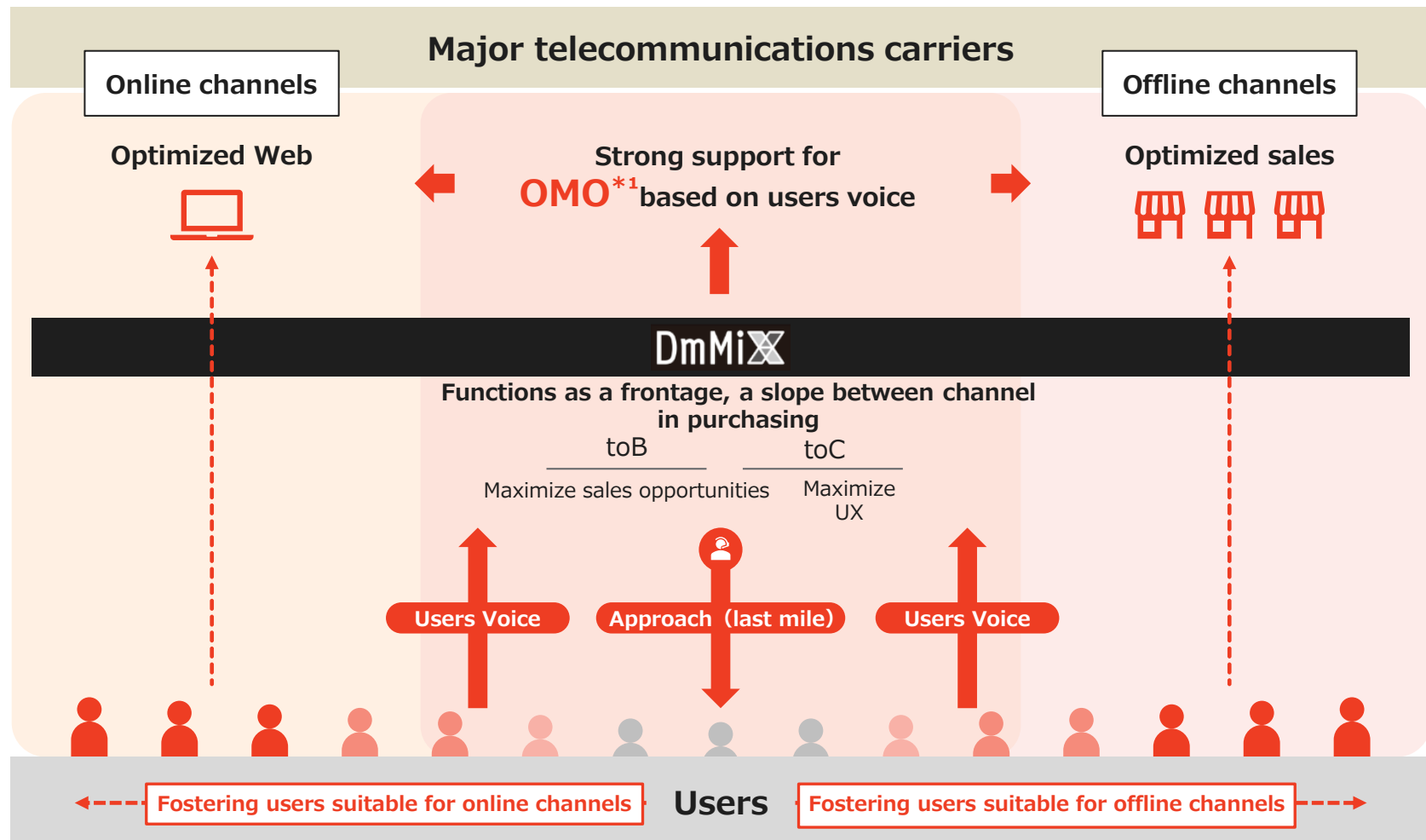
Total number of users (number of contracts) \*1

**180 million cases**

**Limited reach to users · Cannot capture user's voice**

# Acquiring profit opportunities by solving client issues

- Strongly support client's **OMO<sup>\*1</sup>marketing** and capture further profit opportunities as a slope between channels

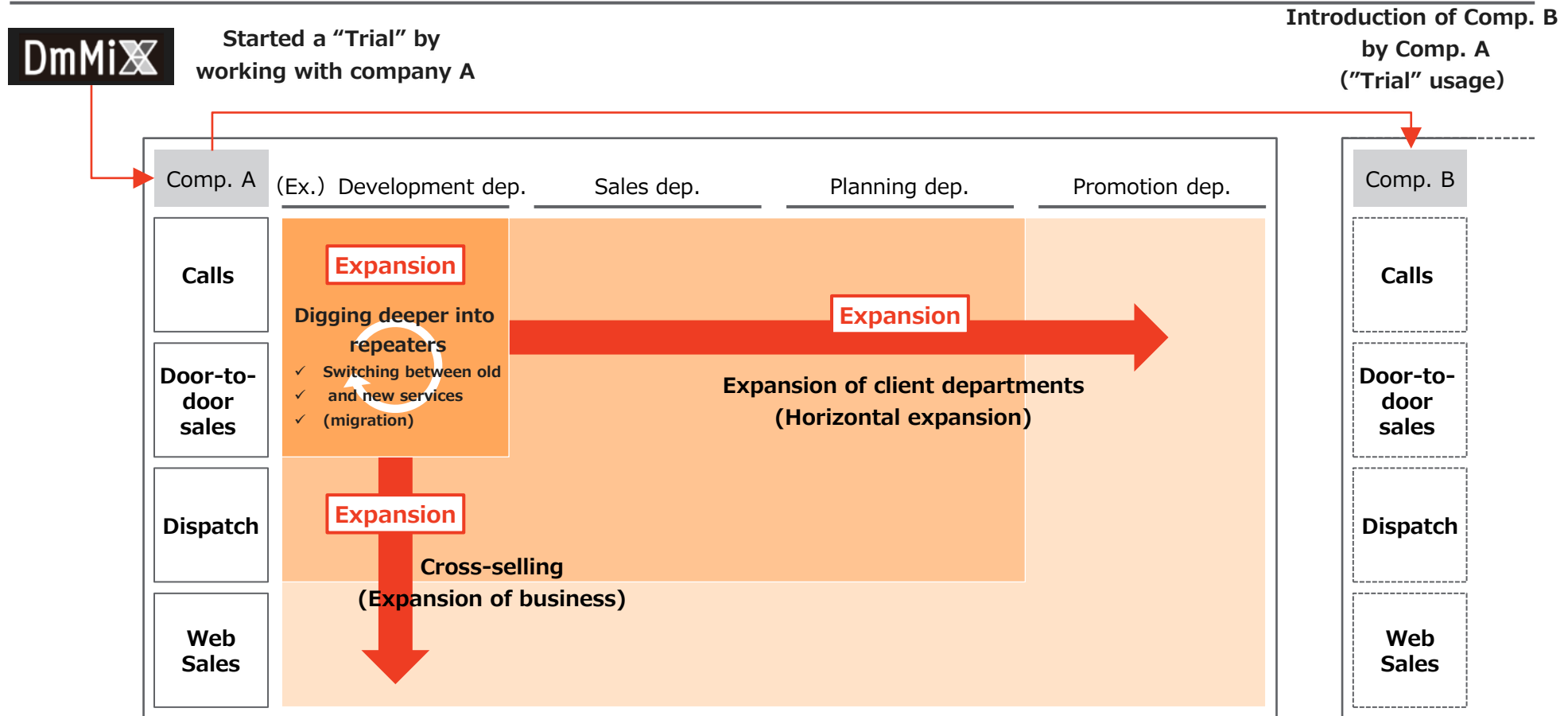


\*1 Abbreviation for Online Merges with Offline.

# Client acquisition and business expansion

- Acquire new clients through active sales and referrals, and **steadily expand business with highly satisfying results**
- For existing clients, **expand transactions by digging deeper through repeats, expand operations, and expand trading departments horizontally.**

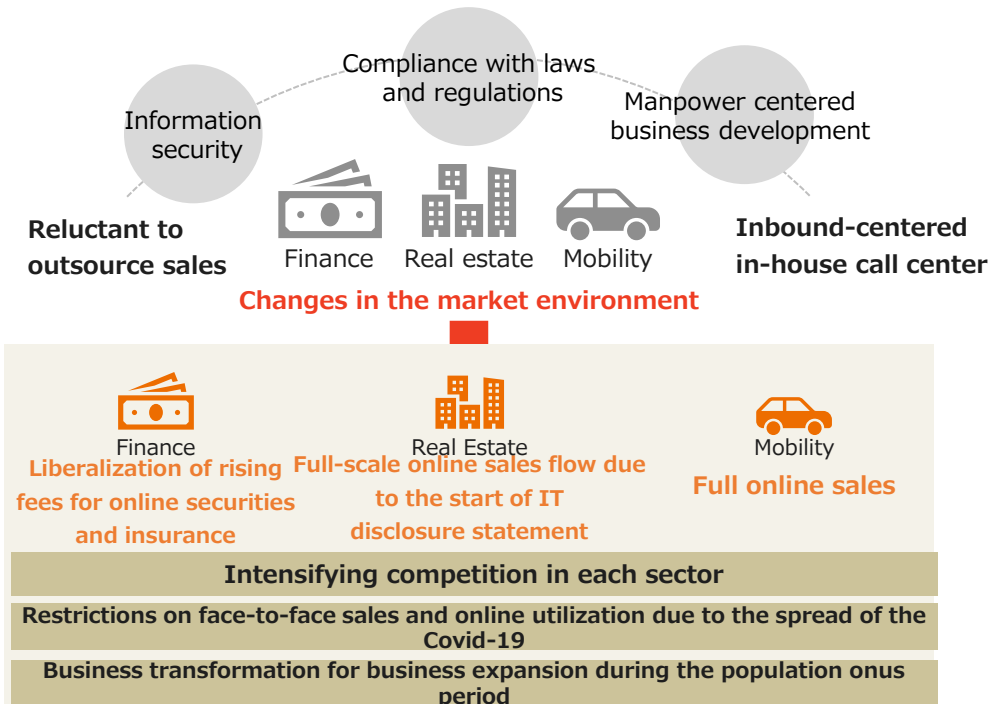
Image of expansion of existing business from acquisition of new clients



# Game change in the sales solution market (monetization of expected sectors)

- The financial, real estate, and mobility sectors have **the same potential market size as the current mainstay telecommunications infrastructure sector.**
- Utilizing the know-how cultivated in the telecommunications infrastructure sector, cultivate a market where **sales outsourcing has not yet penetrated.**

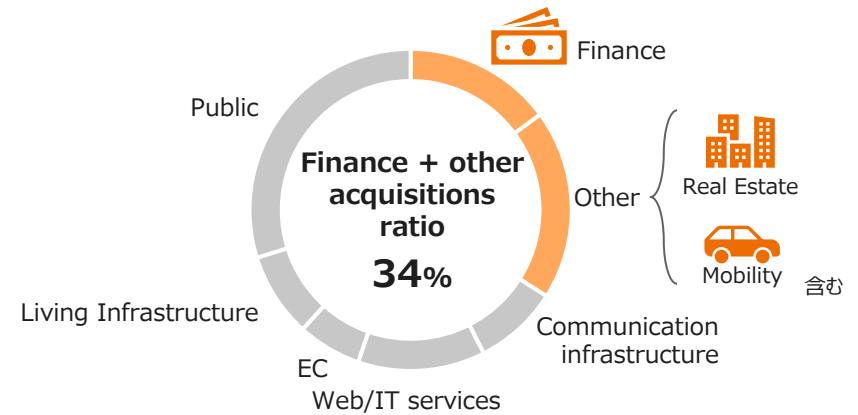
## Expansion policy to expected sectors



**Responding to new movements in the industry**  
(face-to-face sales x telemarketing).  
**Utilizing the outbound know-how cultivated**  
**in the communication infrastructure sector,**  
**aim to monetize in 3-5 years**



## Composition of new clients by industry in FY2020 (based on the case numbers)



## Expected sector acquisition status

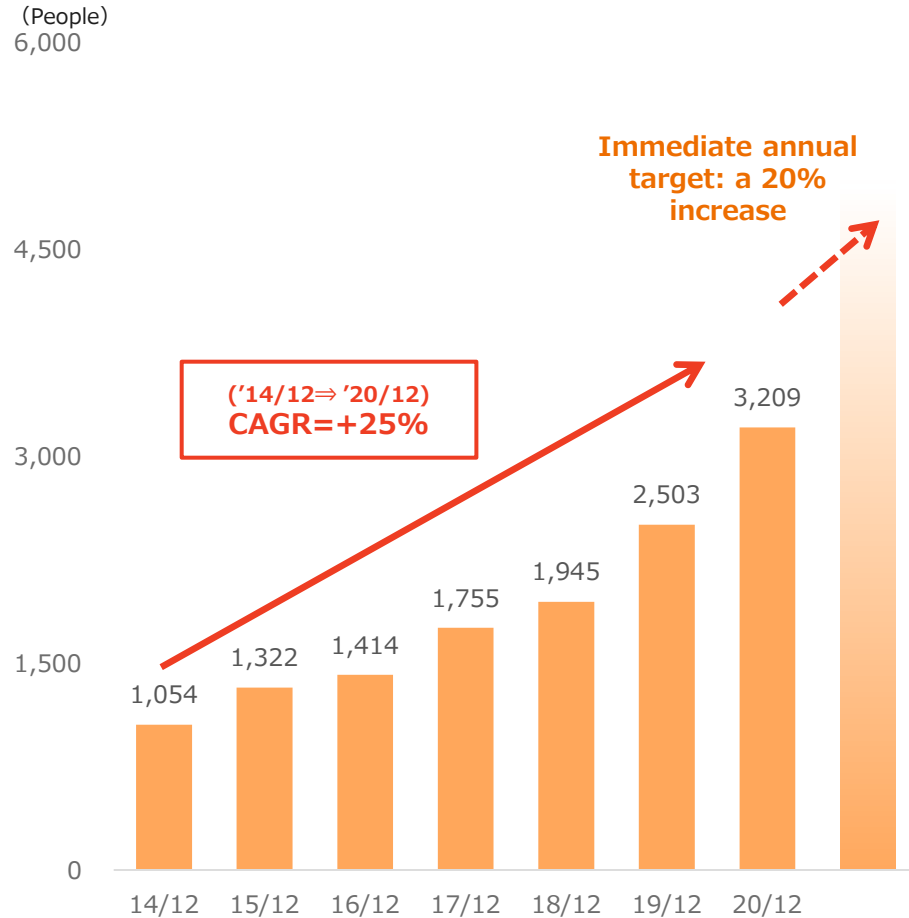


# Steady increase in human resources / scope for talent acquisition

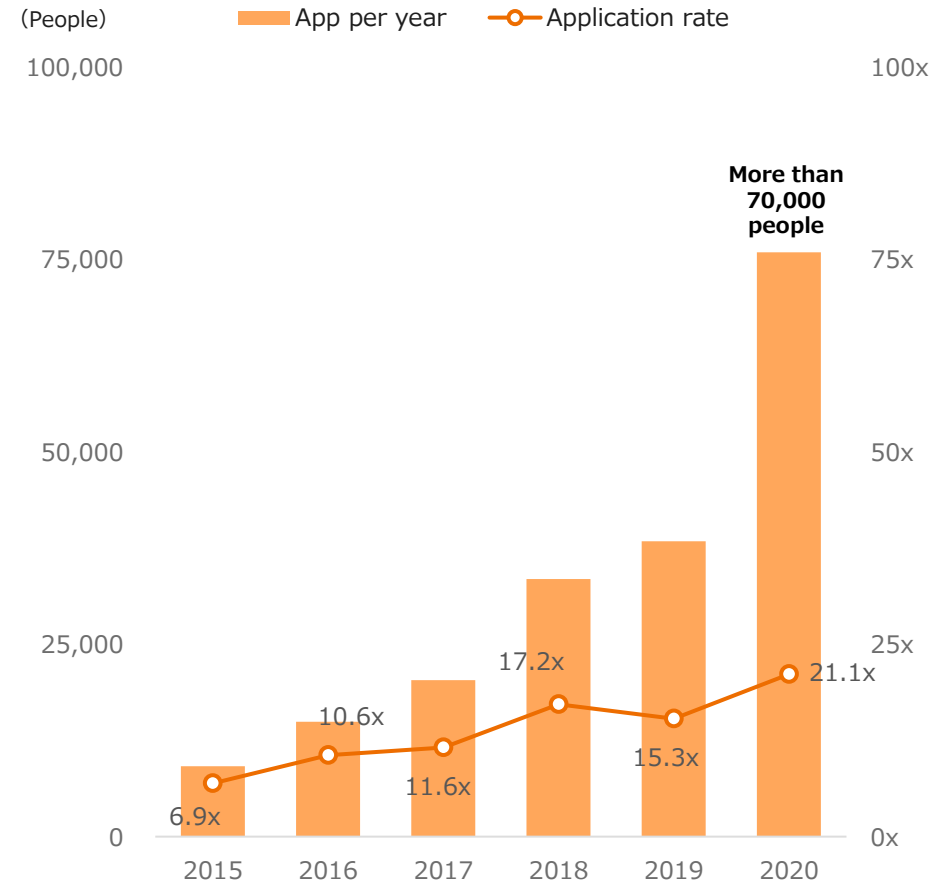


■ The number of communicators has steadily increased as we have grown, and there is **ample room for hiring as the business expands in the future.**

Changes in the number of communicators\*1



Changes in the annual number of applications for communicators



# Various human resources of our group

- We realized a flexible work system and build a **diverse pool of earning personnel with various backgrounds**. We also contribute to ensuring social mobility.

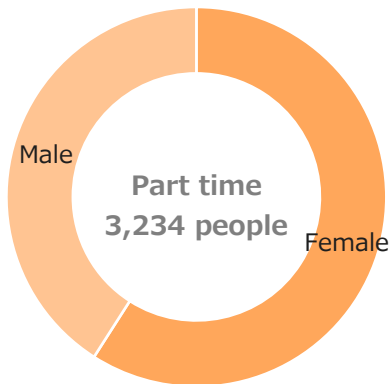
## Various attributes

- Educational background and skills do not matter
- Comfortable environment for women in their 20s

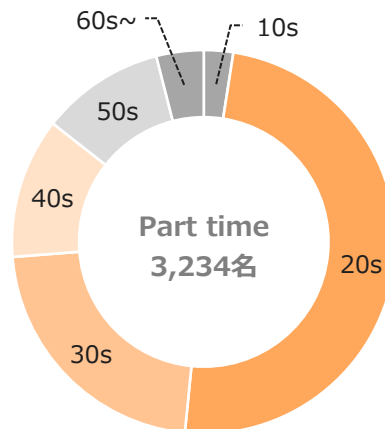
## Flexible work system

- Flexible work system that allows you to work from 3 hours a day, 1 day a week
- It is possible to secure a wide range of resources by responding to the needs of diverse work styles.

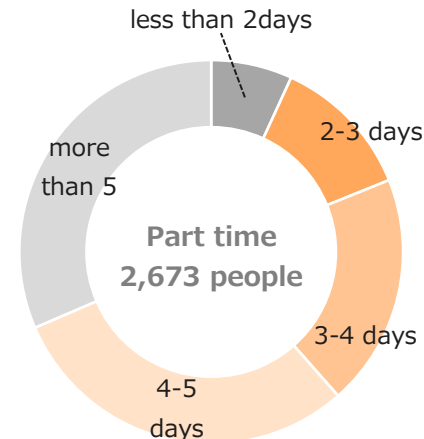
Gender\*1



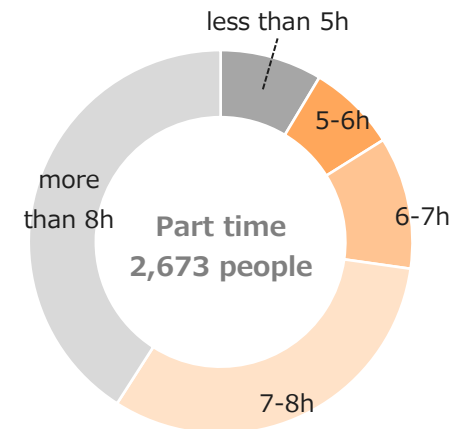
Age\*1



Working days per week\*2



Working hours per day \*2



\*1 As of the end of December 2020. Percentage of part-time jobs (3,234 people)

\*2 As of the end of December 2020. Calculated based on the average attendance for the three months from October to December 2020. Does not include months with 0 working days. Part-time jobs without work (leaves, etc.) are not counted

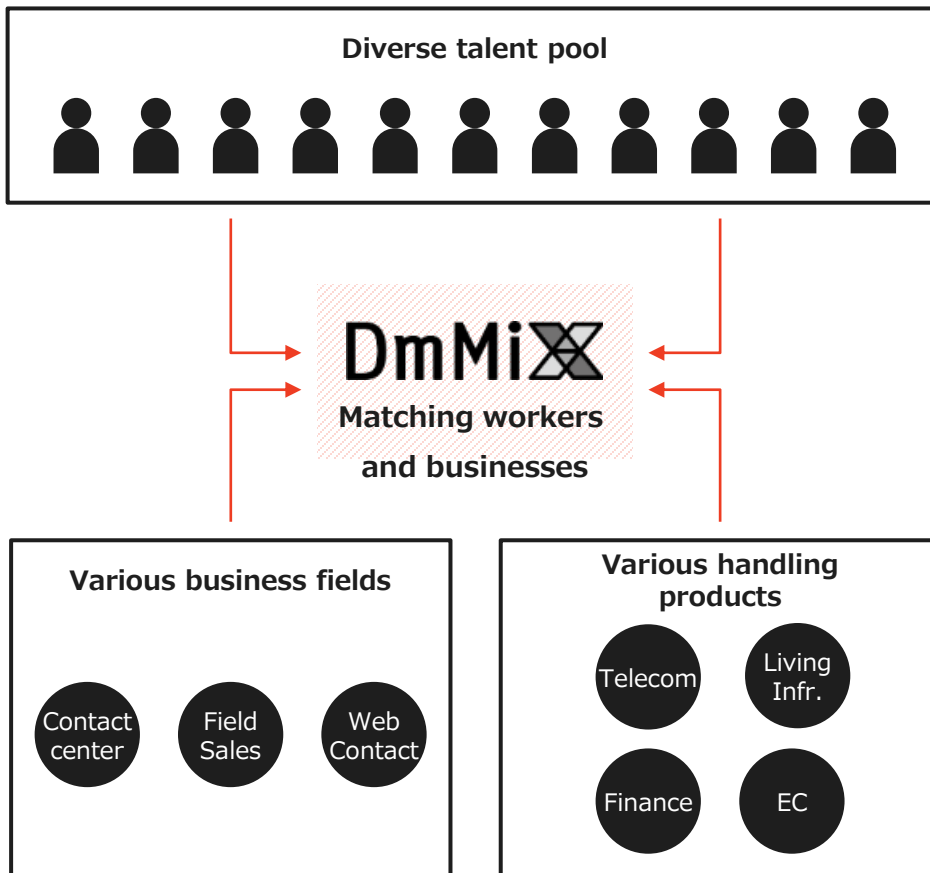


# System that supports the stable expansion of the human resources pool

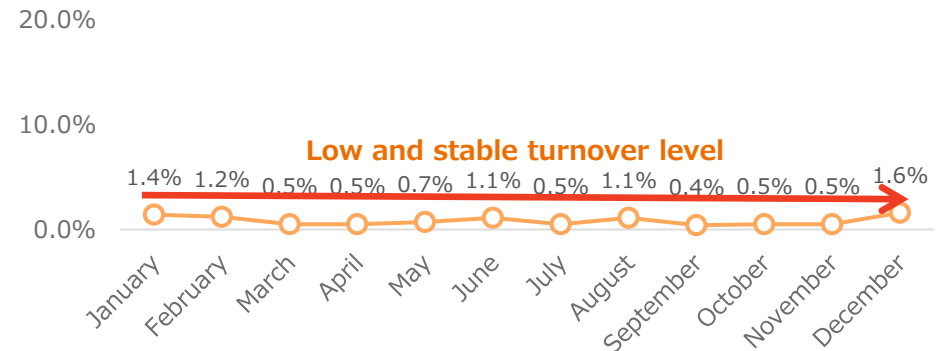
- The business matching system **stabilizes the human resources pool. The workplace is preferred by many job seekers**, with many past staff members wishing to be re-employed once again.

Stabilize the human resources pool by matching human resources and operations

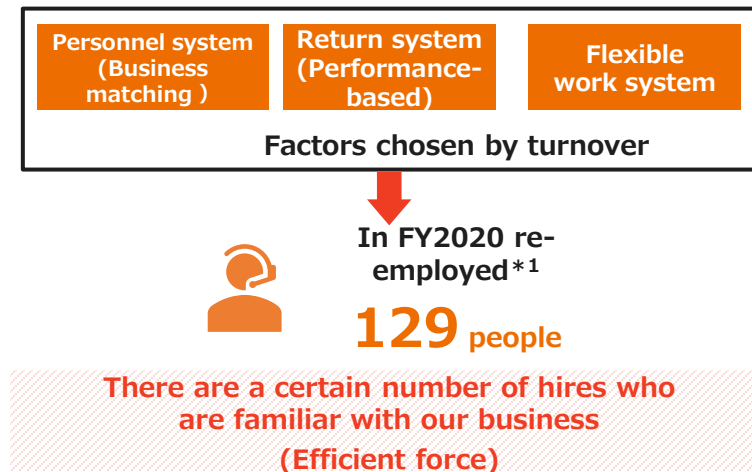
Matching the best work for individuals through job rotation and introduction to other industries



Monthly turnover rate (FY2020)



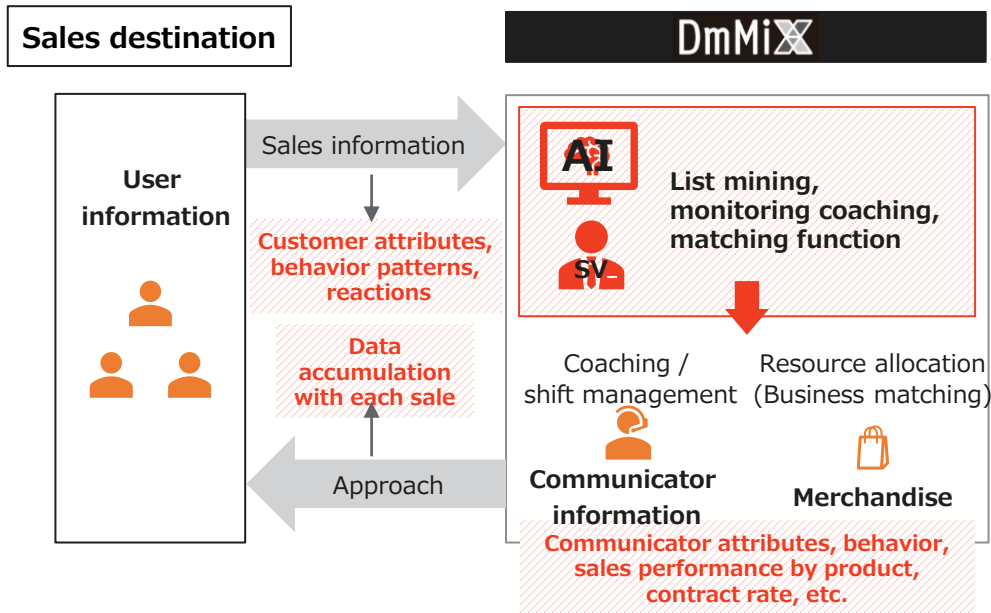
Available re-employed



# Acceleration of growth by AI utilization

- For AI development, even at the stage of trial introduction of some functions, a large effect has already been proven. This function aims to be introduced in 2021.
- We will expand the AI utilization function and introduce it to both management and communicator operations.

## Overview of an AI system



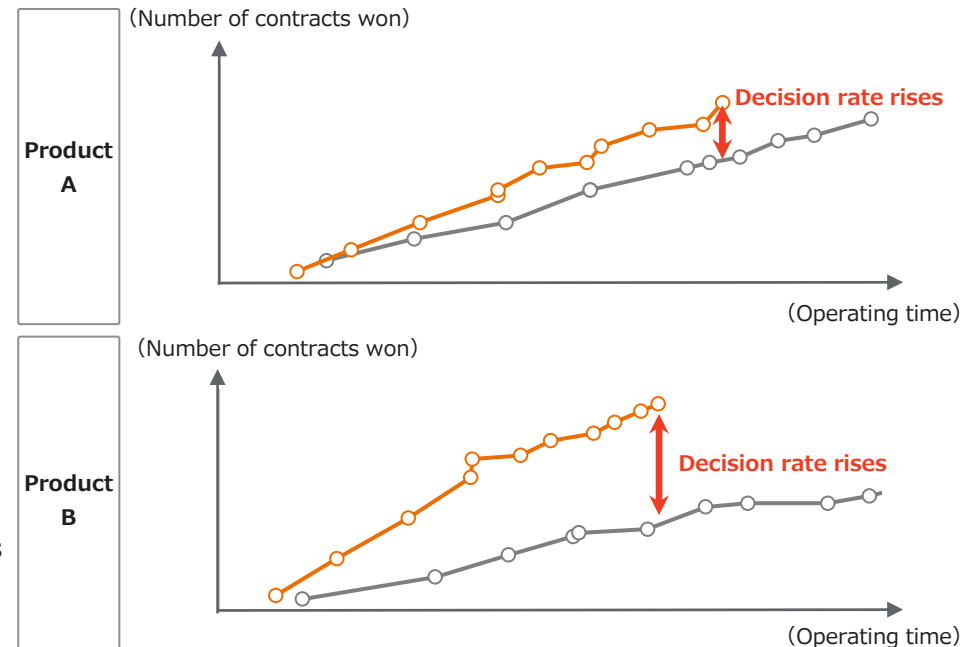
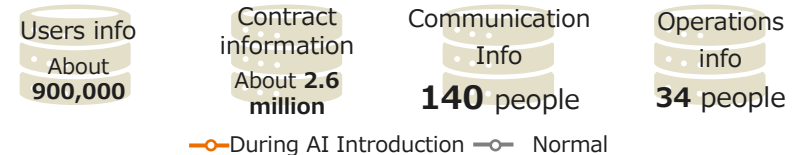
## Factors for accelerating growth

Mid-term aim	The effect of accelerating growth
Increase user loyalty	Efficient customer monetization
High performers training	Customer retention effect
Further focus on the last mile (reduction of backyard operations)	Increase in ARPU
	Improvement of profit margins

## Partial AI test introduction effect

- Trial introduction of AI system centered on list mining with two products
- Confirmed the results of AI introduction that greatly exceeds the conventional productivity

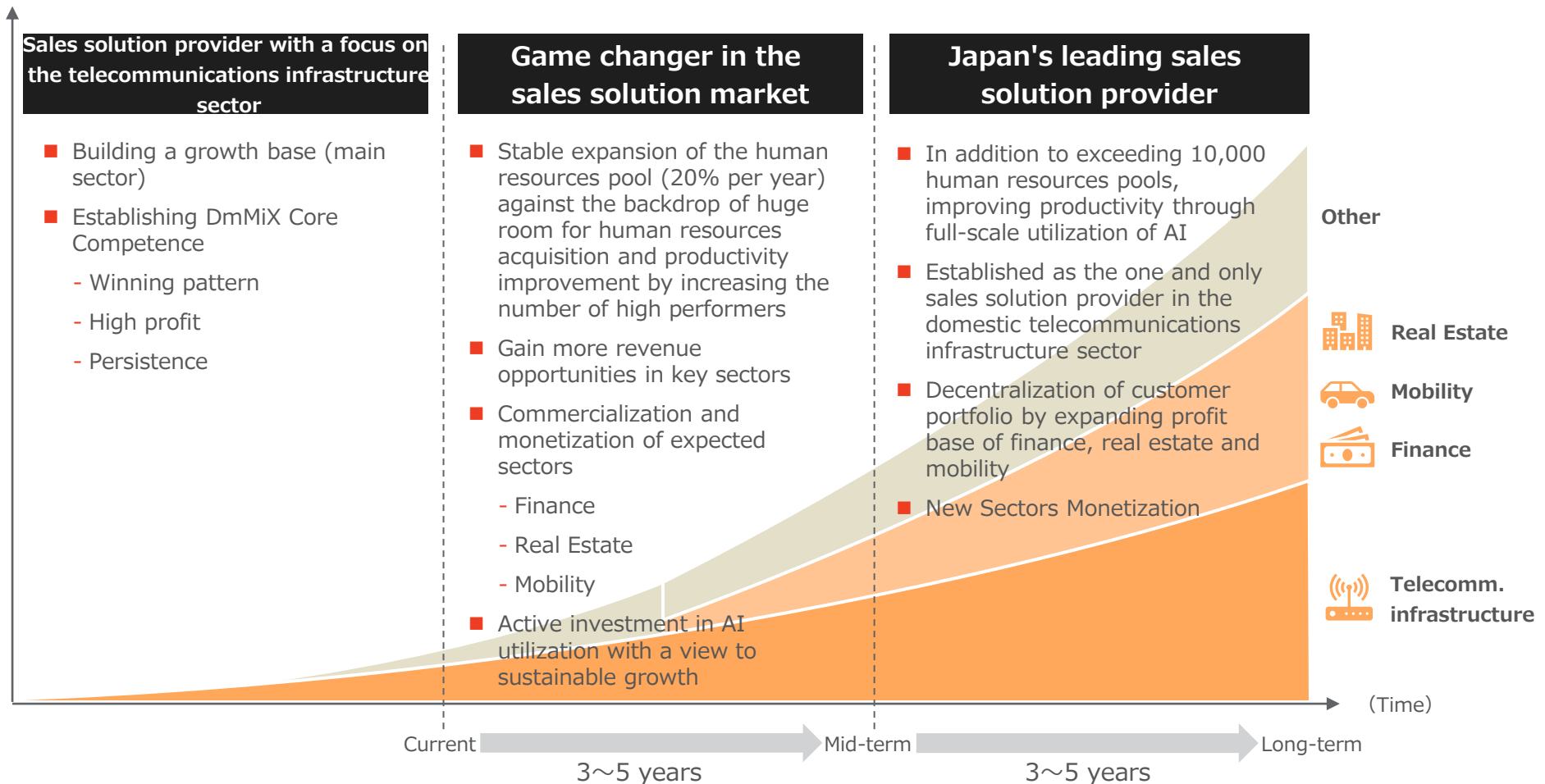
## AI utilization data implementation



# Long-term growth prospects

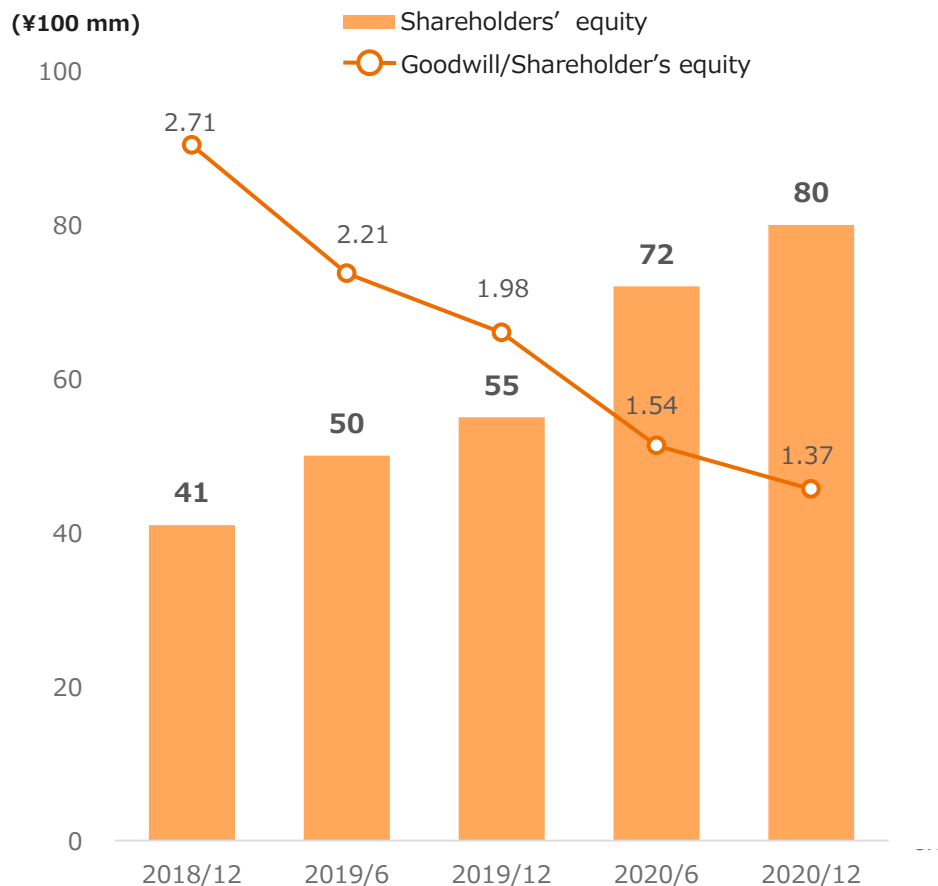
- For short to mid-term, the main driving force will be **communications infrastructure sector**.
- For mid-long term, **In addition to entering the monetization phase of the expected sector, we will accelerate growth by utilizing AI.**

( Profit scale )



# About Goodwill

## Historical Shareholders' equity and Goodwill/ shareholders' equity ratio



## Reference on Goodwill in the prospectus (excerpt)

【Risk factors】 We have significant goodwill within total assets

- Recoverable amount at the end of this consolidated fiscal year significantly exceeds the carrying amount of enterprise value, referred to as the group assets excluding directly-associated liabilities of the cash-generating unit; therefore, even in case of altering major assumptions to a reasonable extent, we assume it is unlikely that recoverable amount of the cash-generating unit or the group falls below the carrying amount. **Impairment loss may occur if the pre-tax discount rate for marketing business rises by 10.0% or the estimation of future cash flow including terminal value decreases by 53.5%; however, we assume impairment is unlikely as the recoverable amount sufficiently exceeds the carrying amount of enterprise value even in case of 0% growth in the next 5 years.**

【Notes on goodwill and intangible assets】

- Regardless of whether there is an indication of impairment, we conduct an impairment test every year (end of December). We determine the timing for impairment tests respectively considering the timing of formulating the related business plan. We conduct impairment tests if there is an indication of impairment.
- Use values are calculated based on cash flow estimation according to the business plan and growth rate with board approval reflecting historical data for the next 3 years from the next consolidated fiscal year, considering terminal value for the years beyond, and discounted back to present value by the discount rate based on pre-tax weighted average cost of capital of the cash-generating unit.
- Below is the major assumptions on which the management's calculation of the fair values less cost of disposal is based on:
  - Period of future : 3 years  
(3 years in the previous consolidated fiscal year)
  - Growth rate for extending the cash flow estimation : 0% (0% in the previous consolidated fiscal year)
  - Pre-tax discount rate applied to cash flow estimation : Marketing business 8.24%、On-sit business 11.37%  
(11.70% and 12.02% respectively in the previous fiscal year)

**DmMiX**