A Total Sales/Marketing Solution Provider for Maximizing Client Profitability

Direct Marketing MiX Inc.

Financial results briefing (FY2021/12 2Q)

August 13th, 2021

DmMiX
(7354)

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Financial results highlights (FY2021/12 2Q) (2Q Cumulative Period)

- **Sales Revenue : COVID-19 related spot business headed to a peak, and sales increased steadily by 31.9% compared to the same period of the previous year, which was also strong**
- **Various Profits : EBITDA achieved an increase in profits by 22.5% YoY despite enlarged costs of strategic acceleration of office space expansion & growth in personnel numbers in demand anticipation**

Sales revenue	**15 billion yen**	YoY	+31.9%
EBITDA*1	**3.4 billion yen**	YoY	+22.5%
Operating profit	**2.9 billion yen**	YoY	+20.4%
Net income*2	**1.9 billion yen**	YoY	+20.0%

Topics

Sales revenue (by sector)

- Telecommunications : Continued to steadily progress as the main pillar of earnings. Some spot business also increased
- Public : Significant YoY growth due to vaccination-related spot business
- Web/IT : Growth rate of food delivery service and cashless payments increased significantly due to changes in lifestyle

Various Profits

- Maintaining a high profit level, partly due to the contribution of highly profitable spot business
- 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 △82 million yen (1Q) which occurred due to refinancing.

*1 EBITDA=operating profit + depreciation + amortization
*2 Profit attributable to owners of parent

FY 2021/12 2Q (from April to June) P/L

- **Sales revenue : Steady progress to an increase by 46.7% YoY due to significant growth in COVID-19 related spot business and steady growth in the telecommunications sector (which was limited in 1Q due to changes in seasonality)**
- **Various Profits : Profitability declined slightly due to increased costs for office space expansion and staffing, but EBITDA progressed at a high level by 33.3% YoY**

Consolidated P / L 2Q results and YoY change

(¥ mm)	2020/12 2Q (from April to June)	2021/12 2Q (from April to June)	
	Results	Results	YoY
Sales revenue	**5,393**	**7,911**	**+46.7%**
Operating expenses	△4,295	△6,466	+50.5%
Other revenue	4	13	–
Other expenses	△0	△2	–
Operating profit	**1,102**	**1,457**	**+32.2%**
Operating profit margin	**20.4%**	**18.4%**	**△2.0pt**
Financial profit	0	1	–
Financial expenses	△25	△12	–
Profit before tax	**1,078**	**1,446**	**+34.1%**
Income tax expense	△356	△458	–
Net income*1	**721**	**987**	**+36.9%**
Net income margin	**13.4%**	**12.5%**	**△0.9pt**

EBITDA*2	**1,276**	**1,702**	**+33.3%**
EBITDA margin	**23.7%**	**21.5%**	**–**

*1 Profit attributable to owners of parent
*2 EBITDA = operating profit + depreciation + amortization

FY 2021/12 1H P/L

- Sales Revenue : Steady progress by **56.1% of the budget** due to an increase in COVID-19 related spot business in addition to steady growth of existing operations
- Various profits : The full year earnings forecast was revised as operating profit progressed at a high level by **76.8% of the budget**

Consolidated P / L 1st half results and YoY change

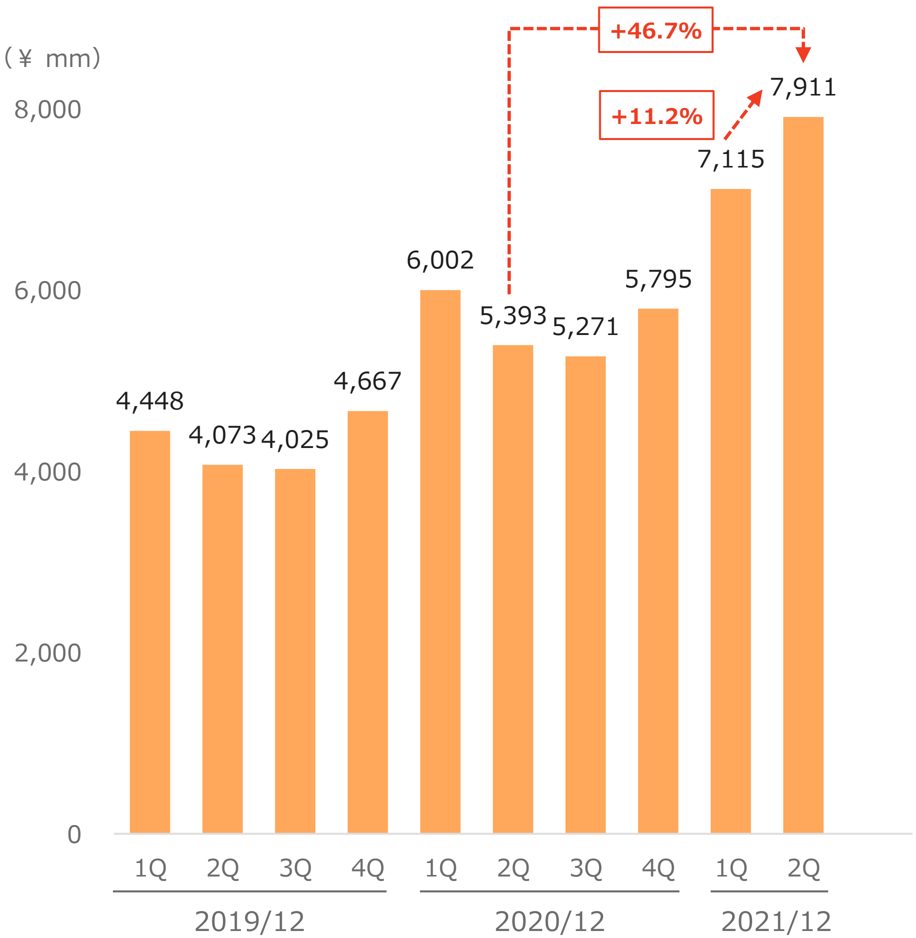
(¥ mm)	2020/12 1H	2021/12 1H			2021/12 Full year (before revision)	2021/12 Full year (before revision)
	Results	Results	YoY	Progress rate*3	Forecast	Forecast
Sales revenue	**11,395**	**15,026**	**+31.9%**	**56.1%**	**26,800**	**28,500**
Operating expenses	△8,982	△12,142	+35.2%	–	–	–
Other revenue	10	37	–	–	–	–
Other expenses	△1	△4	–	–	–	–
Operating profit	**2,422**	**2,917**	**+20.4%**	**76.8%**	**3,800**	**4,500**
Operating profit margin	**21.3%**	**19.4%**	**△1.8pt**	**–**	**14.2%**	**15.8%**
Financial profit	39	1	–	–	–	–
Financial expenses	△73	△118	–	–	–	–
Profit before tax	**2,389**	**2,800**	**+17.2%**	**75.7%**	**3,700**	**4,400**
Income tax expense	△795	△887	–	–	–	–
Net income*1	**1,594**	**1,914**	**+20.0%**	**76.6%**	**2,500**	**3,000**
Net income margin	**14.0%**	**12.7%**	**△1.3pt**	**–**	**9.3%**	**10.5%**
EBITDA*2	**2,762**	**3,384**	**+22.5%**	**73.6%**	**4,600**	**5,300**
EBITDA margin	**24.2%**	**22.5%**	**–**	**–**	**17.2%**	**18.6%**

*1 Profit attributable to owners of parent
*2 EBITDA = operating profit + depreciation + amortization
*3 2021/12 progress rate against full-year forecast(before revision)

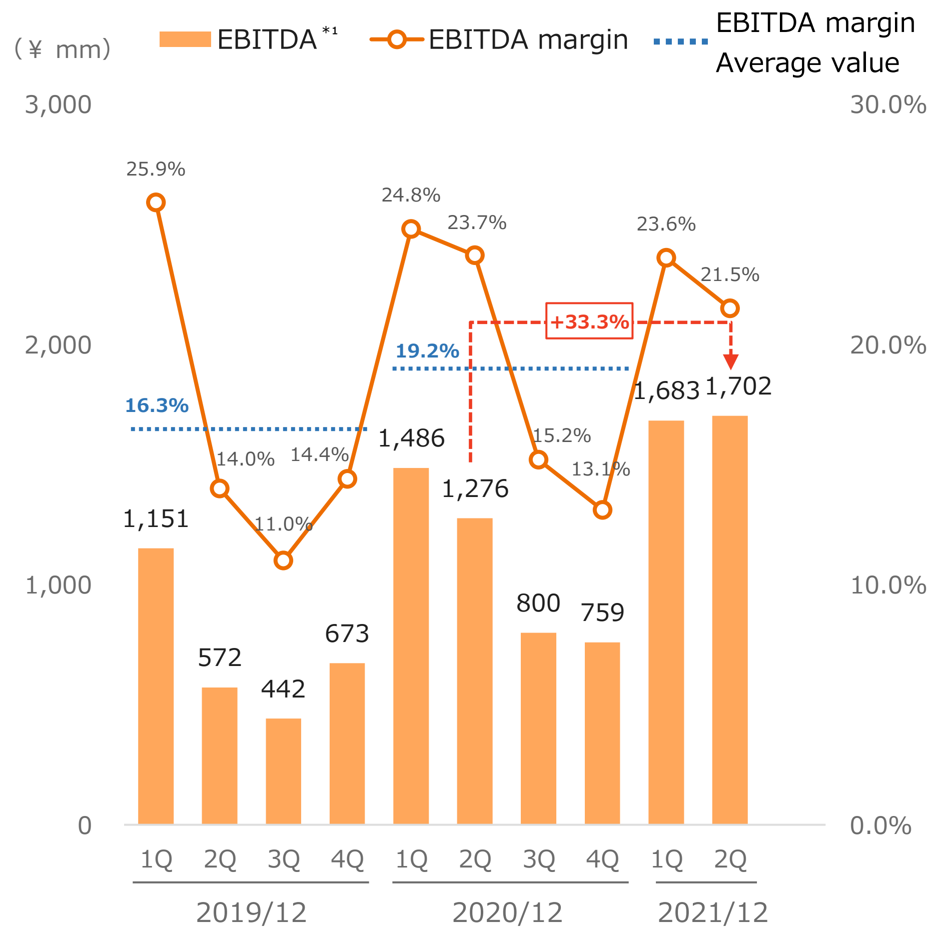
Quarterly Results

- **Sales revenue : COVID-19 related spot business increased significantly, resulting in a significant increase in sales by 46.7% YoY and by 11.2% QoQ**
- **EBITDA : Securing an increase in profits by 33.3% YoY compared to the same period of the previous year, when the profit contribution of the COVID-19 related spot business was also large**

Quarterly changes in consolidated sales revenue



EBITDA· Quarterly trends in EBITDA margin

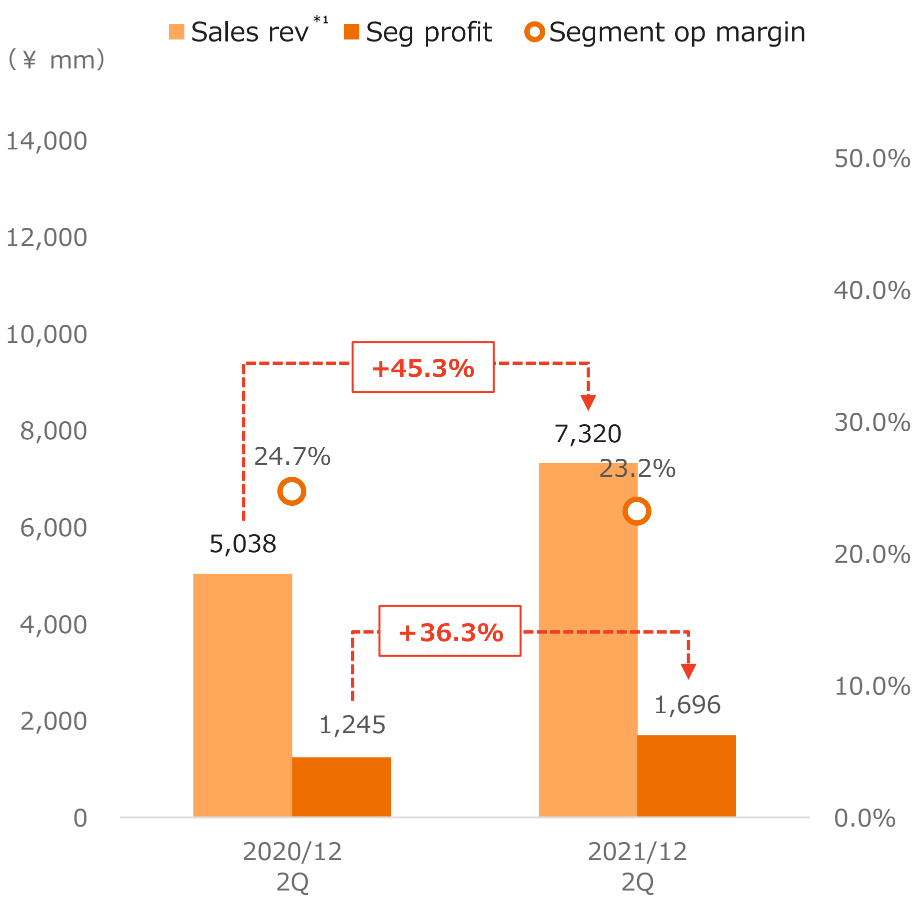


*1 EBITDA = operating profit + depreciation + amortization

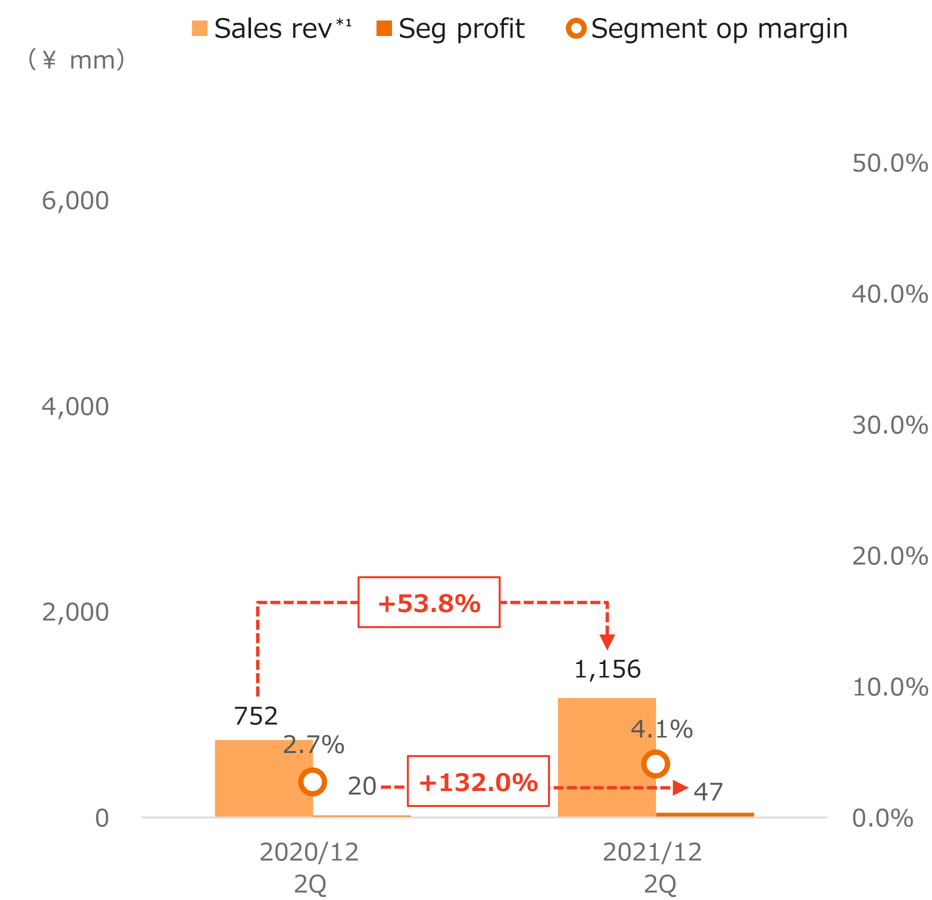
2021/12 2Q (from April to June) Results per Segment

- Marketing business: COVID-19 related spot business centered on vaccination grew, achieving sales increase by 45.3% YoY and operating profit by 36.3% YoY
- On-site business : Achieved a sales increase by 53.8% YoY and operating profit by 132.0% YoY, greatly affected by the above spot business

Marketing business



On-site business

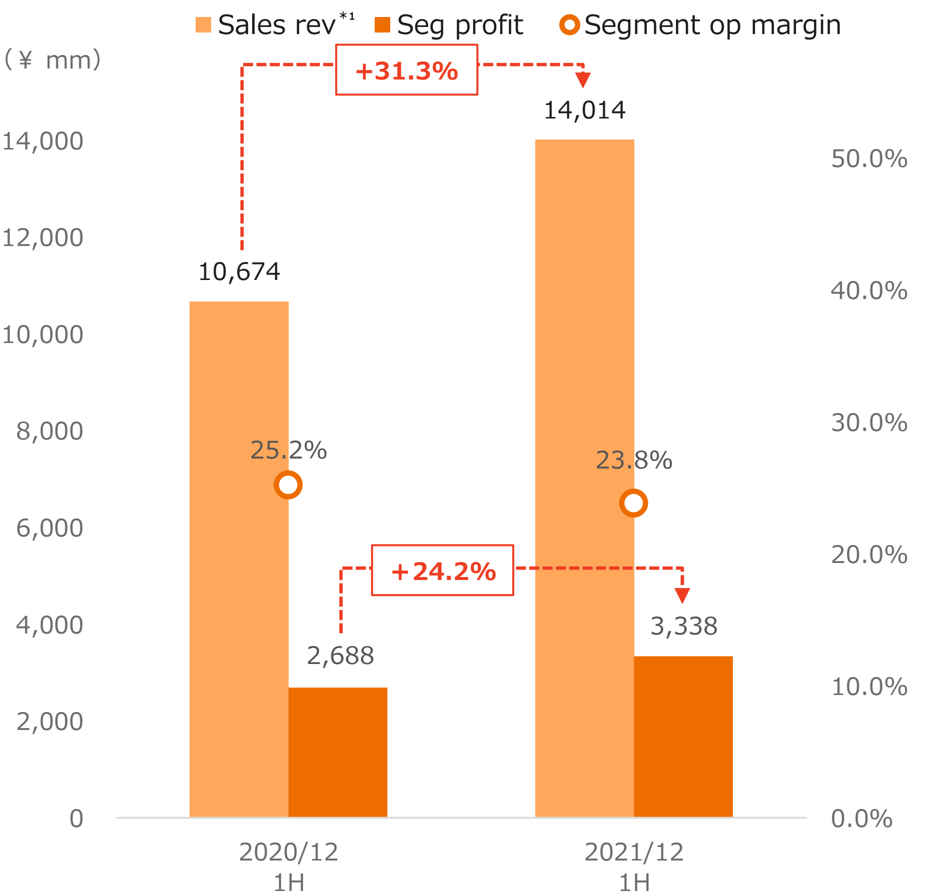


*1 Including intra-group sales

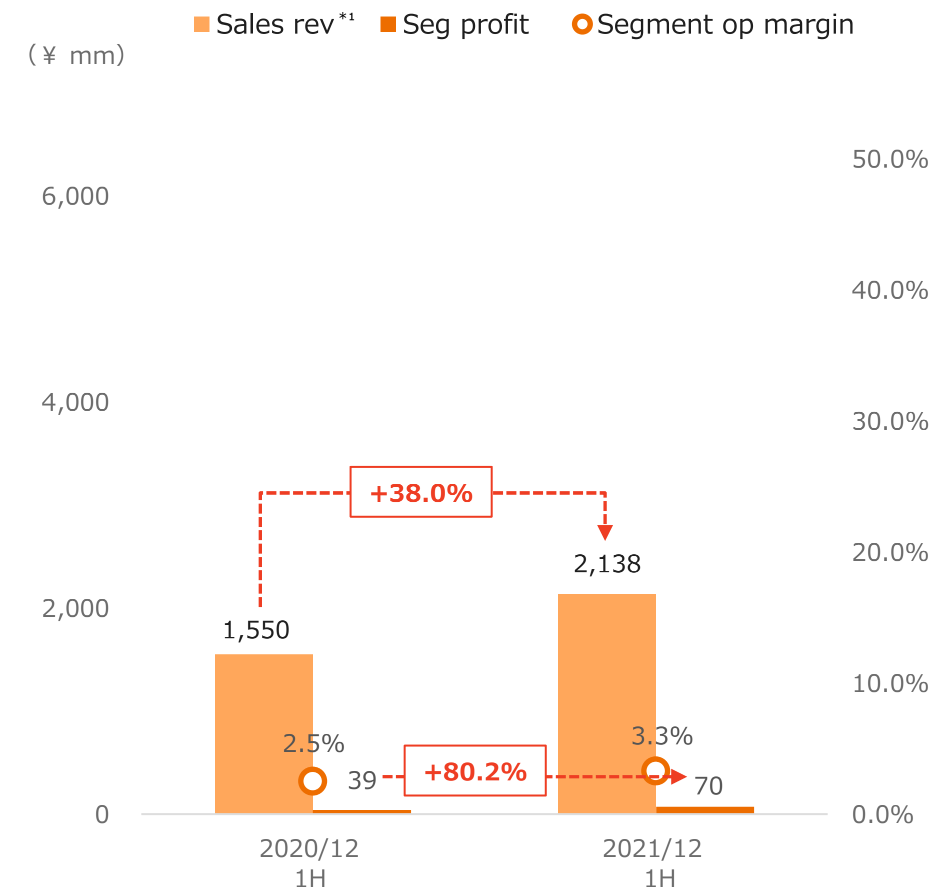
FY 2021/12 1H Results per Segment

- Marketing business: Increase in COVID-19 related spot business absorbed seasonality in existing businesses, achieving sales increase by 31.3% YoY and operating profit by 24.2% YoY
- On-site business : Sales increased by 38.0% YoY, operating profit by 80.2% YoY

Marketing business



On-site business



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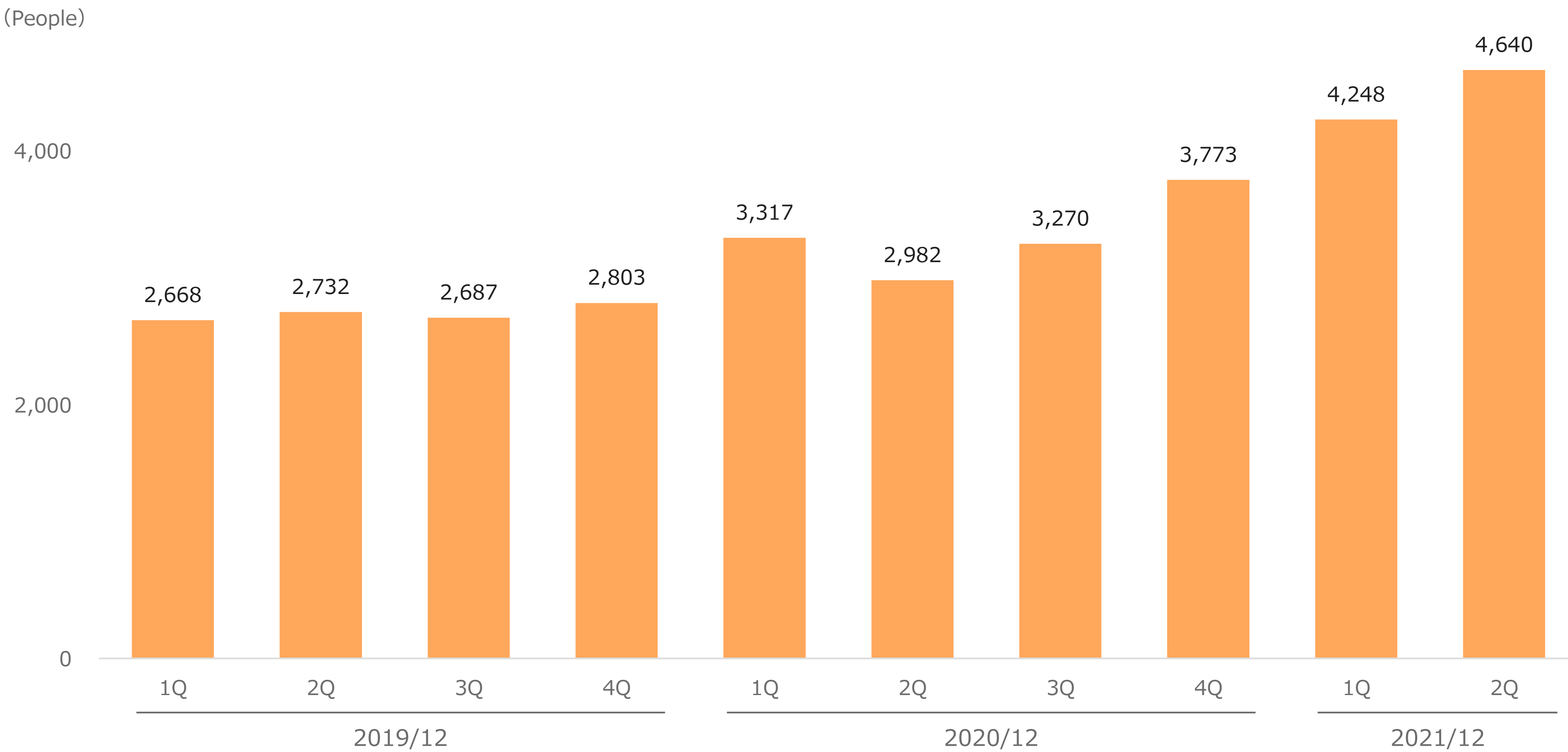
*1 Including intra-group sales

Marketing Business KPI

- The number of operating staff*1 : As the growth of COVID-19 related spot business was large and demand is peaking, the number of operating staff expanded at a pace that greatly exceeded the initial forecast (3,984 people) following the 1Q

Quarterly changes in the number of operating staff



*1 The number of operating staff in marketing business

FY 2021/12 1H B/S

- **Growth in retained earnings due to increased profits, resulting in an increase in ratio of equity attributable to owners of parent**
- **Goodwill total asset ratio steadily declined and net debt continues to be significantly reduced**

Consolidated B / S Comparison YoY

(¥ mm)	End of 2020/12	End of 2021/6	YoY Change	Comments
Total assets	**21,251**	**22,929**	**+1,678**	**Property, plant and equipment & right-of-use assets total :** 1,552 mm yen (End of 2018/12) ▶ 1,770 mm yen (End of 2019/12) ▶ 2,538 mm yen (End of 2020/12) ▶ 3,073 mm yen (End of 2021/6)
Current assets	6,877	7,746	+868	– Growth due to expansion of bases and system-related investment accompanying business expansion
Non-current assets	14,374	15,184	+810	**Goodwill total asset ratio :** 69.9% (End of 2018/12) ▶ 62.4% (End of 2019/12) ▶ 51.7% (End of 2020/12) ▶ 47.9% (End of 2021/6)
Goodwill	10,984	10,984	±0	– Goodwill has not been amortized, but its share of total assets have steadily declined
Total liabilities	**13,251**	**12,985**	**△266**	**Interest-bearing liabilities :** 8,108 mm yen (End of 2018/12) ▶ 7,589 mm yen (End of 2019/12) ▶ 6,500 mm yen (End of 2020/12) ▶ 5,785 mm yen (End of 2021/6)
Current liabilities	6,073	6,312	+240	– Long-term liabilities are steadily decreasing
Non-current liabilities	7,178	6,672	△506	**Net debt :** 7,344 mm yen (End of 2018/12) ▶ 5,919 mm yen (End of 2019/12) ▶ 2,808 mm yen (End of 2020/12) ▶ 2,201 mm yen (End of 2021/6)
Total equity	**8,000**	**9,945**	**+1,944**	
Total equity attributable to owners of parent	8,000	9,945	+1,944	**Ratio of equity attributable to owners of parent :** 25.8% (End of 2018/12) ▶ 31.5% (End of 2019/12) ▶ 37.6% (End of 2020/12) ▶ 43.4% (End of 2021/6)
Total liabilities & equity	**21,251**	**22,929**	**+1,678**	

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FY 2021/12 1H C/F

- **Temporary increase in trade and other receivables due to the impact of spot business**
- **Investment CF increased due to accelerated capital investment in consideration of client needs**

Consolidated C / F Comparison YoY

(¥ mm)	2020/2Q	2021/2Q	YoY
Operating cash flow	2,465	1,516	△949
Investment cash flow	△122	△517	△395
Financial cash flow	△1,015	△1,106	△91
Free cash flow	**2,343**	**999**	**△1,344**

Main factors of increase/ decrease

- Operating cash flow： △1,022 million yen (YoY) due to an increase in trade and other receivables

  ※Many projects related to spot business with long contract periods had a large impact

  411 million yen (YoY) due to an increase in profit before adjustment for taxes, etc.

  △218 million yen (YoY) due to an increase in income tax payments

- Investment cash flow： Expenditure due to security deposits △ 203 million yen (YoY)

- Financial cash flow： Repayment of some borrowings ahead of schedule by implementing refinancing

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Impact of spot businesses on results for the current fiscal year

- Continuing from the previous fiscal year, we will **secure profitability that exceeds the initial forecast for this fiscal year** due to the spot business during the COVID-19
- Spot businesses, which was limited in 1Q, **peaked with vaccination-related work in 2 and 3Q, and is expected to drop off in the 4Q**

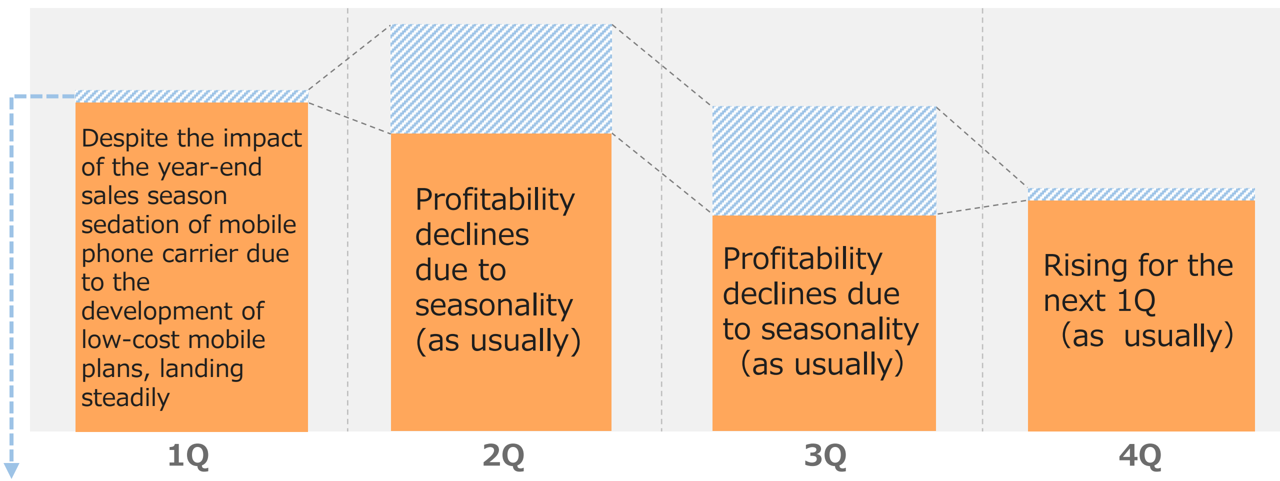
Profitability breakdown

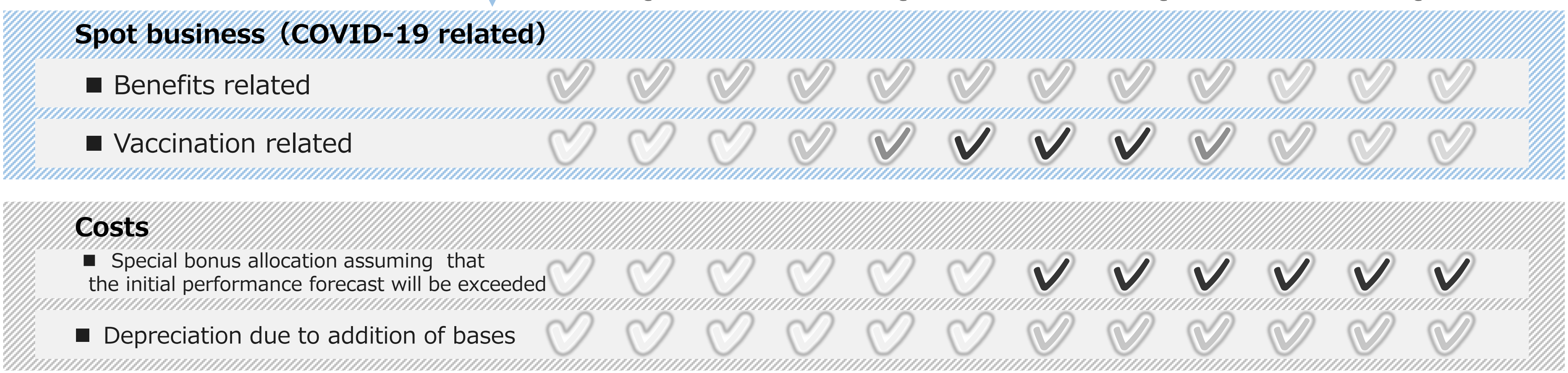
Spot business (COVID-19 related)

Existing business

Color legend

Big impact — Small impact





Outlook for the current term (Full-year earnings forecast upward revision)

- The full-year earnings forecast has been revised upward because the progress rate of operating profit was as high as 76.8% against the initial budget
- Expected to reserve extra bonuses and accelerate capital investment in the second half

(¥ mm)	2021/12 Full year (before revision) Forecast	2021/12 Full year (after revision) Forecast
Sales revenue	26,800	28,500
Operating profit	3,800	4,500
Operating profit margin	14.2%	15.8%
Profit before tax	3,700	4,400
Net income*1	2,500	3,000
Net income margin	9.3%	10.5%
EBITDA*2	4,600	5,300
EBITDA margin	17.2%	18.6%

Background

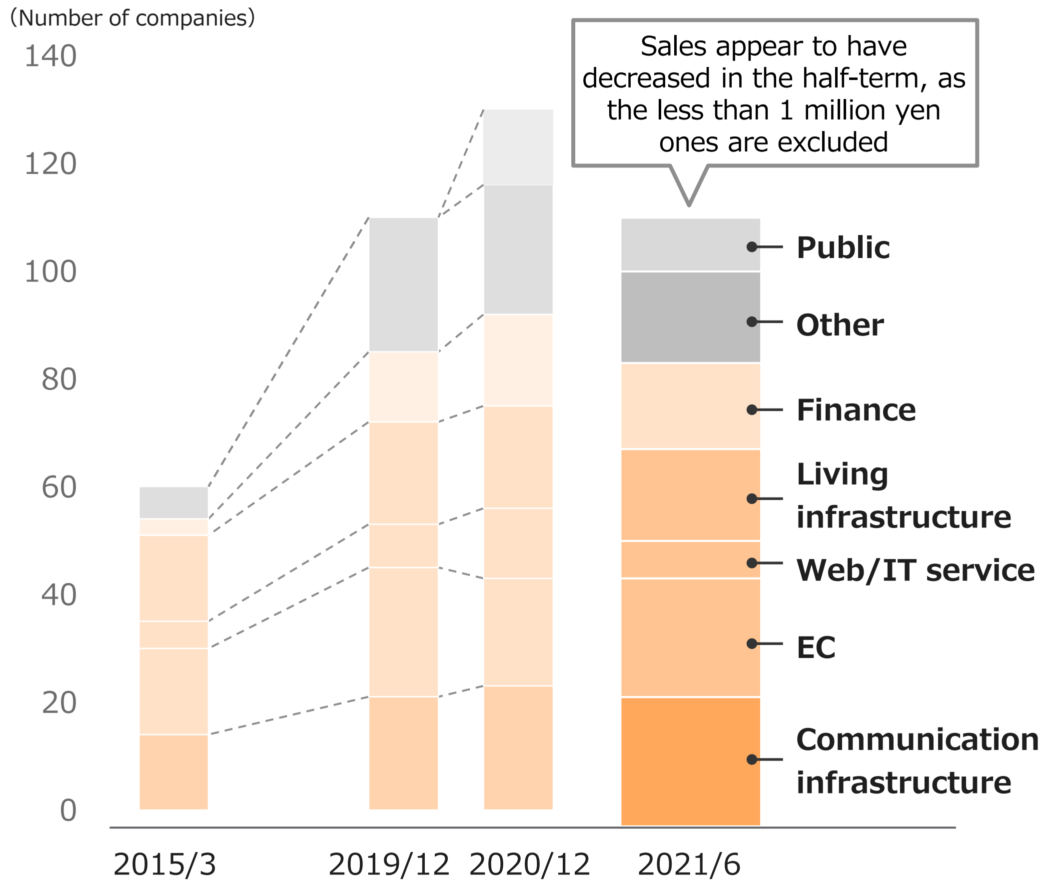
- Sales revenue: In addition to the steady performance of existing operations that was expected from the beginning, we received orders for spot businesses in the public sector and other industries.
- Various profits: In addition to sales growth, the profit margin of some spot businesses was high.

*1 Profit attributable to owners of parent
*2 EBITDA = operating profit + depreciation + amortization

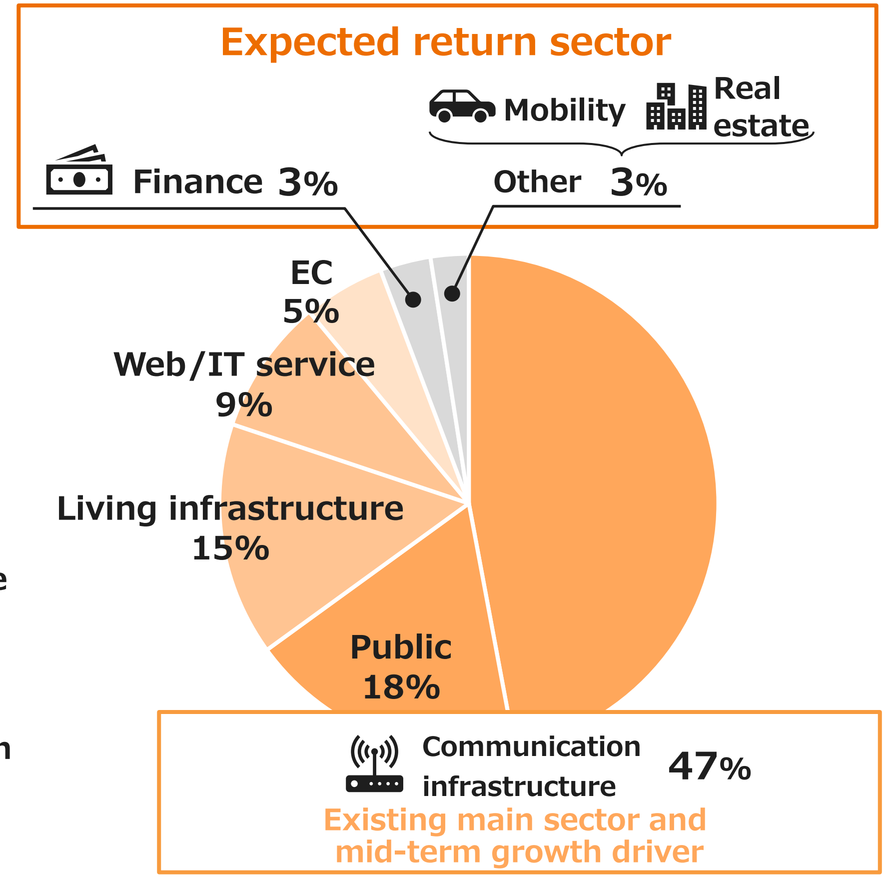
Current earnings base and future focus sectors

- Build a diversified customer portfolio based on the number of clients. Acquire many potential monetization points
- Pursuing room for market development by expanding the main telecommunications sector and turning the expected sector into the second and third profit sectors

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



Revenue composition ratio by industry (FY2021/6)

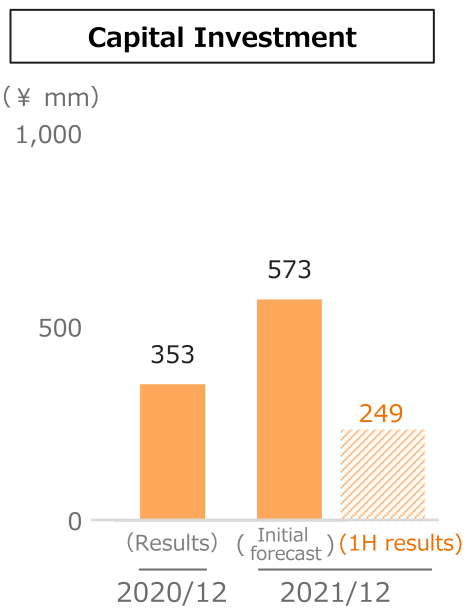


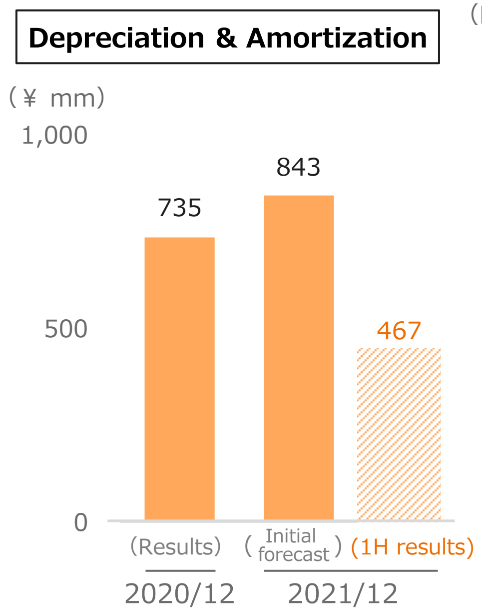
*1 Counted on a contract basis with each group company. Excludes clients with annual transaction amount of less than 1 million yen
*2 Communication infrastructure = mobile phone carrier affiliated companies / Living infrastructure = electricity, gas, internet lines, etc.
*3 On-site business (temporary staffing) is excluded for 2019/12 and 2020/12

Investment Plan

- In the first half, capital investment and depreciation progressed almost as forecasted
- In the second half, we plan to invest 1.2 billion yen in base addition, which greatly exceeds the initial forecast. Developing the ability to respond more flexibly to growing demand

Capital investment plan and depreciation outlook

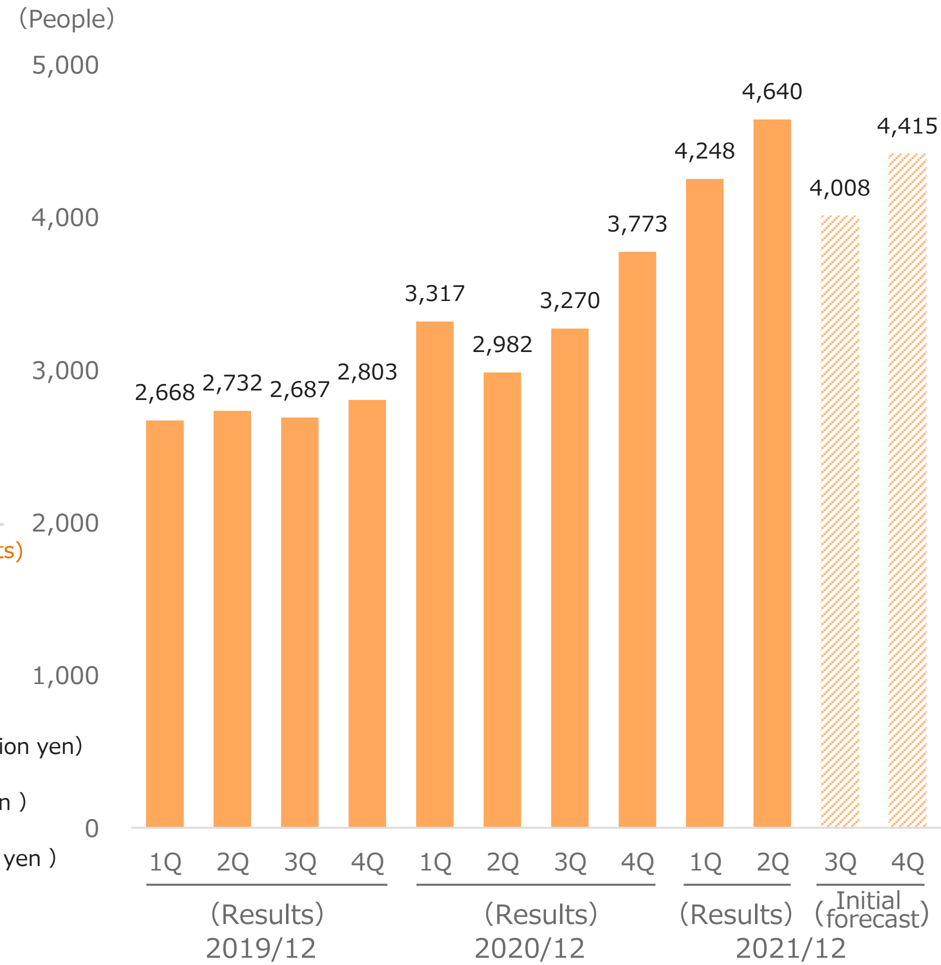




Major capital investment prospects for 2021/12

- Addition of bases : 1,205 million yen (Initial forecast 265 million yen)
- AI development costs : 50 million yen (Initial forecast 50 million yen)
- Other system costs : 219 million yen (Initial forecast 258 million yen)

Personnel planning (the number of operating staff)



DmMiX Social Initiatives

■ We are focusing on **women's advancement**, **realization of diverse work styles**, **health management**, **support for single families**, etc., and will **contribute to the supply of social mobility**

Certifications/Some of the awards

2021 健康経営優良法人 Health and productivity ホワイト500

Acknowledged by the Ministry of Economy, Trade and Industry as an excellent health management corporation "White 500" (for three consecutive years) and included as a superior corporation in the top 500 companies working on health management.

シングルファミリー応援認定事業主

Acknowledged as a "Single family support certified business owner" sponsored by the general incorporated association "Heartful Family"

SUSTAINABLE DEVELOPMENT GOALS

Received SDGs business certification from the Japan SDGs Association (for the second consecutive year)

・GOAL 3 : Ensure healthy lives and promote well-being for all at all ages

・GOAL 5 : Achieve gender equality and empower all women and girls

・GOAL 8 : Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

・GOAL 10 : Reduce inequality within and among countries

Best Workplaces™ Great Place To Work® JAPAN 2021

Best Workplaces™ for Women Great Place To Work® JAPAN 2021

Best Workplaces™ for Young Employees Great Place To Work® JAPAN 2021

Great Place To Work® Asia's Best Workplaces 2021

High ranking in various categories of GPTW's "Best Companies to Work For" in which companies from all over the world participate

・Japan ranking: 2nd place

・Japanese women ranking: 2nd

・Japan young ranking: 2nd

・Asia ranking: 25th

SPORTS YELL COMPANY 2021

Acknowledged by the Ministry of Education, Culture, Sports, Science and Technology as a sports aid company that actively works to improve employee health (for three consecutive years)

2021 ホワイト企業認定 PLATINUM

Received the highest platinum level, awarded to the top 35 companies nationwide in the white company certification by the Japan Next Generation Enterprise Promotion Organization.