

A Total Sales/Marketing Solution Provider for Maximizing Client Profitability

Direct Marketing MiX Inc.

Financial results briefing (FY2021/12)

February 14th, 2022



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Financial Results Highlights (FY2021/12)

- Sales revenue : Existing business remained strong. In addition, growth accelerated from FY20 with **sales increasing by 34.8% YoY** driven by a tailwind in COVID-19 vaccination-related business
- Various profits : Achieved a **36.1% YoY increase** in EBITDA*¹ despite significant cost increase due to strategic acceleration of office space expansion & growth in personnel numbers according to demand

Topics

Sales revenue (by sector)

- Telecommunications infrastructure : Continued to steadily progress as the main pillar of earnings. Some spot business also increased
- Public : Substantial year-on-year growth due to COVID-19 vaccination-related business, etc.
- Web/IT : Growth rate of food delivery service and cashless payments continuously increased due to changes in lifestyle

Various profits

- Maintaining a high profit level due to high profitability of public sector business, etc.
- On the other hand, there was a large increase in expenses due to accelerated addition of bases accompanying business expansion and partial recruitment ahead of schedule

Sales revenue	30.3 billion yen	YoY	+34.8%
EBITDA* ¹	5.9 billion yen	YoY	+36.1%
Operating profit	4.8 billion yen	YoY	+33.3%
Net income* ²	3.2 billion yen	YoY	+32.7%

*1 EBITDA = operating profit + depreciation + amortization

*2 Profit attributable to owners of parent

FY2021/12 P/L

- Sales revenue : Growth accelerated by **34.8% YoY**, reflecting continued strong demand. New sectors are also being developed
- Various profits : Absorbed the increased costs associated with the strategic office space expansion & growth in personnel numbers, and achieved an increase in EBITDA*2 by **36.1% YoY**, significantly exceeding the forecast

Consolidated P/L comparison YoY

(¥ mm)	2020/12	2021/12		
	Full year	Results	YoY	Forecast (compared to forecast)
Sales revenue	22,461	30,286	+34.8%	28,500 (+6.3%)
Operating expenses	△18,902	△25,570	+35.3%	–
Other revenue	39	68	–	–
Other expenses	△12	△5	–	–
Operating profit	3,586	4,780	+33.3%	4,500 (+6.2%)
Operating profit margin	16.0%	15.8%	△0.2pt	15.8% (±0pt)
Financial profit	40	4	–	–
Financial expenses	△122	△141	–	–
Profit before tax	3,504	4,642	+32.5%	4,400 (+5.5%)
Income tax expense	△1,080	△1,426	–	–
Net income*1	2,425	3,217	+32.7%	3,000 (+7.2%)
Net income margin	10.8%	10.6%	△0.2pt	10.5% (+0.1pt)
EBITDA*2	4,321	5,882	+36.1%	5,300 (+11.0%)
EBITDA margin	19.2%	19.4%	+0.2pt	18.6% (+0.8pt)

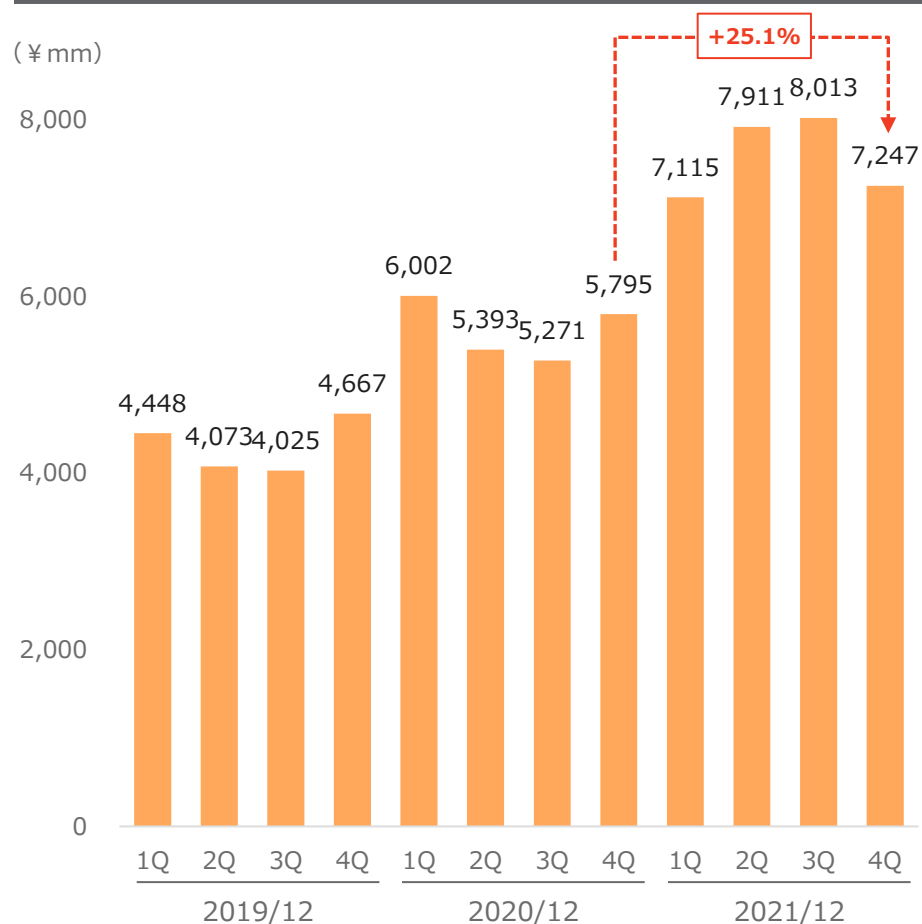
*1 Profit attributable to owners of parent

*2 EBITDA = operating profit + depreciation + amortization

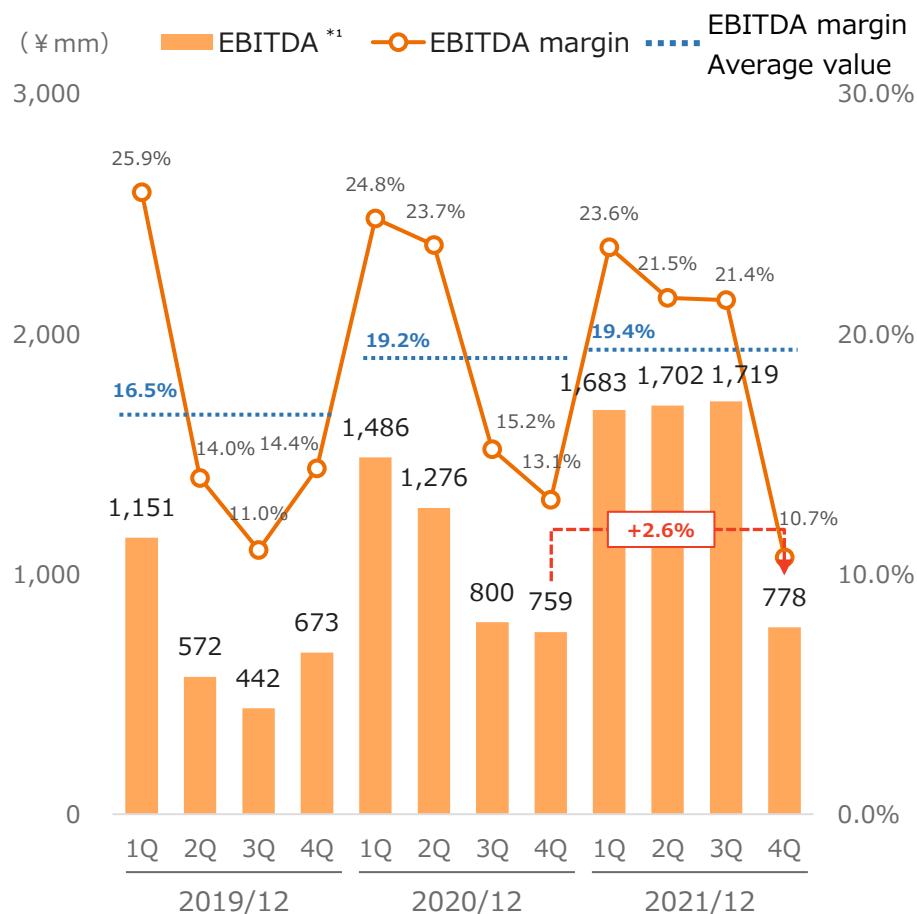
Quarterly Results

- Sales revenue : Existing business continued to grow steadily. COVID-19 vaccination-related business has settled down, but sales increased by **25.1% YoY**. New sectors are also being developed
- EBITDA*¹ : EBITDA increased by **2.6% YoY** due to **higher costs resulting from large-scale strategic investments (specific to FY21)** in response to present demand growth

Quarterly changes in consolidated sales revenue



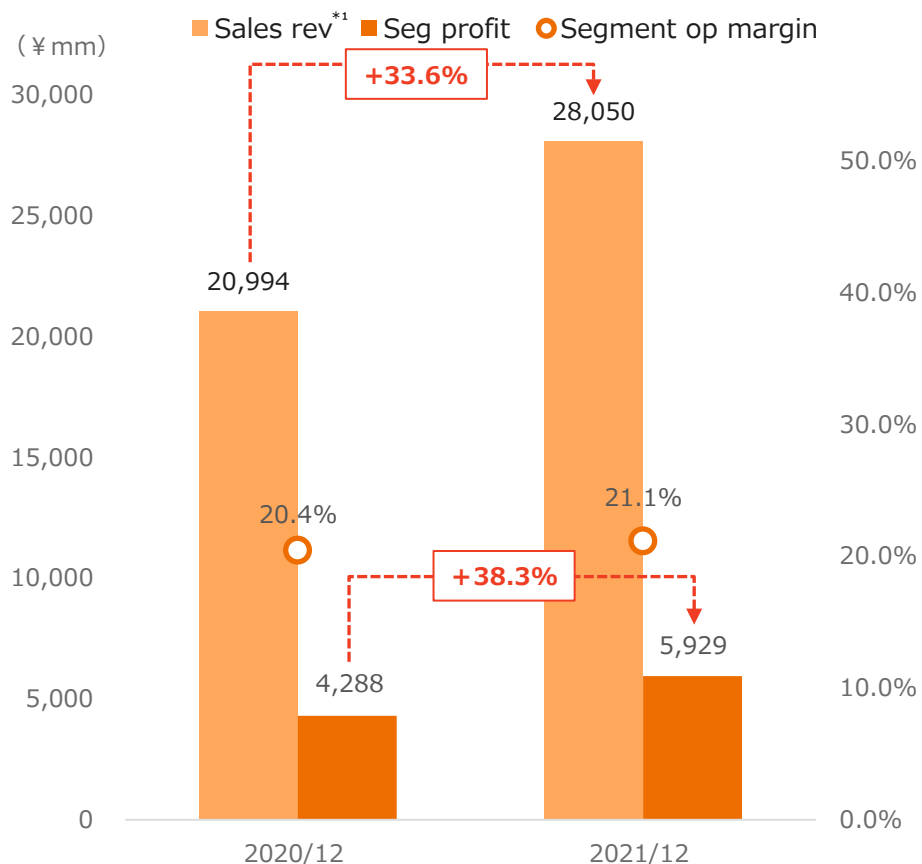
Quarterly trends in EBITDA*¹· EBITDA margin



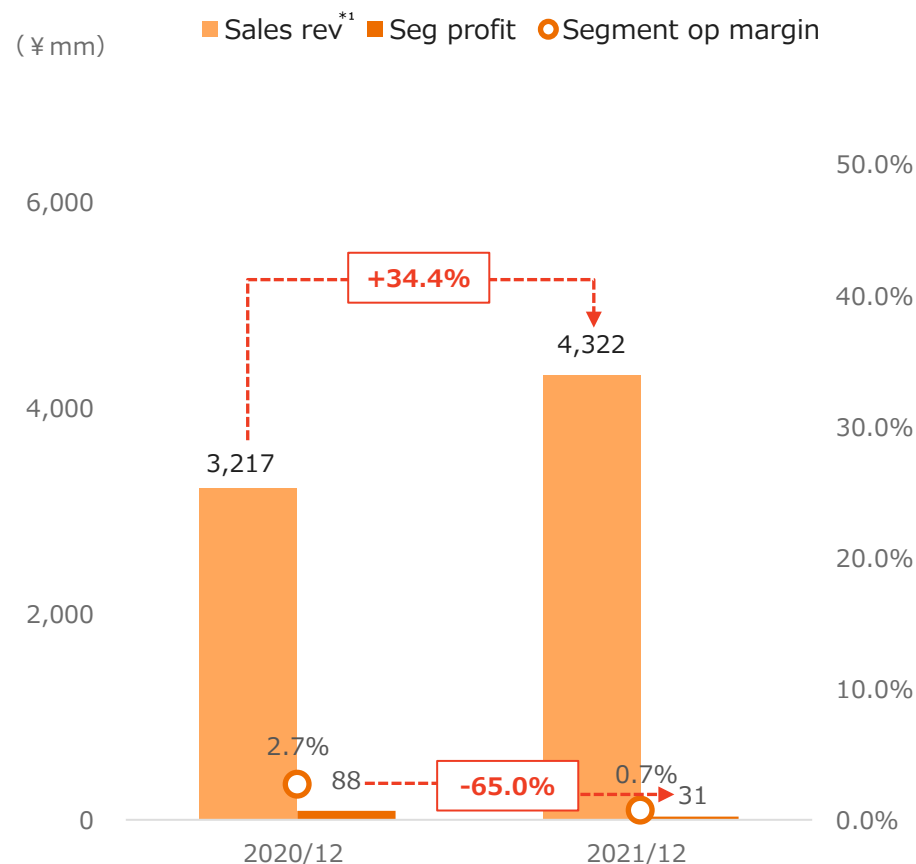
FY2021/12 Results per Segment

- Marketing business : Achieved **33.6% YoY growth in sales** and **38.3% YoY growth in operating profit** due to steady growth in existing business, including the main telecommunications infrastructure and Web/IT sectors, as well as growth in the public sector, etc.
- On-site business: **Sales increased by 34.4% YoY**. **Operating profit decreased by 65.0% YoY** due to **upfront investment in recruitment costs**

Marketing business



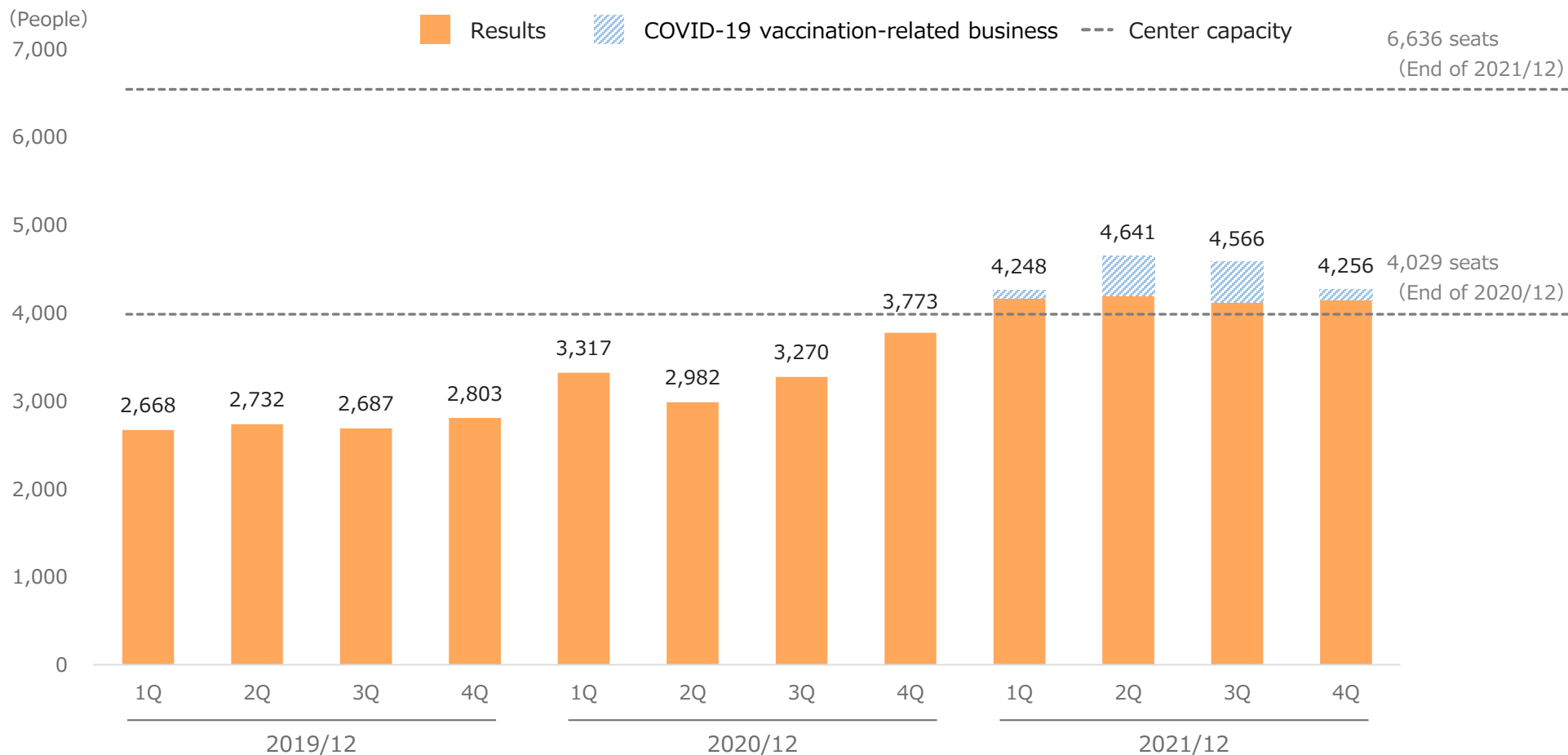
On-site business



Marketing Business KPI

- The number of operating staff*¹ :With the opening of new offices, the company will have the capability to respond to increasing demand for existing business and to handle new business
- The number of personnel dispatched externally has also increased. It is possible to have more personnel in operation than center capacity

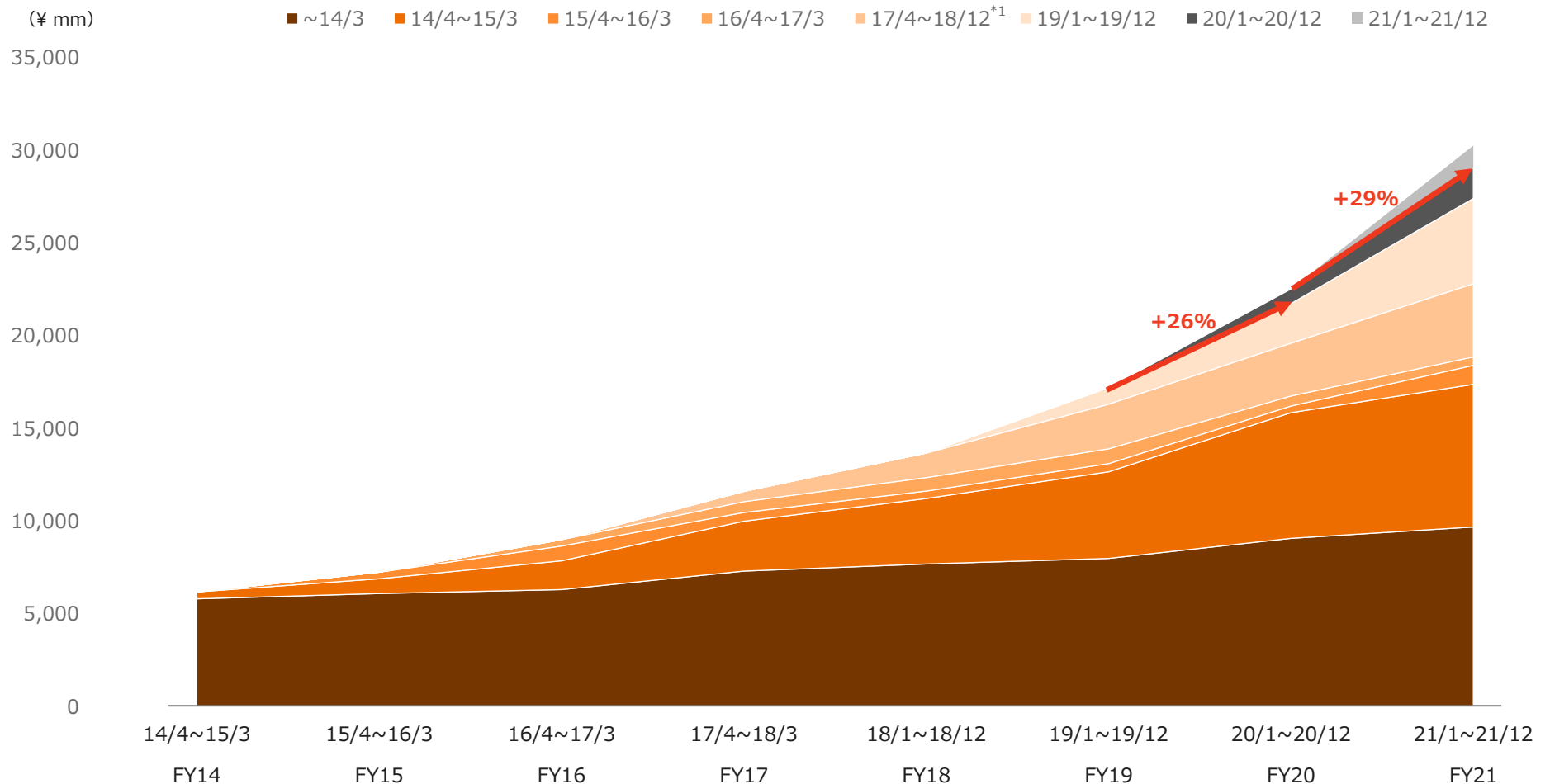
Quarterly changes in the number of operating staff*¹



Stable Expansion of Sales revenue

- With the expansion of outsourcing business volume and the expansion of transactions with other departments for existing customers (existing customer revenue +29% YoY), new customer development is proceeding, and sales are steadily increasing

Past year transition of sales revenue by transaction start year

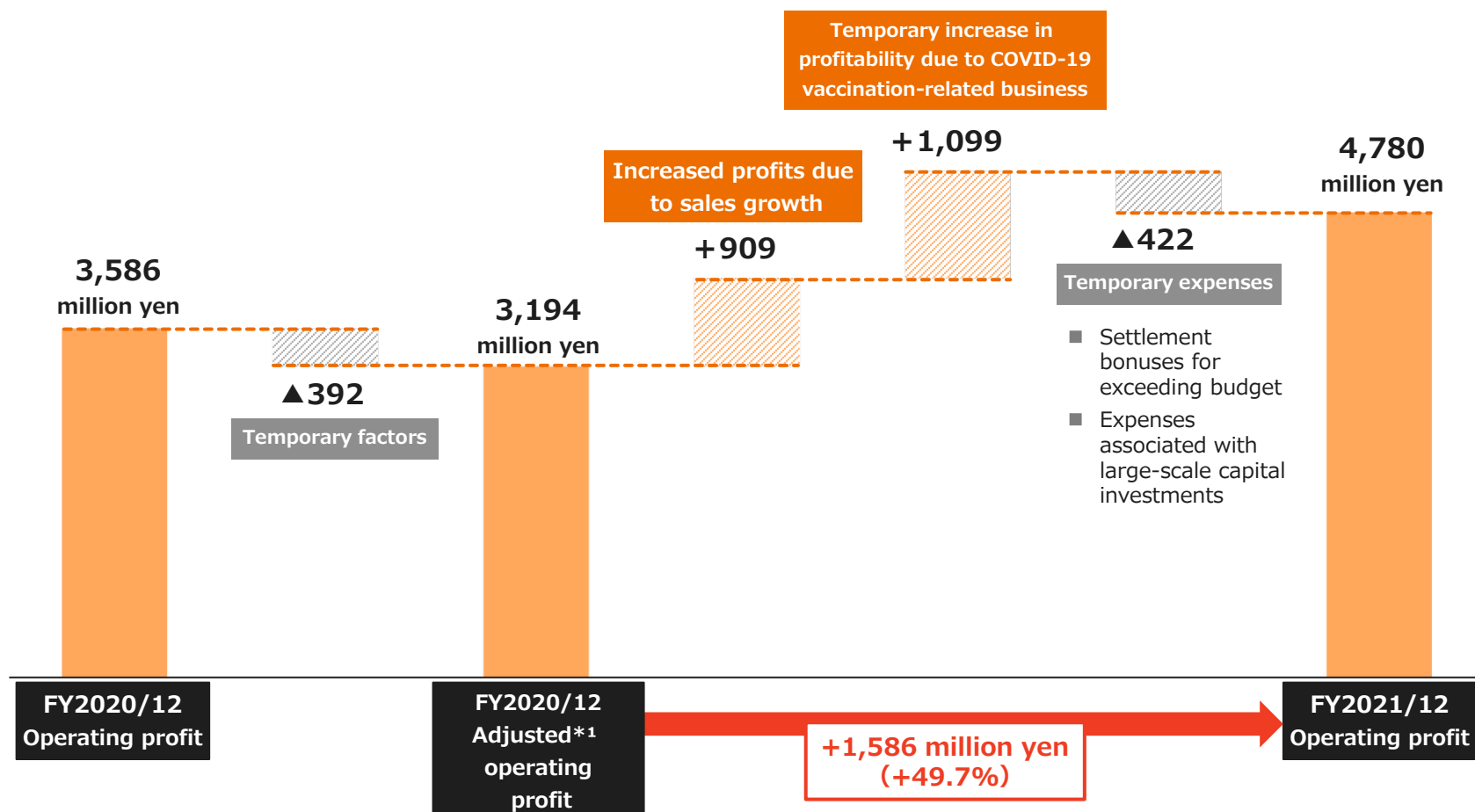


*1 Changed to IFRS (and fiscal year end from March to December) from the fiscal year ended December 2018. J-GAAP FY2018/3 and IFRS FY2018/12 overlap between January and March 2018

Factors for Increases and Decreases in Operating profit

- In addition to the increased revenue from existing and new customers, COVID-19 vaccination-related and other business contributed about **1.1 billion yen** to profit. Substantial increase in profit was achieved by absorbing **the temporary increase in expenses** such as settlement bonus and large-scale capital investment, etc.

YoY comparison of consolidated operating profit



*1 Operating profit after deducting temporary factors from operating profit (FY2020/12)

FY2021/12 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 2021/12	YoY Change	Comments
Total assets	21,251	26,837	+5,586	<ul style="list-style-type: none"> ■ 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) ▶ 4,540 mm yen (End of 2021/12) – Growth due to expansion of bases and system-related investment accompanying business expansion
Current assets	6,877	9,702	+2,824	
Non-current assets	14,374	17,135	+2,761	<ul style="list-style-type: none"> ■ Goodwill total asset ratio : 69.9% (End of 2018/12) ▶ 62.4% (End of 2019/12) ▶ 51.7% (End of 2020/12) ▶ 40.9% (End of 2021/12) – Goodwill has not been amortized, but its share of total assets has steadily declined
Goodwill	10,984	10,984	±0	
Total liabilities	13,251	15,238	+1,987	<ul style="list-style-type: none"> ■ 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) ▶ 5,741 mm yen (End of 2021/12) – Long-term liabilities are steadily decreasing
Current liabilities	6,073	8,060	+1,987	
Non-current liabilities	7,178	7,178	±0	<ul style="list-style-type: none"> ■ 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) ▶ 674 mm yen (End of 2021/12)
Total equity	8,000	11,599	+3,599	
Total equity attributable to owners of parent	8,000	11,599	+3,599	<ul style="list-style-type: none"> ■ 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) ▶ 43.2% (End of 2021/12)
Total liabilities & equity	21,251	26,837	+5,586	

FY2021/12 C/F

- Profit before taxes increased due to higher profits from business expansion, while trade and other receivables temporarily increased due to public sector business
- Investment cash flow increased due to accelerated capital investment in response to client needs

Consolidated C/F comparison YoY

(¥ mm)	End of 2020/12	End of 2021/12	YoY
Operating cash flow	4,091	4,140	+49
Investment cash flow	△452	△1,428	△976
Financial cash flow	△1,616	△1,337	+280
Free cash flow	3,639	2,712	△927

Main factors of increase/ decrease

- Operating cash flow : 1,138 million yen (YoY) due to an increase in profit before taxes
 △747 million yen (YoY) due to an increase in trade and other receivables
 ※Reflecting the large number of projects with long contract terms in public sector business
 △682 million yen (YoY) due to an increase in income taxes paid
- Investment cash flow : △503 million yen (YoY) due to purchase of property, plant and equipment
 Expenditure due to security deposits △291 million yen (YoY)
- Financial cash flow : △5,785 million yen (YoY) due to repayments of long-term borrowings
 6,040 million yen (YoY) due to proceeds from long-term borrowings

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Full-year Earnings Forecast (FY2022/12)

- Sales revenue : Expected to increase sales by **about 7%** due to continued expansion of marketing business and on-site business
- Various profits : Profit growth is similar to sales growth due to increased costs associated with scale expansion

Consolidated P/L forecast · comparison YoY

(¥ mm)	2019/12	2020/12	2021/12	2022/12	
	Results	Results	Results	Forecast	YoY Change
Sales revenue	17,213	22,461	30,286	32,500	107.3%
Operating expenses	△14,987	△18,902	△25,570	—	—
Other revenue	40	39	68	—	—
Other expenses	△28	△12	△5	—	—
Operating profit	2,238	3,586	4,780	5,000	104.6%
Operating profit margin	13.0%	16.0%	15.8%	15.4%	△0.4pt
Financial profit	1	40	4	—	—
Financial expenses	△96	△122	△141	—	—
Profit before tax	2,142	3,504	4,642	4,960	106.8%
Income tax expense	△684	△1,080	△1,426	—	—
Net income^{*1}	1,459	2,425	3,217	3,430	106.6%
Net income margin	8.5%	10.8%	10.6%	10.6%	△0.1pt
EBITDA^{*2}	2,838	4,321	5,882	6,450	109.7%
EBITDA margin	16.5%	19.2%	19.4%	19.8%	+0.4pt

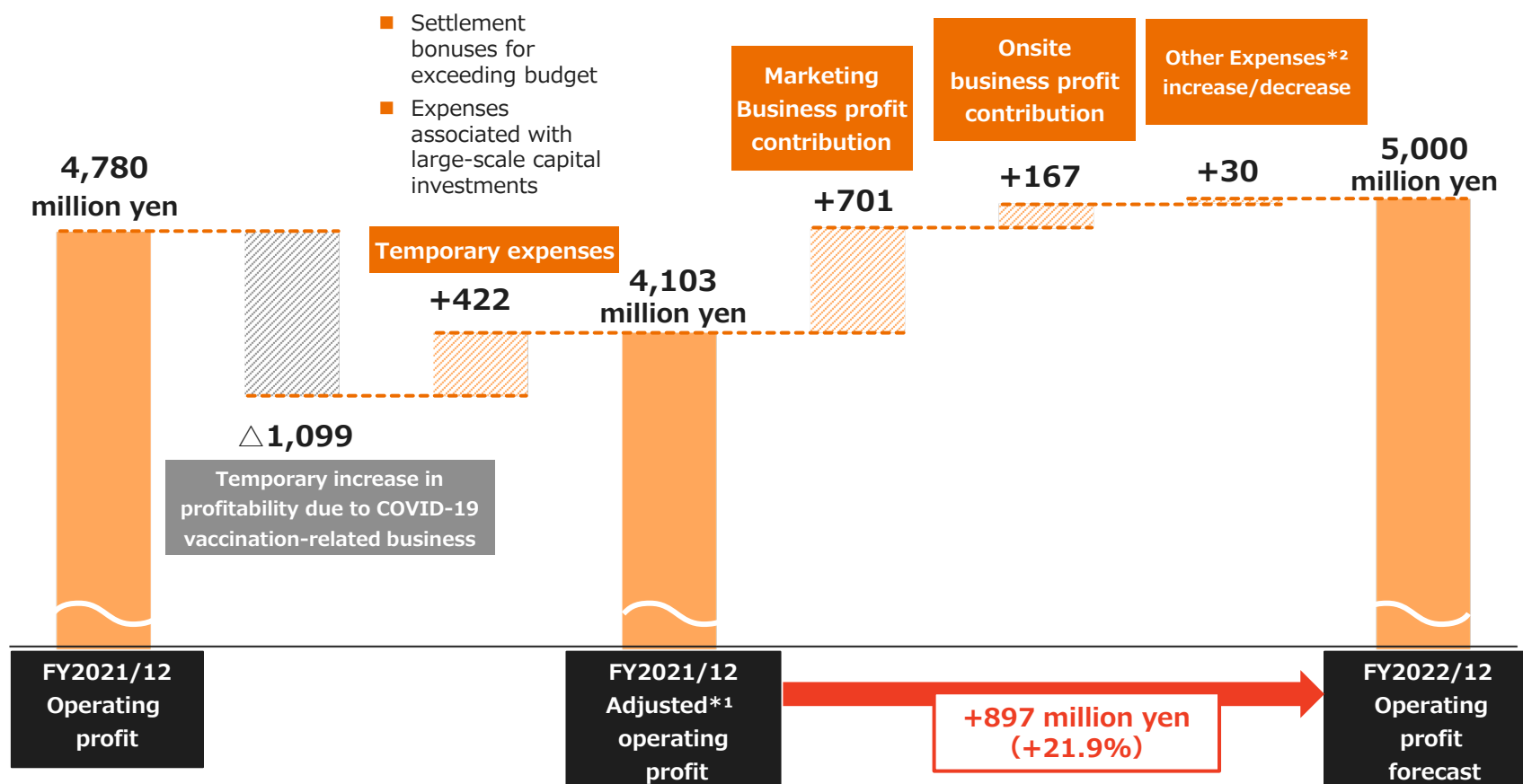
*1 Profit attributable to owners of the parent

*2 EBITDA = operating profit + depreciation + amortization

Factors for Increases and Decreases in the forecasted Operating profit

- Adjusted operating profit for FY2021/12 is 4,103 million yen. Operating profit for FY2022/12 is expected to **increase by over 20%**

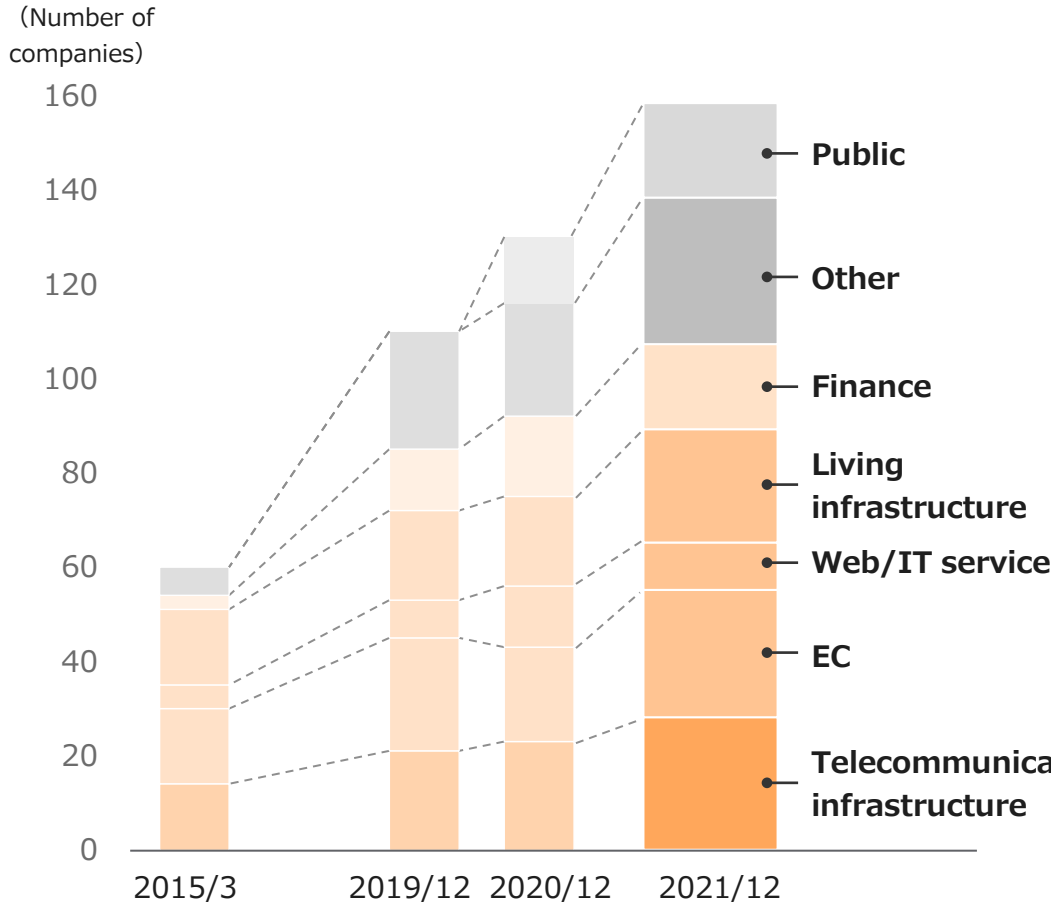
YoY comparison of consolidated operating profit forecast



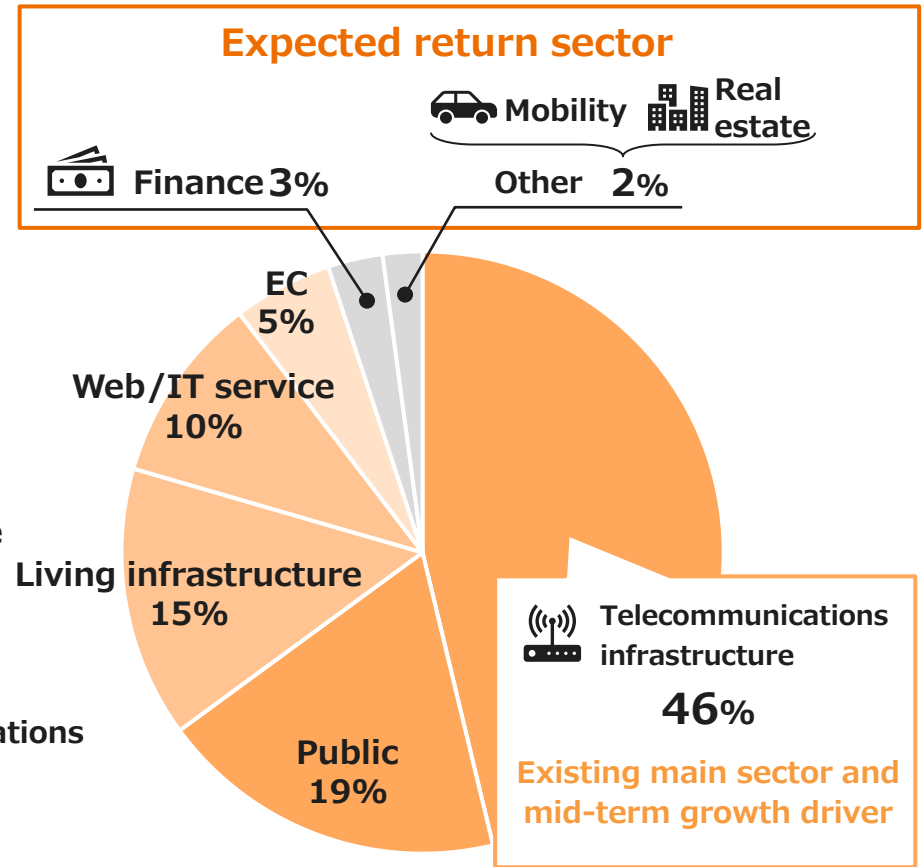
Current Earnings Base and Future focus Sectors

- Diversification and expansion of overall client portfolio continues as public sector takes off
- Increasing client acquisition in the financial and real estate sectors, which have the second largest potential market after the telecommunications infrastructure sector

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



Revenue composition ratio by industry (FY2021/12)

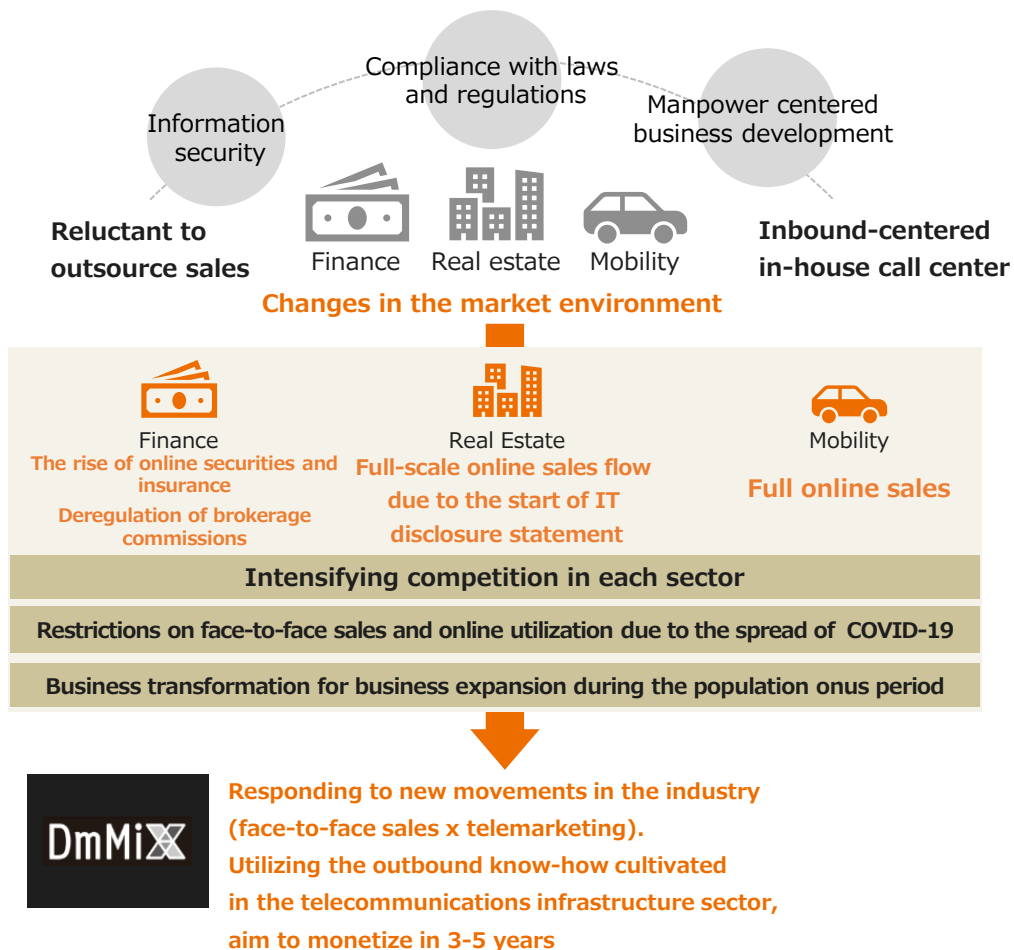


*1 Counted on a contract basis with each group company. Excludes clients with annual transaction amount of less than 1 million yen
 *2 Telecommunications infrastructure = mobile phone carrier affiliated companies / Living infrastructure = electricity, gas, internet lines, etc.
 *3 On-site business (temporary staffing) is excluded after FY2019/12

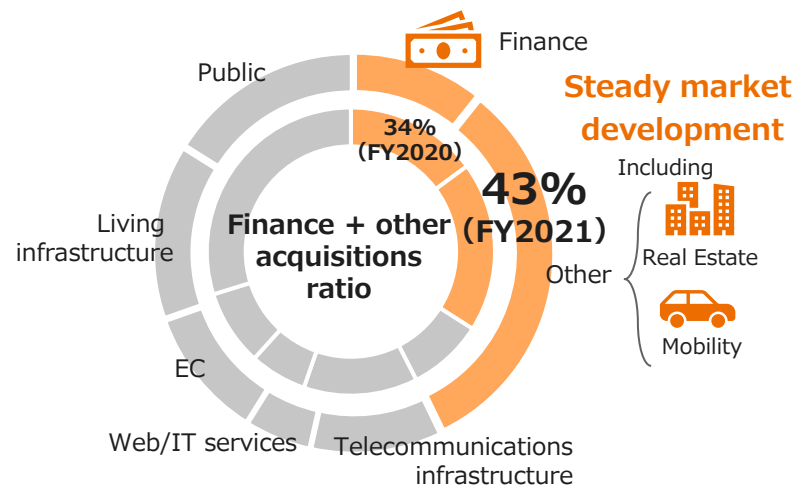
Game change in the Sales Solution Market (monetization of expected sectors)

- 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



Composition of new clients by industry in FY2020 and FY2021 (based on the case numbers)



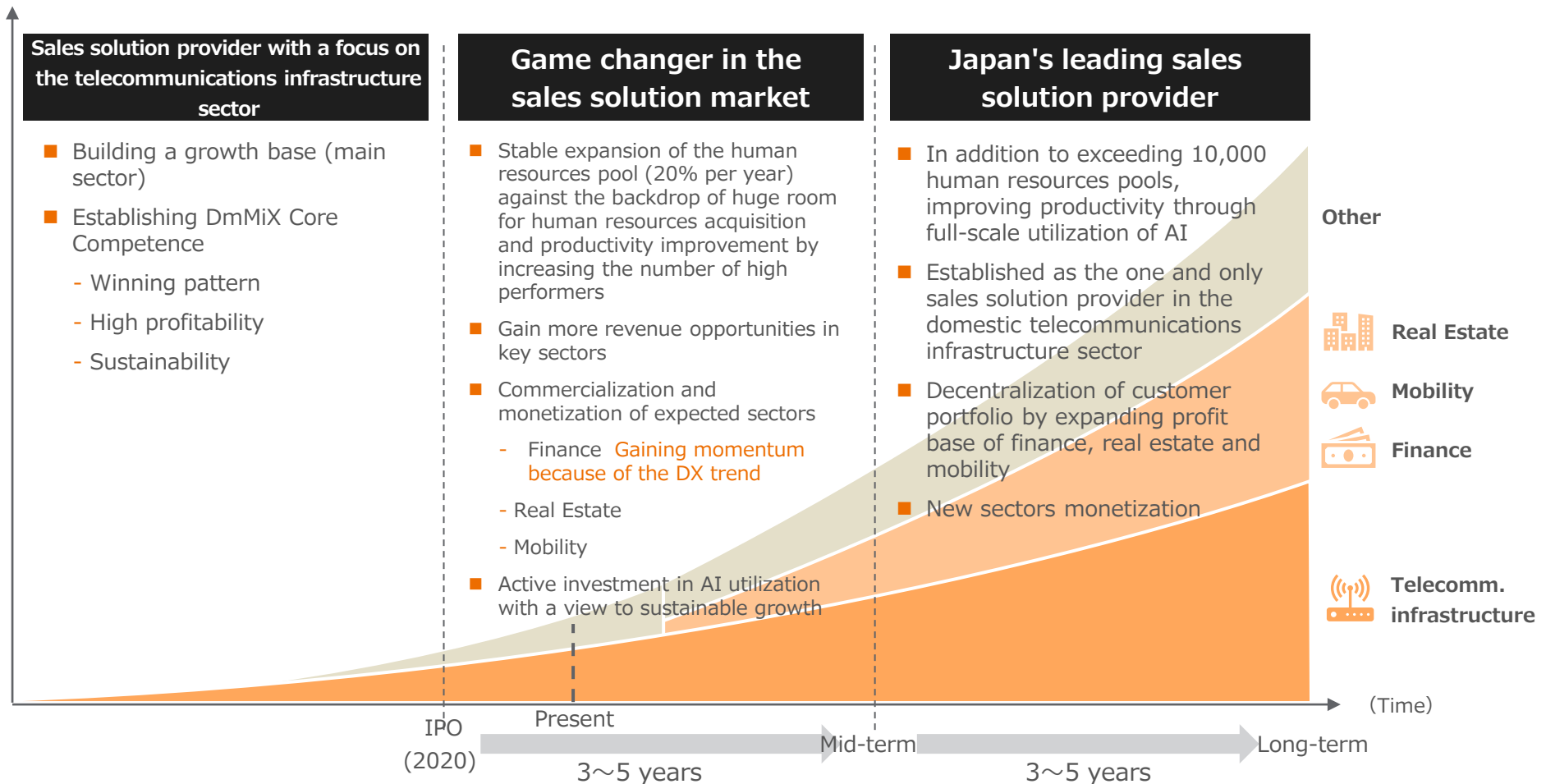
Expected sector acquisition status



Long-term Growth Prospects

- For short to mid-term, **the main driving force will be telecommunications infrastructure sector**
- For mid to long-term, **in addition to entering the monetization phase of the expected sector, we will accelerate growth by utilizing AI**
- **Currently, the financial services industry is materializing**

(Profit scale)

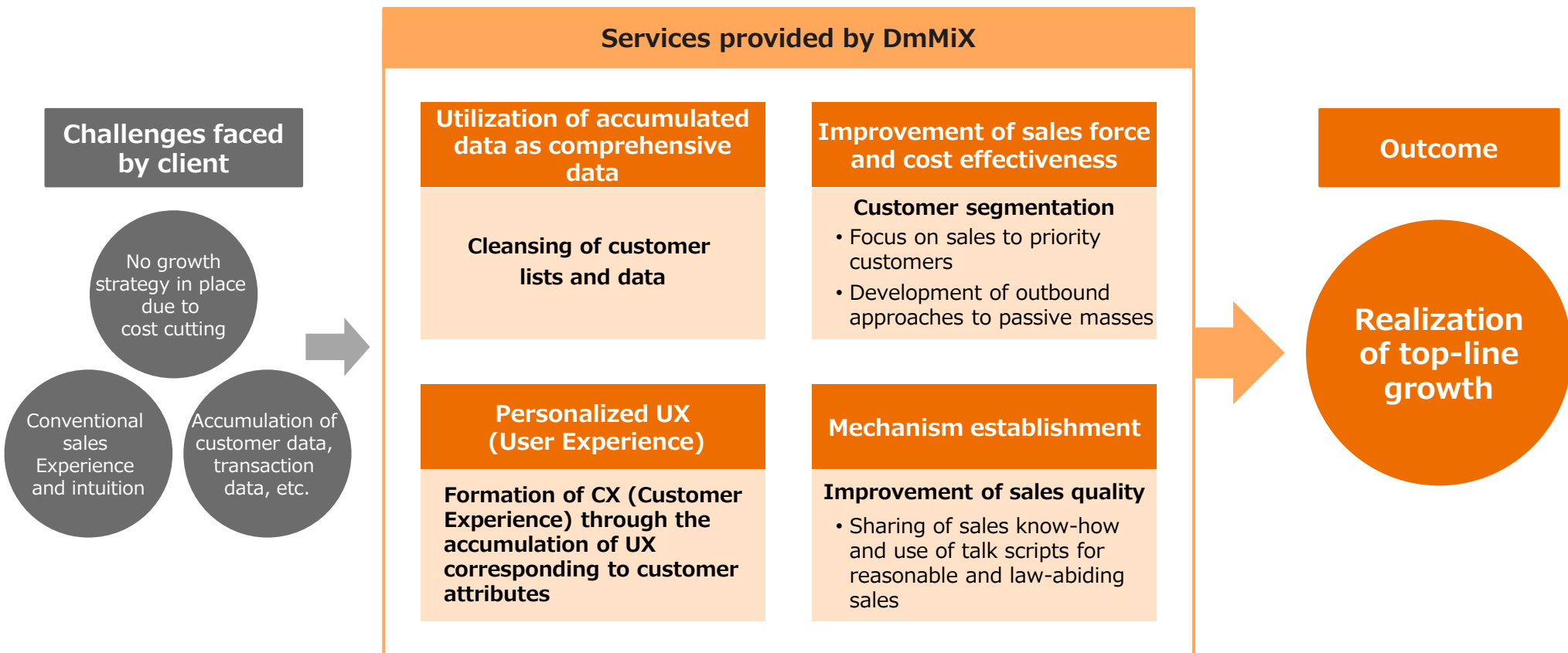


DmMiX supporting DX with Big Data in the Sales Department

- Utilization of Big Data through DX : **Improving the efficiency of sales departments is key to the revival of Japanese companies** in BtoC business

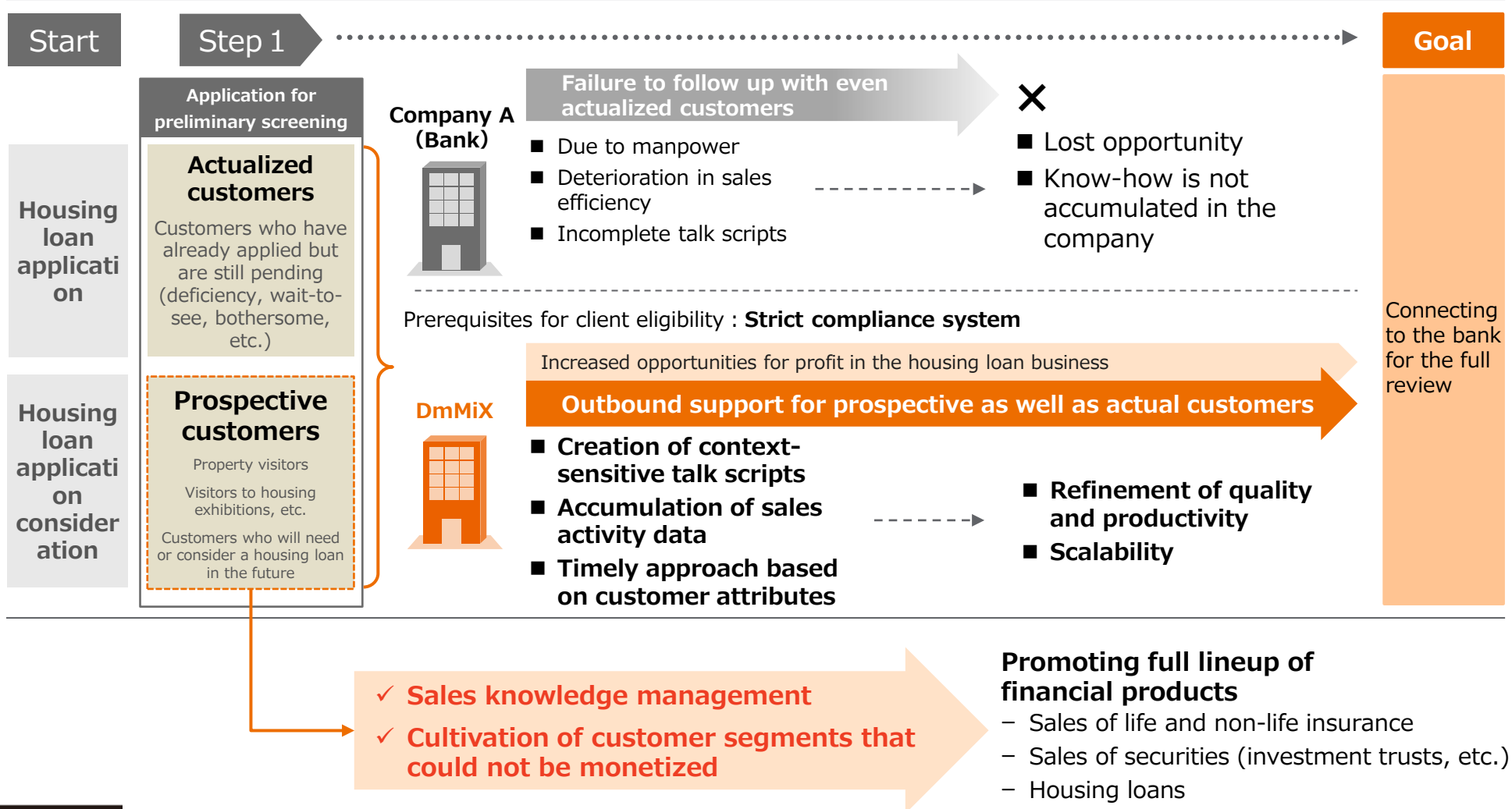
BtoC service industry (telecommunications infrastructure, finance)

Possibility of using outbound to support DX



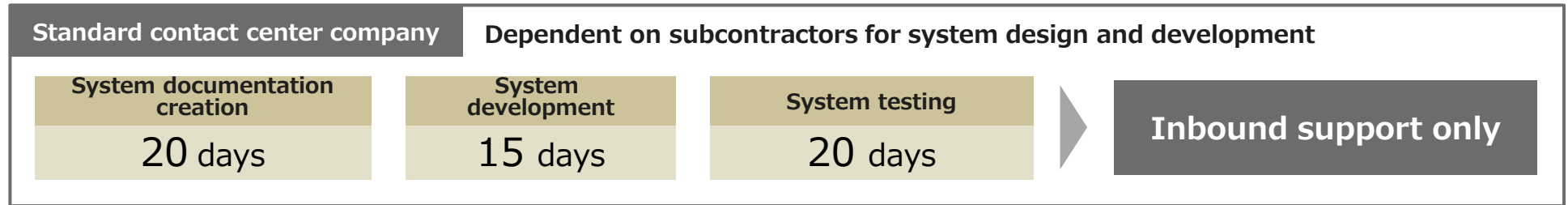
Promising Market Example - Housing Loan Sales

- **Improvement of sales potential** by uncovering stagnant and potential customers through sales knowledge management
- Realization of **profitability of contact centers**, which used to be a cost department, through outbound support



Distinction in the Inbound Business: In-house System Production and Hybrid Support

- In-house system production allows for quicker delivery and **longer operation time**
- Hybrid inbound/outbound support enables **flexible resource allocation and maintenance of high operating ratio of communicators**



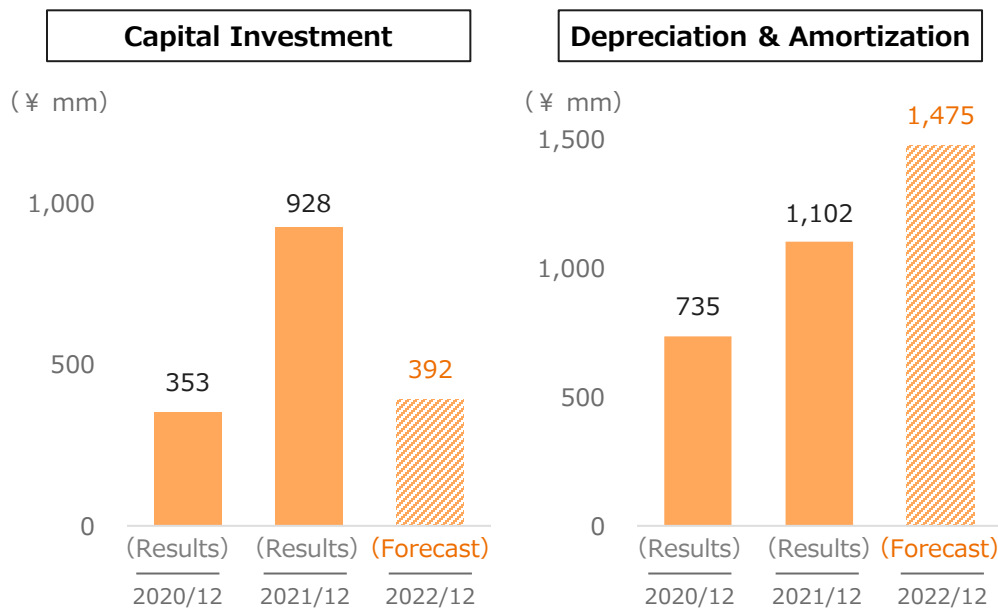
- ### DmMiX's Inbound Advantages
- Flexible and efficient operation by having outbound personnel with sales abilities also provide inbound support
 - Inbound and outbound operations can be performed in parallel, enabling flexible resource allocation

Transforming a Contact Center into a Profitable Department

Investment Plan

- Implemented **capital investment of 900 million yen** to enable more flexible response to prospective client needs
- In the short term, we aim to cover the excess capacity with orders for public sector business, etc., to achieve upside in earnings

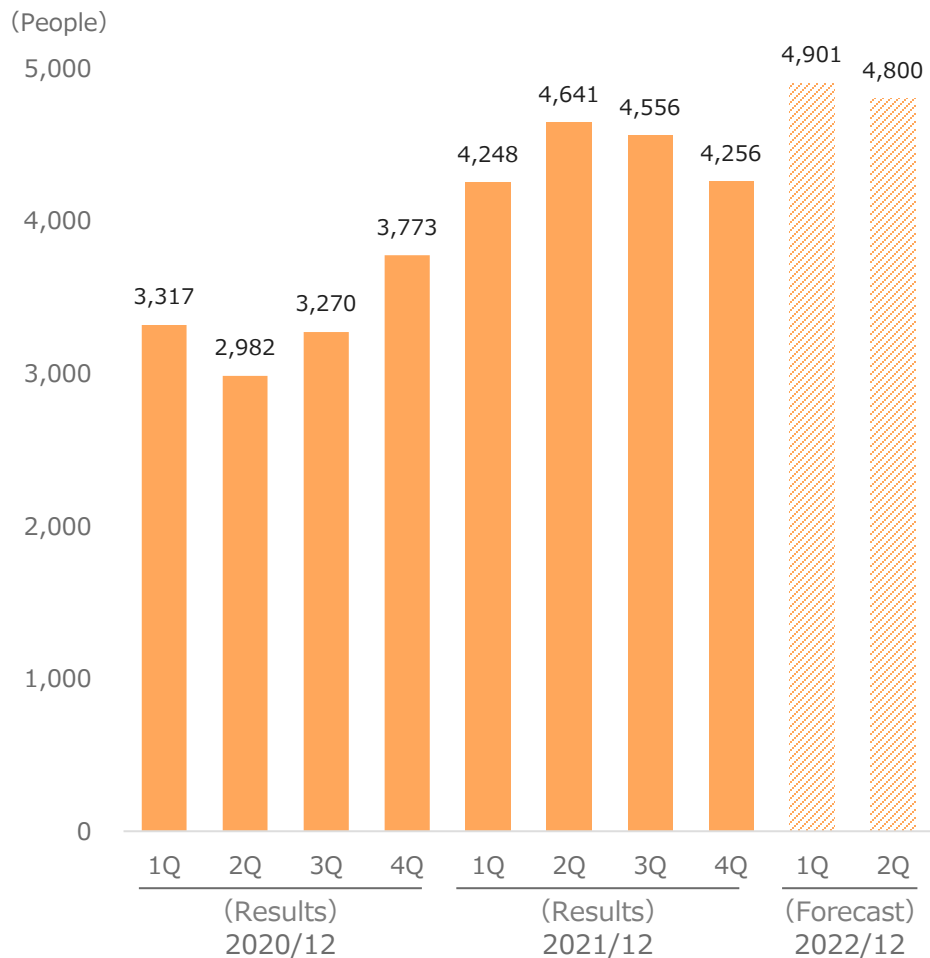
Capital investment plan and depreciation outlook



Major capital investment breakdown

(¥ mm)	2020	2021	2022
	Results	Results	Forecast
Buildings and accompanying facilities	177	492	138
Tools, furniture and fixtures	165	405	245
Software	11	31	10

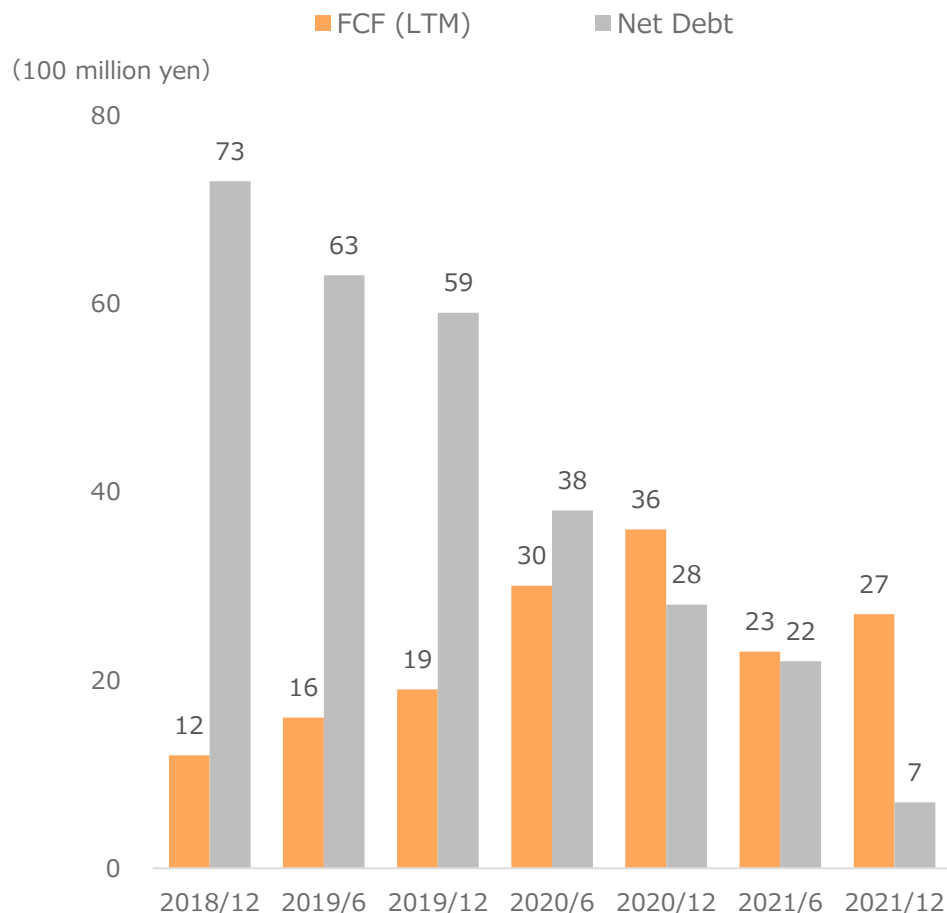
Personnel planning (the number of operating staff*1)



Solid Cash flow and Policies for Shareholder returns

- Target total return ratio is **40%**, considering capital policy including share repurchase
- Net debt is steadily decreasing. FCF temporarily decreased due to a temporary reduction in operating CF caused by long-term contracts in the public sector but is on an improving trend

Historical FCF and Net Debt*1



Policies for shareholder returns

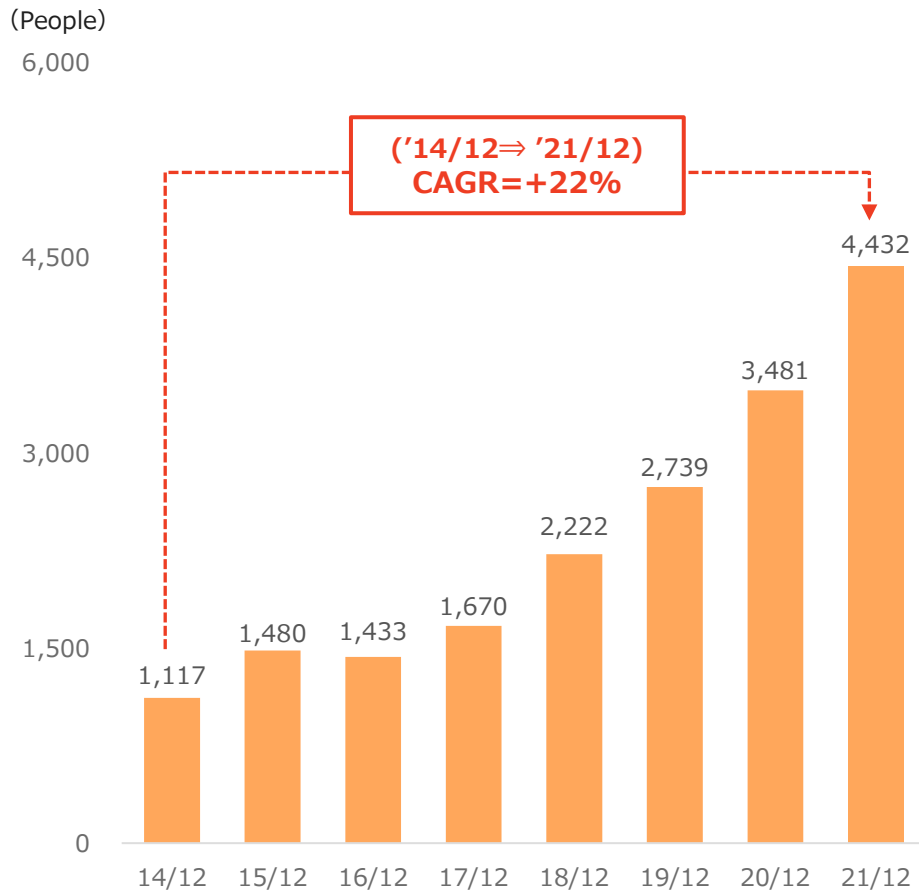
- We consider the profit return to shareholders as one of the essential management issues and aim a **total return ratio of 40%**, while securing necessary internal returns for future business expansion and improving financial strength
- We will consider our capital policy including share repurchase

Steady Increase in Human Resources / Scope for Talent acquisition

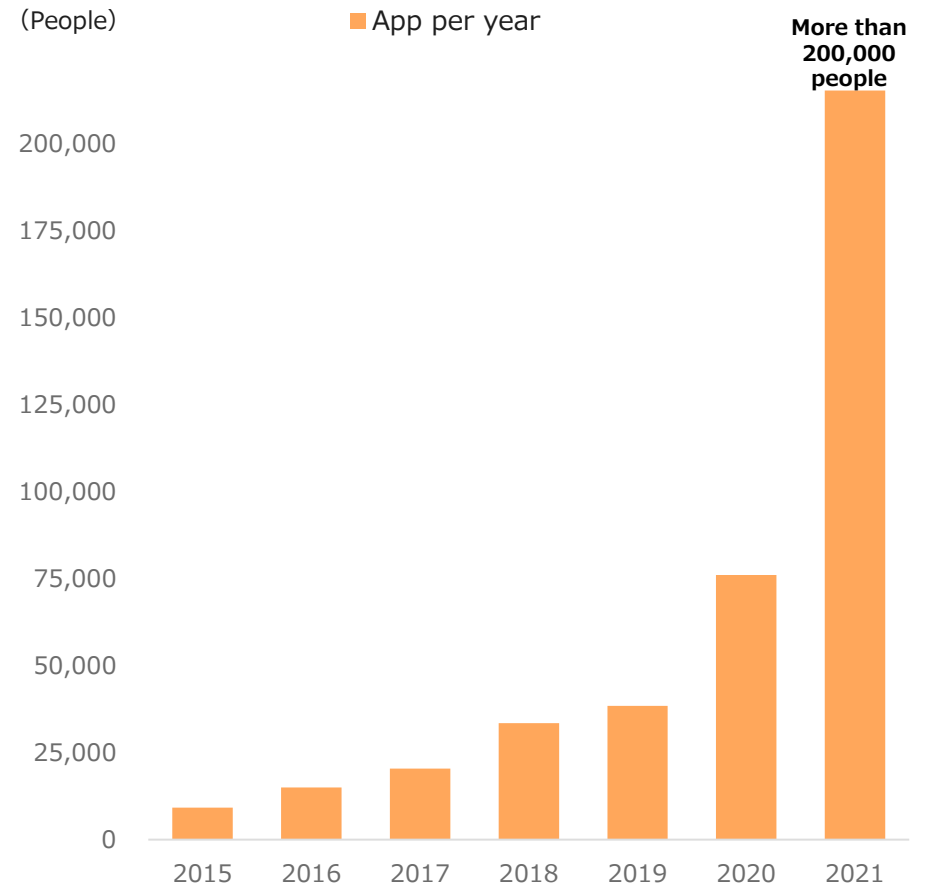


- The number of communicators has steadily increased as we have grown, and there is **ample room for hiring as the business expands in the future**
- Increase in the need for temporary employment, including short-term work → **Expansion of the personnel pool**

Changes in the number of communicators*1



Changes in the annual number of applications for communicators



Various Human Resources of our Group*1

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

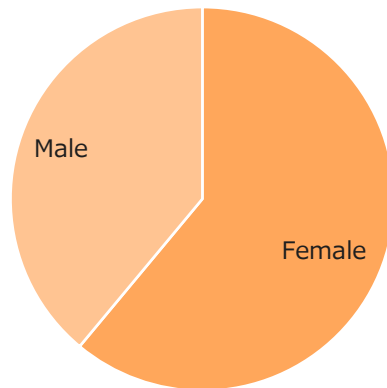
Various attributes

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

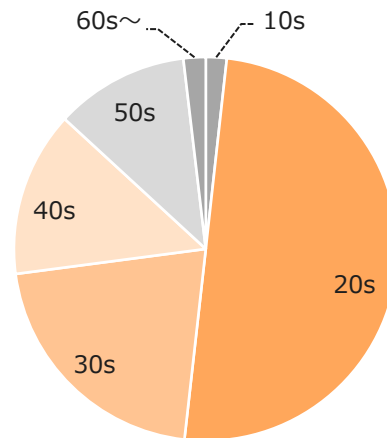
Flexible work system

- Flexible work system that allows you to work from 1 hour a day, 1 day a week

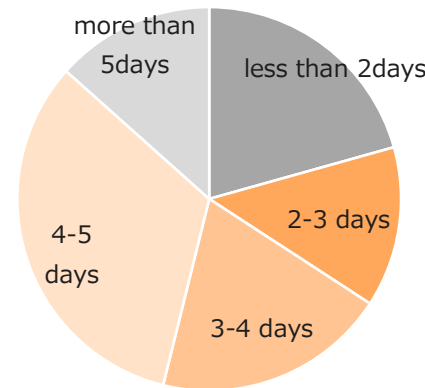
Gender*2



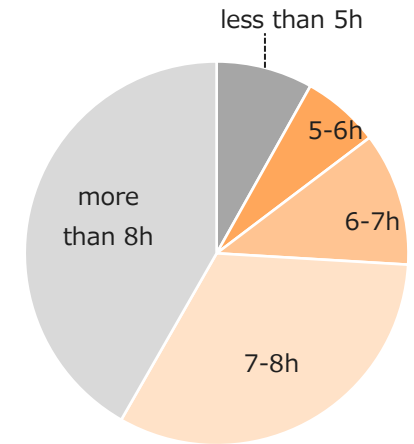
Age*2



Working days per week*3



Working hours per day*3



*1 Part-time jobs in marketing business (including temporary jobs dispatched outside the company)

*2 As of the end of December 2021. Percentage of part-time jobs

*3 As of the end of December 2021. Calculated based on the average attendance for the three months from October to December 2021. Does not include months with 0 working days. Part-time jobs without work (leaves, etc.) are not counted

Promoting sustainable Management integrated with Business

- Continue to address **sustainable growth as a top-priority management issue**

Climate Change Initiatives

- **Target: 100% reduction in CO₂ emissions from electricity consumption by 2030^{*1}**
 - Reduction of electricity use
 - Promotion of complete paperless system
 - Reduction of resource usage

Initiatives for Human Resource Strategies

- **Company that is always selected**
 - Expansion of training opportunities for employee growth
 - Promotion of flexible work styles tailored to the individual life conditions
 - Evaluation and reward systems that encourage employees to take on new challenges

Initiatives to Strengthen Governance

- **Realization of governance that respects the interests of not only shareholders but also stakeholders**
 - Target of 30% women on the Board
 - Establishment of Sustainability Committee (November 2021)
 - Confirmation of ESG risks at the time of new transactions

External evaluation of ESG

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

Certifications/Some of the awards

GPTW*1 's "Great Place to Work" Top rankings in various categories



Won the Best Company award in the first entry

- Japan ranking: 2nd place
- Japanese women ranking: 2nd
- Japan young ranking: 2nd
- Asia ranking: 25th



Evaluation Criteria

"The company was highly evaluated for its various efforts to help newly hired employees adjust to the corporate culture and for its ingenious naming. It's also great that they are listening to their employees and collecting ideas, which leads to innovation and improvement."

Workstyle evaluation

Chosen by METI*2 and MEXT*3



- Excellent health management corporation "White 500" Chosen for three consecutive years starting in FY2019
- Certified as a Sports Yell Company Chosen for three consecutive years starting in FY2019

Chosen by Japan White Spread foundation

- Platinum certification as one of the top white companies in Japan



*1 A professional organization that conducts surveys and analyses of "job satisfaction" and announces companies and organizations that have been recognized as having reached a certain level of satisfaction in leading media outlets in approximately 60 countries around the world.

*2 Abbreviation for Ministry of Economy, Trade and Industry

*3 Abbreviation for Ministry of Education, Culture, Sports, Science and Technology



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