A Total Sales/Marketing Solution Provider for Maximizing Client Profitability

Direct Marketing MiX Inc.

Financial results briefing (FY12/2022 1Q)

May 13th, 2022

DmMiX

(7354)

Financial Results Highlights (FY12/2022 1Q)

- **Sales revenue : Succeeded in expansion of order capacity through capital investment in FY12/2021. Growth accelerated with a 42.5% YoY increase in sales due to steady seizing of increased demand**
- **Various profits : In addition to the increase in sales revenue, profitability improved as our strategic objective of hybrid operations in the inbound/outbound business, went into full swing. Achieved an 81.2% YoY increase in EBITDA*1**

Sales revenue	**10.1 billion yen**	YoY	+42.5%
EBITDA*1	**3.0 billion yen**	YoY	+81.2%
Operating profit	**2.7 billion yen**	YoY	+84.6%
Net income*2	**1.7 billion yen**	YoY	+87.1%

Topics

Sales revenue（by sector）

- Telecommunications infrastructure : Continued steady growth
- Public : Increased recognition in the public sector has led to the acquisition of a new group of national clients with strong presence in the public sector business. Substantial growth, including the COVID-19 vaccination-related business
- Web/IT : Cashless payment continues to expand. Food delivery services declined, but we aim to acquire new clients through horizontal expansion via Xaas

Various profits

- Maintaining a high level of profitability by increasing the ratio of highly profitable projects and flexibly allocating resources to inbound/outbound business
- Operating profit increased significantly, absorbing an increase in depreciation due to capital investment

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

FY12/2022 1Q P/L

- **Sales revenue : Consistent expansion in existing sectors and steady progress of 31.2% against the full-year earnings forecast**
- **Various profits : Profit margin increased due to the improvement of operational efficiency through hybrid operations of inbound/outbound business, etc. EBITDA*2progressed by 47.3% against the full-year earnings forecast**

Consolidated P/L full-year forecast

(¥mm)	2021/12 Full year	2022/12 Full year	
	Results	Forecast	YoY
Sales revenue	**30,286**	**32,500**	**107.3%**
Operating expenses	△25,570	–	–
Other revenue	68	–	–
Other expenses	△5	–	–
Operating profit	**4,780**	**5,000**	**104.6%**
Operating profit margin	**15.8%**	**15.4%**	**△0.4pt**
Financial profit	4	–	–
Financial expenses	△141	–	–
Profit before tax	**4,642**	**4,960**	**106.8%**
Income tax expense	△1,426	–	–
Net income*1	**3,217**	**3,430**	**106.6%**
Net income margin	**10.6%**	**10.6%**	**△0.1pt**
EBITDA*2	**5,882**	**6,450**	**109.7%**
EBITDA margin	**19.4%**	**19.8%**	**+0.4pt**

Consolidated P/L 1Q results

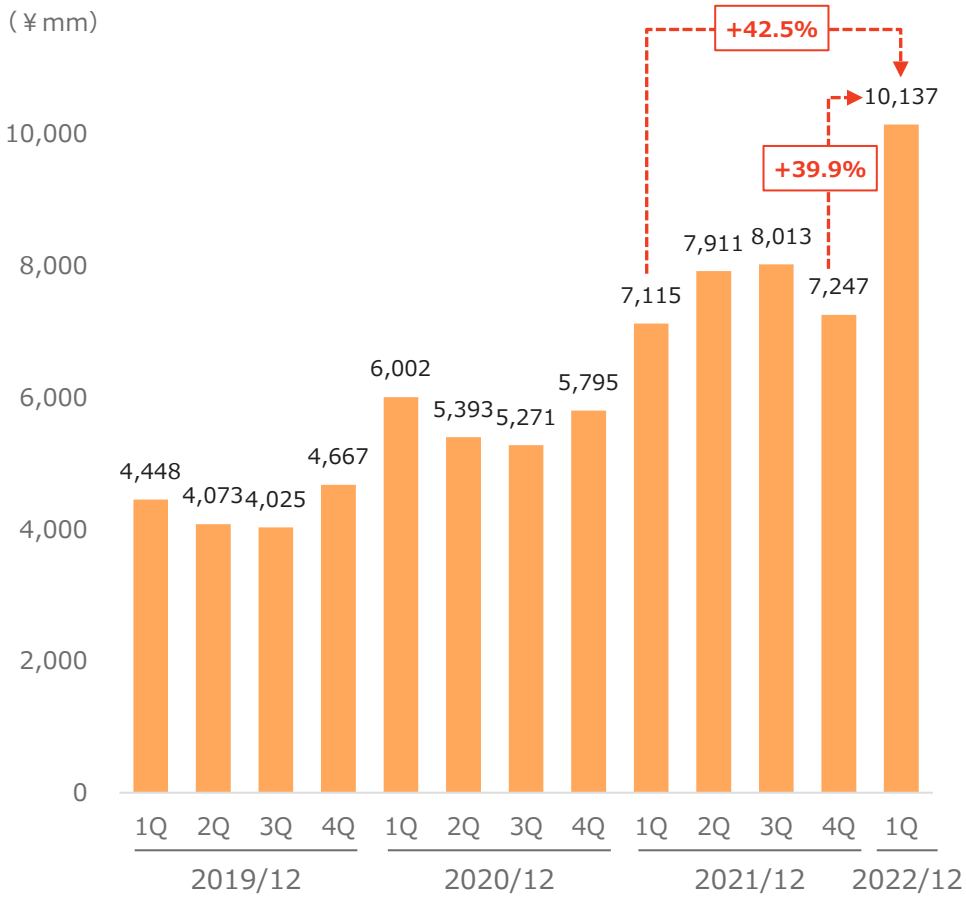
2021/12 1Q	2022/12 1Q		
Results	Results	YoY	Progress rate*3
7,115	**10,137**	**142.5%**	**31.2%**
△5,677	△7,454	131.3%	–
24	16	–	–
△2	△2	–	–
1,460	**2,696**	**184.6%**	**53.9%**
20.5%	**26.6%**	**+6.1pt**	–
0	1	–	–
△106	△12	–	–
1,355	**2,685**	**198.2%**	**54.1%**
△428	△952	–	–
926	**1,733**	**187.1%**	**50.5%**
13.0%	**17.1%**	**+4.1pt**	–
1,683	**3,049**	**181.2%**	**47.3%**
23.6%	**30.1%**	**+6.4pt**	–

*1 Profit attributable to owners of parent
*2 EBITDA = operating profit + depreciation + amortization
*3 2022/12 progress rate against the full-year earnings forecast

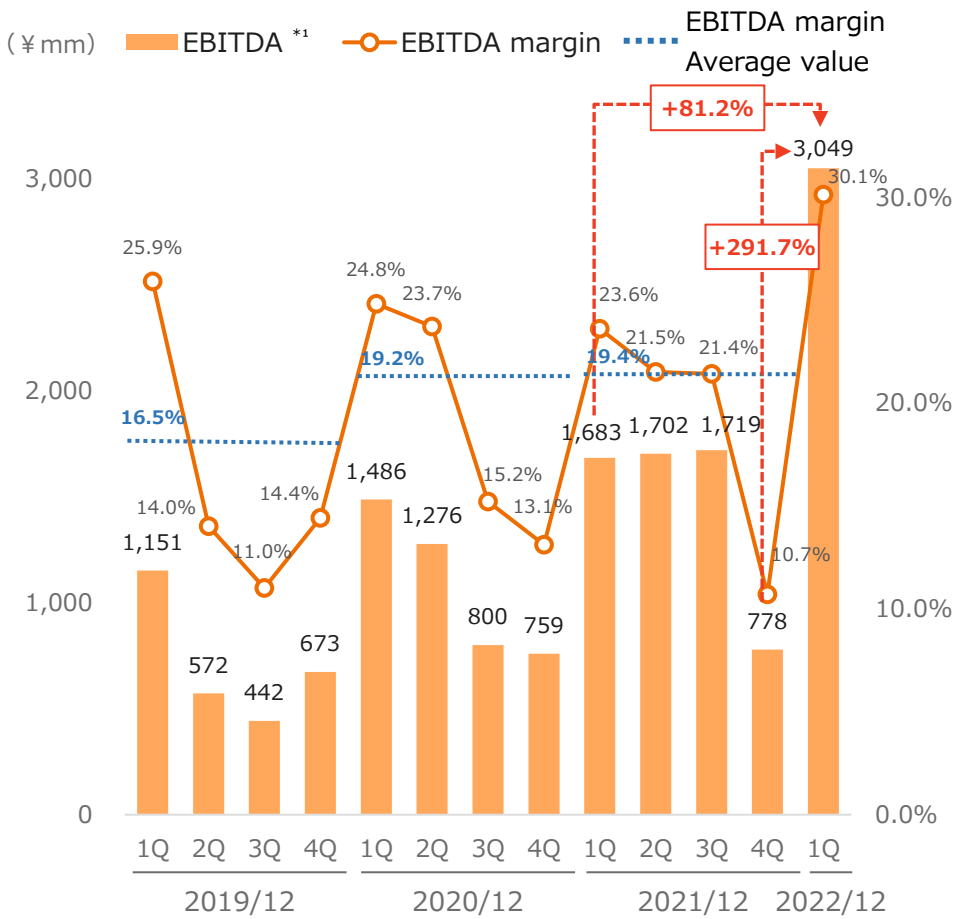
Quarterly Results

- **Sales revenue : Increase in revenue by 42.5% YoY and 39.9% QoQ. COVID-19 vaccination-related business also contributed to the growth**
- **EBITDA*1 : Significant increase in profit by 81.2% YoY and 291.7% QoQ**

Quarterly changes in consolidated sales revenue



Quarterly trends in EBITDA*1・ EBITDA margin

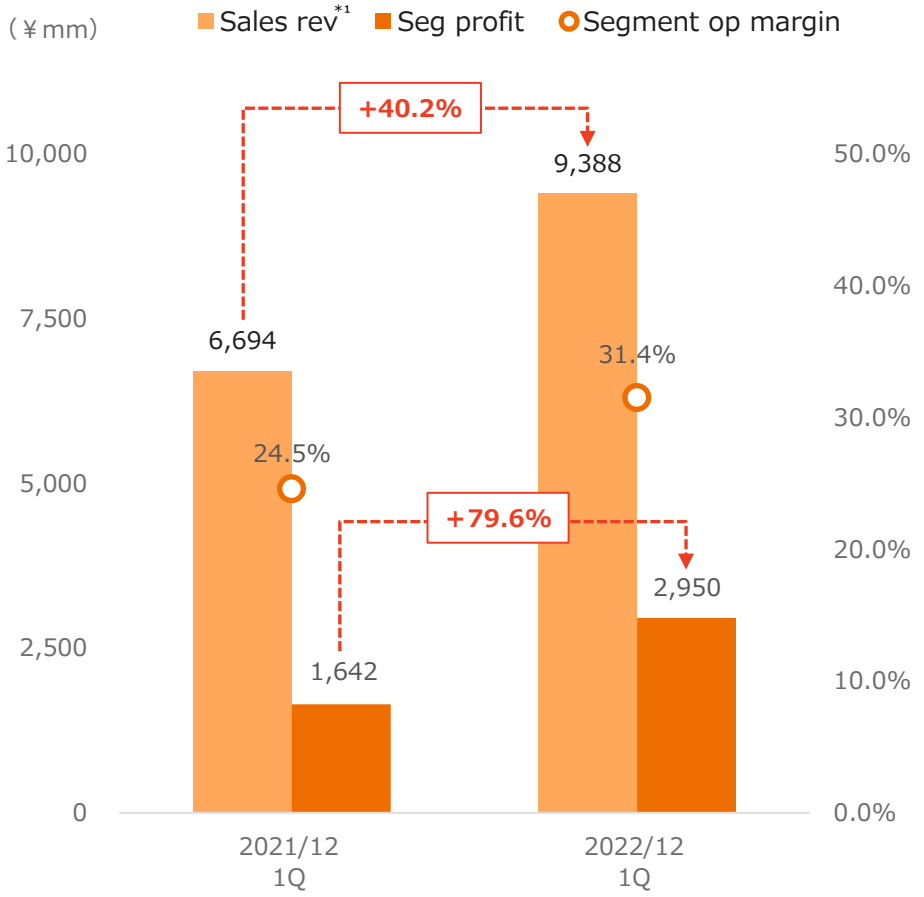


*1 EBITDA = operating profit + depreciation + amortization

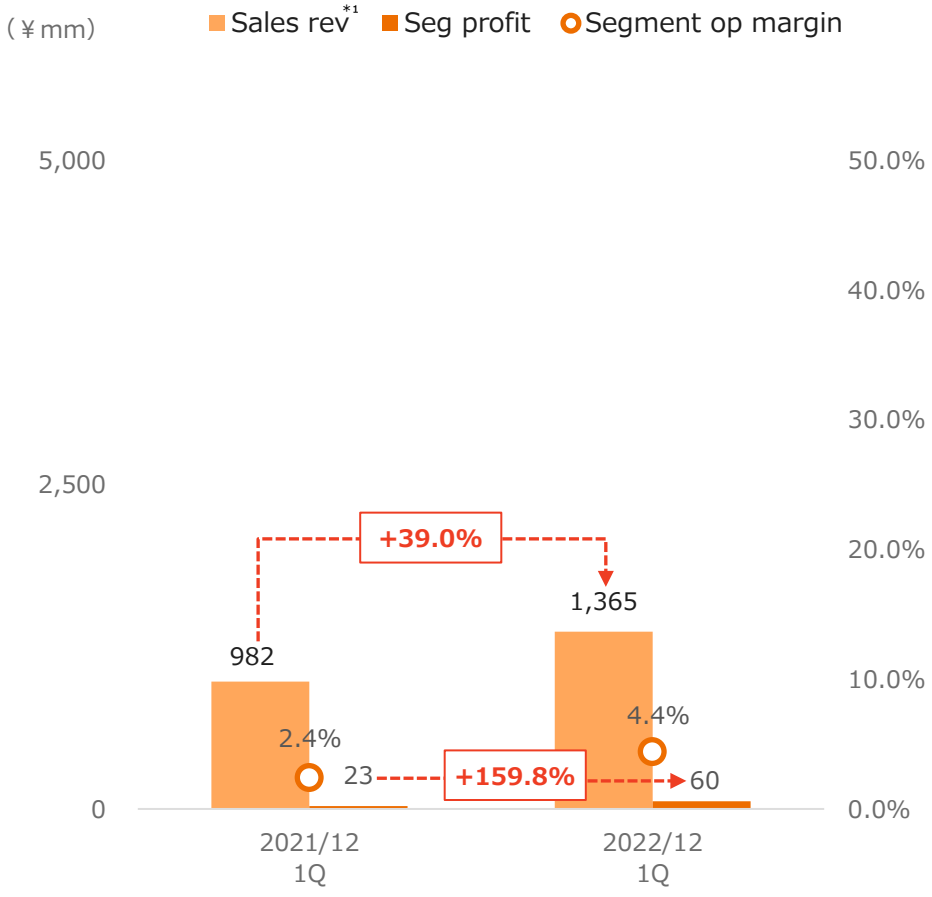
Results by Segment

- **Marketing business : Achieved 40.2% YoY growth in sales and 79.6% YoY growth in operating profit due to continuous growth in existing business**
- **On-site business : Sales increased by 39.0% YoY and operating profit increased by 159.8% YoY due to steady order growth**

Marketing business



On-site business

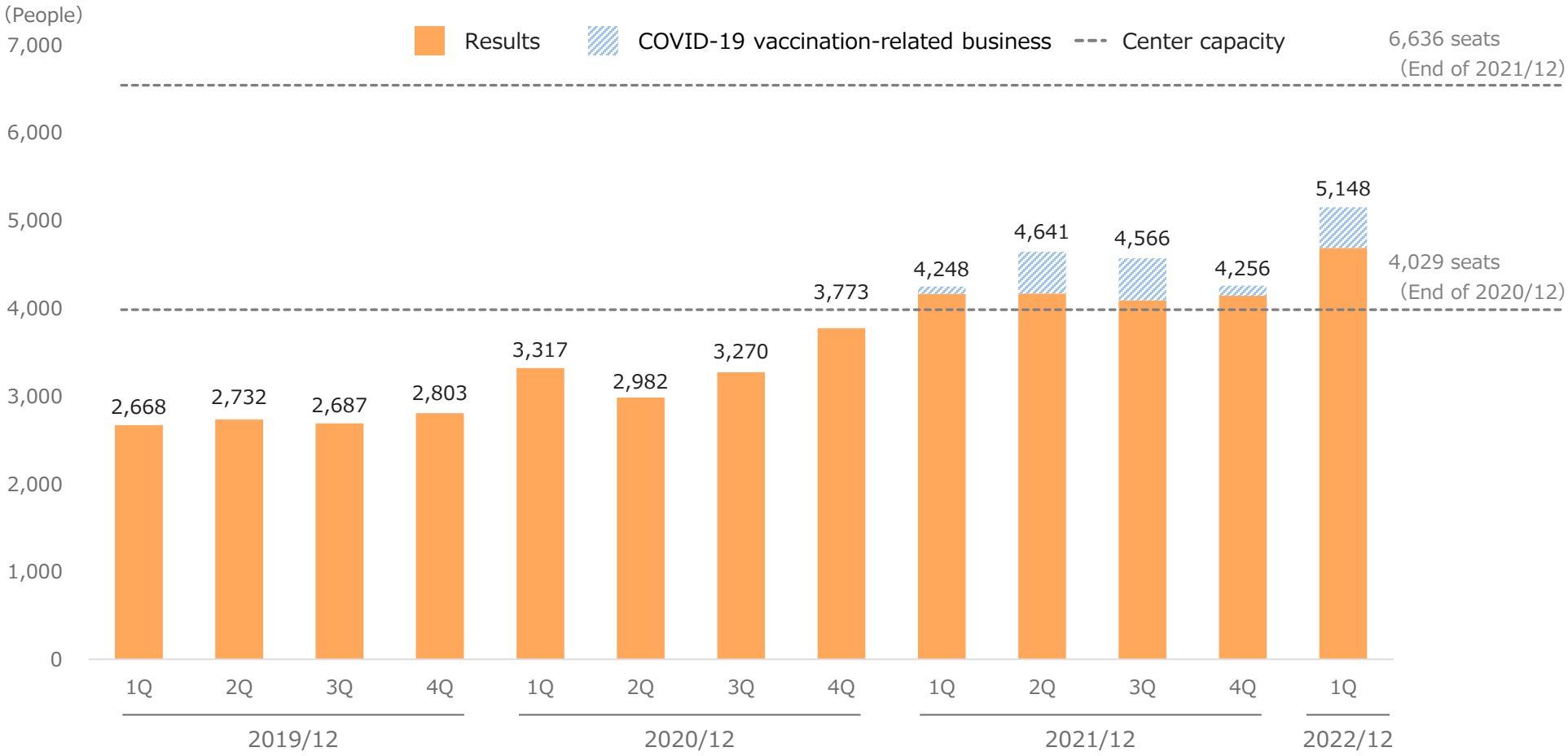


*1 Including intra-group sales

Marketing Business KPI

■ **The number of operating staff*1 : Large-scale development of bases in FY12/2021 increased the center capacity by approximately 2,600 seats. Flexible response to sudden requests for additional seats allowed the number of operating staff to increase to more than 5,000**

Quarterly changes in the number of operating staff*1



*1 The number of operating staff in marketing business (including external operating personnel such as field sales, etc.)

FY12/2022 1Q B/S and C/F

- **Revenue growth led to an increase in retained earnings and expansion of total assets. The ratio of goodwill to total assets steadily declined**
- **Operating cash flow was negative due to seasonality, but is expected to improve from 2Q onward**

Consolidated B/S

(¥mm)	End of 2021/12	End of 2022/3	Change
Total assets	**26,837**	**28,026**	**+1,189**
Current assets	9,702	10,997	+1,296
Non-current assets	17,135	17,029	△106
Goodwill	10,984	10,984	–
Total liabilities	**15,238**	**14,911**	**△327**
Current liabilities	8,060	8,009	△51
Non-current liabilities	7,178	6,901	△276
Total equity	**11,599**	**13,116**	**+1,516**
Total equity attributable to owners of parent	11,599	13,116	+1,516
Total liabilities & equity	**26,837**	**28,026**	**+1,189**

Main factors of increase/ decrease

- Assets : Total assets increased by 1,189 million yen due to an increase in trade and other receivables, etc. (YoY)
- Equity : Total equity increased by 1,516 million yen due to strong business performance (YoY)

Consolidated C/F

(¥mm)	2021/12 1Q	2022/12 1Q	Change	2021/12 Full year (Ref.)
Operating cash flow	△960	△163	+797	4,140
Investment cash flow	△163	△129	+34	△1,428
Financial cash flow	△845	△682	+163	△1,337
Free cash flow	**△1,123**	**△292**	**+831**	**2,712**

Main factors of increase/ decrease

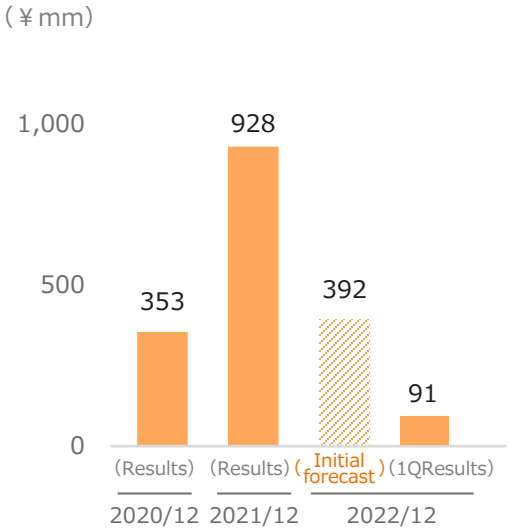
- Operating CF : +1,330 million yen (YoY) due to increase in profit before tax
  △774 million yen (YoY) due to increase in trade and other receivables
  *Impacted by the fiscal year-end of a major clients and new project orders with long payment terms, etc. Expected to level off from April onward
  +294 million yen (YoY) due to increase in trade and other payables
- Investment CF : +68 million yen (YoY) due to payments of leasehold and guarantee deposits

Investment Plan

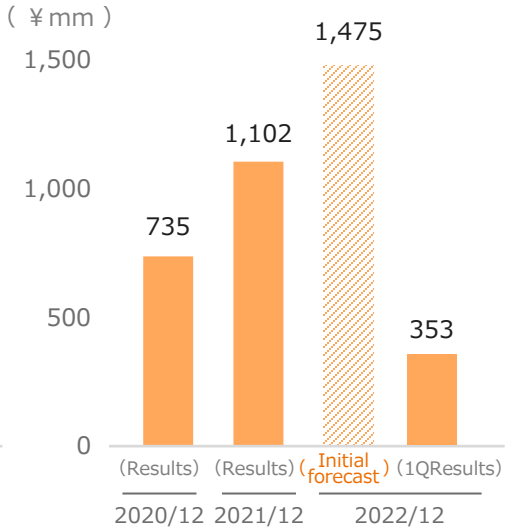
- **Capital investment for the current fiscal year is progressing as expected at the beginning of the fiscal year. Although depreciation and amortization will increase, it is expected to be absorbed by the increase in profit**
- **The number of operating staff*1 exceeded the initial forecast. Expected to exceed the initial forecast in 2Q as well**

Capital investment plan and depreciation outlook

Capital Investment



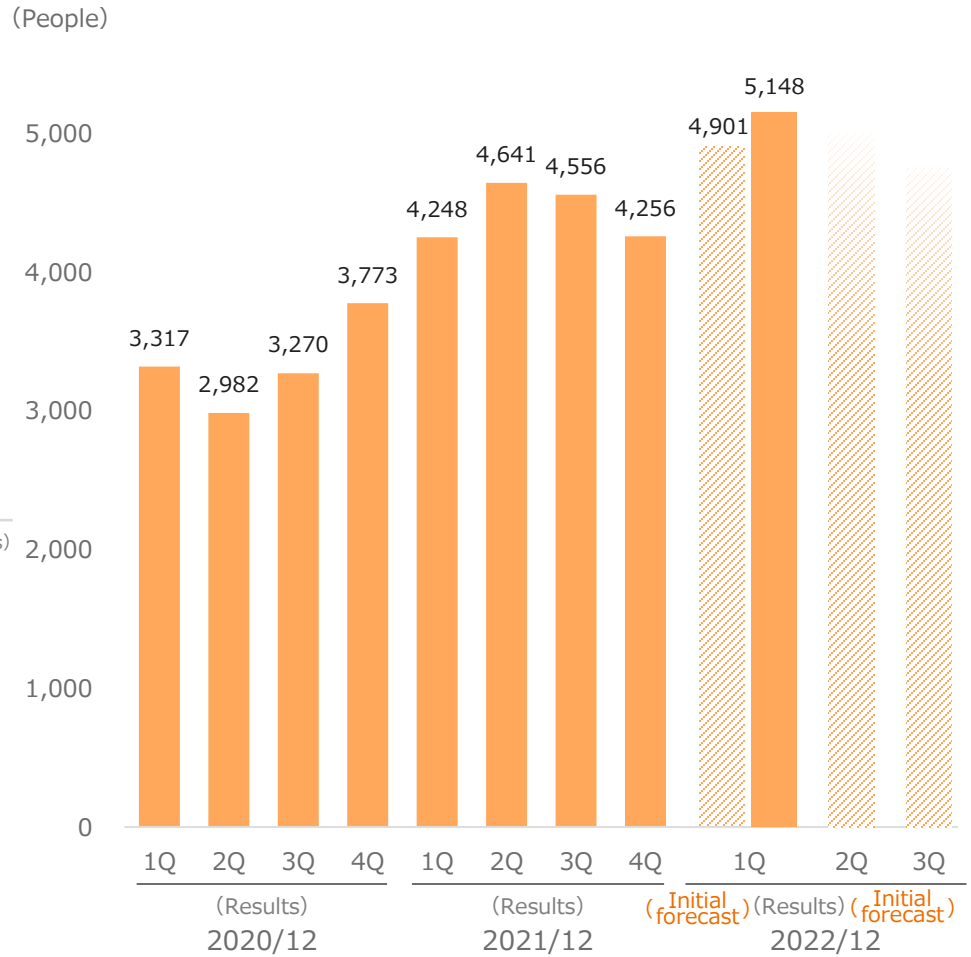
Depreciation & Amortization



Major capital investment breakdown

(￥mm)	2020	2021	2022	
	Results	Results	Initial forecast	1QResults
Buildings and accompanying facilities	177	492	138	30
Tools, furniture and fixtures	165	405	245	55
Software	11	31	10	6

Personnel planning (the number of operating staff*1)

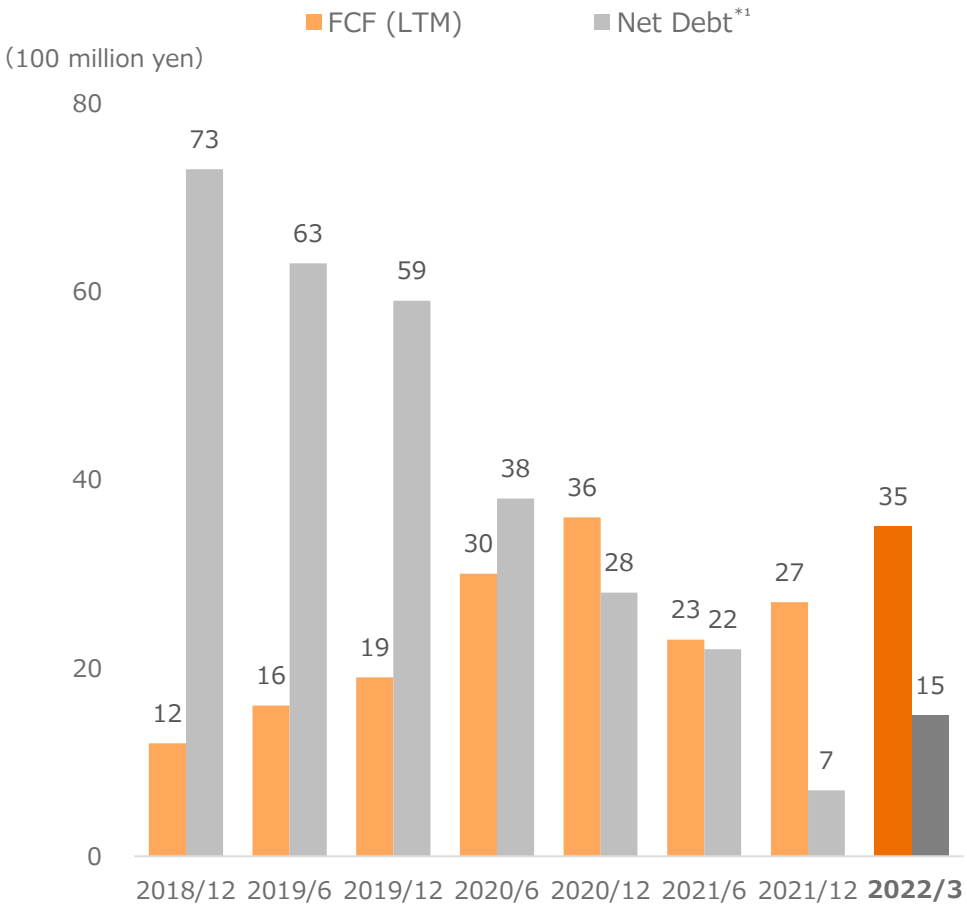


*1 The number of operating staff in marketing business (including external operating personnel such as field sales, etc.)

Solid Cash flow and Policies for Shareholder returns

- **Target total return ratio is 40%, considering capital policy including share repurchase**
- **FCF temporarily decreased in FY12/2021 due to a drop in operating CF resulting from the prolonged contract periods in the public sector, but has been steadily improving since then**

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

*1 Net Debt = Borrowings (current liabilities) + Borrowings (fixed liabilities) -Cash and cash equivalents

Q&A

Q&A 1

What are the hybrid operations?

Q&A 2

It was mentioned that food delivery services have declined in the Web/IT sector, but what is the outlook for the future?

Q&A 3

The high profit margin is noticeable this quarter, but will such a high profit level continue?

Q&A 4

Please reiterate your shareholder return policy.

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