

A Total Sales/Marketing Solution Provider for Maximizing Client Profitability

Direct Marketing MiX Inc.

Financial results briefing (FY12/2022 2Q)

August 12th, 2022



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Financial Results Highlights (FY12/2022 2Q)

(2Q Cumulative Period)

- Sales revenue : Steady expansion in main telecommunications infrastructure. New acquisitions of national clients in the public sector also contributed to growth, resulting in a **22.3% YoY increase in sales**
- Various profits : In addition to the increase in sales revenue, profits increased as a result of maintenance of the high profit level from the 1st quarter. EBITDA*1 **increased by 37.3% YoY**, absorbing the increase in personnel and other expenses associated with business expansion

Topics

Sales revenue (by sector)

- Telecommunications infrastructure : Continued growth due to expansion of business in peripheral areas
- Public : Driven by a group of national clients acquired through our increased recognition in the public sector, business continues to grow substantially, including COVID-19 vaccination-related business
- Web/IT : Cashless payment continues to expand.
Food delivery services decline, but new clients were gained in Xaas areas through horizontal expansion of accumulated business models

Various profits

- The high profit level was maintained from the 1st quarter due to the preferable ratio of highly profitable projects and hybrid operation of inbound and outbound businesses
- In conjunction with the expansion of business, personnel expenses and other costs increased, but the increase was exceeded by growth in profits
- Operating profit increased, absorbing an increase in depreciation due to capital investment

Sales
revenue

18.4
billion yen

YoY

+22.3%

EBITDA*1

4.6
billion yen

YoY

+37.3%

Operating
profit

3.9
billion yen

YoY

+34.9%

Net
income*2

2.5
billion yen

YoY

+31.3%

*1 EBITDA = operating profit + depreciation + amortization

*2 Profit attributable to owners of parent

FY12/2022 2Q (from April to June) P/L

- Sales revenue : **As a result of expansion in existing sectors, revenue was up 4.1% YoY** and exceeded the level in the same period of the previous year, when sales grew significantly due to a rapid increase in COVID-19 vaccination-related business
- Various profits : EBITDA*² was down 6.1% YoY. **Advance expenses were incurred as a result of active development of new clients**

Consolidated P/L results

(¥ mm)	2021/12	2022/12	
	2Q (from April to June)	2Q (from April to June)	YoY
	Results	Results	
Sales revenue	7,911	8,236	+4.1%
Operating expenses	(6,466)	(6,993)	+8.2%
Other revenue	13	14	–
Other expenses	(2)	(17)	–
Operating profit	1,457	1,240	-14.9%
Operating profit margin	18.4%	15.1%	-3.4pt
Financial profit	1	1	–
Financial expenses	(12)	(11)	–
Profit before tax	1,446	1,230	-14.9%
Income tax expense	(458)	(449)	–
Net income*¹	987	780	-21.0%
Net income margin	12.5%	9.5%	-3.0pt
EBITDA*²	1,702	1,598	-6.1%
EBITDA margin	21.5%	19.4%	-2.1pt

*1 Profit attributable to owners of parent

*2 EBITDA = operating profit + depreciation + amortization

FY12/2022 1H P/L

- Sales revenue : Continued to grow at a steady pace in existing sectors. Consistent progress of **56.5% against the full year earnings forecast**, also boosted by growth in the public sector
- Various profits : The full year earnings forecast was revised as operating profit progressed at a high level by **78.7% of the forecast**

Consolidated P / L 1st half results

(¥ mm)	2021/12	2022/12			2022/12	2022/12
	1H	1H	YoY	Progress rate ^{*3}	Full year (before revision) Forecast	Full year (after revision) Forecast
	Results	Results				
Sales revenue	15,026	18,373	+22.3%	56.5%	32,500	33,500
Operating expenses	(12,142)	(14,448)	+19.0%	—	—	—
Other revenue	37	30	—	—	—	—
Other expenses	(4)	(19)	—	—	—	—
Operating profit	2,917	3,936	+34.9%	78.7%	5,000	5,500
Operating profit margin	19.4%	21.4%	+2.0pt	—	15.4%	16.4%
Financial profit	1	2	—	—	—	—
Financial expenses	(118)	(23)	—	—	—	—
Profit before tax	2,800	3,915	+39.8%	78.9%	4,960	5,450
Income tax expense	(887)	(1,401)	—	—	—	—
Net income^{*1}	1,914	2,513	+31.3%	73.3%	3,430	3,770
Net income margin	12.7%	13.7%	+0.9pt	—	10.6%	11.3%
EBITDA^{*2}	3,384	4,647	+37.3%	72.0%	6,450	6,980
EBITDA margin	22.5%	25.3%	+2.8pt	—	19.8%	20.8%

*1 Profit attributable to owners of parent

*2 EBITDA = operating profit + depreciation + amortization

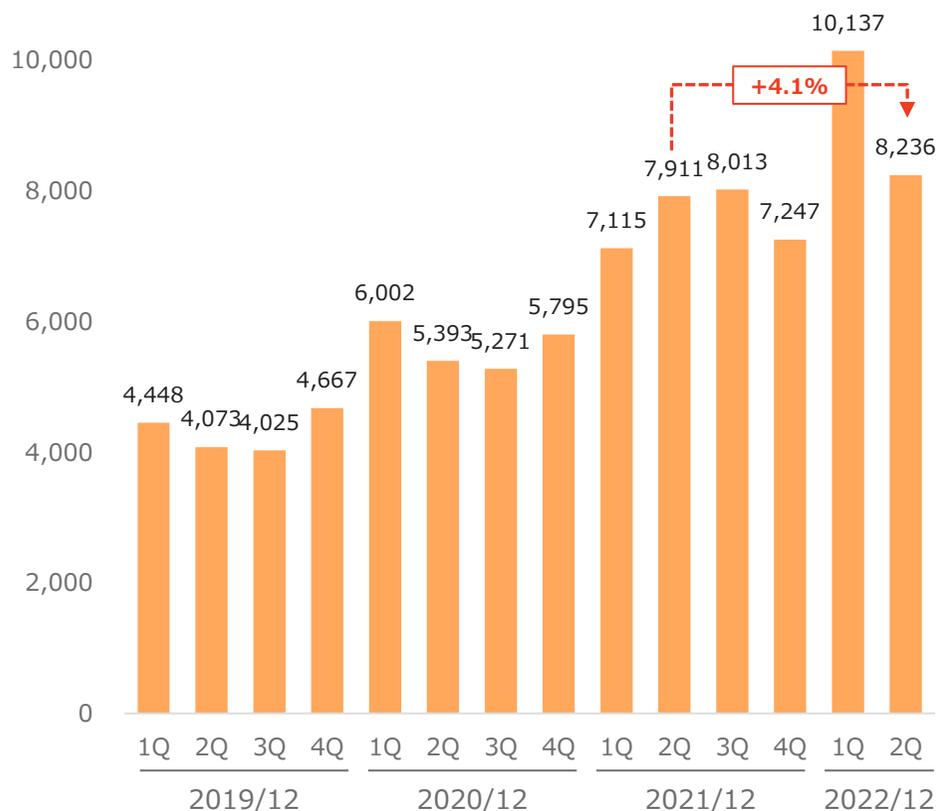
*3 2022/12 progress rate against the full-year earnings forecast

Quarterly Results

- Sales revenue : Revenue exceeded the level of the 2nd quarter of the previous fiscal year, when COVID-19 vaccination-related business expanded rapidly, and was **up 4.1% YoY**
- EBITDA*1 : **Down 6.1% YoY** due to changes in the ratio of highly profitable projects and upfront investments in new client development, etc.

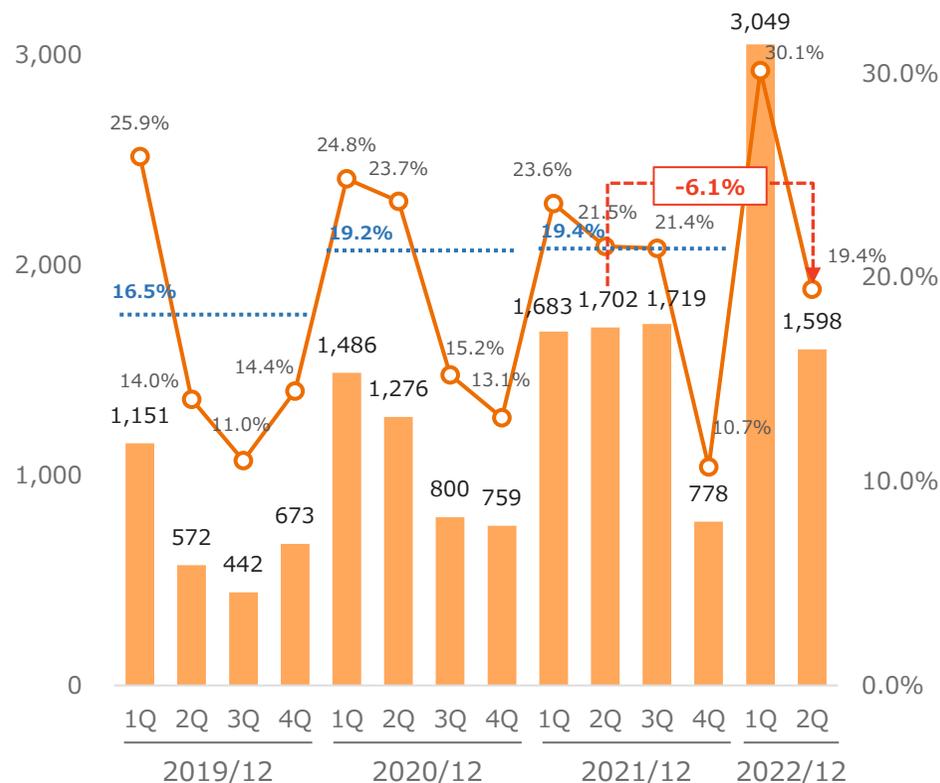
Quarterly changes in consolidated sales revenue

(¥ mm)



Quarterly trends in EBITDA*1・EBITDA margin

(¥ mm) ■ EBITDA *1 ○ EBITDA margin EBITDA margin Average value

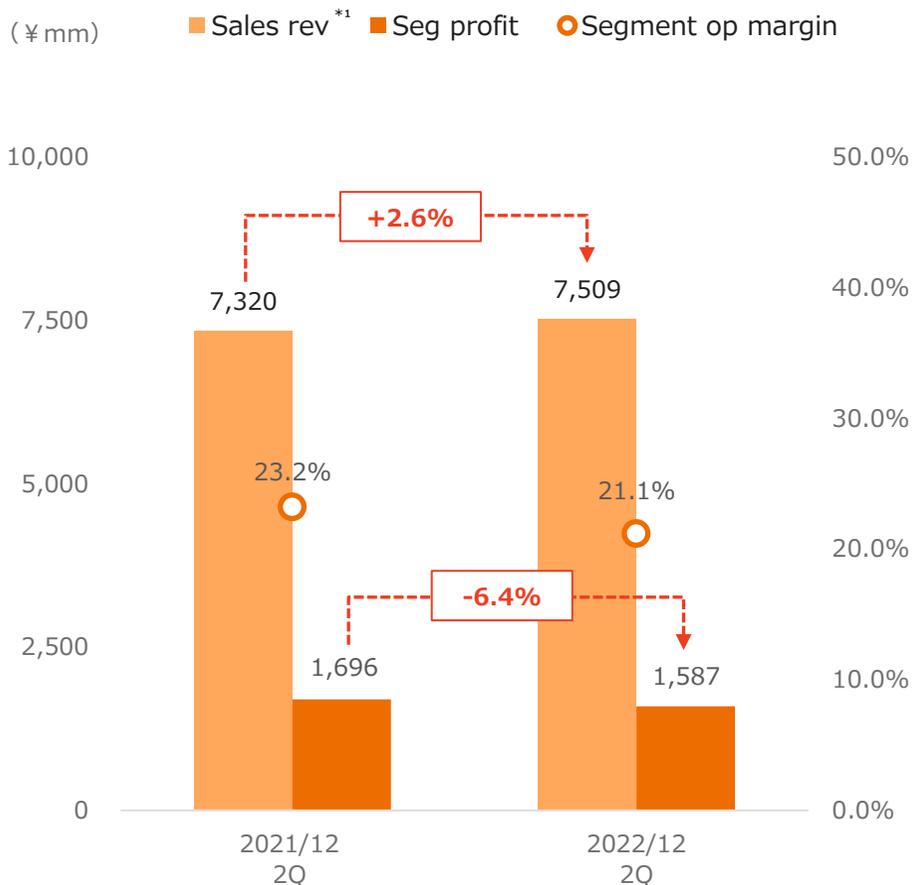


*1 EBITDA = operating profit + depreciation + amortization

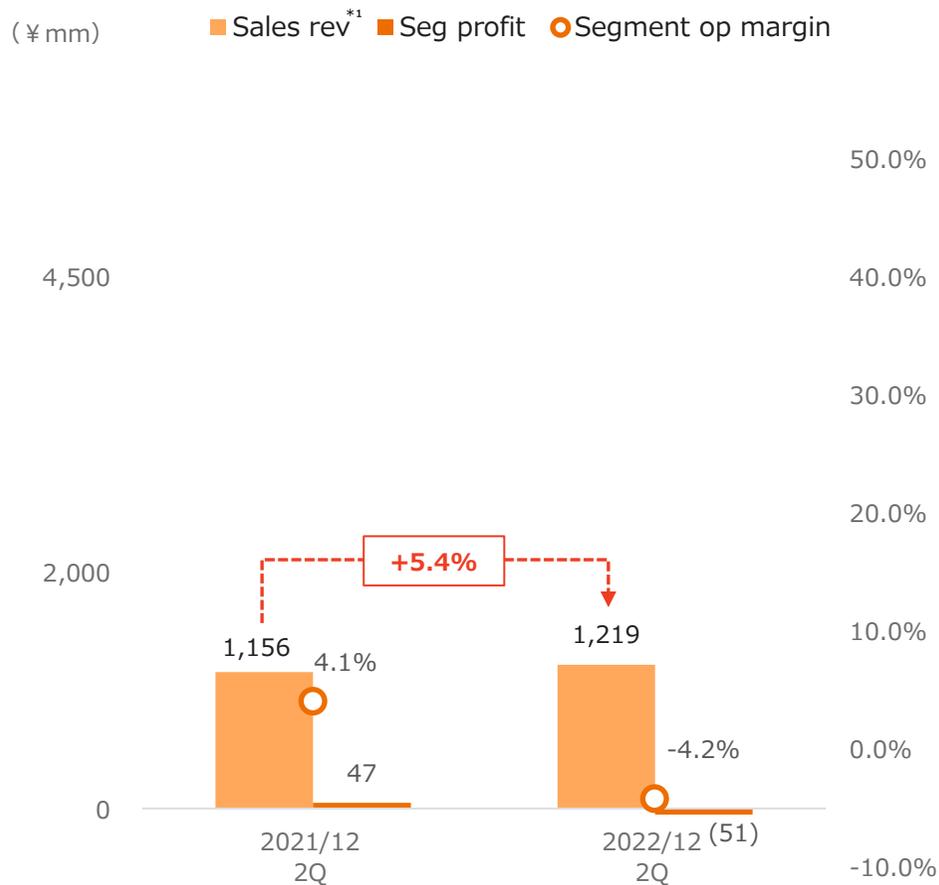
FY12/2022 2Q (from April to June) Results per Segment

- Marketing business : Sales revenue was up 2.6% YoY and operating profit was down 6.4% YoY. Growth was steady compared to the same period of the previous year, when a temporary factor led to substantial growth
- On-site business : Sales revenue was up 5.4%. Operating profit was -51 million yen due to the use of funds for strategic advertising and publicity expenditures, etc.

Marketing business



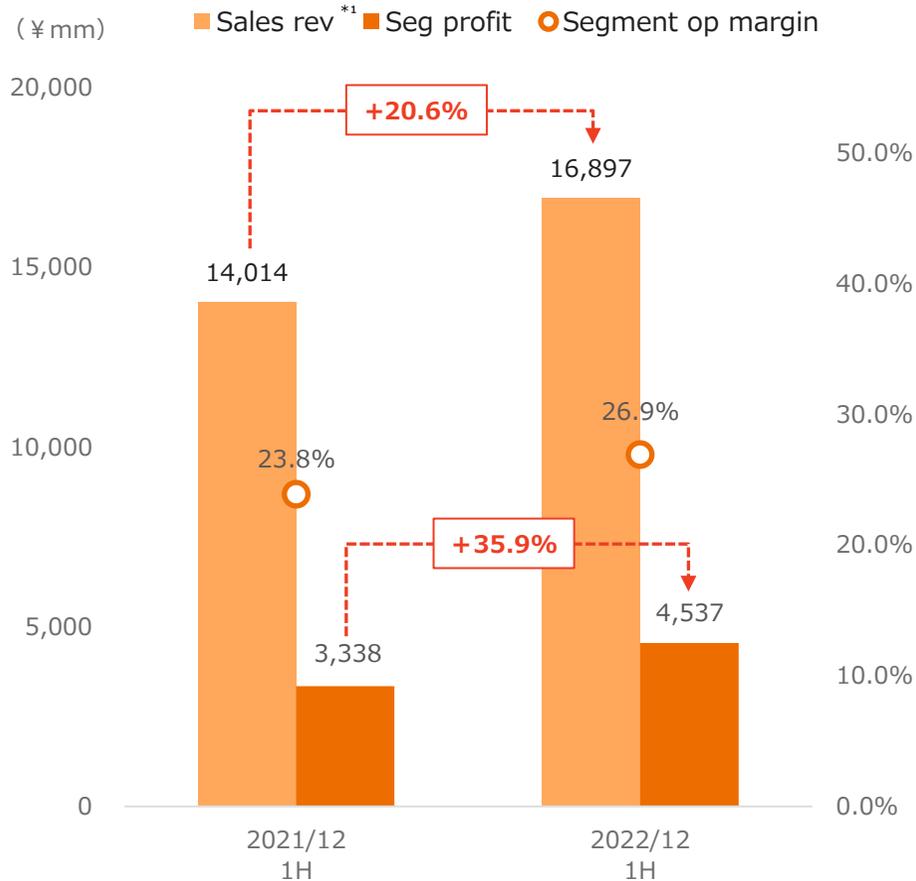
On-site business



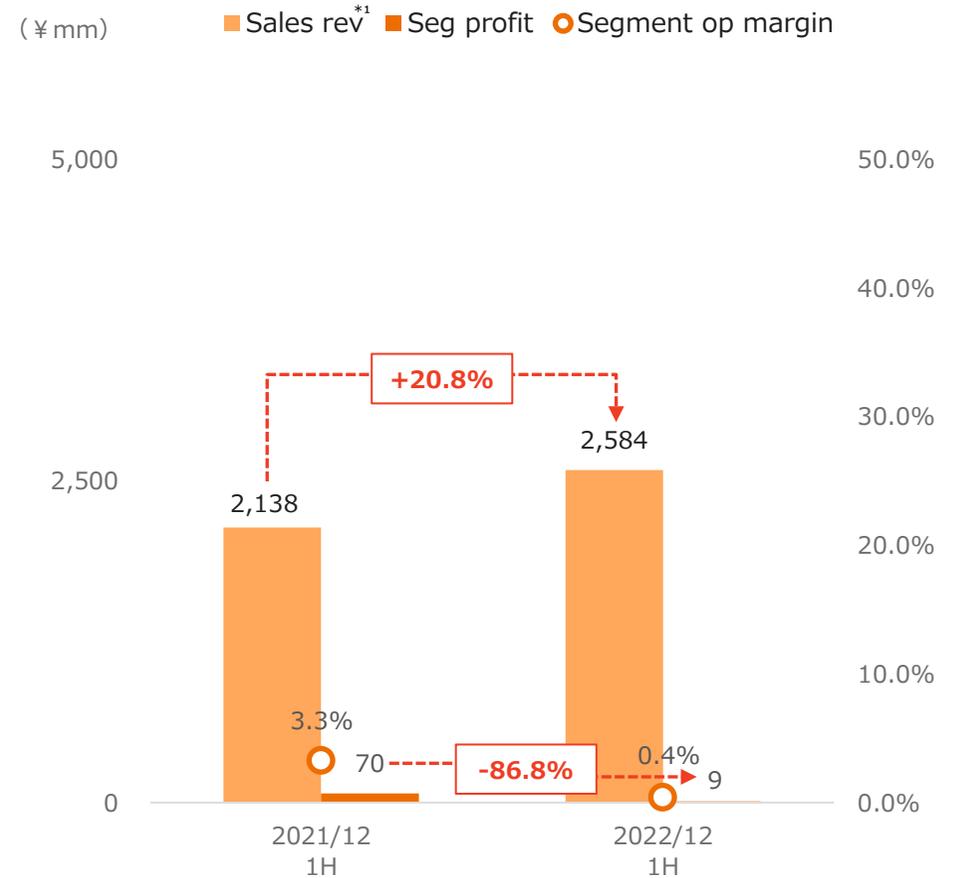
FY12/2022 1H Results per Segment

- **Marketing business** : Achieved **20.6% YoY** growth in revenue and **35.9% YoY** growth in operating profit, due to growth in telecommunications peripheral areas and the public sector through acquisition of national clients
- **On-site business** : Sales increased by **20.8% YoY** due to steady order growth. Operating profit was **down 86.8% YoY** due to the use of funds for strategic advertising and publicity expenditures, etc.

Marketing business



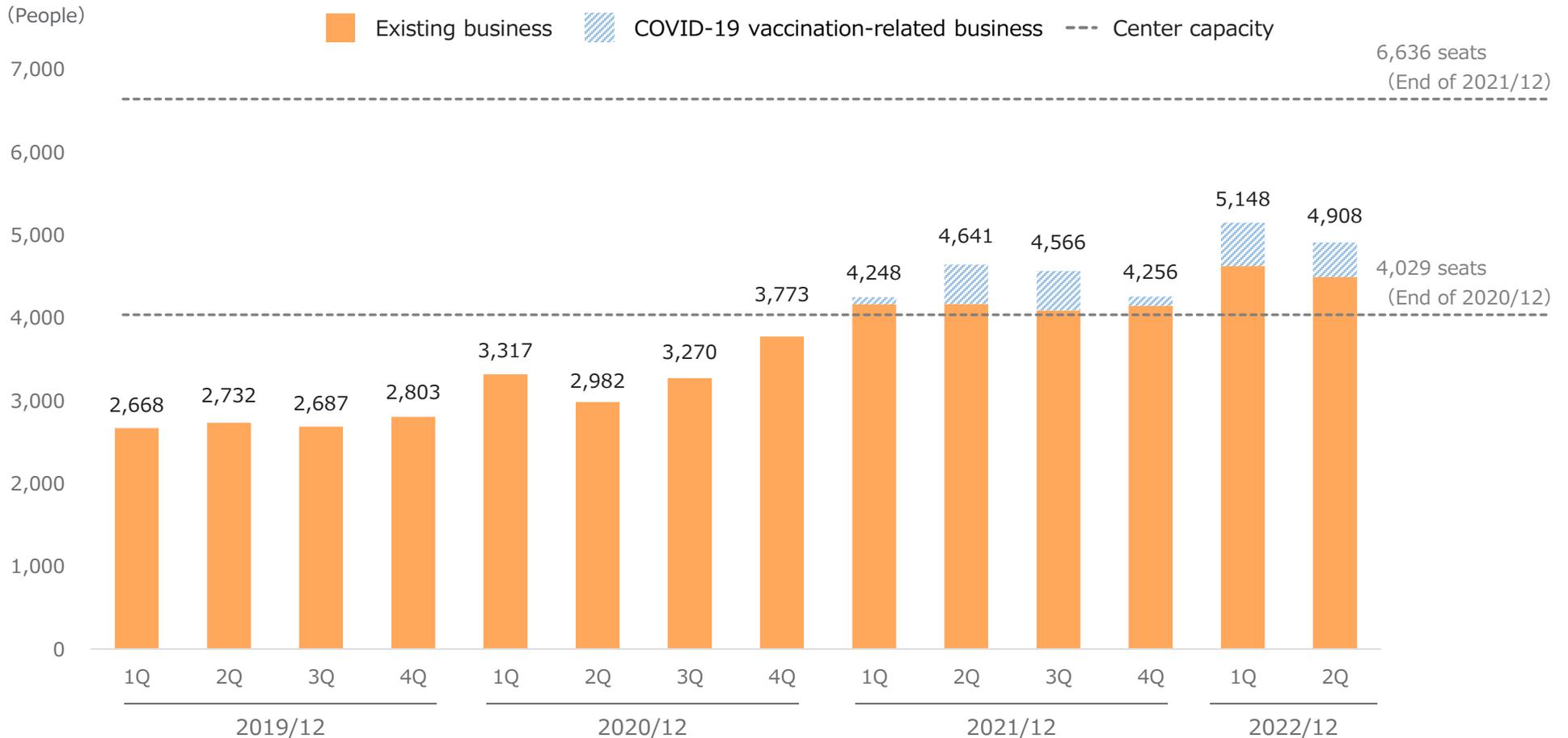
On-site business



Marketing Business KPI

- The number of operating staff*1 in existing business steadily increased YoY. Flexibly adjusted personnel numbers for COVID-19 vaccination-related business in response to client offers

Quarterly changes in the number of operating staff*1



FY12/2022 1H B/S

- Revenue growth led to an increase in retained earnings and expansion of total assets. The ratio of goodwill to total assets steadily declined
- Shifted to net cash at the end of June 2022

Consolidated B/S

(¥ mm)	End of 2021/12	End of 2022/6	Change	Comments
Total assets	26,837	28,080	+1,243	<ul style="list-style-type: none"> ■ Property, plant and equipment & right-of-use assets total : 2,538 mm yen (End of 2020/12) ▶ 4,540 mm yen (End of 2021/12) ▶ 4,330 mm yen (End of 2022/6) - Growth trend due to expansion of bases and system-related investment accompanying business expansion
Current assets	9,702	11,068	+1,366	
Non-current assets	17,135	17,012	(123)	<ul style="list-style-type: none"> ■ Goodwill total asset ratio : 51.7% (End of 2020/12) ▶ 40.9% (End of 2021/12) ▶ 39.1% (End of 2022/6) - Goodwill has not been amortized, but its share of total assets have steadily declined
Goodwill	10,984	10,984	-	
Total liabilities	15,238	14,152	(1,086)	<ul style="list-style-type: none"> ■ Interest-bearing liabilities : 6,500 mm yen (End of 2020/12) ▶ 5,741 mm yen (End of 2021/12) ▶ 5,360 mm yen (End of 2022/6)
Current liabilities	8,060	7,540	(520)	
Non-current liabilities	7,178	6,612	(566)	<ul style="list-style-type: none"> ■ Net debt : 2,808 mm yen (End of 2020/12) ▶ 674 mm yen (End of 2021/12) ▶ -1,086 mm yen (End of 2022/6)
Total equity	11,599	13,928	+2,329	<ul style="list-style-type: none"> ■ Ratio of equity attributable to owners of parent : 37.6% (End of 2020/12) ▶ 43.2% (End of 2021/12) ▶ 49.6% (End of 2022/6)
Total equity attributable to owners of parent	11,599	13,928	+2,329	
Total liabilities & equity	26,837	28,080	+1,243	

FY12/2022 1H C/F

- Operating cash flow increased as a result of steady growth in profit before tax due to higher revenue
- Investment cash flow decreased compared to the fiscal year ended December 2021, when capital investment led to a significant office space expansion

Consolidated C/F

(¥ mm)	2021/12 2Q	2022/12 2Q	Change	2021/12 Full year (Ref.)
Operating cash flow	1,516	2,850	+1,334	4,140
Investment cash flow	(517)	(322)	+195	(1,428)
Financial cash flow	(1,106)	(1,148)	(42)	(1,337)
Free cash flow	999	2,527	+1,529	2,712

Main factors of increase/ decrease

- Operating cash flow : +1,144 million yen (YoY) due to increase in profit before tax
+777 million yen (YoY) due to decrease in trade and other receivables
-592 million yen (YoY) due to decrease in trade and other payables
- Investment CF : +167 million yen (YoY) due to payments of leasehold and guarantee deposits

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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 78.7%** against the initial forecast
- In the 2nd half, **we plan to invest the 1st half upswing in customer acquisition and cultivation as well as human resources development**

(¥ mm)	2022/12	2022/12	Background
	Full year (before revision)		
	Forecast	Forecast	
Sales revenue	32,500	33,500	<ul style="list-style-type: none"> ■ Sales revenue: In addition to the steady performance of existing operations that was expected from the beginning, we received orders for COVID-19 vaccination-related business. ■ Various profits: In addition to sales growth, profitable COVID-19 vaccination-related business and the hybrid operations in the inbound/outbound business were successful.
Operating profit	5,000	5,500	
Operating profit margin	15.4%	16.4%	
Profit before tax	4,960	5,450	
Net income ^{*1}	3,430	3,770	
Net income margin	10.6%	11.3%	
EBITDA ^{*2}	6,450	6,980	
EBITDA margin	19.8%	20.8%	

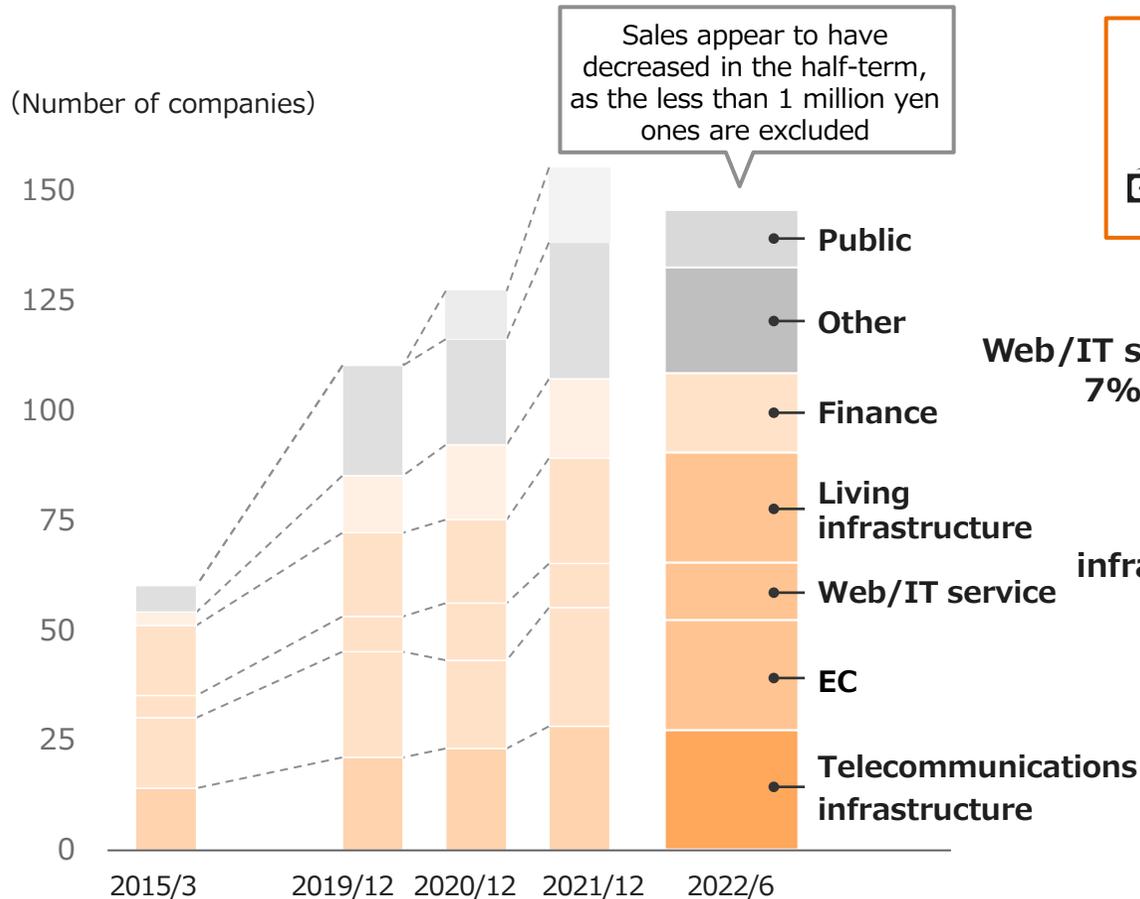
*1 Profit attributable to owners of parent

*2 EBITDA = operating profit + depreciation + amortization

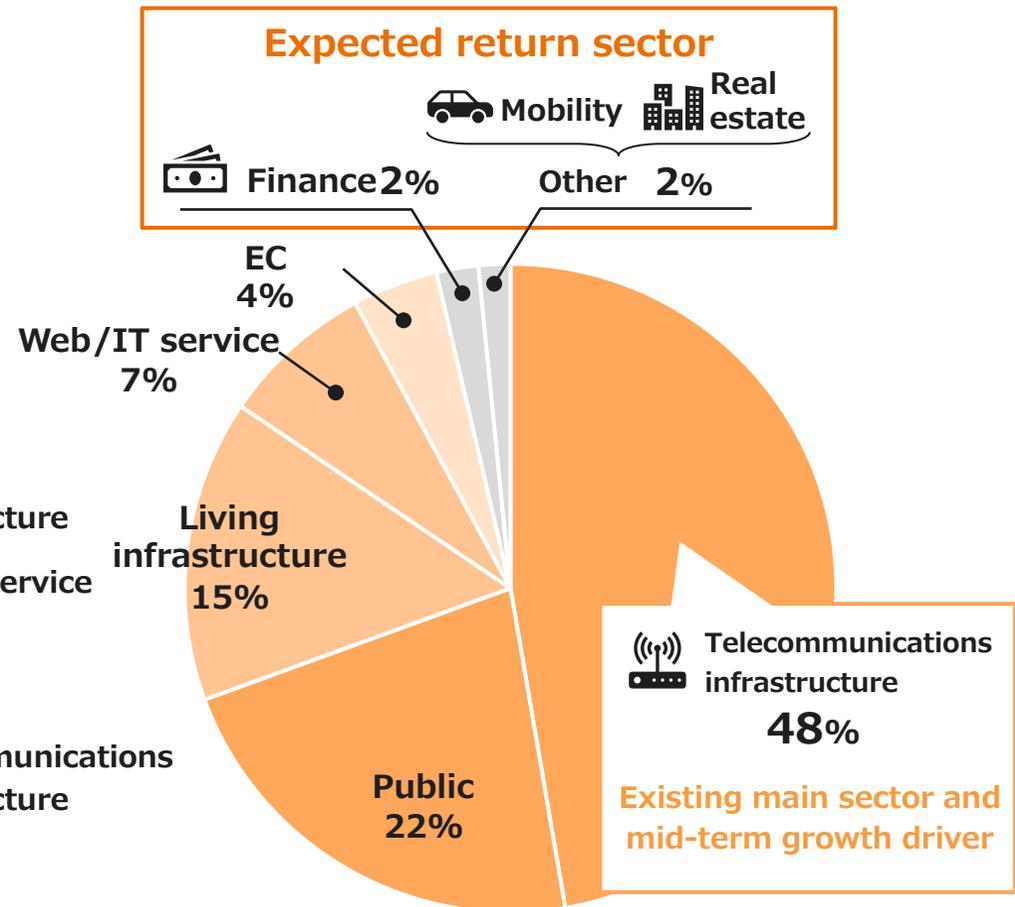
Current Earnings Base and Future focus Sectors

- Client portfolio diversification progressed in terms of the number of clients by industry. Web/IT services increased, capturing demand for DX promotion
- In terms of revenue composition, the public sector expanded slightly as new clients were acquired. We continue to focus on monetizing expected sectors such as finance, etc.

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



Revenue composition ratio by industry (FY12/2022 1H)



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

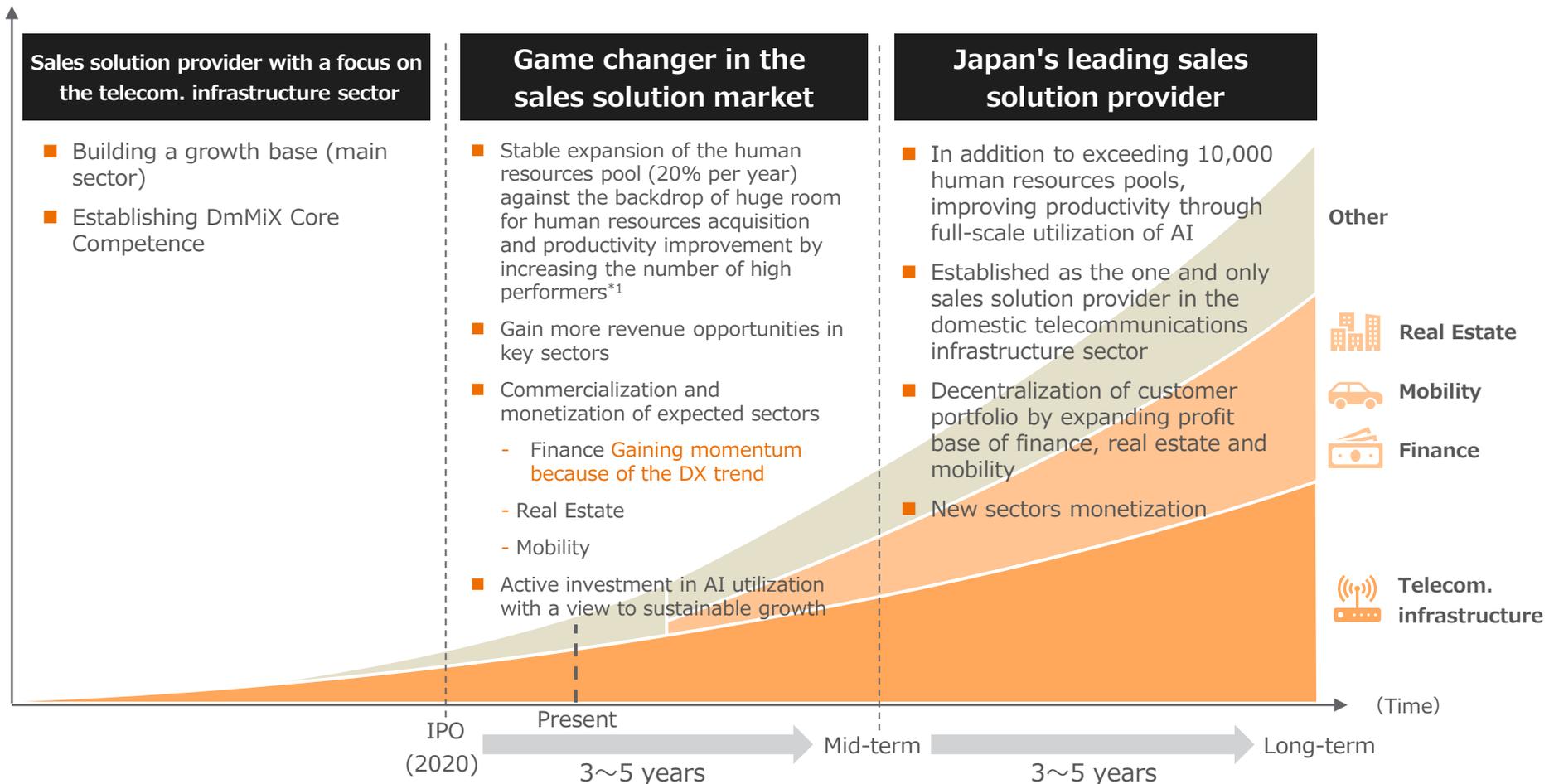
*2 Telecommunications infrastructure = mobile phone carrier affiliated companies. Living infrastructure = electricity, gas, internet lines, etc.

*3 On-site business (temporary staffing) is excluded after FY12/2019

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)



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

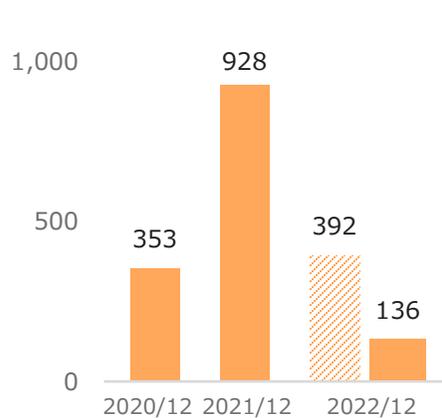
Investment Plan

- Capital investment in the 1st half progressed as initially expected. Expected to slightly exceed the initial forecast for full year
- Amortization expenses increased YoY, but we plan to cover by higher profits
- The number of operating staff*¹ exceeded the initial forecast. QoQ decreased due to seasonality and other factors, but steadily increased YoY

Capital investment plan and depreciation outlook

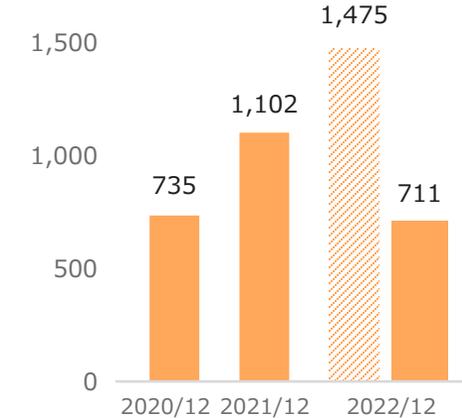
Capital Investment

(¥ mm) Results Initial forecast



Depreciation & Amortization

(¥ mm) Results Initial forecast

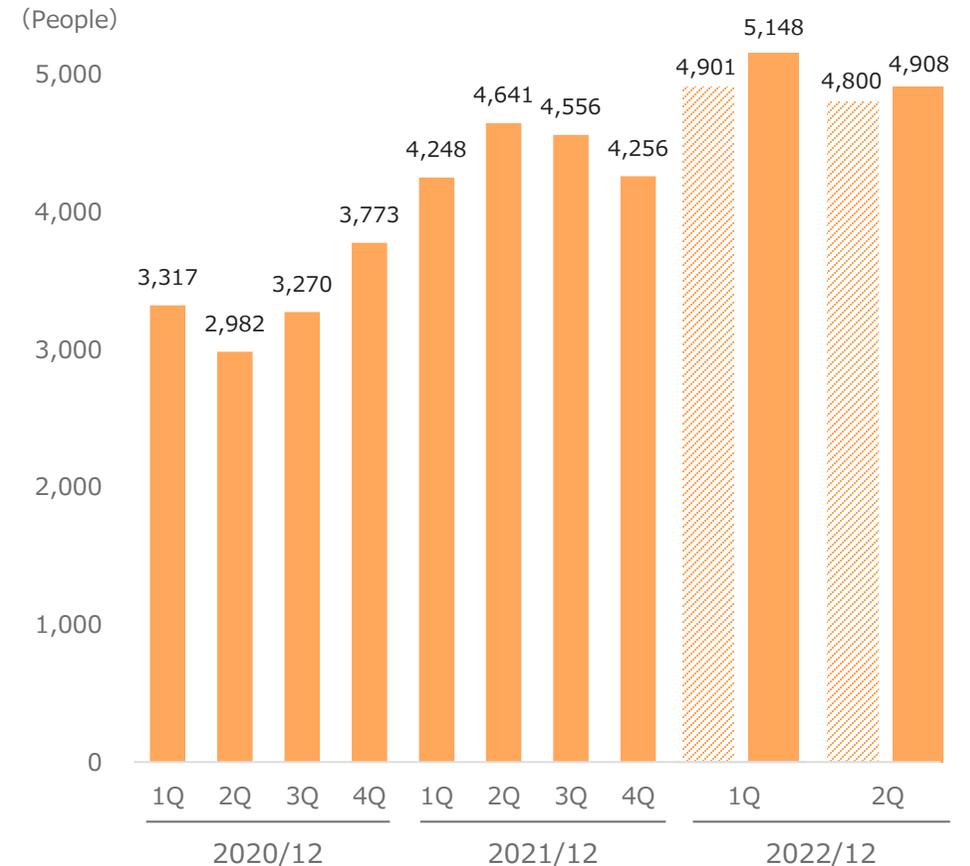


Major capital investment breakdown

(¥ mm)	2020	2021	2022	
	Results	Results	Initial forecast	1H Results
Buildings and accompanying facilities	177	492	138	50
Tools, furniture and fixtures	165	405	245	78
Software	11	31	10	8

Personnel planning (the number of operating staff*¹)

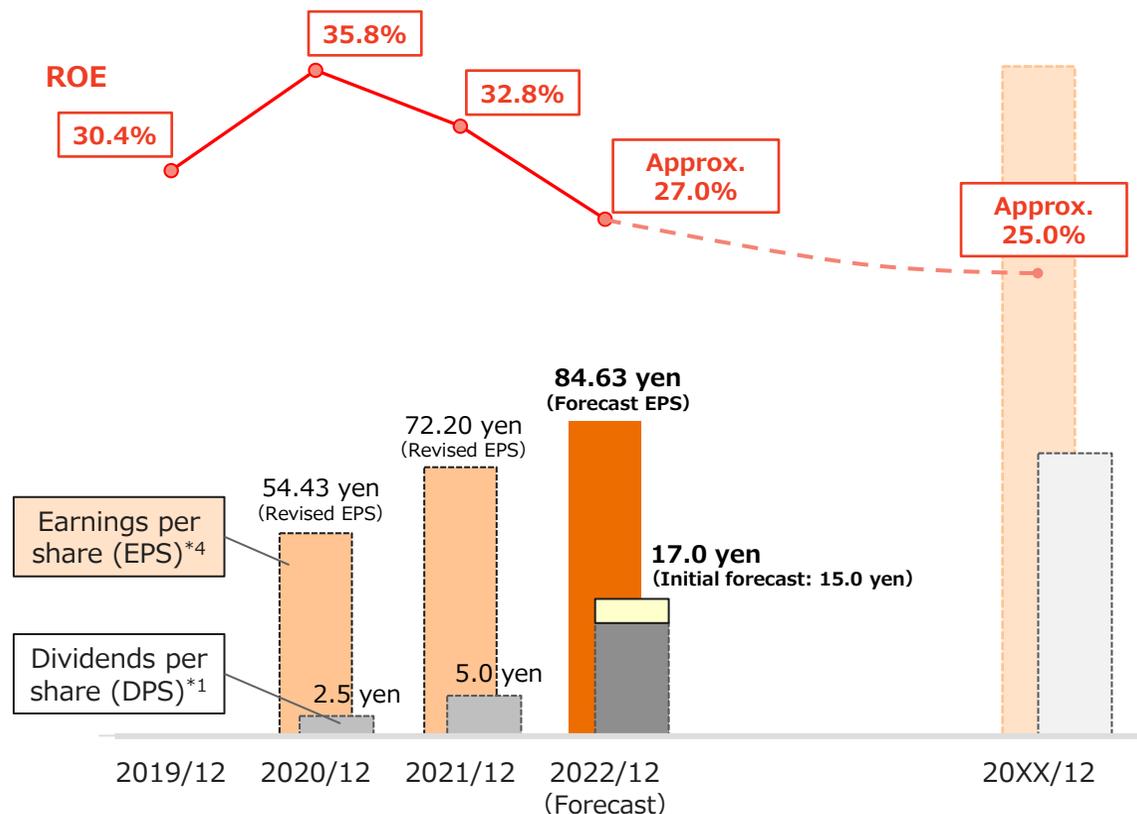
Results Initial forecast



Capital Policy

- Based on the revised earnings forecast, we have revised the dividend for this fiscal year to **17 yen per share**, an increase of 2 yen from the initial forecast. This is an increase of 12 yen per share in real terms from FY12/2021.*1
- ROE*2 is expected to reach around **27%***3 as a result of an increase in shareholders' equity due to earnings growth

Changes in Main Indicators



Policy

- The dividend policy is to increase dividends in line with EPS growth (progressive dividends) with a target of a **total return ratio of 40%** including acquisition of treasury shares.
- Assuming that there are no significant changes to the current profit structure, our medium-term goal is to maintain **ROE at approximately 25%**.

*1 On January 1, 2022, the Company executed a two-for-one stock split of its common stock.

Earnings and dividends per share for the fiscal years ending December 31, 2020 and 2021 take into account the effects of the stock split

*2 ROE= Net income/Average shareholders' equity during the fiscal period

*3 Based on the most recent forecast; actual figures may differ due to various factors in the future

*4 Revised EPS and forecast EPS are calculated using 44,549,450 shares, the average number of shares outstanding during the 1st half of the fiscal year ending December 31, 2022



【Disclaimer】

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In addition, although forecast figures, forward-looking descriptions and statements regarding prospects are included, actual results may differ materially from those expressed or implied due to various risks, uncertain factors and changes in the external environment. We caution you not to place undue reliance on these forward-looking descriptions and statements.

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