

A Total Sales/Marketing Solution Provider for Maximizing Client Profitability

# Direct Marketing MiX Inc.

## Financial results briefing (FY12/2022 3Q)

November 11<sup>th</sup>, 2022



# Financial Results Highlights (FY12/2022 3Q) (3Q Cumulative Period)

- Sales revenue: The core telecommunications infrastructure sector continued to grow. Acquisition of new clients also contributed to revenue growth, resulting in a **+13.3% YoY increase in sales**
- Various profits: Profits expanded since the first half of the year's high profit levels persisted. The increase was able to cover higher expenses in conjunction with strategic investment, and a **+15.5% YoY increase in EBITDA\*1** was achieved

Sales revenue	26.1 billion yen	YoY	+13.3%
EBITDA*1	5.9 billion yen	YoY	+15.5%
Operating profit	4.8 billion yen	YoY	+10.5%
Net income*2	3.0 billion yen	YoY	+3.9%

\*1 EBITDA = operating profit + depreciation + amortization

\*2 Profit attributable to owners of parent

# Financial Results Highlights (FY12/2022 3Q)

## (3Q Cumulative Period)

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### 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. Certain demand continued for vaccination-related business
- Living infrastructure: Growth in the 3rd quarter due to acquisition of new clients
- Web/IT: In addition to lateral expansion of the core cashless payment business, XaaS\*<sup>1</sup> areas such as online medical services grew. Going forward, we will continue to focus our efforts on expansion into other industries
- Finance: Continued to make upfront investments to develop new clients

#### Various profits

- Profit levels of projects: Vaccination-related business is trending downward, but high profit levels were maintained as a result of an increase in the profitability of existing business and acquisition of new clients
- Growth investment: Steady increase in profit was achieved by absorbing temporary cost increases due to the ahead of schedule of system upgrades at centers and investment in human resources such as recruitment and training. The increase in rent (depreciation) due to the large-scale expansion of floor space in FY21 will have largely ended by the 3rd quarter

# FY12/2022 3Q (from July to September) P/L

- Sales revenue: **The existing sector expanded steadily** despite a decline in vaccination-related business, which peaked in the same period of the previous fiscal year
- Various profits: **Focused on active investment to develop new clients** in response to strong profit trends in the first half of the year

## Consolidated P/L 3Q results

(¥ mm)	2021/12	2022/12	
	3Q (from July to September)	3Q (from July to September)	
	Results	Results	YoY
<b>Sales revenue</b>	<b>8,013</b>	<b>7,734</b>	<b>-3.5%</b>
Operating expenses	(6,587)	(6,879)	+4.4%
Other revenue	9	20	–
Other expenses	(0)	(0)	–
<b>Operating profit</b>	<b>1,435</b>	<b>875</b>	<b>-39.0%</b>
<b>Operating profit margin</b>	<b>17.9%</b>	<b>11.3%</b>	<b>-6.6pt</b>
Financial profit	1	1	–
Financial expenses	(12)	(11)	–
<b>Profit before tax</b>	<b>1,424</b>	<b>865</b>	<b>-39.2%</b>
Income tax expense	(403)	(330)	–
<b>Net income<sup>*1</sup></b>	<b>1,021</b>	<b>535</b>	<b>-47.6%</b>
<b>Net income margin</b>	<b>12.7%</b>	<b>6.9%</b>	<b>-5.8pt</b>
<b>EBITDA<sup>*2</sup></b>	<b>1,719</b>	<b>1,246</b>	<b>-27.5%</b>
<b>EBITDA margin</b>	<b>21.4%</b>	<b>16.1%</b>	<b>-5.3pt</b>

\*1 Profit attributable to owners of parent

\*2 EBITDA = operating profit + depreciation + amortization

# FY12/2022 3Q (Cumulative) P/L

- Sales revenue: **Steady growth of +13.3% YoY due to expansion in each sector**, including telecommunications infrastructure, public, living infrastructure and Web/IT, despite a substantial increase in the vaccination-related business in the same period of FY21
- Various profits: EBITDA\*<sup>2</sup> grew by **+15.5% YoY**. We plan to maintain our focus on strategic investment to achieve further growth in 4Q

## Consolidated P/L 3Q results (Cumulative)

(¥ mm)	2021/12	2022/12			2022/12 Full year (after revision) Forecast
	3Q (Cumulative)	Results	YoY	Progress rate* <sup>3</sup>	
<b>Sales revenue</b>	<b>23,039</b>	<b>26,106</b>	<b>+13.3%</b>	<b>77.9%</b>	<b>33,500</b>
Operating expenses	(18,729)	(21,327)	+13.9%	—	—
Other revenue	46	50	—	—	—
Other expenses	(4)	(19)	—	—	—
<b>Operating profit</b>	<b>4,352</b>	<b>4,811</b>	<b>+10.5%</b>	<b>87.5%</b>	<b>5,500</b>
<b>Operating profit margin</b>	<b>18.9%</b>	<b>18.4%</b>	<b>-0.5pt</b>	<b>—</b>	<b>16.4%</b>
Financial profit	2	3	—	—	—
Financial expenses	(130)	(33)	—	—	—
<b>Profit before tax</b>	<b>4,224</b>	<b>4,780</b>	<b>+13.1%</b>	<b>87.7%</b>	<b>5,450</b>
Income tax expense	(1,290)	(1,732)	—	—	—
<b>Net income*<sup>1</sup></b>	<b>2,935</b>	<b>3,048</b>	<b>+3.9%</b>	<b>80.9%</b>	<b>3,770</b>
<b>Net income margin</b>	<b>12.7%</b>	<b>11.7%</b>	<b>-1.1pt</b>	<b>—</b>	<b>11.3%</b>
<b>EBITDA*<sup>2</sup></b>	<b>5,103</b>	<b>5,893</b>	<b>+15.5%</b>	<b>84.4%</b>	<b>6,980</b>
<b>EBITDA margin</b>	<b>22.1%</b>	<b>22.6%</b>	<b>+0.4pt</b>	<b>—</b>	<b>20.8%</b>

\*1 Profit attributable to owners of parent

\*2 EBITDA = operating profit + depreciation + amortization

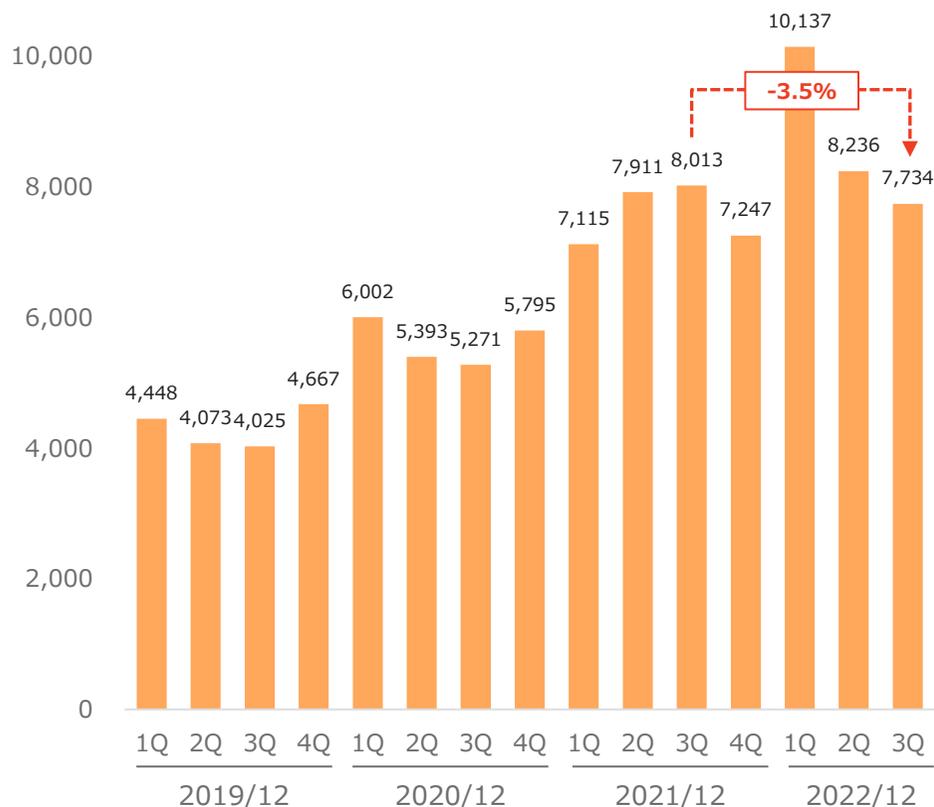
\*3 Progress rate against the full-year earnings forecast (revised) for FY12/2022

# Quarterly Results

- Sales revenue: **Existing sectors grew steadily** despite the reactionary decline in the vaccination-related business compared to the same period of the previous fiscal year, when there was a rapid increase
- EBITDA\*1: **Proactively cultivate new clients for future growth**, using the large profit growth in 1Q as a source of funds

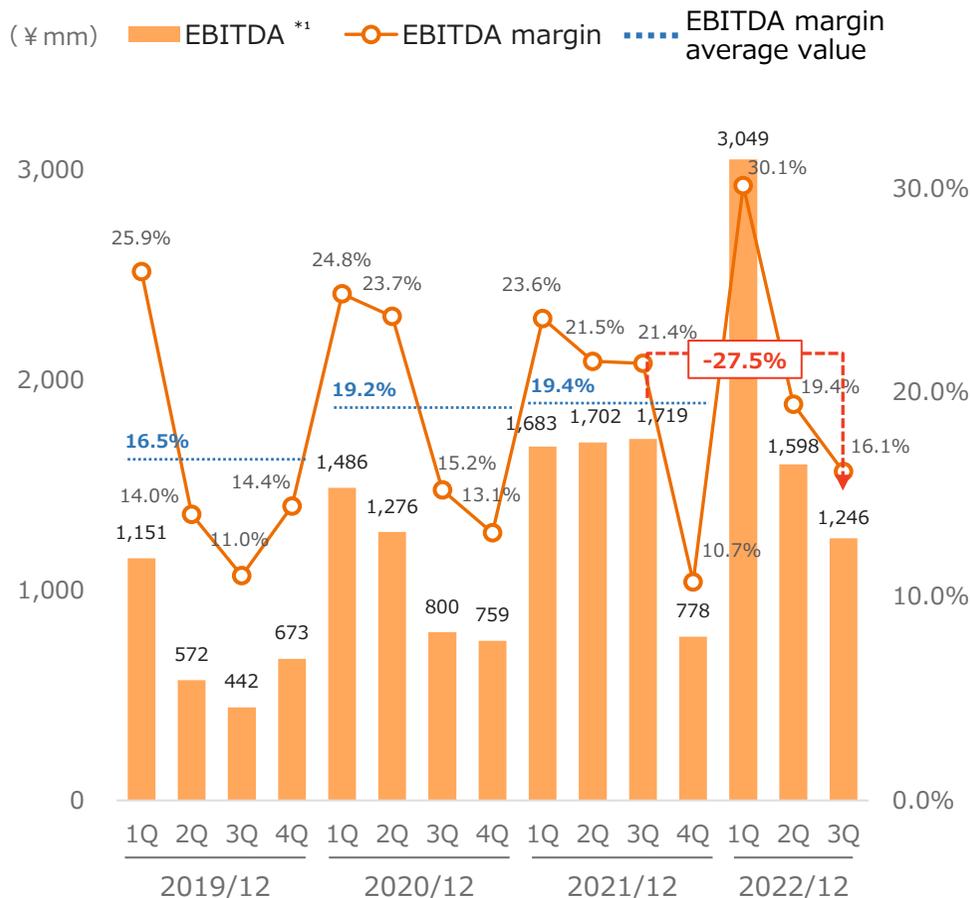
## Quarterly changes in consolidated sales revenue

(¥ mm)



## Quarterly trends in EBITDA\*1・EBITDA margin

(¥ mm)

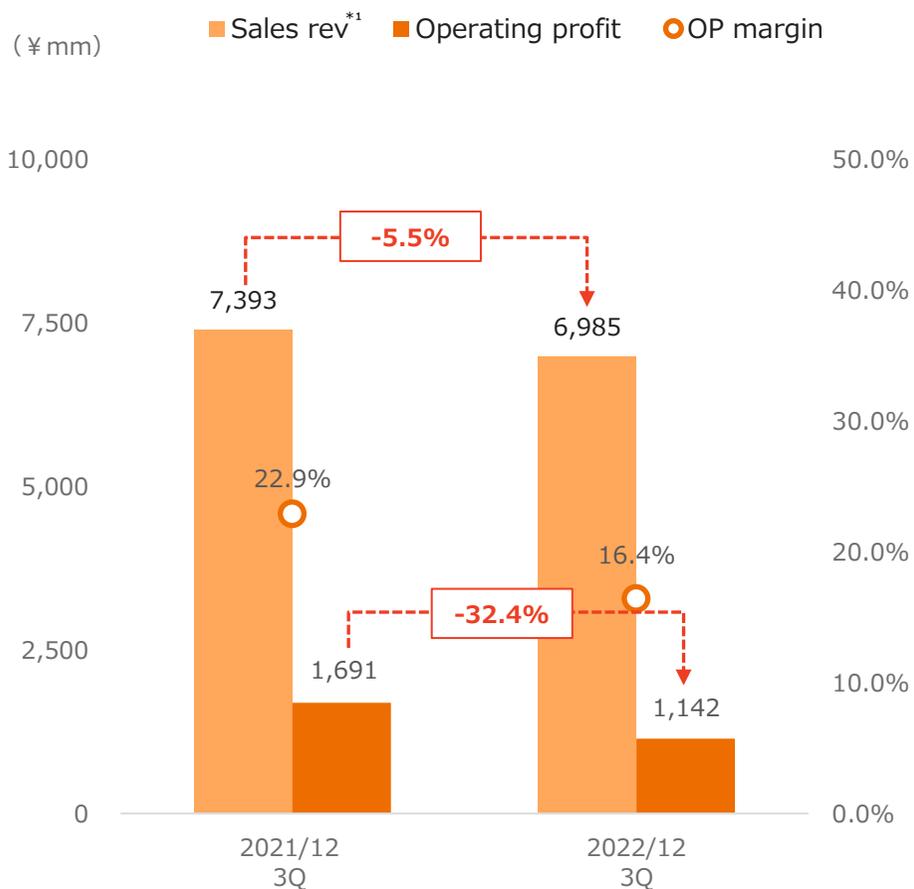


\*1 EBITDA = operating profit + depreciation + amortization

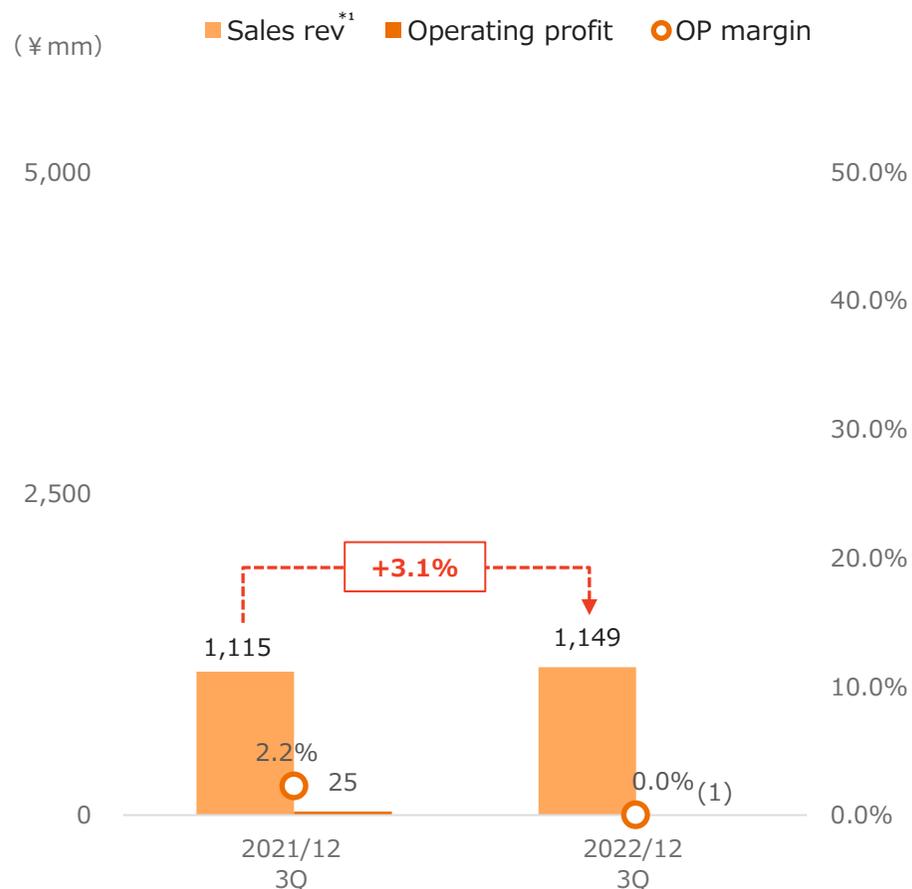
# FY12/2022 3Q (from July to September) Results per Segment

- **Marketing business:** Sales revenue decreased -5.5% YoY and operating profit by -32.4% YoY, reflecting a reactionary decline from the significant growth in the same period of FY21 and an increase in personnel investment and other expenses for the development of new clients
- **On-site business:** Achieved +3.1% YoY in sales even compared to the same period of FY21, when growth was driven by increased temporary staffing needs for vaccination-related operations. Operating profit was -1 million yen. Focused on acquiring human resources and advertising

## Marketing business



## On-site business

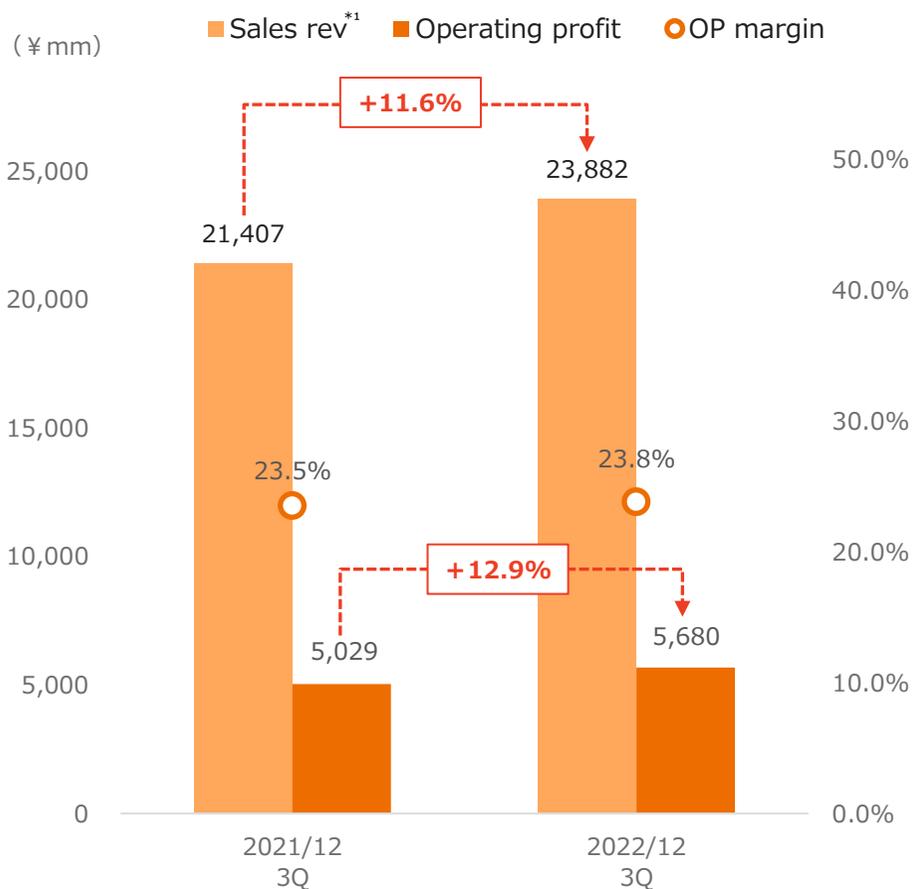


\*1 Including intra-group sales

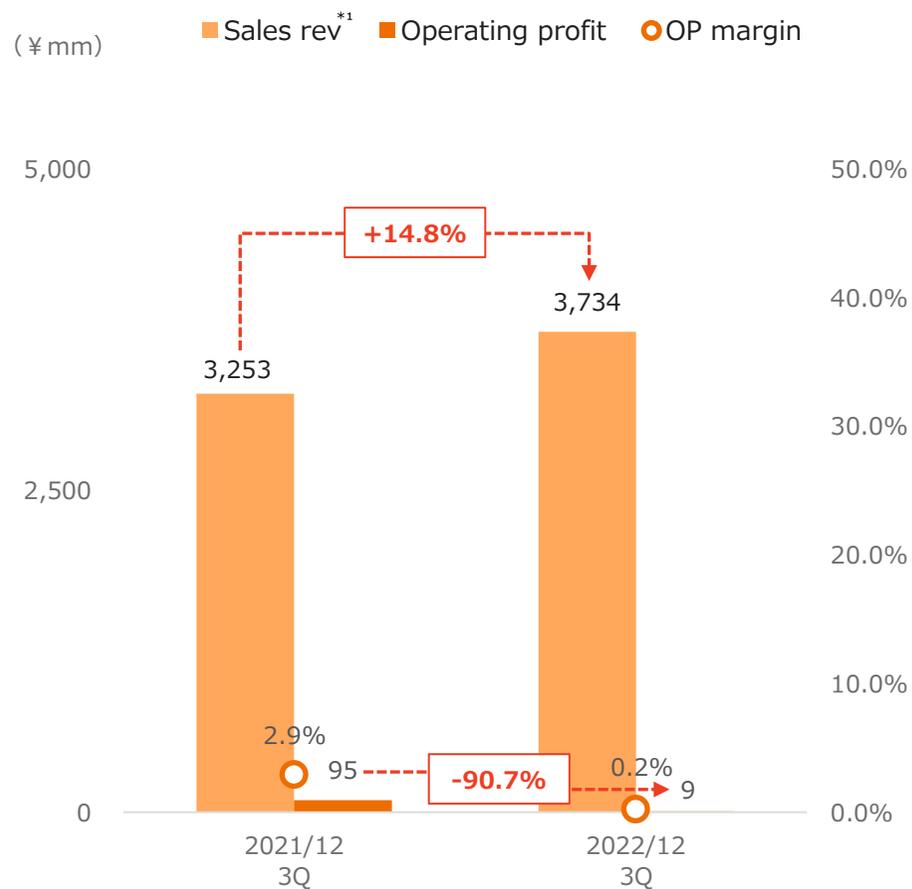
# FY12/2022 3Q (Cumulative) Results per Segment

- **Marketing business:** In addition to growth in telecommunications peripheral areas and the public sector, acquisition of new clients in the living infrastructure and web/IT sectors also progressed, **sales revenue increased by +11.6% YoY and operating profit by +12.9% YoY**
- **On-site business:** Sales increased by **+14.8% YoY** due to steady order growth. Operating profit decreased by **-90.7% YoY** due to **investment in advertising and publicity to acquire human resources for the entire group**

## Marketing business



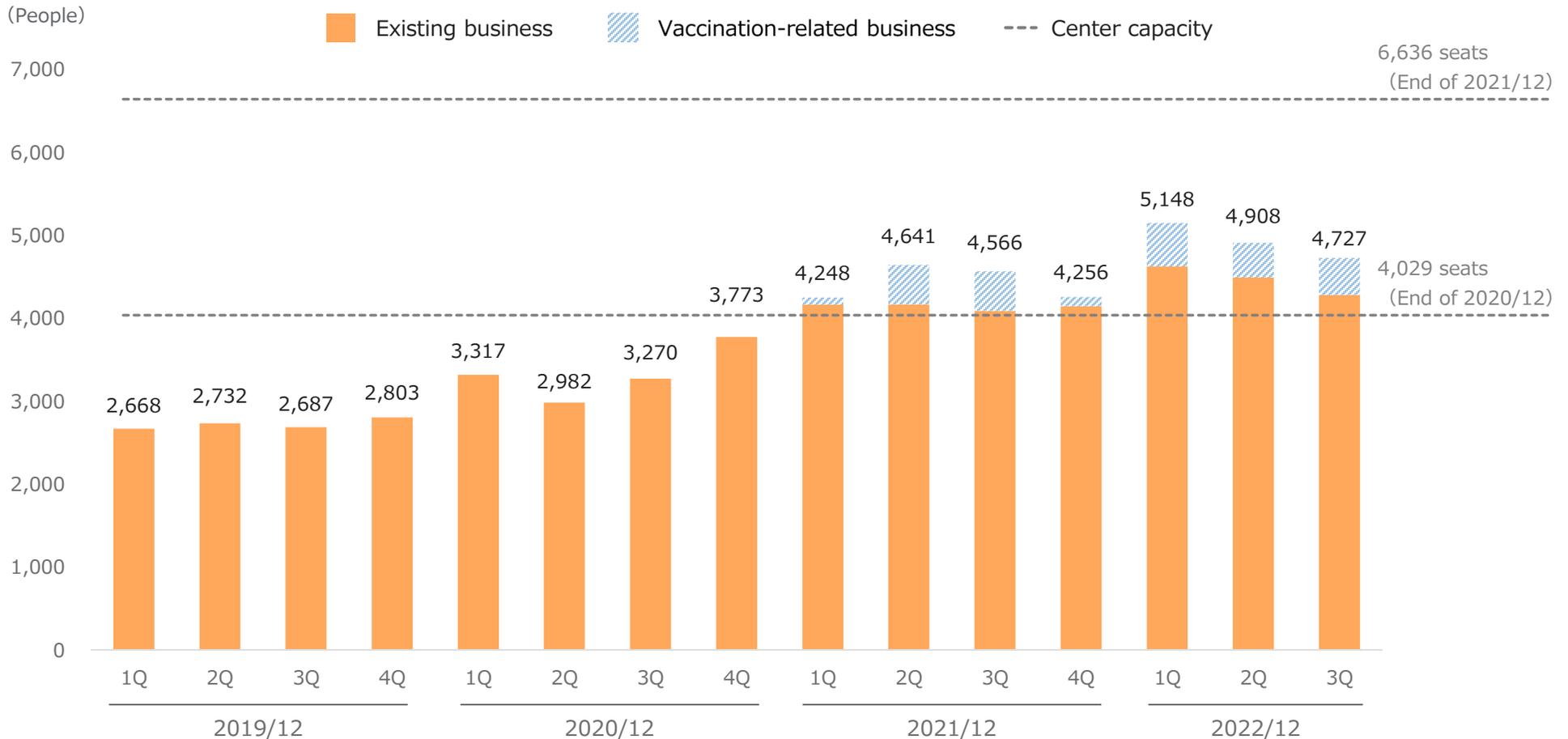
## On-site business



# Marketing Business KPI

- The number of operating staff\*1 in existing business steadily increased YoY. Continued to flexibly adjust personnel numbers for vaccination-related business in response to client offers

Quarterly changes in the number of operating staff\*1



# FY12/2022 3Q 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
- In addition to an increase in operating cash flow, investment amounts decreased compared to FY21, when large-scale capital investments were made, and as a result free cash flow increased

## Consolidated B/S

( ¥ mm)	End of 2021/12	End of 2022/9	Change
<b>Total assets</b>	<b>26,837</b>	<b>28,094</b>	<b>+1,257</b>
Current assets	9,702	10,902	+1,201
Non-current assets	17,135	17,191	+56
Goodwill	10,984	10,984	-
<b>Total liabilities</b>	<b>15,238</b>	<b>13,589</b>	<b>(1,649)</b>
Current liabilities	8,060	7,113	(947)
Non-current liabilities	7,178	6,477	(701)
<b>Total equity</b>	<b>11,599</b>	<b>14,504</b>	<b>+2,905</b>
Total equity attributable to owners of parent	11,599	14,504	+2,905
<b>Total liabilities &amp; equity</b>	<b>26,837</b>	<b>28,094</b>	<b>+1,257</b>

### Main factors of increase/ decrease

- Equity : Total equity increased by 2,905 million yen due to strong business performance (YoY)

## Consolidated C/F

( ¥ mm)	2021/12 3Q	2022/12 3Q	Change	2021/12 Full year (Ref.)
Operating cash flow	2,975	3,417	+442	4,140
Investment cash flow	(954)	(474)	+479	(1,428)
Financial cash flow	(1,492)	(1,617)	(126)	(1,337)
<b>Free cash flow</b>	<b>2,021</b>	<b>2,942</b>	<b>+922</b>	<b>2,712</b>

### Main factors of increase/ decrease

- Operating cash flow : +555 million yen (YoY) due to increase in profit before tax  
+853 million yen (YoY) due to decrease in trade and other receivables  
-675 million yen (YoY) due to decrease in trade and other payables
- Investment CF : +301 million yen (YoY) due to decrease in payments of leasehold and guarantee deposits

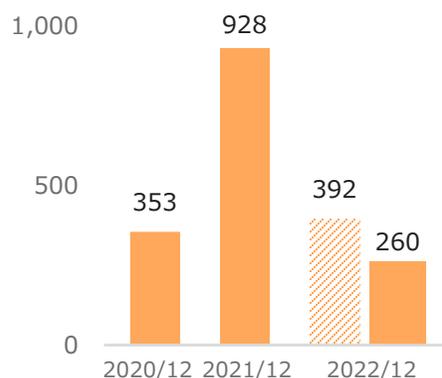
# Investment Plan

- Capital investment was generally in line with the initial forecast
- The number of operating staff\*<sup>1</sup> exceeded the forecast. **QoQ decreased due to seasonality, but steadily increased YoY**

## Capital investment plan and depreciation outlook

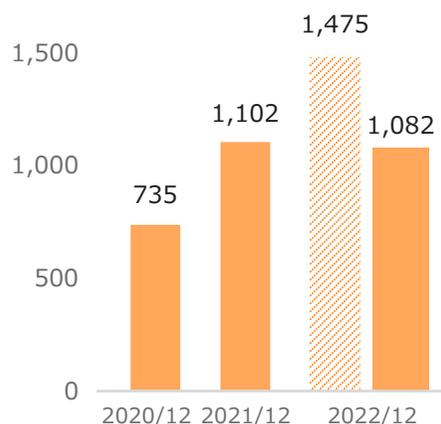
### Capital Investment

( ¥ mm )   ■ Results   ▨ Initial forecast



### Depreciation & Amortization

( ¥ mm )   ■ Results   ▨ Initial forecast



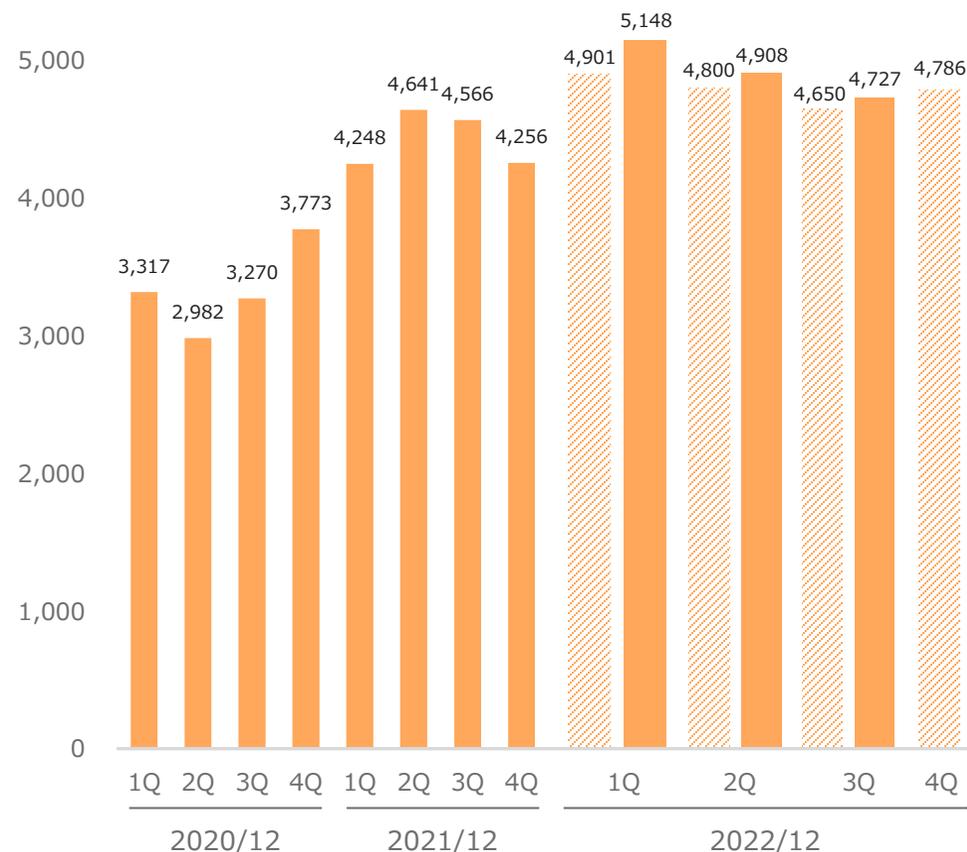
### Major capital investment breakdown

( ¥ mm )	2020	2021	2022	
	Results	Results	Initial forecast	3Q Results
Buildings and accompanying facilities	177	492	138	102
Tools, furniture and fixtures	165	405	245	150
Software	11	31	10	8

## Personnel planning (the number of operating staff\*<sup>1</sup>)

(People)

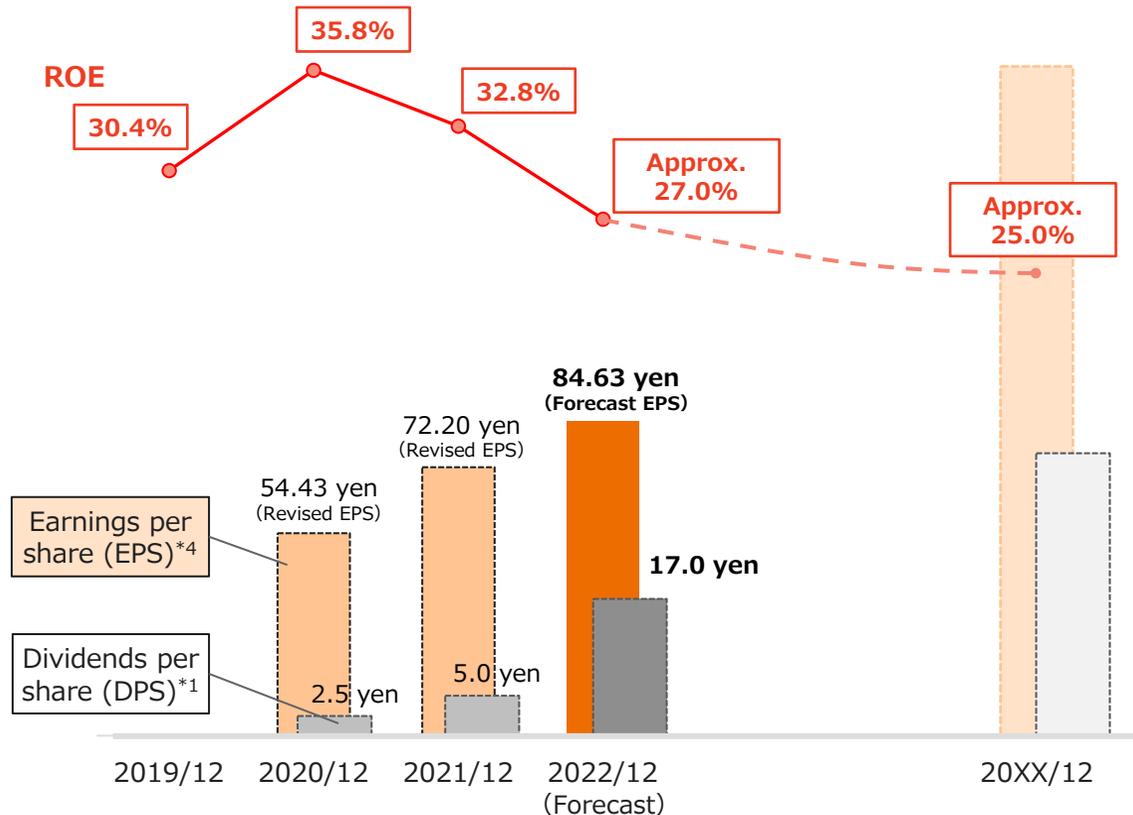
■ Results   ▨ Initial forecast\*<sup>2</sup>



# Capital Policy

- Expected ROE<sup>\*1</sup> for the current fiscal year will be **approximately 27%**.<sup>\*2</sup> Shareholders' equity is increasing in conjunction with higher profits
- The year-end dividend of **17 yen per share** is planned. This is an increase of 12 yen<sup>\*3</sup> per share in real terms from FY12/2021

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

\*2 Based on the most recent forecast; actual figures may differ due to various factors in the future

\*3 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 ended December 31, 2020 and 2021 take into account the effects of the stock split

\*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

# Q&A

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# Q&A 1

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What are the specific details of the “strategic investments” in the 3rd quarter?

## Q&A 2

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You mentioned that you have made progress in acquiring new clients, but in what specific areas have you made progress?

## Q&A 3

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What is the outlook for next fiscal year and later including spot business?



**【Disclaimer】**

This material has been prepared based on information currently available to the management of the Company and certain assumptions that the Company considers reasonable, and the Company makes no assurances or warranty as to its accuracy or completeness.

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