A Total Sales/Marketing Solution Provider for Maximizing Client Profitability

# Direct Marketing MiX Inc.

# Financial results briefing (FY12/2023 1Q)

May 10th,2023

DmMiX
(7354)

# Financial Results Highlights (FY12/2023 1Q)

**Despite the drop in vaccination-related business following the rapid increase in the same period of the previous fiscal year and effects from cooling of enthusiasm for the fiscal year-end sales season for telecom. infrastructure, steady progress on sales revenue and profit was made as expected**

| | | | |
|---|---|---|---|
| Sales revenue | 8.7 billion yen | YoY | -14.3% |
| | | Change from previous quarter | +1.4% |
| EBITDA*1 | 2.0 billion yen | YoY | -33.9% |
| | | Change from previous quarter | +50.3% |
| Operating profit | 1.6 billion yen | YoY | -39.4% |
| | | Change from previous quarter | +70.1% |
| Net income*2 | 1.1 billion yen | YoY | -38.0% |
| | | Change from previous quarter | +42.4% |

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

# Financial Results Highlights (FY12/2023 1Q)

## Topics

**Sales revenue**

- Sales revenue from the vaccination-related business, which grew in the same period of the previous fiscal year, declined as expected, and telecom. infrastructure is in the process of recovering
- Business in new sectors, a focus of efforts since FY12/2022, grew and diversification of the client portfolio away from bias toward telecom. infrastructure proceeded

**(By sector)**

- Telecom. infrastructure: As a result of a review of costs in conjunction with group reorganization by our main client, there was a decline in incentives and last-minute demand, which generally increase during our 1st quarter, which corresponds to the end of the client's fiscal year. The "online helper[*1]" business and other businesses for supporting the transition from brick-and-mortar shops to digital channels expanded steadily
- Public: The vaccination-related business decreased, as expected, but higher name recognition and relationship building in the public sector contributed to new business
- Web/IT: Cashless payment, our core business in this sector, was solid. Healthcare-related BPO increased substantially

  We continued active expansion into various service areas (XaaS[*2]) such as system integration
- EC: Demand for health and beauty related materials increased as a result of higher health awareness since the COVID-19 pandemic
- Finance: Prior investment starting in FY12/2022 for new development in banking and securities was successfully monetized. The shift from the conventional insurance agencies business is proceeding

**Profits**

- Profit levels decreased as a result of the decline in the vaccination-related business, which drove profitability in the same period of the previous fiscal year due to its high profitability compared to existing businesses
- Striving to improve profitability in existing businesses through hybrid inbound/outbound operations and organizational reinforcement, etc., the Company achieved solid results compared to the full-year forecast

*1 Our helpers, who have wide-ranging product knowledge and strong sales skills, use an online system to conduct non-face-to-face sales and provide support to customers in stores in place of shop staff members

*2 Abbreviation for "Everything as a service" "X as a service"

# FY12/2023 1Q P/L

**Both sales revenue and profits were as expected. Monetization was achieved in new businesses, and diversification of the client portfolio is progressing**

- **Sales revenue: Decreased YoY due to a drop from the 1st quarter of the prior year, when revenue exceeded expectation, along with a lull in telecom. infrastructure, but steadily increased QoQ**
- **Profits: In line with full-year forecast, even though profit decreased due to the decline of the vaccination-related business, which drove high profitability in the same period of the prior fiscal year**

## Consolidated P/L full-year forecast

| (¥mm) | 2022/12 Full year | 2023/12 Full year | |
|---|---|---|---|
| | Results | Forecast | YoY |
| **Sales revenue** | **34,674** | **36,000** | **+3.8%** |
| Operating expenses | (28,942) | – | – |
| Other revenue | 67 | – | – |
| Other expenses | (27) | – | – |
| **Operating profit** | **5,771** | **5,800** | **+0.5%** |
| **Operating profit margin** | **16.6%** | **16.1%** | **-0.5pt** |
| Financial profit | 3 | – | – |
| Financial expenses | (44) | – | – |
| **Profit before tax** | **5,731** | **5,760** | **+0.5%** |
| Income tax expense | (1,928) | – | – |
| **Net income*1** | **3,803** | **3,770** | **-0.9%** |
| **Net income margin** | **11.0%** | **10.5%** | **-0.5pt** |
| **EBITDA*2** | **7,234** | **7,382** | **+2.0%** |
| **EBITDA margin** | **20.9%** | **20.5%** | **-0.4pt** |

## Consolidated P/L 1Q results

| (¥mm) | 2022/12 1Q | 2023/12 1Q | | |
|---|---|---|---|---|
| | Results | Results | YoY | Progress rate*3 |
| **Sales revenue** | **10,137** | **8,686** | **-14.3%** | **24.1%** |
| Operating expenses | (7,454) | (7,047) | -5.5% | – |
| Other revenue | 16 | 10 | – | – |
| Other expenses | (2) | (17) | – | – |
| **Operating profit** | **2,696** | **1,633** | **-39.4%** | **28.2%** |
| **Operating profit margin** | **26.6%** | **18.8%** | **-7.8pt** | – |
| Financial profit | 1 | 1 | – | – |
| Financial expenses | (12) | (10) | – | – |
| **Profit before tax** | **2,685** | **1,623** | **-39.5%** | **28.2%** |
| Income tax expense | (952) | (549) | – | – |
| **Net income*1** | **1,733** | **1,075** | **-38.0%** | **28.5%** |
| **Net income margin** | **17.1%** | **12.4%** | **-4.7pt** | – |
| **EBITDA*2** | **3,049** | **2,017** | **-33.9%** | **27.3%** |
| **EBITDA margin** | **30.1%** | **23.2%** | **-6.9pt** | – |

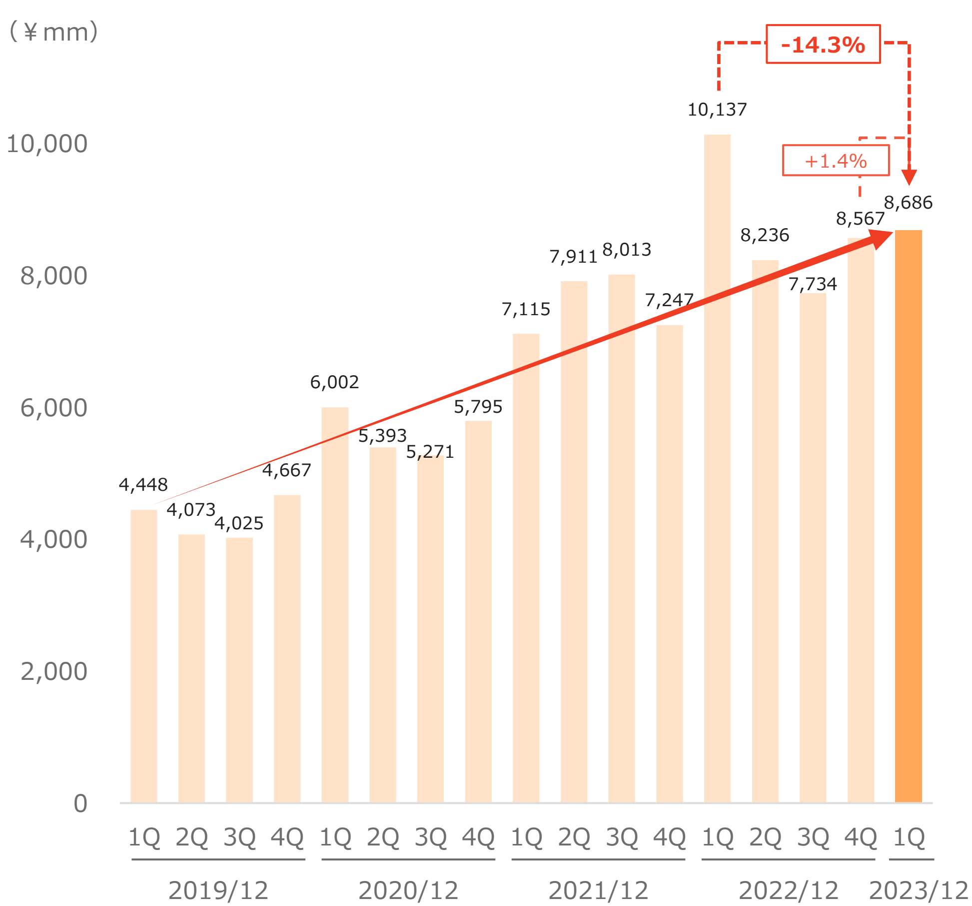
*1 Profit attributable to owners of parent
*2 EBITDA = operating profit + depreciation + amortization
*3 2023/12 progress rate against the full-year earnings forecast

# Quarterly Results

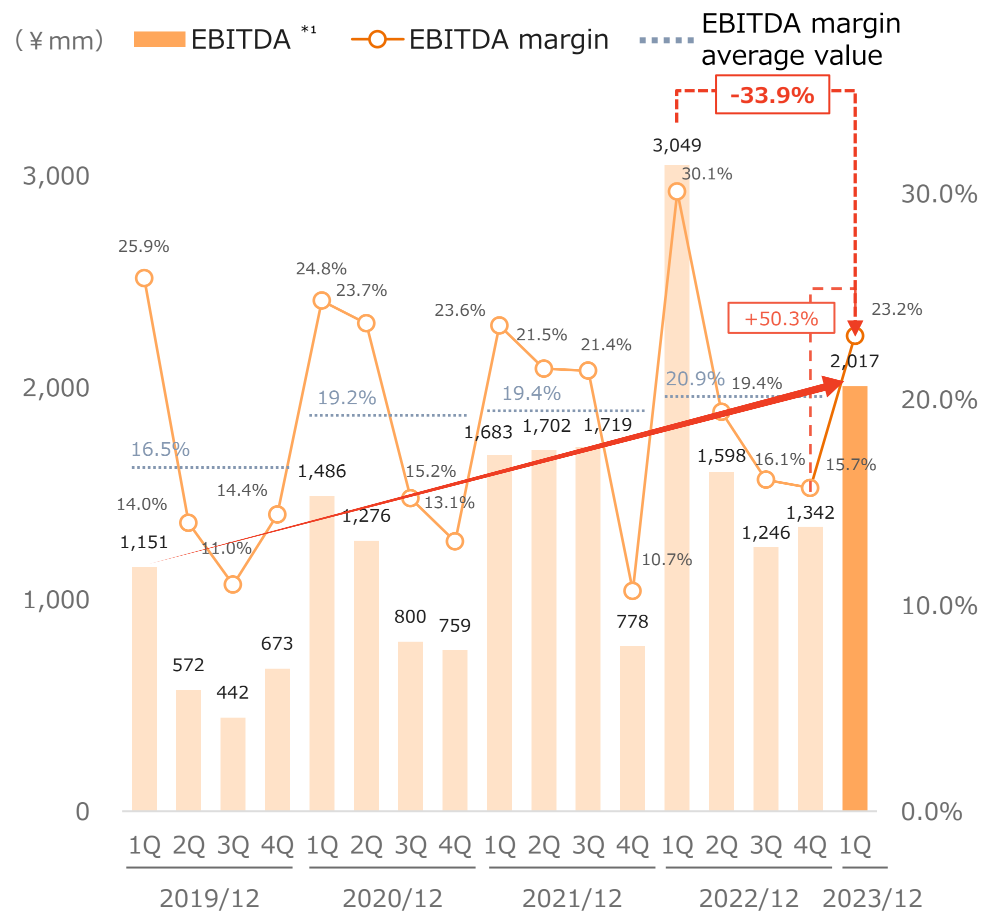
## Growth was maintained along the existing growth curve

- **Sales revenue: Although there was a reactionary decline from the same period of the previous year, the reduction in the core business of the main clients in the telecom. infrastructure sector has already bottomed out and sales grew**
- **EBITDA*1: Achieved margins comparable to past years, although enthusiasm for the fiscal year-end sales season was limited**

### Quarterly changes in consolidated sales revenue




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

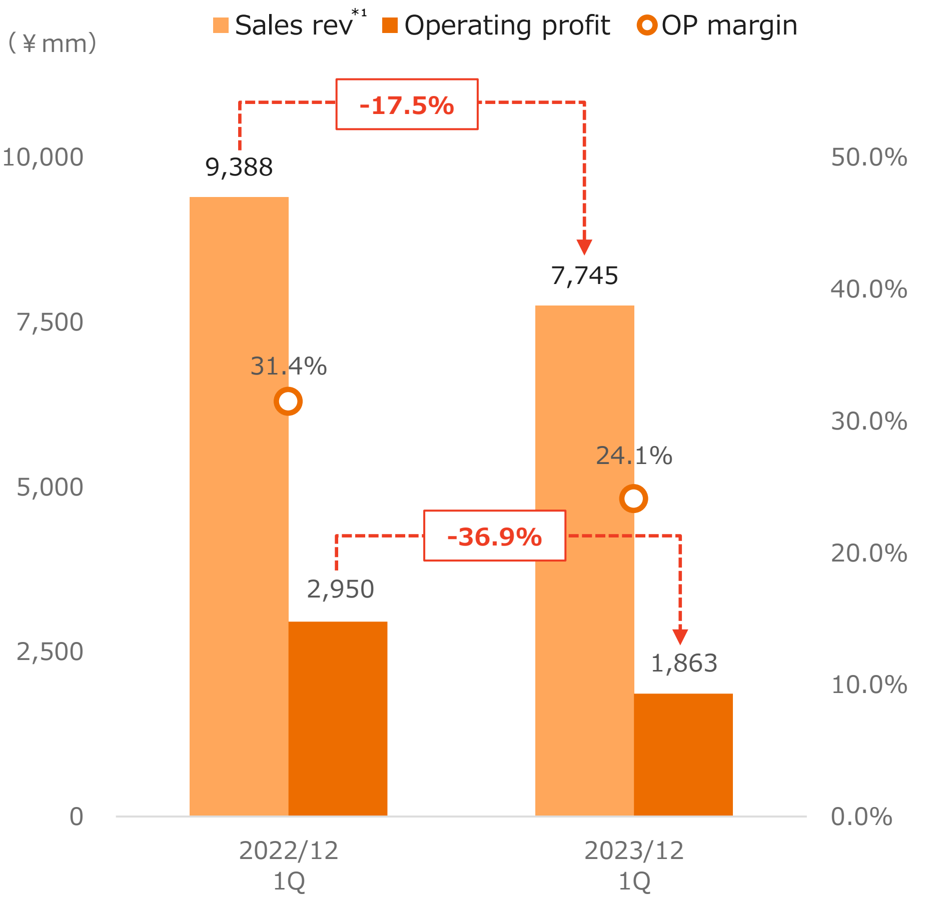



*1 EBITDA = operating profit + depreciation + amortization

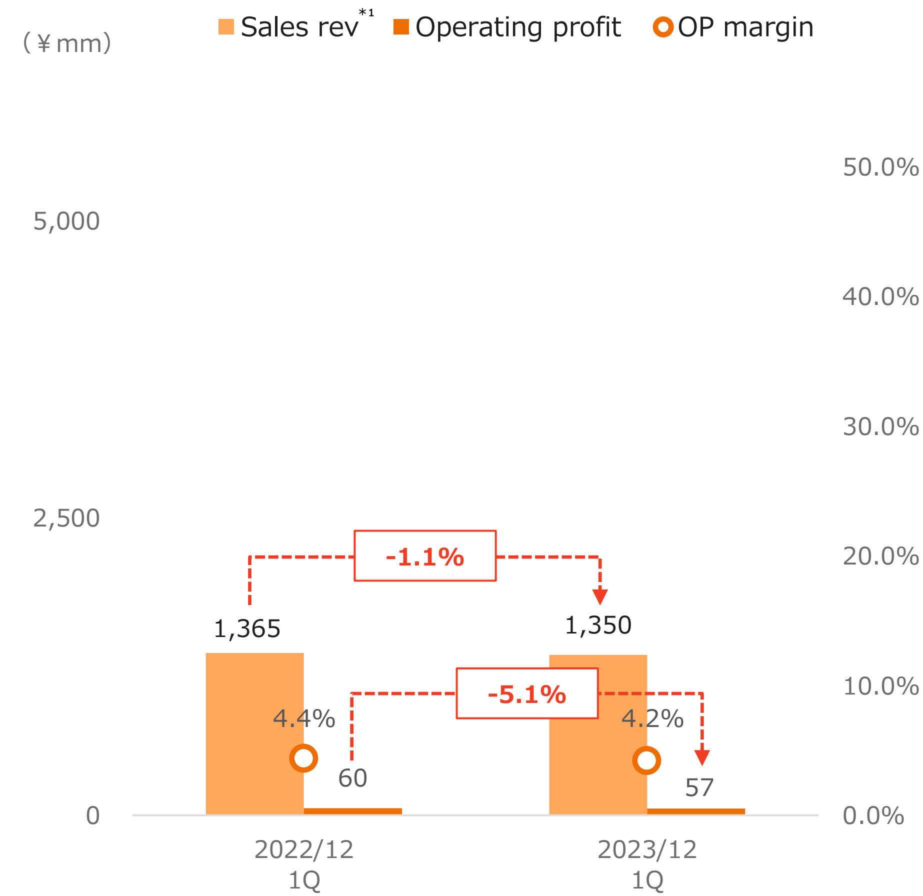
# Results per Segment

- Marketing business: Progressed as expected. We continue to focus on development of new business in wide-ranging areas including Web/IT and finance
- On-site business: The recruiting market was strong. Sales revenue at the same level as the same period of the previous fiscal year was secured

## Marketing business




## On-site business

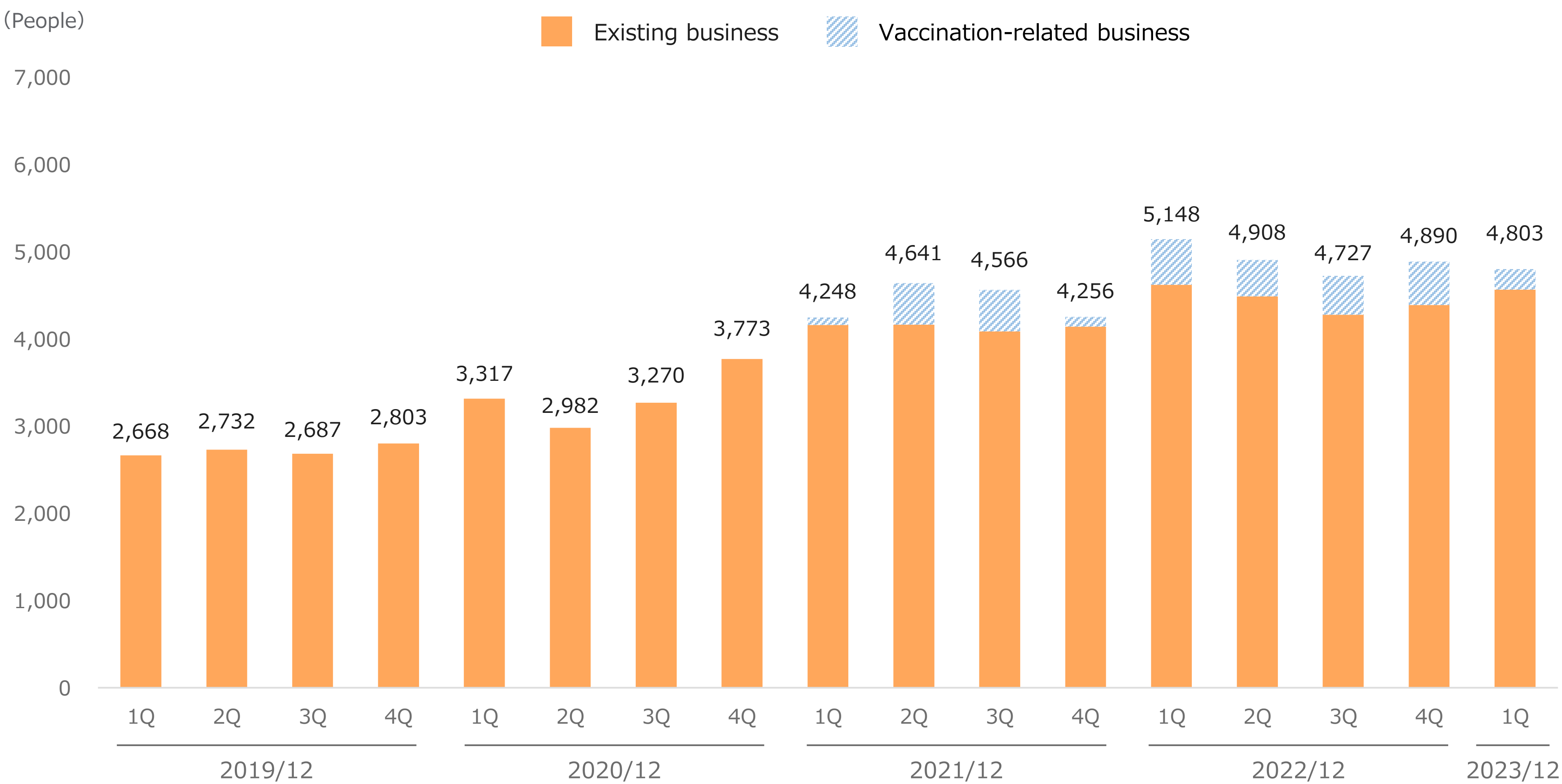



*1 Including intra-group sales

# Marketing Business KPI

■ **Despite effects from a temporary reduction of costs by telecom. infrastructure clients, we captured demand in various new sectors and the number of operating personnel increased**

## Quarterly changes in the number of operating staff*1

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

# FY12/2023 1Q B/S and C/F

- **Implemented stock repurchase in February 2023 with the objectives of optimizing the Company's capital structure and reducing weighted average capital costs**
- **Operating cash flow declined due to seasonality. Established a capital and business tied up with Nyle Inc.**

## Consolidated B/S

| (¥ mm) | End of 2022/12 | End of 2023/3 | Change |
|---|---|---|---|
| **Total assets** | **30,532** | **26,906** | **(3,626)** |
| Current assets | 13,083 | 9,397 | (3,686) |
| Non-current assets | 17,449 | 17,510 | +61 |
| Goodwill | 10,984 | 10,984 | – |
| **Total liabilities** | **14,947** | **13,008** | **(1,939)** |
| Current liabilities | 8,685 | 7,063 | (1,623) |
| Non-current liabilities | 6,262 | 5,945 | (317) |
| **Total equity** | **15,585** | **13,899** | **(1,686)** |
| Total equity attributable to owners of parent | 15,585 | 13,899 | (1,686) |
| **Total liabilities & equity** | **30,532** | **26,906** | **(3,626)** |

**Main factors of increase/decrease**

- Equity: Total equity decreased by 1,686 million yen (compared to end of prior FY) as a result of a stock repurchase

## Consolidated C/F

| (¥ mm) | 2022/12 1Q | 2023/12 1Q | Change | 2022/12 Full year (Ref.) |
|---|---|---|---|---|
| Operating cash flow | (163) | (379) | (217) | 5,117 |
| Investment cash flow | (129) | (311) | (182) | (769) |
| Financial cash flow | (682) | (3,282) | (2,600) | (1,807) |
| **Free cash flow** | **(292)** | **(691)** | **(399)** | **4,348** |

**Main factors of increase/decrease**

- Operating cash flow: -1,061million yen (YoY) due to decrease in profit before tax
  +1,978 million yen (YoY) due to decrease in trade and other receivables
  -956 million yen (YoY) due to decrease in trade and other payables
- Investment cash flow: -300 million yen (YoY) due to purchase of investment securities
- Financial cash flow: -2,000 million yen (YoY) due to expenditures for a stock repurchase

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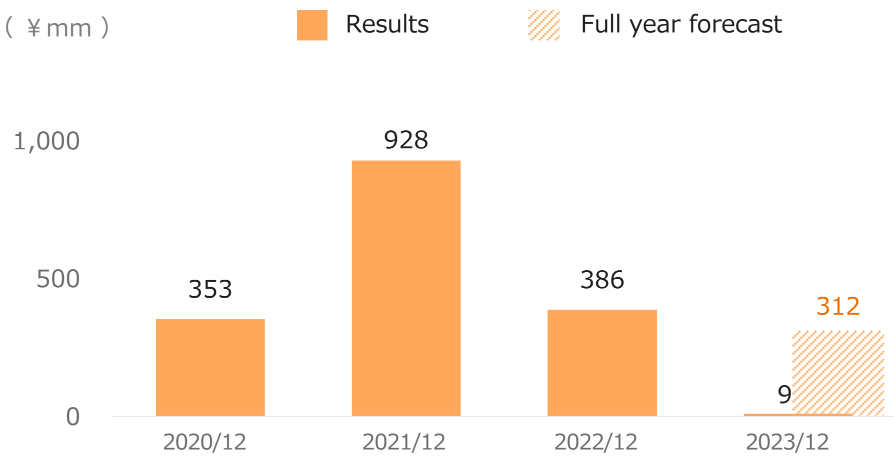
# Investment Plan and Progress

## Capital investment

- The results for the 1st quarter was 9 million yen, which is low progress, but there are no significant changes to the plan for the entire fiscal year
- We plan to respond flexibly if further office space expansion is needed this fiscal year

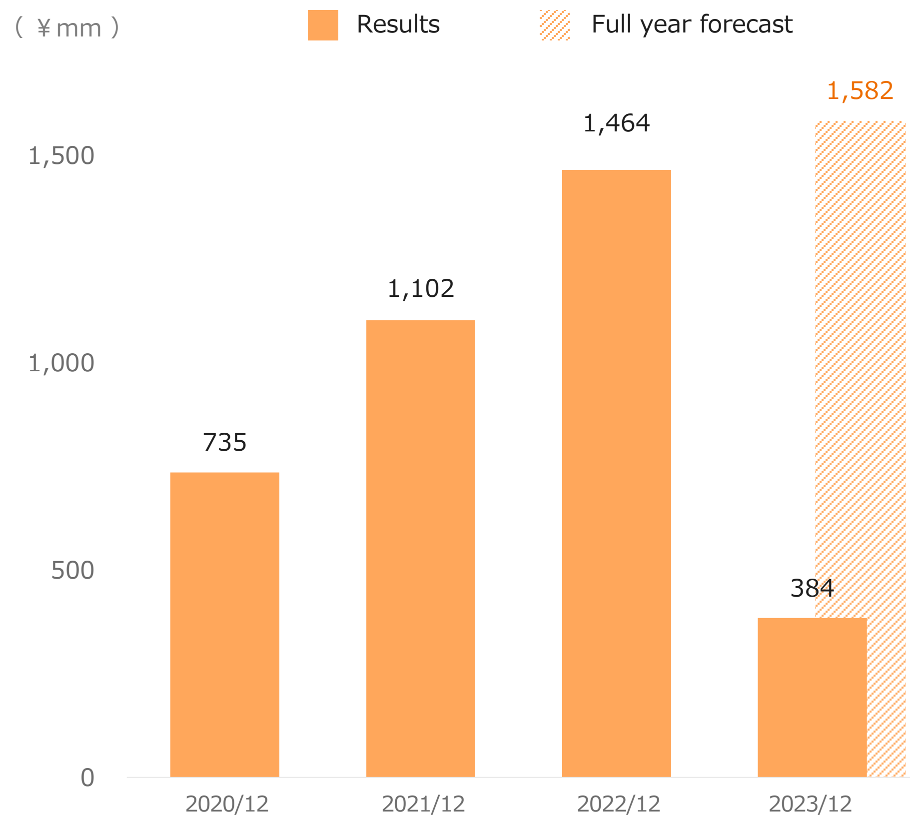



**Major capital investment breakdown**

| (¥mm) | 2020 | 2021 | 2022 | 2023 | |
|---|---|---|---|---|---|
| | Results | Results | Results | 1Q Results | Full year forecast |
| Buildings and accompanying facilities | 177 | 492 | 165 | 8 | 189 |
| Tools, furniture and fixtures | 165 | 405 | 213 | 1 | 124 |
| Software | 11 | 31 | 8 | 0 | 0 |

## Depreciation & Amortization

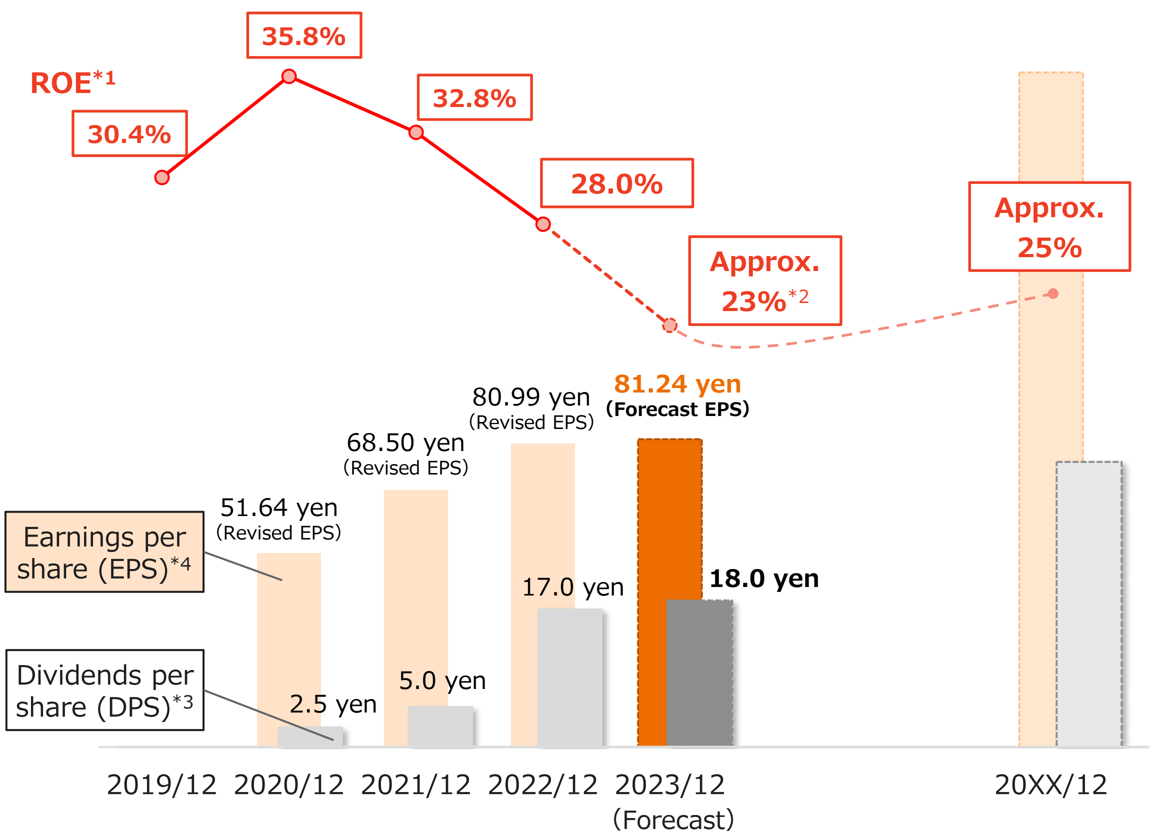
- The increase in depreciation in conjunction with large scale capital investment in FY12/2021 has come to an end and will be slightly higher in FY12/2023 compared to FY12/2022
- Progress is being made in line with plan compared to the forecast for the fiscal year



# Capital Policy

- **A stock repurchase was implemented in February 2023 at a total cost of 2 billion yen. In combination with the dividend for FY12/2022, the total return ratio*5 is 73.6%**
- **The planned year-end dividend for FY12/2023 is 18 yen per share**

## Changes in main indicators




*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 is calculated using the number of shares at the end of FY12/2022 (excluding treasury shares), and forecast EPS is calculated using the average number of shares outstanding during the 1st quarter of FY12/2023 (excluding treasury shares)
*5 Total return ratio = (Total amount of dividends for FY12/2022 + Total amount of shares repurchased in February 2023)/ Net income in FY12/2022

## 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 stock repurchase
- Assuming that there are no significant changes to the current profit structure, our medium-term goal is to maintain **ROE at approximately 25%**

## Reference: Results of stock repurchase

| | |
|---|---|
| Total number of shares repurchased | 1,171,600 shares *2.5% of total number of issued shares as of December 31, 2022 (excluding treasury shares) |
| Total amount | ¥1,999,921,200 |
| Date of repurchase | February 16, 2023 |
| Repurchase method | Purchase through TSE Off-Auction Own Share Repurchase Trading System (ToSTNeT-3) |

# Q&A

# Q&A 1

What is your assessment of progress compared to the forecast for the fiscal year?

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# Q&A 2

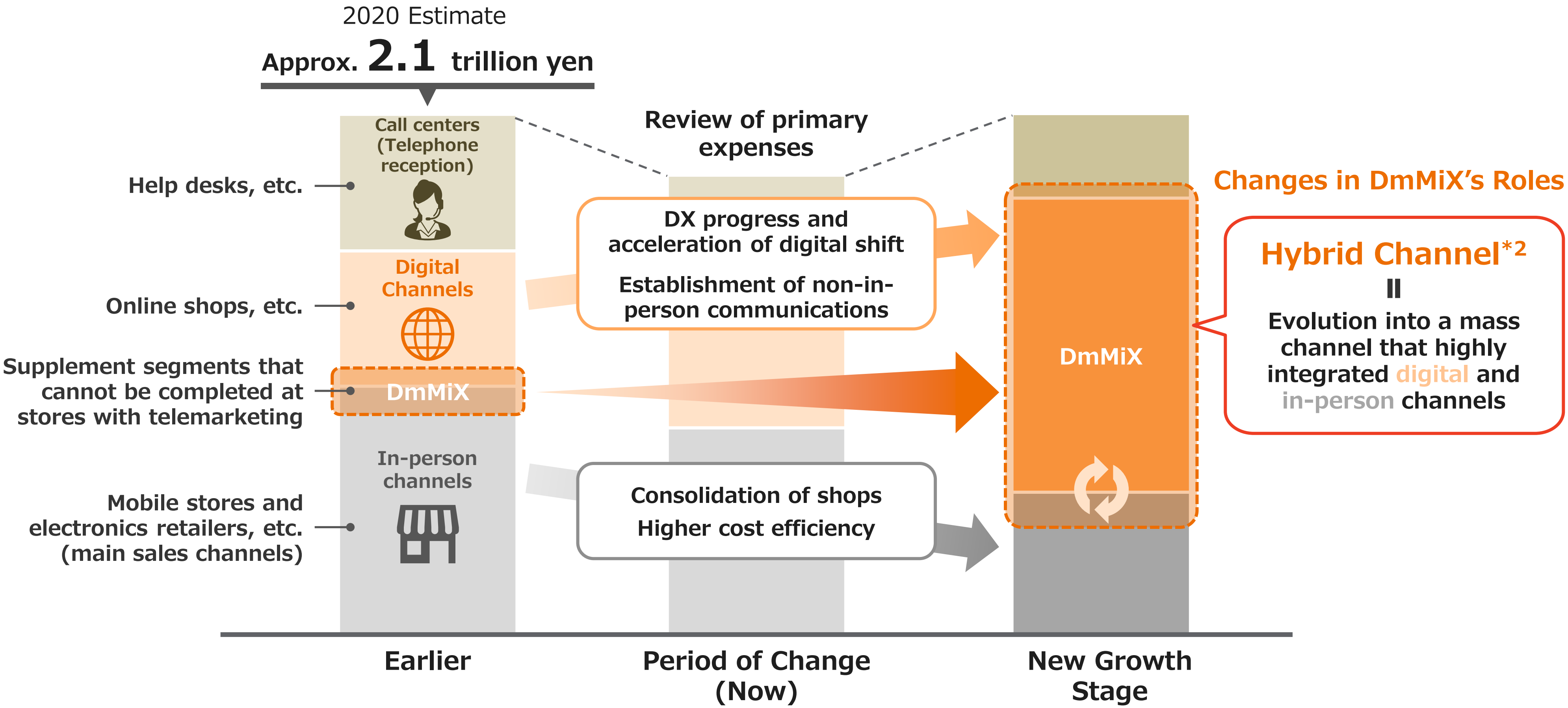
What is your outlook for the

telecommunications infrastructure sector?

# Growth Opportunities in the Telecommunications Infrastructure Sector

- As consolidation of shops progresses, the digital shift will accelerate due to progression of DX
- Although higher cost efficiency for clients will precede in the short term, we will enter a new growth stage centered on digital channels in the medium- to long-term
- The period of social change will remain a business opportunity for the Company. Our strengths are touch points that connect newly-developed products/services with end users

## Image of breakdown changes in operating expenses for major telecommunications carriers*1



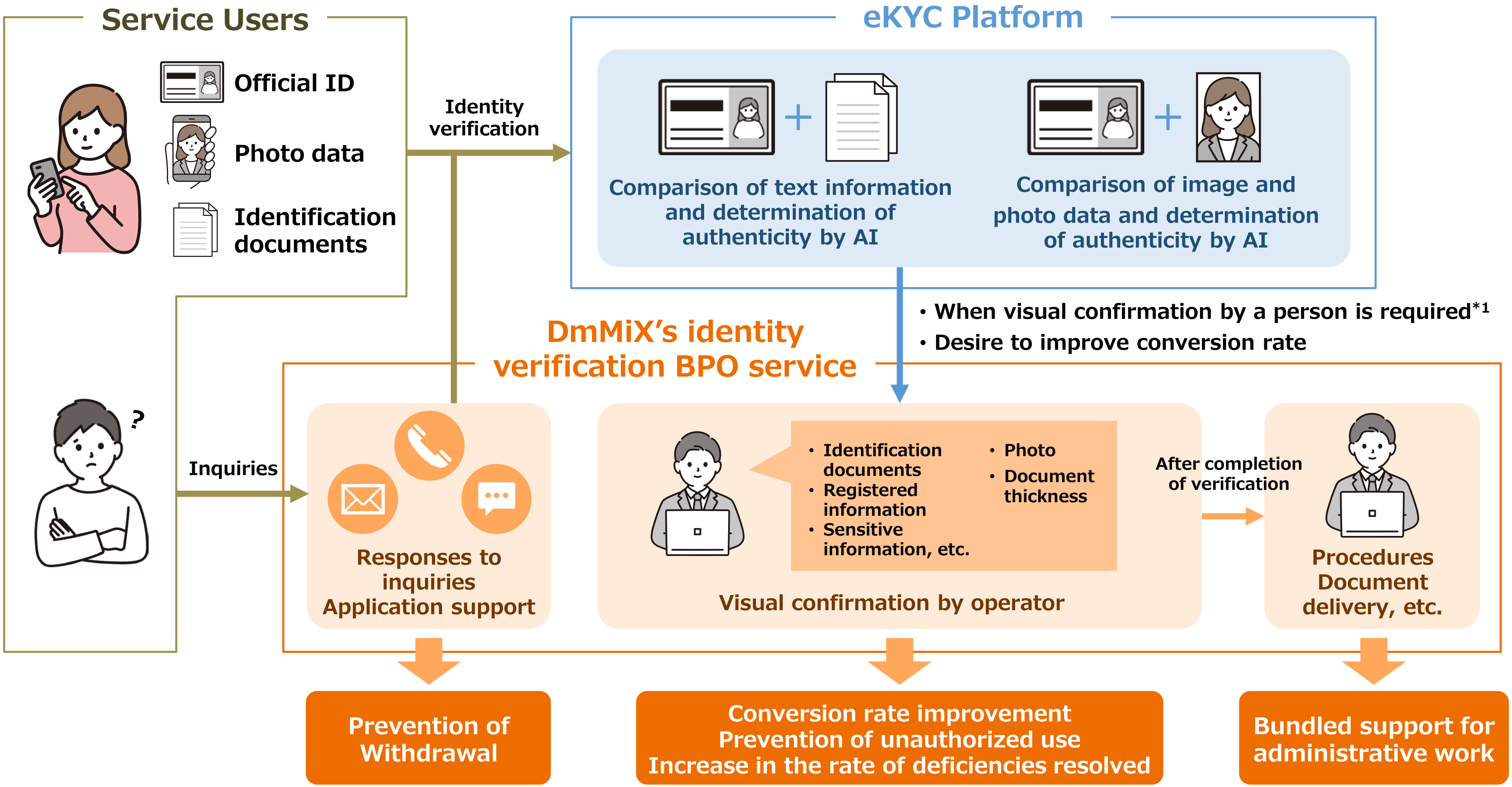

*1 Company estimates based on disclosure materials. Sales (agency) commissions plus operating (work) expenses within each company's sales expenses
*2 A sales and support channel that integrates the real (brick-and-mortar stores) and online (web shops) including online customer service at stores and manned support for digital channels

# Q&A 3

In what businesses do you expect to grow in the future?

# Growth Opportunities in New Areas: Online Identity Verification (eKYC)

■ Provide one-stop identity verification BPO services extending from customer support that cannot be provided solely by AI to administrative work after identity verification




*1 Transactions listed in Article 7 the Act on Prevention of Transfer of Criminal Proceeds and transactions that entail risks of money laundering or impersonation. In these cases, visual confirmation by a person is required

# Growth Opportunities in New Areas: Mobility

We formed a capital and business tie-up with Nyle Inc.,
which is driving DX in the mobility industry

| | |
|---|---|
| **Investment timing** | January 2023 |
| **Type of investment** | Minority investment |
| **Business activities** | • Provision of car subscription service “Carmo-kun” and other services |
| **Investment objective** | • **Expand client sectors**<br>– Make a first step toward full-scale entry in the mobility sector, which is positioned as an expected return sector |

| | |
|---|---|
| **Sector environment** | • A major revolution in technology and services is occurring including DX implementation, autonomous driving, electric vehicles, and car sharing<br>• User needs are changing from new car purchase (ownership) to a subscription model (use) |

【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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