

A Total Sales/Marketing Solution Provider for Maximizing Client Profitability

Direct Marketing MiX Inc.

Financial results briefing (FY12/2024 2Q)

August 14th, 2024



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FY12/2024 2Q (from April to June) Financial Results Highlights

- Sales revenue: Inbound business contracted substantially and on-site business declined in conjunction with the complete end of COVID-19 related projects, resulting in a decrease in sales revenue
- Operating profit: Despite effects from the decrease in sales revenue, the profit margin improved as a result of business selection and negotiations on unit prices. We will continue to take measures to improve the profit margin in the 2nd half and later

(¥ mm)	2023/12	2024/12	
	2Q (from April to June)	2Q (from April to June)	
	Results	Results	YoY change (%)
Sales revenue	6,956	4,761	(2,196) (-31.6%)
Operating profit	223	273	+50 (+22.3%)
Profit attributable to owners of parent	128	112	(16) (-12.7%)
EBITDA ^{*1}	623	639	+16 (+2.6%)

FY12/2024 1H Financial Results Highlights

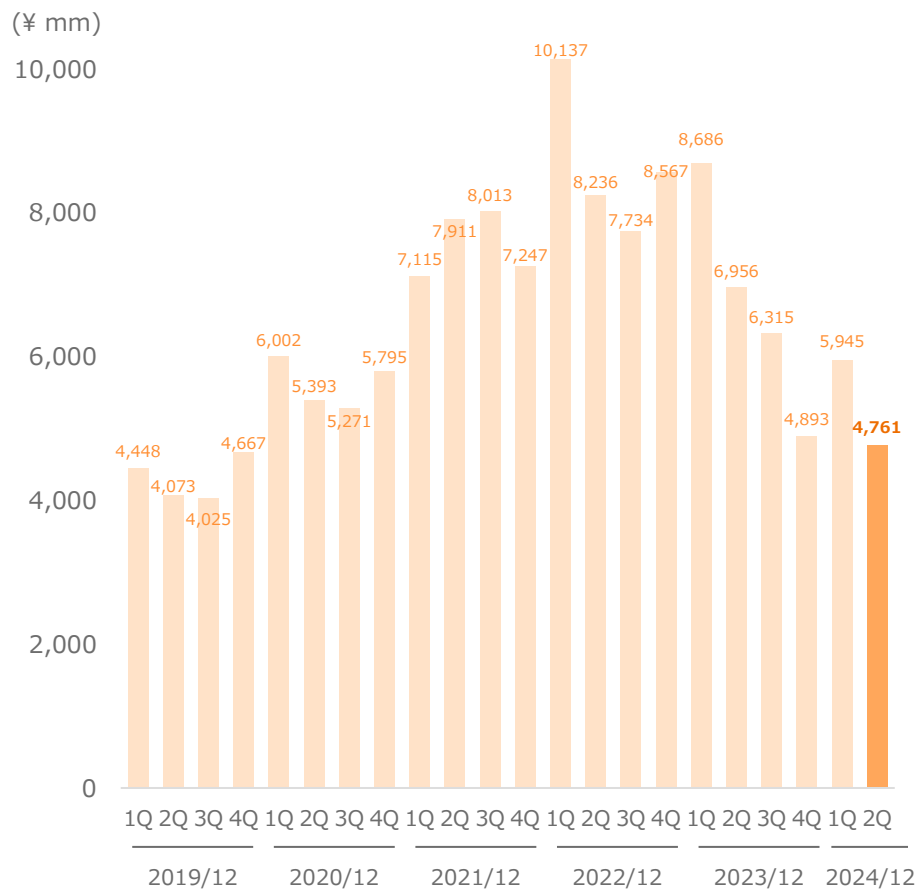
- Sales revenue: Decreased 4.9 billion yen YoY, primarily as a result of the contraction of inbound business and on-site business in conjunction with the complete end of COVID-19 related projects, but steady progress was made toward achieving the full-year forecast
- Operating profit: Decreased approximately 800 million yen YoY against the backdrop of the decrease in sales revenue, but progress in excess of the full-year forecast was achieved

(¥ mm)	2023/12		2024/12		
	1H		1H		
	Results	Results	YoY change (%)	Full-year earnings forecast (announced Feb. 13)	Progress rate ^{*2}
Sales revenue	15,642	10,706	(4,937) (-31.6%)	21,000	51.0%
Operating profit	1,856	1,056	(799) (-43.1%)	1,000	105.6%
Profit attributable to owners of parent	1,203	568	(635) (-52.8%)	655	86.7%
EBITDA ^{*1}	2,640	1,789	(851) (-32.2%)	2,451	73.0%

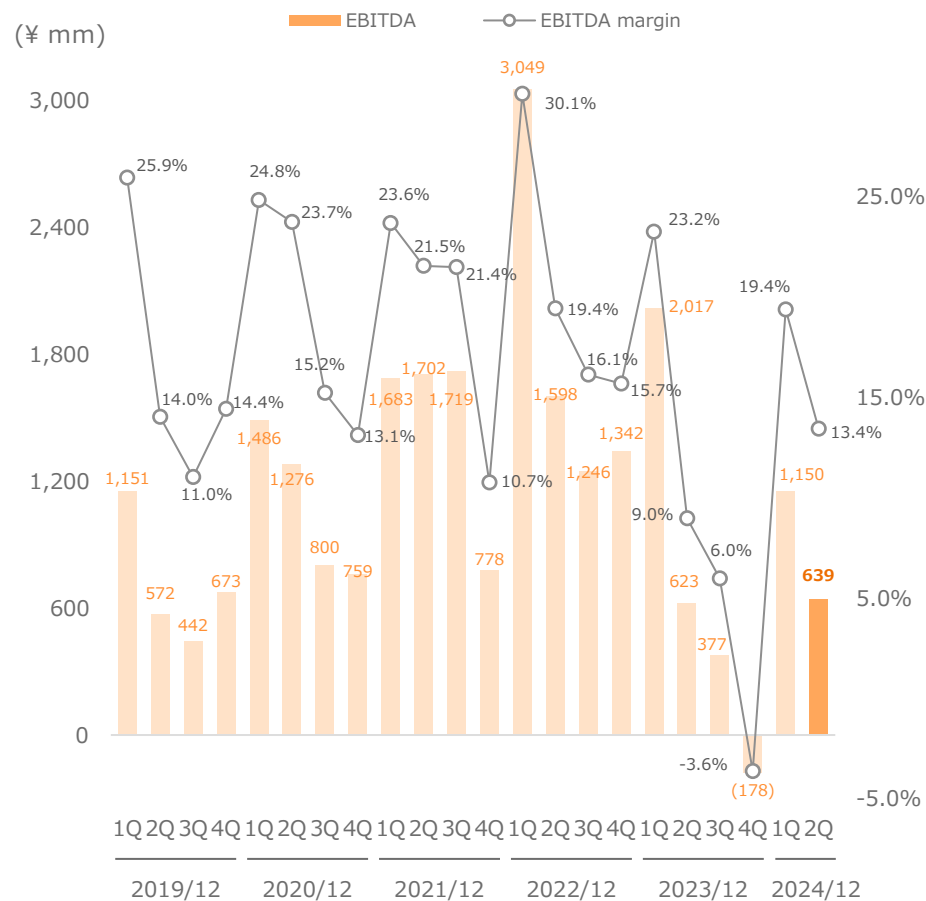
Quarterly Results

- **Sales revenue:** In addition to contraction of the inbound business and the on-site business in conjunction with the complete end of COVID-19 related projects, seasonal factors also caused decreases in sales revenue YoY and QoQ
- **EBITDA:** Decreased QoQ due to seasonal factors. Margins improved YoY due to appropriate cost control in line with the business environment

Quarterly changes in consolidated sales revenue



Quarterly trends in EBITDA· EBITDA margin

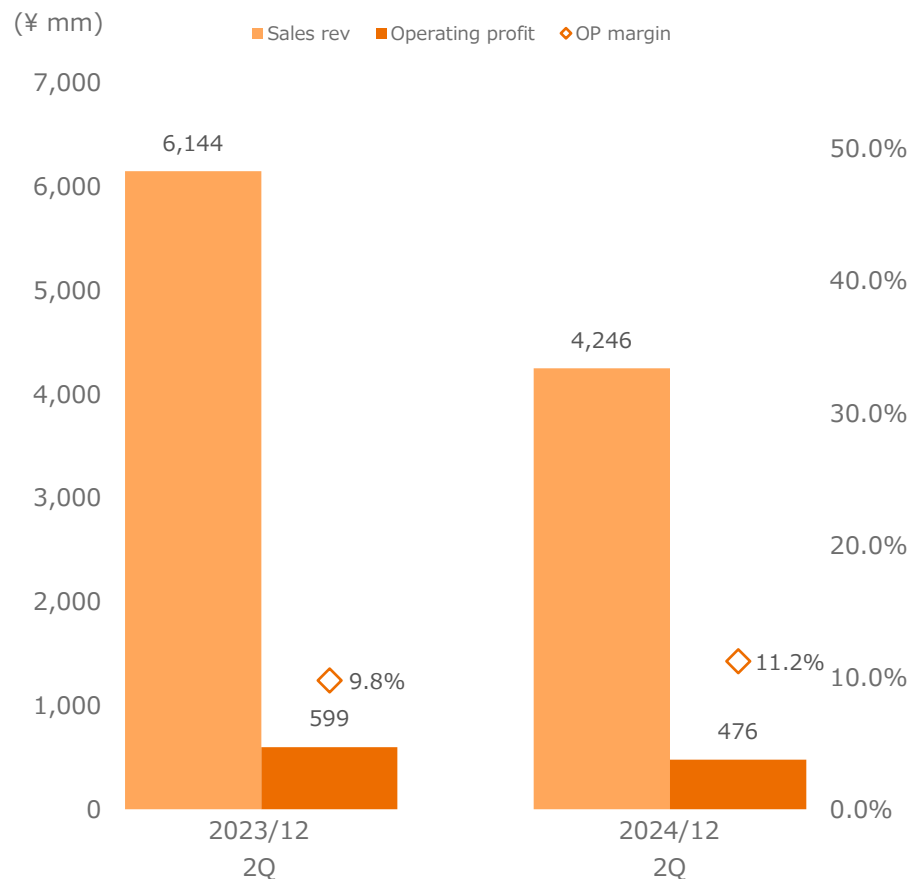


* EBITDA = operating profit + depreciation + amortization

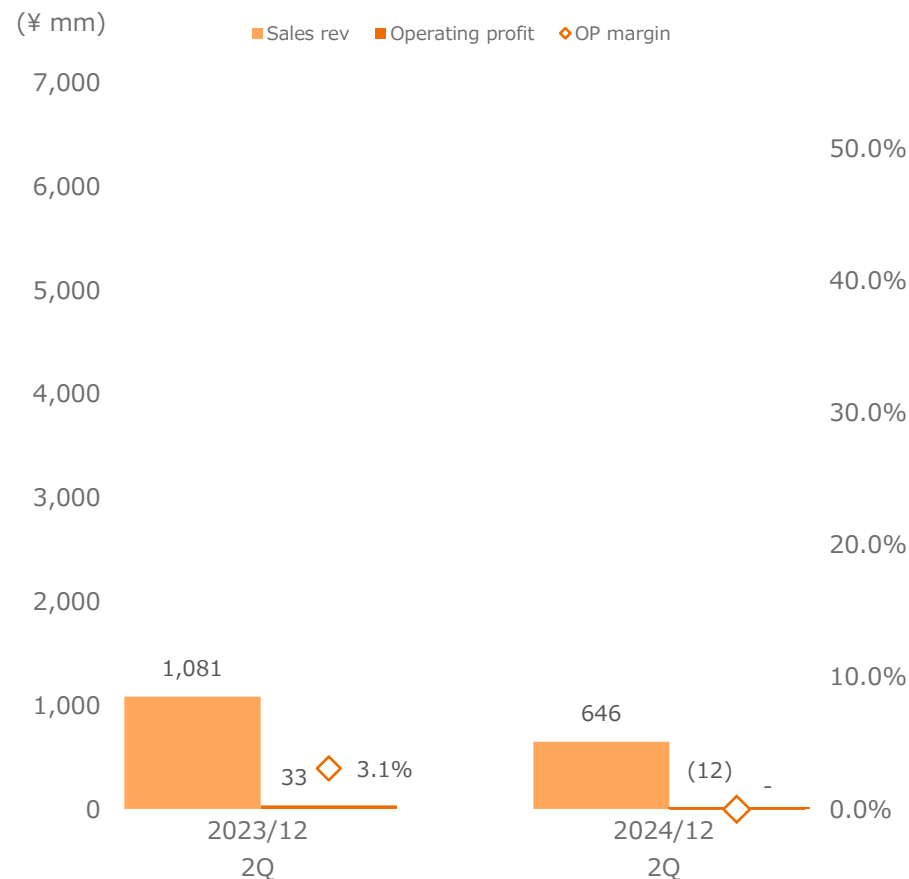
FY12/2024 2Q (from April to June) Results per Segment

- **Marketing business:** Sales revenue was down 1,899 million yen YoY (-30.9%), and operating profit was down 123 million yen YoY (-20.6%)
- **On-site business:** Sales revenue was down 435 million yen YoY (-40.2%), and operating profit was down 45 million yen YoY

Marketing business



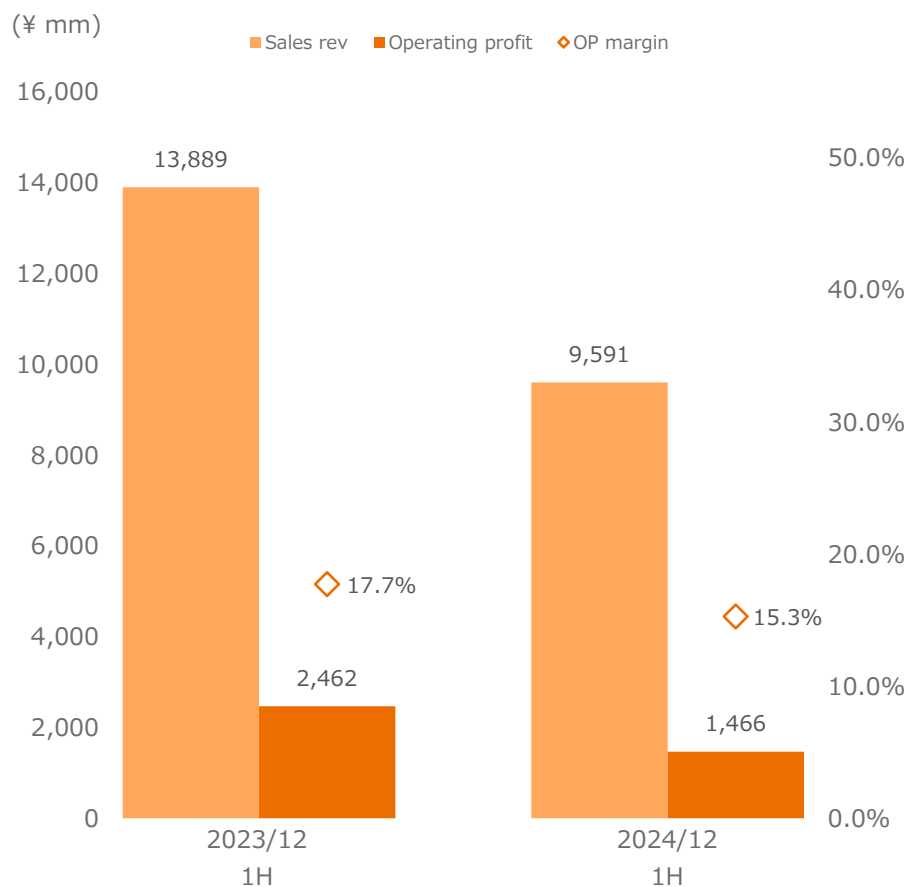
On-site business



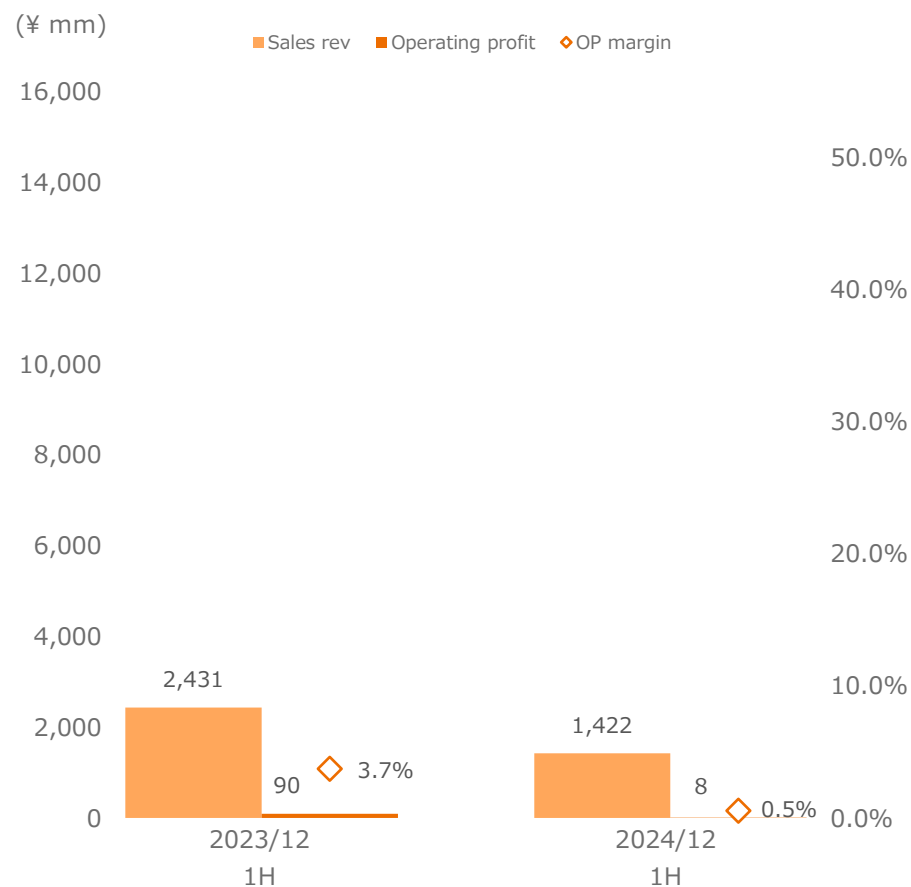
FY12/2024 1H Results per Segment

- **Marketing business:** Sales revenue was down 4,298 million yen YoY (-30.9%), and operating profit was down 996 million yen YoY (-40.5%)
- **On-site business:** Sales revenue was down 1,009 million yen YoY (-41.5%), and operating profit was down 83 million yen YoY (-91.4%)

Marketing business



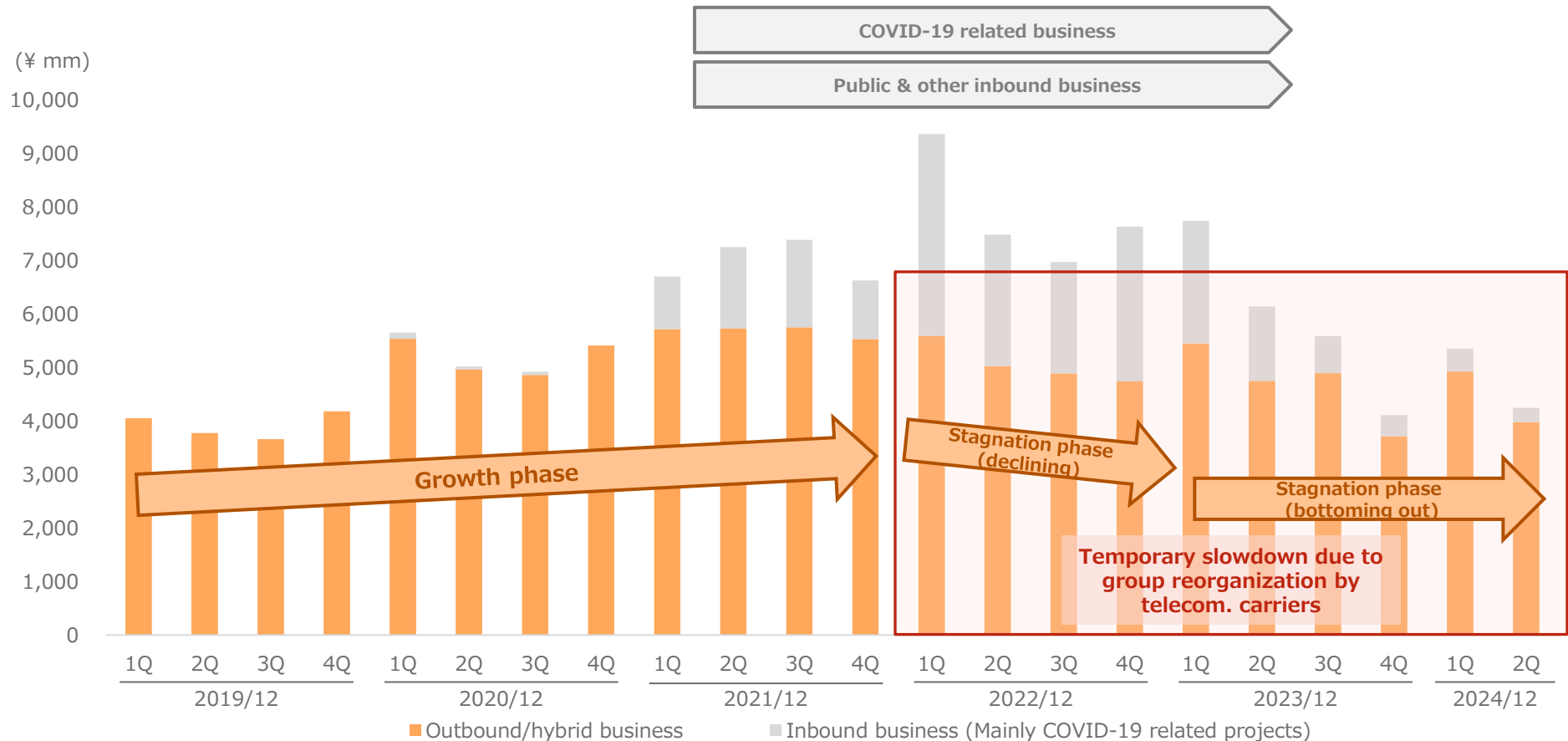
On-site business



Order Trends in the Marketing Business

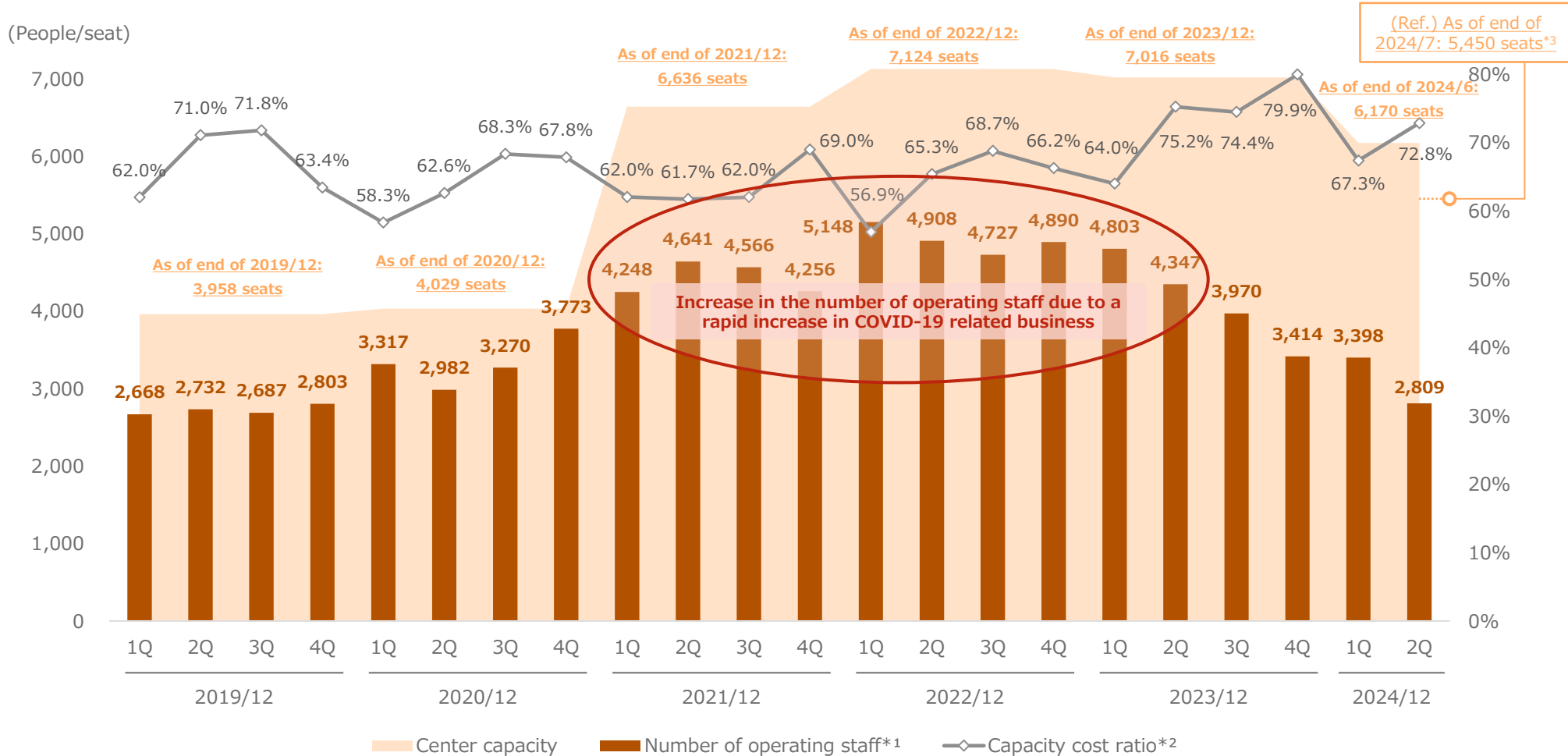
- In the outbound/hybrid business, the temporary stagnation phase resulting from group reorganization by telecom carriers and other factors has bottomed out, and demand is expected to recover in the 2nd half of the fiscal year
- In inbound business, we will select businesses and focus only on highly-profitable operations

Changes in sales in the outbound/hybrid business and inbound business



Changes in Capacity Cost Ratio

- We aim to improve profitability by optimizing capacity and the personnel structure, which was temporarily expanded due to the rapid increase in COVID-19 related business, in order to respond flexibly to changes in the business environment
- There was a decrease in the number of operating staff due to seasonal factors, and the capacity cost ratio increased QoQ



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

*2 Capacity cost ratio = (personnel expenses + temporary staffing fees + rent expenses on land and buildings + rent expenses + depreciation and amortization) ÷ sales revenue. Figures from the marketing business (including inter-segment transactions) are used for each value

*3 Number of seats as of the end of July 2024, excluding those at sites set to liquidate at the same date



FY12/2024 2Q B/S and C/F

- Investment cash flow was positive as a result of limited new investment as well as effects from refunds of security deposits in conjunction with liquidation of business sites

Consolidated B/S

(¥ mm)	End of 2023/12	End of 2024/6	Change
Total assets	26,175	24,476	(1,699)
Current assets	8,381	7,133	(1,248)
Non-current assets	17,794	17,343	(450)
Goodwill	11,391	11,391	-
Total liabilities	13,090	10,961	(2,129)
Current liabilities	7,436	5,875	(1,561)
Non-current liabilities	5,654	5,086	(568)
Total equity	13,085	13,515	+430
Total equity attributable to owners of parent	13,085	13,515	+430
Total liabilities & equity	26,175	24,476	(1,699)

Consolidated C/F

(¥ mm)	2023/12 2Q	2024/12 2Q	Change	2023/12 Full year (Ref.)
Operating cash flow	1,662	1,037	(626)	1,612
Investment cash flow	(1,122)* ¹	39	+1,162	(1,234)
Financial cash flow	(2,218)	(1,153)	+1,065	(3,527)
Free cash flow	540	1,076	+536	378

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Outlook for FY12/2024

(Full-year earnings forecast upward revision)

(¥ mm)	2024/12	2024/12		Main factors of increase/ decrease
	Before revision: Full-year earnings forecast (announced Feb. 13)	After revision: Full-year earnings forecast (announced Aug. 14)	Amount of change (rate of change)	
Sales revenue	21,000	21,000	0 (-)	<ul style="list-style-type: none"> ✓ Sales revenue <ul style="list-style-type: none"> • There is no change to the previously-announced forecast ✓ Various profits <ul style="list-style-type: none"> • Acquisition of orders from existing clients in the high-profit spot business in conjunction with sales campaigns at the end of the fiscal year • Improved profitability as a result of a review of fixed expenses and a review of operations including unit price negotiations in low-profitability operations • Variation in the amounts for expenses associated with withdrawal from some low-profitability sites and the timing of occurrence are possible, and therefore, the forecasts are expressed as ranges
Operating profit	1,000	1,200-1,500	+200-500 (+20.0-50.0%)	
Profit before tax	1,000	1,160-1,460	+160-460 (+16.0-46.0%)	
Net income ^{*1}	655	700-900	+46-246 (+7.0-37.5%)	
EBITDA ^{*2}	2,451	2,600-2,900	+149-449 (+6.1-18.3%)	

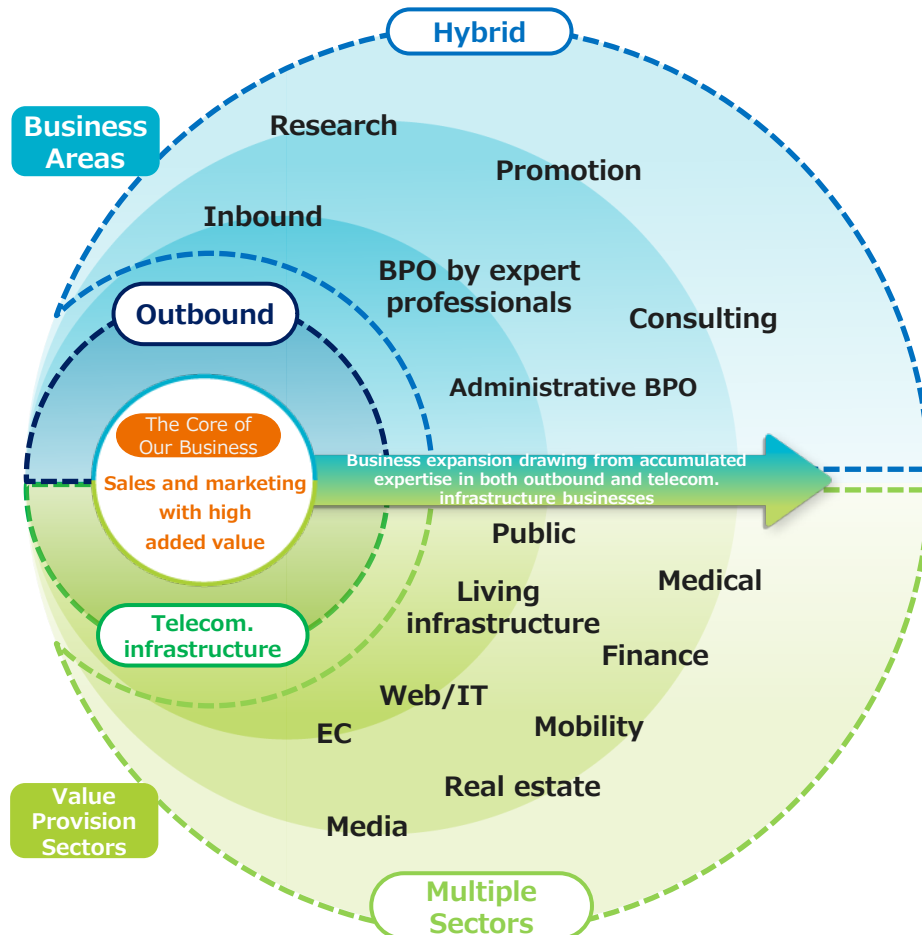
*1 Profit attributable to owners of parent

*2 EBITDA = operating profit + depreciation + amortization

Overview of the Growth Strategy and Expansion of the Client Base

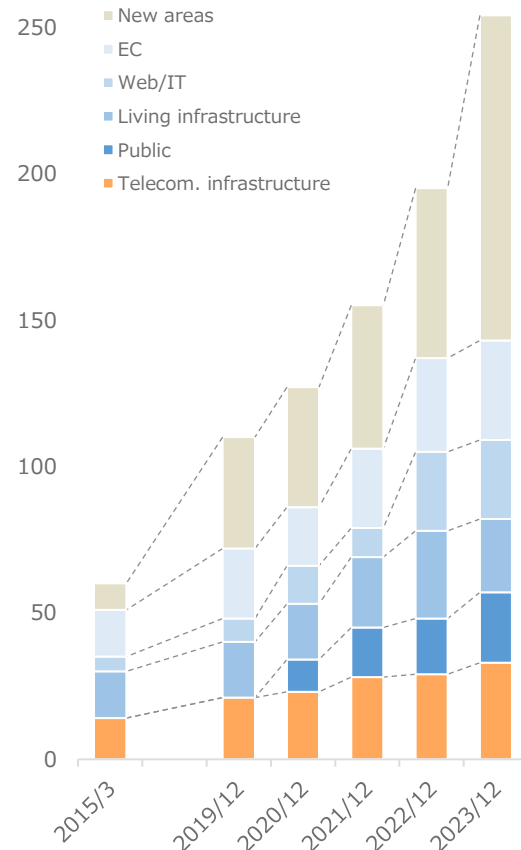
- We will pursue expansion of business areas and sectors in which we provide value while putting sales and marketing with high value added at the core of our business
- Business areas have expanded, proactive sales activities have been successful, and the number of clients is steadily increasing, mainly in new areas

Overview of the Growth Strategy



Changes in the number of clients by industry*2

(Number of Companies)



New areas
Areas that will become drivers of long-term growth

Existing areas
Areas where we will pursue higher market share by accumulating knowledge

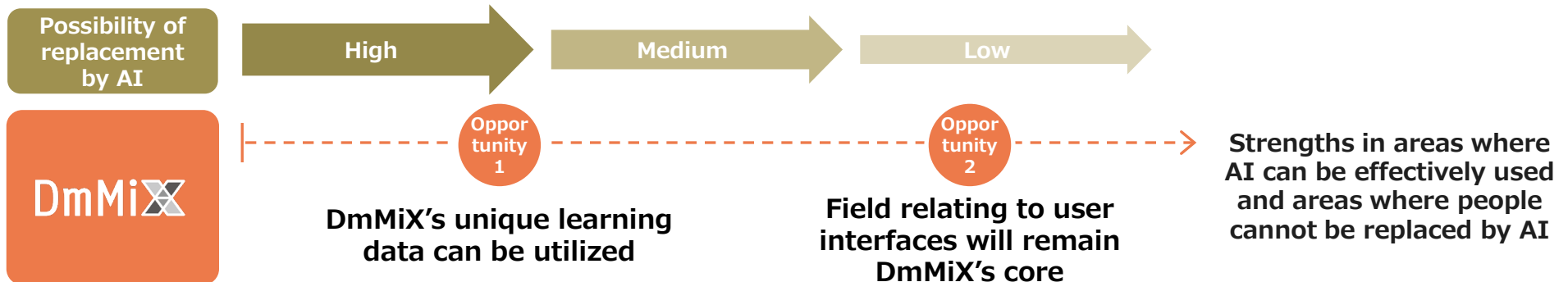
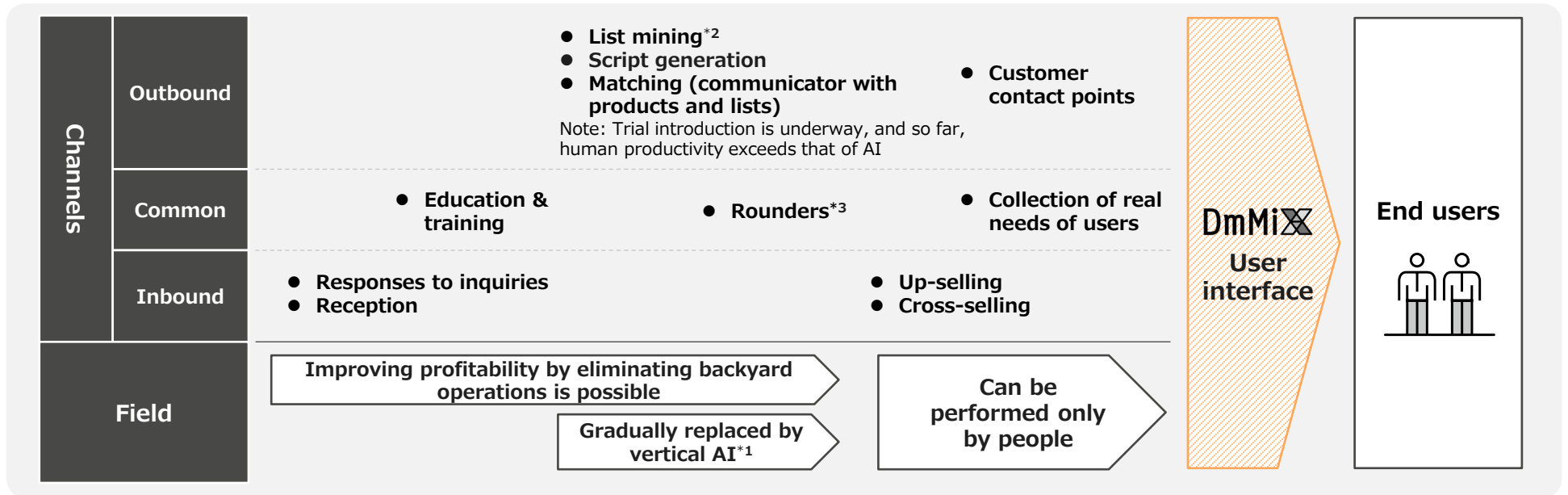
Telecom. infrastructure
Areas where we will leap forward by transitioning to a hybrid channel*1

*1 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

*2 The number of clients by industry is counted on a contract basis with each group company. Excludes clients with annual transaction amount of less than 1 million yen. In addition, on-site business (temporary staffing) is excluded after FY12/2019

Areas of the Power of People where DmMiX has Strengths

- In areas involving user interfaces, which are the core of our business, specifically outbound and hybrid business, replacing with generative AI is difficult, and the power of people will remain necessary. For this reason, we believe that in Japan, where the working population continues to decline, demand will increase even more
- Over the long term, we may be able to develop business using the unique and massive data that we possess, including the “real needs” of users



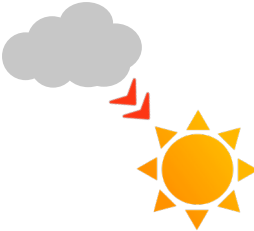





*1 AI for limited industries

*2 Identifying potential customers with a high probability of entering into a contract from massive user lists and creating highly accurate call lists

*3 A position responsible for communicator follow-ups such as by patrolling a contact center and answering questions from communicators

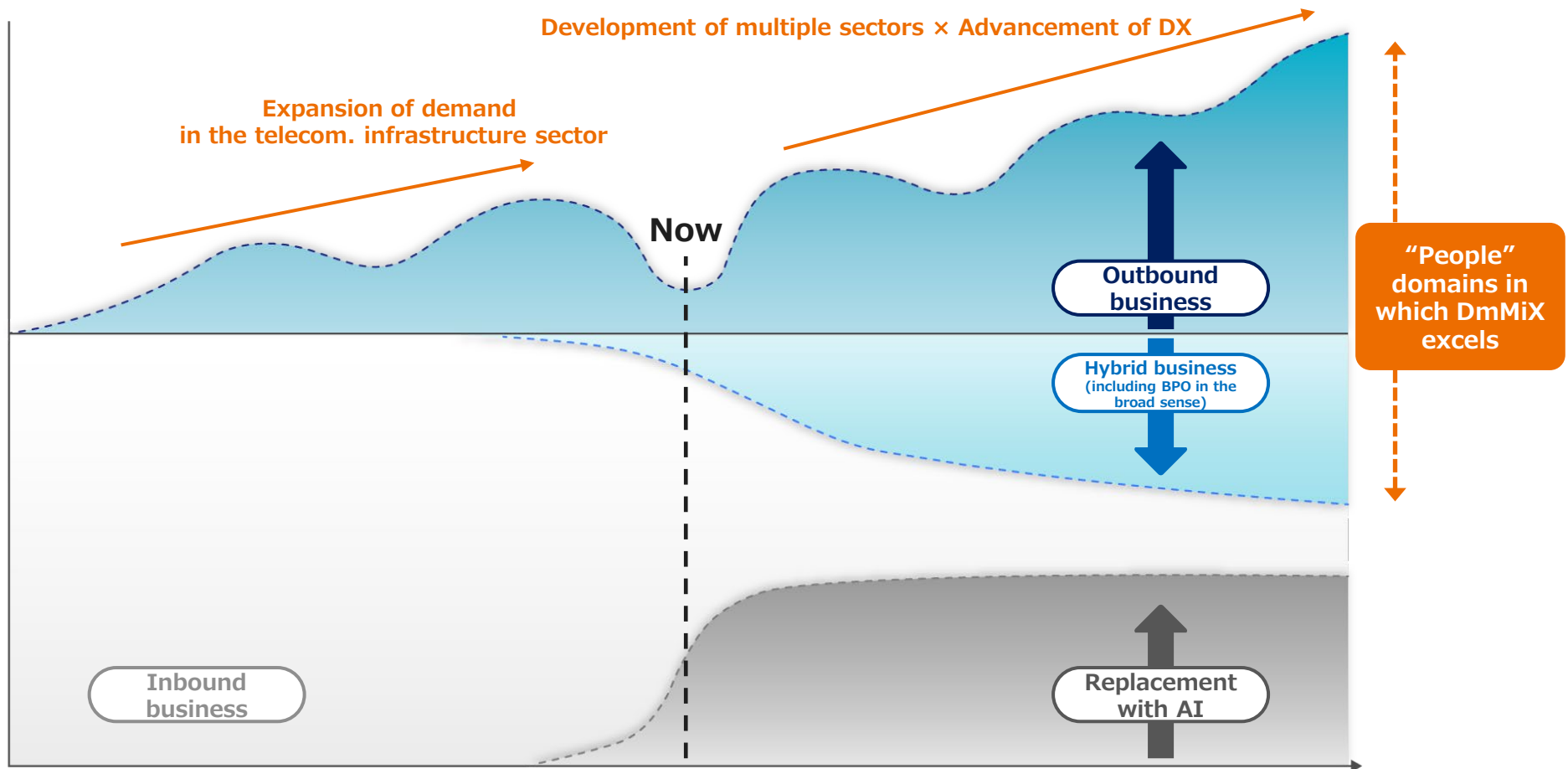
Recognition of the Business Environment in Each Area

	Profitability	Growth potential	Volatility	Other factors
Outbound			High	<ul style="list-style-type: none"> • Strong demand at the time of market introduction of new products and services • Compared to the inbound business, replacement through the use of AI is less likely • The shortage of sales personnel in the labor market is progressing, and BPO demand is rising
Hybrid			Stable	<ul style="list-style-type: none"> • With the shift to online business, demand for highly interactive channels is increasing • As products become increasingly sophisticated, demand for highly specialized human resources is increasing
Inbound			Stable	<ul style="list-style-type: none"> • Although business will persist, the adoption of AI is progressing • Development of a “red ocean” (highly competitive, saturated market) in some areas

Areas in which DmMiX has superiority

Medium- to Long-term Growth Image (1)

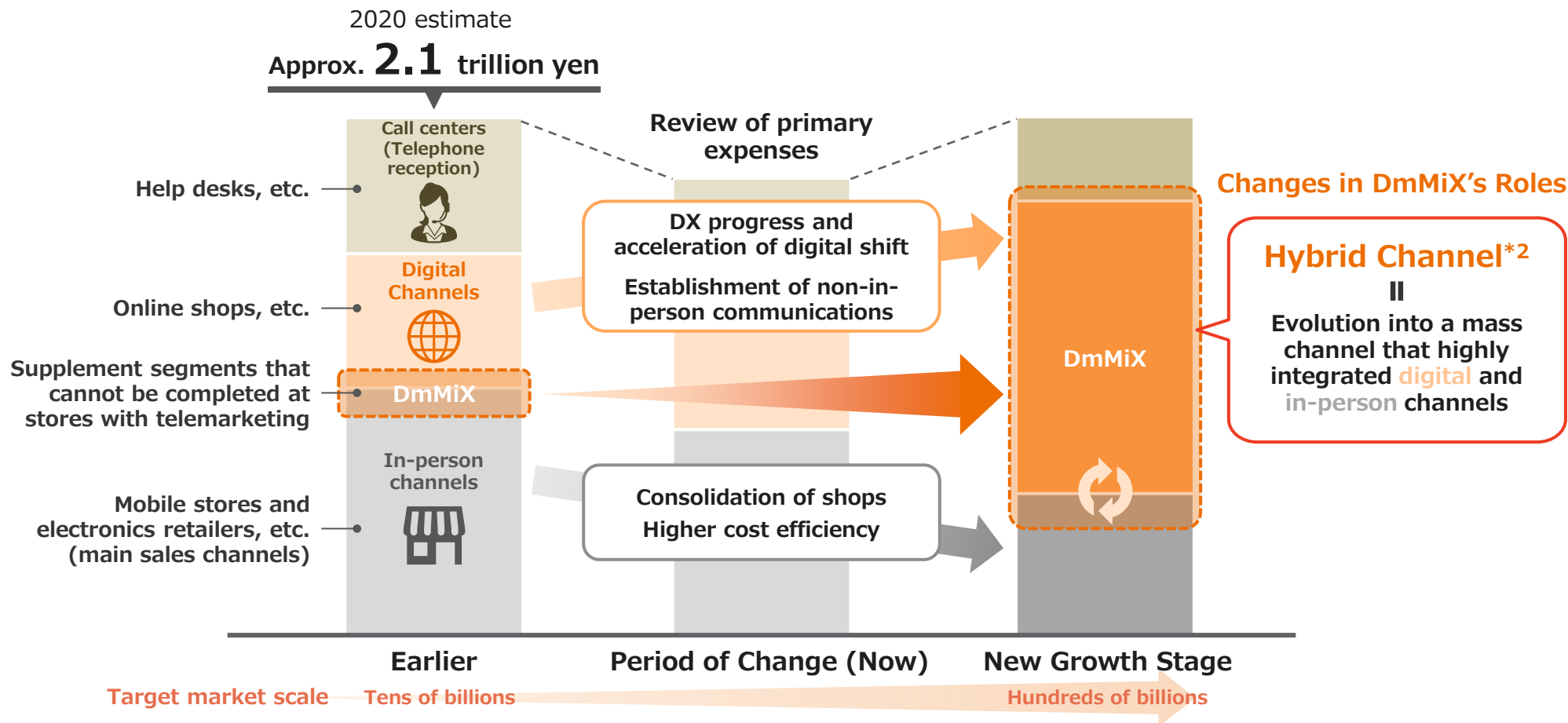
- In the outbound business, we will maintain growth by conducting business in multiple sectors not limited to the telecom. infrastructure sector
- In addition, in the hybrid business, which is expected to expand in conjunction with the advancement of DX and AI, we are actively moving forward, as this is an area in which we specialize and have mechanisms for maximizing the capabilities of people with the outbound business as the core of our business



Medium- to Long-term Growth Image (2)

- 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 and 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

Medium- to Long-term Growth Image (3)

- It is expected that changes similar to those that occurred in the telecom. infrastructure sector in the past will occur in various sectors in the future, particularly in regulated industries. The Company has capabilities relating to solving problems that arise due to these changes, and there is ample room for growth

Growing demand for hybrid business

Digitalization of conventional in-person services

(Ex.) Mobile phone stores, financial institution and real estate service help desks



Interactive communication, rather than unilateral communication is needed



Social implementation of online services

(Ex.) Car sharing, QR code payment, food delivery



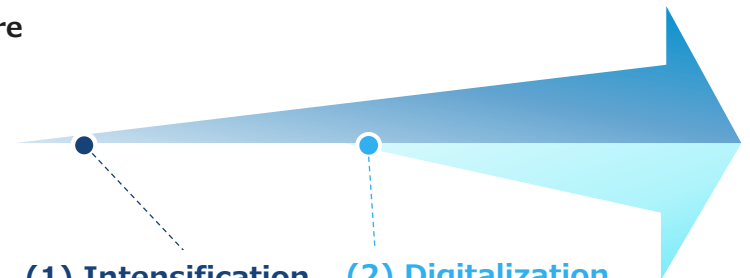
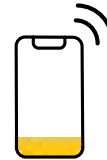
Social implementation of online services requires human capabilities



Opportunities for market expansion

■ Outbound business ■ Hybrid business

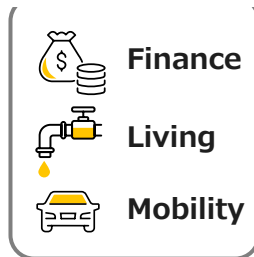
Telecom. infrastructure



(1) Intensification of competition

(2) Digitalization

Multiple sectors (examples)



Past

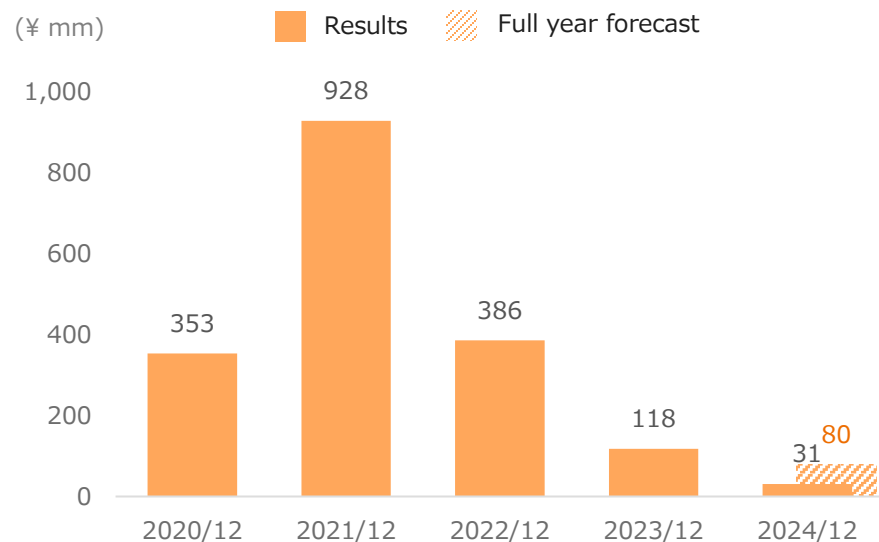
Present

Future

Investment Plan and Progress

Capital investment

- Although expenses for buildings and accompanying facilities were slightly higher than initially planned due to the occurrence of unexpected construction costs, overall progress is in line with the initial plan

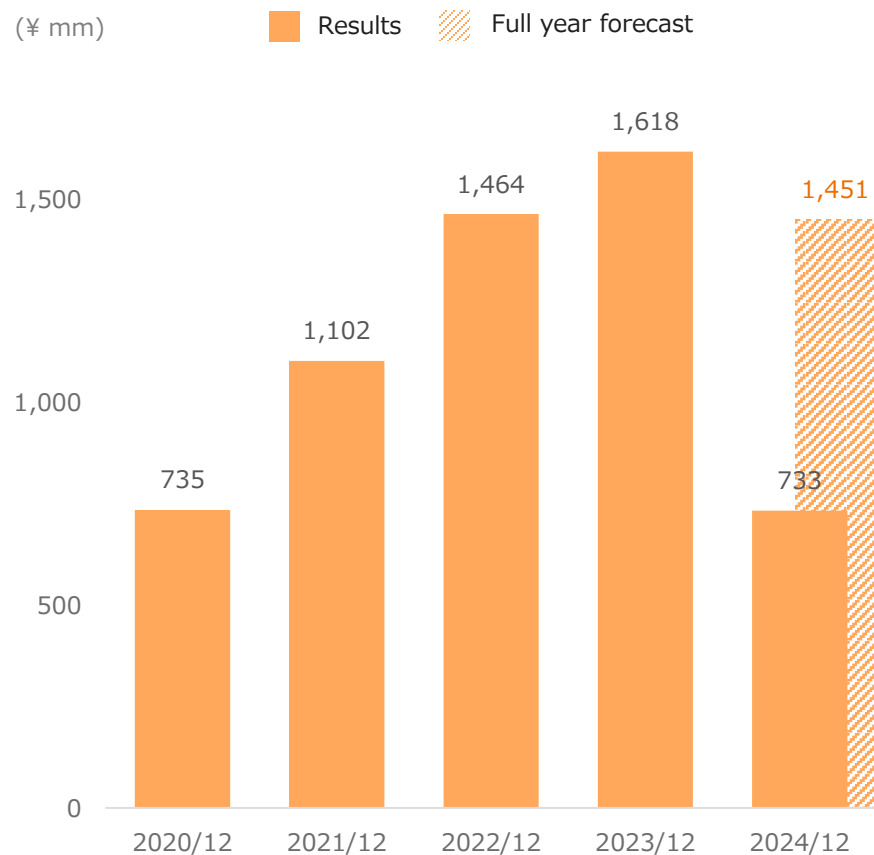


Major capital investment breakdown

(¥ mm)	2020	2021	2022	2023	2024	
	Results	Results	Results	Results	2Q Results	Full year Forecast
Buildings and accompanying facilities	177	492	165	60	14	4
Tools, furniture and fixtures	165	405	213	57	15	75
Software	11	31	8	1	2	0

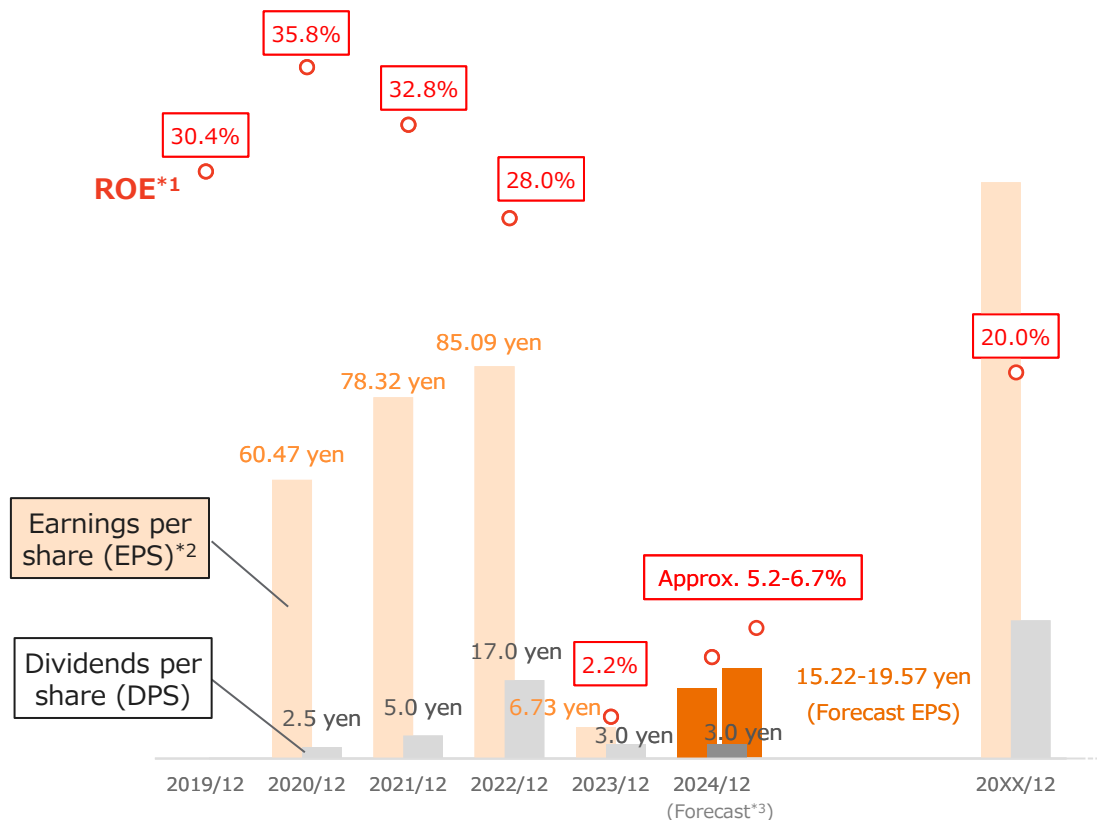
Depreciation & Amortization

- A slight decrease is expected in FY12/2024 in conjunction with the completion of depreciation of large-scale capital investments made in FY12/2021



Capital Policy

Changes in main indicators



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

*2 EPS=Net income/Average number of shares during the fiscal period (excluding treasury shares). Forecast EPS is calculated using the number of issued shares (excluding treasury shares) as of the end of FY12/2023

*3 EPS and ROE for FY12/2024 are indicated as ranges in line with the earnings forecast

*4 On January 1, 2022, the Company executed a two-for-one stock split of its common stock, and EPS and DPS are indicated as values that take into account the stock split

Policy

- We have set a target of achieving **ROE of 10%** or more premised on an investment phase for the resumption of growth in the short to medium term, and in the medium to long term, we will seek to raise ROE to the **20% range** in the investment recovery phase
- We seek to continuously achieve a **total return ratio of 40%** including stock repurchases



【Disclaimer】

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