

A Total Sales/Marketing Solution Provider for Maximizing Client Profitability

Direct Marketing MiX Inc.

Financial results briefing (FY2020/12)

February 12, 2021



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1. DmMiX



DmMiX Group Overview

■ Sales & marketing professionals, sustaining sales expansion since the foundation



CEO

Yuki Kobayashi

1982 Born in Saitama Pref. Japan

2007 Founded Customer

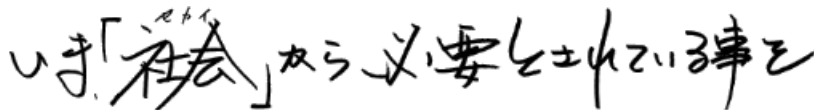
Relation Telemarketing Co., Ltd.

2014 Appointed as CEO

2015 Appointed as CEO of

DmMiX (formerly, CRTMHD) (present post)

Corporate Philosophy



Take on what our society needs now

Vision

Society

In our society, there are things we should not change

Voice

With our voice, we must unite and change what must be changed



Our Mission

Clients' issue

Struggling to improve top line



Shortage of sales staff



Inefficient marketing
Striving for high performance



DmMiX

Provide the sales/marketing solutions that maximize client profitability

Sales

Marketing



Access to external sales functions



Sales increase compared to using internal resources

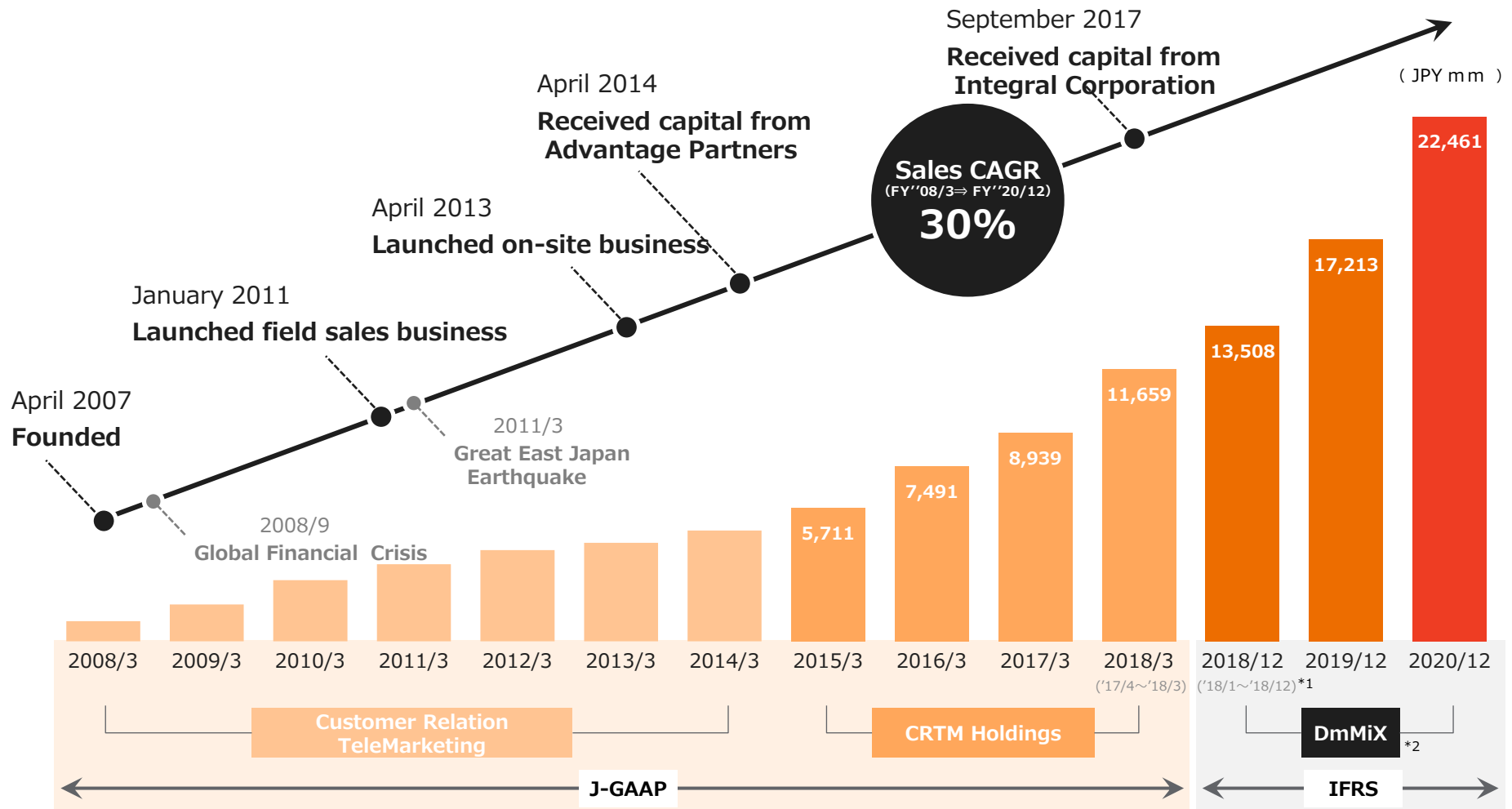


Result

Top line improvement

Key Milestones Since Incorporation

■ Sustainable sales growth since the foundation in 2007

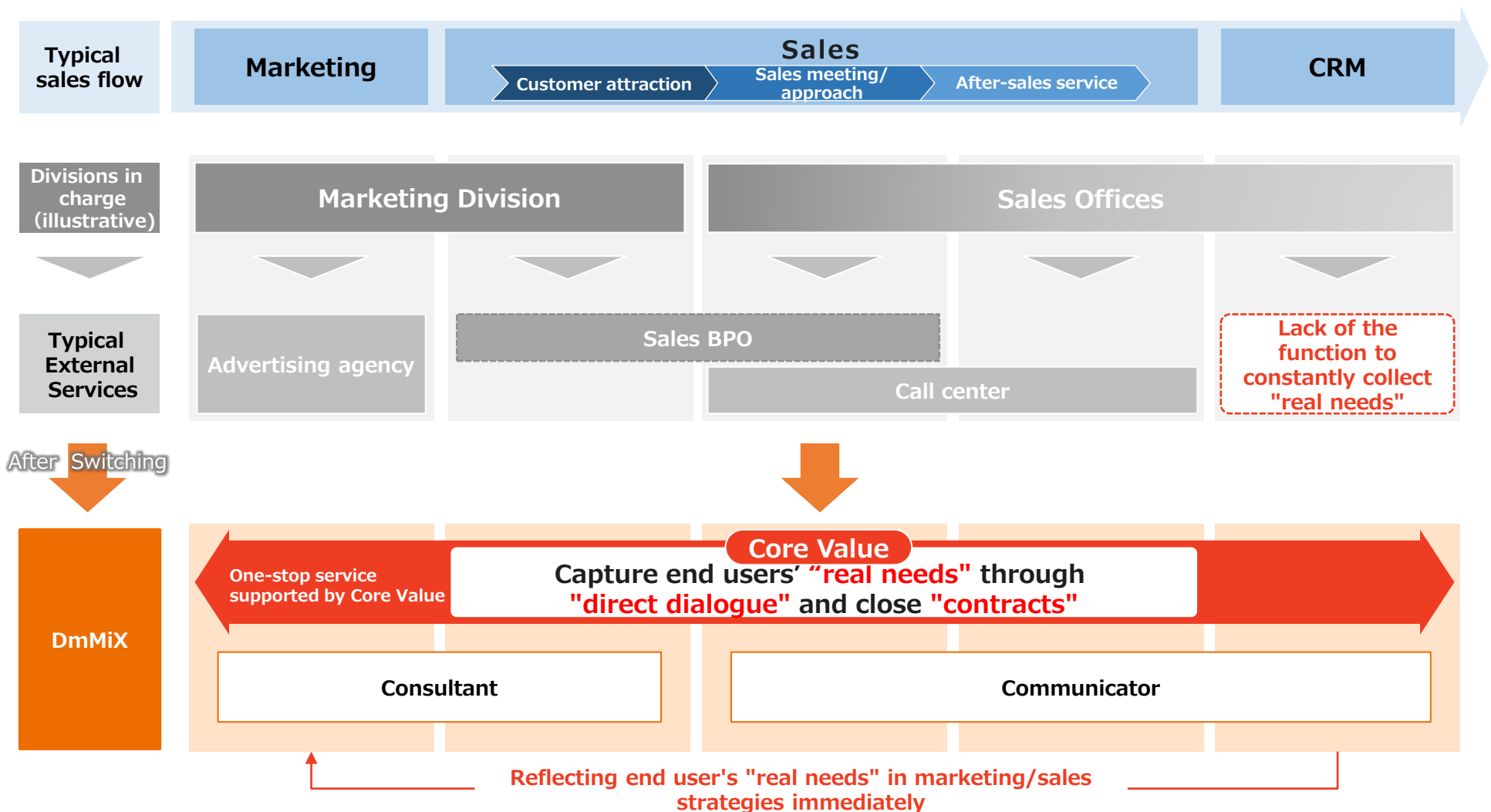


*1 Changed to IFRS (and fiscal year end from March to December) from the fiscal year ended December 2018. J-GAAP FY2018/3 and IFRS FY2018/12 overlap between January and March 2018.

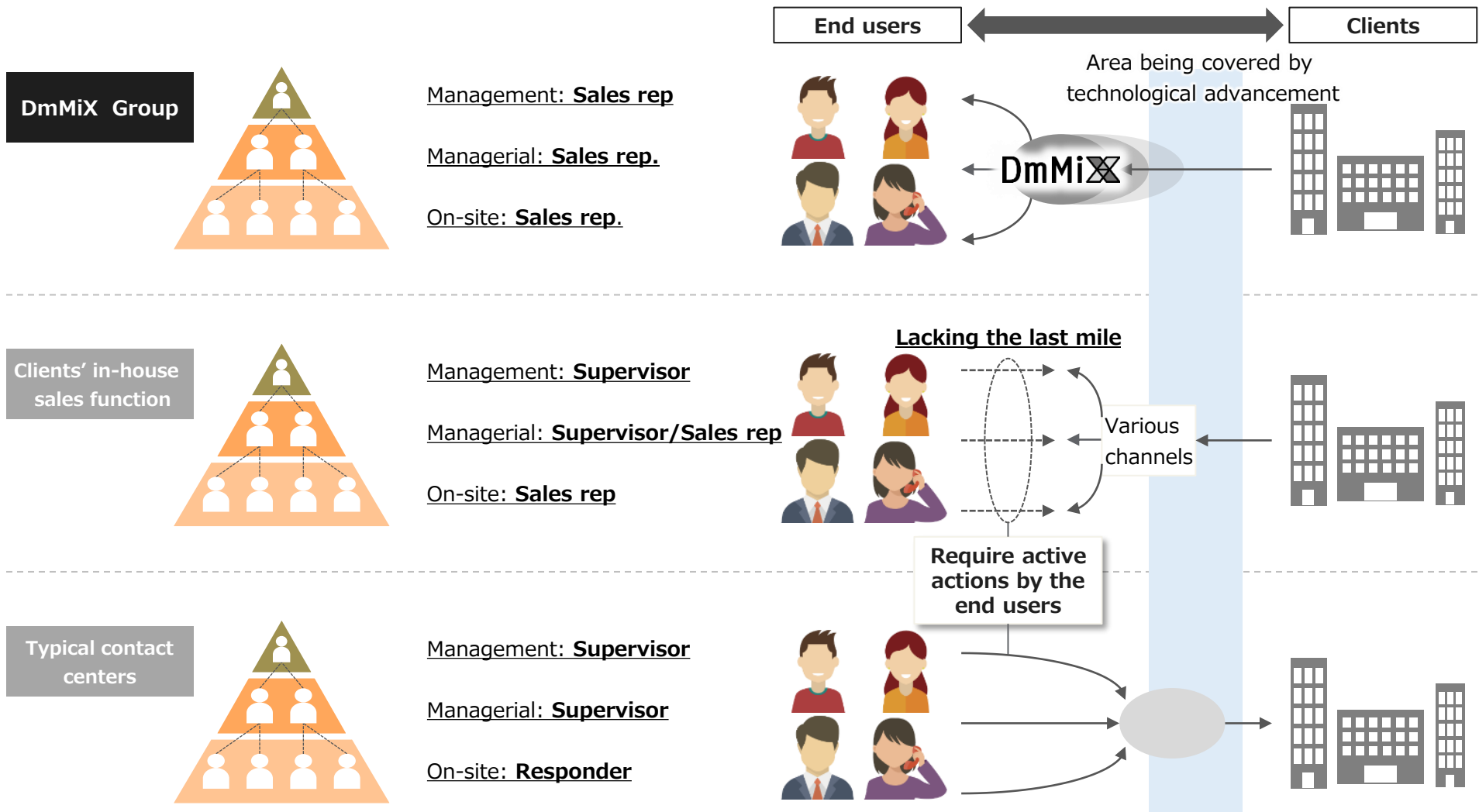
*2 Changed the trade name in April 2018

One-stop service for clients' sales processes

- DmMiX supports clients in **strengthening/substituting indispensable core sales functions**

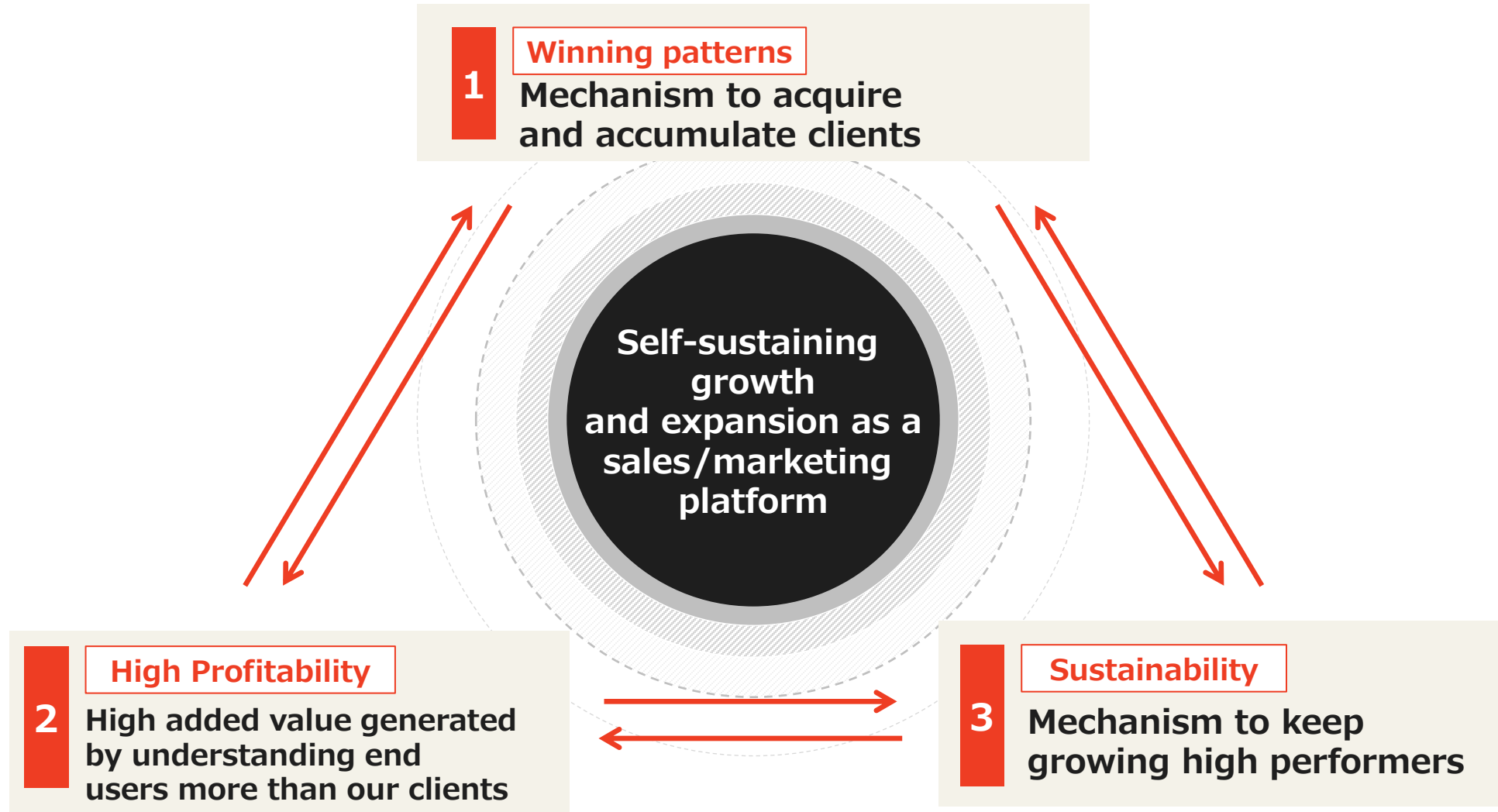


Our Distinct Business Model from Other Companies



2. Core competency of DmMiX

DmMiX's core competencies for autonomous growth



Mechanism to Acquire and Accumulate Clients

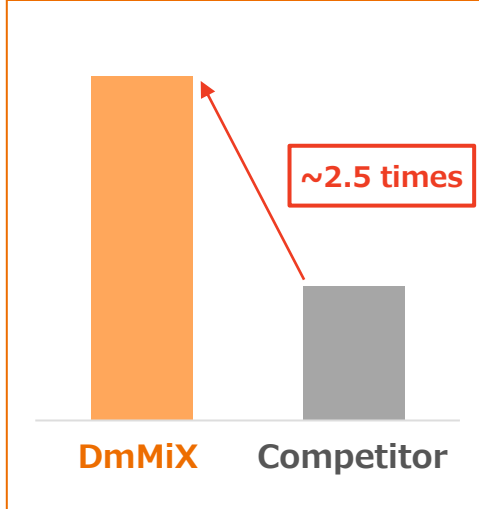
■ High performance & flexible support converts trial users into clients

High performance

DmMiX offers higher sales Performance than other service providers or internal resources

- ✓ Managers and high-performers *1 owning know-how establish the whole operations
- ✓ Then systemize the process

number of orders received
(per sales rep. / hour) *2



Flexible support

Offering "Trial" service to explore clients' needs

E.g. Trials

- ✓ Available from **one seat**

Speedy

- ✓ Service ready on the **next day** of contract at the shortest
- ✓ **On the spot** service revisions upon client requests

Performance-based fee

- ✓ Fee system linked with sales
- ✓ Able to receive orders for less profitable projects that peers may not undertake while securing profit

Proposal-based

- ✓ Offer appealing proposals to clients, using accumulated data and know-hows

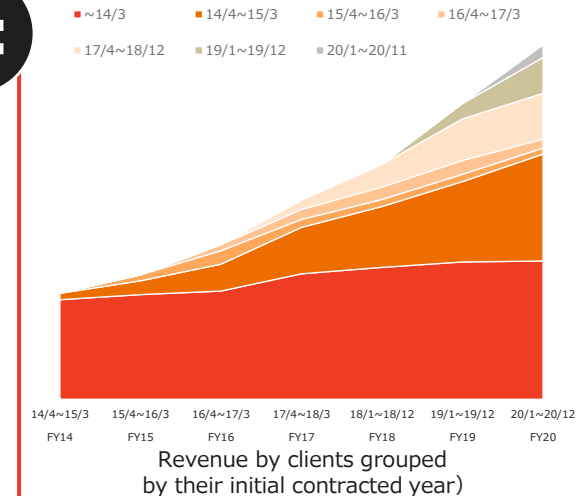
Repeat clients

Excellent cost performance achieves repeat orders from existing clients

- ✓ Switch the fee system to fixed + performance-based
- ✓ Maintain the result by systemized operations

Sales from existing clients (YoY)*3

100%+



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

*2 Our estimate based on the data received from the clients in 2019

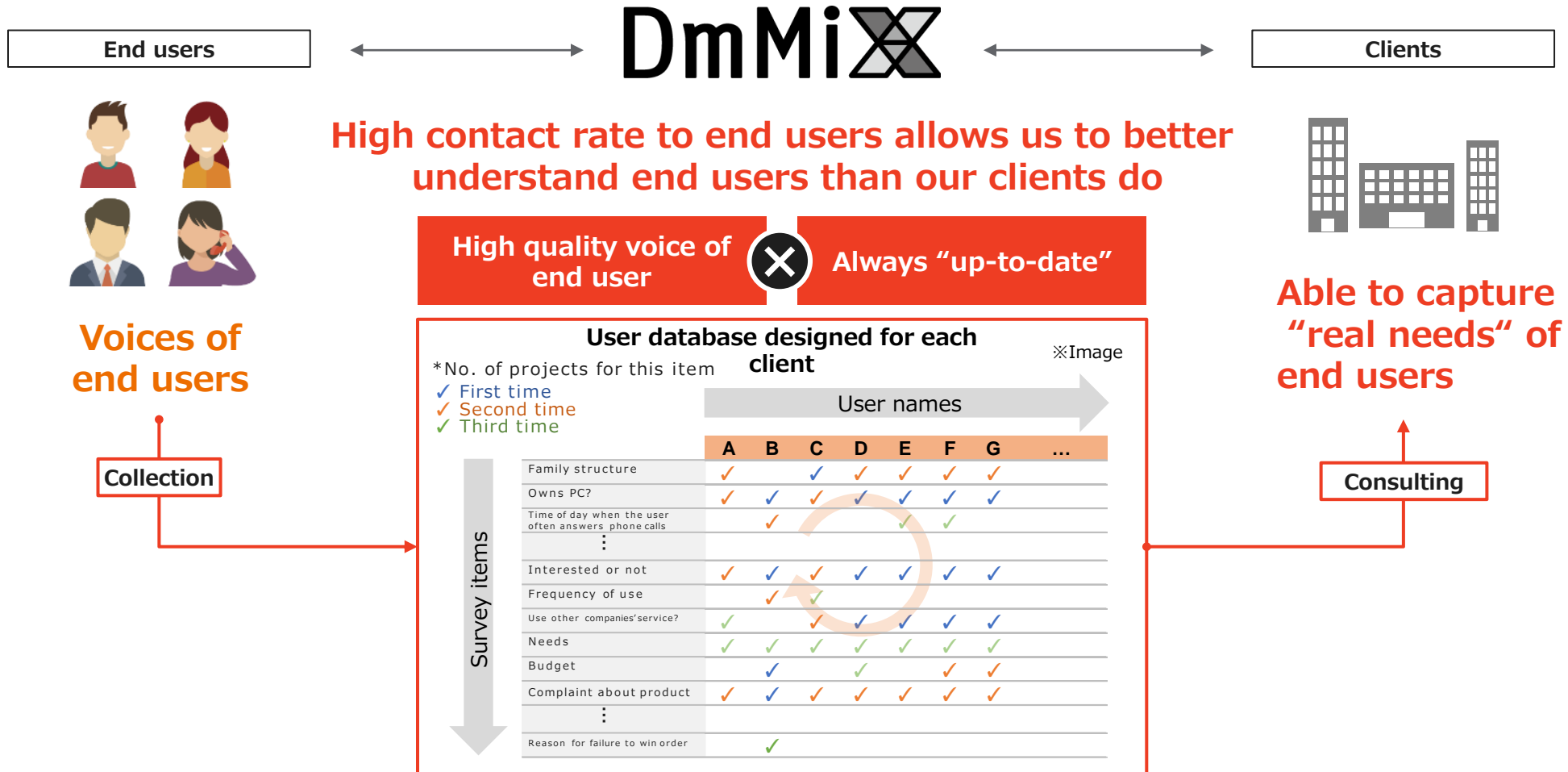
*3 Refer to p.20

Continuously Accumulated User Database Creates High Barrier to Entry

Confidential

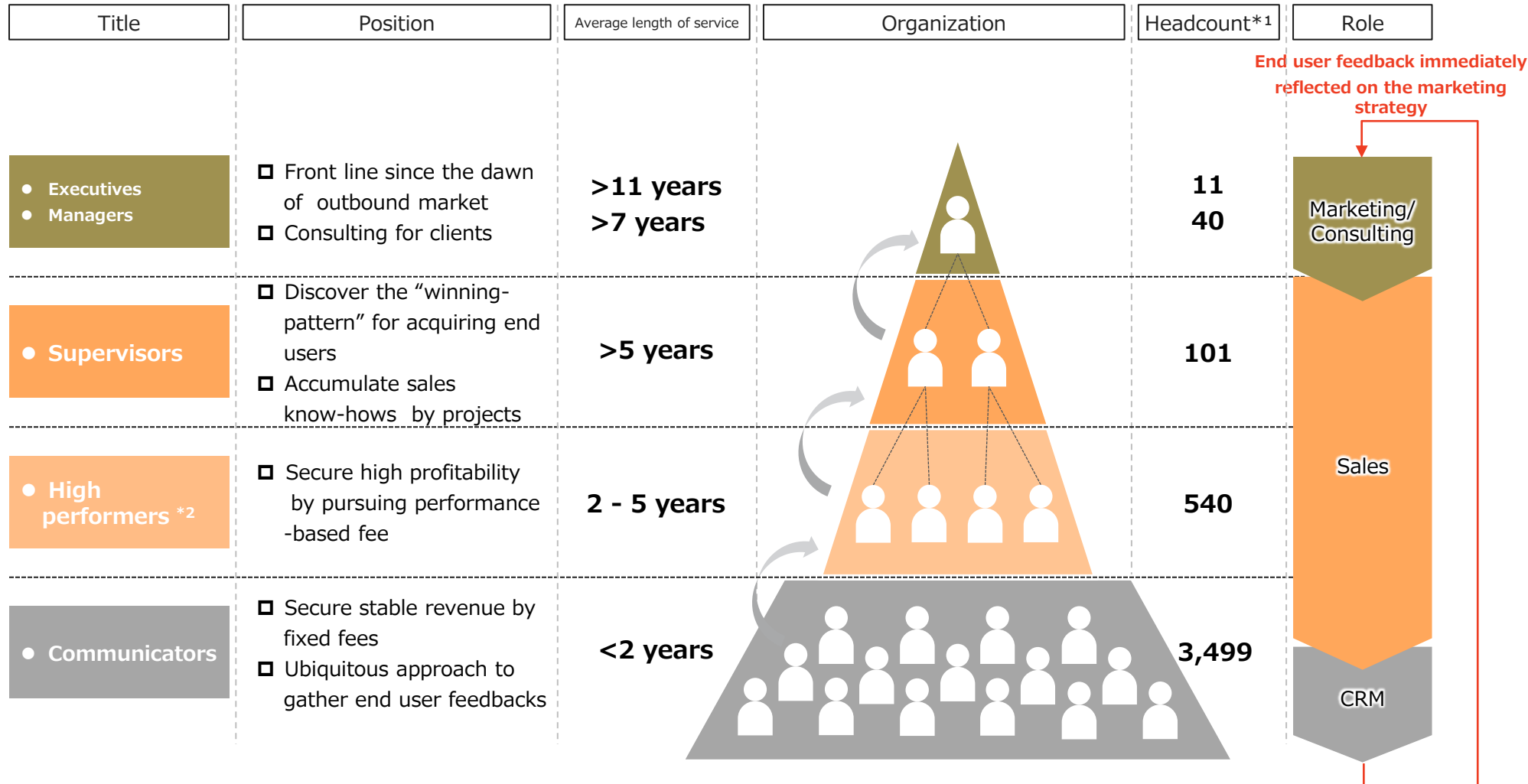
- Provide up-to-date database created for each client based on repeated transactions

Adding more and more user data



Strong organizational Structure to Realize Clients' Sales/ Marketing Reform

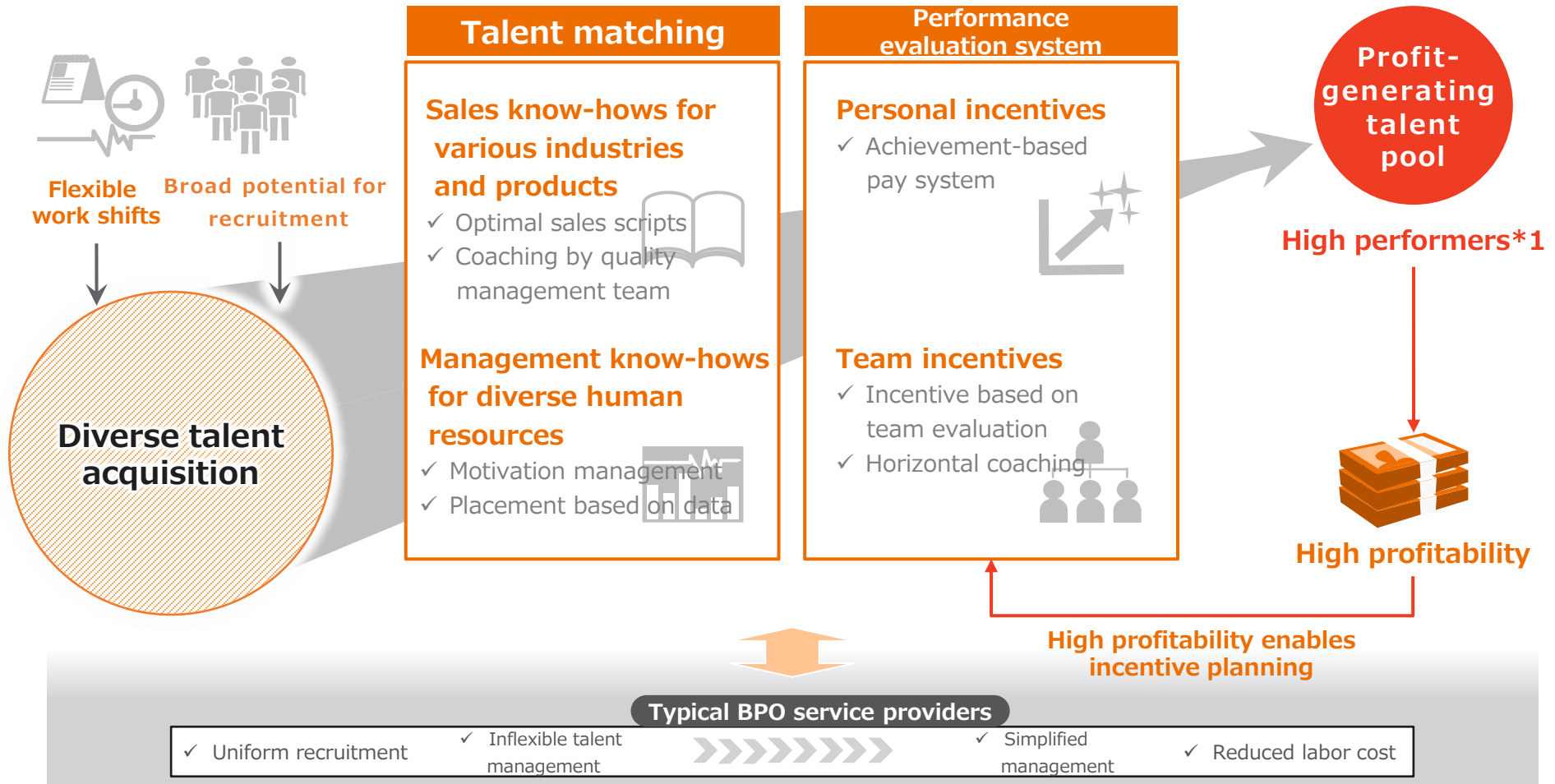
- **Distinctive roles by positions** contribute to the optimized organization for professional sales/ marketing



Mechanism to Continuously Cultivate High Performers*1

- Our unique training method enables to **quickly develop talents that peers cannot**

Mechanism to cultivate high performers*1

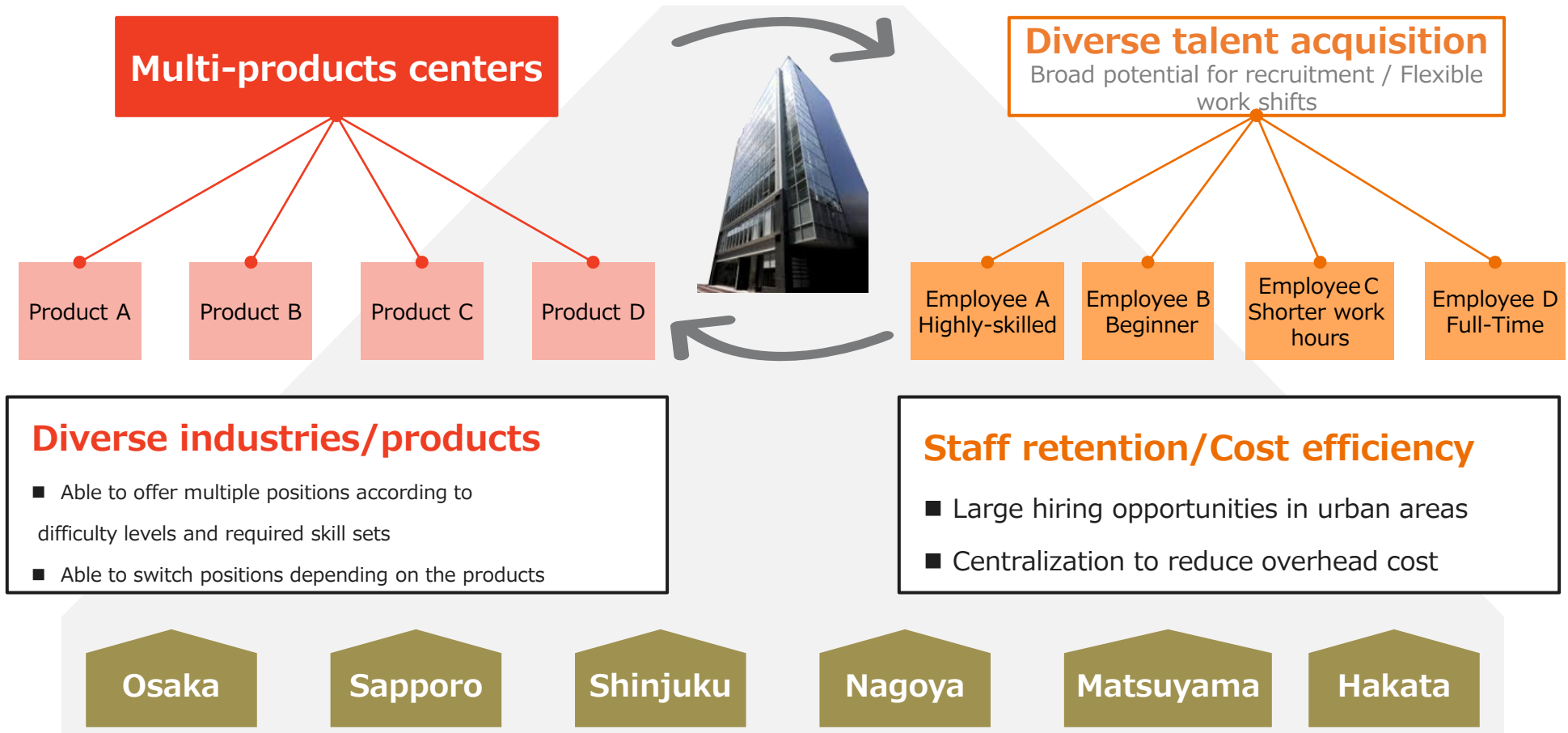


*1 A general term for staff who have achieved a certain level of sales performance according to our standards

Diverse Talent Acquisition and Talent Matching

- **Able to match with diverse talents** with all branches being “Multi-products centers”
 - Branches located in populated areas with high human resources concentration.

Characteristics and advantages of “Multi-products centers”






3. Financial results (FY2020/12)

Financial results highlights (FY2020/12)

- Exceeding the company plan sales increased by 30%, EBITDA increased by 52% and Net Income increased by 66% YoY.
- Sales have steadily expanded to new and existing customers. Increased number of communicators and increased number of sales per person also improved profitability.

Primary KPI

Sales revenue	22.4 billion yen	YoY	+30.5%		Number of operators	YoY +23.1%
		Exp ratio	+5.0%			
EBITDA ^{*1}	4.3 billion yen	YoY	+52.2%		Sales revenue per person	5,855 thousand yen (YoY : +6.0%)
		Exp ratio	+6.9%			
Net Income	2.4 billion yen	YoY	+66.2%		Number of clients	130 companies (+20 companies compared to previous term)
		Exp ratio	+9.7%			
EPS ^{*2}	120.94 yen	YoY	+66.2%			
		Exp ratio	+9.7%			

*1 EBITDA=operating income + depreciation + amortization

*2 Basic net income per share

FY 2020/12 P/L

- Compared to the company forecast at the time of listing (August 31st), sales revenue and other types of profit exceeded about 5%
- Achieved + 50% YoY on an EBITDA basis, partly due to a temporary positive effect which occurred because of Covid-19.

Consolidated P / L comparison with previous year · initial forecast

(¥ mm)	2019/12	2020/12			
	Result	Forecast	Result	YoY	Forecast ratio
Sales Revenue	17,213	21,400	22,461	130.5%	105.0%
Operating expenses	△14,987	△18,150	△18,902	126.1%	104.1%
Other revenue	40	—	39	98.7%	—
Other expenses	△28	—	△12	42.6%	—
Operating income	2,238	3,320	3,586	160.3%	108.0%
Operating margin	13.0%	15.5%	16.0%	+2.9pt	+0.4pt
Financial income	1	40	40	約40倍	100.3%
Financial expenses	△96	△120	△122	126.3%	101.5%
Income before tax	2,142	3,240	3,504	163.6%	108.2%
Corporate income tax expenses	△684	△1,030	△1,080	157.9%	104.8%
Net income ^{*1}	1,459	2,210	2,425	166.2%	109.7%
Net income margin	8.5%	10.3%	10.8%	+2.3pt	+0.5pt
EBITDA ^{*2}	2,838	4,040	4,321	152.2%	106.9%
EBITDA margin	16.5%	18.9%	19.2%	+2.7pt	+0.3pt

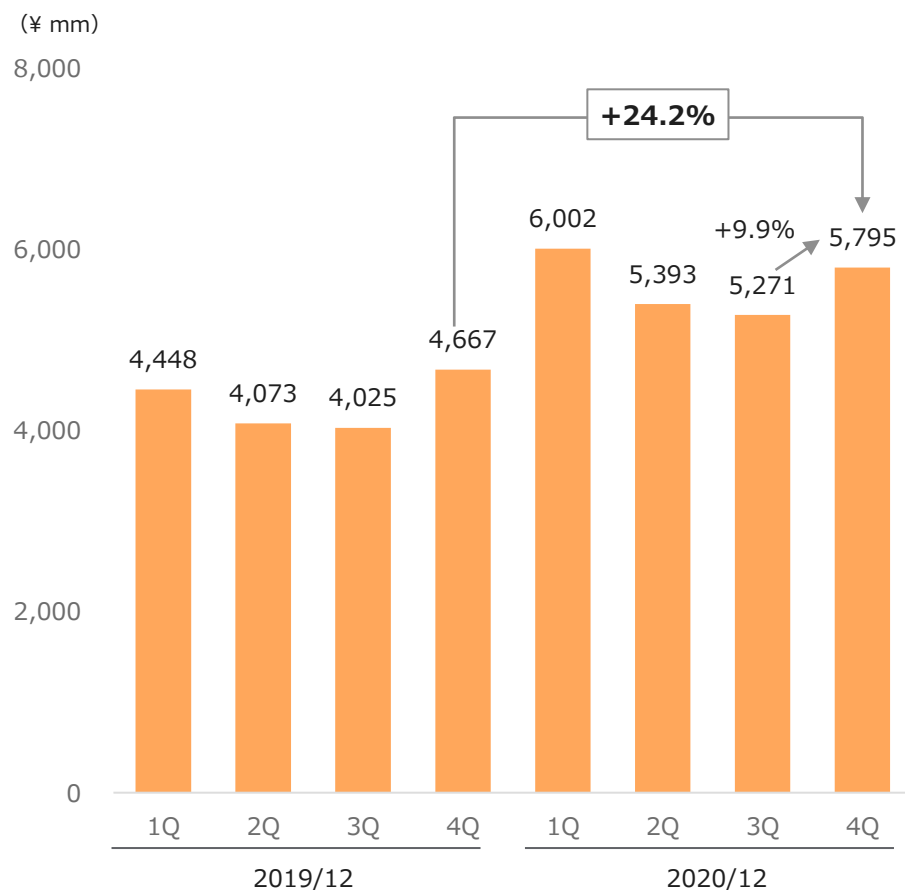
*1 Profit attributable to owners of the parent

*2 EBITDA = operating income + depreciation + amortization

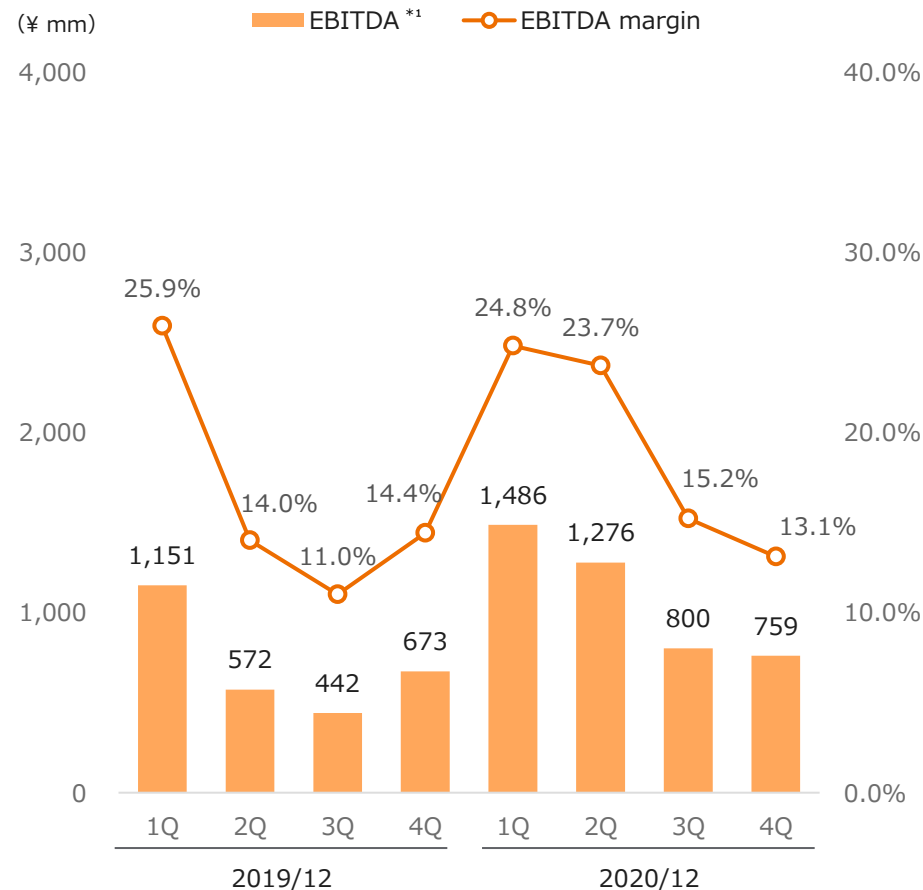
Quarterly Results

- In marketing business sales increased and exceeded budget due to cultivation of demands related to the “New Normal” under the Covid-19 pandemic and increasing needs for non-face-to-face sales activity. Due to that temporary costs related to the IPO were absorbed and the EBITDA margin improved.

Quarterly consolidated sales revenue



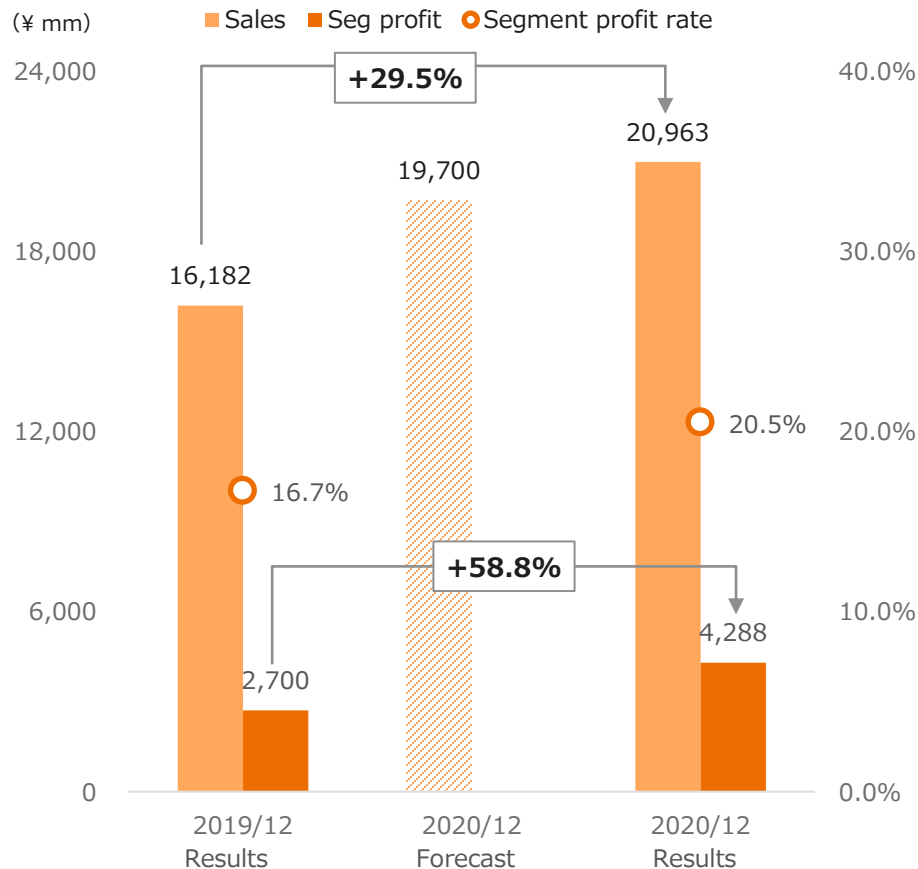
EBITDA・Quarterly trends in EBITDA margin



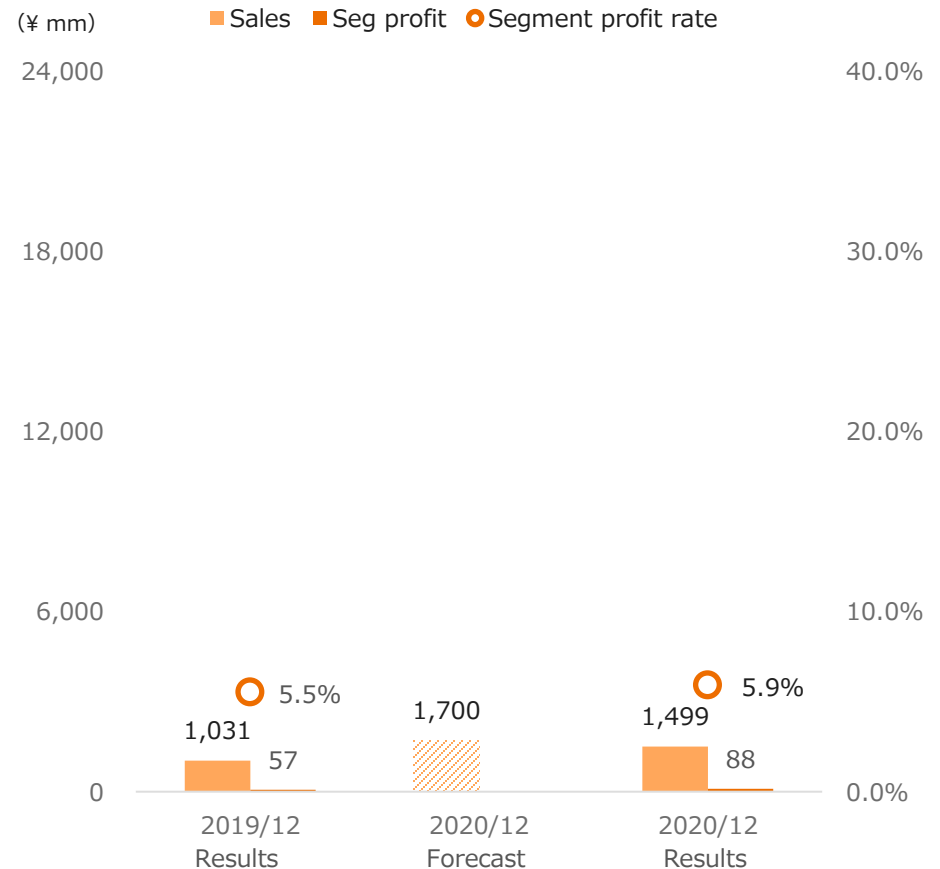
Results per Segment

- In the marketing business, sales and profits increased significantly by expanding transactions within existing customers and capturing the needs of new customers.
- In the on-site business, the operating rate declined due to the impact of the Covid-19, and sales did not reach our plan but profit rate improved.

Marketing business



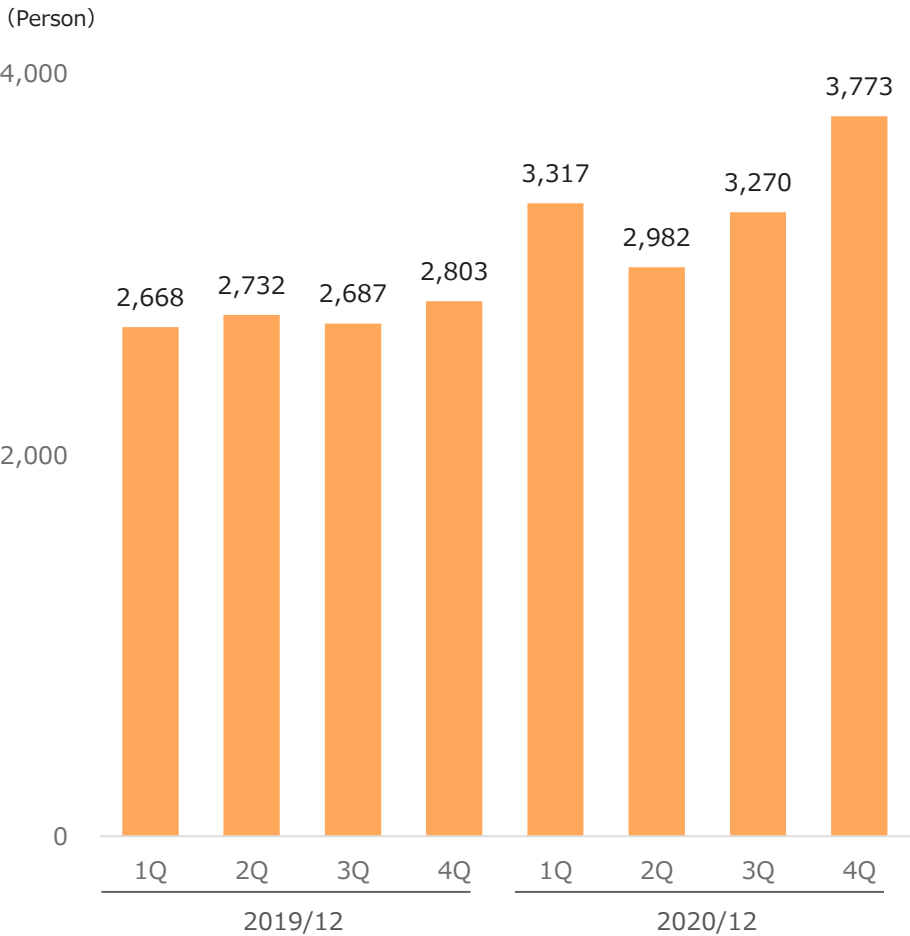
On-site business



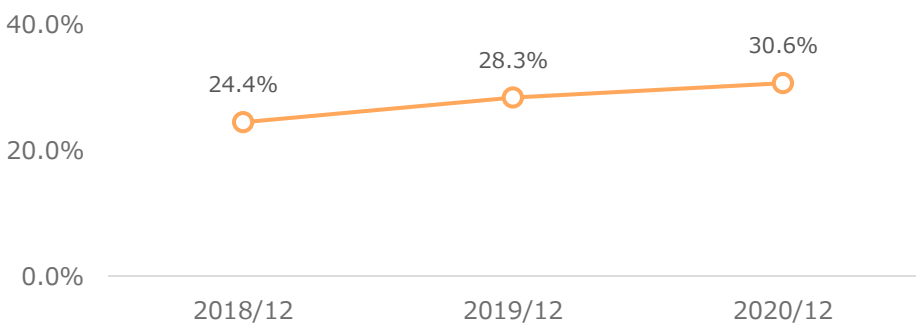
Marketing Business KPI

■ The number of operating staff increased while reflecting seasonality during the term. The high performer ratio steadily improved, contributing to improved profitability.

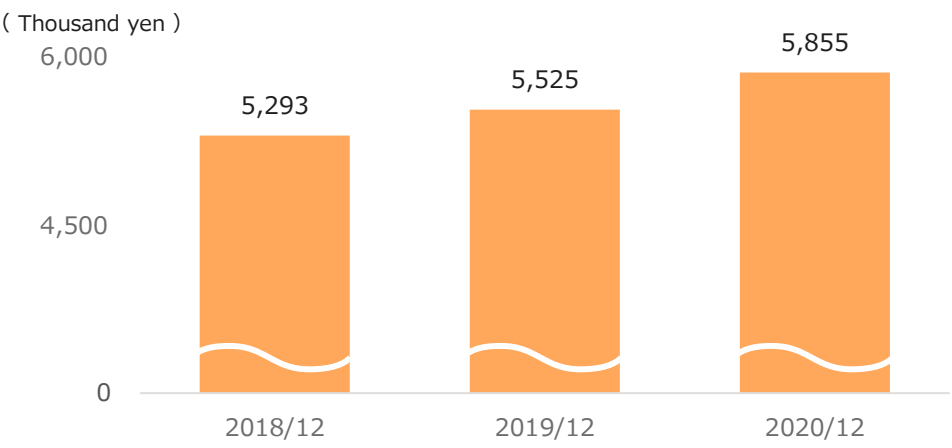
Quarterly changes in the number of employees



Changes in the ratio of high performers over the past years



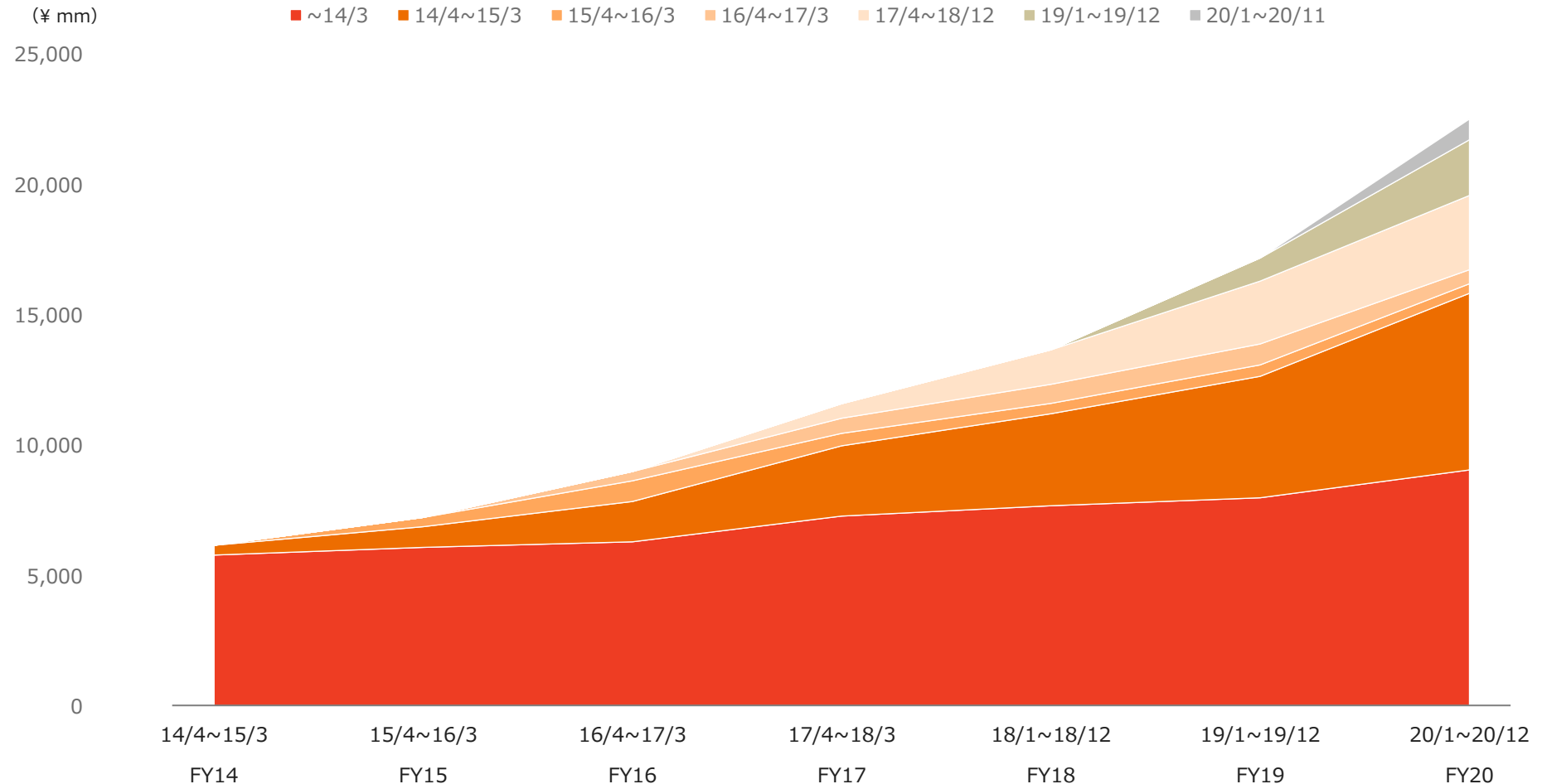
Changes in sales revenue per number of employees over the past year



Stable expansion of sales revenue

- With the expansion of outsourcing business volume and the expansion of transactions with other departments for existing customers (existing customer revenue + 26% YoY), new customer development is proceeding smoothly, and sales are steadily increasing.

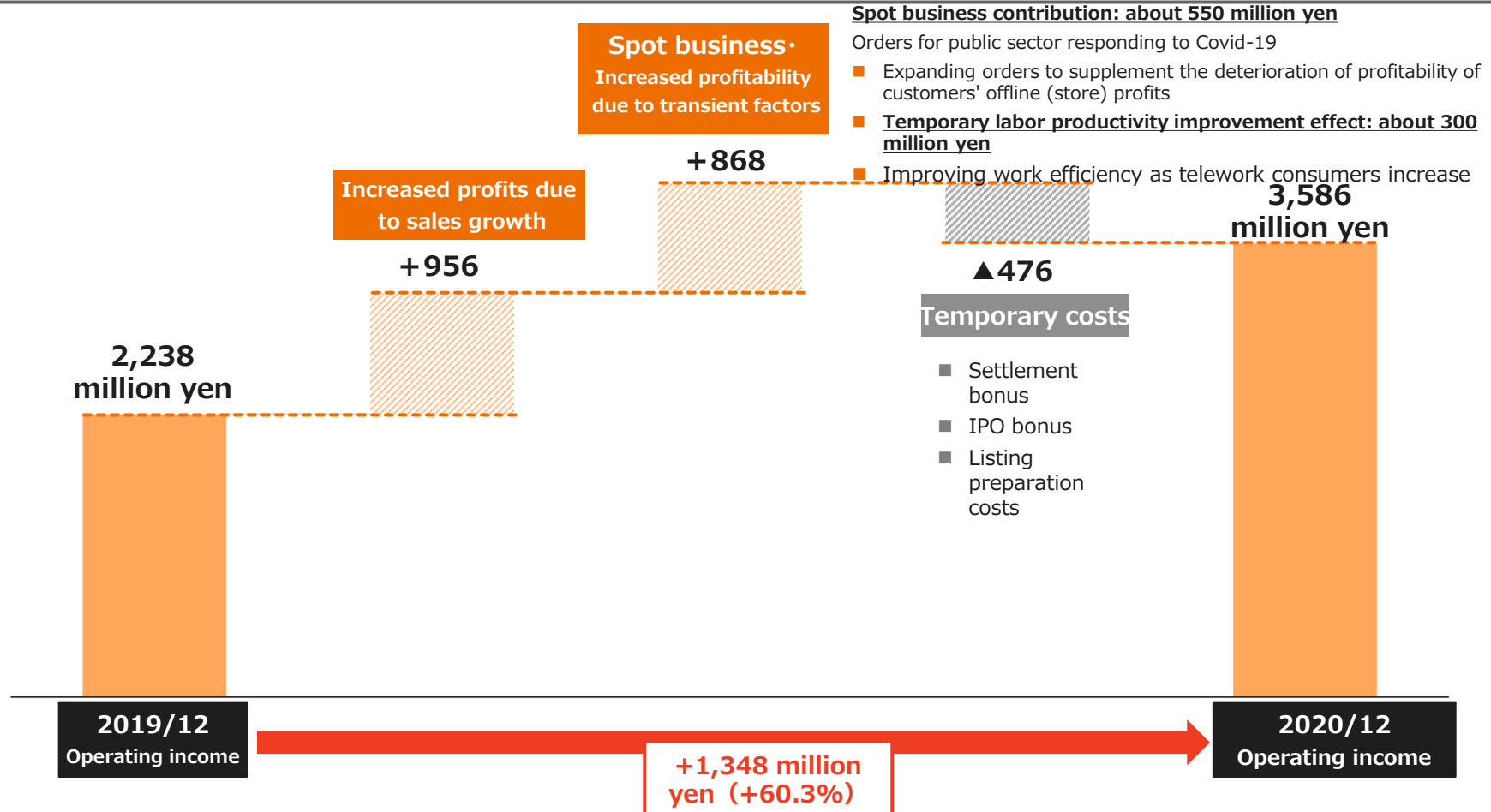
Past year transition of sales revenue by transaction start year



Factors for increases and decreases in operating income

- The effect of increasing sales for existing and new customers and the effect of receiving orders for spot operations caused by the new coronavirus infection contributed about 1.8 billion yen to profits. Achieved a significant increase in profits by absorbing the temporary increase in listing-related costs and settlement / IPO bonuses

YoY comparison of consolidated operating income



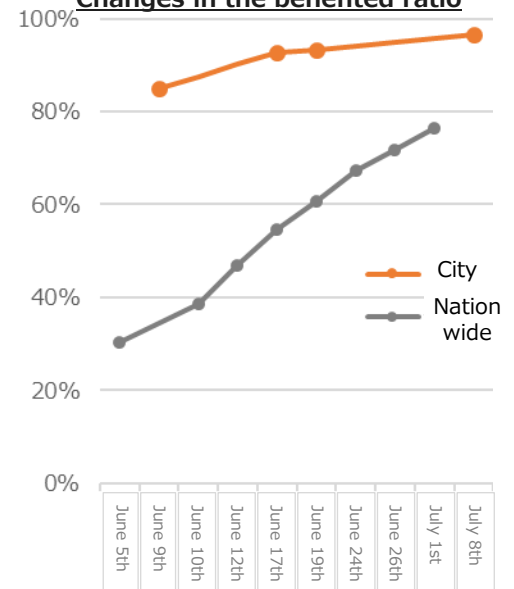
Impact of Covid-19 on business performance : Drastic shift to non-face-to-face sales

		Previous term (FY20)	Current Term (FY21)	From Next Term																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
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Entrusted with "new coronavirus" related business

- Entrusted with certain municipalities "special cash payment" application procession.
- Responded to the rapidly increasing number of applications from before GW with overwhelming on-site capabilities, commitment to work and enthusiasm
- Achieved and overwhelmingly exceed results on the national level (See figure below*¹)

Changes in the benefited ratio



FY 2020/12 B/S

- The ratio of equity attributable to owners of the parent company improved due to the steady revenue expansion.
- Financial soundness improved due to the lower ratio of goodwill to total assets and the reduced net debt.

Consolidated B / S Comparison YoY

(¥ mm)	2019/12	2020/12	YoY Change	Comments
Total assets	17,598	21,251	+3,653	<ul style="list-style-type: none"> ■ Total property, plant equipment and right-of-use assets: 1,552 million yen (2018/12) ▶ 1,770 million yen (2019/12) ▶ 2,538 million yen (2020/12) ■ Expansion due to growth of bases and system-related investment accompanying business expansion ■ Goodwill Total Asset Ratio: 69.9% (2018/12) ▶ 62.4% (2019/12) ▶ 51.7% (2020/12) ■ Goodwill has not been amortized, but its share of total assets has steadily declined
Current assets	4,147	6,877	+2,730	
Non-current assets	13,451	14,374	+923	
Goodwill	10,984	10,984	±0	
Total liabilities	12,055	13,251	+1,196	<ul style="list-style-type: none"> ■ Interest-bearing debt: 8,108 million yen (2018/12) ▶ 7,589 million yen (2019/12) ▶ 6,500 million yen (2020/12) ■ Net debt (net interest-bearing debt) : 7,344 million yen (2018/12) ▶ 5,919 million yen (2019/12) ▶ 2,808 million yen (2020/12)
Current liabilities	4,187	6,073	+1,886	
Non-current liabilities	7,868	7,178	△690	
Total capital	5,544	8,000	+2,457	<ul style="list-style-type: none"> ■ Capital and capital surplus did not change because the company did not raise funds through the initial public offering. ■ Parent company owner's equity ratio : 25.8% (2018/12) ▶ 31.5% (2019/12) ▶ 37.6% (2020/12)
Total equity attributable to owners of parent company	5,544	8,000	+2,457	
Total debt and capital	17,598	21,251	+3,653	

FY 2020/12 C/F

■ Efficient business expansion progressed, free CF increased by 88.6%, operating cash flow margin increased by 5 points.

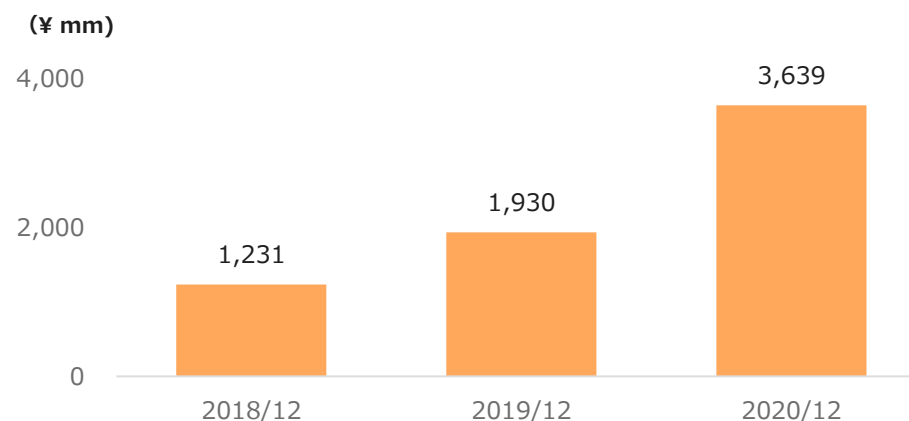
Consolidated C / F Comparison YoY

(¥ mm)	2019/12	2020/12	YoY Change
Operating cash flow	2,270	4,091	+1,821
Investment cash flow	△340	△452	△111
Financial cash flow	△1,025	△1,616	△592
Free cash flow	1,930	3,639	+1,709

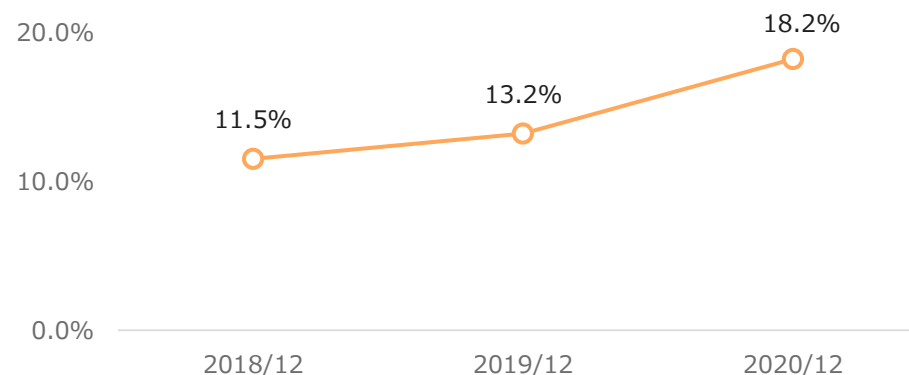
Main factors of increase / decrease

- Sales CF : Increase in profit before tax +1,362 million yen
- Investment CF: Expenditure for acquisition of property, plant and equipment of △ 134 million yen
- Financial CF: Expenditure from repayment of long-term debt
△ 760 million yen
Income from long-term debt + 260 million yen

Transition of free cash flow



Changes in operating cash flow margin



4. Earnings forecast (FY2021/12)

Full-year earnings forecast (FY2021/12)

- This term's forecast does not incorporate spot operations and is expected to increase sales by about 20% due to continued expansion of marketing business and on-site business.
- Profit growth rate is in the single digit range due to cost increase for scale expansion. Profitability improvement due to continuation of short-term factors is not factored in.

Consolidated P / L Results / Forecast

(¥ mm)	2018/12	2019/12	2020/12	2021/12	
	Results	Results	Results	Forecast	YoY Change
Sales Revenue	13,508	17,213	22,461	26,800	119.3%
Operating expenses	△11,853	△14,987	△18,902	—	—
Other revenue	41	40	39	—	—
Other expenses	△18	△28	△12	—	—
Operating income	1,677	2,238	3,586	3,800	106.0%
Operating margin	12.4%	13.0%	16.0%	14.2%	▲1.7pt
Financial income	1	1	40	—	—
Financial expenses	△404	△96	△122	—	—
Pre-tax profit	1,274	2,142	3,504	3,700	105.6%
Corporate income tax expenses	△451	△684	△1,080	—	—
Net income^{*1}	823	1,459	2,425	2,500	103.1%
Net income margin	6.1%	8.5%	10.8%	9.3%	▲1.5pt
EBITDA^{*2}	2,147	2,838	4,321	4,600	106.5%
EBITDA margin	15.9%	16.5%	19.2%	17.2%	▲2.0pt

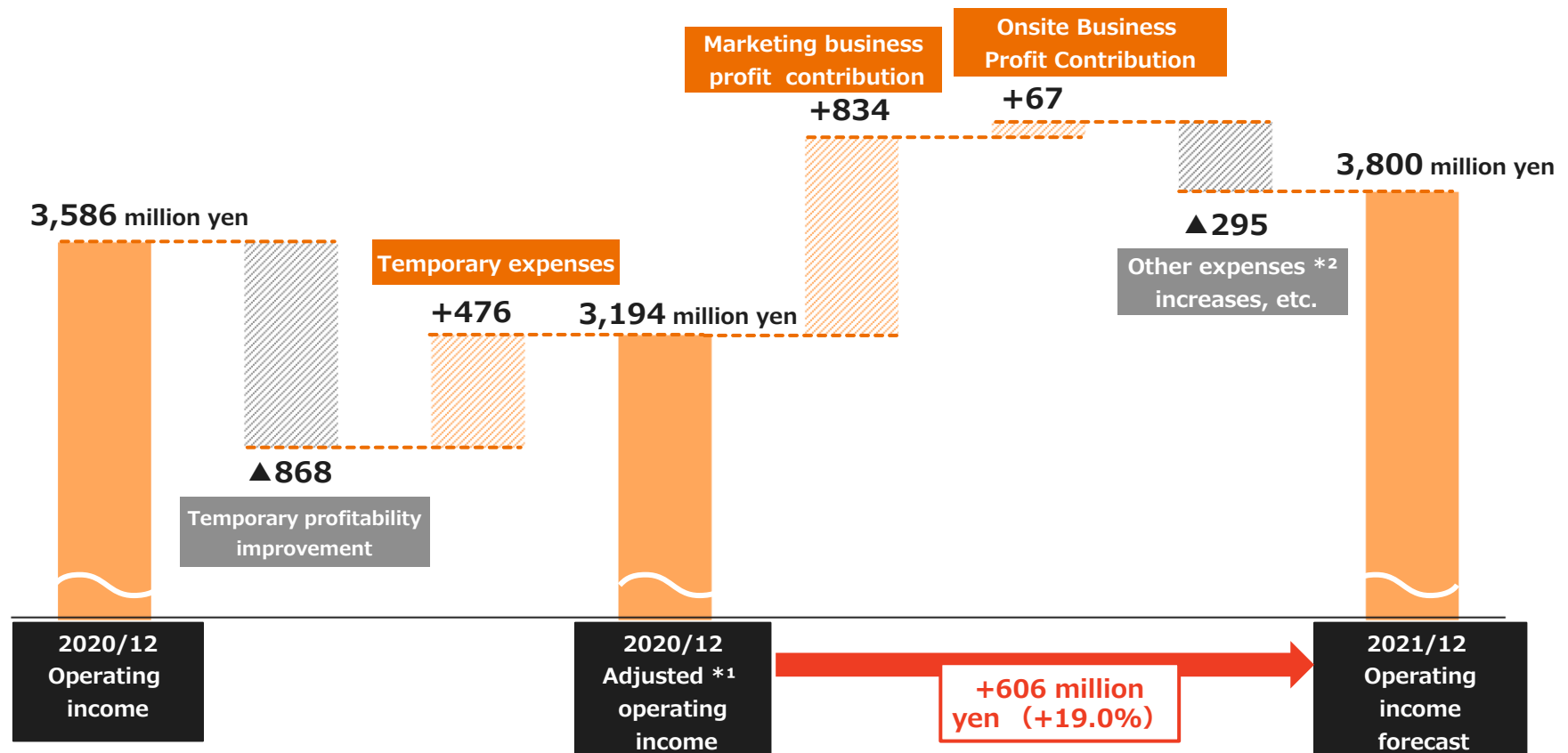
*1 Profit attributable to owners of the parent

*2 EBITDA = operating income + depreciation + amortization

Factors for increases and decreases in the forecasted operating income

- Since operating income for the previous fiscal year included some temporary factors adjusted operating income starts lower.
- Operating income is anticipated to increase by 20% compared to that.

YoY comparison of consolidated operating income forecast



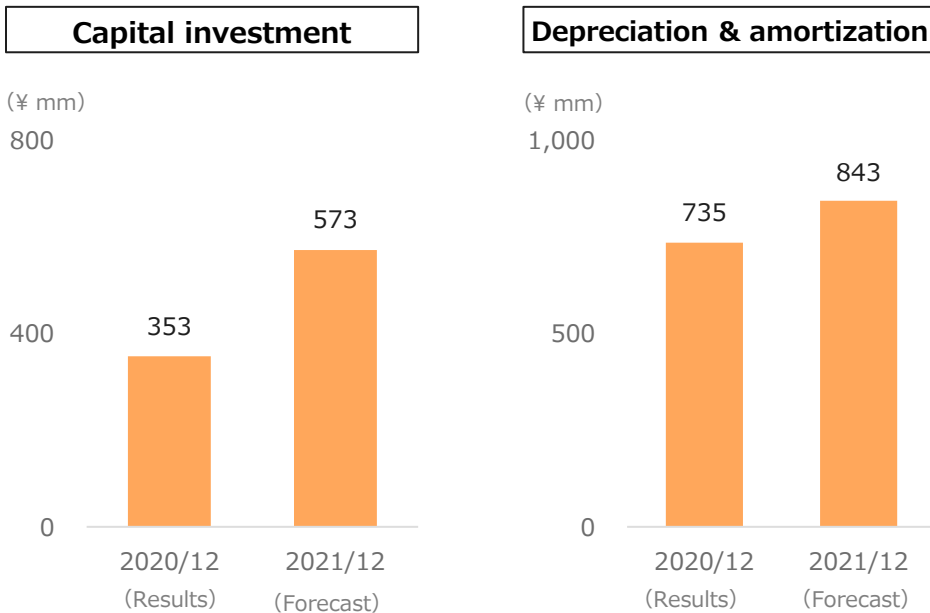
*1 Operating income after deducting temporary factors from operating income (FY2020/12)

*2 Elimination of inter-segment transactions, company-wide costs, etc.

Investment Plan

- In response to business expansion, we plan to expand offices and aggressively invest in system investment to improve business efficiency, AI development costs to improve matching accuracy between communicators and operations and improve operational efficiency of communicators.

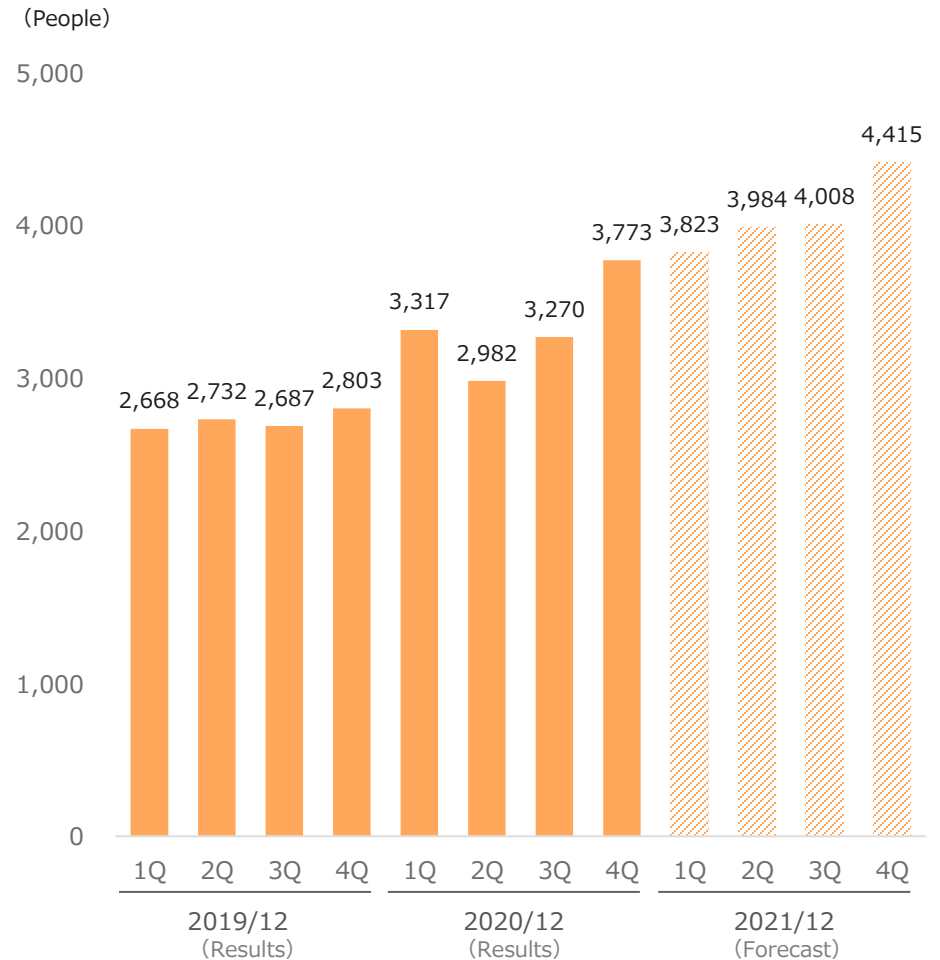
Capital investment plan and depreciation outlook



Major capital investment plans (FY2021/12)

- Base addition : 265 million yen
- AI development cost : 50 million yen
- Other system costs : 258 million yen

Personnel mobilization plan (number of operation personnel)

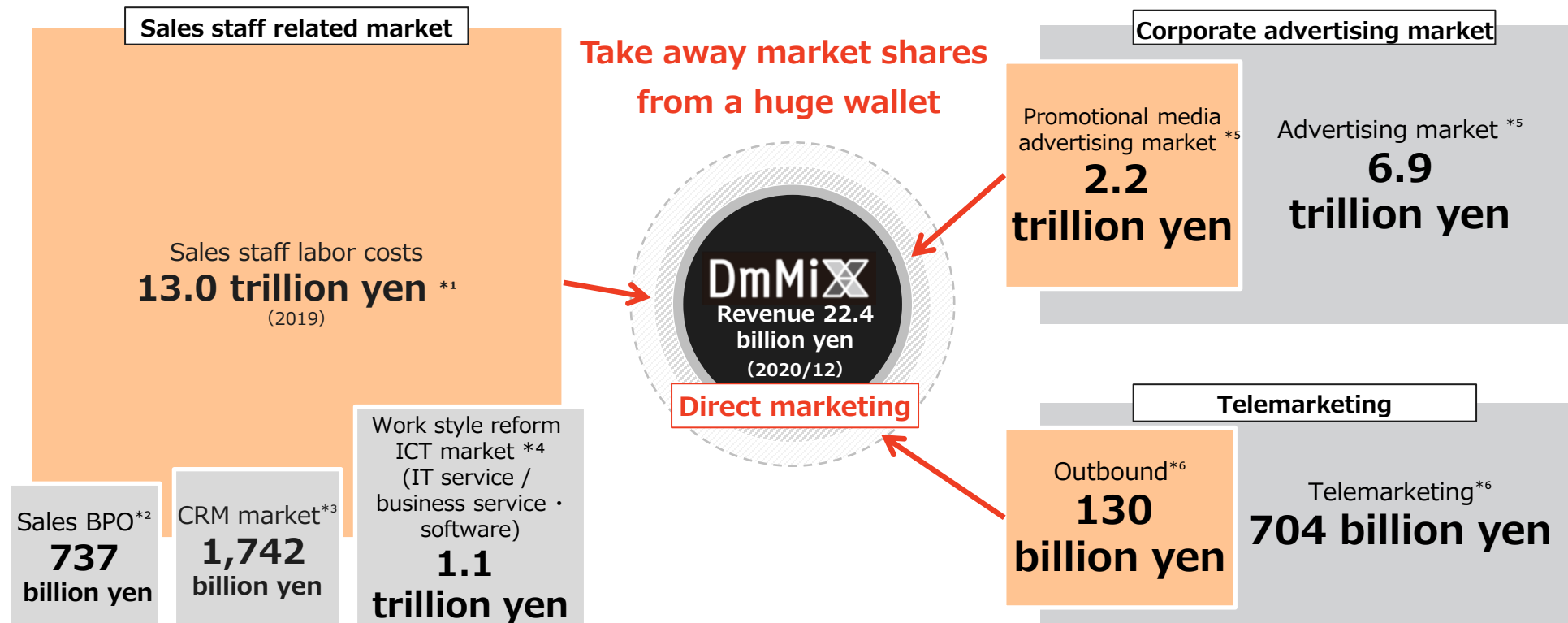


5. Mid-term growth outlook

DmMiX's vast target market

- Our target market has a vast scope for development beyond telemarketing.

Advertising and SG & A expenses for target clients (sales staff personnel expenses)



*1 Calculated based on the number of sales staff x average salary income in Japan. According to the Ministry of Internal Affairs and Communications "Labor Force Survey", the number of sales workers who work 35 hours or more a week is 2.99 million. According to the National Tax Agency "Private Salary Survey", the average salary income is 4.36 million yen.

*2 Yano Research Institute "BPO market reality and prospects 2020-2021"

*3 IDC Japan "Domestic CRM Application Market Forecast (June 25, 2020)"

*4 IDC Japan "Domestic Work Style Reform ICT Market Forecast (August 2020)"

*5 Dentsu "2019 Japan Advertising Expenses"

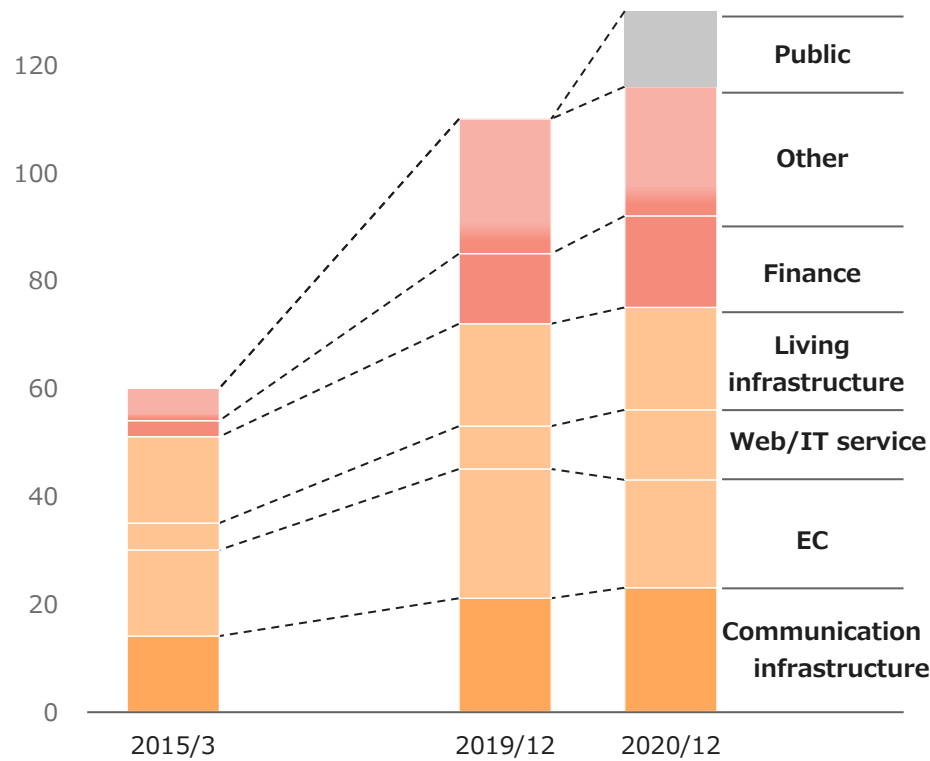
*6 Yano Research Institute "Call Center Market Overview 2020-Services & Solutions-"

Current earnings base and future focus sectors

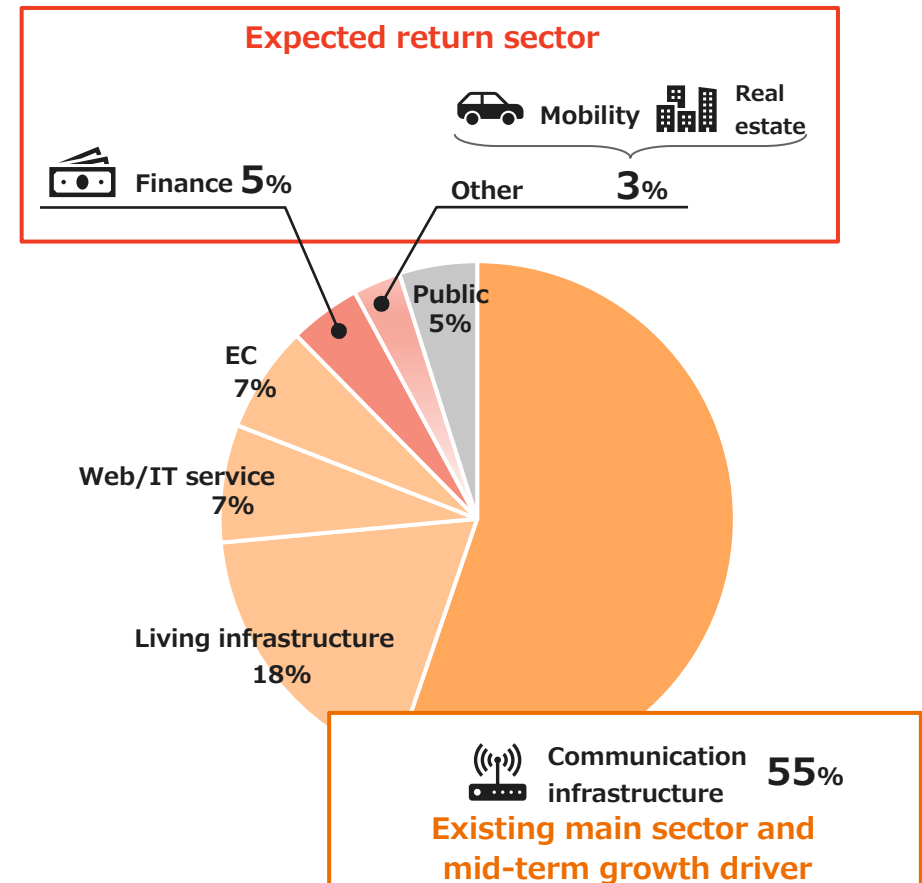
- Build a diversified customer portfolio based on the number of clients. **Acquire many potential monetization points**
- As potential market development, we aim to **expand the main telecommunications sector and make it a second and third profit sector.**

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

(Number of companies)
140



Revenue composition ratio by industry (FY2020/12)



Scope for growth in existing main sector (communication infrastructure)

- Revenue earning share in the telecommunications infrastructure sector is **still limited at around 0.5%**, and we have a huge business opportunity in reaching the needs for a wide user base

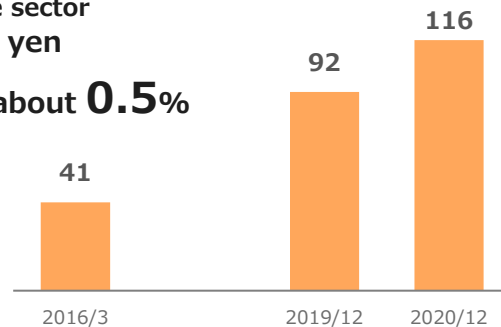
Revenue potential of the telecom. infrastructure sector



Achievements in the telecommunications infrastructure sector

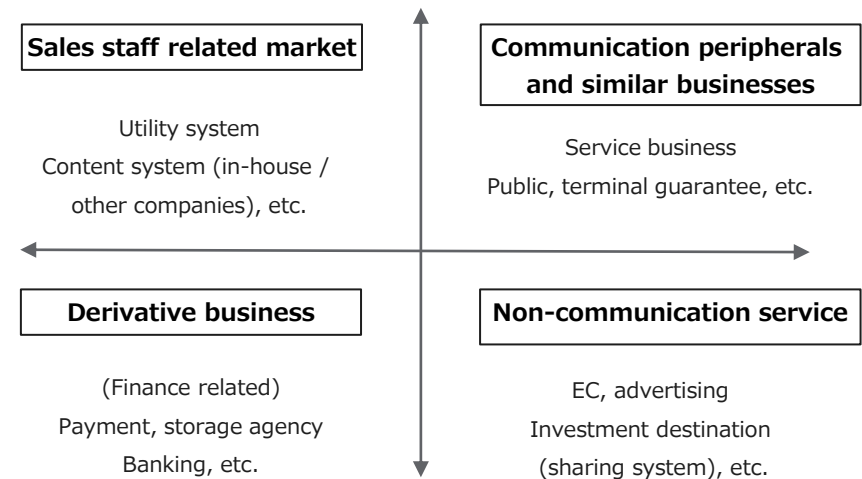
Revenue **11.6 billion yen**

Operating cost share about **0.5%**



Challenges in the telecom. infrastructure sector and business opportunities

Diversifying services



Huge user base

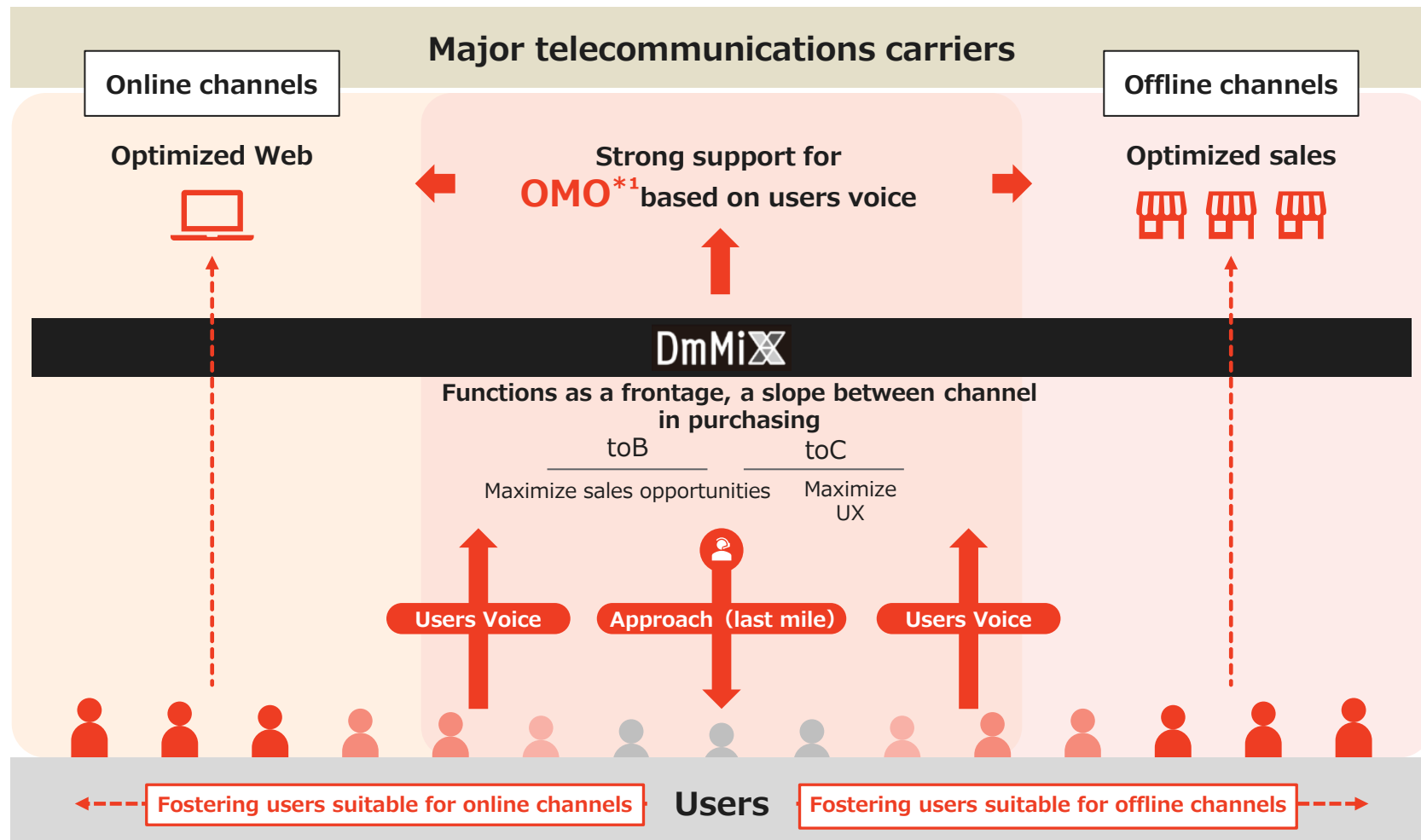
Total number of users (number of contracts) *1

180 million cases

Limited reach to users · Cannot capture user's voice

Acquiring profit opportunities by solving client issues

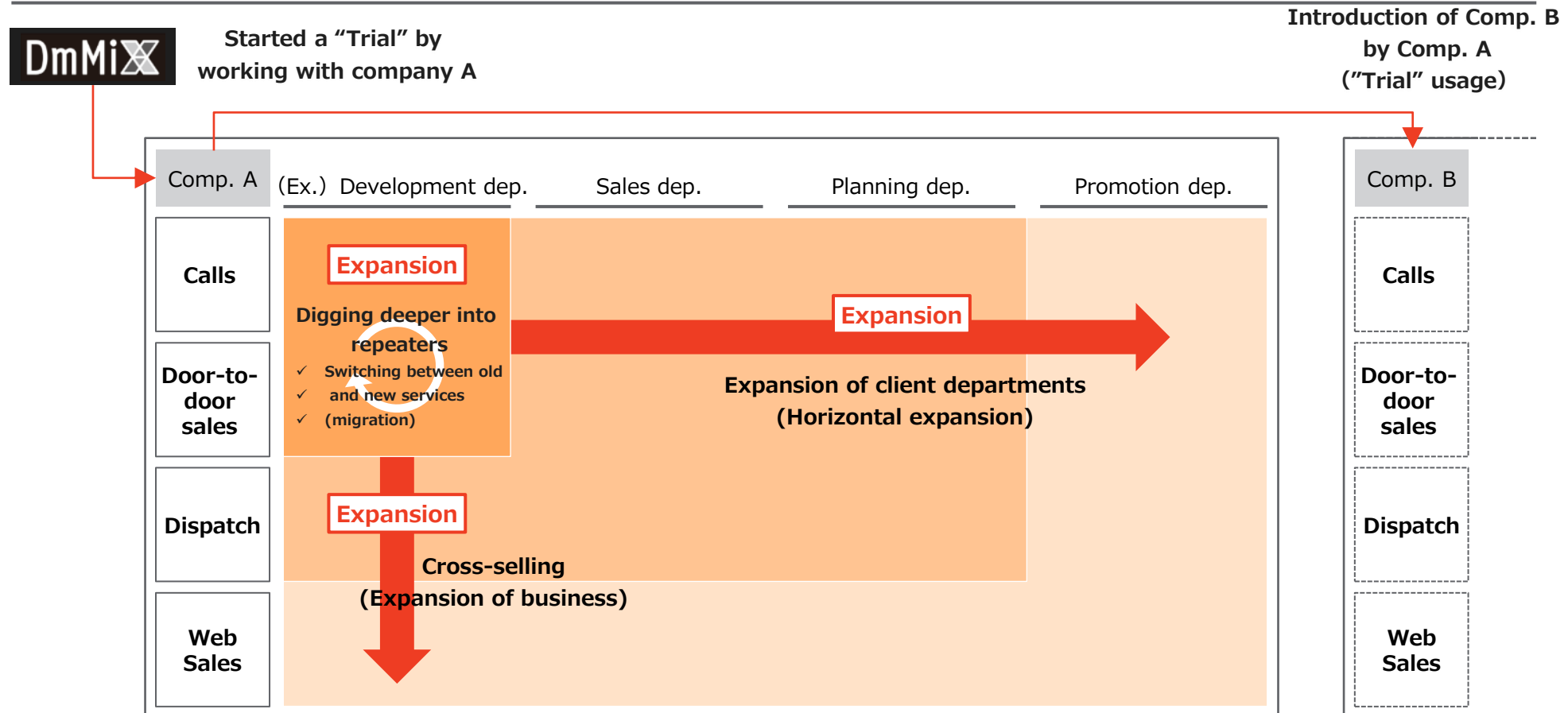
- Strongly support client's **OMO^{*1}marketing** and capture further profit opportunities as a slope between channels



Client acquisition and business expansion

- Acquire new clients through active sales and referrals, and **steadily expand business with highly satisfying results**
- For existing clients, **expand transactions by digging deeper through repeats, expand operations, and expand trading departments horizontally.**

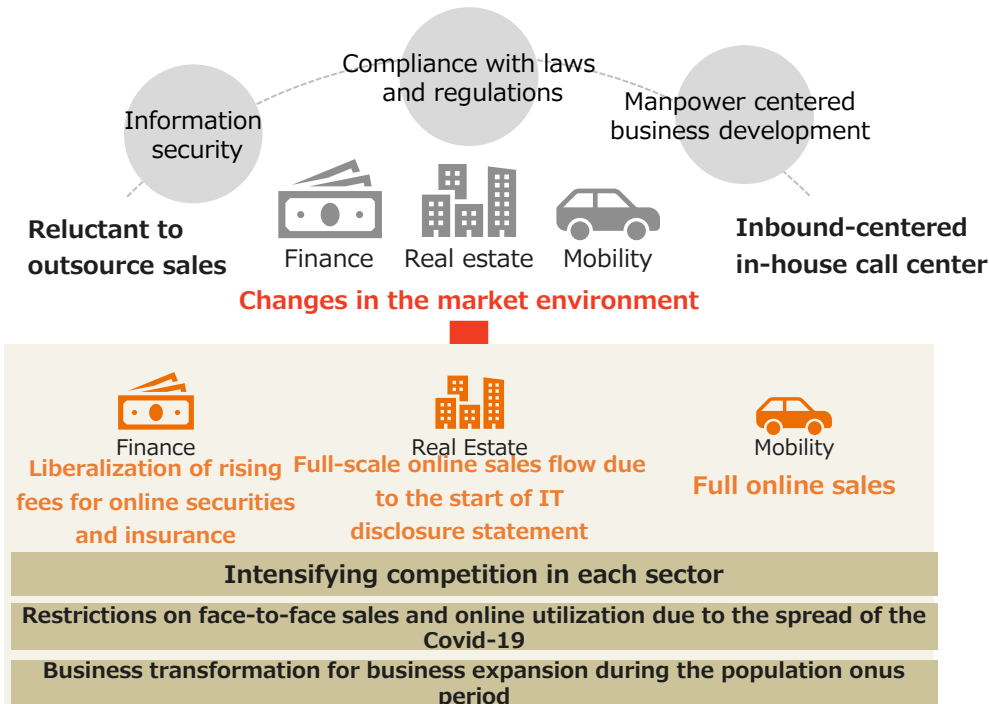
Image of expansion of existing business from acquisition of new clients



Game change in the sales solution market (monetization of expected sectors)

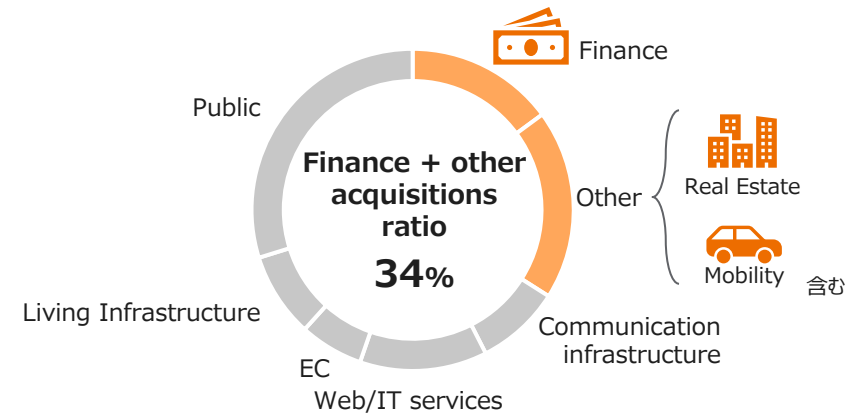
- The financial, real estate, and mobility sectors have **the same potential market size as the current mainstay telecommunications infrastructure sector.**
- Utilizing the know-how cultivated in the telecommunications infrastructure sector, cultivate a market where **sales outsourcing has not yet penetrated.**

Expansion policy to expected sectors



Responding to new movements in the industry
(face-to-face sales x telemarketing).
Utilizing the outbound know-how cultivated
in the communication infrastructure sector,
aim to monetize in 3-5 years

Composition of new clients by industry in FY2020 (based on the case numbers)



Expected sector acquisition status

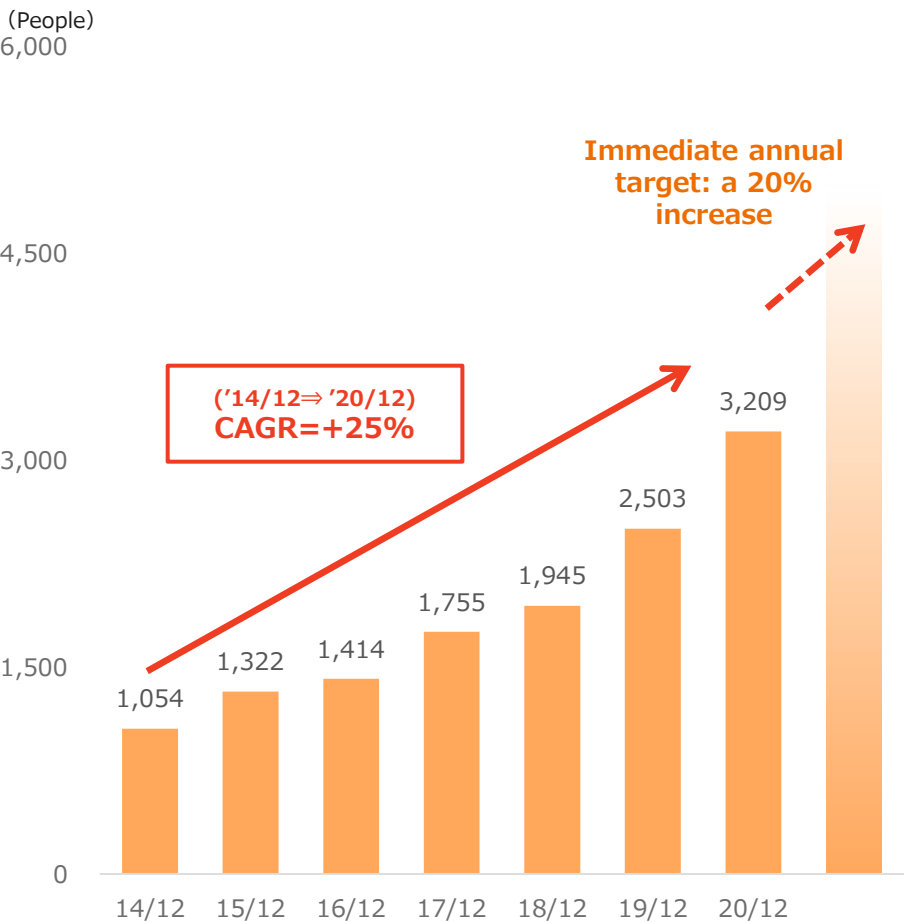




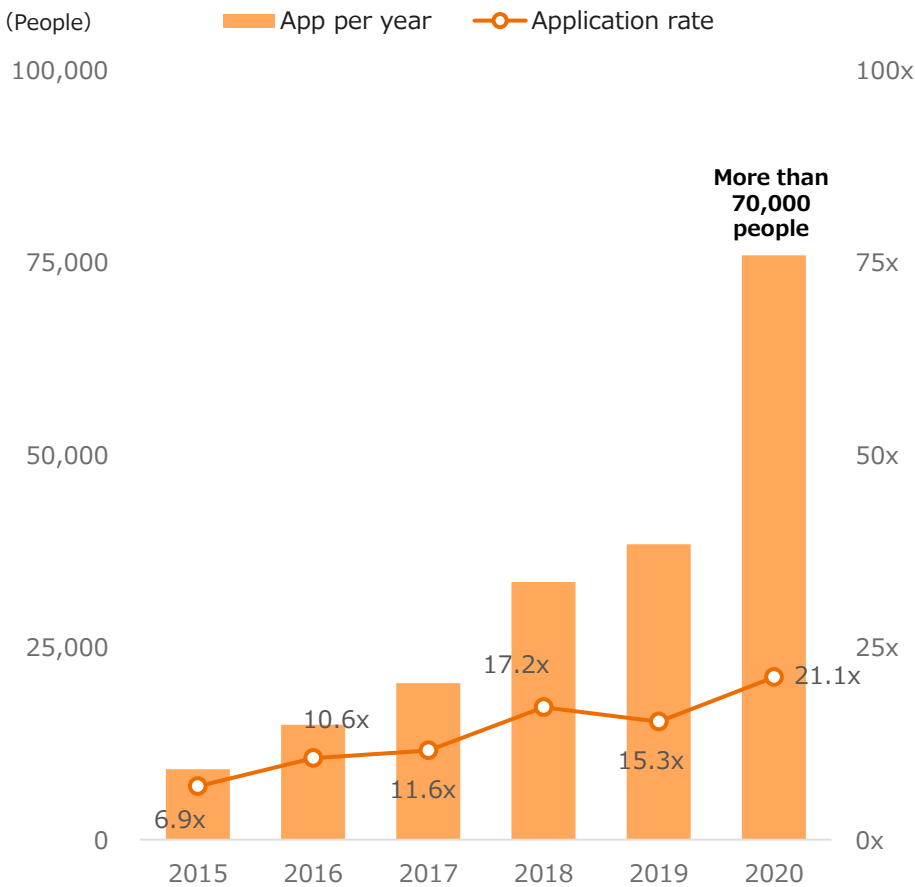
Steady increase in human resources / scope for talent acquisition

■ The number of communicators has steadily increased as we have grown, and there is **ample room for hiring as the business expands in the future.**

Changes in the number of communicators*1



Changes in the annual number of applications for communicators



*1 Numbers from CRTM, a major subsidiary

Various human resources of our group

- We realized a flexible work system and build a **diverse pool of earning personnel with various backgrounds**. We also contribute to ensuring social mobility.

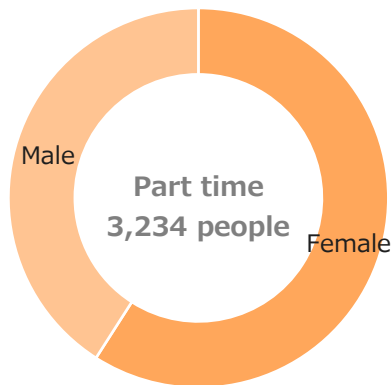
Various attributes

- Educational background and skills do not matter
- Comfortable environment for women in their 20s

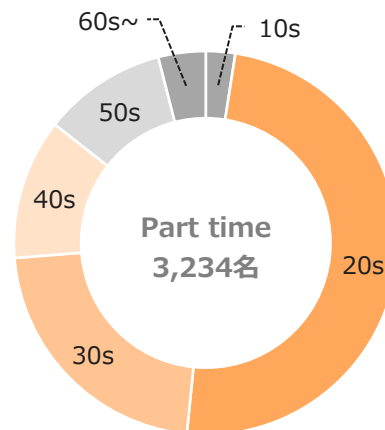
Flexible work system

- Flexible work system that allows you to work from 3 hours a day, 1 day a week
- It is possible to secure a wide range of resources by responding to the needs of diverse work styles.

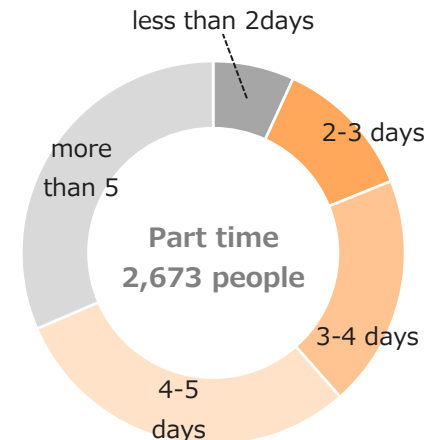
Gender*1



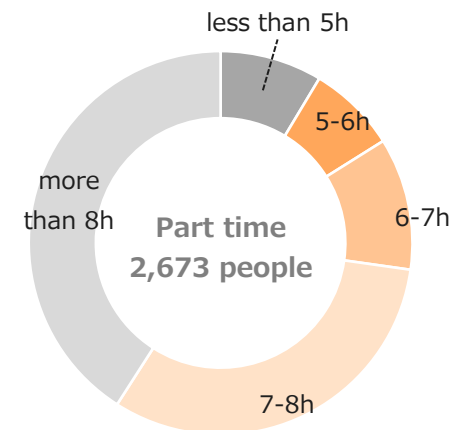
Age*1



Working days per week*2



Working hours per day *2



*1 As of the end of December 2020. Percentage of part-time jobs (3,234 people)

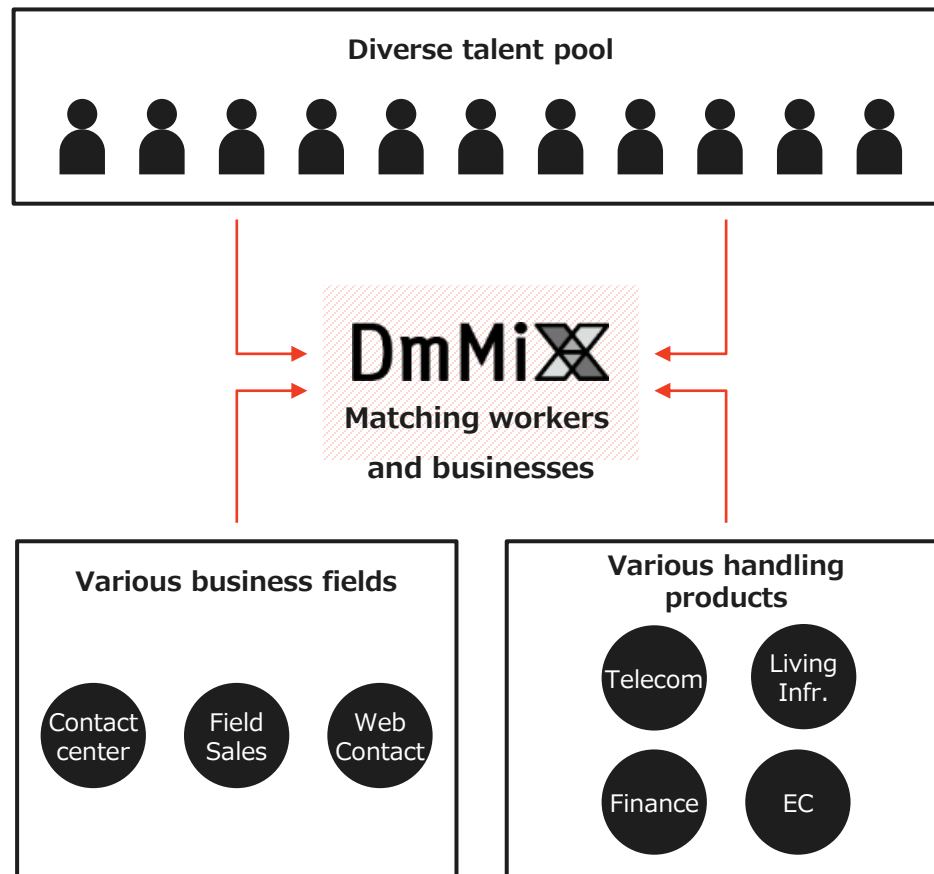
*2 As of the end of December 2020. Calculated based on the average attendance for the three months from October to December 2020. Does not include months with 0 working days. Part-time jobs without work (leaves, etc.) are not counted

System that supports the stable expansion of the human resources pool

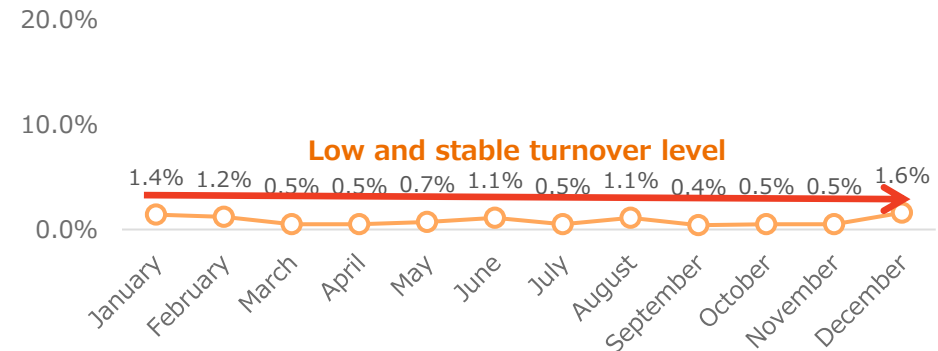
- The business matching system **stabilizes the human resources pool. The workplace is preferred by many job seekers**, with many past staff members wishing to be re-employed once again.

Stabilize the human resources pool by matching human resources and operations

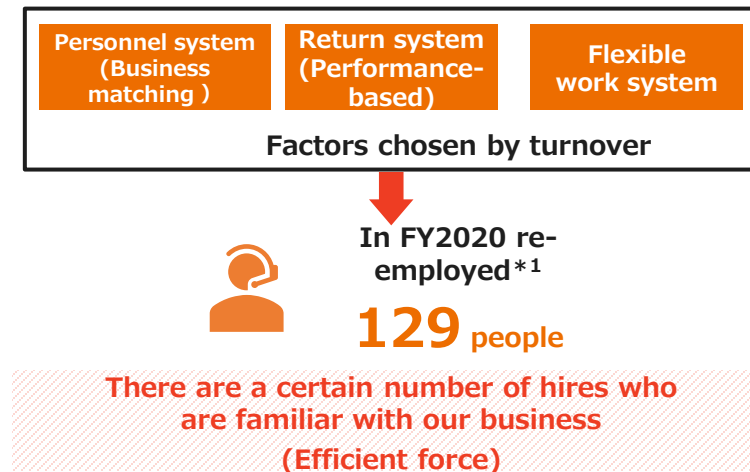
Matching the best work for individuals through job rotation and introduction to other industries



Monthly turnover rate (FY2020)



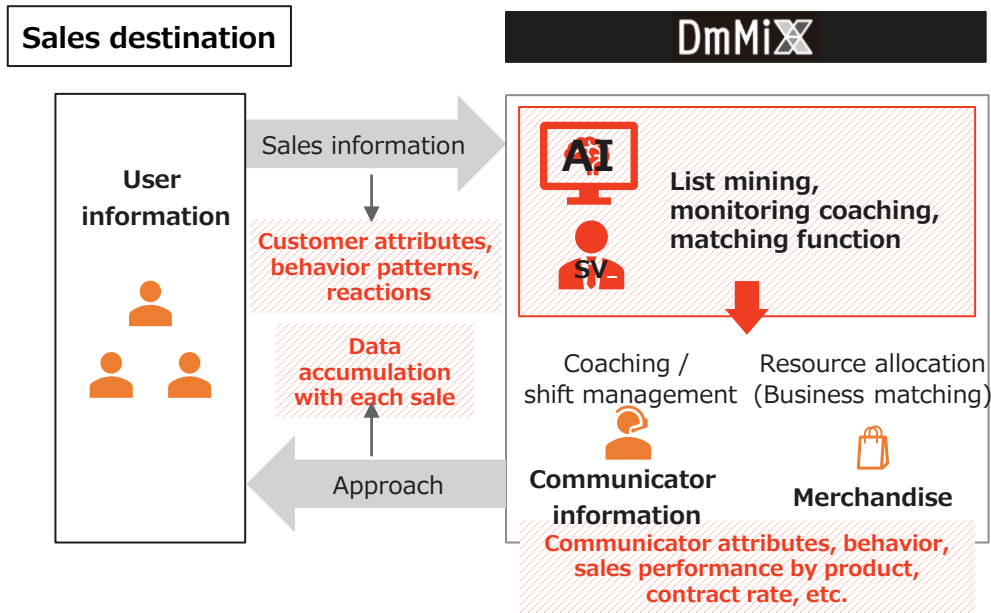
Available re-employed



Acceleration of growth by AI utilization

- For AI development, even at the stage of trial introduction of some functions, a large effect has already been proven. This function aims to be introduced in 2021.
- We will expand the AI utilization function and introduce it to both management and communicator operations.

Overview of an AI system



Factors for accelerating growth

Mid-term aim

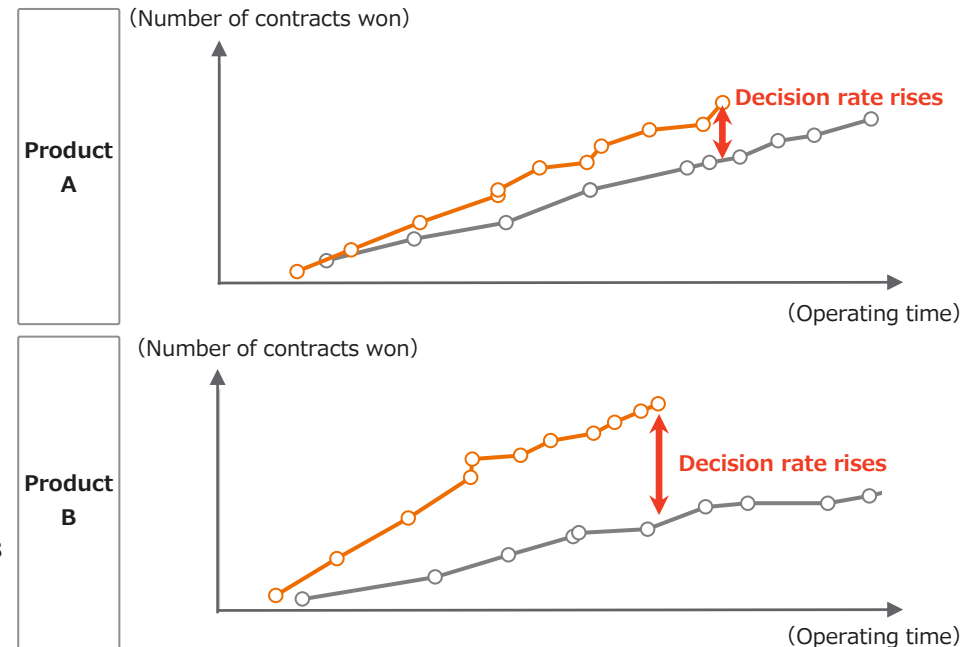
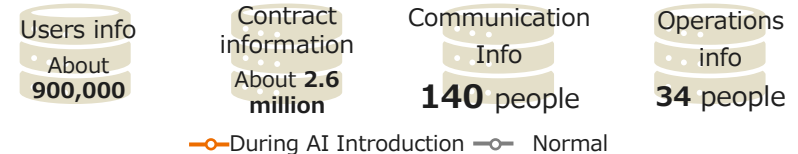
- Increase user loyalty
- High performers training
- Further focus on the last mile (reduction of backyard operations)
- Efficient customer monetization
- Customer retention effect
- Increase in ARPU
- Improvement of profit margins



Partial AI test introduction effect

- Trial introduction of AI system centered on list mining with two products
- Confirmed the results of AI introduction that greatly exceeds the conventional productivity

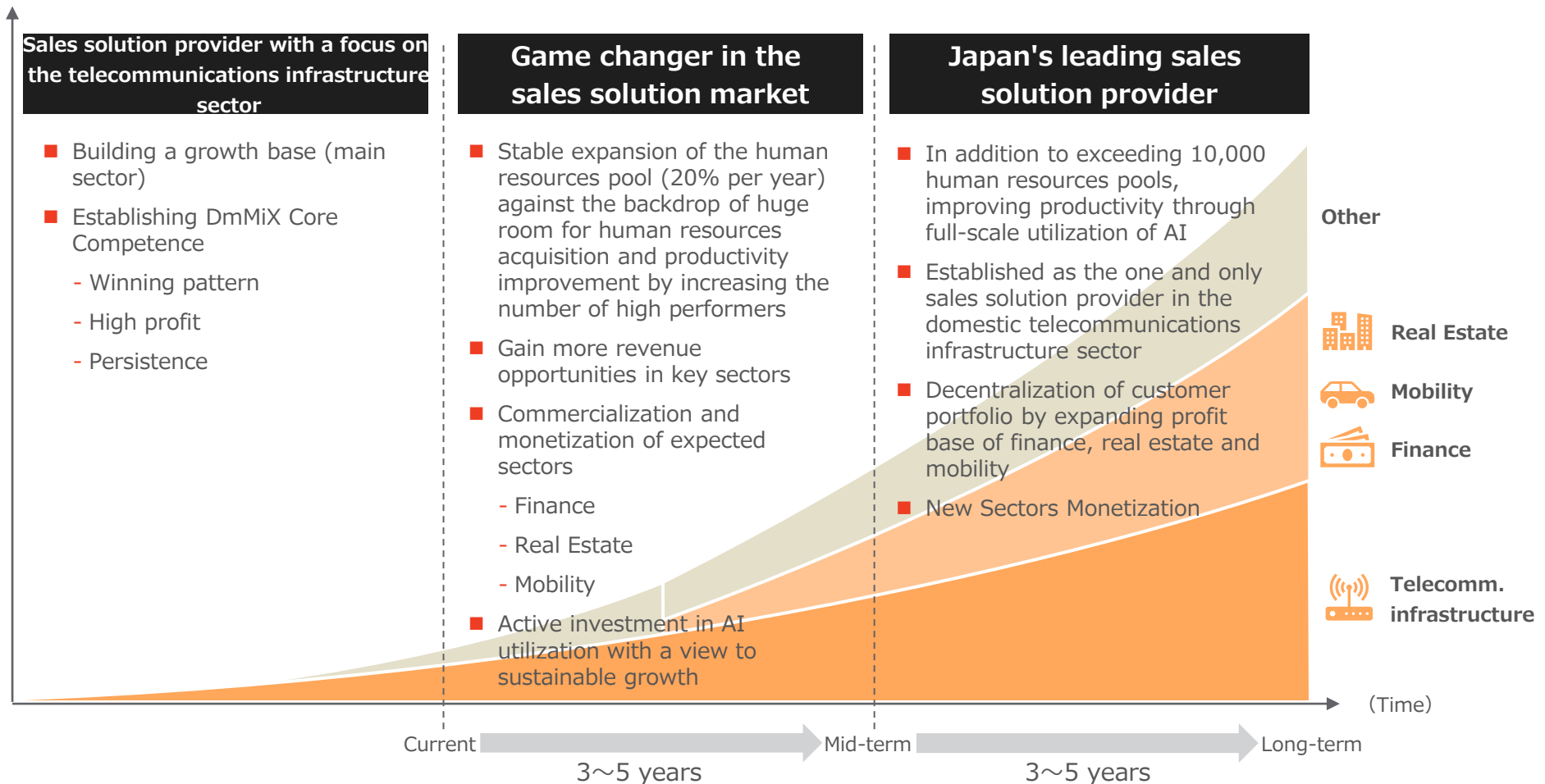
AI utilization data implementation



Long-term growth prospects

- For short to mid-term, the main driving force will be **communications infrastructure sector**.
- For mid-long term, **In addition to entering the monetization phase of the expected sector, we will accelerate growth by utilizing AI.**

(Profit scale)

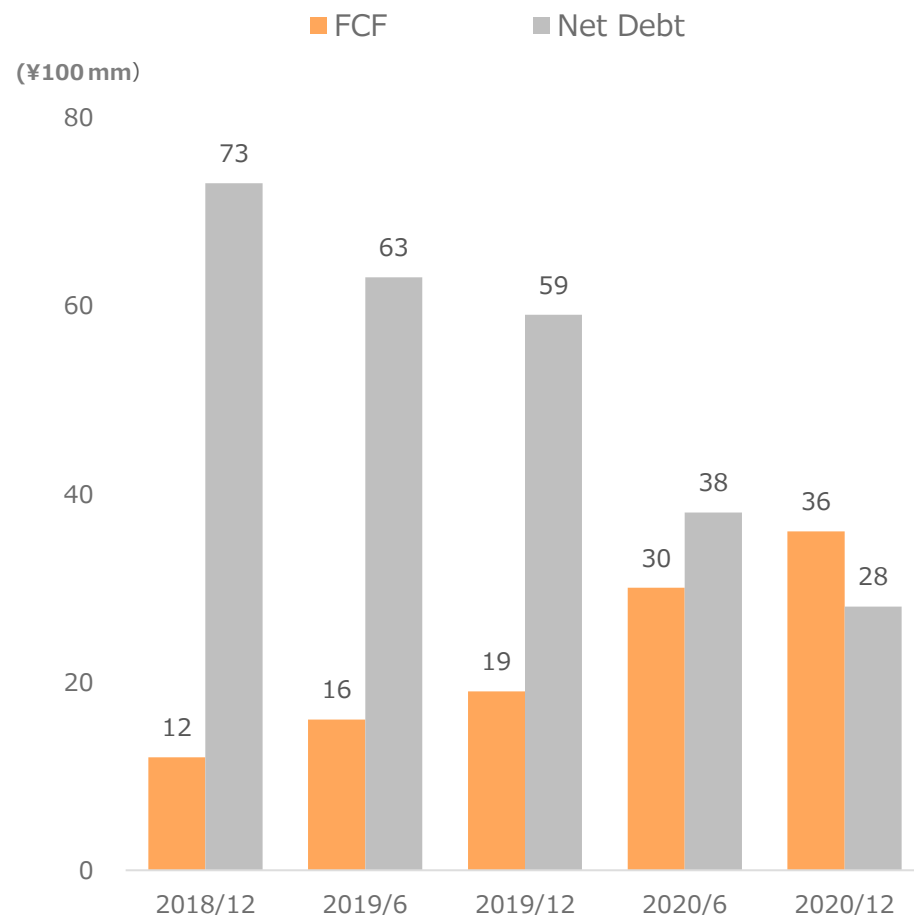


Appendix

Solid Cash Flow and Return Policy

- Target total return ratio of **40%**, considering capital policy including **buybacks**

Historical FCF and Net Debt*1

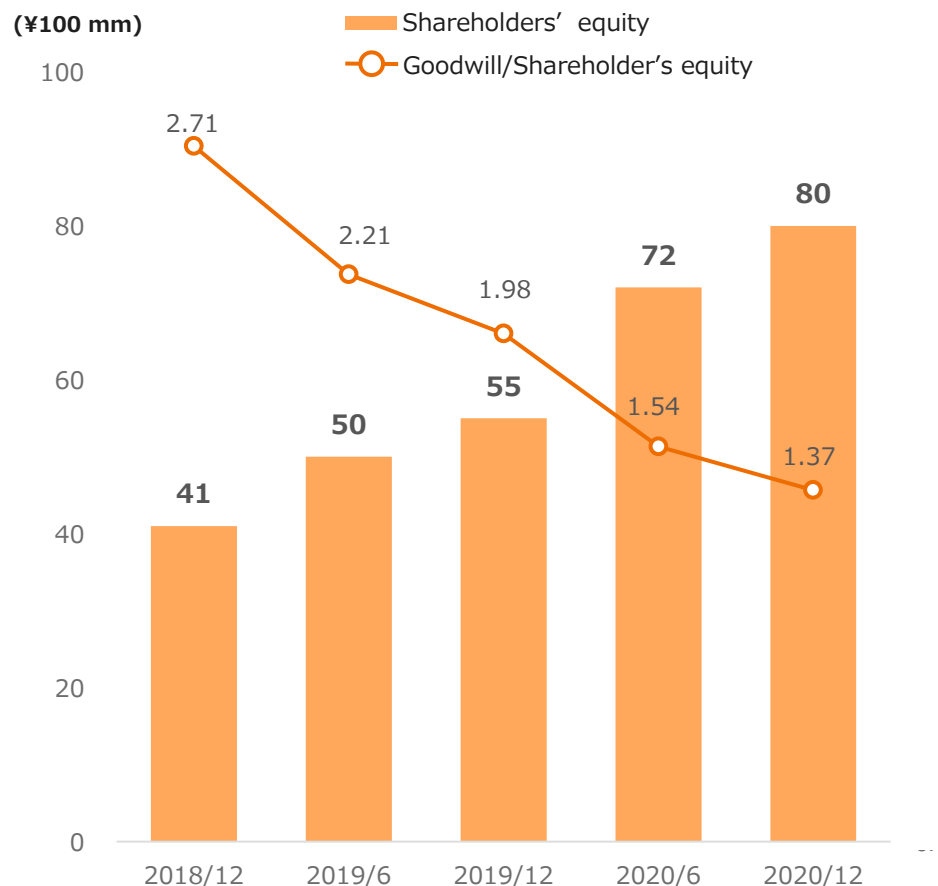


Return Policy

- We consider the profit return to shareholders as one of the essential management policies 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 buybacks** to prepare for the exercise of share options in the future

About Goodwill

Historical Shareholders' equity and Goodwill/ shareholders' equity ratio



Reference on Goodwill in the prospectus (excerpt)

【Risk factors】 We have significant goodwill within total assets

- Recoverable amount at the end of this consolidated fiscal year significantly exceeds the carrying amount of enterprise value, referred to as the group assets excluding directly-associated liabilities of the cash-generating unit; therefore, even in case of altering major assumptions to a reasonable extent, we assume it is unlikely that recoverable amount of the cash-generating unit or the group falls below the carrying amount. **Impairment loss may occur if the pre-tax discount rate for marketing business rises by 10.0% or the estimation of future cash flow including terminal value decreases by 53.5%; however, we assume impairment is unlikely as the recoverable amount sufficiently exceeds the carrying amount of enterprise value even in case of 0% growth in the next 5 years.**

【Notes on goodwill and intangible assets】

- Regardless of whether there is an indication of impairment, we conduct an impairment test every year (end of December). We determine the timing for impairment tests respectively considering the timing of formulating the related business plan. We conduct impairment tests if there is an indication of impairment.
- Use values are calculated based on cash flow estimation according to the business plan and growth rate with board approval reflecting historical data for the next 3 years from the next consolidated fiscal year, considering terminal value for the years beyond, and discounted back to present value by the discount rate based on pre-tax weighted average cost of capital of the cash-generating unit.
- Below is the major assumptions on which the management's calculation of the fair values less cost of disposal is based on:
 - Period of future : 3 years
(3 years in the previous consolidated fiscal year)
 - Growth rate for extending the cash flow estimation : 0% (0% in the previous consolidated fiscal year)
 - Pre-tax discount rate applied to cash flow estimation : Marketing business 8.24%、On-sit business 11.37%
(11.70% and 12.02% respectively in the previous fiscal year)

DmMiX