

A Total Sales/Marketing Solution Provider for Maximizing Client Profitability

Direct Marketing MiX Inc.

Financial results briefing (FY12/2022 1Q)

May 13th, 2022



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Financial Results Highlights (FY12/2022 1Q)

- Sales revenue : Succeeded in expansion of order capacity through capital investment in FY12/2021. Growth accelerated with a **42.5% YoY increase** in sales due to steady seizing of increased demand
- Various profits : In addition to the increase in sales revenue, profitability improved as our strategic objective of hybrid operations in the inbound/outbound business, went into full swing. Achieved an **81.2% YoY increase** in EBITDA*¹

Topics

Sales revenue (by sector)

- Telecommunications infrastructure : Continued steady growth
- Public : Increased recognition in the public sector has led to the acquisition of a new group of national clients with strong presence in the public sector business. Substantial growth, including the COVID-19 vaccination-related business
- Web/IT : Cashless payment continues to expand. Food delivery services declined, but we aim to acquire new clients through horizontal expansion via XaaS

Various profits

- Maintaining a high level of profitability by increasing the ratio of highly profitable projects and flexibly allocating resources to inbound/outbound business
- Operating profit increased significantly, absorbing an increase in depreciation due to capital investment

Sales
revenue

10.1
billion yen

YoY

+42.5%

EBITDA*¹

3.0
billion yen

YoY

+81.2%

Operating
profit

2.7
billion yen

YoY

+84.6%

Net
income*²

1.7
billion yen

YoY

+87.1%

*1 EBITDA = operating profit + depreciation + amortization

*2 Profit attributable to owners of parent

FY12/2022 1Q P/L

- Sales revenue : Consistent expansion in existing sectors and steady progress of **31.2%** against the full-year earnings forecast
- Various profits : Profit margin increased due to the improvement of operational efficiency through hybrid operations of inbound/outbound business, etc. EBITDA^{*2} progressed by **47.3%** against the full-year earnings forecast

Consolidated P/L full-year forecast

(¥ mm)	2021/12 Full year	2022/12 Full year	
	Results	Forecast	YoY
Sales revenue	30,286	32,500	107.3%
Operating expenses	△25,570	—	—
Other revenue	68	—	—
Other expenses	△5	—	—
Operating profit	4,780	5,000	104.6%
Operating profit margin	15.8%	15.4%	△0.4pt
Financial profit	4	—	—
Financial expenses	△141	—	—
Profit before tax	4,642	4,960	106.8%
Income tax expense	△1,426	—	—
Net income^{*1}	3,217	3,430	106.6%
Net income margin	10.6%	10.6%	△0.1pt

EBITDA^{*2}	5,882	6,450	109.7%
EBITDA margin	19.4%	19.8%	+0.4pt

Consolidated P/L 1Q results

2021/12 1Q	2022/12 1Q		
	Results	YoY	Progress rate ^{*3}
7,115	10,137	142.5%	31.2%
△5,677	△7,454	131.3%	—
24	16	—	—
△2	△2	—	—
1,460	2,696	184.6%	53.9%
20.5%	26.6%	+6.1pt	—
0	1	—	—
△106	△12	—	—
1,355	2,685	198.2%	54.1%
△428	△952	—	—
926	1,733	187.1%	50.5%
13.0%	17.1%	+4.1pt	—

1,683	3,049	181.2%	47.3%
23.6%	30.1%	+6.4pt	—

*1 Profit attributable to owners of parent

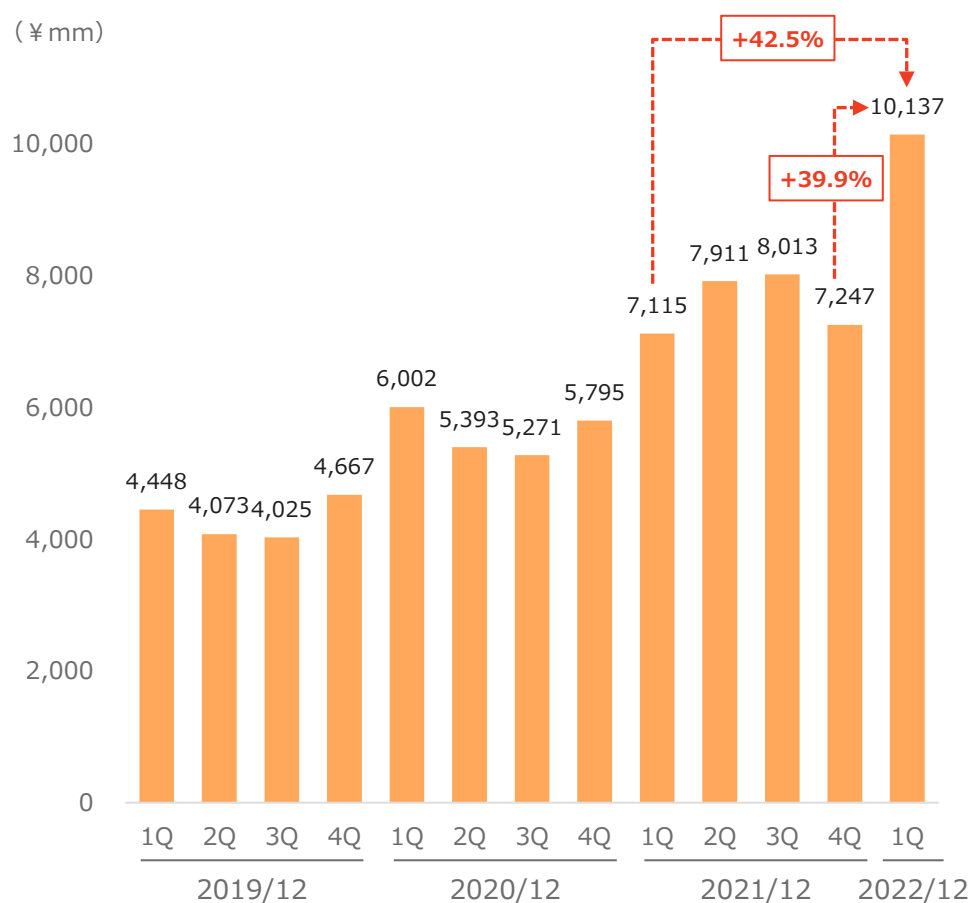
*2 EBITDA = operating profit + depreciation + amortization

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

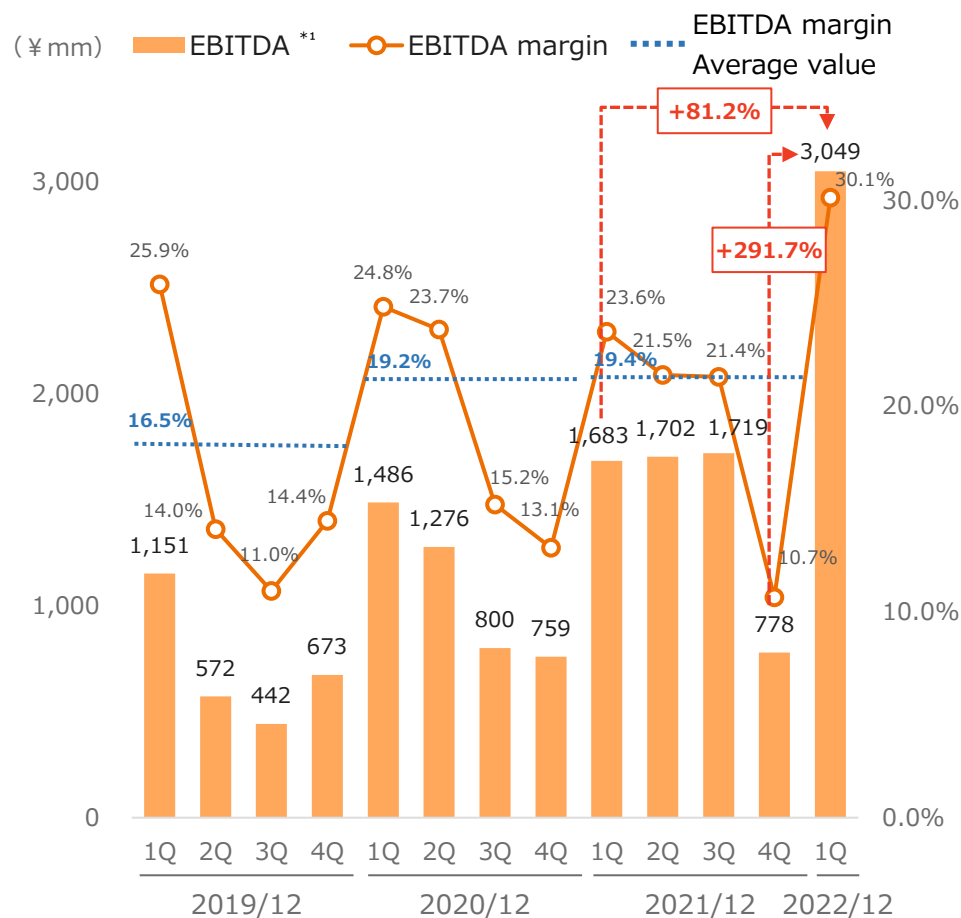
Quarterly Results

- Sales revenue : Increase in revenue by **42.5% YoY** and **39.9% QoQ**. COVID-19 vaccination-related business also contributed to the growth
- EBITDA^{*1} : Significant increase in profit by **81.2% YoY** and **291.7% QoQ**

Quarterly changes in consolidated sales revenue



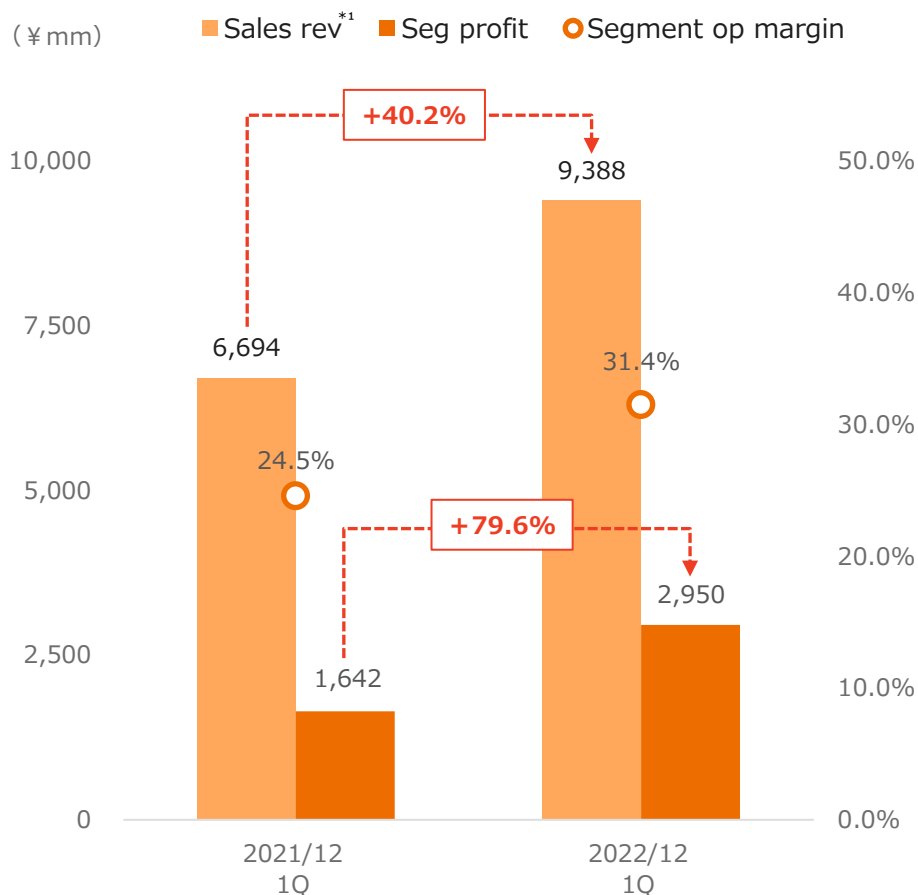
Quarterly trends in EBITDA^{*1} • EBITDA margin



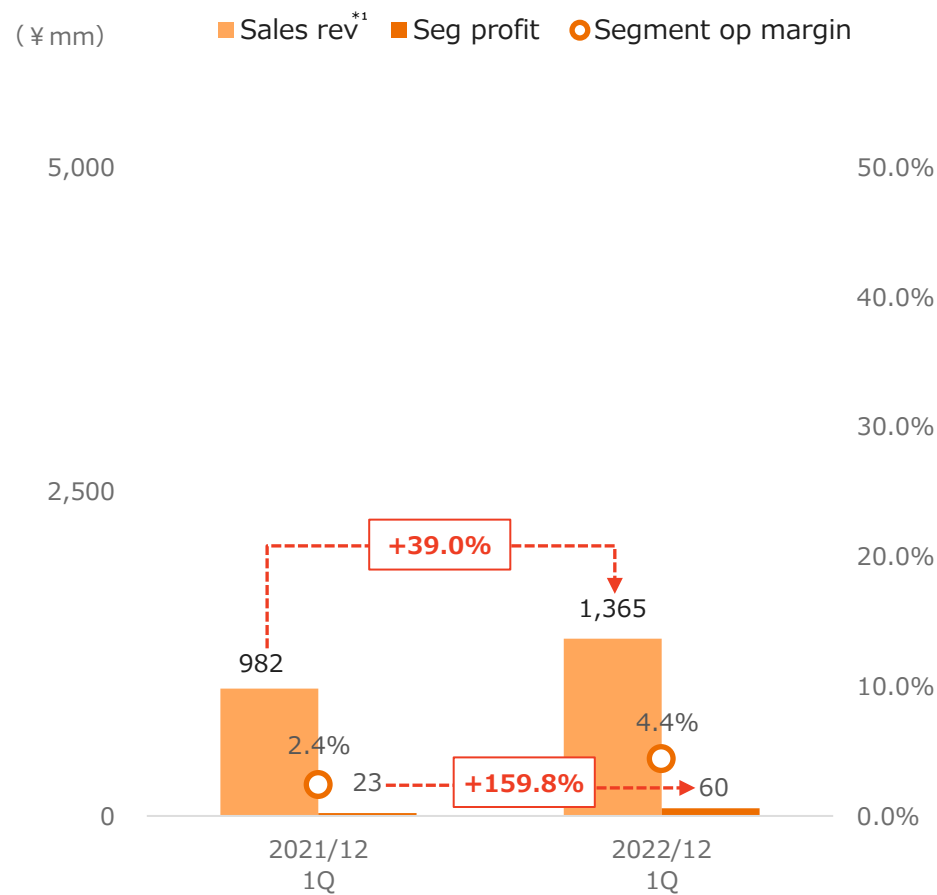
Results per Segment

- Marketing business : Achieved **40.2% YoY** growth in sales and **79.6% YoY** growth in operating profit due to continuous growth in existing business
- On-site business : Sales increased by **39.0% YoY** and operating profit increased by **159.8% YoY** due to steady order growth

Marketing business



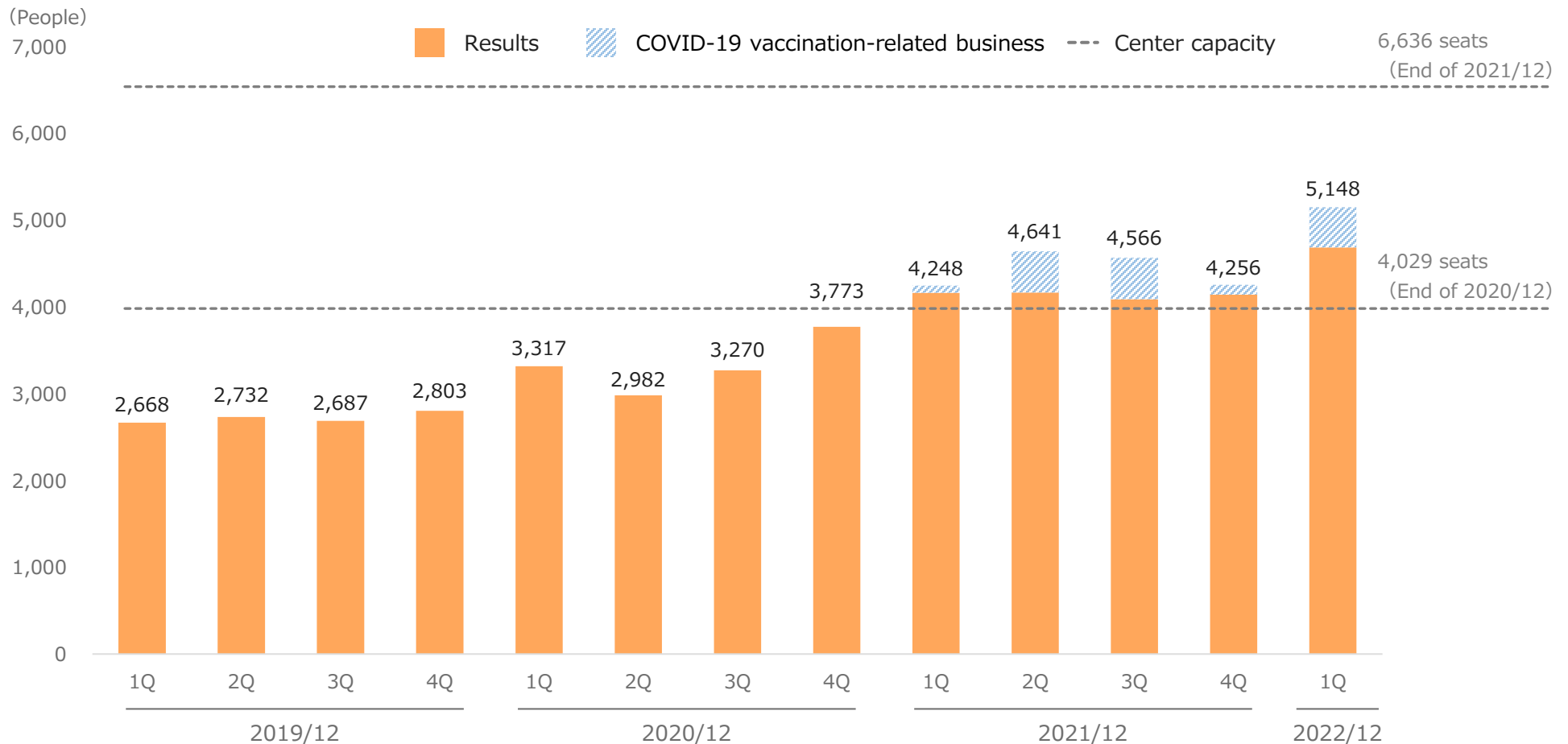
On-site business



Marketing Business KPI

- The number of operating staff*1 : Large-scale development of bases in FY12/2021 increased the center capacity by approximately 2,600 seats. Flexible response to sudden requests for additional seats allowed the number of operating staff to increase to more than 5,000

Quarterly changes in the number of operating staff*1



FY12/2022 1Q 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
- Operating cash flow was negative due to seasonality, but is expected to improve from 2Q onward

Consolidated B/S

(¥ mm)	End of 2021/12	End of 2022/3	Change
Total assets	26,837	28,026	+1,189
Current assets	9,702	10,997	+1,296
Non-current assets	17,135	17,029	△106
Goodwill	10,984	10,984	—
Total liabilities	15,238	14,911	△327
Current liabilities	8,060	8,009	△51
Non-current liabilities	7,178	6,901	△276
Total equity	11,599	13,116	+1,516
Total equity attributable to owners of parent	11,599	13,116	+1,516
Total liabilities & equity	26,837	28,026	+1,189

Consolidated C/F

(¥ mm)	2021/12 1Q	2022/12 1Q	Change	2021/12 Full year (Ref.)
Operating cash flow	△960	△163	+797	4,140
Investment cash flow	△163	△129	+34	△1,428
Financial cash flow	△845	△682	+163	△1,337
Free cash flow	△1,123	△292	+831	2,712

Main factors of increase/ decrease

- Operating CF : +1,330 million yen (YoY) due to increase in profit before tax
△774 million yen (YoY) due to increase in trade and other receivables
*Impacted by the fiscal year-end of a major clients and new project orders with long payment terms, etc. Expected to level off from April onward
+294 million yen (YoY) due to increase in trade and other payables
- Investment CF : +68 million yen (YoY) due to payments of leasehold and guarantee deposits

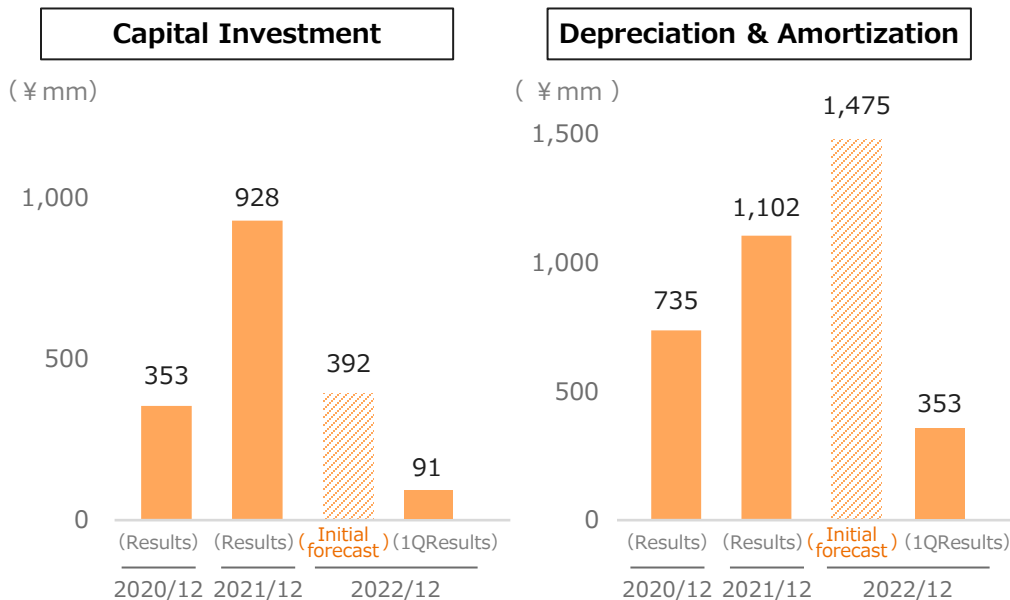
Main factors of increase/ decrease

- Assets : Total assets increased by 1,189 million yen due to an increase in trade and other receivables, etc. (YoY)
- Equity : Total equity increased by 1,516 million yen due to strong business performance (YoY)

Investment Plan

- Capital investment for the current fiscal year is progressing as expected at the beginning of the fiscal year. Although depreciation and amortization will increase, it is expected to be absorbed by the increase in profit
- The number of operating staff*¹ exceeded the initial forecast. Expected to exceed the initial forecast in 2Q as well

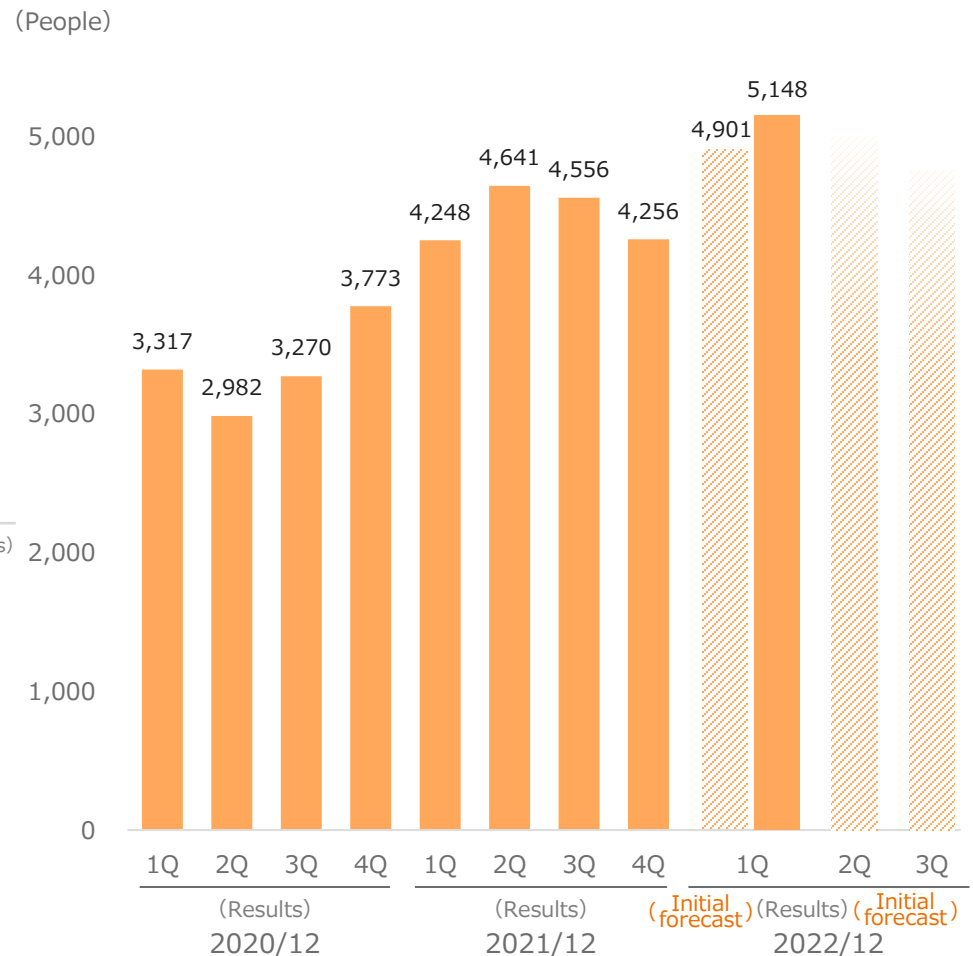
Capital investment plan and depreciation outlook



Major capital investment breakdown

(¥ mm)	2020	2021	2022	
	Results	Results	Initial forecast	1Q Results
Buildings and accompanying facilities	177	492	138	30
Tools, furniture and fixtures	165	405	245	55
Software	11	31	10	6

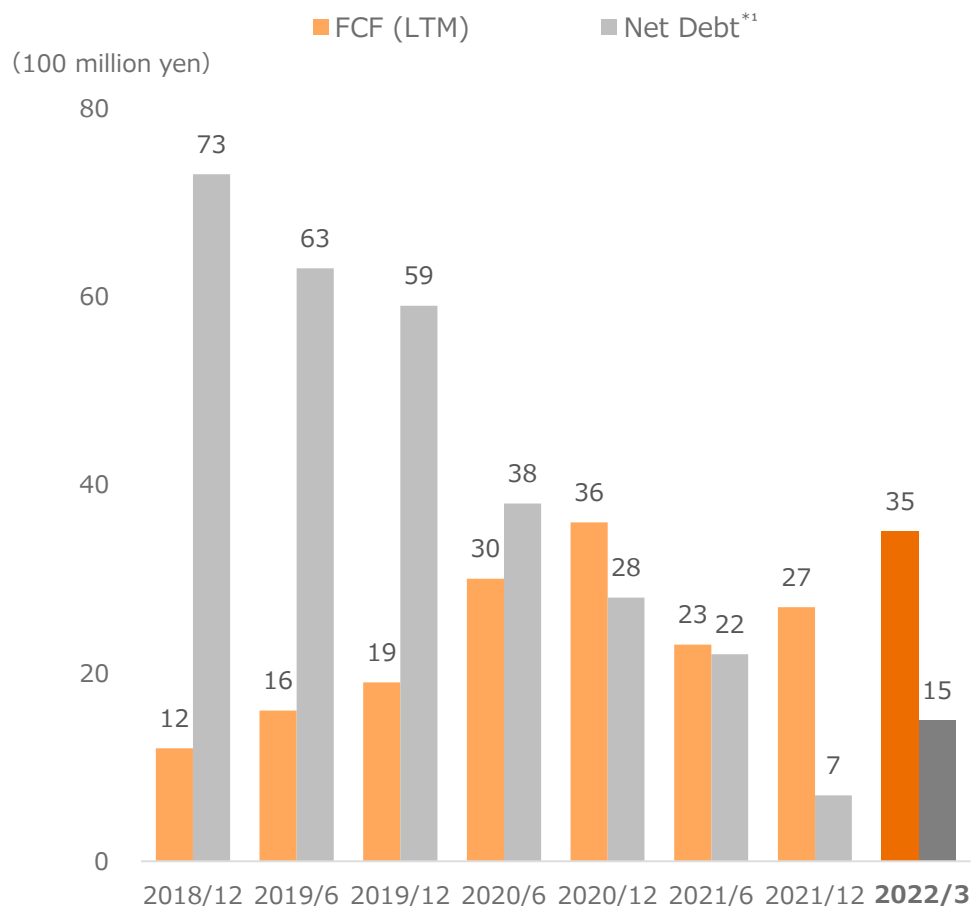
Personnel planning (the number of operating staff*¹)



Solid Cash flow and Policies for Shareholder returns

- Target total return ratio is **40%**, considering capital policy including share repurchase
- FCF decreased in FY12/2021 due to a temporary drop in operating CF resulting from the prolonged contract periods in the public sector, but has been steadily improving since then

Historical FCF and Net Debt*1



Policies for shareholder returns

- We consider the profit return to shareholders as one of the essential management issues 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 share repurchase

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DmMiX Group Overview

- **Sales & marketing professionals**, sustaining sales expansion since the foundation



President and CEO,
Representative Executive Officer

Yuki Kobayashi

1982 Born in Saitama Pref. Japan

2007 Founded Customer

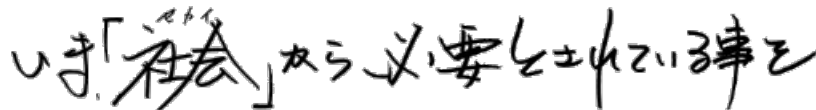
Relation Telemarketing Co., Ltd.

2014 Appointed as CEO

2015 Appointed as CEO of DmMiX (formerly, CRTMHD)

2022 Appointed as Member of the Board of Directors,
President and CEO, Representative Executive Officer
(present post)

Corporate Philosophy



Take on what our society needs now

Vision

In our society, there are things we should not change
With our voice, we must unite and change what must
be changed

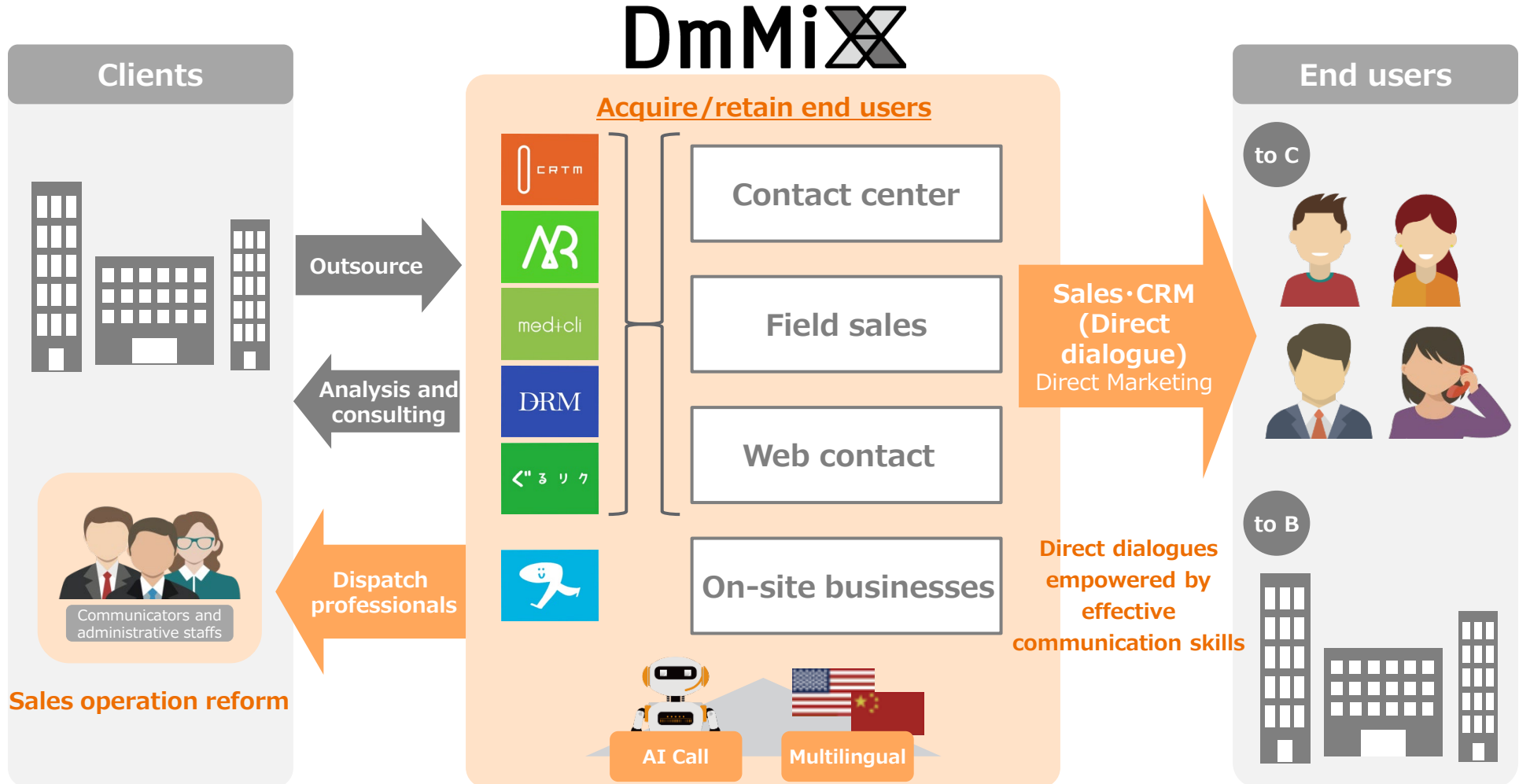
Our Mission



Proactive Sales – Professional Marketing Services

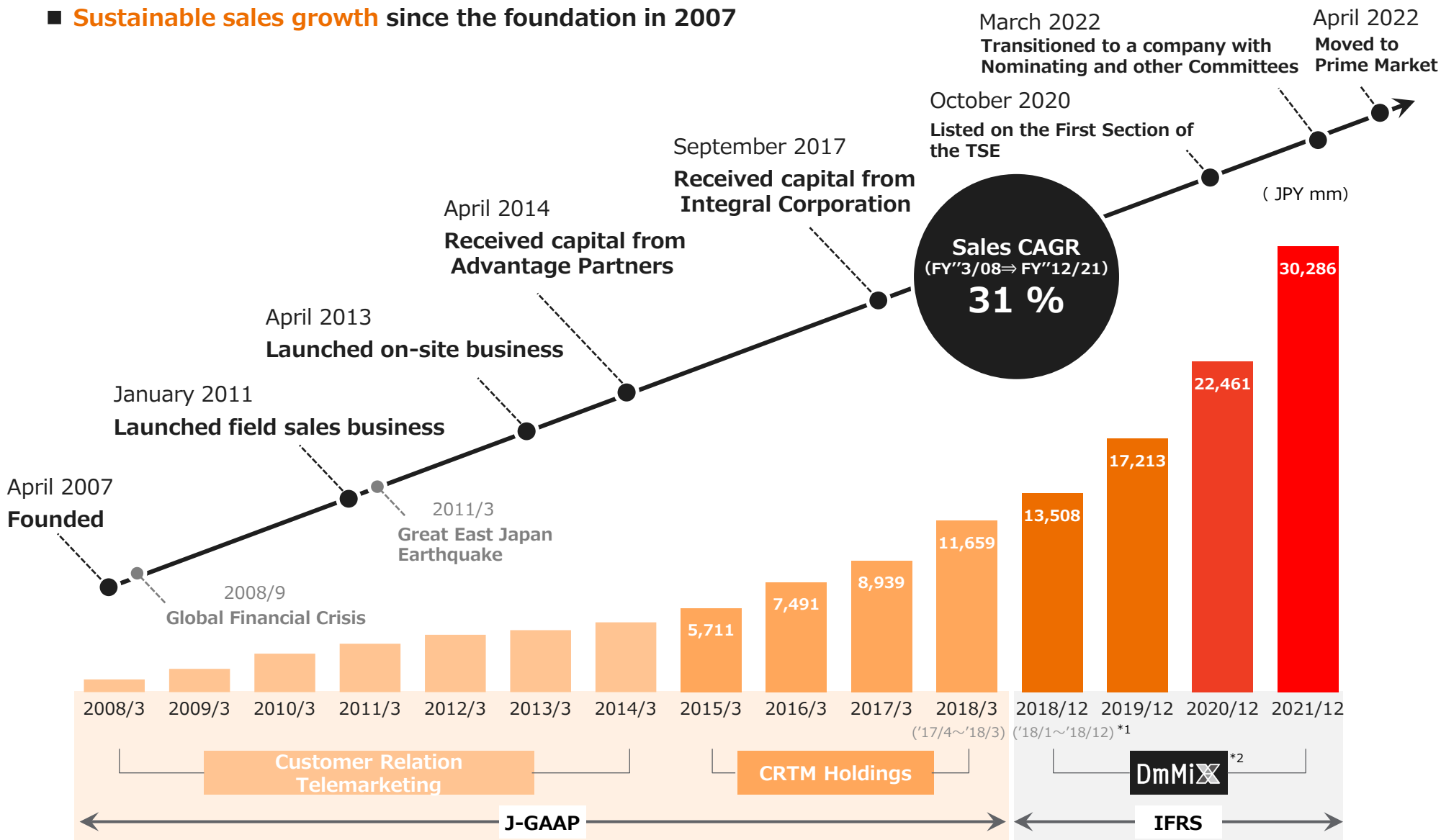
- Direct marketing services provided by our group of sales and marketing professionals

Group of sales and marketing professionals



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 FY3/2018 and IFRS FY12/2018 overlap between January and March 2018

*2 Changed the trade name in April 2018

Solutions provided by DmMiX

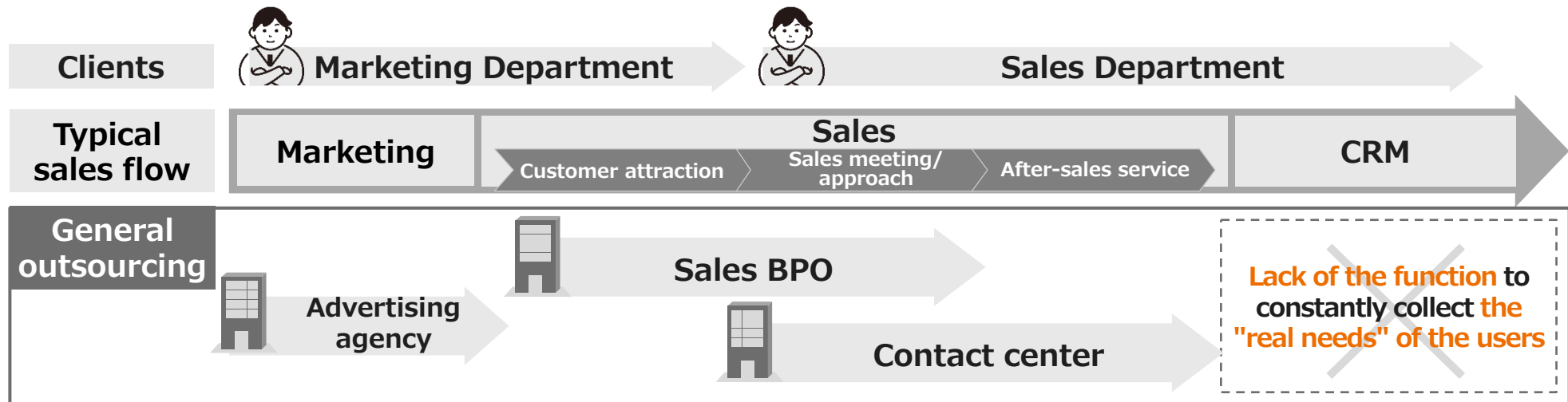
- As a group of sales and marketing professionals, DmMiX makes **a one-stop commitment to all client issues** related to sales and marketing, **from lack of sales force to improvement of cost effectiveness**
- Making it possible for clients to focus on their core business

 Client issues	 Solutions provided by DmMiX
 Lack of sales force	→ Flawless sales system created by a group of sales and marketing professionals
 Improvement of cost effectiveness	→ Improvement of cost effectiveness by outsourcing and performance-based fee
 Lack of skills and resources to sell a variety of products	→ Combining sales know-how cultivated in various industries and with various products with abundant human resources
 Reaching the passive masses	→ Encourage decision-making by working with passive masses through outbound calls
 ARPU improvement	→ Contribute to ARPU improvement by ensuring reach to all users and upsell & cross-sell

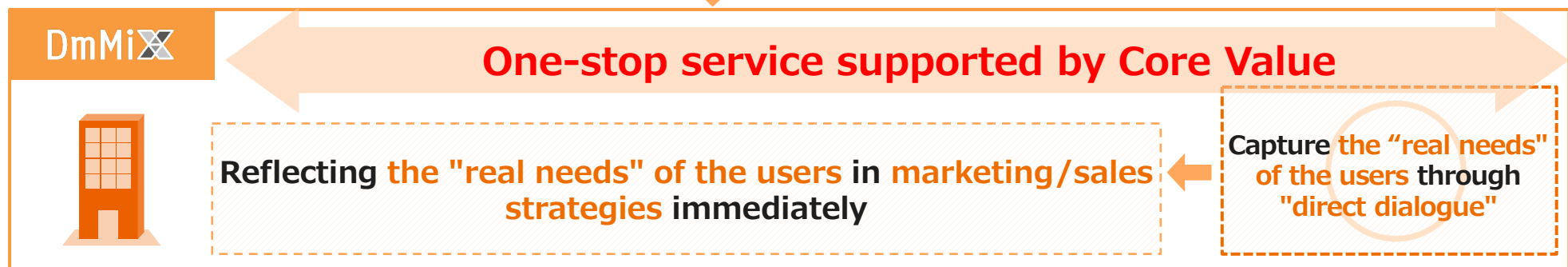
One-stop Service for Clients' Sales Processes

- DmMiX supports clients in Marketing-Sales-CRM, one-stop provision of essential functions in sales
- We offer direct marketing that **connects the "real needs" of the users** obtained in the process **to the next strategies formulation**

Differences between typical external services and DmMiX services

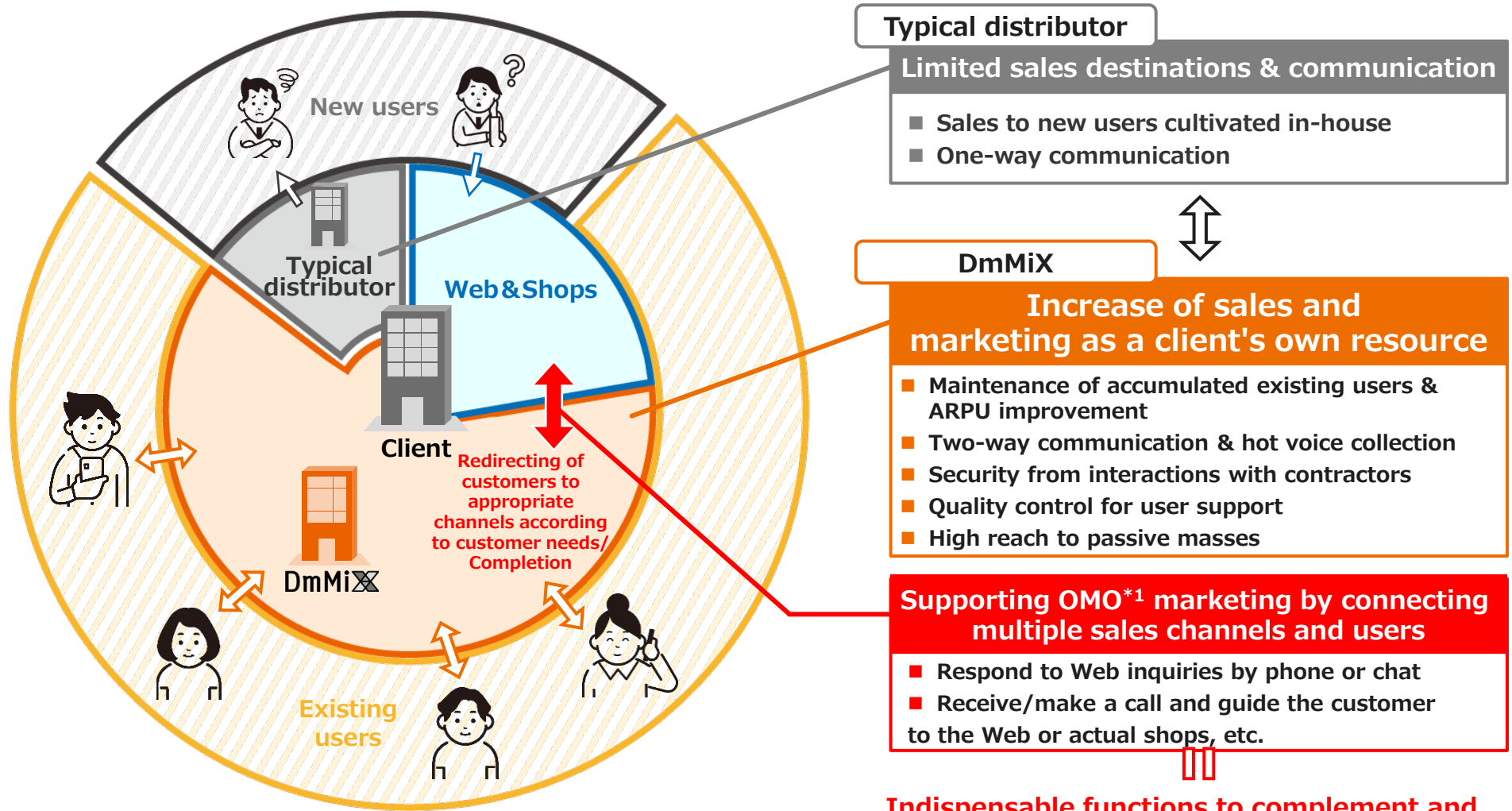


↓ After switching



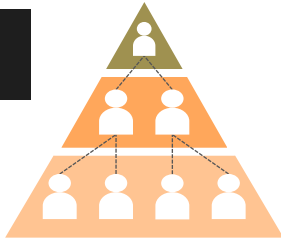
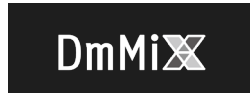
Supporting the OMO^{*1} strategy by freely connecting each Sales Channel and Users

- As a client's own sales resource, we are responsible for **the maintenance of existing users**, who make up the majority of the customer base and **ARPU improvement**
- Based on two-way communication with users, we not only formulate marketing strategies but also act as **a bridge between multiple sales channels and users**



Indispensable functions to complement and maintain the DX mechanism

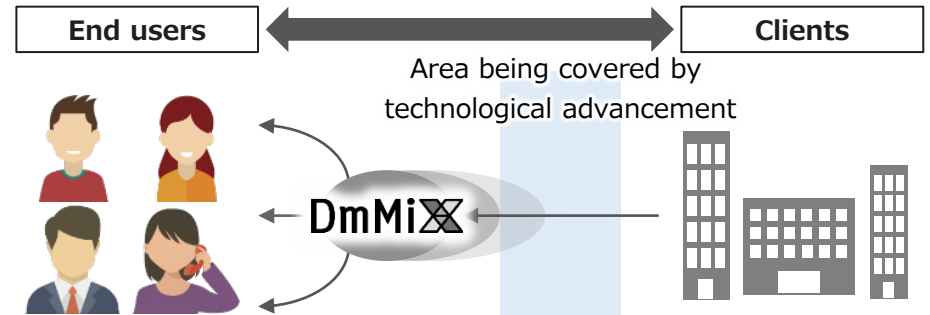
Our Distinct Business Model from Other Companies



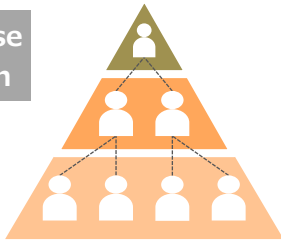
Management: Sales rep.

Managerial: Sales rep.

On-site: Sales rep.



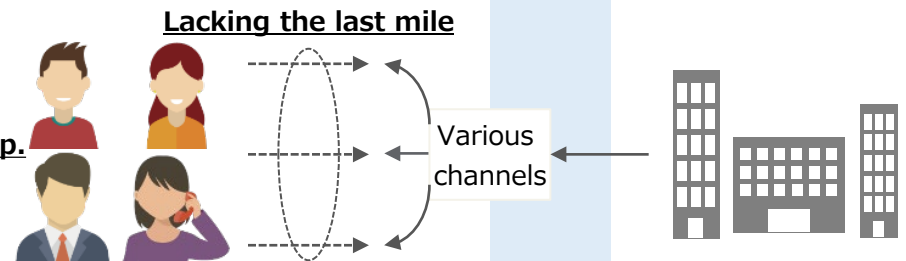
Clients' in-house sales function



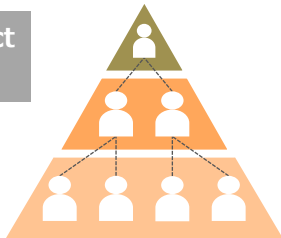
Management: Supervisor

Managerial: Supervisor/Sales rep.

On-site: Sales rep.



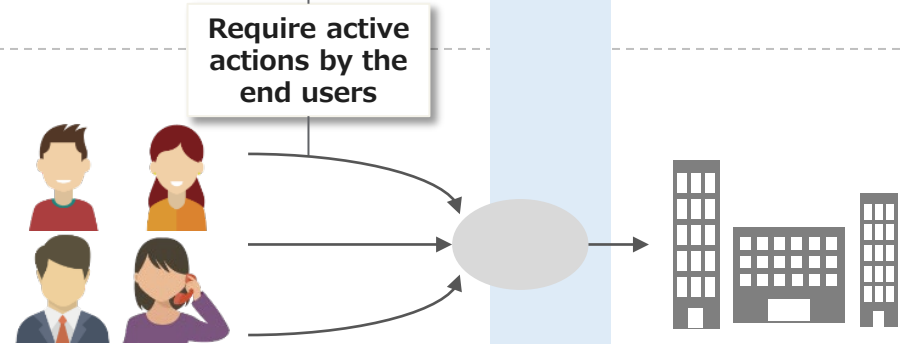
Typical contact centers



Management: Supervisor

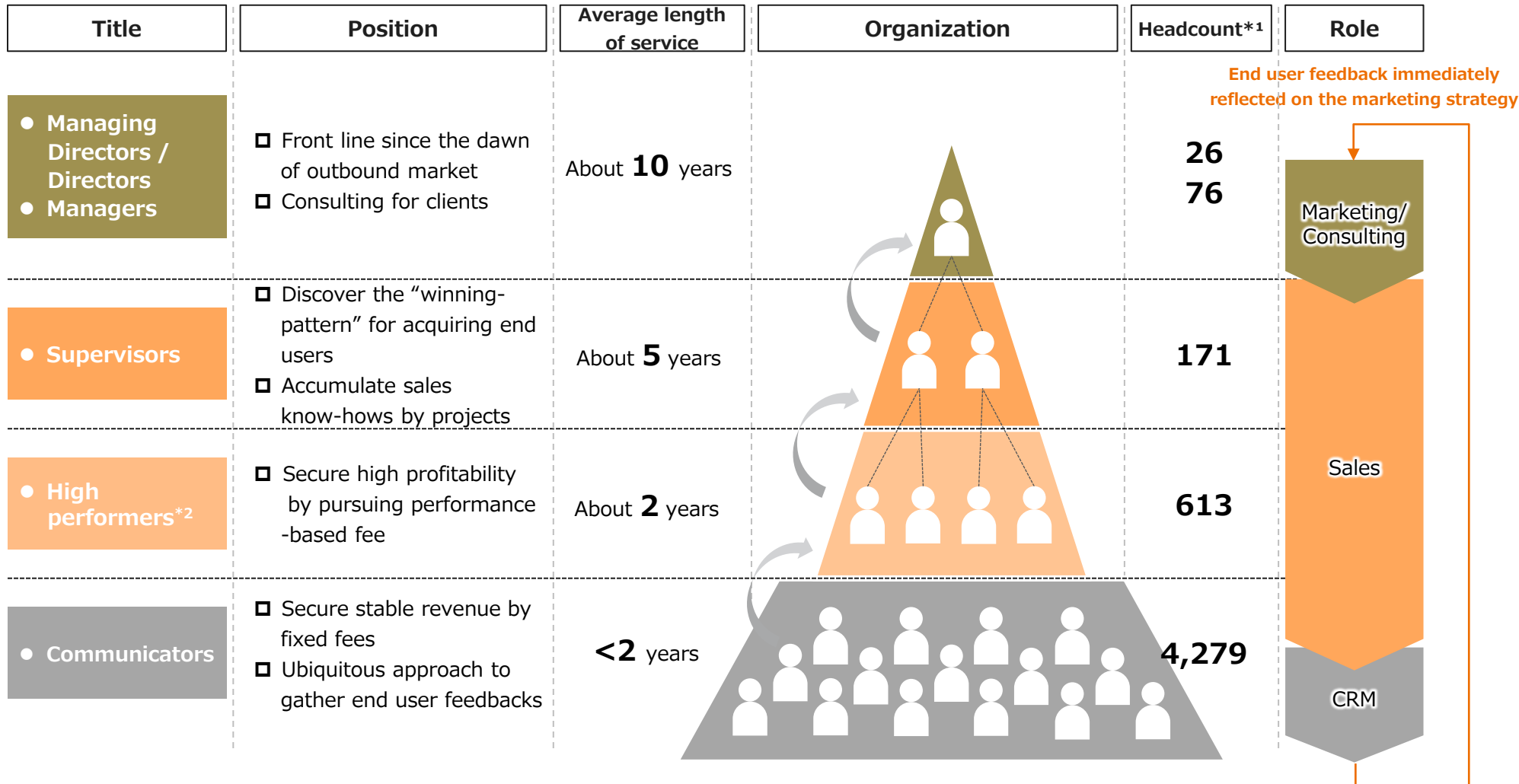
Managerial: Supervisor

On-site: Responder



Strong organizational Structure to Realize Clients' Sales / Marketing Reform

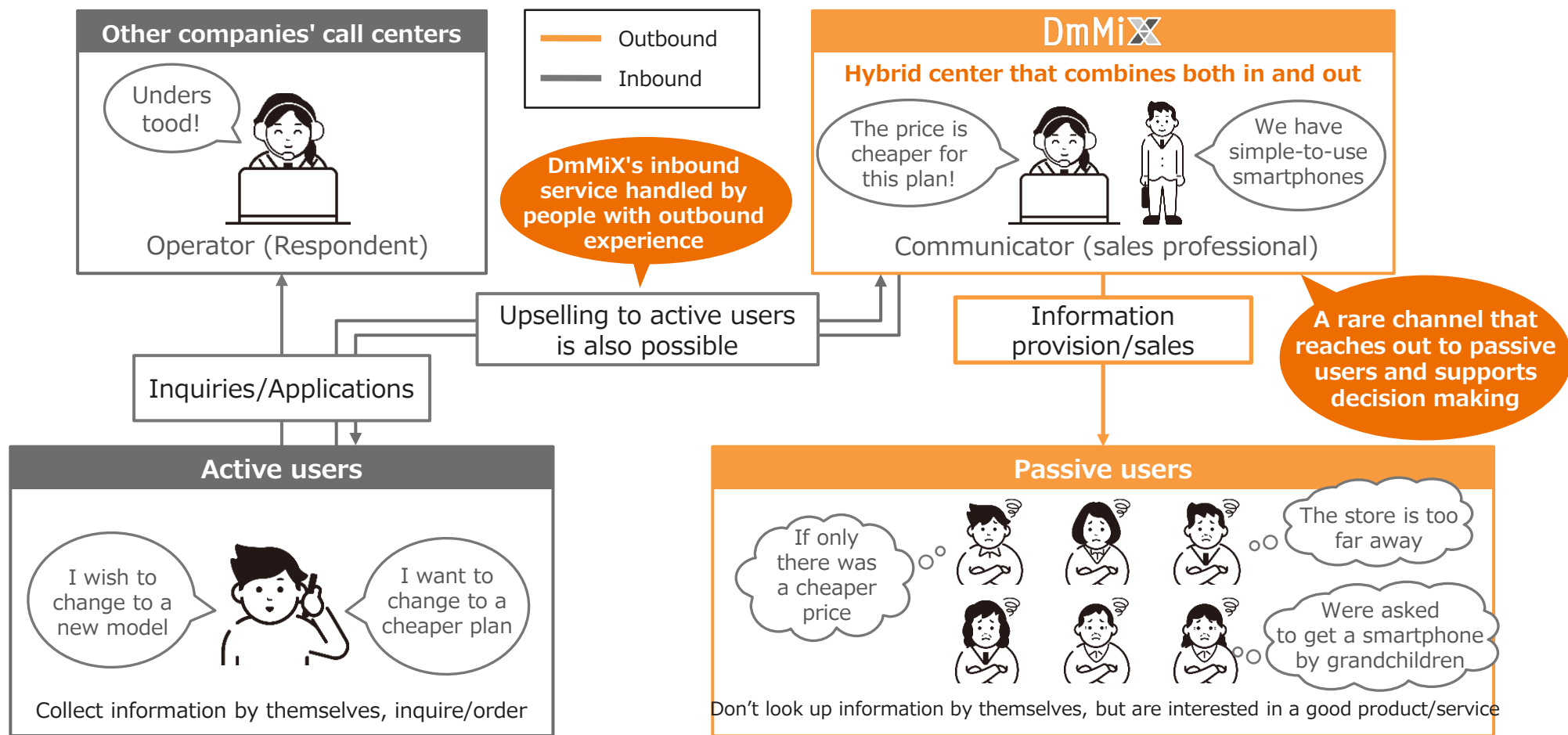
- **Distinctive roles by positions** contribute to the optimized organization for a group of sales and marketing professionals



"Hybrid Center" that combines high quality Sales Force and User Reach

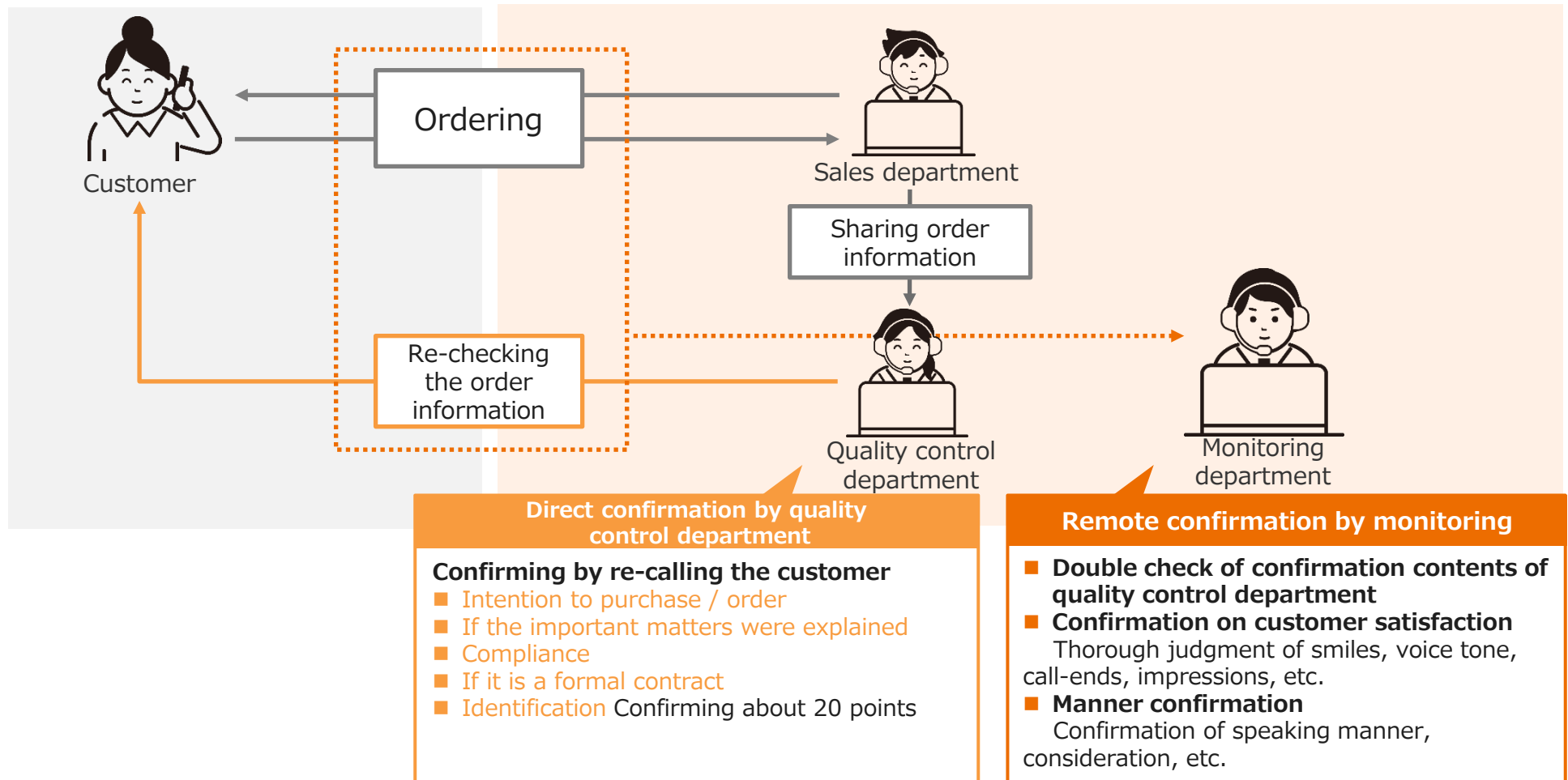
- In the Japanese market environment, with many **passive users**, we are highly evaluated as **a rare channel that can reach them directly** from the company's side
- We provide services **as a resource for client**. With high quality control, we are not only responsible for sales, but also for **detering withdrawal and promoting loyal customers**

Clear competitive advantage through outbound-dominated "hybrid center" operations

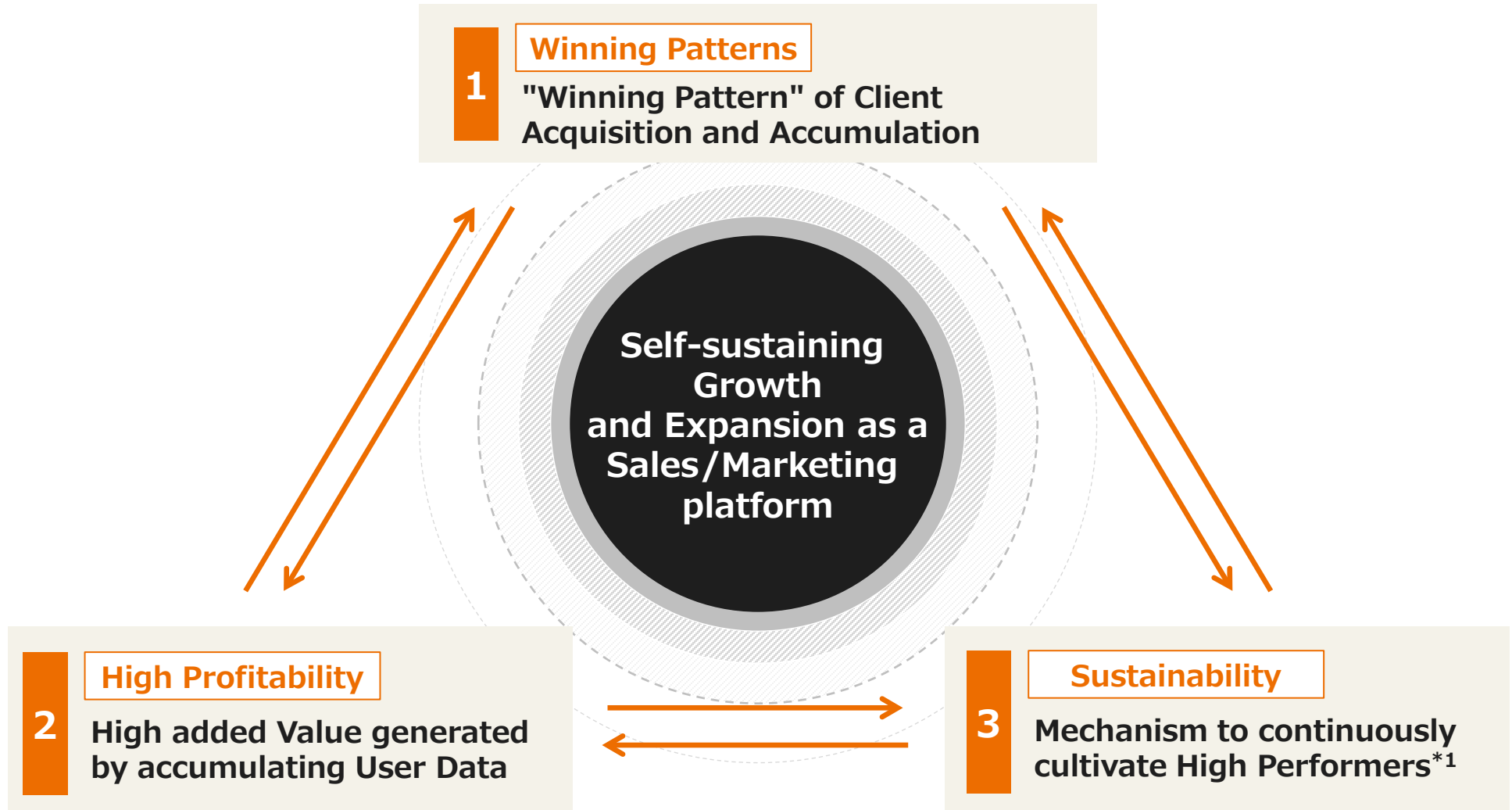


Thorough Quality Control as a Sales Professional

- Because we act as the client's own sales resource, **we have built a compliance system that is as strict as or even more rigorous than our clients**, and thoroughly eliminate risks
- In some cases, **the services of the quality control department are provided independently**

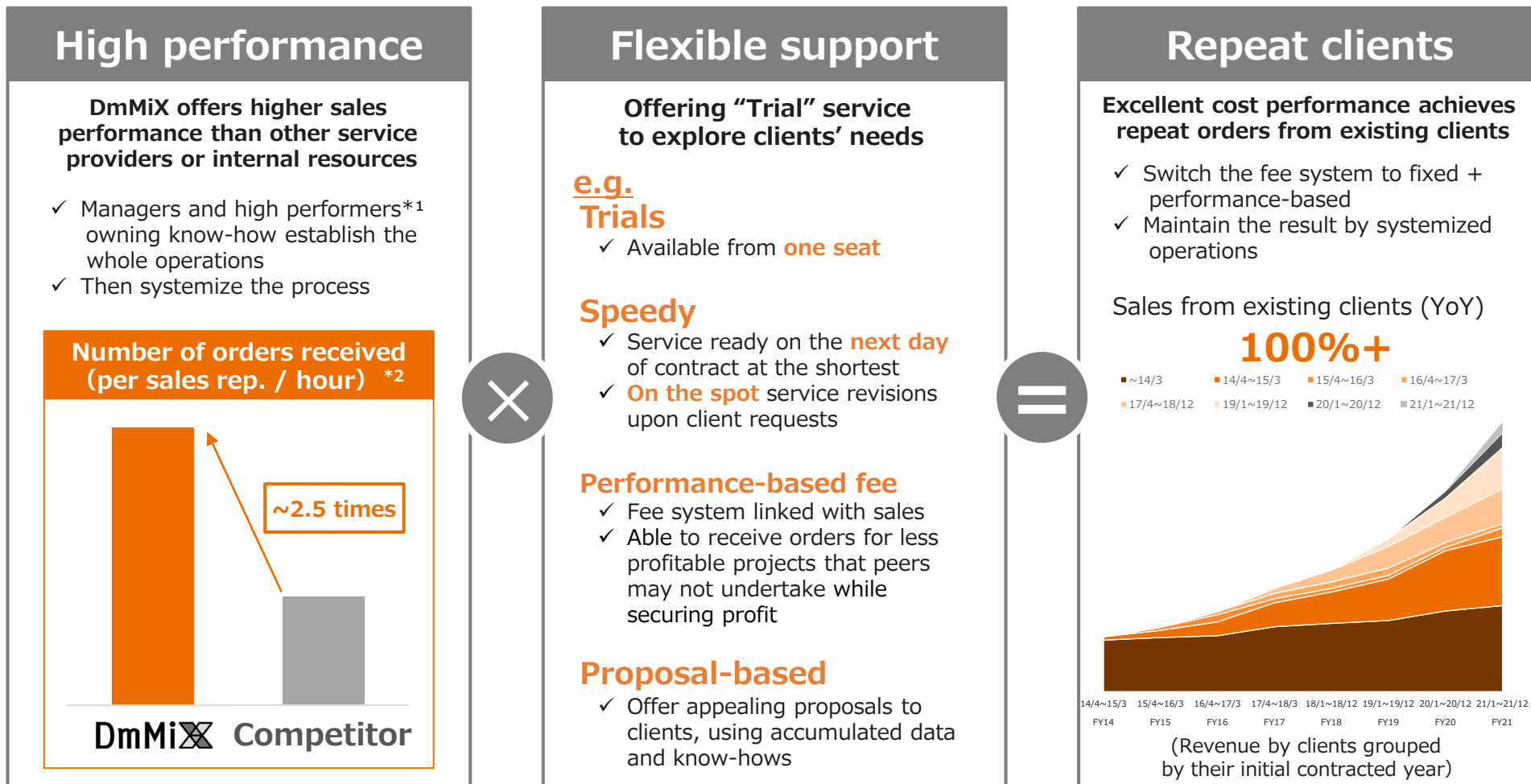


DmMiX's Core Competencies for autonomous Growth



1. "Winning Pattern" of Client Acquisition and Accumulation

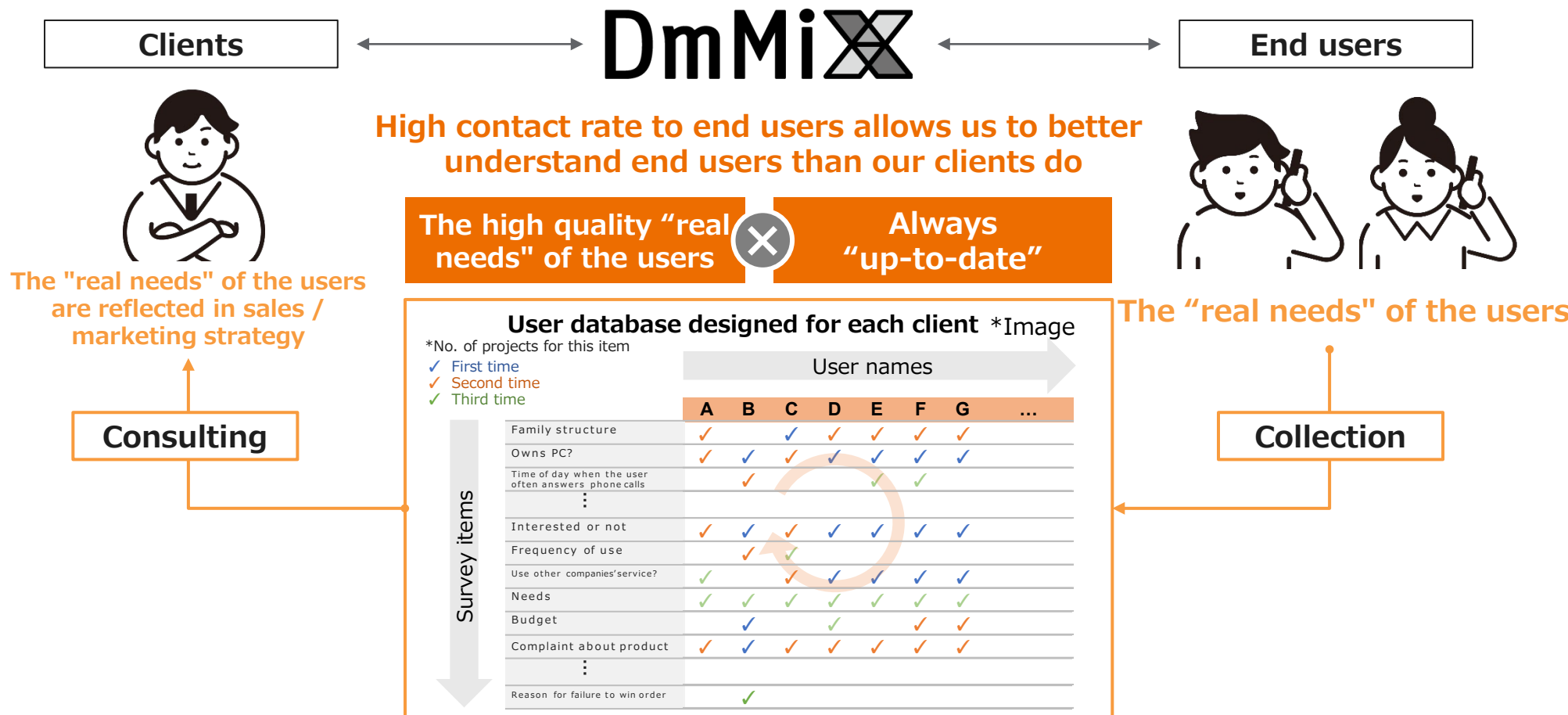
- High performance & flexible support converts **trial users into clients**



2. High added Value generated by accumulating User Data

- **Familiarizes users even more than the clients with the user database accumulated** since the company was founded
- **Contributes to the formulation of sales and marketing strategies with the "real needs" of the users and secure high added value. Becomes an irreplaceable existence**

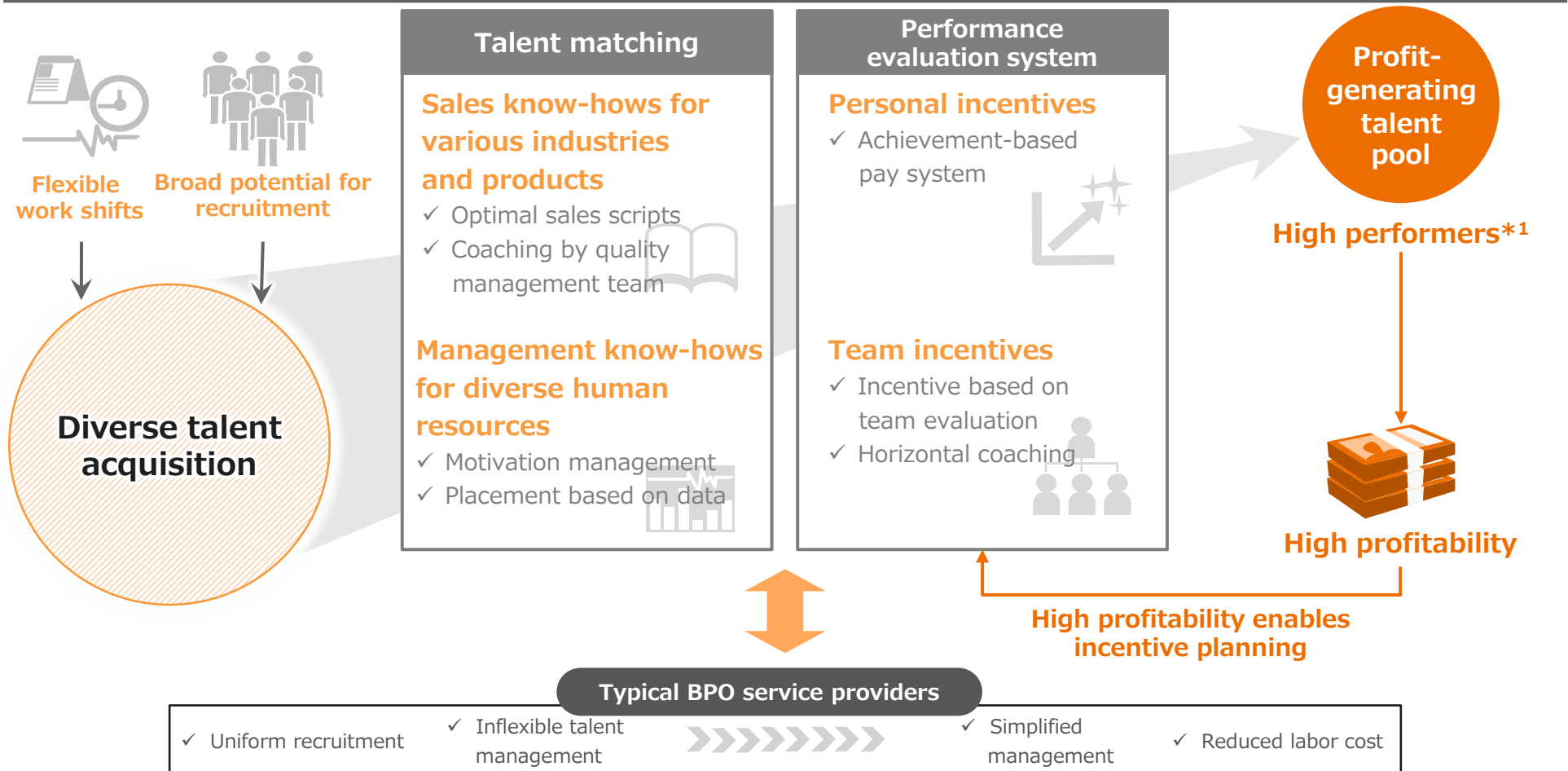
User data that is accumulated over time



3. 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

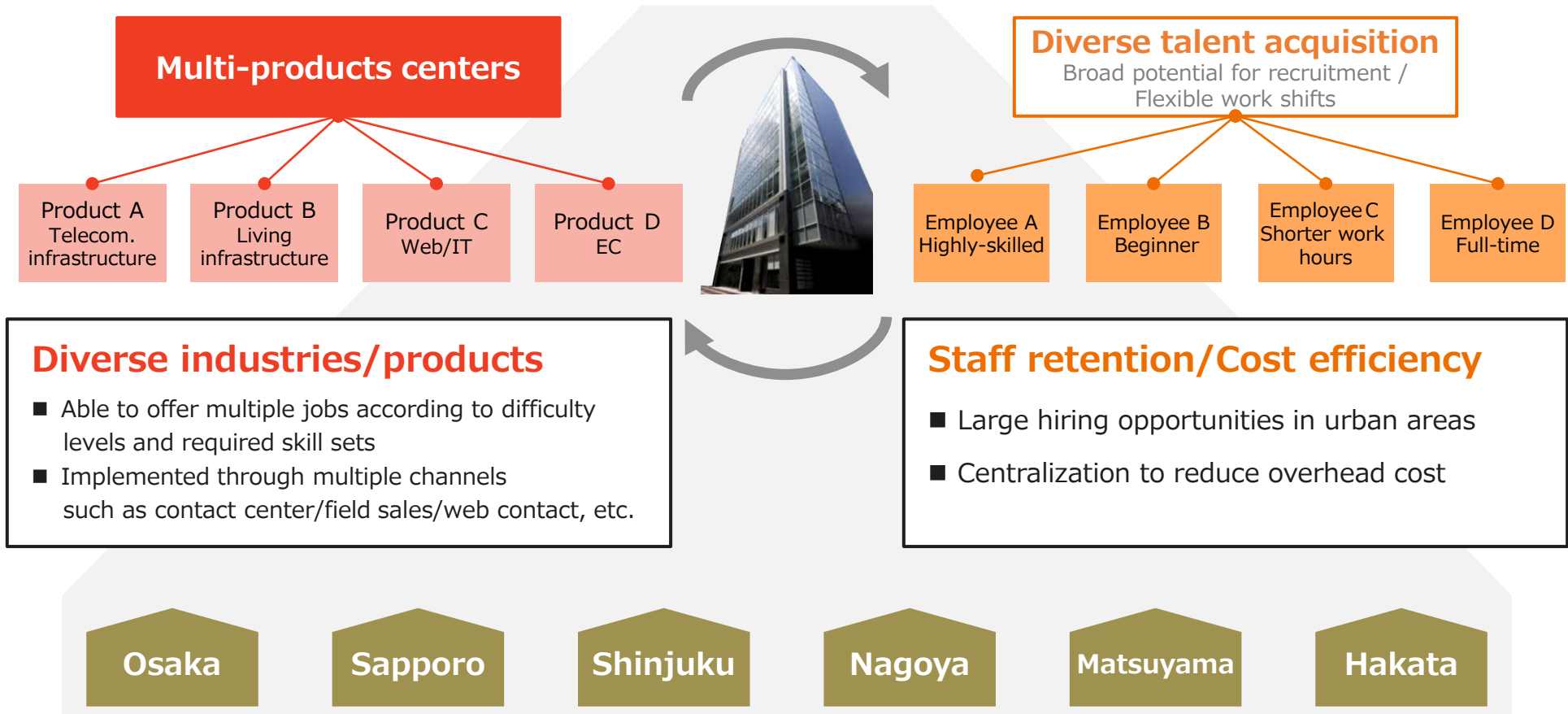


*1 A general term for staff who have achieved a certain level of sales performance according to our standards

3. Mechanism to continuously cultivate High Performers*1 -Matching Human Resources and Products-

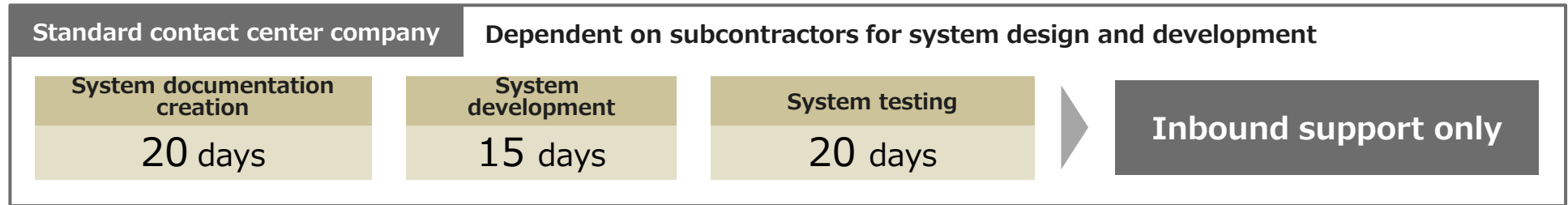
- **Able to match diverse human resources with products** through job rotation and introduction to different industries with all branches being “Multi-products centers”
- Bases are strategically set up in **metropolitan areas** with high human resources concentration

Characteristics and advantages of “Multi-products centers”



Distinction in the Inbound Business: In-house System Production and Hybrid Support

- In-house system production allows for quicker delivery and **longer operation time**
- Hybrid inbound/outbound support enables **flexible resource allocation and maintenance of high operating ratio of communicators**



DmMiX's Inbound Advantages

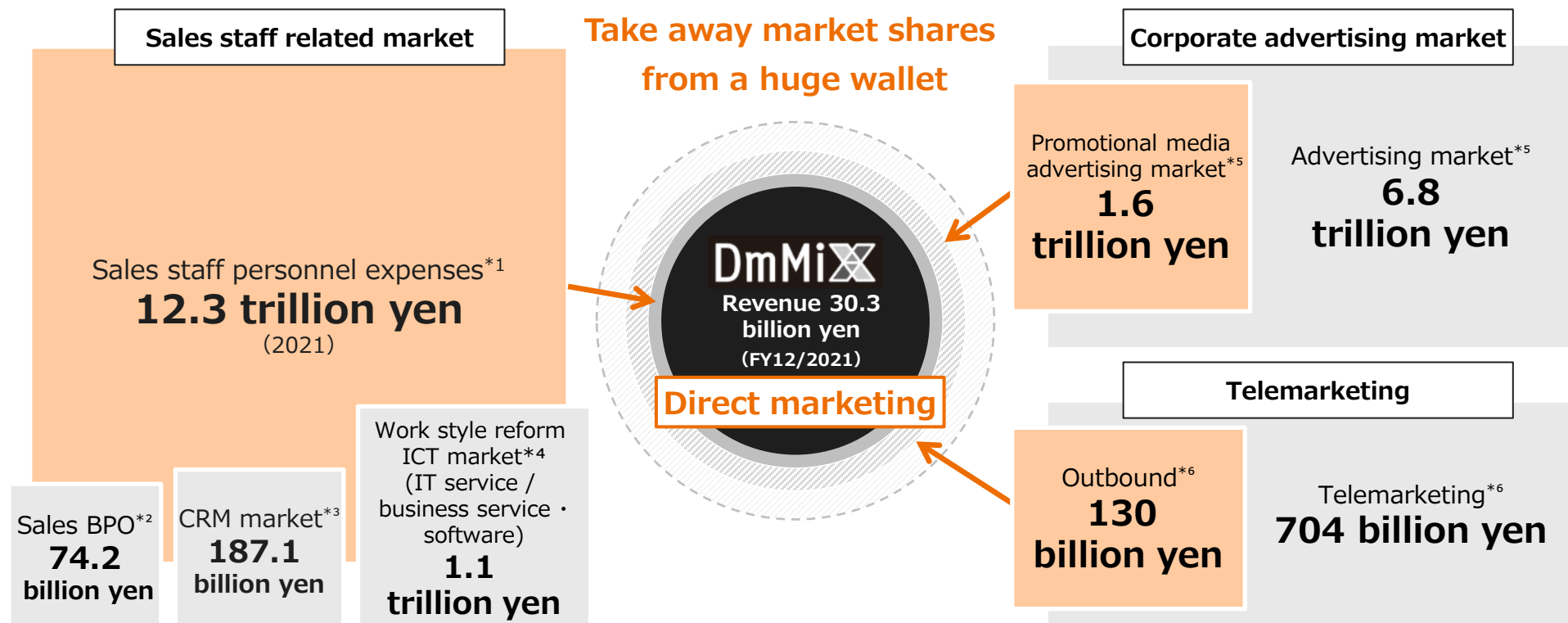
- Flexible and efficient operation by having outbound personnel with sales abilities also provide inbound support
- Inbound and outbound operations can be performed in parallel, enabling flexible resource allocation

Transforming a Contact Center into a Profitable Department

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)



*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 2.83 million. According to the National Tax Agency "Private Salary Survey", the average salary income is 4.33 million yen

*2 Yano Research Institute "BPO market reality and prospects 2021-2022"

*3 IDC Japan "Domestic CRM Application Market Forecast (July 14, 2021)"

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

*5 Dentsu "2021 Japan Advertising Expenses"

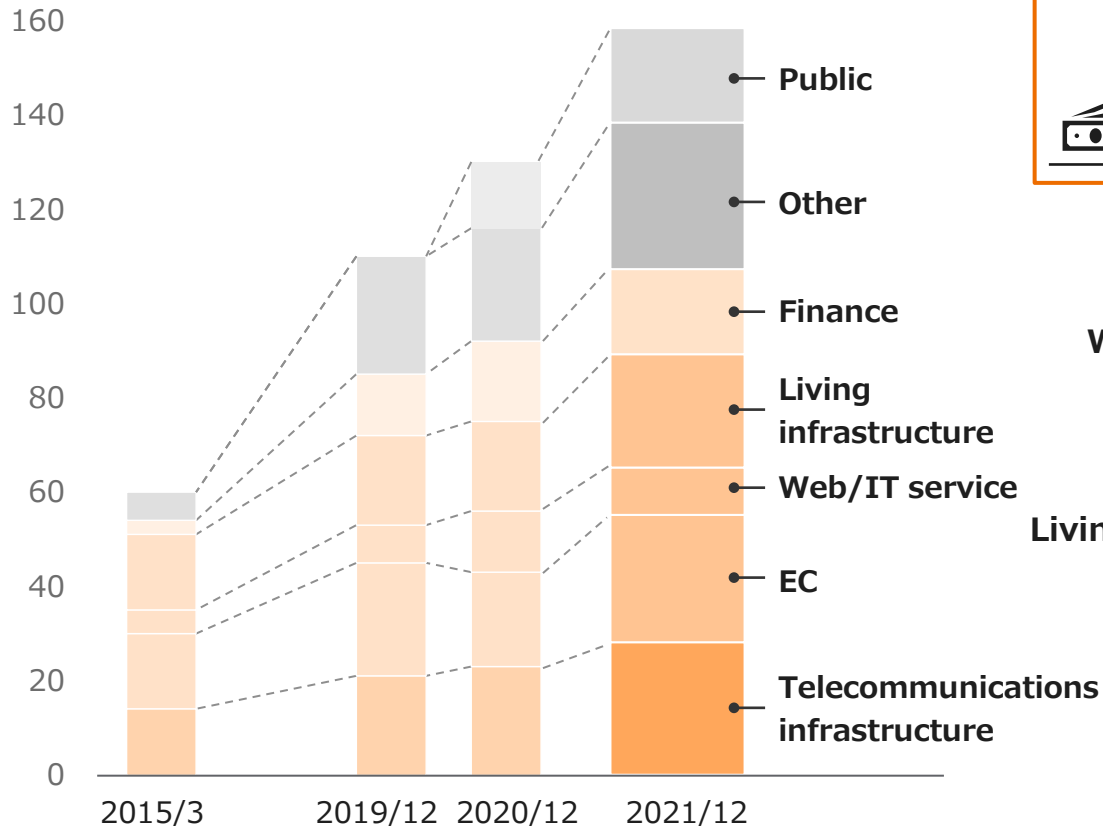
*6 Yano Research Institute "Call Center Market Overview 2020-Services & Solutions-"

Current Earnings Base and Future focus Sectors

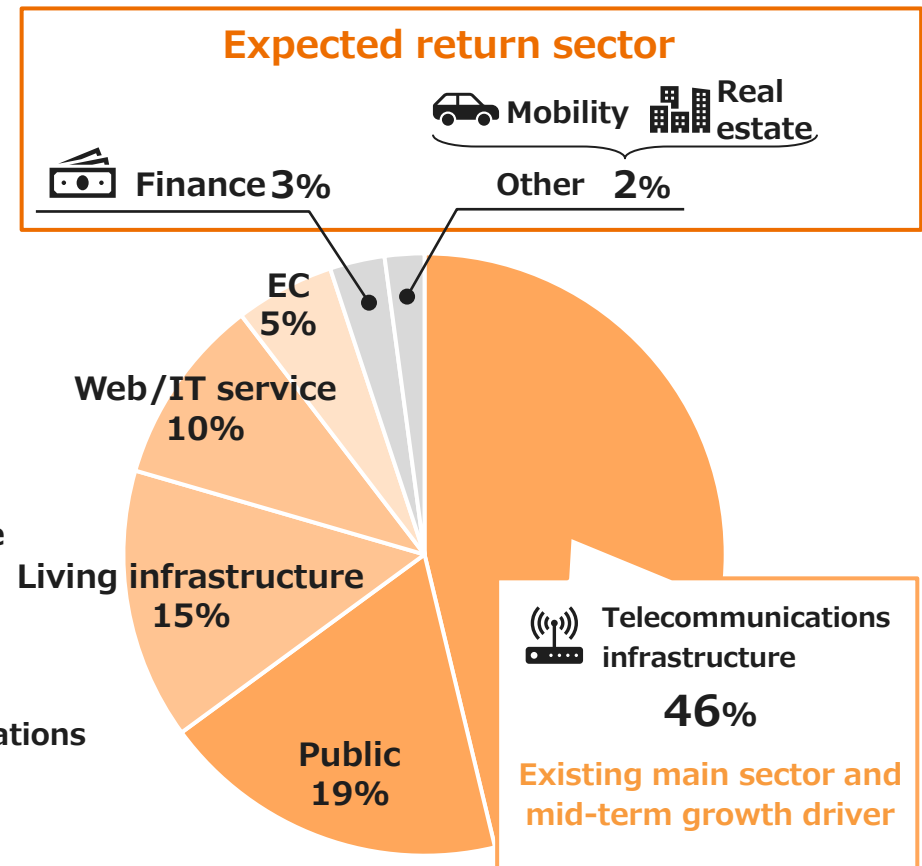
- Diversification and expansion of overall client portfolio continues as public sector takes off
- Increasing client acquisition in the financial and real estate sectors, which have the second largest potential market after the telecommunications infrastructure sector

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

(Number of companies)



Revenue composition ratio by industry (FY12/2021)



Scope for growth in existing Main Sector (Telecommunications infrastructure)

- **Revenue acquisition share** in the telecommunications infrastructure sector **is still limited at around 0.6%**
- Our business opportunity exists in the reach and in understanding the needs of a huge user base

Revenue potential of the telecom. infrastructure sector



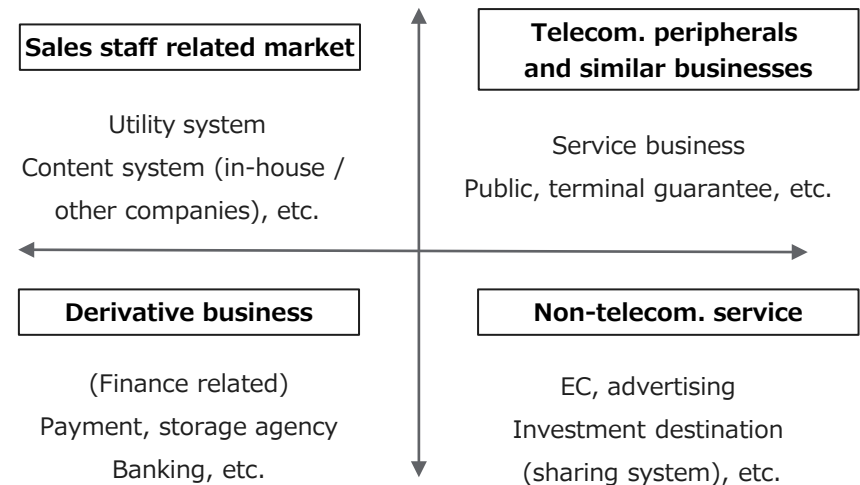
Achievements in the telecommunications infrastructure sector

Sales revenue **12.9 billion yen**

Operating cost share about **0.6%**

Challenges in the telecom. infrastructure sector and business opportunities

Diversifying services



Huge user base

Total number of users (number of contracts)*2

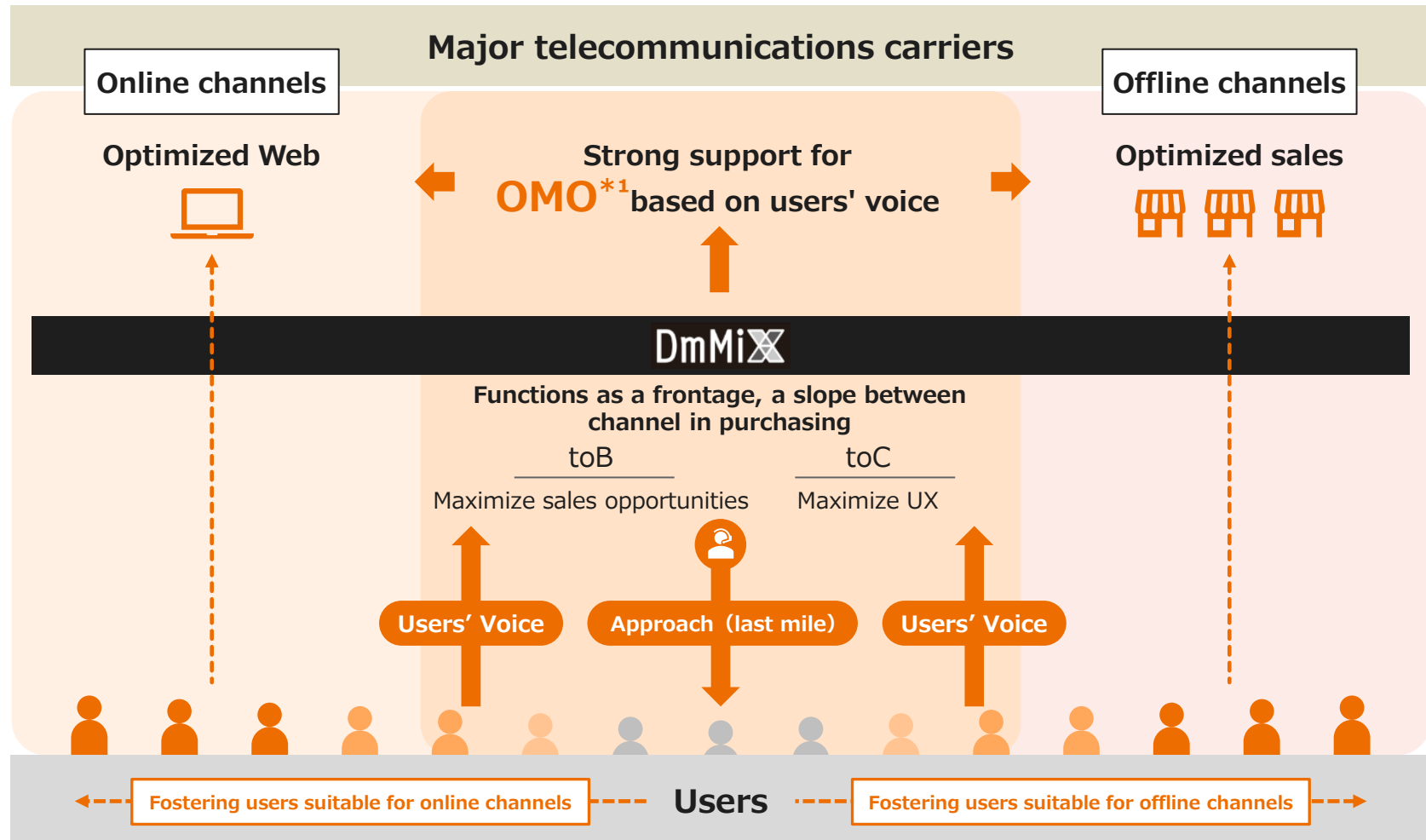
190 million cases

Limited reach to users

Cannot capture the "real needs" of the users

Acquiring profit Opportunities by solving Client Issues

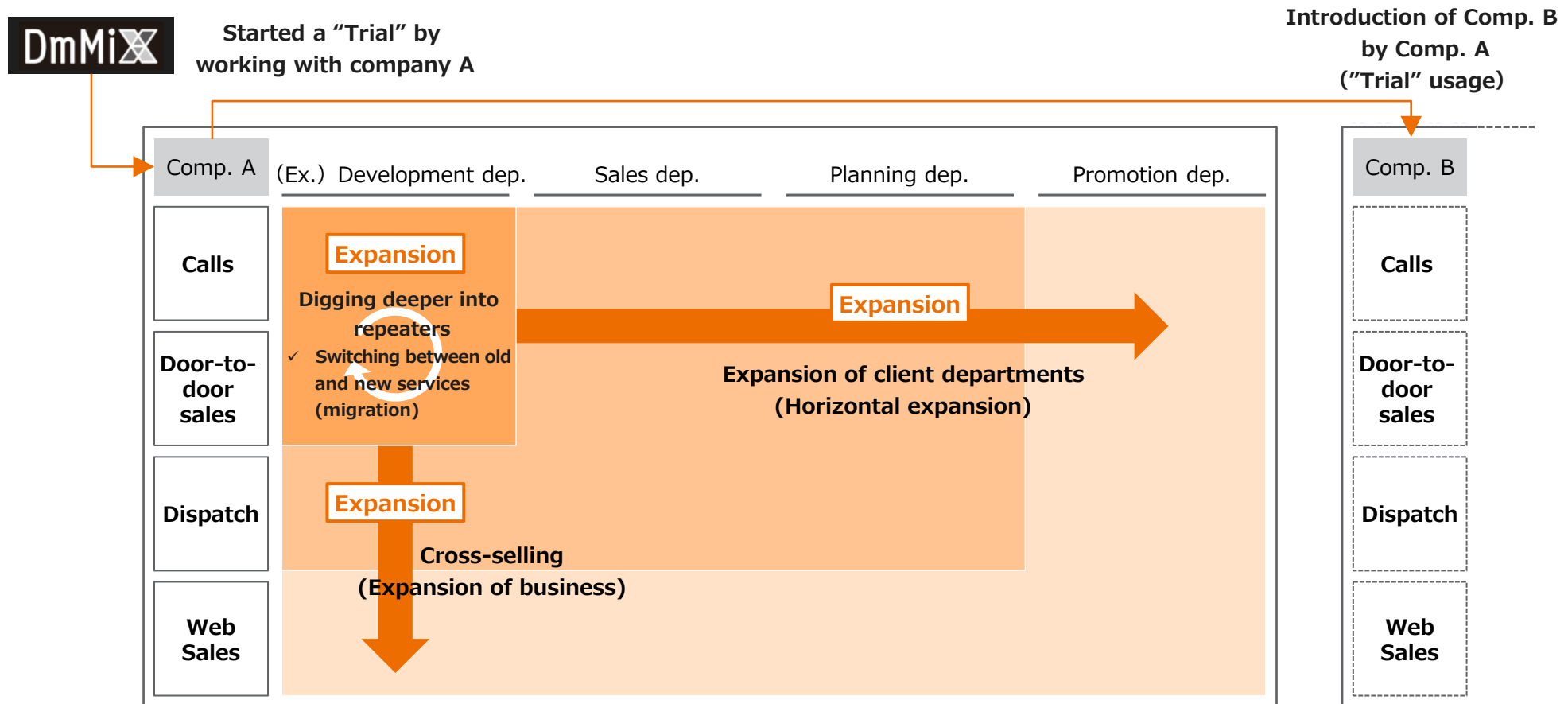
- Strongly support client's **OMO^{*1}marketing** and capture further profit opportunities as a slope between channels



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 repeaters, expand operations, and expand trading departments horizontally**

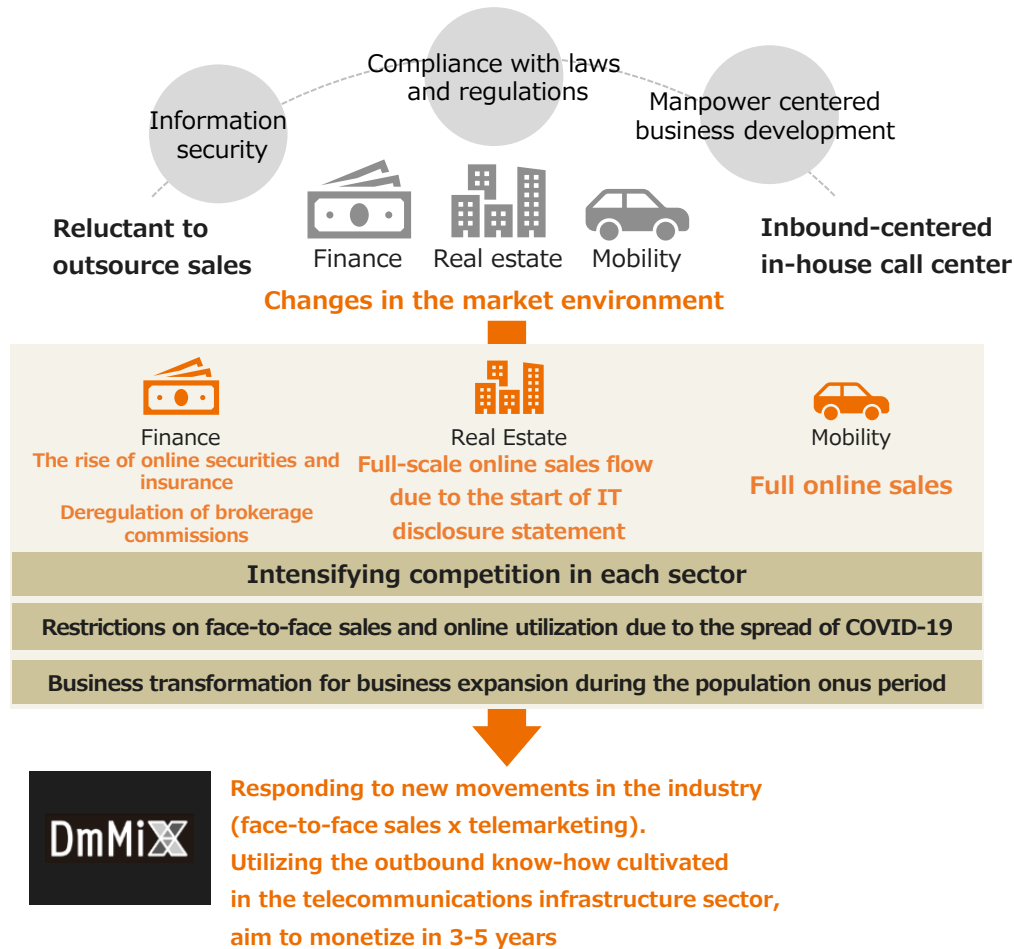
Image of expansion of existing business from acquisition of new clients



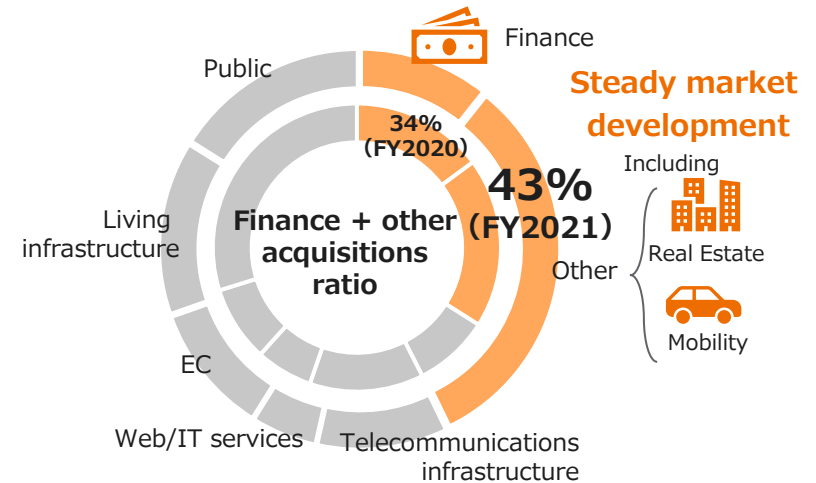
Game change in the Sales Solution Market (monetization of expected sectors)

- 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**

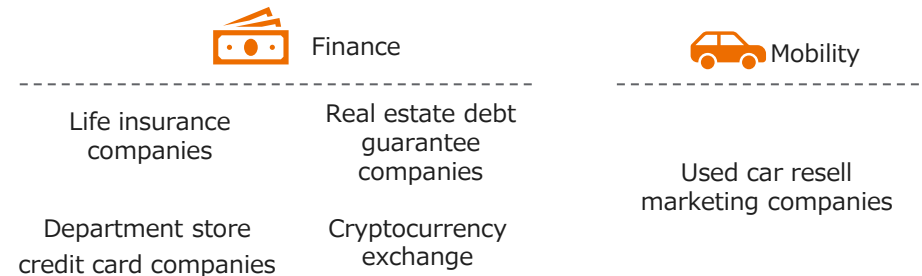
Expansion policy to expected sectors



Composition of new clients by industry in FY2020 and FY2021 (based on the case numbers)



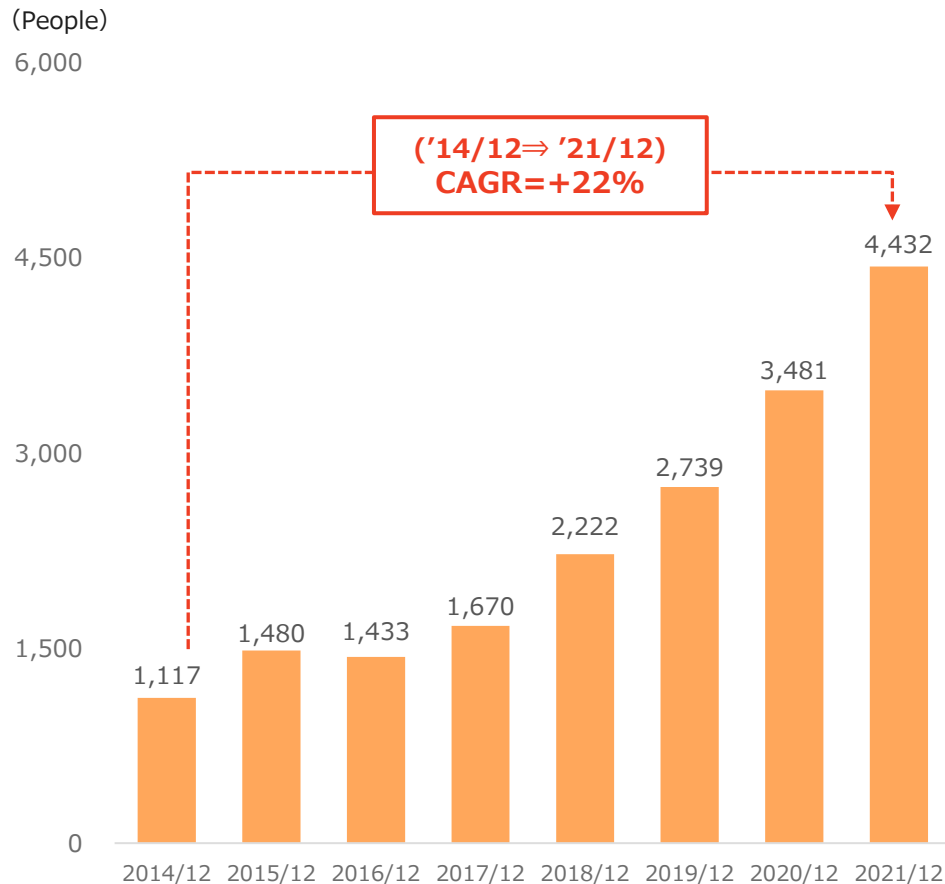
Expected sector acquisition status



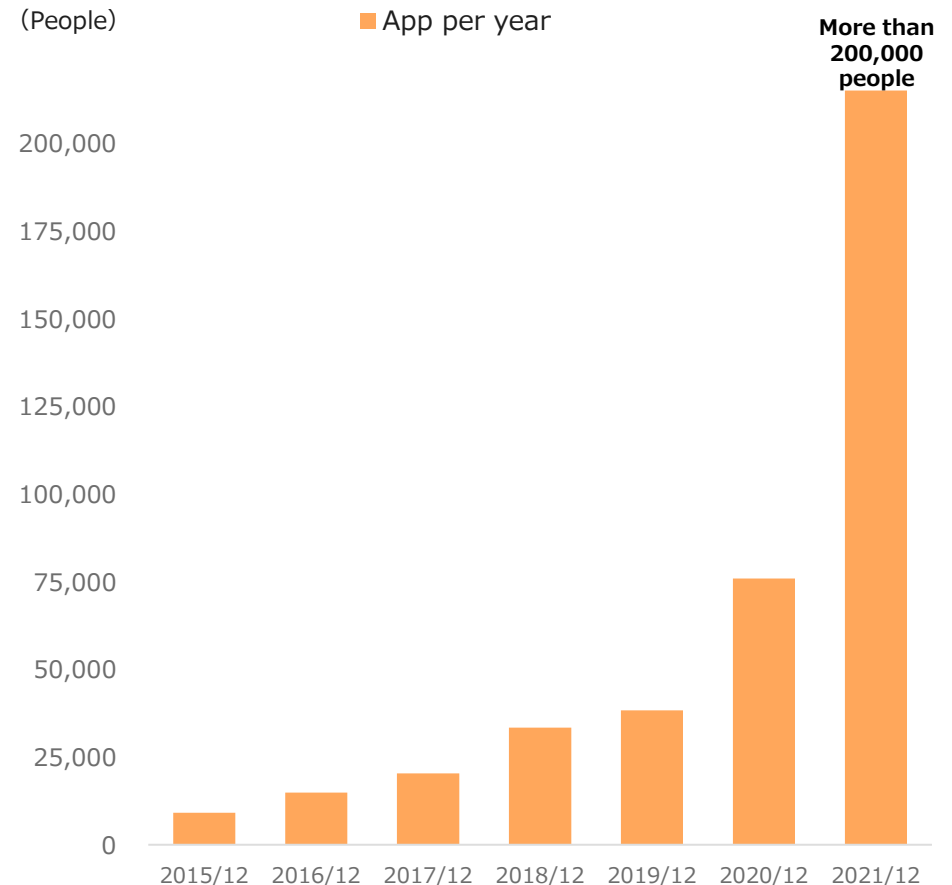
Steady Increase in Human Resources / Scope for Talent acquisition

- The number of communicators^{*1} has steadily increased as we have grown, and there is **ample room for hiring as the business expands in the future**
- Increase in the need for temporary employment, including short-term work → **Expansion of the personnel pool**

Changes in the number of communicators^{*1}



Changes in the annual number of applications for communicators



Various Human Resources of our Group*¹

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

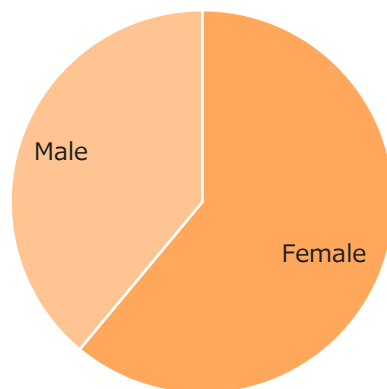
Various attributes

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

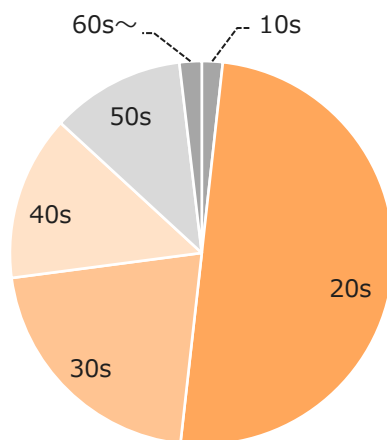
Flexible work system

- Flexible work system that allows you to work from 1 hour a day, 1 day a week

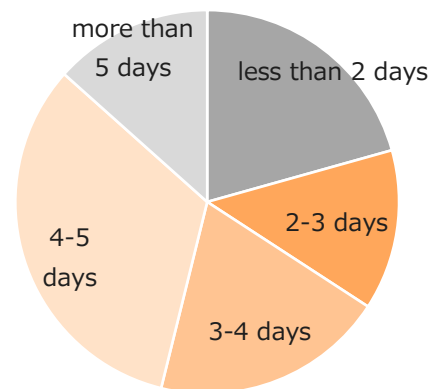
Gender*²



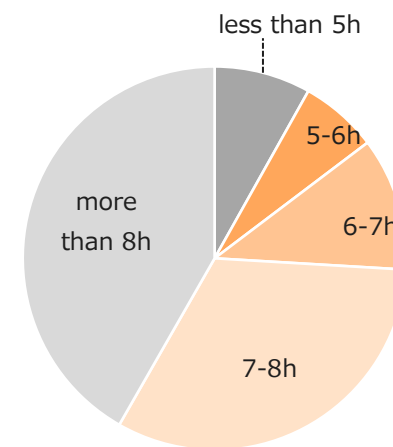
Age*²



Working days per week*³



Working hours per day*³



*¹ Part-time jobs in marketing business (including temporary jobs dispatched outside the company)

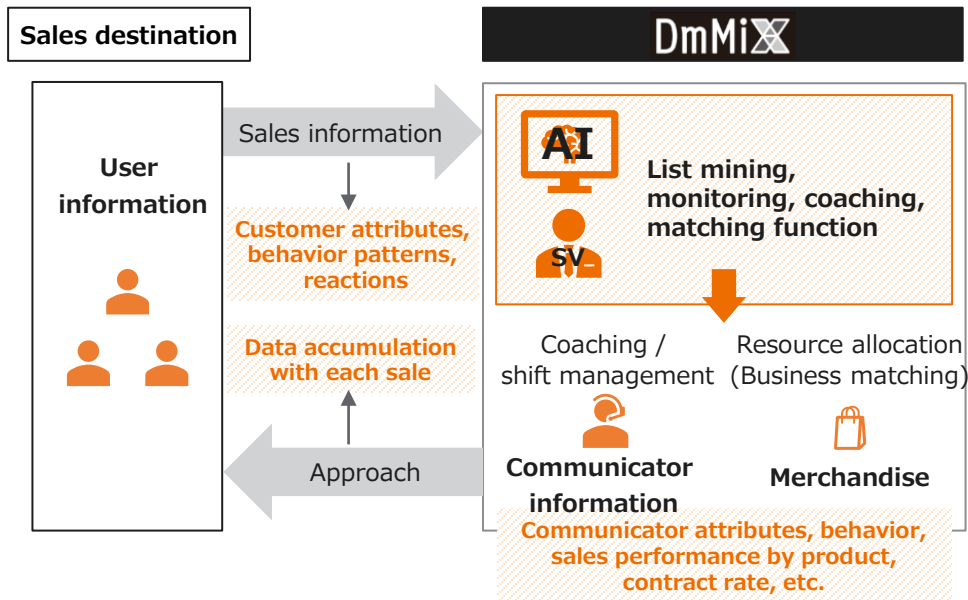
*² As of the end of December 2021. Percentage of part-time jobs

*³ As of the end of December 2021. Calculated based on the average attendance for the three months from October to December 2021. Does not include months with 0 working days. Part-time jobs without work (leaves, etc.) are not counted

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
- We will expand the AI utilization function and introduce it to both management and communicator operations

Overview of an AI system

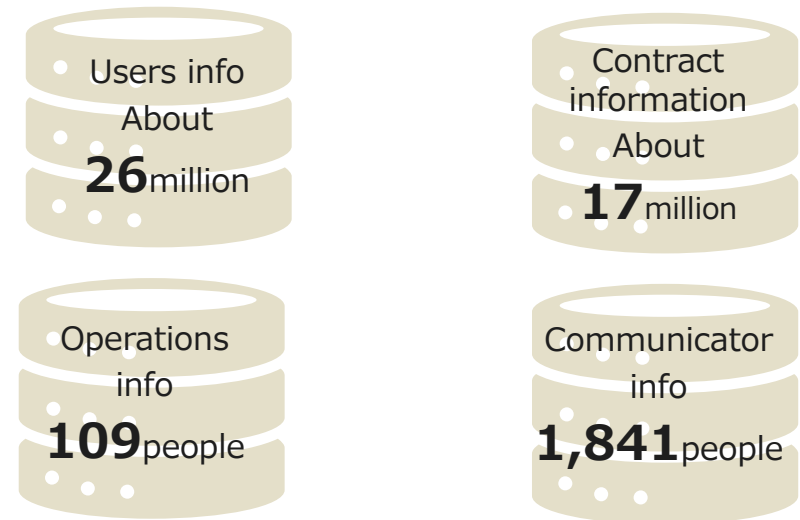


Factors for accelerating growth

Mid-term aim	The effect of accelerating growth
Increase user loyalty	Efficient customer monetization
High performers* ¹ training	Customer retention effect
Further focus on the last mile (reduction of backyard operations)	Increase in ARPU
	Improvement of profit margins

Partial AI test introduction effect

AI utilization data implementation (Cumulative)

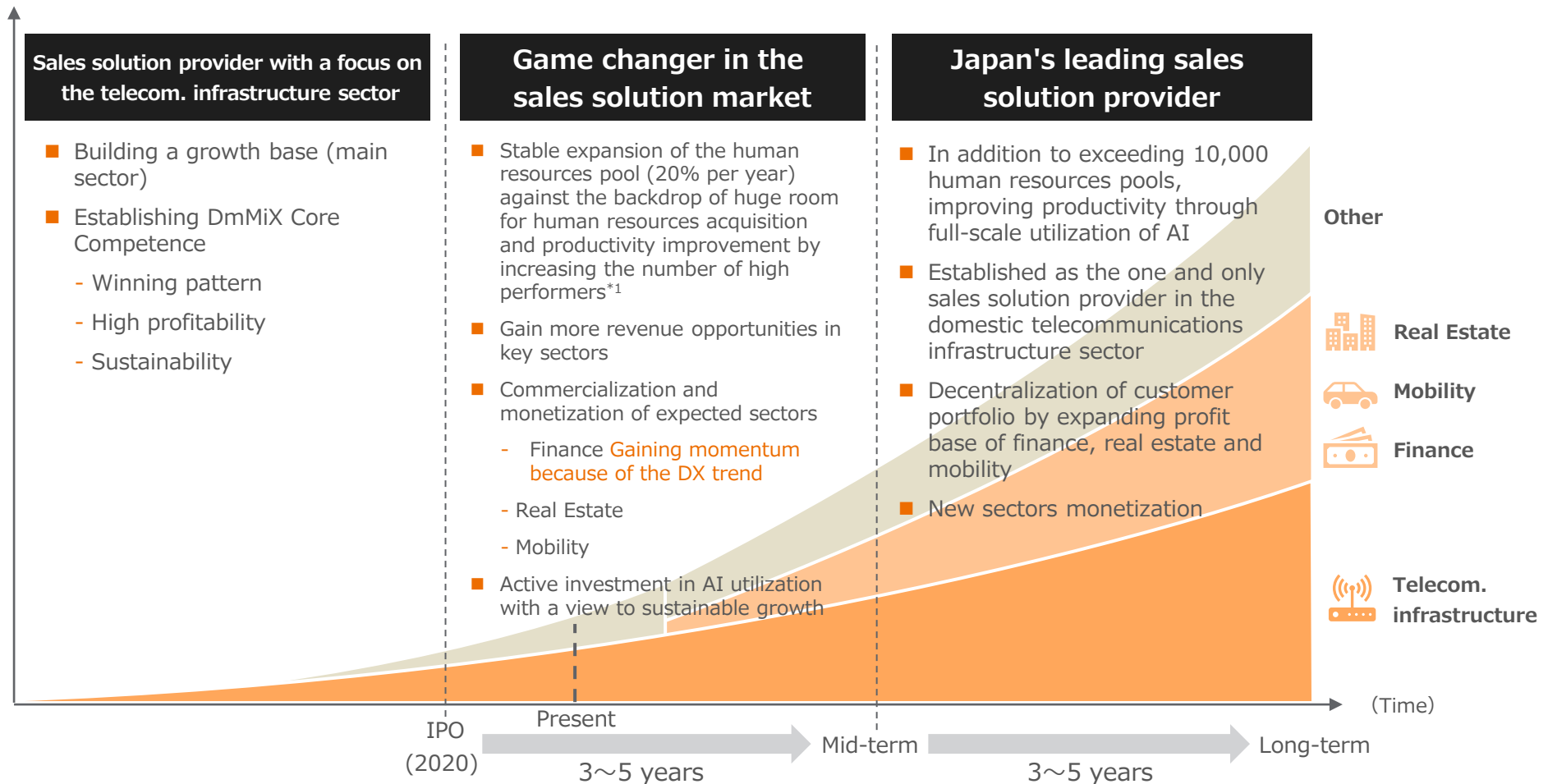


- Ongoing empirical experiments with data accumulation
- Scheduled to be introduced gradually after scoring results improve

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)

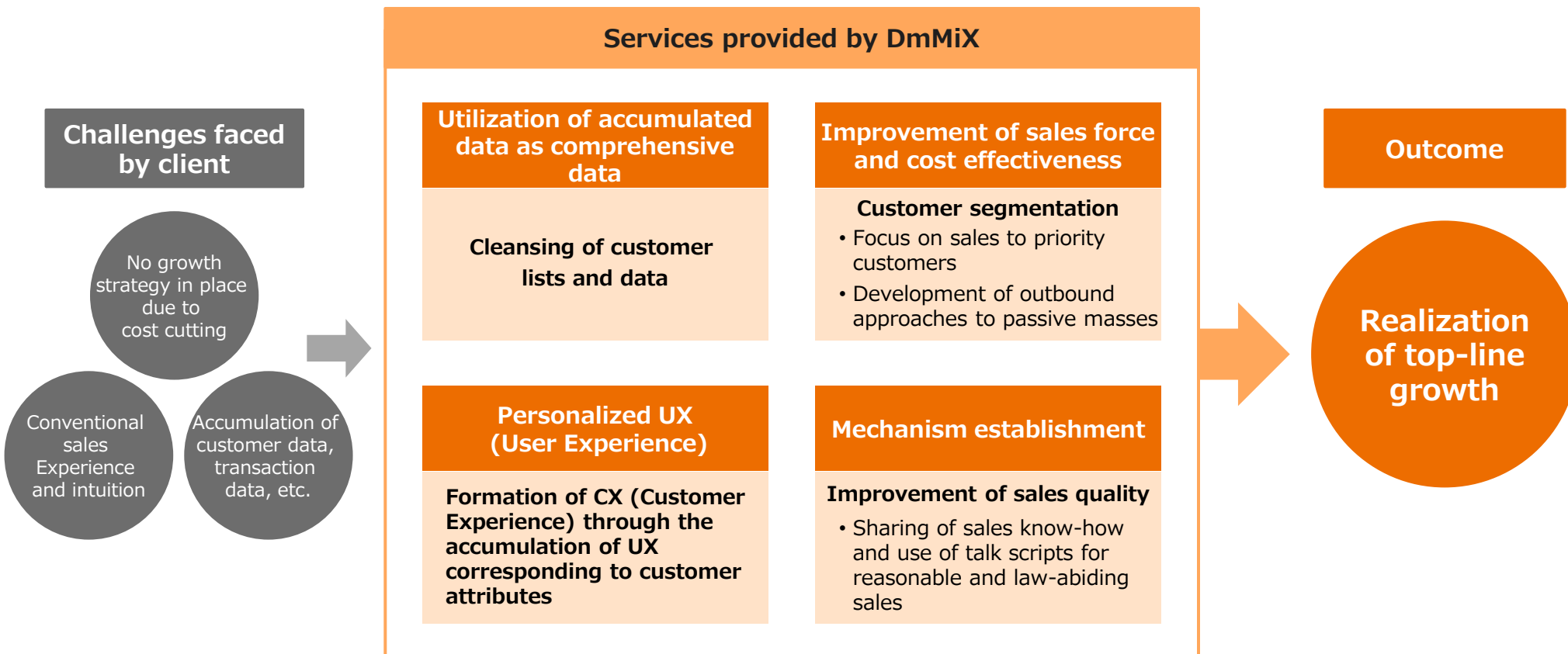


DmMiX supporting DX with Big Data in the Sales Department

- Utilization of Big Data through DX : **Improving the efficiency of sales departments is key to the revival of Japanese companies** in BtoC business

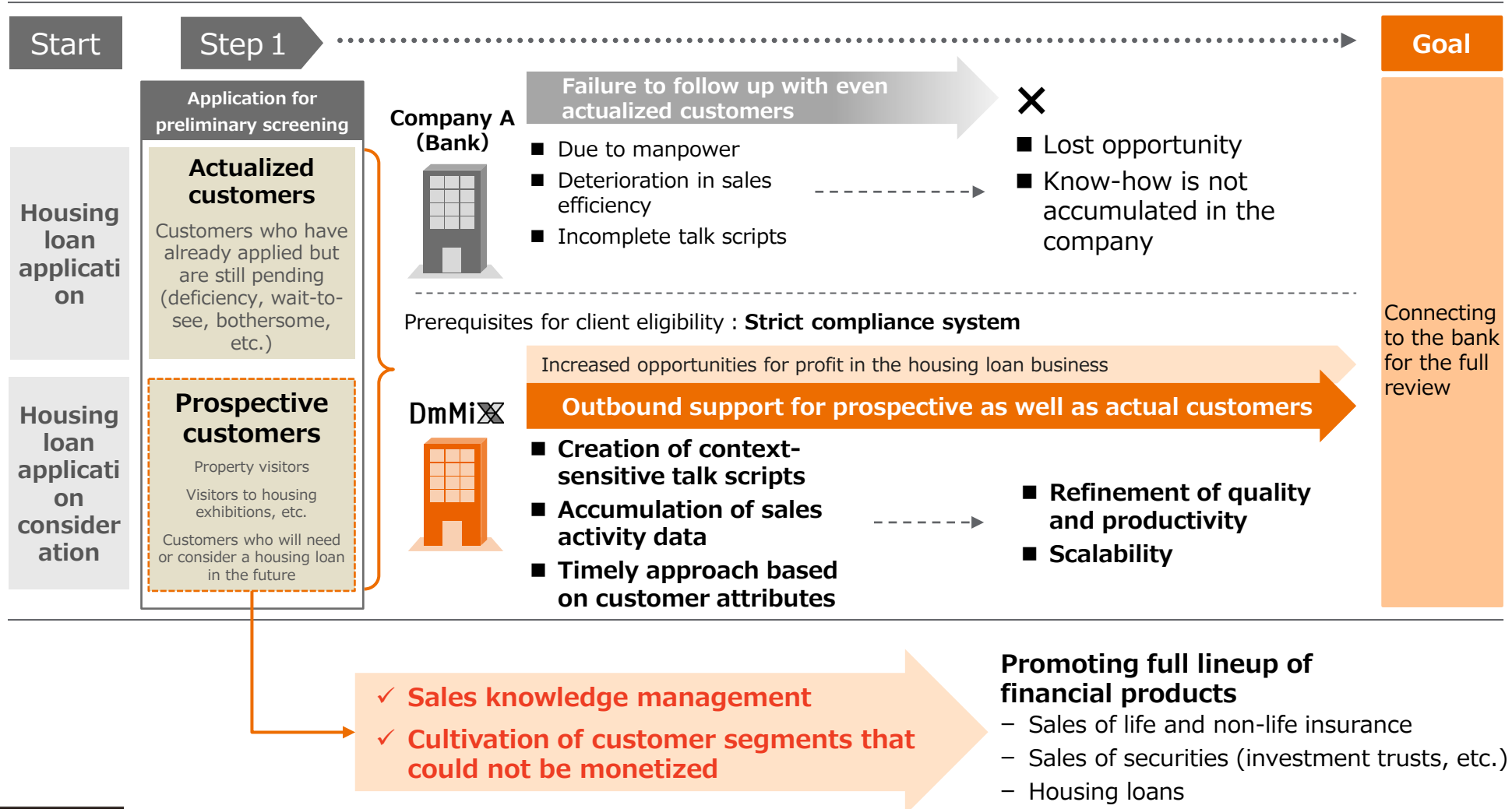
BtoC service industry (telecommunications infrastructure, finance)

Possibility of using outbound to support DX



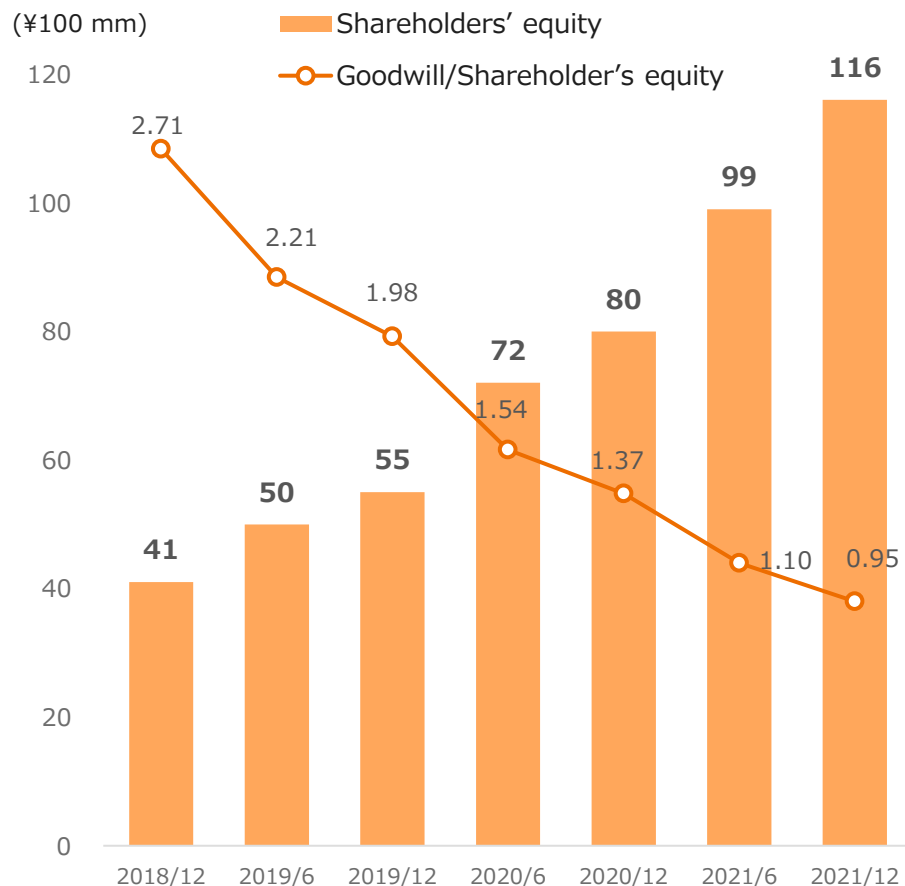
Promising Market Example - Housing Loan Sales

- **Improvement of sales potential** by uncovering stagnant and potential customers through sales knowledge management
- Realization of **profitability of contact centers**, which used to be a cost department, through outbound support



About Goodwill

Historical shareholders' equity and goodwill/ Shareholders' equity ratio



Reference on goodwill in the securities report (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 24.2 points or the estimation of future cash flow including terminal value decreases by 68.6%; 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 9.00% / On-site business 12.52%
(10.14% and 12.28% respectively in the previous fiscal year)

Promoting sustainable Management integrated with Business

- Continue to address **sustainable growth as a top-priority management issue**

Climate Change Initiatives

- **Target: 100% reduction in CO₂ emissions from electricity consumption by 2030^{*1}**
 - Reduction of electricity use
 - Promotion of complete paperless system
 - Reduction of resource usage

Initiatives for Human Resource Strategies

- **Company that is always selected**
 - Expansion of training opportunities for employee growth
 - Promotion of flexible work styles tailored to the individual life conditions
 - Evaluation and reward systems that encourage employees to take on new challenges

Initiatives to Strengthen Governance

- **Realization of governance that respects the interests of not only shareholders but also stakeholders**
 - Target of 30% women on the Board
 - Establishment of Sustainability Committee (November 2021)
 - Confirmation of ESG risks at the time of new transactions

External evaluation of ESG

- We are focusing on **women's advancement**, **realization of diverse work styles**, **health management**, etc., and will **contribute to the supply of social mobility**

Some of the certifications and awards

GPTW*1's "Great Place to Work" Top rankings in various categories



Won the Best Company award in the first entry

- Japan ranking: 2nd place
- Japanese women ranking: 2nd
- Japan young ranking: 2nd
- Asia ranking: 25th



Evaluation Criteria

"The company was highly evaluated for its various efforts to help newly hired employees adjust to the corporate culture and for its ingenious naming. It's also great that they are listening to their employees and collecting ideas, which leads to innovation and improvement."

Workstyle evaluation

Chosen by METI*2 and MEXT*3



- Excellent health management corporation "White 500" Chosen for three consecutive years starting in FY2019
- Certified as a Sports Yell Company Chosen for three consecutive years starting in FY2019

Chosen by Japan White Spread foundation

- Platinum certification as one of the top white companies in Japan



*1 A professional organization that conducts surveys and analyses of "job satisfaction" and announces companies and organizations that have been recognized as having reached a certain level of satisfaction in leading media outlets in approximately 60 countries around the world.

*2 Abbreviation for Ministry of Economy, Trade and Industry

*3 Abbreviation for Ministry of Education, Culture, Sports, Science and Technology



【Disclaimer】

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