

A Total Sales/Marketing Solution Provider for Maximizing Client Profitability

# **Direct Marketing MiX Inc.**

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## **Financial results briefing (FY12/2025 1Q)**

May 15<sup>th</sup>, 2025



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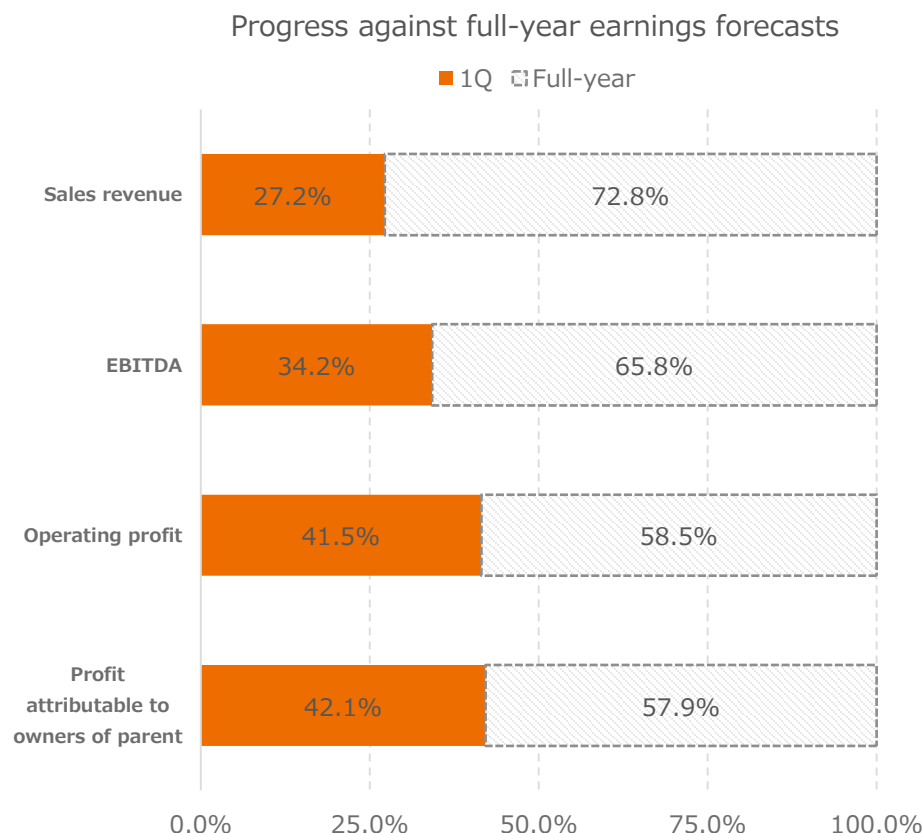
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# Financial Results Highlights (FY12/2025 1Q)

## Main topics

- ✓ Despite a YoY decline in spot business specific to the previous fiscal year, **taking into account the contribution of spot projects from the 1st quarter of the previous fiscal year, actual sales revenue increased by 7.0%\*1**
- ✓ On a basis excluding spot business factors, operating profit also increased steadily, and fundamental profitability remains strong
- ✓ **In the telecom. infrastructure sector, sales revenue increased by approximately 10%.** Revenue in the Web/IT and mobility sectors also grew steadily, contributing significantly to growth of sales revenue

Sales revenue	5.99 billion yen	YoY (Ref. *1) +7.0%
		YoY +0.7%
EBITDA*2	1.06 billion yen	YoY -8.0%
Operating profit	0.75 billion yen	YoY -4.7%
Profit attributable to owners of parent	0.46 billion yen	YoY +1.7%



# Summary of Earnings for FY12/2025 1Q

- Sales revenue: The reduction in sales revenue occurring in conjunction with the decline in spot business specific to the previous fiscal year was covered, and business made a strong start for the year. Steady progress was made against the full-year forecasts
- Operating profit: Despite a slight YoY decline, unit price negotiations and productivity improvements as well as orders for large-scale projects in the telecom. infrastructure sector contributed to profit. Significant progress was made against the full-year forecast

(¥ mm)	2024/12	2025/12			
	1Q	1Q			
	Results	Results	YoY change (%)	Full-year earnings forecast (comparison with previous FY result)	Progress rate <sup>*2</sup>
Sales revenue	5,945	5,985	+40 (+0.7%)	22,000 (+5.0%)	27.2%
Operating profit	784	747	(37) (-4.7%)	1,800 (+25.5%)	41.5%
Profit attributable to owners of parent	455	463	+8 (+1.7%)	1,100 (+31.8%)	42.1%
EBITDA <sup>*1</sup>	1,150	1,058	(92) (-8.0%)	3,091 (-2.4%)	34.2%

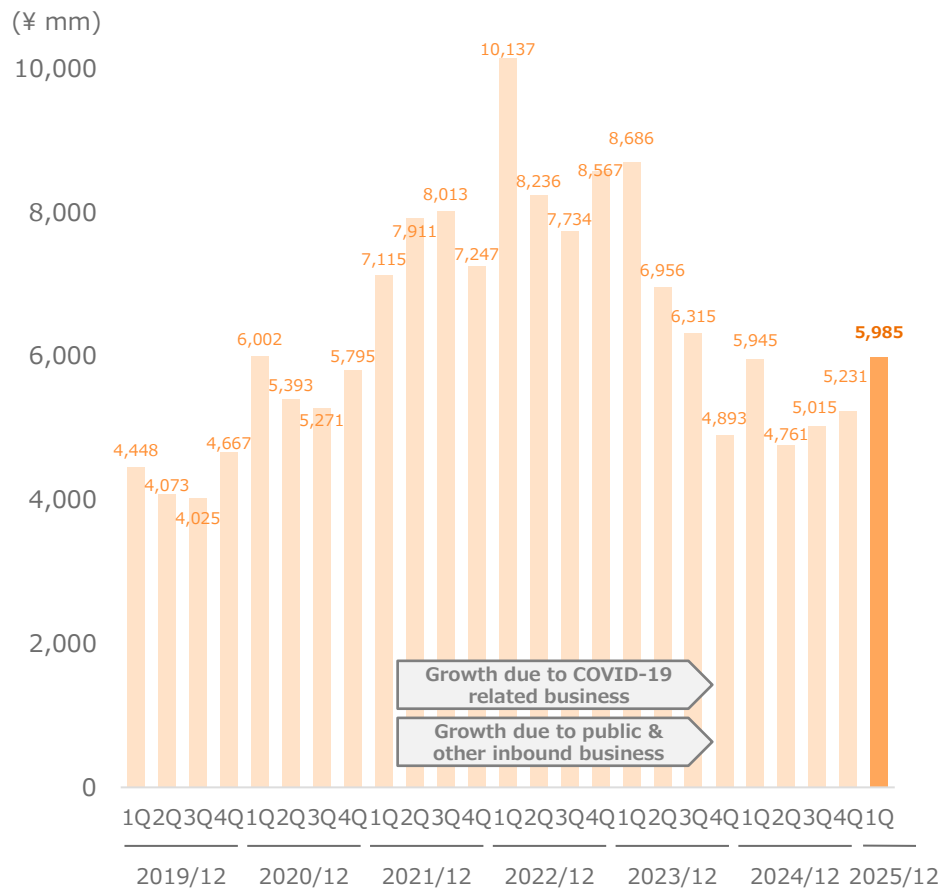
\*1 EBITDA = operating profit + depreciation + amortization + impairment and disposal losses on fixed assets

\*2 2025/12 progress rate against the full-year earnings forecast

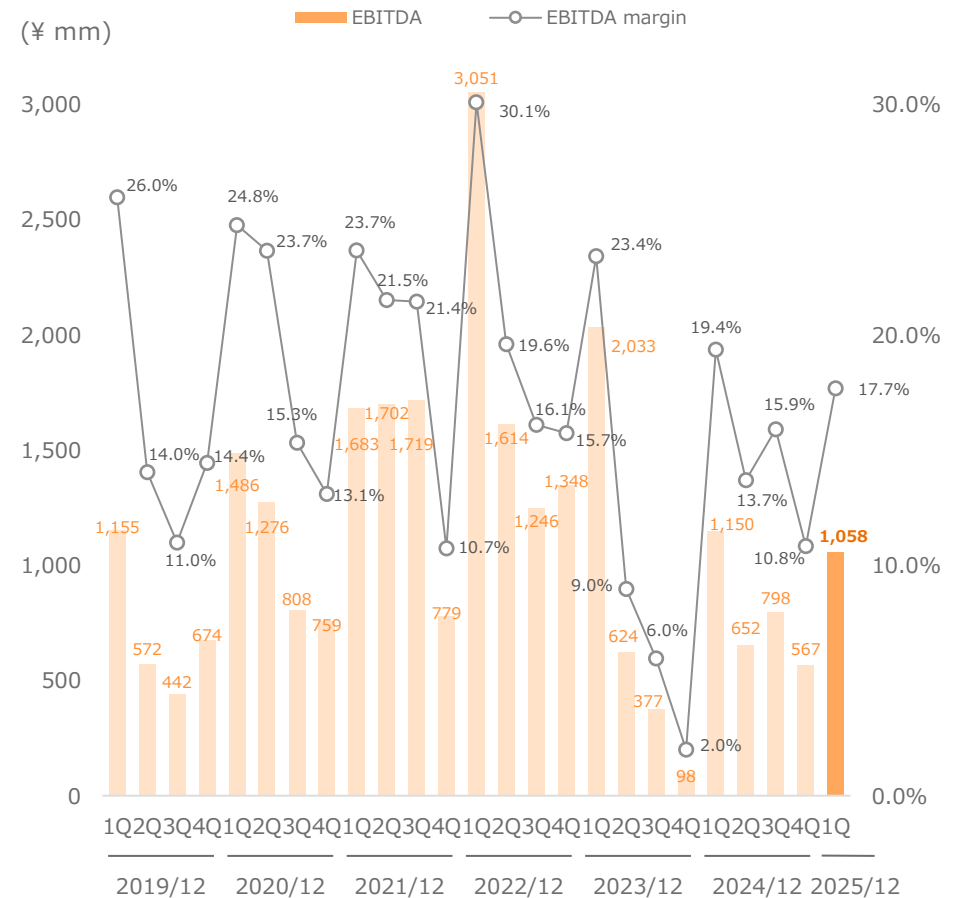
# Quarterly Results

- **Sales revenue:** Steady growth was achieved in existing business as well as new areas. The reduction in sales revenue occurring in conjunction with the decline in spot business was covered, and sales revenue increased YoY and QoQ
- **EBITDA:** Significant QoQ growth was achieved, partly due to seasonal factors. There were effects from depreciation burdens having run their course, and EBITDA decreased slightly YoY

## Quarterly changes in consolidated sales revenue



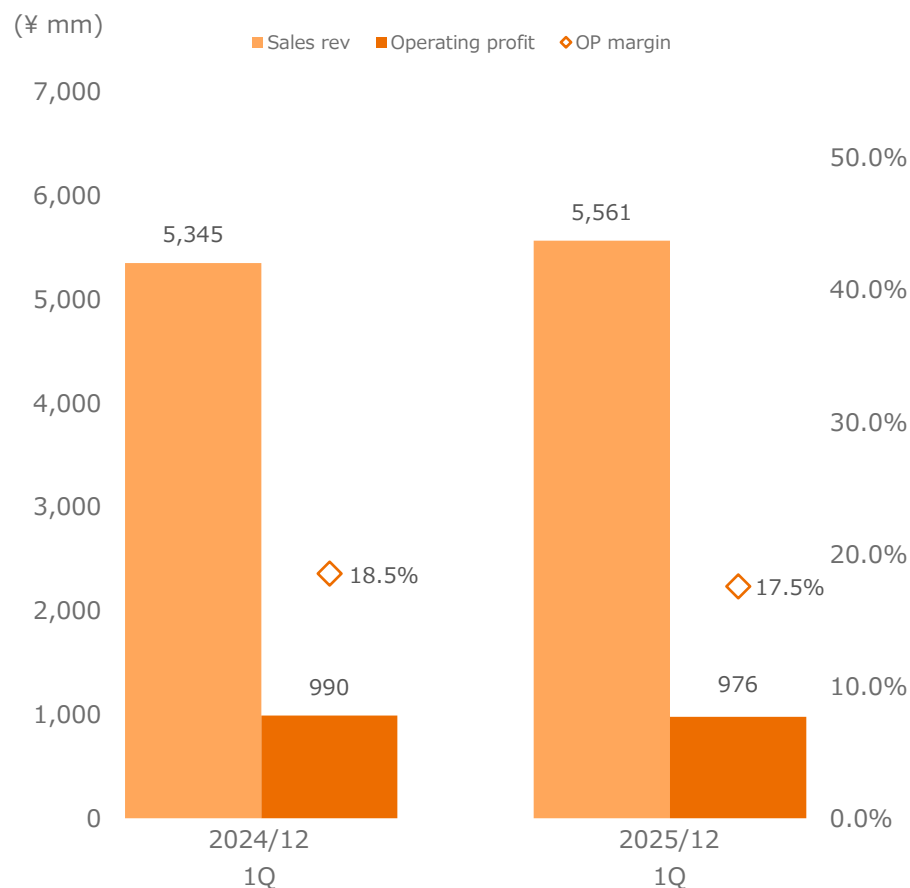
## Quarterly trends in EBITDA・EBITDA margin



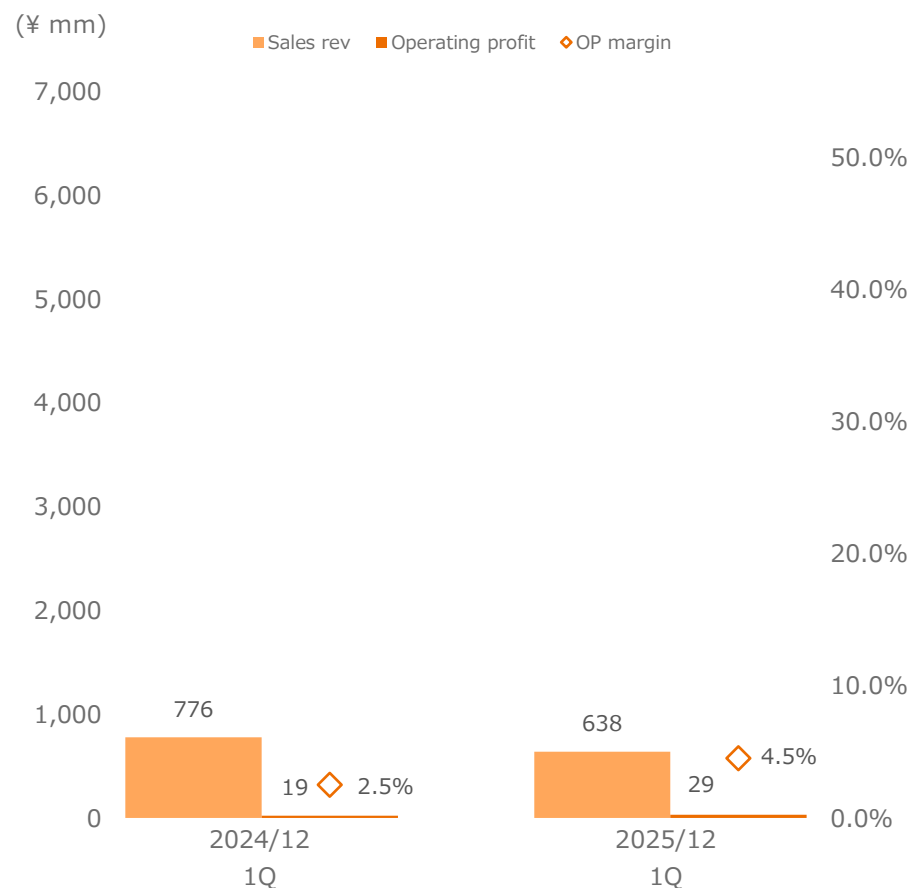
# Results per Segment

- **Marketing business:** Sales revenue increased by 215 million yen YoY (+4.0%), and operating profit was down 14 million yen YoY (-1.4%)
- **On-site business:** Sales revenue was down 138 million yen YoY (-17.8%), and operating profit increased by 9 million yen YoY (+48.5%)

## Marketing business



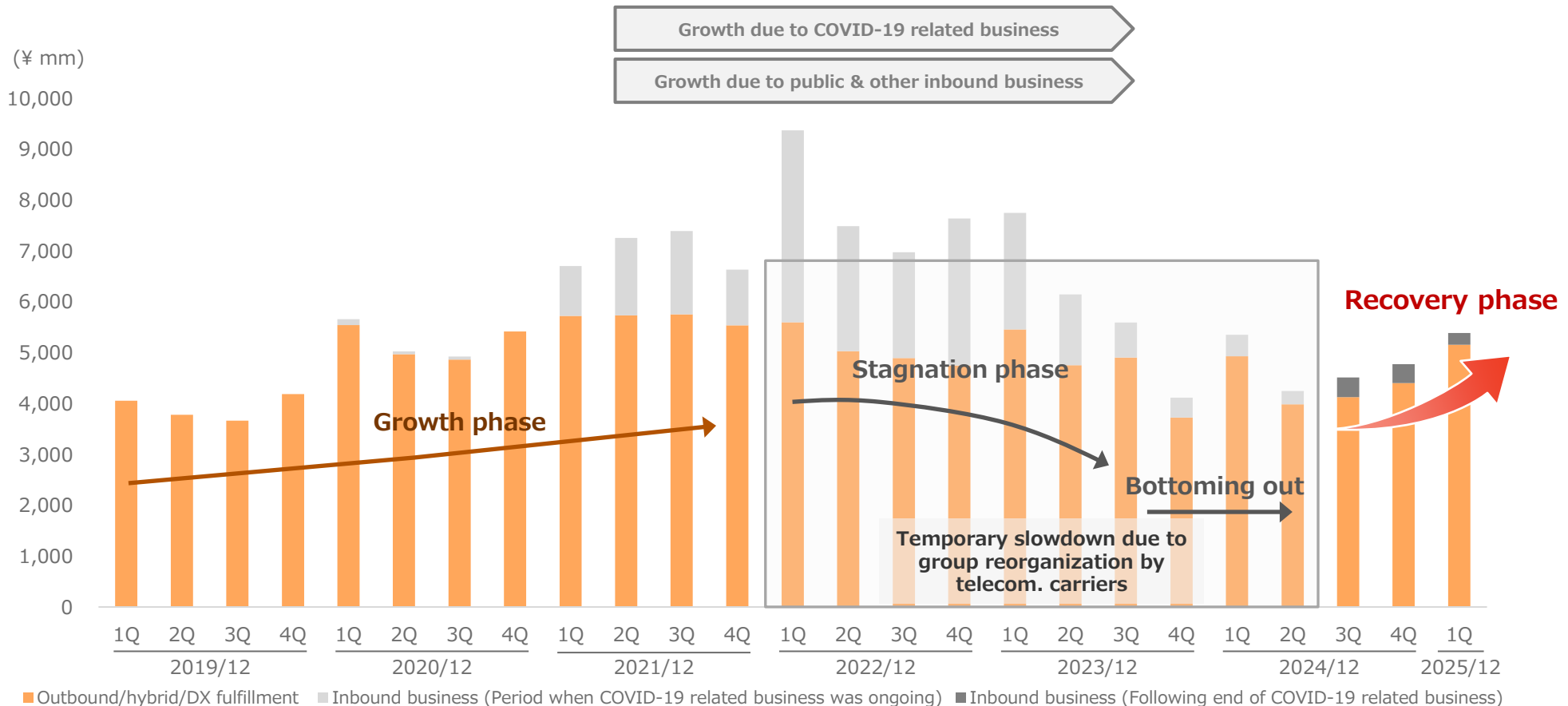
## On-site business



# 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 business has entered a recovery phase
- In addition to higher sales revenue for telecom. infrastructure sector, the steady growth of DX fulfillment has been driving overall growth in sales revenue

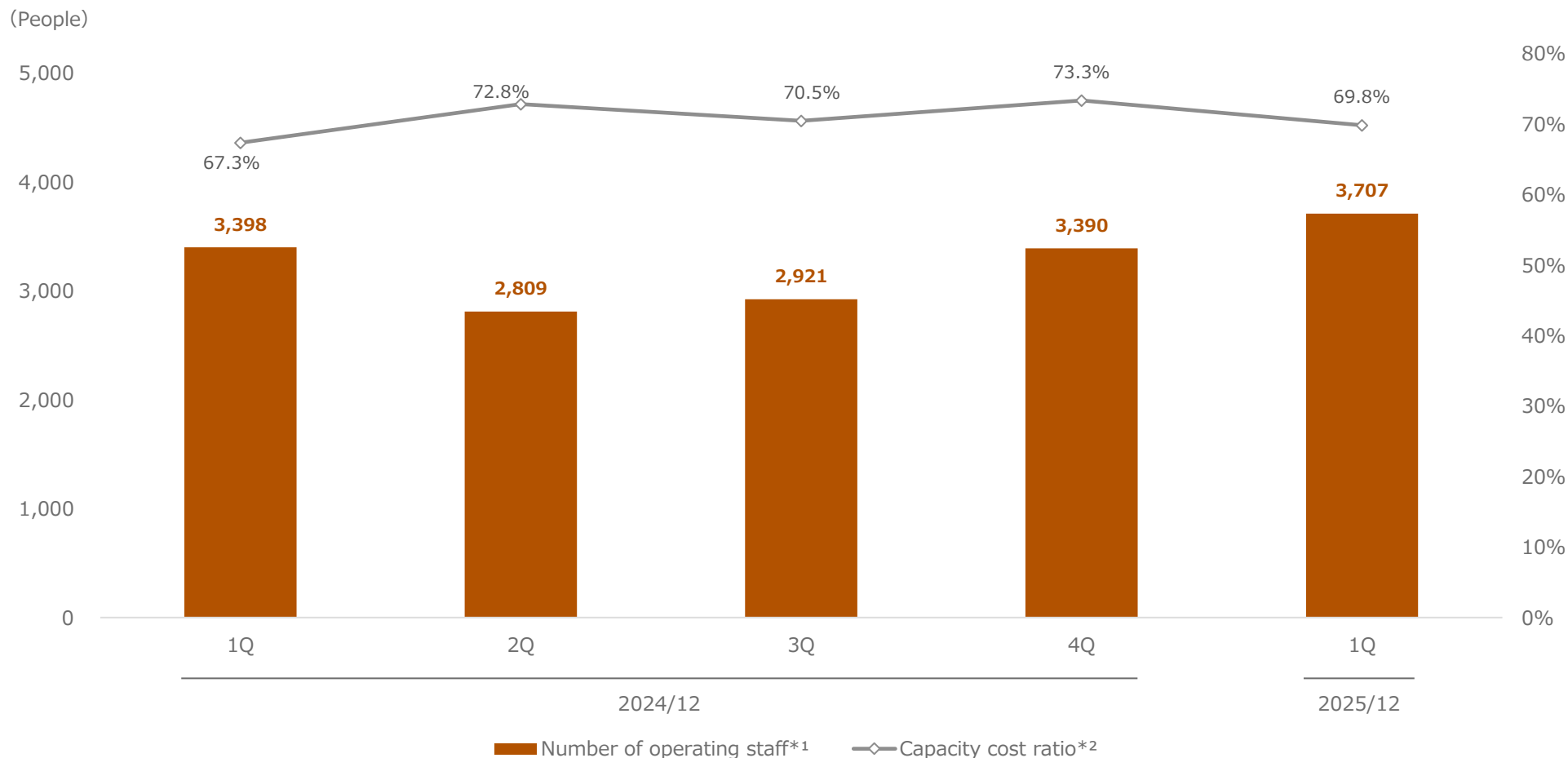
## Changes in sales in the outbound/hybrid/DX fulfillment business and inbound business





# Changes in the Number of Operating Staff and Capacity Cost Ratio

- The number of operating personnel is trending steadily upward. The capacity cost ratio improved QoQ in conjunction with sales revenue growth



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

\*<sup>2</sup> 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 © Direct Marketing MiX Inc.

# FY12/2025 1Q B/S and C/F

- Operating cash flows were substantially higher YoY. The main factor was the resolution of temporary cash outflow factors including contract liabilities

## Consolidated B/S

(¥ mm)	End of 2024/12	End of 2025/3	Change
<b>Total assets</b>	<b>24,968</b>	<b>25,697</b>	<b>+729</b>
Current assets	8,301	9,039	+738
Non-current assets	16,667	16,657	(10)
Goodwill	11,391	11,391	-
<b>Total liabilities</b>	<b>11,212</b>	<b>11,677</b>	<b>+465</b>
Current liabilities	6,114	6,851	+737
Non-current liabilities	5,098	4,826	(272)
<b>Total equity</b>	<b>13,756</b>	<b>14,020</b>	<b>+264</b>
Total equity attributable to owners of parent	13,756	14,020	+264
<b>Total liabilities &amp; equity</b>	<b>24,968</b>	<b>25,697</b>	<b>+729</b>

## Consolidated C/F

(¥ mm)	2024/12 1Q	2025/12 1Q	Change	2024/12 Full year (Ref.)
Operating cash flow	(126)	655	+781	2,002
Investment cash flow	79	(36)	(115)	(101)
Financial cash flow	(651)	(739)	(89)	(1,192)
<b>Free cash flow</b>	<b>(48)</b>	<b>619</b>	<b>+666</b>	<b>1,900</b>









# Full-year Earnings Forecast for FY12/2025 (No Change)

- A high degree of progress was made in the 1st quarter, marking a strong start to achieving the full-year earnings forecast
- The recovery trend in the telecom. infrastructure sector is becoming more prominent, and we will pursue further growth in business performance

(¥ mm)	2024/12	2025/12	
	Results	Full-year earnings forecast	Comparison with FY12/2024 (rate of change)
Sales revenue	20,952	22,000	+1,048 (+5.0%)
Operating profit	1,434	1,800	+366 (+25.5%)
Profit before tax	1,391	1,750	+359 (+25.8%)
Profit attributable to owners of parent	834	1,100	+266 (+31.8%)
EBITDA <sup>*1</sup>	3,167	3,091	(76) (-2.4%)

# Business Performance Trends and Strategies by Segment

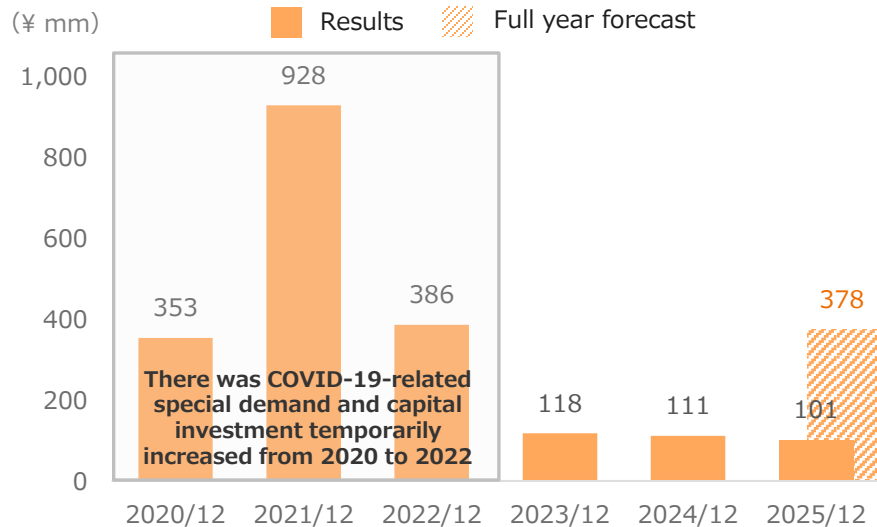
- The outlook for business performance and business strategies for each domain are as indicated below
- Growth is expected in the hybrid and DX fulfillment areas
- Recovery of the inbound market has not been factored in (See p. 21 for the definitions of each domain)

Segment	Domain	Sector	Business performance trend	Strategies
Marketing	Outbound	Telecom. and infrastructure		<ul style="list-style-type: none"> <li>• Seek growth by deepening existing projects</li> <li>• As an upside, we will seek to develop business in the collaboration between telecom. and the financial sector, and expand into strategic and non-telecom areas, such as electricity and gas</li> </ul>
		Other than the above		<ul style="list-style-type: none"> <li>• We will establish new business development teams focused on companies with high LTV products that require high sales quality as well as universal service providers to drive expansion of the sales BPO market</li> </ul>
	Hybrid	Telecom. and infrastructure		<ul style="list-style-type: none"> <li>• Expand and enhance the solution lineup in anticipation of future expansion of products and channels</li> <li>• Capture future growth in demand with a focus on online customer service</li> </ul>
		Other than the above		<ul style="list-style-type: none"> <li>• Capture needs for increased creation of new profit-generating call centers</li> <li>• Establish new business development teams that can participate from the planning stages</li> </ul>
	DX fulfillment	-		<ul style="list-style-type: none"> <li>• Expand and enhance the solution lineup in preparation for the expansion of needs in other BPO areas in the future</li> <li>• Collaborate as a partner from the early stages of new DX services. Take full responsibility for meeting the demand during the service expansion phase</li> </ul>
	Others	Inbound		<ul style="list-style-type: none"> <li>• Focus on high-profit projects and areas where our operational expertise can be utilized and continue developing business</li> </ul>
		Research and others		<ul style="list-style-type: none"> <li>• Expand direct transactions with major manufacturers and others centered on BPO provision to large research companies</li> <li>• Pursue stable growth by building a portfolio that is not reliant on specific industries</li> </ul>
On-site	On-site	-		<ul style="list-style-type: none"> <li>• Deepen our dispatching business in the call center field and also develop new fields such as SE dispatching</li> <li>• Find opportunities for growth by expanding fields while raising efficiency in existing fields</li> </ul>

# Investment Plan and Progress

## Capital investment

- The increase in expenses for tools, furniture, and fixtures will be primarily due to transition to Windows 11 in conjunction with the end of support for Windows 10

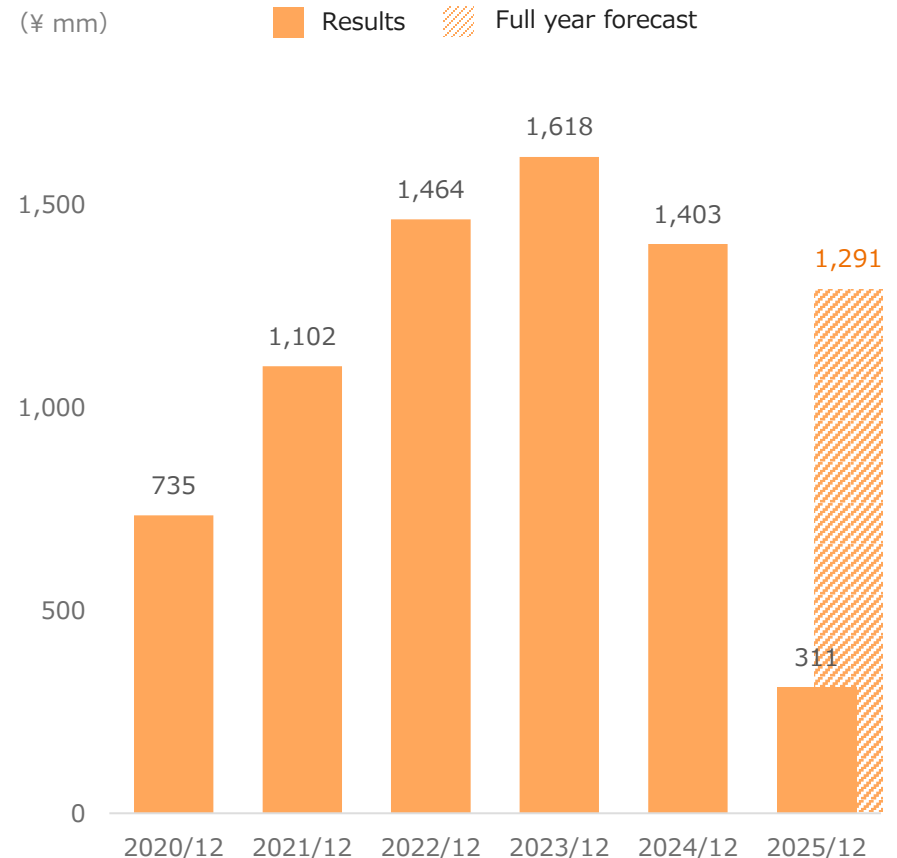


### Major capital investment breakdown

(¥ mm)	2020	2021	2022	2023	2024	2025	
	Results	Results	Results	Results	Results	1Q Results	Full year Forecast
Buildings and accompanying facilities	177	492	165	60	40	10	16
Tools, furniture and fixtures	165	405	213	57	67	91	362
Software	11	31	8	1	4	0	0

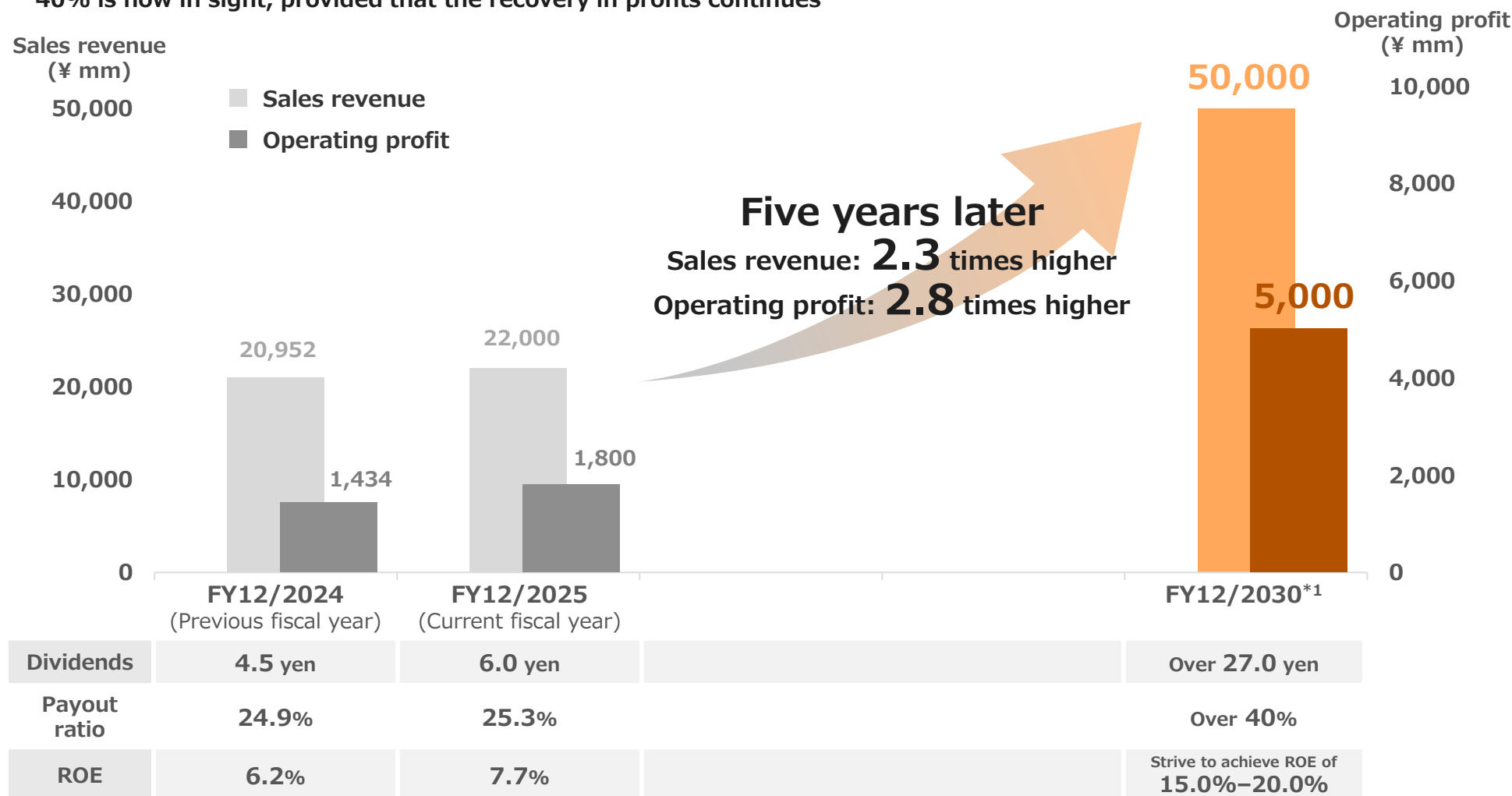
## Depreciation & amortization

- Depreciation and amortization are expected to decrease compared to the previous fiscal year in conjunction with a decline in right-of-use assets



# Medium- to Long-term Management Vision (DmMiX Vision 500)

- Announced the formulation of Medium- to Long-term Management Vision on March 31, 2025
- We seek to achieve sales revenue of 50 billion yen and operating profit of 5 billion yen in FY12/2030
- Shareholder returns have been approached cautiously until now, but early achievement of a dividend payout ratio in excess of 40% is now in sight, provided that the recovery in profits continues



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# DmMiX Group Overview

- As an organization of sales and marketing professionals, we are committed to our clients' sales reforms
- We are expanding the scope of business by solving universal problems that companies are facing, such as labor shortages and improving sales performance



President and CEO,  
Representative Executive Officer

**Daisuke Uehara**

1981 Born in Shizuoka Pref. Japan

2007 Joined Customer Relation Telemarketing Co., Ltd.

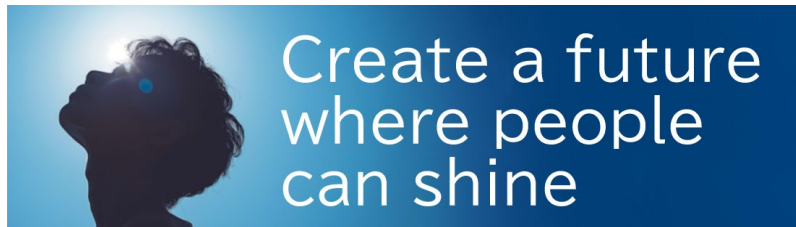
2019 Appointed as CEO

2019 Appointed as Member of the Board of  
Directors of DmMiX (formerly, CRTMHD)

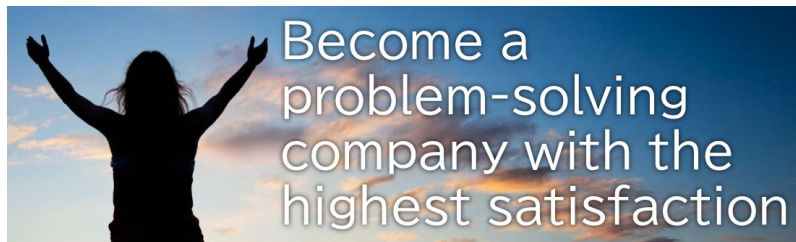
2022 Appointed as Member of the Board of Directors,  
Executive Officer and COO

2024 Member of the Board of Directors, President and CEO,  
Representative Executive Officer (current position)

## Mission (formulated in 2025)



## Vision (formulated in 2025)



## Positioning of the DmMiX Group

Clients'  
issue

- **Shortage of human resources** (decline in working population)
- **Cutting costs** (higher personnel expenses, inefficient work)
- **Improving performance** (bolstering sales capabilities, improving customer satisfaction)

Solutions to problems require considerable resources  
These problems are difficult for companies to solve  
on their own

# DmMiX

As a company that solves problems  
relating to corporate sales and marketing,  
we provide high-value-added sales  
solution services



# Organization of Sales and Marketing Professionals

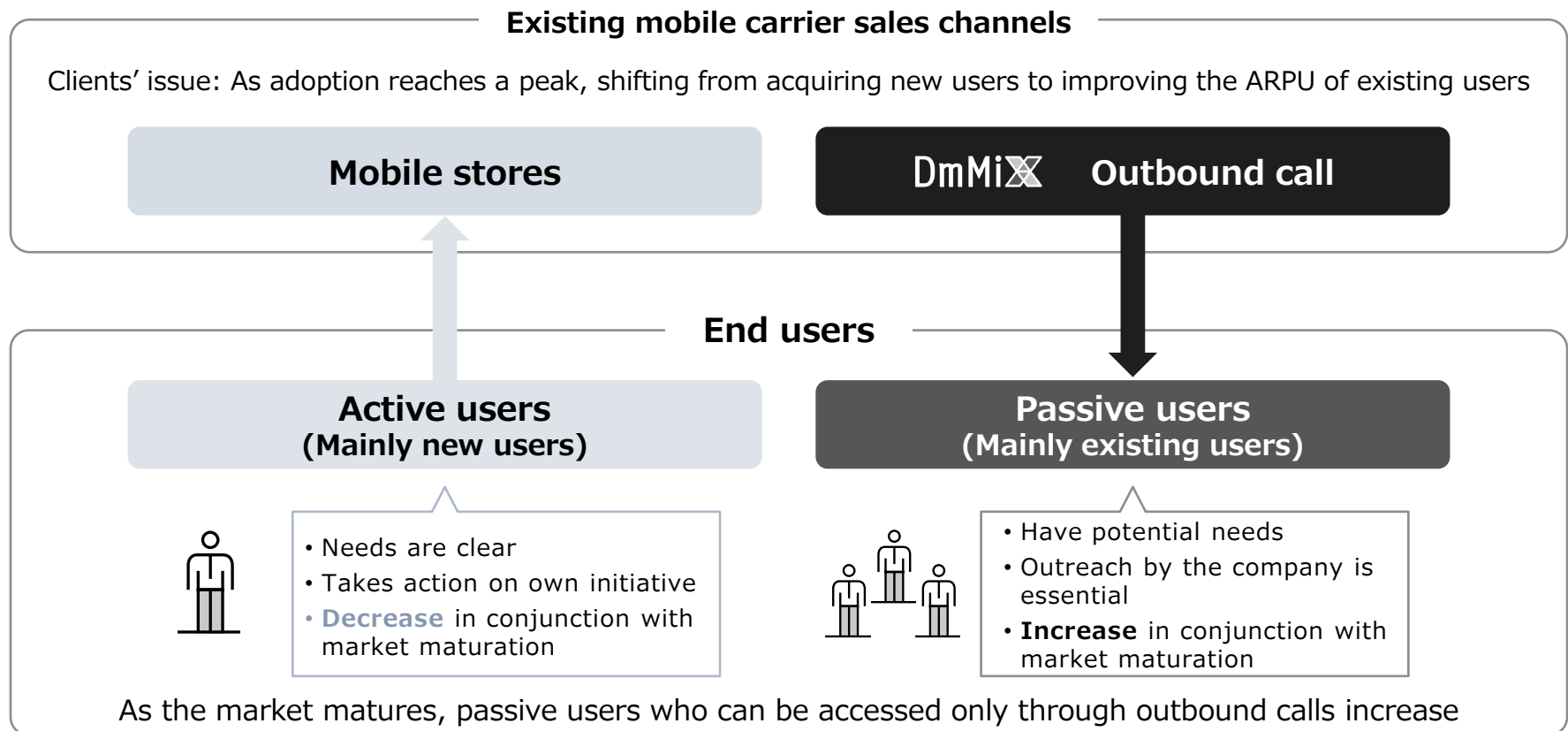
- Since the Company's foundation, we have focused on direct marketing centered on outbound calls, handling contacts with end users on behalf of client companies
- Recently, we have comprehensively handled operations ranging from sales and marketing to consulting and back-office operations according to client needs



# Roles Performed by DmMiX

- In the past, the Company rapidly expanded the scope of business in conjunction with the maturation of the mobile carrier market
- As the opportunities for acquiring new users have become increasingly limited, the Company has taken on unique roles regarding outbound calls such as improving ARPU of existing users and enhancing loyalty
- As a result, the Company accumulated a massive amount of data and expertise relating to sales and marketing, which has become the source of the Company's competitive advantage

## Positioning of sales channels in the mobile carrier market



# DmMiX's Overwhelming Presence

- Consistent outbound call center operation since founding
- Unrivaled and overwhelming performance in Japan in terms of number of outbound calls and number of outbound personnel

## Overwhelming outbound performance

Number of outbound  
calls annually

More than  
**80 million calls**

Number of outbound  
personnel\*<sup>1</sup> engaged  
in continuous  
operations per day

More than **2,500**

Number of personnel  
hired annually

More than **8,500**

# Competitive Advantage in Outbound Operations

- In the outbound domain, which is the Company's founding business, we established a "sales mechanism" that achieves both high productivity and high quality



## 1. Human resource management

- Restriction-free recruitment ▶ [See p. 30](#)
- Human resource matching ▶ [See p. 30](#)

## 2. Knowledge

- Quality control ▶ [See p. 31](#)
- Overwhelming numbers of calls and contacts

## 3. Organizational culture of getting things accomplished

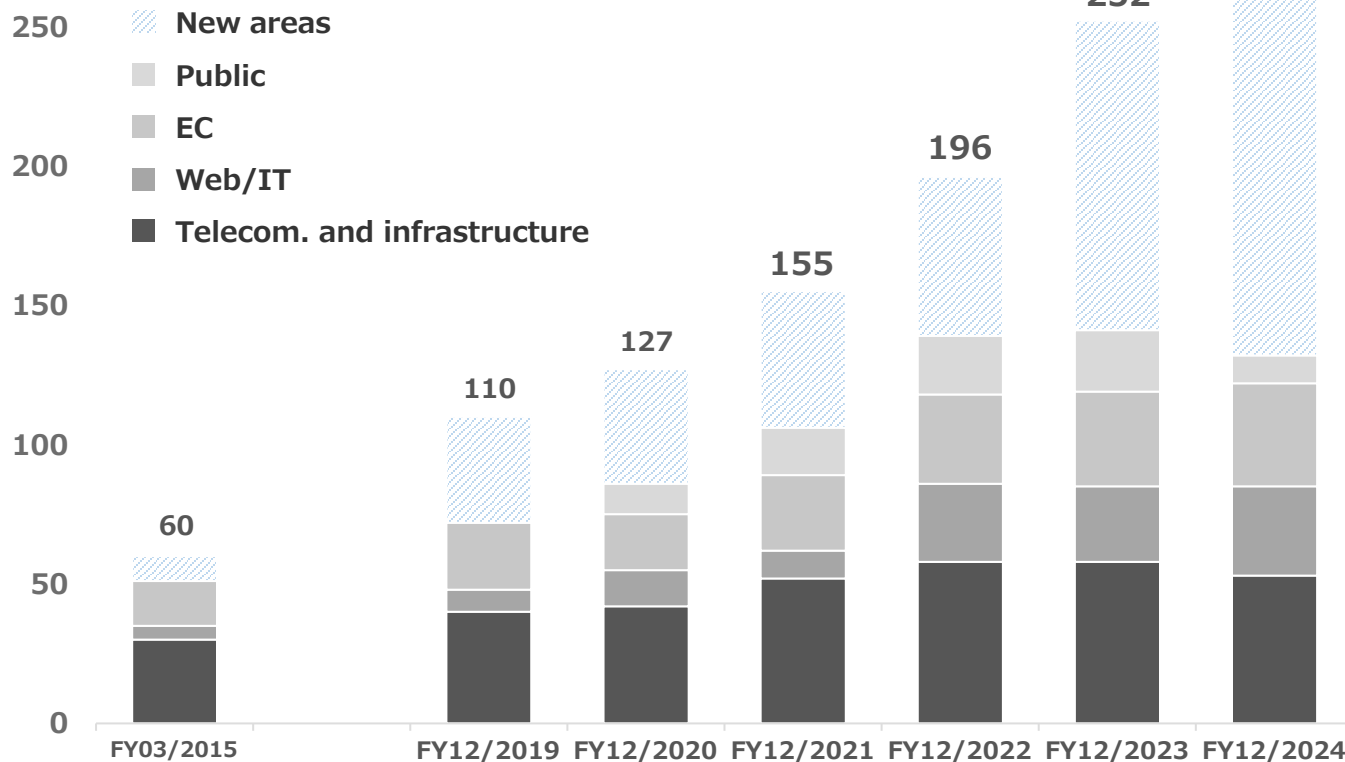
- Evaluation systems ▶ [See p. 32 and 33](#)
- System of division of labor

# Overwhelming Support from Clients

- We acquire approximately 30 new clients each year and have a contract renewal rate that exceeds 95%
- Making progress in acquiring new clients in areas other than telecom. and infrastructure and steadily adding new business areas

## Changes in the number of clients by sector\*1

(Number of companies)



### New areas

Areas that will become drivers of long-term growth



Finance



Real estate



Mobility



Media etc.

### Existing areas

Areas where we will pursue higher market share by accumulating knowledge

### Telecom. and infrastructure

Areas where we will leap forward by transitioning to a hybrid channel\*2

\* The number of transacting companies decreased in conjunction with integration of trade flows by some clients

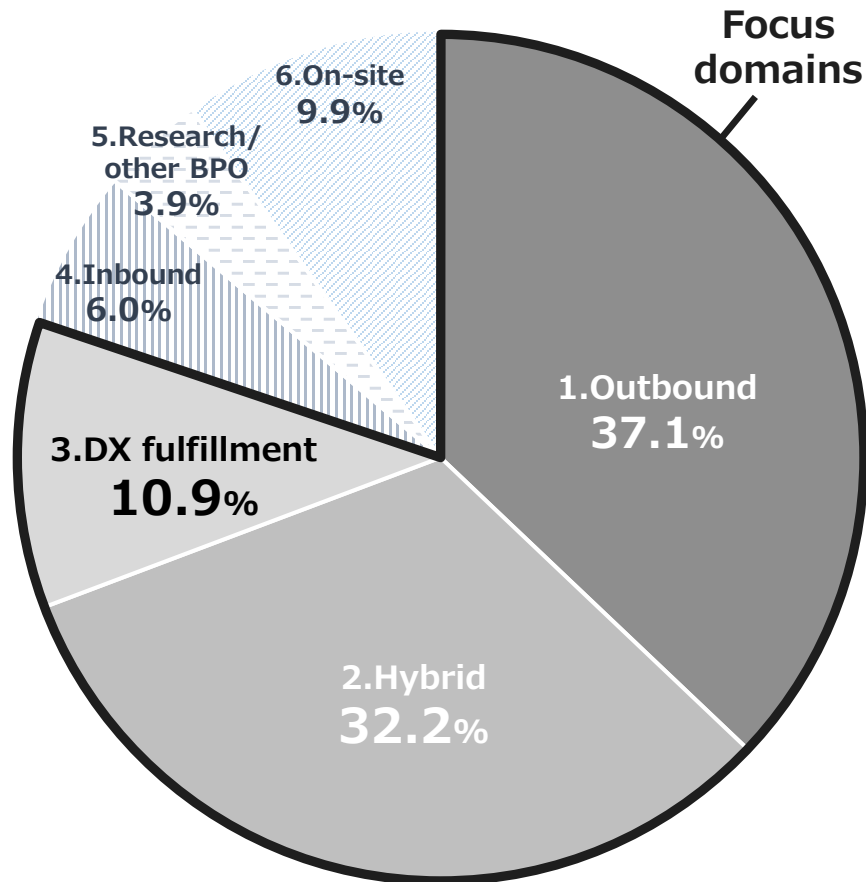
\*1 Counted on a contract basis with each group company. Excludes clients with annual transaction amount of less than 1 million yen. In addition, on-site business (temporary staffing) is excluded after FY12/2019

\*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

# Current Business Domains

- In addition to outbound business, the Company's founding business, the hybrid and DX fulfillment businesses have expanded rapidly since 2020 as a result of diversifying client needs
- Our core domains are outbound, hybrid, and DX fulfillment, which combined account for approximately 80% of total sales

Sales revenue by business domain\*<sup>1</sup> (FY12/2024)



## Marketing business

### 1. Outbound

- Sales solutions with a focus on outbound calls

### Markets established since around 2020

### 2. Hybrid ▶ See p. 24 and 25

- Monetization of all types of customer contacts in all channels such as online customer contact

### 3. DX fulfillment ▶ See p. 27 and 28

- From the perspective of social implementation of new digital services, provision of not only sales and marketing services, but also comprehensive business process outsourcing (BPO) operations

### 4. Inbound

- Receipt of incoming calls and administrative processing operations (in principle, the Company handles only the public sector and related areas)

### 5. Research/other BPO

- Market research, monitoring, dispatch of marketing personnel teams

## On-site business

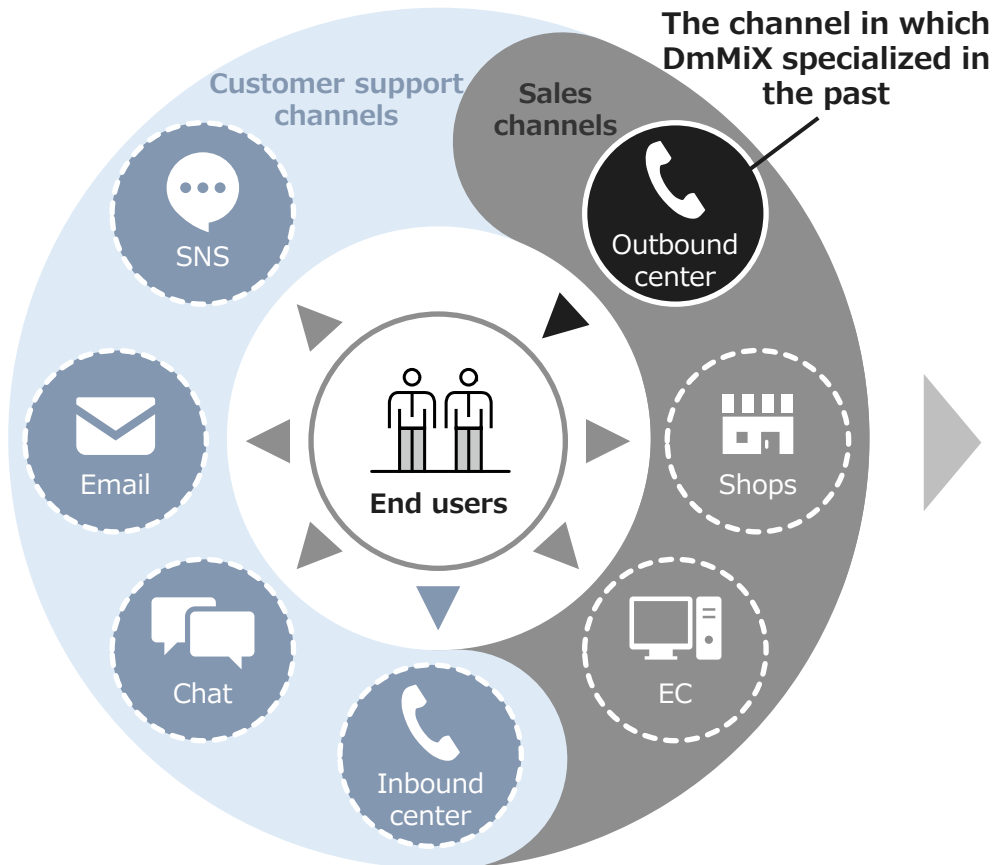
### 6. On-site

- Dispatch to call center businesses
- Dispatch of SE

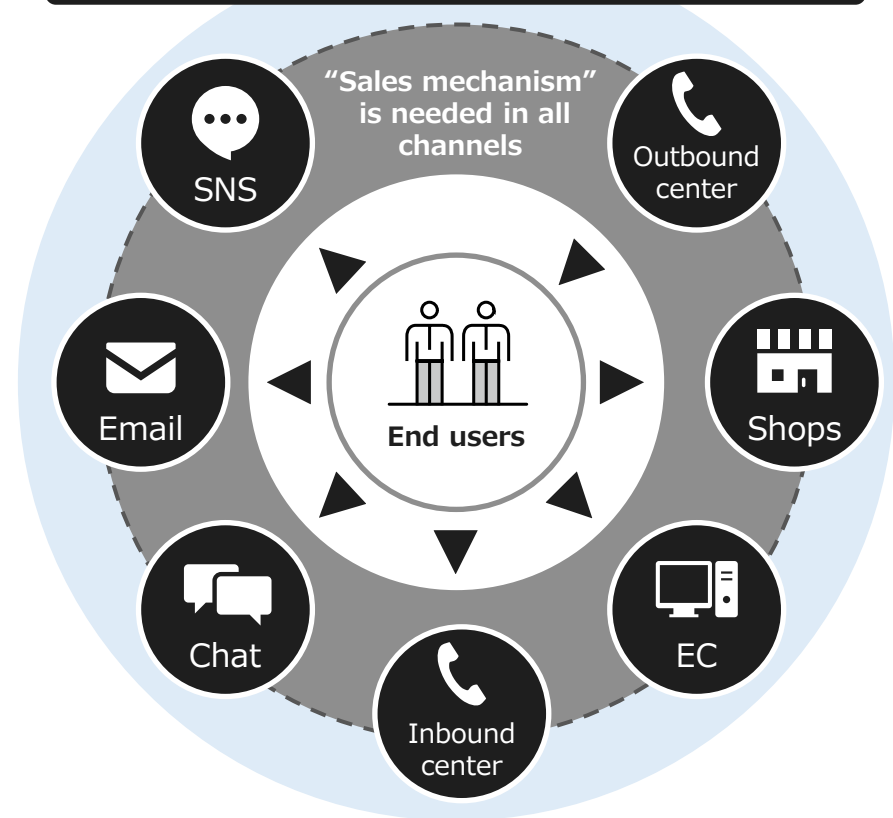
# Rapidly-expanding Hybrid Market

- The era when sales channels were clearly defined has progressed to a time when channel integration is advancing, dispersing revenue opportunities to all types of customer contact
- Demand for our “sales mechanism” is expanding across all channels in which users are involved, transforming all channels into profit sources

## Changes in the roles performed by customer channels

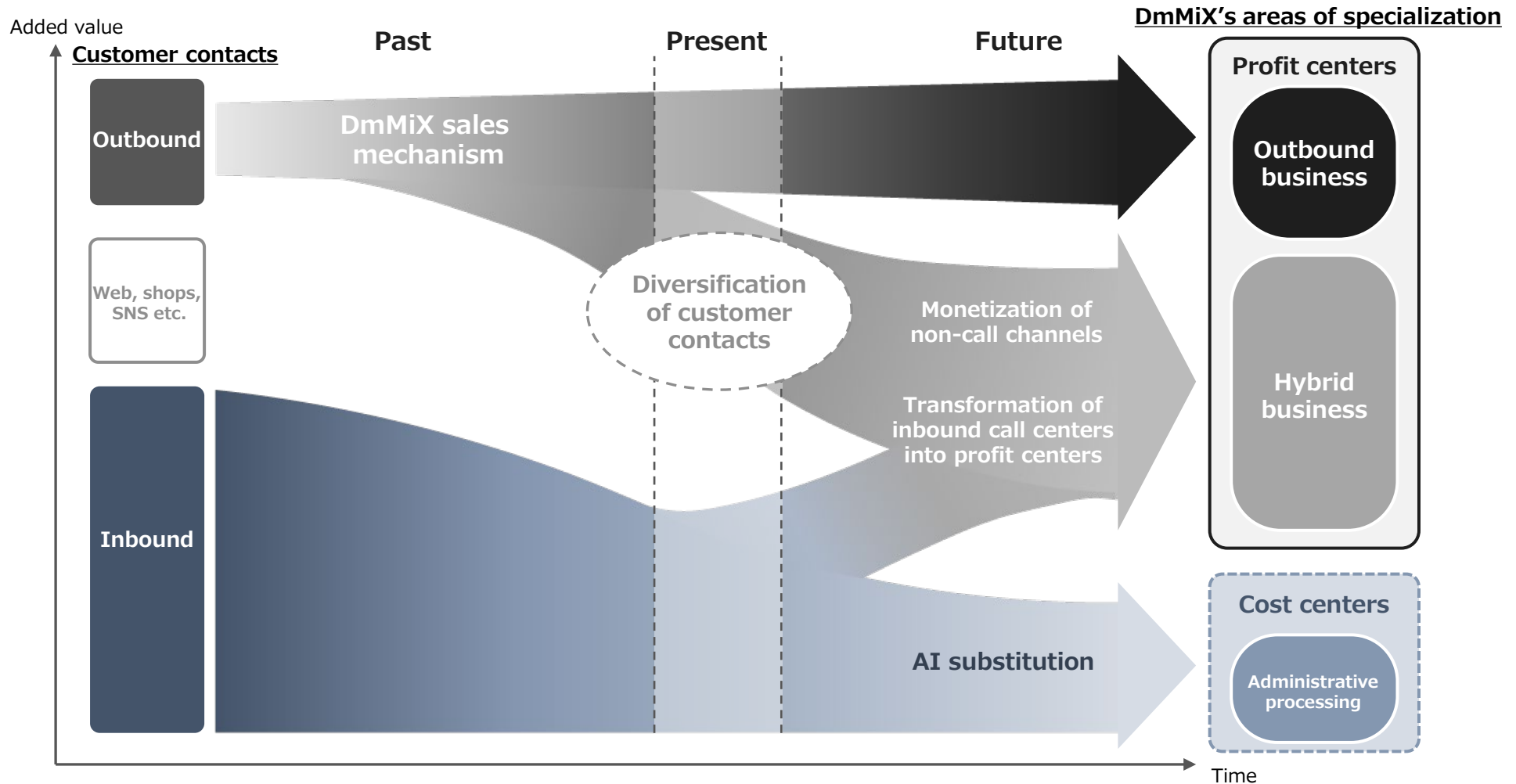


## Monetization of all types of customer contacts



# Room for Growth in the Hybrid Business

- In response to the monetization of non-call channels and the transformation of inbound centers to profit centers, the hybrid business is growing rapidly
- Our business portfolio, which specialized in high-value-added outbound calls, is expected to transform substantially in response to changing market needs





# Hybrid Business Example 1: Transforming Inbound Centers to Profit Centers

- Demand is growing for transforming channels in which sales were not performed in the past, such as inquiry desks, into profit centers through upselling and cross-selling
- Initially, the process is a toss up from the inbound center to our communicators (Step 1), but there is growing demand for more efficient comprehensive outsourcing of inbound center operations (Step 2)

## Step 1: Toss up

### Client's inbound center



- Administrative processing when responding to an inquiry
- Sales responses are difficult without know-how



### DmMiX's outbound center



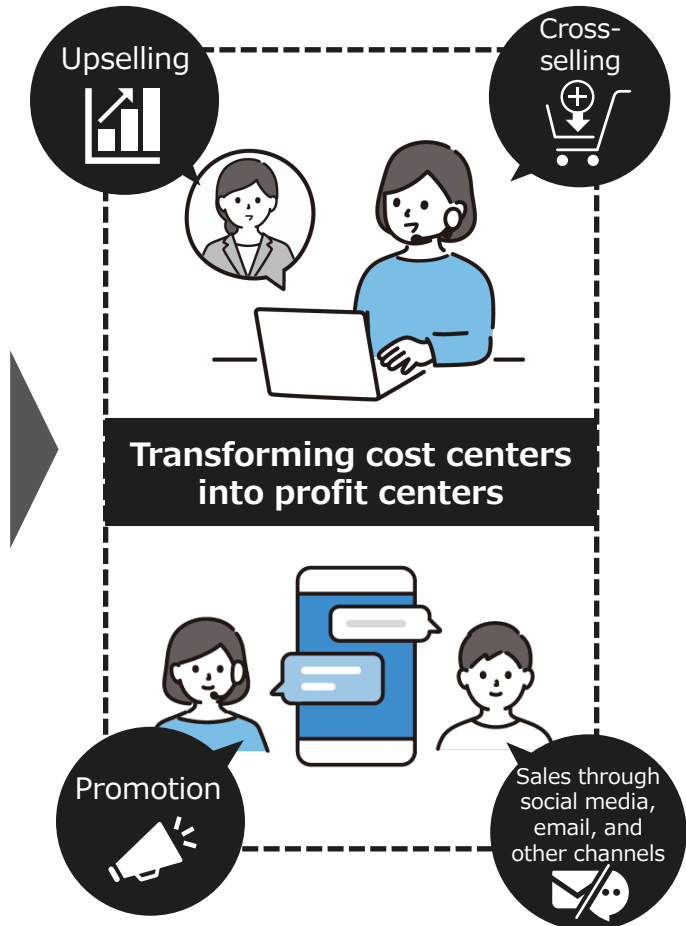
- Monetization of customer contacts
- Improved outcomes by staff with outbound experience

## Step 2: Comprehensive provision of services

We perform inbound center operations on a contract basis with our communicators handling incoming calls (establishing a profit center through hybridization)

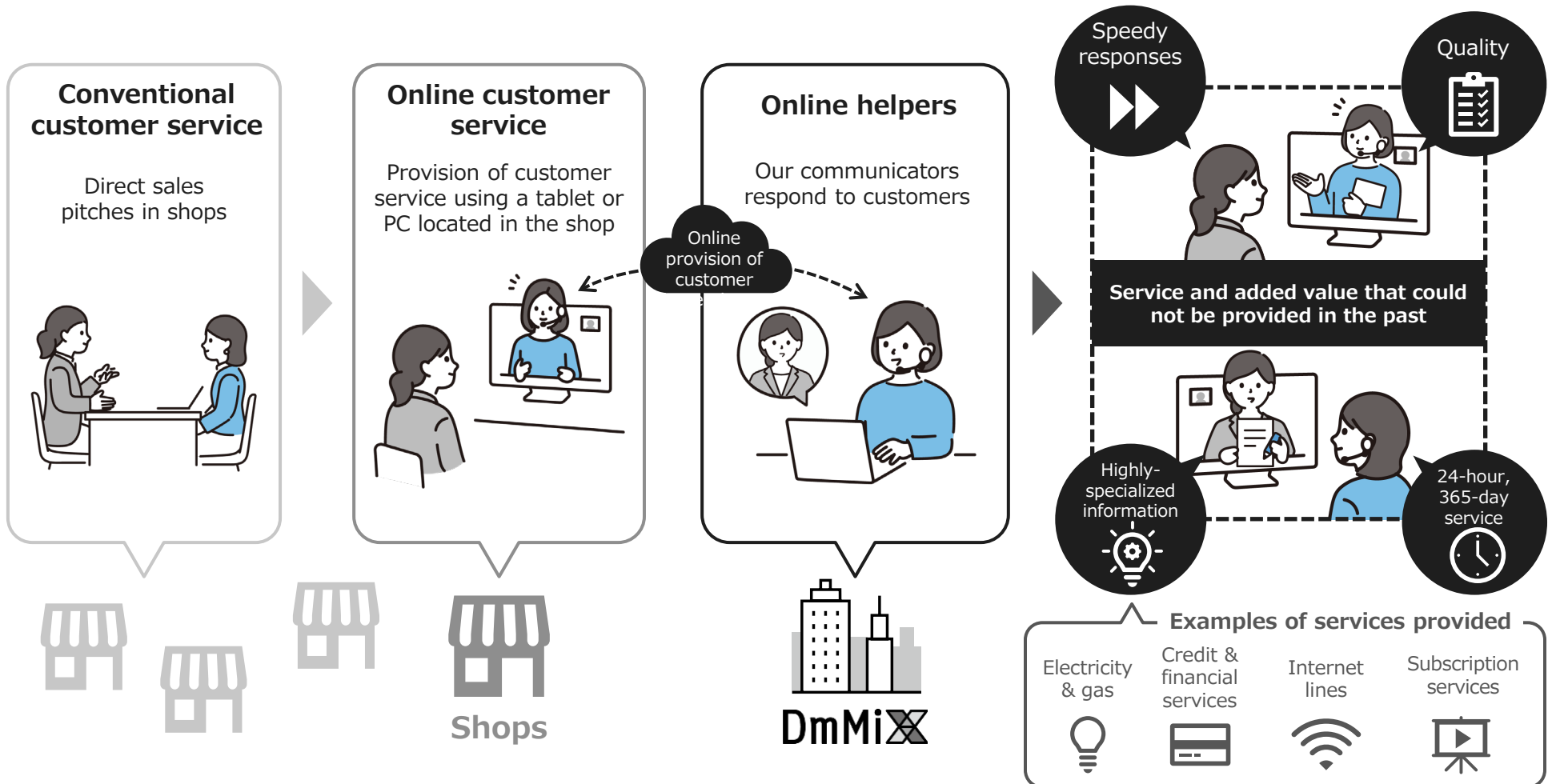


- Our communicators receive calls, and when the response to the inquiry is completed, perform upselling and cross-selling
- We create a "call center that makes sales" that cannot be achieved by client communicators



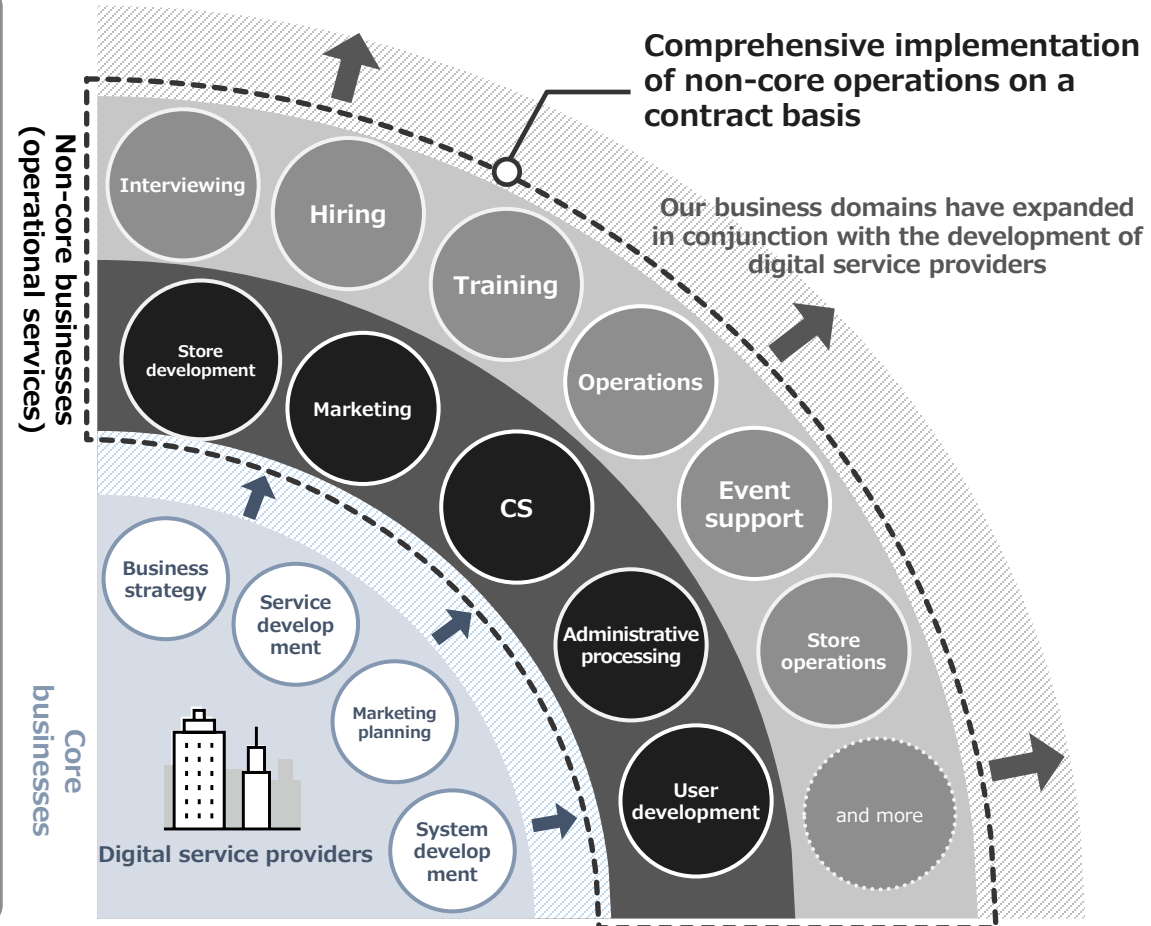
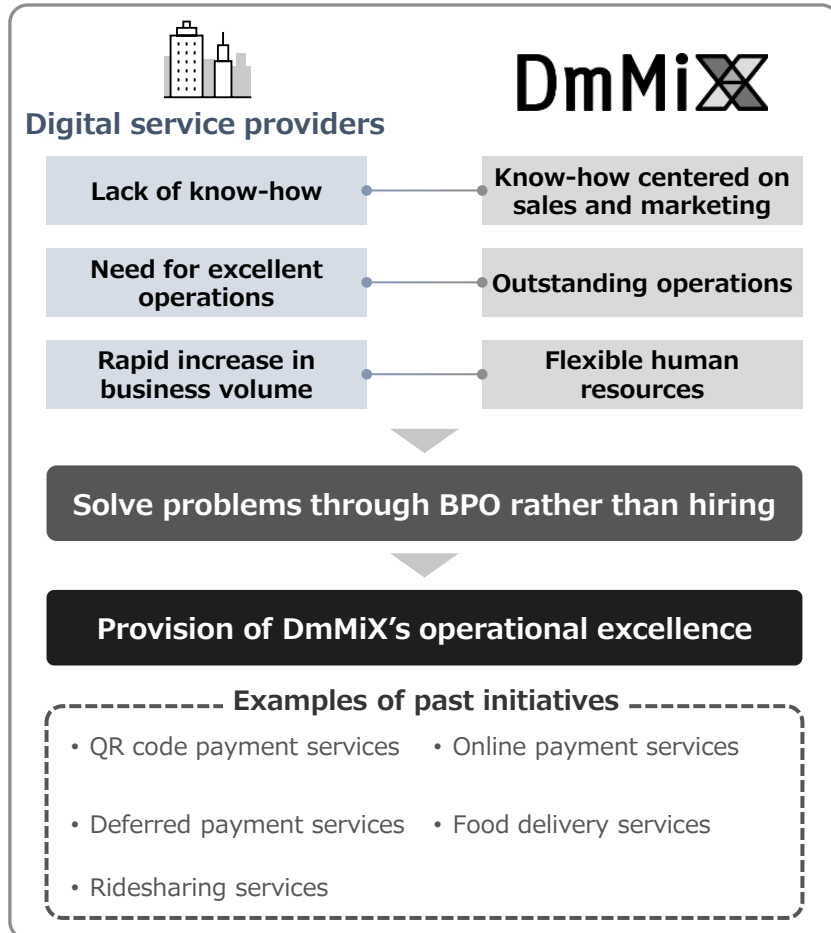
# Hybrid Business Example 2: Online Customer Service at Stores and Counters

- As services become more complex, services that are difficult for shop staff to handle is increasing
- Online customer service makes possible high-added value that cannot be provided through traditional customer service methods



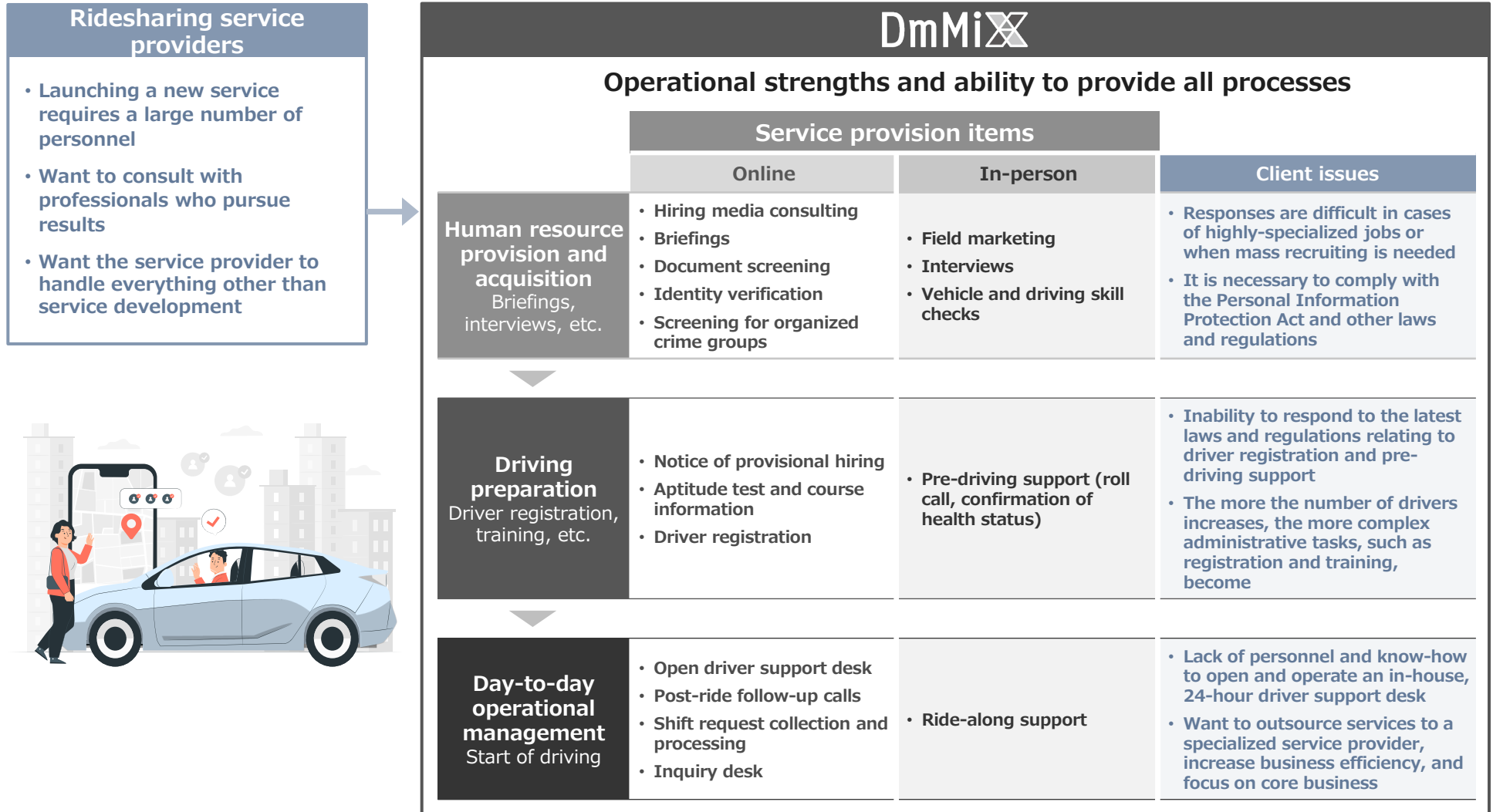
# What Is DX Fulfillment?

- DX fulfillment refers to the comprehensive handling of back-office operations, including administrative tasks and provision of human resources, as well as sales and marketing, and daily operations on behalf of digital service providers with limited human resources. In recent years, demand from startup companies has been particularly high, leading to a rapid increase in transactions
- We provide operational excellence in sales and marketing across all aspects of BPO operations



# DX Fulfillment Example 1: Ridesharing Service

- When launching a new business, various processes are needed
- We provide one-stop support for business launch processes that require human involvement, thereby facilitating the social implementation of new services



# DX Fulfillment Example 2: QR Code Payment (Financial Services)

- In the case of digital services including financial products, not only customer acquisition, but also subsequent processes, such as customer service and identity verification, are key aspects
- We contribute to enhancement of customer satisfaction and business expansion through efficient operations made possible by seamless collaboration in all processes from customer contact to back-office operations

## QR code payment service providers

- Developing member stores and providing user support require a large number of personnel with specialized knowledge
- Want to consult on strategy development with professionals who have extensive experience in order to establish competitive advantage



**DmMiX**

**Contribute to higher customer satisfaction and business expansion through efficient operations**

	Service provision items		Client issues
	Online	In-person	
<b>Sales and marketing</b> Store and user acquisition	<ul style="list-style-type: none"> <li>• Online advertising operation</li> <li>• Social media marketing</li> <li>• Website production and planning</li> <li>• Distribution of email magazines and in-app notifications</li> </ul>	<ul style="list-style-type: none"> <li>• Member store development sales</li> <li>• Planning and operation of sales promotion events and campaigns</li> <li>• Briefings for member stores</li> <li>• Store sales promotion material (posters &amp; POP) production and installation</li> <li>• Field marketing</li> </ul>	<ul style="list-style-type: none"> <li>• Acquiring a wide range of member stores and users requires knowledge and human resources and is difficult to perform in-house</li> <li>• Lack of specialized knowledge and know-how for proposing and executing effective marketing strategies</li> </ul>
<b>Day-to-day operational management</b> Responses to inquiries	<ul style="list-style-type: none"> <li>• Inquiry desk for member stores and users</li> <li>• Information system monitoring and troubleshooting</li> <li>• Data analysis and report production</li> <li>• Improper use detection and response</li> </ul>	<ul style="list-style-type: none"> <li>• On-site support for member stores</li> <li>• Payment terminal installation and explanation of operation</li> <li>• On-site response in the event of problems</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of personnel and know-how to open and operate an in-house, 24-hour inquiry desk</li> <li>• Lack of the resources necessary to respond promptly and appropriately to diverse inquiries and to maintain customer satisfaction</li> </ul>

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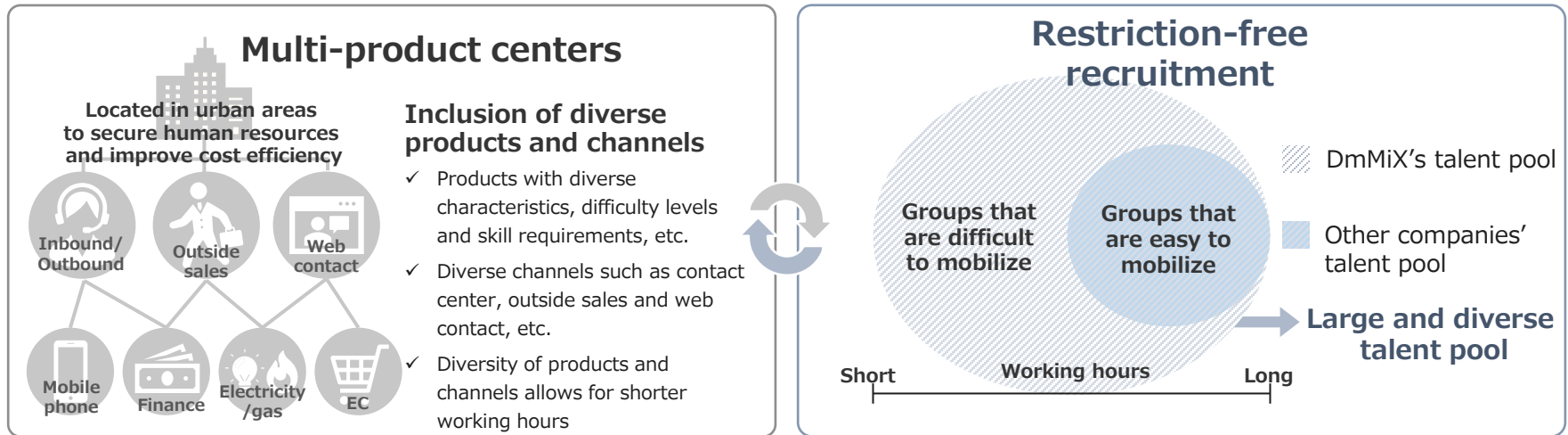
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# Mechanism for matching Diverse Products with Human Resources and making the most of them

- All sites are located in urban areas with high concentration of human resources. We provide opportunities for all types of human resources as a “Multi-product centers”
- Thoroughly implement “Restriction-free recruitment,” including those with short working hours who are difficult to make into a workforce, and secure ample human resources
- Create high productivity and scalability, a source of our competitiveness

## “Multi-product centers” and “Restriction-free recruitment”



## Matching products and human resources

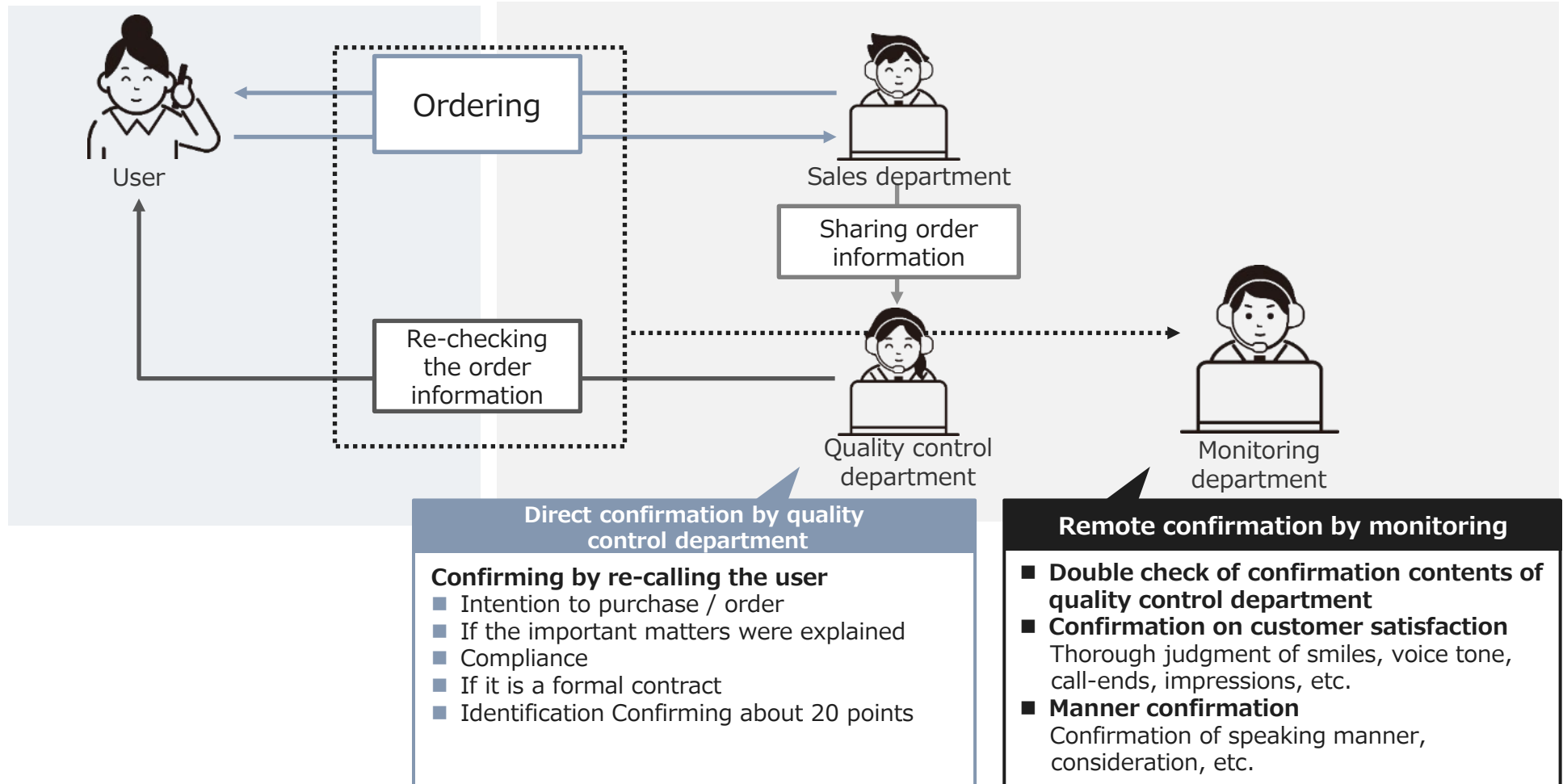


## Empowerment of all human resources

- ✓ Enabling human resources that would be difficult for other companies to bring into the workforce
- ✓ Human resource strategies to link diversity to competitiveness
- ✓ Large-scale, flexible allocation of personnel is possible

# Rigorous Sales Quality Management

- 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

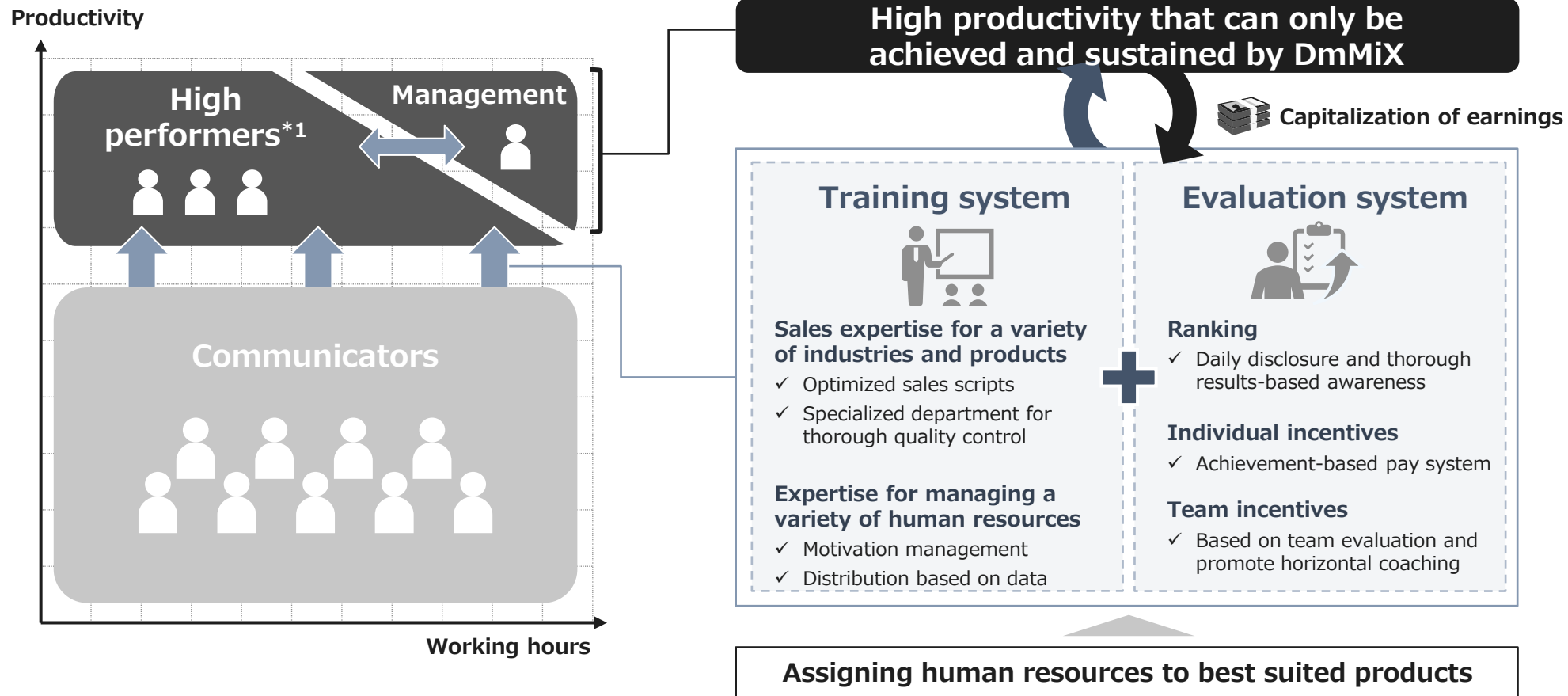




# Mechanism for developing Highly Productive Human Resources

- Our unique training and evaluation systems enable us to develop all employees into highly productive human resources. Virtuous cycle of high profitability and high incentives
- Flexible career choices are also available by offering work styles best suited according to aptitudes, values and life stages, regardless of the number of hours worked

Unique training and evaluation systems that continues to develop highly productive human resources

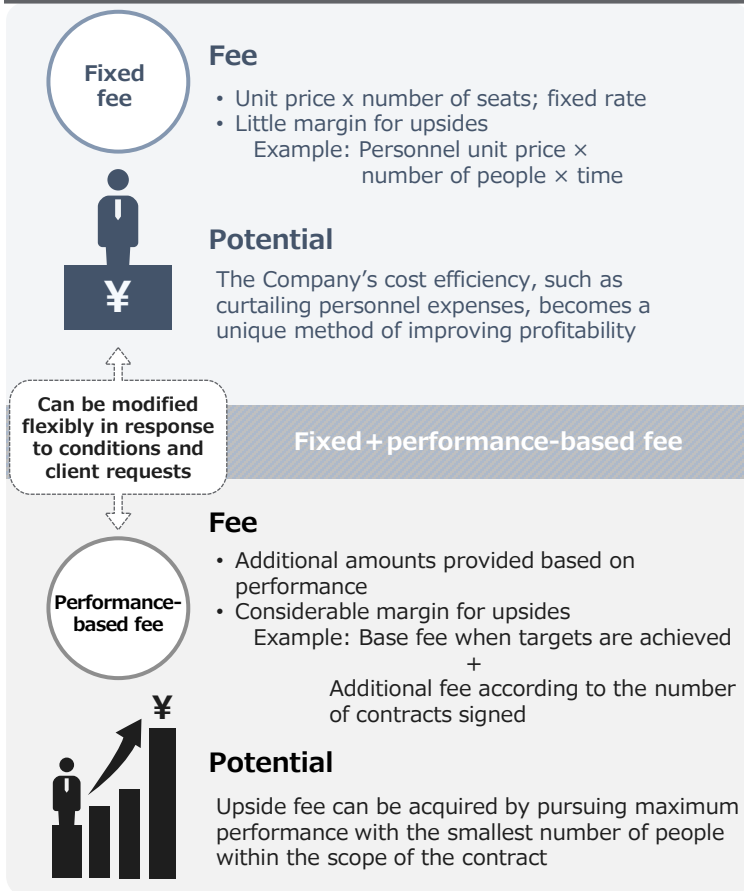


\*1 A general term for staff who have achieved a certain level of sales performance according to our standards

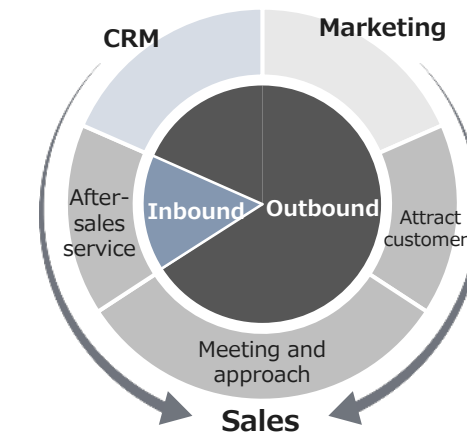
# Service Fee Structure That Can Comprehensively Pursue Upsides

- The main fee is performance-based that pursues upsides through incentives and other means. We can also respond flexibly to conditions and requests from client companies and can support fixed-fee projects
- Maximize profits by optimizing the fee system at each stage of the sales process

## Difference between fixed and performance-based fee



## Fee system for each sales process



### Marketing

- Fixed: Market surveys, customer analysis, provision of materials
- Performance-based: Consulting

### Sales

#### ● Attract customers

- Fixed: DM, social media, events, seminars, booths, exhibits
- Performance-based: Lead acquisition, setting of appointments

#### ● Meeting and approach

- Performance-based: Cross-selling, up-selling and closing

#### ● After-sales service

- Fixed: Customer support, technical support and clerical work (sending documents, following up on application procedures)

### CRM

- Performance-based: Lead to sales (improve ARPU, acquire repeat customers and loyal customers)

**DmMiX**

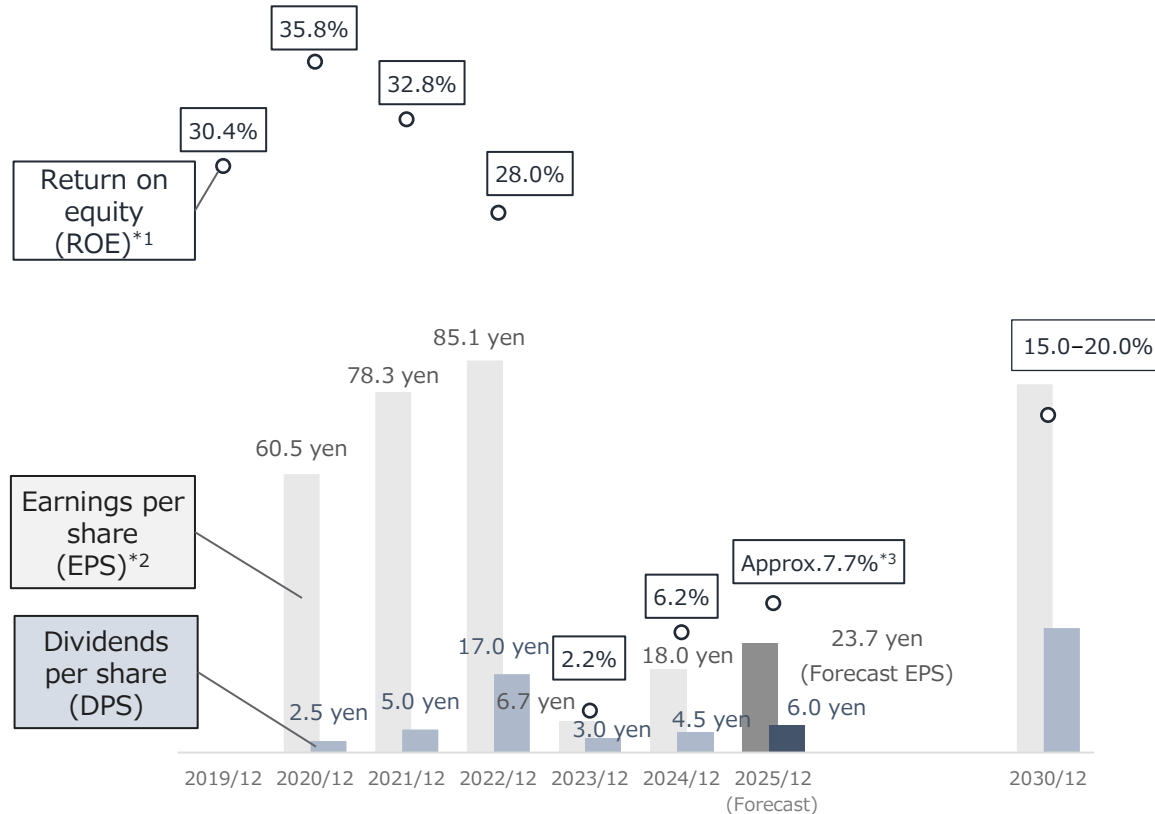
**Maximization of profit over the medium- to long-term by building relationships with end-users**

**Client companies**

**Achieve both improvements in the topline and reductions in costs**

# Capital Policy

## Changes in main indicators



## 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 **15–20% range** in the investment recovery phase
- We seek to achieve a **total return ratio of 40%** including stock repurchases

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

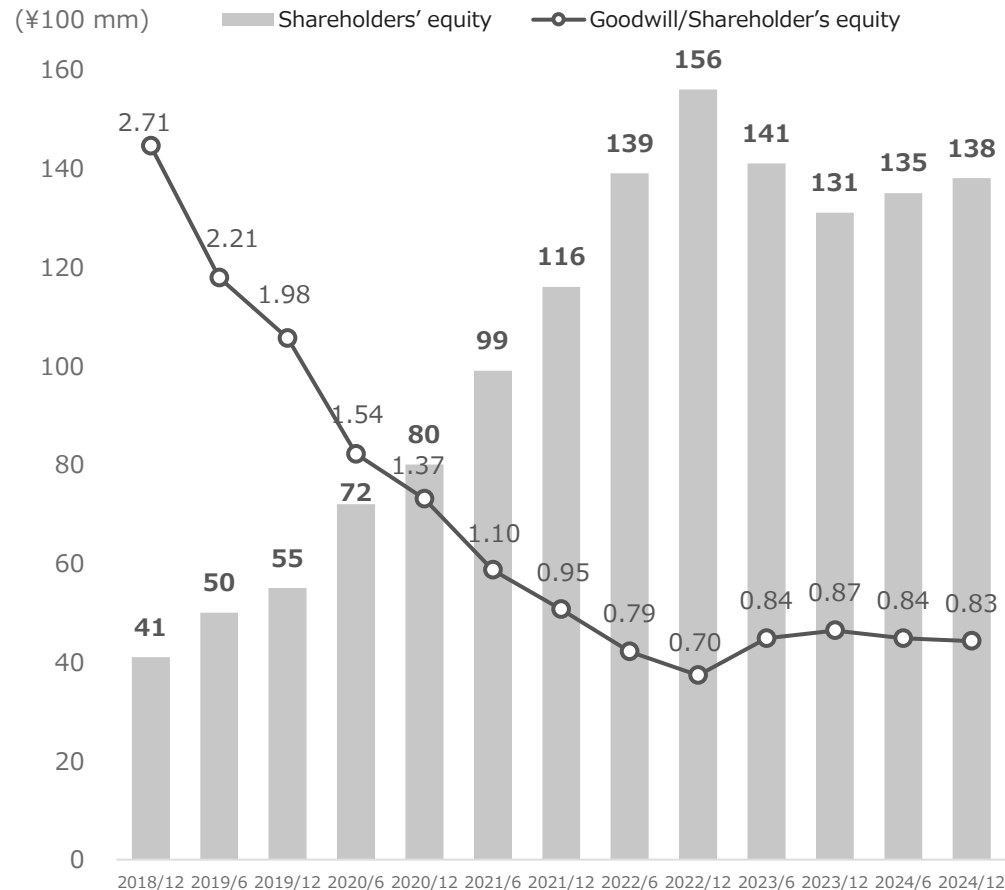
\*2 EPS=Net income/Average number of shares during the fiscal period (excluding treasury shares). Forecast EPS is calculated using the number of issued shares (excluding treasury shares) as of the end of FY12/2024

\*3 Based on the most recent forecast; actual figures may differ due to various factors in the future

\*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

# About Goodwill

## Historical shareholders' equity and goodwill/ shareholders' equity ratio



## Reference on goodwill in the securities report submitted on March 31, 2025 (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 6.7 points or the estimation of future cash flow including terminal value decreases by 53.7%; 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 as needed 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 use values less cost of disposal is based on:
  - Period of future: 3 years
  - Growth rate for extending the cash flow estimation: 0%
  - Pre-tax discount rate applied to cash flow estimation: 4.95% for CRTM\*<sup>1</sup>, MR\*<sup>2</sup>, DRM\*<sup>3</sup> and 12.94% for ARC\*<sup>4</sup> in the marketing business / 9.01% in the onsite business

\*1 Abbreviation for consolidated subsidiary Customer Relation Telemarketing Co., Ltd.

\*2 Abbreviation for consolidated subsidiary Marketing-Revolution Co., Ltd.

\*3 Abbreviation for consolidated subsidiary Data relation marketing CO.,LTD.

\*4 Abbreviation for consolidated subsidiary ARCHITECT CO., LTD

# Business Portfolio Operation

- We will create new business in areas where we can fully leverage our strengths in operational capabilities and human resources. We will also pursue flexible strategies that include M&A as an option to enable rapid business launches
- We will investigate M&A to reinforce our marketing functions, acquire new client segments, and generate synergies with existing clients. We will seek to optimize our business portfolio and enhance corporate value



## Investment criteria

1. Peripheral areas where creation of high-added value is possible
2. Net present value is positive
3. Appropriate purchase price (with a target EBITDA ratio of no more than eight times)

## Value-up & monitoring

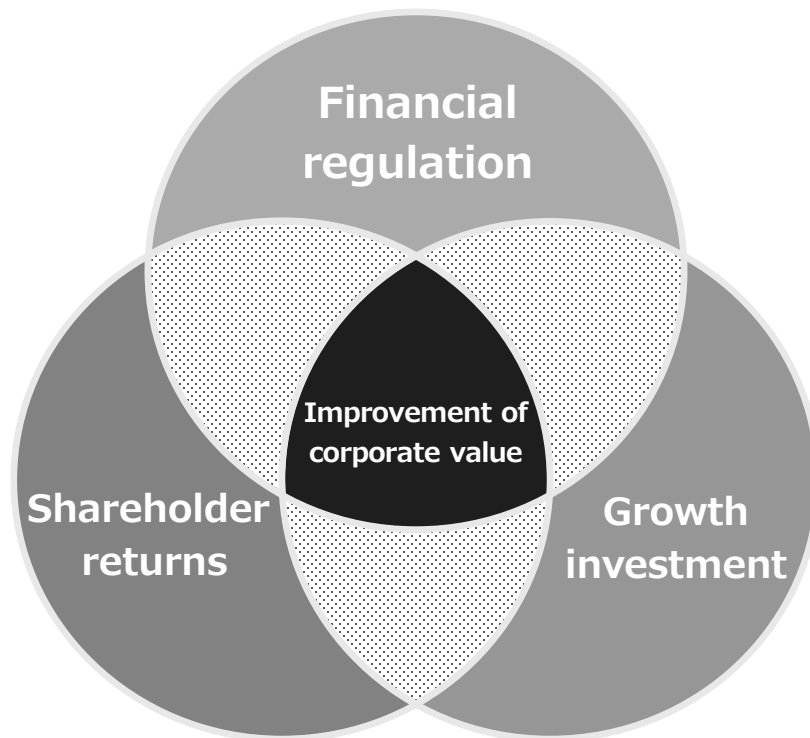
1. Increase efficiency by introducing DmMiX mechanisms
2. Monitoring using business plans and KPI
3. Sales growth rate, operating profit rate
4. Market share

## Exit criteria

1. Contribution margin losses in three consecutive fiscal years
2. Significant underperformance of business plan KPI

# Capital Allocations

- Prioritize growth investment while maintaining compliance with financial regulations and maintain an optimal capital composition to pursue continuous improvement of corporate value
- During periods of business growth, determine capital allocation with a view to further enhancing shareholder returns



## Financial regulation

### ■ Fundamental policy

Secure sufficient equity to cover goodwill and utilize leverage through borrowing, a means of low-cost capital procurement, while appropriately managing risks

## Growth investment

### ■ Fundamental policy

Our business structures have limited capital investment burdens, and the greatest expected funding needs in the future will be for M&A and capital alliances, and therefore, we will pursue M&A that enhance corporate value in a disciplined manner by using cash on hand and loans

Organic investment: System investment, AI investment, etc.

Inorganic investment: M&A, capital alliances, etc.

## Shareholder returns

### ■ Fundamental policy

We will seek to maximize shareholder returns by increasing EPS and strive to achieve a consolidated payout ratio of 30% at an early stage (the target for the total return ratio will be maintained at 40%)

We will flexibly implement stock repurchases while keeping in mind the tradable shares ratio

# Promoting ESG Management integrated with Business

- Identify material issues and their KPI, promote women's empowerment, express agreement with the recommendations of TCFD, etc.; lead taken by the Sustainability Committee established, in 2021
- Continue to promote company-wide efforts to contribute to the realization of a sustainable society



## Initiatives to strengthen governance

**Realization of governance that respects the interests of not only shareholders but also all stakeholders**

- Transitioned to a company with Nominating and other Committees (2022)
- Identified material issues and their KPI and periodically reviewed them (starting in 2022)
- Basic Policy on Sustainable Procurement and Business Partner Code of Conduct established (2023)
- Target of 30% women on the Board (2030)



## Initiatives for human capital

**System for hiring and developing a diverse workforce**

- Well-developed trainings and evaluation systems that maximize the power of human resources
- Promotion of flexible work styles tailored to the individual life conditions
- Make proactive efforts to promote empowerment of female employees (starting in 2022)
- Implement human rights due diligence (starting in 2022)



## Climate change initiatives

**Virtually zero CO<sub>2</sub> emissions (carbon neutral) by 2030**



- Announced our agreement with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) (2022)
- Reduction of electricity use
- Promotion of complete paperless system
- Reduction of resource usage
- Procure electricity for use from renewables energy sources (green certification) (starting in 2023)

# External ESG Evaluation

- High scores obtained, corresponding to top 1% in the FTSE and top 2% in the S&P
- Selected as a member of the S&P Sustainability Yearbook\*<sup>1</sup> for the second consecutive year; and as an “Industry Mover” in 2024, as a company which had most improved its score from the previous year in our sector



	Score	
FTSE	4.3	Corresponds to top 1%* <sup>2</sup> *As of December 23, 2024
S&P	58	Corresponds to top 2%* <sup>2</sup> *As of January 13, 2025
Sustainalytics	Low Risk	*As of December 9, 2024

\*1 A yearbook that lists the top 15% of companies in each sector

\*2 Calculated by comparison with scores of other companies in the same sector





**【Disclaimer】**

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

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.

The Company does not guarantee, and is under no obligation to ensure, that it will always review and revise any forward-looking descriptions and statements, regardless of new information, future events or any other results.