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Consolidated Financial Results
for the 2nd Quarter of the Fiscal Year Ending March 31, 2023 (FY2022)
(Under Japanese GAAP)

November 11, 2022

Company Name: BlueMeme Inc.

Listed Exchange: Tokyo Stock Exchange Growth

Code number: 4069

URL: <https://www.bluememe.jp>

(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter of FY2022 (April 1, 2022 - September 30, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q2 FY2022	1,081	21.6	145	(15.1)	145	(7.4)	97	(9.1)
Q2 FY2021	889	-	171		156	-	107	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Q2 FY2022	27.94	26.68
Q2 FY2021	35.23	32.31

*Notes

- As quarterly consolidated financial statements were not prepared for the second quarter of FY2020, year-on-year comparisons for the second quarter of FY2021 are not provided.
- As the Company has been listed on the Mothers section of the Tokyo Stock Exchange since June 29, 2021, diluted earnings per share for the second quarter of FY2021, was calculated based on the average share price from the initial listing date to the end of the second quarter of FY2021.
- On 23 April 2021, the Company carried out a 2-for-1 split of its ordinary shares. Therefore, basic earnings per share and diluted earnings per share have been calculated as if the share split had taken place at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Million yen	Million yen	%
Q2 FY2022	2,910	2,463	84.6
FY2021	2,956	2,354	79.6

(Reference) Equity Q2 FY2022: ¥2,463 million FY2021: ¥2,354 million

2. Cash Dividends

	Annual dividend				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	Yen	Yen	Yen	Yen	Yen
FY2021	-	0.00	-	0.00	0.00
FY2022	-	0.00	-	-	-
FY2022 (Forecast)	-	-	-	-	-

*Note

Revision from the most recently published dividend forecast: not applicable

3. Forecast of Consolidated Financial Results for the FY2022 (April 1, 2022 - March 31, 2023)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full Year	2,317	20.1	390	7.4	387	11.3	259	2.6	74.28

*Note

Revision from the most recently published dividend forecast: not applicable

*Notes

- Changes in significant subsidiaries during the period under review
Establishment of a new company: BlueMeme Partners Inc.
- The current financial report is not subject to audit by certified public accountants or auditing firms
- Cautionary statement with respect to forward-looking statements. Forecasts of future performance in these materials are based on assumptions judged by valid and information available to the Group's management at the time the materials were prepared but are not promises by the Group regarding future performance. Actual results may differ materially from the forecasts.

(Appendix)

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1. Qualitative Information on the Results of the Second Quarter of FY2022

(1) Description of Operating Results

During the second quarter of the year (1 April - 30 September 2022), the Japanese economy remained uncertain due to signs of domestic re-expansion of COVID-19, tensions in Ukraine and the sharp depreciation of the yen, which led to a sharp rise in prices of resources and other goods. Despite these circumstances, the information services industry, to which the Group belongs, continues to see demand for DX (digital transformation) to increase management efficiency and productivity in response to the decline in the workforce, as well as to realize digital businesses that generate new value and revenues. Under these conditions, the Group provides services assisting Japanese companies with the in-house system development utilizing low-code technology and its unique development methodology. Based on its corporate philosophy of “Create new values, change the norm, evolve the culture”, the Group operates a DX business with the mission of improving the international competitiveness of Japanese companies.

The Group's business consists of “Professional Services”, which includes entrusted development services and training for engineers using “AGILE-DX”, the Group's unique development methodology that makes maximum use of low-code technology and agile methods, and “Software License Sales”, which includes the sale of low-code development tools and other software. In the “Professional Services”, the provision of consulting and entrusted development utilizing OutSystems® and other low-code development tools expanded. The Group actively recruited and trained Group employee engineers and secured service partners to meet future growth in demand for its services. In “Software License Sales”, the Group spread the use of OutSystems® and other products among existing customers and expanded sales to new customers in line with the provision of “Professional Services”.

In addition, taking the opportunity of the Capital and Business Alliance Agreement with Mitsui Knowledge Industry Co., Ltd. announced on April 8, 2022, the Company has been accelerating research and development, training, and acquisition of human resources ahead of schedule in order to further increase future growth.

As a result of the above, net sales amounted to ¥1,081,463 thousand (increase of 21.6% y-o-y), operating profit ¥145,437 thousand (decrease of 15.1% y-o-y), ordinary profit ¥145,206 thousand (decrease of 7.4% y-o-y) and net profit attributable to owners of the parent ¥97,498 thousand (decrease of 9.1% y-o-y). The segment results have been omitted as the Group operates in a single segment of the DX business.

(2) Overview of Financial Position for FY2022

(Assets)

Current assets amounted to ¥2,722,641 thousand, a decrease of ¥ 32,226 thousand compared to the end of the previous financial year. This was mainly due to a decrease in accounts receivable. Non-current assets amounted to ¥187,929 thousand, a decrease of ¥13,837 thousand compared to the end of the previous financial year. This was mainly due to a decrease in investments and other assets (deferred tax assets). As a result, total assets amounted to ¥ 2,910,571 thousand, a decrease of ¥ 46,064 thousand compared to the end of the previous financial year.

(Liabilities)

Current liabilities amounted to ¥ 410,195 thousand, a decrease of ¥154,123 thousand compared to the end of the previous financial year. This was mainly due to a decrease in income taxes payable. Non-current liabilities amounted to ¥ 36,857 thousand, a decrease of ¥ 635 thousand compared to the end of the previous financial year. This was mainly due to a decrease in other (long-term lease liabilities). As a result, total liabilities amounted to

¥ 447,053 thousand, a decrease of ¥ 154,758 thousand compared to the end of the previous financial year.

(Net assets)

Net assets amounted to ¥ 2,463,518 thousand, an increase of ¥ 108,694 thousand compared to the end of the previous financial year. This was mainly due to the recording of net profit for the quarter attributable to owners of the parent. As a result, the equity-to-asset ratio was 84.6% (79.6% at the end of the previous financial year).

(3) Overview of Cash Flows for FY2022

Current cash and cash equivalents ("Net cash") amounted to ¥ 2,391,756 thousand, an increase of ¥ 35,546 thousand compared to the end of the previous fiscal year. The status of each cash flow and their factors during the Q2 consolidated cumulative period are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥ 78,513 thousand (decrease of 41.2% y-o-y). This was mainly due to profit before income taxes of ¥ 145,206 thousand and income taxes paid of ¥ 105,532 thousand.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to ¥ 3,362 thousand (decrease of 24.5% y-o-y). This was mainly due to the purchase of property, plant and equipment of ¥ 2,705 thousand.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥ 39,605 thousand (increase of ¥ 1,427,579 thousand compared to the end of the previous financial year). This was mainly due to the repayment of long-term borrowings of ¥ 49,998 thousand.

(4) Forecasts of Consolidated Results and Other Forward-looking Statements

Cash and cash Following the announcement on 8 April 2022 of the Company's release "Announcement of Capital and Business Alliance Agreement with MKI", the Company and Mitsui Knowledge Industry Co Ltd ("MKI") have been expanding their cooperation, focusing on the following five aspects.

- Joint Promotion of Digital Labor Services
- Mitsui Group's DX promotion and joint sales to MKI customers
- Acceleration of BlueMeme's low-code engineer training
- Training and securing human resources through the MKI and its network
- Acceleration of Business Architect training

The consolidated forecasts for FY2022 were initially left unchanged, as the impact of these cooperation between the two companies was positioned to be insignificant. Subsequently, in order to further promote future growth, the Company started more active R&D, acquisition and training of human resources ahead of the initial forecast, resulting in an increase in various expenses. As there is room for fluctuations in sales in the second half of the year, the forecast remains unchanged at this stage and the company will continue to monitor business performance closely.

Based on the partnership with MKI, the Company will expand its customer base and create added value in new growth business areas such as Business Architecture and Digital Labor Services. Through these initiatives, the Company aims to execute a new growth phase that goes beyond the organic growth achieved to date and to achieve consolidated net sales of around 10 billion yen in FY2027.

The company will continue to strengthen its organization by expanding its human resources and promoting further research and development in preparation for the expansion of its business scale. In addition, the Company will respond flexibly to the acquisition of external assets as required.

2. Quarterly Consolidated Financial Statement and Primary Notes

(1) Consolidated Balance Sheets

	(Thousands of Yen)	
	As of end of previous fiscal year (March 31, 2022)	As of end of Q2 (September 30, 2022)
Assets		
Current assets		
Cash and deposits	2,356,210	2,391,756
Accounts receivable - trade, and contract assets	366,106	270,234
Work in process	162	604
Prepaid expenses	33,508	59,172
Other	-	1,619
Allowance for doubtful accounts	(1,120)	(744)
Total current asset	2,754,867	2,722,641
Non-current assets		
Property, plant and equipment	91,525	86,185
Intangible assets, net	18,269	15,374
Investments and other assets	91,972	86,370
Total non-current assets	201,767	187,929
Total assets	2,956,635	2,910,571
Liabilities		
Current liabilities		
Accounts payable - trade	165,147	198,482
Current portion of long-term borrowings	94,453	44,455
Income taxes payable	121,366	51,672
Contract liabilities	57,877	65,343
Other	125,475	50,242
Total Current liabilities	564,319	410,195
Non-current liabilities		
Asset retirement obligations	32,750	32,788
Other	4,742	4,068
Total non-current liabilities	37,493	36,857
Total liabilities	601,812	447,053
Net assets		
Shareholders' equity		
Share capital	962,195	967,808
Capital surplus	953,195	958,808
Retained earnings	439,345	536,844
Treasury shares	(75)	(75)
Total shareholders' equity	2,354,659	2,463,384
Share acquisition rights	163	133
Total net assets	2,354,823	2,463,518
Total liabilities and net assets	2,956,635	2,910,571

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousands of Yen)

	Q2 Six months ended (September 30, 2021)	Q2 Six months ended (September 30, 2022)
Net sales	889,662	1,081,463
Cost of sales	404,916	539,522
Gross profit	484,745	541,940
Selling, general and administrative expenses	313,355	396,502
Operating profit	171,390	145,437
Non-operating income		
Interest income	5	11
Foreign exchange gains	223	-
Reversal of allowance for doubtful accounts	-	375
Other	0	100
Total non-operating income	229	487
Non-operating expenses		
Interest expenses	644	323
Foreign exchange losses	-	239
Listing expenses	5,607	-
Other	8,563	155
Total non-operating expenses	14,815	718
Ordinary profit	156,804	145,206
Profit before income taxes	156,804	145,206
Income taxes-current	80,348	41,876
Income taxes-deferred	(30,827)	5,831
Total income taxes	49,521	47,707
Profit	107,283	97,498
Profit attributable to owners of parent	107,283	97,498

Consolidated Statements of Comprehensive Income

	(Thousands of Yen)	
	Q2 Six months ended (September 30, 2021)	Q2 Six months ended (September 30, 2022)
Profit	107,283	97,498
Comprehensive income	107,283	97,498
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	107,283	97,498

(3) Consolidated Statements of Cash Flows

	(Thousands of Yen)	
	Q2 Six months ended (September 30, 2021)	Q2 Six months ended (September 30, 2022)
Cash flows from operating activities		
Profit before income taxes	156,804	145,206
Depreciation and amortization	8,751	9,439
Increase (decrease) in allowance for doubtful accounts	174	△375
Interest income	△5	△11
Interest expense	644	323
Share issuance costs	8,563	155
Listing expenses	5,607	-
Decrease (increase) in trade receivables	32,237	95,871
Decrease (increase) in inventories	144	△441
Increase (decrease) in trade payables	△10,828	33,335
Other, net	△26,413	△99,144
Subtotal	175,680	184,358
Interest received	5	11
Interest paid	△644	△323
Income taxes paid	△41,573	△105,532
Net cash provided by (used in) operating activities	133,468	78,513
Cash flows from investing activities		
Purchase of property, plant and equipment	△2,919	△2,705
Purchase of intangible assets	△704	-
Payment for asset retirement obligations	△3,800	-
Payment for leasehold and guarantee deposits	△452	△812
Proceeds from refund of leasehold and guarantee deposits	3,420	154
Net cash provided by (used in) investing activities	△4,455	△3,362
Cash flows from financing activities		
Repayments of long-term borrowings	△63,880	△49,998
Proceeds from issuance of shares resulting from exercise of share acquisition rights	5,950	11,045
Proceeds from issuance of shares	1,492,037	-
Purchase of treasury shares	△75	-
Payments of listing expenses	△5,607	-
Repayments of lease liabilities	△844	△652
Net cash provided by (used in) financing activities	1,427,579	△39,605
Net increase (decrease) in cash and cash equivalents	1,556,592	35,546
Cash and cash equivalents at beginning of period	645,489	2,356,210
Cash and cash equivalents at end of period	2,202,082	2,391,756

(4) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.