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Consolidated Financial Results
for the second quarter of the fiscal year ending March 31, 2024 (FY2024)
(Japanese GAAP)

November 14, 2023

Company Name: BlueMeme Inc.

Listed Exchange: Tokyo Stock Exchange Mothers

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 FY2024 (April 1, 2023 – September 30, 2023)

(1) Consolidated operating results (Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q2 FY2024	1,194	10.4	99	(31.4)	101	(30.1)	48	(50.8)
Q2 FY2023	1,081	21.6	145	(15.1)	145	(7.4)	97	(9.1)

* Comprehensive income Q2 FY2024: 50 million yen (-48.5%) Q2 FY2023: 97 million yen (-9.1%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Q2 FY2024	13.76		13.38	
Q2 FY2023	27.94		26.68	

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
Q2 FY2024	2,885	2,457	85.2
FY2023	3,016	2,587	85.8

(Reference) Shareholders' equity Q2 FY2024: 2,455 million yen FY2023: 2,587 million yen

2. Cash Dividends

	Annual dividend				
	First quarter	Second quarter	Third quarter	Full year	Total
	Yen	Yen	Yen	Yen	Yen
FY2023	-	0.00	-	0.00	0.00
FY2024	-	0.00			
FY2024 (Forecast)	-	-	-	-	-

* Revision from the most recently published forecast: None

3. Forecast of Consolidated Financial Results for the FY2024 (April 1, 2023 - March 31, 2024)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full Year	2,650	18.1	310	0.0	310	(0.1)	230	(0.1)	65.4

* Revision from the most recently published forecast: None

*Notes

1. The current financial report is not subject to audit by certified public accountants or auditing firms.
2. Cautionary statement with respect to forward-looking statements. Forecasts of future performance in these materials are based on assumptions judged by information available to the Group's management at the time the materials were prepared but does not guarantee the Group's future performance. Actual results may materially differ from the forecasts.

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1. Qualitative information on the current quarter's results

(1) Summary of operating results

During the second quarter of the year under review (April 1st – September 30, 2023), the outlook for the Japanese economy remained uncertain due to rapid fluctuations in exchange rates, elevated resource prices, persistent high inflation, political instability associated with conflicts in Eastern Europe and the Middle East, and the rapid implementation of monetary tightening, especially in Western developed nations.

Despite these circumstances, in the information service industry, to which the Group belongs, continues to witness a strong demand for digital transformation ("DX"). This demand is not solely driven by the necessity to enhance management efficiency and productivity in response to a diminishing labor force but also by the desire to cultivate digital businesses that leverage technology to generate new value and profits. In particular, demand for IT investments is expected to persist due to the predicted future shortage of engineers and active efforts to modernize information systems in preparation for technological innovation. On the other hand, there is a growing concern that, in light of changes in the global situation and the tightening of monetary policy, there might be a tendency to postpone investment decisions.

Under these conditions, the Group provides services that assist Japanese companies with in-house system development by utilizing low-code technology and its unique development methodology. The Group operates a DX business with the mission of improving the international competitiveness of Japanese companies, based on its corporate philosophy of "creating new values, changing norms, and evolving culture".

The operations of the group encompass two primary sectors: "Professional Services" and "Software License Sales." Under "Professional Services," the group provides consulting, entrusted development services, and training for engineers using its distinctive development methodology, "AGILE-DX," which maximizes the benefits of low-code technology and agile methods. Notably, the provision of consulting and entrusted development services, particularly utilizing the "OutSystems®", continues to experience robust expansion. To proactively address future demand growth, the group has prioritized the recruitment and training of employee engineers, established service partnerships, and improved service delivery efficiency. Additionally, there is a dedicated focus on research and development to explore new business ventures incorporating next-generation technology. In the "Software License Sales" domain, the group's business involves selling software products, mainly low-code platforms. The group actively works on solidifying and expanding the customer base for its products, primarily centered around "OutSystems®." These products are frequently bundled with services provided in the "Professional Services" segment.

As a result of the above, net sales amounted to 1,194,199 thousand yen (increase of 10.4% year-on-year), operating profit 99,745 thousand yen (decrease of 31.4% year-on-year), ordinary profit 101,568 thousand yen (decrease of 30.1% year-on-year) and net profit attributable to owners of the parent 48,007 thousand yen (decrease of 50.8% year-on-year). Segment information is omitted because the group operates within a single business segment, focusing exclusively on the DX (Digital Transformation) business.

(2) Summary of financial position

(Assets)

Current assets amounted to 2,600,481 thousand yen, a decrease of 193,788 thousand yen compared to the end of the previous financial year. This was mainly due to a decrease in accounts receivable. Non-current assets

amounted to 284,546 thousand yen, an increase of 61,911 thousand yen compared to the end of the previous financial year. This was mainly due to an increase in “Other (Lease and guarantee deposits)”. As a result, total assets amounted to 2,885,028 thousand yen, a decrease of 131,876 thousand yen compared to the end of the previous financial year.

(Liabilities)

Current liabilities amounted to 375,647 thousand yen, a decrease of 17,620 thousand yen compared to the end of the previous financial year. This was mainly due to a decrease in accounts payable. Non-current liabilities amounted to 51,595 thousand yen, an increase of 15,385 thousand yen compared to the end of the previous financial year. This was mainly due to an increase in asset retirement obligations in connection with the relocation and establishment of new business offices. As a result, total liabilities amounted to 427,243 thousand yen, a decrease of 2,235 thousand yen compared to the end of the previous financial year.

(Net assets)

Net assets amounted to 2,457,784 thousand yen, a decrease of 129,641 thousand yen compared to the end of the previous financial year. This was mainly due to acquisition of treasury stocks. As a result, the equity ratio amounted to 85.2% (85.8% at the end of the previous financial year).

(3) Summary of Cash Flows

Cash and cash equivalents amounted to 2,190,856 thousand yen, a decrease of 33,920 thousand yen compared to the end of the previous fiscal year. The specification of cash flows in current fiscal year is as follows.

(Cash flows from operating activities)

Cash and cash equivalents obtained from operating activities amounted to 113,105 thousand yen, an increase of 44.1% from the same period previous year. This was mainly due to, a decrease of 185,275 thousand yen in notes and accounts receivable-trade and contract assets.

(Cash flows from investing activities)

Cash and cash equivalents used in investing activities amounted to 50,272 thousand yen (3,362 thousand yen spent in the same period of the previous year). This was mainly due to a payment of 39,795 thousand yen for leasehold and guarantee deposits.

(Cash flow from financing activities)

Cash and cash equivalents cash used in financing activities amounted to 96,754 thousand yen (39,605 thousand yen spent in the same period of the previous year). This was mainly due to the acquisition of treasury stocks amounting to 180,917 thousand yen.

(4) Consolidated financial forecasts and other forward-looking information

During the Board of Directors meeting on November 14, 2023, the Board approved the Medium-Term Management Plan covering the fiscal years from March 31, 2024, through March 31, 2026. For more information, kindly refer to the "Medium-Term Management Plan (FY2024-FY2026), Business Plan, and Growth Potential Matters" released on the same day, November 14, 2023.

Medium-Term Management Plan

1. Period FY2024 – FY2026 (3 years)
2. Growth strategy
 - Strengthening the research and development framework for Digital Labor and its effective implementation
 - Shifting the billing format from man-months to application generation volume.
 - Growing the number of business architects capable of providing high-unit-cost services.
 - Expanding indirect sales through collaborative initiatives with partner companies.

3. Management Objectives (Millions of yen)

	FY2024	FY2025	FY2026
Net sales	2,650	3,100	4,100
Operating profit	310	332	921
Pro forma EBITDA	421	546	1,191
Backlog of orders	692	956	1,851

2. Consolidated financial statements and key notes

(1) Balance sheet

	(Thousands of Yen)	
	As of end of previous fiscal year (March 31, 2023)	As of end of Q2 (September 30, 2023)
Assets		
Current assets		
Cash and deposits	2,224,777	2,190,856
Accounts receivable - trade, and contract assets	439,908	254,633
Work in process	5,928	10,486
Prepaid expenses	37,468	117,731
Other	87,439	26,773
Allowance for doubtful accounts	(1,253)	-
Total current asset	2,794,269	2,600,481
Non-current assets		
Property, plant and equipment	80,167	96,727
Intangible assets, net	599	428
Investments and other assets	141,869	187,390
Total non-current assets	222,635	284,546
Total assets	3,016,904	2,885,028
Liabilities		
Current liabilities		
Accounts payable - trade	231,056	145,777
Income taxes payable	19,824	59,202
Contract liabilities	75,426	90,019
Other	66,959	80,648
Total Current liabilities	393,268	375,647
Non-current liabilities		
Asset retirement obligations	32,826	47,682
Other	3,384	3,913
Total non-current liabilities	36,210	51,595
Total liabilities	429,478	427,243
Net assets		
Shareholders' equity		
Share capital	970,644	971,243
Capital surplus	961,644	962,243
Retained earnings	669,686	717,694
Treasury shares	(14,660)	(195,577)
Total shareholders' equity	2,587,315	2,455,603
Share acquisition rights	85	63
Other comprehensive income		
Valuation difference on available-for-sale securities	24	2,117
Total other comprehensive income	24	2,117
Total net assets	2,587,426	2,457,784
Total liabilities and net assets	3,016,904	2,885,028

(2) Profit and loss statement and Comprehensive Income

Profit and loss statement

	(Thousands of Yen)	
	Q2 FY2023 (April 1, 2022 – September 30, 2022)	Q2 FY2024 (April 1, 2023 – September 30, 2023)
Net sales	1,081,463	1,194,199
Cost of sales	539,522	599,835
Gross profit	541,940	594,363
Selling, general and administrative expenses	396,502	494,618
Operating profit	145,437	99,745
Non-operating income		
Interest income	11	10
Foreign exchange gains	-	2,042
Reversal of allowance for doubtful accounts	375	1,253
Other	100	211
Total non-operating income	487	3,517
Non-operating expenses		
Interest expenses	323	73
Foreign exchange loss	239	-
Commission expenses	-	1,441
Other	155	180
Total non-operating expenses	718	1,694
Ordinary profit	145,206	101,568
Extraordinary losses		
Impairment losses	-	2,233
Total extraordinary losses	-	2,233
Profit before income taxes	145,206	99,335
Income taxes-current	41,876	48,743
Income taxes-deferred	5,831	2,583
Total income taxes	47,707	51,327
Net profit	97,498	48,007
Net profit attributable to owners of parent	97,498	48,007

Comprehensive income

	(Thousands of Yen)	
	Q2 FY2023 (April 1, 2022 – September 30, 2022)	Q2 FY2024 (April 1, 2023 – September 30, 2023)
Profit	97,498	48,007
Other comprehensive income		
Valuation difference on available-for-sale securities	-	2,092
Total other comprehensive income	-	2,092
Comprehensive income	97,498	50,100
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	97,498	50,100

(3) Statements of Cash Flows

	(Thousands of Yen)	
	Q2 FY2023 (April 1, 2022 – September 30, 2022)	Q2 FY2024 (April 1, 2023 – September 30, 2023)
Cash flows from operating activities		
Profit before income taxes	145,206	99,335
Depreciation and amortization	9,439	7,131
Increase (decrease) in allowance for doubtful accounts	(375)	(1,253)
Interest income	(11)	(10)
Interest expense	323	73
Share issuance costs	155	180
Commission expenses	-	1,441
Impairment losses	-	2,233
Decrease (increase) in trade receivables, and contract assets	95,871	185,275
Decrease (increase) in inventories	(441)	(4,557)
Increase (decrease) in trade payables	33,335	(85,279)
Increase (decrease) in contract liabilities	7,466	14,592
Other, net	(106,610)	(95,447)
Subtotal	184,358	123,714
Interest received	11	10
Interest paid	(323)	(73)
Income taxes paid	(105,532)	(10,545)
Net cash provided by (used in) operating activities	78,513	113,105
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,705)	(8,540)
Payments for fulfillment of asset retirement obligations	-	(1,400)
Payment for leasehold and guarantee deposits	(812)	(39,795)
Proceeds from refund of leasehold and guarantee deposits	154	-
Payments of long-term loans receivable	-	(535)
Net cash provided by (used in) investing activities	(3,362)	(50,272)
Cash flows from financing activities		
Repayments of long-term borrowings	(49,998)	-
Proceeds from issuance of shares resulting from exercise of share acquisition rights	11,045	995
Purchase of treasury shares	-	(180,917)
Decrease (increase) in deposits for purchase of treasury shares	-	85,283
Repayments of lease liabilities	(652)	(673)
Other, net	-	(1,441)
Net cash provided by (used in) financing activities	(39,605)	(96,754)
Net increase (decrease) in cash and cash equivalents	35,546	(33,920)
Cash and cash equivalents at beginning of period	2,356,210	2,224,777
Cash and cash equivalents at end of period	2,391,756	2,190,856

(4) Notes to consolidated financial statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Significant Subsequent Events)

(Establishment of Subsidiary)

On September 26, 2023, during the Board of Directors meeting, the company resolved to designate BlueMeme Partners Co., Ltd., a consolidated subsidiary, as an unlimited liability partnership and established the "BlueMeme No.1 Investment Limited Partnership" on October 20, 2023. In this fund, the company decided to participate as a limited liability partner by making an investment.

1. Background and Purpose of Establishment

Since its establishment, the group has embraced a management philosophy of challenging conventional norms and continuously creating new value. Instead of adhering to fixed concepts, the group has engaged in businesses that actively shape the future, breaking away from traditional norms and perpetually challenging cultural evolution. Over the course of this journey, the group has gained extensive experience in initiatives such as discovering new business opportunities and promoting the new ventures of client companies. Based on this experience, the group believes in the potential for high performance in startup investments. With this conviction, BlueMeme Partners Co., Ltd. was established, and the group is actively expanding its investment activities. The challenges faced by many startup companies can be effectively addressed through the group's expertise. By leveraging BlueMeme Partners' unique perspective in discovering and supporting venture enterprises, there is an expectation of high performance in investments. Consequently, a fund is being organized to drive the advancement of startup investment activities, to propel the advancement of venture investment activities.

2. Overview

Name	BlueMeme No.1 Investment Limited Partnership
Place	3-20 Kanda Nishiki-cho, Chiyoda-ku, Tokyo
Basis of establishment	Law Concerning Limited Partnership Agreements for Investment Business
Purpose of establishment	The establishment of industries aimed at addressing societal challenges.
Date of establishment	October 20, 2023

Total amount of investment	450,000 thousand yen (investment amount at the time of establishment)
Outline of unlimited liability partners	<p>Name: BlueMeme Partners, Inc.</p> <p>Location: 3-20 Kanda Nishiki-cho, Chiyoda-ku, Tokyo</p> <p>Name of Representative: Hiroyuki Horii</p> <p>Business: Investment business</p> <p>Capital: 75 million yen</p>
Relationship between the listed company and the Fund	<p>Capital Relationship: The Fund has a 66.7% investment from the Company (investment ratio at the time of establishment).</p> <p>Personnel Relationship: A representative director and an executive officer of the Company simultaneously hold director positions at BlueMeme Partners, the general partner of the Fund.</p> <p>Business Relationship: Not applicable.</p>