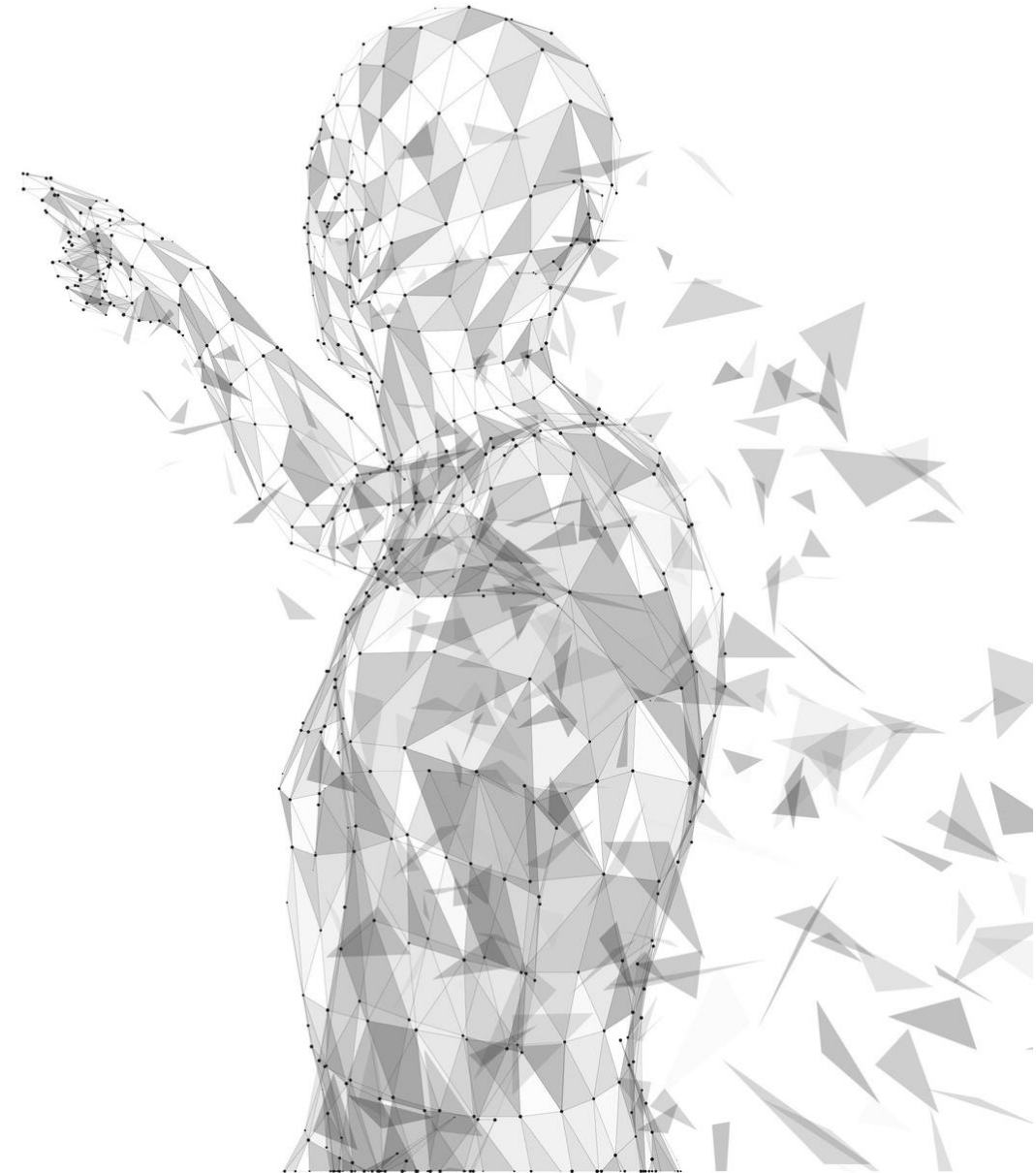


Second quarter of the fiscal year ending
March 2024 (FY2024)
Presentation Materials for Earnings Results

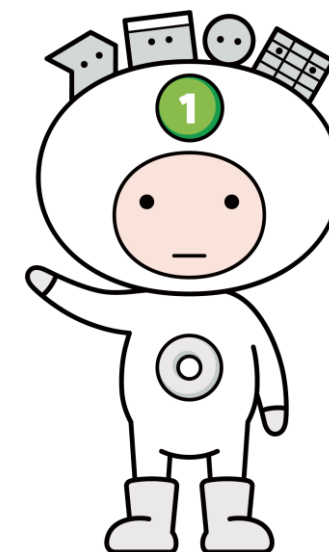
November 16, 2023
BlueMeme Inc.



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*All monetary amounts in this document are rounded down to the nearest whole number, and percentages are rounded to the first decimal place.



Second Quarter Results for the Fiscal Year Ending March 31, 2024

FY2024 Q2 results summary

 Net sales	Q2 1,194.19 million yen	YoY comparison 110.4%	Progress 45.1%
--	-----------------------------------	---------------------------------	--------------------------

 Operating Profit	Q2 99.74 million yen	YoY comparison 68.6%	Progress 32.2%
---	--------------------------------	--------------------------------	--------------------------

- Net sales increased 10.4% year-on-year, primarily due to the expansion of ongoing projects for existing customers and the acquisition of new projects.
- Operating profit decreased due to higher recruiting and training-related expenses and R&D expenses.

Quarterly sales and operating profit

- Net sales **remained flat year-on-year in 2Q**, while **2Q cumulative net sales increased by 10.4% year-on-year**.
- Operating profit **decreased 31.4% year-on-year in 2Q cumulative**.

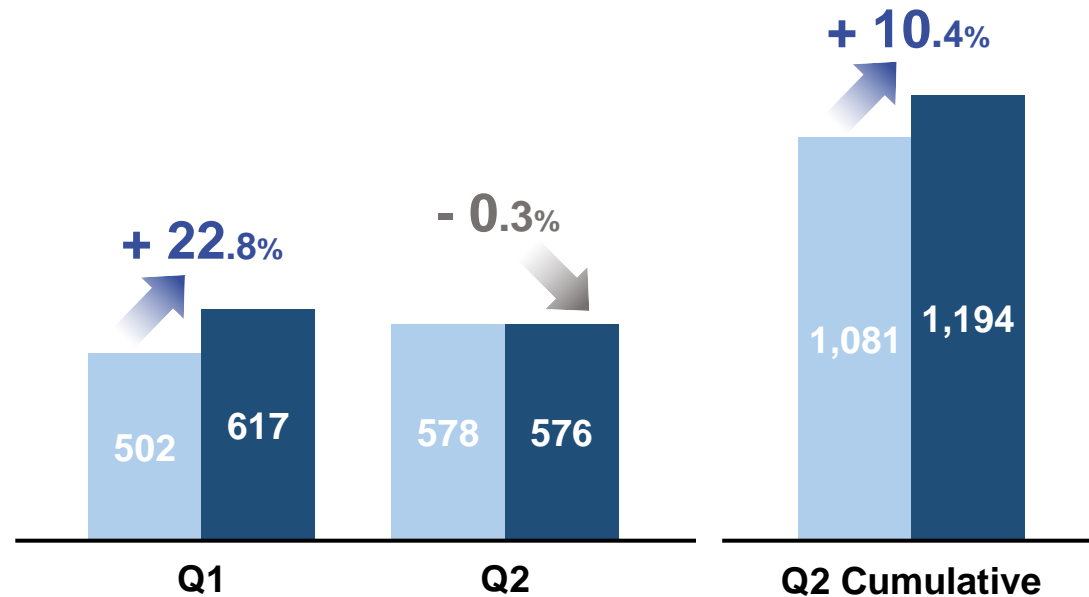
Unit: millions of yen

FY2023

FY2024

Net Sales

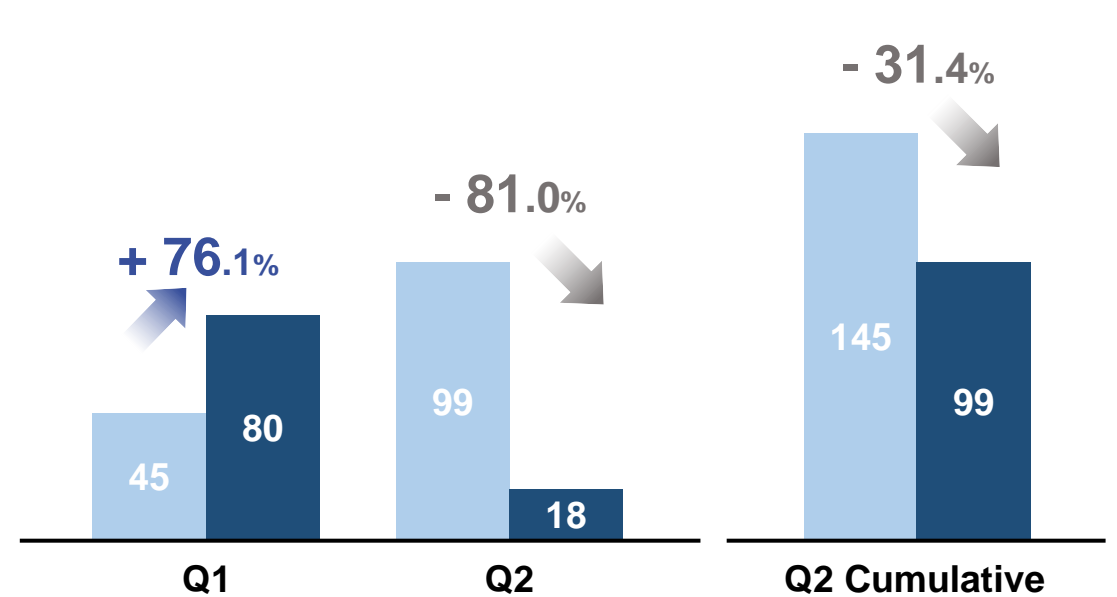
Quarterly Changes



Q2 cumulative changes

Operating Profit

Quarterly Changes



Q2 cumulative changes

Q2 FY2024 results

- Although **net sales continued to grow**, operating profit decreased year-on-year due to higher recruiting and training-related expenses and R&D expenses.

Unit: millions of yen

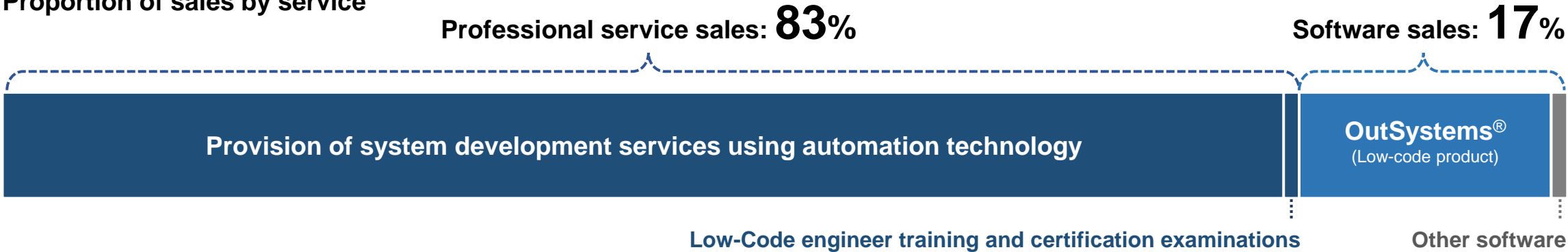
	Q2 FY2023 Results(Cumulative)	Q2 FY2024 Results (Cumulative)	YoY change
Net sales	1,081	1,194	10.4%
Operating profit	145	99	-31.4%
Operating profit margin	13.4%	8.4%	—
Ordinary profit	145	101	-30.1%
Net profit	97	48	-50.8%

*Amounts are rounded down to the nearest million.

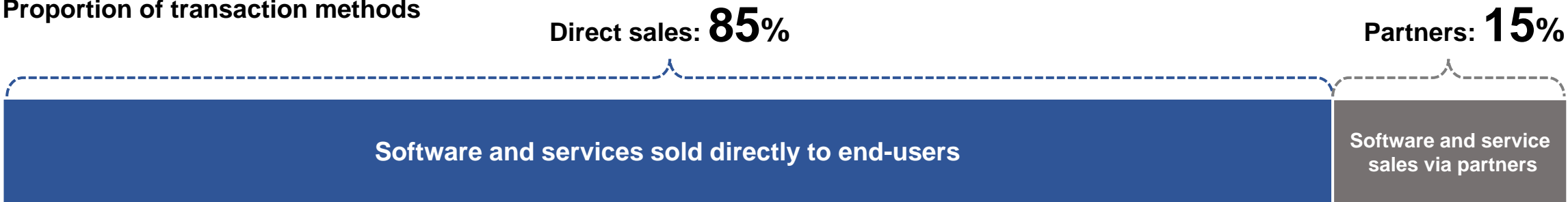
Services and software sales composition and breakdown (Q2 FY2024)

- Professional service, the mainstay of the business, continue to account for 83% of sales.
- Direct sales remain high at 85% regarding the ratio of direct/indirect (via partners) transactions.

Proportion of sales by service



Proportion of transaction methods



Quarterly sales by service

- Professional services **increased 0.4% year-on-year in Q2 alone, and 7.3% year-on-year in Q2 cumulative.**
- Software license sales **decreased 4.8% year-on-year in Q2 alone but increased 29.2% year-on-year in Q2 cumulative total.**

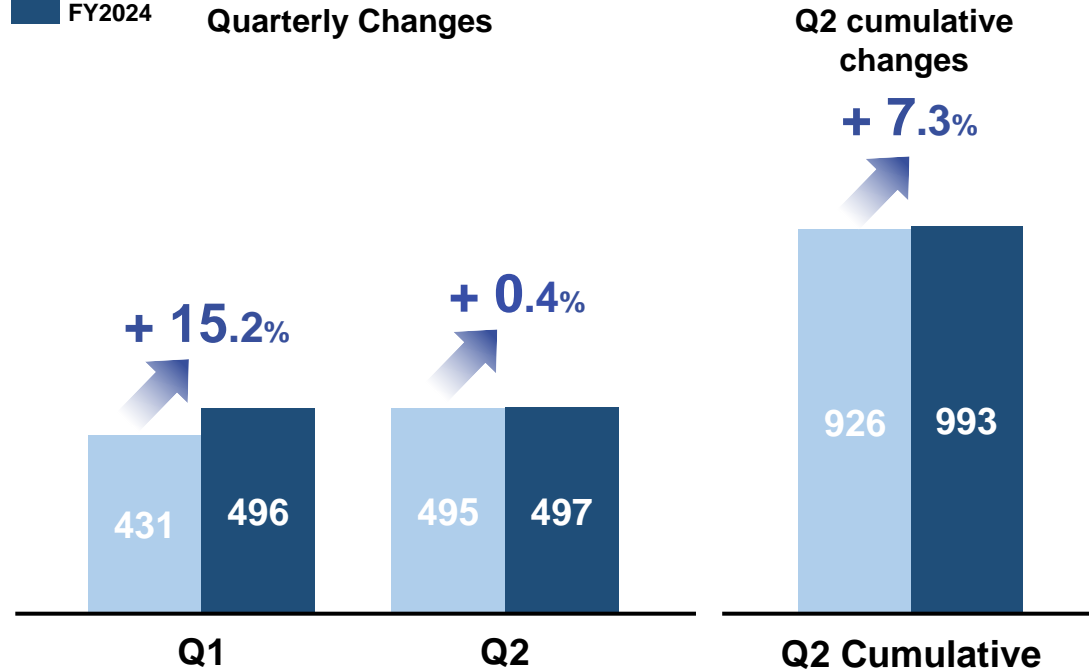
Unit: millions of yen

FY2023

FY2024

Professional Service

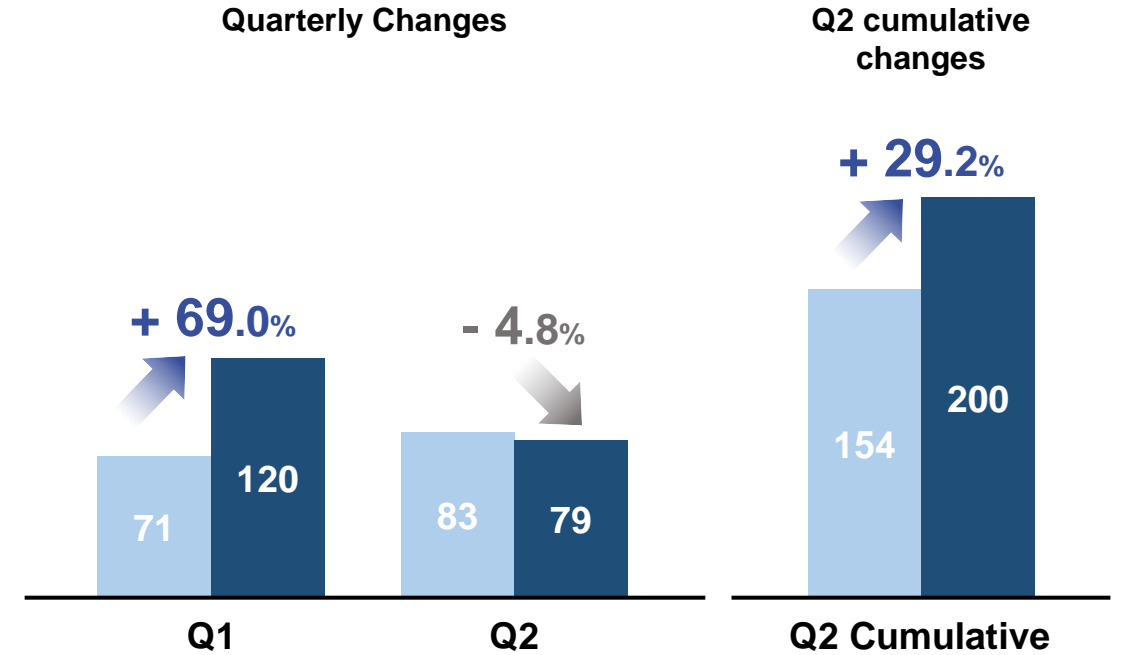
Quarterly Changes



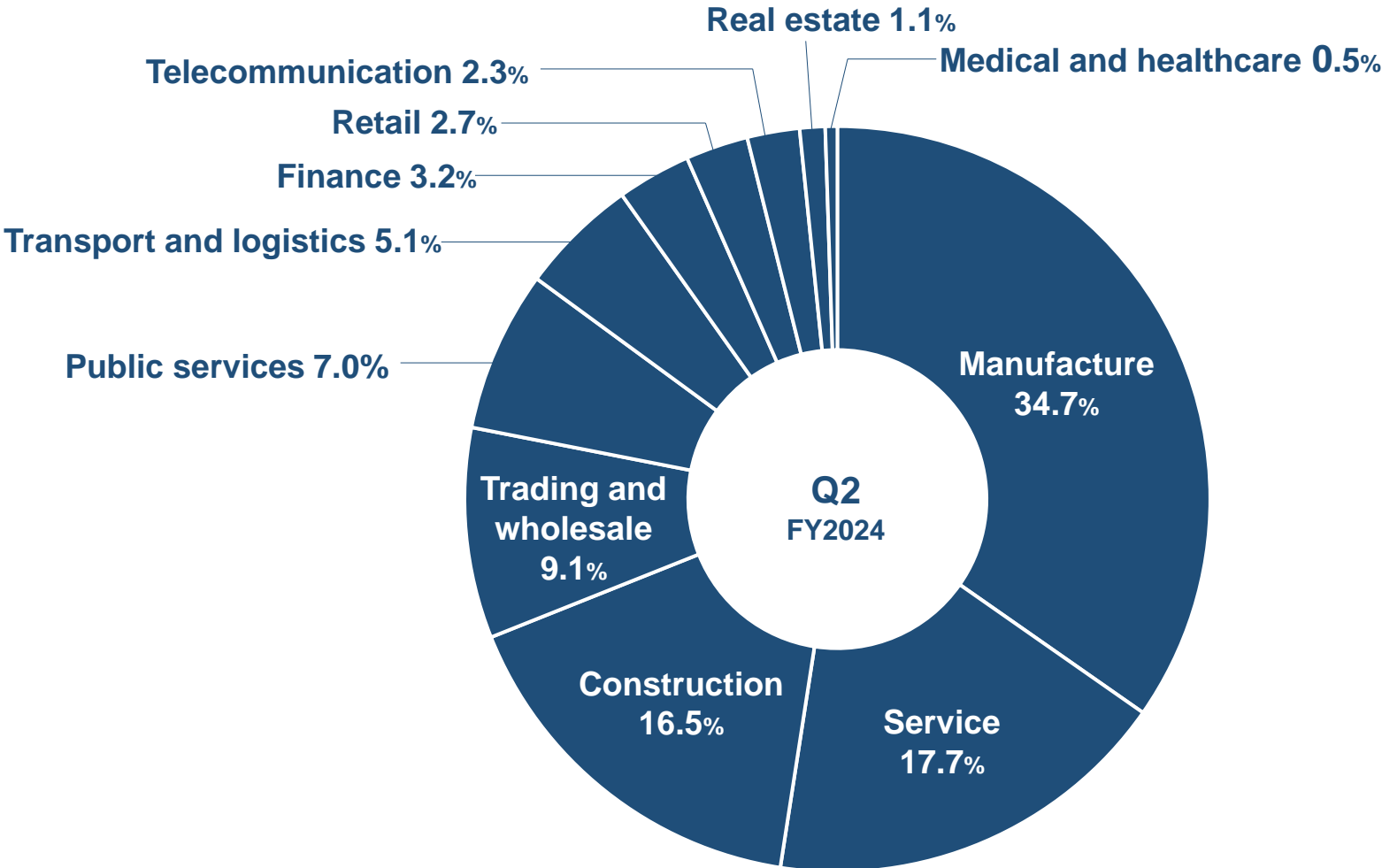
Software License

Quarterly Changes

Q2 cumulative changes



Orders received by industry (Q2 FY2024)



Operating profit analysis

- **Net profit decreased by 50.8% year-on-year** due to an increase in expenses related to upfront investments to accelerate future growth.
- The decline in operating profit resulted from **higher recruiting, training, and R&D expenses incurred due to accelerated onboarding of human resources, including engineers, and collaborative research with universities for the upcoming launch of services like Digital Labor.**
- Expenses are booked ahead of initial corporate plan, leading to future revenue growth.

Year on year comparison

Unit: millions of yen

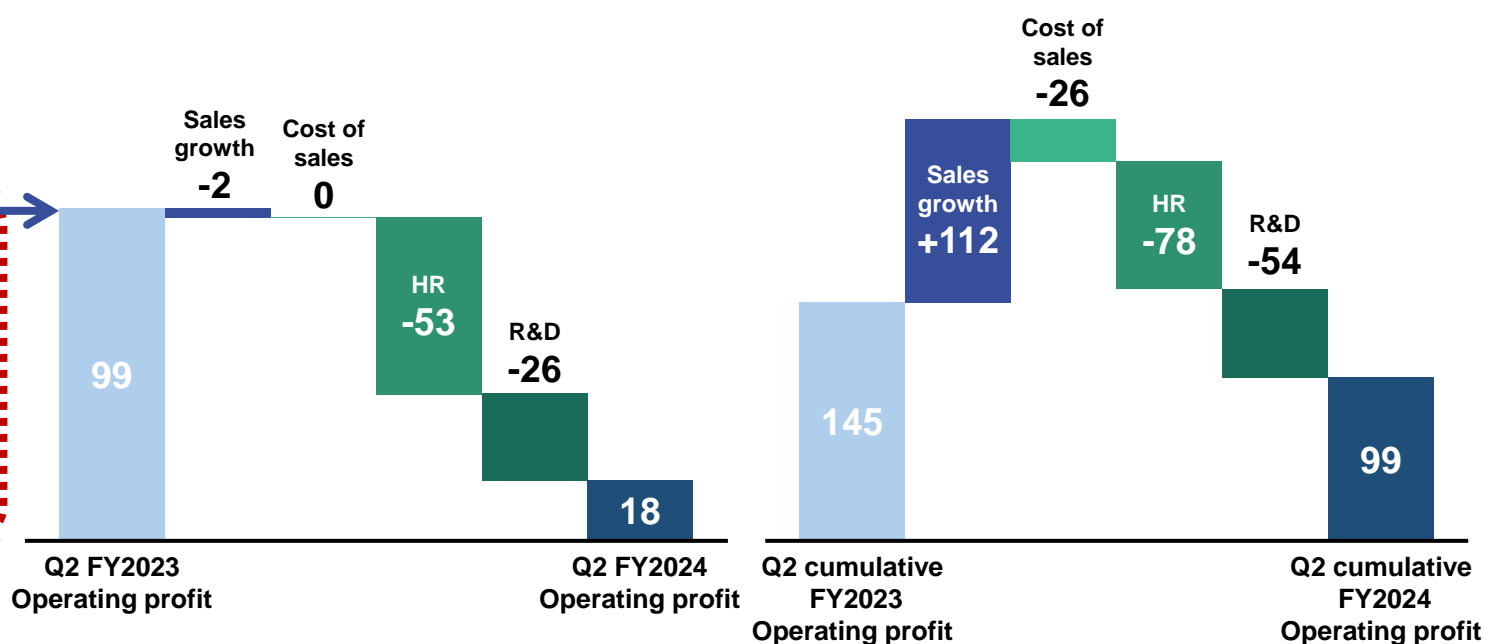
	Q2 FY2023	Q2 FY2024	YoY Change	YoY Change
Net sales	1,081	1,194	112	10.4%
Operating profit	145	99	-45	-31.4%
Ordinary profit	145	101	-43	-30.1%
Net profit	97	48	-49	-50.8%

*Amounts are rounded down to the nearest million.

Key factor analysis on operating profit

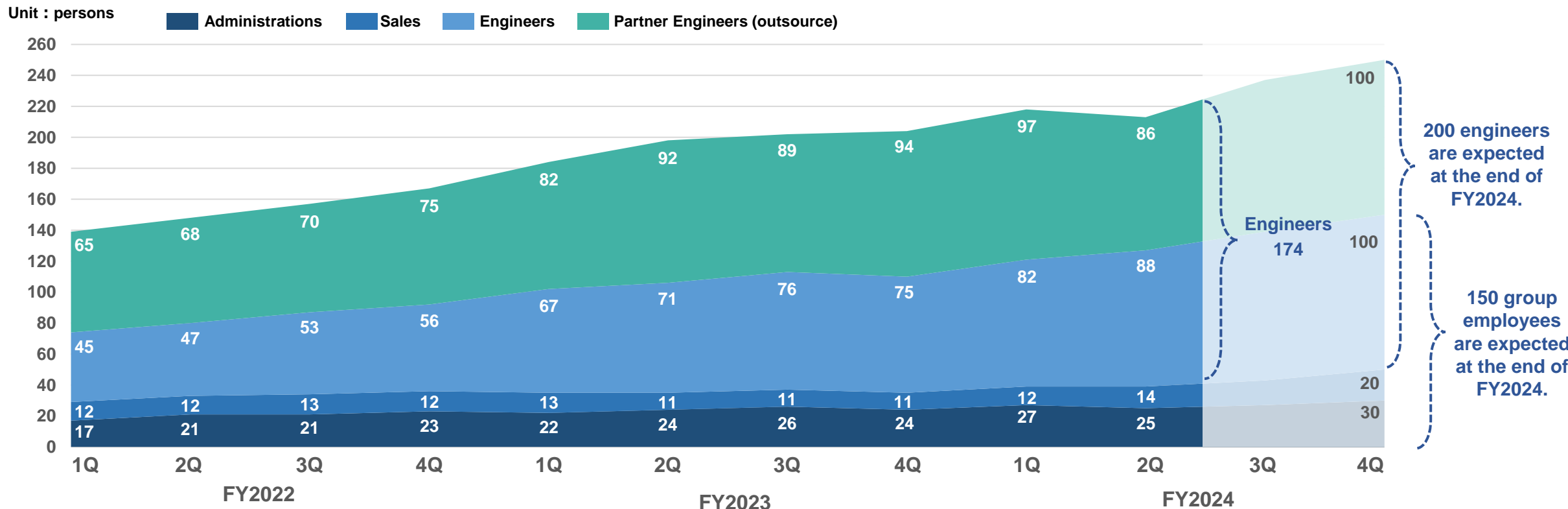
Q2 Operating Profit Analysis

Q2 Cumulative Operating Profit Analysis



Numbers of Group Employees

- The number of employees increased by 5 from the end of the previous period and amounted to 127.
- The aggregate number of engineers overseeing professional services amounted to 88, reflecting the recruitment and training of recent graduates and less experienced mid-career professionals. As of the quarter’s conclusion, the overall count of engineers within our group, encompassing service partner engineers, reached a total of 174.



Financial Forecast for Fiscal Year Ending March 31, 2024

Full-year forecasts

Unit: millions of yen

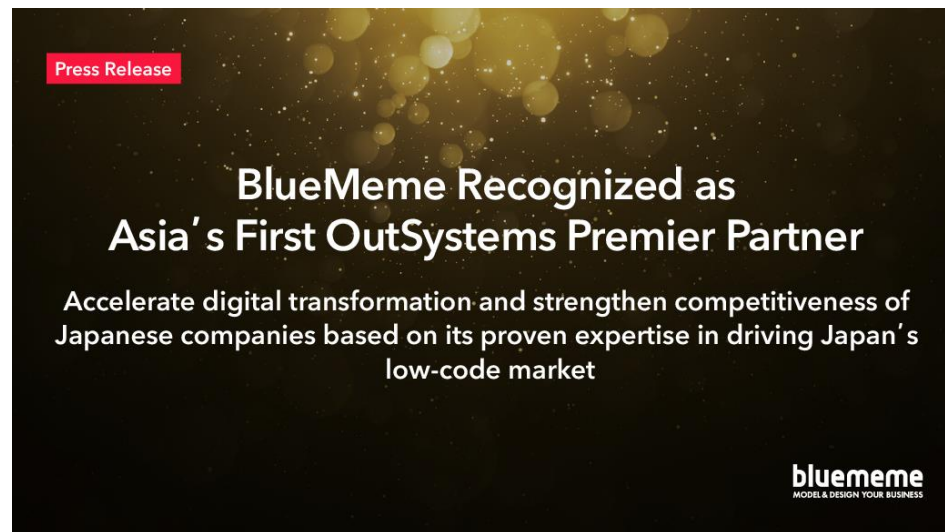
	Q2 FY2024	Full-year forecast FY2024	Full-year progress	*Reference FY2023 (results)	*Reference YoY changes
Net sales	1,194	2,650	45.1%	2,244	18.1%
Operating profit	99	310	32.2%	309	0.0%
Ordinary profit	101	310	32.8%	310	-0.1%
Net profit	48	230	20.9%	230	-0.1%

*Amounts are rounded down to the nearest million yen.

Major Topics

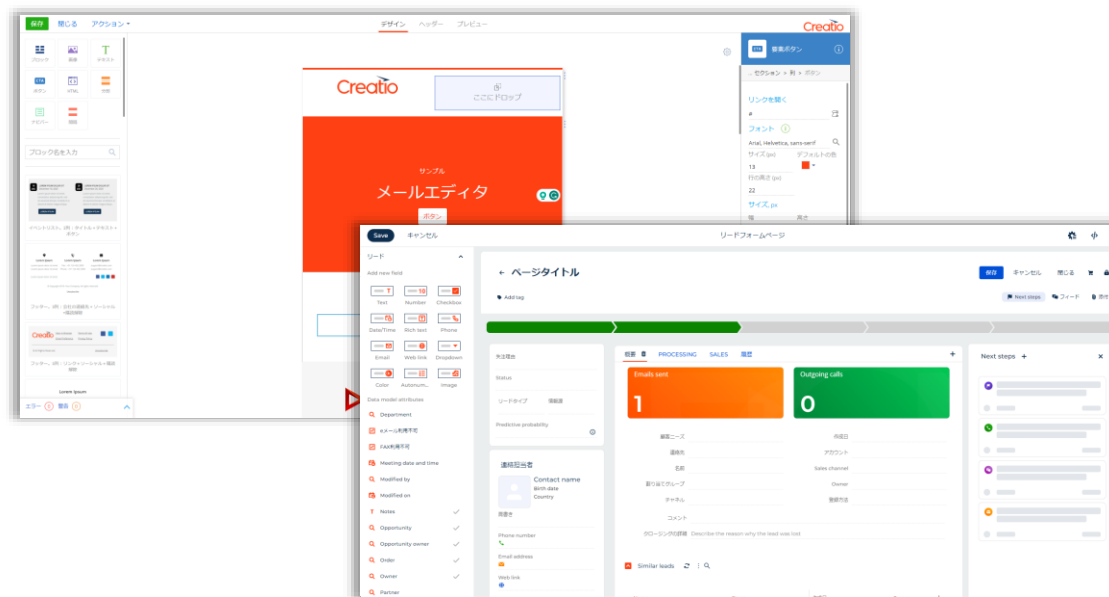
BlueMeme Acknowledged as the First Premier Partner of OutSystems® in APEC

- In July 2023, BlueMeme was honored **as the first Premier Partner in Asia** for its exceptional delivery performance and quality **among 200 regional partners**.
- Achieving Premier Partner certification requires a **high level of engineering expertise in low-code application development**.
- Premier Partner stands as the **highest tier in the OutSystems® Partner Program, with only 9 partners, constituting approximately 2% of the certified partners worldwide**.



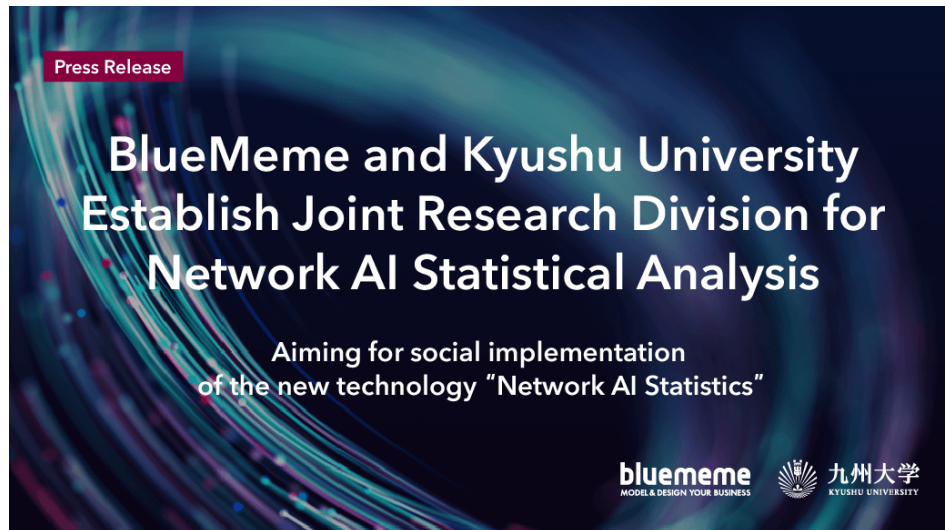
Exclusive Distributor Agreement with Creatio®

- We have formalized an **exclusive distributorship agreement in Japan with Creatio Inc., a rapidly expanding U.S.-based no-code development platform** specializing in the marketing and sales domain.
- **Starting in November**, we launched the expansion of Creatio® sales to Japanese companies, **introducing a localized product and customized educational programs for the market.**
- Leveraging our enterprise agile development methodology, Creatio® will be accessible to a diverse range of users.



Establishment of Joint Research Division of Network AI Statistical Analysis with Kyushu University

- Effective October 1, 2023, the Institute of Biomedical Research and Innovation established the **Division of Network AI Statistics, serving as a dedicated hub for collaborative research.**
- Masanori Matsuoka, CEO of BlueMeme, was appointed as a visiting professor at Kyushu University School of Medicine as a private joint researcher.
- This project, in conjunction with the ongoing joint research on large-scale language model construction using quantum AI, will significantly contribute to the advancement of the shared research objectives.
- The division **aims to construct an analytical infrastructure** that synergizes the capabilities of both AI and network statistics.
- Our future objective is to integrate the analysis technology of network AI statistics into our development methodology, “AGILE-DX,” enabling the operation and delivery of next-generation system development.



Medical Institute of Bioregulation
Kyushu University

Japanese | English

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TOP | About MIB | Laboratory | TOPICS | Collaboration | Graduate School | Link

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Access | Sitemap

Laboratory

- Laboratory List
- **Joint Research Department**
- Center List

Common Research Facilities

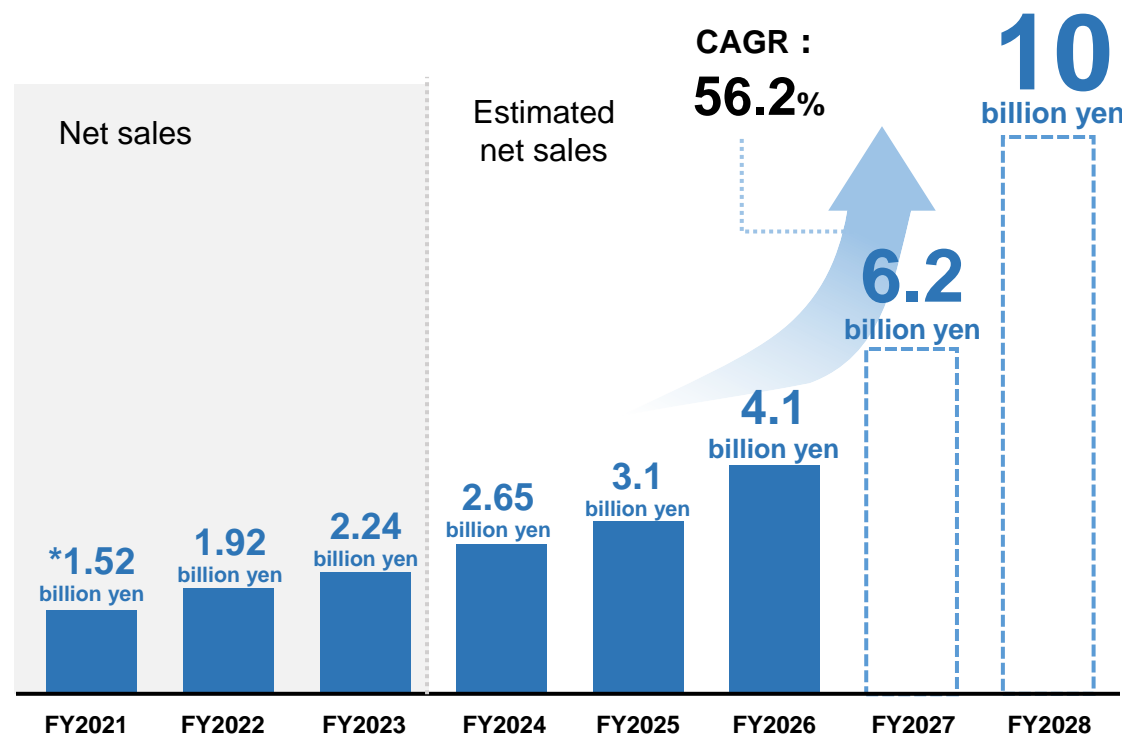
Department	Director (Professor)
High-Depth Omics Initiatives for Innovation	Yasuyuki Ohkawa
Division of Network AI Statistics	Masao Nagasaki

Mid-Term Management Plan

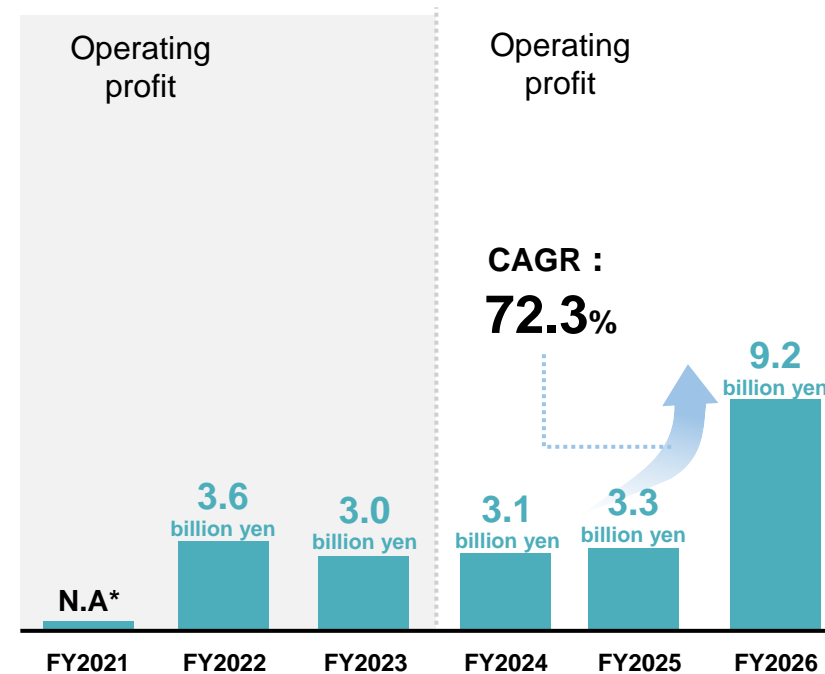
Growth Scenarios until FY2028

Growth scenario of the mid-term management plan

- Factoring in business structure changes brought by Digital Labor and sales expansion from indirect sales, **we plan to achieve sales of 4.1 billion yen in FY2026 and 10 billion yen in FY2028.**
- Anticipating a significant boost in productivity through the automation of software development with Digital Labor, our target is to achieve an **operating profit of 920 million yen in FY2026.**



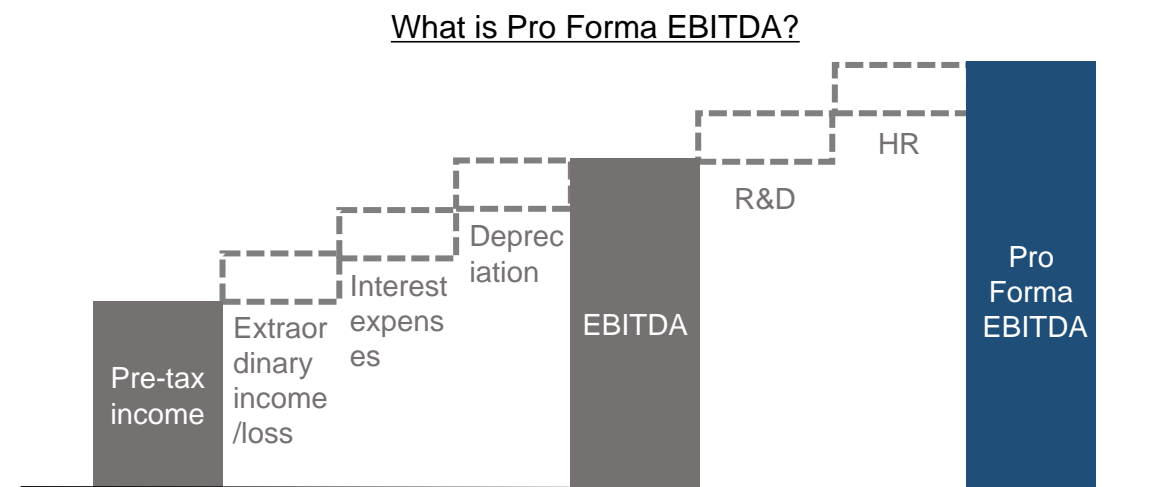
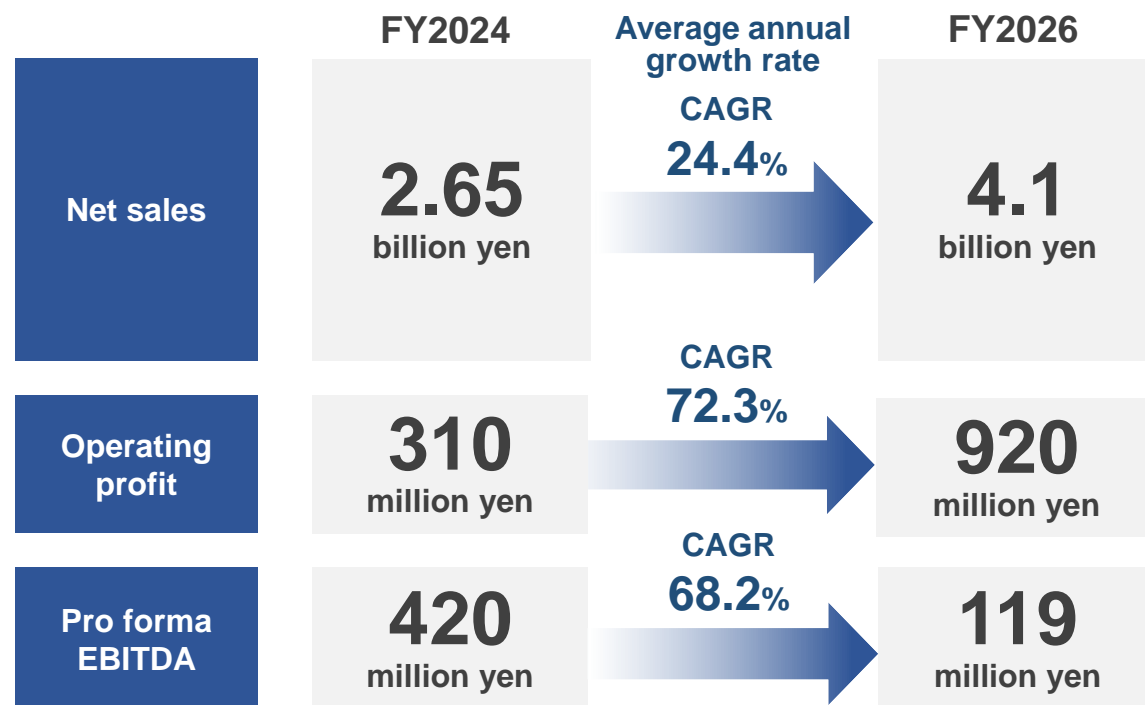
*Net sales under the new revenue recognition standard for FY2021 have not undergone review by an auditing firm and are therefore presented solely for reference purposes.



*The operating profit, calculated under the new revenue recognition standard for FY2021, poses difficulties in computation and remains undisclosed.

KPI growth scenarios in the mid-term management plan

- A compound annual growth rate (CAGR) of 24% is targeted through FY2026, aligning with the ongoing development of Digital Labor.
- Following FY2027, there is a planned CAGR of up to 56%, driven by the extensive implementation of Digital Labor and the expansion of partnership businesses.

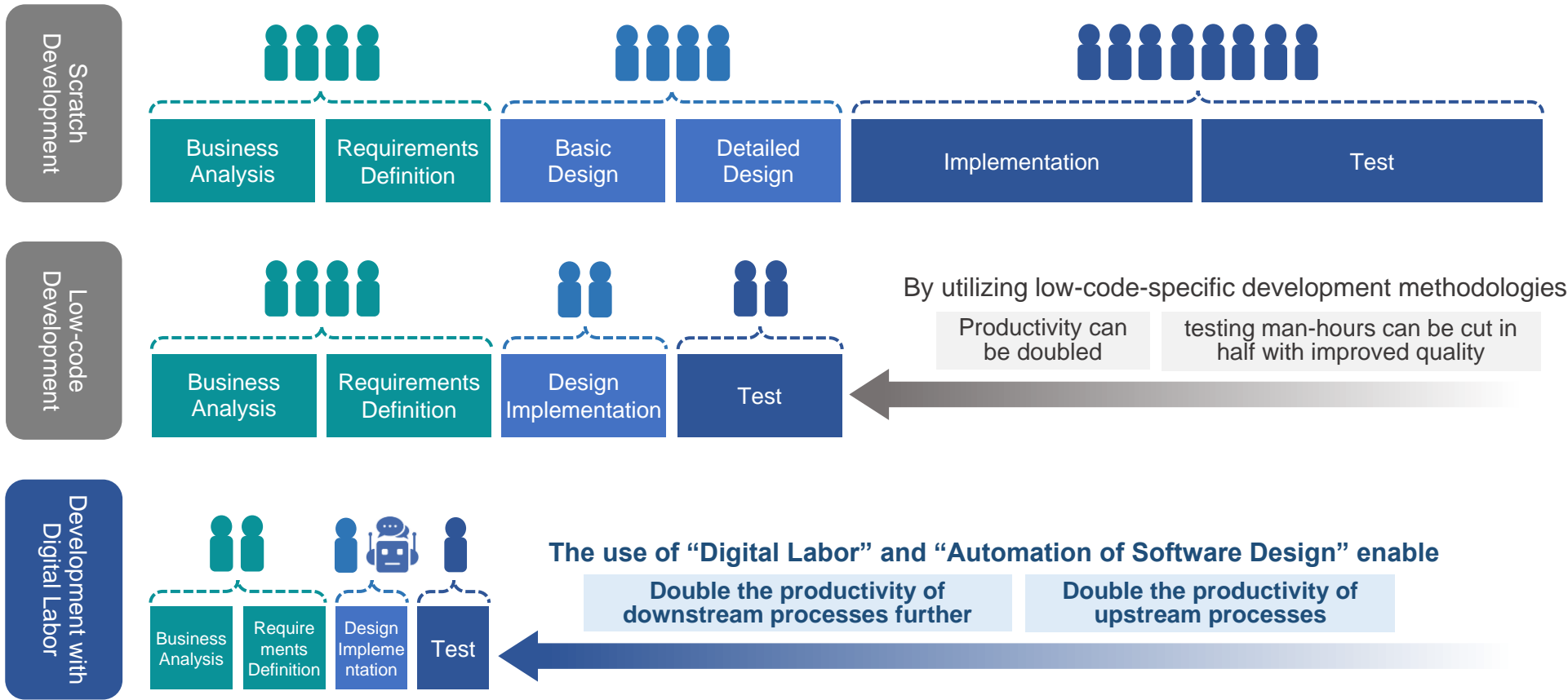


Pro forma EBITDA means as a metric for evaluating the profitability of BlueMeme’s IT service delivery business. It encompasses pre-tax income, extraordinary income/loss, interest expense, depreciation, research and development expenses (including Digital Labor), and the costs associated with hiring and training engineers.

What is Digital Labor as key factor?

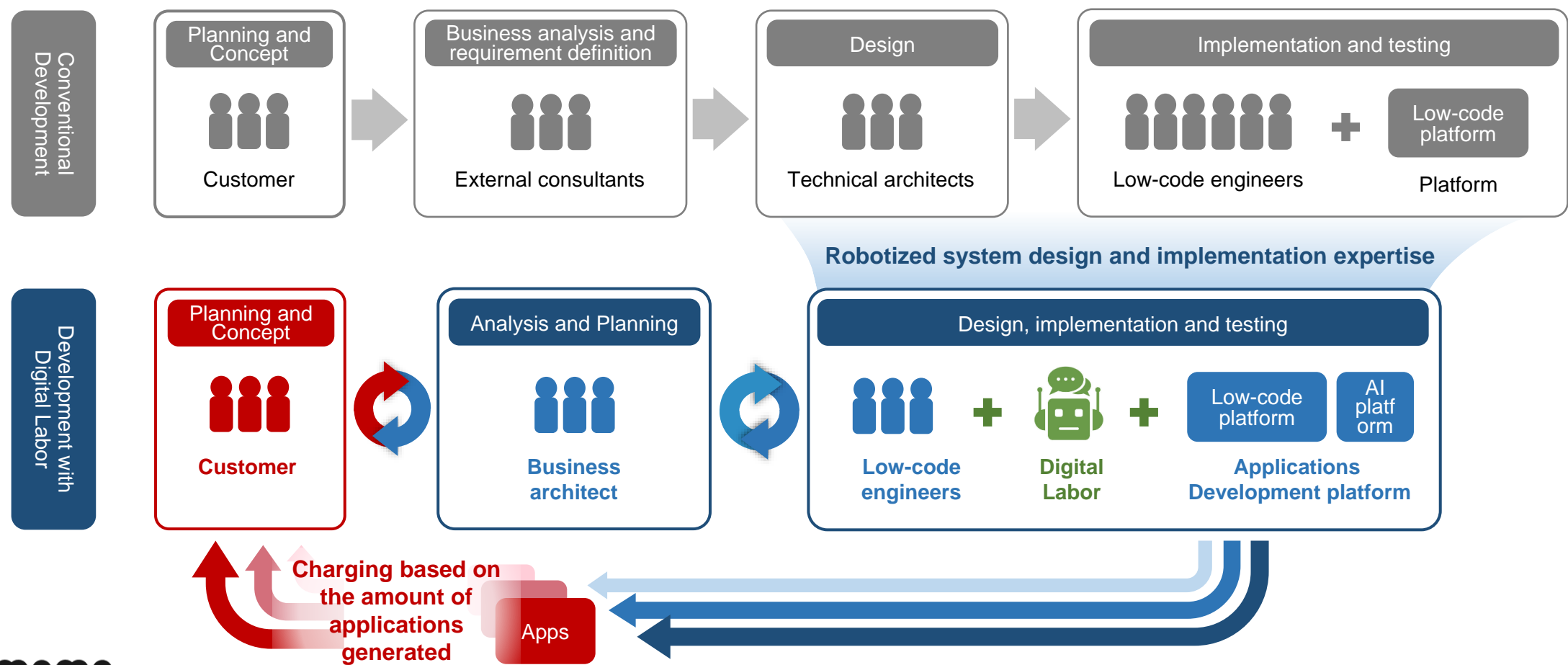
Changes in the cost structure of IT service provision with digital labor

- Digital Labor automates the design and development of applications, resulting in **double the development productivity compared to conventional low-code development methods.**
- The reduced involvement of engineers on a man-hour basis leads to **higher project profit margins.**



Digital Labor enables a charge-by-volume development model for generated applications

- By automating the know-how of application design and implementation, **Digital Labor enables the transformation of the billing structure for system development from man-hours to a “generated application quantity” basis.**
- Digital Labor facilitates **large-scale system development with a minimal workforce.**

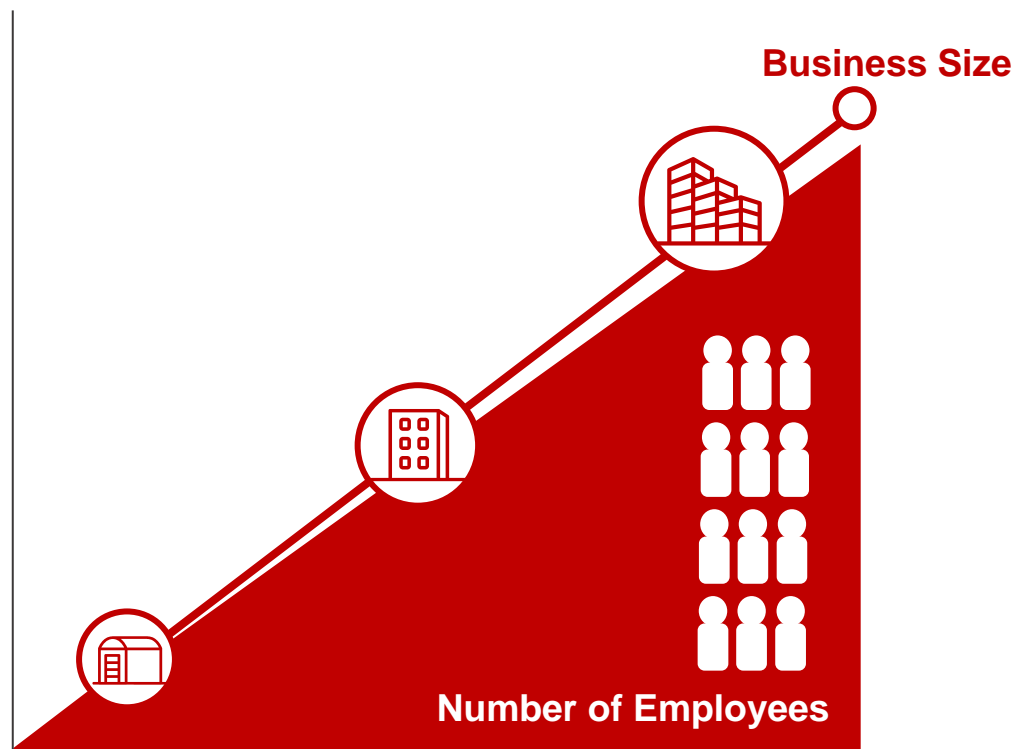


Business model transformation aligned with growth scenarios

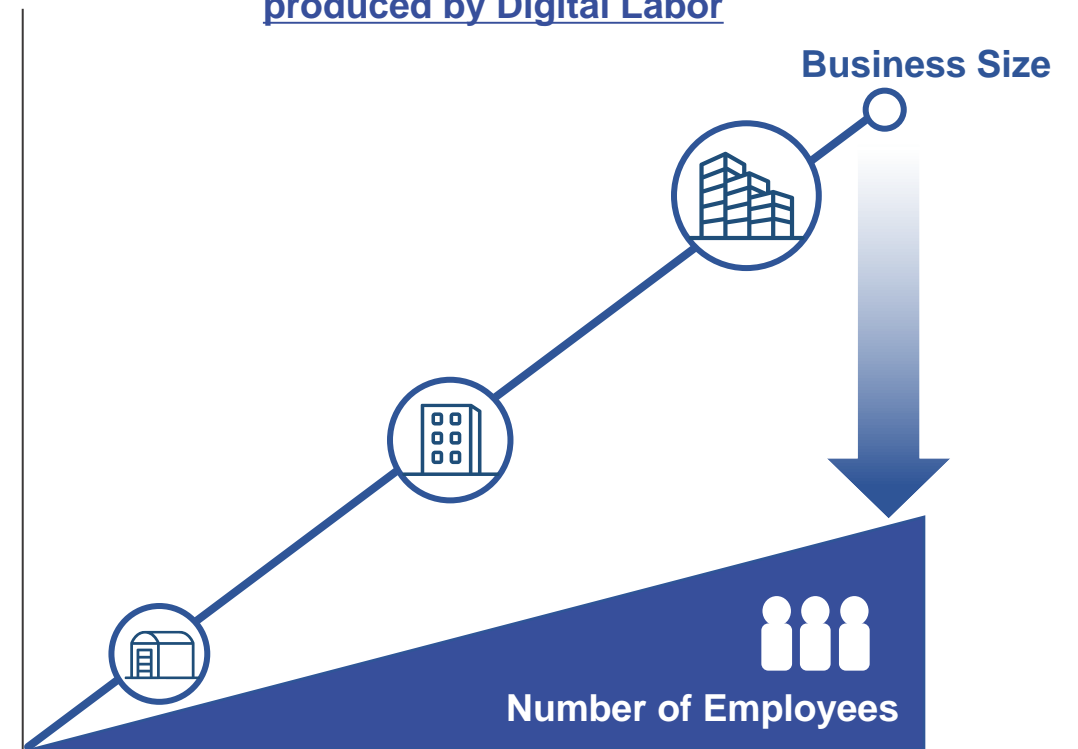
Realization of a new revenue model with Digital Labor

- Transitioning from a conventional revenue model, which relies on the number of man-months of engineer utilization, **to a model based on the volume of applications generated.**
- Digital Labour enables a **shift away from revenue models tied to the number of engineers** by controlling the rise in labor costs proportionate to business scale expansion.

Conventional man-hour-driven revenue model

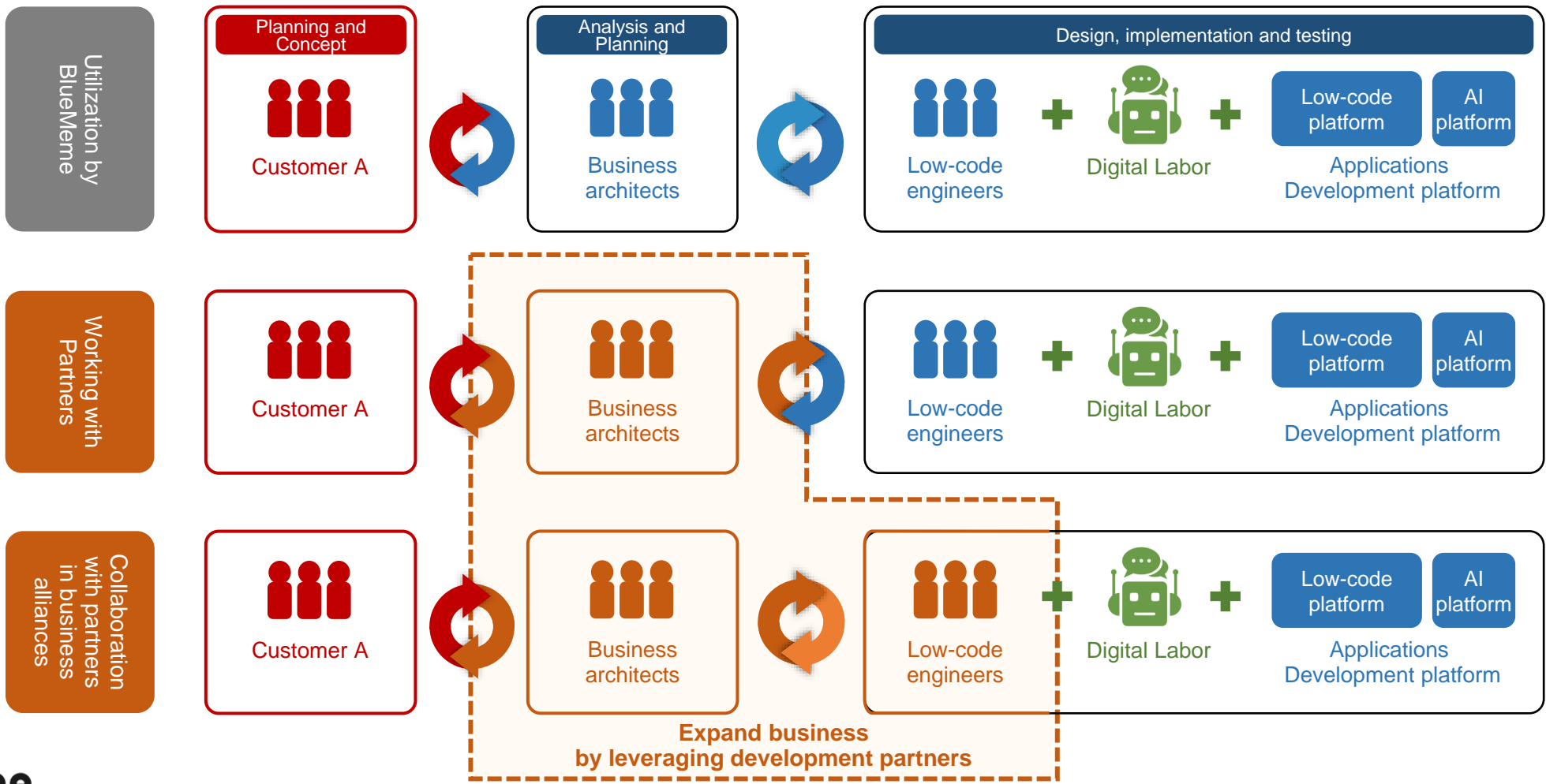


Revenue model based primarily upon the amount of apps produced by Digital Labor



Revenue expansion through Increased engagement of development partners using Digital Labor

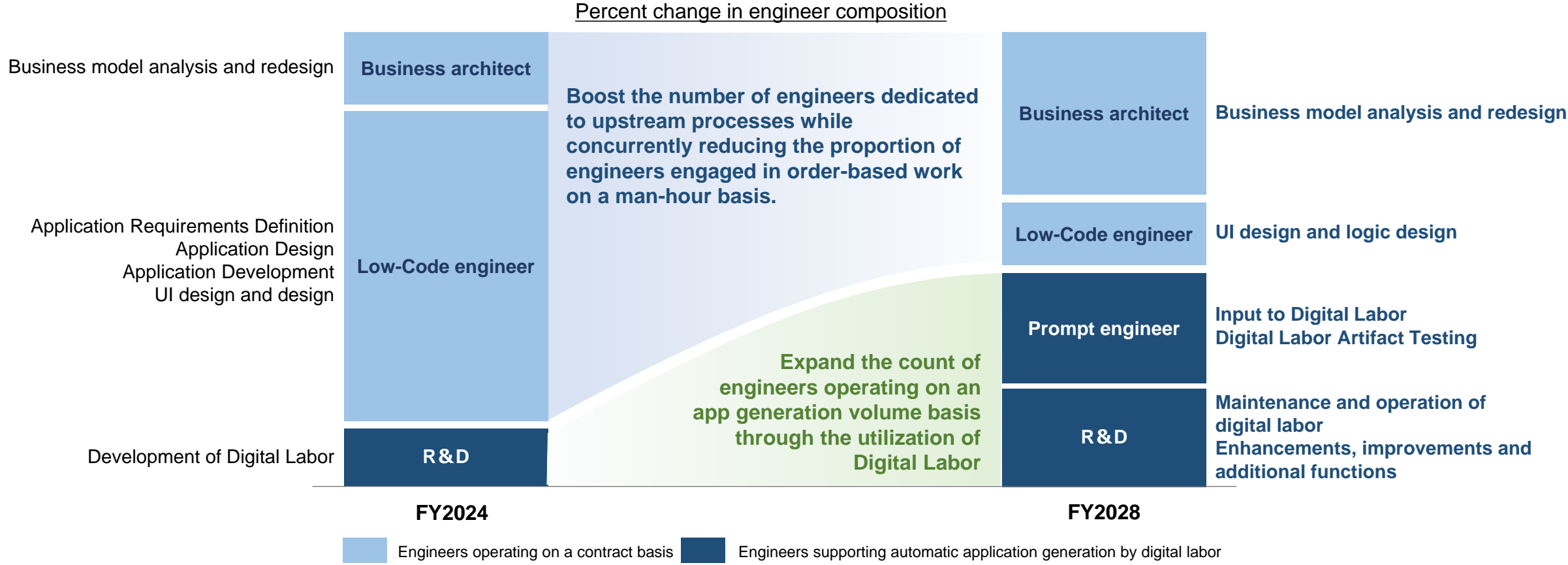
- Increasing the number of development partners utilizing Digital Labor and maximizing its utilization can **significantly boost revenues**.



Transformation of the business structure aligned with growth scenarios

Cost structure changes in the engineering area with Digital Labor

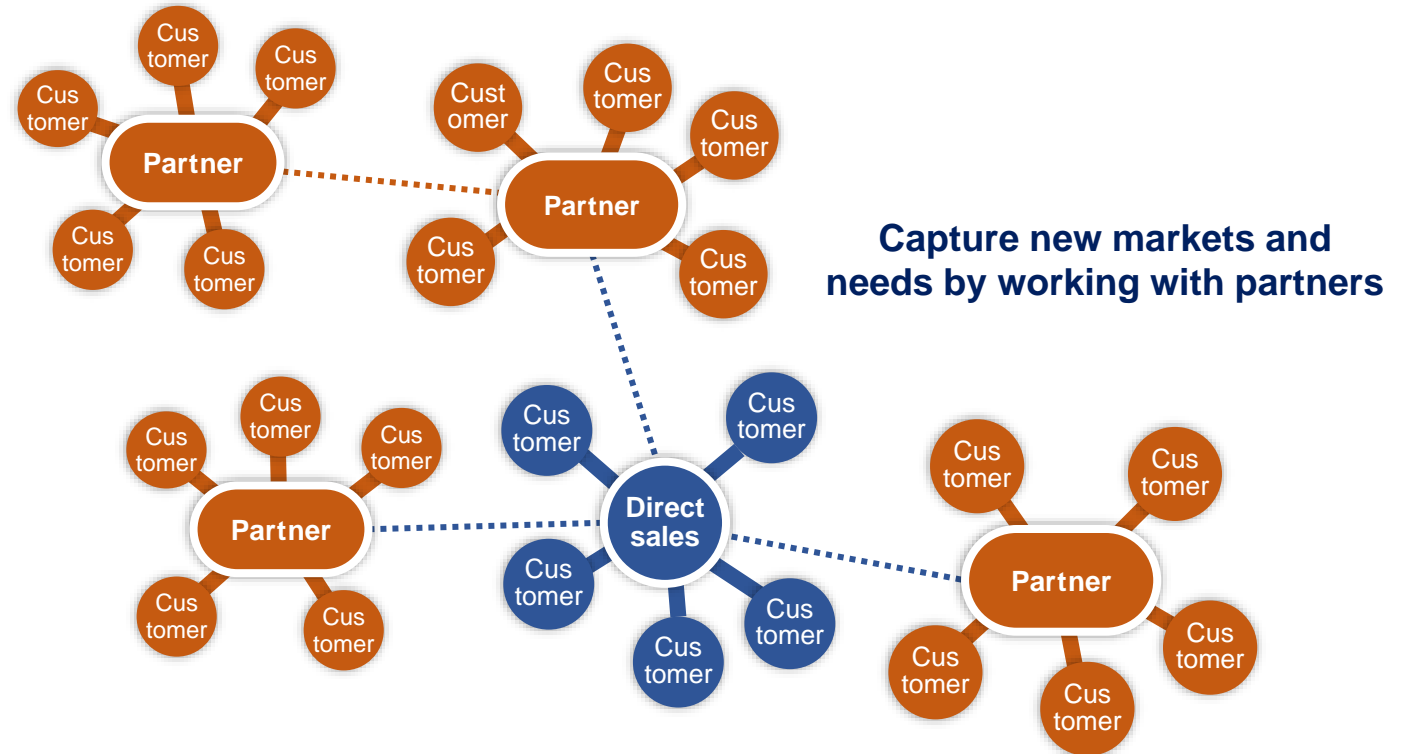
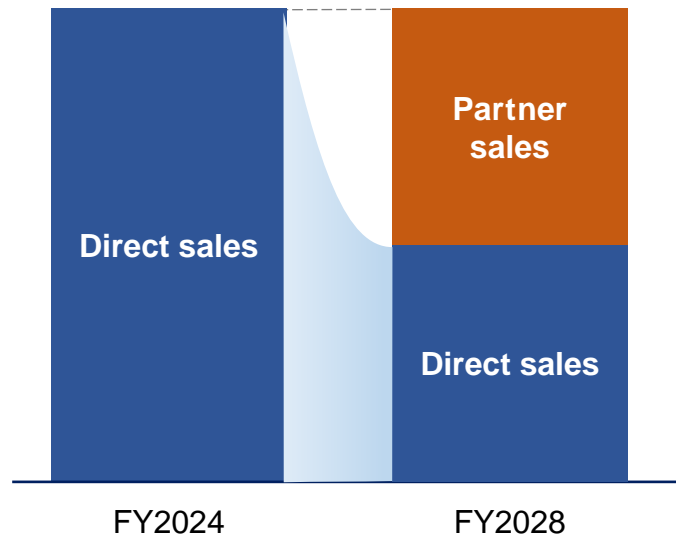
- Drive reskilling initiatives centered on AGILE-DX and increase the number of **proficient business architects capable of delivering high unit cost services** for business model analysis and redesign.
- Shift to an organization centered on prompt engineers who operate Digital Labor and R&D engineers developing Digital Labor.



Cost structure changes in the sales area with Digital Labor

- Transition from the existing emphasis on direct sales to an expansion of **indirect sales through collaborative efforts with partner companies, aiming for a significant increase in earnings.**
- Partner sales involve targeted exploration specifically directed at influential partner companies, **effectively limiting the increase in sales personnel expenses compared to the expansion of revenue.**

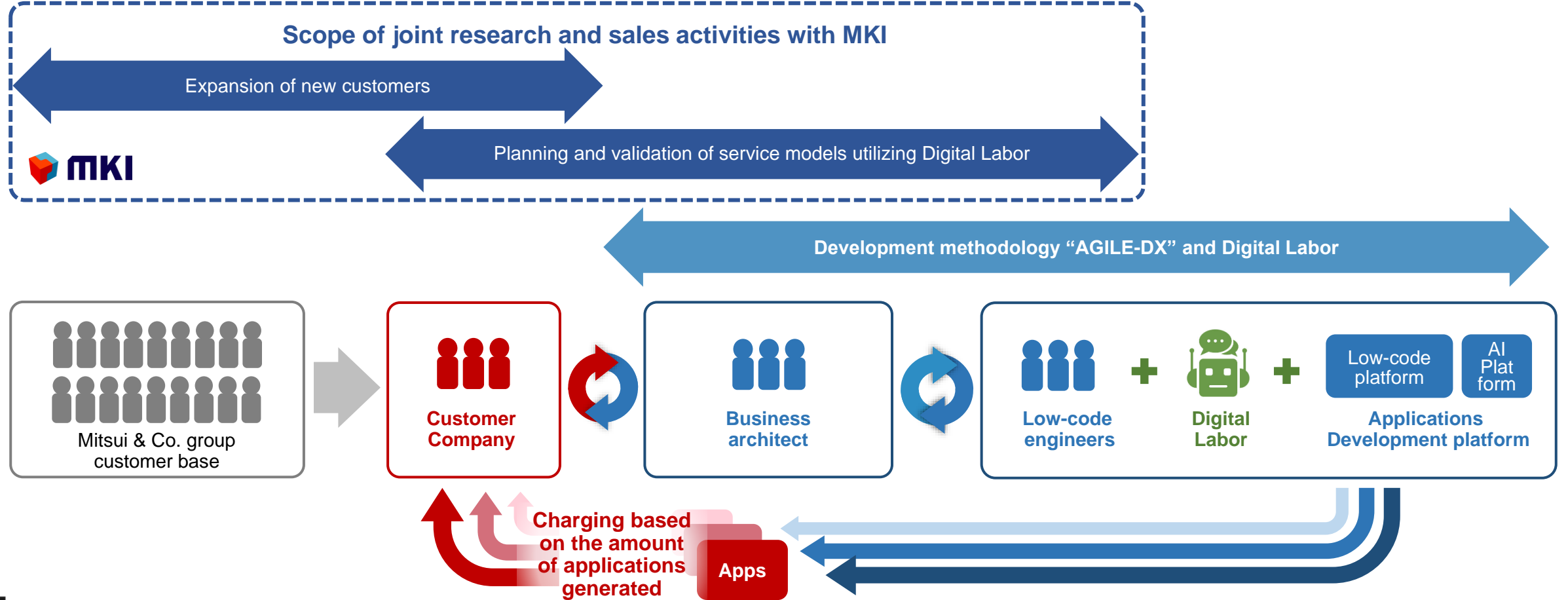
Percentage change in sales member structure.



Development organization and development schedule for Digital Labor

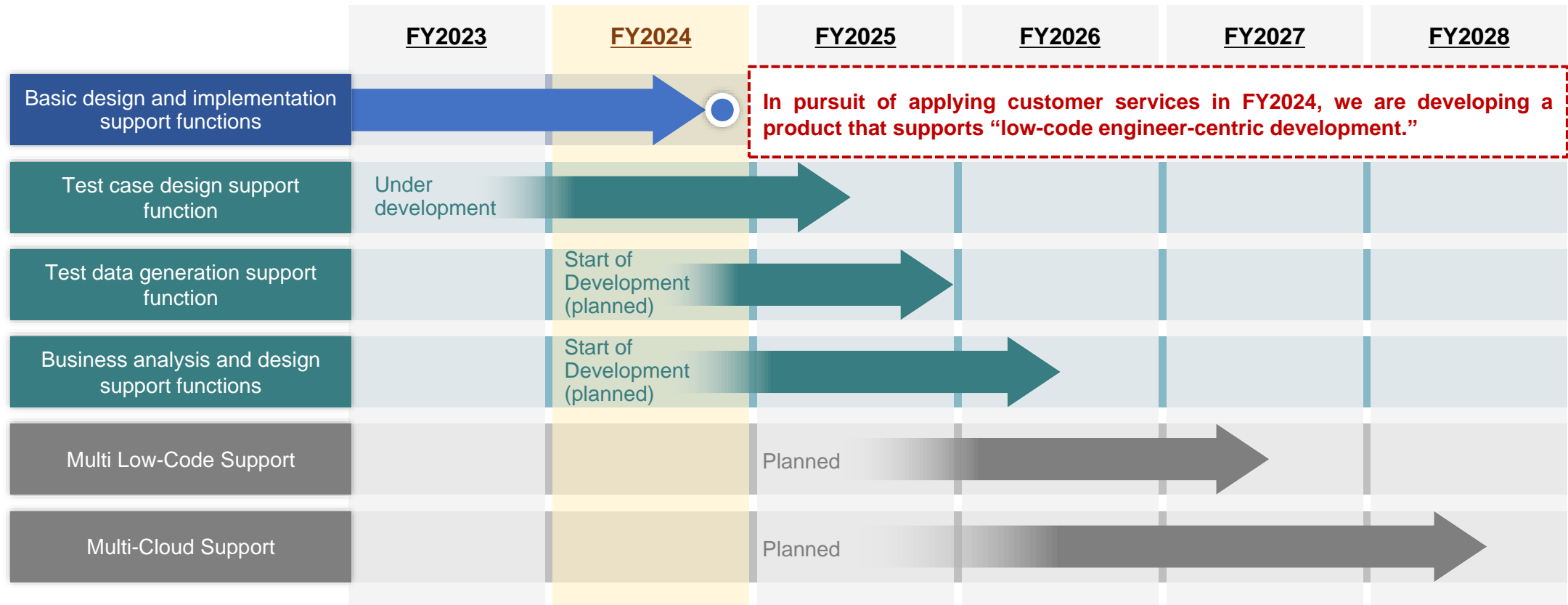
Promotion of joint research and marketing initiatives conducted with MKI

- Collaboration on **HR development for business architects**, a key step in promoting Digital Labor services and **sales to Mitsui & Co. group customers**.
- Development and validation of Digital Labor Services and **preparation for provision by the end of the current fiscal year**.



Joint Research and Development Plan and Status of Digital Labor (as of the end of the first half of this fiscal year)

- Considering HR training and customer needs, we primarily validate functions for system development by low-code engineers.
- By utilizing and expanding our Group’s development assets associated with business architecture and low-code, we will carry out development efficiently.

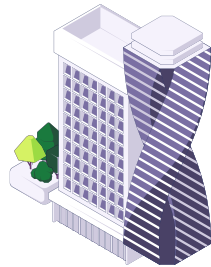


Expansion of target markets with growth scenarios

Expansion of BlueMeme's IT service delivery market with Digital Labor

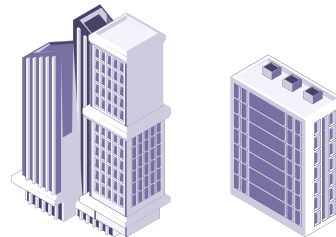
- Digital Labor not only enhances current IT service delivery productivity but **also extends the reach of markets served by our IT services.**

Enterprise Market



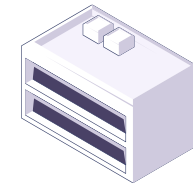
business application development market in the Side-by-Side domain associated with ERP updates

Enterprise and mid-range markets



Migration market for mainframes and older business applications

SMB Market

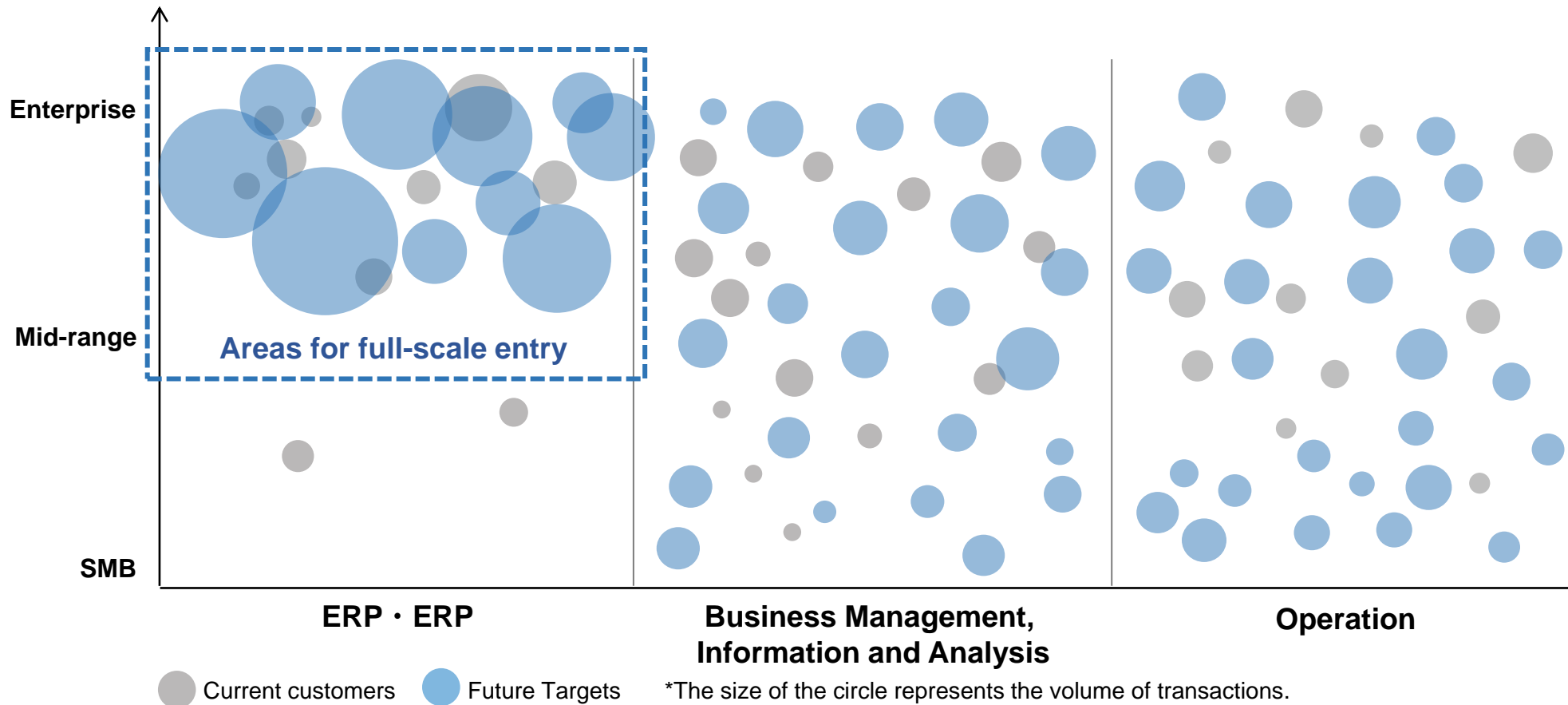


Market for IT service development driven by business development needs, emphasizing automation and labor-saving solutions.

Digital labor broadens the accessible market and facilitates significant sales growth

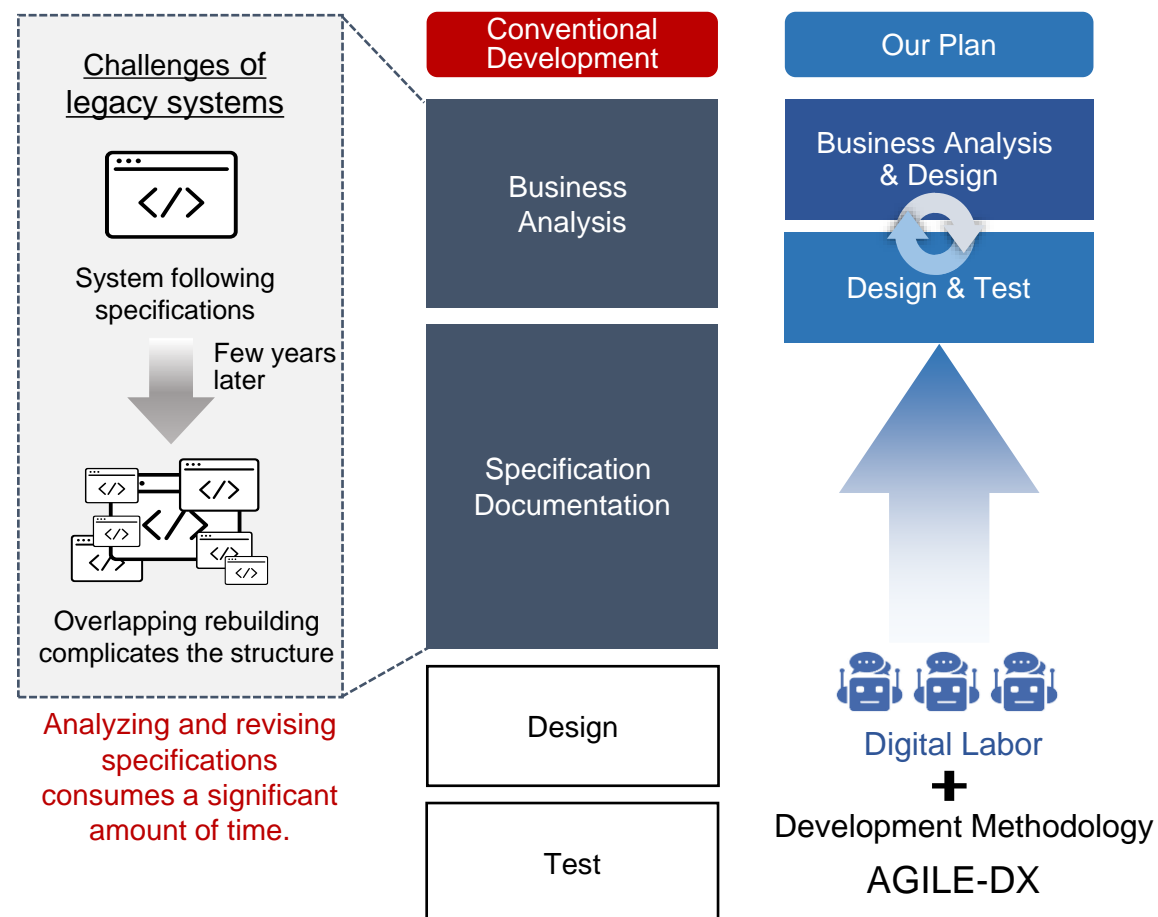
Strategies for ERP and related system areas in the enterprise market

- Currently, we are partially engaged in the domain of enterprise ERP-related systems.
- Digital Labor significantly enhances development speed and quality, **enabling full-scale entry into the domain of ERP-related systems.**



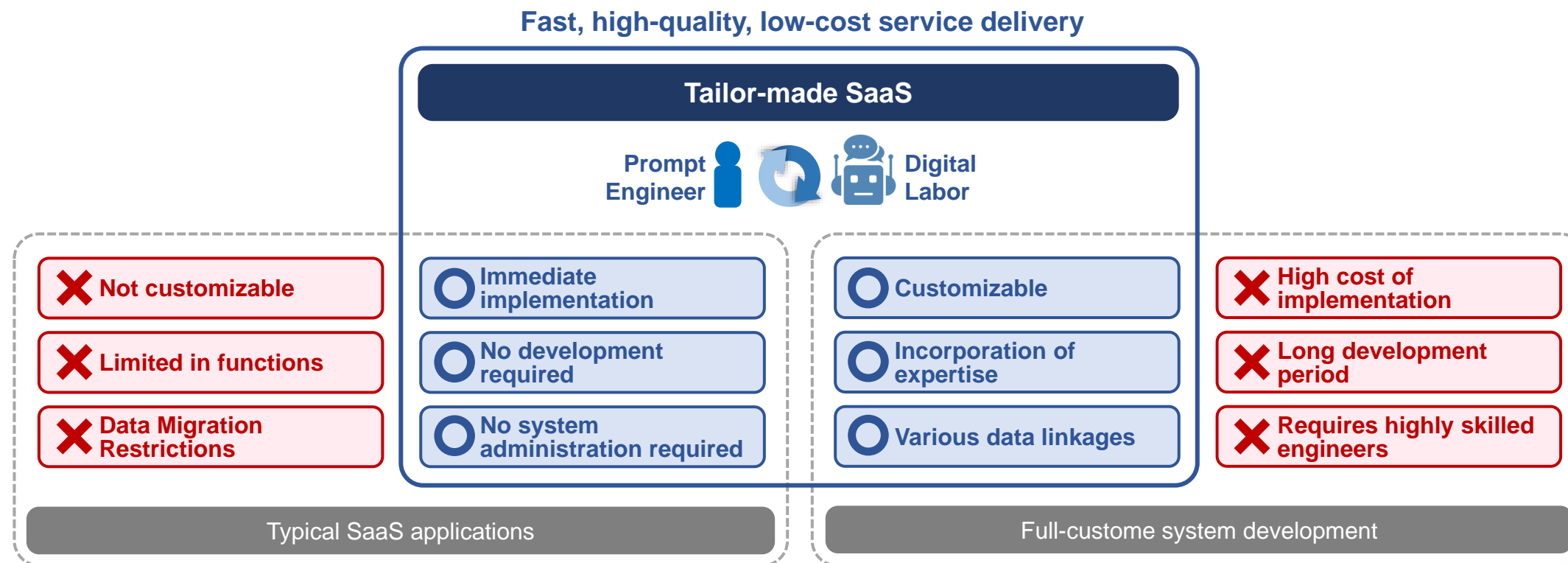
Strategies for migration in enterprise and midrange markets

- **Entering the modernization market through low-code development**, with a specific focus on addressing the enduring legacy open business systems within the Japanese market.
- Digital Labor and AGILE-DX facilitate the **legacy migration of long-used large systems**.



Strategies for cloud-based IT services in the SMB market

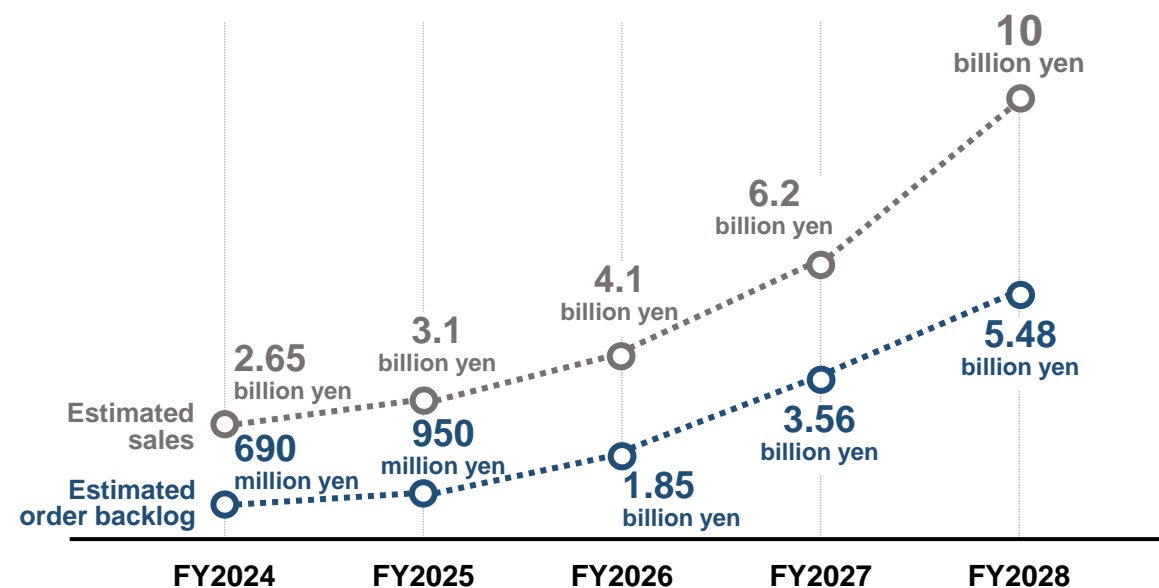
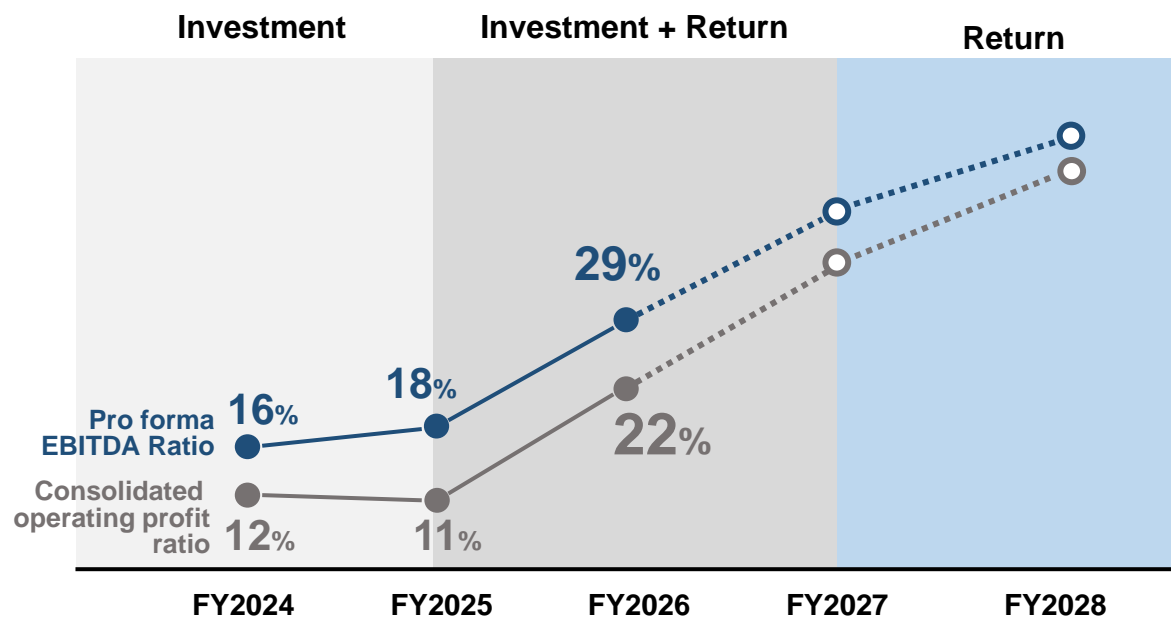
- Tailoring SaaS applications with a no-code/low-code platform for each customer.
- Digital Labor enables **cost-effective customization of SaaS applications for tailor-made solutions.**



Key performance indicator for future management and long-term vision

Growth Scenarios of Mid-term Management Plan (KPI basis)

- **Pro forma EBITDA* is designated as a key performance indicator (KPI)** due to planned R&D investment in Digital Labor.
- **Transition from a man-hours-based revenue model to a volume-based model tied to applications generated by Digital Labor.**
- The shift in the billing model will extend the time between order receipt and sales recording. Hence, **we've established order backlog as KPI.**

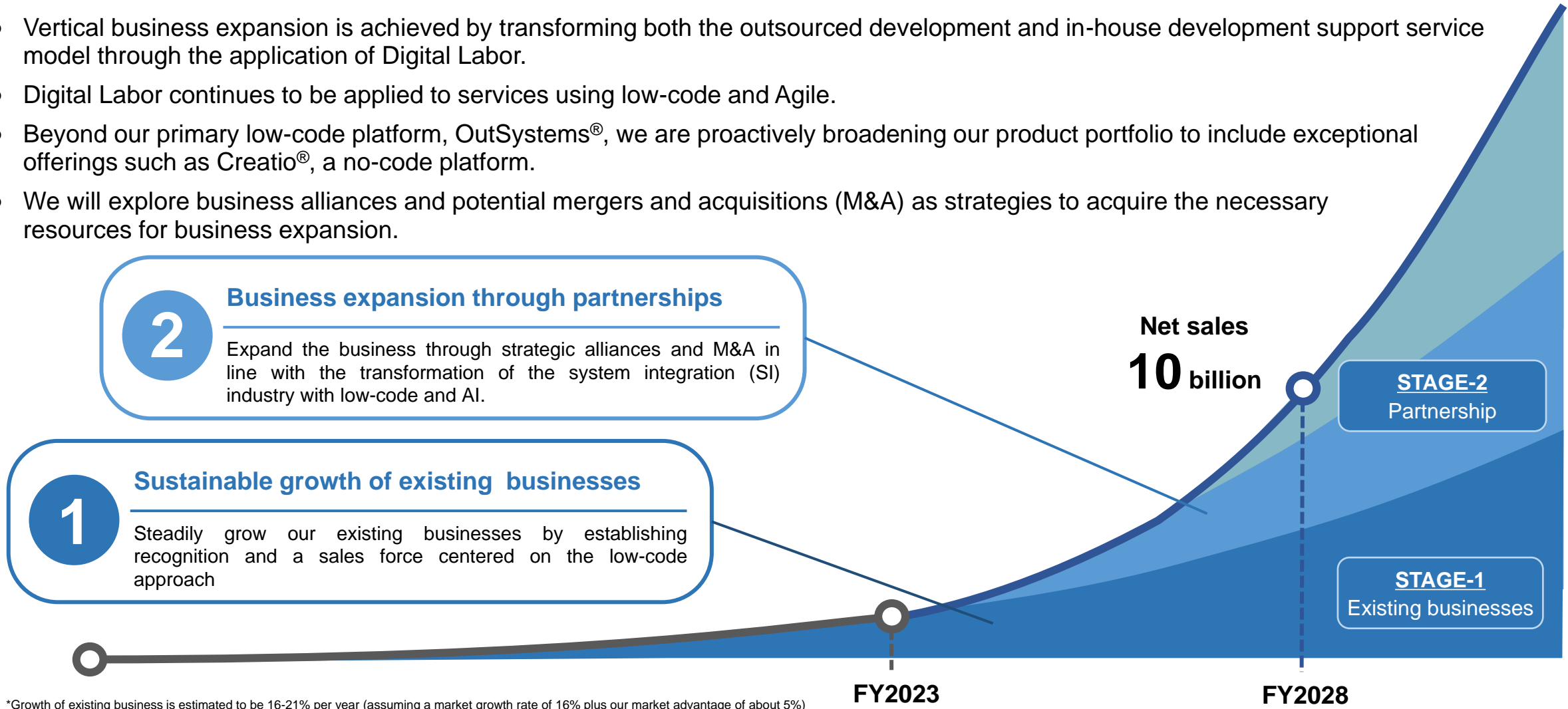


*Pro forma EBITDA means as a metric for evaluating the profitability of BlueMeme's IT service delivery business. It encompasses pre-tax income, extraordinary income/loss, interest expense, depreciation, research and development expenses (including Digital Labor), and the costs associated with hiring and training engineers.

Until FY2028: "Automation" initiatives

Transformation and expansion of existing business areas with Digital Labor as a growth driver

- Vertical business expansion is achieved by transforming both the outsourced development and in-house development support service model through the application of Digital Labor.
- Digital Labor continues to be applied to services using low-code and Agile.
- Beyond our primary low-code platform, OutSystems®, we are proactively broadening our product portfolio to include exceptional offerings such as Creatio®, a no-code platform.
- We will explore business alliances and potential mergers and acquisitions (M&A) as strategies to acquire the necessary resources for business expansion.



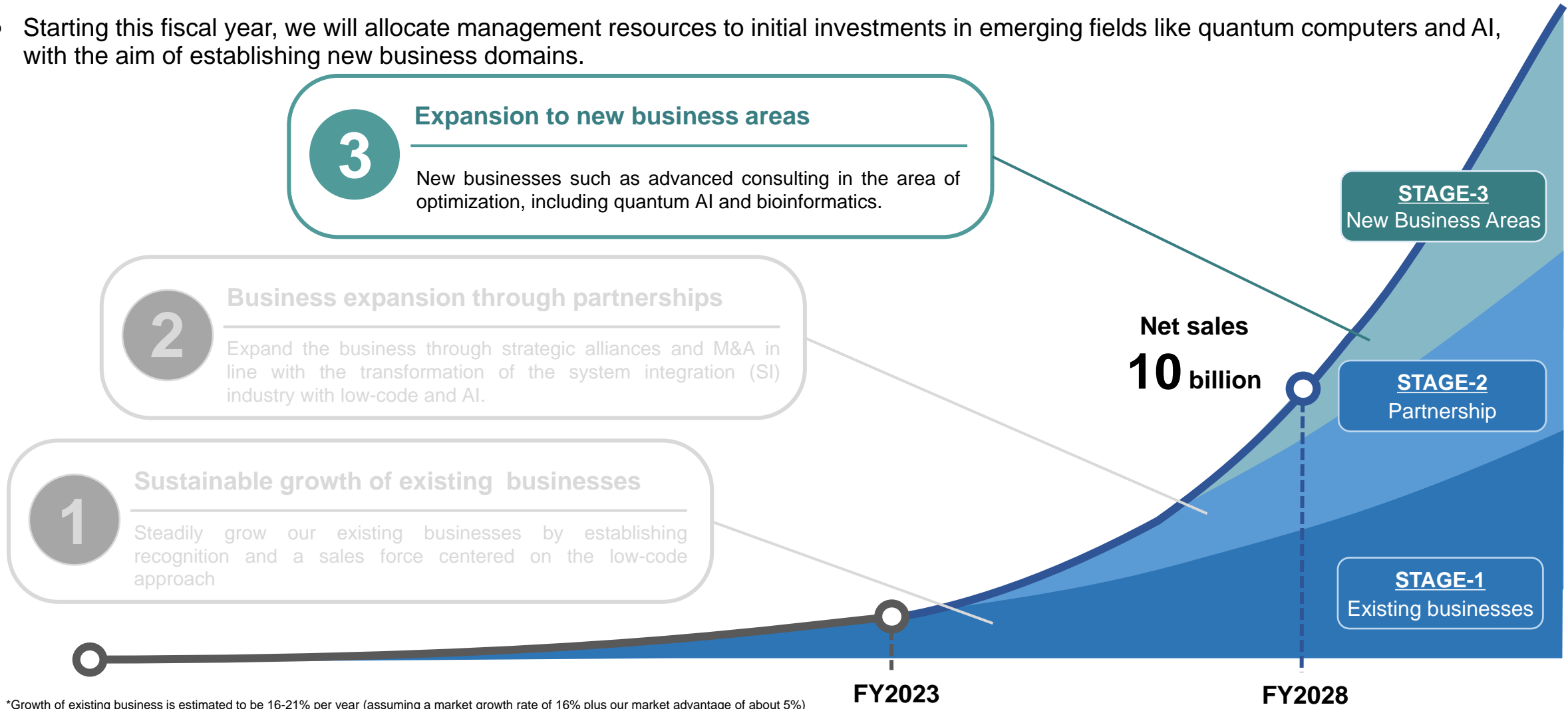
*Growth of existing business is estimated to be 16-21% per year (assuming a market growth rate of 16% plus our market advantage of about 5%)

*For FY2028, the sales ratio between existing businesses (STAGE-1) and those added by measures (STAGE-2 and STAGE-3) is adjusted from the initial estimate of 5:5 to 6:4, reflecting the anticipation of increased indirect sales through collaboration with partner companies.

From FY2029 onward: "Optimization" initiatives.

Creation of new business areas based on forward-looking investments beyond the medium-term management plan

- Starting this fiscal year, we will allocate management resources to initial investments in emerging fields like quantum computers and AI, with the aim of establishing new business domains.



*Growth of existing business is estimated to be 16-21% per year (assuming a market growth rate of 16% plus our market advantage of about 5%)

*For FY2028, the sales ratio between existing businesses (STAGE-1) and those added by measures (STAGE-2 and STAGE-3) is adjusted from the initial estimate of 5:5 to 6:4, reflecting the anticipation of increased indirect sales through collaboration with partner companies.

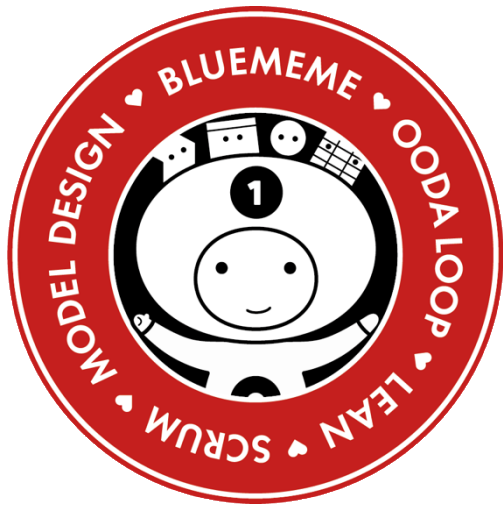
Notice

This document contains forward-looking statements. These statements are based on information available as of the date of publication of this document and are not guarantees of our future performance or achievements. They are also subject to variety of risks and uncertainties. As a result, our actual results and financial position may differ materially from any future results or forecasts of results expressed or implied by them.

The factors that may lead to such situations include, but are not limited to, changes in domestic and international economic conditions and trends in the industries in which we operate.

We undertake no obligation to change or revise any of our forward-looking statements in light of new information or future events that may occur after the date hereof.

The information contained herein concerning matters and organizations other than our own is based on publicly available information and has not been verified for accuracy or appropriateness and is not guaranteed by us.



Thank you for your time and attention.