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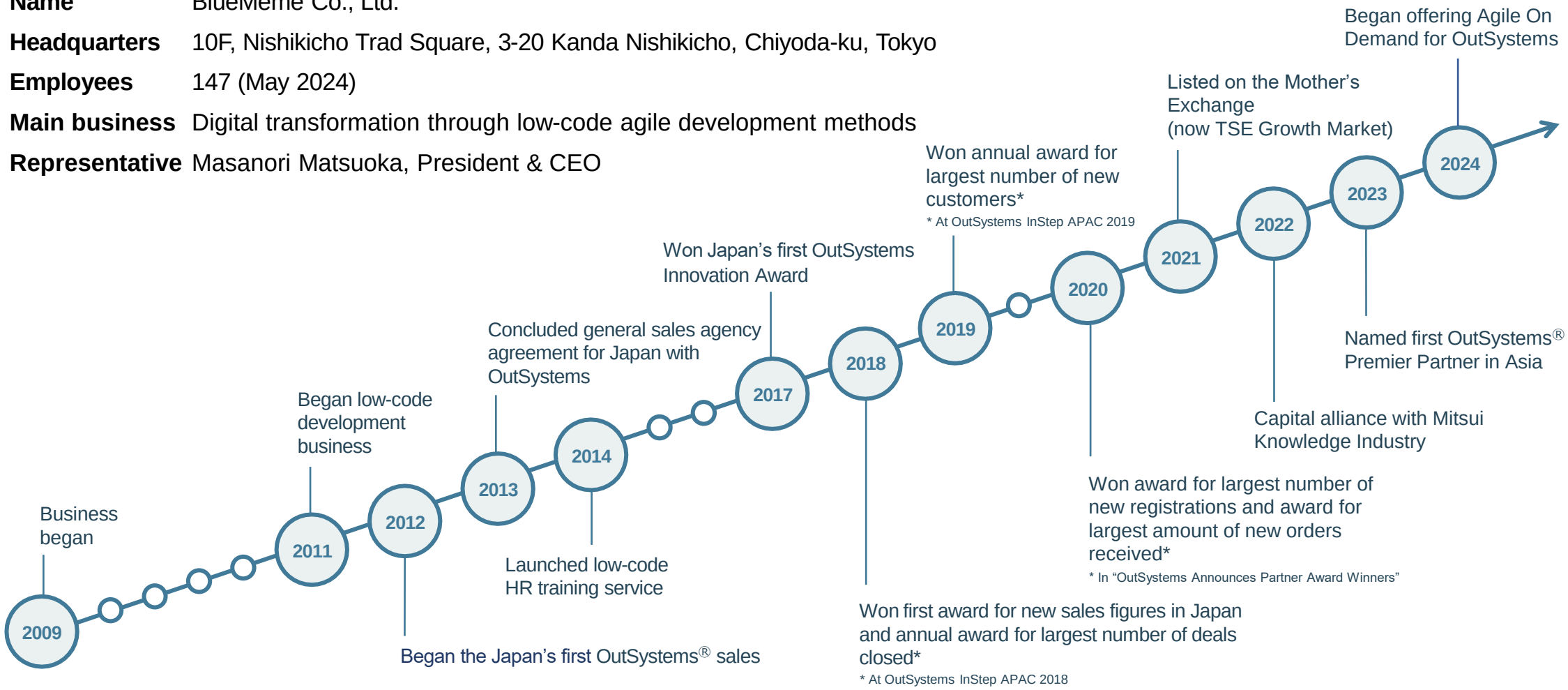
MODEL & DESIGN YOUR BUSINESS

Financial Results for Year Ended March 31, 2024

May 29, 2024

Company Overview

Name	BlueMeme Co., Ltd.
Headquarters	10F, Nishikicho Trad Square, 3-20 Kanda Nishikicho, Chiyoda-ku, Tokyo
Employees	147 (May 2024)
Main business	Digital transformation through low-code agile development methods
Representative	Masanori Matsuoka, President & CEO



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2. Business Features and Advantages
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4. FY 2024/3 Full-Year Business Results and Revisions to Previous Years
5. FY 2025/3 Full-Year Forecasts
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Business Overview

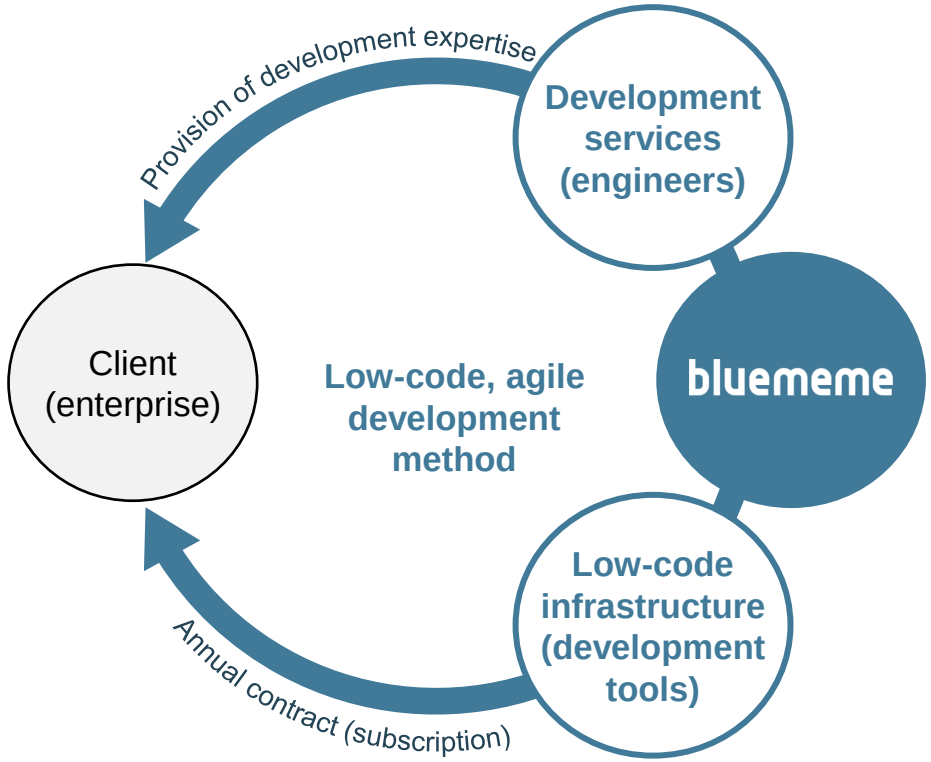
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BlueMeme's Main Business: Business System Development Services

- **We offer business system development services using low-code, agile development methods to first- and second-tier corporate clients.**
- **The business systems developed by BlueMeme are centered on systems for business activities, such as sales management, production management, and inventory management.**
- **We use our proprietary low-code, agile development methods to secure stable human resources and cut system development costs.**



Low-code methods make it easier to secure human resources

- Enables system development by small teams
- Able to develop the needed IT HR in a short timeframe
- Enables in-house development of IT HR

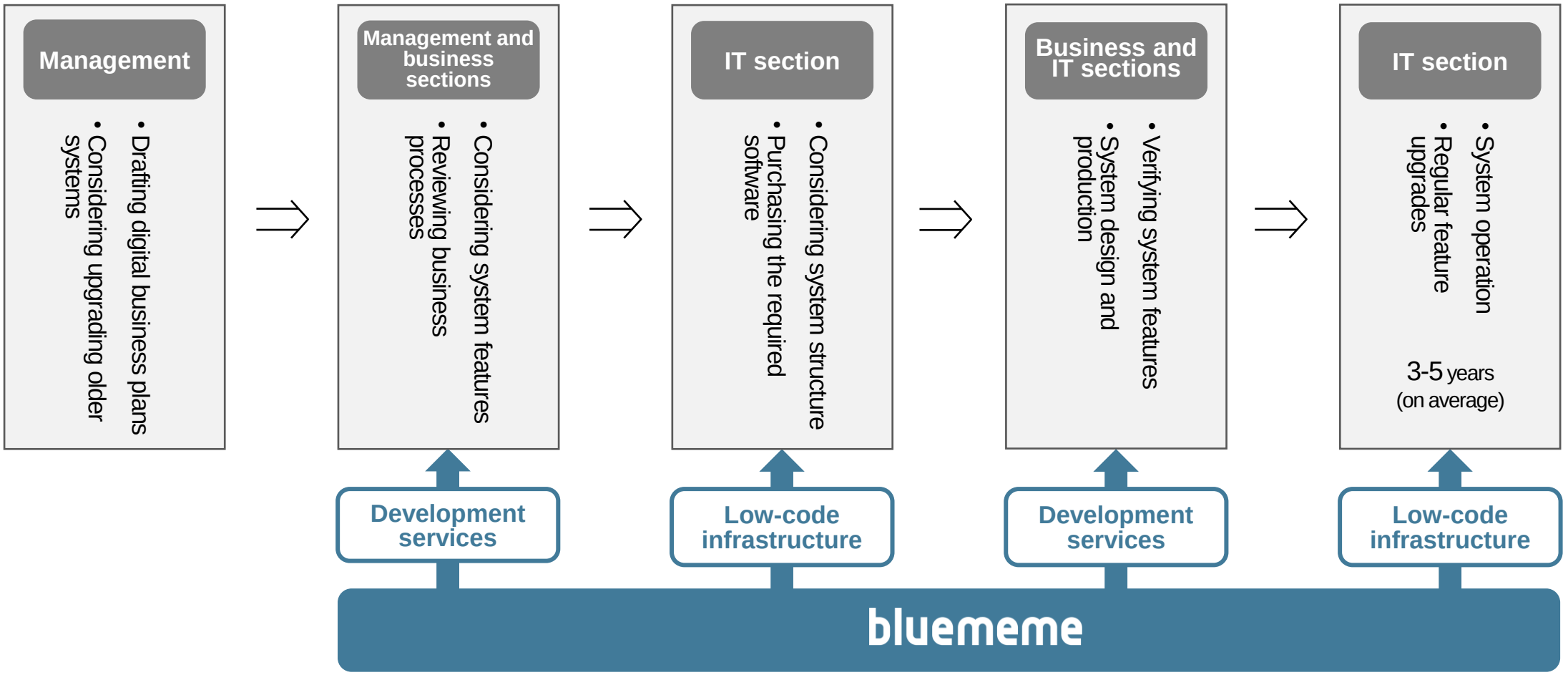
Agile methods keep development costs down

- Reduced risk of failure
- JIT development
- Requires fewer development tools

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Business Flow



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Positioning in the IT Industry

- **Using agile and low-code methods to develop high-quality systems even among high-risk large-scale systems.**
- **Cutting system development and operation costs through cost-optimized structural designs based on business analysis.**

	System scale	Development method	Business analysis Business design	**Cost-optimized structural design**	System requirement definitions	Design and production testing	Operation, maintenance
General consultants	**Med-large**	Waterfall	Service provision	✕	Service provision		✕
Major system integrators			Service provision	✕	Service provision		
bluememe		**Low-code, agile methods**	**Providing one-stop services related to system development**				**Support for bringing in house**
System development firms dispatching engineers	Small-med	Waterfall and traditional agile methods	✕	✕	Service provision		

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Business Features and Advantages

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Corporate Priorities in Choosing a Subcontractor for System Development

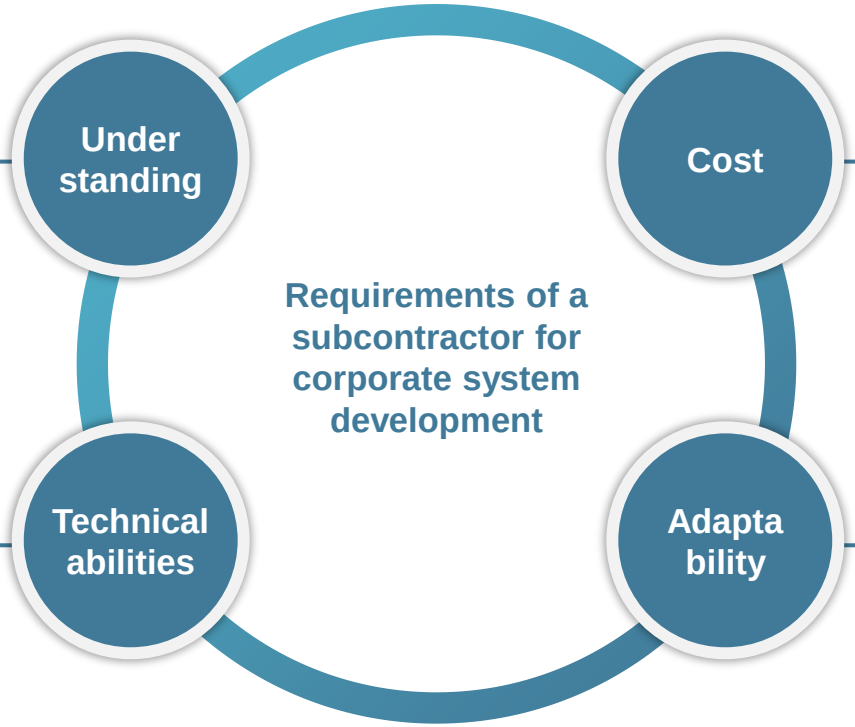
- **Continual business improvement is vital to many firms as well as to be able to adapt to unpredictable social changes.**
- **Smooth communication with engineers who can understand the business is essential to realize business reforms through system development.**

Smooth communication

- Identifying business issues
- Understanding complex business details
- Proposing solutions

Business reform

- Use of the latest technologies such as AI
- Shortening development periods
- Using digital technologies to generate revenues



Keeping down system development costs

- Cutting outsourcing costs
- Business growth through system development
- Continual business reforms and improvements

Ensuring business continuity

- Swift bug detection and fixes
- Adapting to social changes
- Bringing development in-house

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BlueMeme power of understanding： Communication skills based on extensive development experience

Information and communications

Master Data Extraction System
for Purchasing Data Analysis
Demonstration Experiment
on Medical Data Management
Internal Business System
Internal Management System
Service Monitoring System
Purchasing System
Order and Supply System for Agents
Monitoring System
Shipment Management System
VR Content Management System
Cost Management System
Access Control System
Training Attendance Management System
Tenant Management System
Task Management Portal System
Crowdsourcing Platform
Cloud-based Sales Management System
Sales Management System for Agents
Contract Management System (internet etc.)
IC card Stock Control System
Internal Business System
Personnel Evaluation System
Sales Management System
Internal Approval System
Order Management System
Fleet Management System

Manufacture

Production Process Forecasting
and Management System
Production and Procurement
Management System
Deliverables Management System
Sales Management System
Contract Management System
Order Management System
Mobile Apps for Internal Business System
Business Support System for Partners
Internal Business System
Business Support System for Agents
Support System for Internal Approval
Processes
Budget Management System
Notes Replacement (groupware)
Legacy System Migration
Product Information Management System
Master Data Management System
Sales Management System for Agents
Cloud Migration of Excel / Access
Asset Management System
Incident Management System
Master Data Management System

Service / Hospitality

Temporary Work Management System
Temporary Staff Management System
Sales Management System
Mobile Apps for Customer
Customer and Employee Management System
Crowdsourcing Platform
Validation of New IoT Service
Service Matching System
Security Services System
HR Management System
Internal Business System
Tour Information Search System
Service Management System
Mission Critical System Development

Construction

Building Construction Management System
Notes Replacement (groupware)
Budget Control Daily Report System
Cost Settlement System
Internal Approval Management System
Internal Business System
Car Park Management System
Accident Prevention Support System

Trading

Booking Management System
Sales Management System
Internal Workflow System
Notes Replacement
Customer Management System

F&B / Wholesale / Retail

Sales Management System for E-commerce
Websites
Simple BI Tools using Data from Various DBs
Employee Management System
Order Management System
Internal Business System
Reconstruction of the Mission Critical System
HR Information Integration Platform
Project Management System
Business Support System for Stores
Sales Management System for Agents
Notes Replacement
Customer Management System

Finance & Insurance

Portal Site for agencies
Notes Replacement (groupware)
Sales Support System

Healthcare / Welfare

Medical Information Platform

Real Estate

Internal Business System
Web portal for Agents
Contract Management System
Production Management System
Billing System
Procurement Management System
Project Management System
Knowledge Data Management System
Mission Critical System
Internal Groupware System
Brokerage and Property Management System

Professional services (accountancy firm)

Business Matchmaking System
Management Portal System

Infrastructures

Monitoring Systems
Internal Business System
Sales Management System

Transport

Warehouse Management System

Education

Visitor Survey Application
Online Lecture Systems

Information / Advertising

Sales Management System

Agriculture / Forestry / Fisheries

Sales Management System

Government / Local authorities

System Replacement

Know-how based on extensive development experience independent of industries and business sectors

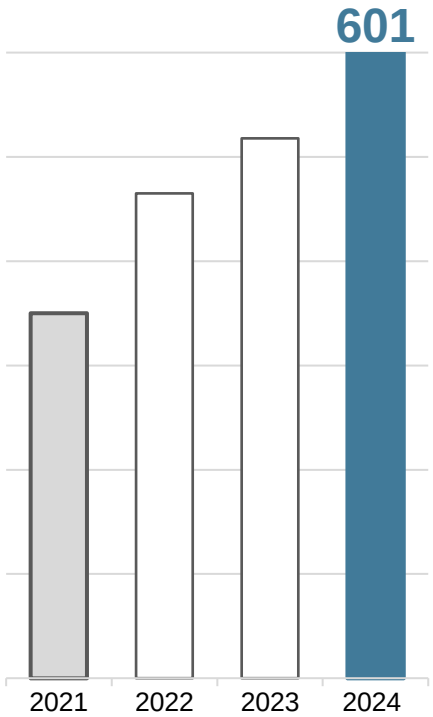
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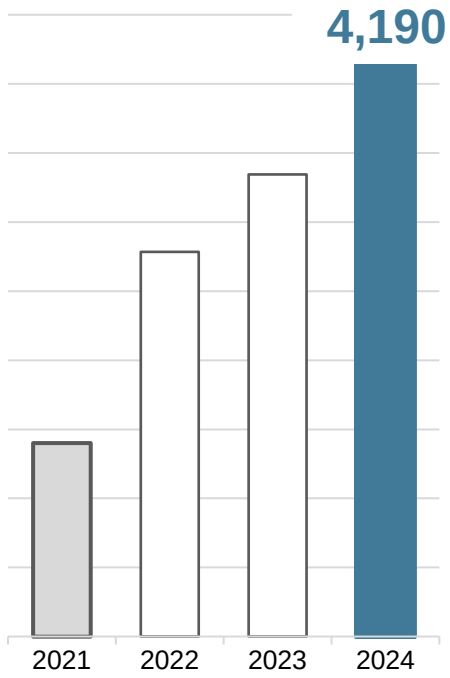
BlueMeme's Technological Abilities: A Global Low-Code Leader

- **It is predicted that about 60% of future business system development will be low-code as low-code demand grows worldwide.**
- **Large-scale low-code system development requires different methods and technological abilities than traditional system development.**

Clients



Development services provided



* As of May 2024

BlueMeme was named the first OutSystems® Premier Partner in Asia

- The highest level among OutSystems® partners
- Awarded only to firms with high technological abilities
- Nine Premier Partners worldwide (only about 2% of all partners)
- Reflects assessment of product planning abilities in addition to technological abilities

outsystems Partner PREMIER

Customer Reviews

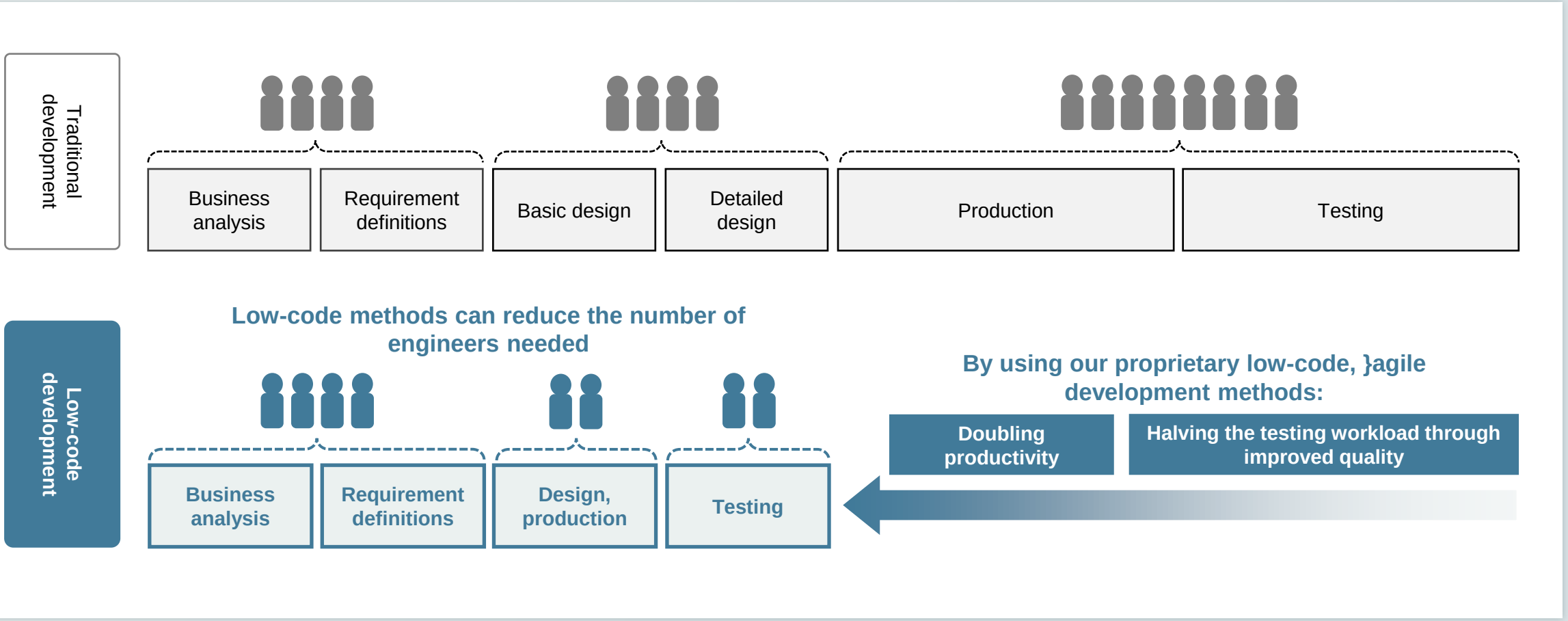
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BlueMeme's Cost Performance: Keeping Down Development Costs through Maximum Use of Low-Code Methods

- **BlueMeme can more than double development productivity by using its proprietary low-code, agile development methods.**
- **Low-code methods greatly reduce the number of engineers needed in system development by automating programming.**



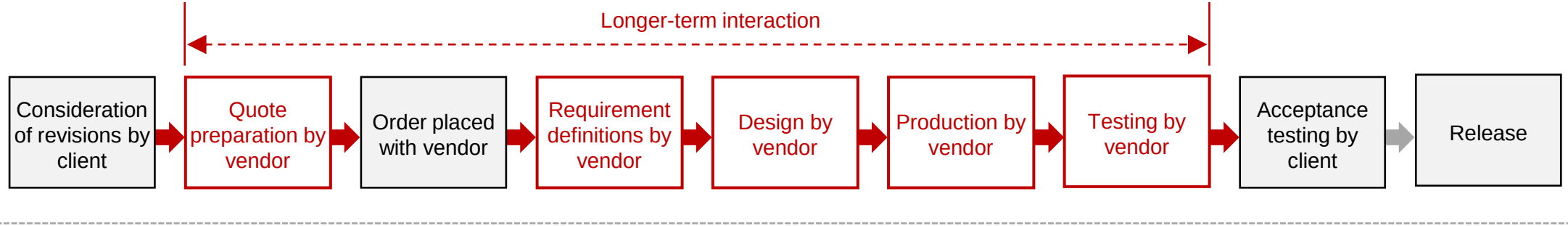
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BlueMeme’s Adaptability: Prompt Service through Development of In-house Development Teams at Clients

- **Swift bug fixes and feature additions require the forming of in-house teams able to conduct system development at the client.**
- **BlueMeme’s development services support development of in-house teams by providing business-system development expertise.**

Traditional system development:
Interaction with development subcontractors tends to take a long time



Building an in-house team using BlueMeme’s development services
Enables swift handling with no need for troublesome contractual processing

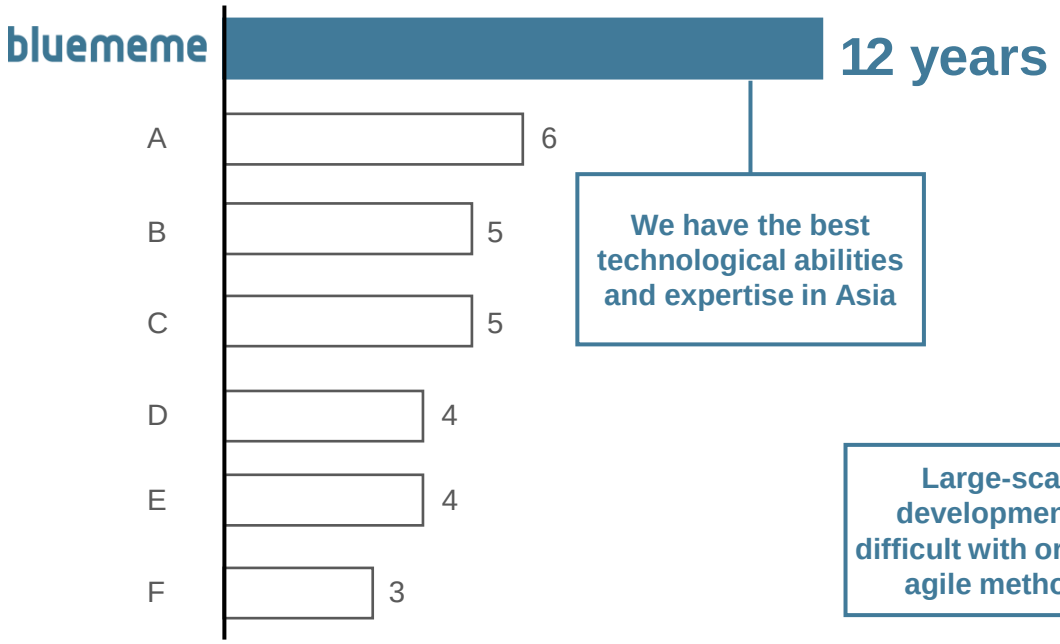


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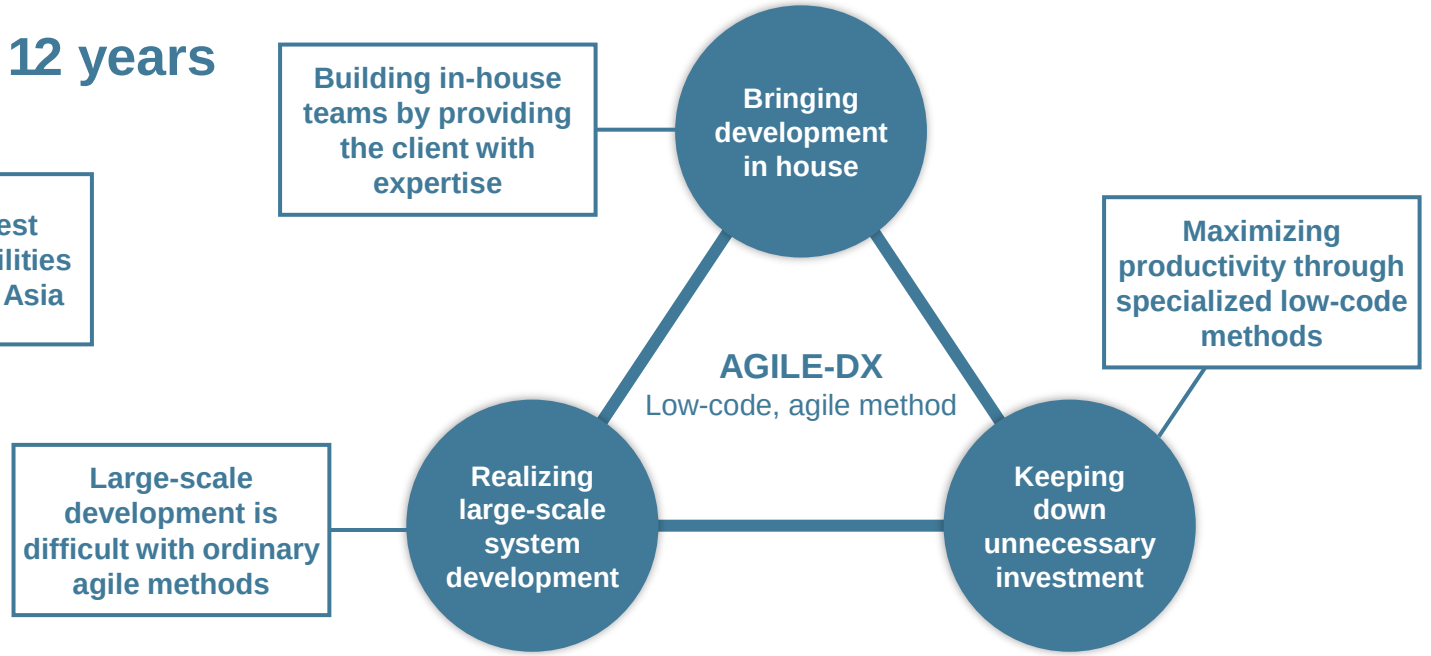
Barriers to Entry in the Low-Code Market

- **BlueMeme was the first to introduce OutSystems' low-code technologies in Japan and is a leader in the low-code market for large-scale systems.**
- **Low-code, agile development methods enable large-scale system development, which is difficult with ordinary agile methods, and bringing development in-house.**

Performance of official OutSystems sales agents in Japan



BlueMeme's proprietary low-code, agile development methods

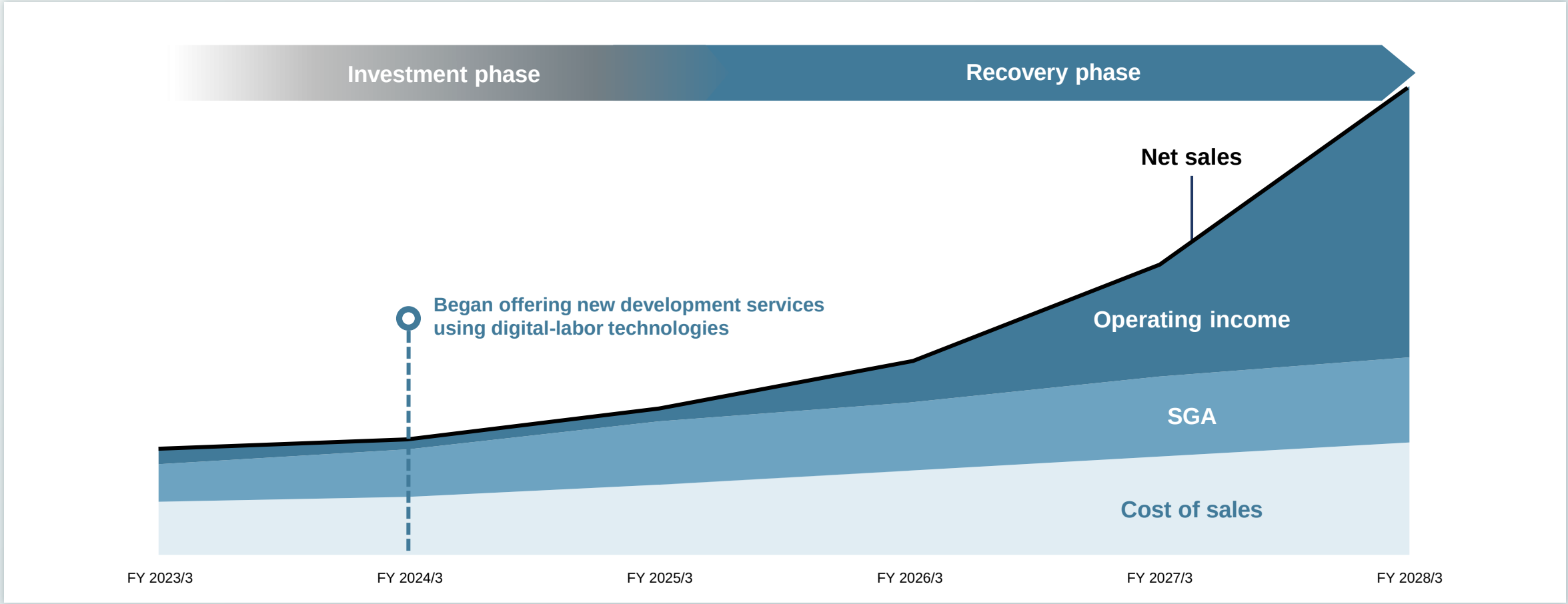


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Illustration of Revenue Structure

- **We still are in the investment phase, promoting development of digital-labor technologies capable of further reducing the number of engineers needed for system development.**
- **In the recovery phase, we will leverage digital labor technologies to keep down cost increases while growing sales through increased indirect sales via partnerships.**



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3 Market Environment and Social Issues

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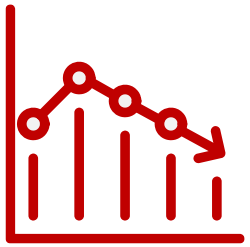
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Three Social Issues

- **As IT investment in Japan fails to grow, older, legacy systems are constraining business reforms.**
- **There is no environment conducive to IT HR development since even if engineers learn the latest technologies they have few opportunities to use them or they are not appreciated by their employers.**

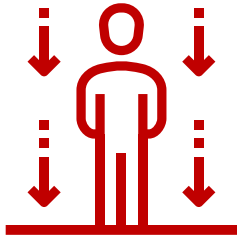
Issues in Japan



Sluggish GDP

- No growth in domestic IT investment
- Held back by legacy systems

IT industry issues



Shortage of IT HR

- Aging society, low birth rates
- IT HR supply shrinking

Client issues



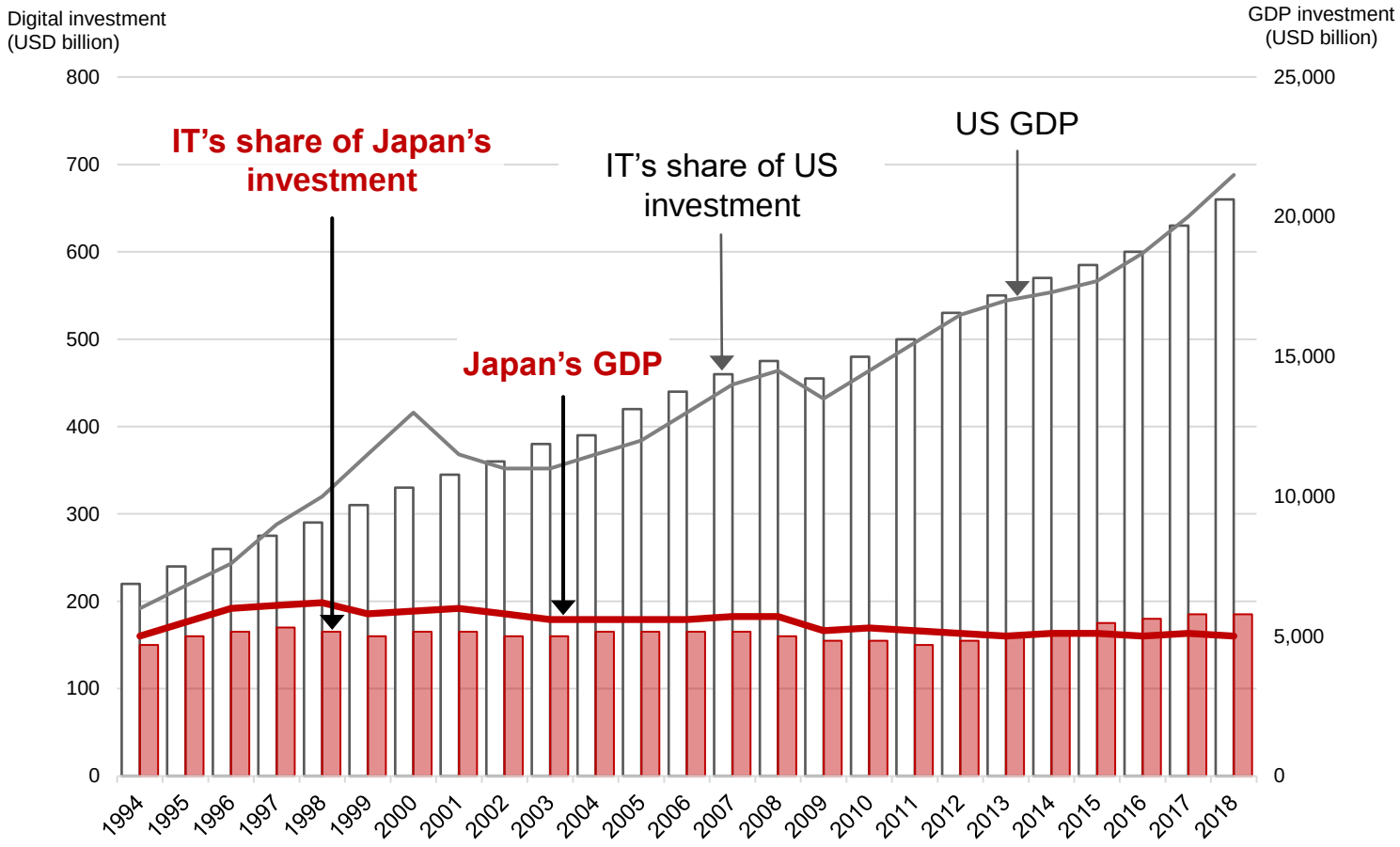
Difficult of IT HR development

- No chance to use technologies learned
- Not appreciated by employers

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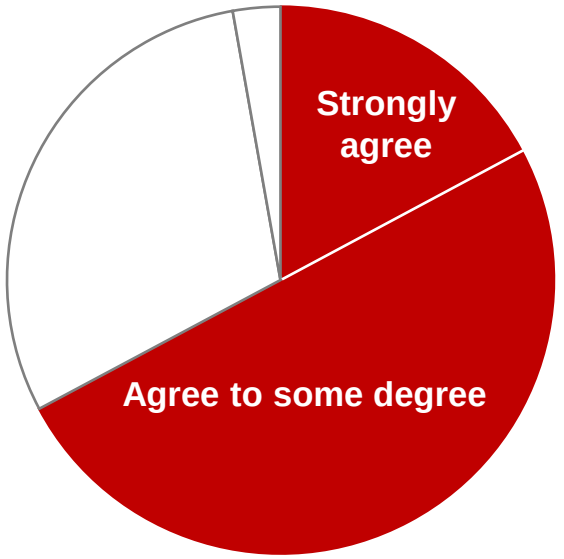
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Issues in Japan: Sluggish GDP



Source: METI Secretariat Briefing Materials (Realizing a Digital Society)

Companies that feel they are held back by legacy systems **67%**

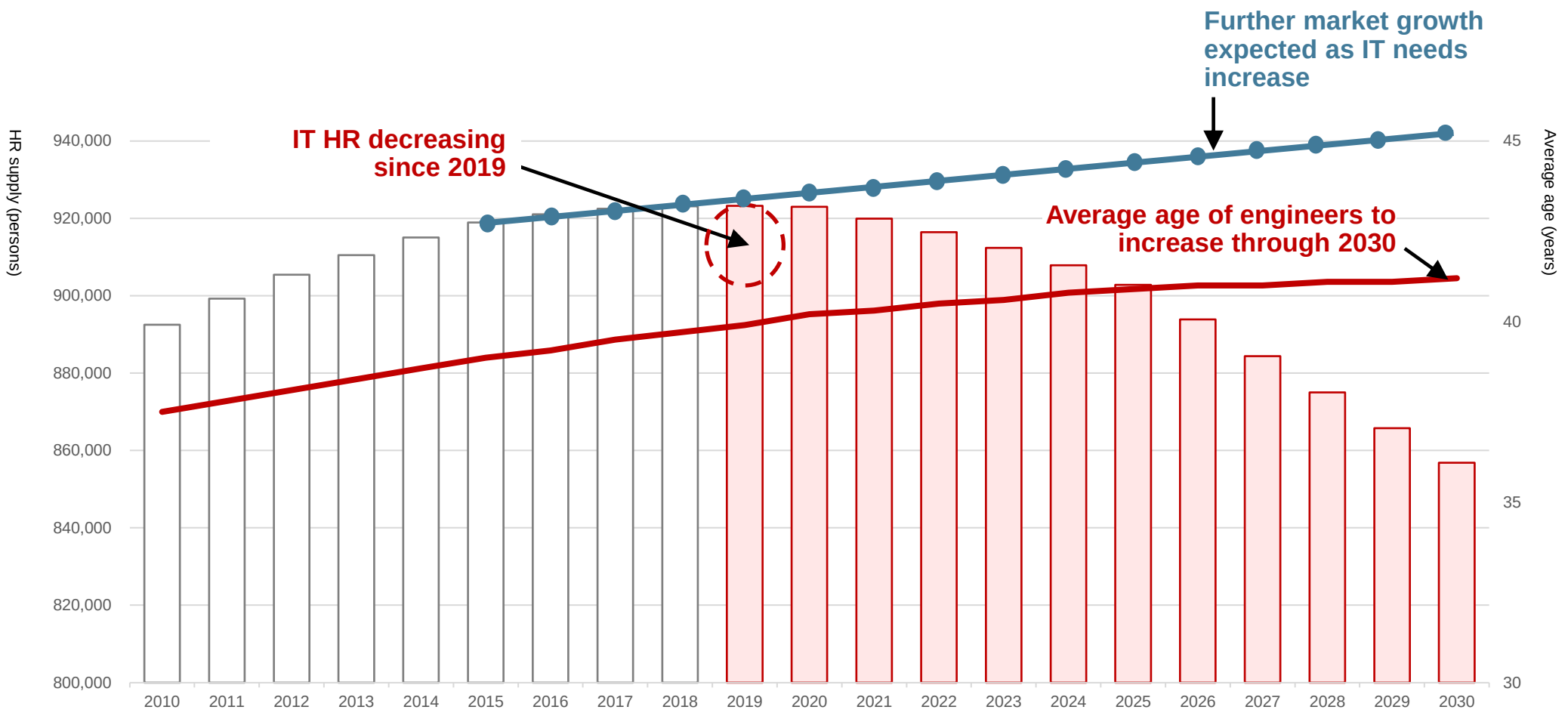


Source: Japan Users Association of Information Systems, "Attitude Survey on Promotion of Digitalization"

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IT Industry Issues: Shortage of IT HR



Source: METI, “HR Development/Retention Model Project to Promote Innovation by IT Startups etc.”

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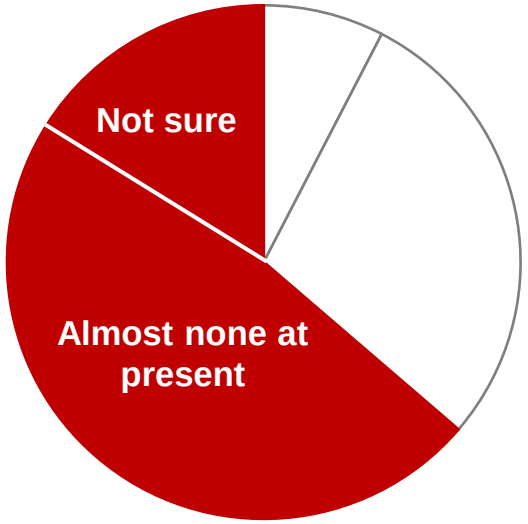
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Client Issues: Unable to Develop IT HR

IT engineers with no place to use the technologies they have learned **63.7%**

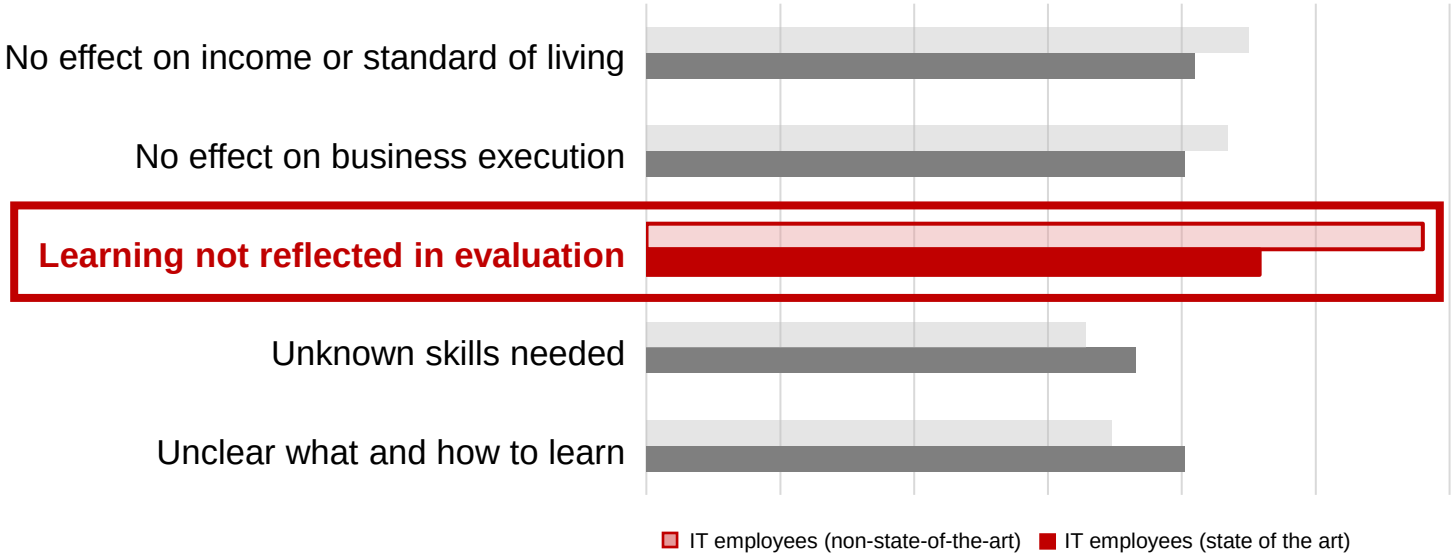
Those answering "**no place to use the technologies they have learned" after "no time to learn on my own"**

Do you have opportunities to use advanced technologies and skills learned?



Source: Survey on Skills Reform etc. for a Digital Age (FY 2022) Overall Report (ipa.go.jp)

Barriers to continued learning (enterprise employees)



Source: Survey on Skills Reform etc. for a Digital Age (FY 2022) Overall Report (ipa.go.jp)

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BlueMeme's Vision of a Cyclical Society

Previous system development business model

- **Throwing out old systems and building new ones**

Social issues

- Sluggish GDP in Japan
- Shortage of IT HR
- Inability to develop HR internally

Changing values

- Need to adapt to unforeseen social changes based on experience of COVID-19
- AI and other technological advances make technological innovation a familiar presence

Expected business model

- **Developing systems that can continue to grow with business**
- **Developing the next-generation IT HR employers need**

BlueMeme's Vision of a Cyclical Society

Aiming to realize a cyclical society through business promotion based on low-code, agile development methods



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FY 2024/3 Full-Year Business Results and Revisions to Previous Years

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FY 2024/3 Full-Year Consolidated Results: Highlights

- **While continuing sales to existing clients grew, per-client sales decreased, and as a result net sales grew by only 9.6% YoY.**
- **Pro forma EBITDA, an indicator of the real rate of growth, was up sharply to 128% of the planned figure.**

	FY 2024/3 full year	FY 2024/3 planned	YoY change	Progress
Ending balance of orders received (after revision of results)	0.6 billion yen	0.57 billion yen	113.8%	105.7%
Ending balance of orders received (before revision of results)	0.72 billion yen	0.69 billion yen	115.3%	104.5%
Net sales	2.50 billion yen	2.65 billion yen	109.6%	94.6%
Pro forma EBITDA	**0.53 billion yen**	**0.42 billion yen**	**87.2%**	**127.6%**
Operating income	0.25 billion yen	0.31 billion yen	71.4%	81.6%

Clients

- New clients growing faster than expected
- Sales per client down YoY

Future growth potential

- **Balance of orders received growing faster than expected**
- **Pro forma EBITDA, an indicator of the real rate of growth, higher than planned**

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Full-Year Consolidated Results: Analysis of Changes in Operating Income

- **While SGA, including personnel costs and R&D costs, was reduced as initially planned, profit decreased as sales were only 94.6% of the planned figure.**

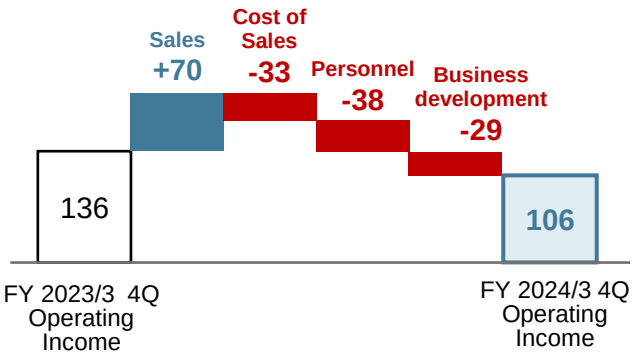
YoY change in operating income

Million yen

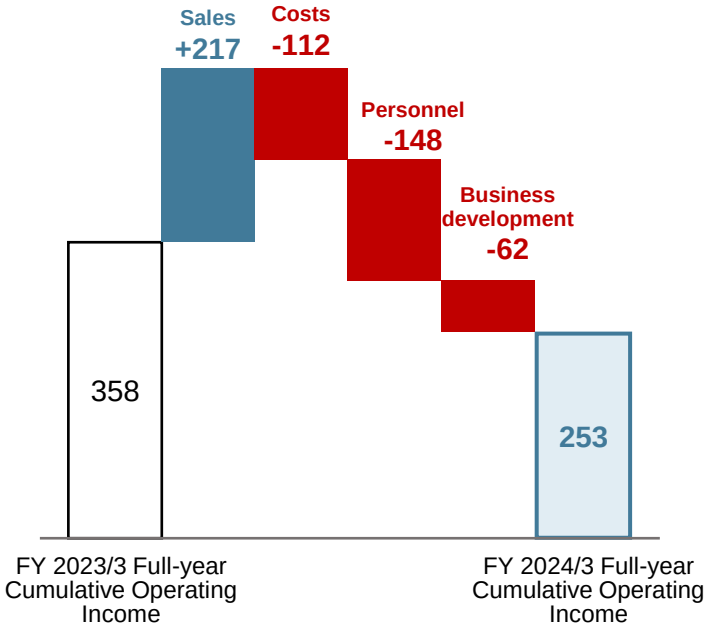
	FY 2023/3 full-year cumulative	FY 2024/3 full-year cumulative	Change	YoY change
Net sales	2,289	2,506	+217	+9.5%
Operating income	358	253	-105	-29.4%
Ordinary income	354	254	-99	-28.1%
Net income	259	174	-84	-32.7%

Note: Figures are rounded down to the nearest million yen.

Analysis of Changes in 4Q Operating Income



Analysis of Changes in Full-year Cumulative Operating Income



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Explanation of Revisions to Financial Results

Revisions to previous years' financial results

- The Company has recognized revenue on licensing transactions, including long-term contracts, on an annual basis since it began to apply the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan [ASBJ] Statement No. 29, March 31, 2020) at the start of the fiscal year ended March 31, 2022. This was based on the view that since proceeds are collected from clients annually on long-term licensing contracts, it was reasonable to recognize revenue on an annual basis because the Company had various business risks and obligations related to such contracts in the second and subsequent years. The Company also believed that this made it possible to deliver financial reports to investors that more closely represented the facts of its situation.
- However, the audit firm pointed out that it would be more appropriate to recognize revenue in one lump sum at the time the contract is concluded.
- Following repeated discussions with the audit firm, the Company decided to fulfill the disclosure obligations for listing as soon as possible. This also would minimize the impact on investors. As a result, we have revised previous years' financial results to reflect the audit firm's opinion.
- The Company's business is one characterized by frequent technological innovation, and account processing of licensing transactions involves various considerations, such as the terms and conditions of contracts, the state of operation, and the nature of the software. We will strive to disclose financial reports to investors that accurately reflect the state of our business.
- These revisions have no major effect on the Company's core business execution, either in past fiscal years or in the future.

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Details of Revisions to Previous Years' Financial Results for FY 2022/3-2023/3

Million yen

	FY 2022/3 full year (before revision)	FY 2022/3 full year (after revision)	FY 2022/3 full-year effects of revision
Net sales	1,929	1,942	+12
Operating income	363	375	+11

Note: Figures are rounded down to the nearest million yen.

Million yen

	FY 2023/3 full year (before revision)	FY 2023/3 full year (after revision)	FY 2023/3 full-year effects of revision
Net sales	2,244	2,289	+45
Operating income	309	358	+48

Note: Figures are rounded down to the nearest million yen.

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FY 2025/3 Full-Year Forecasts

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Full-Year Forecasts

- **Because of the change in revenue-recognition standards, some transactions planned for recording as sales in FY 2025/3 and later have been recorded in past years. However, we will continue to aim for net sales of 3.1 billion yen in FY 2025/3.**
- **We will continue strategic investment to achieve the goals of the Medium-Term Management Plan, and we project Operating income levels largely unchanged from the previous period.**

Million yen

	FY 2024/3 full-year cumulative	FY 2025/3 full-year forecast	＊ Reference: YoY change
Net sales	2,506	3,100	23.7%
Operating income	253	250	-1.2%
Ordinary income	254	250	-1.9%
Net income	174	200	14.4%

Note: Figures are rounded down to the nearest million yen.

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6 Medium-Term Management Plan

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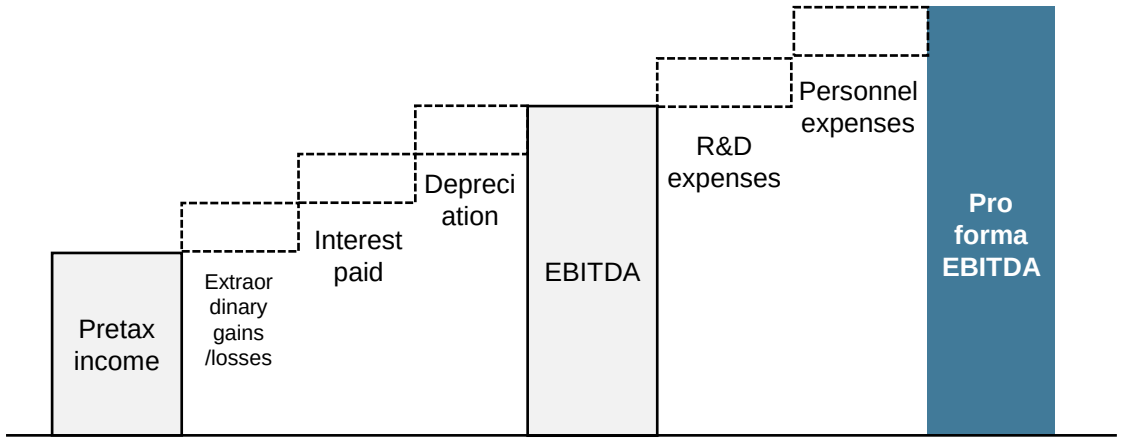
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Medium-Term Management Plan KPI-based Growth Scenarios

- **We plan a CAGR of 28% in sales through FY 2026/3, by promoting digital labor development**
- **In FY 2027/3 and beyond, we plan a CAGR of up to 56% in sales, through full-fledged application of digital labor and growing the partnership business**

	FY 2024/3	Average annual growth rate	FY 2026/3
Net sales	2.50 billion yen	CAGR 27.9%	4.10 billion yen
Operating income	0.25 billion yen	CAGR 90.8%	0.92 billion yen
Pro forma EBITDA	0.53 billion yen	CAGR 48.8%	1.19 billion yen

Pro forma EBITDA



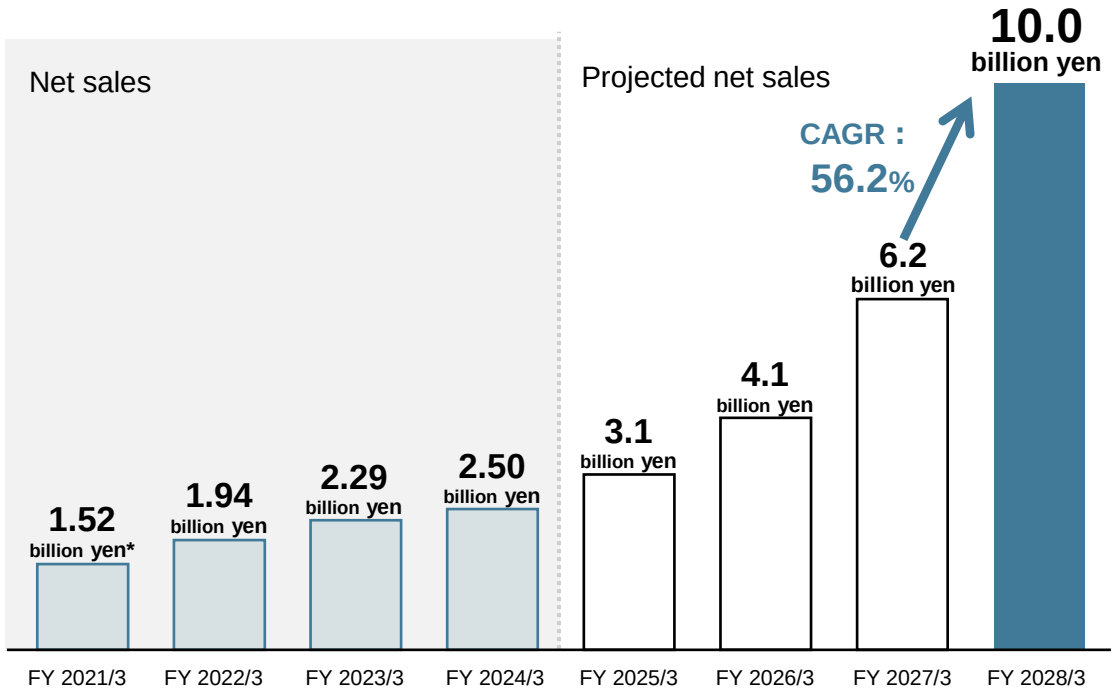
Pro forma EBITDA is an indicator of the effective profit level of BlueMeme's IT service delivery business, calculated by adding to pretax income extraordinary gains/losses, interest paid, and depreciation, as well as R&D costs that include those of digital labor development and costs of hiring and training engineers.

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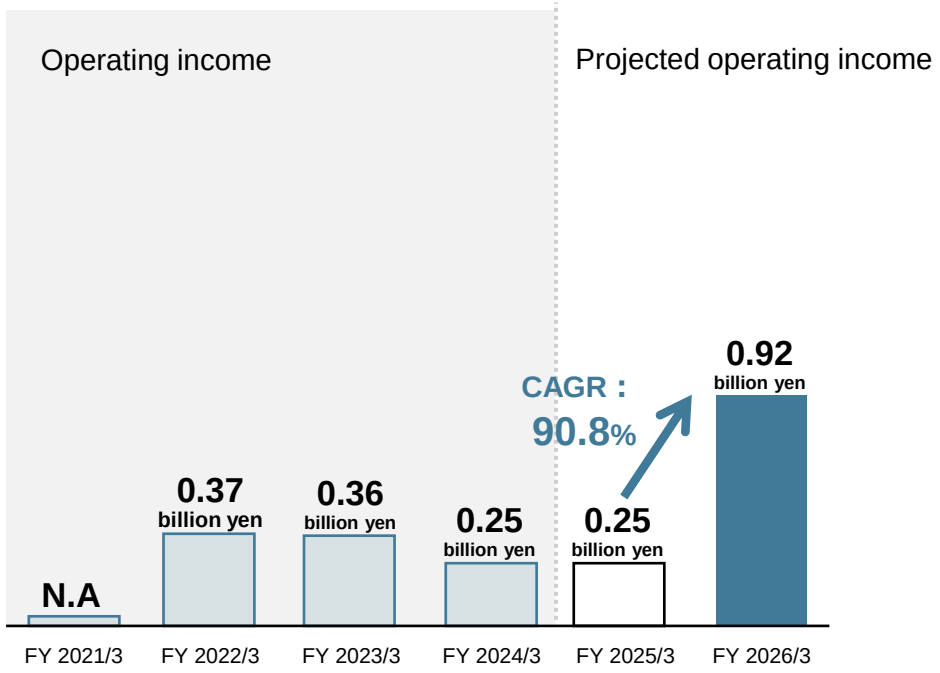
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Medium-Term Management Plan Growth Scenarios

- **We expect considerable growth in productivity through automation of software development using digital labor. We plan operating income of 920 million yen in FY 2026/3.**
- **We expect sales to grow through changes to the revenue structure as a result of digital labor as well as indirect sales. We plan sales of 10.0 billion yen in FY 2028/3.**



* Net sales after application of the Accounting Standard on Revenue Recognition (new standard) in FY 2021/3 have not been reviewed by the audit firm and are for refence only.



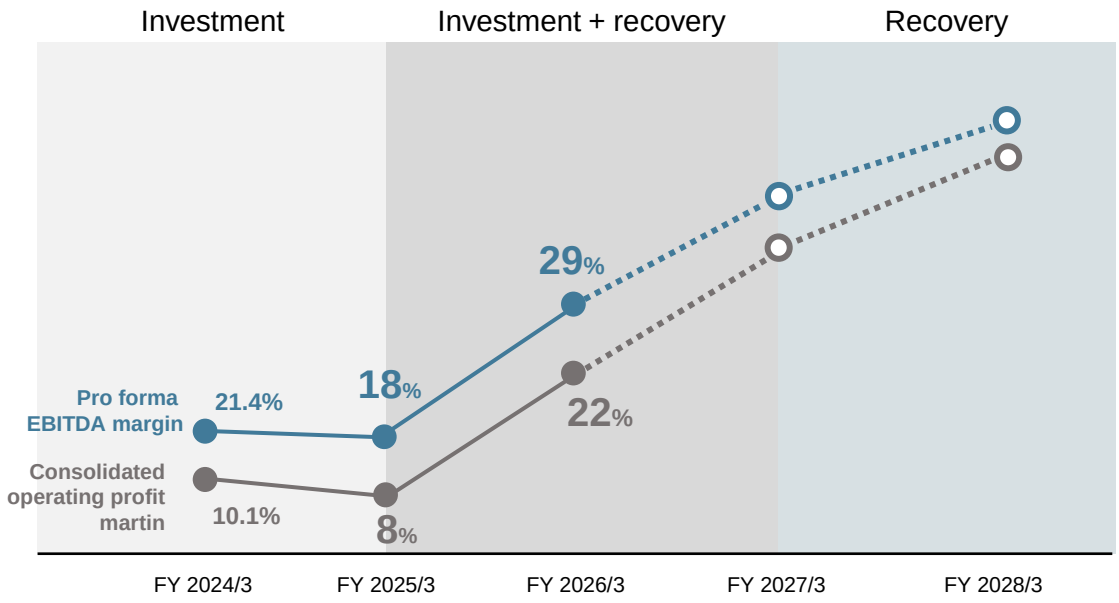
* Operating income after application of the Accounting Standard on Revenue Recognition (new standard) in FY 2021/3 is not disclosed because it is difficult to estimate.

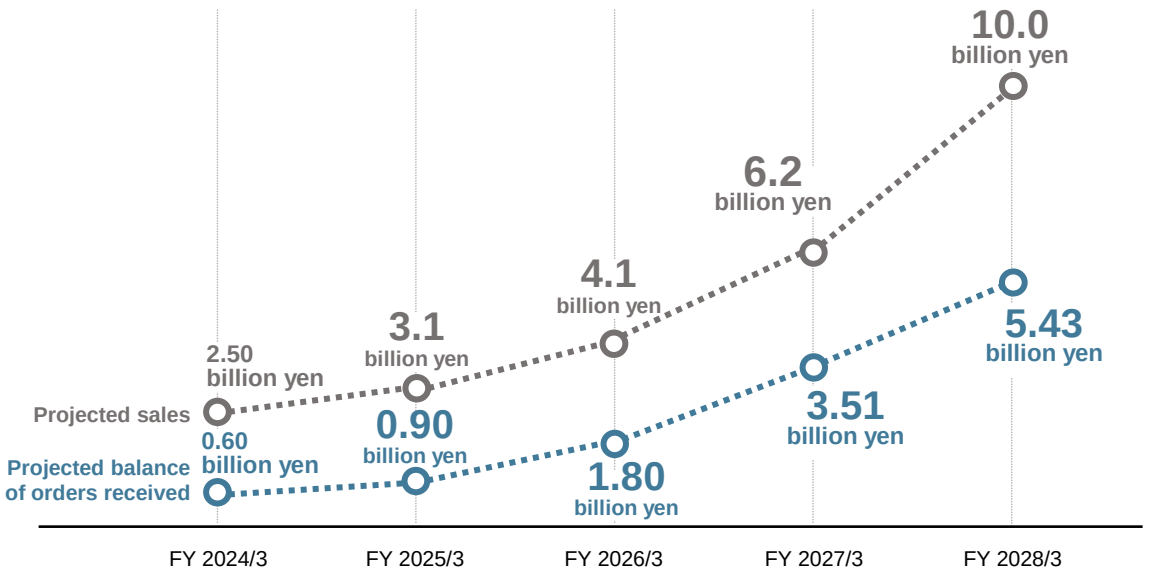
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Medium-Term Management Plan Growth Scenarios (Based on KPIs)

- **We have chosen pro forma EBITDA* as a KPI in light of forward-looking investment in R&D on digital labor.**
- **We have transferred from the previous revenue model based on work ordered to a revenue model based on volume of digital labor applications generated.**
- **Because of the change in contracting rate models, the interval from receipt of orders to recording of sales has lengthened. As a result, we have identified the balance of orders received as a KPI.**





* Pro forma EBITDA is an indicator of the effective profit level of BlueMeme's IT service delivery business, calculated by adding to pretax income extraordinary gains/losses, interest paid, and depreciation, as well as R&D costs including those of digital labor development and costs of hiring and training engineers.

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