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MODEL & DESIGN YOUR BUSINESS

First quarter of the fiscal year ending March 31, 2025

August 14, 2024

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Company Overview

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BlueMeme’s Philosophy

Create new values, change the norm, evolve the culture

Our company name, BlueMeme, is made up of two words, “Blue”, which derives from the meaning of “shining”, and “Meme”, which means a communicator of information that forms a culture, and expresses our strong philosophy of creating new values to form new cultures, without being bound by conventional norms.

Blue

Shining

Meme

Communicator of information that forms a culture

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BlueMeme's Mission

Mission

To grow corporate competitiveness by leveraging the latest technologies

Maintaining the international competitive strength of Japanese firms through business transformation powered by next-generation system development

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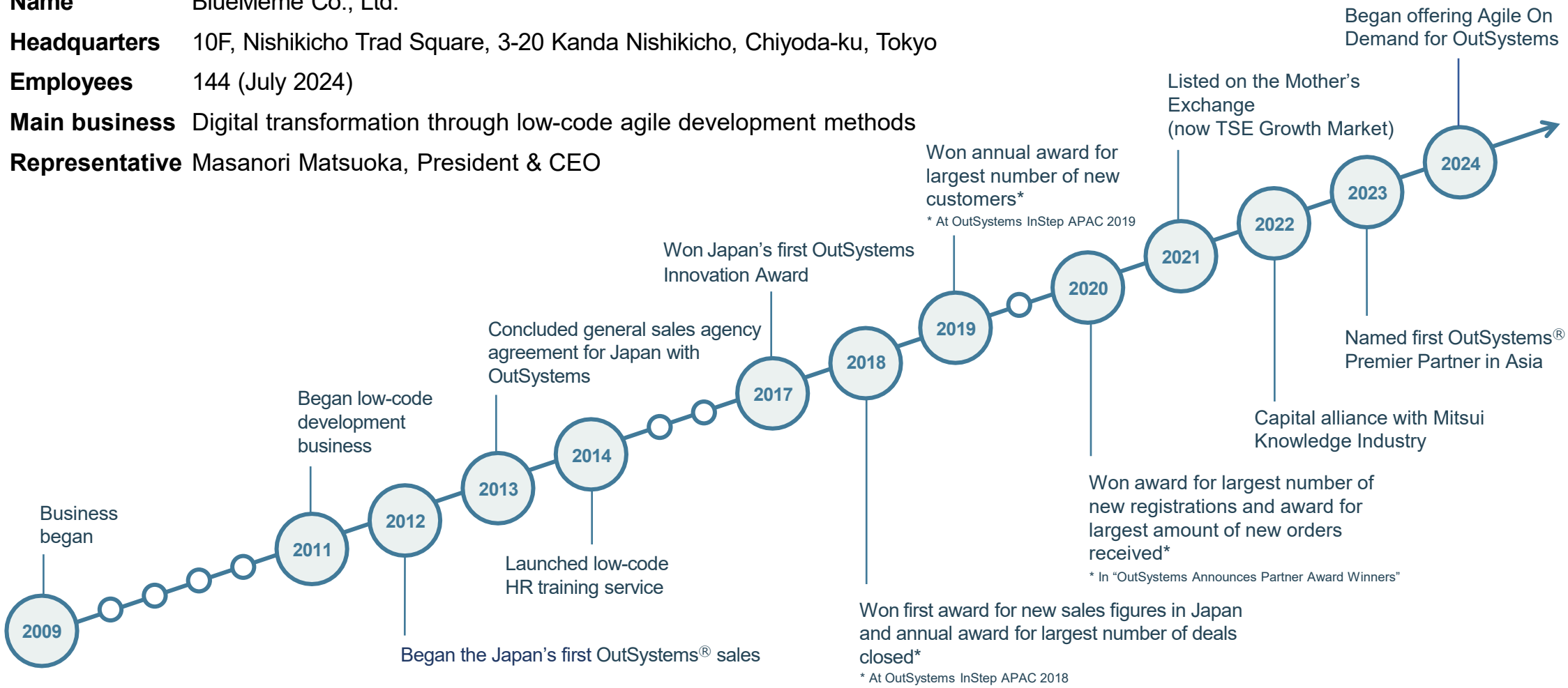
Company Overview

Name	BlueMeme Co., Ltd.
Headquarters	10F, Nishikicho Trad Square, 3-20 Kanda Nishikicho, Chiyoda-ku, Tokyo
Employees	144 (July 2024)
Main business	Digital transformation through low-code agile development methods
Representative	Masanori Matsuoka, President & CEO



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Company Overview

BlueMeme Inc.

An IT firm that realizes next-generation system development using automation technologies centered on low-code development



Masanori Matsuoka
President & CEO

Experienced in engineering and consulting with an online securities firm, foreign ERP vendor, and an international systems vendor.
Launched BlueMeme in 2009. Starting with consulting on business systems, actively promoted low-code business-system development. Appointed to current post in June 2010.



Locations

Tokyo: Kanda-Nishikicho, Chiyoda-ku
Fukuoka: Hakata Ekimae, Hakata-ku, Fukuoka
Kumamoto: Kasuga, Nishi-ku, Kumamoto
Okinawa: Minatogawa, Urasoe

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Management Team



Kuniharu Miyawaki
Director

After working as a consultant for a major think tank, participated in management of a financial institution specializing in home lending. Joined BlueMeme in 2022, where he served as an Executive Officer and General Manager of the Service Design Division before assuming his current post in June 2023.



Mariko Tsujiguchi
Director

Joined BlueMeme in 2010 as a founding member, after working in development of Java-based business applications with a major think tank. Assumed her current post in February 2018 after serving as General Manager of the Professional Services Division, Executive Officer/General Manager of the Corporate Sales Division, and Director/General Manager of the Corporate Sales Division.



Wei Zhu
Director

Joined BlueMeme in 2010 following a career in software development with embedded and international software vendors. Leads BlueMeme's R&D and technology overall as its architect. Assumed his current post in February 2018 after serving as Executive Officer/General Manager of the Professional Services Division, and Director/General Manager of the Professional Services Division.



Akira Ishikawa
Director

Joined BlueMeme in 2010 as a founding member, after working as a consultant for an international ERP vendor and an international consulting firm. Assumed his current post in October 2020 after serving as General Manager of the Corporate Sales Division and Executive Officer/General Manager of the Professional Services Division.

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2 Business Overview

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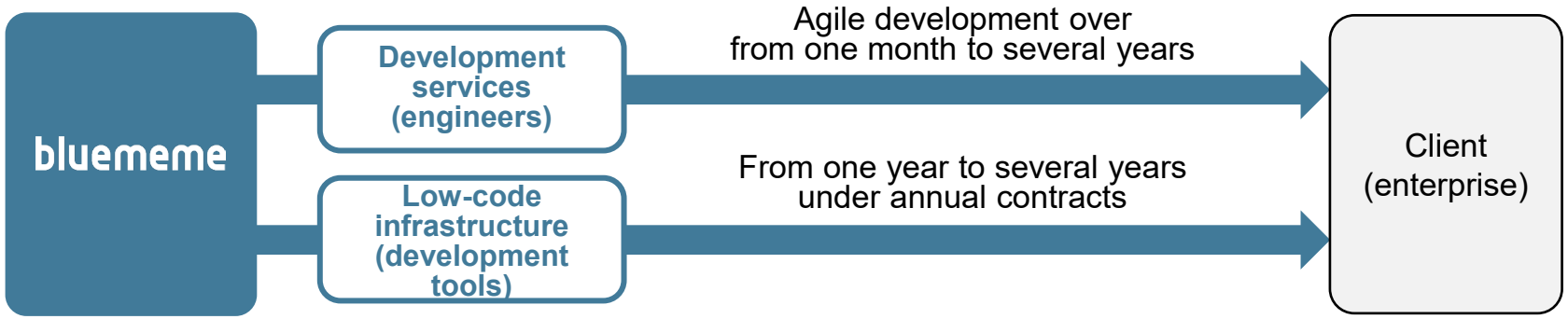
BlueMeme's Main Business: Business System Development Services

- **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.**



Agile methods keep development costs down

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

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

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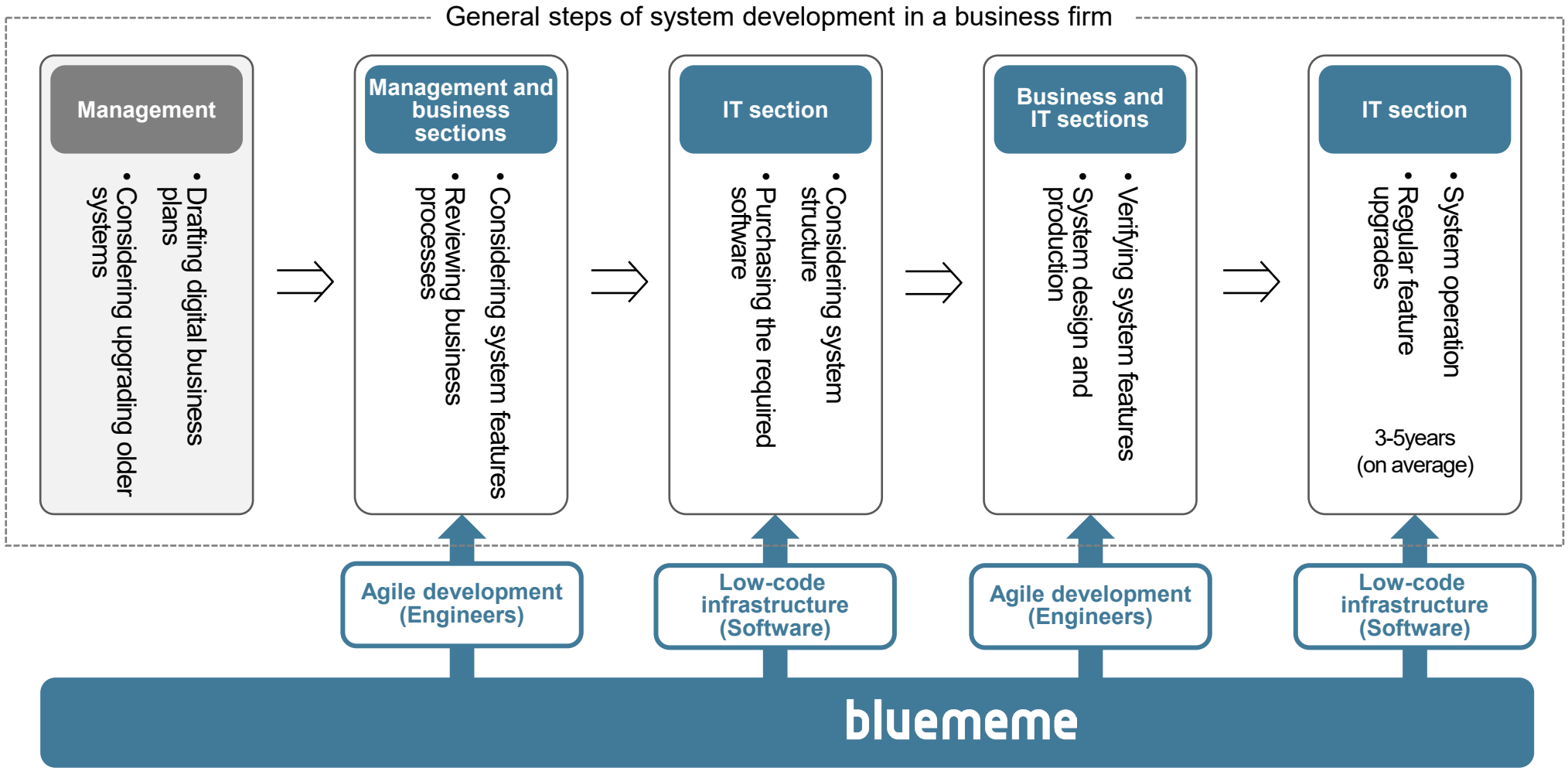
Business Flow



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Growth in the Low-Code/No-Code Development Market

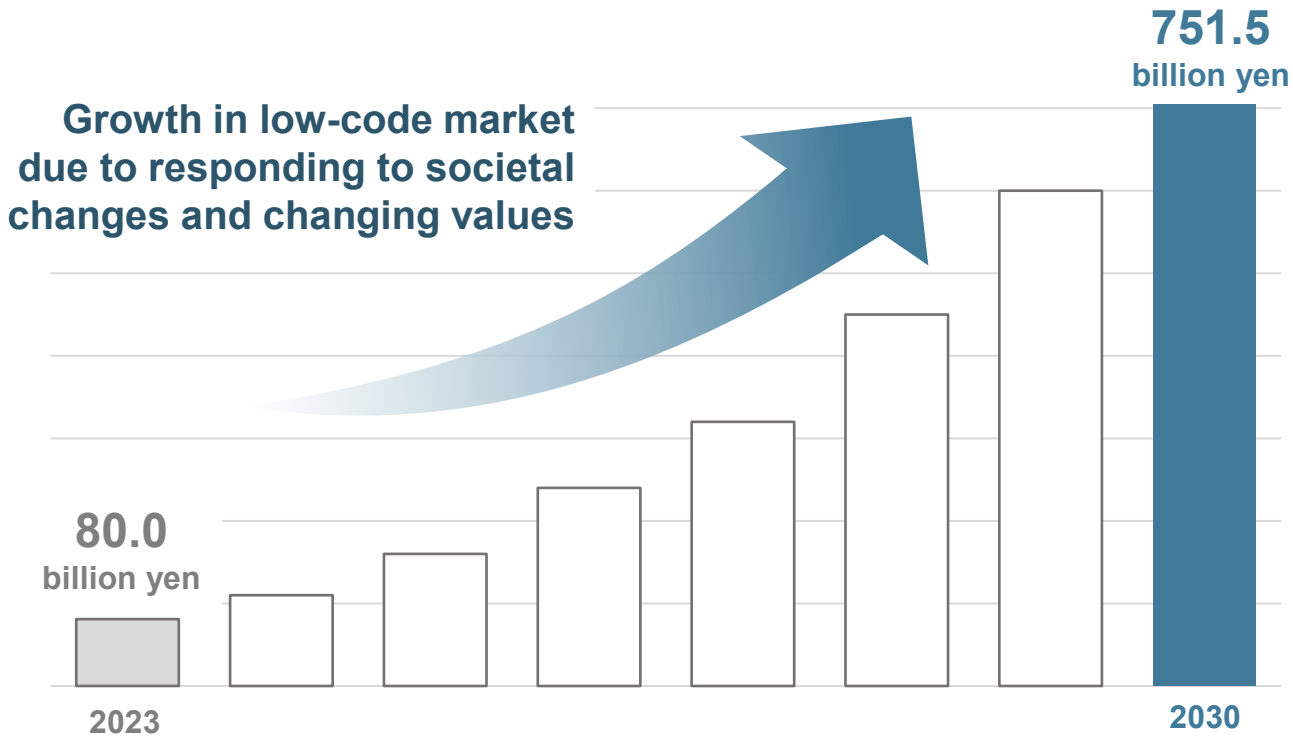
- **As advances in AI and other technologies make technological revolution a regular occurrence, values are expected to shift toward technology-centric solutions to social issues.**
- **Trends in and projections for the domestic and international low-code/no-code development markets call for market growth of approximately 9.4 times through 2030.**

Main social issues

- **Low GDP in Japan**
- **Shortage of IT human resources**
- **Difficulty of corporate IT human resource training**

Changing values

- **Need to adapt to unpredictable societal changes**
- **Advances in AI and other technologies make technological revolution a regular occurrence**



Source: Prepared by BlueMeme based on ITR, “ITR Market View: Low-Code/No-Code Development Market 2024”
Prepared by BlueMeme based on “Low Code Development Platform Market Size & Share” (psmarketresearch.com), converted at USD1 = JPY150

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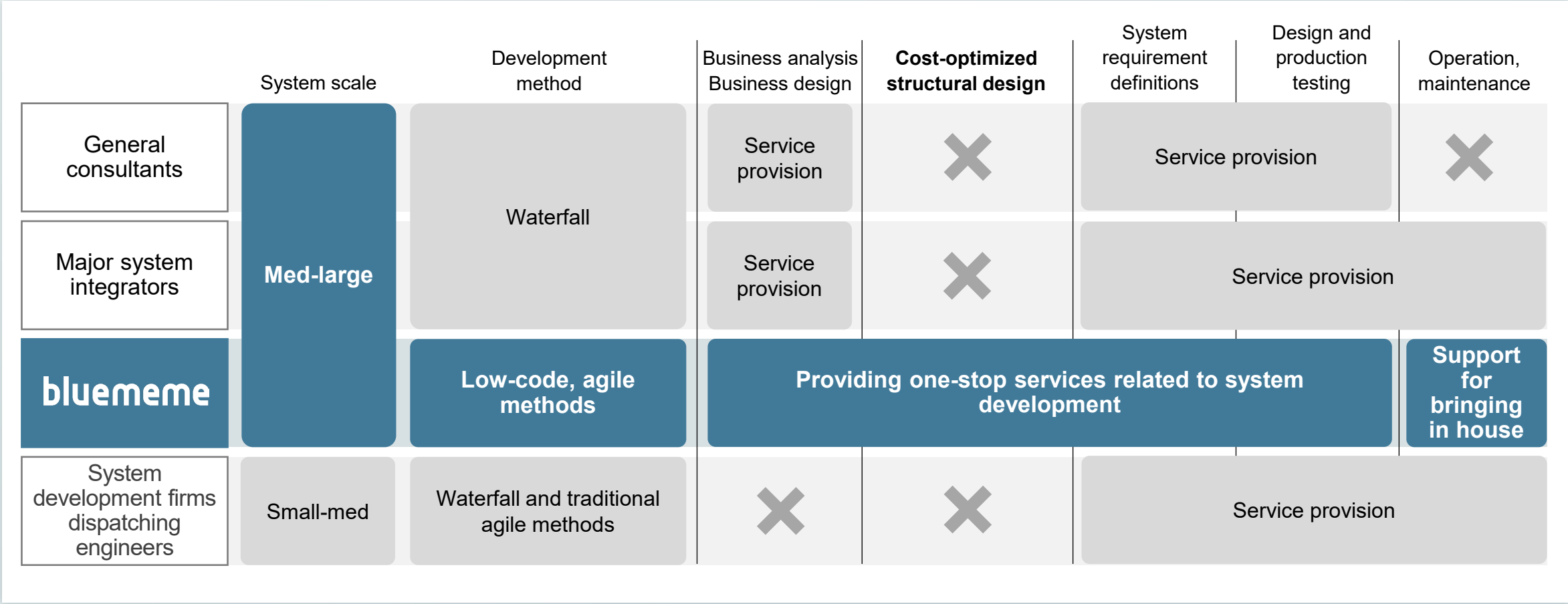
Positioning in the IT Industry

- **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.**



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3 Business Features and Advantages

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Corporate Priorities in Choosing a Subcontractor for System Development

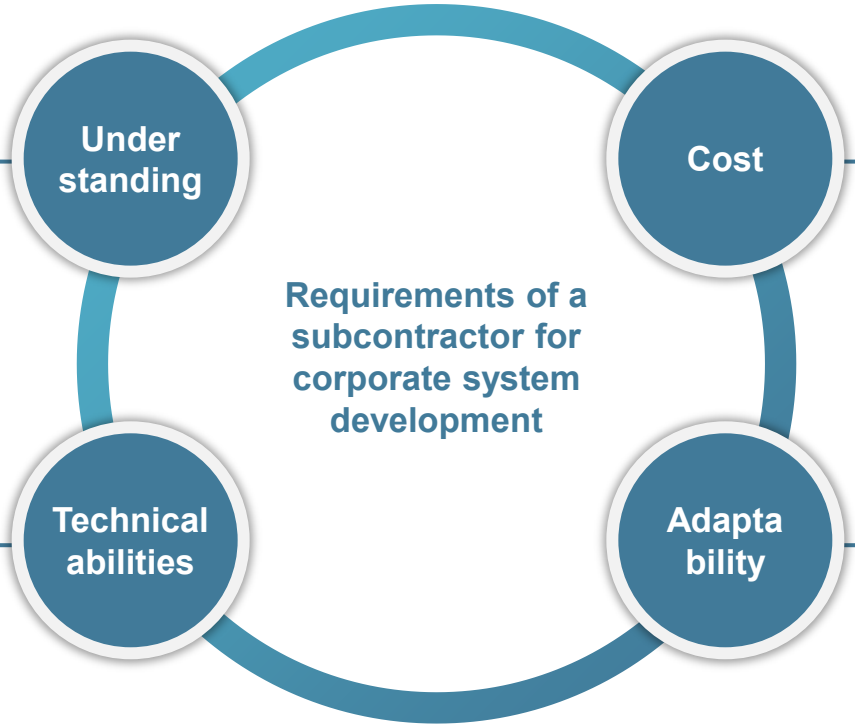
- **Continual business improvement is vital to many firms as well as to be able to adapt to unpredictable social changes.**
- **Smooth communication with engineers who can understand the business is essential to realize business reforms through system development.**

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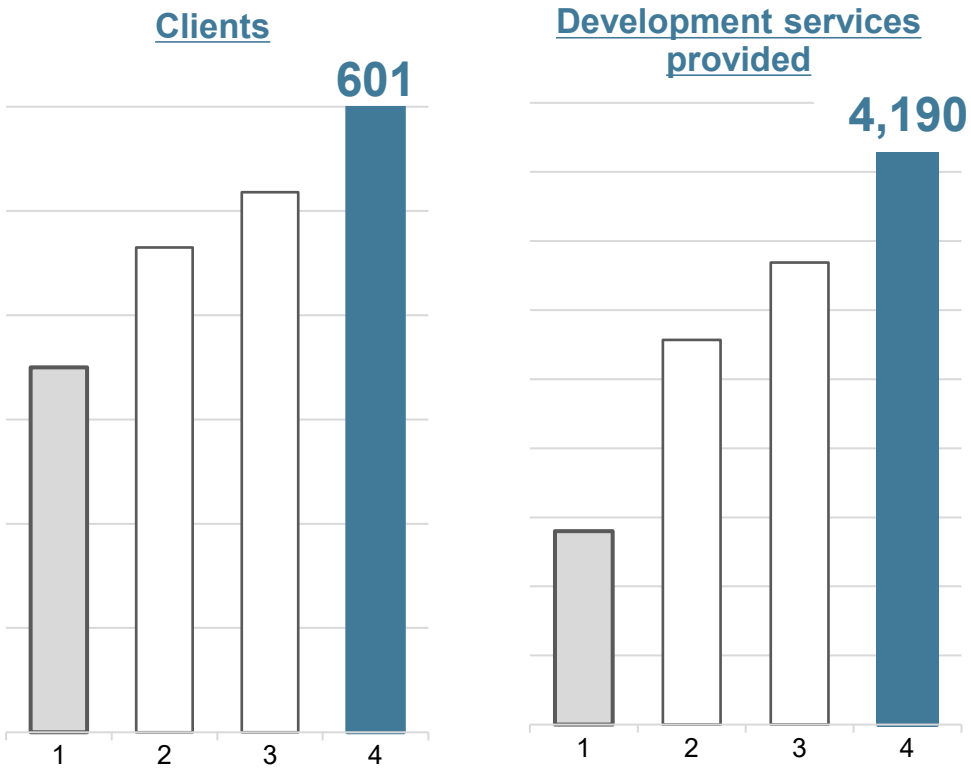
BlueMeme's Technological Abilities: A Global Low-Code Leader

- **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.**



* 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
- Reflects assessment of product planning abilities in addition to technological abilities

outsystems Partner PREMIER

Customer Reviews

4.7

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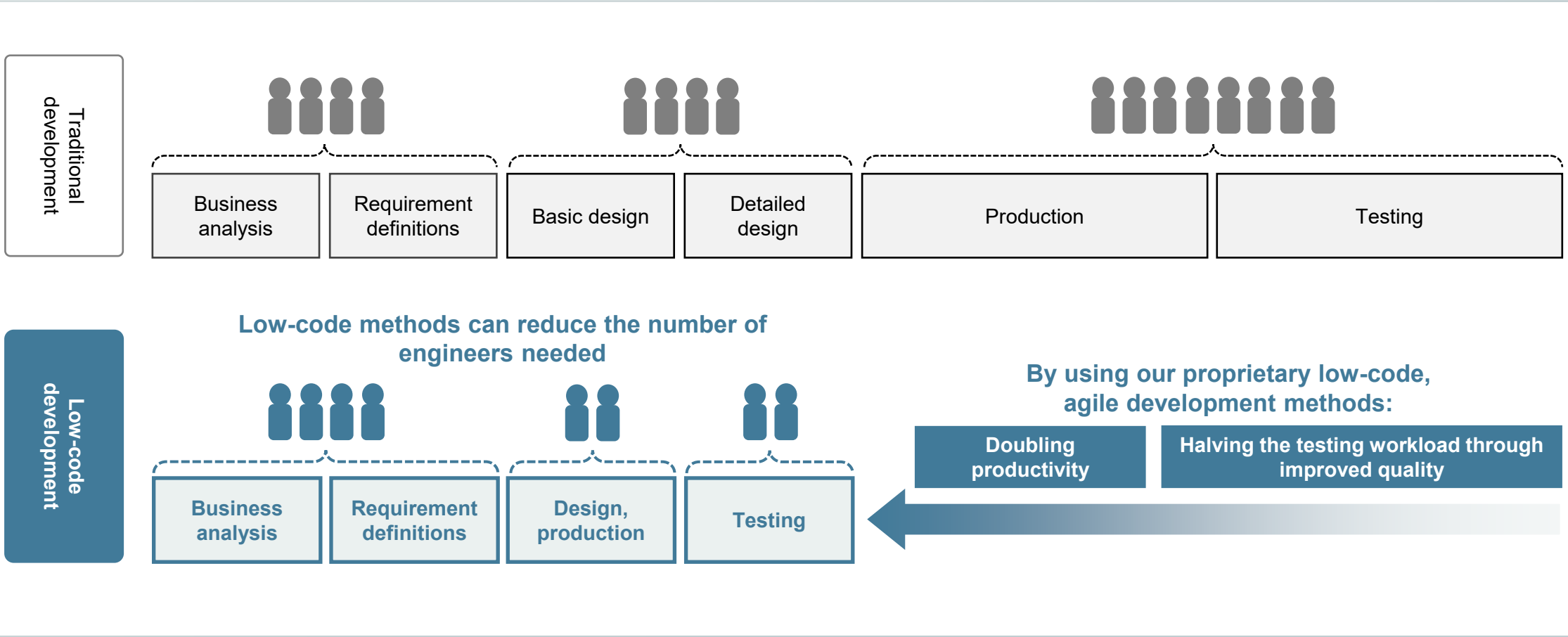
BlueMeme's Cost Performance: Keeping Down Development Costs through Maximum Use of Low-Code Methods

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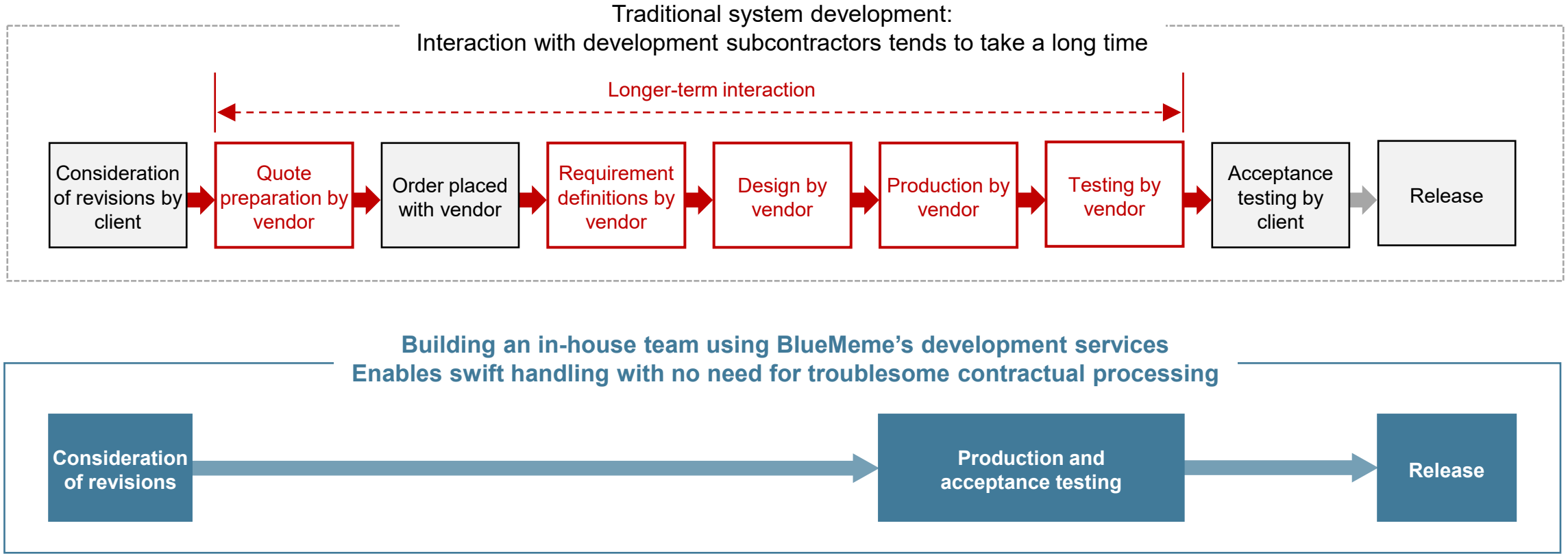
BlueMeme's Adaptability: Prompt Service through Development of In-house Development Teams at Clients

- **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.**



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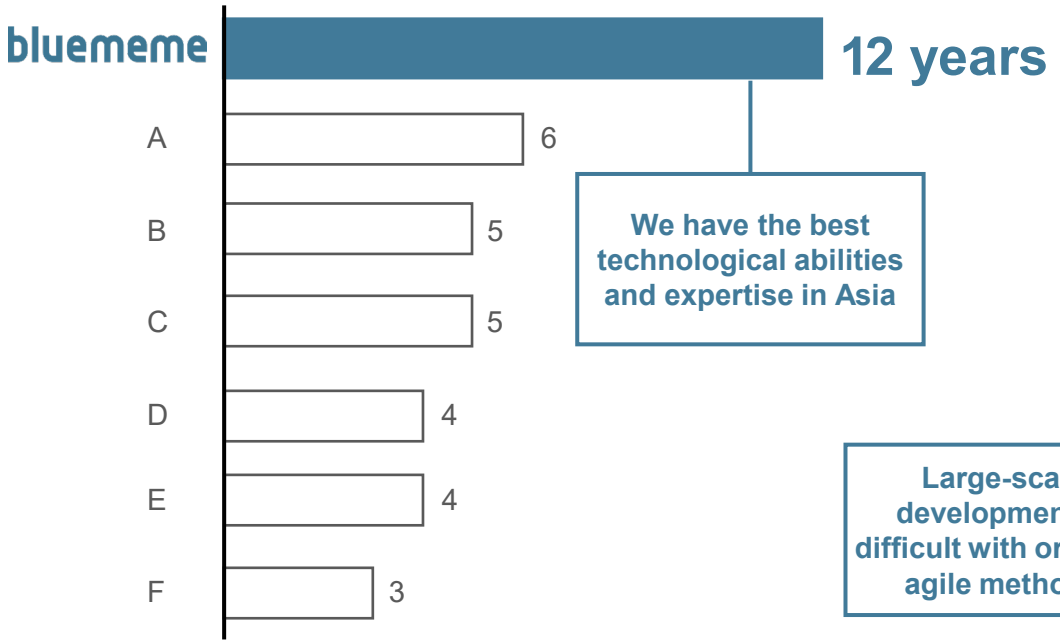
Barriers to Entry in the Low-Code Market

- **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

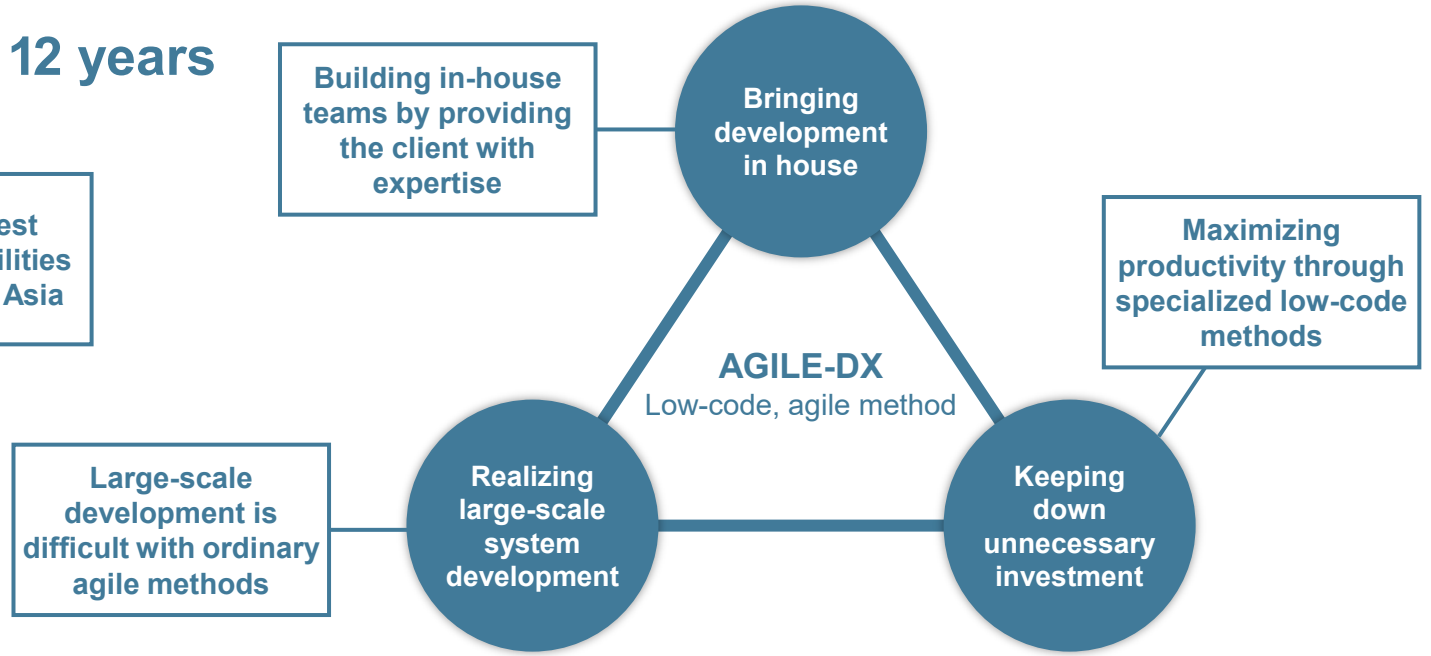


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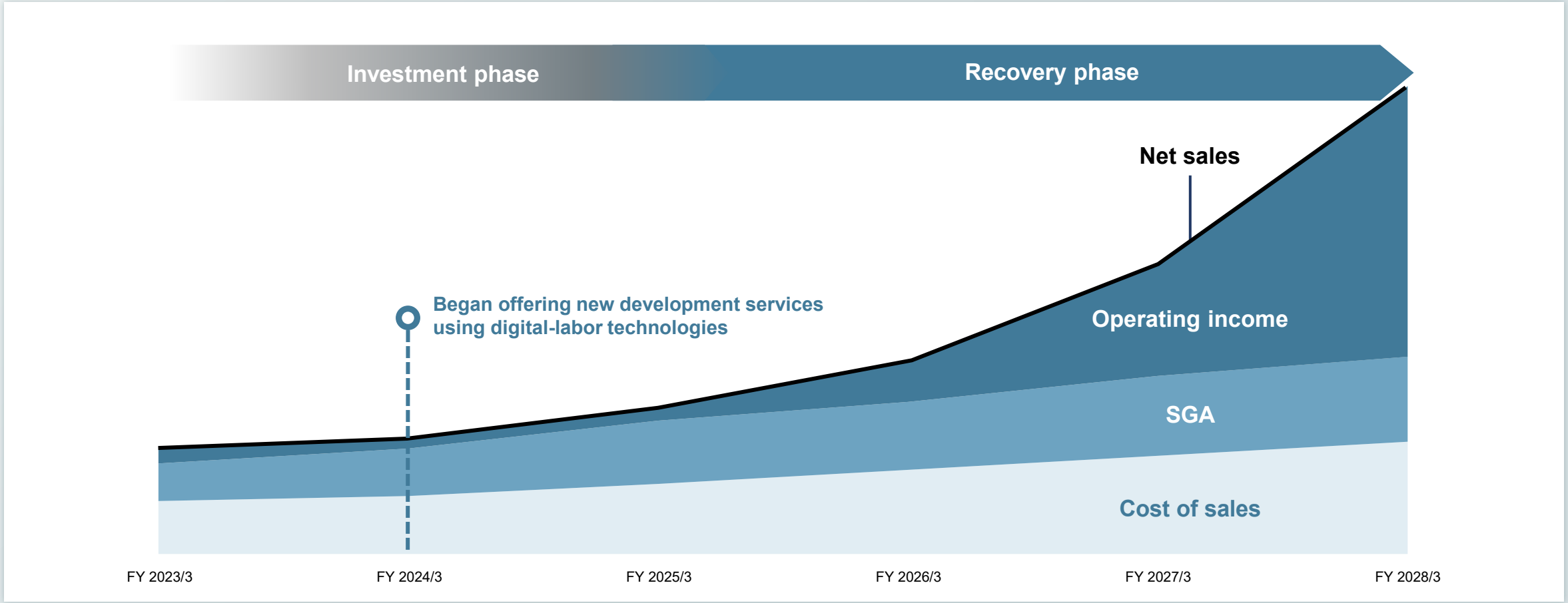
Illustration of Revenue Structure

- **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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FY 2025/3 Q1 Business Results and Forecasts

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FY 2025/3 Q1 Consolidated Results: Highlights

- **Net sales decreased by 15.8% from the previous period primarily because of the effects of a rush in demand for licenses at the end of the previous period and a decrease from revisions to past fiscal years' results.**
- **The balance of orders received at the end of June 2024 also decreased because of the effects of revisions to past fiscal years' results to settle at 490 million yen.**

	FY2025/3 Q1	FY2025/3 planned	YoY change	Progress
Ending balance of orders received	0.49 billion yen	0.9 billion yen	92.9%	-
Net sales	0.51 billion yen	3.1 billion yen	84.2%	16.7%
Pro forma EBITDA	**0.01 billion yen**	0.42 billion yen	**13.4%**	**3.5%**
Operating income	-0.04 billion yen	0.25 billion yen	-53.8%	-

Conditions in this quarter

- **Q1 orders received were bearish due in part to the effects of OutSystems license price hikes**
- **While performance on pro forma EBITDA was bearish, like that for sales and operating income, research expenses for digital labor and other subjects was reduced as planned**

Future growth potential

- **Commencement of adoption of practical digital labor solutions**
- **Lengthening of period until receipt of orders due to growth in large-scale projects**

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Q1 Consolidated Results: Analysis of Changes in Operating Income

- **While SGA related to personnel costs and business development costs was reduced as initially planned, profit decreased as sales were only 84.2% of the figure in the previous period.**

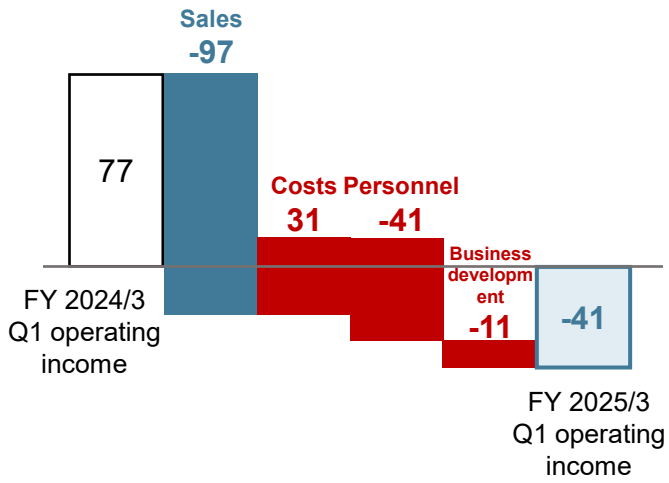
YoY change in operating income

Million yen

	FY2024/3 Q1	FY 2025/3 Q1	Change	YoY change
Net sales	613	516	-97	-15.8%
Operating income	77	-41	-118	-153.8%
Ordinary income	78	-47	-125	-160.2%
Net income	45	-49	-95	-209.5%

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

Analysis of Changes in Q1 Operating Income



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Explanation of Q1 Business Results and Future Forecasts

- **Net sales decreased YoY primarily because of the effects of a rush in demand for licenses at the end of the previous period and a decrease from revisions to past fiscal years' results**
- **The Q1 ending balance of orders received was down 7% YoY as the receipt of orders weakened in Q1. Efforts are underway to strengthen marketing activities.**
- **The main cause was a lengthening of period until receipt of orders due to the effects of growth in large-scale projects.**
- **Digital labor has been adopted in practical projects, and currently, we are examining the results.**

Million yen

	FY2024/3 Q1	FY 2025/3 Q1	Change	YoY change
Licenses	118	60	-57	-49.0%
Services and training	495	456	-39	-7.9%

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

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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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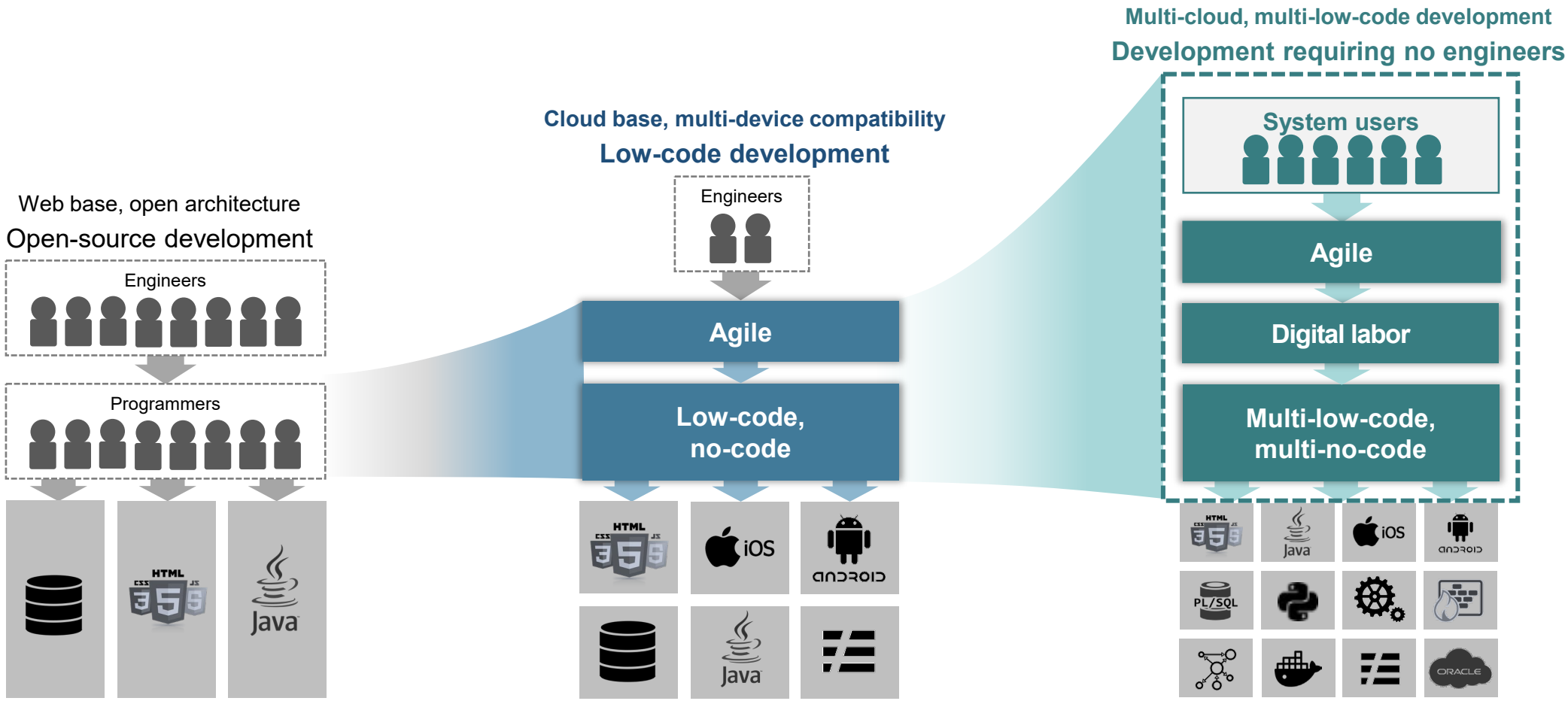
Development of business systems enters an era of “zero engineers”



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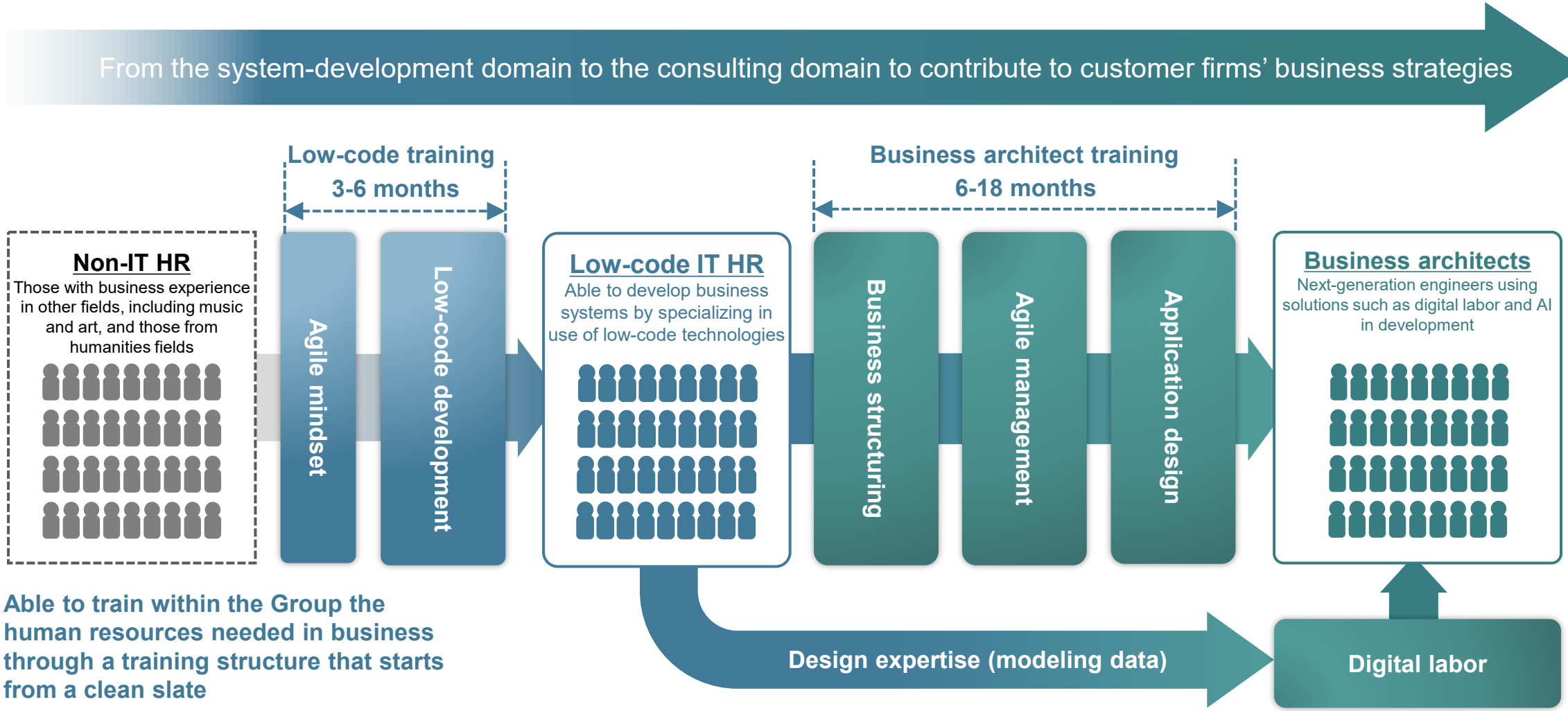
Strategy on human resources core to the growth vision



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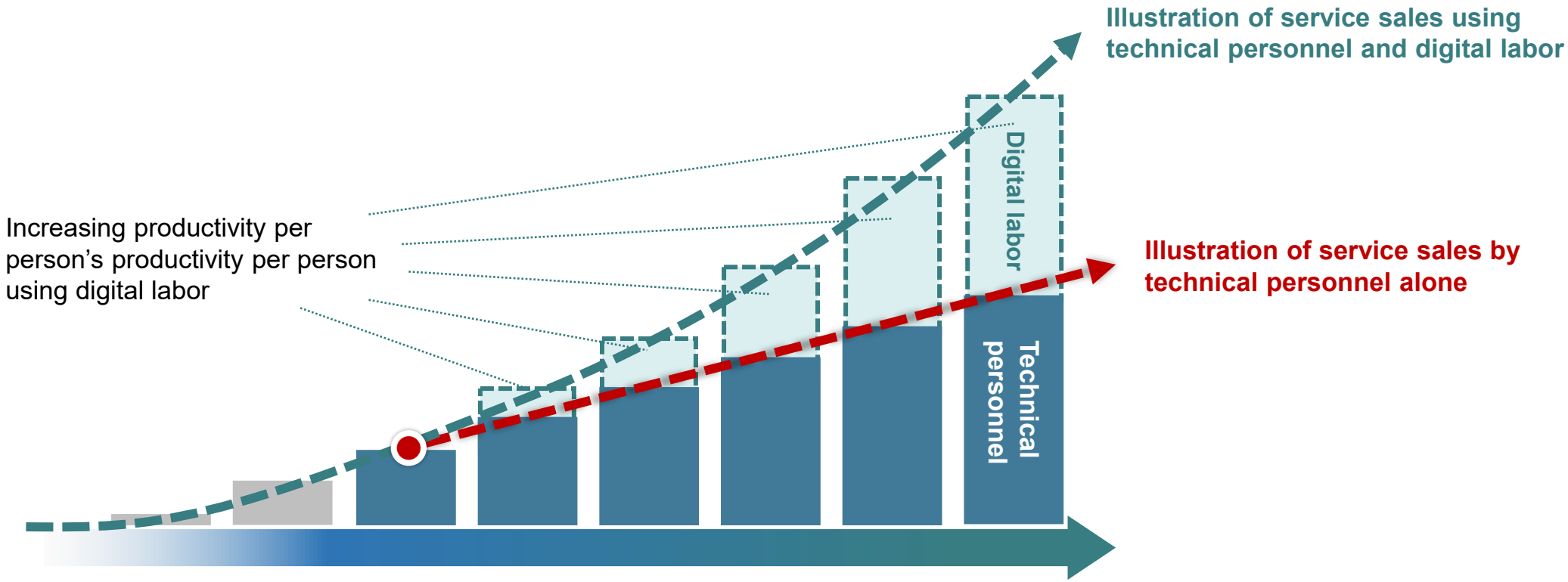
Ability to use digital labor to reduce the HR requirements for growing sales

- **Growth in development service sales requires increasing numbers of technical personnel and growing their productivity per person.**
- **Digital labor can grow sales by increasing productivity per person's productivity per person.**



Notes:
Business growth rates estimate differences in rates of growth from use of technologies such as digital labor and AI compared to previous forecasts
At a minimum, the domestic low-code/no-code development market is expected to grow at least ninefold by 2030

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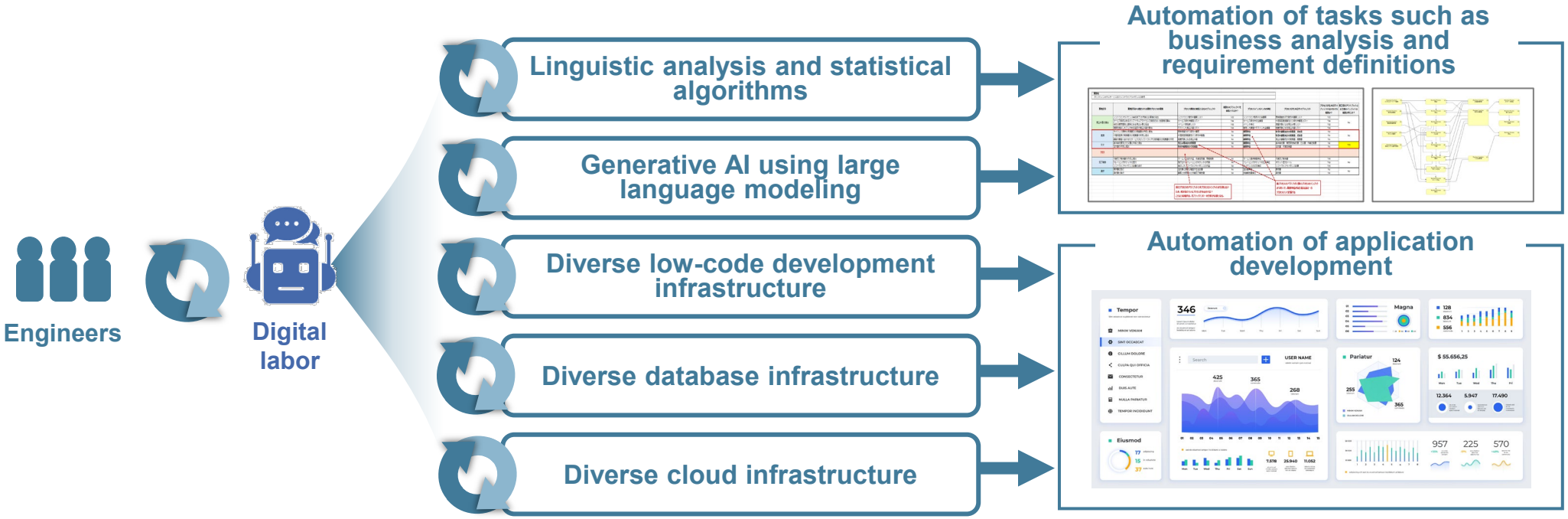
Digital labor is an intermediary between technical personnel and technologies of AI and low-code development

- **BlueMeme's digital labor is intended to enable technical personnel to use technologies of AI and low-code development efficiently.**
- **It aims for more productive system development while reducing learning costs, so that technical personnel can get the most from technologies of AI and low-code development efficiently.**

Digital labor supports system development using various technologies of generative AI and low-code development, on technical personnel's behalf



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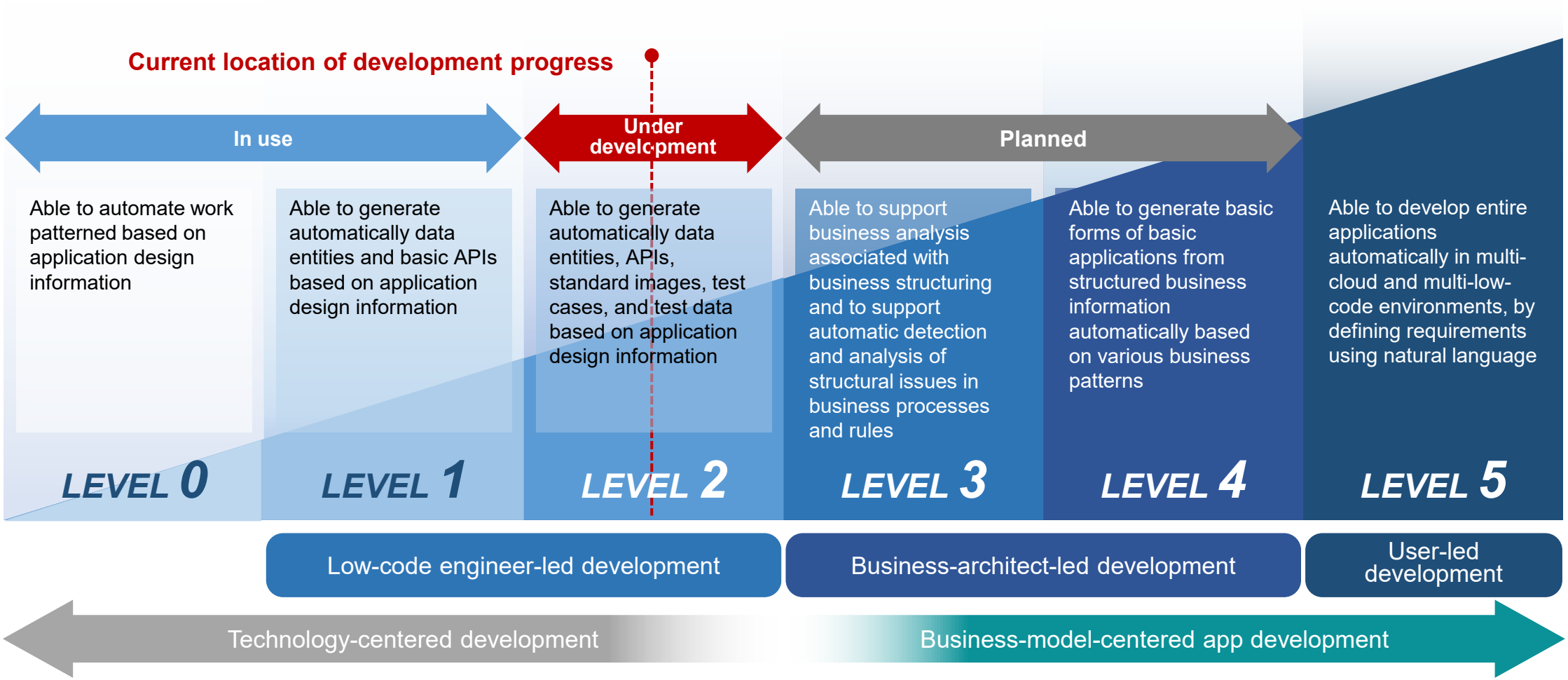
Stages of digital labor development



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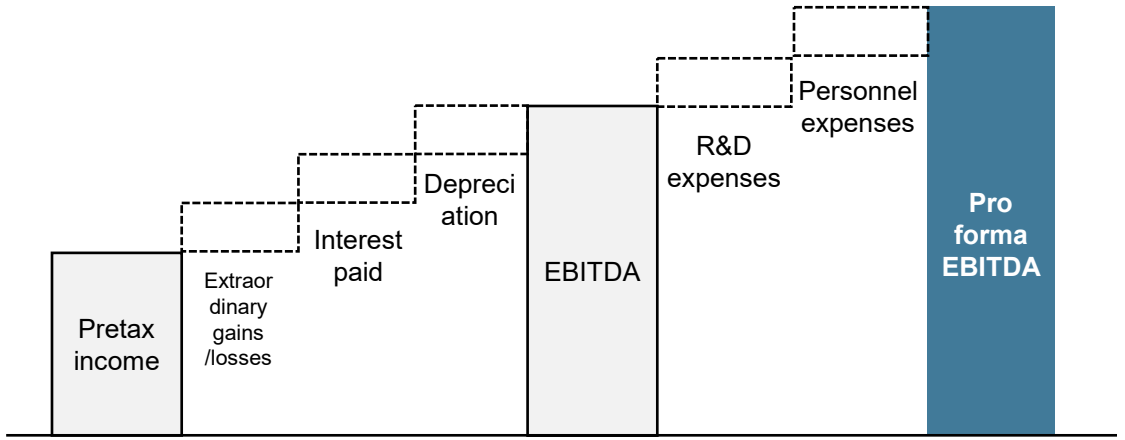
Medium-Term Management Plan KPI-based Growth Scenarios

- **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.

*There is no impact on the medium-term management plan due to changes in accounting procedures or corrections to prior periods' financial statements.

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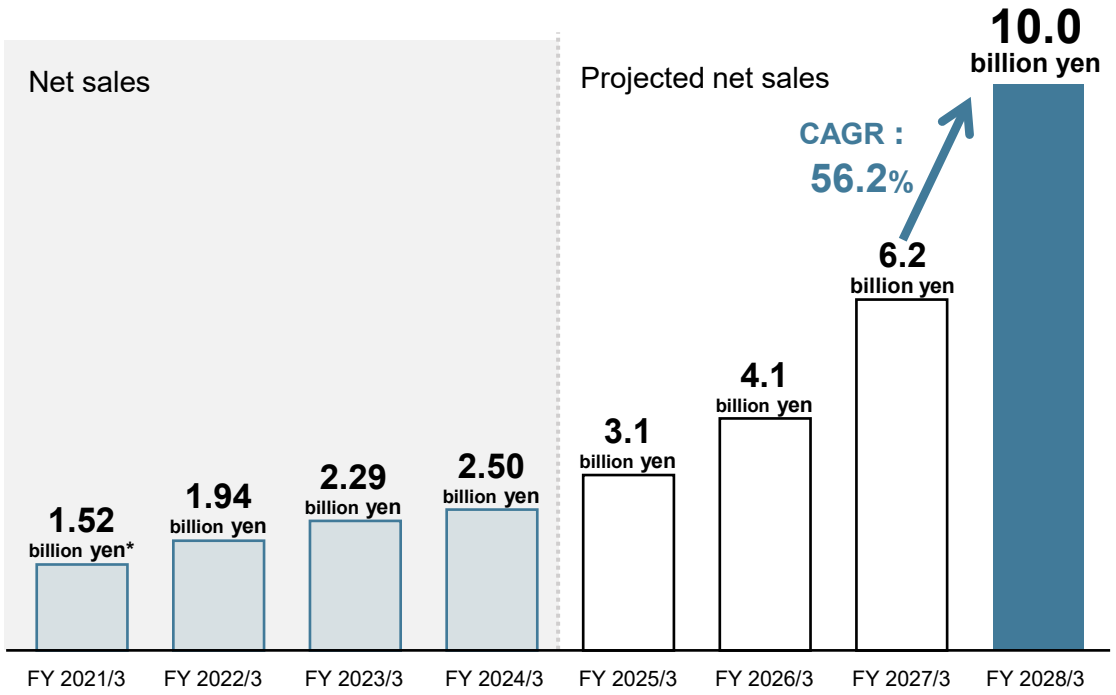
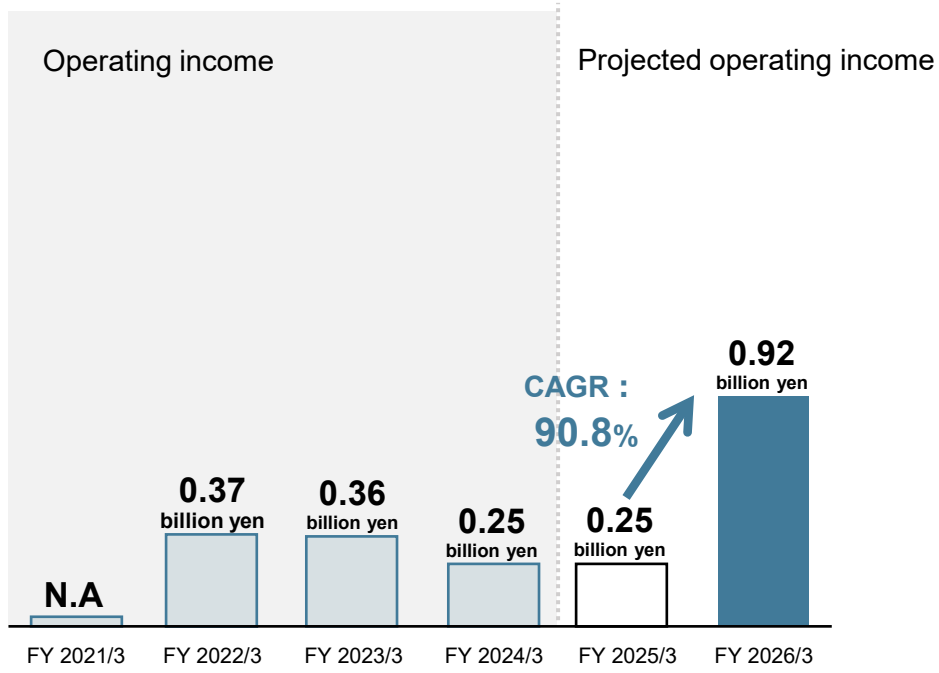
Medium-Term Management Plan Growth Scenarios

- **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.

* FY2025/3 forecast revised from 330 million yen to 250 million yen since profit is expected to be largely unchanged YoY due to strategic investment to achieve the goals of the Medium-Term Management Plan

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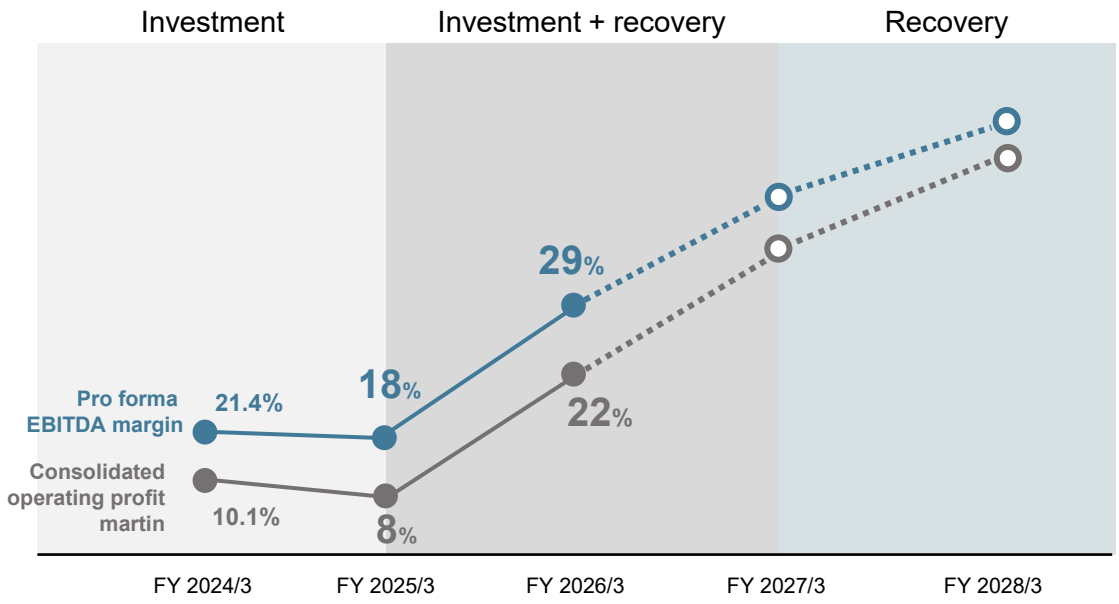
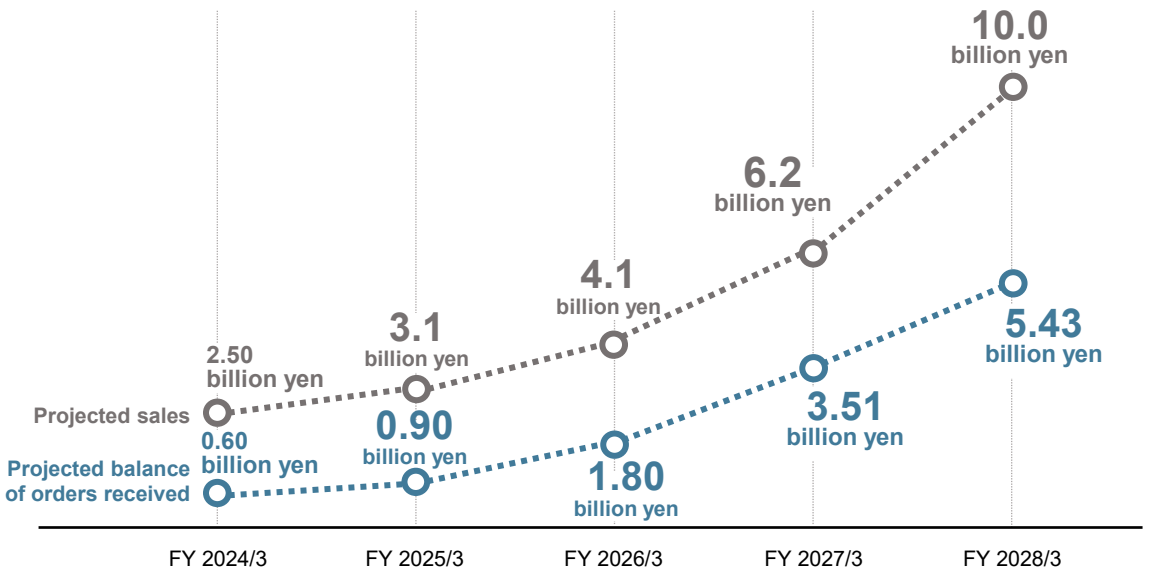
Medium-Term Management Plan Growth Scenarios (Based on KPIs)

- **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.

* Indicators have been changed to net sales, operating profit margin, pro forma EBITDA, and balance of orders received because of the change in growth management KPIs associated with formulation of the Medium-Term Management Plan.

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