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MODEL & DESIGN YOUR BUSINESS

Second quarter of the fiscal year ending March 31, 2025

November 14, 2024

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Fiscal Year Ending March 2025, on the Q2 Results and Forecast

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FY 2025/3 Q2 Consolidated Results: Highlights

- Strengthened multi-low-code capabilities, including digital labor, to address the rapid expansion of the low-code market.
- Reviewed target customers and adjusted future sales strategies in response to the significant price revision of OutSystems.
- Revised performance outlook due to a decrease in revenue caused by the impact of organizational changes associated with the above and the restatement of prior period financial statements.

	FY2025/3 2Q	FY2025/3 planned	YoY change	Progress
Ending balance of orders received	0.55 billion yen	0.9 billion yen	104.6%	-
Net sales	1.08 billion yen	3.10 billion yen	90.1%	35.1%
Pro forma EBITDA	0.01 billion yen	0.42 billion yen	8.7%	4.3%
Operating income	-0.05 billion yen	0.25 billion yen	-	-

Current Quarter Overview

- Revenue improved compared to Q1.
- Revenue decreased because of the restatement of prior period financial statements.
- Orders received showed recovery on a quarterly basis following the implementation of a new sales strategy.
- Price revisions for licenses led to increased discounts, which became a factor in reduced profits.
- Profit decreased because of the additional audit fees incurred for restatement audits.

Q2 Consolidated Results: Analysis of Changes in Operating Income

- The SG&A expenses for business investments in line with the multi-low-code strategy were utilized as initially planned for the fiscal period.
- The restatement audit costs and other expenses related to the restatement of prior period financial statements had a significant impact on operating profit.
- The combined impact of the revenue decrease due to the restatement of prior period financial statements and the audit fees for the restatement resulted in a decrease in operating profit by approximately 150 million yen.

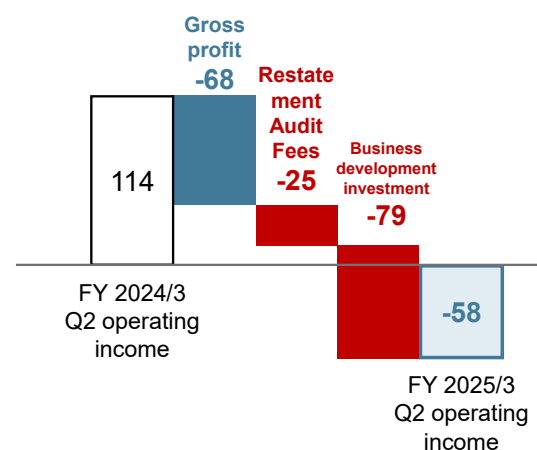
YoY change in operating income

Million yen

	FY2024/3 2Q	FY2025/3 2Q	Change	YoY change
Net Sales	1,208	1,088	-120	-9.9%
Operating income	114	-58	-172	—
Ordinary income	116	-70	-187	—
Net income	58	-67	-125	—

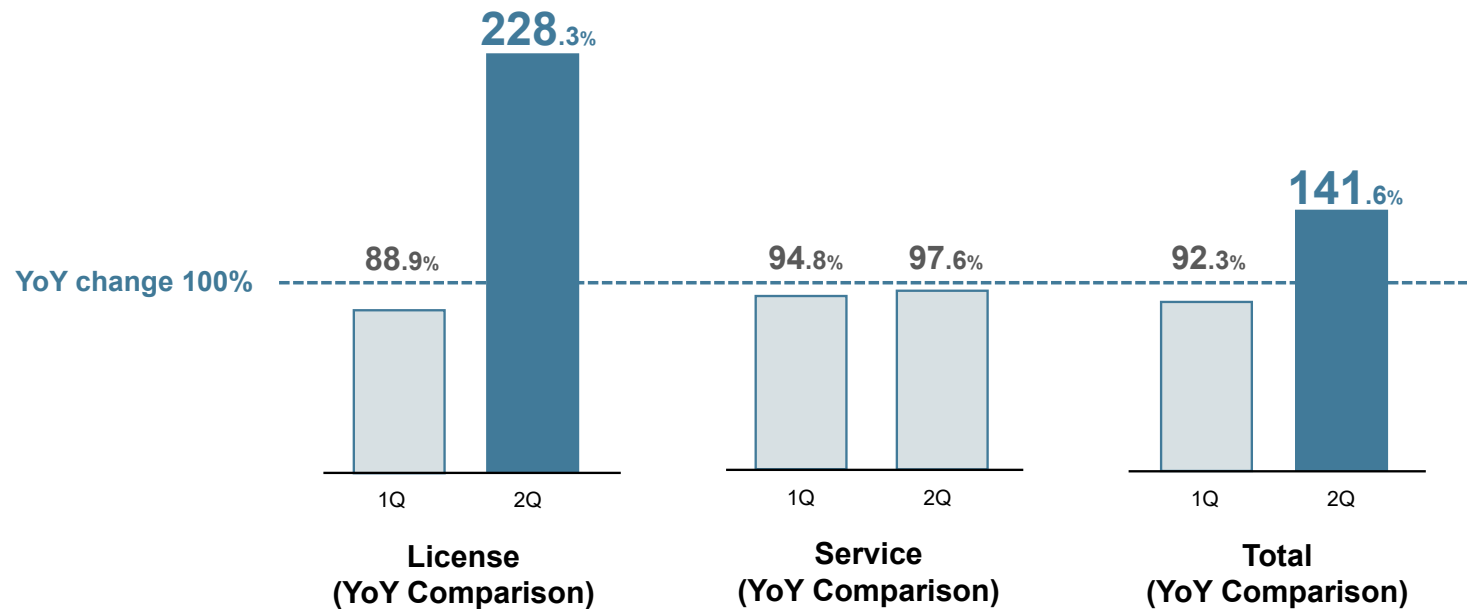
Note: Figures are rounded down to the nearest million yen.

Analysis of Changes in Q2 Operating Income



The Order Received for the Current Fiscal Year Improved After Q2.

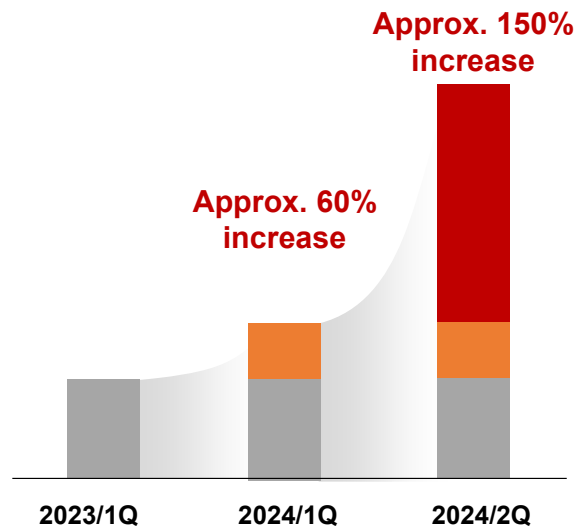
- After revising the sales strategy in response to the price revision of OutSystems, orders received improved in Q2.
- Sales activities were focused on securing new license budgets and negotiating renewal contracts, resulting in service orders remaining at the same level as last year.
- Starting from Q3, we will focus on increasing service orders and strengthening our order intake to drive growth for the next fiscal year.



Price Revision of OutSystems Licenses

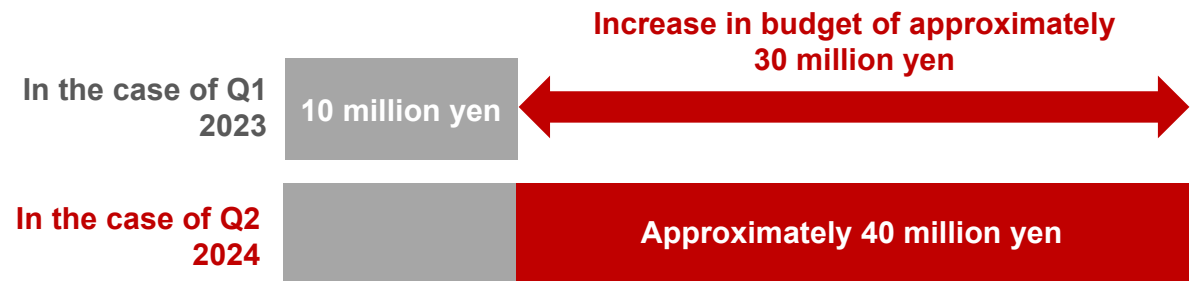
- The entry-level license price of OutSystems was revised with an increase of approximately 60% in Q1 2024 and approximately 150% in Q2 2024.
- As a result of the license price revision, negotiations with customers for securing development budgets have been prolonged, leading to a delay in service orders, which are expected to shift to the second half of the fiscal year.

Trends in OutSystems License Price Revisions



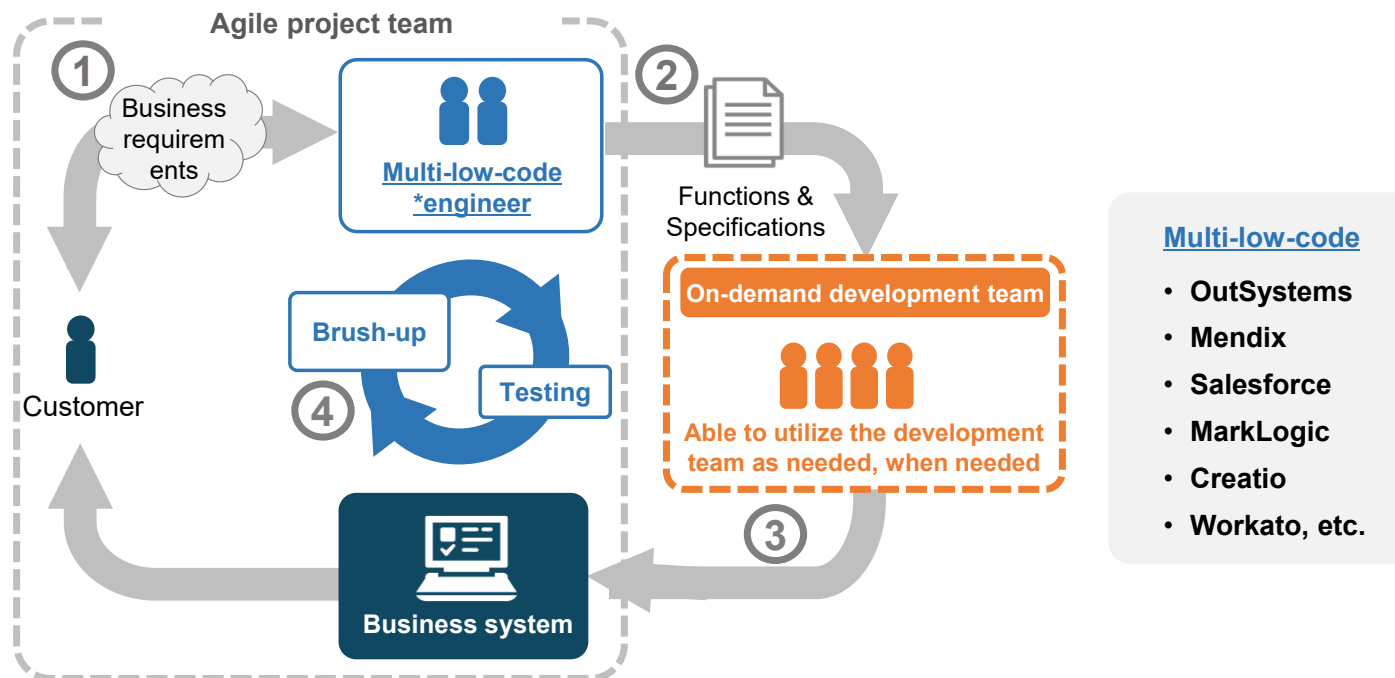
Impact on Securing Customers' Budget

*Five-year budget based on an annual license fee of 2 million yen



Expand the Scope of Development Services to Accommodate a Multi-Low-Code Platform

- In response to the rapidly growing low-code market, strengthen the multi-low-code strategy ahead of schedule, including the adoption of Mendix*, which is highly rated by customers. This enables proposals tailored to customers' budgets and scales, aiming to expand the customer base.
- Continue strategic business investments to build the organizational structure to support multi-low-code capabilities.



* Highest scoring in the 2024 Gartner® Magic Quadrant for Enterprise Low-Code Application Platforms

Full-Year Forecasts

- Revised our full-year performance forecast for the fiscal year ending March 2025 because of the significant combined impact of the OutSystems price revision and the restatement of prior period financial statements, which led to license sales originally planned for recognition in the fiscal year ending March 2025 being recognized in the prior period.
- Also revised our profit forecast accordingly to reflect the continuation of strategic investments aimed at achieving our medium-term management plan.

Million yen

	FY2025 Initial Full-Year Forecast	FY2025 Revised Full-Year Forecast	*For Reference Actual Results for FY 2024	*For Reference YoY ChangeRate
Net sales	3,100	2,510	2,506	0.1%
Operating income	250	0	253	—
Ordinary income	250	0	254	—
Net income	200	-50	174	—

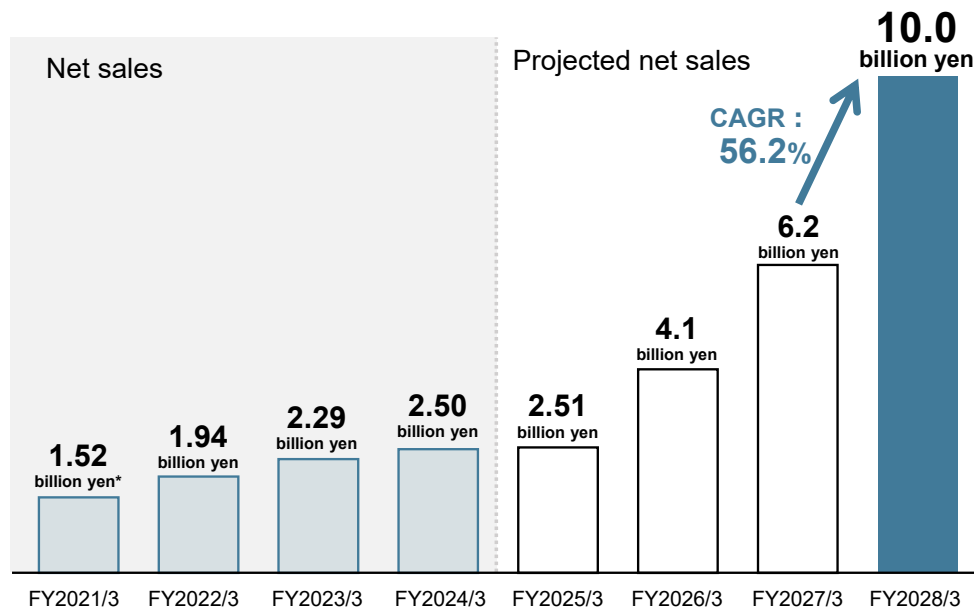
Note: Figures are rounded down to the nearest million yen.

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Overview and Initiatives for the Current Fiscal Year

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Status and Outlook for the Current Fiscal Year



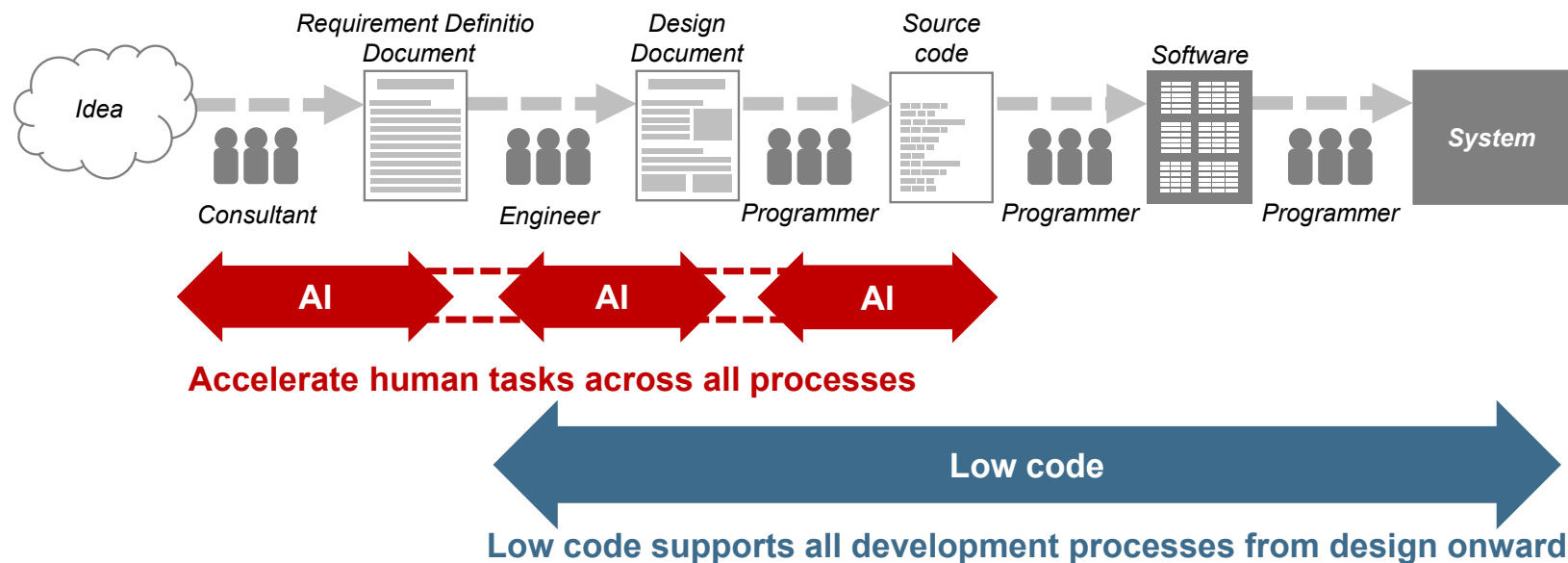
* Net sales after application of the Accounting Standard on Revenue Recognition (new standard) in FY 2021/3 have not been reviewed by the audit firm and are for reference only.

Overview and Outlook for the Current Fiscal Year

- Revenue decrease and additional audit fees incurred because of the restatement of prior period financial statements were one-off factors.
- Orders received have recovered from Q2 onwards because of the implementation of new sales strategies in response to license price revisions.
- We will advance the multi-low-code strategy ahead of schedule to build a revenue base beyond OutSystems.

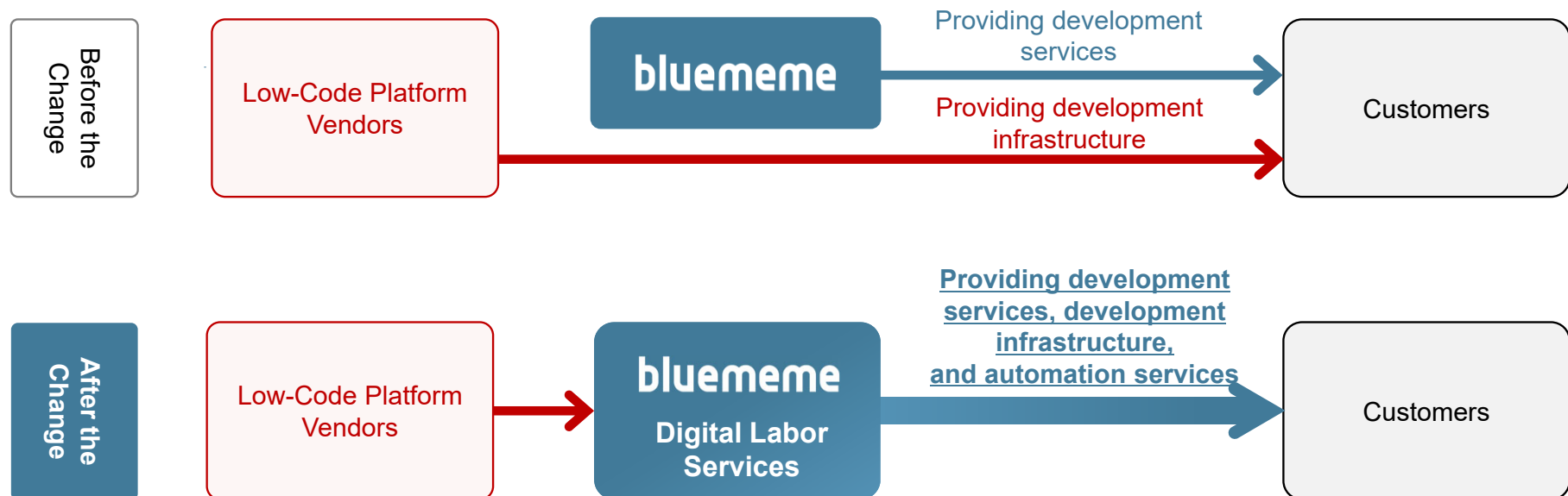
Other activities, etc.

- Progress in acquiring partners targeting such markets as finance and retail with negotiations underway with several companies in line with the midterm management plan.
- Promote the expansion of pilot projects applying digital labor.
 - The development plan is progressing smoothly with confirmed labor reduction effects through development automation.
- Conduct verification of AI utilization during the business analysis and design phases to enhance the competitiveness of development focused on the upstream process.



Changes in Revenue Structure through the Utilization of Digital Labor

- Currently, we offer both low-code + agile development services and licenses in parallel.
- In the practical application of digital labor, we will provide an integrated service that includes development automation services through digital labor, which is expected to significantly transform our business, including the revenue structure.



Expansion of the Share Repurchase Cap

- At the board of directors meeting on August 20, 2024, a resolution was made to repurchase shares in order to enable flexible capital policies that respond to changes in the business environment.
- Based on the current status of share repurchases and trends in the stock market with the aim of further returning benefits to shareholders and improving capital efficiency, the total number of shares to be repurchased and the total purchase price of the shares have been expanded as follows to achieve appropriate shareholder value.

	Before the Change	After the Change
Types of Shares to be Repurchased	Common stock	Common stock
Total Number of Shares to be Repurchased	100,000 shares (maximum) Approximately 2.8% of the total outstanding shares (excluding treasury stock)	150,000 shares (maximum) Approximately 4.2% of the total outstanding shares (excluding treasury stock)
Total Amount for Share Repurchase	100,000,000 yen	150,000,000 yen
Repurchase Period	From August 21, 2024, to August 20, 2025	From August 21, 2024, to August 20, 2025

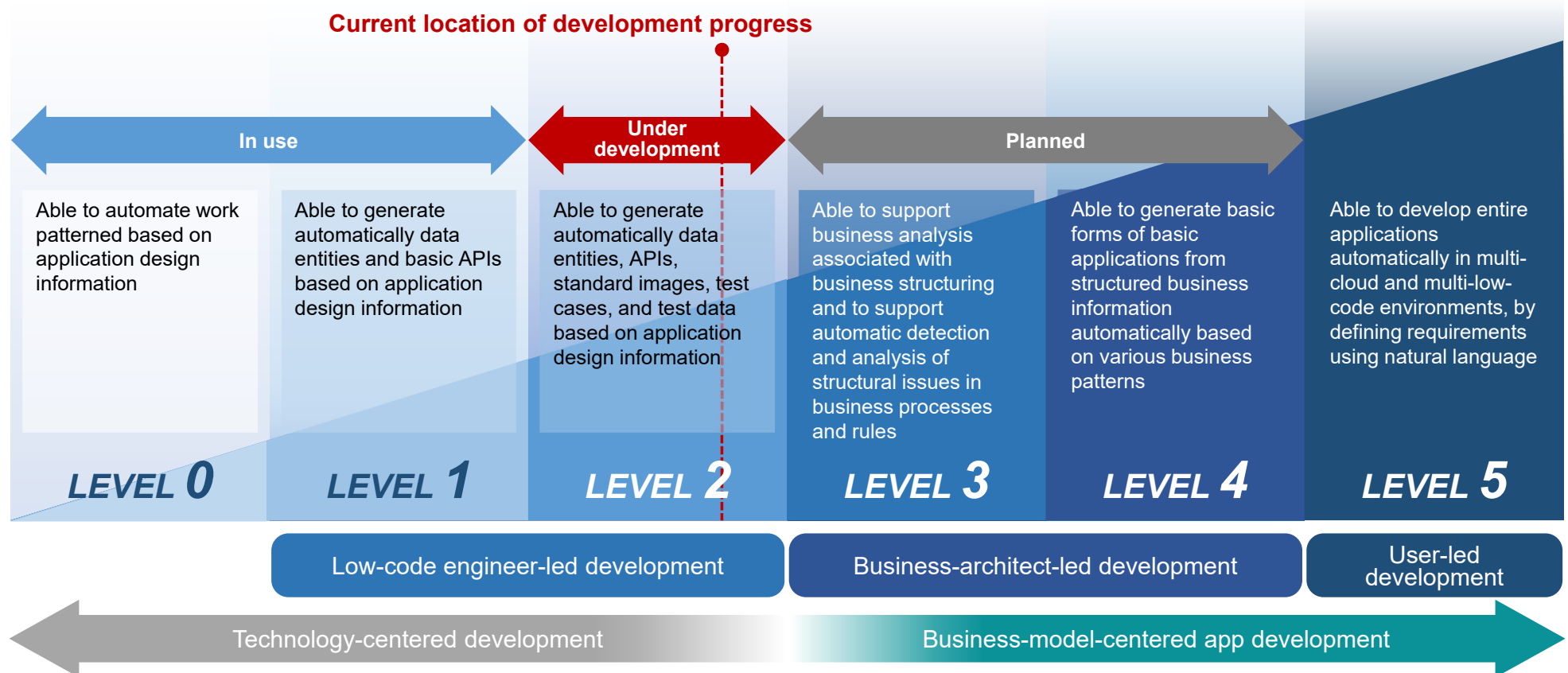
- Based on the resolution of the Board of Directors on August 20, 2024, the total number of shares repurchased is as follows (as of October 31, 2024):
 - Total Number of Shares Repurchased: 14,000 shares
 - Total Amount for Share Repurchase: 14,269,300 yen

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Appendix

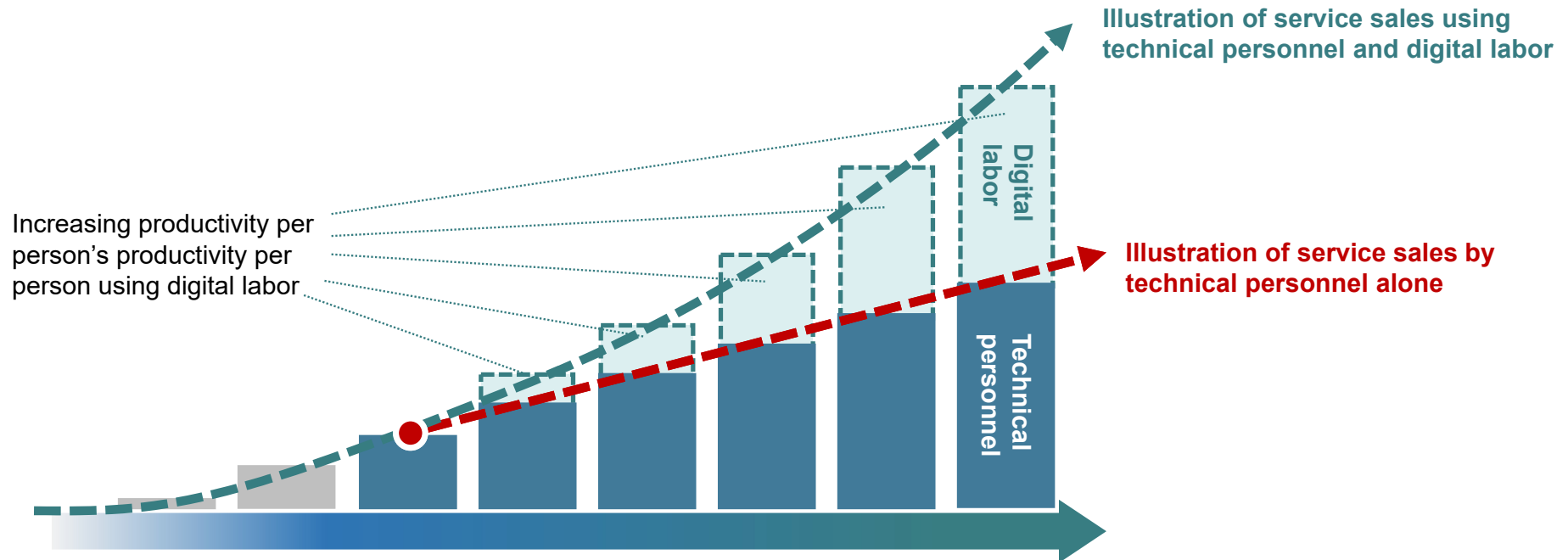
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Stages of digital labor development



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

- Increase the number of engineers and productivity per engineer to improve the revenue from development services.
- 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