

SpiderPlus & Co.

Aug 15, 2024

SpiderPlus & Co.

Kenji Ito, President and Representative Director

(TSE Growth: 4192)

Transcript of Q&A Session and Archived Video of Financial Results Briefing

Date and Time	: Wednesday, August 14, 2024, 20:00-21:30
Speakers	: Kenji Ito, President and CEO Director, Corporate officer, CFO Yu Fujiwara
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Archived Videos of Financial Results Briefings

<https://youtube.com/live/kL3iXz7nHk4>

■ FY2024.Q2 Financial Results (disclosed August 14, 2024)

<https://contents.xj-storage.jp/xcontents/AS81382/1e37e835/9f04/4556/ab3c/7b451e05b839/140120240814572553.pdf>

【Notes】

This document has been translated from the original Japanese version*1 for reference purposes only.

In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

*1 : Click here for the original Japanese version. : <https://spiderplus.co.jp/ir/results/>

【Notes on Transcription】

This transcription contains forward-looking statements. These forward-looking statements are based on information available as of the date of the financial results meeting. These forward-looking statements are not guarantees of future results or performance. Such forward-looking statements involve known and

unknown risks and uncertainties that could cause actual future results and financial condition to differ materially from any future results and financial condition expressed or implied by such forward-looking statements.

Factors that could cause results to differ materially from those described in these statements include, but are not limited to, changes in national and international economic conditions and trends in the industries in which we operate.

Information regarding matters and organizations other than the Company is based on publicly available information, and the Company has not verified and does not guarantee the accuracy or appropriateness of such publicly available information.

This transcription is prepared for informational purposes only. It is not intended as an offer to sell or a solicitation of an offer to buy any securities in Japan, the U.S. or elsewhere.

The content of this transcription differs in part from the actual questions and answers at the briefing due to considerations of personal information, readability, control of duplicate questions, and selection of questions related to financial results and business.

Transcript of Questions and Answers]

Market Environment

Question 1 (Regarding trends in construction DX demand)

In your financial results presentation, it is stated that "the increase in demand due to the Commencement of overtime work limit regulations is expected in the second half of 2024. Please tell us whether this forecast is based on specific evidence such as "an increase in the number of inquiries.

The number of inquiries and business negotiations has been increasing since the beginning of 2024. The recent large increase in ARR for new contractors is also seen as a sign of increasing DX demand.

I would like to add a supplementary note on the trend of DX demand. With the start of the overtime cap, there has been an increase in the number of cases, both large and small, that are making aggressive investments for “solid implementation effects”. In particular, ARR at the time of signing new contracts has increased significantly, leading to the introduction of overtime caps and companies preparing to improve productivity, which is also reflected in the figures.

Reference: FY2024.Q2 Results briefing materials(p.14)

FY2024 Q2 Results briefing materials | 1. Performance Highlight | 2. Financial Highlight | 3. Business Topics | 4. Reference Materials

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DX Demand Trends

Increasing number of customers investing aggressively in DX as productivity improvements become a must

Opportunity for DX demand growth "2024 problem"

Act on the Establishment of Relevant Laws to Promote Workplace Reform

Set limits on working hours
Overtime up to 45 hours per month (in principle)

Violating businesses are subject to penalties
Up to 6 months imprisonment or a fine of up to 300,000 yen

ARR Trends for New Contractors*1

Unit: Millions of yen

Quarter	ARR (Millions of yen)
Q1 FY2023	28
Q2 FY2023	43
Q3 FY2023	47
Q4 FY2023	58
Q1 FY2024	63
Q2 FY2024	92

*1: ARR at contract for new customers signed in each quarter

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Question 2 (Regarding the impact of the increase in the number of bankrupt companies in the construction industry on your business)

We have seen news of an increase in bankruptcies in the domestic construction industry, what is the impact on your business?

Many of the bankruptcies you have indicated are said to be small companies, and we also believe that “labor shortage bankruptcies,” which are directly attributable to labor shortages, are becoming more serious.

In addition, the Company believes that bankruptcies of small companies will be accompanied by an increasing mobility of human resources within the construction industry, as the shortage of labor is becoming the norm.

Furthermore, the Company believes that what will happen in the construction industry in the future is that business succession and bankruptcy issues will trigger consolidation among medium-sized and larger businesses and a migration of human resources to DX advanced companies that offer highly productive work styles.

Based on this, we believe that the construction industry will attract people to “companies that are using SaaS to promote efficient management,” and this will expand our business opportunities.

Question 3 (Regarding view on the good results of listed construction companies)

Some of the publicly traded companies that have introduced / implemented SPIDERPLUS disclose favorable financial results. Please tell us how much SPIDERPLUS has contributed to your clients' performance.

It is difficult to give a quantitative answer as to how we are contributing to our clients' business performance, but based on our clients' feedback, we believe that the degree of contribution is not small.

In addition, many listed companies in the construction industry have been using SPIDERPLUS for several years. These companies have been working on DX at construction sites for several years and are ahead of other companies in their efforts to improve productivity.

We believe that not only the introduction of SPIDERPLUS, but also their mid- to long-term DX efforts have resulted in high profit margins in the financial statements of each company. Companies with high profit margins are able to further accelerate DX investment, which in turn promotes on-site DX. By incorporating the knowledge and experience of such companies into the SaaS called SPIDERPLUS, we hope to not only add value to SPIDERPLUS, but also to help improve the productivity of construction companies nationwide.

Reference: List of SPIDERPLUS introduction company logos

<https://spider-plus.com/introductory-company/>

Question 4 (Regarding influence of market conditions in the country of overseas development)

We have seen news of market slumps in Vietnam and Indonesia. Please let us know if these market downturns will affect our future performance outlook.

I (Ito,CEO) have no sense that the market is sluggish, and the streets are lively, there are many young people, and demand is strong in various fields. However, the pace of development in a country with a growing population is faster than in Japan, so there is a large demand for investment in infrastructure and other areas, and we see this as a business opportunity for SPIDERPLUS. We see this as a business opportunity for SPIDERPLUS.

Question 5 (Regarding the policy rate)

What is the impact of the Bank of Japan's policy rate hike?

There is no material impact. We have approximately 500 million yen in variable-rate loans, and even if interest rates were to rise by 1%, the impact would be about 5 million yen per year.

If the yen appreciates due to a narrowing of the interest rate differential between Japan and the U.S., etc., we believe there will be an advantage because we also have server costs denominated in foreign currencies.

Performance

Question 6 (Regarding evaluation of the second quarter financial results)

In his past statements, President Ito has said that "2024 is the year of the game as we prepare for the application of the Commencement of overtime work limit regulation" and that "we are going to make an answer to the question. What were the good and bad points, if any?"

The year 2024, when the overtime work limit regulation begins, is the so-called turning point for DX, and the "year of competition" has begun.

We have given this Q2 a score of 90 or higher, taking into account the accelerating ARR growth rate, the fact that the company has the sales force to realize this growth, and the fact that it sees opportunities for growth in the second half of the year and beyond based on these factors. We are confident that the company will be able to grow in the second half of the fiscal year and beyond.

Question 7 (Regarding the pace of increase in IDs)

What is your view on the low growth in IDs?

We have a large percentage of sales and potential from enterprise customers, and it is important to promote internal penetration of this customer group.

As key measures for FY2024, we will focus on the following three initiatives for enterprise customers: increasing the number of users (IDs) at sites where SPIDERPLUS has not yet been introduced through internal penetration measures, accelerating the introduction (cross-selling) of options that enable deeper use of SPIDERPLUS, and offering customers who are already making deep use of SPIDERPLUS to switch to economical and reasonable new plans. For customers who are already using SPIDERPLUS deeply, we will propose switching to a new plan that is more economically rational.

As a result of these measures, penetration within Enterprise customers has progressed steadily, resulting in stronger growth in ARPU than in IDs. Therefore, please understand that "while various projects are progressing concurrently based on

account plans for each customer, FY2024.Q2 saw the cross-selling of options and switching to new plans lead to results ahead of other projects.

Since the progress of the account plan is on track, we assess that the current business progress is satisfactory.

For SMB customers, we are focusing on exploring and strengthening relationships with sales partners nationwide in the first half of the year, and the leads generated from these efforts will be used to increase ARR and ID in the second half of the year.

Regarding the "billing suspension IDs started due to the completion of a large site for some projects," which was explained at the 1Q results meeting, the return of such suspension IDs (resumption of billing for IDs due to the start of site construction) is expected to occur in the second half of FY2024. There is no change in this forecast from the first quarter of FY2024.

Question 8 (Regarding timing of return to profitability)

What scenarios, if any, would you suggest that would accelerate the timing of the turnaround?

While there is no change to the plan for full-year profitability in FY2025, we present two scenarios that would accelerate the timeframe for achieving profitability.

One is when ARR growth and productivity exceed the performance forecast scenario by a large margin. In this case, we will acquire marginal profits that exceed the fixed costs targeted in the performance forecast scenario, thus accelerating the timing of our return to profitability. In addition, if the ARR growth rate increases more than targeted, the Company will likely choose to increase its investment and acquire that business opportunity earlier, since it will also assess that the Company's business opportunity for growth is greater than targeted.

The second is when the company has refrained from investing. Specifically, the company slows down the pace of hiring and reduces marketing investments. In this case, the increase in fixed costs will cease, and the profit/loss will improve by the amount of the marginal profit increase for the ARR growth, and the time to achieve profitability will be earlier. On the other hand, the ARR growth rate will slow down. In this case, we may achieve profitability earlier, but we are competing in such a large

market, and we expect that a business like ours, which is necessary for society, has an obligation to grow quickly, so we expect that this conservative scenario is the worst case.

In the current opportunity for growth and business environment, we believe that we should accelerate our investments as planned to further accelerate our ARR growth rate.

Question 9 (Regarding the timing of quarterly turnaround)

You mentioned that you expect full-year profitability in 2025, but can you tell us when you expect to achieve profitability in the quarter?

Since we do not disclose the timing of our return to profitability on a quarterly basis, we refrain from giving specific answers. However, since we are in a position to control the timing of our return to profitability depending on the amount of investment, we will consider the timing of our return to profitability in the next fiscal year, taking into consideration the overall growth rate, Market Environment, and business progress. We have no plans to change our plan for full-year profitability in 2025.

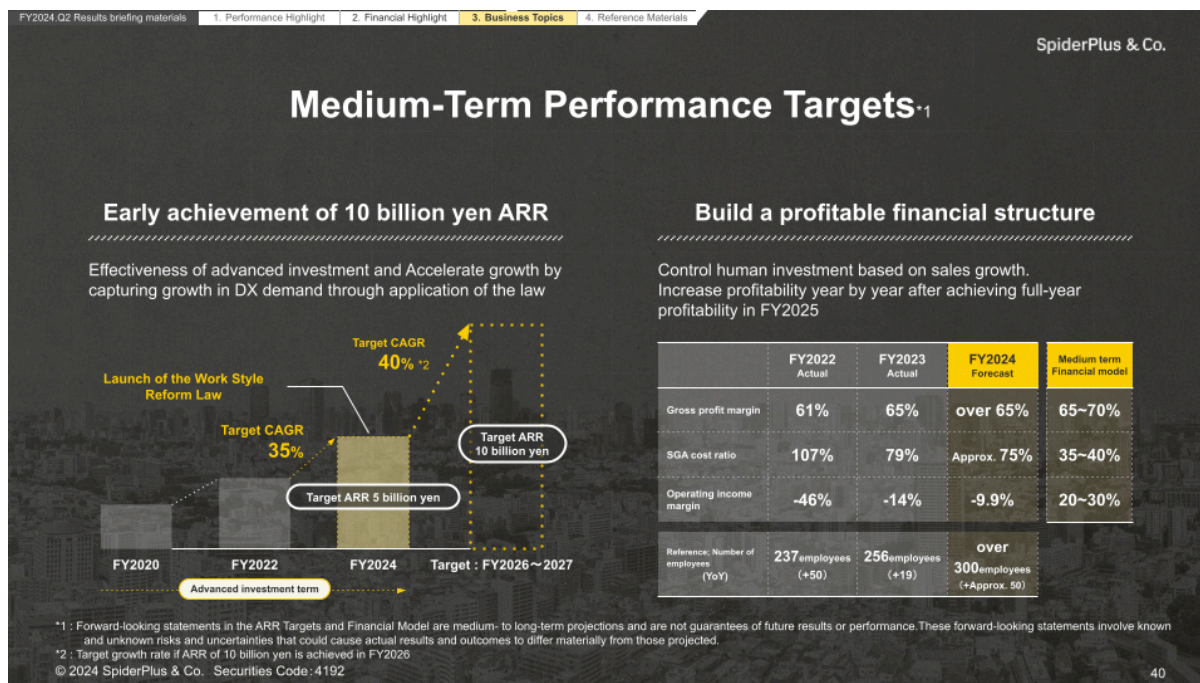
Question 10 (Regarding mid-term performance targets)

What is your target for Operating income(profit) when you achieve an ARR of 10 billion yen?

The operating income margin when we reach 10 billion yen is currently undisclosed, but in the medium-term financial model we have started, we have set a target operating income margin of 20% to 30% when the growth rate stabilizes.

The construction DX market is a huge market that is about to enter a period of expansion, and we believe that there are many opportunities for investment.

Based on market conditions, we hope to create a business model that can generate solid profits, and then combine that with aggressive investment to capture more of the market as quickly as possible.



Question 11 (Regarding SG&A targets for the second half of FY2024)

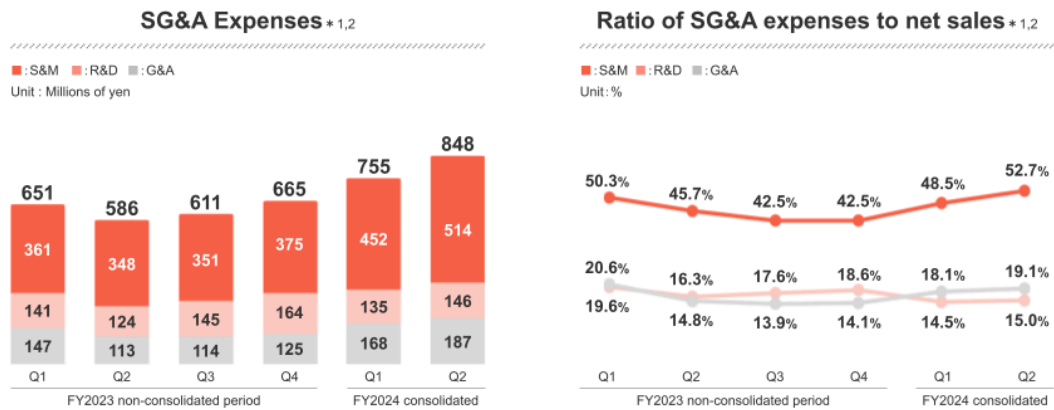
Your performance forecast for the current fiscal year shows a SG&A to sales ratio of 75%, but what is your estimate of SG&A expenses for the second half of the year?

As stated in the financial results presentation, we will invest an average of approximately 800 million yen on a quarterly basis as one guideline. However, if there is an area or organization where business opportunities are large and further growth is expected, we will aggressively make the necessary investments, so please understand that this is just one guideline for our investment discipline. Therefore, there will be quarters in which the amount exceeds 800 million yen, and this is one way of thinking about the amount of investment for the current fiscal year under the current business environment.

We will maintain investment discipline and will not invest in areas or organizations that do not offer business opportunities or scalability. We will make necessary investments with high investment discipline to increase the ARR growth rate.

Reference: FY2024.Q2 Results briefing materials(p.28)

SG&A expenses increased mainly due to strengthened hiring in sales and marketing divisions
 No change in the policy of investing an average of 800 million yen per quarter in the second half of the fiscal year



*1: Each composition is a management accounting composition. S&M, R&D and G&A are abbreviations, and details are provided in the "Other References" section of this document.
 *2: A partial revision of the allocation basis was made in FY2023.Q2, taking into account the impact of departmental transfers and reorganization.

Question 12 (Regarding SG&A expenses of the Vietnamese subsidiary)

What is the main reason for the large increase in SG&A expenses and the expansion of the deficit? What are the main reasons for the increase? What is the extent of the increase in SG&A expenses due to the expansion into Vietnam?

The increase in SG&A expenses is due to expanded investments in the sales and marketing department. This is mainly due to strengthened recruitment. The impact on consolidated financial figures for Vietnam is negligible, as the country has only just launched its sales office and basically only has Sales Force.

About Our Business

Question 13 (Regarding the competitive environment)

Please reiterate your competitive advantage over other companies. Please also tell us about any changes in the competitive environment.

Given the 2024 problem and the market environment in which issues related to operational efficiency in the construction industry persist, it is quite possible that partial competition will occur for specific functions and segments as new players enter the market and existing players expand their domains, and there are some domains where this is happening. Nevertheless, the scope of construction DX is broad and there is still much to be done, so we expect partial competition itself to promote growth and innovation, and we believe that this is healthy competition.

In addition, we are the oldest construction DX/SaaS company and business, and we expect that our competitive advantage is that we have industry knowledge and a customer base that other companies cannot match. We have a history of working with industry-leading customers to develop our products and services, and the knowledge and experience of the Enterprise in the construction industry regarding site management is incorporated into our products and services, enabling our customers to streamline their operations by reducing work hours, and at the same time, to use our services deeply and for a long time.

We are also proud of our customer success and support system, which we believe to be the most attentive follow-up system in the industry. We will continue to expand our products and services based on customer feedback.

Reference: Business Plan and Growth Potential (p.15) (March 8, 2024)

Highly effective introduction¹⁾, and Thorough support system.



*1: The work hours that can be reduced are based on data from an internal survey of companies that have introduced tablets + SPIDERPLUS.
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Question 14 (Regarding trends for SMEs)

Quite some time has passed since the Commencement of overtime work limit regulation was applied, but how is the demand trend among small and medium-sized enterprises? Also, do you think that your competitors are taking demand from SMEs? Please tell us about your development measures for SMEs.

From the numerous companies we have spoken with, we feel that demand is steadily increasing.

A certain number of our clients have concerns about whether they can use these tools right away, and we try to politely explain to them how easy it is to use SPIDERPLUS.

As for our competitors, the number of opportunities to hear their names is increasing due to the market expansion phase, but in such a competitive environment, we are proud to be the most chosen company, and we deal with our customers one by one with great care. For small and medium-sized companies, we are also working to

strengthen our relationships with sales partners and expand and enhance our sales network.

Question 15 (Regarding the status of advanced investment)

You mentioned that the increase in the S&M (Sales and Marketing) department is going well. Please tell us if the training of human resources is also going well.

Since 2022, the S&M division has been engaged in efforts to increase organizational scalability (enablement) in order to maximize the results of its human investment, and has strengthened this sales enablement measure through 2024. As noted in the financial results presentation, organizational productivity has been particularly increasing, with S&M's net ARR per employee at 1.2 times the level of the same period last year.

Based on this increased productivity, recruitment is expanding, and human resource training is also progressing well. In addition, as a result of recruitment and training, the middle and management layers have become thicker, and the transfer of authority is progressing. In the past, I (Ito) was in direct control of the sales department, but now I have been able to transfer authority.

Many of the existing members have high potential, and there is competition in a positive sense between them and the newly hired members, and the S&M organization itself is entering its next phase.

Although the above question was about the S&M organization, please understand that this trend is a company-wide trend. All divisions have organizational issues, of course, but their potential is increasing through recruitment and training.

Reference 1: Human capital management report (April 2024):

https://spiderplus.co.jp/pdf/2024/Human_Capital_Report2024.pdf

Reference 2: Interview with Corporate officer, Group General Manager, Business Group (June 2024): <https://jobs.spiderplus.co.jp/spider-class/2161>

Question 16 (Regarding SPIDERPLUS reviews)

I have seen some low reviews of SPIDERPLUS on the AppSTORE.

Please tell us if there has been any progress in quality improvement, such as addressing problems pointed out by users, as well as the current utilization rate.

Quality improvements are implemented on a regular basis along with functional updates. Although specific utilization rates are not disclosed, the Customer Success Department is working to increase the utilization rate for customers with low utilization rates. We do not expect that word of mouth on AppSTORE itself has a significant impact on customer decisions, and based on real customer / regular customer feedback and referrals, we do not believe that it has a bad reputation.

In particular, the SPIDERPLUS network has recently been expanding, with existing customers introducing new customers to SPIDERPLUS, and connections being formed between customers through SPIDERPLUS.

Q17 (Regarding progress at the site and when to introduce SPIDERPLUS)

If a customer is going to introduce SPIDERPLUS on a site, can you tell me if it is assumed that the use of SPIDERPLUS will start at the beginning of construction on the site or can it be introduced / implemented during the construction process?

It depends on each construction company's thinking, so there is no uniformity, but for example, in the case of general contractors, many companies want to use SPIDERPLUS from the construction startup stage.

As for subcontractors, there are cases where they are introduced / implemented in the middle of the site, since there are times when various types of inspections are considerably increased during the course of construction.

Question 18 (Regarding the muscle arrangement AI function)

You mentioned that the "reinforcement AI function" released in August 2024 started from the BPO service. Please tell us if you targeted the development and release of this kind of function from the beginning as part of the positioning of the BPO service.

We have been considering and implementing the use of AI in our BPO services since the beginning.

As the AI functions we developed were utilized in the business operations of the BPO service, the accuracy of the AI improved, and the needs of our clients for "automation" increased, so we decided to begin sales of the AI.

Reference 1: Spider Plus Launches Reinforcement AI Function to Automate Inspection Preparation Work(August8,2024)

<https://contents.xj-storage.jp/xcontents/AS81382/046aeef0/37aa/4131/a534/97cd59c38c04/140120240808567331.pdf>

Reference 2: FY2024.Q2 Results briefing materials(p.37)

The slide is titled "Released Reinforcement AI Function" and is part of a presentation by SpiderPlus & Co. It features a navigation bar at the top with four tabs: "FY2024.Q2 Results briefing materials", "1. Performance Highlight", "2. Financial Highlight", "3. Business Topics", and "4. Reference Materials". The main content area is divided into two columns. The left column contains a graphic with the text "New Function", "Inspection AI", and "SPIDERPLUS". Below the graphic is a box stating: "AI automates 80% of the advance preparation for reinforcement inspection. User only needs to confirm and complete pre-inspection work". The right column is titled "Expected Effects" and contains three boxes: "New function that meet customer needs", "ARPU improvement for existing customers", and "Expand introduction of new customers". Below these boxes is a list of three bullet points: "Promoted standardization of SPIDERPLUS's 'reinforcement inspection' optional function incorporating AI functions as a standard accessory.", "Expansion to approx. 20,000*1 general contractors nationwide, both large and small", and "SPIDERPLUS' unique added value is enhanced through the use of patented technology".

Released Reinforcement AI Function SpiderPlus & Co.

Launched sales of AI functions to "automate" and "reduce manpower" in inspection operations
Accelerate the expansion of general contractors' market share with unique patent-enhanced functions

Expected Effects

- New function that meet customer needs
- ARPU improvement for existing customers
- Expand introduction of new customers

- Promoted standardization of SPIDERPLUS's "reinforcement inspection" optional function incorporating AI functions as a standard accessory.
- Expansion to approx. 20,000*1 general contractors nationwide, both large and small
- SPIDERPLUS' unique added value is enhanced through the use of patented technology

AI automates 80% of the advance preparation for reinforcement inspection
User only needs to confirm and complete pre-inspection work

*1: The number of licensed construction companies is based on the search results of the Ministry of Land, Infrastructure, Transport and Tourism's Corporate Information Search System for Construction Companies, Building Contractors, etc. (see our own survey on the right: 95). (For our own survey, see right: <https://jobs.spiderplus.co.jp/spider-class/1587>)

Question 19 (Regarding status of renewed SPIDERPLUS)

What is the most recent status of the renewed version of SPIDERPLUS?

Of the renewed version of SPIDERPLUS, the Basic Plan has been released since 2022 and is being nurtured with feedback from customers. In the renewal development environment, we are also releasing a new feature called "Digital form function" at the end of 2023. We are incorporating new services and features into the renewed version of SPIDERPLUS to develop our business.

On the other hand, regarding the timing of the transition from the classic version to the renewal version and the transition plan for our customers, we have not made significant progress from the situation we communicated at the time of the fiscal year closing. This is because the current situation continues to require deep use of SPIDERPLUS.

Some companies are facing the challenge of improving productivity due to soaring material prices and other high costs, and as can be seen from the expansion of optional functions, many customers are trying to incorporate SaaS into their business processes. Under these circumstances, we have decided that we should first devote resources to deepening the use of the classic version of SPIDERPLUS, rather than prioritize the migration from the classic version to the renewed version.

We are also working to make our development organization stronger as a management issue for FY2024.

As part of this effort, we are prioritizing not only renewal projects but also various other development projects, so-called selection and concentration. We are now discussing internally the future sales methods and plans for the renewal version, taking into account the situation of our customers and the strengthening of our internal structure, including the development organization.

Question 20 (Regarding busy construction industry)

I expect construction sites to remain busy, but please tell us if there is any impact on business negotiations, such as lack of time for business meetings due to busy sites.

Construction sites continue to be busy, and seasonally our first and second quarters are more frequently busy. Nevertheless, busy sites do not reduce opportunities for business negotiations, nor do they lengthen lead times.

Question 21 (Regarding safety management function of SPIDERPLUS in site management)

I believe that safety measures are quite important on construction sites; is there a function in SPIDERPLUS to assist with KY activities or safety patrols? If not, what are your plans for developing Safety Management functions?

We are developing a service for specialty constructors called "S+Partner" that further facilitates communication within the site and streamlines the collection of information that starts daily at the site. This service incorporates some of the functions that lead to improved safety and quality at construction sites.

Reference 1: SpiderPlus Incorporates ChatGPT to Improve Safety Quality at Construction Sites(June 15, 2023)

<https://spiderplus.co.jp/news/news-release/7939/>

Reference 2: "S+Partner" function introduction page

<https://spider-plus.com/functions/s-partner/>

Question 22 (Regarding expansion into the public works sector)

In the field of public works, please tell us about the advantages of using SPIDERPLUS for public offices and the status of your sales activities to public offices.

Public work as well as private work can also benefit from the use of SPIDERPLUS. We are highly enthusiastic about our sales activities together with our alliance partner, Change, Inc.

(Please refer to the following release for more information on the alliance with Change and their commitment to municipal DX.)

Reference 1: Signed a business alliance agreement with Change, Inc. for the promotion of municipal DX (August 9, 2022)

<https://spiderplus.co.jp/news/news-release/6729/>

Reference 2: Selected as a demonstration experiment project for Digi-PoC TOYAMA in Toyama Prefecture (September 15, 2023)

<https://spiderplus.co.jp/news/news-release/8217/>

Question 23 (Regarding potential use of SPIDERPLUS in times of disaster)

What is the potential use of SPIDERPLUS in the event of a disaster?

Since there are still many dilapidated buildings in Japan, SPIDERPLUS can of course be utilized for restoration after a disaster starts. In addition, there is a great demand

for the repair of aging buildings in terms of disaster prevention measures, and we expect that SPIDERPLUS can already be used to meet such needs.

Question 24 (Regarding focus countries for overseas expansion other than Vietnam)

In terms of overseas expansion, please tell us if there are any countries you are targeting after Vietnam.

We have other focus countries besides Vietnam, but please refrain from giving a detailed answer. Based on market research and feasibility studies, we will consider establishing a base, including the establishment of a sales subsidiary, if we expect to be able to make an aggressive investment. At this time, we do not have any concrete plans for new overseas bases.

Question 25 (Regarding selling points of SPIDERPLUS for overseas expansion)

In overseas expansion, will the reduction of overtime hours be a selling point, as it is in Japan? What are the selling points of SPIDERPLUS in overseas expansion?

Since we have a sales base in Vietnam, I will talk about Vietnam.

As we are developing our business in Vietnam, we expect that the Vietnamese work less overtime than in Japan, and we believe that "streamlining operations" rather than reducing overtime hours will be a selling point. When a Vietnamese construction company finishes work on one site early, they may work on another site, and the improvement in productivity through SPIDERPLUS is directly related to the construction company's profits, so we believe that "work efficiency" will be one of the selling points of the company.

Stock-related and other

Question 26 (Regarding share buyback/dividend policy)

What is policy on shareholder returns, including share buybacks and dividends?

Our policy is to consider paying dividends when the company becomes profitable and further secures sufficient retained earnings. At this time, we are in a phase where business opportunities for growth, including M&A, are large, and we expect this to be in the best interest of our shareholders, so we will give priority to business growth through investment.

In addition, there are restrictions on financial resources under the Companies Act in order to repurchase shares and pay dividends. Currently, the company has not secured sufficient retained earnings to pay dividends, so there is a possibility of implementing these measures once the company becomes profitable and has sufficient retained earnings. When creating a medium-to long-term Business Plan, dividend policy is one of the topics of discussion by the management team.

Question 27 (Regarding status of shareholders)

Please tell me how many shareholders are long-term holders?

We will not be able to answer the specific number of shareholders, but we do have long-term shareholders, both Institutional Investors and individual investors.

Some of our shareholders have invested in our company since before we went public, and we are still meeting with Institutional Investors that we met at the IPO roadshow when we went public, and there are many Institutional Investors that have actually invested in our company. We are also aware that some individual investors have held our shares for a long time.

Question 28 (Regarding the goal of transitioning to the prime market)

What are your goals regarding the transition to the prime market?

We expect to move to the prime market as soon as possible when we have achieved the formal requirements and substantive screening criteria for moving to the prime market. In particular, it will take a little more time to meet the performance requirements, but in the meantime, we can begin to further strengthen our management and administrative structure now, and we are already making changes to our management structure and strengthening our administrative department.

Question 29 (Regarding IR measures1)

Please tell us if you plan to issue an IR release when the KPI exceeds a certain number, for example, "We will issue an IR release when the number of contracted companies exceeds 2,000.

In addition to the items you pointed out, monthly KPI disclosure is one of the items we are considering as we place importance on fair disclosure. However, while the timeliness of such disclosure is important, we expect that it is more important in the current business environment to explain to investors at the timing of quarterly financial results, along with business progress and future prospects.

Although we do not plan to disclose this information at this time, we will continue to consider it as an option, as it is increasing in importance from the perspective of enhancing IR measures.

Question 30 (Regarding IR measures2)

What is the background behind the deletion of President Ito's X account and what is the future policy of IR dissemination by President Ito?

To put it simply, I (Ito,CEO) have come to realize that I am not suited for social networking. You may think it is too late for me, but I have decided to quit social networking because I could not keep my promise not to mention the stock price in the previous financial statement.

As for my own IR activities, I will actively promote my own IR activities on YouTube and investor relations channels, and I will also introduce my own activities and interviews on my official IR accounts on SNS (X and Notebook).

We are also stepping up communication through our official IR accounts on social networking services, not only to report on business progress but also our views on industry trends, etc. Please follow us on our official IR X and other social networking services.

We will also plan IR events for individual investors more aggressively than ever before, so please stay tuned.

Reference 1: Spider Plus's IR official X account

<https://x.com/spiderplusir>

Reference 2: SpiderPlus's official IR NOTE account

https://note.com/sp_ir/

Question 31 (Regarding your view on stock prices)

What is President Ito's view on the most recent share price?

I (Ito,CEO) myself am particularly conscious of the initial price. First of all, in order to quickly return the stock price to that level, we will place the highest priority on business growth. In addition, we will actively promote IR activities. We cannot give specifics on the target timing for the stock price to recover to the initial price because of the rapid changes in the Market Environment, but we will aim to achieve our medium-term performance targets. It is the management team's destiny to raise the share price. We will do our utmost to meet the expectations of our shareholders, and as a major shareholder myself, I will do my utmost to return the share price to a satisfactory level as soon as possible.

Question 32 (Regarding PR videos explaining the project)

I would like to see if there is a PR video of SPIDERPLUS in action on site, please let me know if there is such a video or if you are planning to create one.

Please check out Kyushu Asahi Broadcasting Corporation's "Asades. KBC", which featured the construction site of the "Fukubu Building District Reconstruction Project", where we are using SPIDERPLUS. In addition, we will talk with our clients and consider expanding the PR video.

Reference: SPIDERPLUS utilization site was introduced on Kyushu Asahi Broadcasting Corporation "Asades. KBC" (2024.06.04)

<https://spiderplus.co.jp/news/media/8719/>

Question 33 (Regarding the semi-annual general meeting of employees)

Could you tell us about the recent general meeting of employees and what was the atmosphere like?

Once every half year, we hold a general meeting of all employees to share future goals and important measures, as well as to deepen mutual understanding. This year's meeting was again very exciting, and the unity of the company has been further strengthened, so please look forward to the second half of the year.

As a message from I (Ito,CEO), I emphasized the point of "together with customers (&Co. = our identity)" in my talk. I conveyed the importance of working together with our customers and the importance of facing the importance of pleasing them. This has not changed since we started this business. Based on this unwavering policy, we are advancing our business together with our employees.

Reference: Solving Social Issues Together with Customers! Report on the General Meeting of Employees (Published on 2024.08.09)

<https://jobs.spiderplus.co.jp/spider-class/2200>

Greetings from CEO

Although our stock price has been stagnant recently, we believe that it is meaningless for us to be listed unless we can raise our stock price as a publicly traded company.

We will continue to focus on our business with the importance of facing our customers in a straightforward manner, improving our performance, generating profits that will satisfy everyone, and increasing our stock price. We ask for the continued support of our shareholders and those who are considering becoming shareholders.

Thank you very much for your time today.

and above