

Translation

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Consolidated Financial Results for the Three Months Ended March 31, 2024 (under Japanese GAAP)

May 13, 2024

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 Securities code: 4192 URL: <http://en.spiderplus.co.jp/>
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 Scheduled date to file Quarterly Securities Report (*Shihanki Hokokusho*): May 13, 2024
 Scheduled date to commence payment of dividends: –
 Preparation of supplementary briefing material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes

(Note) Amounts less than one million yen have been omitted.

1. Consolidated financial results for the three months ended March 31, 2024 (from January 1, 2024 to March 31, 2024)

(1) Consolidated operating results (Percentage indicates year-on-year changes.)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss) attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended March 31, 2024	933	–	(142)	–	(139)	–	(142)	–
March 31, 2023	–	–	–	–	–	–	–	–

Note: Comprehensive income For the three months ended March 31, 2024: ¥(142) million (– %)
 For the three months ended March 31, 2023: ¥ – million (– %)

	Basic earnings (loss) per share	Diluted earnings per share
Three months ended March 31, 2024	Yen (4.06)	Yen –
March 31, 2023	–	–

Notes: 1. Since the Company started preparing the consolidated financial statements from the first quarter of the fiscal year ending December 31, 2024, the figures for the three months ended March 31, 2023 and the year-on-year percentage changes are not stated.
 2. The amounts of diluted earnings per share for the three months ended March 31, 2024 are not stated although the Company has potential shares. This is because the Company recorded basic loss per share for the period.

(2) Consolidated financial position

	Total assets	Total net assets	Equity ratio
As of March 31, 2024	Millions of yen 4,414	Millions of yen 3,251	% 73.6
December 31, 2023	–	–	–

Reference: Equity (Shareholders' equity) As of March 31, 2024: 3,250 million yen
 As of December 31, 2023: – million yen

Notes: Since the Company started preparing the consolidated financial statements from the first quarter of the fiscal year ending December 31, 2024, the figures as of December 31, 2023 are not stated.

2. Dividends

	Annual dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended December 31, 2023	Yen –	Yen 0.00	Yen –	Yen 0.00	Yen 0.00
Fiscal year ending December 31, 2024	–	–	–	–	–
Fiscal year ending December 31, 2024 (forecast)	–	0.00	–	0.00	0.00

Note: Revisions to the dividend forecast most recently announced: None

**3. Forecast of consolidated financial results for the fiscal year ending December 31, 2024
(from January 1, 2024 to December 31, 2024)**

(Percentage indicates year-on-year changes.)

	Net sales		Operating income		Ordinary income		EBITDA	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Full year	4,321	—	(429)	—	(446)	—	(233)	—

Note: Revisions to the earnings forecast most recently announced: None

Note: Since the Company started preparing the consolidated financial statements from the first quarter of the fiscal year ending December 31, 2024, the year-on-year percentage changes are not stated.

[Notes]

- (1) Changes in significant subsidiaries for the three months ended March 31, 2024 (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements
 - (i) Changes in accounting policies due to application of new or revised accounting standards: None
 - (ii) Changes in accounting policies due to reasons other than (i) above: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatements of prior period financial statements: None
- (4) Number of shares issued (common shares)
 - (i) Number of shares issued (including treasury shares)

As of March 31, 2024:	35,138,200 shares
As of December 31, 2023:	35,090,800 shares
 - (ii) Number of treasury shares

As of March 31, 2024:	152 shares
As of December 31, 2023:	152 shares
 - (iii) Average number of shares outstanding during the period

Three months ended March 31, 2024:	35,102,762 shares
Three months ended March 31, 2023:	34,192,666 shares

* This quarterly financial results report is not subject to quarterly review procedures to be performed by certified public accountants or an audit firm.

* [Proper use of earning forecasts, and other special notes]

The forward-looking statements including earnings forecast contained in this document are based on information currently available to us and certain assumptions that we believe are reasonable. Accordingly, we can give no assurance that such statements will prove to be correct. Actual results may differ significantly from the results anticipated in these forward-looking statements due to a variety of factors.

We have established SPIDERPLUS VIETNAM CO., LTD. as a consolidated subsidiary in March 2024 and have transitioned to consolidated financial statements from the fiscal year ending December 2024. Forecast of consolidated financial results includes the performance of this consolidated subsidiary. Furthermore, forecast of consolidated financial results for this period remains unchanged from the performance forecast disclosed on February 14, 2024, as it includes the figures from this consolidated subsidiary.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of operating results

The forward-looking statements in this document are based on the judgement that the Company made as of March 31, 2024.

Since the Group started preparing the quarterly consolidated financial statements from the first quarter of the fiscal year ending December 31, 2024, it does not provide comparisons with figures for the first three months a year ago and at the end of the previous fiscal year.

With a mission of creating more “fun” to work, the Group operates the ICT business focused on the development and sales of a construction DX (digital transformation) service branded SPIDERPLUS, which enables DX of the construction management tasks at construction sites.

SPIDERPLUS is a SaaS (Note) that digitalizes, and reduces manpower for, construction management tasks using tablets and smartphones, thereby contributing to improved productivity of construction management tasks performed by site supervisors working for the general construction and electrical/air conditioning equipment industries at large-scale construction sites such as those for buildings and condominiums.

Note: SaaS (Software as a Service) refers to a form of service allowing users to connect to and use software over the internet rather than install the software in users’ computers.

The construction industry, to which the Group mainly provides SPIDERPLUS, has long faced the challenges of labor shortages and long working hours due to the aging of the workforce and a decrease in the number of workers, while both public and private investment have remained strong.

Meanwhile, the Act on the Arrangement of Related Acts to Promote Work Style Reform, which has been applied to the construction industry since April 2024 after a five-year grace period, has imposed a cap on overtime hours. On top of this, rising labor costs and resource prices have caused total costs to increase further. All of these factors have forced the construction industry to tackle productivity improvement as an urgent issue.

Under these market conditions, players in the construction industry are aggressively using IT to improve productivity, and demand for construction DX, in which the Group engages, is expanding.

The Group believes that it needs to continue to make strategic investments in a bid to capture this demand and gain market share in the construction DX market, which is in the midst of an expansion period against the backdrop of the application of the abovementioned Act. The Company has thus positioned the period through the fiscal year ending December 31, 2024 as a period of upfront investment to meet DX needs. Based on this management decision, the Company intends to focus on sales growth rate rather than profitability for a certain period of time. During the fiscal year ending December 31, 2024, the Company is focusing on creating organizations and products with an eye to demand expansion, enhancing its sales capabilities to expand its customer base, and strengthening cooperative structures with sales partners.

Under the above business environment and management decisions, the number of IDs and contracted companies for SPIDERPLUS, a service that promotes DX in the construction industry and contributes to productivity improvement and cost reduction, grew steadily, capturing IT investment demands in the construction industry. In addition, the Company focuses on up-selling to existing customers, including sales of various optional inspection functions, and Average Revenue Per Unit (ARPU), revenue per contracted ID, also increased steadily.

As a result of the above, the Group continued to record strong growth of SPIDERPLUS during the three months ended March 31, 2024 (the period under review) in the numbers of contracted IDs and contracted companies as of March 31, 2024 of 69,321 (+15.2% from March 31, 2023) and 1,901 (+19.3% from March 31, 2023), respectively, and ARPU for March 2024 of 4,437 yen (+11.7% over the same month a year ago). For the period under review, the Group reported net sales of 933,038 thousand yen, operating loss of 142,304 thousand yen, ordinary loss of 139,941 thousand yen, and net loss attributable to owners of the parent of 142,664 thousand yen.

(2) Explanation of financial position

Assets

Total assets as of the end of the period under review amounted to 4,414,216 thousand yen, which mainly consist of cash and deposits of 2,666,945 thousand yen; accounts receivable – trade of 483,690 thousand yen; property, plant and equipment of 246,987 thousand yen; software of 431,481 thousand yen; and software in progress of 236,533 thousand yen.

Liabilities

Total liabilities as of the end of the period under review amounted to 1,163,024 thousand yen, which mainly consist of short-term borrowings of 250,000 thousand yen, current portion of long-term borrowings of 68,076 thousand yen, accounts payable – other of 228,151 thousand yen, and long-term borrowings of 165,210 thousand yen.

Net assets

Total net assets as of the end of the period under review amounted to 3,251,191 thousand yen, which mainly consist of share capital of 2,480,989 thousand yen, capital surplus of 2,758,548 thousand yen, and retained earnings of negative 1,998,678 thousand yen.

(3) Forward-looking information including consolidated earnings forecast

We have established SPIDERPLUS VIETNAM CO., LTD. as a consolidated subsidiary in March 2024 and have transitioned to consolidated financial statements from the fiscal year ending December 2024. Forecast of consolidated financial results includes the performance of this consolidated subsidiary. Furthermore, forecast of consolidated financial results for this period remains unchanged from the performance forecast disclosed on February 14, 2024, as it includes the figures from this consolidated subsidiary.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

	(Thousands of yen)
	Current quarter (As of March 31, 2024)
Assets	
Current assets:	
Cash and deposits	2,666,945
Accounts receivable – trade	483,690
Other	112,699
Total current assets	3,263,334
Non-current assets:	
Property, plant and equipment	246,987
Intangible assets:	
Software	431,481
Software in progress	236,533
Total intangible assets	668,015
Investments and other assets	235,879
Total non-current assets	1,150,881
Total assets	4,414,216
Liabilities	
Current liabilities:	
Short-term borrowings	250,000
Current portion of long-term borrowings	68,076
Accounts payable – other	228,151
Accrued expenses	94,786
Income taxes payable	12,340
Other	332,568
Total current liabilities	985,922
Non-current liabilities:	
Long-term borrowings	165,210
Lease obligations	8,705
Other	3,187
Total non-current liabilities	177,102
Total liabilities	1,163,024
Net assets	
Shareholders' equity:	
Share capital	2,480,989
Capital surplus	2,758,548
Retained earnings	(1,988,678)
Treasury shares	(184)
Total shareholders' equity	3,250,675
Share acquisition rights	516
Total net assets	3,251,191
Total liabilities and net assets	4,414,216

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income**Quarterly consolidated statement of income**

	(Thousands of yen)
	Three months ended March 31, 2024 (from January 1, 2024 to March 31, 2024)
Net sales	933,038
Cost of sales	319,808
Gross profit	613,229
Selling, general and administrative expenses	755,534
Operating income (loss)	(142,304)
Non-operating income:	
Interest income	14
Commission income	4,540
Other	574
Total non-operating income	5,129
Non-operating expenses:	
Interest expenses	2,151
Commission expenses	614
Total non-operating expenses	2,766
Ordinary income (loss)	(139,941)
Net income (loss) before income taxes	(139,941)
Income taxes – current	2,723
Total income taxes	2,723
Net income (loss)	(142,664)
Net income (loss) attributable to owners of the parent	(142,664)

Quarterly consolidated statement of comprehensive income

	(Thousands of yen)
	Three months ended March 31, 2024 (from January 1, 2024 to March 31, 2024)
Net income (loss)	(142,664)
Comprehensive income	(142,664)
Comprehensive income attributable to:	
Owners of the parent	(142,664)

(3) Notes to quarterly consolidated financial statements

Going concern assumption

Not applicable.

Significant changes in shareholders' equity

Not applicable.

Application of accounting treatment specific to the preparation of quarterly consolidated financial statements

Calculation of tax expenses

The Company made a reasonable estimate of an effective tax rate, determined after applying the tax effect accounting on net income before income taxes for the fiscal year including the period under review, and then calculated income taxes by multiplying net income before income taxes by the estimated effective tax rate.

Additional information

Significant matters that serve as the basis for the preparation of quarterly consolidated financial statements

The Group started preparing the quarterly consolidated financial statements from the first quarter of the fiscal year under review. The following are the significant matters that serve as the basis for the preparation of quarterly consolidated financial statements.

1. Scope of consolidation

Number of consolidated subsidiaries: 1

Name of a consolidated subsidiary: SPIDERPLUS VIETNAM CO., LTD.

2. Application of the equity method

Not applicable.

3. Fiscal year of the consolidated subsidiary

The closing date of the consolidated subsidiary is September 30.

In preparing the quarterly consolidated financial statements, the Company uses the quarterly financial statements based on a provisional closing of accounts conducted as of the quarterly consolidated balance sheet date.