

February 16, 2022

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SpiderPlus & Co.

SpiderPlus & Co.

Financial Results Briefing for the FY2021 of the Fiscal Year Ending December 2021

Presenter: President and Representative Director, Kenji Ito (“CEO Ito”)
Manager of IR Office, Yukihiro Omura (“CFO Omura”)

Date and time: February 14, 2021, 5:00 PM-5:40 PM

[appearance]

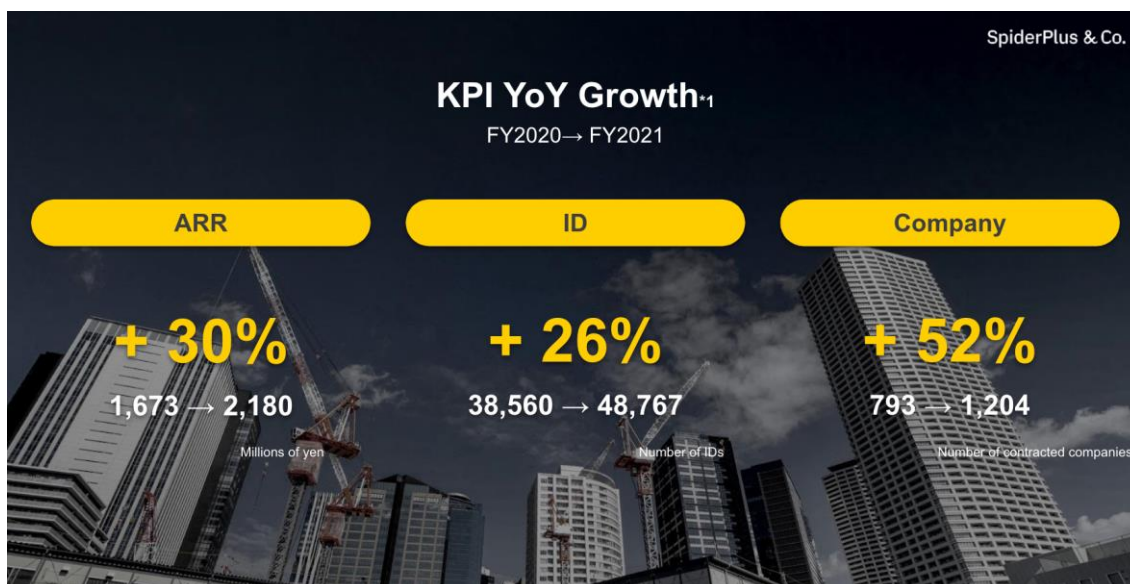


CEO Ito

I am Ito, CEO of SpiderPlus & Co.

This is our first full-year earnings announcement since our listing.

That's the first time I'm going to.



CEO Ito

The first is KPI. We achieved a 30% growth rate, with an ARR of 2.1 billion yen, over 48,000 IDs, and over 1200 contracted companies.

ICT segment sales and number of IDs were in line with plan

Results: ICT segment sales

Actual
99.1%*1
 1.936 billion yen

FY2021 forecast
1,953 million yen

Actual: Number of IDs

Actual
101.6%*2
 48,767ID

FY2021 forecast
 Over **48,000**IDs

End of Dec. 2020
38,560ID

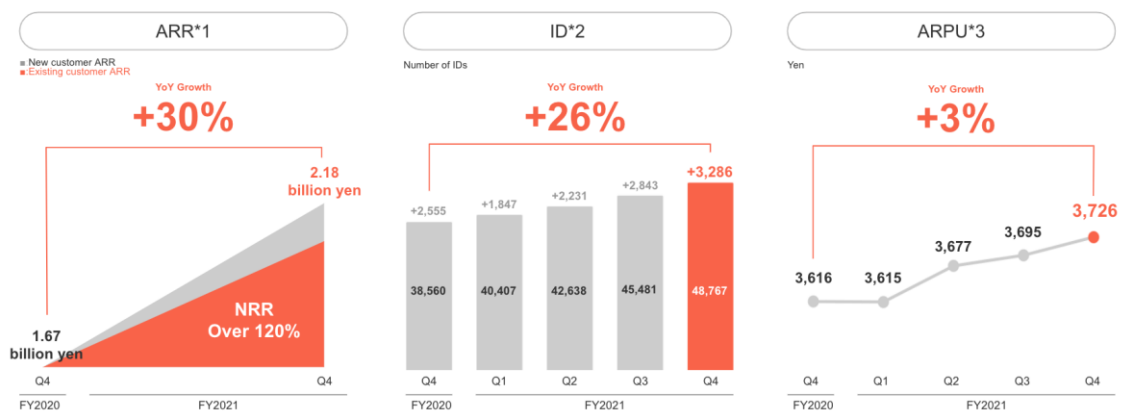
CEO Ito

Results were generally in line with forecasts.

Next, I will explain the factors behind the growth in net sales.

Sales growth factors

ID penetration among existing customers will continue to be a growth driver in FY2021



CEO Ito

ARR is growing at more than 30% as I mentioned earlier.

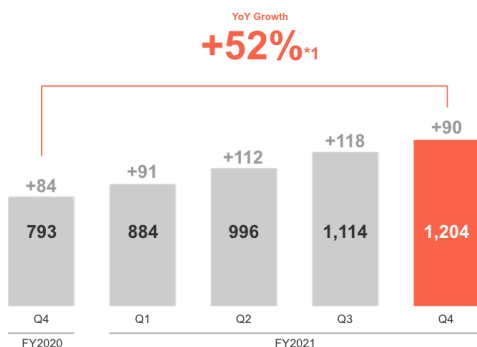
Growth is primarily driven by the addition of IDs for existing customers as usual, with the NRR exceeding our benchmark of 120%.

In terms of ARPU, the growth rate was as expected.

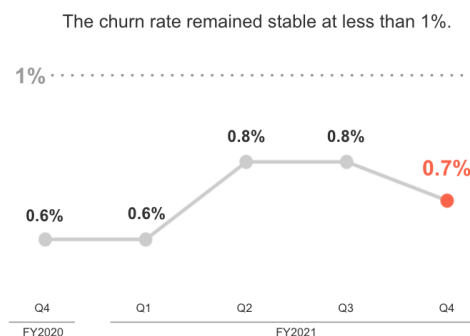
Net increase of over 400 contracted companies per year is a record high

The renewal rate is also stable, and the customer base is steadily expanding

Number of contracted companies



Churn rate *2



CEO Ito

About the number of contracted companies.

In the previous fiscal year, we achieved record net increases by implementing TVCM and strengthening web-based marketing. We intend to continue to aggressively invest in marketing to expand our market share and customer base. As the number of new customers tends to increase over the next two to three years, this new customer will contribute to future growth. The churn rate continues to be high despite a large increase in the number of contracted companies.

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FY2021 Business Highlight

Expansion of share

Japan + Asia

- Developed SPIDERPLUS PARTNER
- Full-scale launch of BPO services

Expansion of functions

Vertical + Horizontal

- In collaboration with Osaka Electric Industry Co., Ltd., Began full-scale development in the maintenance field

Expansion of domains

SPIDERPLUS + Data

- Focus on renewing and developing SPIDERPLUS*1

Other

- Launched Academic Plan for educational institutions
- Entered into a business transfer agreement for ENG business*2

CEO Ito

Finally, review the business highlights.

In the previous fiscal year, TVCM began in February, with a number of events, including IPOs to raise funds, releases of new services and alliances with other companies.

We believe that by launching SPIDERPLUS PARTNER and BPO services in earnest, we have not only been able to deepen our penetration into the construction industry, but also have been able to

sow seeds to expand into areas other than the construction industry, such as the commencement of collaborations with Osaki Electric Industry.



CFO Omura

Next, I will explain the financial results for the previous fiscal year.

Income Statement

SpiderPlus & Co.

Millions of yen	FY2021.Q3 Accounting Period	FY2021.Q4 Accounting Period	QoQ	FY2020.Q4 Cumulative period	FY2021.Q4 Cumulative period	YoY
Net sales	523	593	+13.3%	1,973	2,206	+11.8%
Cost of sales	226	265	+17.2%	924	944	+2.1%
Gross profit	297	327	+10.2%	1,048	1,262	+20.4%
<i>Gross profit margin</i>	56.7%	55.2%	-1.5pt	53.1%	57.2%	+4.1pt
SGA cost	383	462	+20.5%	935	1,695	+81.2%
Operating income	-86	-134	—	112	-433	—
<i>Operating income margin</i>	—	—	—	5.7%	—	—
Ordinary income	-89	-151	—	106	-503	—
Net income	-90	-155	—	103	-511	—

Cumulative FY2021.Q4 Period

Net sales

- Company-wide net sales increased to 2.206 billion (YoY+11.8%), due to an increase in net sales in the ICT business (YoY+30.5%)

Gross profit margin

- Gross profit margin rose to 57.2% (YoY+4.1pp) in line with growth in sales in the ICT segment, where the gross profit margin is high.

SGA cost

- SG&A expenses increased to 1.695 billion (YoY+81.2%) due to upfront investment in the ICT business, mainly human resources and marketing investments

Other Income and Expenses

- Non-operating expenses of 71 million were incurred mainly due to listing-related expenses in March 2021.

CFO Omura

Sales were 2.206 billion yen, up 11% year on year.

We invested in human resources and marketing, which are forward-looking investments, resulting in an operating loss of 433 million yen.

This was accompanied by listing-related expenses and other expenses, resulting in a net Δ 511 million yen.

Compared to the initial forecasts, operating income has been upwardly revised by around 107 million yen.

As an additional 80 million yen has been recorded as software in progress, the investment has been made.

Income Statement by Segment

SpiderPlus & Co.

ICT business	Millions of yen	FY2021.Q3 Accounting Period	FY2021.Q4 Accounting Period	QoQ	FY2020.Q4 Cumulative period	FY2021.Q4 Cumulative period	YoY
Net sales	501	501	535	+6.8%	1,483	1,936	+30.5%
Cost of sales	200	200	215	+7.5%	514	710	+38.0%
Gross profit	301	301	320	+6.3%	969	1,226	+26.5%
<i>Gross profit margin</i>	60.1%	60.1%	59.8%	-0.3pt	65.3%	63.3%	-2.0pt
SGA cost	219	219	290	+4.7%	536	1,043	+94.4%
Segment profit	81	81	29	—	432	182	-57.7%

Cumulative FY2021.Q4 Period

Net sales

- Net sales in the ICT segment increased to 1.936 billion (YoY+30.5%), mainly due to growth in IDs and ARPU.

Gross profit margin

- Secure gross profit margin of 63.3%

SGA cost

- Increased to 1.043 billion yen due to upfront investment in human resources and marketing, etc. (YoY+94.4%)

ENG business	Millions of yen	FY2021.Q3 Accounting Period	FY2021.Q4 Accounting Period	QoQ	FY2020.Q4 Cumulative period	FY2021.Q4 Cumulative period	YoY
Net sales	22	22	58	+156.1%	489	270	-44.8%
Gross profit	-3	-3	7	-	79	36	-54.4%
<i>Gross profit margin</i>	-	-	12.8	-	16.2%	13.4%	-2.8pt
Segment profit	-4	-4	6	-	73	32	-55.4%

Net sales

- YOY-44.8%, but exceeded forecasts (In the previous fiscal year, there was a one-time large-scale order, and in the fiscal year under review the Company does not plan to conduct aggressive sales activities.)

- The ENG business was transferred on January 4, 2022.

CFO Omura

We will continue to look at the results by segment.

In the ICT business, net sales amounted to 1.936 billion in the cumulative period of the previous fiscal year, an increase of 30.5% year on year.

In this business, operating income was 182 million yen, a decrease of 57% as a result of upfront investment.

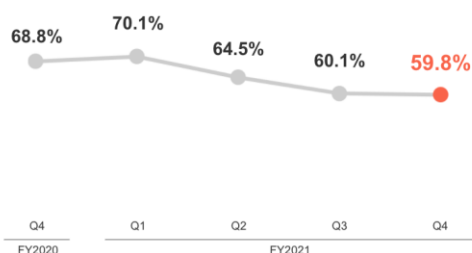
In the ENG business, net sales declined 270 million yen, or 44.8%, due to the absence of large-scale projects compared to the previous fiscal year, and the results were almost in line with the budget.

Due to the transfer of business during the fiscal year under review, the ENG business will be the final settlement of accounts.

Gross profit margin in the ICT business and its analysis

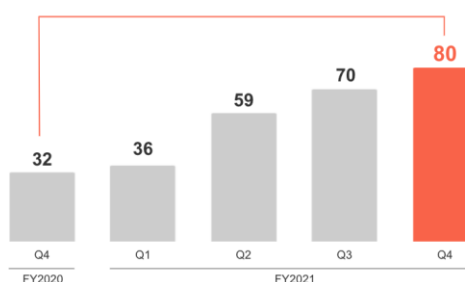
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Trends in gross profit margin



Trends in development personnel

Includes the number of SES personnel associated with Development.
Number of employees



CFO Omura

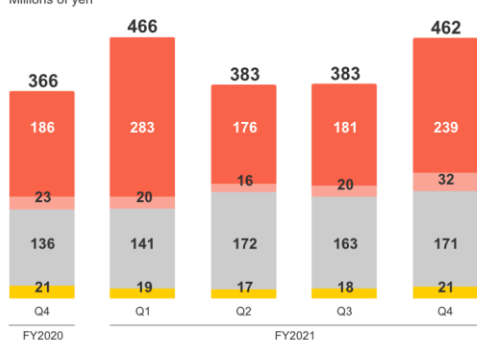
S&M increased as a result of increased sales commissions to agencies and sales promotions in line with the increase in sales.

SG&A cost

SpiderPlus & Co.

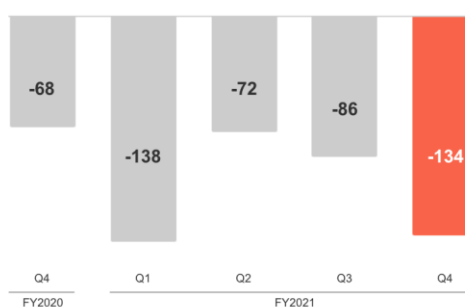
SG&A Cost¹⁾

■ : S&M²⁾ ■ : R&D³⁾ ■ : G&A⁴⁾ ■ : Other
Millions of yen



Operating profit

Millions of yen



CFO Omura

S&M increased as a result of increased sales commissions to agencies and advertising.

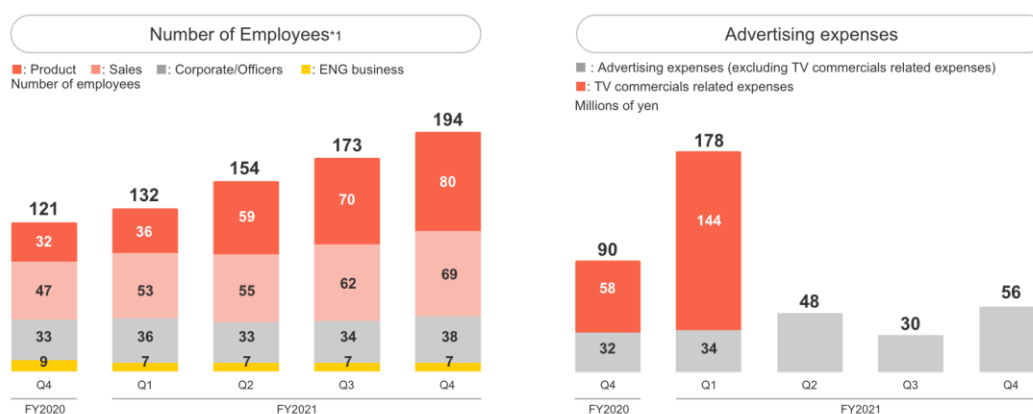
As a result of upfront investment in the previous quarter, including this, we recorded an operating loss.

Status of forward-looking investment

SpiderPlus & Co.

Successful recruitment of many product personnel throughout the year

Advertising contributes to an increase in the number of new subscribers



CFO Omura

This is the status of upfront investment.

In the previous fiscal year, we actively invested in human resources.

At the same time, advertising and other expenses, including TVCM, have tripled to 314 million.

We invest in marketing while keeping an eye on efficiency.

Balance Sheet

SpiderPlus & Co.

Millions of yen	FY2018	FY2019	FY2020	FY2021	
Cash and deposits	414	408	469	4,196	
Current assets	654	786	820	4,708	Current assets
Fixed assets	70	79	84	717	<ul style="list-style-type: none"> Increased mainly due to financing through issuance of new shares following the listing of shares in March 2021(Fund raising amount: 4.66 billion)
Total assets	724	866	905	5,426	Fixed assets
Current liabilities	274	405	396	770	<ul style="list-style-type: none"> Increased due to software in progress associated with ongoing renovation and development of SPIDERPLUS and lease deposits related to new offices scheduled to be relocated in May 2022
Long-term liabilities	167	114	99	33	Current liabilities
Total liabilities	442	519	496	804	<ul style="list-style-type: none"> Increased due to acceptance of deposits commensurate with security deposits
Total net assets	282	346	408	4,622	Long-term liabilities
Equity ratio	39.0%	39.9%	45.1%	85.2%	<ul style="list-style-type: none"> Decrease due to repayment of long-term debt

CFO Omura

This will be the balance sheet.

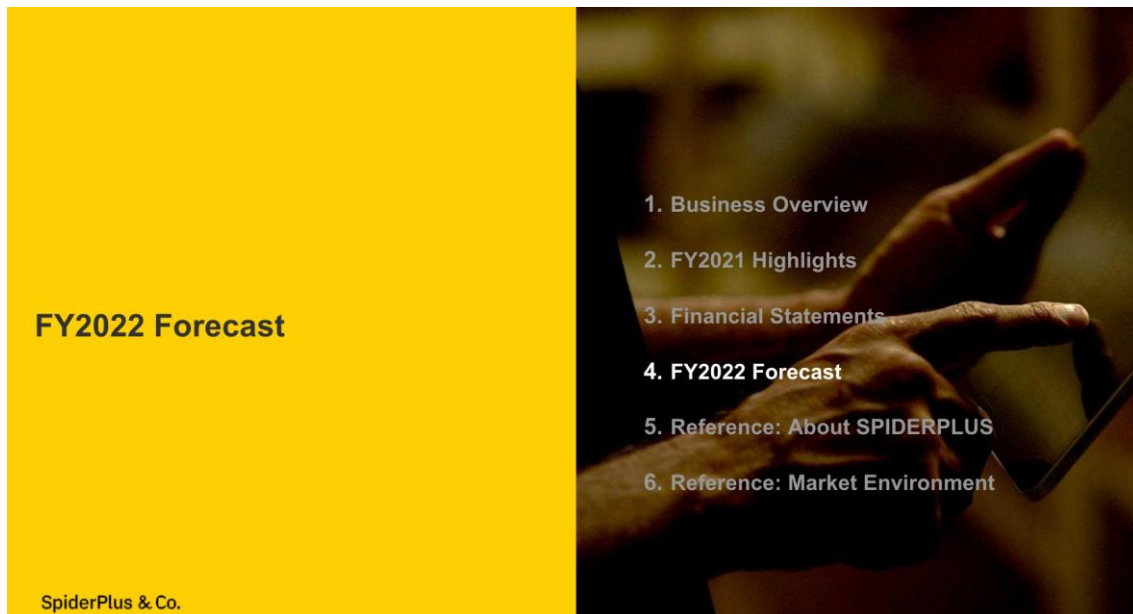
Funding from listing will bring the balance of cash and deposits to around 4.2 billion, and the equity ratio will also be around 85%.

Of the fixed assets, about 381 million yen is recorded as software under renovation.

Millions of yen	FY2019	FY2020	FY2021	
Net cash provided by (used in) operating activities	20	130	-493	Net cash provided by (used in) operating activities <ul style="list-style-type: none"> Impact of net loss attributable to upfront investment in the ICT business, etc.
Net cash used in investing activities	-17	12	-610	Cash flows from investing activities <ul style="list-style-type: none"> Increase in software in progress due to ongoing SPIDERPLUS renovations and the impact of an increase in security deposits for new offices following the relocation of the head office in May 2022.
Net cash used in financing activities	-6	-43	4,830	Cash flows from financing activities <ul style="list-style-type: none"> The main factors behind the increase were proceeds from the issuance of shares of ¥4.425 billion and proceeds from the sale of treasury stock of ¥234 million. Both figures are mainly related to the listing of shares in March 2021.
Net increase (decrease) in cash and cash equivalents	-3	99	3,726	
Cash and cash equivalents at beginning of year	368	365	464	
Cash and cash equivalents at end of year	365	464	4,191	

CFO Omura

The end is the cash flow situation. As a Δ of listing on the stock exchange, net cash provided by financing activities was 4.83 billion yen, operating activities was 483 million yen, and investing activities was 616 million yen.



CEO Ito

Next, I will explain the earnings forecast for the current fiscal year.

Market opportunity

Rapidly Expanding DX Needs for Application of Work Style Reform Related Laws^{*1}
in 2024

Prior investment

Major investment in two axes of product sales, looking ahead to the turning point
in 2024

Earnings forecast

Net sales: 2.66 billion yen,
Operating income: ▲ 1.18 billion yen due to strategic investments.

CEO Ito

The most important point is that there was a turning point in the construction industry in 2024, and the DX needs of the construction industry are beginning to expand rapidly toward this point. In order to capture expanding needs, our strategy is to make forward-looking investments on two axes and build a system at a rapid pace. As a result, we are forecasting net sales of ¥2.66 billion and an operating loss of ¥1.18 billion for the current fiscal year.



CEO Ito

This is about the rapid expansion of DX needs, which is an important point.

Construction companies have begun preparations for DX at a rapid pace for 2024.

There are two major factors behind this.

The first issue is the construction industry itself. The shortage of 1 million workers will be a major issue in the future due to the shortage of workers and the aging of society. The second is the impact of government policy. The Work Style Reform Law is finally applied to the construction industry, where working hours are customarily long. From 2024, two years from now. As a result, the issue of a shortage of workers is likely to become even more serious. In other words, the two years through 2024 will be a very important "preparation period" for companies in the construction industry and a very important "business opportunity" for us as well.

In fact, many of our customers have established a new DX department, which is rapidly increasing their understanding of DX, and we have come to receive many new ideas.

As we have been involved in construction DX for 10 years, including such familiar cases, I strongly feel that it is expanding.

Next, I will explain how we will capture the significant demand that arises from this turning point.

Milestone Year 2024

With the "Growth Acceleration Engine" toward the turning point
Upfront investments to build and strengthen



CEO Ito

We will capture growing demand by identifying and developing customer needs and strengthening our system for prompt delivery to customers.

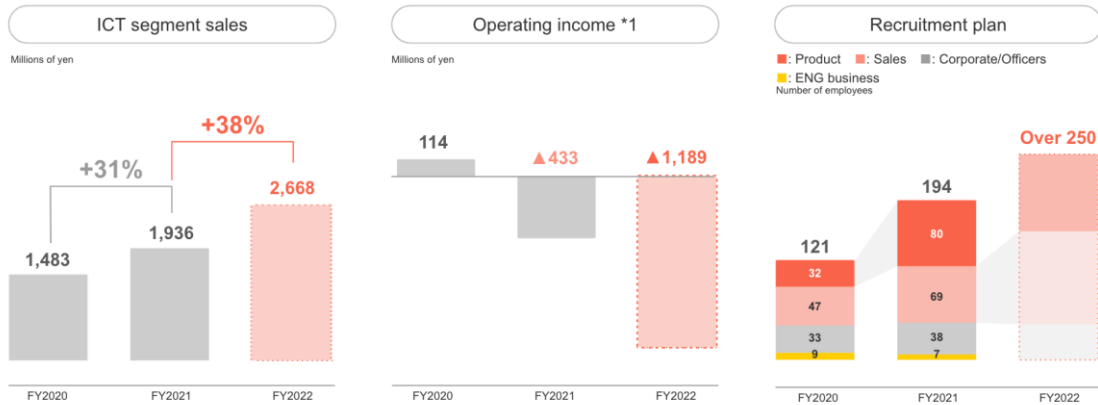
We refer to this system as the "growth acceleration engine."

In order to strengthen the "growth acceleration engine," we will advance product sales and forward-looking investment on two axes.

We made up-front investments in the previous fiscal year, but we intend to make further upfront investments in the current fiscal year, which is two years remaining until 2024.

Based on this philosophy, I will explain our earnings forecasts for the current fiscal year.

Growth rate as a benchmark improved as a result of prior investment in the previous fiscal year
 FY2022 also focuses on human investment as an upfront investment period in particular



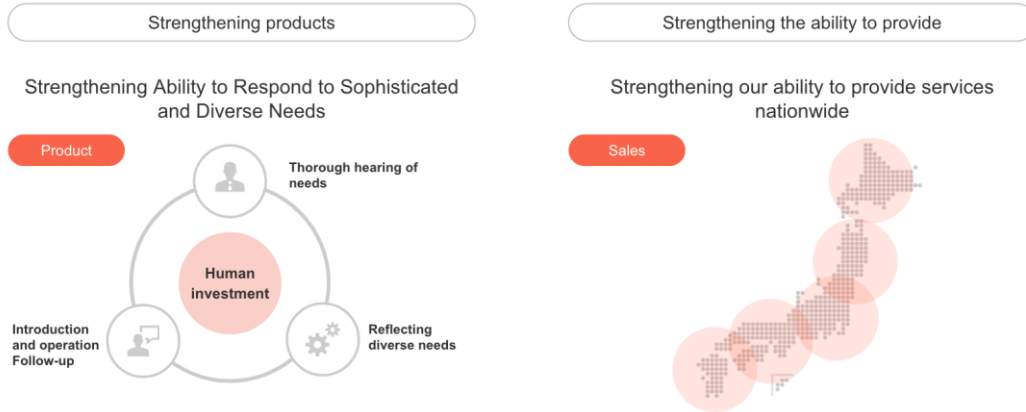
CEO Ito

Next, we outline the current fiscal year.

First, the sales growth rate improved as a result of upfront investment in the previous fiscal year.

Then, due to the upfront investment I explained earlier, the operating loss for the current fiscal year will expand. The main purpose of forward-looking investment is human investment. We will actively recruit outstanding members who take on challenges in the construction industry and create the "Best Team for Realizing Japan's Construction DX." Next, I would like to explain in detail the system we build through human investment.

Building a Strong Structure through Human Investment Toward a Major Transition Point in the Construction Industry



CEO Ito

Through human investment, we will "strengthen products" and "strengthen our ability to provide products."

In strengthening our products, we conducted human investment up to the previous fiscal year to hear about customer needs, reflect diverse needs, and accelerate introduction and operation.

Strengthening our ability to provide products will be a measure to broaden and quickly deliver products to on-site customers.

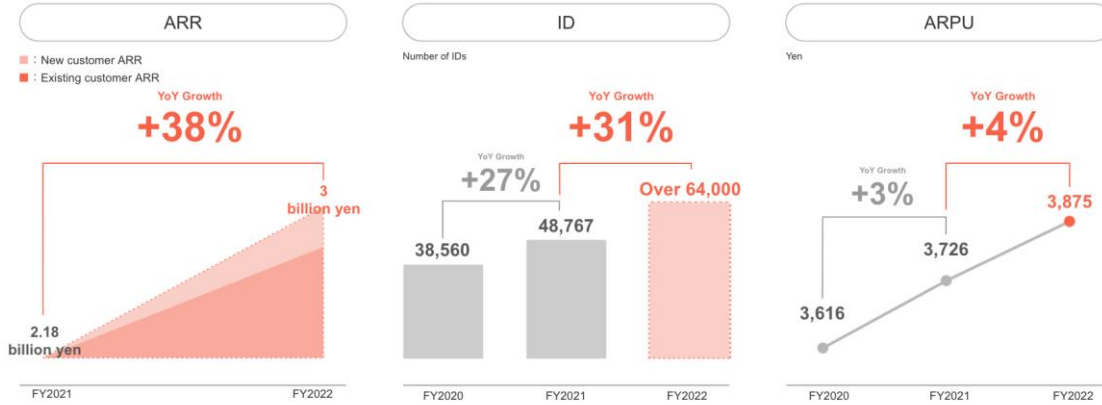
With this human investment, we will prepare for a major turning point in the construction industry.

Next, I will explain the KPI.

Expanding penetration by adding IDs to existing customers is an important measure

ARPU is expected to grow at the same rate as the previous fiscal year due to the ongoing

SPIDERPLUS renewal

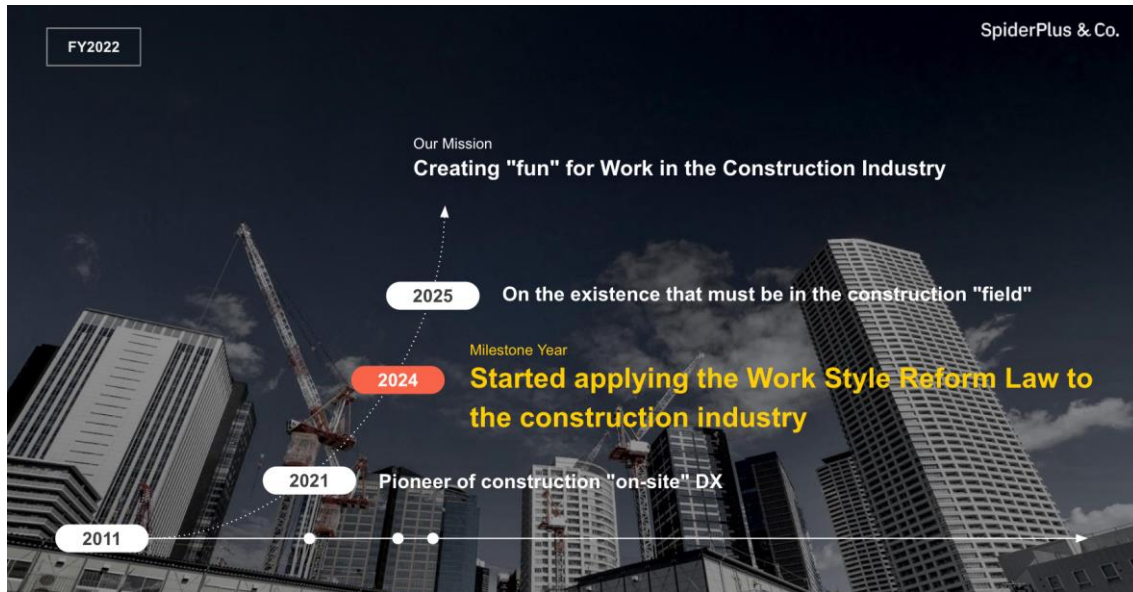


CEO Ito

For the current fiscal year, we are targeting an ARR growth rate of 38%, or ¥3 billion.

We will continue to focus on adding IDs for existing customers as the addition of IDs for existing customers will be a source of growth

ARPU grew 3% in the previous fiscal year, but is expected to grow 4% in the current fiscal year.



CEO Ito

Ten years have passed since we began offering Spider Plus, and last year we became the world's first construction DX company to be listed.

The construction industry will continue to face challenges such as a shortage of workers and an aging society, and this situation will become more serious. Furthermore, in April 2024, the Work Style Reform Act will apply, limiting long working hours by law. Under these circumstances, it is essential to increase productivity at the site by promoting DX. Based on our past experience, we will work with customers in the construction industry to more aggressively invest in this fiscal year in order to overcome this major turning point.

In addition, we will create a world in which "joy" is taken for granted by the construction industry's mission of "work."

[Q&A]

Question 1

Please tell us what concrete measures will be taken for "products" and "sales" for upfront investment in the fiscal year ending December 2022, respectively, and the balance between "products" and "sales" for human investment.

CFO Omura

To "strengthen products," we will strengthen our development system. With regard to sales, we will strengthen our ability to provide them nationwide. On a personnel basis, we will continue to aim for a development system of 100 employees. We plan to aggressively adopt a sales system, although it will not double the previous year's level.

Question 2

What kind of growth image should you have in fiscal 2023? Is the image that the growth rate of IDs and ARPU will accelerate compared to fiscal 2022?

CFO Omura

I hope that the growth rate of IDs and ARPU will accelerate.

Question 3

Have you done better or worse in your assumptions immediately after the IPO?

CFO Omura

The underlying situation has not changed, but one thing that has improved is that our name recognition has improved, which has led to a large number of inquiries for business alliances.

Question 4

Will the timing of the return to profitability be delayed due to upfront investment in the current fiscal year? Or has you planned upfront investment in the current fiscal year from the past?

CFO Omura

The investment plan for the current fiscal year has been as before, but we intend to continue making upfront investments until the conversion period in 2024.

Question 5

How many people are from the construction industry inside the company? Are there some new recruits from the construction industry at a certain rate?

CFO Omura

There are about a tenth of people from the construction industry in the company, including Ito. The percentage of employees from the construction industry has further increased in recent hiring trends.

Question 6

Could you please let us know if there are any shades of areas to be cultivated as a development of rural areas?

CEO Ito

We are focusing on government-designated cities. Since there are many companies with more than 100 employees in these regions, we are considering expanding into these regions.

Question 7

The image is that after developing government-designated cities, local cities will also be developed?

CEO Ito

As you say,

Above

[Regarding the handling of this material]

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