

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

SpiderPlus & Co.

May 16, 2022

Company name: SpiderPlus & Co.

Representative: Kenji Ito,

CEO and Representative Director

(Securities code:4192 TSE Growth Market)

Contact: Yutaka Fujiwara

Director, Executive Officer, and CFO

(TEL. +81-3-6709-2834)

(Correction and Numerical Data Correction)

Notice of Partial Revision of “Non-Consolidated Financial Results for the Three Months Ended March 31, 2022(under Japanese GAAP)”

The following errors were found in the "Non-Consolidated Financial Results for the Three Months Ended March 31, 2022 (under Japanese GAAP)" disclosed on May 13, 2022. The corrected portion is the underlined portion. "Forecasts for the fiscal year ending Dec. 31,2022" have not been revised from that announced on Feb. 10, 2022.

<Before revision>

3. Forecast of financial results for the fiscal year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

(Percentage indicates year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	2,266	2.7	(1,189)	–	(1,219)	–	(1,094)	–	–

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

<After revision>

3. Forecast of financial results for the fiscal year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

(Percentage indicates year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	<u>2,668</u>	<u>20.9</u>	(1,189)	–	(1,219)	–	(1,094)	–	–

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

End.

Translation

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**Non-Consolidated Financial Results
for the Three Months Ended March 31, 2022
(under Japanese GAAP)**

May 13, 2022

Company name: SpiderPlus & Co. Listing: Tokyo Stock Exchange
 Securities code: 4192 URL: <http://en.spiderplus.co.jp/>
 Representative: Kenji Ito, CEO and Representative Director
 Contact: Yutaka Fujiwara, Director, Executive Officer and CFO
 Phone: +81-3-6709-2834
 Scheduled date to file Quarterly Securities Report (*Shihanki Hokokusho*): May 13, 2022
 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. Financial results for the three months ended March 31, 2022 (from January 1, 2022 to March 31, 2022)

(1) Operating results (Percentage indicates year-on-year changes.)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
March 31, 2022	568	3.5	(211)	–	(215)	–	(86)	–
March 31, 2021	549	–	(138)	–	(182)	–	(184)	–

	Basic earnings (loss) per share	Diluted earnings per share
	Yen	Yen
Three months ended		
March 31, 2022	(2.58)	–
March 31, 2021	(6.42)	–

- Notes: 1. As the quarterly financial statements were prepared starting from the third quarter of the fiscal year ended December 31, 2020, the year-on-year changes for the three months ended March 31, 2021 are not presented.
 2. The amounts of diluted earnings per share for the three months ended March 31, 2021 and 2022 are not stated although the Company has potential shares. This is because the Company recorded basic loss per share for both of the periods.

(2) Financial position

	Total assets	Total net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
March 31, 2022	5,368	4,555	84.8
December 31, 2021	5,426	4,622	85.2

Reference: Equity (Shareholders' equity):

As of March 31, 2022: 4,555 million yen

As of December 31, 2021: 4,621 million yen

2. Dividends

	Annual dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2021	–	0.00	–	0.00	0.00
Fiscal year ending December 31, 2022	–				
Fiscal year ending December 31, 2022 (forecast)		0.00	–	0.00	0.00

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

3. Forecast of financial results for the fiscal year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

(Percentage indicates year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	2,668	20.9	(1,189)	—	(1,219)	—	(1,094)	—	—

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

[Notes]

- (1) Application of accounting treatment specific to the preparation of quarterly financial statements: Yes
- (2) 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: Yes
 - (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
- (3) Number of shares issued (common shares)
 - (i) Number of shares issued (including treasury shares)
 - As of March 31, 2022: 33,544,000 shares
 - As of December 31, 2021: 33,410,900 shares
 - (ii) Number of treasury shares
 - As of March 31, 2022: 71 shares
 - As of December 31, 2021: 71 shares
 - (iii) Average number of shares outstanding during the period
 - Three months ended March 31, 2022: 33,435,247 shares
 - Three months ended March 31, 2021: 28,695,433 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.

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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, 2022. Since its inception, SpiderPlus & Co. had operated the engineering business, primarily in thermal insulation work. The Company, however, transferred the business to Armacell Japan K.K. on January 4, 2022. As a result, the Company has been operating the ICT business under a single business segment since the beginning of the first quarter ended March 31, 2022.

With a mission to create more “fun” to work, the Company operates the ICT business focused on the development and sale of SPIDERPLUS, which is a SaaS application for architectural drawings and construction site management used for digital transformation (DX) of operations at construction sites.

In the construction sector in which the Company operates, there have been structural issues such as a chronic labor shortage and long working hours. On top of these issues, with the end of the exemption period for the application of overwork limit under the Act on the Arrangement of Related Acts to Promote Work Style Reform approaching in April 2024, we see a growing interest in improving productivity and a surging demand for related services.

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.

During the three months ended March 31, 2022 (the “period under review”), the economic outlook remained uncertain due to a growing uncertainty of the economic environment caused by the Russia-Ukraine conflict, together with the sharp decline in the yen against the U.S. dollar mainly caused by the U.S. interest rate hike. In Japan, there are still concerns over the economic slowdown due to COVID-19 triggered by the quasi-emergency measures applied in some prefectures. Nevertheless, the Japanese economy is emerging from the stagnancy seen last year, when a state of emergency was declared.

The domestic construction industry faces strong demand for IT investment to address the aforementioned issues related to the productivity improvement. An increase in costs, especially a rise in material prices, also contributes to such strong investment appetite for IT. SPIDERPLUS, our core service, helps enhance productivity and reduce costs by pushing forward with its implementation of DX. As a result of capturing the sector's demand for IT investment, both the number of IDs and contracted companies for SPIDERPLUS increased steadily. We also work to expand our online marketing and fortify our sales organization structure to minimize the effects of COVID-19 on our business.

SPIDERPLUS, the core service for the ICT business, is not only a subscription-based model, but also a business model that is designed to increase IDs within existing customers over several years since its introduction. Given the characteristics of the service, we believe it is important that we expand our business from existing customers besides winning new customers, and that we need to keep delivering compelling products tailored to customer needs. Also, in the run-up to the application of the overtime limit under the Act on the Arrangement of Related Acts to Promote Work Style Reform to the construction industry scheduled for 2024, we anticipate that the demand from the construction sector for improving their productivity will be even stronger in 2023 and later.

The Company believes that continued strategic investment is necessary to ensure to capture these demands and gain market share swiftly, viewing the time through FY2024 as a period for up-front investment to respond DX needs. In this business environment, we will focus on the sales growth rate rather than profitability for a certain period of time.

As a result of the above, the Company recorded strong growth during the period under review both in the number of contracted IDs of 49,843 (+23.4% YoY) and the contracted companies of 1,258 (+42.3% YoY). Accordingly, the Company reported net sales of 568,691 thousand yen (compared to 549,496 thousand yen for the same period last year), operating loss of 211,129 thousand yen (compared to operating loss of 138,484 thousand yen for the same period last year), ordinary loss of 215,676 thousand yen (compared to ordinary loss of 182,950 thousand yen for the same period last year), loss before income taxes of 84,647 thousand yen (compared to loss before income taxes of 182,950 thousand yen for the same period last year) and net loss of 86,200 thousand yen (compared to net loss of 184,132 thousand yen for the same period last year). Note that the Company recorded gain on sale of businesses of 131,586 thousand yen in the extraordinary income, which arose from the transfer of the Engineering business on January 4, 2022.

(2) Explanation of financial position

Assets

Current assets as of the end of the period under review decreased by 241,286 thousand yen from the end of the previous fiscal year to 4,467,443 thousand yen. This was attributable mainly to a decrease in cash and deposits of 125,952 thousand yen due to the recording of operating loss caused by the upfront investment, a decrease in consumption taxes receivables of 62,451 thousand yen, and a decrease in costs on construction contracts in progress and other inventories of 64,790 thousand yen because of the transfer of the Engineering business.

Non-current assets increased by 183,641 thousand yen from the end of the previous fiscal year to 901,227 thousand yen. This was attributable mainly to an increase in software in progress of 151,887 thousand yen along with a progress of system renewal, and an increase in construction in progress of 59,820 thousand yen due to the construction for head office relocation.

As a result, total assets decreased by 57,644 thousand yen from the end of the previous fiscal year to 5,368,670 thousand yen.

Liabilities

Current liabilities as of the end of the period under review increased by 18,170 thousand yen from the end of the previous fiscal year to 789,101 thousand yen. This is attributable mainly to an increase in deposits received of 57,921 thousand yen, which was partially offset by decreases in income taxes payable of 27,165 thousand yen and current portion of long-term borrowings of 12,282 thousand yen.

Non-current liabilities decreased by 9,574 thousand yen from the end of the previous fiscal year to 23,705 thousand yen. This is attributable mainly to a decrease in long-term borrowings of 8,331 thousand yen.

As a result, total liabilities increased by 8,596 thousand yen from the end of the previous fiscal year to 812,806 thousand yen.

Net assets

Net assets as of the end of the period under review decreased by 66,240 thousand yen from the end of the previous fiscal year to 4,555,863 thousand yen. This is attributable to a decrease of 86,200 thousand yen in retained earnings due to the recording of net loss, which was partially offset by an increase of 9,981 thousand yen each in share capital and legal capital surplus as a result of an exercise of stock options.

(3) Forward-looking information including earnings forecast

No change has been made to the forecast of financial results for the fiscal year ending December 31, 2022, which was disclosed in the non-consolidated financial results for the fiscal year ended December 31, 2021.

2. Quarterly Financial Statements and Major Notes

(1) Quarterly balance sheets

	(Thousands of yen)	
	Previous fiscal year (As of December 31, 2021)	Current quarter (As of March 31, 2022)
Assets		
Current assets:		
Cash and deposits	4,196,695	4,070,743
Notes receivable – trade	13,405	–
Accounts receivable – trade	309,452	298,723
Work in process	3,923	–
Costs on construction contracts in progress	59,289	–
Raw materials and supplies	1,577	–
Prepaid expenses	58,123	87,167
Consumption taxes receivable	62,451	–
Other	3,811	10,808
Total current assets	4,708,729	4,467,443
Non-current assets:		
Property, plant and equipment:		
Buildings	52,881	56,021
Vehicles	21,061	7,594
Tools, furniture and fixtures	60,750	46,637
Construction in progress	4,000	63,820
Accumulated depreciation	(66,140)	(66,874)
Total property, plant and equipment	72,553	107,200
Intangible assets:		
Software	2,257	1,849
Software in progress	381,245	533,133
Total intangible assets	383,502	534,982
Investments and other assets:		
Leasehold and guarantee deposits	260,368	258,435
Other	1,161	608
Total investments and other assets	261,529	259,043
Total non-current assets	717,585	901,227
Total assets	5,426,315	5,368,670

(Thousands of yen)

	Previous fiscal year (As of December 31, 2021)	Current quarter (As of March 31, 2022)
Liabilities		
Current liabilities:		
Accounts payable for construction contracts	30,420	–
Short-term borrowings	100,000	100,000
Current portion of long-term borrowings	50,324	38,042
Accounts payable – other	198,561	195,675
Accrued expenses	74,405	92,818
Contract liabilities	–	18,712
Advances received	18,441	–
Asset retirement obligations	7,515	17,285
Income taxes payable	35,312	8,146
Consumption taxes payable	–	12,062
Advances received on construction contracts in progress	7,513	–
Deposits received	4,935	62,857
Guarantee deposits received	243,501	243,501
Total current liabilities	770,930	789,101
Non-current liabilities:		
Long-term borrowings	27,798	19,467
Deferred tax liabilities	2,028	2,028
Asset retirement obligations	3,453	2,210
Total non-current liabilities	33,279	23,705
Total liabilities	804,210	812,806
Net assets		
Shareholders' equity:		
Share capital	2,345,062	2,355,043
Capital surplus	2,622,620	2,632,601
Retained earnings	(346,047)	(432,248)
Treasury shares	(130)	(130)
Total shareholders' equity	4,621,504	4,555,265
Share acquisition rights	600	598
Total net assets	4,622,104	4,555,863
Total liabilities and net assets	5,426,315	5,368,670

(2) Quarterly statements of income

(Thousands of yen)

	Three months ended March 31, 2021 (from January 1, 2021 to March 31, 2021)	Three months ended March 31, 2022 (from January 1, 2022 to March 31, 2022)
Net sales	437,154	568,691
Net sales of completed construction contracts	112,342	–
Total net sales	549,496	568,691
Cost of sales	130,506	219,690
Cost of sales of completed construction contracts	91,377	–
Total cost of sales	221,884	219,690
Gross profit	327,612	349,000
Selling, general and administrative expenses	466,096	560,130
Operating income (loss)	(138,484)	(211,129)
Non-operating income:		
Interest income	2	22
Other	12	2,504
Total non-operating income	15	2,526
Non-operating expenses:		
Listing expenses	43,428	–
Interest expenses	1,025	1,666
Commission expenses	–	5,406
Other	27	–
Total non-operating expenses	44,481	7,073
Ordinary income (loss)	(182,950)	(215,676)
Extraordinary income:		
Gain on sale of non-current assets	–	2
Gain on sales of businesses	–	131,586
Other	–	176
Total extraordinary income	–	131,765
Extraordinary losses:		
Loss on sale and retirement of non-current assets	–	736
Total extraordinary losses	–	736
Net income (loss) before income taxes	(182,950)	(84,647)
Income taxes – current	1,182	1,553
Total income taxes	1,182	1,553
Net income (loss)	(184,132)	(86,200)

(3) Notes to quarterly financial statements

Going concern assumption

Not applicable.

Significant changes in shareholders' equity

Not applicable.

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

Calculation of tax expenses

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

Changes in accounting policies

For the three months ended March 31, 2022 (from January 1, 2022 to March 31, 2022)

Application of the Accounting Standard for Revenue Recognition, etc.

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; the "Accounting Standard for Revenue Recognition"), etc. since the beginning of the period under review. When control of a promised good or service is transferred to a customer, the Company recognizes revenue at the amount expected to be received in exchange for the good or service.

Based on the above, the Company has changed the accounting treatment for transactions where the Company acts as an agent in providing customers with goods or services. Specifically, the Company previously recognized gross amount of consideration received from the customer as revenue, but has changed an accounting method to recognize revenue on a net amount received from the customer less amounts paid to suppliers.

The Accounting Standards for Revenue Recognition, etc. are applied in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition.

The effect of the application of the Accounting Standard for Revenue Recognition, etc. on profit or loss is minimal. Also there is no impact on the beginning balance of retained earnings.

As a result of the application of the Accounting Standard for Revenue Recognition, etc., advances received that were included in the current liabilities of the balance sheet as of December 31, 2021 has been presented as contract liabilities since January 1, 2022. In accordance with the transitional treatment set forth in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made for the previous fiscal year in accordance with the new presentation mentioned above.

Business combinations, etc.

Business divestiture

SpiderPlus & Co. resolved at the Board of Directors' meeting held on November 12, 2021 to transfer the Engineering business to Armacell Japan K.K. (hereinafter the "Business Transfer"), and accordingly completed the Business Transfer on January 4, 2022.

1. Overview of business divestiture

(1) Name of the successor entity

Armacell Japan K.K.

(2) Description of the divested business

Engineering business (engaging in thermal insulation construction work using insulation materials such as ArmaFlex)

(3) Main reasons for the transfer

The Company operates the ICT business, which is engaged primarily in the development and sales of the construction drawings and site management apps SPIDERPLUS; and the Engineering business, which is engaged primarily in thermal insulation work using insulation materials such as ArmaFlex. The Company had continue to operate the Engineering business since its inception, while focusing on the core ICT business.

The Engineering business had continued to contribute to the development of SPIDERPLUS by directly collecting case examples of SPIDERPLUS uses at construction sites and timely sharing these examples and findings with the ICT business.

Recently, the demand for investment in IT has been growing, backed by labor shortage in the construction industry and prevailing initiatives to address issues such as work style reform. Driven by these trends, the number of SPIDERPLUS IDs and the number of contracted companies have been on the steady rise. As a result, the ICT business has become able to directly collect information, including case examples and issues at construction sites, from a diverse range of client companies.

Meanwhile, the Engineering business, involved primarily in thermal insulation work, came to be less accretive to SPIDERPLUS, a service intended for use in various construction sites, because the business had provided only limited case examples and other related information. In view of these business conditions, the Company decided to proactively make advance investments in the ICT business which has significant growth potential, and not to aggressively expand the Engineering business.

Under these circumstances, Armacell Japan K.K., a company engaged in development and distribution of insulation materials for thermal insulation construction work, offered to purchase our Engineering business. In response to the offer, we carefully examined the possibility of transferring the business internally and at meetings of the Board of Directors.

As a result, the Company decided to transfer the Engineering business to Armacell Japan K.K. based on the judgment that further concentrating its management resources on the ICT business with significant growth potential and focusing on DX services centered on SPIDERPLUS to construction and maintenance businesses will help increase its corporate value over the medium to long term.

(4) Date of business divestiture

January 4, 2022

(5) Other information including legal formality on overview of the transaction

Simplified business transfer with the transfer consideration being only assets such as cash (pursuant to Item 2, Paragraph 1, Article 467 of the Companies Act).

2. Overview of accounting treatment

(1) Amount of gain on transfer

Gain on transfer of business: 131,586 thousand yen

(2) Fair carrying amounts of assets and liabilities pertaining to the transferred business, and the major breakdown

Current assets	89,912 thousand yen
Non-current assets	11,764 thousand yen
<hr/>	
Total assets	101,677 thousand yen
Current liabilities	32,018 thousand yen
Non-current liabilities	1,244 thousand yen
<hr/>	
Total liabilities	33,263 thousand yen

(3) Accounting treatment

The Business Transfer was accounted for in accordance with the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10, January 16, 2019).

(4) Name of reportable segment which included the divested business

Engineering business

(5) Estimated amount of profit or loss attributable to the divested business reported on the quarterly statements of income for the period under review

The presentation was omitted because it is immaterial.