

Translation

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**Non-Consolidated Financial Results
for the Six Months Ended June 30, 2022
(under Japanese GAAP)**

August 9, 2022

Company name: SpiderPlus & Co. Listing: Tokyo Stock Exchange
 Securities code: 4192 URL: <http://en.spiderplus.co.jp/>
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 Scheduled date to file Quarterly Securities Report (*Shihanki Hokokusho*): August 9, 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 six months ended June 30, 2022 (from January 1, 2022 to June 30, 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	%
Six months ended								
June 30, 2022	1,169	7.3	(437)	–	(450)	–	(323)	–
June 30, 2021	1,089	–	(211)	–	(263)	–	(266)	–

	Basic earnings (loss) per share	Diluted earnings per share
	Yen	Yen
Six months ended		
June 30, 2022	(9.62)	–
June 30, 2021	(8.66)	–

- 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 six months ended June 30, 2021 are not presented.
 2. The amounts of diluted earnings per share for the six months ended June 30, 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	%
June 30, 2022	5,153	4,365	84.7
December 31, 2021	5,426	4,622	85.2

Reference: Equity (Shareholders' equity):

As of June 30, 2022: 4,365 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	–	0.00			
Fiscal year ending December 31, 2022 (forecast)			–	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 June 30, 2022:	33,827,000 shares
As of December 31, 2021:	33,410,900 shares
 - (ii) Number of treasury shares

As of June 30, 2022:	71 shares
As of December 31, 2021:	71 shares
 - (iii) Average number of shares outstanding during the period

Six months ended June 30, 2022:	33,582,272 shares
Six months ended June 30, 2021:	30,706,939 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 June 30, 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 sales of SPIDERPLUS, which is a SaaS (Note) application for construction 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 application of overtime limit in April 2024 under the Act on the Arrangement of Related Acts to Promote Work Style Reform approaching, 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 six months ended June 30, 2022 (the “period under review”), the economic outlook remained uncertain due to factors such as the Russia-Ukraine conflict and COVID-19.

The domestic construction industry faces strong demand for IT investment to address the aforementioned issues related to the productivity improvement. In addition, increases in costs, especially rises in material prices, have brought strong demand for productivity improvement solutions. Meanwhile, we are making efforts to minimize the effects of COVID-19 on our business, including expansion of our online marketing.

Under such business circumstances, SPIDERPLUS, a service that promotes DX and contributes to productivity enhancement and cost reduction in the construction industry, captured the industry's IT investment. As a result, the numbers of IDs and contracted companies for SPIDERPLUS both increased steadily.

In the run-up to the application of overtime limit under the Act on the Arrangement of Related Acts to Promote Work Style Reform during FY2024, the Company takes the period until FY2024 as a period for making up-front investment to gain market share. Believing that continued strategic and proactive investment is necessary, the Company intends to focus on the sales growth rate rather than profitability for a certain period of time going forward.

As a result of the above, the Company recorded strong growth during the period under review in numbers of both contracted IDs and contracted companies to 52,655 (+23.5% YoY) and 1,330 (+33.5% YoY), respectively, as of June 30, 2022. Accordingly, the Company reported net sales of 1,169,497 thousand yen (compared to 1,089,578 thousand yen for the same period last year), operating loss of 437,286 thousand yen (compared to operating loss of 211,482 thousand yen for the same period last year), ordinary loss of 450,425 thousand yen (compared to ordinary loss of 263,657 thousand yen for the same period last year), loss before income taxes of 319,134 thousand yen (compared to loss before income taxes of 263,657 thousand yen for the same period last year) and net loss of 323,120 thousand yen (compared to net loss of 266,022 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 sale 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 739,368 thousand yen from the end of the previous fiscal year to 3,969,360 thousand yen. This was attributable mainly to a decrease in cash and deposits of 699,909 thousand yen due to the recording of operating loss caused by the upfront investment, a decrease in consumption taxes receivables of 52,874 thousand yen, and a decrease in costs on construction contracts in progress and other inventories of 64,290 thousand yen because of the sale of the Engineering business.

Non-current assets increased by 466,310 thousand yen from the end of the previous fiscal year to 1,183,895 thousand yen. This was attributable mainly to an increase in software in progress of 307,585 thousand yen along with a progress of system renewal, and an increase in property, plant and equipment, including buildings, of 165,204 thousand yen due to the construction for head office relocation.

As a result, total assets decreased by 273,058 thousand yen from the end of the previous fiscal year to 5,153,256 thousand yen.

Liabilities

Current liabilities as of the end of the period under review decreased by 4,673 thousand yen from the end of the previous fiscal year to 766,257 thousand yen. This is attributable mainly to an increase in accounts payable – other of 33,762 thousand yen, which was more than offset by a decrease in accounts payable for construction contracts of 30,420 thousand yen due to the sale of business and a decrease in current portion of long-term borrowings of 14,631 thousand yen.

Non-current liabilities decreased by 11,968 thousand yen from the end of the previous fiscal year to 21,310 thousand yen. This is attributable mainly to a decrease in long-term borrowings of 16,662 thousand yen.

As a result, total liabilities decreased by 16,642 thousand yen from the end of the previous fiscal year to 787,568 thousand yen.

Net assets

Net assets as of the end of the period under review decreased by 256,416 thousand yen from the end of the previous fiscal year to 4,365,688 thousand yen. This is attributable to a decrease of 323,120 thousand yen in retained earnings due to the recording of net loss, which was partially offset by an increase of 33,353 thousand yen each in share capital and legal capital surplus as a result of an exercise of stock options.

(3) Explanation of cash flows

As of the end of the period under review, cash and cash equivalents (hereinafter “net cash”) amounted to 3,496,786 thousand yen, a decrease of 694,409 thousand yen from the end of the previous fiscal year.

The overview of each cash flow and its factors are as follows:

Cash flows from operating activities

Net cash used in operating activities amounted to 469,750 thousand yen (compared to net cash used of 269,742 thousand yen for the same period last year). This is attributable to net loss before income taxes of 319,134 thousand yen due to upfront investments mainly in human capital.

Cash flows from investing activities

Net cash used in investing activities amounted to 259,652 thousand yen (compared to net cash used of 108,942 thousand yen for the same period last year). This is attributable mainly to payments of 159,686 thousand yen for property, plant and equipment attributable mainly to the relocation of the head office and 306,871 thousand yen for intangible assets attributable mainly to system renovation, which was partially offset by proceeds from sale of business of 200,000 thousand yen.

Cash flows from financing activities

Net cash provided by financing activities amounted to 34,993 thousand yen (compared to net cash provided of 4,587,123 thousand yen). This is attributable mainly to proceeds from issuance of shares resulting from exercise of share acquisition rights of 66,706 thousand yen, which was partially offset by repayments of long-term borrowings of 31,293 thousand yen.

(4) 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 June 30, 2022)
Assets		
Current assets:		
Cash and deposits	4,196,695	3,496,786
Notes receivable – trade	13,405	–
Accounts receivable – trade	309,452	343,967
Work in process	3,923	500
Costs on construction contracts in progress	59,289	–
Raw materials and supplies	1,577	–
Prepaid expenses	58,123	112,959
Consumption taxes receivable	62,451	9,576
Other	3,811	5,570
Total current assets	4,708,729	3,969,360
Non-current assets:		
Property, plant and equipment:		
Buildings	52,881	202,734
Vehicles	21,061	7,594
Tools, furniture and fixtures	60,750	92,700
Leased assets	–	8,068
Construction in progress	4,000	16,370
Accumulated depreciation	(66,140)	(89,710)
Total property, plant and equipment	72,553	237,757
Intangible assets:		
Software	2,257	1,441
Software in progress	381,245	688,831
Total intangible assets	383,502	690,272
Investments and other assets:		
Leasehold and guarantee deposits	260,368	255,284
Other	1,161	581
Total investments and other assets	261,529	255,865
Total non-current assets	717,585	1,183,895
Total assets	5,426,315	5,153,256

(Thousands of yen)

	Previous fiscal year (As of December 31, 2021)	Current quarter (As of June 30, 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	35,693
Accounts payable – other	198,561	232,324
Accrued expenses	74,405	69,356
Contract liabilities	–	36,927
Advances received	18,441	–
Lease obligations	–	2,519
Asset retirement obligations	7,515	17,290
Income taxes payable	35,312	19,522
Advances received on construction contracts in progress	7,513	–
Deposits received	4,935	9,121
Guarantee deposits received	243,501	243,501
Total current liabilities	770,930	766,257
Non-current liabilities:		
Long-term borrowings	27,798	11,136
Lease obligations	–	5,935
Deferred tax liabilities	2,028	2,028
Asset retirement obligations	3,453	2,211
Total non-current liabilities	33,279	21,310
Total liabilities	804,210	787,568
Net assets		
Shareholders' equity:		
Share capital	2,345,062	2,378,415
Capital surplus	2,622,620	2,655,974
Retained earnings	(346,047)	(669,168)
Treasury shares	(130)	(130)
Total shareholders' equity	4,621,504	4,365,090
Share acquisition rights	600	598
Total net assets	4,622,104	4,365,688
Total liabilities and net assets	5,426,315	5,153,256

(2) Quarterly statements of income

(Thousands of yen)

	Six months ended June 30, 2021 (from January 1, 2021 to June 30, 2021)	Six months ended June 30, 2022 (from January 1, 2022 to June 30, 2022)
Net sales	899,996	1,169,497
Net sales of completed construction contracts	189,582	–
Total net sales	1,089,578	1,169,497
Cost of sales	295,041	430,284
Cost of sales of completed construction contracts	156,899	–
Total cost of sales	451,941	430,284
Gross profit	637,637	739,212
Selling, general and administrative expenses	849,120	1,176,499
Operating income (loss)	(211,482)	(437,286)
Non-operating income:		
Interest income	2	22
Dividend income	3	3
Other	39	2,605
Total non-operating income	45	2,630
Non-operating expenses:		
Interest expenses	2,027	3,199
Listing expenses	50,139	–
Commission expenses	–	12,565
Other	53	4
Total non-operating expenses	52,220	15,769
Ordinary income (loss)	(263,657)	(450,425)
Extraordinary income:		
Gain on sale of non-current assets	–	2
Gain on sales of businesses	–	131,586
Other	–	438
Total extraordinary income	–	132,027
Extraordinary losses:		
Loss on sale and retirement of non-current assets	–	736
Total extraordinary losses	–	736
Net income (loss) before income taxes	(263,657)	(319,134)
Income taxes – current	2,365	3,986
Total income taxes	2,365	3,986
Net income (loss)	(266,022)	(323,120)

(3) Quarterly statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2021 (from January 1, 2021 to June 30, 2021)	Six months ended June 30, 2022 (from January 1, 2022 to June 30, 2022)
Cash flows from operating activities:		
Net loss before income taxes	(263,657)	(319,134)
Depreciation	11,180	49,358
Increase (decrease) in provision for bonuses	(1,686)	–
Interest and dividend income	(5)	(25)
Interest expenses	2,027	3,199
Listing expenses	50,139	–
Loss (gain) on sale and retirement of property, plant and equipment	–	734
Loss (gain) on sale of businesses	–	(131,586)
Decrease (increase) in trade receivables	(22,771)	(45,366)
Decrease (increase) in inventories	31,711	(500)
Increase (decrease) in trade payables	5,175	(30,981)
Decrease/increase in consumption taxes receivable/payable	(69,317)	53,681
Other, net	(9,339)	(13,100)
Subtotal	(266,545)	(433,722)
Interest and dividends received	5	23
Interest paid	(1,963)	(739)
Income taxes paid	(1,240)	(35,312)
Net cash provided by (used in) operating activities	(269,742)	(469,750)
Cash flows from investing activities:		
Payments into time deposits	(600)	(400)
Proceeds from withdrawal of time deposits	–	5,900
Purchase of property, plant and equipment	(19,078)	(159,686)
Proceeds from sale of property, plant and equipment	–	10
Purchase of intangible assets	(86,411)	(306,871)
Payments of leasehold and guarantee deposits	(2,852)	(348)
Proceeds from refund of leasehold and guarantee deposits	–	1,743
Proceeds from sale of businesses	–	200,000
Net cash provided by (used in) investing activities	(108,942)	(259,652)
Cash flows from financing activities:		
Repayments of long-term borrowings	(39,467)	(31,293)
Proceeds from issuance of shares	4,442,036	–
Repayments of lease obligations	–	(419)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	–	66,706
Purchase of treasury shares	(90)	–
Proceeds from disposal of treasury shares	234,784	–
Listing expenses paid	(50,139)	–
Net cash provided by (used in) financing activities	4,587,123	34,993
Effect of exchange rate change on cash and cash equivalents	–	–
Net increase (decrease) in cash and cash equivalents	4,208,438	(694,409)
Cash and cash equivalents at beginning of period	464,976	4,191,195
Cash and cash equivalents at end of period	4,673,414	3,496,786

(4) 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 six months ended June 30, 2022 (from January 1, 2022 to June 30, 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 first quarter of the fiscal year ending December 31, 2022. 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.