

Translation

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.

Non-Consolidated Financial Results for the Nine Months Ended September 30, 2022 (under Japanese GAAP)

November 10, 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*): November 10, 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 nine months ended September 30, 2022 (from January 1, 2022 to September 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	%
Nine months ended								
September 30, 2022	1,805	11.9	(753)	–	(769)	–	(643)	–
September 30, 2021	1,613	10.9	(298)	–	(352)	–	(356)	–

	Basic earnings (loss) per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
September 30, 2022	(19.11)	–
September 30, 2021	(11.32)	–

Note: The amounts of diluted earnings per share for the nine months ended September 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	%
September 30, 2022	5,132	4,056	79.0
December 31, 2021	5,426	4,622	85.2

Reference: Equity (Shareholders' equity):

As of September 30, 2022: 4,055 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 (loss)		Ordinary income (loss)		Net income (loss)		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 September 30, 2022:	33,900,500 shares
As of December 31, 2021:	33,410,900 shares
 - (ii) Number of treasury shares

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

Nine months ended September 30, 2022:	33,672,738 shares
Nine months ended September 30, 2021:	31,507,131 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 September 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 (See note below) application for construction management used for digital transformation (DX) of operations at construction sites. In August 2022, the Company started selling a renewed version of SPIDERPLUS. We are continuing further development with the aim of making SPIDERPLUS a “product platform” that solves issues in the construction industry by collaborating with other companies.

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.

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.

During the nine months ended September 30, 2022 (the “period under review”), the economic outlook remained uncertain due to factors such as the Russia-Ukraine conflict and COVID-19, as well as the recent sharp drop in the yen mainly against the U.S. dollar, which has disrupted the supply chain and other economic activities in the customer market.

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 personnel and material costs, have brought strong demand for productivity improvement solutions.

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. The Company also focused on up-selling various optional inspection functions, which led to a steady increase in ARPU (contract unit price per ID).

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. Meanwhile, we are making efforts to minimize the effects of COVID-19 on our business, including expansion of our online marketing.

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 55,683 (+22.4% YoY) and 1,446 (+29.6% YoY), respectively, as of September 30, 2022. Accordingly, the Company reported net sales of 1,805,583 thousand yen (+11.9% YoY), operating loss of 753,513 thousand yen (compared to operating loss of 298,065 thousand yen for the same period last year), ordinary loss of 769,885 thousand yen (compared to ordinary loss of 352,852 thousand yen for the same period last year), loss before income taxes of 638,594 thousand yen (compared to loss before income taxes of 352,962 thousand yen for the same period last year) and net loss of 643,345 thousand yen (compared to net loss of 356,510 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 853,321 thousand yen from the end of the previous fiscal year to 3,855,407 thousand yen. This was attributable mainly to a decrease in cash and deposits of 817,973 thousand yen due to the recording of operating loss caused by the upfront investment.

Non-current assets increased by 559,726 thousand yen from the end of the previous fiscal year to 1,277,312 thousand yen. This was attributable mainly to an increase in intangible assets of 369,893 thousand yen due to the capitalization of development costs for the renewal version of SPIDERPLUS and an increase in property, plant and equipment, including buildings of 204,320 thousand yen due to the construction and capital investment for head office relocation.

As a result, total assets decreased by 293,594 thousand yen from the end of the previous fiscal year to 5,132,720 thousand yen.

Liabilities

Current liabilities as of the end of the period under review increased by 29,163 thousand yen from the end of the previous fiscal year to 800,094 thousand yen. Non-current liabilities increased by 243,155 thousand yen from the end of the previous fiscal year to 276,435 thousand yen. These are attributable mainly to the drawdown of borrowings for head office relocation.

As a result, total liabilities increased by 272,319 thousand yen from the end of the previous fiscal year to 1,076,529 thousand yen.

Net assets

Net assets as of the end of the period under review decreased by 565,914 thousand yen from the end of the previous fiscal year to 4,056,190 thousand yen. This is attributable to a decrease of 643,345 thousand yen in retained earnings due to the recording of net loss, which was partially offset by an increase of 38,716 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	Current quarter
	(As of December 31, 2021)	(As of September 30, 2022)
Assets		
Current assets:		
Cash and deposits	4,196,695	3,378,721
Notes receivable – trade	13,405	–
Accounts receivable – trade	309,452	352,589
Work in process	3,923	–
Costs on construction contracts in progress	59,289	–
Raw materials and supplies	1,577	–
Prepaid expenses	58,123	96,828
Consumption taxes receivable	62,451	18,686
Other	3,811	8,581
Total current assets	4,708,729	3,855,407
Non-current assets:		
Property, plant and equipment:		
Buildings	52,881	203,981
Vehicles	21,061	7,594
Tools, furniture and fixtures	60,750	107,120
Leased assets	–	8,068
Construction in progress	4,000	–
Accumulated depreciation	(66,140)	△49,891
Total property, plant and equipment	72,553	276,873
Intangible assets:		
Software	2,257	589,067
Software in progress	381,245	164,328
Total intangible assets	383,502	753,395
Investments and other assets:		
Leasehold and guarantee deposits	260,368	246,489
Other	1,161	553
Total investments and other assets	261,529	247,043
Total non-current assets	717,585	1,277,312
Total assets	5,426,315	5,132,720

(Thousands of yen)

	Previous fiscal year (As of December 31, 2021)	Current quarter (As of September 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	99,240
Accounts payable – other	198,561	206,941
Accrued expenses	74,405	90,439
Contract liabilities	–	32,133
Advances received	18,441	–
Lease obligations	–	2,519
Asset retirement obligations	7,515	–
Income taxes payable	35,312	15,028
Advances received on construction contracts in progress	7,513	–
Deposits received	4,935	10,290
Guarantee deposits received	243,501	243,501
Total current liabilities	770,930	800,094
Non-current liabilities:		
Long-term borrowings	27,798	266,889
Lease obligations	–	5,305
Deferred tax liabilities	2,028	2,028
Asset retirement obligations	3,453	2,212
Total non-current liabilities	33,279	276,435
Total liabilities	804,210	1,076,529
Net assets		
Shareholders' equity:		
Share capital	2,345,062	2,383,779
Capital surplus	2,622,620	2,661,337
Retained earnings	(346,047)	(989,393)
Treasury shares	(130)	(130)
Total shareholders' equity	4,621,504	4,055,592
Share acquisition rights	600	598
Total net assets	4,622,104	4,056,190
Total liabilities and net assets	5,426,315	5,132,720

(2) Quarterly statements of income

(Thousands of yen)

	Nine months ended September 30, 2021 (from January 1, 2021 to September 30, 2021)	Nine months ended September 30, 2022 (from January 1, 2022 to September 30, 2022)
Net sales	1,401,271	1,805,583
Net sales of completed construction contracts	212,234	–
Total net sales	1,613,505	1,805,583
Cost of sales	495,105	690,568
Cost of sales of completed construction contracts	183,435	–
Total cost of sales	678,541	690,568
Gross profit	934,963	1,115,015
Selling, general and administrative expenses	1,233,029	1,868,529
Operating income (loss)	(298,065)	(753,513)
Non-operating income:		
Interest income	21	41
Dividend income	4	3
Other	88	3,038
Total non-operating income	115	3,083
Non-operating expenses:		
Interest expenses	2,864	4,938
Listing expenses	50,139	–
Commission expenses	1,800	14,495
Other	98	21
Total non-operating expenses	54,901	19,455
Ordinary income (loss)	(352,852)	(769,885)
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	110	736
Total extraordinary losses	110	736
Net income (loss) before income taxes	(352,962)	(638,594)
Income taxes – current	3,547	4,750
Total income taxes	3,547	4,750
Net income (loss)	(356,510)	(643,345)

(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 nine months ended September 30, 2022 (from January 1, 2022 to September 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.