

**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 Fiscal Year Ended December 31, 2022 (under Japanese GAAP)

February 13, 2023

Company name: SpiderPlus & Co. Listing: Tokyo Stock Exchange  
 Securities code: 4192 URL: <https://en.spiderplus.co.jp/>  
 Representative: Kenji Ito, CEO and Representative Director  
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 Phone: +81-3-6709-2834  
 Scheduled date to hold ordinary general meeting of shareholders: March 29, 2023  
 Scheduled date to commence payment of dividends: –  
 Scheduled date to file Annual Securities Report (Yukashoken Hokokusho): March 29, 2023  
 Preparation of supplementary briefing material on financial results: Yes  
 Holding of financial results briefing: Yes

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

## 1. Financial results for the fiscal year ended December 31, 2022 (from January 1 to December 31, 2022)

## (1) Operating results

(Percentage indicates year-on-year changes.)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2022	2,479	12.3	(1,142)	–	(1,161)	–	(1,036)	–
December 31, 2021	2,206	11.8	(433)	–	(503)	–	(511)	–

	Basic earnings (loss) per share	Diluted earnings per share	Return on equity	Ordinary income to total assets ratio	Operating margin
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2022	(30.73)	–	(25.0)	(22.7)	(46.1)
December 31, 2021	(16.02)	–	(20.3)	(15.9)	(19.6)

Reference: Share of profit or loss of entities accounted for using equity method

For the fiscal year ended December 31, 2022: –

For the fiscal year ended December 31, 2021: –

Notes: The amounts of diluted earnings per share are not stated although the Company has potential shares. This is because the Company recorded basic loss per share.

## (2) Financial position

	Total assets	Total net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2022	4,794	3,684	76.8	108.27
December 31, 2021	5,426	4,622	85.2	138.32

Reference: Equity (Shareholders' equity):

As of December 31, 2022: 3,684 million yen As of December 31, 2021: 4,621 million yen

## (3) Cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2022	(1,000)	(508)	363	3,044
December 31, 2021	(493)	(610)	4,830	4,191

## 2. Dividends

	Annual dividend per share					Total dividends	Dividend payout ratio	Dividend on net assets
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
December 31, 2021	–	0.00	–	0.00	0.00	–	–	–
December 31, 2022	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending December 31, 2023 (forecast)	–	0.00	–	0.00	0.00		–	

## 3. Forecast of financial results for the fiscal year ending December 31, 2023 (from January 1 to December 31, 2023)

(Percentage indicates year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Full year	3,302	33.2	(698)	–	(732)	–	(739)	–

### [Notes]

- (1) 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
- (2) Number of shares issued (common shares)
  - (i) Number of shares issued (including treasury shares)
 

As of December 31, 2022:	34,027,600 shares
As of December 31, 2021:	33,410,900 shares
  - (ii) Number of treasury shares
 

As of December 31, 2022:	92 shares
As of December 31, 2021:	71 shares
  - (iii) Average number of shares outstanding during the period
 

Fiscal year ended December 31, 2022:	33,732,022 shares
Fiscal year ended December 31, 2021:	31,937,799 shares

\* This financial results report is not subject to audit 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.

## Contents of Attached Materials

1. Overview of Operating Results, etc. ....	2
(1) Overview of operating results for the fiscal year ended December 31, 2022 .....	2
(2) Overview of financial position for the fiscal year ended December 31, 2022 .....	3
(3) Overview of cash flows for the fiscal year ended December 31, 2022.....	3
(4) Future outlook .....	4
2. Basic Approach to Selection of Accounting Standards.....	4
3. Financial Statements and Major Notes .....	5
(1) Balance sheets .....	5
(2) Statements of income .....	7
(3) Statements of changes in equity .....	10
(4) Statements of cash flows .....	11
(5) Notes to financial statements .....	12
<i>Going concern assumption</i> .....	12
<i>Changes in accounting policies</i> .....	12
<i>Segment information</i> .....	12
<i>Share of profit (loss) of entities accounted for using equity method</i> .....	12
<i>Per share information</i> .....	13
<i>Subsequent events</i> .....	13

## 1. Overview of Operating Results, etc.

### (1) Overview of operating results for the fiscal year ended December 31, 2022

With a mission to create more “fun” to work, SpiderPlus & Co. operates the ICT business focused on the development and sale of SPIDERPLUS, a SaaS\* application for construction management, which helps solve issues in the construction industry through 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 that since its inception, the Company had operated the engineering business, primarily in thermal insulation work, but transferred the business to Armacell Japan Co., Ltd. on January 4, 2022. Accordingly, the Company has been operating the ICT business under a single business segment since the beginning of the fiscal year ended December 31, 2022.

\* 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 fiscal year ended December 31, 2022 (the “current fiscal year”), factors such as the Russia-Ukraine conflict and COVID-19, as well as fluctuations in the yen mainly against the U.S. dollar, disrupted the supply chain and other economic activities in the customer market. Meanwhile, the construction sector in which the Company operates has faced cost issues, especially an increase in material costs, and 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 have continued seeing strong interest in improving productivity and brisk demand for related services.

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 demand for 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. Accordingly, the Company intends to focus on the sales growth rate rather than profitability during the period. During the current fiscal year, the Company focused on investing in marketing that combines online and offline channels, in addition to building an organization and products with a view to growing demand in FY2024 and beyond, and strengthening its sales force to expand its customer base.

As a result of the above, the number of contracted IDs, the number of contracted companies and ARPU of SPIDERPLUS recorded strong growth, reaching 58,690 (+20.3% YoY), 1,524 (+26.6% YoY) and 3,908 yen (+4.9% YoY), respectively, as of December 31, 2022. Accordingly, for the current fiscal year, the Company reported net sales of 2,479,404 thousand yen (+12.3% YoY), operating loss of 1,142,318 thousand yen (compared to operating loss of 433,020 thousand yen for the previous fiscal year), ordinary loss of 1,161,815 thousand yen (compared to ordinary loss of 503,929 thousand yen for the previous fiscal year), and net loss of 1,036,610 thousand yen (compared to net loss of 511,669 thousand yen for the previous fiscal 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) Overview of financial position for the fiscal year ended December 31, 2022**

### *Assets*

Current assets as of the end of the current fiscal year decreased by 1,166,689 thousand yen from the end of the previous fiscal year to 3,542,040 thousand yen. This was attributable mainly to a decrease in cash and deposits of 1,151,901 thousand yen due to the recording of operating loss caused by the upfront investment.

Non-current assets increased by 534,875 thousand yen from the end of the previous fiscal year to 1,252,461 thousand yen. This was attributable mainly to an increase in intangible assets of 358,060 thousand yen due to the capitalization of development costs for the renewal version of SPIDERPLUS and an increase in buildings of 151,099 thousand yen due to the construction and capital investment for head office relocation.

As a result, total assets decreased by 631,813 thousand yen from the end of the previous fiscal year to 4,794,501 thousand yen.

### *Liabilities*

Current liabilities as of the end of the current fiscal year increased by 83,724 thousand yen from the end of the previous fiscal year to 854,655 thousand yen. Non-current liabilities increased by 221,701 thousand yen from the end of the previous fiscal year to 254,981 thousand yen. These are attributable mainly to the drawdown of borrowings for head office relocation.

As a result, total liabilities increased by 305,426 thousand yen from the end of the previous fiscal year to 1,109,637 thousand yen.

### *Net assets*

Net assets as of the end of the current fiscal year decreased by 937,240 thousand yen from the end of the previous fiscal year to 3,684,864 thousand yen. This is attributable to a decrease of 1,036,610 thousand yen in retained earnings due to the recording of net loss, which was partially offset by an increase of 49,694 thousand yen each in share capital and legal capital surplus as a result of the exercise of stock options.

## **(3) Overview of cash flows for the fiscal year ended December 31, 2022**

As of the end of the current fiscal year, cash and cash equivalents (hereinafter “net cash”) amounted to 3,044,793 thousand yen, a decrease of 1,146,401 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 1,000,775 thousand yen (compared to net cash used of 493,475 thousand yen in the previous fiscal year). This is attributable mainly to net loss before income taxes of 1,030,651 thousand yen due to upfront investments, especially in human resources, and other factors.

### *Cash flows from investing activities*

Net cash used in investing activities amounted to 508,676 thousand yen (compared to net cash used of 610,355 thousand yen in the previous fiscal year). This is attributable mainly to purchase of property, plant and equipment for head office relocation totaling 257,598 thousand yen and purchase of intangible assets resulting from system renewal totaling 450,240 thousand yen, which were partially offset by proceeds from the sale of the business of 200,000 thousand yen.

### *Cash flows from financing activities*

Net cash provided by financing activities amounted to 363,049 thousand yen (compared to net cash provided of 4,830,050 thousand yen in the previous fiscal year). This is attributable mainly to proceeds from the drawdown of borrowings for head office relocation of 330,000 thousand yen and proceeds from issuance of shares resulting from the exercise of share acquisition rights of 99,388 thousand yen, which were partially offset by repayments of long-term borrowings of 64,643 thousand yen.

#### **(4) Future outlook**

The construction industry faces the serious issues of long working hours and labor shortage due to a decrease in the number of workers. In addition, in the run-up to the application of working time limit under the Act on the Arrangement of Related Acts to Promote Work Style Reform in April 2024, companies in the construction industry are stepping up their efforts to improve productivity. Under such environment, the Company anticipates that the demand for DX service that helps improve productivity of companies in the industry and ultimately the demand for SPIDERPLUS, the Company's core service, will become even stronger in the future.

Also, SPIDERPLUS is built on a subscription-based model with characteristics of a business model that is designed to encourage a user company to increase the number of IDs and the optional function usage rate over several years since its introduction to the customer. Given these characteristics of our business model, we consider it important to help a customer to promote DX at construction sites by making consistent sales efforts and providing focused support centered on customer success for a certain number of years after winning a new customer.

In order to ensure that the Company can capture this demand and link it to business growth, we need products that solve emerging issues related to construction management at construction sites. In addition, it is necessary to strengthen product development capabilities to meet the DX needs of customers, which will continue to grow in sophistication and diversity, and to strengthen the departments and personnel that serve as points of contact with customers, as well as to respond to the overseas expansion that major players in the construction industry are undertaking. By addressing the above challenges, the Company will grow business with profitability by continuing to make strategic upfront investments with an emphasis on the sales growth rate, while systematically controlling costs with a view to turning to profitability at earlier stage.

Based on the above, we estimate that, during the fiscal year ending December 31, 2023, net sales will amount to 3,302 million yen (+33.2% YoY), operating loss of 698 million yen (compared to operating loss of 1,142 million yen for the current fiscal year), and ordinary loss of 732 million yen (compared to ordinary loss of 1,161 million yen for the current fiscal year).

Our earnings forecasts are based on information currently available to us and certain assumptions that we believe are reasonable. As such, actual results may differ from the forecasts for a variety of factors.

## **2. Basic Approach to Selection of Accounting Standards**

To ensure the comparability of our financial results with those of peers in Japan, we have adopted the generally accepted accounting principles in Japan (J-GAAP).

### 3. Financial Statements and Major Notes

#### (1) Balance sheets

	(Thousands of yen)	
	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Assets		
Current assets:		
Cash and deposits	4,196,695	3,044,793
Notes receivable – trade	13,405	–
Accounts receivable – trade	309,452	376,661
Work in process	3,923	–
Costs on construction contracts in progress	59,289	–
Raw materials and supplies	1,577	–
Prepaid expenses	58,123	93,078
Consumption taxes receivable	62,451	22,084
Other	3,811	5,482
Allowance for doubtful accounts	–	(61)
Total current assets	4,708,729	3,542,040
Non-current assets:		
Property, plant and equipment:		
Buildings	52,881	203,981
Vehicles	21,061	7,594
Tools, furniture and fixtures	60,750	103,866
Leased assets	–	8,068
Construction in progress	4,000	–
Accumulated depreciation	(66,140)	(57,149)
Total property, plant and equipment	72,553	266,360
Intangible assets:		
Software	2,257	558,491
Software in progress	381,245	183,071
Total intangible assets	383,502	741,563
Investments and other assets:		
Leasehold and guarantee deposits	260,368	244,010
Other	1,161	526
Total investments and other assets	261,529	244,537
Total non-current assets	717,585	1,252,461
Total assets	5,426,315	4,794,501

	(Thousands of yen)	
	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
<b>Liabilities</b>		
Current liabilities:		
Accounts payable for construction contracts	30,420	–
Short-term borrowings	100,000	100,000
Current portion of long-term borrowings	50,324	95,874
Accounts payable – other	198,561	238,361
Accrued expenses	74,405	109,500
Contract liabilities	–	35,822
Advances received	18,441	–
Lease obligations	–	2,519
Asset retirement obligations	7,515	–
Income taxes payable	35,312	22,359
Advances received on construction contracts in progress	7,513	–
Deposits received	4,935	6,716
Guarantee deposits received	243,501	243,501
Total current liabilities	770,930	854,655
Non-current liabilities:		
Long-term borrowings	27,798	247,605
Lease obligations	–	4,675
Deferred tax liabilities	2,028	487
Asset retirement obligations	3,453	2,213
Total non-current liabilities	33,279	254,981
Total liabilities	804,210	1,109,637
<b>Net assets</b>		
Shareholders' equity:		
Share capital	2,345,062	2,394,756
Capital surplus:		
Legal capital surplus	2,428,536	2,478,231
Other capital surplus	194,084	194,084
Total capital surplus	2,622,620	2,672,315
Retained earnings:		
Other retained earnings:		
Retained earnings brought forward	(346,047)	(1,382,658)
Total retained earnings	(346,047)	(1,382,658)
Treasury shares	(130)	(146)
Total shareholders' equity	4,621,504	3,684,266
Share acquisition rights	600	598
Total net assets	4,622,104	3,684,864
Total liabilities and net assets	5,426,315	4,794,501



**(2) Statements of income**

(Thousands of yen)

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Net sales	1,936,684	2,479,404
Net sales of completed construction contracts	270,256	–
Total net sales	2,206,940	2,479,404
Cost of sales	710,195	958,813
Cost of sales of completed construction contracts	234,027	–
Total cost of sales	944,222	958,813
Gross profit	1,262,717	1,520,590
Selling, general and administrative expenses	1,695,738	2,662,908
Operating income (loss)	(433,020)	(1,142,318)
Non-operating income:		
Interest income	21	41
Dividend income	4	3
Other	632	3,296
Total non-operating income	658	3,341
Non-operating expenses:		
Listing expenses	50,139	–
Interest expenses	4,143	7,037
Commission expenses	14,127	15,125
Other	3,157	675
Total non-operating expenses	71,567	22,838
Ordinary income (loss)	(503,929)	(1,161,815)
Extraordinary income:		
Gain on sale of non-current assets	31	2
Gain on sale of businesses	–	131,586
Other	–	438
Total extraordinary income	31	132,027
Extraordinary losses:		
Loss on sale and retirement of non-current assets	147	863
Total extraordinary losses	147	863
Net income (loss) before income taxes	(504,044)	(1,030,651)
Income taxes – current	7,020	7,500
Income taxes – deferred	605	(1,540)
Total income taxes	7,625	5,959
Net income (loss)	(511,669)	(1,036,610)

## Schedule of cost of goods manufactured

(i) ICT business

(Thousands of yen, unless otherwise stated)

Classification	Notes	Previous fiscal year (From January 1, 2021 to December 31, 2021)		Current fiscal year (From January 1, 2022 to December 31, 2022)	
		Amount	% of total	Amount	% of total
I Materials cost		2,738	0.4	–	–
II Labor cost		389,943	54.9	513,578	53.6
III Overhead cost	*	317,513	44.7	445,235	46.4
Total manufacturing costs		710,195	100.0	958,813	100.0
Beginning work in process		–		–	
Total		710,195		958,813	
Ending work in process		–		–	
Cost of sales for the period		710,195		958,813	

Notes: \* Major components of overhead cost are as follows:

(Thousands of yen)

Items	Previous fiscal year	Current fiscal year
Communication expenses	209,457	279,978
Commission expenses	82,008	97,074

### *Cost accounting method*

The Company uses the actual costing based on the job order costing system.

## (ii) Engineering business

(Thousands of yen, unless otherwise stated)

Classification	Notes	Previous fiscal year (From January 1, 2021 to December 31, 2021)		Current fiscal year (From January 1, 2022 to December 31, 2022)	
		Amount	% of total	Amount	% of total
I Materials cost		45,018	17.4	—	—
II Labor cost		38,738	15.0	—	—
III Overhead cost	*	174,387	67.6	—	—
Total manufacturing costs		258,144	100.0	—	—
Beginning work in process/costs on construction contracts in progress		39,096		—	
Total		297,240		—	
Ending work in process/costs on construction contracts in progress		63,213		—	
Cost of sales of completed construction contracts		234,027		—	

Notes: \*A major component of overhead cost is as follows:

(Thousands of yen)

Items	Previous fiscal year	Current fiscal year
Outsourcing expenses	153,681	—

*Cost accounting method*

The Company uses the actual costing based on the job order costing system.

**(3) Statements of changes in equity**

Previous fiscal year (from January 1, 2021 to December 31, 2021)

(Thousands of yen)

	Shareholders' equity								Share acquisition rights	Total net assets
	Share capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity		
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings				
Balance at beginning of period	100,000	183,474	–	183,474	165,622	165,622	(40,700)	408,396	600	408,996
Changes during period										
Issuance of new shares	2,212,679	2,212,679		2,212,679				4,425,358		4,425,358
Issuance of new shares – exercise of share acquisition rights	32,383	32,383		32,383				64,767		64,767
Net income (loss)					(511,669)	(511,669)		(511,669)		(511,669)
Purchase of treasury shares							(130)	(130)		(130)
Disposal of treasury shares			194,084	194,084			40,700	234,784		234,784
Net changes in items other than shareholders' equity								–		–
Total changes during period	2,245,062	2,245,062	194,084	2,439,146	(511,669)	(511,669)	40,569	4,213,108	–	4,213,108
Balance at end of period	2,345,062	2,428,536	194,084	2,622,620	(346,047)	(346,047)	(130)	4,621,504	600	4,622,104

Current fiscal year (from January 1, 2022 to December 31, 2022)

(Thousands of yen)

	Shareholders' equity								Share acquisition rights	Total net assets
	Share capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity		
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings				
Balance at beginning of period	2,345,062	2,428,536	194,084	2,622,620	(346,047)	(346,047)	(130)	4,621,504	600	4,622,104
Changes during period										
Issuance of new shares – exercise of share acquisition rights	49,694	49,694		49,694				99,388		99,388
Net income (loss)					(1,036,610)	(1,036,610)		(1,036,610)		(1,036,610)
Purchase of treasury shares							(16)	(16)		(16)
Net changes in items other than shareholders' equity								–	(2)	(2)
Total changes during period	49,694	49,694	–	49,694	(1,036,610)	(1,036,610)	(16)	(937,238)	(2)	(937,240)
Balance at end of period	2,394,756	2,478,231	194,084	2,672,315	(1,382,658)	(1,382,658)	(146)	3,684,266	598	3,684,864

**(4) Statements of cash flows**

(Thousands of yen)

	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Cash flows from operating activities:		
Net income (loss) before income taxes	(504,044)	(1,030,651)
Depreciation	24,121	122,344
Increase (decrease) in allowance for doubtful accounts	–	61
Increase (decrease) in provision for bonuses	(2,336)	–
Interest and dividend income	(26)	(44)
Interest expenses	4,143	7,037
Listing expenses	50,139	–
Loss (gain) on sale and retirement of property, plant and equipment	115	861
Loss (gain) on sale of businesses	–	(131,586)
Decrease (increase) in trade receivables	(34,858)	(78,060)
Decrease (increase) in inventories	(24,099)	–
Increase (decrease) in trade payables	59,628	70,259
Decrease/increase in consumption taxes receivable/payable	(113,761)	39,632
Increase (decrease) in advances received on construction contracts in progress	(4,092)	–
Other, net	60,972	11,885
Subtotal	(484,096)	(988,262)
Interest and dividends received	26	42
Interest paid	(8,165)	(7,073)
Income taxes paid	(1,240)	(5,481)
Net cash provided by (used in) operating activities	(493,475)	(1,000,775)
Cash flows from investing activities:		
Payments into time deposits	(1,200)	(400)
Proceeds from withdrawal of time deposits	–	5,900
Purchase of property, plant and equipment	(27,583)	(257,598)
Proceeds from sale of property, plant and equipment	402	10
Purchase of intangible assets	(333,893)	(450,240)
Payments for asset retirement obligations	–	(16,879)
Payments of leasehold and guarantee deposits	(248,130)	(2,228)
Proceeds from refund of leasehold and guarantee deposits	–	12,759
Proceeds from sale of businesses	–	200,000
Other, net	50	–
Net cash provided by (used in) investing activities	(610,355)	(508,676)
Cash flows from financing activities:		
Repayments of long-term borrowings	(88,090)	(64,643)
Proceeds from long-term borrowings	–	330,000
Guarantee deposits received	243,501	–
Proceeds from issuance of shares	4,425,358	–
Proceeds from issuance of shares resulting from exercise of share acquisition rights	64,767	99,388
Purchase of treasury shares	(130)	(16)
Repayments of lease obligations	–	(1,679)
Proceeds from sale of treasury shares	234,784	–
Listing expenses paid	(50,139)	–
Net cash provided by (used in) financing activities	4,830,050	363,049
Net increase (decrease) in cash and cash equivalents	3,726,219	(1,146,401)
Cash and cash equivalents at beginning of period	464,976	4,191,195
Cash and cash equivalents at end of period	4,191,195	3,044,793

## **(5) Notes to financial statements**

### ***Going concern assumption***

Not applicable.

### ***Changes in accounting policies***

#### *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 current fiscal year. 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.

#### *Application of the Accounting Standard for Fair Value Measurement, etc.*

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30; July 4, 2019; hereinafter the “Accounting Standard for Fair Value Measurement”), etc. since January 1, 2022, which is the beginning of the current fiscal year. In accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10; July 4, 2019), the Company applies the new accounting policy set forth in the Accounting Standard for Fair Value Measurement, etc. prospectively. Note that the Company does not hold any financial instruments whose balance sheet amount is measured and presented at fair value, and therefore, there is no impact of such instruments on the financial statements.

### ***Segment information***

#### *Matters related to changes in reportable segments, etc.*

The Company previously had two reportable segments: the ICT business and the Engineering business. However, as the Engineering business was sold on January 4, 2022, the Company has been operating the ICT business under a single reportable segment since the beginning of the fiscal year ended December 31, 2022.

As a result of this change, the Company now operates under a single segment; therefore, segment information for the previous and current fiscal years has been omitted.

### ***Share of profit (loss) of entities accounted for using equity method***

Not applicable.

**Per share information**

Item	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Net assets per share	138.32 yen	108.27 yen
Basic loss per share	(16.02) yen	(30.73) yen

Notes: 1. Although the Company has potential shares, diluted earnings per share is not stated because the Company recorded basic loss per share.

2. Basis for calculation of basic loss per share is as follows:

(Thousands of yen, unless otherwise stated)

Item	Previous fiscal year (From January 1, 2021 to December 31, 2021)	Current fiscal year (From January 1, 2022 to December 31, 2022)
Basic loss per share		
Net loss	(511,669)	(1,036,610)
Amount not attributable to common shareholders	–	–
Net loss attributable to common shares	(511,669)	(1,036,610)
Average number of shares outstanding during the period (Shares)	31,937,799	33,732,022
Summary of potential shares not included in the calculation of diluted earnings per share due to their anti-dilutive effect	Two types of share acquisition rights (Number of share acquisition rights: 25,000 units) (Number of common shares under share acquisition rights: 2,500,000 shares)	–

3. Basis for calculation of net assets per share is as follows:

(Thousands of yen, unless otherwise stated)

Item	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Total net assets	4,622,104	3,684,864
Deductions from total net assets	600	598
[of which, share acquisition rights]	[600]	[598]
Net assets applicable to common shares at end of period	4,621,504	3,684,266
Number of common shares at end of period used for the calculation of net assets per share (Shares)	33,410,829	34,027,508

**Subsequent events**

Not applicable.