

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

(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	3,302	33.2	(698)	—	(732)	—	(739)	—	—

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, 2023:	34,770,100 shares
As of December 31, 2022:	34,027,600 shares
 - (ii) Number of treasury shares

As of March 31, 2023:	92 shares
As of December 31, 2022:	92 shares
 - (iii) Average number of shares outstanding during the period

Three months ended March 31, 2023:	34,192,666 shares
Three months ended March 31, 2022:	33,435,247 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, 2023.

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.

* 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, construction demands are growing driven by a strong investment appetite from domestic companies and robust public spending, despite an unstable outlook on the Japanese economy due to a deterioration of the global economy. On the contrary, labor costs and construction material prices remain elevated, requiring productivity and profitability improvement.

In addition, 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, companies in the construction industry are forced to take some steps. As a solution to these issues, companies in the construction industry are keen on pursuing digital transformation (DX) and SaaS as an enabler of DX, leading to a strong appetite for IT investment among them.

The Company believes that we need to continue making strategic investments to ensure to capture these demands and gain shares in the growing market, viewing the time through FY2024 as a period for up-front investment to respond to DX needs. Based on this management decision, we will place priority on keeping a high sales growth rate rather than pursuing profitability for a certain period of time. In the fiscal year ending December 31, 2023, we focus on building an organization and developing products, strengthening our sales force to expand our customer base, and reinforcing cooperation with our business partners in view of the expansion of demand expected in FY2024 and beyond.

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

As a result of the above, the Company’s operating results for the three months ended March 31, 2023 (the “period under review”) were as follows. The number of contracted IDs, the number of contracted companies and ARPU of SPIDERPLUS recorded strong growth, reaching 60,152 (+20.7% YoY), 1,593 (+26.6% YoY) and 3,971 yen (+5.3% YoY), respectively, as of March 31, 2023. Accordingly, the Company reported net sales of 719,353 thousand yen (compared to 568,691 thousand yen for the same period last year), operating loss of 192,359 thousand yen (compared to operating loss of 211,129 thousand yen for the same period last year), ordinary loss of 194,928 thousand yen (compared to ordinary loss of 215,676 thousand yen for the same period last year), loss before income taxes of 194,928 thousand yen (compared to loss before income taxes of 84,647 thousand yen for the same period last year) and net loss of 197,120 thousand yen (compared to net loss of 86,200 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 127,162 thousand yen from the end of the previous fiscal year to 3,414,877 thousand yen. This was attributable mainly to a decrease in cash and deposits of 111,342 thousand yen due to the recording of operating loss caused by the upfront investment, and a decrease in consumption taxes receivables of 22,084 thousand yen.

Non-current assets decreased by 23,060 thousand yen from the end of the previous fiscal year to 1,229,400 thousand yen. This was attributable mainly to the recording of depreciation of 39,830 thousand yen, partly offset by an increase in software in progress of 17,902 thousand yen resulting from the progress of system renewal.

As a result, total assets decreased by 150,223 thousand yen from the end of the previous fiscal year to 4,644,278 thousand yen.

Liabilities

Current liabilities as of the end of the period under review, decreased by 47,696 thousand yen from the end of the previous fiscal year to 806,958 thousand yen. This is attributable mainly to decreases in account payable-others of 81,912 thousand yen, accrued expenses of 24,694 thousand yen, income taxes payable of 11,497 thousand yen, and current portion of long-term borrowings of 10,491 thousand yen, partly offset by increases in deposits received of 60,137 thousand yen and consumption taxes payable of 16,955 thousand yen.

Non-current liabilities decreased by 17,107 thousand yen from the end of the previous fiscal year to 237,873 thousand yen. This is attributable mainly to a decrease in long-term borrowings of 16,479 thousand yen.

As a result, total liabilities decreased by 64,804 thousand yen from the end of the previous fiscal year to 1,044,832 thousand yen.

Net assets

Net assets as of the end of the period under review decreased by 85,418 thousand yen from the end of the previous fiscal year to 3,599,445 thousand yen. This is attributable to a decrease of 197,120 thousand yen in retained earnings due to the recording of net loss, partially offset by an increase of 55,851 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, 2023, which was disclosed in the non-consolidated financial results for the fiscal year ended December 31, 2022.

2. Quarterly Financial Statements and Major Notes

(1) Quarterly balance sheets

	(Thousands of yen)	
	Previous fiscal year (As of December 31, 2022)	Current quarter (As of March 31, 2023)
Assets		
Current assets:		
Cash and deposits	3,044,793	2,933,450
Accounts receivable – trade	376,661	384,396
Work in process	–	8,894
Prepaid expenses	93,078	88,147
Consumption taxes receivable	22,084	–
Other	5,482	49
Allowance for doubtful accounts	(61)	(61)
Total current assets	3,542,040	3,414,877
Non-current assets:		
Property, plant and equipment:		
Buildings	203,981	203,981
Vehicles	7,594	7,594
Tools, furniture and fixtures	103,866	104,829
Leased assets	8,068	8,068
Accumulated depreciation	(57,149)	(66,431)
Total property, plant and equipment	266,360	258,041
Intangible assets:		
Software	558,491	527,943
Software in progress	183,071	200,973
Total intangible assets	741,563	728,917
Investments and other assets:		
Leasehold and guarantee deposits	244,010	241,968
Other	526	472
Total investments and other assets	244,537	242,441
Total non-current assets	1,252,461	1,229,400
Total assets	4,794,501	4,644,278

(Thousands of yen)

	Previous fiscal year (As of December 31, 2022)	Current quarter (As of March 31, 2023)
Liabilities		
Current liabilities:		
Short-term borrowings	100,000	100,000
Current portion of long-term borrowings	95,874	85,383
Accounts payable – other	238,361	156,449
Accrued expenses	109,500	84,806
Contract liabilities	35,822	35,656
Lease obligations	2,519	2,519
Income taxes payable	22,359	10,862
Consumption taxes payable	–	16,955
Deposits received	6,716	66,853
Guarantee deposits received	243,501	243,501
Provision for loss on orders received	–	3,970
Total current liabilities	854,655	806,958
Non-current liabilities:		
Long-term borrowings	247,605	231,126
Lease obligations	4,675	4,045
Deferred tax liabilities	487	487
Asset retirement obligations	2,213	2,215
Total non-current liabilities	254,981	237,873
Total liabilities	1,109,637	1,044,832
Net assets		
Shareholders' equity:		
Share capital	2,394,756	2,450,607
Capital surplus	2,672,315	2,728,166
Retained earnings	(1,382,658)	(1,579,779)
Treasury shares	(146)	(146)
Total shareholders' equity	3,684,266	3,598,847
Share acquisition rights	598	598
Total net assets	3,684,864	3,599,445
Total liabilities and net assets	4,794,501	4,644,278

(2) Quarterly statements of income

(Thousands of yen)

	Three months ended March 31, 2022 (from January 1, 2022 to March 31, 2022)	Three months ended March 31, 2023 (from January 1, 2023 to March 31, 2023)
Net sales	568,691	719,353
Cost of sales	219,690	260,508
Gross profit	349,000	458,845
Selling, general and administrative expenses	560,130	651,205
Operating income (loss)	(211,129)	(192,359)
Non-operating income:		
Interest income	22	16
Other	2,504	170
Total non-operating income	2,526	186
Non-operating expenses:		
Interest expenses	1,666	2,113
Commission expenses	5,406	616
Other	–	26
Total non-operating expenses	7,073	2,755
Ordinary income (loss)	(215,676)	(194,928)
Extraordinary income:		
Gain on sale of non-current assets	2	–
Gain on sale 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	(84,647)	(194,928)
Income taxes – current	1,553	2,192
Total income taxes	1,553	2,192
Net income (loss)	(86,200)	(197,120)

(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 period under review, and then calculated income taxes by multiplying the net income before income taxes by the estimated effective tax rate.

Changes in accounting policies

Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the Implementation Guidance on Accounting Standards for Fair Value Measurement (ASBJ Guidance No. 31 issued on June 17, 2021), starting from January 1, 2023, the beginning of the period under review. New accounting policies set forth in this implementation guidance will be applied prospectively in accordance with the transitional treatment stipulated in paragraph 27-2 of said guidance. The application has no effect on the quarterly financial statements.