

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, 2023 (under Japanese GAAP)

November 7, 2023

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 7, 2023

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, 2023 (from January 1, 2023 to September 30, 2023)

(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, 2023	2,309	27.9	(365)	–	(375)	–	(382)	–
September 30, 2022	1,805	11.9	(753)	–	(769)	–	(643)	–

	Basic earnings (loss) per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2023	(11.03)	–
September 30, 2022	(19.11)	–

Note: The amounts of diluted earnings per share for the nine months ended September 30, 2022 and 2023 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, 2023	4,620	3,456	74.8
December 31, 2022	4,794	3,684	76.8

Reference: Equity (Shareholders' equity):

As of September 30, 2023: 3,456 million yen As of December 31, 2022: 3,684 million yen

2. Dividends

	Annual dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended	Yen	Yen	Yen	Yen	Yen
December 31, 2022	–	0.00	–	0.00	0.00
Fiscal year ending					
December 31, 2023	–	0.00	–		
Fiscal year ending					
December 31, 2023 (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, 2023 (from January 1, 2023 to December 31, 2023)

(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	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 September 30, 2023:	35,039,700 shares
As of December 31, 2022:	34,027,600 shares
 - (ii) Number of treasury shares

As of September 30, 2023:	152 shares
As of December 31, 2022:	92 shares
 - (iii) Average number of shares outstanding during the period

Nine months ended September 30, 2023:	34,709,279 shares
Nine months ended September 30, 2022:	33,672,738 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, 2023.

With a mission of creating 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 August 2022, the Company started selling a renewed version of SPIDERPLUS. It has been continuing development aiming to create a product platform that solves the challenges of the construction industry while 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.

The construction industry, where the Company provides its services, is on an upward trend in construction demand, as domestic companies’ willingness to invest in construction and public investment remain firm.

Meanwhile, labor costs and construction material prices remain high, requiring construction companies to improve productivity and profitability. Furthermore, in addition to the structural issues of chronic labor shortage and long working hours becoming the norm, the Company is under pressure to respond to the April 2024 application to the construction industry of the ceiling regulations of the “Act on the Arrangement of Related Acts to Promote Work Style Reform.”

DX and SaaS that enables DX are attracting attention in the construction industry to address the aforementioned issues. In addition, companies are eager to invest in IT.

The Company takes the period until FY2024 as a period for making up-front investment to capture these DX needs in the construction industry and expand its market share, and judges that it is necessary to continue strategic investment. Based on this management decision, the Company intends to focus on sales growth rate rather than profitability for a certain period of time. During the fiscal year under review, the Company is focusing on creating organizations and products with an eye to demand expansion in FY2024 and beyond, enhancing its sales capabilities to expand its customer base and strengthening cooperative structures with sales partners.

Under the above business environment and management decisions, the number of IDs and contracted companies for SPIDERPLUS, a service that promotes DX in the construction industry and contributes to productivity improvement and cost reduction, grew steadily, capturing IT investment demands in the construction industry. In addition, the Company focuses on up-selling, including sales of various optional inspection functions, and Average Revenue Per Unit (ARPU), revenue per contracted ID, also increased steadily.

As a result of the above, the Company recorded strong growth during the nine months ended September 30, 2023 (the period under review) in the numbers of both contracted IDs and contracted companies to 65,937 (+18.4% YoY) and 1,763 (+21.9% YoY), respectively, as of September 30, 2023. Accordingly, the Company reported net sales of 2,309,657 thousand yen (compared to 1,805,583 thousand yen for the same period last year), operating loss of 365,294 thousand yen (compared to operating loss of 753,513 thousand yen for the same period last year), ordinary loss of 375,910 thousand yen (compared to ordinary loss of 769,885 thousand yen for the same period last year), loss before income taxes of 375,910 thousand yen (compared to loss before income taxes of 638,594 thousand yen for the same period last year) and net loss of 382,903 thousand yen (compared to net loss of 643,345 thousand yen for the same period last year). Note that for the nine months ended September 30, 2022, 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 105,169 thousand yen from the end of the previous fiscal year to 3,436,870 thousand yen. This was attributable mainly to a decrease in cash and deposits of 98,287 thousand yen due mainly to the recording of operating loss caused by the upfront investment.

Non-current assets decreased by 68,493 thousand yen from the end of the previous fiscal year to 1,183,967 thousand yen. This was attributable mainly to a decrease in software of 71,199 thousand yen due to amortization.

As a result, total assets decreased by 173,663 thousand yen from the end of the previous fiscal year to 4,620,838 thousand yen.

Liabilities

Current liabilities as of the end of the period under review increased by 105,733 thousand yen from the end of the previous fiscal year to 960,389 thousand yen. This was attributable mainly to an increase in short-term borrowings of 150,000 thousand yen.

Non-current liabilities decreased by 51,323 thousand yen from the end of the previous fiscal year to 203,658 thousand yen. This was attributable mainly to a decrease in long-term borrowings of 49,437 thousand yen.

As a result, total liabilities increased by 54,410 thousand yen from the end of the previous fiscal year to 1,164,048 thousand yen.

Net assets

Net assets as of the end of the period under review decreased by 228,073 thousand yen from the end of the previous fiscal year to 3,456,790 thousand yen. This was attributable to a decrease of 382,903 thousand yen in retained earnings due to the recording of net loss, which was partially offset by an increase of 77,446 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 September 30, 2023)
Assets		
Current assets:		
Cash and deposits	3,044,793	2,946,505
Accounts receivable – trade	376,661	444,705
Work in process	–	264
Prepaid expenses	93,078	44,174
Consumption taxes receivable	22,084	–
Other	5,482	1,220
Allowance for doubtful accounts	(61)	–
Total current assets	3,542,040	3,436,870
Non-current assets:		
Property, plant and equipment:		
Buildings	203,981	203,981
Vehicles	7,594	7,594
Tools, furniture and fixtures	103,866	105,766
Leased assets	8,068	8,068
Accumulated depreciation	(57,149)	(85,236)
Total property, plant and equipment	266,360	240,175
Intangible assets:		
Software	558,491	487,292
Software in progress	183,071	218,243
Total intangible assets	741,563	705,535
Investments and other assets:		
Leasehold and guarantee deposits	244,010	237,939
Other	526	317
Total investments and other assets	244,537	238,256
Total non-current assets	1,252,461	1,183,967
Total assets	4,794,501	4,620,838

	(Thousands of yen)	
	Previous fiscal year (As of December 31, 2022)	Current quarter (As of September 30, 2023)
Liabilities		
Current liabilities:		
Short-term borrowings	100,000	250,000
Current portion of long-term borrowings	95,874	70,881
Accounts payable – other	238,361	141,765
Accrued expenses	109,500	101,557
Contract liabilities	35,822	43,198
Lease obligations	2,519	2,519
Income taxes payable	22,359	22,387
Accrued consumption taxes	–	71,547
Deposits received	6,716	12,681
Guarantee deposits received	243,501	243,501
Other	–	350
Total current liabilities	854,655	960,389
Non-current liabilities:		
Long-term borrowings	247,605	198,168
Lease obligations	4,675	2,785
Deferred tax liabilities	487	487
Asset retirement obligations	2,213	2,217
Total non-current liabilities	254,981	203,658
Total liabilities	1,109,637	1,164,048
Net assets		
Shareholders' equity:		
Share capital	2,394,756	2,472,203
Capital surplus	2,672,315	2,749,761
Retained earnings	(1,382,658)	(1,765,562)
Treasury shares	(146)	(184)
Total shareholders' equity	3,684,266	3,456,218
Share acquisition rights	598	572
Total net assets	3,684,864	3,456,790
Total liabilities and net assets	4,794,501	4,620,838

(2) Quarterly statements of income

(Thousands of yen)

	Nine months ended September 30, 2022 (from January 1, 2022 to September 30, 2022)	Nine months ended September 30, 2023 (from January 1, 2023 to September 30, 2023)
Net sales	1,805,583	2,309,657
Cost of sales	690,568	826,201
Gross profit	1,115,015	1,483,455
Selling, general and administrative expenses	1,868,529	1,848,750
Operating income (loss)	(753,513)	(365,294)
Non-operating income:		
Interest income	41	30
Dividend income	3	–
Other	3,038	2,008
Total non-operating income	3,083	2,038
Non-operating expenses:		
Interest expenses	4,938	6,259
Commission expenses	14,495	6,369
Other	21	26
Total non-operating expenses	19,455	12,654
Ordinary income (loss)	(769,885)	(375,910)
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	(638,594)	(375,910)
Income taxes – current	4,750	6,993
Total income taxes	4,750	6,993
Net income (loss)	(643,345)	(382,903)

(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 third quarter, and then calculated income taxes by multiplying the net income before income taxes by the estimated effective tax rate.

Changes in accounting policies

Application of the Accounting Standard for Fair Value Measurement

The Company has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan (ASBJ) Guidance No. 31, June 17, 2021; the "Implementation Guidance on Accounting Standard for Fair Value Measurement") since the beginning of the first quarter of the fiscal year ending December 31, 2023. The new accounting policies set forth in the Implementation Guidance on Accounting Standard for Fair Value Measurement will be applied prospectively in accordance with the transitional treatment set forth in the Article 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact on the quarterly financial statements.