

Notice: This is a translation of a notice in Japanese and is made solely for the convenience of foreign shareholders.  
In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

Securities code: 4192

March 11, 2024

(Date of commencement of electronic provision measures: March 4, 2024)

To Shareholders with voting rights:

Kenji Ito  
CEO and Representative Director  
SpiderPlus & Co.  
2-2-1 Toranomom, Minato-ku, Tokyo

### **Notice of the 25th Ordinary General Meeting of Shareholders**

We hereby inform you that the 25th Ordinary General Meeting of Shareholders of SpiderPlus & Co. (the “Company”) will be held as described below.

In convening this General Meeting of Shareholders, the Company has taken electronic provision measures and has posted the matters subject to electronic provision measures as “Notice of the 25th Ordinary General Meeting of Shareholders” on the following website on the internet.

The Company website: <https://en.spiderplus.co.jp/ir/library/>

The matters subject to electronic provision measures are also posted on the website of the Tokyo Stock Exchange (TSE). When you access the TSE website below, enter “SpiderPlus” in the “Issue name (company name)” field or our securities code “4192” in the “Code” field, and click on “Search” to find search results. Then, click on “Basic information” and “Documents for public inspection/PR information” in this order to find the matters subject to electronic provision measures.

TSE website (Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

In lieu of attending the meeting in person, you may exercise your voting rights in writing or via the internet. In this case, please review the Reference Documents for the General Meeting of Shareholders included in the matters subject to electronic provision measures and exercise your voting rights by 6:00 p.m. (Japan time) on Monday, March 25, 2024 by following the Guidance on Exercising Voting Rights on page 3.

Furthermore, you will be able to participate in the meeting online via the Zoom Webinar platform so that you can observe the meeting from the comfort of your own home.

### **Particulars**

- 1. Date and Time:** 10:00 a.m. on Tuesday, March 26, 2024 (Japan time)
- 2. Place:** B2F Hall of the Kikai Shinko Kaikan Building  
Japan Society for the Promotion of Machine Industry  
3-5-8 Shibakoen, Minato-ku, Tokyo
- 3. Meeting Agenda:**
  - Matters to be reported:** Report on the Business Report and Financial Statements for the 25th fiscal year (from January 1, 2023 to December 31, 2023)
  - Matters to be resolved:**
    - Proposal 1:** Partial Amendments to the Articles of Incorporation
    - Proposal 2:** Election of Seven (7) Directors
    - Proposal 3:** Election of Three (3) Audit & Supervisory Board Members

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- ◎ When attending the meeting in person, please submit the enclosed Voting Rights Exercise Form to the reception desk.
  - ◎ If you exercise your voting rights by proxy, you are required to appoint only one proxy who is a shareholder with voting rights.
  - ◎ If you do not indicate your approval or disapproval of the proposals on the Voting Rights Exercise Form, we will treat it as if you indicated your approval.
  - ◎ If you exercise your voting rights in duplicate via the internet and in writing, the vote via the internet shall be deemed valid. If you exercise your voting rights more than once via the internet, your last vote shall be deemed valid.
  - ◎ Pursuant to laws and regulations as well as the Articles of Incorporation of the Company, the Company sent paper-based documents of the matters subject to electronic provision measures excluding the Notes to the Financial Statements. Accordingly, the page numbers, item numbers and reference pages printed on the paper-based documents sent are identical to those of the matters subject to electronic provision measures. The Notes to the Financial Statements are part of the documents audited by the Audit & Supervisory Board Members and the Accounting Auditor in preparing the Audit Report.
  - ◎ Should any of the matters subject to electronic provision measures require revisions, the revised version will be posted on the Company website and the TSE website above.
  - ◎ We will be filming the meeting for online distribution via the Zoom Webinar platform on the day of the meeting. We will mainly film the chair and board member seats at the front of the hall, and will make every effort to prevent the appearance of shareholders in attendance from being filmed. However, we ask for your understanding that there may be cases in which shareholders will be filmed due to circumstances at the hall or other reasons.

<How to participate online>

Online participation in this General Meeting of Shareholders is available via the Zoom Webinar platform. For details of the participation procedures, please refer to the Guidance on the Online Streaming of the 25th Ordinary General Meeting of Shareholders(available in Japanese only) enclosed with this Notice of the Ordinary General Meeting of Shareholders.

Online participation in the meeting does not constitute attendance at the meeting under the Companies Act. Therefore, please be advised that you will not be able to ask questions, submit motions, or vote on motions. Please exercise your voting rights in writing or via the internet in advance in accordance with the “Guidance on Exercising Voting Rights” on page 3. In addition, shareholders who may wish to submit a motion are kindly requested to attend the meeting in person at the meeting venue.

## Guidance on Exercising Voting Rights

### If you are attending the meeting in person



If you plan to attend the meeting in person, please bring this Notice of the Ordinary General Meeting of Shareholders and submit the enclosed Voting Rights Exercise Form at the reception desk.

**Date and time** 10:00 a.m. on Tuesday, March 26, 2024 (Japan time)

### If you are not attending the meeting in person



#### Exercising voting rights in writing

Please indicate your approval or disapproval of the proposals on the enclosed Voting Right Exercise Form and send it back by the following deadline.

**Voting deadline** 6:00 p.m. on Monday, March 25, 2024 (Japan time)



#### Exercising voting rights via the internet

Please read the instructions for exercising voting rights via the internet (available in Japanese only) and follow the instructions on the screen and enter your approval or disapproval.

**Voting deadline** 6:00 p.m. on Monday, March 25, 2024 (Japan time)



#### To shareholders using smartphones

It is no longer necessary to enter your **Login ID** and **Temporary Password** to exercise your voting rights via smartphone. You can log in by reading the “**QR Code for Login**” printed on the right-hand side of the enclosed Voting Rights Exercise Form.

\* QR Code is a registered trademark of DENSO WAVE INCORPORATED.

## Reference Documents for the General Meeting of Shareholders

### Proposals and Matters for Reference

#### Proposal 1: Partial Amendments to the Articles of Incorporation

##### (1) Reason for proposal

The Company will make the necessary changes to Article 2 (Purpose) of the Articles of Incorporation to accommodate future business development and diversification of the Company's business activities.

##### (2) Details of amendments

The details of the amendments are as follows.

(Amended parts are underlined.)

Current Articles of Incorporation		Proposed Amendments	
(Purpose)		(Purpose)	
Article 2	The purpose of the Company shall be to engage in the following businesses.	Article 2	The purpose of the Company shall be to engage in the following businesses.
1.-12.	(Texts omitted) (Newly established)	1.-12.	(Unchanged)
	(Newly established)	<u>13. Business process outsourcing and business process support services</u>	
	(Newly established)	<u>14. Receipt agency business, collection agency business and payment agency business</u>	
	(Newly established)	<u>15. Worker dispatching business and fee-charging employment placement business</u>	
	(Newly established)	<u>16. Consulting services related to the preceding respective items</u>	
<u>13.</u>	All services incidental to the preceding respective items	<u>17.</u>	All services incidental to the preceding respective items

## Proposal 2: Election of Seven (7) Directors

The terms of office of all five (5) Directors will expire at the conclusion of this General Meeting of Shareholders. To ensure management transparency and further strengthen corporate governance, the Company proposes the addition of two (2) Outside Directors and the election of a total of seven (7) Directors. The Company has decided to propose the election of these Directors in accordance with an opinion of the Nomination and Compensation Advisory Committee.

The candidates for Directors are as follows:

No.	Name (Date of birth)	Brief career history, position, responsibilities and major concurrent positions	Number of shares of the Company held
1	Kenji Ito (August 4, 1973)  [Reappointment]	<p>April 1992      Joined SHOWA Corporation            July 1995      Joined DAIICHI HOON KOGYO KK            October 1996    Joined HASHIMOTO HOON KOGYO, Y.K.            (currently Nihon Eco Line Inc.)            September 1997    Founded Ito-Kogyo            February 2000    Established K Factory Limited Liability            Company (currently SpiderPlus &amp; Co.) and            appointed as CEO and Representative            Director (to present)            September 2005    Established 9th Inc. and appointed as            Representative Director            September 2010    Established Vasys Inc. and appointed as            Representative Director</p> <p>[Reasons for nomination as a candidate for Director]            Mr. Kenji Ito has many years of sales experience in the construction industry and knowledge of corporate management. He has also led the Company as Representative Director since its establishment and has made significant contributions to increasing the Company's corporate value through improved business performance and the listing on the Tokyo Stock Exchange. We believe that his extensive experience and broad insight relevant to the construction industry and management are necessary for our sustainable growth and further enhancement of corporate value. We have therefore continued to nominate him as a candidate for Director.</p>	18,781,800



No.	Name (Date of birth)	Brief career history, position, responsibilities and major concurrent positions	Number of shares of the Company held
3	Yutaka Fujiwara (December 20, 1985)  [Reappointment]	<p>December 2008    Joined ShinNihon LLC (currently Ernst &amp; Young ShinNihon LLC)</p> <p>August 2015    Joined Deloitte Tohmatsu Financial Advisory LLC</p> <p>June 2017        Joined Maxus Corporate Advisory Inc.</p> <p>May 2019        Joined Circulation Co., Ltd.</p> <p>April 2021        Joined the Company</p> <p>September 2021    General Manager of Administrative Division</p> <p>March 2022        Director and Manager of Administrative Division</p> <p>April 2022        Director, Executive Officer and CFO, and General Manager of Corporate Division</p> <p>January 2023      Director, Executive Officer and CFO, and Manager of Corporate Planning Office</p> <p>September 2023    Director, Executive Officer and CFO, Manager of Corporate Planning Office, and Head of Corporate Division</p> <p>January 2024      Director, Executive Officer and CFO, and Head of Management Control Group (to present)</p> <p>[Reasons for nomination as a candidate for Director] Mr. Yutaka Fujiwara is a certified public accountant and has extensive M&amp;A experience. He oversees the corporate departments and the corporate planning departments. We believe that his wide range of expertise and experience can be instrumental to manage and supervise the overall management of the Company and are necessary for our sustainable growth and further enhancement of corporate value. We have therefore continued to nominate him as a candidate for Director.</p>	15,000

No.	Name (Date of birth)	Brief career history, position, responsibilities and major concurrent positions	Number of shares of the Company held
4	Tomoyuki Fujita (March 18, 1981)  [Reappointment]	<p>April 2003      Joined IBM Japan, Ltd.  May 2017      Joined VALUENEX Japan Inc.  September 2018      Joined Coinage Co., Ltd.  April 2021      Joined the Company  July 2022      Executive Officer and VPoP of Development Group  January 2023      Executive Officer and VPoP of Product Group  March 2023      Director, Executive Officer and VPoP of Product Group  April 2023      Director, Executive Officer and CTO, and Head of Product Group (to present)</p> <p>[Reasons for nomination as a candidate for Director]  Mr. Tomoyuki Fujita has experience as a project manager in large-scale system development at a major company, as well as in many other product development roles, and is currently responsible for our product development. We believe that his broad insight and experience in product development can be instrumental to manage and supervise our product development and is necessary for our sustainable growth and further enhancement of corporate value. We have therefore continued to nominate him as a candidate for Director.</p>	1,354

No.	Name (Date of birth)	Brief career history, position, responsibilities and major concurrent positions	Number of shares of the Company held
5	Junya Yoshida (May 2, 1983)  [Reappointment]	<p>April 2007      Joined JAFECO Co., Ltd. (currently JAFECO Group Co., Ltd.)  February 2020      Outside Director, the Company (to present)  February 2021      Outside Director, 62Complex Inc. (to present)  March 2021      Partner, Wedge Inc. (KUSABI) (to present)</p> <p>[Major concurrent positions]  Outside Director, 62Complex Inc. and Partner, Wedge Inc. (KUSABI)</p> <p>[Reasons for nomination as a candidate for Outside Director and summary of expected roles]  Mr. Junya Yoshida has a wealth of knowledge and experience cultivated as a venture capitalist, and has provided advice and suggestions as appropriate on important matters concerning the Company's management. We have continued to nominate him as a candidate for Outside Director in the expectation that he will continue to supervise the management team on behalf of shareholders and other stakeholders by contributing to the formulation of our corporate strategy and the strengthening of corporate governance. His term of office as Outside Director of the Company will be four years and one month at the conclusion of this General Meeting of Shareholders.</p>	450,000



No.	Name (Date of birth)	Brief career history, position, responsibilities and major concurrent positions	Number of shares of the Company held
6	<p>Daichi Hiroki (August 6, 1983)</p> <p>[New appointment]</p>	<p>April 2008      Joined MIXI, Inc.</p> <p>January 2013    Corporate Officer and Service Department, MIXI, Inc.</p> <p>June 2016      Founded rector, inc. (former rector, inc.) and appointed as Director</p> <p>June 2019      Established JAPAN CTO ASSOCIATION and appointed as Board Member (to present)</p> <p>June 2022      Founded rector, inc. (another company with the same name as the former rector, inc.) and appointed as Representative Director (to present)</p> <p>September 2022    Outside CTO, The Asahi Shimbun Company (to present)</p> <p>November 2022    Outside Director, Goodpatch Inc. (to present)</p> <hr/> <p>[Major concurrent positions] Board Member, JAPAN CTO ASSOCIATION; Outside CTO, The Asahi Shimbun Company; Representative Director, rector, inc.; and Outside Director, Goodpatch Inc.</p> <hr/> <p>[Reasons for nomination as a candidate for Outside Director and summary of expected roles] Mr. Daichi Hiroki has extensive experience in IT-related companies, where he has been responsible for various departments and engaged in technological strategies and organization building. He has also provided management support to numerous companies in an advisory capacity for technology organizations. We have nominated him a candidate for Outside Director in the expectation that he will contribute to enhancing our sustainable growth and corporate value by providing advice on the Company's overall management with a focus on technological strategies and the development organization, as well as to strengthening the supervisory function of the Board of Directors.</p>	—

No.	Name (Date of birth)	Brief career history, position, responsibilities and major concurrent positions	Number of shares of the Company held
7	Ryutaro Mori (August 30, 1990)  [New appointment]	<p>June 2013      Joined Vapes Inc.</p> <p>August 2015    Director, CARTIVATOR Resource Management</p> <p>October 2015    Founded IntegriCulture Inc. and appointed as CFO and CMO</p> <p>October 2019    Founded Anon Inc. and appointed as Representative Director (to present)</p> <p>October 2020    Joined TOYOTA MOTOR CORPORATION</p> <p>April 2022      Corporate Vice President and General Manager, Innovation Development Office, KONICA MINOLTA, INC. (to present)</p> <p>[Major concurrent positions] Representative Director, Anon Inc. and Corporate Vice President and General Manager, Innovation Development Office, KONICA MINOLTA, INC.</p> <p>[Reasons for nomination as a candidate for Outside Director and summary of expected roles] Mr. Ryutaro Mori has extensive knowledge and experience in innovation management. We have nominated him as a candidate for Outside Director in the expectation that he will contribute to enhancing our sustainable growth and corporate value mainly through involving in business development from an outsider's perspective, as well as to strengthening the supervisory function of the Board of Directors.</p>	—

- Notes
1. There are no special interests between each candidate and the Company.
  2. Among the candidates, Mr. Kenji Ito controls the management of the Company.
  3. Among the candidates, Messrs. Junya Yoshida, Daichi Hiroki and Ryutaro Mori are the candidates for Outside Director. As all of them satisfy the criteria for independence of outside officer stipulated by the Tokyo Stock Exchange and the criteria for independence stipulated by the Company, the Company has registered all of them with the Exchange as Independent Officer stipulated by the Exchange.
  4. The Company has entered into the agreement with Mr. Junya Yoshida pursuant to Article 427, Paragraph 1 of the Companies Act to limit the liability for damages to the amount stipulated by Article 425, Paragraph 1 of the said Act. If his election is approved as originally proposed, the Company intends to continue the said liability limitation agreement with him. In addition, if the election of Messrs. Daichi Hiroki and Ryutaro Mori is approved as originally proposed, the Company intends to enter into the same liability limitation agreement with them.
  5. The Company has concluded a Directors and Officers liability insurance policy that insures all of its Directors, Audit & Supervisory Board Members, and Executive Officers with an insurance company. The insurance policy covers legal damages and litigation costs to be borne by the insured. The Company bears all of the insurance premiums for the insured. If each candidate is newly appointed or reappointed as Director, each candidate will be included in the insured of the said policy. In addition, the Company intends to renew the said policy on the same terms and conditions at the time of next renewal.

### Proposal 3: Election of Three (3) Audit & Supervisory Board Members

The terms of office of all three (3) Audit & Supervisory Board Members will expire at the conclusion of this General Meeting of Shareholders. To further strengthen corporate governance, the Company proposes to newly elect three (3) Audit & Supervisory Board Members. The Company has obtained the consent of the Audit & Supervisory Board for this proposal.

The candidates for Audit & Supervisory Board Members are as follows:

No.	Name (Date of birth)	Brief career history, position, responsibilities and major concurrent positions	Number of shares of the Company held
1	Hiroyuki Koga (July 1, 1960)  [New appointment]	<p>April 1983      Joined Mitsui &amp; Co. Ltd.</p> <p>April 2003      Deputy General Manager, CFO Planning Div., Mitsui &amp; Co. Ltd.</p> <p>October 2003    General Manager of Treasury Dept., Financial Management Div., Mitsui &amp; Co (U.S.A), Inc. (New York)</p> <p>February 2011   Seconded to IPM Eagle LLP (London) as Director &amp; CFO</p> <p>July 2014        General Manager, Business Development Div., Basic Chemicals Business Unit., Mitsui &amp; Co. Ltd.</p> <p>October 2017    Seconded to MicroBiopharm Japan Co., Ltd. As Director &amp; EVP</p> <p>June 2019        Director and CFO, Relia, Inc. (currently Altius Link, Inc.)</p> <p>[Reasons for nomination as a candidate for Outside Audit &amp; Supervisory Board Member] Mr. Hiroyuki Koga has served as a director of a listed company and as CFO or other key executives of affiliated companies of a major general trading firm in Japan and overseas, and has broad knowledge, insight and track record in the fields of business administration, accounting and finance, and legal and compliance risk management. With his extensive knowledge and experience, we believe that he will be able to supervise overall management and conduct appropriate audits from an independent and objective standpoint.</p>	—

No.	Name (Date of birth)	Brief career history, position, responsibilities and major concurrent positions	Number of shares of the Company held
2	Yoshitaka Sasaki (September 6, 1973)  [Reappointment]	<p>November 1996    Joined Nippon Yusoki Co., Ltd. (currently Mitsubishi Logisnext Co., Ltd.)</p> <p>September 2012    Director and General Manager, Corporate Planning Office, Hasegawa Holdings Co., Ltd. (currently HITOWA Holdings Co., Ltd.)</p> <p>March 2014        Director and Head of Administration Division, Showcase-TV Inc. (currently Showcase Inc.)</p> <p>October 2015      Corporate Auditor, ANDG CO., LTD. (to present)</p> <p>April 2017        Outside Director, WARM LIGHT Co., Ltd. (currently Bourn Mark Co., Ltd.)</p> <p>April 2017        Outside Director, increws Co., Ltd.</p> <p>July 2017         Corporate Auditor, GALAXY CO., LTD.</p> <p>October 2018     Established TOKYO Frontier Farm Co., Ltd. and appointed as Representative Director (to present)</p> <p>December 2018    Corporate Auditor, COGNIROBO INC.</p> <p>May 2019         Corporate Auditor, Zigzag Co., Ltd. (to present)</p> <p>September 2019   Corporate Auditor, VALUEDESIGN INC.</p> <p>February 2020    Outside Audit &amp; Supervisory Board Member, the Company (to present)</p> <p>March 2020       Representative Director, CFO knowledge Co., Ltd. (to present)</p> <p>June 2020        Corporate Auditor, HRBrain, Inc. (to present)</p> <p>November 2020    Established Prime Partners Co., Ltd. and appointed as Representative director (to present)</p> <p>May 2021         Outside Director, Vertex Co., Ltd. (to present)</p> <p>June 2021        Outside Director (Audit and Supervisory Committee Member), Geniee, Inc. (to present)</p> <p>September 2022   Director, A*Quantum Inc. (to present)</p> <p>[Major concurrent positions] Corporate Auditor, ANDG CO., LTD.; Representative Director, TOKYO Frontier Farm Co., Ltd.; Corporate Auditor, Zigzag Co., Ltd.; Representative Director, CFO knowledge Co., Ltd.; Corporate Auditor, HRBrain, Inc.; Representative Director, Prime Partners Co., Ltd.; Outside Director, Vertex Co., Ltd.; Outside Director (Audit and Supervisory Committee Member), Geniee, Inc.; and Director, A*Quantum Inc. (to present)</p> <p>[Reasons for nomination as a candidate for Outside Audit &amp; Supervisory Board Member] Mr. Hiroyuki Koga has served as a director of a listed company and as an outside corporate auditor of numerous companies. With his extensive knowledge and experience, we believe that he will be able to supervise overall management and conduct appropriate audits from an independent and objective standpoint. His term of office as Outside Audit &amp; Supervisory Board Member of the Company will be four years and one month at the conclusion of this General Meeting of Shareholders.</p>	—

No.	Name (Date of birth)	Brief career history, position, responsibilities and major concurrent positions	Number of shares of the Company held
3	Isaka Takeda (June 20, 1984)  [New appointment]	<p>December 2012 Appointed as a public prosecutor</p> <p>April 2020 Registered as an attorney-at-law Joined Kitahama Partners (to present)</p> <p>October 2021 Outside Corporate Auditor, TAKUMINO HOLDINGS, CO., LTD. (to present)</p> <p>April 2023 Outside Corporate Auditor, Mediahouse Holdings Co., Ltd. (to present)</p> <p>[Major concurrent positions] Attorney-at-law, Kitahama Partners; Outside Corporate Auditor, TAKUMINO HOLDINGS, CO., LTD.; and Outside Corporate Auditor, Mediahouse Holdings Co., Ltd.</p> <p>[Reasons for nomination as a candidate for Director] Ms. Isaka Takeda has extensive experience and expertise as an attorney-at-law and has served as an outside corporate auditor for companies other than the Company. Although she has no direct experience of being involved in management, for the reasons stated above, we have determined that she is suitable to audit and supervise the Company's management to ensure its adequacy and appropriateness.</p>	–

- Notes
1. There are no special interests between each candidate and the Company.
  2. Among the candidates, Messrs. Hiroyuki Koga and Yoshitaka Sasaki and Ms. Isaka Takeda are the candidates for Outside Audit & Supervisory Board Member.
  3. As Messrs. Hiroyuki Koga and Yoshitaka Sasaki and Ms. Isaka Takeda satisfy the criteria for independence of outside officer stipulated by the Tokyo Stock Exchange and the criteria for independence stipulated by the Company, the Company has registered all of them with the Exchange as Independent Officer stipulated by the Exchange.
  4. The Company has entered into the agreement with Mr. Yoshitaka Sasaki pursuant to Article 427, Paragraph 1 of the Companies Act to limit the liability for damages to the amount stipulated by Article 425, Paragraph 1 of the said Act. If his election is approved as originally proposed, the Company intends to continue the said liability limitation agreement with him. In addition, if the election of Mr. Hiroyuki Koga and Ms. Isaka Takeda is approved as originally proposed, the Company intends to enter into the same liability limitation agreement with them.
  5. The Company has concluded a Directors and Officers liability insurance policy that insures all of its Directors, Audit & Supervisory Board Members, and Executive Officers with an insurance company. The insurance policy covers legal damages and litigation costs to be borne by the insured. The Company bears all of the insurance premiums for the insured. If each candidate is newly appointed or reappointed as Audit & Supervisory Board Member, each candidate will be included in the insured of the said policy. In addition, the Company intends to renew the said policy on the same terms and conditions at the time of next renewal.

## **Business Report** (from January 1, 2023 to January 1, 2023)

### **1. Matters concerning the Status of the Company**

#### **(1) Overview of the business for the fiscal year under review**

(i) Progress and results of the business

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.

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 in need of management and operational transformation as the industry is facing challenges including soaring labor costs and construction material prices, structural issues of chronic labor shortage and long working hours becoming the norm, and 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 (what is called the 2024 Problem).

Looking back at the construction industry in 2023, it became known that the quality of manufacturing that underpins Japan’s infrastructure was affected by various issues facing the industry, such as construction delays, quality problems, and tragic accidents at large construction sites.

Under such circumstances, as the introduction of DX and SaaS that enables DX can contribute to productivity improvement, players in the construction industry pay attention to it as one of the key measures to solve various issues in the industry and are eager to invest in IT.

Under the above business environment, 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 to existing customers, including sales of various optional inspection functions, and Average Revenue Per Unit (ARPU), revenue per contracted ID, also increased steadily.

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 has been 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.

As a result of the above, the number of contracted IDs, the number of contracted companies, and ARPU of SPIDERPLUS as of December 31, 2023 remained firm with 68,508 (+16.7% YoY), 1,841 (+20.8% YoY), and 4,282 yen (+9.6% YoY), respectively. Accordingly, for the fiscal year under review, the Company reported net sales of 3,194,521 thousand yen (+28.8% YoY), operating loss of 442,610 thousand yen (compared to operating loss of 1,142,318 thousand yen for the previous fiscal year), ordinary loss of 452,714 thousand yen (compared to ordinary loss of 1,161,815 thousand yen for the previous fiscal year), and net loss of 463,354 thousand yen (compared to net loss of 1,036,610 thousand yen for the previous fiscal year). Note that, for the previous fiscal year, 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.

(ii) Capital expenditures

Major capital investments made during the fiscal year under review are as follows:

Capital expenditure item	Amount of capital expenditures (thousand yen)	Detail of major capital investments
Software development	68,253	Development of renewed version of SPIDERPLUS and WEB-ID system
Expansion of floor space of Osaka Sales Office	14,782	Interior construction costs and acquisition costs of fixtures, etc. in conjunction with the interior construction

(iii) Financing

During the fiscal year under review, the Company procured funds of 363,925 thousand yen in total through the issuance of shares upon exercise of share acquisition rights and borrowings from financial institutions.

(2) Assets and earnings

(Thousands of yen, unless otherwise stated)

Classification	22nd fiscal year	23rd fiscal year	24th fiscal year	25th fiscal year
Fiscal year ended on December 31,	2020	2021	2022	2023
Net sales	1,973,405	2,206,940	2,479,404	3,194,521
Ordinary income (loss)	106,696	(503,929)	(1,161,815)	(452,714)
Net income (loss)	103,089	(511,669)	(1,036,610)	(463,354)
Basic earnings (loss) per share (yen)	3.58	(16.02)	(30.73)	(13.32)
Total assets	905,347	5,426,315	4,794,501	4,596,788
Net assets	408,996	4,622,104	3,684,864	3,385,324
Net assets per share (yen)	14.29	138.32	108.27	96.46

Note: On December 8, 2020, a 100-for-1 stock split of shares of common stock was conducted, and accordingly net assets per share and basic earnings per share for the 22nd fiscal year are calculated by assuming that the stock split had been conducted at the beginning of the 22nd fiscal year.

(3) Significant parent and subsidiaries

No applicable.

(4) Issues to be addressed

The construction industry faces the pressing issues of labor shortages and work style reforms.

According to the Monthly Labour Survey by the Ministry of Health, Labour and Welfare, the number of annual working hours of the construction industry in 2023 was 1,972 hours, which is higher than that of all industries surveyed of 1,636 hours, whereas the number of annual working days was 241 days, which is also higher than that of all industries surveyed of 211 days. In addition, due to the labor shortages and the aging of the workforce in the construction industry, the number of workers in the mining and construction industry is estimated to decline from 4.93 million in 2017 to approximately 2.8 million in 2040, according to the number of workers by industry compiled by the Employment Policy Research Group of the Ministry of Health, Labour and Welfare in July 2019.

Against this backdrop, an increasing number of companies are promoting more efficient operations through DX, and the construction industry's appetite for IT investment remains strong.

In this business environment, the key issues to be addressed by the Company are as follows:

(i) Secure and develop outstanding human resources

The Company recognizes the importance of consistently hiring and retaining outstanding human resources to further expand its business and provide advanced technologies to the

construction industry. In a bid to strengthen our human resource base, we will promote measures such as strengthening our recruitment system, education and training, and enhancing our training and personnel evaluation systems.

(ii) Improve technological and product capabilities

Our products require further differentiation in terms of technology and services to ensure to link business opportunities to growth amid the ongoing digitalization in the construction industry. We will catch up with the latest trends in technology and effectively reflect them to strengthen our technological superiority. We will also begin to develop new functions, new products, and new services, and strive to strengthen our product planning and development structure.

(iii) Strengthen sales force

We will strengthen our business relationships with sales partners, such as sales agents, to acquire more leads, or prospective customers. In addition, we will build and strengthen the sales function in Japan and overseas that specialize in the construction DX, and strengthen the system for obtaining customer needs from the field or construction sites through collaboration between the sales function and the customer success/support functions, thereby providing efficient and high-quality services and gaining more market share in the industry.

(iv) Strengthen internal control system

We recognize the importance of strengthening our internal control system to adapt to rapid changes in the business environment and grow consistently. To this end, we will expand our back-office functions in line with the scale and growth stage of the business, and will work on to strengthen our internal control system to ensure fairness and transparency in management. We will also strengthen our compliance system by managing risks in business operations and performing internal audits on a regular basis, and enhance corporate governance functions by appointing outside officers and performing audits by Audit & Supervisory Board Members.

(v) Enhance presence of the Company and establish brand

For the Company to increase its presence in the market, it is imperative to further improve its brand awareness and credibility. To gain the trust of our customers, we will strive to establish and spread our brand by improving the quality of our services, enhancing the satisfaction level of existing customers, exhibiting our products and services in trade shows, and strengthening publicity.

(vi) Protect intellectual property rights

We recognize that the intellectual property rights we have developed in the construction DX are the source of our competitive advantage. In addition, the importance of intellectual property rights has been growing in recent years, as is clearly stated in the Corporate Governance Code. Therefore, based on the recognition that the protection of intellectual property rights is a highly important management issue, we are strengthening our efforts to protect intellectual property rights by, for example, formulating intellectual property strategies under an intellectual property management system in which an executive officer responsible for intellectual property rights is assigned.



**(5) Principal businesses** (as of December 31, 2023)

The Company operates in a single ICT business segment with its mainstay construction DX service branded SPIDERPLUS.

**(6) Principal offices** (as of December 31, 2023)

- (i) Head office      Minato-ku, Tokyo
- (ii) Branch            None
- (iii) Sales offices    Osaka Sales Office (Osaka-shi, Osaka)  
Sapporo Sales Office (Sapporo-shi, Hokkaido)  
Fukuoka Sales Office (Fukuoka-shi, Fukuoka)  
Nagoya Sales Office (Nagoya-shi, Aichi)  
Sendai Sales Office (Sendai-shi, Miyagi)

**(7) Employees** (as of December 31, 2023)

Number of employees	YoY change	Average age	Average years of service
176 (67) persons	(4)	34.3 years old	2 years and 9 months

(Note) The number of employees shows the number of full-time employees with the annual average number of temporary employees separately presented in parenthesis.

**(8) Principal lenders** (as of December 31, 2023)

(Thousands of yen)

Lender	Outstanding balance of borrowings
Sumitomo Mitsui Banking Corporation	249,760
Mizuho Bank, Ltd.	124,995
MUFJ Bank, Ltd.	75,010
Resona Bank, Limited	50,000

**2. Matters Concerning Shares of the Company** (as of December 31, 2023)

- (1) **Total number of shares authorized to be issued** 115,000,000 shares
- (2) **Total number of shares issued** 35,090,648 shares (excluding 152 treasury shares)
- (3) **Number of shareholders** 7,078
- (4) **Major shareholders**

Name of shareholder	Number of shares held (shares)	Shareholding ratio (%)
Kenji Ito	18,781,800	53.52
THE BANK OF NEW YORK 133652	1,795,700	5.11
CHIYOMARU STUDIO CO., LTD.	809,900	2.30
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	785,711	2.23
THE BANK OF NEW YORK MELLON 140051	627,400	1.78
STATE STREET BANK AND TRUST COMPANY 505303	543,600	1.54
Hiroo Masuda	500,000	1.42
Junya Yoshida	450,000	1.28
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON TREATY ACCOUNT 15.315 PCT	425,000	1.21
SUMITOMO LIFE INSURANCE COMPANY	420,000	1.19

(Note) The shareholding ratio is calculated by excluding treasury shares (152 shares).

### 3. Matters Concerning Share acquisition rights of the Company

#### (1) Share acquisition rights held by the Company's Directors and Audit & Supervisory Board Members as of the end of the fiscal year under review that were granted as compensation for the execution of their duties

Item	4th Series Share acquisition rights	6th Series Share acquisition rights
Date of resolution to issue	November 15, 2019	February 28, 2020
Number of share acquisition rights	434 units	1,432 units
No. of grantees		
Director of the Company (excluding Outside Director)	1 person	1 person
Outside Director of the Company (limited to Outside Officer)	–	1 person
Audit & Supervisory Board Member of the Company	–	–
Class and number of shares to be issued under share acquisition rights	43,400 shares of common stock (Note 1) (100 shares per share acquisition right)	143,200 shares of common stock (Note 1) (100 shares per share acquisition right)
Amount to be paid in for share acquisition rights	Free of charge	Free of charge
Value of assets to be contributed upon exercise of share acquisition rights	16,500 yen per share acquisition right (165 yen per share) (Note 1)	18,000 yen per share acquisition right (180 yen per share) (Note 1)
Exercise period	From November 16, 2021 to March 28, 2029	From March 1, 2022 to February 13, 2030
Major exercise conditions of share acquisition rights	(Note 2)	(Note 2)

Notes 1. The number of shares to be issued upon exercise of share acquisition rights and the value of assets to be contributed upon exercise of share acquisition rights have been adjusted due to a 100-for-1 stock split of shares of common stock conducted on December 8, 2020.

2. The main exercise conditions are as follows:

- (i) A person who was a Director, an Audit & Supervisory Board Member or an employee of the Company at the time of issuance of share acquisition rights shall be required to hold the position of a Director, an Audit & Supervisory Board Member or an employee of the Company or its subsidiary at the time of exercising the share acquisition rights.
- (ii) Exercise of share acquisition rights by heirs of holders of share acquisition rights shall not be permitted.

**(2) Outline of share acquisition rights issued to employees during the fiscal year under review as compensation for the execution of their duties**

Not applicable.

**(3) Other important matters concerning subscription rights to shares**

Based on the resolution at the Board of Directors meeting held on December 13, 2019, the CEO and Representative Director of the Company established a trust for share acquisition rights issued at market value (the “Trust (5th Series Share acquisition rights)”) on December 24, 2019 with Mr. Ryuhei Ando, advisory Labor and Social Security Attorney, as trustee for the purpose of incentivizing the current and future Directors (excluding a trustor and his relatives), Audit & Supervisory Board Members, and employees (collectively the “Officers and Employees”) of the Company and its subsidiaries and associates (collectively, the “Group”) for enhancing the corporate value over the long term. Accordingly, the Company has issued the 5th Series Share acquisition rights (resolved at the Extraordinary General Meeting of Shareholders held on December 23, 2019) to Mr. Ryuhei Ando under the Trust (5th Series Share acquisition rights). Although the Company’s share acquisition rights do not fall under the stock option plan because they are compound financial instruments, they are intended to incentivize the Officer and Employees for increasing the Company’s corporate value over the medium term by determining the amount of incentive distribution at a future point in time based on the evaluation of future performance, and are therefore considered to be a quasi-stock option plan.

Of the Trust (5th Series Share acquisition rights), A01 was issued to 19 persons, who are the Company’s Directors, employees or outside business partners (including retired persons), and A02 was issued to 28 persons, who are the Company’s Directors, employees or outside business partners (including retired persons). Meanwhile, the trust agreement with Mr. Ryuhei Ando has been terminated.

### 5th Series Share acquisition rights

Date of resolution to issue	December 23, 2019
Number of share acquisition rights	15,000 units
Class and number of shares to be issued under share acquisition rights	1,500,000 shares of common stock
Amount to be paid in for share acquisition rights	40 yen per share acquisition right
Amount of assets to be contributed upon exercise of share acquisition rights	18,000 yen per share acquisition right (180 yen per share)
Exercise period	From April 1, 2022 to December 24, 2029
Exercise conditions	(Note 1)

#### Note 1. Exercise conditions of share acquisition rights

- (i) The person to whom the Share acquisition rights are allocated (the “Trustee”) may not exercise the Share acquisition rights, and only the person who has been granted the Share acquisition rights by the Trustee (the “Share acquisition right Holder”) may exercise the Share acquisition rights, except as otherwise provided in the Guidelines for the Issuance of the 5th Series Share acquisition rights.
- (ii) Only if the Company’s net sales as presented on the Company’s statement of income (or consolidated statement of income if it has prepared the consolidated statement of income) exceed 2,400 million yen for any fiscal year from the fiscal year ended December 31, 2021 to the fiscal year ending December 31, 2025, the Share acquisition right Holder may exercise the Share acquisition rights after such fiscal year. In the event that the Board of Directors determines that it is not appropriate to use the actual figure stated in the Annual Securities Report for the determination of net sales mentioned above, due to a change in applicable accounting standards or the occurrence of an event such as a corporate acquisition that has a significant impact on the Company’s operating results, the Company shall exclude the impact of corporate acquisition or other factors to a reasonable extent, and adjust the actual figures to be used for the determination of net sales.
- (iii) The Share acquisition right Holder shall be required to hold the position of a Director, an Audit & Supervisory Board Member, an employee, or a business partner such as advisor or outsourcee of the Company or its subsidiaries or associates at the time of exercising the Share acquisition rights.
- (iv) Exercise of share acquisition rights by heirs of holders of share acquisition rights shall not be permitted.
- (v) If the exercise of the Share acquisition rights causes the total number of shares issued by the Company to exceed the total number of shares authorized to be issued at the time of the exercise of the Share acquisition rights, such Share acquisition rights may not be exercised.
- (vi) Less than one (1) unit of each Share acquisition right may not be exercised.

2. Details of the Trust (5th Series Share acquisition rights)

The details of the Trust (5th Series Share acquisition rights) are as follows:

Name of the Trust	Solely managed, designated non-monetary trust (incentive plan utilizing share acquisition rights)
Trustor	Kenji Ito
Trustee	Ryuhei Ando
Beneficiary	Persons who meet the beneficiary eligibility requirements (and completed certain procedures after the occurrence of an event to determine the beneficiaries)
Date of concluding the trust agreement (date of commencement of the trust agreement)	December 24, 2019
Type of trust and share acquisition rights (Note)	A01: 5,000 units A02: 5,000 units A03: 5,000 units
Trust period expiration date	A01, A02, A03: Upon delivery of the Share acquisition rights, the beneficial interest of the beneficiaries shall be extinguished and the Trust shall immediately terminate as the purpose is deemed to be achieved. Those who are eligible for the delivery of the Share acquisition rights shall be designated on the following date. However, if it is not a business day, it shall be the following business day.  A01: The day six months after the date when shares of the Company were initially listed on a stock exchange.  A02: The day six months after the date when the share listing market of the Company was changed to the Tokyo Stock Exchange's main market or a similar market, or the day two years after the date when shares of the Company were initially listed on a stock exchange, whichever comes earlier.  A03: The day one year and six months after the date when the share listing market of the Company was changed to the Tokyo Stock Exchange's main market or a similar market, or the day four years after the date when shares of the Company were initially listed on a stock exchange, whichever comes earlier.
Purpose of the trust	15,000 units of the 5th Series Share acquisition rights at this point in time resulting from the subscription of, and payment for, the 5th Series Share acquisition rights by the Trustee.
Beneficiary eligibility requirements	Pursuant to the provisions of the Trust Agreement, the distribution quantity of the Share acquisition rights shall be determined by designating as beneficiaries the Directors, Audit & Supervisory Board Members and employees of the Company or its subsidiaries and associates, and outside business partners such as advisors and outsourcees as of the expiration date of the trust period expiration date.  The specific criteria for distribution are set forth in the Guidelines for Issuance of Share acquisition rights separately set forth by the Company. The Guidelines for Issuance of Share acquisition rights are a set of rules set forth by the Company to determine the scope of officers and employees of the Company and other companies to whom the share acquisition rights are to be distributed and the quantity to be distributed on the trust period expiration date, and the Company will evaluate the performance of the Officers and Employees in accordance with the Guidelines for Issuance of Share acquisition rights and distribute the Share acquisition rights upon decision by the Evaluation Committee, of which Outside Directors and Audit & Supervisory Board Members constitute the majority or more.

(Note) Of the Trust (5th Series Share acquisition rights), A01 has already been terminated by the delivery of the 5th Series Share acquisition rights to 19 persons, who are the Company's Directors, employees or outside business partners (including retired employees) upon the expiration of the trust period. A02 has already been terminated by the delivery of the 5th Series Share acquisition rights to 28 persons, who are the Company's Directors, employees or outside business partners (including retired employees) upon the expiration of the trust period.

#### 4. Matters Concerning Officers of the Company

##### (1) Matters concerning Directors and Audit & Supervisory Board Members (as of December 31, 2023)

Position	Name	Responsibilities and major concurrent positions
CEO and Representative Director	Kenji Ito	—
Director	Masato Suzuki	Executive Officer COO and CB Manager
Director	Hiroki Kawai	Executive Officer CRO and Deputy Head of Sales Group Concurrently serving as: Outside Corporate Auditor, TABIKOBO Co. Ltd. and Outside Corporate Auditor, UrbanX Technologies, Inc.
Director	Yutaka Fujiwara	Executive Officer CFO and Manager of Corporate Planning Office and Head of Corporate Division
Director	Tomoyuki Fujita	Executive Officer CTO and Head of Product Group
Director	Junya Yoshida	Concurrently serving as: Outside Director, 62Complex Inc. and Partner, Wedge Inc. (KUSABI)
Audit & Supervisory Board Member	Shuhei Aso	—
Audit & Supervisory Board Member	Akihiro Tozawa	Concurrently serving as: Vice-Chair of the Special Committee on Measures against Racketeering through Intercession in Civil Disputes, Dai-Ichi Tokyo Bar Association; Special Committee Member, NASU DENKI-TEKKO CO., LTD.; Partner, T&K Partners; Outside Corporate Auditor, PONOS Corporation; and Outside Director (Audit and Supervisory Committee Member), Kuroda Group Co., Ltd.
Audit & Supervisory Board Member	Yoshitaka Sasaki	Concurrently serving as: Outside Corporate Auditor, ANDG CO., LTD.; Representative Director, TOKYO Frontier Farm Co., Ltd.; Corporate Auditor, Zigzag Co., Ltd.; Representative Director, CFO knowledge Co., Ltd.; Corporate Auditor, HRBrain, Inc.; Representative Director, Prime Partners Co., Ltd.; Outside Director, Vertex Co., Ltd.; Outside Director (Audit and Supervisory Committee Member), Geniee, Inc.; and Director, A*Quantum Inc.

- Notes
1. Director Hiroki Kawai resigned as of December 31, 2023.
  2. Director Junya Yoshida is an Outside Director.
  3. Audit & Supervisory Board Members Akihiro Tozawa and Yoshitaka Sasaki are Outside Audit & Supervisory Board Members.
  4. Audit & Supervisory Board Member Shuhei Aso is well versed in general tax matters and corporate accounting as a certified public tax accountant, and has abundant experience and deep knowledge and insight as a professional in this field.
  5. The Company has designated all of its Outside Directors and Outside Audit & Supervisory Board Members as Independent Officers stipulated by the Tokyo Stock Exchange, and has notified the Tokyo Stock Exchange to that effect.

##### (2) Outline of the contents of the liability limitation agreement

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has entered into the agreement with Directors (excluding those who are executive directors) and Audit & Supervisory Board Members to limit their liability for damages as provided in Article 423, Paragraph 1 of the Companies Act.

The maximum amount of liability for damages under such agreements is the minimum amount stipulated by laws and regulations.

**(3) Outline of the contents of the indemnity agreement, etc.**

Not applicable.

**(4) Outline of details of Directors and Officers liability insurance policy, etc.**

The Company has concluded a Directors and Officers liability insurance policy that insures all of its Directors and Audit & Supervisory Board Members pursuant to Article 430-3 of the Companies Act. The outline of details of the policy is as follows:

[Summary of the contents of the insurance contract]

1. Scope of the insured

Directors, Audit & Supervisory Board Members, Executive Officers, employees at managerial position (Note), Outside Directors and Outside Audit & Supervisory Board Members, and retired directors of the Company

(Note) Employees at managerial position are defined as those other than Executive Officers appointed as “major employees” under the Companies Act by resolution of the Board of Directors of the Company.

2. The insured’s effective share of premiums

Premiums are borne by the Company and there is no premium burden on the insured.

3. Summary of insured accidents subject to coverage

Coverage is provided for damages (legal damages and litigation costs) incurred as a result of a claim for damages arising out of the performance of the insured’s duties.

4. Measures to ensure that the appropriateness of the duties of officers, etc. is not compromised

The policy includes an exclusion of liability for damages caused by the insured’s willful misconduct, illegal private benefit, criminal acts, etc.

**(5) Compensation of Directors and Audit & Supervisory Board Members for the fiscal year under review**

(i) Matters concerning the policy for determining the content of compensation, etc. for individual Directors

(a) Outline of method and details of decision making policy

The Company’s Board of Directors has adopted a resolution on the policy for determining the content of compensation, etc. for individual Directors. The policy is determined within the maximum amount of compensation resolved at the General Meeting of Shareholders by comprehensively considering a range of factors, including responsibilities, years in office, other companies’ compensation levels, the Company’s business performance, and the degree of contribution to the Company’s business performance.

(b) Reasons why the Board of Directors has determined that the individual Director’s compensation for the fiscal year under review is in line with the above policy

In determining the content of compensation, etc. for individual Directors, the CEO and Representative Director has made decisions based on certain criteria established by the Company, which objectively ensures consistency with the decision-making policy, and the Board of Directors believes that the content of such compensation is in line with the decision-making policy.

(ii) Matters concerning resolutions of the General Meeting of Shareholders on compensation, etc. of Directors and Audit & Supervisory Board Members

The 20th Ordinary General Meeting of Shareholders held on March 29, 2019 resolved that the annual compensation for Directors shall not exceed 200 million yen (including 30 million yen for Outside Directors) and that for Audit & Supervisory Board Members shall not exceed 40 million yen. As of the conclusion of the 20th Ordinary General Meeting of Shareholders, the Company had five Directors (including one Outside Director) and three Audit & Supervisory Board Members.

(iii) Matters concerning delegation of authority to determine the details of compensation, etc. of



individual Directors

With respect to the determination of the amount of compensation for each individual Director, Kenji Ito, CEO and Representative Director, is delegated the authority to determine the specific details of such compensation based on a resolution of the Board of Directors. The content of such authority is the amount of fixed compensation for each Director.

The reason for delegating this authority is that the Company has determined that the CEO and Representative Director is best suited to evaluate each Director, taking into consideration his or her contribution to the Company's business performance, while undertaking a high-level assessment of the Company's business performance and other factors.

The Board of Directors consults with Outside Directors and Audit & Supervisory Board Members in its decisions to ensure that such authority is properly exercised by the Representative Director.

(Note) By resolution at the Board of Directors meeting held on June 23, 2023, the Nomination and Compensation Advisory Committee was established as of July 1, 2023, as a voluntary advisory body to the Board of Directors. The committee is chaired by an independent Outside Director and consists of one Director, one Audit & Supervisory Board Member, one independent Outside Director, and two independent Outside Audit & Supervisory Board Members. The committee deliberates and reports on the policy, system, calculation method, and details of individual compensation for each Director for the fiscal year ending December 31, 2024 and thereafter. The amount of compensation for each individual director for the fiscal years ending December 31, 2024 and thereafter will be determined by a resolution of the Board of Directors within the total amount of compensation approved by a resolution of the General Meeting of Shareholders, after deliberation by the Nomination and Compensation Advisory Committee. The Board of Directors determines the compensation for each individual Director, respecting the report of the Nomination and Compensation Advisory Committee to the maximum extent possible.

- (iv) Matters concerning the determination of the details of compensation, etc. of individual Audit & Supervisory Board Members

The amount of compensation for each individual Audit & Supervisory Board Member shall be determined by consultation of the Audit & Supervisory Board Members at the Audit & Supervisory Board within the scope of the total amount of compensation approved at the General Meeting of Shareholders.

#### **(6) Amount of compensation for Directors and Audit & Supervisory Board Members**

Classification	Number of applicable officers (persons)	Total amount of compensation (base salary) (thousand yen)
Director [of which Outside Directors]	6 [1]	88,500 [6,000]
Audit & Supervisory Board Member [of which Outside Audit & Supervisory Board Members]	3 [2]	14,400 [6,000]
Total [of which Outside Directors and Outside Audit & Supervisory Board Members]	9 [3]	102,900 [12,000]

(Note) 1. The type of salary received by the Company's Directors and Audit & Supervisory Board Members is base salary only.

**(7) Matters Related to Outside Directors and Outside Corporate Auditors**

(i) Relationship between the Company and other companies at which the Company holds major concurrent positions

Classification	Name	Concurrent positions	Status of responsibilities and major concurrent positions
Director	Junya Yoshida	<ul style="list-style-type: none"> <li>• Outside Director, 62Complex Inc.</li> <li>• Partner, Wedge Inc. (KUSABI)</li> </ul>	There are no material transactions or other relationships between the Company and 62Complex Inc. or Wedge Inc. (KUSABI).
Audit & Supervisory Board Member	Akihiro Tozawa	<ul style="list-style-type: none"> <li>• Vice-Chair of the Special Committee on Measures against Racketeering through Intercession in Civil Disputes, Dai-Ichi Tokyo Bar Association</li> <li>• Special Committee Member, NASU DENKI-TEKKO CO., LTD.</li> <li>• Partner, T&amp;K Partners</li> <li>• Outside Corporate Auditor, PONOS Corporation</li> <li>• Outside Director (Audit and Supervisory Committee Member), Kuroda Group Co., Ltd.</li> </ul>	There are no material transactions or other relationships between the Company and Dai-Ichi Tokyo Bar Association; NASU DENKI-TEKKO CO., LTD.; T&K Partners; PONOS Corporation; or Kuroda Group Co., Ltd.
Audit & Supervisory Board Member	Yoshitaka Sasaki	<ul style="list-style-type: none"> <li>• Outside Corporate Auditor, ANDG CO., LTD.</li> <li>• Representative Director, TOKYO Frontier Farm Co., Ltd.</li> <li>• Corporate Auditor, Zigzag Co., Ltd.</li> <li>• Representative Director, CFO knowledge Co., Ltd.</li> <li>• Corporate Auditor, HRBrain, Inc.</li> <li>• Representative Director, Prime Partners Co., Ltd.</li> <li>• Outside Director, Vertex Co., Ltd.</li> <li>• Outside Director (Audit and Supervisory Committee Member), Geniece, Inc.</li> <li>• Director, A*Quantum Inc.</li> </ul>	There are no material transactions or other relationships between the Company and ANDG CO., LTD.; TOKYO Frontier Farm Co., Ltd.; Zigzag Co., Ltd.; CFO knowledge Co., Ltd.; HRBrain, Inc.; Prime Partners Co., Ltd.; Vertex Co., Ltd.; Geniece, Inc.; or A*Quantum Inc..

(ii) Major activities during the fiscal year under review

Position	Name	Summary of attendance, statements made, and duties performed with respect to the expected role
Director	Junya Yoshida	Mr. Junya Yoshida attended 18 of 18 meetings of the Board of Directors during the fiscal year under review, providing advice and recommendations as necessary in discussions of meeting agendas, etc. based on his extensive experience and wide-ranging knowledge of corporate management.
Audit & Supervisory Board Member	Akihiro Tozawa	Mr. Akihiro Tozawa attended 18 of the 18 meetings of the Board of Directors and 13 of the 13 meetings of the Audit & Supervisory Board held during the fiscal year under review, providing advice and recommendations as necessary in discussions of meeting agendas, etc. based on his wide experience and professional viewpoint as an attorney-at-law.
Audit & Supervisory Board Member	Yoshitaka Sasaki	Mr. Yoshitaka Sasaki attended 18 of the 18 meetings of the Board of Directors and 13 of the 13 meetings of the Audit & Supervisory Board held during the fiscal year under review, providing advice and recommendations as necessary in discussions of meeting agendas, etc. based on his extensive experience and wide-ranging knowledge of corporate management.

(Note) In addition to the above number of meetings of the Board of Directors, there were three written resolutions that were deemed to have been resolved by the Board of Directors pursuant to Article 370 of the Companies Act and Article 24, Paragraph 2 of the Articles of Incorporation of the Company.

## 5. Accounting Auditor

### (1) Name

Granton Thornton Taiyo LLC

The 24th Ordinary General Meeting of Shareholders held on March 29, 2023 newly appointed Granton Thornton Taiyo LLC as the Accounting Auditor of the Company to replace Ernst & Young ShinNihon LLC, the former Accounting Auditor of the Company.

### (2) Amount of compensation, etc.

	Amount of compensation, etc.
Amount of compensation, etc. of Accounting Auditor for the fiscal year under review	29,505 thousand yen
Total amount of cash and other financial benefits to be paid by the Company to the Accounting Auditor	29,505 thousand yen

- Notes
1. Since the audit contract between the Company and the Accounting Auditor does not clearly distinguish between the amounts of audit fees, etc. for audits pursuant to the Companies Act and those for audits pursuant to the Financial Instruments and Exchange Act, and such distinction cannot be made in practice, the total amount of such fees, etc. for the Accounting Auditor for the fiscal year under review is the sum of such amounts.
  2. The Audit & Supervisory Board decided to agree on the amount of compensation, etc. of the Accounting Auditor after necessary verification of the appropriateness of the details of the audit plan of the Accounting Auditor, the performance of duties by the Accounting Auditor, and the basis for calculation of the estimated compensation.

### (3) Summary of non-audit services

Not applicable.

### (4) Policy for determining dismissal or non-reappointment of the Accounting Auditor

If the Audit & Supervisory Board recognizes that there is a problem in the performance of duties by the Accounting Auditor, it decides the details of the proposal for the dismissal or non-reappointment of the Accounting Auditor as necessary to be submitted to the General Meeting of Shareholders. Based on the decision, the Board of Directors shall make the dismissal or non-reappointment of the Accounting Auditor a purpose of the General Meeting of Shareholders.

In addition, if it is considered that the Accounting Auditor comes under any of the items of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board dismisses the Accounting Auditor with the consent of all Audit & Supervisory Board Members. In this case, the Audit & Supervisory Board Member selected by the Audit & Supervisory Board will report the dismissal of the Accounting Auditor and the reason for such dismissal at the first General Meeting of Shareholders held after such dismissal.

### (5) Suspension of operations currently imposed on the Accounting Auditor

Outline of disciplinary action announced by the Financial Services Agency on December 26, 2023

#### (i) Target of disciplinary action

Grant Thornton Taiyo LLC

#### (ii) Details of disciplinary action

- Suspension of operations related to the conclusion of new contracts for a period of three months (from January 1, 2024 to March 31, 2024; excluding the period renewal of audit agreements and the conclusion of new agreements in conjunction with the listing of companies with whom an audit agreement already exists)
- Business improvement order (improvements to business management system)
- Prohibition of the partner materially responsible for the action that resulted in the disciplinary action from involving in a part of the audit activities (examination of audit activities) for a period of three months (from January 1, 2024 to March 31, 2024)

(iii) Reason for disciplinary action

Two certified public accountants, who are partners of the said audit firm, neglected to exercise considerable care when auditing another client's correction report, etc. and certified that financial documents that contained material misstatements contained no material misstatements.

**6. Systems for ensuring the appropriateness of business operations and the status of operation of such systems**

**(1) Outline of the system, etc. to ensure the appropriateness of business operations**

The Company's Board of Directors has resolved the Basic Policy concerning the Internal Control System and the Company develops and operates the internal control system based on this basic policy. The basic policy is to be reviewed from time to time in response to changes in the business environment. The outline of this basic policy is as follows:

- (i) Systems to ensure that the execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation
  - a. In accordance with the "ValueWay," the Company fosters a spirit of compliance with laws and regulations, Articles of Incorporation, rules, and social ethics among all officers and employees, and ensures that compliance with laws and regulations, Articles of Incorporation, rules, and social ethics is a prerequisite for corporate activities.
  - b. To appropriately handle reports of violation of laws and regulations, etc., the Company establishes the Whistleblowing Rules and operates a whistleblowing system based on these rules for the purpose of early detection and correction of violations of laws and regulations, the Articles of Incorporation, and other internal rules, or actions that could potentially lead to such violations.
  - c. The Company appoints Outside Directors to maintain and improve the supervisory function of the Board of Directors.
  - d. The Audit & Supervisory Board audits, from an independent standpoint, the execution of duties by the Directors in accordance with the Rules on Audits by Audit & Supervisory Board Members, including the development and operation of the internal control systems.
  - e. The internal auditors audit whether the Company's operations are properly conducted in accordance with laws and regulations, the Articles of Incorporation, and other rules.
  - f. As a measure to ensure and raise awareness of compliance, the Company holds training sessions for Directors and employees on the basics of compliance and information management essential for business operations, and conduct ongoing education and dissemination activities.
- (ii) System for the storage and management of information related to the execution of duties by Directors
  - a. The Company prepares, stores, and preserves information related to the execution of duties by Directors in documents (including electromagnetic records) in accordance with laws and regulations, and internal rules including the Document Management Rules. In addition, the Company verifies the status of operation and reviews the rules as necessary.
  - b. The Company establishes and maintains a document management system that enables Directors and Audit & Supervisory Board Members to immediately inspect the above documents, etc., when necessary for the performance of their duties.
- (iii) Rules and other systems for managing the risk of loss
  - a. The Company effectively and comprehensively implements risk management under a consistent policy based on the Risk Management Rules.
  - b. The Company reports risk information, etc. at the Risk Compliance Committee by the responsible person of each department.
  - c. In the event of an unforeseen event, the Company establishes a task force under the direction of the CEO and Representative Director, and together with outside professional organizations such as a legal advisory firm, etc., as necessary, the Company establishes a system to take prompt and appropriate action to minimize the spread of loss, damage, etc.
- (iv) Systems to ensure the efficient execution of duties by Directors
  - a. In compliance with the Rules of the Board of Directors, the Company holds a regular meeting of the Board of Directors consisting of Directors, including Outside Directors once a month and an extraordinary meeting of the Board of Directors as necessary.
  - b. The Company ensures to prepare and submit sufficient materials in advance of the Board

- of Directors meeting for agendas requiring discussion in the Board of Directors meeting stipulated by the Rules of the Board of Director.
- c. The Company clarifies the goals and responsibilities of each department based on management objectives and the medium-term management plan, and achieves the desired performance targets through the variance analysis between budget and actual results.
  - d. To speed up a decision-making process, the Company establishes internal rules such as Rules on Organization, Rules on Division of Duties, and Rules on Administrative Authority to clarify roles, authority, and responsibilities.
  - e. The Company establishes and operates a decision-making system whereby matters beyond the authority of the Director's duties are approved by a consensus of the CEO and Representative Director and the Director in charge, after reflecting the expert opinions of the divisions in charge.
- (v) Matters concerning employees who are requested by Audit & Supervisory Board Members to assist them in their duties, matters concerning the independence of such employees from Directors, and matters concerning the effectiveness of instructions given to such employees
- a. When required by the Audit & Supervisory Board Members, the Company assigns employees to assist them in their duties, and the selection of such employees shall be discussed among the Audit & Supervisory Board Members.
  - b. To ensure the independence of employees assisting the Audit & Supervisory Board Members from Directors, employees assisting the Audit & Supervisory Board Members shall not be subject to the direction or orders of Directors, and their appointment, transfer, evaluation, dismissal, etc. during such period shall be subject to the consent of the Audit & Supervisory Board Members.
  - c. Employees who are assigned to assist the duties of the Audit & Supervisory Board Members shall follow the instructions and orders of the Audit & Supervisory Board Members when providing assistance at their request.
- (vi) System for Directors and employees to report to Audit & Supervisory Board Members and other systems related to reporting to the Audit & Supervisory Board
- a. The Audit & Supervisory Board Members shall have the authority to attend meetings of the Board of Directors and any other internal meetings as necessary.
  - b. Upon request of the Audit & Supervisory Board Members, Directors and employees shall report on the status of business and internal controls, and internal auditors shall report the results of internal audits.
  - c. Directors and employees shall promptly report to the Audit & Supervisory Board Members any serious violation of laws and regulations or the Articles of Incorporation, any misconduct, or any fact that may cause significant damage to the Company, when they become aware of such fact.
- (vii) Systems to ensure that a person who makes a report as described in the preceding item will not be subjected to any disadvantageous treatment because of such report  
Directors and employees who report to the Audit & Supervisory Board Members shall be prohibited from being treated unfavorably because of such reporting, and shall be protected in accordance with the protection of whistleblowers as stipulated in the Whistleblowing Rules.
- (viii) Matters concerning the policy for the treatment of expenses and obligations incurred in connection with the execution of duties by Audit & Supervisory Board Members  
The Company establishes procedures for requesting expenses, etc. incurred in the performance of duties by Audit & Supervisory Board Members, and when Audit & Supervisory Board Members request advance payment or reimbursement, etc., the Company complies with such request in accordance with the prescribed procedures, unless such expenses are clearly deemed not necessary for the performance of the Audit & Supervisory Board Member's duties.

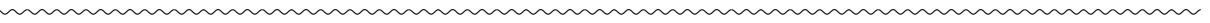
- (ix) Other systems to ensure that audits by Audit & Supervisory Board Members are conducted effectively
  - a. The Company invites experienced and knowledgeable persons familiar with corporate management and qualified persons such as lawyers, etc. as Outside Audit & Supervisory Board Members to maintain independence from the CEO and Representative Director, Directors, and others who execute the Company's business.
  - b. The Audit & Supervisory Board Members hold regular meetings with the CEO and Representative Director to exchange opinions and information.
  - c. The Audit & Supervisory Board Members maintain close cooperation with the internal auditors and may request the internal auditors to conduct investigations as necessary.
  
- (x) Establishment of a system to ensure the reliability of financial reporting  
To ensure the reliability of financial reporting, the Company develops accounting rules and at the same time establishes a basic policy for the development of internal control over financial reporting to manage the risk of fraud and errors in financial reporting, to develop, operate, and evaluate preventive and checking functions, and to establish a system to correct any deficiencies.
  
- (xi) System to eliminate anti-social forces  
The Company takes a resolute stance against anti-social forces that threaten social order and sound corporate activities, including cooperation with related organizations, and severs all relationships with anti-social forces. In addition, the Company shall continue to promote the development of a system to eliminate anti-social forces in cooperation with the police, relevant agencies, and specialized institutions such as lawyer firms.

**(2) Overview of the operation of the system to ensure the appropriateness of business operations**

The Company has established the aforementioned internal control system, and the Board of Directors discusses measures to respond to new business risks on an ongoing basis. Accordingly, the Board of Directors reviews internal regulations and operations as necessary to improve the effectiveness of the internal control system.

In addition to audits by Audit & Supervisory Board Members, full-time Audit & Supervisory Board Members attend meetings of the Board of Directors and other important internal meetings to monitor the status of business execution and compliance-related risks.

In addition, the Internal Audit Office periodically conducts internal audits to evaluate the effectiveness of internal controls.



(Note) Figures in this Business Report are rounded down to the nearest unit of presentation.



## Financial Statements

### Balance Sheet (as of December 31, 2023)

(Thousands of yen)

Item	Amount	Item	Amount
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets:</b>	<b>3,421,974</b>	<b>Current liabilities:</b>	<b>1,017,422</b>
Cash and deposits	2,846,178	Short-term borrowings	250,000
Accounts receivable – trade	469,652	Current portion of long-term borrowings	65,916
Prepaid expenses	96,602	Accounts payable – other	188,760
Other	9,541	Accrued expenses	78,612
<b>Non-current assets:</b>	<b>1,174,814</b>	Contract liabilities	42,301
<b>Property, plant and equipment:</b>	<b>251,790</b>	Lease obligations	2,519
Buildings	217,103	Income taxes payable	31,910
Vehicles	7,594	Consumption taxes payable	99,628
Tools, furniture and fixtures	107,856	Deposits received	14,272
Leased assets	8,068	Guarantee deposits received	243,501
Construction in progress	5,937	<b>Non-current liabilities:</b>	<b>194,041</b>
Accumulated depreciation	(94,771)	Long-term borrowings	183,849
<b>Intangible assets:</b>	<b>684,445</b>	Lease obligations	2,155
Software	463,551	Deferred tax liabilities	1,661
Software in progress	220,894	Asset retirement obligations	6,375
<b>Investments and other assets:</b>	<b>238,577</b>	<b>Total liabilities</b>	<b>1,211,463</b>
Leasehold and guarantee deposits	238,287	<b>Net Assets</b>	
Other	289	<b>Shareholders' equity:</b>	<b>3,384,799</b>
		<b>Share capital</b>	<b>2,476,719</b>
		<b>Capital surplus:</b>	<b>2,754,277</b>
		Legal capital surplus	2,560,193
		Other capital surplus	194,084
		<b>Retained earnings:</b>	<b>(1,846,013)</b>
		Other retained earnings:	(1,846,013)
		Retained earnings brought forward	(1,846,013)
		<b>Treasury shares</b>	<b>(184)</b>
		<b>Share acquisition rights</b>	<b>525</b>
<b>Total assets</b>	<b>4,596,788</b>	<b>Total net assets</b>	<b>3,385,324</b>
		<b>Total liabilities and net assets</b>	<b>4,596,788</b>

**Statement of Income** (from January 1, 2023 to December 31, 2023)

(Thousands of yen)

Item	Amount	
<b>Net sales</b>		<b>3,194,521</b>
<b>Cost of sales</b>		<b>1,122,852</b>
<b>Gross profit</b>		<b>2,071,668</b>
<b>Selling, general and administrative expenses</b>		<b>2,514,279</b>
<b>Operating income (loss)</b>		<b>(442,610)</b>
<b>Non-operating income:</b>		
Interest income	30	
Foreign exchange gains	107	
Other	5,307	5,445
<b>Non-operating expenses:</b>		
Interest expenses	8,468	
Commission expenses	6,997	
Other	83	15,549
<b>Ordinary income (loss)</b>		<b>(452,714)</b>
<b>Extraordinary income:</b>		
Other	31	31
<b>Extraordinary losses:</b>		
Loss on sale and retirement of non-current assets	0	0
<b>Net income (loss) before income taxes</b>		<b>(452,682)</b>
Income taxes – current	9,497	
Income taxes – deferred	1,174	10,671
<b>Net income (loss)</b>		<b>(463,354)</b>

**Statement of Changes in Equity (from January 1, 2023 to December 31, 2023)**

(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				
					Retained earnings brought forward					
Balance at beginning 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
Changes during period										
Issuance of new shares (exercise of share acquisition rights)	81,962	81,962		81,962				163,925		163,925
Net income (loss)					(463,354)	(463,354)		(463,354)		(463,354)
Purchase of treasury shares							(37)	(37)		(37)
Net changes in items other than shareholders' equity								-	(73)	(73)
Total changes during period	81,962	81,962	-	81,962	(463,354)	(463,354)	(37)	(299,466)	(73)	(299,539)
Balance at end of period	2,476,719	2,560,193	194,084	2,754,277	(1,846,013)	(1,846,013)	(184)	3,384,799	525	3,385,324

## Notes to the Financial Statements

### 1. Significant Accounting Policies

#### (1) Valuation basis and methods for inventories

Work in progress: Stated at cost using the specific identification method (a method in which book value is written down based on any decline in profitability)

Raw materials and supplies: Stated at cost using the first-in, first-out method (a method in which book value is written down based on any decline in profitability)

#### (2) Depreciation and amortization methods for non-current assets

##### (i) Property, plant and equipment

Depreciated by using the declining-balance method; provided, however, that buildings (except for facilities attached to buildings and structures) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated on a straight-line basis. The principal useful lives are as follows:

Building: 3–15 years

Vehicles: 6 years

Tools, furniture and fixtures: 3–15 years

##### (ii) Intangible assets

Amortized on a straight-line basis. The principal useful life is as follows:

Software (for internal use): 5 years (the period for which software is available for internal use)

##### (iii) Lease assets

Leased assets in finance lease transactions that do not transfer ownership

Depreciated on a straight-line basis using the lease term as the useful life and with zero residual value.

#### (3) Recognition criteria for allowances and provisions

##### *Allowance for doubtful accounts*

To provide for potential credit losses on receivables, allowance for doubtful accounts is recorded at an amount of estimated uncollectible receivables calculated based on the historical rate of credit loss for general receivables and determined in consideration of collectability of individual receivables for doubtful accounts and certain other receivables.

#### (4) Recognition criteria for revenues and expenses

In the ICT Business, which is our principal business, we provide the SPIDERPLUS construction DX service. The Company classifies revenues from contracts with customers into two categories: subscription-based revenue from the continuous provision of services, such as basic monthly fees for SPIDERPLUS, and on-time-fee revenue from spot work and other services incidental to the provision of SPIDERPLUS. The main performance obligations in these two categories and the typical timing when the performance obligations are satisfied (the typical time when revenue is recognized) are as follows:

(i) For subscription-based revenue, the Company recognizes revenue over the contractual period of the service, based on the judgment that the performance obligations are satisfied over the contractual period with the customer.

(ii) For one-time fee revenue, the Company recognizes revenue at a point in time when the performance obligation is satisfied, based on the judgment that the performance obligation is satisfied when the spot work, etc. is completed and provided to the customer.

The consideration for the revenue recognized by the Company is received generally within approximately one month after the services are rendered in accordance with the terms of the contract.

## 2. 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 (ASBJ Guidance No. 31, June 17, 2021; the “Implementation Guidance on Accounting Standard for Fair Value Measurement”) since the beginning of the current fiscal year ended 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 financial statements.

## 3. Significant Accounting Estimates

### *Impairment of non-current assets*

(1) Amount recorded in the financial statements for the fiscal year under review

	(Thousands of yen)
Impairment loss	–
Property, plant and equipment	251,790
Intangible assets	684,445

Intangible assets are broken down into software of 463,551 thousand yen and software in progress of 220,894 thousand yen.

(2) Information on the nature of accounting estimates for identified items

(i) Calculation method by which the amounts were recorded in the financial statements for the fiscal year under review

The Company groups its assets by business segment as the smallest unit that generates cash flow. The Company performs impairment test based on the information available to the Company such as earnings generated from operating activities for which an asset group was utilized, the business plan, business environment, and market trends. An asset group for which indication for impairment has been identified is subject to judgment on whether an impairment loss should be recognized by comparing the carrying amount of the asset group with the sum of undiscounted future cash flows calculated based on the business plan. If the sum of undiscounted future cash flows are determined to be less than the carrying amount and therefore an impairment loss should be recognized, the carrying amount of such an asset group is reduced to the recoverable amount (the higher of net selling price or value in use), and the amount of the reduction in the carrying amount is recognized as an impairment loss.

As the construction industry is facing serious labor shortages due to long working hours and a decline in the number of workers, the DX needs of construction companies are expected to further expand in the future as the upper limit on working hours is set to come into effect in April 2024 with the application of the Act on the Arrangement of Related Acts to Promote Work Style Reform.

To ensure that these demands are captured and lead to business growth, the Company is making strategic upfront investments with an emphasis on sales growth rate rather than profitability over a certain period of time.

As a result, the Company determined that there was an indication of impairment because operating cash flows for the current and following fiscal years are projected to be negative. However, in determining whether to recognize an impairment loss, the sum of undiscounted future cash flows calculated based on the business plan exceeded the carrying amount of the asset group, so the Company did not recognize an impairment loss.

- (ii) Key assumptions used in the calculation of the amounts reported in the financial statements for the fiscal year under review

The key assumptions used in the calculation of undiscounted future cash flows are the number of SPIDERPLUS IDs and ARPU (unit contract price per ID), which are the basis for sales in the business plan, and their growth rates.

- (iii) Impact on the financial statements for the following fiscal year

Since key assumptions involve estimation uncertainty, changes in the conditions and assumptions on which estimates are based due to changes in the business environment or market trends could have a material impact on the financial statements for the following fiscal year.

#### 4. Notes to Balance Sheet

The Company has overdraft and commitment line agreements with three correspondent banks and a loan commitment agreement with one correspondent bank to finance working capital efficiently. The following are unused lines of credit related to overdraft agreements and loan commitments as of the end of the fiscal year under review.

	(Thousands of yen)
Overdraft facility and total amount of loan commitments	1,450,000
Outstanding balance drawn down	250,000
Undrawn balance	1,200,000

The above commitment line agreement and a portion of the overdraft agreement each contain financial covenants, and in the event of a breach of the compliance obligations stipulated in such covenants, the Company is obliged to forfeit the benefit of time and make immediate payment upon demand by the bank. The financial covenants are as follows

- (1) Commitment line agreement

	(Thousands of yen)
Amount of credit available	500,000
Outstanding balance drawn down	–

- (i) The total amount of the net assets section shall not be less than 1.0 billion yen on the balance sheets as of the end of March, June, September and December of each year, beginning with March 2022.
- (ii) The total amount of cash and deposits and normal working capital minus the total amount of interest-bearing debt shall not be negative on the balance sheets as of the end of March, June, September and December of each year, beginning with March 2022.

- (2) Overdraft agreements

	(Thousands of yen)
Amount of credit available	500,000
Outstanding balance drawn down	50,000

- (i) The total amount of the net assets section shall not be less than 1.0 billion yen on the balance sheets as of the end of each quarter, beginning with the end of the third quarter of the fiscal year ended December 31, 2023.
- (ii) The total amount calculated by the following formula shall not be negative on the balance sheets as of the end of each quarter, beginning with the end of the third quarter of the fiscal year ended December 31, 2023.

Formula: Cash and deposits + Working capital – Interest-bearing debt

## 5. Notes to Statement of Changes in Equity

- (1) Class and number of shares issued at the end of the fiscal year under review  
Common stock 35,090,800 shares
- (2) Class and number of treasury shares at the end of the fiscal year under review  
Common stock 152 shares
- (3) Class and number of shares to be issued under share acquisition rights (excluding those for which the first day of the exercise period has not arrived) at the end of the fiscal year under review  
Common stock 1,932,700 shares

## 6. Tax Effect Accounting

Significant components of deferred tax assets and liabilities

	(Thousands of yen)
Deferred tax assets:	
Tax loss carryforwards (Note 2)	599,800
Enterprise tax payable	6,862
Business office tax payable	1,260
Accrued expenses (free rent)	5,309
Accrued retirement benefit expenses	684
Advertising expenses	1,355
Excess of tax depreciation over book depreciation	3,046
Asset retirement obligations	1,952
Denial of amortization of leasehold deposits	4,312
Other	1,392
Subtotal of deferred tax assets	<u>625,975</u>
Valuation allowance for tax loss carryforwards (Note 2)	(599,800)
Valuation allowance for total future deductible temporary differences, etc.	(26,175)
Subtotal of valuation allowance (Note 1)	<u>(625,975)</u>
Total deferred tax assets	-
Deferred tax liabilities	
Removal costs for asset retirement obligations	<u>(1,661)</u>
Total deferred tax liabilities	<u>(1,661)</u>
Net deferred tax assets (liabilities)	(1,661)

Notes 1. The main reason for the change in the valuation allowance is an increase in the valuation allowance for tax loss carryforwards.

2. Tax loss carryforwards and deferred tax assets by expiration date  
Fiscal year under review (as of December 31, 2023)

	(Thousands of yen)						
	Within 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total
Tax loss carryforward (*)	-	-	-	15,067	-	584,732	599,800
Valuation allowance	-	-	-	(15,067)	-	(584,732)	(599,800)
Deferred tax assets	-	-	-	-	-	-	-

(\*) Tax loss carryforward is obtained by multiplying the statutory effective tax rate.

## 7 Non-current Assets Used under Leases

Operating lease transactions (non-cancelable)

(As lessee)

	(Thousands of yen)
Future minimum lease payments	
Within 1 year	245,216
Over 1 year	—
Total amount	245,216

The operating lease transactions are based on real estate leases.

## 8. Financial Instruments

### (1) Status of financial Instruments

#### (i) Policy for financial instruments

The Company's policy is to limit fund management to short-term deposits, etc. and not to engage in speculative transactions. Funds are raised through borrowings from financial institutions.

#### (ii) Nature and risks of financial instruments

Accounts receivable, which are trade receivables, are exposed to credit risk of customers and brokers.

Leasehold and guarantee deposits are exposed to credit risk of counterparties.

Accounts payable, accrued expenses, and income taxes payable are mostly due within one year.

Short-term borrowings, deposits received, long-term borrowings and lease obligations are mainly for the purpose of procuring funds necessary for working capital and capital investment, and are exposed to interest rate fluctuation risk.

#### (iii) Risk management system for financial instruments

##### a. Management of credit risk (risk of non-performance by counterparties)

In accordance with the Credit Management Rules and Receivable Management Rules, the Company had the administration departments periodically monitor the status of major customers with respect to trade receivables, and manage due dates and outstanding balances by counterparty, to early detect and mitigate concerns about collection due to deterioration of financial conditions and other factors.

The maximum amount of credit risk as of the balance sheet date of the period under review is represented by the carrying amounts of the financial assets exposed to credit risk.

##### b. Management of liquidity risk in financing (risk of being unable to make payments on due dates)

The Company manages liquidity risk by preparing and updating cash management plans in a timely manner by the administrative departments based on reports from each department and maintaining liquidity on hand.

##### c. Management of market risk (risk of fluctuations in interest rates, etc.)

The Company monitors market interest rates from time to time for interest rate fluctuation risk on borrowings with variable interest rates.

#### (iv) Supplementary explanation on fair value of Financial Instruments

Since variable factors are incorporated in the calculation of the fair value of financial instruments, such values may change due to the adoption of different assumptions and other factors.



## (2) Fair value of financial instruments

The carrying amounts, fair values and their differences are as follows.

(Thousands of yen)

	Carrying amount	Fair value	Difference
(1) Leasehold and guarantee deposits	238,287	238,343	55
Total assets	238,287	238,343	55
(1) Long-term borrowings	249,765	249,765	–
(2) Lease obligations	4,675	4,674	(0)
Total liabilities	254,440	254,439	(0)

Notes 1. Notes on cash and deposits, accounts receivable, short-term borrowings, accounts payable–other, accrued expenses, income taxes payable, and guarantee deposits received are omitted because their fair values approximate their book values due to their short maturities.

## 2. Redemption schedule of monetary claims after the balance sheet date

(Thousands of yen)

	Within one year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash and deposits	2,846,178	–	–	–
Accounts receivable	469,652	–	–	–
Leasehold and guarantee deposits	233,162	5,125	–	–
Total assets	3,548,993	5,125	–	–

## 3 Repayment schedule of borrowings and other interest-bearing debt after the balance sheet date

(Thousands of yen)

	Within one year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Short-term debt	250,000	–	–	–
Guarantee Deposit	243,501	–	–	–
Long-term debt	65,916	183,849	–	–
Lease obligations	2,519	2,155	–	–
Total liabilities	561,936	186,004	–	–

## (3) Breakdown of the fair value of financial instruments by appropriate classification

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 fair value: Fair value measured using quoted market prices for assets or liabilities subject to fair value measurement in active markets among the observable valuation inputs

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using unobservable inputs

When multiple inputs that have a significant impact on fair value measurement are used, the fair value is classified into the lowest level for fair value measurement among those in which each of the inputs belongs.

(i) Financial assets and liabilities measured at fair value on the balance sheet  
Not applicable.

(ii) Financial assets and liabilities other than those measured at fair value balance sheet

(Thousands of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Leasehold and guarantee deposits	–	238,343	–	238,343
Total assets	–	238,343	–	238,343
Long-term borrowings	–	249,765	–	249,765
Lease obligations	–	4,674	–	4,674
Total liabilities	–	254,439	–	254,439

Note: Description of the valuation techniques and inputs used in the fair value measurement

(i) Leasehold and guarantee deposits

The fair value of leasehold and guarantee deposits is measured by discounting the amount of leasehold and guarantee deposits to the present value using a certain discount rate based on the interest rate of government bonds commensurate with the expected term of the relevant lease, and classified as Level 2 fair value.

(ii) Long-term borrowings and lease obligations

The fair value of these borrowings and obligations is measured at present value of the total amount of principal and interest discounted at the interest rate assumed to be applied if the similar new borrowings were made, and is classified as Level 2 fair value.

However, the fair value of long-term borrowings with floating interest rates is based on the relevant book value because the interest rate is subject to renewal at regular intervals and the fair value approximates the book value.

## 9. Revenue recognition

(1) Information on disaggregated revenue from contracts with customers

The breakdown by revenue recognition timing is as follows. There are no other revenues.

Fiscal year under review (January 1, 2023 through December 31, 2023)

(Thousands of yen)

Net sales	
Subscription-based revenue	3,097,795
One-time-fee revenue	96,726
Revenue from contracts with customers	3,194,521
Net sales to external customers	3,194,521

(2) Basic information in understanding revenue from contracts with customers

As stated in “1. Significant Accounting Policies (4) Recognition criteria for revenues and expenses” in Notes to the Financial Statements.

(3) Information on the relationship between the satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts, and on the amount and timing of revenue expected to be recognized from contracts with customers that exist at the end of the fiscal year under review in the following fiscal year and thereafter

(i) Balance of contract assets and contract liabilities

Receivables arising from contracts with customers are presented as accounts receivable on the balance sheet.

Contract liabilities are the portion of consideration received from customers that exceeds the amount already recognized as revenue. As these services are provided, the performance obligation is satisfied and the contract liabilities are transferred to revenue.

The amount of revenue recognized in the fiscal year under review that was included in the balance of contract liabilities at the beginning of the period was 35,822 thousand yen.

(Thousands of yen)

	Fiscal year ended December 31, 2023	
	Beginning balance	Ending balance
Receivables arising from contracts with customers	376,661	469,652
Contract liabilities	35,822	42,301

(ii) Transaction price allocated to remaining performance obligations

Since the Company does not have any material contracts with an initial expected contract term of more than one year, the Company applies the practical expedient and omits information on remaining performance obligations. In addition, there is no amount of consideration arising from contracts with customers that is not included in the transaction price.

## 10. Related Party Transactions

Directors and principal individual shareholders, etc.

Type	Name of company or individual	Percentage of voting rights holding (held)	Relationship with related party	Summary of transaction	Transaction amount (Thousand yen)	Account	Ending balance (Thousand yen)
Officer	Hiroki Kawai	(Held) Directly 0.54%	Director of the Company	Exercise of share acquisition rights (Note)	11,958	–	–

Note: During the fiscal year under review, the related party exercised the share acquisition rights that were issued based on the resolutions of the Board of Directors on November 15, 2019 and February 14, 2020. The transaction amount is the number of shares granted upon exercise of share acquisition rights in the fiscal year under review multiplied by the amount paid in per share.

## 11. Per Share Information

(1) Net assets per share	96.46 yen
(2) Net loss per share	13.32 yen

## 12. Subsequent Events

Not applicable.

## 13. Other Notes

*Additional Information*

*Establishment of a subsidiary*

At the Board of Directors meeting held on November 24, 2023, the Company resolved to establish a subsidiary in Hanoi, Vietnam. The Company plans to establish SPIDERPLUS VIETNAM CO., LTD. (tentative name) in March 2024.

## Audit Report of the Audit & Supervisory Board

### Audit Report

In regard to the Directors' performance of their duties for the 25th fiscal year from January 1, 2023 to December 31, 2023, the Audit & Supervisory Board has prepared this Audit Report after deliberations based on the audit reports prepared by each Audit & Supervisory Board Member and reports as follows.

1. Method and Contents of Audits by the Audit & Supervisory Board Members and the Audit & Supervisory Board
  - (1) The Audit & Supervisory Board determined the audit policies and division of duties, etc. and received reports from each Audit & Supervisory Board Member regarding the implementation status and results of their audits, in addition to which it received reports from the Directors, etc. and the Accounting Auditor regarding the status of the performance of their duties and requested explanations as necessary.
  - (2) In compliance with the audit & supervisory board member audit standards established by the Audit & Supervisory Board and in accordance with the audit policies and division of duties, etc., each Audit & Supervisory Board Member communicated with the Directors, the internal audit department, and other employees, etc., endeavored to gather information and develop the audit environment, and conducted audits using the following methods.
    - (i) The Audit & Supervisory Board Members attended the Board of Directors meetings and other important meetings, received reports from Directors and employees, etc. regarding the status of the performance of their duties, requested explanations as necessary, viewed important decision-making documents, etc., and inspected the status of operations and assets at the head office and main business locations.
    - (ii) In regard to the content of resolutions of the Board of Directors regarding the development of internal control systems, which are the systems to ensure that the Directors' performance of their duties complies with laws, regulations, and the Articles of Incorporation and other systems provided for in Article 100, paragraph (1) and paragraph (3) of the Ordinance for Enforcement of the Companies Act as systems necessary to ensure the appropriateness of operations of the Company, as well as the systems developed pursuant to those resolutions stated in the Business Report, the Audit & Supervisory Board Members periodically received reports from Directors and employees, etc. regarding the status of the establishment and operation of those systems and as necessary requested explanations and expressed opinions in regard thereto.
    - (iii) The Audit & Supervisory Board Members oversaw and verified whether the Accounting Auditor maintained an independent position and conducted an appropriate audit, received reports from the Accounting Auditor on the status of the performance of its duties, and requested explanations as necessary. Additionally, the audit and supervisory board members received notification from the Accounting Auditor that, in accordance with the Quality Control Standards for Audits (Business Accounting Council, October 28, 2005), etc., it had developed systems in order to ensure that its duties are appropriately performed (i.e., notification of the matters stated in the items of Article 131 of the Ordinance on Accounting of Companies) and requested explanations as necessary.

Using the methods above, the Audit & Supervisory Board examined the Business Report, the supplementary schedules thereto, the accounting documents (i.e., the balance sheet, statement of income, statement of changes in equity, and notes to the financial statements), the supplementary schedules to the financial statements for the fiscal year under review.

2. Audit Results

(1) Results of audit of Business Report, etc.

- (i) We find that the Business Report and the supplementary schedules thereto accurately present the status of the company in accordance with laws, regulations, and the Articles of Incorporation.
- (ii) We do not find any misconduct nor any material fact constituting a violation of any law, regulation, or the Articles of Incorporation in relation to the Directors' performance of their duties
- (iii) We find the content of the resolutions of the Board of Directors regarding the internal control systems to be reasonable. Additionally, we do not find any matters that should be commented upon in regard to the statements in the Business Report or the Directors' performance of their duties relating to the internal control systems.

(2) Results of audit of financial statements and supplementary schedules thereto

We find the methods and results of the audit by the Accounting Auditor, Granton Thornton Taiyo LLC, to be reasonable.

February 28, 2024

SpiderPlus & Co. Audit & Supervisory Board

Full-time Audit & Supervisory Board Member Shuhei Aso

Outside Audit & Supervisory Board Member Akihiro Tozawa

Outside Audit & Supervisory Board Member Yoshitaka Sasaki

- End of Report -