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Company name SpiderPlus & Co.

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# SpiderPlus & Co.

## **SpiderPlus & Co.**

Financial Results Briefing for the 2nd Quarter of the Fiscal Year Ending December 31, 2021  
for Institutional Investors (transcription)

**Presenter:** President and Representative Director, Kenji Ito (“CEO Ito”)  
Manager of IR Office, Yukihiro Omura (“CFO Omura”)

**Date and time:** August 20, 2021 3:30 PM-4:10 PM

**[appearance]**

## **CEO Ito**

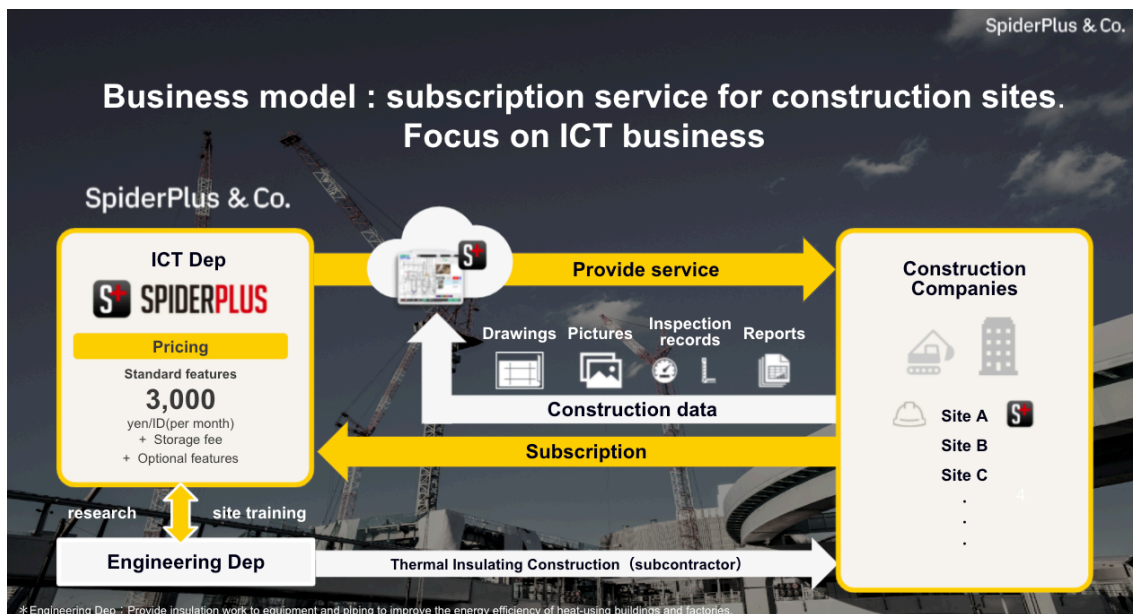
I'm Kenji Ito, CEO of SpiderPlus & Co. Thank you for joining us today.

I will begin the financial briefing for our 2nd quarter. First, I will show the overview of our business to you.



We are engaged in the business of digitally transforming the construction industry with the power of technology.

Next, I will explain our business model.



This slide shows our business model. Our main business is the ICT business, in which we offer SPIDERPLUS to digitally transform the construction industry. Our ICT business employs a subscription model provided to construction companies using SPIDERPLUS and charged by pricing in ID units. In addition, we are engaged in an engineering business focused on heat insulation work.

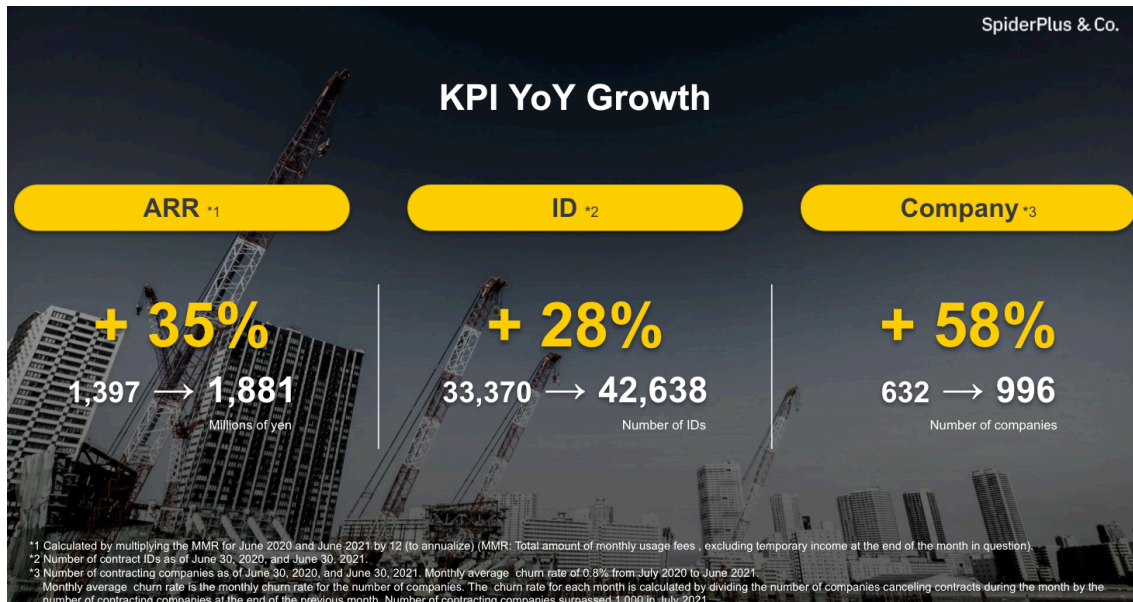


These are the highlights for Q2. There are three highlights.

First, in terms of KPIs, we had a record number of new contracting companies in Q2, over 100.

Second, the net sales growth rate for the ICT business remained above 30%.

Finally, the third point is the announcement of new services, SPIDERPLUS PARTNER and Academic Plan. I will explain these in detail later.

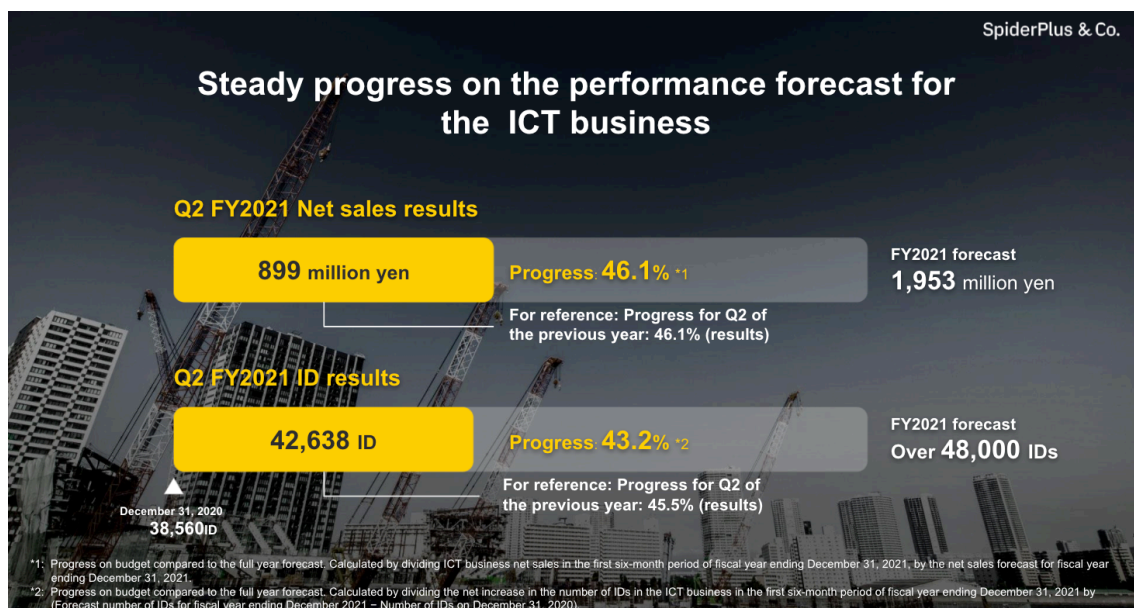


Here are major KPI updates.

ARR has maintained a high growth rate of 35% YoY and has gone over 1.8 billion yen.

The number of IDs has gone over 42,000, for a 28% YoY increase.

The number of contracting companies increased by 58% YoY to 996 in Q2. In July, the number of contracting companies exceeded 1,000.

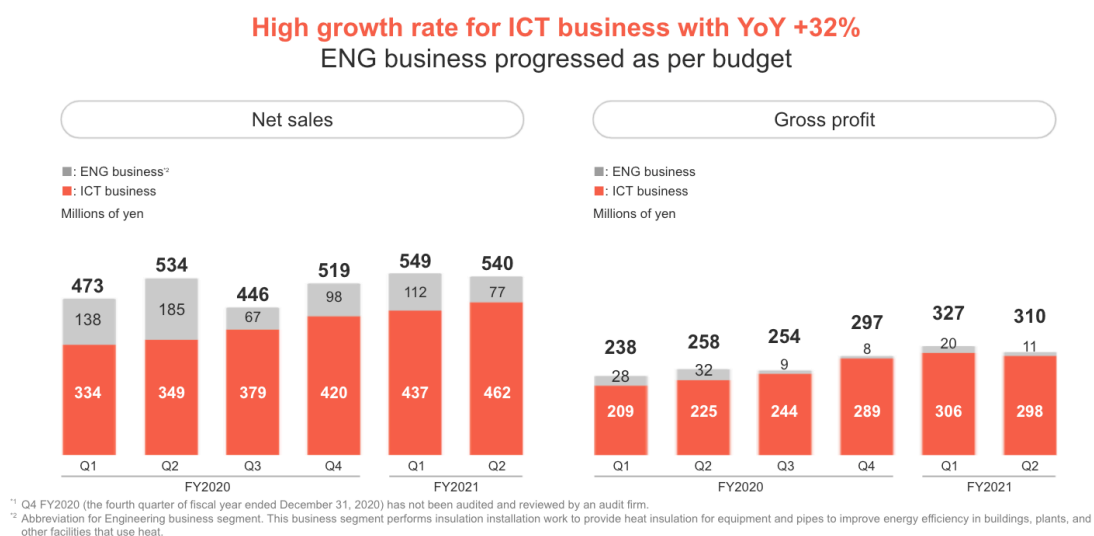


This is progress relative to the performance forecasts. In short, things are going well.

In Q2, progress for the net sales of ICT business was 46.1%, which is almost at the same level as the results for the same period of the previous year. Progress for the number of IDs was 43.2%. Due to the nature of our business, growth is generally seen in the second half of the year, and this trend is unchanged. Let's take a closer look at our performance from the next slide.

### Net Sales and Gross Profit <sup>\*1</sup>

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In the ICT business, both net sales and gross profit are steadily increasing.

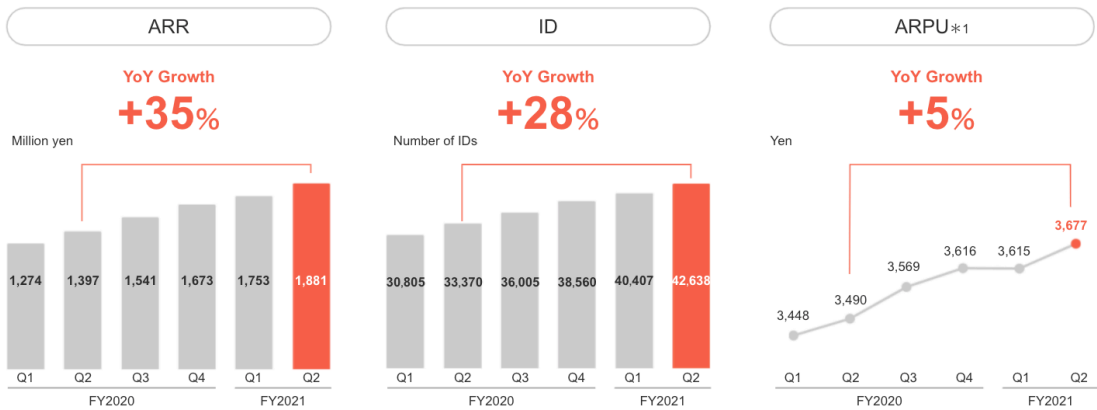
The orange portion of the table concerns the ICT business. In Q2 as well, the ICT business accounts

for the most part. In the engineering business, there was a significant decrease from the same period of the previous year due to the fact that we are not actively conducting sales activities, but this is also progressing as originally expected.

Reasons for Growth in Net Sales

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ARR grew due to contribution from additional IDs for existing customers  
ARPU progressed as per budget with YoY +5%



\*1 Indicates the contract value per ID and is calculated by dividing the MRR by the number of IDs at the end of each quarter.

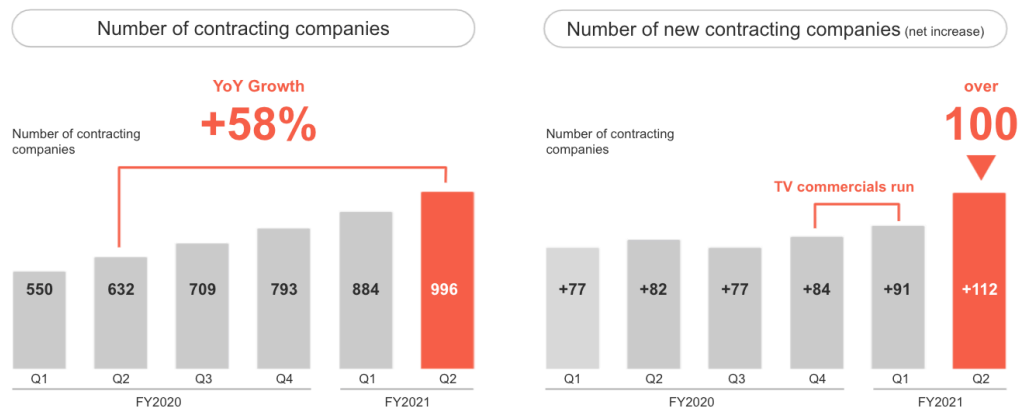
Next, I will explain the growth factors of net sales using KPIs. Looking at the details of net sales in the ICT business, we can see that the introduction of additional IDs of existing customers has contributed to the expansion of ARR. ARPU is also growing steadily at 5% YoY.



## Number of contracting companies

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**Increased to record high in the quarter due to impact of advance investment**  
Impact of advertising and promotion including TV commercials has become visible



Regarding the increase in the number of contracting companies, as explained at the beginning, the net increase in the number of these reached a record high of 112 in Q2.

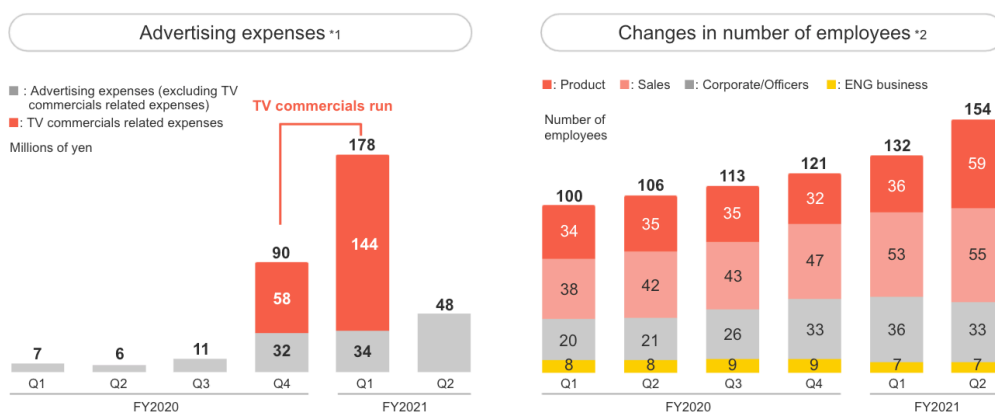
We believe that this is due to the upfront investment in TV commercials and ads that we have been running since the end of last year, and the effect of listing.

As the number of IDs introduced by new customers will increase over the next two to three years, we believe that an increase in the number of contracting companies will be a positive factor in future business performance.

## Advance Investments

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**Successful recruitment of engineers for product development**  
Aggressive placement of advertisements in web media other than TV commercials



\*1: Q4 of FY2020 (the fourth quarter of fiscal year ended December 31, 2020) has not been audited and reviewed by an audit firm.

\*2: Includes the number of temporary personnel associated with the Sales and Corporate divisions and the number of SES personnel associated with Development (excluding outside officers, etc.).

I will explain the progress of upfront investment.

Over the next few years, we will focus on the sales growth rate of the ICT business and aggressively invest in marketing and recruitment. As for the recruitment of human resources in particular, the number of development engineers hired has increased by 23 in Q2 due to heightened name recognition gained by listing. The number of hires in Q2 is also the highest ever, and development is also proceeding smoothly.

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## Business Highlights

**Expansion in share**

Japan + Asia

- We developed **SPIDERPLUS PARTNER**, a service for speciality contractors. Measures to perceive customer needs more clearly as a vertical SaaS (solution).
- Development and recruitment are proceeding smoothly **for overseas expansion**.

**Expansion in domains**

Vertical + Horizontal

- Introduction in **the plant industry** is proceeding smoothly.
- There are also examples of utilization in **new areas**, such as for inspection and management in **logistics facilities**, etc.

**Expansion in functions**

SPIDERPLUS + Data

- **OCR linkage function experiment** through collaborative development with KINDEN CORPORATION<sup>\*1</sup> **has started**.
- **Development to improve of SPIDERPLUS are on schedule** and plan to **release the new version in FY2021**. We plan to implement functions that reflect customer needs.

\*1: A major general equipment company based in the Kansai area. A Kansai Electric Power Group company.

I will explain the business highlights along our growth strategy.

We had launched 2 new activities in Q2, new service “SPIDERPLUS PARTNER” and Overseas alliance division. They have contributed to expand market share newly. “SPIDERPLUS PARTNER,” which is a service for subcontractors. This will be explained in detail later.

The second point is about overseas expansion. Recruitment for the overseas alliance division, and development for existing client mainly in Southeast Asia, we could provide the service, customer support activity in English, and updates are proceeding smoothly.

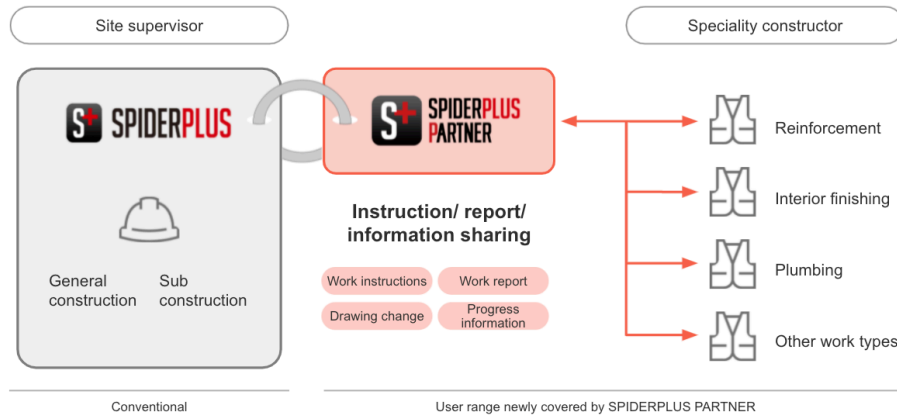
Next, I would like to talk about area expansion. Currently, introduction in the plant industry is progressing. The number of companies that have introduced it and the penetration into each company are growing smoothly.

Regarding functionality expansion, development of new functionalities through joint development with Kinden and the renewal development of SPIDERPLUS are proceeding on schedule.

From the next slide, we'll talk about our new services, SPIDERPLUS PARTNER and Academic Plan.



A service that **digitizes communications between site supervisors and speciality constructors**



First, SPIDERPLUS PARTNER is the service that digitizes communications between site supervisors and subcontractors.

At construction sites, communications between site supervisors, subcontractor chiefs and foremen are still carried out by analog means. This is the product that can be used for digitizing such communications by enabling progress reports on the extent of work completion or instructions to have photographs taken and so on.

We believe that we have developed a very important product for expanding to SAM from the on-site supervision area that we think of as SOM. However, since SPIDERPLUS PARTNER is still in beta, sales price and other matters have yet to be determined. Therefore, we would like to release it as soon as the sales price, etc. have been determined.

We will provide SPIDERPLUS free of charge for students who will lead the construction industry into the future.



Practical training using SPIDERPLUS with expectation they will play active roles in the field after graduation



- A **plan for educational institutions** by which SPIDERPLUS can be used for on-the-job learning about construction and inspection by students of the construction field and vocational trainees
- Learn construction management making use of the latest construction IT, and be employees **immediately ready to work and capable of playing active roles immediately** in companies that have introduced SPIDERPLUS
- **Promote construction DX** not only from the field but **also from the educational venue** using SPIDERPLUS
- **Aiming to have more than 3,500 personnel go through the academic plan and work in the construction industry** in five years

The Academic Plan is the initiative we have always wanted to work on.

This plan involves incorporating SPIDERPLUS into on-the-job learning classes at educational institutions.

We would hope to have it adopted primarily by engineering colleges, technical schools, vocational training schools, etc.

We can anticipate that if students who have learned how to use SPIDERPLUS get jobs at companies that have introduced SPIDERPLUS, they will be capable of playing active roles immediately. We can also anticipate that if such students get jobs at companies that have not introduced SPIDERPLUS, they will spread SPIDERPLUS. We are implementing it with the expectation that we may enlarge the scope of users even further by giving them an opportunity to become familiar with SPIDERPLUS from their student days.

## Q2 FY2021 Summary Income Statement

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Millions of yen	FY2021.Q1 fiscal term	FY2021.Q2 fiscal term	QoQ	FY2020.Q2 first six-month period	FY2021.Q2 first six-month period	YoY	In the first six-month period of the fiscal year ending December 2021
<b>Net sales</b>	549	540	-1.7%	1,007	1,089	+8.1%	<b>Net sales</b> With the growth of net sales in the ICT business, net sales in the first six-month period of FY2021 increased steadily (as shown on the next page, the net sales growth rate of the ICT business is YoY + 31.7%, QoQ + 5.9%).
Cost of goods sold	221	230	+3.7%	510	451	-11.5%	
<b>Gross profit</b>	327	310	-5.4%	496	637	+28.4%	<b>Gross margin</b> The ratio of net sales in the ICT business, which has a higher gross margin than the ENG business, has increased. As a result, the company-wide gross margin also increased.
Gross margin	59.6%	57.4%	-2.2pt	49.3%	58.5%	+9.2pt	
SG&A expenses	466	383	-17.8%	362	849	+134.0%	<b>SG&amp;A expenses</b> YoY + 134.0%, mainly due to an increase in advertising expenses associated with upfront investment in the ICT business and an increase in sales personnel expenses due to recruitment acceleration
<b>Operating income</b>	-138	-72	—	133	-211	—	<b>Non-operating income and loss</b> Expenses mainly related to stock listing in March 2021
Operating margin	—	—	—	13.3%	—	—	
<b>Ordinary income</b>	-182	-80	—	131	-263	—	
<b>Net income</b>	-184	-81	—	131	-266	—	

Finally, I would like to explain the financials.

This is the companywide profit and loss statement. Net sales for Q2 are up 8% YoY. We'll look at each segment on the next slide.

## Summary Income Statement by Segment

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ICT business		Millions of yen	FY2021.Q1 fiscal term	FY2021.Q2 fiscal term	QoQ	FY2020.Q2 first six-month period	FY2021.Q2 first six-month period	Millions of yen	In the first six-month period of the fiscal year ending December 2021
		<b>Net sales</b>	437	462	+5.9%	683	899	+31.7%	<b>Net sales</b> YoY + 31.7%, mainly due to ID increase
		Cost of goods sold	130	164	+26.1%	248	295	+18.6%	<b>Cost of goods sold</b> YoY + 18.6%, mainly due to increase in development personnel expenses due to reinforced recruitment
		<b>Gross profit</b>	306	298	-2.7%	434	604	+39.1%	<b>SG&amp;A expenses</b> YoY + 173.4%, due to an increase in advertising and promotion expenses for TV commercials run in the first quarter of FY2021, and an increase in sales personnel expenses due to reinforced recruitment
		Gross margin	70.1%	64.5%	-5.7pt	63.6%	67.2%	+3.6pt	
		SG&A expenses	323	209	-35.2%	194	533	+173.4%	
		<b>Segment profit</b>	-16	88	—	239	71	-70.1%	<b>Net sales</b> In spite of YoY being -41.5%, progress is as per forecast (There was an order received for a temporary large scale project for the previous term, and we have set policy to not engage in sales aggressively for this term)
ENG business		Millions of yen	FY2021.Q1 fiscal term	FY2021.Q2 fiscal term	QoQ	FY2020.Q2 first six-month period	FY2021.Q2 first six-month period	Millions of yen	
		<b>Net sales</b>	112	77	-31.2%	323	189	-41.5%	
		<b>Gross profit</b>	20	11	-44.1%	61	32	-47.2%	
		Gross margin	18.7%	15.2%	-3.5pt	19.1%	17.2%	-1.9pt	
		<b>Segment profit</b>	20	10	-46.7%	58	31	-46.8%	

This is the profit and loss statement by segment. Net sales increased by 31% in the ICT business over the previous Q2. In the engineering business, net sales decreased by 41.5%. This progress is according to plan.

The gross margin deteriorated during the Q2 accounting period of the ICT business, and this is due to the impact of the increase in the cost of sales as a result of intensified recruitment of development engineers.

We hope that you will continue to pay attention to the growth of our ICT business. This concludes the briefing for Q2. Thank you for listening.

## [Q&A]

### Q1

What is the reason that the number of IDs has not increased as much as the number of companies compared to the previous year? When can we expect a large increase in the number of IDs?

#### CEO Ito

We regard the fact the increasing of the number of companies as very positive. Meanwhile, we need to reflect on the fact that we were unable to focus on onboarding activities for existing customers. As for another factor, because the number of ID suspensions increases considerably due to construction site completion at the end of the fiscal year, Q1 and Q2 are not very positive times for us.

On the other hand, in the second half of the year, there are no negative events such as frequent site completions like at the end of the fiscal year. Therefore, we are considering focusing very seriously on penetration at existing customers, including new customers acquired in Q1 and Q2. We believe this will proceed as planned.

#### CFO Omura

I will add some to this.

### Customer composition and how the number of IDs has grown <sup>\*1</sup>

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Starting from several sites and several IDs at the time of introduction, the number of IDs grew company-wide over several years.

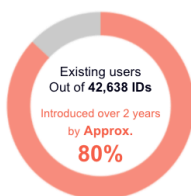
Number of customers by year of introduction and number of IDs composition

Customers older than 2 years since introduction make up more than 80% of all IDs.

Customer composition by year of introduction

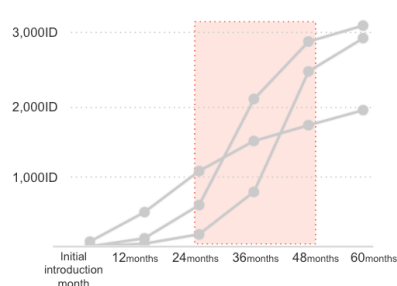


ID composition by year of introduction



Changes in the number of IDs for the top three customers

Over a few years, the increase in the number of IDs among customers accelerated.



<sup>\*1</sup>: Created based on information as of June 30, 2021

This slide explains the customer composition for SPIDERPLUS and how the number of IDs has grown.

More than 40% of the approximately 1,000 existing customers introduced SPIDERPLUS more than two years ago. In addition, 80% of the about 42,000 IDs are customers who introduced it more than

two years ago. In other words, 60% of customers are less than 2 years since introduction, which makes up only about 20% of the whole, or about 8,500 IDs. This indicates that the numbers grow over two to three years, so as for the question of when we can expect an increase, we believe the trend is that this will take two to three years.

## **Q2**

What are the factors behind the growth of ARPU? Do you have any strategy such as reviewing the prices of existing services in the future?

### **CFO Omura**

Regarding ARPU growth, standard and option unit prices as well as server unit prices have increased in comparison with the previous quarter.

Due to the increase in the number of new customers, the number of IDs per company is supposed to decrease, but the unit price per ID for server revenue is increasing, therefore the current situation is that ARPU is increasing.

## **Q3**

Comparing SG&A expenses with the previous quarter, advertising and promotion expenses have fallen and personnel expenses have increased. I think there are other cost items that are increasing. Specifically, what kind of SG&A expenses are increasing?

### **CFO Omura**

Personnel expenses and recruiting compensation expenses are the main factors behind the cost items in the immediately preceding quarter. In addition to considerable increases in these, sales commissions also increase along with sales, so this may also increase slightly.

## **Q4**

Is there any change in the competitive environment compared to the beginning of the term?

### **CEO Ito**

I feel that there has been no particular change.

(end)



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