

Translation

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**Non-Consolidated Financial Results
for the Six Months Ended June 30, 2023
(under Japanese GAAP)**

August 9, 2023

Company name: SpiderPlus & Co. Listing: Tokyo Stock Exchange
 Securities code: 4192 URL: <http://en.spiderplus.co.jp/>
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Scheduled date to file Quarterly Securities Report (*Shihanki Hokokusho*): August 9, 2023

Scheduled date to commence payment of dividends: –

Preparation of supplementary briefing material on quarterly financial results: Yes

Holding of quarterly financial results briefing: Yes

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

1. Financial results for the six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

(1) Operating results

(Percentage indicates year-on-year changes.)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended June 30, 2023	1,482	26.8	(291)	–	(295)	–	(299)	–
June 30, 2022	1,169	7.3	(437)	–	(450)	–	(323)	–

	Basic earnings (loss) per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2023	(8.68)	–
June 30, 2022	(9.62)	–

Note: The amounts of diluted earnings per share for the six months ended June 30, 2022 and 2023 are not stated although the Company has potential shares. This is because the Company recorded basic loss per share for both of the periods.

(2) Financial position

	Total assets	Total net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2023	4,507	3,534	78.4
December 31, 2022	4,794	3,684	76.8

Reference: Equity (Shareholders' equity):

As of June 30, 2023: 3,534 million yen

As of December 31, 2022: 3,684 million yen

2. Dividends

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

Note: Revisions to the dividend forecast most recently announced: None

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

(Percentage indicates year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	3,302	33.2	(698)	—	(732)	—	(739)	—	—

Note: Revisions to the earnings forecast most recently announced: None

[Notes]

- (1) Application of accounting treatment specific to the preparation of quarterly financial statements: Yes
- (2) Changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements
 - (i) Changes in accounting policies due to application of new or revised accounting standards: Yes
 - (ii) Changes in accounting policies due to reasons other than (i) above: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatements of prior period financial statements: None
- (3) Number of shares issued (common shares)
 - (i) Number of shares issued (including treasury shares)

As of June 30, 2023:	35,008,500 shares
As of December 31, 2022:	34,027,600 shares
 - (ii) Number of treasury shares

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

Six months ended June 30, 2023:	34,547,350 shares
Six months ended June 30, 2022:	33,582,272 shares

* This quarterly financial results report is not subject to quarterly review procedures to be performed by certified public accountants or an audit firm.

* [Proper use of earning forecasts, and other special notes]

The forward-looking statements including earnings forecast contained in this document are based on information currently available to us and certain assumptions that we believe are reasonable. Accordingly, we can give no assurance that such statements will prove to be correct. Actual results may differ significantly from the results anticipated in these forward-looking statements due to a variety of factors.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of operating results

The forward-looking statements in this document are based on the judgement that the Company made as of June 30, 2023.

With a mission of “Creating fun “to work”, enthusiastic more,” the Company operates the ICT business focused on the development and sales of SPIDERPLUS, which is a SaaS (Note) application for construction management used for digital transformation (DX) of operations at construction sites. In August 2022, the Company started selling a renewed version of SPIDERPLUS. It has been continuing development aiming to create a product platform that solves the challenges of the construction industry while collaborating with other companies.

Note: SaaS (Software as a Service) refers to a form of service allowing users to connect to and use software over the internet rather than install the software in users’ computers.

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

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

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

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

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

As a result of the above, the Company recorded strong growth during the period under review in numbers of both contracted IDs and contracted companies to 63,199 (+20.0% YoY) and 1,671 (+25.5% YoY), respectively, as of June 30, 2023. Accordingly, the Company reported net sales of 1,482,483 thousand yen (compared to 1,169,497 thousand yen for the same period last year), operating loss of 291,439 thousand yen (compared to operating loss of 437,286 thousand yen for the same period last year), ordinary loss of 295,278 thousand yen (compared to ordinary loss of 450,425 thousand yen for the same period last year), loss before income taxes of 295,278 thousand yen (compared to loss before income taxes of 319,134 thousand yen for the same period last year) and net loss of 299,871 thousand yen (compared to net loss of 323,120 thousand yen for the same period last year). Note that for the six months ended June 30, 2022, the Company recorded gain on sale of businesses of 131,586 thousand yen in the extraordinary income, which arose from the sale of the Engineering business on January 4, 2022.

(2) Explanation of financial position

Assets

Current assets as of the end of the period under review decreased by 241,001 thousand yen from the end of the previous fiscal year to 3,301,038 thousand yen. This was attributable mainly to a decrease in cash and deposits of 236,592 thousand yen due to the recording of operating loss caused by the upfront investment and a decrease in consumption taxes receivables of 22,084 thousand yen, despite of an increase in accounts receivable – trade of 27,731 thousand yen.

Non-current assets decreased by 46,256 thousand yen from the end of the previous fiscal year to 1,206,204 thousand yen. This was attributable mainly to a decrease in software of 48,148 thousand yen due to depreciation associated with the release of the system renewal of SPIDERPLUS.

As a result, total assets decreased by 287,258 thousand yen from the end of the previous fiscal year to 4,507,243 thousand yen.

Liabilities

Current liabilities as of the end of the period under review decreased by 102,786 thousand yen from the end of the previous fiscal year to 751,869 thousand yen. This is attributable mainly to an increase in accrued consumption taxes of 43,321 thousand yen, which was more than offset by a decrease in accounts payable – other of 103,209 thousand yen, a decrease in accrued expenses of 33,725 thousand yen, and a decrease in current portion of long-term borrowings of 18,822 thousand yen.

Non-current liabilities decreased by 34,215 thousand yen from the end of the previous fiscal year to 220,766 thousand yen. This is attributable mainly to a decrease in long-term borrowings of 32,958 thousand yen.

As a result, total liabilities decreased by 137,001 thousand yen from the end of the previous fiscal year to 972,635 thousand yen.

Net assets

Net assets as of the end of the period under review decreased by 150,256 thousand yen from the end of the previous fiscal year to 3,534,607 thousand yen. This is attributable to a decrease of 299,871 thousand yen in retained earnings due to the recording of net loss, which was partially offset by an increase of 74,838 thousand yen each in share capital and legal capital surplus as a result of an exercise of stock options.

(3) Explanation of cash flows

As of the end of the period under review, cash and cash equivalents (hereinafter “net cash”) amounted to 2,808,201 thousand yen, a decrease of 236,592 thousand yen from the end of the previous fiscal year.

The overview of each cash flow and its factors are as follows:

Cash flows from operating activities

Net cash used in operating activities amounted to 296,984 thousand yen (compared to net cash used of 469,750 thousand yen for the same period last year). This is attributable to net loss before income taxes of 295,278 thousand yen due to upfront investments mainly in human capital.

Cash flows from investing activities

Net cash used in investing activities amounted to 36,182 thousand yen (compared to net cash used of 259,652 thousand yen for the same period last year). This is attributable mainly to the payment of 34,790 thousand yen for intangible assets related to system renovation.

Cash flows from financing activities

Net cash provided by financing activities amounted to 96,574 thousand yen (compared to net cash provided of 34,993 thousand yen). This is attributable mainly to proceeds from issuance of shares resulting from exercise of share acquisition rights of 149,652 thousand yen, which was partially offset by repayments of long-term borrowings of 51,780 thousand yen.

(4) Forward-looking information including earnings forecast

No change has been made to the forecast of financial results for the fiscal year ending December 31, 2023, which was disclosed in the non-consolidated financial results for the fiscal year ended December 31, 2022.

2. Quarterly Financial Statements and Major Notes

(1) Quarterly balance sheets

	(Thousands of yen)	
	Previous fiscal year (As of December 31, 2022)	Current quarter (As of June 30, 2023)
Assets		
Current assets:		
Cash and deposits	3,044,793	2,808,201
Accounts receivable – trade	376,661	404,393
Work in process	–	12,346
Prepaid expenses	93,078	72,344
Consumption taxes receivable	22,084	–
Other	5,482	3,753
Allowance for doubtful accounts	(61)	–
Total current assets	3,542,040	3,301,038
Non-current assets:		
Property, plant and equipment:		
Buildings	203,981	203,981
Vehicles	7,594	7,594
Tools, furniture and fixtures	103,866	105,766
Leased assets	8,068	8,068
Accumulated depreciation	(57,149)	(75,803)
Total property, plant and equipment	266,360	249,608
Intangible assets:		
Software	558,491	510,343
Software in progress	183,071	205,856
Total intangible assets	741,563	716,199
Investments and other assets:		
Leasehold and guarantee deposits	244,010	240,052
Other	526	344
Total investments and other assets	244,537	240,396
Total non-current assets	1,252,461	1,206,204
Total assets	4,794,501	4,507,243

	(Thousands of yen)	
	Previous fiscal year (As of December 31, 2022)	Current quarter (As of June 30, 2023)
Liabilities		
Current liabilities:		
Short-term borrowings	100,000	100,000
Current portion of long-term borrowings	95,874	77,052
Accounts payable – other	238,361	135,152
Accrued expenses	109,500	75,775
Contract liabilities	35,822	30,831
Lease obligations	2,519	2,519
Income taxes payable	22,359	23,245
Accrued consumption taxes	–	43,321
Deposits received	6,716	15,288
Guarantee deposits received	243,501	243,501
Provision for loss on orders received	–	5,181
Total current liabilities	854,655	751,869
Non-current liabilities:		
Long-term borrowings	247,605	214,647
Lease obligations	4,675	3,415
Deferred tax liabilities	487	487
Asset retirement obligations	2,213	2,216
Total non-current liabilities	254,981	220,766
Total liabilities	1,109,637	972,635
Net assets		
Shareholders' equity:		
Share capital	2,394,756	2,469,594
Capital surplus	2,672,315	2,747,153
Retained earnings	(1,382,658)	(1,682,530)
Treasury shares	(146)	(184)
Total shareholders' equity	3,684,266	3,534,033
Share acquisition rights	598	574
Total net assets	3,684,864	3,534,607
Total liabilities and net assets	4,794,501	4,507,243

(2) Quarterly statements of income

(Thousands of yen)

	Six months ended June 30, 2022 (from January 1, 2022 to June 30, 2022)	Six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)
Net sales	1,169,497	1,482,483
Cost of sales	430,284	536,534
Gross profit	739,212	945,949
Selling, general and administrative expenses	1,176,499	1,237,388
Operating income (loss)	(437,286)	(291,439)
Non-operating income:		
Interest income	22	16
Dividend income	3	–
Other	2,605	1,507
Total non-operating income	2,630	1,524
Non-operating expenses:		
Interest expenses	3,199	4,099
Commission expenses	12,565	1,238
Other	4	26
Total non-operating expenses	15,769	5,363
Ordinary income (loss)	(450,425)	(295,278)
Extraordinary income:		
Gain on sale of non-current assets	2	–
Gain on sales of businesses	131,586	–
Other	438	–
Total extraordinary income	132,027	–
Extraordinary losses:		
Loss on sale and retirement of non-current assets	736	–
Total extraordinary losses	736	–
Net income (loss) before income taxes	(319,134)	(295,278)
Income taxes – current	3,986	4,592
Total income taxes	3,986	4,592
Net income (loss)	(323,120)	(299,871)

(3) Quarterly statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2022 (from January 1, 2022 to June 30, 2022)	Six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)
Cash flows from operating activities:		
Net loss before income taxes	(319,134)	(295,278)
Depreciation	49,358	80,431
Increase (decrease) in allowance for doubtful accounts	–	(61)
Increase (decrease) in provision for loss on orders received	–	5,181
Interest and dividend income	(25)	(16)
Interest expenses	3,199	4,099
Loss (gain) on sale and retirement of property, plant and equipment	734	–
Loss (gain) on sale of businesses	(131,586)	–
Decrease (increase) in trade receivables	(45,366)	(27,731)
Decrease (increase) in inventories	(500)	(12,346)
Increase (decrease) in trade payables	(30,981)	(101,394)
Decrease/increase in consumption taxes receivable/payable	53,681	65,406
Other, net	(13,100)	(6,210)
Subtotal	(433,722)	(287,920)
Interest and dividends received	23	18
Interest paid	(739)	(1,588)
Income taxes paid	(35,312)	(7,493)
Net cash provided by (used in) operating activities	(469,750)	(296,984)
Cash flows from investing activities:		
Payments into time deposits	(400)	–
Proceeds from withdrawal of time deposits	5,900	–
Purchase of property, plant and equipment	(159,686)	(1,251)
Proceeds from sale of property, plant and equipment	10	–
Purchase of intangible assets	(306,871)	(34,790)
Payments of leasehold and guarantee deposits	(348)	(266)
Proceeds from refund of leasehold and guarantee deposits	1,743	–
Proceeds from sale of businesses	200,000	–
Other	–	126
Net cash provided by (used in) investing activities	(259,652)	(36,182)
Cash flows from financing activities:		
Repayments of long-term borrowings	(31,293)	(51,780)
Repayments of lease obligations	(419)	(1,259)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	66,706	149,652
Purchase of treasury shares	–	(37)
Net cash provided by (used in) financing activities	34,993	96,574
Effect of exchange rate change on cash and cash equivalents	–	–
Net increase (decrease) in cash and cash equivalents	(694,409)	(236,592)
Cash and cash equivalents at beginning of period	4,191,195	3,044,793
Cash and cash equivalents at end of period	3,496,786	2,808,201

(4) Notes to quarterly financial statements

Going concern assumption

Not applicable.

Significant changes in shareholders' equity

Not applicable.

Application of accounting treatment specific to the preparation of quarterly financial statements

Calculation of tax expenses

The Company made a reasonable estimate of an effective tax rate, determined after applying tax accounting on the net income before income taxes for the fiscal year including the current period, and then calculated income taxes by multiplying the net income before income taxes by the estimated effective tax rate.

Changes in accounting policies

Application of the Accounting Standard for Fair Value Measurement

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