

December 1, 2021

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# SpiderPlus & Co.

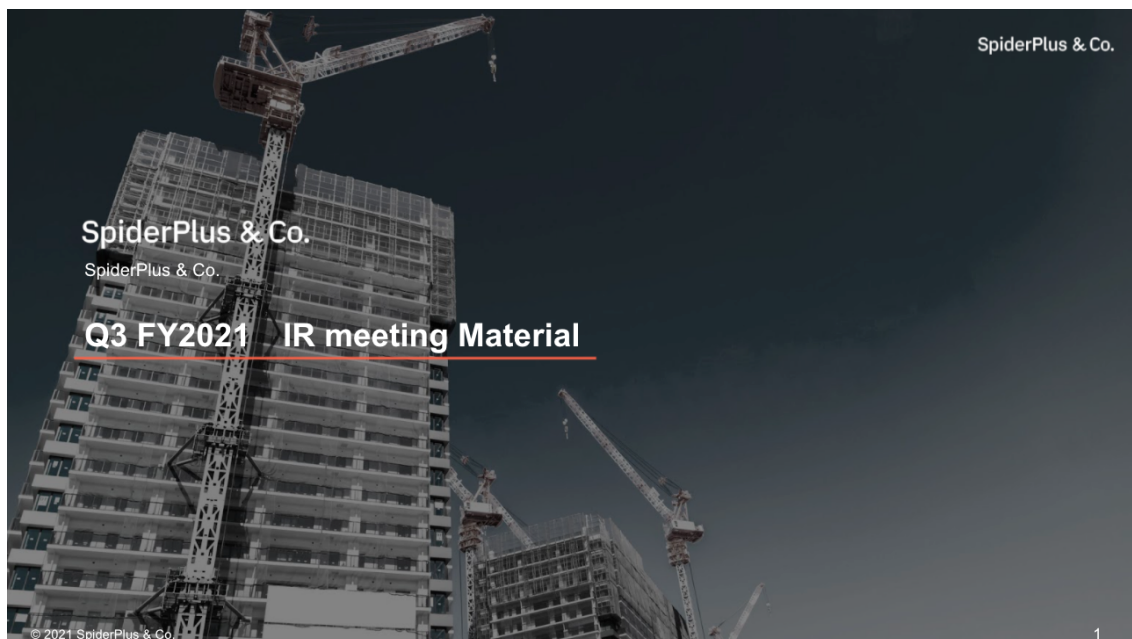
## SpiderPlus & Co.

Financial Results Briefing for the 3rd Quarter of the Fiscal Year Ending December 31, 2021

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

**Date and time:** November 17, 2021, 5:00 PM-5:40 PM

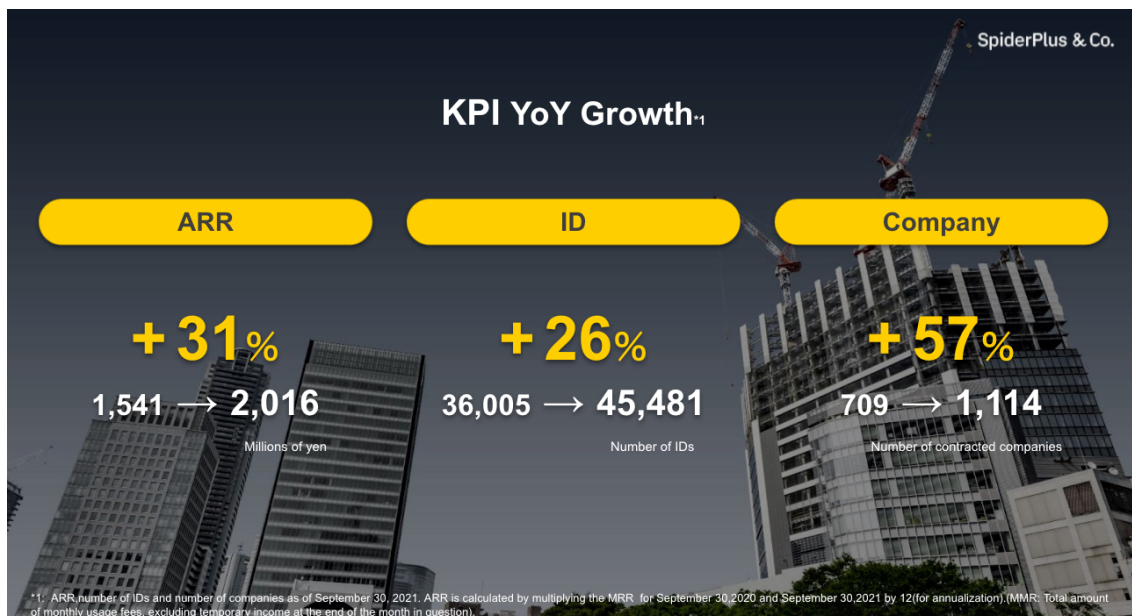
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## CEO Ito

I would like to start explaining the financial results for Q3.

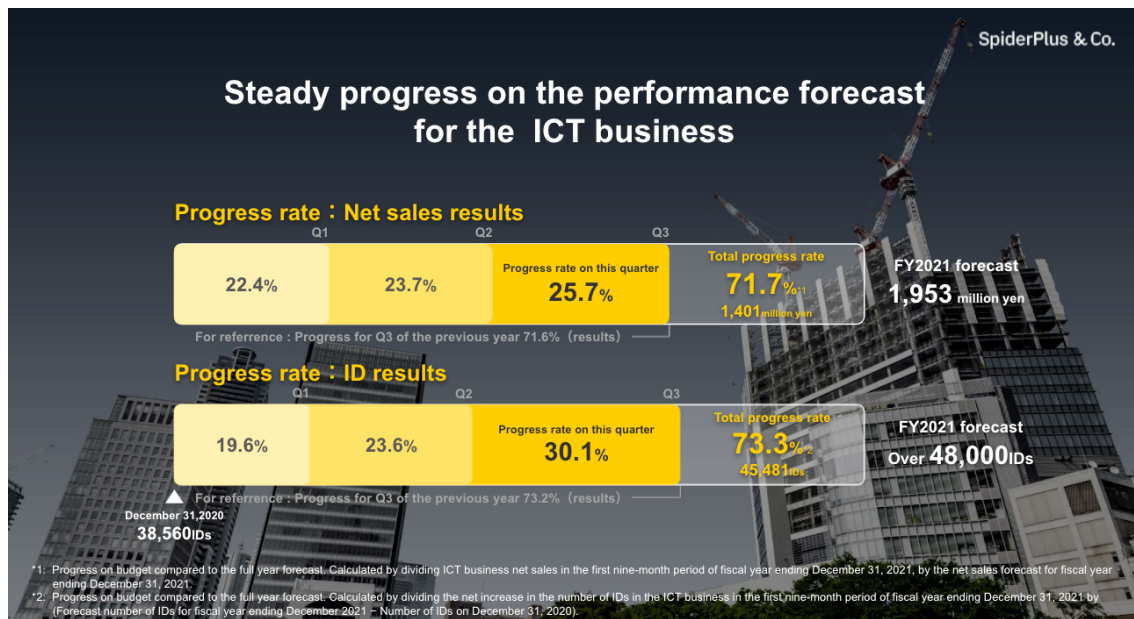
And then, I will explain the transfer of the engineering business at the end of this presentation.



## CEO Ito

ARR exceeded 2 billion yen with a year-on-year growth of +31% due to increase in the number of IDs, which now surpassed 45,000 IDs.

The number of contracting companies significantly increased year on year, from 709 to 1,114.



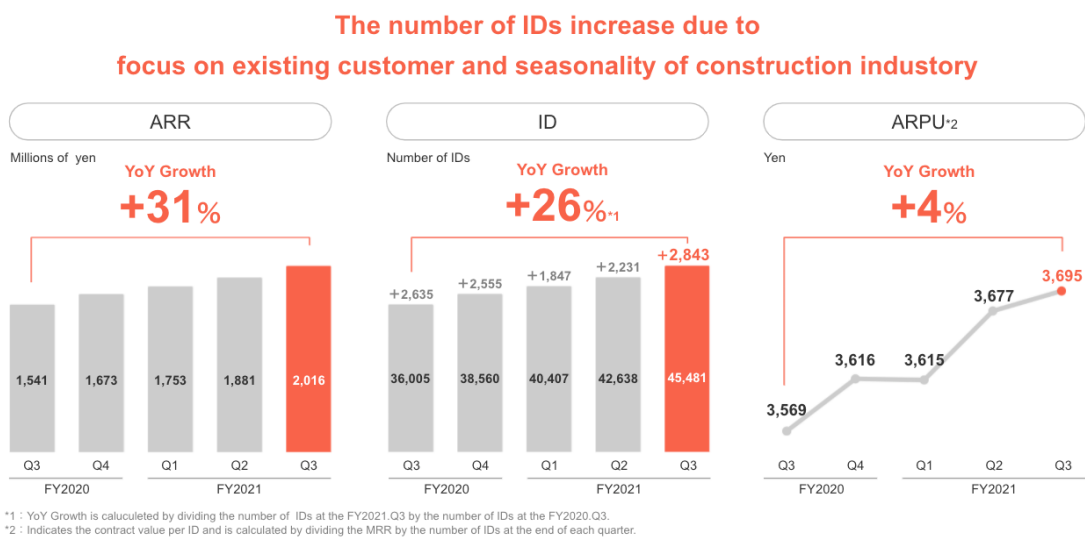
## CEO Ito

Forecast of the ICT business are steady progress on the performance.

In Q3, the progress against forecast was 71.7% for net sales and 73.3% for the number of IDs, which is the same level as the results for the same period last year.

## Reasons for Growth in Net Sales

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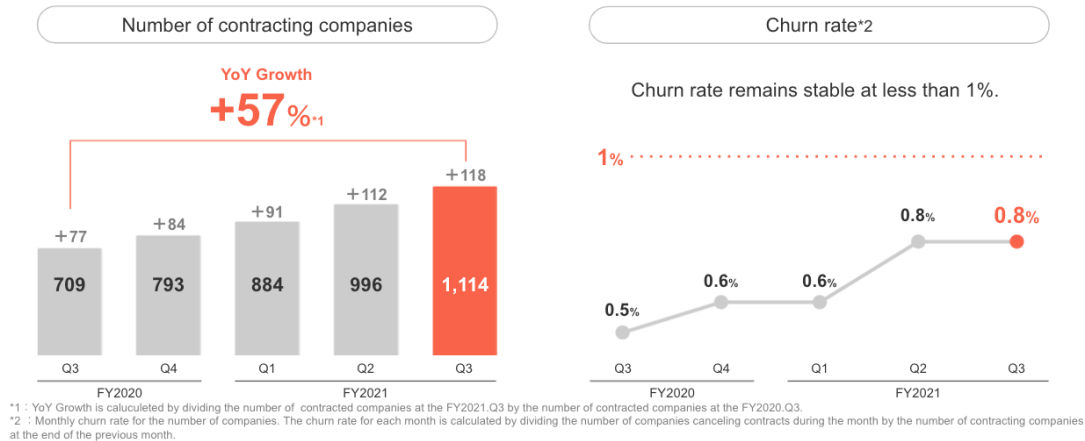


## CEO Ito

The number of IDs is increasing, driven by the focus on existing customers and the seasonality of the construction industry.

As for ARPU, it has been growing steadily at 4% year on year.

Increased by record high in the quarter, continuing from the previous quarter



## CEO Ito

The number of contracting companies increased by a record 118 companies from the previous quarter.

The churn rate has been stable at less than 1%.

**Business update**

**Expansion of share** Japan + Asia

- Full-scale start of BPO service, acting as site supervisor for set-up work.
- OTSUKA CORPORATION which promote digital transformation with CAD solutions, began distribution of SPIDERPLUS.
- Test use continues in 7 countries, mainly in Southeast Asia. Officially introduced in Indonesia.

**Expansion of domains** Vertical + Horizontal

- Started collaboration with Osaki Electric Co., Ltd., a major manufacturer of electricity smart meters.

**Expansion of functions** SPIDERPLUS + Data

- Development to improve of SPIDERPLUS are on schedule

## CEO Ito

About business update. There are three points regarding market share expansion.

First, we full-scale start BPO services. As a second point, OTSUKA CORPORATION, which promotes DX with CAD solutions, begun distribution of SPIDERPLUS.

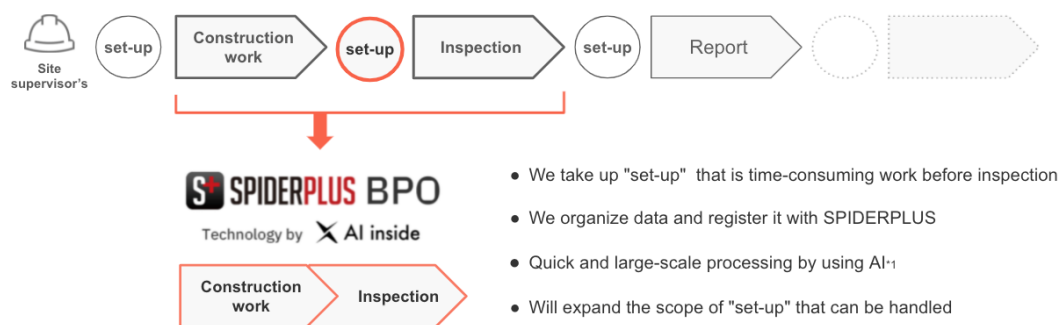
Finally, the third point is about overseas expansion. We are continuing to test the system in seven countries, mainly in Southeast Asia, and it has now been officially introduced in Indonesia.

About expansion of domains, started collaboration with Osaki Electric Co., Ltd.

About expansion of function, development to improve of SPIDERPLUS are on schedule.

### Acting as site supervisor for set-up work as an optional service of SPIDERPLUS

Seamlessly connect operations to further improve productivity



\* 1: AI is introduce AI inside's "Learning Center" to in-house AI development and operation.

## CEO Ito

I would like to explain about BPO service.

Our BPO service is an optional service of SPIDERPLUS, that acting as site supervisor for set-up work.

We will further penetrate SPIDERPLUS by seamlessly connecting between operations to further improve customer productivity.

BPO service are using AI for quick and large-scale processing.

We are aiming to make it even more convenient for our customers by expand the scope of “set-up” that can be handled.

## Strategic collaboration for full-scale deployed in the maintenance field



### Overview of Osaki Electric Co., Ltd.

- Electric energy meter manufacturer founded in 1916.
- In addition to having the top share in Japan for electric power smart-meters, the company is actively expanding overseas.
- In the fiscal year ended March 2021, sales were 76,255 million yen, ordinary income was 2,888 million yen, and the number of employees was 3,129. Listed on the First Section of the Tokyo Stock Exchange.

\*1 : Excerpt from "Regarding the status of examination of specifications for next-generation smart meters" (publication February 1, 2021), Agency for Natural Resources and Energy.

The data in the smart-meter is automatically imported into SPIDERPLUS  
There is no need for manual input by maintenance workers



Available market of this collaboration in Japan\* 1



## CEO Ito

I would like to explain about started collaboration with Osaki Electric Co., Ltd.

This is a strategic collaboration that will allow SPIDERPLUS to expand into the maintenance field in earnest.

By automatically importing the data in the smart meter into SPIDERPLUS, there is no need for maintenance workers to input the data.

This collaboration will cover approximately 750,000 facilities such as stores and commercial facilities, expanding the target market for SPIDERPLUS.

## Q3 FY2021 Summary Income Statement

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Millions of yen	FY2021.Q2 fiscal term	FY2021.Q3 fiscal term	QoQ	FY2020.Q1-Q3 (Nine months)	FY2021.Q1-Q3 (Nine months)	YoY
Net Sales	540	523	-3.0%	1,454	1,613	+10.9%
Cost of goods sold	230	226	-1.5%	703	678	-3.5%
Gross profit	310	297	-4.1%	750	934	+24.5%
Gross margin	57.4%	56.7%	-0.7pt	51.6%	57.9%	+6.3pt
SG&A expenses	383	383	+0.2%	568	1,233	+116.7%
Operating income	-72	-86	--	181	-298	--
Operating margin	--	--	--	12.5%	--	--
Ordinary income	-80	-89	--	178	-352	--
Net income	-81	-90	--	173	-356	--

———— About FYTD (Nine months) ————

### Net Sales

- Company-wide net sales increase due to increase of net sales ICT business. (Company-wide net sales is YoY+10.9%, ICT business net sales is YoY+31.8%.)

### Gross margin

- Company-wide gross margin increase to 57.9% due to increase of high profit margin ICT business sales. (Company-wide gross margin is YoY+6.3pt.)

### SG&A expenses

- SG&A expenses increase to 1,233 million yen by focusing human resource investment and advertising investment for ICT business.

### Non-operating income and loss

- Expenses mainly related to stock listing in March 2021.

## CFO Omura

Overall, net sales were 1,613 million yen, up 10.9% from the same period last year.

The quarter-on-quarter decrease in net sales was due to a decrease in sales in the engineering business.

In addition, a net loss was recorded in the current period due to the impact of advanced investments.

## Summary Income Statement by Segment

SpiderPlus & Co.

ICT business	Millions of yen	FY2021.Q2 fiscal term	FY2021.Q3 fiscal term	QoQ	FY2020.Q1-Q3 (Nine months)	FY2021.Q1-Q3 (Nine months)	YoY
	Net Sales	462	501	+8.3%	1,063	1,401	+31.8%
	Cost of goods sold	164	200	+21.6%	383	495	+29.1%
	Gross profit	298	301	+1.0%	679	906	+33.4%
	Gross margin	64.5%	60.1%	-4.4pt	63.9%	64.7%	+0.7pt
	SG&A expenses	209	219	+4.7%	307	752	+144.7%
	Segment profit	88	81	--	371	153	-58.7%

———— About FYTD (Nine months) ————

### Net Sales of ICT business

- Increased due to increase in number of IDs and ARPU, etc. (YoY+31.8%.)

### Gross margin

- Gross margin at 64.7%, almost the same level as the previous year.

### SG&A expenses

- Increase due to advanced investment.

ENG business	Millions of yen	FY2021.Q2 fiscal term	FY2021.Q3 fiscal term	QoQ	FY2020.Q1-Q3 (Nine months)	FY2021.Q1-Q3 (Nine months)	YoY
Net Sales	77	22	-70.7%	391	212	-45.8%	
Gross profit	11	-3	--	71	28	-59.6%	
Gross margin	15.2%	--	--	18.2%	13.6%	-4.7pt	
Segment profit	10	-4	--	66	26	-60.0%	

### Net Sales of ENG business

- Net Sales are YoY -45.8% due to passive sales activities and the impact of unique seasonality of FY2021.Q3 fiscal term, but almost the same as the budget.

## CFO Omura

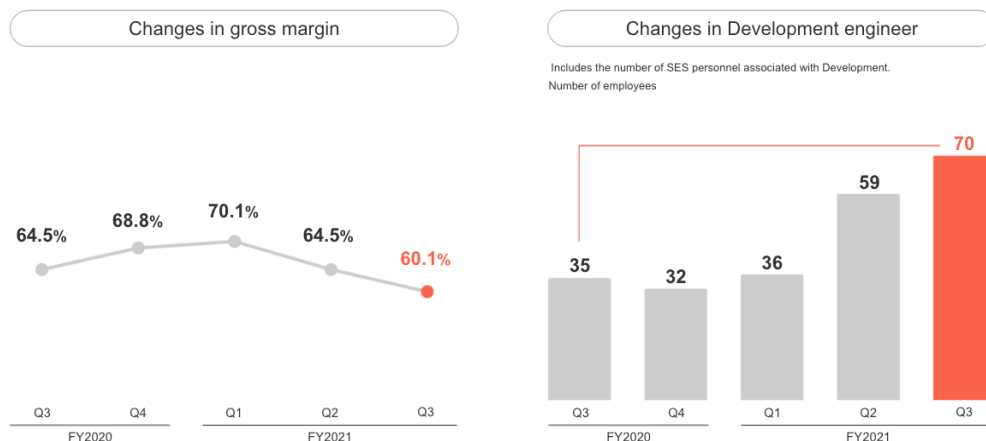
By segment, sales in the ICT business were up 31.8% from the same period of the previous year.

In the engineering business, net sales were down 45.8% year on year, to 212 million yen, due to less aggressive sales activities and fewer completed projects in Q3.



## Gross margin of ICT business and that analysis

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## CFO Omura

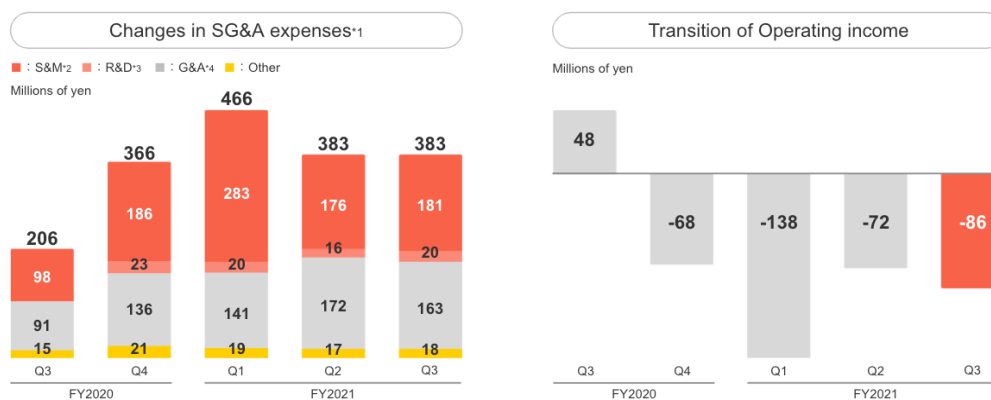
This is the gross profit margin of the ICT business and its analysis.

The decrease in the gross profit margin is within our expectation as we expect it to be around 55% in our business plan.

The main reason for the decrease is the increase in the number of development personnel. Cost of sales has increased because most of the development personnel costs are included in the cost of sales, but this is due to the impact of advanced investments.

## SG&A expenses

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<sup>\*1</sup> Each configuration are on a management accounting basis.

<sup>\*2</sup> Abbreviation of Sales and Marketing. Calculated by dividing the sum of sales and marketing division personnel expenses, advertising and promotion expenses, sales commissions, and related expenses by ICT business segment net sales for each quarterly accounting period.

<sup>\*3</sup> Abbreviation of Research and Development. Calculated by dividing R&D expenses by ICT business segment net sales for each quarterly accounting period.

<sup>\*4</sup> Abbreviation of General and Administrative. Calculated by dividing Corporate division expenses by ICT business segment net sales for each quarterly accounting period.

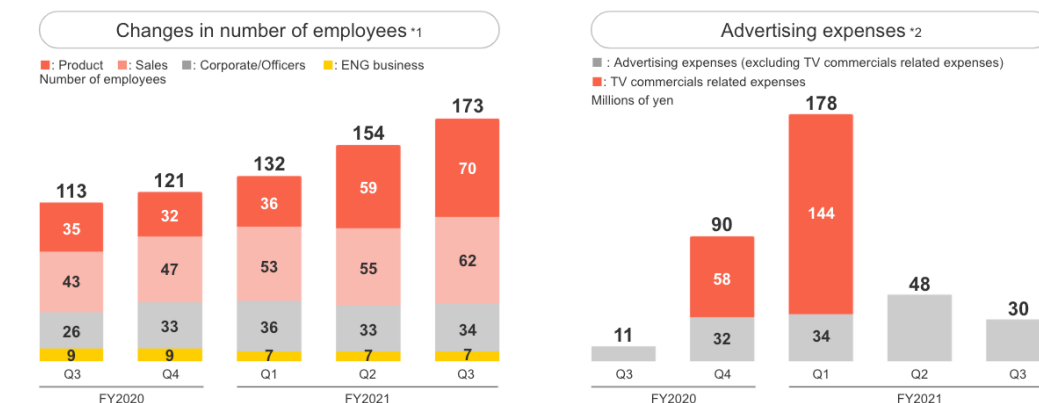
## CFO Omura

The operating loss was mainly due to advanced investments.



## Hiring is going well for both engineers and sales

Advertising expenses while maintaining efficiency



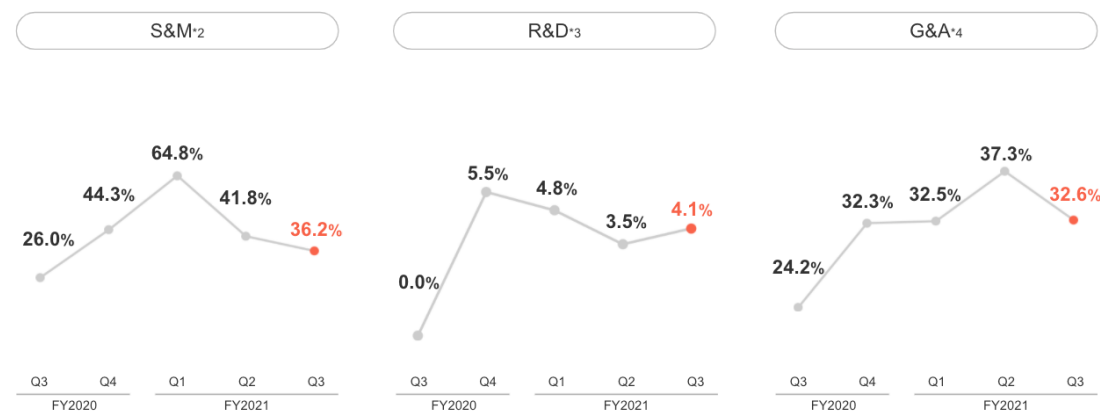
<sup>\*1</sup>: Includes the number of temporary personnel associated with the Sales and Corporate divisions and the number of SES personnel associated with Development (excluding outside officers, etc.)  
<sup>\*2</sup>: Q4 of FY2020 (the fourth quarter of fiscal year ended December 31, 2020) has not been audited and reviewed by an audit firm.

## CFO Omura

As for the status of advanced investment, recruitment is progressing steadily in both product and sales. Regarding advertising expenses, in addition to the TV commercials conducted in Q1, we are focusing on web marketing in Q3.

## SG&A Expenses as a Percentage of ICT Business Segment Net Sales <sup>\*1</sup>

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<sup>\*1</sup>: The percentages of total sales are the percentages on a management accounting basis.

<sup>\*2</sup>: Abbreviation of Sales and Marketing. Calculated by dividing the sum of sales and marketing division personnel expenses, advertising and promotion expenses, sales commissions, and related expenses by ICT business segment net sales for each quarterly accounting period.

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<sup>\*4</sup>: Abbreviation of General and Administrative. Calculated by dividing Corporate division expenses by ICT business segment net sales for each quarterly accounting period.

## CFO Omura

There was no significant change in the ratio of SG&A expenses to net sales from the previous quarter.

## Balance Sheet

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Million yen	FY2018	FY2019	FY2020	FY2021.Q3
Cash and deposits	414	408	469	4,461
<b>Current assets</b>	<b>654</b>	<b>786</b>	<b>820</b>	<b>4,875</b>
<b>Non-current assets</b>	<b>70</b>	<b>79</b>	<b>84</b>	<b>329</b>
<b>Total assets</b>	<b>724</b>	<b>866</b>	<b>905</b>	<b>5,204</b>
Current liabilities	274	405	396	424
Non-current liabilities	167	114	99	48
<b>Total liabilities</b>	<b>442</b>	<b>519</b>	<b>496</b>	<b>473</b>
<b>Total net assets</b>	<b>282</b>	<b>346</b>	<b>408</b>	<b>4,731</b>
<i>Equity ratio</i>	<i>39.0%</i>	<i>39.9%</i>	<i>45.1%</i>	<i>90.9%</i>

### Current assets

- Current assets increase due to raised 4,676 million yen through issuance of new shares, disposal of treasury stock, capital increase through third-party allotment related to sale by over-allotment, etc. associated with stock listing in March 2021.

### Non-current assets

- Non-current assets increase due to software suspense account associated with progress of SPIDERPLUS renewal increased by 235 million yen.

### Current liabilities

- Mainly due to increased in accounts payable.

### Non-current liabilities

- Mainly due to long-term loans decreased.

## CFO Omura

As for our balance sheet, as a result of our listing in March, we have secured over 4 billion yen in cash and deposits and an equity ratio of about 90%.

We hope to produce results that meet the expectations of our shareholders by making advanced investments.

**KPI**  
Number of IDs surpassed 45,000 , contracted companies surpassed 1,100 , and ARR also exceeds 2 billion yen

**Growth**  
Net sales of ICT business stay on track at a growth rate of over 30%

**Business**  
Build an relationship for co-creation that deepens the penetration of SPIDERPLUS in each domains

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## CFO Omura

Lastly, I would like to explain the highlights for Q3.

KPIs have surpassed 45,000 IDs, 1,100 contracted companies, and ARR of 2 billion yen. As for the growth rate, the ICT business continues to grow steadily at a rate of over 30%.

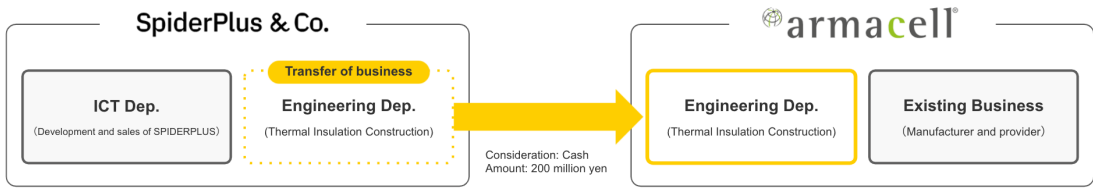
On the business front, we are building co-creation relationships to deepen the penetration of SPIDERPLUS into various domains, including BPO services and the start of collaboration with Osaki Electric Co., Ltd.

# Transfer of engineering business

SpiderPlus & Co.

## Selection and integration for ICT business

Conclusion of contract with Armacell Japan K.K. for transfer of business.<sup>\*1</sup>



Reference: FY2021 forecast<sup>\*2</sup> (unit: millions of yen, persons)

FY2021 Forecast	Net sales	Total assets <sup>*3</sup>	Employees <sup>*3</sup>
All of the companies	2,216	5,204	173
Engineering Dep.	262	65	7
Composition ratio	11.8%	1.2%	4.0%

No change of FY2021 forecast due to this matter.

### About transferee

Armacell Japan K.K. is a Japanese subsidiary of Armacell International S.A. Group, a Luxembourg-based manufacturer of flexible foam for the equipment insulation market and a leading provider of engineered foams.

### Reason for selection of transferee

The manufacturer handles main materials used in the engineering business, and has strong synergies for the engineering.

<sup>\*1</sup>: The transaction is in accordance with the Companies Act and does not require a resolution at a shareholders' meeting of the Company.

<sup>\*2</sup>: Extraordinary income is expected to be recorded in FY2022, but the amount is currently under scrutiny and will be disclosed as soon as it is finalized.

<sup>\*3</sup>: The total assets of engineering business are segment assets. The total amount of total assets and the number of employees are as of the end of September 2021.

## CEO Ito

This is about the transfer of the engineering business.

First of all, the reason for the business transfer is to select and focus on the ICT business.

The business will be transferred to Armacell Japan K.K. for a consideration of 200 million yen.

Armacell Japan K.K. is a manufacturer and seller of the main products of our engineering business and has strong synergy with our engineering business.

The decision was made after considering the future growth of the engineering business.

In addition, many of the members of the ICT department, including myself, have a background in the construction industry.

Even after the transfer of the business, we will continue to collaborate with the engineering business to provide on-site training and exchange information within the company. Therefore, we believe that there will be no particular problem in absorbing information on the construction industry.

## **[Q&A]**

### **Q1**

Please tell us the reason why ARPU growth has slowed down compared to Q2. Also, are there any seasonal factors?

#### **CFO Omura**

There is not that much seasonality, but as a conclusion, we are planning for 4-5% growth in our business plan, so we think it is not a problem.

### **Q2**

Please tell us about the amount and details of the upfront investment you are planning to make in Q4?

#### **CFO Omura**

The upfront investment is mainly for marketing and human resources. The amount is not disclosed.

### **Q3**

Can you tell us about the progress of the renewal development?

#### **CEO Ito**

Development to improve of SPIDERPLUS remains on schedule for a beta launch by the end of the year.

### **Q4**

How is the progress in Q3 compared to the plan at the beginning of the term? Please tell us if there are any upsides or downsides?

#### **CEO Ito**

In Q3, the number of IDs accumulated and remained steady due to factors such as fewer site completions.

**Q5**

I understand that BPO service is a labor-intensive business, even though it utilizes AI, but what specific processes does it take care of?

**CEO Ito**

BPO service is a service that we provide on behalf of our clients to identify the location to be inspected, a task that often occurs before the inspection.

For example, we can prepare small drawings, so-called “reference drawing”, on your behalf before reinforcement inspection or pile installation inspection.

This is a service that can further improve the productivity of site supervisors.

With the introduction of AI, we will be able to handle several times more projects than before.

**Q6**

Please tell us about the changes in the competitive environment and the strengths of your company?

**CEO Ito**

There is no significant change in the competitive environment. Our strengths are our customer basis, network effect, and follow-up system.

**Q7**

What impact will development to improve of SPIDERPLUS have on business performance?

**CFO Omura**

There are three main points of development to improve of SPIDERPLUS, first, to improve the user interface, second, to revamp the development environment, and third, to improve SPIDERPLUS.

The third is to resolve the requests for improvement of SPIDERPLUS that we have received. We believe that the increase in ARPU and the acceleration of penetration due to the renewal will have an impact on our future business performance.

**Q8**

Please explain why the growth in the number of IDs has lagged behind the growth in the number of contracting companies?

**CEO Ito**

This is because we have been spending our resources on acquiring new customers. The trend in the increase in the number of IDs is for the number of contracted companies to increase first, and for the number of IDs to increase over the long term, with the growth in the number of IDs being

subordinate. In other words, we believe that the increase in the number of subscribing companies, which has grown about 1.5 times compared to last year, will contribute to our business performance in the next fiscal year and the next fiscal year.

**Q9**

Do you expect to post an operating loss in the next fiscal year as well due to advanced investment?

**CFO Omura**

There is a possibility that we will be in the red again next fiscal year as a period of prior investment.

**Q10**

Please tell us about the pricing of BPO services and its impact on your business performance?

**CFO Omura**

Pricing and earnings impact are currently undisclosed.

**CEO Ito**

We plan to disclose our forecast for the next fiscal year for BPO services in the next earnings forecast.

**Q11**

What will be the impact after the declaration of the state of emergency is lifted?

**CEO Ito**

We believe that this is positive for our business because we are now able to conduct sales to the field and face-to-face sales.

**Q12**

What is your sense of the scale of advanced investment for the next fiscal year?

**CFO Omura**

We will continue to make advanced investments in the next fiscal year, but we will not disclose the scale of these investments.

**Q13**

Regarding advertising expenses, please tell us about your evaluation of TV commercials and other advertising. Also, will you continue to use TV commercials in the next fiscal year, and to what extent will you invest in human resources?

**CFO Omura**

As for the evaluation of advertising, in the short term, we believe that we have been able to implement it efficiently due to the increase in the number of new subscribers. However, the number of new subscribers will grow over the next two to three years, so we will measure the effects over the long term.

For the next fiscal year, we will continue to invest in advertising and human resources, but we will not disclose the scale of the investment.

End.