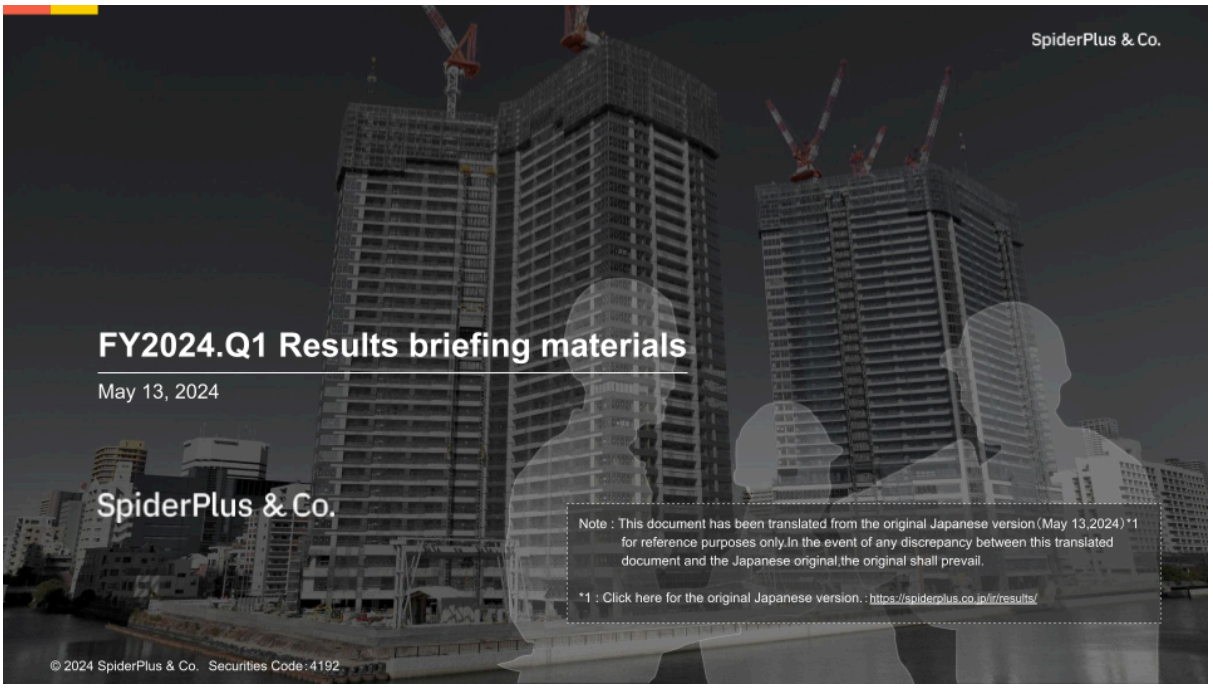
SpiderPlus & Co.

May 14, 2024
SpiderPlus&Co.
Kenji Ito, President and Representative Director
(TSE Growth: 4192)

Script FY2024.Q1 Results briefing materials



【Financial Results】
https://contents.xj-storage.jp/xcontents/AS81382/e55cd3b2/d806/4e1c/9a71/00925042dede/140120240513593295.pdf

【Notes1】
This document has been translated from the original Japanese version*1 for reference purposes only.
In the event of any discrepancy between this translated document and the Japanese original,the original shall prevail.

*1 : Click here for the original Japanese version. : https://spiderplus.co.jp/ir/results/

【Notes2】
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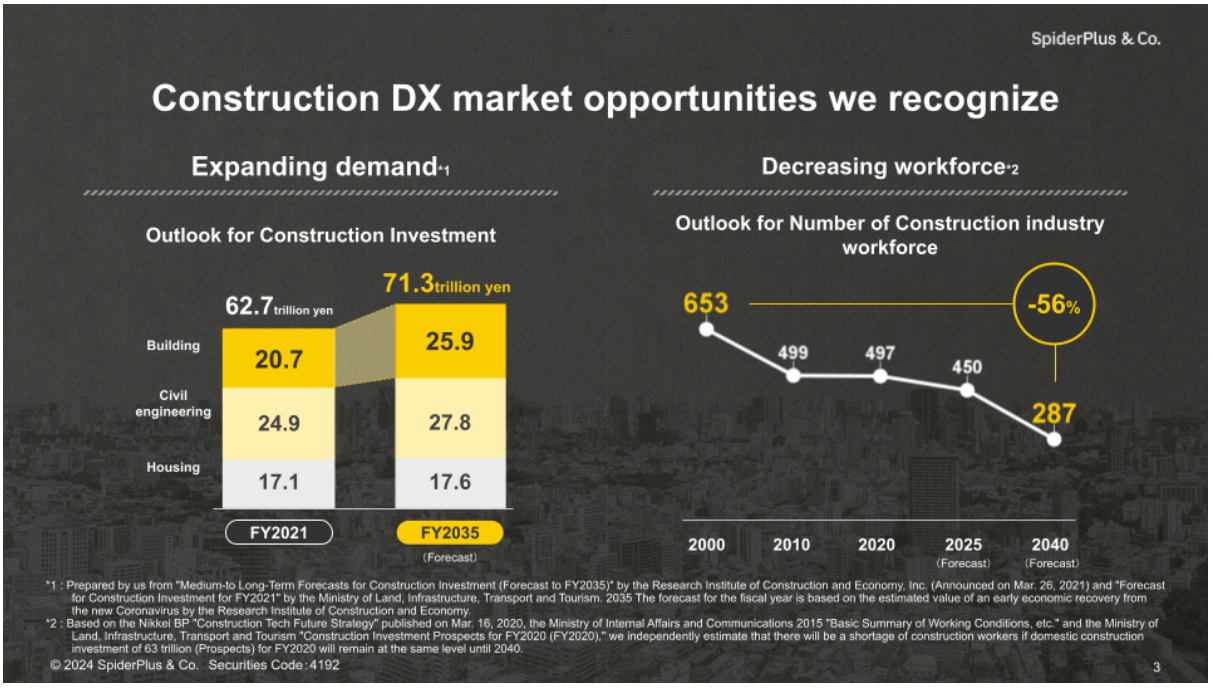
Executive Summary



We are a company that solves problems in the construction industry with technology.

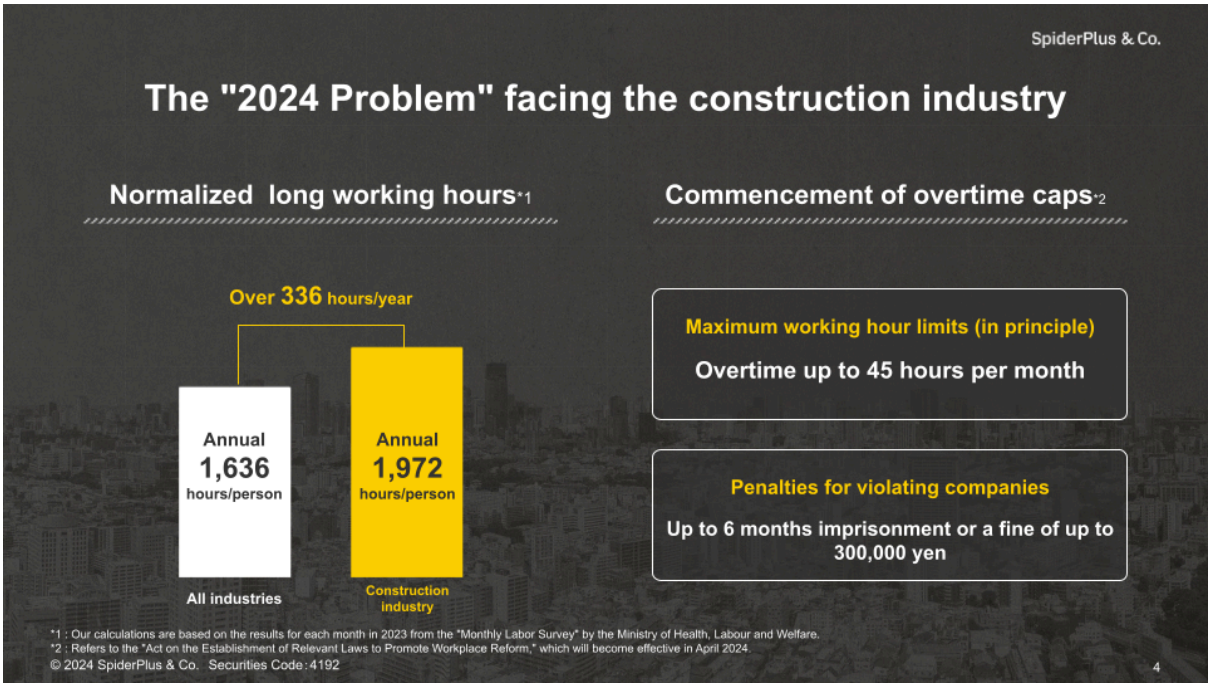


It is about the market opportunity for construction DX that we capture.

The construction industry is expected to expand over the long term, mainly due to urban redevelopment and demand for the repair of aging infrastructure.

While demand is expected to grow, the number of workers is expected to decrease due to the aging of the population and other factors.

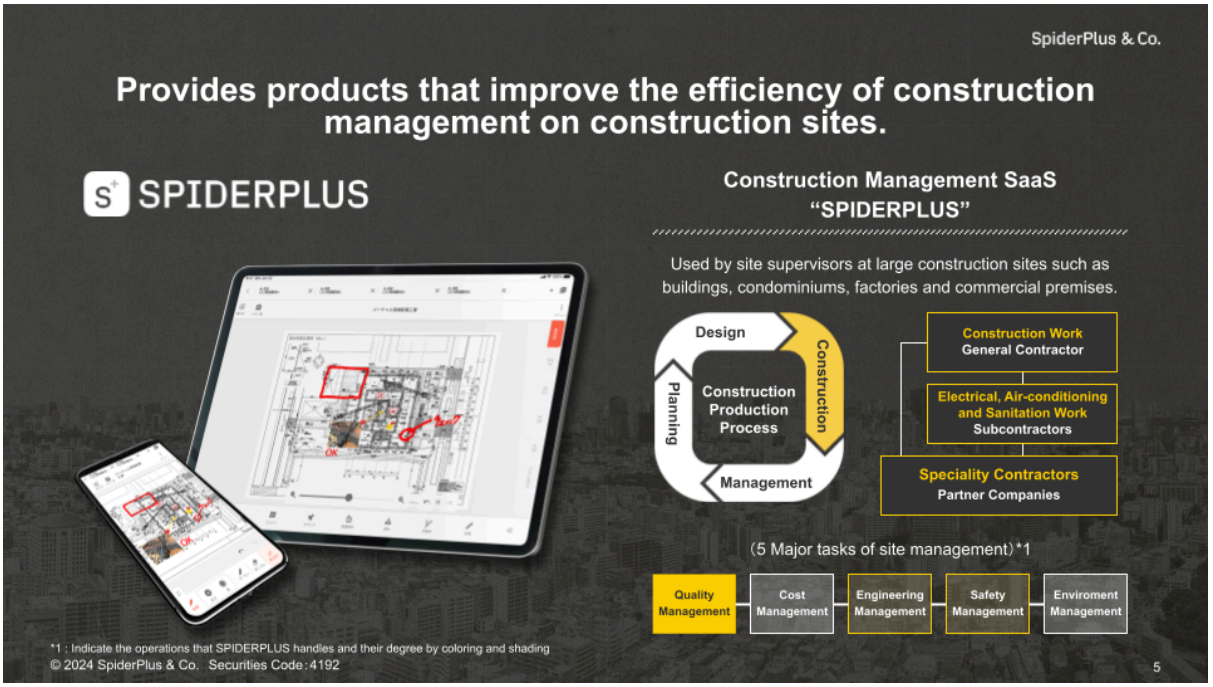
This is increasing the need to improve productivity through the use of technology in the construction industry.



The construction industry faces what is known as the "2024 problem".

In addition to labor shortages and high costs, the construction industry will be subject to the Act on the Establishment of Relevant Laws to Promote Workplace Reform (hereinafter referred to as the "Overtime Work Limit Law") starting in April 2024, after a five-year grace period.

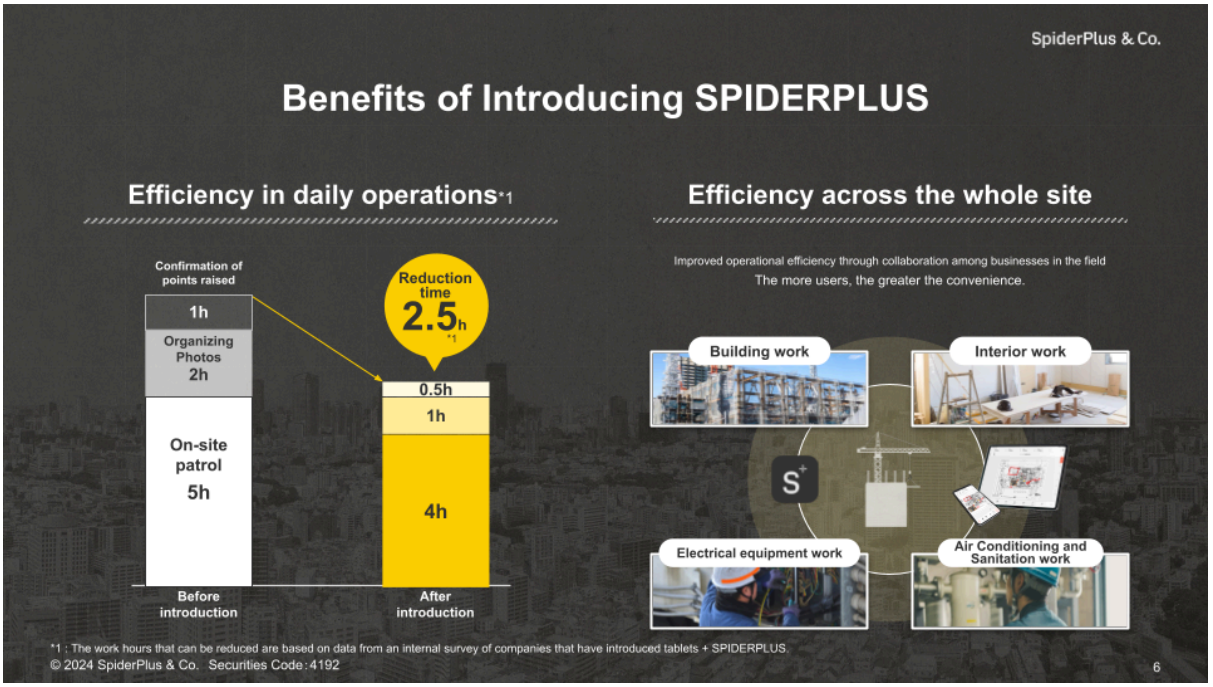
The construction industry, where long working hours have become the norm, will also be subject to a cap on overtime hours, and businesses that violate this cap will be subject to penalties. We believe that the application of the Workplace Reform Law in April 2024 will lead to an expansion of the construction DX market, and we have been making preparations to firmly capture the growing demand.



For construction sites where operational efficiency is an issue, we offer SPIDERPLUS, a construction DX service that streamlines construction management for site supervisors.

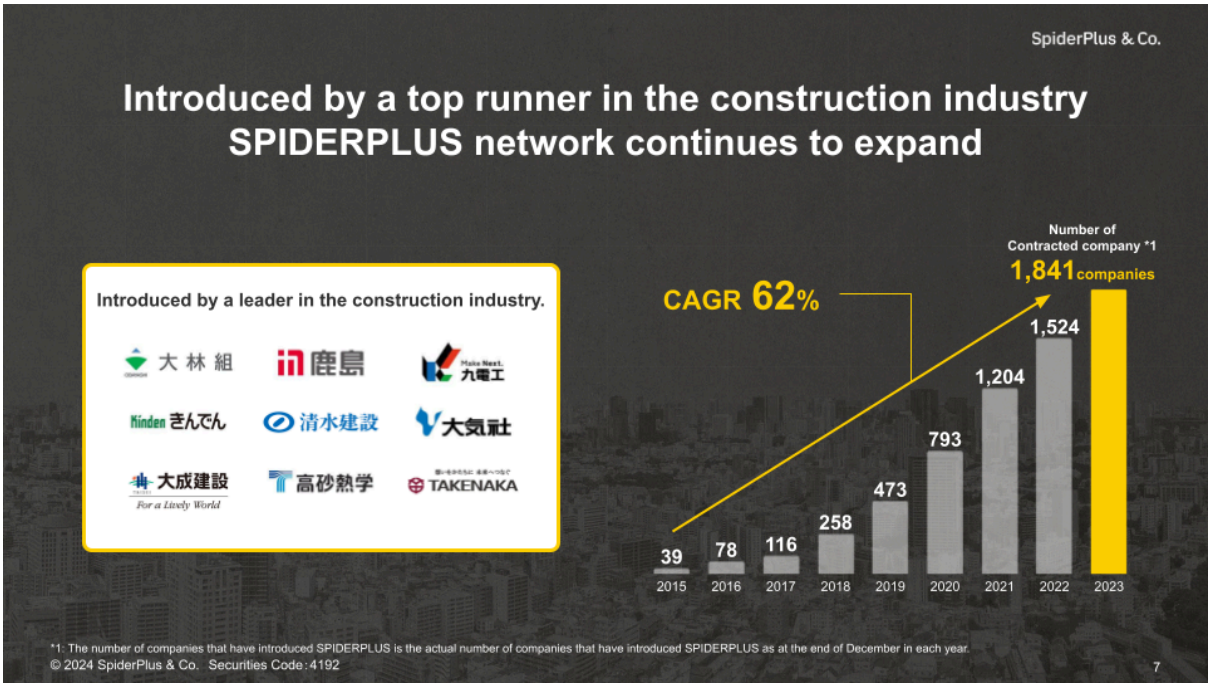
SPIDERPLUS is a SaaS that site supervisors of general construction companies and facility construction companies (subcontractors) use to perform their own construction management at large-scale construction sites such as buildings and condominiums.

By utilizing SPIDERPLUS, it is possible to digitize analog tools used on site, such as paper drawings and construction photos, as well as inspection work for quality control, while establishing digitalized construction management processes and business processes, which will greatly contribute to productivity improvement.



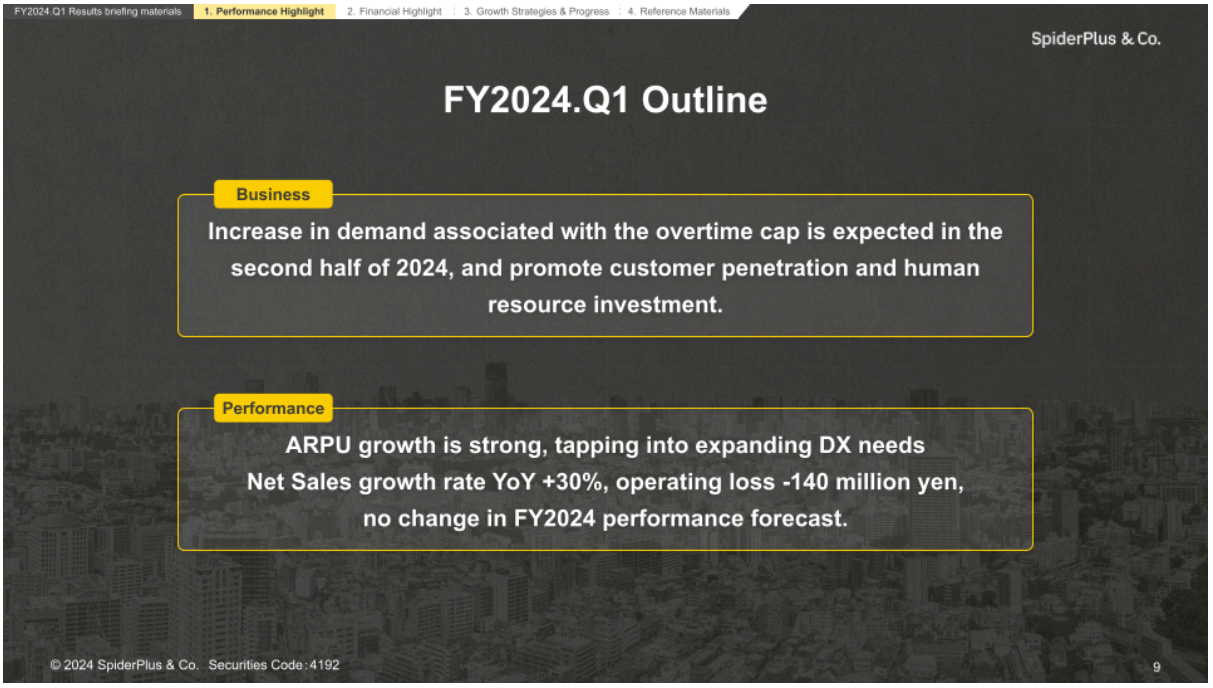
According to the results of our survey, the introduction of SPIDERPLUS will save approximately 2.5 hours per day of daily work at the site.

In addition, if all the businesses involved on site utilize SPIDERPLUS, information on construction progress and other information among businesses will be linked on SPIDERPLUS, which will also make the entire site operation more efficient. There is also the network effect of increased efficiency as the number of users increases.



Our products are used by many companies, especially major companies in the construction industry, to meet the growing need for increased productivity in the construction industry and to improve operational efficiency. The number of companies that have adopted our products continues to increase.

Performance Highlights

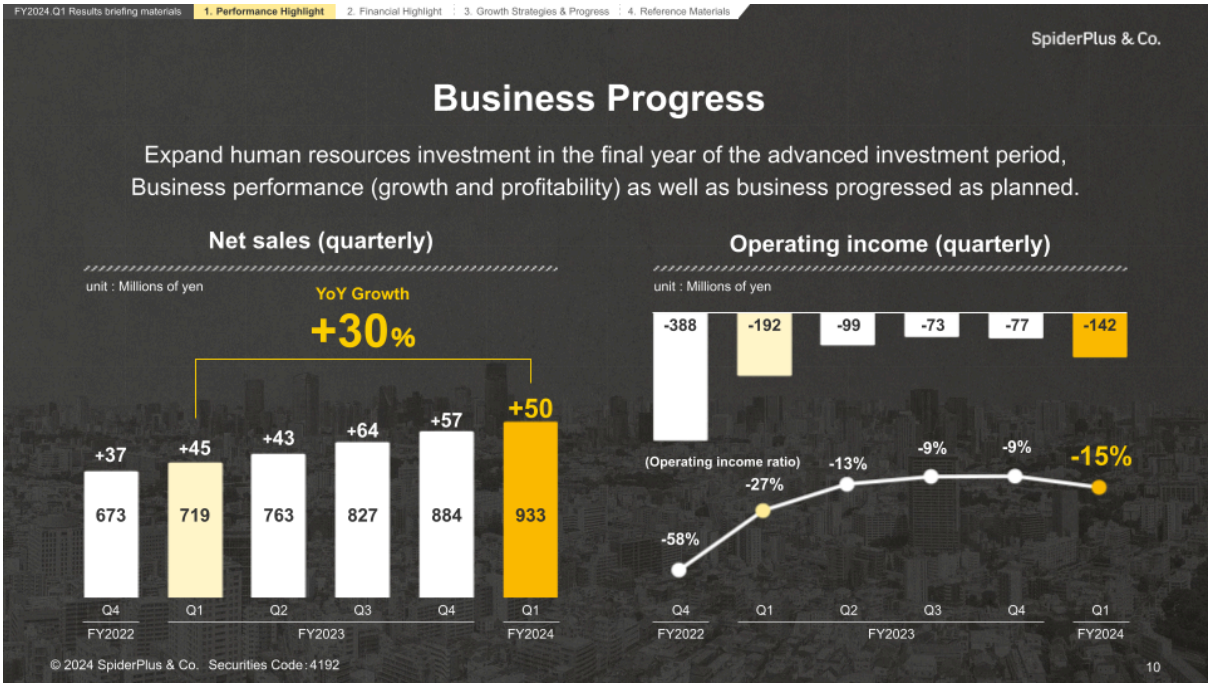


Let me now give you an overview of the first quarter of the fiscal year ending December 31, 2024.

The Company believes that construction DX needs will expand due to the application of overtime caps to the construction industry starting in April 2024. As we have explained previously, we expect this expansion in demand to begin in the second half of 2024.

In order to ensure that we can capture this growing demand, we will enter a phase of expanding the scale of our business based on the productivity that we increased during the productivity improvement phase up to the previous fiscal year (FY2023).

Although the full-scale growth of DX needs is yet to come, ARPU grew strongly, with steady progress in utilization within the customer base. Quarterly sales growth rate was 30% and operating loss was -140 million yen, in line with our plan. There is no change to the forecast for FY2024.



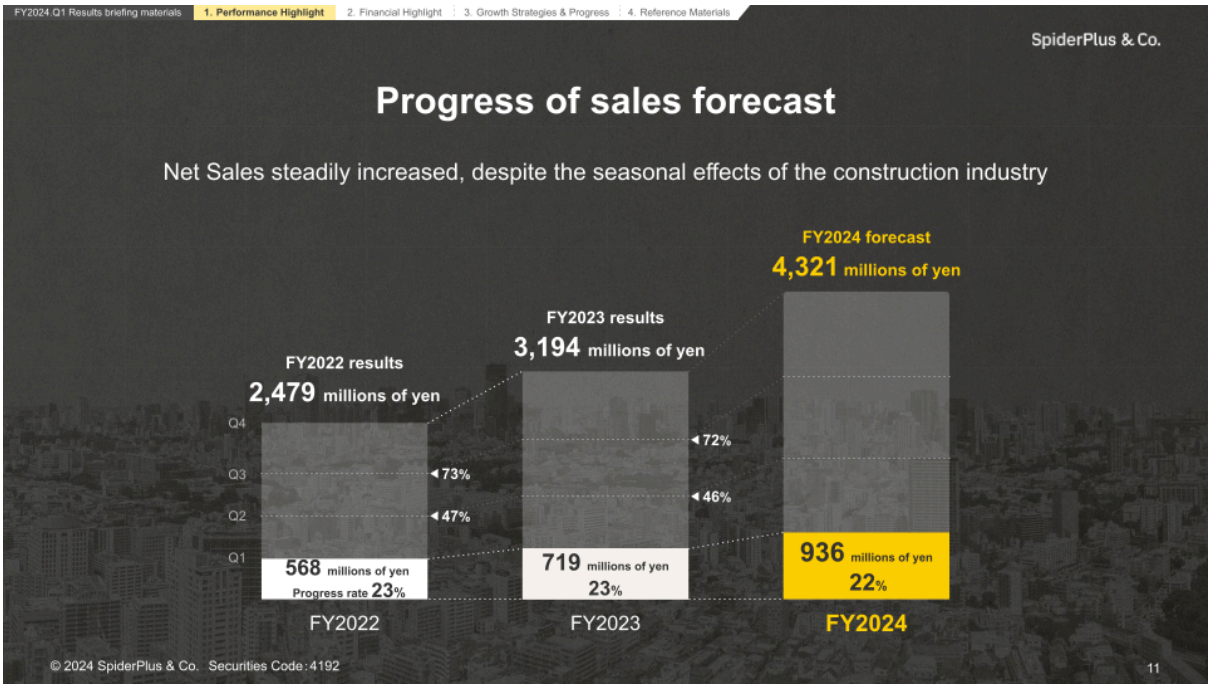
This is about the progress of business performance.

FY2024 is the final year of the upfront investment period, and we plan to accelerate human resource investment in the first half of the year.

As a result, the ratio of operating income to net sales is expected to deteriorate to a certain degree in the first half of FY2024.

Based on these factors, growth and profitability are progressing as planned.

Profitability is expected to improve in the second half of FY2024 as investments for scale expansion run their course and the company aims to return to profitability for the full year in the following fiscal year (FY2025).

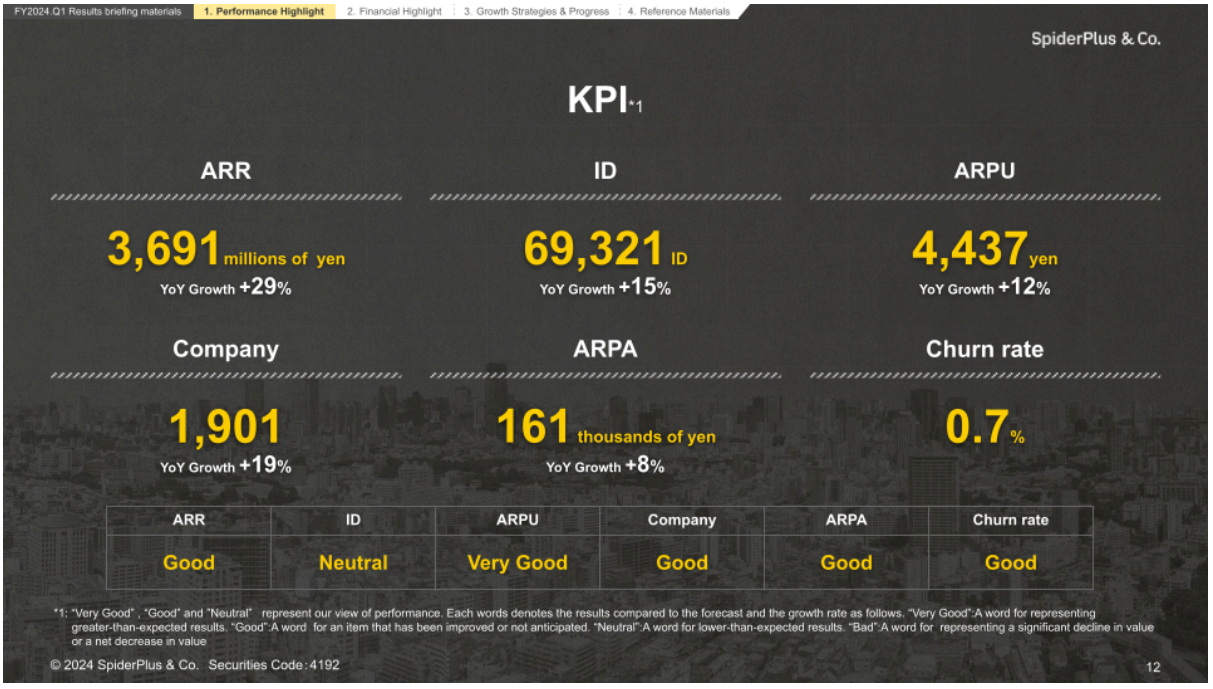


This is about sales progress.

Since many companies in the construction industry close their books on March 31, many construction sites are scheduled to be completed in March, making the first quarter of the current fiscal year the slowest quarter for the entire year.

Therefore, the first quarter of the current fiscal year will be the quarter with the lowest progress rate throughout the entire fiscal year.

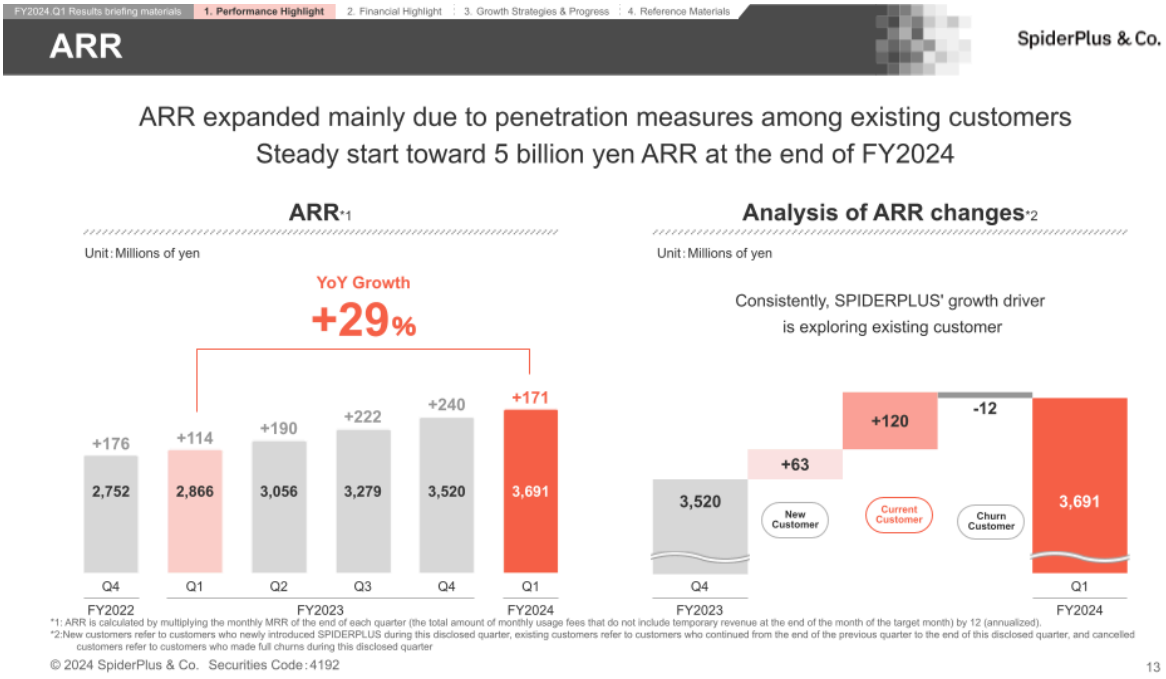
Progress rate for FY2022 and FY2023 is based on actual results.



Various KPIs (Key Performance Indicators).

Although the number of IDs was lower than expected, ARPU was much higher than expected.

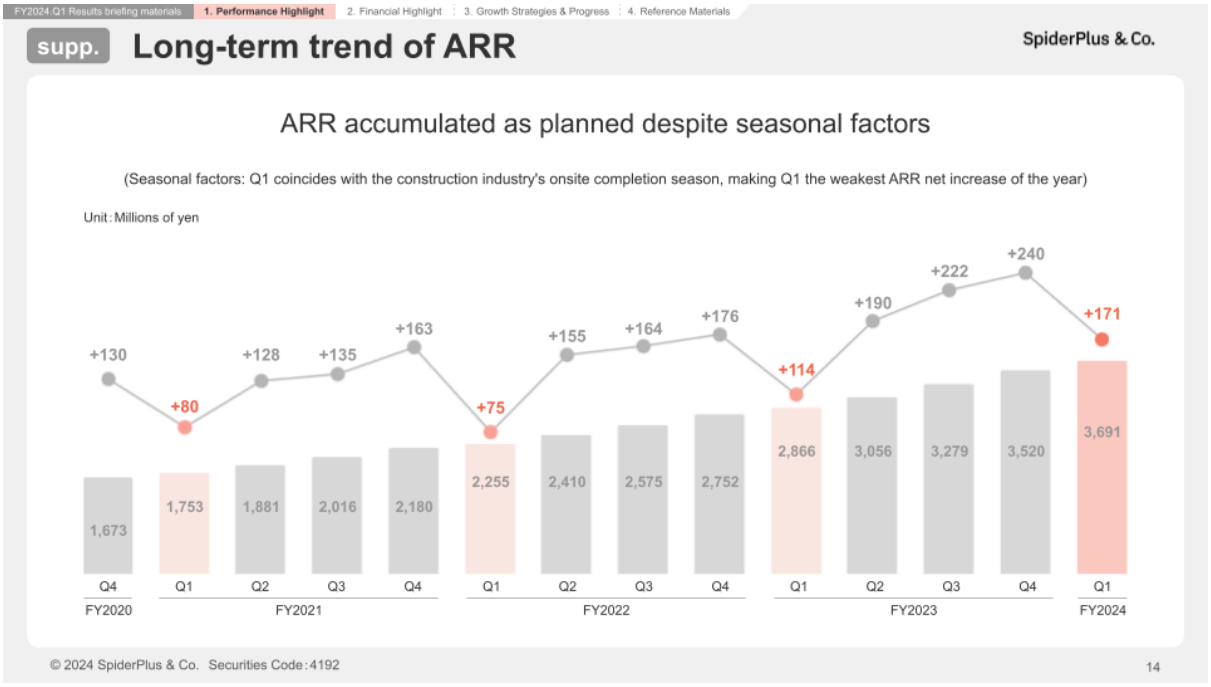
Other KPIs are progressing as expected.



ARR is expanding mainly due to penetration measures with existing customers, and is off to a good start toward the ARR of 5 billion yen by the end of FY2024.

As in the previous fiscal year, the growth driver of ARR continues to be the cultivation and penetration of existing customers.

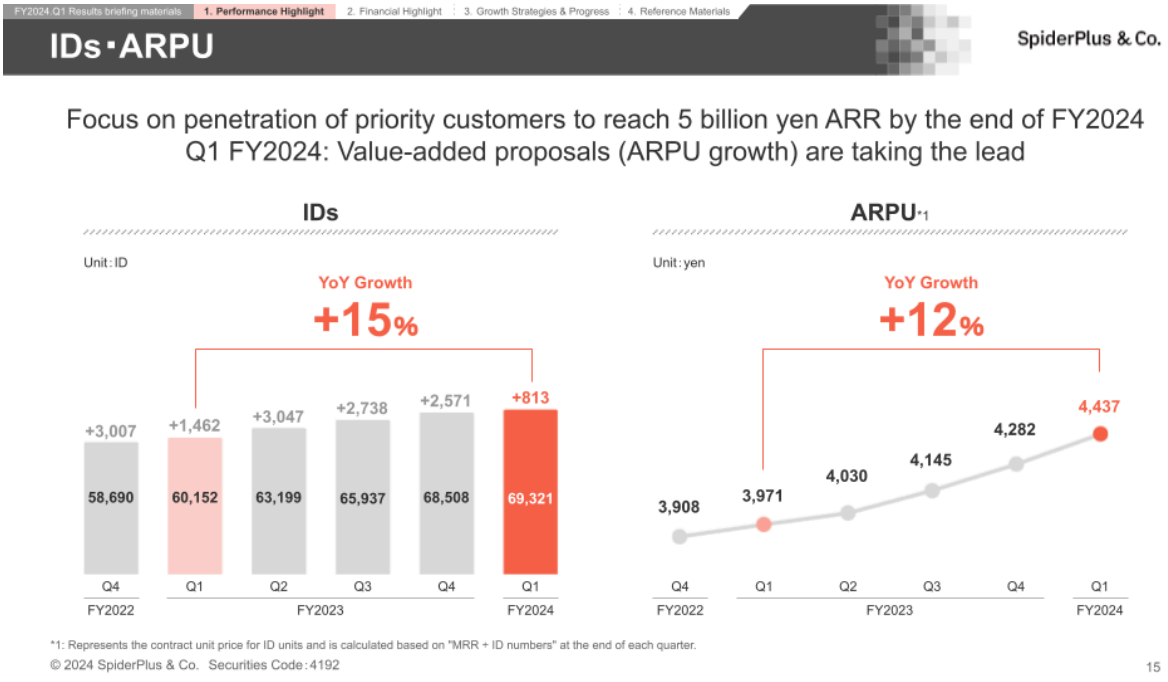
In addition, the net increase in ARR compared to the same period in the past fiscal year has reached a record high.



As a supplement to ARR, we would like to explain the trend in ARR.

As explained earlier, our business is seasonal, and the first quarter, which coincides with the construction industry's site completion season, tends to be the weakest throughout the year in terms of net ARR growth.

In spite of such seasonal factors, we are positive that the FY2024.Q1 ARR net increase is building up as planned and is the highest ARR net increase in the past quarter compared to the same period.



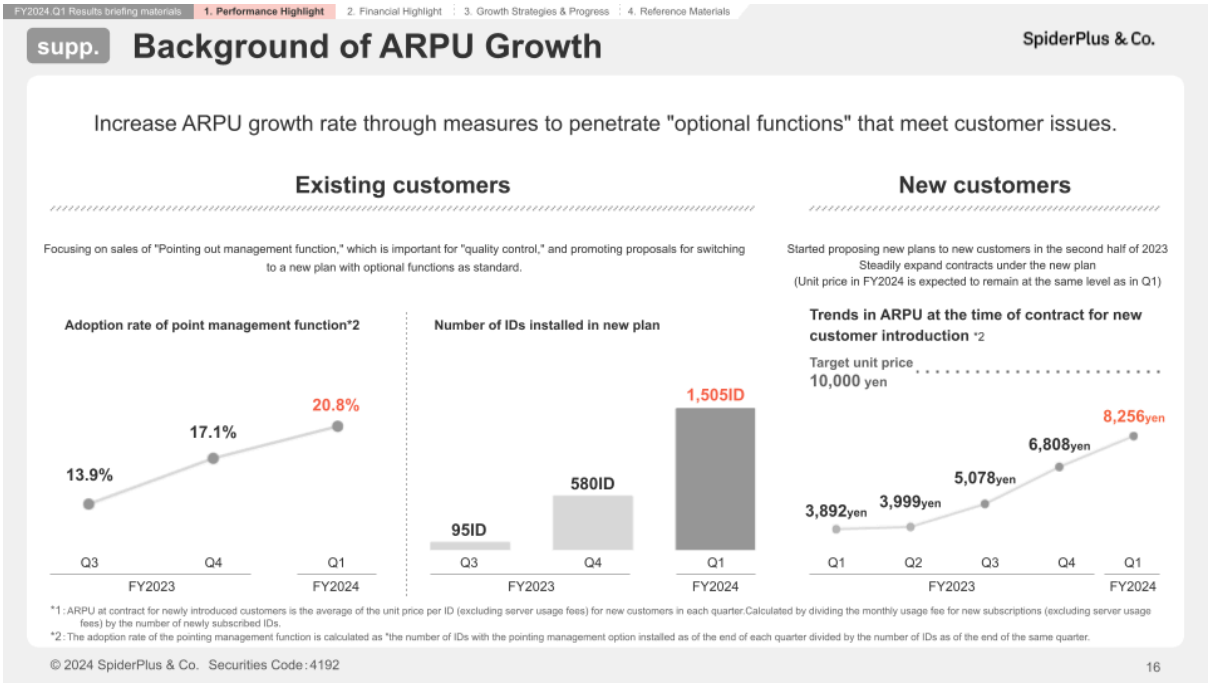
This is about the number of IDs and ARPU.

As we promote the development and penetration of existing customers, a key measure for FY2024, we are strengthening account planning, especially for major customers.

We are proposing proposals that combine professional services and BPO services to build up a track record of on-site implementation and incorporate SPIDERPLUS into business processes, in line with the DX phase of our clients.

As a result, ARPU increased ahead of the number of IDs, but the net increase in the number of IDs was not enough due to the suspension of ID billing for some projects following the completion of a large site.

The dormant IDs are expected to return when another site goes into operation, which is expected to be in the second half of FY2024.



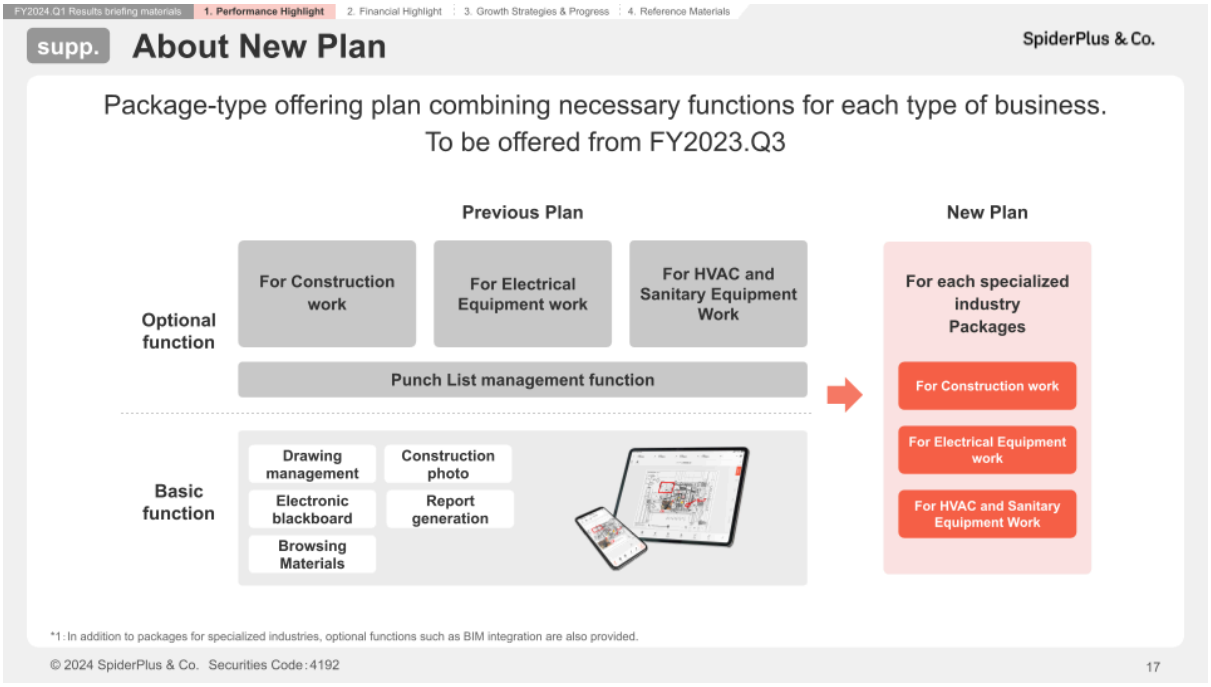
Supplementary background on ARPU growth.

The ARPU growth rate was boosted by the promotion of the introduction of options for existing customers and the switch to new plans, as well as the introduction of new plans for new customers.

In particular, with regard to the "focus on sales of specific options," which we have been working on since the beginning of 2024, the adoption rate of the focused point-of-sale management function increased from 13.9% a year ago to 20.8%.

ARPU at the time of contract for new customers has risen to 8,256 yen due to the expanding introduction of new plans with optional functions as standard features.

ARPU per contract for new customers is expected to remain at the unit price level of Q1 FY2024. In addition, the Company is also progressively switching existing customers to the new plans.

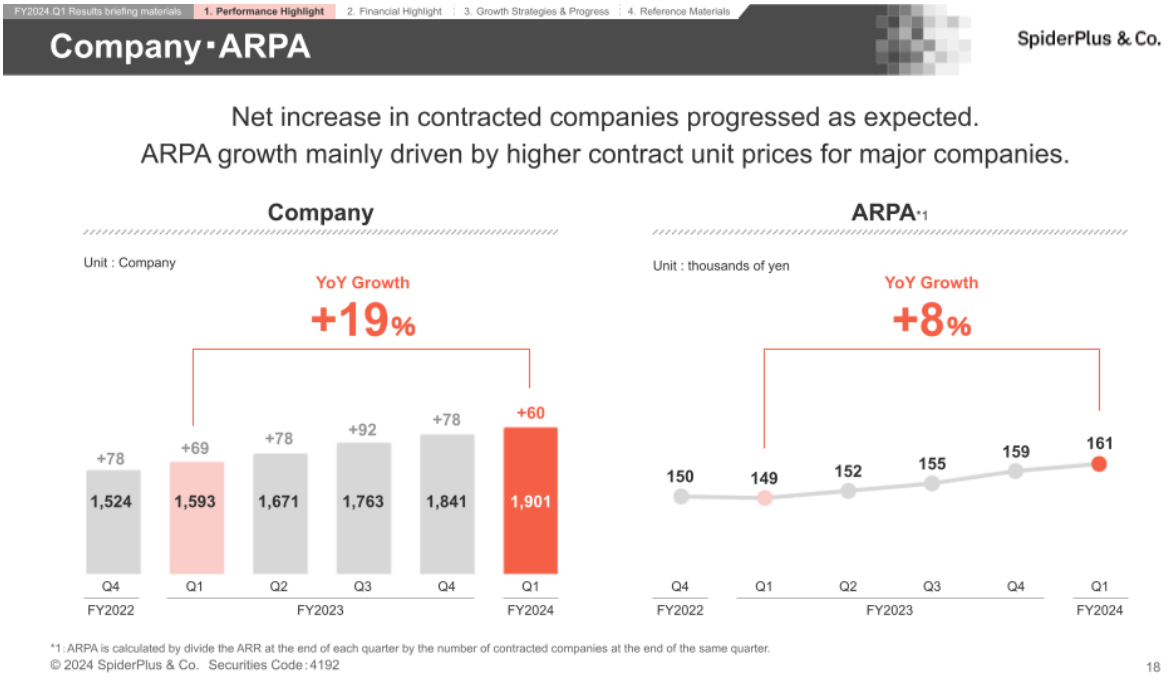


The following is a supplemental explanation of the new plan.

The new plan is a package-type offering plan that combines the necessary functions for each type of business, and was launched in the third quarter of the previous fiscal year (FY2023.Q3).

The packaged plan is a standard supplement to options that were previously sold individually as separate options.

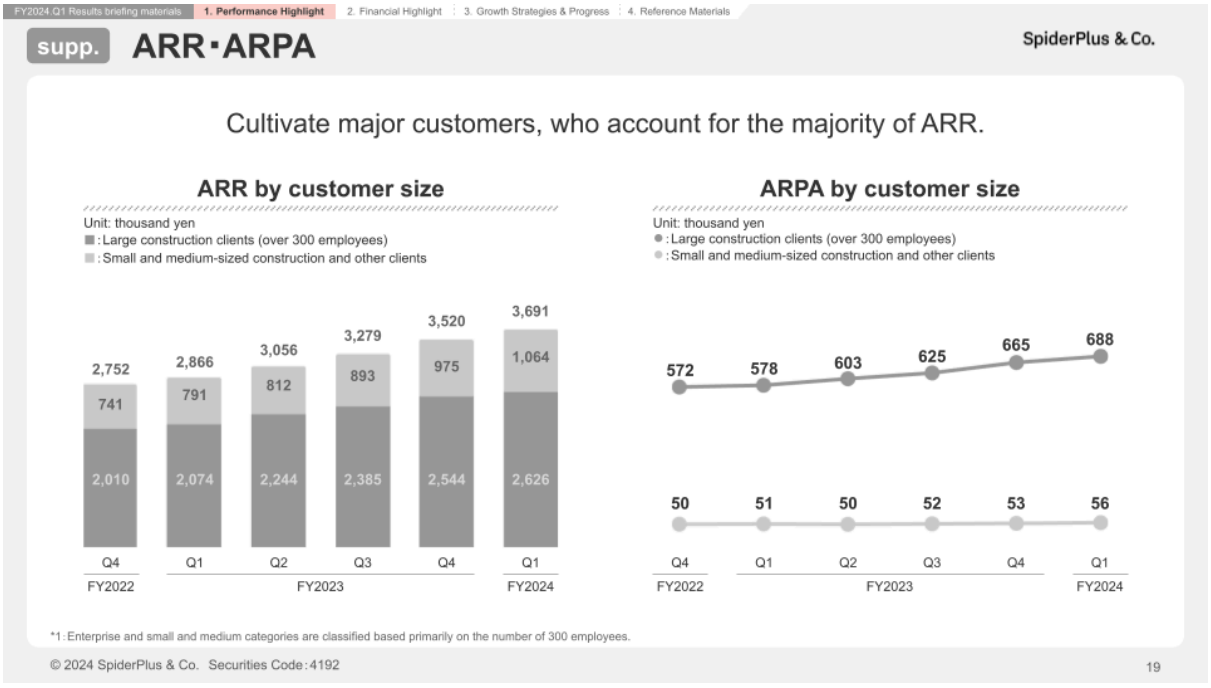
Another feature of the new plan is a more generous support and onboarding system for customers who sign up for the new plan. Currently, the new plan is offered mainly to new customers, but we are also proposing to existing customers to switch to the new plan based on their SPIDERPLUS utilization status and the economic rationale of their customers.



Progress in the number of subscribing companies is proceeding as expected.

There is no bias in the trend of new subscribing companies, with new introductions mainly by small and medium-sized companies, but also by major companies.

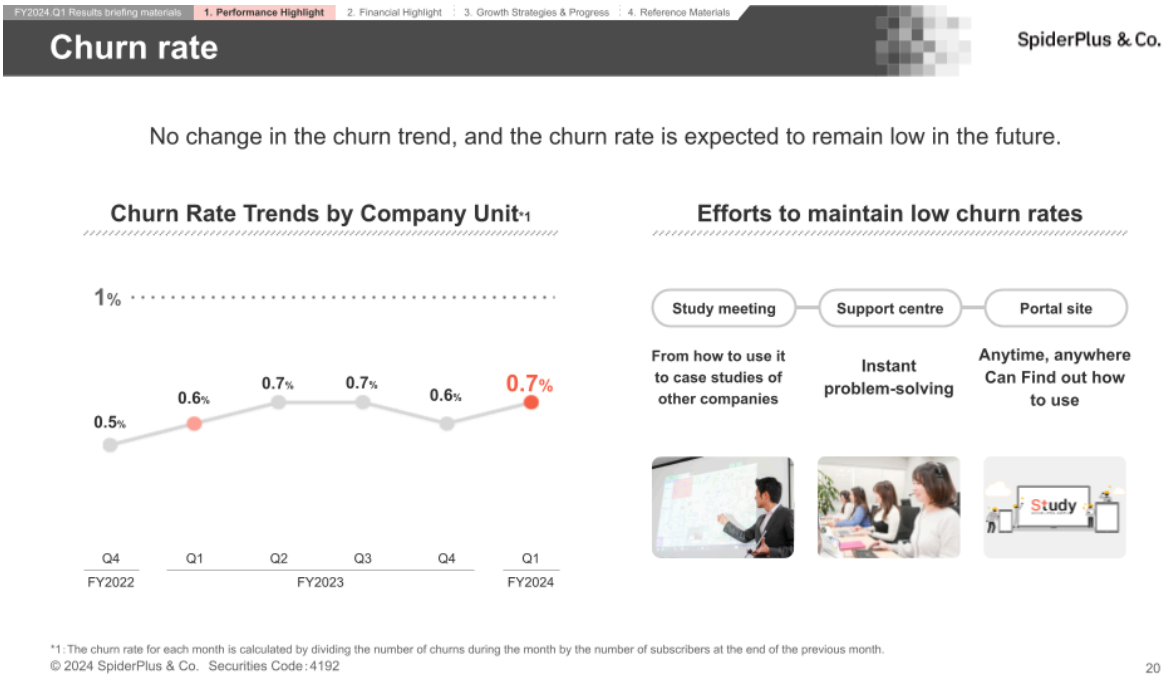
ARPA rose 8% from 149 thousand yen in the same period of the previous year to 161 thousand yen, supported by the bulk introduction of optional functions by major customers.



This supplement breaks down ARR and ARPA by customer size.

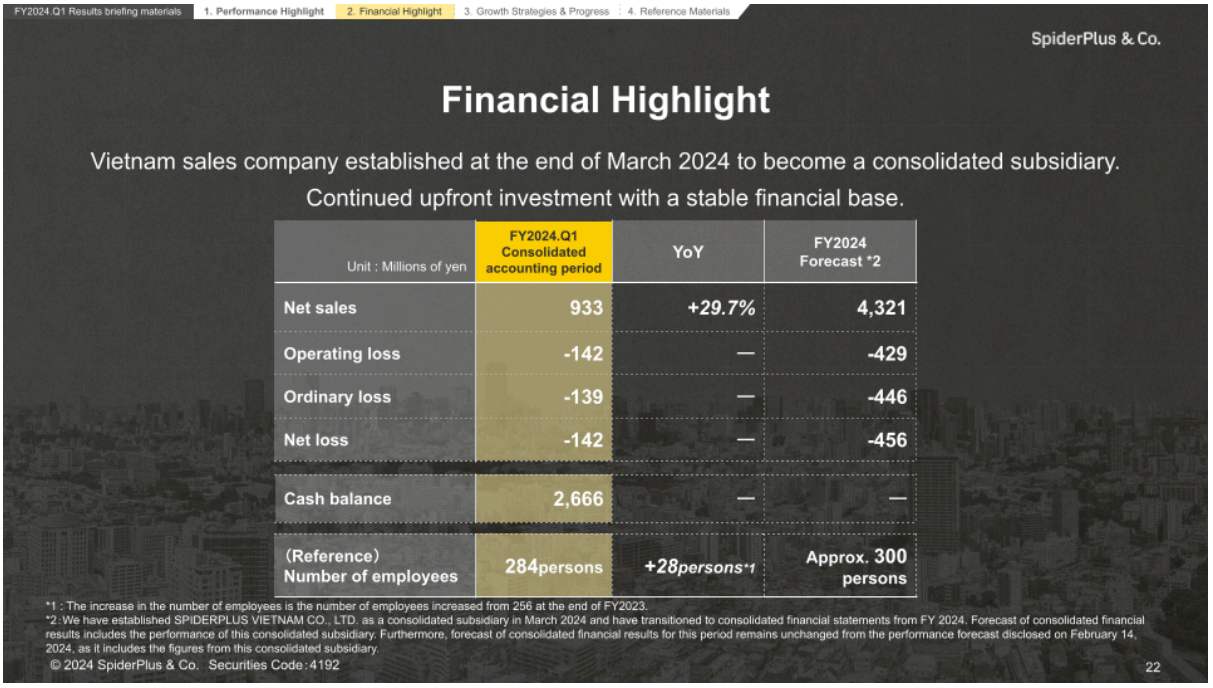
ARR growth is primarily driven by ARPA improvement among large customers.

The results are mainly driven by the aforementioned measures to improve ARPU, such as option sales expansion.



There have been no material changes in the churn rate or churn trend, and the churn rate is expected to remain low at less than 1%.

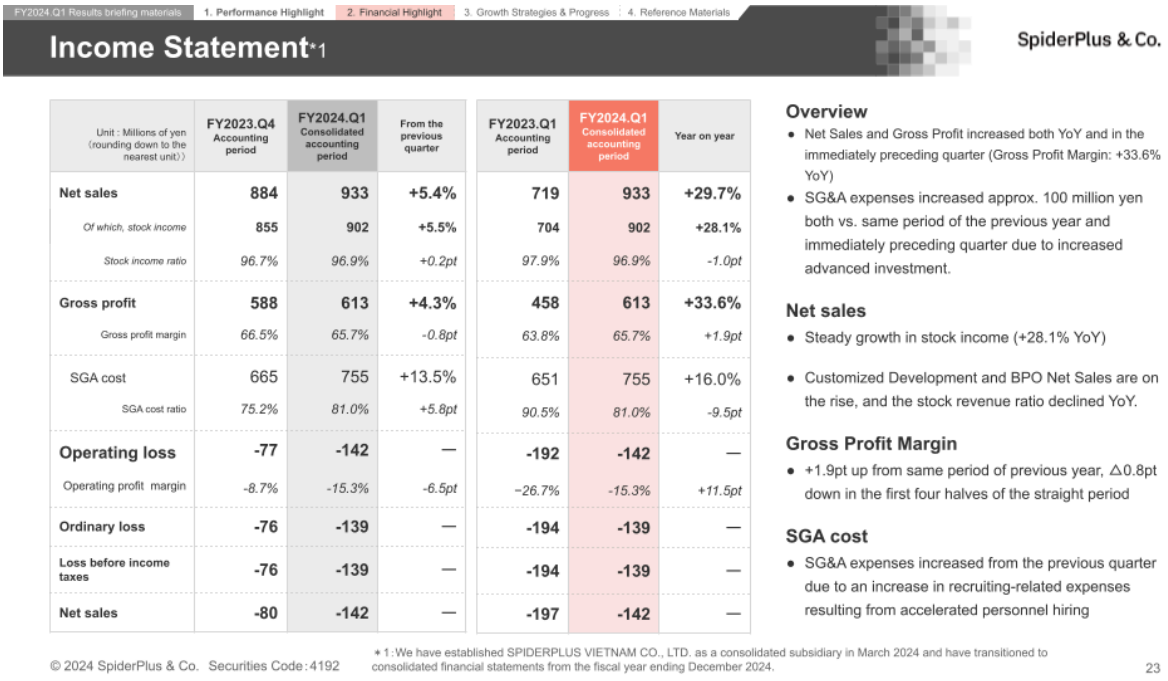
Financial Highlights



Here are some financial highlights: our Vietnamese subsidiary was established as a consolidated subsidiary at the end of March 2024, and we have shifted to consolidated accounting from FY2024.Q1.

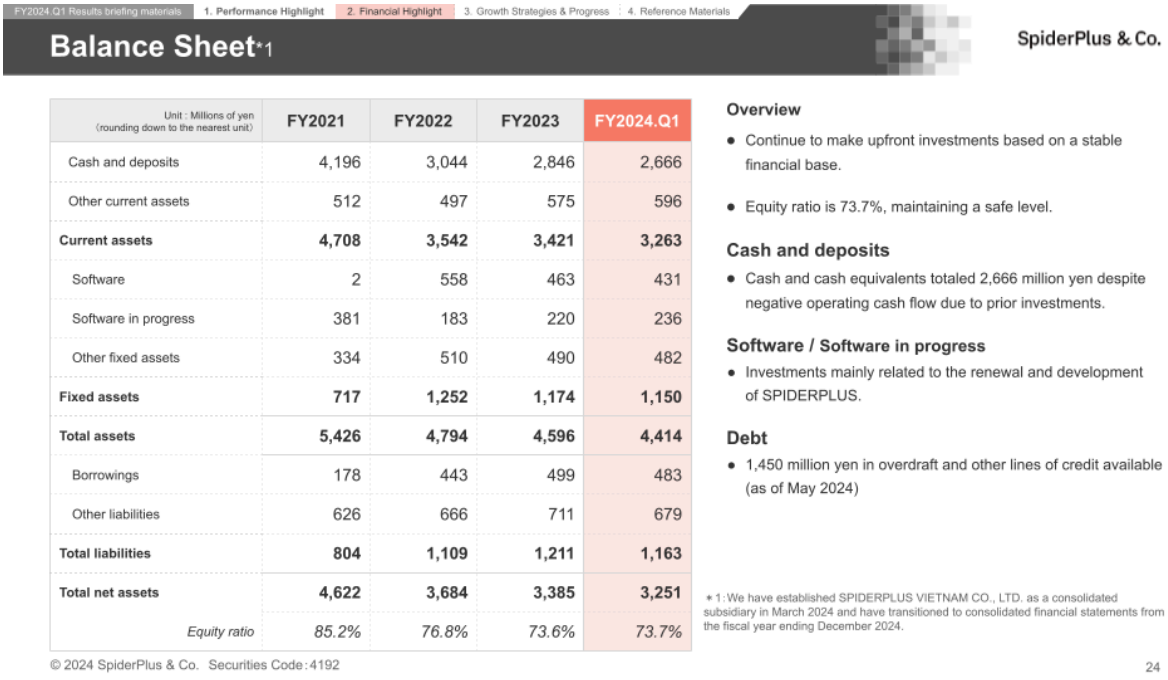
We have secured a cash and cash equivalents balance of approximately 2.6 billion yen and are making upfront investments for FY2024 on a stable financial base. As a result, we have increased our headcount by approximately 30 employees.

Since the forecast for FY20224 includes the performance of our Vietnamese subsidiary, there is no change to the forecast.

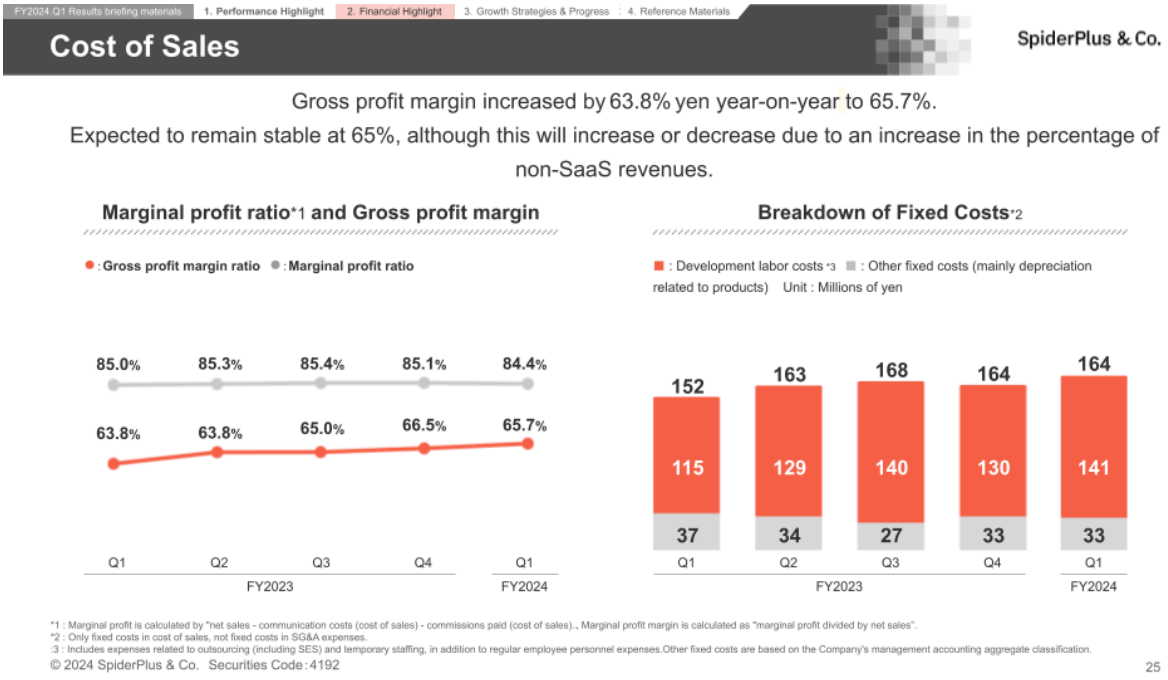


In the income statement, the gross profit margin remained at a level of over 65%, and the gross profit growth rate was +33.6% YoY compared to the same period last year.

SG&A expenses for the period under review were approximately 750 million yen, the result of a planned expansion of investment scale while maintaining investment discipline.



Of the balance sheet, the cash and deposits balance is 2.7 billion yen, and the equity ratio has landed at 73%, ensuring a stable financial base.



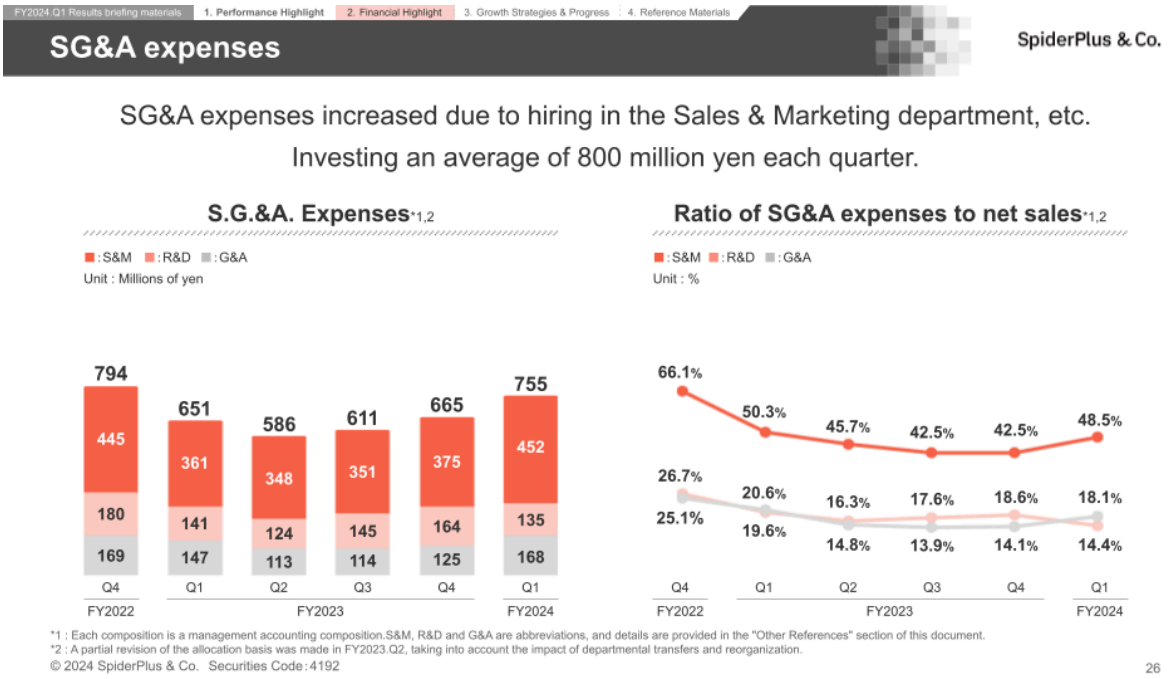
Gross profit margin increased to 65.7% from 63.8% in the same period last year.

The marginal profit margin as a percentage of net sales has remained at approximately 85% over time.

In accounting for development personnel costs, we charge such costs to either cost of sales or SG&A expenses, depending on the division to which the personnel belong and the project in which they are engaged. For example, man-hours spent on projects related to the development of new functions are charged to SG&A expenses.

In the first quarter of the current fiscal year, an increase in the proportion of resources related to the development of new functions resulted in a decrease in development personnel expenses charged to cost of sales, leading to a favorable turnaround in gross profit.

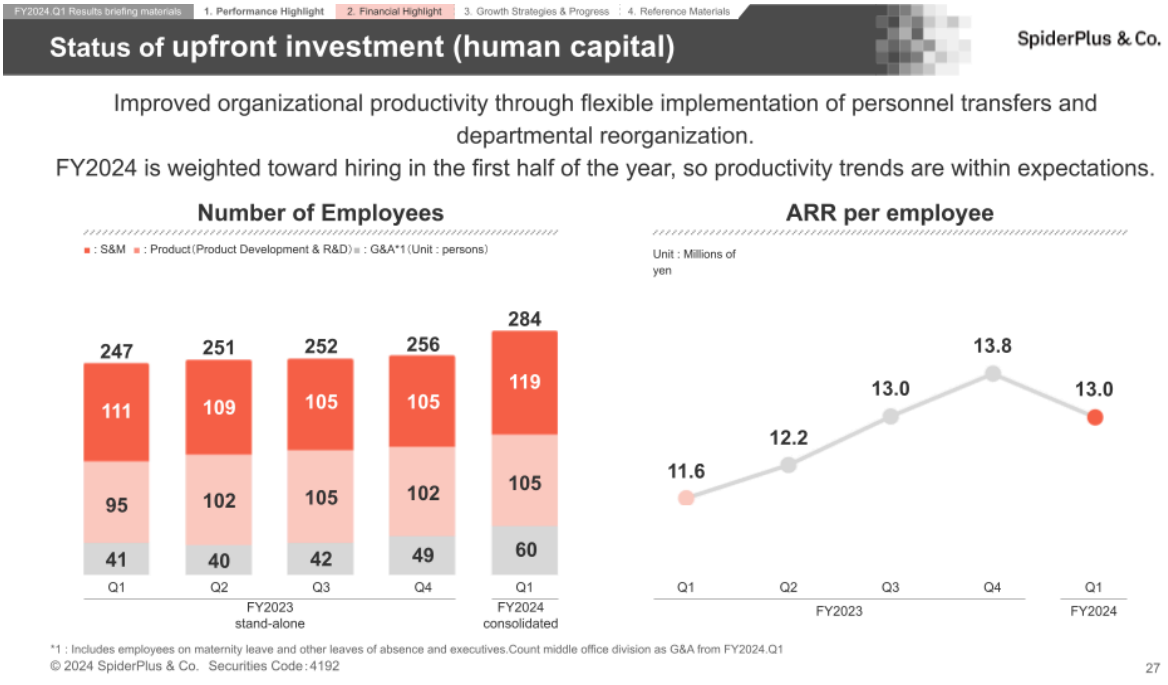
Our goal is to maintain a gross profit margin of 65% or more in FY2024.



Regarding SG&A expenses, they landed at about 750 million yen for the quarter.

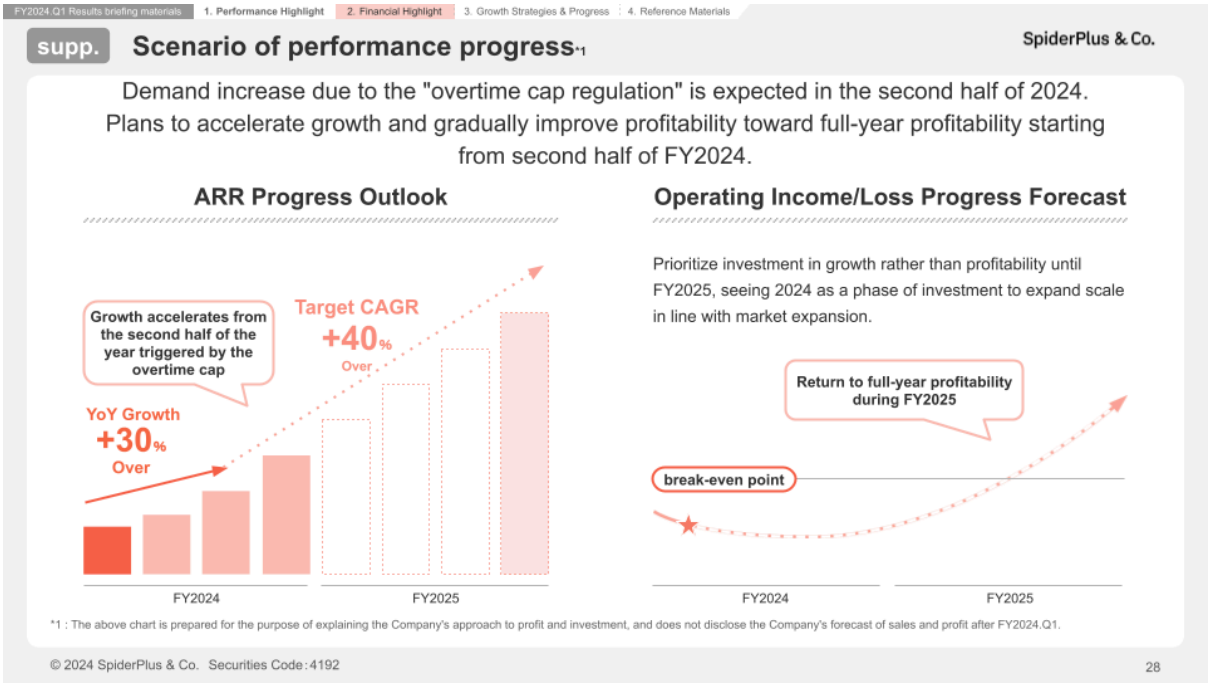
Prioritizing the previous fiscal year (FY2023) as a productivity improvement phase and prioritizing measures to increase investment efficiency, the efficiency of the sales division in particular was greatly enhanced.

In FY2024, we will maintain the increased productivity while aggressively and with discipline making investments to expand the scale of operations.



This section discusses human resource investment, which accounts for a significant portion of our forward-looking investment.

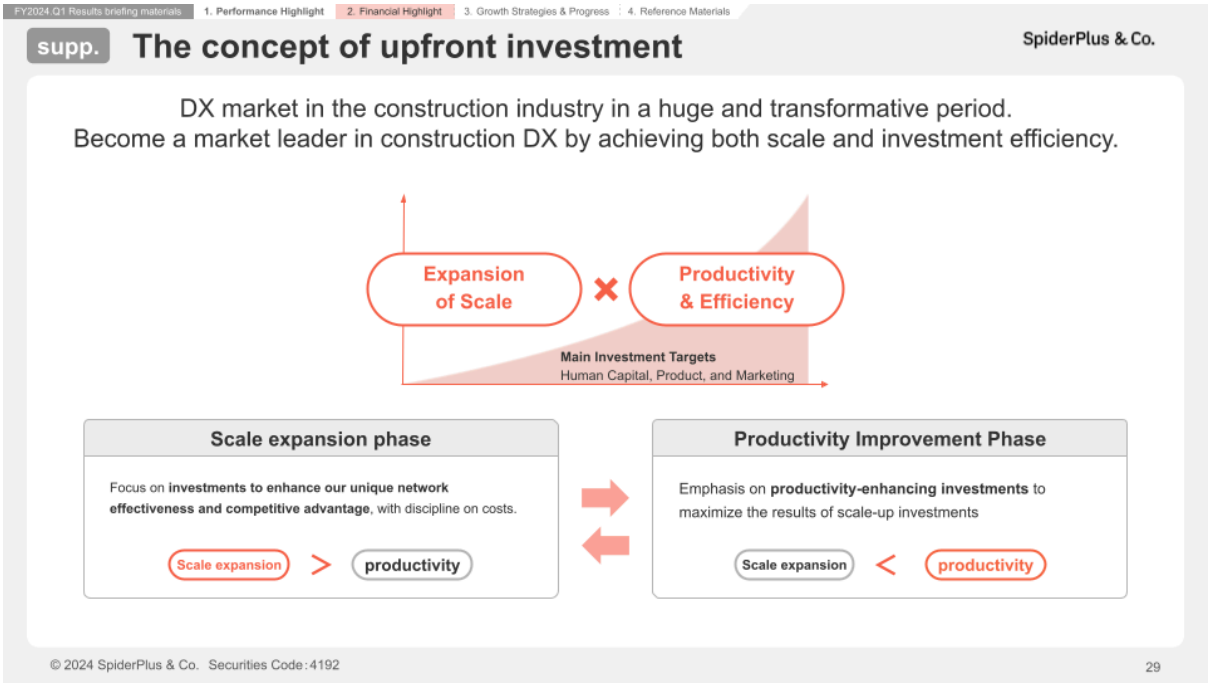
In anticipation of the period of demand expansion, we are flexibly implementing personnel changes and departmental reorganization in order to increase the productivity of the organization. In the first quarter of the current fiscal year, a decline in ARR per employee was within our expectation due to the planned strengthening of recruitment.



The following is an explanation of the outlook for ARR and operating income/loss from FY2024 to FY2025.

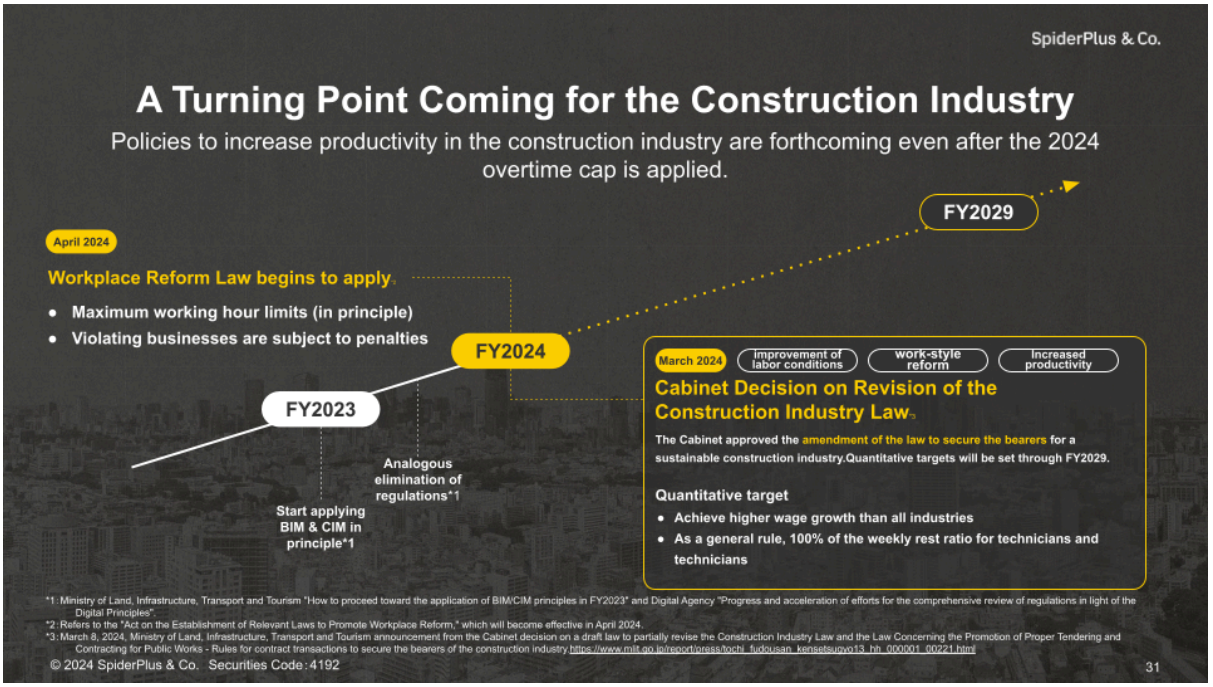
The overtime cap will become effective in April 2024, but we expect DX demand to increase in the second half of 2024, starting in the second half of the third quarter. Therefore, for FY2024, we plan to achieve a second-half bias, with sales and ARR growth rates increasing toward the end of the fiscal year.

We plan to return to profitability in FY2025, partly because we have positioned the upfront investment period as extending through 2024.

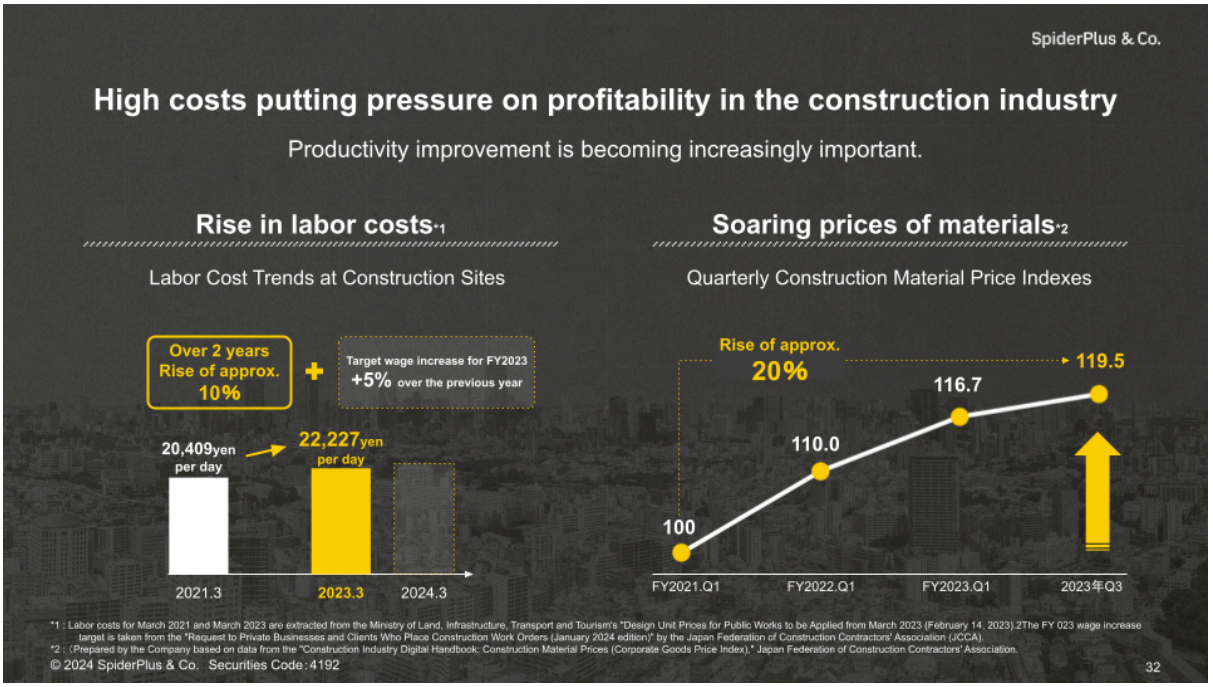


This is about our approach to upfront investment.

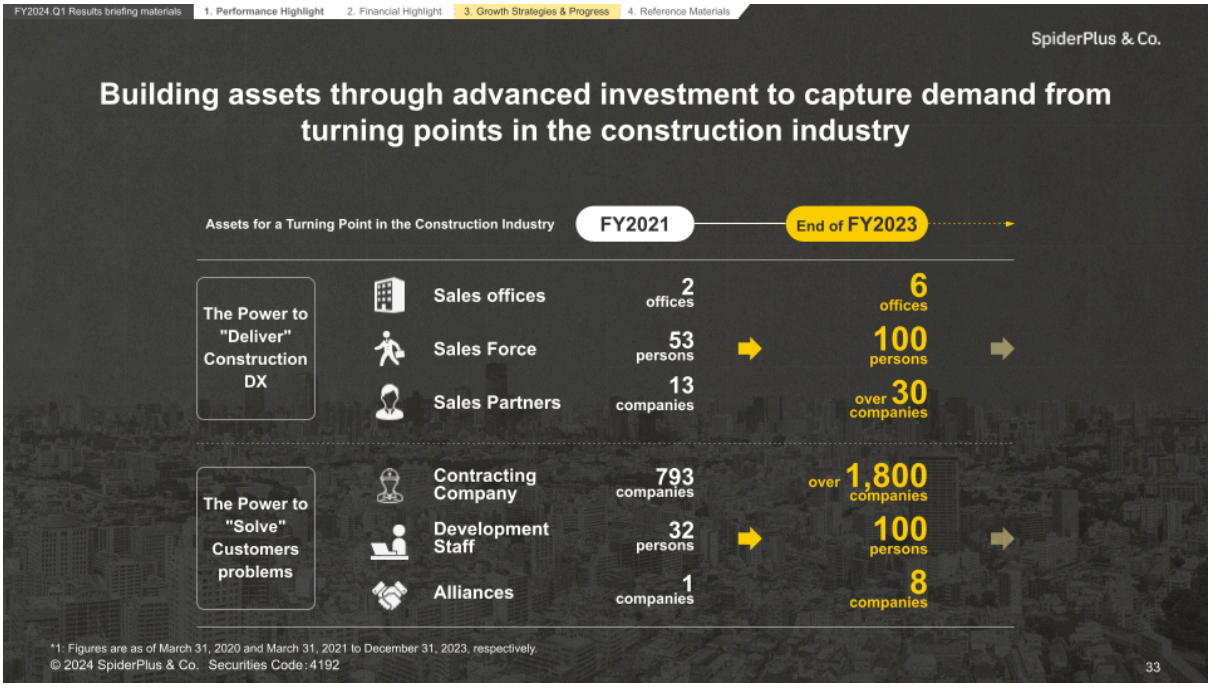
We are making strategic upfront investments to become the market leader in the DX market of the construction industry, which is huge and undergoing a period of change.



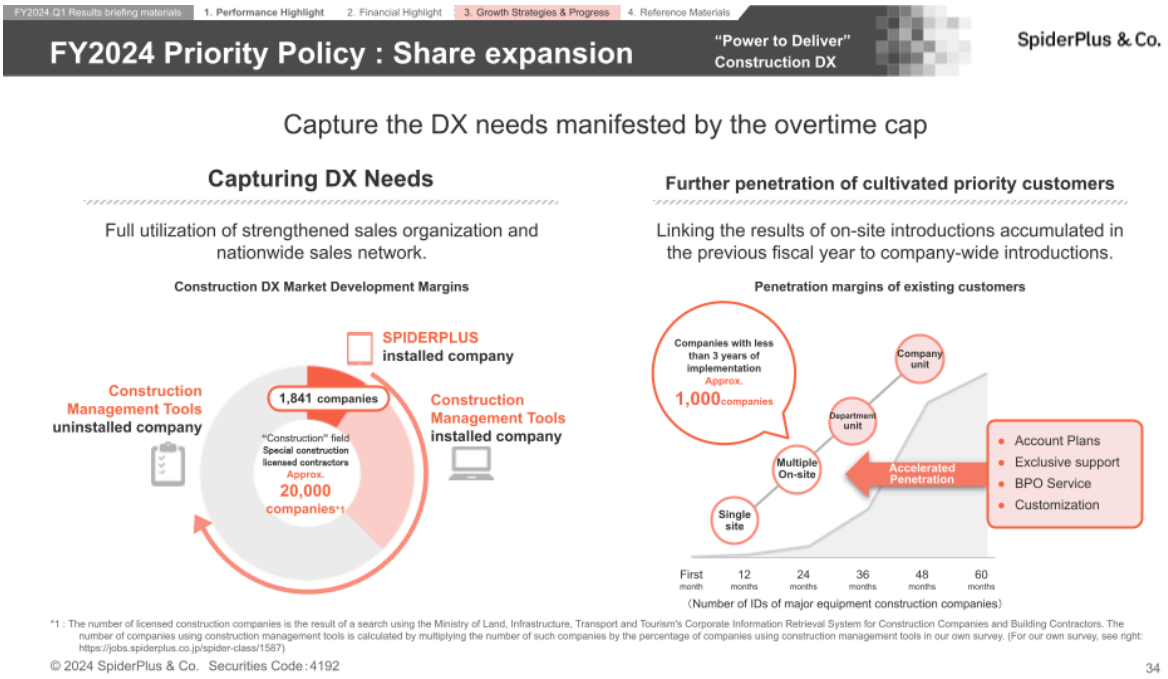
This section discusses our growth strategy and its progress.
Regarding the external environment, the construction DX market is entering a period of expansion, triggered by the application of the overtime cap from April 2024.
Furthermore, in March 2024, the Cabinet has approved a new legal revision to improve productivity at construction sites.



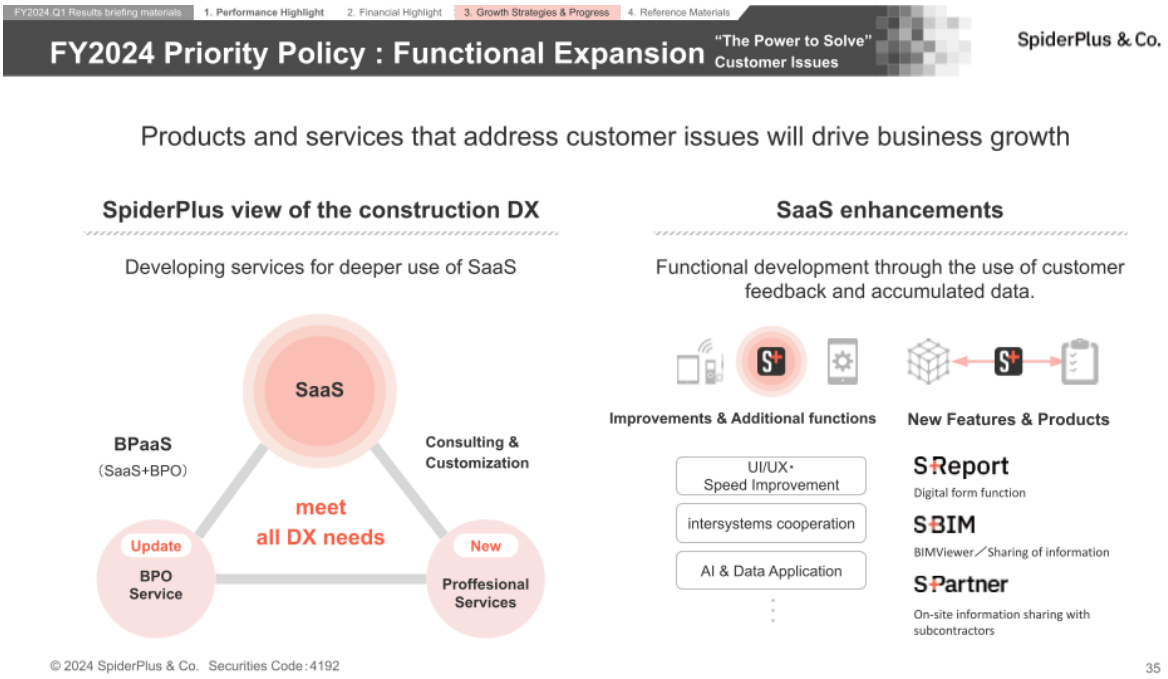
In other external conditions, labor costs in the construction industry have risen 10% over the past two years, and material prices have skyrocketed.
These higher costs are putting pressure on the profitability of the construction industry. Even without overtime caps, improving productivity has become a necessity.



In this business environment, we have positioned the period from FY2021 to FY2024 as a period of forward-looking investment to strengthen and expand our assets ("power to deliver" construction DX and "power to solve" customer issues) in order to capture growing demand.



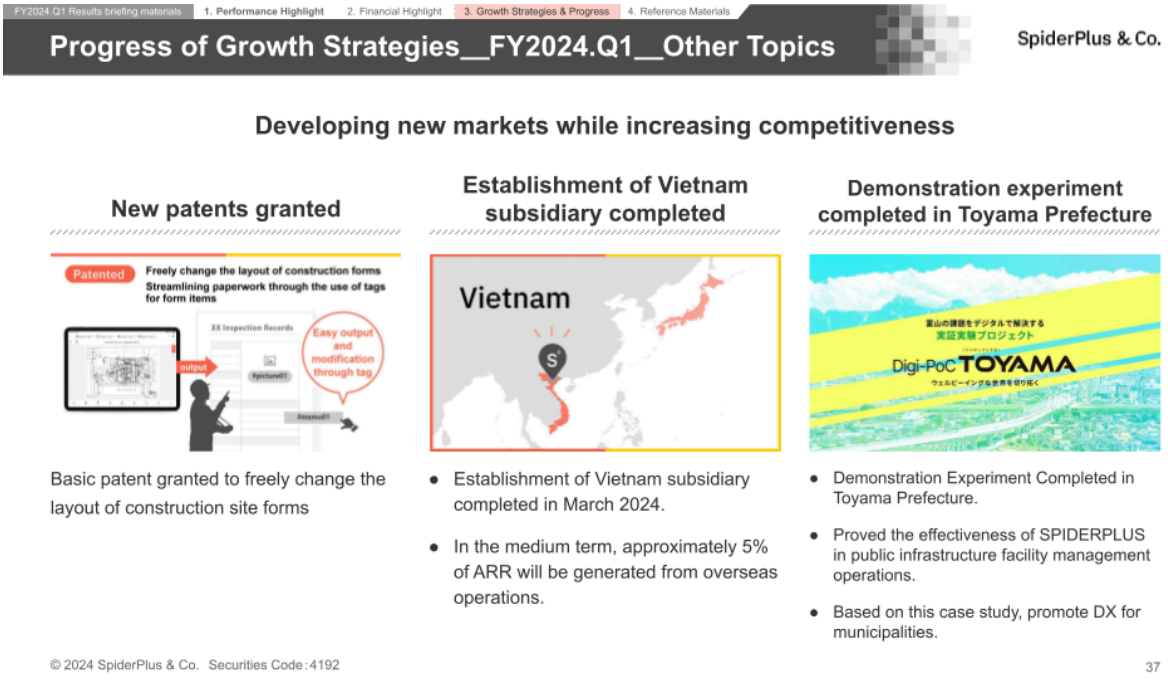
Based on the aforementioned explanation, I would like to explain our key strategies for FY2024.
We will expand our market share by leveraging the "power to deliver construction DX," one of the business foundations we have built through prior investments, and by tapping into emerging DX needs.
As shown in the graph on the left side of the slide, there is still much room to develop new customers, and we will expand our market share by making maximum use of our nationwide sales network.
The number of priority customers that are in the penetration phase of our two-year plan to cultivate and penetrate priority customers, which we have been promoting since the previous fiscal year (FY2023), is finally increasing.
As shown on the right side of the slide, SPIDERPLUS is characterized by the fact that it is introduced company-wide after several years of building up a track record of introduction within the customer.
In order to accelerate the time required for company-wide introduction, we have been accumulating introduction results at each site by the previous fiscal year (FY2023).
Based on this accumulated track record of implementation within the customer, we will lead to the early receipt of orders for company-wide implementation and bulk implementation projects.



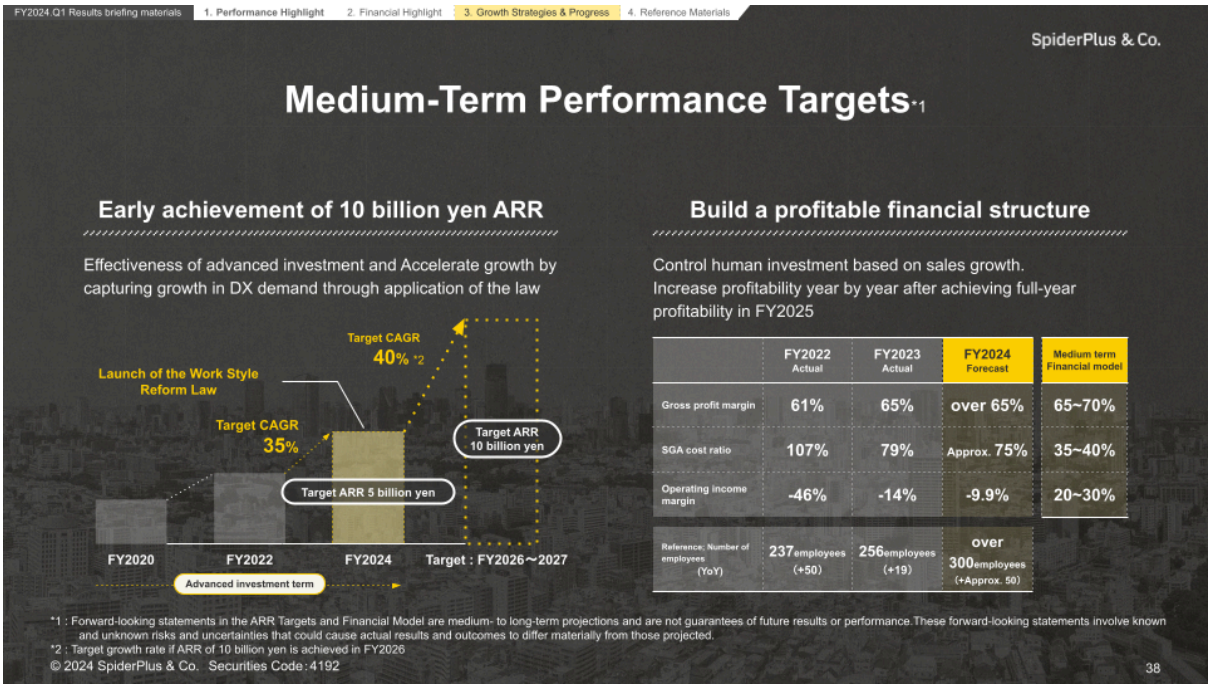
The next measure is to leverage the "power to 'deliver' construction DX," a business foundation built through upfront investment.
We are strengthening our BPO services and professional services as part of our service development to deeply utilize SPIDERPLUS.
Professional services include DX consulting services that include the use of SPIDERPLUS, as well as customized development services based on the needs of individual companies.
By combining BPO services and professional services, we will respond to all DX needs.
This measure will promote standardization of construction management operations and incorporate SaaS into standardized operations to further improve the efficiency of the construction management business process.
Through these initiatives, we aim to maintain and strengthen our competitiveness in the construction DX market, which is undergoing a period of change.



Here are some business topics for the first quarter of the current fiscal year.
First, as we continue to hire more sales personnel, net ARR per sales person increased 1.4 times over the same period last year. We are expanding the size of our organization based on this increased productivity.
In addition, we are expanding our sales network to ensure that we can capture demand, and BPaaS and professional services are also off to a good start.



Other topics included the acquisition of new patents to increase competitiveness, the establishment of a subsidiary in Vietnam, and the development of new markets through initiatives with Toyama Prefecture.



About Medium-term performance targets.

As a KGI, we aim to achieve an ARR of 10 billion yen as soon as possible, while increasing the growth rate through the effects of advanced investment. In terms of revenue, we plan to achieve full-year profitability in FY2025.

These targets remain unchanged from the previously disclosed information.



SPIDERPLUS will become an indispensable company by working with customers to create the “construction sites of the future” in 2030, when labor shortages will become more serious.

the end

【Inquiries about this matter】
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