

**Consolidated Financial Results for the First Quarter of the Fiscal Year Ending June 30, 2020
(Three Months Ended September 30, 2019)**

[Japanese GAAP]

November 14, 2019

Company name: Smartvalue Co., Ltd.

Listing: Tokyo Stock Exchange, First Section

Securities code: 9417

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Scheduled date of filing of Quarterly Report:

November 14, 2019

Scheduled date of payment of dividend:

-

Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting:

None

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending June 30, 2020
(July 1, 2019 to September 30, 2019)**

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended Sep. 30, 2019	1,815	-	(7)	-	(4)	-	(13)	-
Three months ended Sep. 30, 2018	-	-	-	-	-	-	-	-

Note: Comprehensive income (millions of yen) Three months ended Sep. 30, 2019: (13) (-%)

Three months ended Sep. 30, 2018: - (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Sep. 30, 2019	(1.40)	-
Three months ended Sep. 30, 2018	-	-

Notes: 1. Figures for the three months ended September 30, 2018 and year-on-year changes are not presented because Smartvalue started preparing quarterly consolidated financial statements from the nine months ended March 31, 2019.

2. Diluted net income per share for the three months ended September 30, 2019 is not presented, because net loss was posted despite the existence of latent shares with a dilution effect.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2019	4,367	3,532	80.9
As of Jun. 30, 2019	4,487	3,613	80.5

Reference: Shareholders' equity (millions of yen)

As of Sep. 30, 2019: 3,531

As of Jun. 30, 2019: 3,612

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2019	-	0.00	-	8.00	8.00
Fiscal year ending Jun. 30, 2020	-	-	-	-	-
Fiscal year ending Jun. 30, 2020 (forecast)	-	0.00	-	8.00	8.00

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

3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2020 (July 1, 2019 to June 30, 2020)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	3,648	-	(18)	-	(17)	-	(22)	-	(2.24)
Full year	8,204	6.0	356	11.3	361	4.8	222	14.9	22.37

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

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in scope of consolidation): None

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares outstanding (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Sep. 30, 2019:	10,264,800 shares	As of Jun. 30, 2019:	10,264,800 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2019:	317,690 shares	As of Jun. 30, 2019:	359,690 shares
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3) Average number of shares outstanding during the period

Three months ended Sep. 30, 2019:	9,929,306 shares	Three months ended Sep. 30, 2018:	9,927,871 shares
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* The current quarterly financial report is not subject to the quarterly review by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecast and other special items

Cautionary statement with respect to forecasts

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to Smartvalue's management at the time these materials were prepared. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to the section "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements" on page 4 of the attachments regarding preconditions or other related matters for the forecasts.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

The Japanese economy continued to recover slowly during the first quarter backed by increasing corporate earnings, an improvement in the labor market and other positive trends. However, the economy was impacted by typhoons, flooding, earthquakes and other natural disasters nationwide. In addition, uncertainty about the global economy is increasing because of U.S.-China trade friction, tension in the Middle East and Korean peninsula, and other reasons. As a result, the outlook for the economy remains unclear.

The activities of the Smartvalue Group are guided by the goal of “combining ‘smart’ systems and technologies to create social systems that can thrive for many years.” Group companies are taking actions aimed at using the foundation for business operations to establish a business model capable of sustained growth. Many actions are under way to create highly profitable businesses by establishing sources of consistent earnings and making substantial investments to launch new business domains.

In the first quarter of the fiscal year that ending June 30, 2020, the Smartvalue Group had consolidated net sales of 1,815 million yen, operating loss of 7 million yen, ordinary loss of 4 million yen, and loss attributable to owners of parent of 13 million yen.

Although first quarter performance was impacted by investments in personnel to enter new business fields and by expenditures for IT systems, sales and earnings were consistent with the fiscal year forecast, which depends mainly on second half sales and earnings.

Results by business segment were as follows.

Cloud Solutions Business

The digital government (note 1) of this business provides products and services in order to create e-government linked to a new concept for public services. One product is Smart L-Gov (note 2), a cloud solution for open government (note 3) that distributes information in order to increase the transparency of local governments. Another activity is GaaS (note 4), a cloud service centered on resident ID platforms that increases participation and linkage.

Mobility services is the other category of this business. Car solutions, which dates back to Smartvalue’s establishment, involves the sale of safety assistance equipment and information devices placed in automobiles. These devices target opportunities created by the growing use of electrical equipment in automobiles, often viewed as an automobile industry revolution on a scale that happens only once in a century. Other activities include the CiEMS Series (note 5), which is a connected car (note 6) service, a platform for the utilization of automobile data, software products, and Kuruma Base (note 7), which is a platform that supports car sharing and other car-as-a-service applications. This category also includes a diverse mobility IoT (note 8) business.

In the first quarter, digital government sales were 356 million yen as orders were received from new customers and relationships with existing customers expanded. Mobility services sales totaled 719 million yen. Sales were lower in the car solutions sector, which handles products for driving safety. There was a big increase in sales of telematics services (note 9) and other IoT services. Sales of hardware for the CiEMS 3G mobility IoT service remained strong and sales increased for platforms centered on data utilization and for contract development projects for MaaS (note 10) and EV (note 11) performed for other companies.

As a result, segment sales totaled 1,075 million yen and segment profit was 46 million yen.

Mobile Business

This business has been operating six docomo shops in Osaka prefecture since the first mobile phones went on the market.

In the first quarter, new phone sales were sluggish because the smartphone replacement cycle is becoming longer

and the entire market for mobile phones is changing. Selling, general and administrative expenses involving sales promotion are climbing as a result. This business used a variety of measures aimed at sales growth, including activities closely tied to the areas serviced by each store and actions to improve customer satisfaction, such as upgrading smartphone classes.

Sales in this segment totaled 739 million yen and segment profit was 75 million yen.

Explanation of terms

Notes:

1. Digital government: Services for simplifying procedures for government agencies as well as people and companies by using the internet to conduct procedures, building a database for the centralization of information, and other measures
2. Smart L-Gov: A local information cloud platform provided by Smartvalue for local governments and public-sector agencies
3. Open government: A concept for measures aimed at making national and local government activities more open that is based on three basic principles: (1) Transparency, (2) Participation of the public, and (3) Public/private-sector cooperation
4. GaaS: Government as a Service is Smartvalue's resident ID platform, the first of its type in Japan, that uses digital technology incorporating blockchain technology for government procedures and services.
5. CiEMS Series: The Car intelligent Energy Management System analyzes and utilizes a broad array of data associated with the operation of motor vehicles to eliminate accidents, reduce traffic jams, operate vehicles more efficiently and provide other benefits. By fully utilizing data obtained from the operation of cars, this system also has the goal of helping solve a variety of social issues.
6. Connected car: Automobiles that use the internet to send and receive information
7. Kuruma Base: An integrated platform provided by Smartvalue that encompasses car connectivity and car-as-a-service applications
8. IoT: The Internet of Things is the use of the internet to link objects of all kinds in order to achieve automatically the best possible control with no control or other intervention by people.
9. Telematics service: Telematics (a combination of "telecommunications" and "informatics") services for automobiles and other motor vehicles provided by using mobile phones and other mobile communication devices.
10. MaaS: Mobility-as-a-Service is a new seamlessly linked concept for movement from one place to another that uses the cloud to store transportation data in order to treat all types of transportation (cars, bicycles, buses, trains and so on) as a single service rather than simply as individual transportation methods.
11. EV: Electric vehicles are vehicles powered by electric motors

(2) Explanation of Financial Position

1) Assets

Total assets at the end of the first quarter decreased 120 million yen from the end of the previous fiscal year to 4,367 million yen.

Current assets decreased 298 million yen to 1,783 million yen. Major items are decreases of 198 million yen in cash and deposits, and 140 million yen in merchandise, while there was an increase of 35 million yen in notes and accounts receivable-trade.

Non-current assets increased 178 million yen to 2,583 million yen. Major items include an increase of 153 million yen in guarantee deposits included in other under investments and other assets.

2) Liabilities

Total liabilities decreased 39 million yen from the end of the previous fiscal year to 835 million yen.

Current liabilities decreased 16 million yen to 764 million yen. Major items are decreases of 25 million yen in accrued expenses included in other under current liabilities and 18 million yen in accounts payable-trade, while there were increases of 18 million yen in asset retirement obligations and 12 million yen in provision for bonuses.

Non-current liabilities decreased 22 million yen to 71 million yen. Major items are decreases of 17 million yen in asset retirement obligations and 4 million yen in lease obligations included in other under non-current liabilities.

3) Net assets

Net assets decreased 81 million yen from the end of the previous fiscal year to 3,532 million yen. Major items include a decrease of 79 million yen in retained earnings due to dividend payments.

(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements

There are no revisions to the full-year consolidated earnings forecast for the fiscal year ending June 30, 2020 that was announced in the “Consolidated Financial Results for the Fiscal Year Ended June 30, 2019 (Japanese GAAP)” on August 14, 2019.

An announcement will be made promptly if a revision to the forecast is required due to upcoming changes in the operating environment.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Thousands of yen)

	FY6/19 (As of Jun. 30, 2019)	First quarter of FY6/20 (As of Sep. 30, 2019)
Assets		
Current assets		
Cash and deposits	705,393	506,973
Electronically recorded monetary claims-operating	3,110	-
Notes and accounts receivable-trade	782,215	817,830
Merchandise	441,332	301,187
Work in process	49,044	51,103
Other	100,777	106,332
Total current assets	2,081,872	1,783,427
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	215,909	205,047
Other, net	157,623	144,096
Total property, plant and equipment	373,532	349,144
Intangible assets		
Goodwill	817,121	795,988
Other	374,737	446,894
Total intangible assets	1,191,858	1,242,883
Investments and other assets		
Deferred tax assets	517,701	517,518
Other	322,830	474,414
Total investments and other assets	840,531	991,932
Total non-current assets	2,405,922	2,583,960
Total assets	4,487,795	4,367,387
Liabilities		
Current liabilities		
Accounts payable-trade	401,518	383,214
Income taxes payable	763	572
Provision for bonuses	42,189	54,735
Allowance for short-term cancellation loss	153	169
Asset retirement obligations	-	18,192
Other	336,438	307,373
Total current liabilities	781,062	764,257
Non-current liabilities		
Asset retirement obligations	54,399	36,732
Other	39,004	34,286
Total non-current liabilities	93,403	71,018
Total liabilities	874,466	835,275

	(Thousands of yen)	
	FY6/19 (As of Jun. 30, 2019)	First quarter of FY6/20 (As of Sep. 30, 2019)
Net assets		
Shareholders' equity		
Share capital	959,454	959,454
Capital surplus	949,720	949,720
Retained earnings	1,904,349	1,799,821
Treasury shares	(200,755)	(177,319)
Total shareholders' equity	3,612,768	3,531,675
Share acquisition rights	561	435
Total net assets	3,613,329	3,532,111
Total liabilities and net assets	4,487,795	4,367,387

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statement of Income
(For the Three-month Period)

	(Thousands of yen)
	First three months of FY6/20 (Jul. 1, 2019 – Sep. 30, 2019)
Net sales	1,815,123
Cost of sales	1,301,586
Gross profit	513,537
Selling, general and administrative expenses	521,381
Operating loss	(7,843)
Non-operating income	
Interest income	55
Subsidy income	1,440
Penalty income	1,354
Other	422
Total non-operating income	3,272
Ordinary loss	(4,570)
Extraordinary losses	
Loss on retirement of non-current assets	4
Total extraordinary losses	4
Loss before income taxes	(4,575)
Income taxes-current	9,105
Income taxes-deferred	183
Total income taxes	9,288
Loss	(13,863)
Loss attributable to owners of parent	(13,863)

Quarterly Consolidated Statement of Comprehensive Income
(For the Three-month Period)

	(Thousands of yen)
	First three months of FY6/20 (Jul. 1, 2019 – Sep. 30, 2019)
Loss	(13,863)
Comprehensive income	(13,863)
Comprehensive income attributable to:	
Comprehensive income attributable to owners of parent	(13,863)
Comprehensive income attributable to non-controlling interests	-

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

Segment Information

First three months of FY6/20 (Jul. 1, 2019 – Sep. 30, 2019)

1. Information related to net sales and profit or loss for each reportable segment

	Reportable segment			Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Cloud Solutions	Mobile	Total		
Net sales					
External sales	1,075,625	739,498	1,815,123	-	1,815,123
Inter-segment sales and transfers	-	-	-	-	-
Total	1,075,625	739,498	1,815,123	-	1,815,123
Segment profit	46,173	75,563	121,737	(129,581)	(7,843)

Notes: 1. The negative adjustment of 129 million yen to segment profit includes corporate expenses that are not allocated to any of the reportable segments and mainly consist of general and administrative expenses that cannot be attributed to any reportable segments.

2. Segment profit is adjusted to be consistent with operating loss in the quarterly consolidated statement of income.

2. Information related to assets for each reportable segment

Not applicable.

3. Information related to impairment losses of non-current assets or goodwill, etc. for each reportable segment

Not applicable.

Subsequent Events

Not applicable.

** This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*