

**Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending June 30, 2020  
(Nine Months Ended March 31, 2020)**

[Japanese GAAP]

May 15, 2020

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:

May 15, 2020

Scheduled date of payment of dividend:

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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 Third Quarter of the Fiscal Year Ending June 30, 2020  
(July 1, 2019 to March 31, 2020)**

(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	%
Nine months ended Mar. 31, 2020	5,187	(12.1)	(55)	-	(47)	-	883	312.7
Nine months ended Mar. 31, 2019	5,900	-	305	-	323	-	214	-

Note: Comprehensive income (millions of yen)      Nine months ended Mar. 31, 2020: 883 (up 312.7%)

Nine months ended Mar. 31, 2019: 214 (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Mar. 31, 2020	88.80	87.99
Nine months ended Mar. 31, 2019	21.53	21.19

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Mar. 31, 2020	6,316	4,434	70.2
As of Jun. 30, 2019	4,487	3,613	80.5

Reference: Shareholders' equity (millions of yen)

As of Mar. 31, 2020: 4,433

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	-	0.00	-		
Fiscal year ending Jun. 30, 2020 (forecast)				8.00	8.00

Note: Revisions 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
Full year	6,904	(10.8)	91	(71.4)	101	(70.5)	1,029	431.6	103.49

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

**\* Notes**

(1) Changes in significant subsidiaries during the period: None

(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 Mar. 31, 2020:	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 Mar. 31, 2020:	300,690 shares	As of Jun. 30, 2019:	359,690 shares
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3) Average number of shares outstanding during the period

Nine months ended Mar. 31, 2020:	9,946,994 shares	Nine months ended Mar. 31, 2019:	9,941,440 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 5 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 recovered slowly during the first nine months of the fiscal year ending June 30, 2020 due to increasing corporate earnings, an improving labor market and other positive trends. However, the economy was generally sluggish because of the negative effect of the October 2019 consumption tax hike on consumer sentiment and spending as well as concerns about a global economic downturn. There is also growing uncertainty about the global economy because of U.S.-China trade friction and Britain's departure from the EU. Furthermore, the global outbreak of COVID-19 that began in February has increased the risk of an economic downturn. Activities of the Smartvalue Group alone will not be enough to completely shield the Group's business operations from the effects of this crisis.

In this challenging business climate, 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." Operations are centered on two categories: the Cloud Solutions Business and the Mobile Business. Group companies are taking actions aimed at using the foundation for business operations to build 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 create new business domains. The Cloud Solutions Business is a key source of growth that the Smartvalue Group plans to make even stronger.

During the third quarter of the fiscal year ending June 30, 2020, the Smartvalue Group carefully and rigorously took steps to prevent the spread of COVID-19 in accordance with the policies and requests of the national and local governments. All business units are implementing preventive measures in compliance with the applicable government regulations. Every response that the characteristics of the Group's business operations allow has been used, including employee health management programs, off-peak commuting, and teleworking and other formats for working at home.

In the first nine months, consolidated net sales decreased 12.1% to 5,187 million yen. There were many activities involving the gross profit margin, including initiatives for increasing profitability and achieving the proper level of inventories. However, IT system development expenses, which are included in the cost of sales, increased significantly because of expenditures for strengthening the IT system development infrastructure for future business growth and for recruiting the people needed for this infrastructure. Selling, general and administrative expenses increased because of higher personnel expenses and up-front investments for activities involving employee training and creating pleasant and productive workplaces. As a result, there was an operating loss of 55 million yen compared with an operating profit of 305 million yen one year earlier and an ordinary loss of 47 million yen compared with an ordinary profit of 323 million yen one year earlier.

Increasing the focus of resources on carefully selected business fields is needed to increase corporate value. Consequently, the decision was made to focus resources on the Cloud Solutions Business in order to aim for more growth of this business. Due to this decision, the mobile data communication hardware sales agent business was sold on March 31, 2020, which resulted in extraordinary income of 1,488 million yen for the gain on this sale. Profit attributable to owners of parent increased 312.7% to 883 million yen.

Results by business segment were as follows.

#### Cloud Solutions Business

Many activities are under way to strengthen the Cloud Solutions Business, which is a growth business sector at Smartvalue. The operations of this business are divided into the digital government and mobility services categories.

The digital government (note 1) of this business provides products and services in order to create e-government. 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 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 business.

In the first nine months, digital government sales increased 9.3% to 1,228 million yen as Smart L-Gov, a cloud solution for distributing information provided by Smartvalue for local governments, continued to perform well. An increase in sales from sources of steady-income also contributed to sales growth.

Mobility services sales decreased 7.6% to 1,737 million yen. Sales were lower in the car solutions sector, which handles products for driving safely. The performance of this sector is vulnerable to changes in the performance of its major customers. Sales are also affected by downward pressure on prices throughout this market sector due to intense competition with other companies and other reasons. The delay in some sales to the fourth quarter or later because of COVID-19 also held down car solutions sales. However, there was a big increase in sales in the IoT sector, which includes telematics services (note 8). There was a substantial increase in sales of hardware for the CiEMS 3G mobility IoT service and the number of contracts continued to climb. Performance benefited from the growing provision of platforms centered on data utilization and the growth of contract development projects for other companies backed by the increasing use of MaaS (note 9) and EV (note 10).

Sales and earnings of the Cloud Solutions Business include consolidated subsidiary North Detail Co., Ltd. The performance of this company has fallen behind the initial business plan because of delays in the establishment of an efficient framework for the development of IT systems. North Detail is continuing to conduct business operations with the goal of benefiting from the greatest possible medium to long-term synergies.

Sales in this segment decreased 1.3% to 2,965 million yen. There were activities to improve profitability, including measures for achieving the proper level of inventories in order to maintain a suitable gross profit margin. However, IT system development expenses, which are included in the cost of sales, increased significantly because of expenditures for strengthening the IT system development infrastructure for future business growth and for recruiting the people needed for this infrastructure. In selling, general and administrative expenses, personnel expenses increased, there were higher expenses due to up-front investments for Kuruma Base services, and there was an increase in goodwill amortization because of the acquisition of a company. As a result, the segment profit was down 55.5% to 128 million yen.

#### Mobile Business

This business has been operating six docomo shops in Osaka prefecture since the first mobile phones went on the market. The business has used a variety of measures for sales growth, including activities closely tied to the areas serviced by each store and actions to increase customer satisfaction, such as more improvements to smartphone classes.

During the first nine months, the number of phones sold to new subscribers and fee income declined because of challenging market conditions. Sales in this segment decreased 23.3% to 2,222 million yen and segment profit decreased 32.2% to 240 million yen.

The highest priorities of Smartvalue were the reduction of risk associated with this business and the restructuring of business operations. As a result, the mobile data communication hardware sales agent business was sold on March 31, 2020.

#### 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 traffic 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. 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.
9. 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.
10. EV: Electric vehicles are vehicles powered by electric motors.

## (2) Explanation of Financial Position

### 1) Assets

Total assets at the end of the third quarter increased 1,828 million yen from the end of the previous fiscal year to 6,316 million yen.

Current assets increased 1,816 million yen to 3,898 million yen. Major items are a decrease of 170 million yen in merchandise due to the sale of the Mobile segment sales agent business, while there was increases of 1,768 million yen in cash and deposits, and 229 million yen in notes and accounts receivable-trade.

Non-current assets increased 12 million yen to 2,418 million yen. Property, plant and equipment, guarantee deposits, construction assistance fund receivables and other items decreased by a total of 192 million yen because of the sale of the mobile data communication hardware sales agent business to Helios Net Corporation. Investment securities decreased 107 million yen because of valuation losses. There were increases of 153 million yen in guarantee deposits for the head offices of Smartvalue and a group company, 90 million yen in software in progress, and 85 million yen for software.

### 2) Liabilities

Total liabilities increased 1,007 million yen from the end of the previous fiscal year to 1,882 million yen.

Current liabilities increased 1,020 million yen to 1,801 million yen. Major items include increases of 431 million yen in income taxes payable, 300 million yen in short-term borrowings, 173 million yen in accrued consumption taxes and 89 million yen in accounts payable-other.

Non-current liabilities decreased 12 million yen to 80 million yen. Major items are a decrease of 12 million yen in lease obligations.

### 3) Net assets

Net assets increased 821 million yen from the end of the previous fiscal year to 4,434 million yen. This increase was mainly the result of a decrease of 79 million yen due to dividend payments and an increase of 883 million yen in retained earnings because of the profit attributable to owners of parent in the first nine months.

**(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 press release dated February 14, 2020 titled “Notice of Differences between First Half Performance and Forecast, Posting of Extraordinary Income, and Revision to Consolidated Earnings Forecast.”

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)	Third quarter of FY6/20 (As of Mar. 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	705,393	2,473,689
Electronically recorded monetary claims-operating	3,110	-
Notes and accounts receivable-trade	782,215	1,011,752
Merchandise	441,332	270,805
Work in process	49,044	25,258
Other	100,777	116,576
Total current assets	2,081,872	3,898,082
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	215,909	154,696
Other, net	157,623	179,577
Total property, plant and equipment	373,532	334,274
Intangible assets		
Goodwill	817,121	753,723
Other	374,737	550,778
Total intangible assets	1,191,858	1,304,502
Investments and other assets		
Deferred tax assets	517,701	517,520
Other	322,830	262,338
Total investments and other assets	840,531	779,858
Total non-current assets	2,405,922	2,418,634
Total assets	4,487,795	6,316,717
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	401,518	455,312
Short-term borrowings	-	300,000
Income taxes payable	763	431,846
Provision for bonuses	42,189	54,774
Allowance for short-term cancellation loss	153	-
Asset retirement obligations	-	14,793
Other	336,438	544,648
Total current liabilities	781,062	1,801,375
Non-current liabilities		
Asset retirement obligations	54,399	55,122
Other	39,004	25,845
Total non-current liabilities	93,403	80,967
Total liabilities	874,466	1,882,343

	(Thousands of yen)	
	FY6/19 (As of Jun. 30, 2019)	Third quarter of FY6/20 (As of Mar. 31, 2020)
Net assets		
Shareholders' equity		
Share capital	959,454	959,454
Capital surplus	949,720	949,720
Retained earnings	1,904,349	2,692,121
Treasury shares	(200,755)	(167,303)
Total shareholders' equity	3,612,768	4,433,992
Share acquisition rights	561	381
Total net assets	3,613,329	4,434,373
Total liabilities and net assets	4,487,795	6,316,717

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

(Thousands of yen)

	First nine months of FY6/19 (Jul. 1, 2018 – Mar. 31, 2019)	First nine months of FY6/20 (Jul. 1, 2019 – Mar. 31, 2020)
Net sales	5,900,029	5,187,673
Cost of sales	4,225,310	3,644,975
Gross profit	1,674,719	1,542,697
Selling, general and administrative expenses	1,369,200	1,597,812
Operating profit (loss)	305,519	(55,115)
Non-operating income		
Interest income	185	156
Insurance claim income	5,712	-
Subsidy income	8,978	3,532
Penalty income	-	1,892
Other	2,917	2,156
Total non-operating income	17,793	7,737
Non-operating expenses		
Interest expenses	65	68
Total non-operating expenses	65	68
Ordinary profit (loss)	323,247	(47,445)
Extraordinary income		
Gain on sales of non-current assets	1,741	-
Gain on sale of businesses	-	1,488,477
Support income of shop	4,000	-
Other	1,301	-
Total extraordinary income	7,042	1,488,477
Extraordinary losses		
Loss on sales of non-current assets	-	276
Loss on retirement of non-current assets	7,593	3,360
Loss on valuation of investment securities	-	107,416
Other	-	1,560
Total extraordinary losses	7,593	112,613
Profit before income taxes	322,696	1,328,419
Income taxes-current	70,613	444,933
Income taxes-deferred	38,037	180
Total income taxes	108,650	445,114
Profit	214,046	883,304
Profit attributable to owners of parent	214,046	883,304

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

	(Thousands of yen)	
	First nine months of FY6/19 (Jul. 1, 2018 – Mar. 31, 2019)	First nine months of FY6/20 (Jul. 1, 2019 – Mar. 31, 2020)
Profit	214,046	883,304
Comprehensive income	214,046	883,304
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	214,046	883,304
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 nine months of FY6/19 (Jul. 1, 2018 – Mar. 31, 2019)

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

(Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Cloud Solutions	Mobile	Total		
Net sales					
External sales	3,003,498	2,896,530	5,900,029	-	5,900,029
Inter-segment sales and transfers	-	-	-	-	-
Total	3,003,498	2,896,530	5,900,029	-	5,900,029
Segment profit	288,256	355,179	643,435	(337,916)	305,519

Notes: 1. The negative adjustment of 337 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 profit in the quarterly consolidated statement of income.

## 2. Information related to assets for each reportable segment

## Significant increase in assets due to acquisition of a company

During the third quarter of FY6/20, Smartvalue purchased all of the stock of North Detail Co., Ltd. Due to the inclusion of this company, which is in the Cloud Solutions segment, in the consolidated financial statements, the assets of the Cloud Solutions segment were 1,400 million yen higher than at the end of FY6/19.

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

## Significant change in goodwill

The Cloud Solutions segment recorded goodwill because of the acquisition of North Detail and its inclusion in the consolidated financial statements. In the third quarter of FY6/20, goodwill in this segment increased by 845 million yen.

First nine months of FY6/20 (Jul. 1, 2019 – Mar. 31, 2020)

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

(Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Cloud Solutions	Mobile	Total		
Net sales					
External sales	2,965,591	2,222,082	5,187,673	-	5,187,673
Inter-segment sales and transfers	-	-	-	-	-
Total	2,965,591	2,222,082	5,187,673	-	5,187,673
Segment profit	128,318	240,649	368,968	(424,083)	(55,115)

Notes: 1. The negative adjustment of 424 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

During the third quarter of FY6/20, there was a significant change in the assets of a reportable segment compared with the end of FY6/19. The following is a summary of this change.

In the Mobile segment, the mobile data communication hardware sales agent business was sold to Helios Net Corporation in the third quarter. As a result, assets of the Mobile segment decreased by 300 million yen.

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.*