

First Half of the Fiscal Year Ending June 30, 2021
(FY6/21)

Results of Operations



February 22, 2021

Smartvalue Co., Ltd. (Securities code: 9417)

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Today's Presentation

Impact of COVID-19

FY6/21 First-half Financial Results

FY6/21 Forecast

FY6/21 First-half Business Activities

Growth Strategy for Medium/Long-term Growth of Corporate Value

Impact of COVID-19

The crisis is having a short-term negative effect on Mobility Services, but positive medium to long-term trends are continuing, such as the government DX, smart cities and car sharing.

Positive short-term effects

The need to upgrade government information distribution capabilities

Growth of the market for the digitalization of government services

Positive medium/long-term effects

Faster pace of the digitalization of government services (more online applications, etc.)

Concrete progress involving the smart city and super city concepts
Emergence of data sharing infrastructure (City OS) projects

More and larger government subsidies

Rising demand for car sharing and fully automated rental car system

Negative short-term effects

Decrease in government contracts submitted for bids in 2Q of 2020

Decrease in sales of new cars in 2Q of 2020

Delays in use of the CiEMS telematics service for companies

Shift in mobility services demand for companies

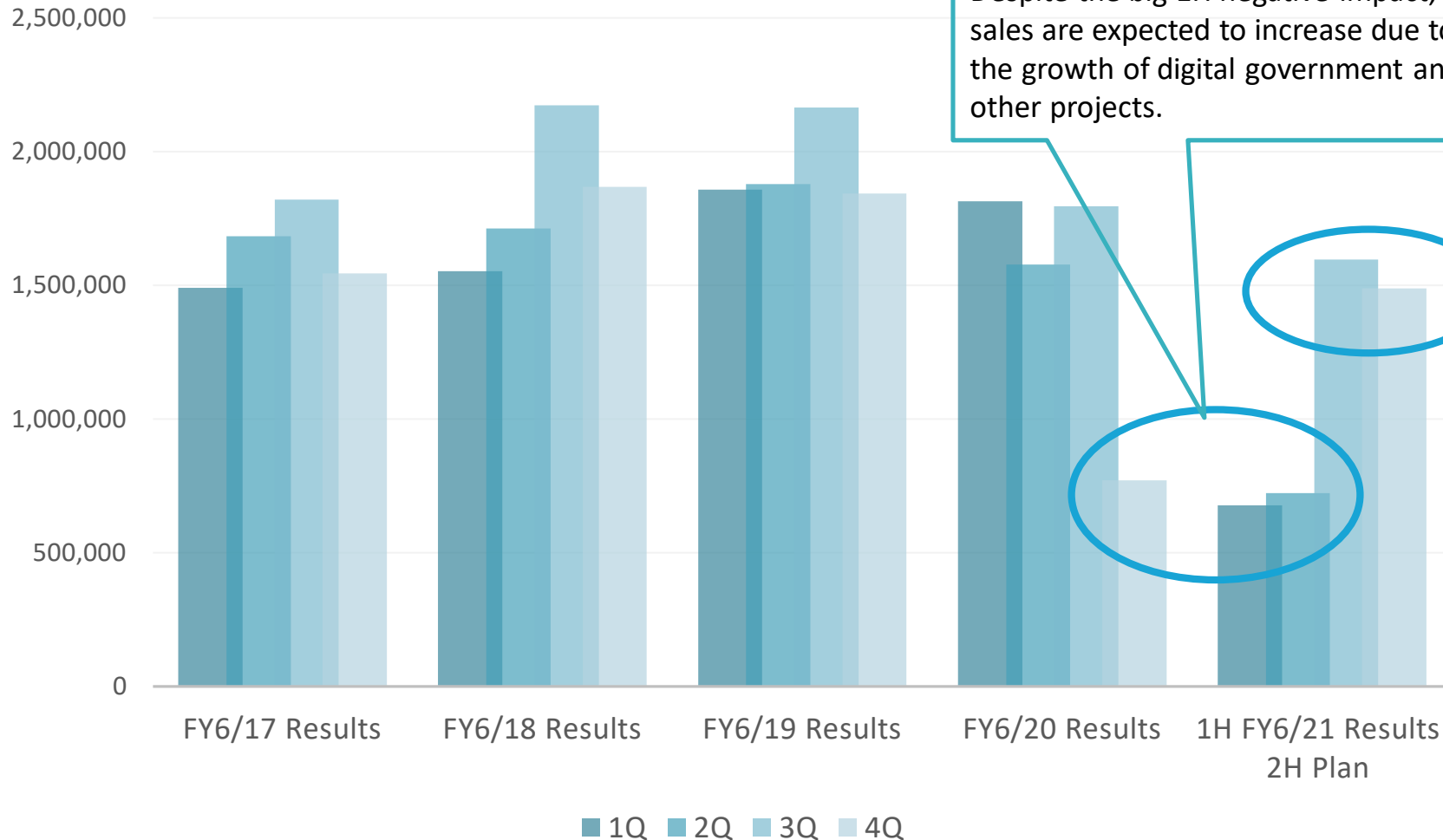
Negative medium/long-term effects

The car solutions market (sale of safe driving support devices) is shrinking

Demand at companies involving mobility is decreasing because telework and internet conferencing have become well established

Quarterly Sales

(Thousands of yen)



Big drop in 1H sales because of the sale of the Mobile Business and the impact of COVID-19. Despite the big 1H negative impact, 2H sales are expected to increase due to the growth of digital government and other projects.

Although negative COVID-19 effects are expected in 3Q-4Q, the number of new orders is increasing. Expect to cover the sales decline caused by the Mobile Business sale within one year.

FY6/21

First-half
Financial Results

FY6/21 Progress Report

Goals

- 1 Innovation fueled by internal and external interactions
- 2 Aim for market capitalization of ¥100 billion in 2028
- 3 A sound framework for oversight, quality and standardization of the technology development organization
- 4 Strengthen governance by changing to the committee-based governance structure
- 5 Implement the DX and smart work practices throughout the company
- 6 Services for the creation of digital communities (smart cities)
- 7 Establish cloud, IoT and other business models that reflect today's "new normal"
- 8 Set a base for rapid growth beginning in FY6/22 (Smartvalue's 75th year)

First half progress

- 1 Activities for a unified development/sales organization and internal/external open innovation
- 2 Negative effects of COVID-19, but activities for the creation of value by Cloud Solutions
- 3 Increase standardization by creating organizational units for specific functions and activities
- 4 Completed the switch to committee-based governance; five of the six directors are now external directors
- 5 Postponed the internal DX, in part due to problems with the business IT system
- 6 Launched a data sharing infrastructure and increased speed of participation in smart city projects
- 7 Started disclosing monthly recurring revenue (MRR) as a key performance indicator and increased emphasis on the SaaS model
- 8 COVID-19 delayed the conversion of B-to-B mobility into a service; many projects in the digital government domain in FY6/22

FY6/21 First-half Financial Summary (Consolidated)

Consolidated Statement of Income (YoY change)

(Millions of yen)

	1H FY6/20	1H FY6/21	YoY change
Net sales	3,391	1,399	-1,992
Cloud Solutions	1,921	1,399	-522
Mobile*	1,470	-	-1,470
Operating profit	(52)	(381)	-329
Cloud Solutions	79	(127)	-206
Mobile*	136	-	-136
Corporate expenses	(268)	(254)	13
Operating margin	6.3%	---	---
Cloud Solutions	4.1%	-	-
Mobile*	9.3%	-	-
Ordinary profit	(47)	(378)	-330
Profit attributable to owners of parent	(64)	(280)	-215

*The Mobile Business was sold on March 31, 2020.

FY6/21 First-half Financial Summary (Consolidated)

Consolidated Balance Sheet (Compared with the end of FY6/20)

(Millions of yen)

	End of FY6/20	End of 1H FY6/21	Change	Major items
Current assets	2,925	1,803	-1,122	<ul style="list-style-type: none"> ■ Current assets <ul style="list-style-type: none"> • Cash and deposits: Down 1,293 • Merchandise: Up 140 ■ Non-current assets <ul style="list-style-type: none"> • Software in progress: Up 101 • Deferred tax assets: Up 106
Non-current assets	1,767	1,994	227	
Total assets	4,692	3,798	-894	
Current liabilities	1,030	487	-542	
Non-current liabilities	78	73	-5	<ul style="list-style-type: none"> ■ Current liabilities <ul style="list-style-type: none"> • Income taxes payable: Down 385 • Accrued consumption taxes: Down 168 ■ Non-current liabilities <ul style="list-style-type: none"> • Lease obligations: Down 5
Total liabilities	1,108	560	-548	
Share capital	959	959	-	<ul style="list-style-type: none"> • Dividend payments: Down 79 • Retained earnings: Down 280 • Disposal of treasury shares Exercise of share options: Up 28
Capital surplus	949	949	-	
Retained earnings	1,841	1,467	-374	
Treasury shares	(167)	(139)	28	
Total net assets	3,583	3,237	-345	
Total liabilities and net assets	4,692	3,798		

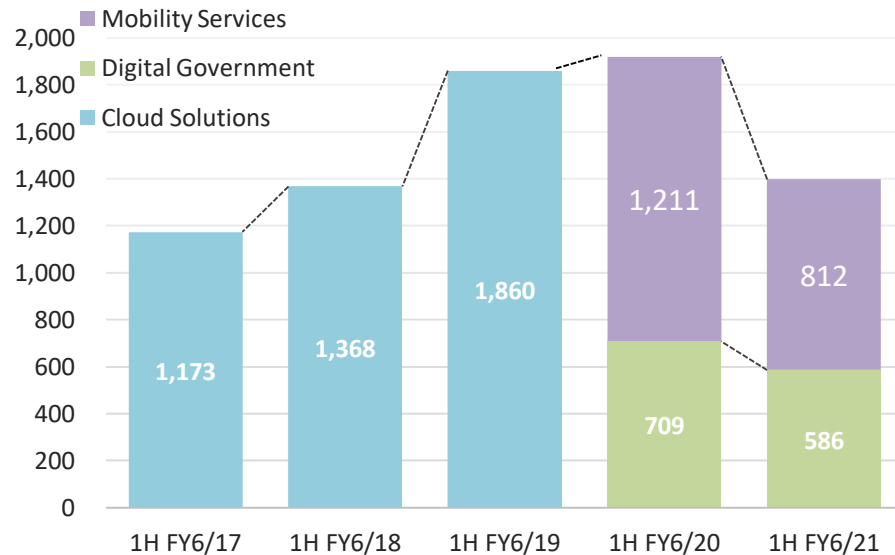
Segment Results (YoY Change)

(Millions of yen)

Segment	Net sales			Operating profit		
	1H FY6/20	1H FY6/21	YoY change	1H FY6/20	1H FY6/21	YoY change
Digital government	709	586	-122	2	(-63)	-61
Mobility services	1,211	812	-399	76	(63)	-139
Total	1,921	1,399	-522	79	(127)	-206

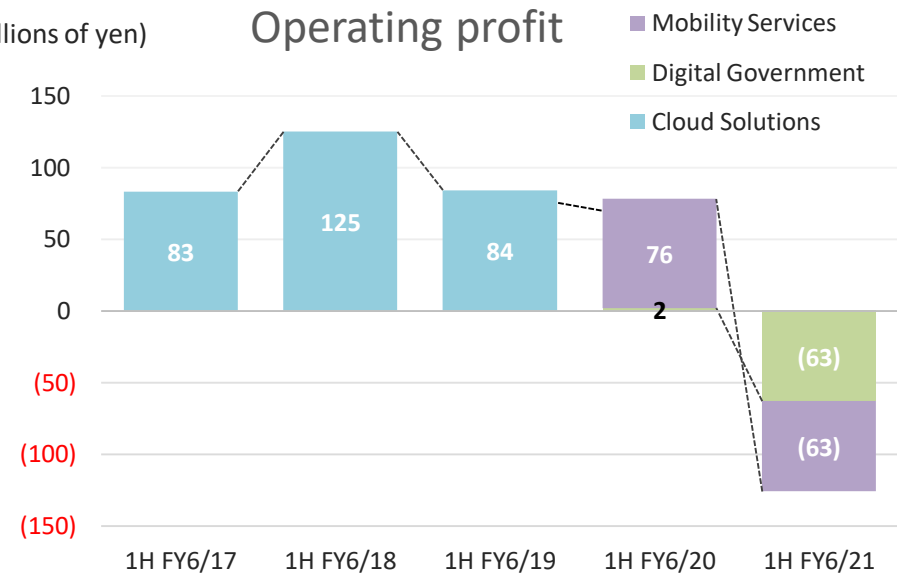
(Millions of yen)

Net sales



(Millions of yen)

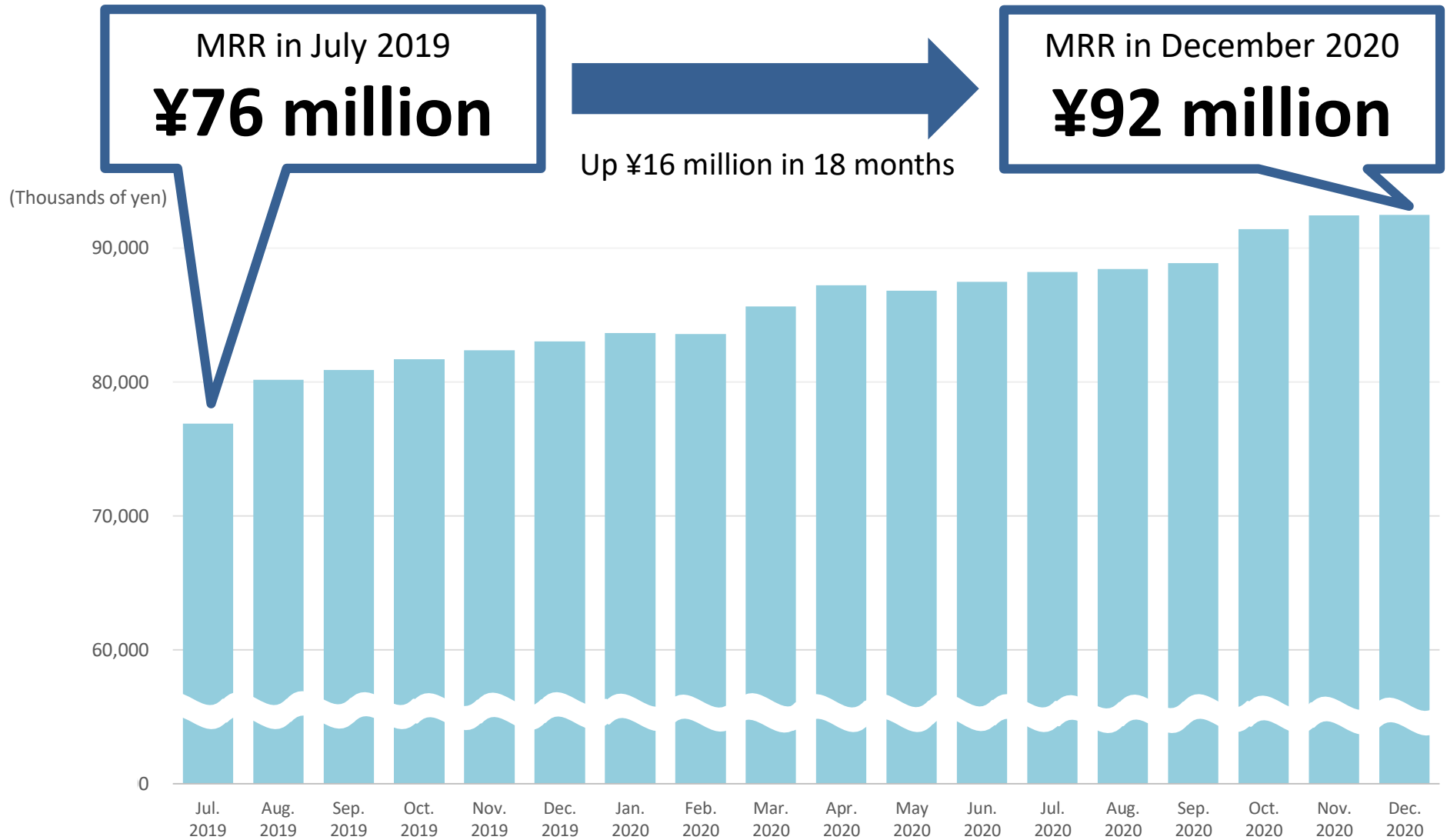
Operating profit



*Results for 1H 6/17, 1H 6/18 and 1H 6/19 are non-consolidated figures because Smartvalue began preparing consolidated financial statements in the third quarter of FY6/19.

*Due to a change in the disclosure of the Cloud Solutions segment in FY6/19, a single business segment are used in and before FY6/19.

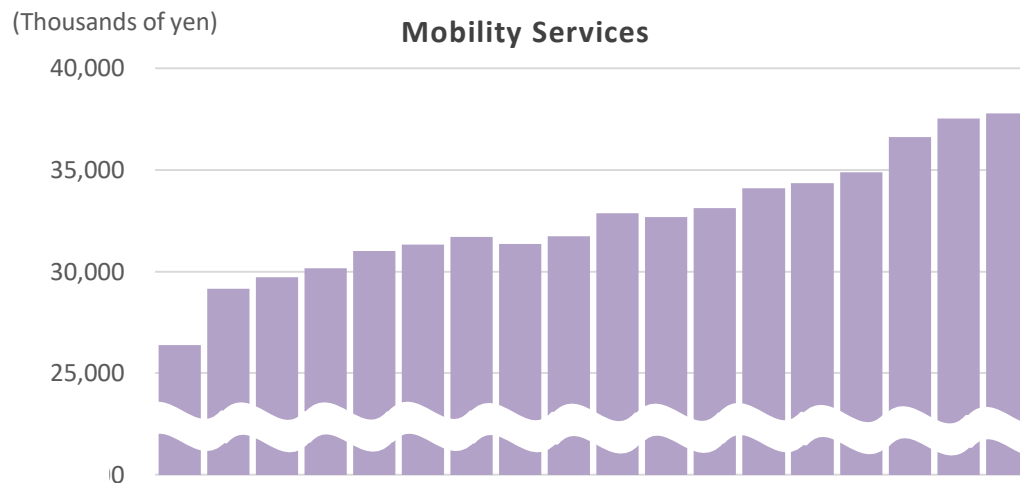
Monthly Recurring Revenue of Major Cloud Services



*Major cloud services: Mobility Services (CiEMS/Kuruma Base/ Kuruma Tsunagu Platform)

*Major cloud services: Digital Government (Smart L-Gov/GaaS/cloud platform)

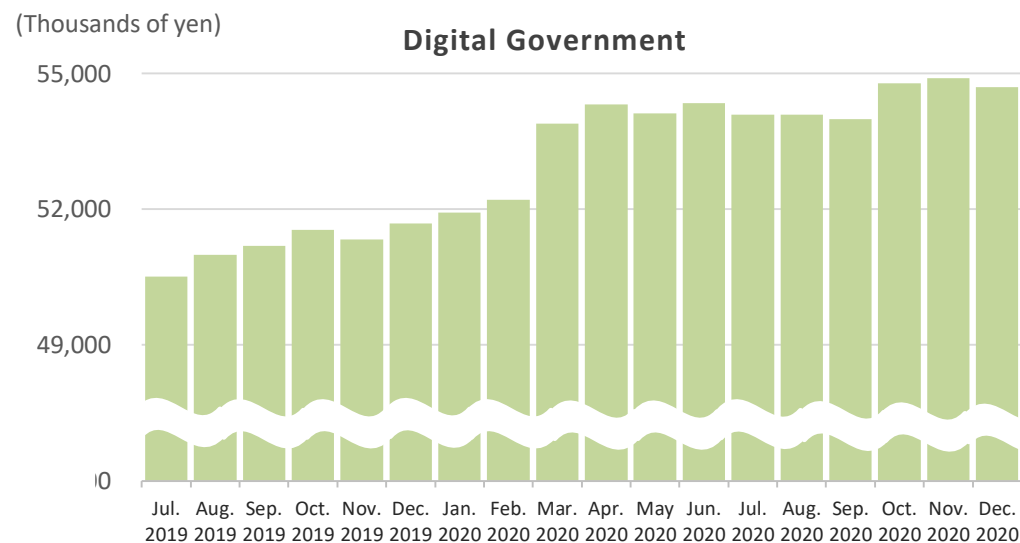
Monthly Recurring Revenue By Segment



Mobility Services

Jul. 2019: ¥26,376 thousand
Dec. 2020: ¥37,792 thousand

Up 43% in 18 months



Digital Government

Jul. 2019: ¥50,515 thousand
Dec. 2020: ¥54,694 thousand

Up 8% in 18 months

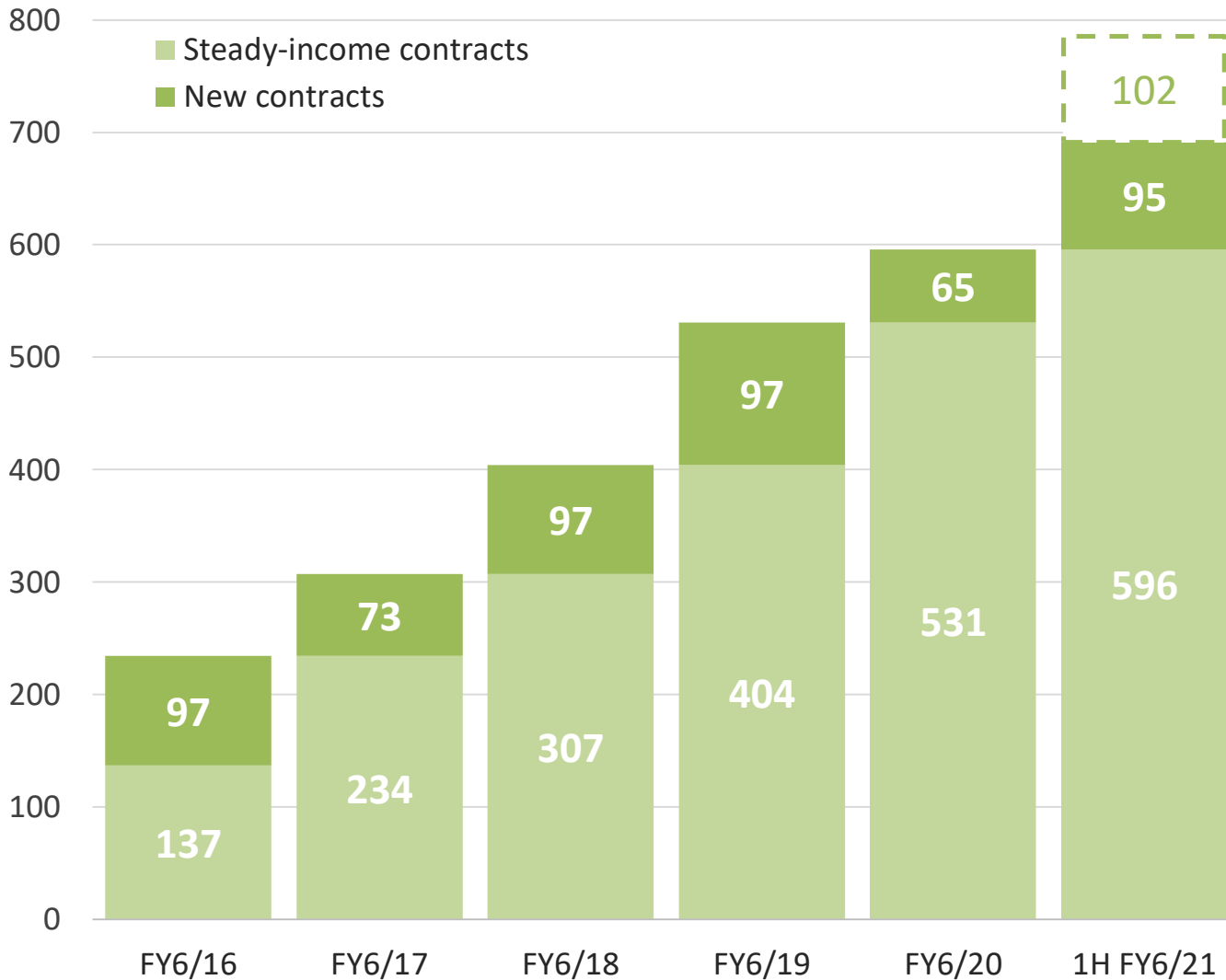
*Major cloud services: Mobility Services (CiEMS/Kuruma Base/ Kuruma Tsunagu Platform)

*Major cloud services: Digital Government (Smart L-Gov/GaaS/cloud platform)

1H FY6/21

Growth of Steady Income Contracts for Core Digital Government Services

(Number of contracts)



691
contracts
FY6/21 goal of
793

Delays in contracts for public bids in FY6/21 due to COVID-19, but expect to submit bids frequently starting in July.

Large number of bids in 3Q/4Q because of the irregular schedule for gov't purchasing activities.

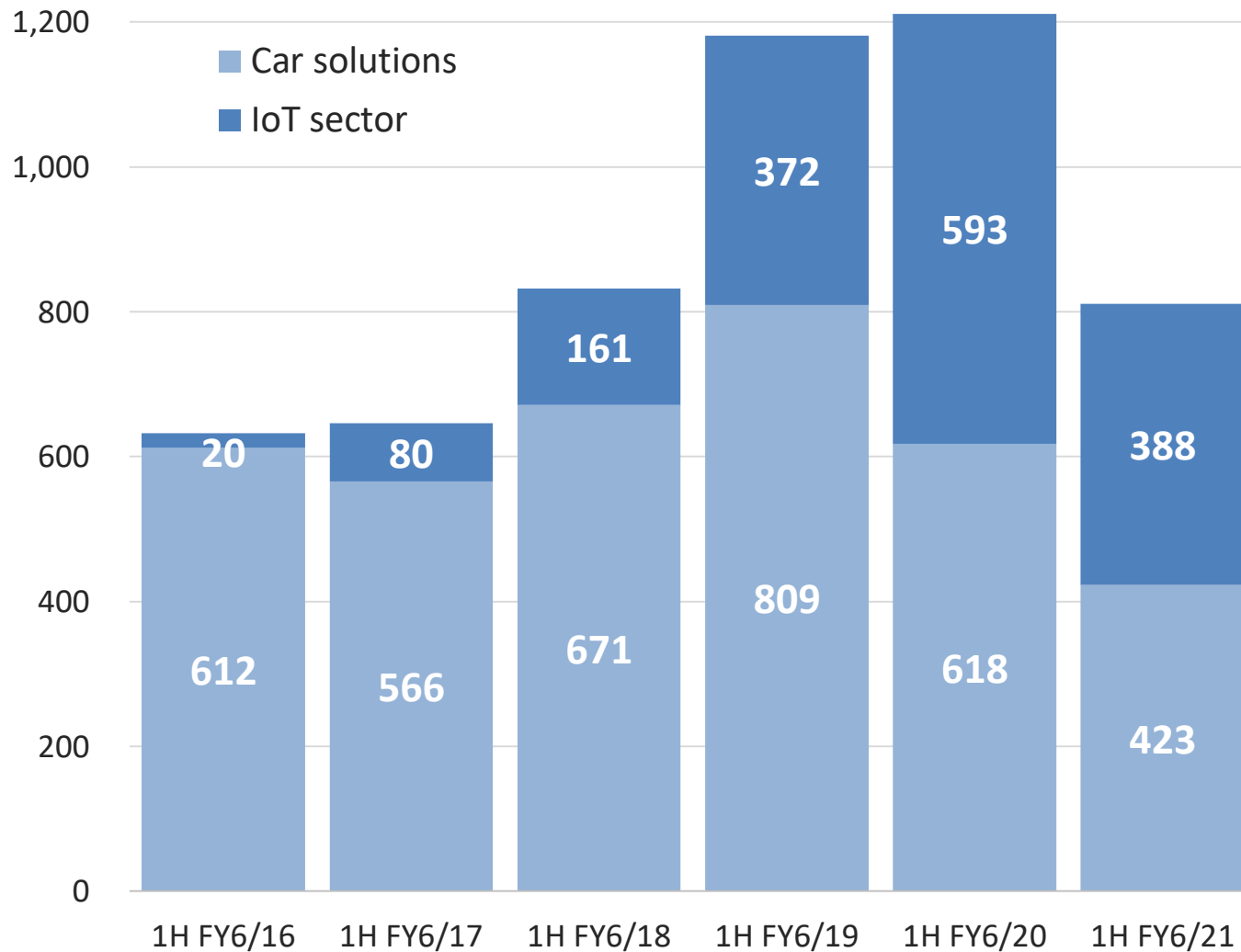
*Total of the four major services of the SMART L-Gov, additional services, and GaaS.

*Number of users of services, not the number of local governments

1H FY6/20

Mobility Services Sales

(Millions of yen)



**Sales
were
below the
plan**

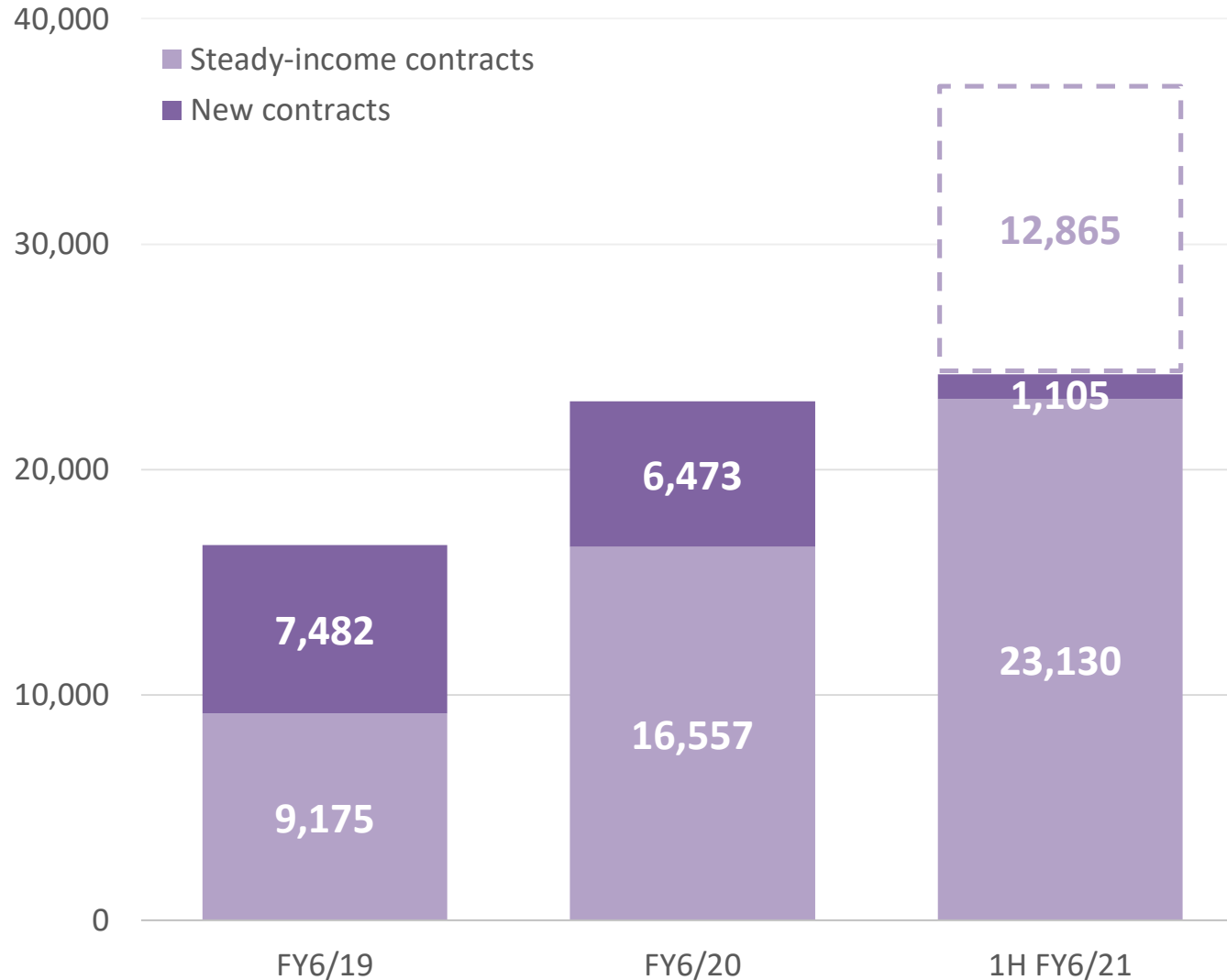
A big decline in car solutions sales, which is mainly the sale of products, because COVID-19 reduced automobile sales.

In the IoT category, interest among potential users is high but sales were below the plan as orders were postponed due to COVID-19.

Expect FY6/21 sales to be higher than in FY6/20 because of sales activities for car sharing and other services in 2H.

Mobility Services KPI – Number of CiEMS Hardware Contracts

(Number of contracts)



24,235
cumulative
contracts

Only 1,105 new contracts
in 1H FY6/21

FY6/21 goal is 13,970 contracts, but there were only 1,105 new contracts in the 1H because of COVID-19.

In the 2H, plan to move faster to convert potential orders into new contracts.

FY6/21

Forecast

Summary of FY6/21 Forecast

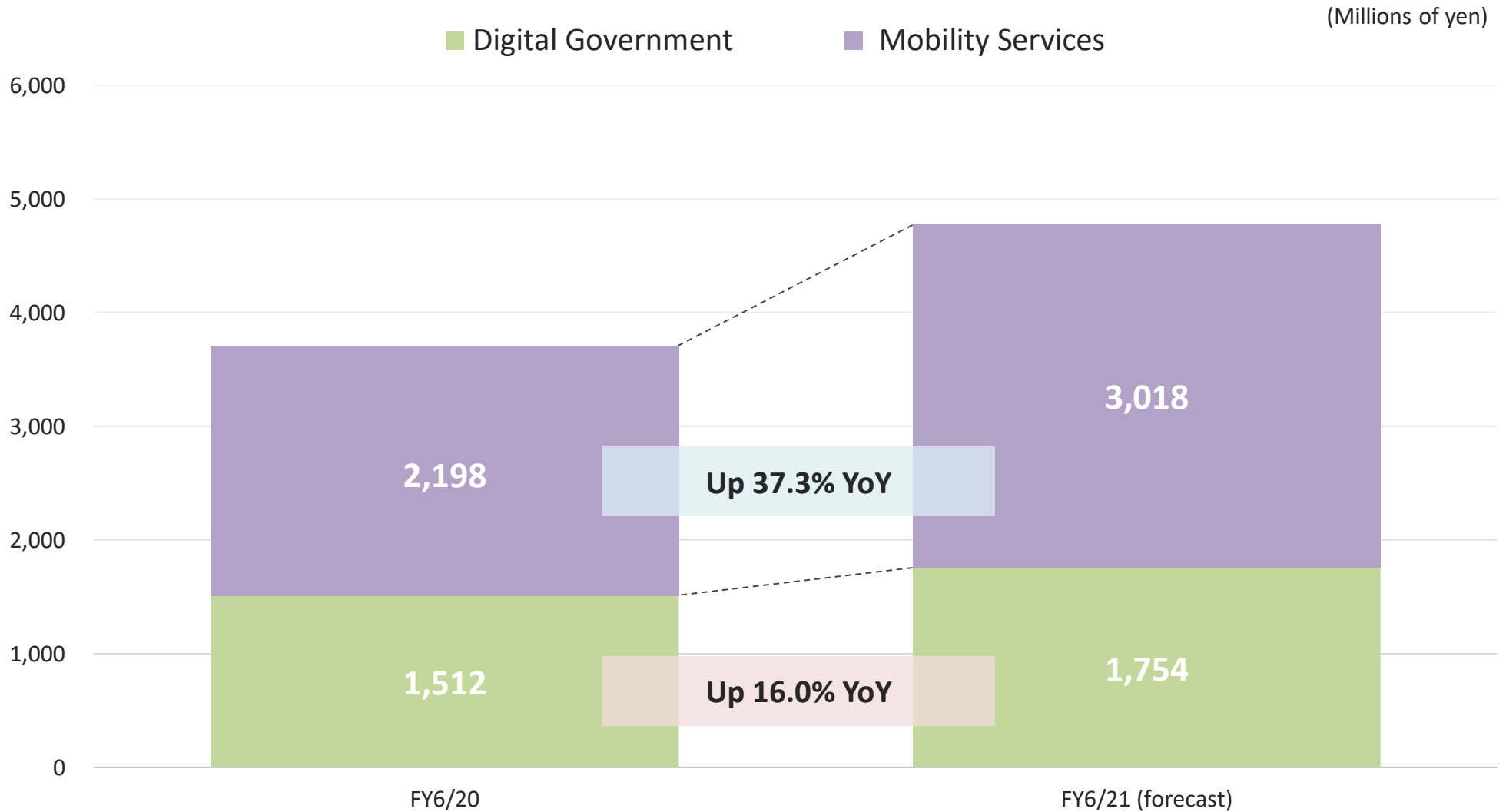
Consolidated Statement of Income (YoY Change)

(Millions of yen)

		FY6/20 Results	FY6/21 Forecast	YoY change	YoY change (%)
Net sales		5,958	4,773	-1,185	80.1%
Cloud Solutions	Digital Government	1,512	1,754	242	116.0%
	Mobility Services	2,198	3,018	819	137.3%
Mobile*		2,247	-	-	-
Operating profit		(239)	(82)	157	-
Cloud Solutions	Digital Government	68	156	87	228.1%
	Mobility Services	32	316	284	972.5%
Mobile*		236	-	-	-
Corporate expenses		(576)	(555)	21	-
Ordinary profit		(223)	(81)	141	-
Profit attributable to owners of parent		32	(93)	-126	-

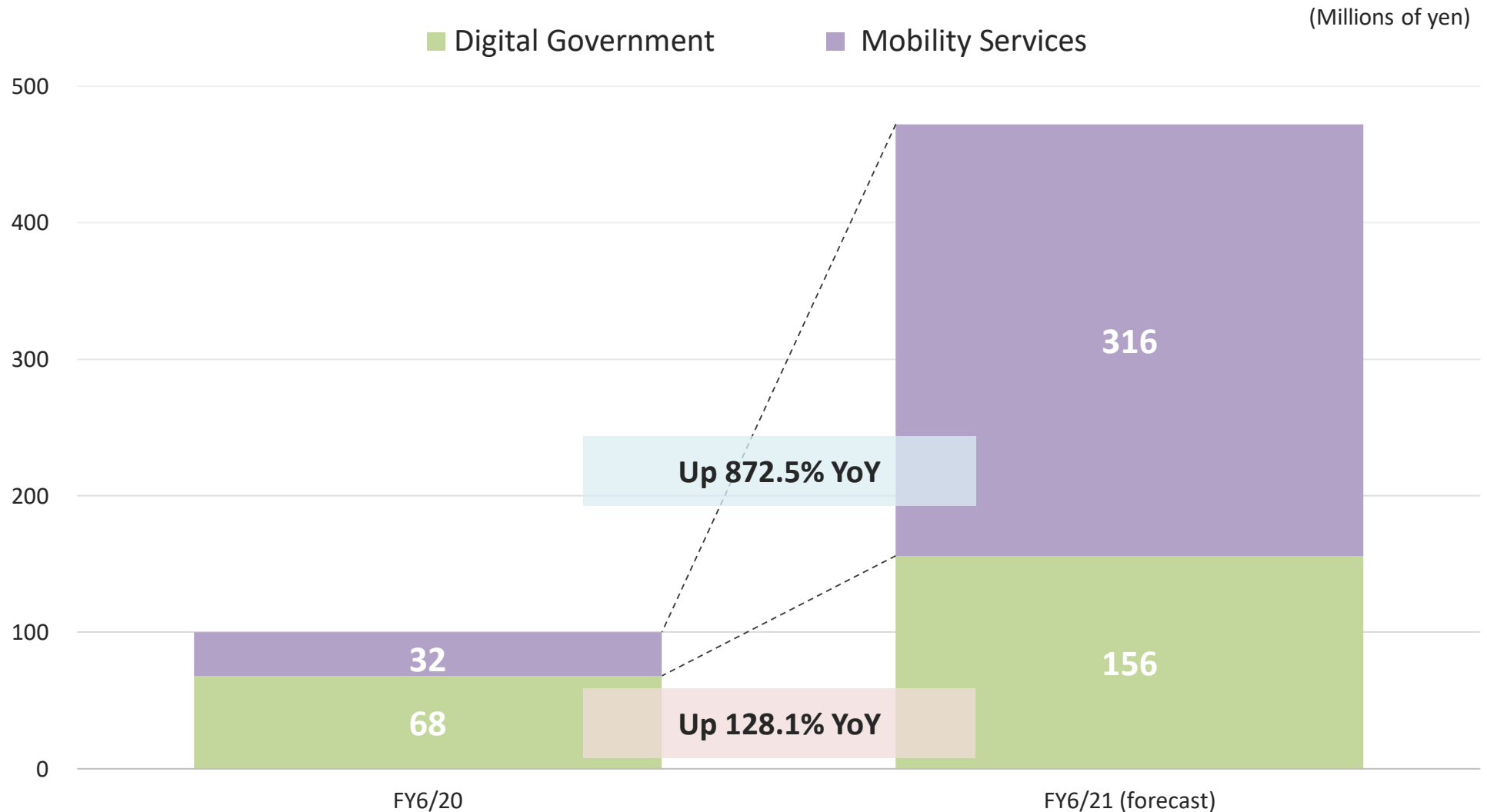
*The Mobile segment was sold on March 31, 2020.

FY6/21 Forecast of Sales



* For these comparisons, FY6/20 information has been restated to match the new business segments starting in FY6/21. The Mobile segment is omitted because this business was sold in FY6/20.

FY6/21 Forecast of Operating Profit



* For these comparisons, FY6/20 information has been restated to match the new business segments starting in FY6/21. The Mobile segment is omitted because this business was sold in FY6/20.

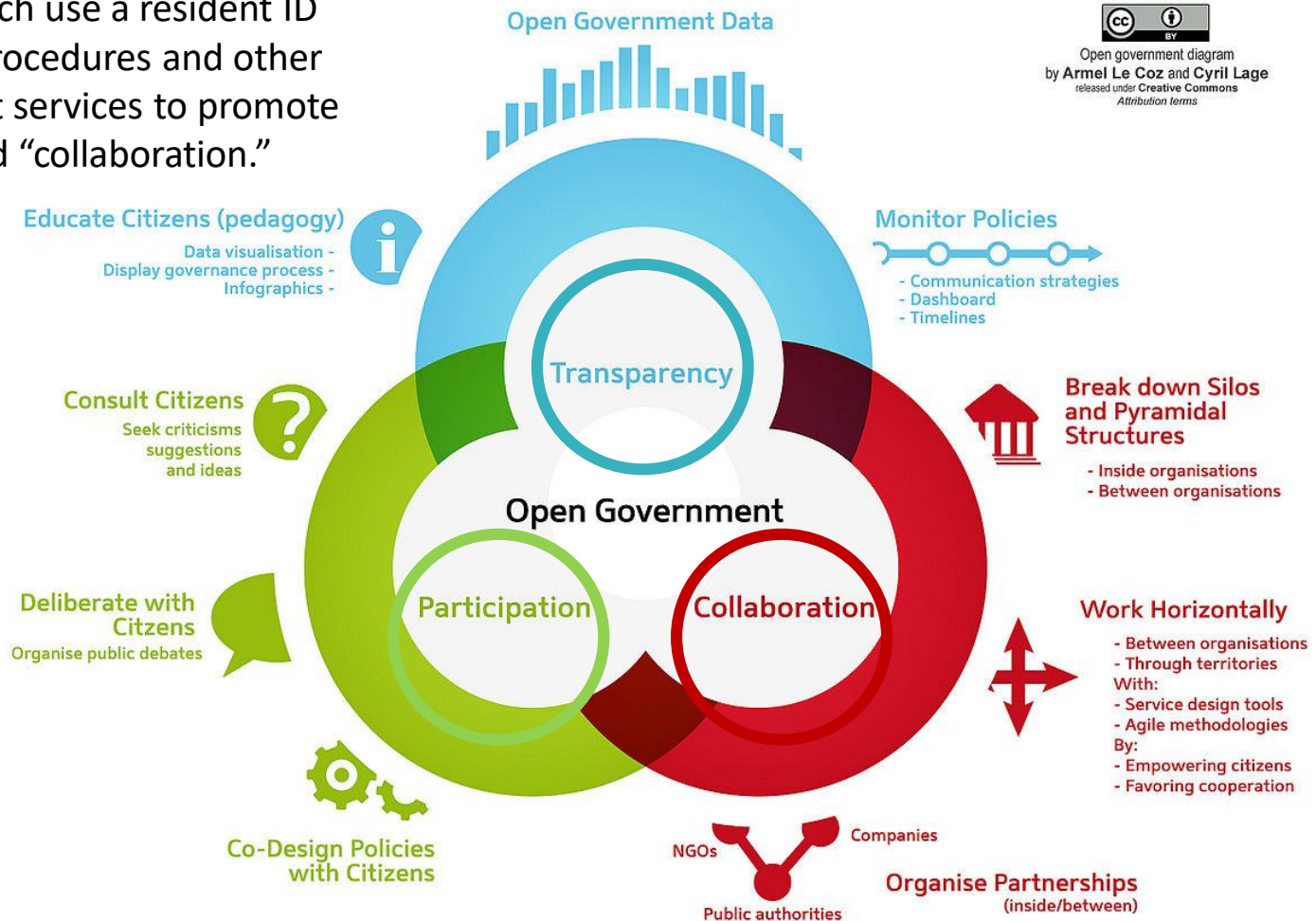
FY6/21

First-half
Business Activities

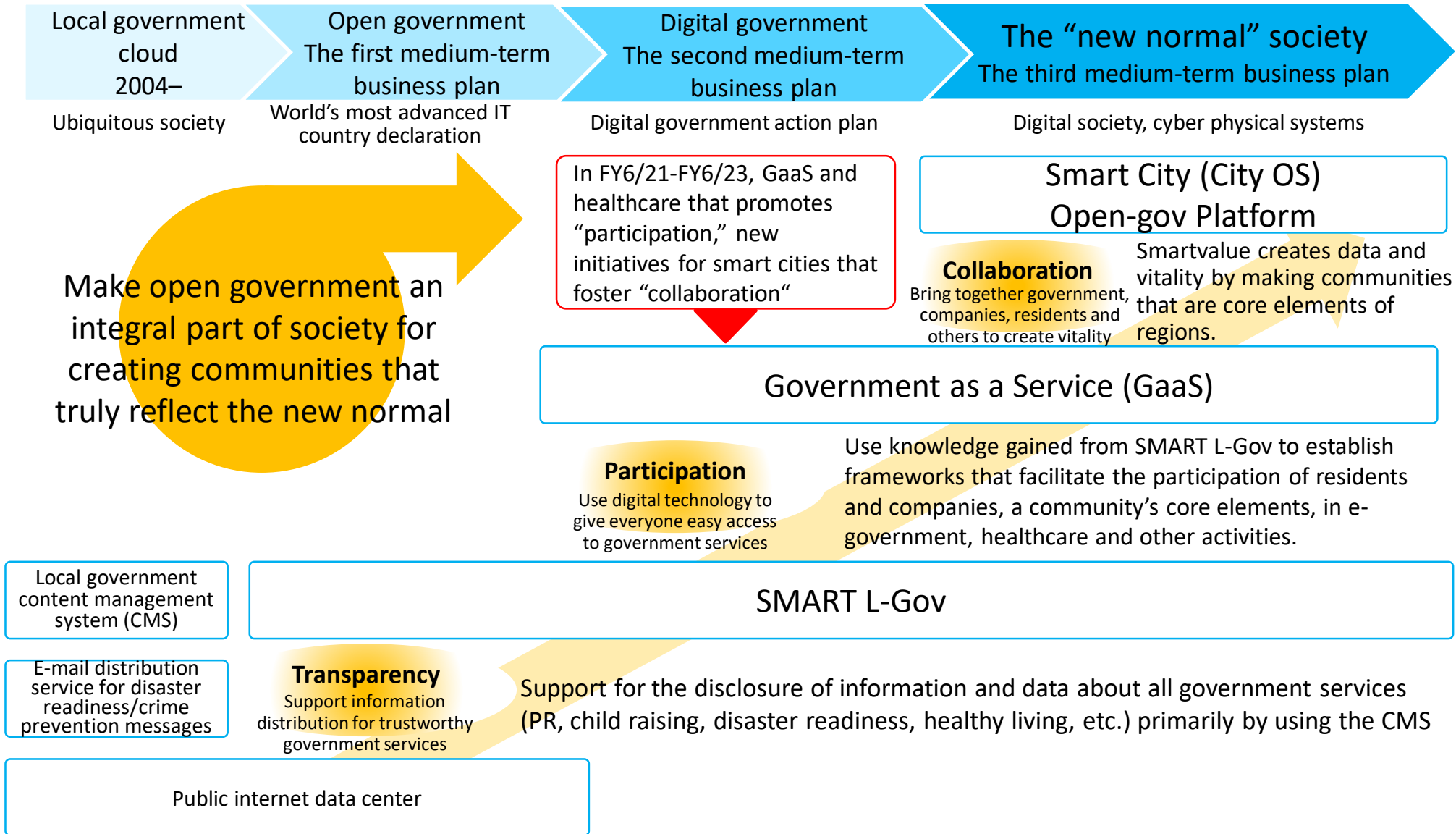
Digital Government Domain

Open Government

The three basic components of open government extend from SMART L-Gov, which provides “transparency,” to GaaS and the smart city, which use a resident ID platform, online procedures and other digital government services to promote “participation” and “collaboration.”



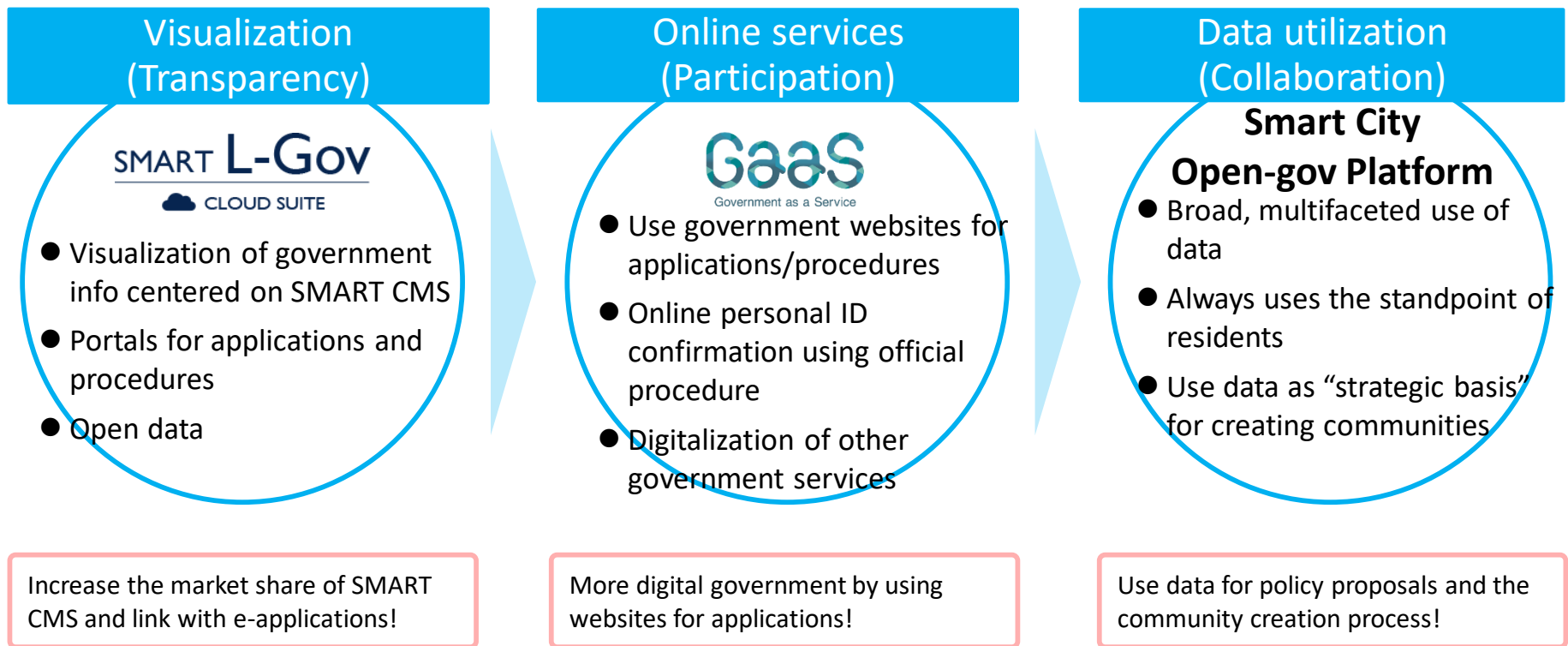
Transition of the Digital Government Domain



Composition of the Digital Government Domain

Integrating open government with society in stages

We have expanded this business sector by providing SMART L-Gov for “achieving transparency.” Now we are aiming for more growth in two ways. One is the use of GaaS, which uses a resident ID platform for online government services, for participation. The other is involvement with smart cities, which require data utilization, for “collaboration.”

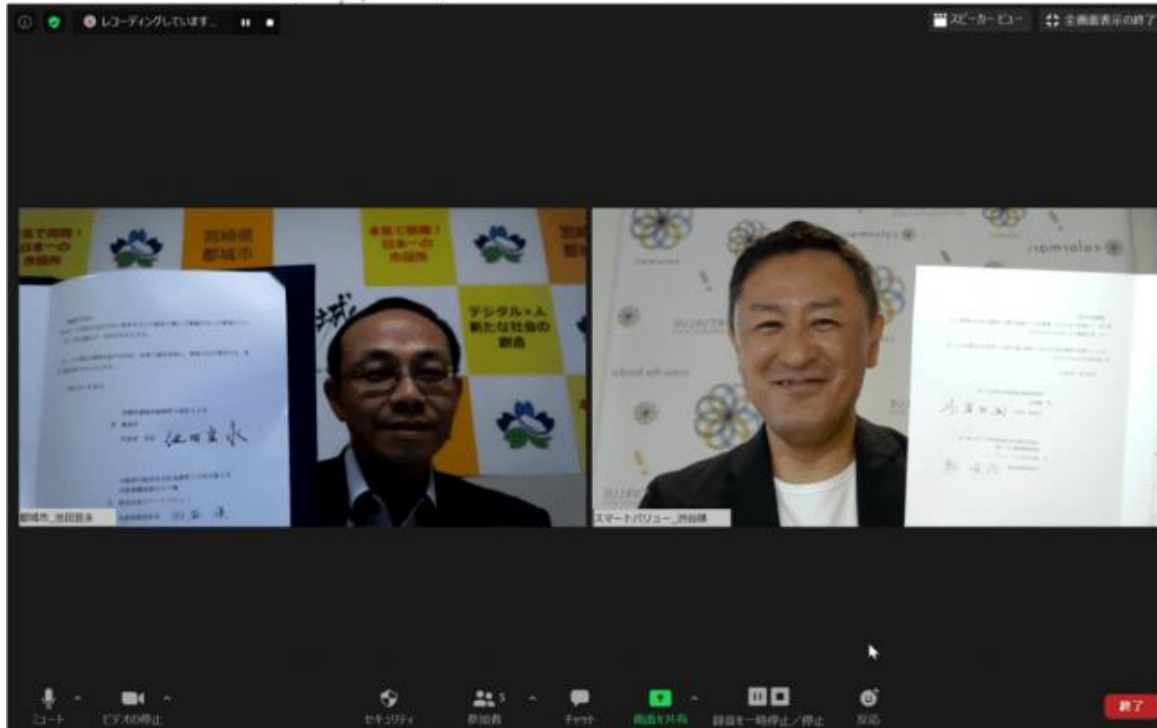


Use the universal open government concept in the public and private sectors in order to achieve community creation goals.

Example of Digital Government – Cooperation Agreement with Miyakonojo

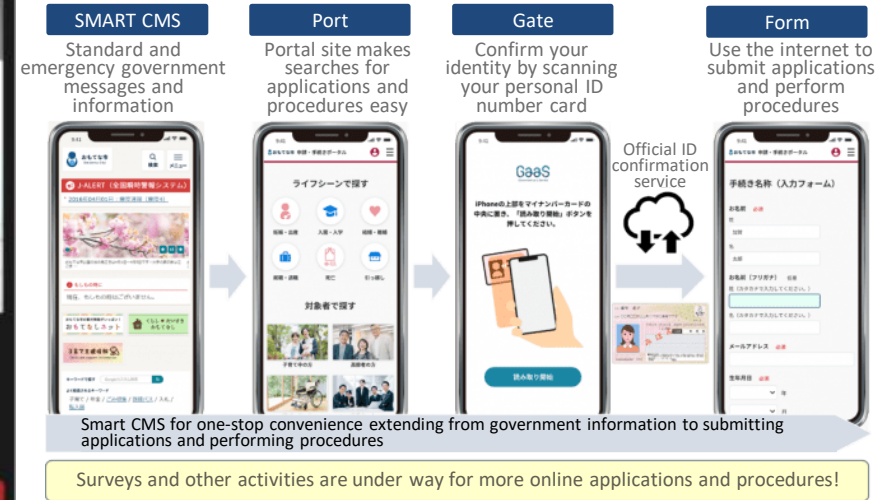
Surveys and analysis to start online government procedures

City of Miyakonojo (Miyazaki prefecture) x Smartvalue
Signed cooperation agreement for digitalization of services



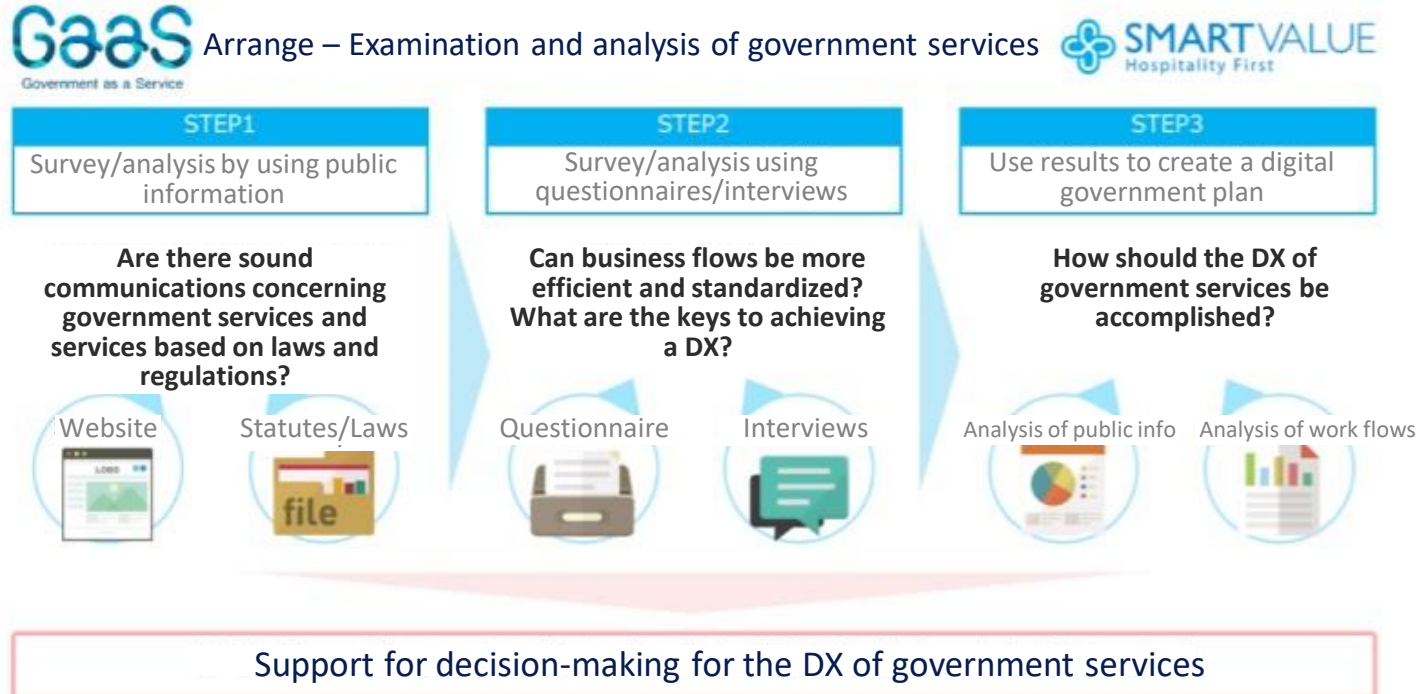
Miyakonojo continues to make progress with digitalization. The city has the highest personal ID number use rate in Japan and has one of the shortest processing times for applications for benefit payments. Smartvalue will assist the city for more progress.

Smartvalue will perform surveys and analysis in order to perform various government procedures online.



Example of Digital Government – Launched “Arrange” Services

The “Arrange” service promotes digitalization of government services by performing surveys and analysis of government business processes.



GaaS Government as a Service

- Smart CMS linkage
- Use of personal ID number cards
- Online applications/procedures

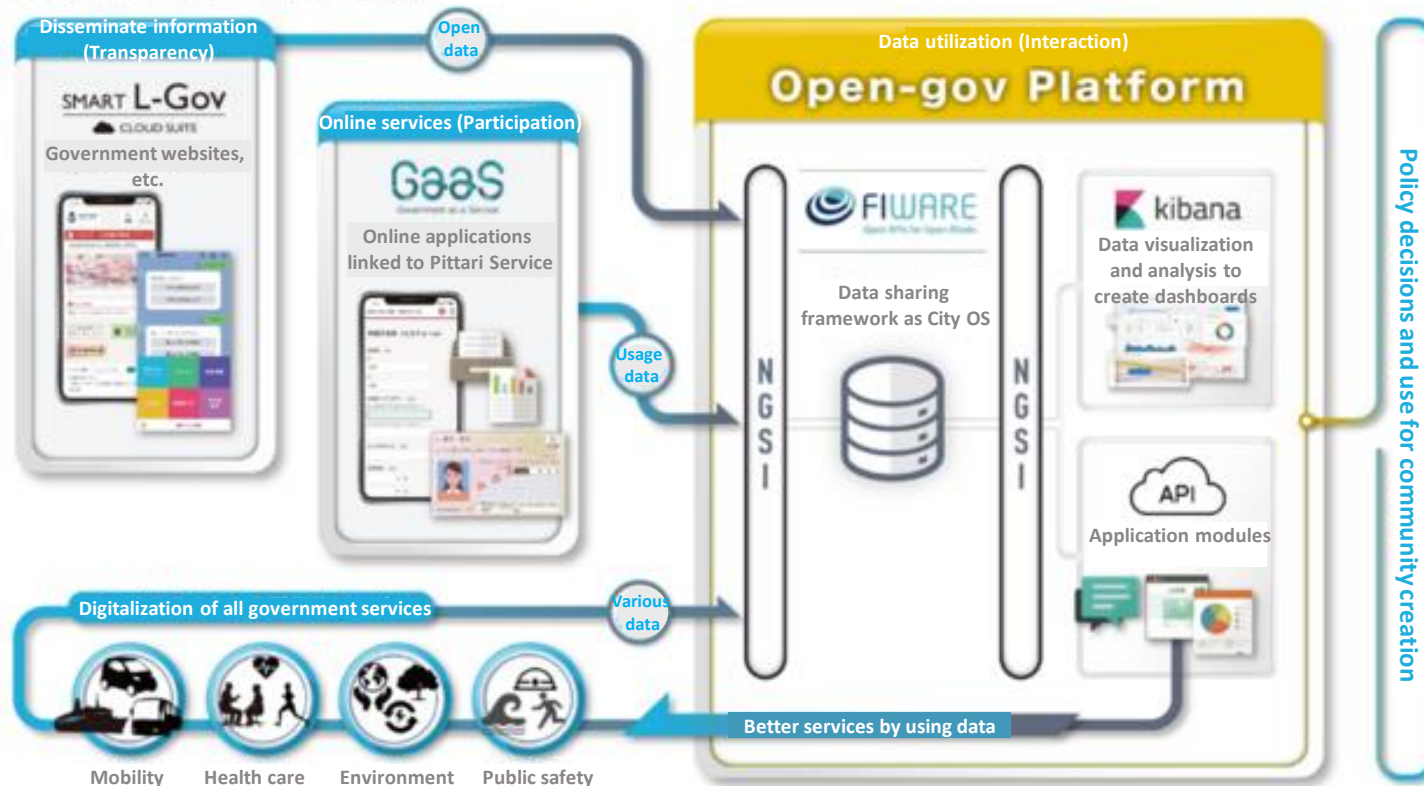
Port Gate Form

Reexamine work flows Use other systems for the DX

Example of Digital Government – Launched “Open-gov Platform” Services

Convert an infrastructure for sharing smart city and other data (City OS) and speed up the digital transformation of the community creation process!

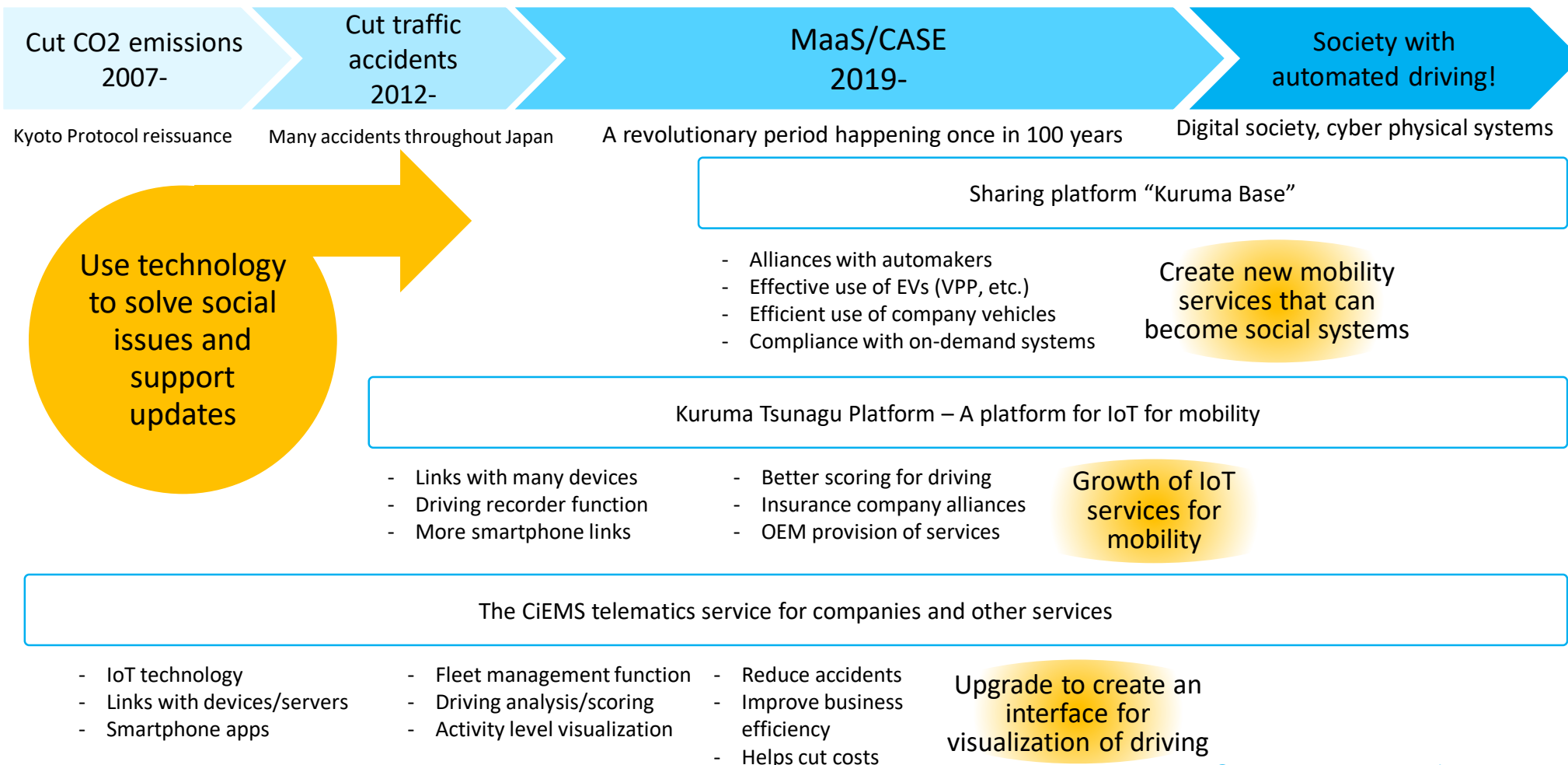
A data management framework for the DX of creating communities 「Open-gov Platform」



Mobility IoT Domain

The Transition of Mobility Services (Mobility IoT)

Since the mobility services business launched the telematics service (IoT service) for companies, many actions have been used for the growth and strengthening of this service: advanced data analysis, stronger data links for use as a platform, provision of platforms to service providers, and other measures. We used our IoT technology to start providing a sharing platform. We are transforming mobility into a service by shifting from ownership to utilization. Our goal is creating mobility services that can become a new social system while reflecting the needs of the upcoming age of automated driving.



Scalable Platforms for the Age of CASE

Use of Smartvalue's Kuruma Tsunagu Platform and Kuruma Base as platforms for the provision of many types of services. Plan to utilize a massive volume of mobility data to expand and upgrade services.

Vision

Low carbon society

Efficient business operations

No automobile accidents

Unrestricted mobility

Key technologies

5G

AI

Society 5.0

Data analytics

Society with automated driving

Projects

Mobility IoT
×
Connected drive recorder

Mobility IoT
×
Smart maintenance

Mobility IoT
×
Insurance research/analysis

Mobility IoT
×
Prevention of pedal errors

Mobility IoT
×
Prevent inattentive driving

Sharing
×
Corporate car share

Sharing
×
EV car share

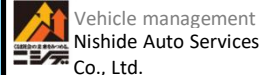
Sharing
×
Mobility as a Service

Applications

Smartphone-linked car driving recorder



Alliance for a preventive maintenance platform



Company car daily management service



OEM services with alliance partners



Company car safe driving management service



Community car sharing service (joint demonstration trial)



OEM services with alliance partners



Service platforms



Examples of Kuruma Base Use – Reinan Smart Energy Area Project in Fukui Prefecture

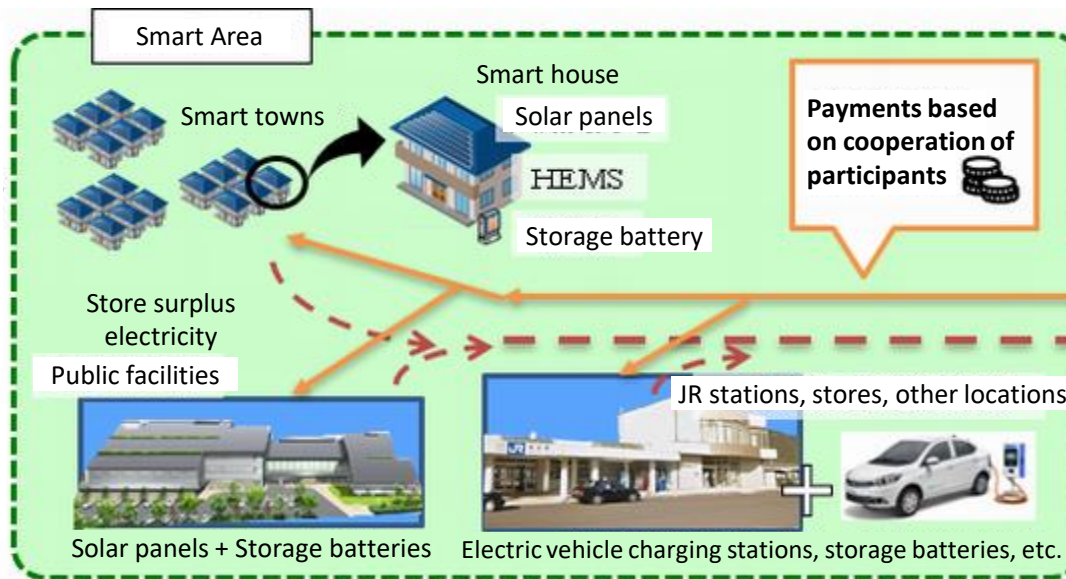
An electric vehicle sharing system for the virtual power provider (VPP) network in the Reinan area provides mobility for residents and emergency-use electricity.



Smart towns near stations and other locations

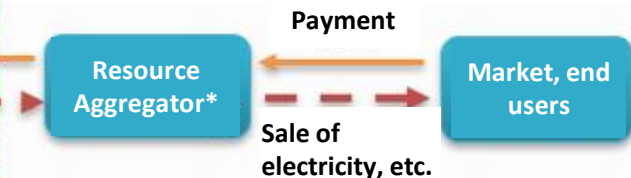
Compact towns with smart houses that have solar panels, storage batteries and home energy management systems (HEMS)

Solar panels, storage batteries and electric vehicles for public facilities, stations, etc.



Establish a VPP for the Reinan region with control of smart houses, public facilities and electric vehicles

Participants store electricity and sell the electricity in the wholesale market or directly to end users



*A resource aggregator controls storage batteries and other facilities in accordance with a contract with VPP participants

*Advantages of establishing a smart area within a region

- Lower cost of electricity because every smart house produces and stores electricity. Also able to function as an emergency power supply.
- Sharing electric vehicles by companies and residents cuts the cost of car ownership and provides convenient transportation for tourists.
- Electricity can be stored and then sold in order to lower the cost of electricity for storage batteries and electric vehicles
- The VPP platform is provided as a demonstration site to companies; this can attract companies interested in data/communications, energy management and other technologies to this area.

Examples of Kuruma Base Use – Used by All Time Rent-a-Car, a Low-cost Rental Car Service

Kuruma Base is a key element of All Time Rent-a-Car, a fully automated car rental and use service that operates primarily in the Shibuya and Ebisu districts of Tokyo.



×



Kuruma Base

A terminal is placed in the vehicle



Vehicle management console



Smart phone app for users (smartphone is the car key)



Support for users

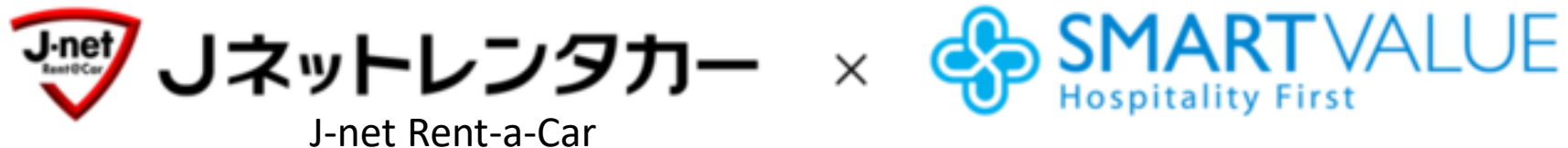


Kuruma Base provides all the functions required for this car sharing service



Examples of Kuruma Base Use – A Fully Automated System for J-net Rent-a-Car

Smartvalue has established a business alliance with J-net Rental & Lease Co., Ltd., which has a nationwide fleet of more than 20,000 rental vehicles, for a fully automated car rental system that uses Kuruma Base.



Corporate Administration

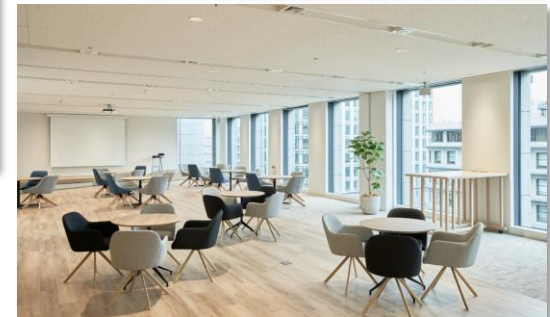
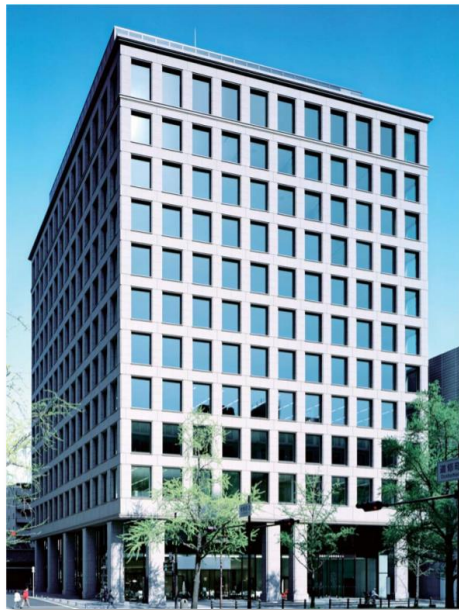
New Open Innovation Space “colormari”

In April 2020, the Osaka Head Office was relocated to a building in the city’s Chuo-ku as one step for providing a better workplace environment.

The new head office includes the newly established colormari Open Innovation Space, which has been certified by the Osaka Municipal Innovation Base Promotion Subsidy Program.

The innovation space is a place for using collaboration among many people for the co-creation process leading to original and groundbreaking ideas. Interactions using information and ideas not restricted to a single business field or other theme are expected to make this a valuable source of innovation.

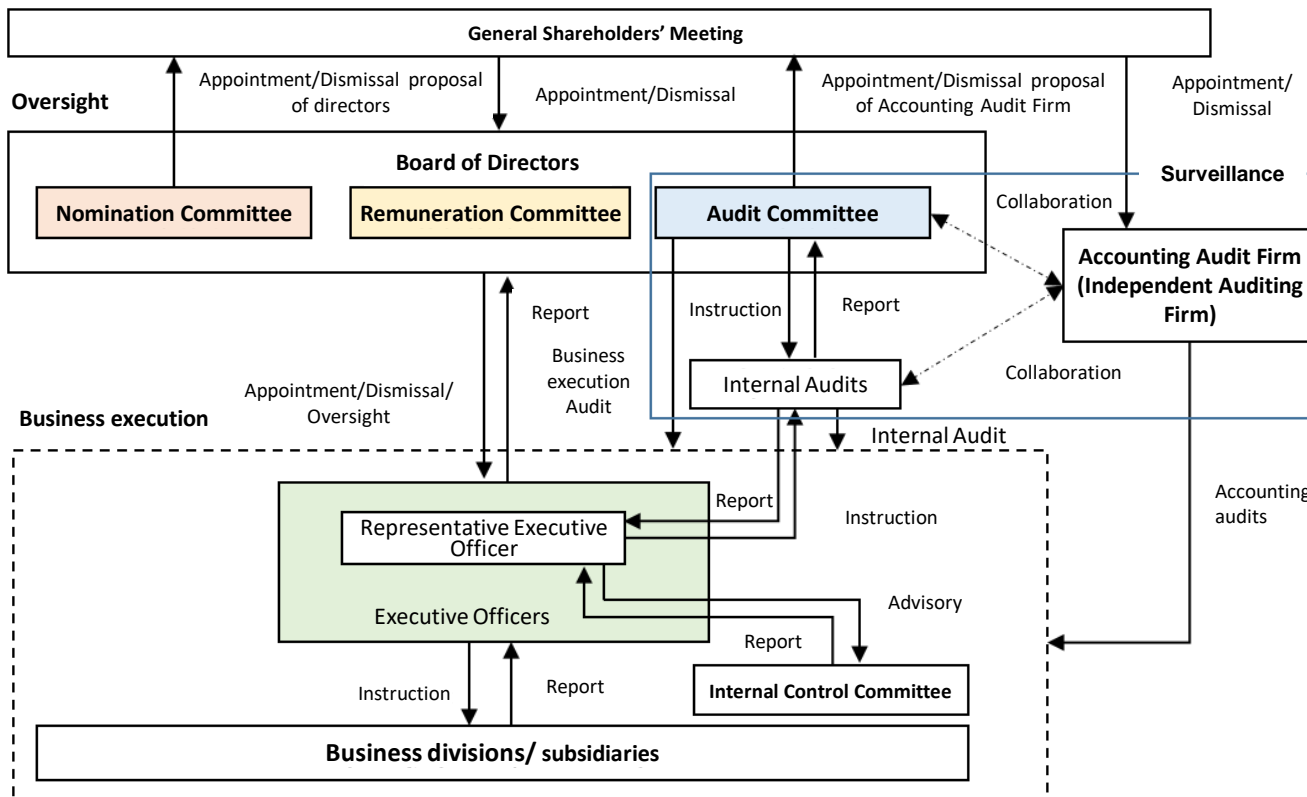
- Keihanshin Midosuji Bldg., the new location of the Osaka Head Office



A Governance Structure for the Growth of Corporate Value

Smartvalue changed its governance structure from the company with a Board of Corporate Auditors structure to the company with committees structure. This change received the approval of shareholders at the annual meeting Eheld in September 2020.

Corporate Governance Structure



The new structure separates the roles of management oversight and conducting business operations, enabling all individuals to fulfill their responsibilities. Many issues involving the long-term plan for 2028 exist, such as the need for people to act on their own initiative, elimination of decisions based on guessing and conjecture, excessive reliance on the company's owner, and the need for succession planning. With Smartvalue having grown to its current size, there is a need to establish a sound governance infrastructure for moving forward.

The decision to change the governance system is also due to Smartvalue's position as a family-owned company. The committee structure will allow benefiting from management by the company's owner while ensuring that Smartvalue has a sound and transparent corporate governance infrastructure.

Shareholder Returns

Basic policy on profit distribution

The basic policy is to pay a consistent and stable dividend while securing internal reserves necessary for future business growth and making business operations stronger.

Year-end dividend and payout ratio

	FY6/19	FY6/20	FY6/21 (Plan)*
Dividend per share*1	¥8.0	¥8.0	¥8.0
Payout ratio	34.1%	156.9%	-87.9%

*The dividend for FY6/21 will require the approval of a resolution at the 74th shareholders meeting.

The Revised Second Medium-term Business Plan

July 2020 to June 2023

Slogan

“Moonshot Vision 2028”

In March 2020, we sold the NTT Docomo carrier shop agency business (Mobile Business). The purpose was to clearly define our stance for upcoming progress and reinforce our commitment to focusing on activities for creating social systems.

The next eight years will be critical for success in the 21st century

Create social systems with meaningful value and a story

An organization with excellent communication and reliability; balance between fixed business processes and creativity; a corporate culture that encourages diversity with people thinking on their own

Smart cities based on the digital transformation, incorporating mobility, digital government, healthcare, smart venues/sports and other elements

Focus on carefully selected strategic activities; balance between aggressive investments and managing businesses with speed

Aim for market capitalization of 100 billion yen

Establish an engineering infrastructure and upgrade employees' skills; standardization for development processes and quality assurance

Moonshot Vision 2028 Core Elements of Our Vision

Moonshot Vision 2028 Business policy



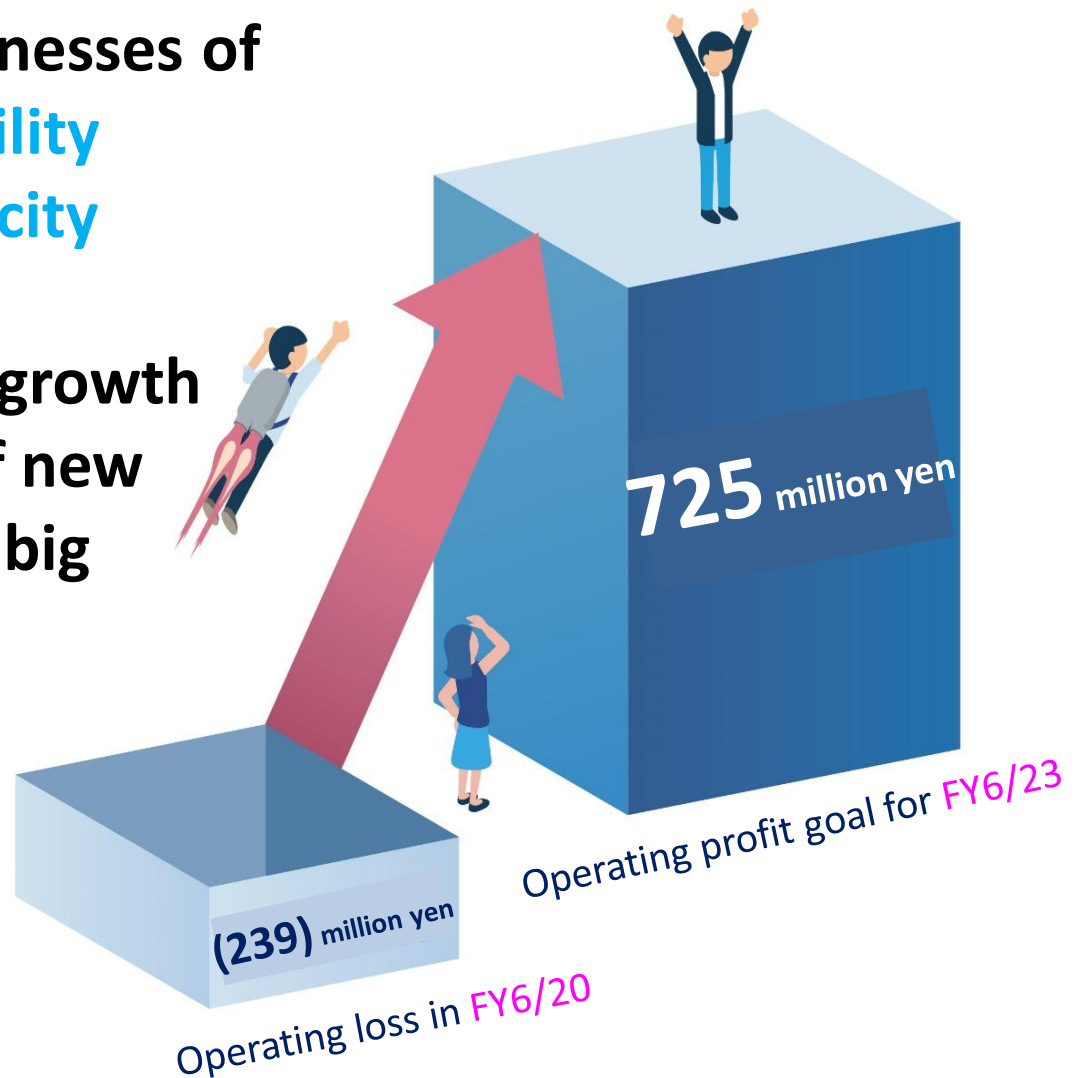
FY6/21-FY6/23 Basic Plan

1	One-year delay due to Mobile Business sale and COVID-19; aiming for growth starting in FY6/22
2	Create social systems based on smart city/community creation DX as extensions of the themes of mobility, digital government, healthcare, and sports/culture
3	Base for technology development, upgrade quality, unified operations with North Detail
4	A more powerful mobility IoT platform strategy
5	Develop the markets for digital government DX support and online government procedures
6	Use a tight focus on carefully selected fields to aim for healthcare business growth again
7	Enter sports/culture and other business domains that can create civic pride
8	Create smart cities that thoroughly reflect residents' viewpoints and are integrated using democratic principles
9	Increase steady-income for more earnings and higher efficiency
10	Strengthen governance (change to the committee-based governance structure)
11	An organization using open innovation along with the proper balance between control and self-reliance (creativity)
12	Infrastructure and flexibility to accommodate a variety of environments for doing work

Earnings Growth Goal for FY6/21 to FY6/23

Expanding from the core businesses of **Digital Government and Mobility Services** by adding **the smart city domain**.

By combining steady-income growth with the aggressive pursuit of new business, we are aiming for a big increase in operating profit.



Supplementary Information

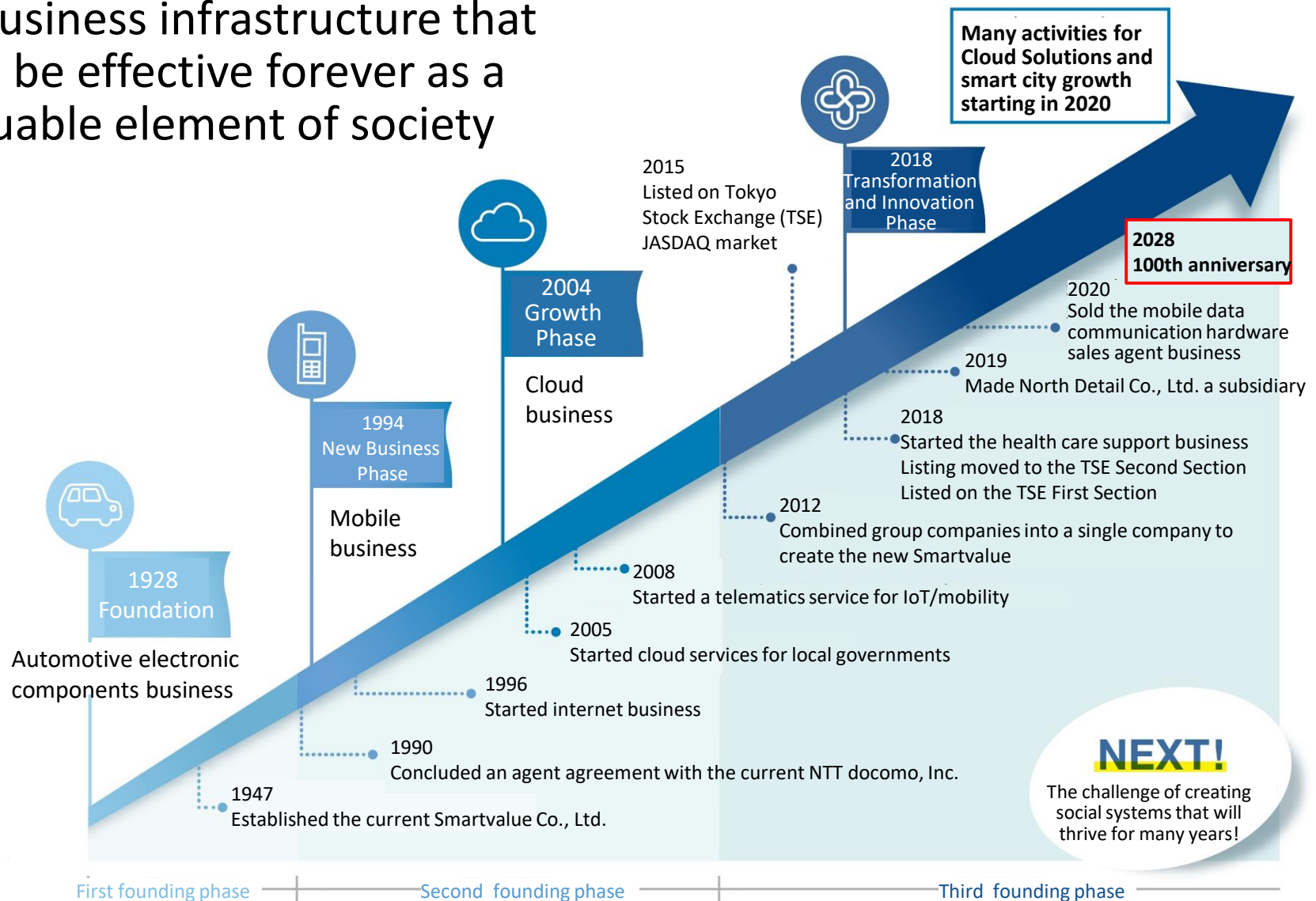
Company Profile

A business infrastructure that can be effective forever as a valuable element of society

Name	Smartvalue Co., Ltd.
Listing	Tokyo Stock Exchange, First Section (Securities code: 9417)
Founded	October 1928 (now in the 91st year)
Established	June 1947
Capital	959,454 thousand yen
Representative	Jun Shibuya, President and CEO
Employees	271 (As of December 31, 2020, consolidated)
Headquarters	Keihanshin Midosuji Bldg. 7F 3-6-1, Doshomachi, Chuo-ku, Osaka
Offices	Osaka head office (Chuo-ku, Osaka) / Tokyo office (Chuo-ku, Tokyo) Miyakonojo BPO Center (Miyakonojo-shi, Miyazaki)
Subsidiary	North Detail Co., Ltd. (Sapporo, Hokkaido)
Business	Cloud Solutions Business (Digital Government Segment / Mobility Services Segment)

History

A business infrastructure that can be effective forever as a valuable element of society



Business Structure Beginning in FY6/21

Combining “smart” systems and technologies to create social systems that can thrive for many years!

At Smartvalue, we believe in the power of technology and have been working on services that create new value for society. In addition, we are examining many social issues and thinking about how people should live and the roles of key elements affecting our lives. We will continue to take many actions for creating a future where people can enjoy healthy and fulfilling lives.

Cloud Solutions Business



This segment provides information distribution tools for transparency in open government and cloud services for participation and collaboration centered on resident ID platforms. These tools and services are vital for platforms that form the basis for the upcoming age of digital government. All activities are aimed at creating e-government that leads to a new paradigm for government services.

Digital Government activities use private-sector knowhow and financing to convert to a profit model government activities for public services, government facilities that are symbols of their respective regions, and other items. Invigorating communities and regions and creating industries are the main goals. Another objective is establishing 21st century social systems capable of digital community creation in the age of cyber physical systems through the convergence of governments, ICT, and experience- and empathy-based elements. To accomplish these goals, this segment will encompass healthcare, sports, mobility, application procedures and many other fields.

A link between you and information about the region where you live



Contracts with 596 local governments, ranking first in Japan in the cloud CMS market category

*Smartvalue data as of June 30, 2020

SMART L-Gov is a local information cloud platform provided by Smartvalue for local governments and public-sector agencies.

Resident ID platform facilitates digital government services Announcing GaaS (Government as a Service)



Smartvalue was first in Japan to create a GaaS that is a resident ID platform utilizing blockchain technology. We are providing this nationwide as a platform that allows using digital technologies for providing government services.

Many types of application services are planned. The first is POTAL.

Automotive devices were the first business of Smartvalue. The sale of automotive information devices remains the main business of this segment. But this business has also grown to become a one-stop source of mobility IoT services for the new automotive era of CASE (connected, autonomous, shared, electric). Operations include connected services, platforms for the utilization of data, the development of applications and other activities.

A platform for converting automobiles into a service Kuruma Base



We created Kuruma Base as a platform designed specifically for the conversion of automobiles into a service. The purpose is to further expand this automotive business domain outward from the connected sector to cover the themes of sharing and services too.

Making telematics even easier to use

New potential for the mobility society



We provide cloud services using technologies, chiefly IoT, that target automobiles and many other categories of mobility.



By analyzing and using a diverse array of data obtained from mobility, we will prevent automobile accidents, reduce traffic jams, use vehicles more efficiently and facilitate other forms of progress. Our goal is to use automobile driving data to solve a variety of social issues.

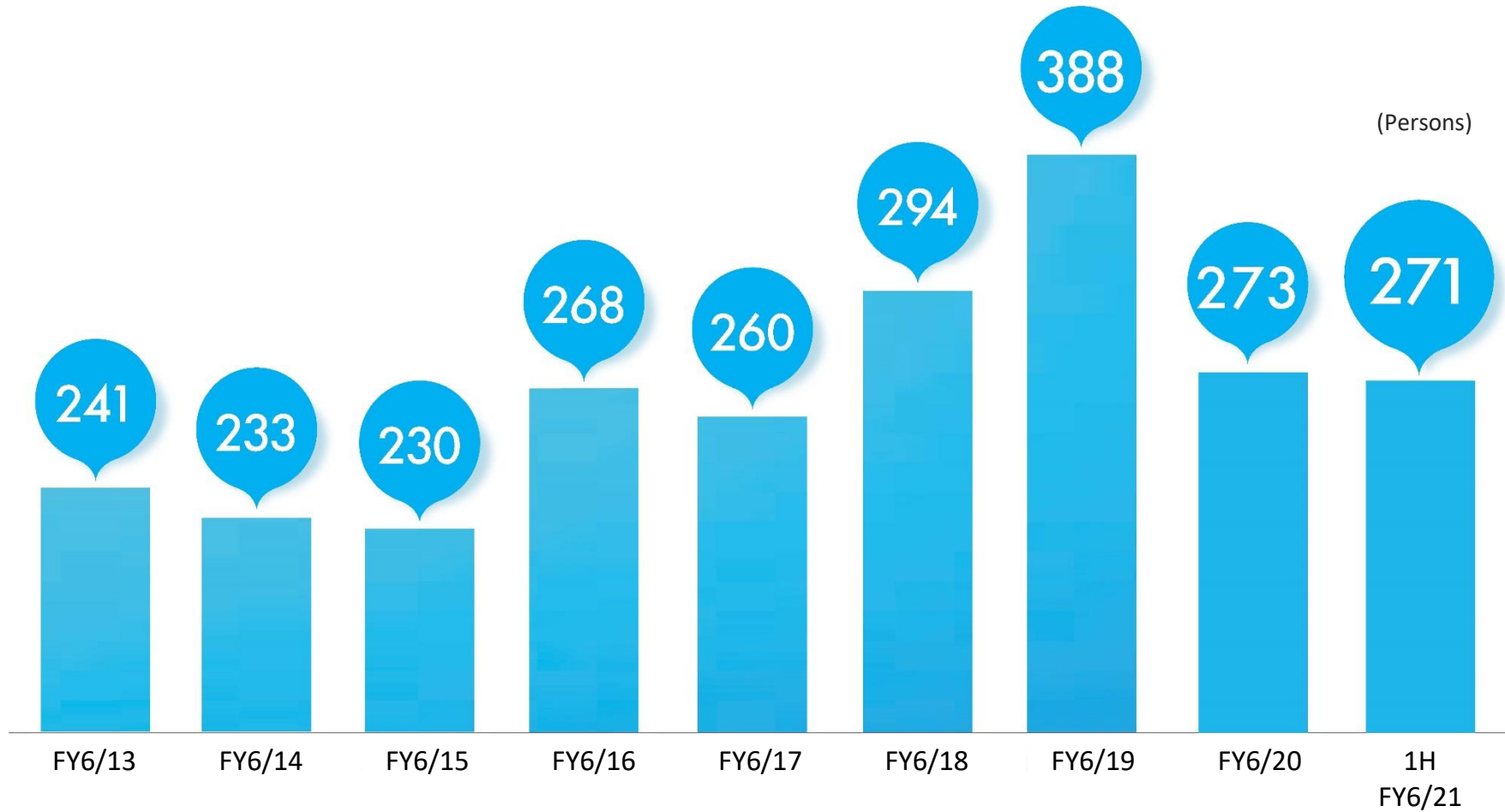


The Smartvalue CIEMS Series is an IoT service for company vehicles for driving safety, compliance with traffic laws and more efficient business operations. This service is currently used by about 350 companies and 23,000 vehicles.

*As of June 30, 2020



Smartvalue Group Employees



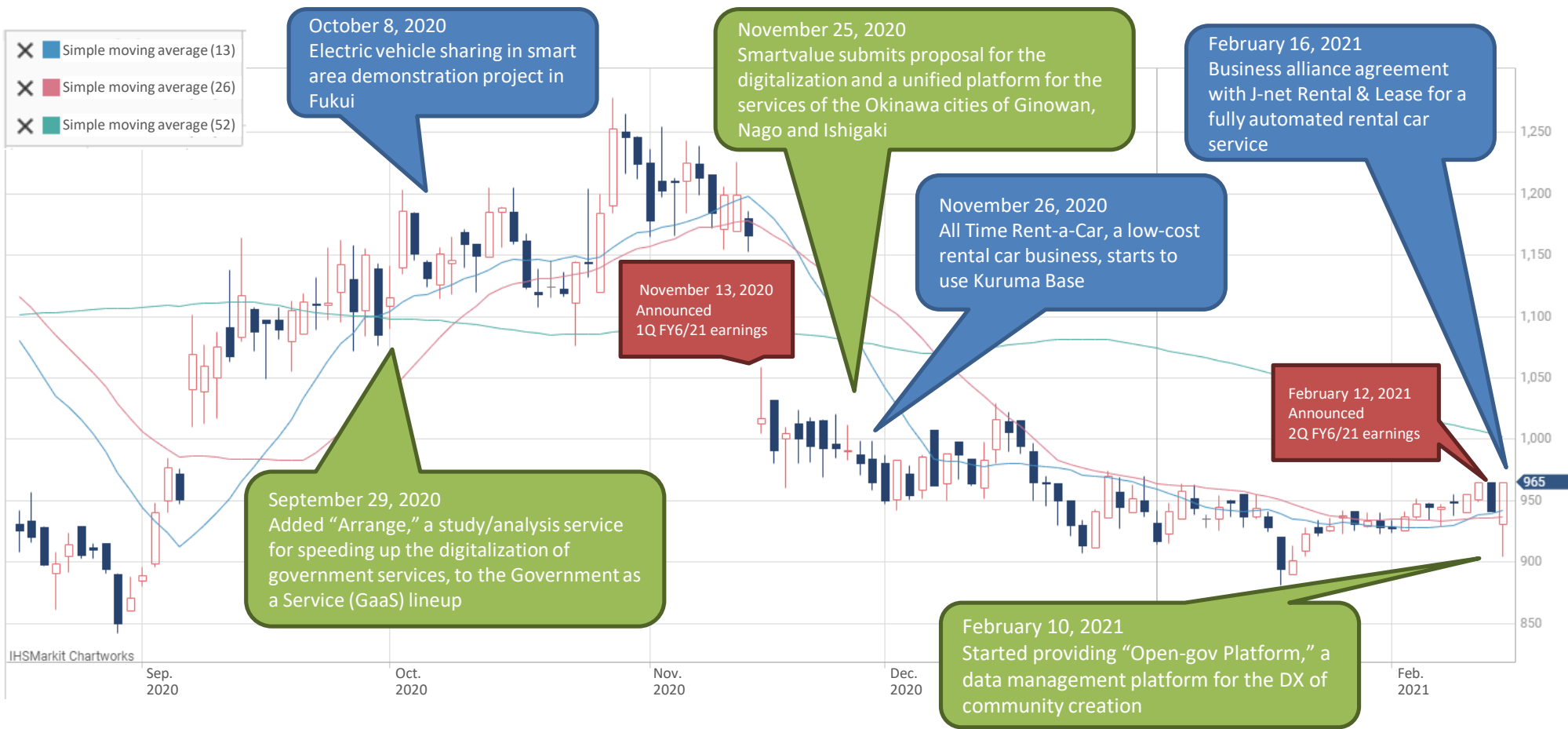
* The 1H FY6/21 number is as of December 31, 2020.

The number of temporary employees is not shown because it is less than 10% of the total number of employees.

Stock Chart

Source: Electronic version of the Nihon Keizai Shimbun, Smart Chart (August 16, 2020 –February 15, 2021 (daily price))

Tokyo Stock Exchange, First Section Securities code: 9417 Closing price on February 15, 2021	Stock price:	965 yen	Trading unit:	100 shares
	Minimum purchase:	95,600 yen	Market capitalization:	9,906 million yen
	PER:	-	Number of shares outstanding:	10,264,800 shares



- Monetary figures in this presentation are shown in millions with the remainder rounded down. Percentages are shown to first decimal place and are rounded off.
- Forecasts and other forward-looking statements in this presentation are based on Smartvalue's judgments at the time this presentation was prepared. Smartvalue does not guarantee the accuracy of this information.
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