

## Consolidated Financial Results for the Fiscal Year Ended June 30, 2021

[Japanese GAAP]

August 13, 2021

Company name: Smartvalue Co., Ltd.

Listing: Tokyo Stock Exchange, First Section

Securities code: 9417

URL: <https://www.smartvalue.ad.jp/>

Representative: Jun Shibuya, President and CEO

Contact: Tomoe Daimon, Division Manager, President's Office

Tel: +81-(0)6-6227-5577

Scheduled date of Annual General Meeting of Shareholders: September 27, 2021

Scheduled date of payment of dividend: September 28, 2021

Scheduled date of filing of Annual Securities Report: September 28, 2021

Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: Yes (for institutional investors and analysts)

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

### 1. Consolidated Financial Results for the Fiscal Year Ended June 30, 2021 (July 1, 2020 to June 30, 2021)

(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	%
Fiscal year ended Jun. 30, 2021	3,446	(42.2)	(605)	-	(580)	-	(1,407)	-
Fiscal year ended Jun. 30, 2020	5,958	(23.0)	(239)	-	(223)	-	32	(83.0)

Note: Comprehensive income (millions of yen) Fiscal year ended Jun. 30, 2021: (1,407) (-%)  
Fiscal year ended Jun. 30, 2020: 32 (down 83.0%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Jun. 30, 2021	(140.54)	-	(49.4)	(15.6)	(17.6)
Fiscal year ended Jun. 30, 2020	3.31	3.28	0.9	(4.9)	(4.0)

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Jun. 30, 2021: - Fiscal year ended Jun. 30, 2020: -

Note: Diluted net income per share for the fiscal year ended June 30, 2021 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	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Jun. 30, 2021	2,740	2,117	77.3	211.00
As of Jun. 30, 2020	4,692	3,583	76.4	359.65

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2021: 2,117 As of Jun. 30, 2020: 3,583

### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended Jun. 30, 2021	(938)	(236)	(77)	770
Fiscal year ended Jun. 30, 2020	392	1,007	(83)	2,022

## 2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividends on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended Jun. 30, 2020	-	0.00	-	8.00	8.00	79	241.7	2.2
Fiscal year ended Jun. 30, 2021	-	0.00	-	8.00	8.00	80	(5.7)	2.8
Fiscal year ending Jun. 30, 2022 (forecasts)	-	0.00	-	8.00	8.00		86.5	

## 3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2022 (July 1, 2021 to June 30, 2022)

(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	1,835	31.2	(236)	-	(231)	-	(237)	-	(23.68)
Full year	4,518	31.1	78	-	112	-	92	-	9.25

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in scope of consolidation): Yes

Newly added: 1 (One Bright KOBE Co., Ltd.) Excluded: -

(2) 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

(3) Number of shares outstanding (common shares)

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

As of Jun. 30, 2021: 10,264,800 shares As of Jun. 30, 2020: 10,264,800 shares

2) Number of treasury shares at the end of the period

As of Jun. 30, 2021: 227,890 shares As of Jun. 30, 2020: 300,690 shares

3) Average number of shares outstanding during the period

Fiscal year ended Jun. 30, 2021: 10,015,318 shares Fiscal year ended Jun. 30, 2020: 9,951,249 shares

**Reference: Summary of Non-consolidated Financial Results**

**1. Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2021 (July 1, 2020 to June 30, 2021)**

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Jun. 30, 2021	3,116	(44.9)	(557)	-	(518)	-	(1,405)	-
Fiscal year ended Jun. 30, 2020	5,657	(25.6)	(182)	-	(156)	-	50	(78.2)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Jun. 30, 2021	(140.29)	-
Fiscal year ended Jun. 30, 2020	5.10	5.05

Note: Diluted net income per share for the fiscal year ended June 30, 2021 is not presented, because net loss was posted despite the existence of latent shares with a dilution effect.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Jun. 30, 2021	2,571	2,177	84.7	216.96
As of Jun. 30, 2020	4,695	3,641	77.5	365.41

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2021: 2,177 As of Jun. 30, 2020: 3,641

\* The current financial report is not subject to audit by certified public accountants or auditing firm.

\* 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. Overview of Results of Operations, (4) Outlook" on page 5 of the attachments regarding preconditions or other related matters for the forecasts.

## Contents of Attachments

1. Overview of Results of Operations	2
(1) Results of Operations	2
(2) Financial Position	4
(3) Cash Flows	4
(4) Outlook	5
2. Basic Approach to the Selection of Accounting Standards	5
3. Consolidated Financial Statements and Notes	6
(1) Consolidated Balance Sheet	6
(2) Consolidated Statements of Income and Comprehensive Income	8
(3) Consolidated Statement of Changes in Equity	10
(4) Consolidated Statement of Cash Flows	11
(5) Notes to Consolidated Financial Statements	12
Going Concern Assumption	12
Changes in Accounting Policies	12
Reclassifications	12
Notes concerning Accounting-based Estimates	12
Segment and Other Information	14
Per-share Information	17
Subsequent Events	17

## 1. Overview of Results of Operations

### (1) Results of Operations

The global COVID-19 pandemic, the third declaration of a state of emergency in Japan in April 2021 and other events continued to impact the Japanese economy during the fiscal year ended June 30, 2021. Nevertheless, there are signs of an economic upturn due to measures in Japan and other countries to prevent the spread of infections.

Consumer spending in Japan was sluggish in some categories due to requests to stay home as much as possible and to negative consumer sentiment. Caution is needed because of the risk of a global economic downturn caused by change in the severity of the pandemic. As a result, the outlook is becoming increasingly unclear and the business climate will remain uncertain.

In the fiscal year ending in June 2022, the Tokyo Olympics and Paralympics, progress with vaccinations and the gradual reduction in restrictions on economic activity are likely to have a positive effect on the Japanese economy. However, there are still many sources of uncertainty, such as the high cost of natural resources and the emergence of new variants of the coronavirus. Depending on the severity of upcoming events, there may be issues that cannot be completely resolved by activities of the Smartvalue Group alone.

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.”

Reorganizing business operations is currently our highest priority. We believe that taking measures to focus resources on carefully selected businesses to an even higher level will be essential for the growth of corporate value. This is the reason for the sale of the mobile data communication hardware sales agent business on March 31, 2020. In addition, we shifted resources to the Cloud Solutions Business to aim for more growth.

Although there was a temporary decline in sales and earnings in the current fiscal year, partly caused by the pandemic, group companies are taking actions aimed at using the foundation for business operations to build a business model capable of sustained growth. Establishing sources of consistent earnings is one goal. There are also many actions to create highly profitable businesses by strengthening our positions in business domains with excellent prospects for growth and launching businesses that can take the Smartvalue Group in new directions.

Consolidated net sales decreased 42.2% to 3,446 million yen. There was an operating loss of 605 million yen compared with a loss of 239 million yen one year earlier and an ordinary loss of 580 million yen compared with a loss of 223 million yen one year earlier. In the non-consolidated financial statements, there is a loss on valuation of shares of subsidiaries and associates of 569 million yen due to a reexamination of the business plan of consolidated subsidiary North Detail Co., Ltd., which has been performing below expectations. As a result, all goodwill on the consolidated balance sheet that resulted from the acquisition of North Detail has been written off in accordance with the Practical Policy for Equity Consolidation Procedures in Consolidated Financial Statements. Due to this action, there is a 344 million yen amortization of goodwill in the consolidated income statement. Furthermore, there is an impairment loss of 323 million yen for non-current assets resulting from a thorough examination of the recoverability of certain assets in accordance with the Accounting Standard for the Impairment of Fixed Assets.

As a result, loss attributable to owners of parent was 1,407 million yen compared with a profit of 32 million yen one year earlier.

While taking actions to minimize the impact of the pandemic, we will continue to shift resources to the Cloud Solutions Business and take actions for increasing sales from fixed monthly payments in order to achieve a sales and earnings recovery. In addition, we are reorganizing all aspects of our operations to create a more compact and efficient structure. Our goal is to build a more powerful base for generating earnings that is backed by the best possible infrastructure for the entire Smartvalue Group.

Results by business segment were as follows.

#### Digital Government

This business provides products and services that are a platform for digital government, which involves the digitalization of government services (e-government) linked to a new concept for public services. One activity is Smart L-Gov (note 1), a cloud solution for open government (note 2) that distributes information in order to

increase the transparency of local governments. Another component of this digital government platform is GaaS (note 3), a cloud service that increases participation and linkage by providing online ties between governments and the people they serve.

During the current fiscal year, the priorities of this business were capturing orders from new customers and expanding relationships with existing customers. In addition, this business continued to implement many cost-cutting measures. Sales to local governments and other public-sector organizations resulting from orders received through competitive bids were negatively affected by cancellations of purchases and postponements of deliveries due to COVID-19. Despite these negative effects, segment sales and earnings increased to all-time highs because of activities by the Japanese government, including the decision to establish a Digital Agency, to increase the use of e-government.

Segment sales increased 14.5% from one year earlier to 1,732 million yen and the segment profit increased 135.9% to 163 million yen.

#### Mobility Services

The car solutions business, 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. The diverse activities of the mobility IoT business include the CiEMS Series (note 4), which is a connected car (note 5) service, the provision of platforms and software products for the utilization of automobile data, and Kuruma Base (note 6), which is a platform that supports car sharing and other car-as-a-service applications.

During the current fiscal year, as the COVID-19 crisis impacted the economy, the performance of this business was negatively affected by the decline in sales activities by client companies. In the car solutions category, which sells vehicle safety assistance equipment, the number of orders was low and sales fell sharply more than expected. In the telematics service (note 7) and other IoT sectors, performance was held down by the decline in the use of automobiles for business activities and in other business operations. The number of new orders was low and sales fell more than expected.

In the car sharing sector, the Kuruma Base business is benefiting from the dramatic shift from ownership to sharing regarding the utilization of automobiles. Many companies have contacted us about this service. As interest in carbon neutral (note 8) grows, demand is increasing for electric vehicles and the sharing economy is growing. As we continue the expansion of our car-as-a-service activities, we will accumulate more knowledge involving these trends in order to strengthen our ability to provide solutions.

Segment sales decreased 22.1% from one year earlier to 1,713 million yen and the segment loss was 276 million yen compared with a profit of 41 million yen one year earlier.

Business segment sales were as follows:

Business segments and categories	FY6/20		FY6/21		Year-on-year changes (%)
	Sales	Composition (%)	Sales	Composition (%)	
Cloud Solutions Business					
Digital Government	1,512,561	25.4	1,732,547	50.3	14.5
Mobility Services	2,198,694	36.9	1,713,630	49.7	(22.1)
Total	3,711,256	62.3	3,446,178	100.0	(7.1)
Mobile Data Communication Hardware Sales Agent Business	2,247,405	37.7	-	-	(100.0)
Total	5,958,661	100.0	3,446,178	100.0	(42.2)

## Explanation of terms

### Notes:

1. Smart L-Gov: A local information cloud platform provided by Smartvalue for local governments and public-sector agencies
2. 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
3. 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.
4. 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.
5. Connected car: Automobiles that use the internet to send and receive information
6. Kuruma Base: An integrated platform provided by Smartvalue that encompasses car connectivity and car-as-a-service applications
7. 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.
8. Carbon neutral: Net zero carbon dioxide emissions over an entire life cycle by balancing emissions and removal.

## (2) Financial Position

### Assets

Total assets at the end of the current fiscal year decreased 1,952 million yen from the end of the previous fiscal year to 2,740 million yen.

Current assets decreased 1,164 million yen to 1,761 million yen. Major items include increases of 105 million yen in notes and accounts receivable-trade and 199 million yen in income taxes receivable, and decreases of 1,251 million yen in cash and deposits and 139 million yen in merchandise.

Non-current assets decreased 788 million yen to 978 million yen. Major items include decreases of 231 million yen in goodwill, 236 million yen in software in progress and 174 million yen in deferred tax assets.

### Liabilities

Total liabilities decreased 486 million yen from the end of the previous fiscal year to 622 million yen.

Current liabilities decreased 538 million yen to 491 million yen. Major items include decreases of 392 million yen in income taxes payable and 150 million yen in accrued consumption taxes.

Non-current liabilities increased 52 million yen to 131 million yen. Major items include an increase of 59 million yen in long-term borrowings.

### Net assets

Net assets decreased 1,466 million yen from the end of the previous fiscal year to 2,117 million yen. This decrease was mainly the result of dividend payments of 79 million yen and a decrease in retained earnings of 1,407 million yen due to a loss attributable to owners of parent.

## (3) Cash Flows

Cash and cash equivalents (hereinafter, "cash") at the end of the current fiscal year decreased 1,251 million yen from the end of the previous fiscal year to 770 million yen, compared with 2,022 million yen at the end of the previous fiscal year. The cash flow components and the main reasons for changes are as follows.

### Cash flows from operating activities

Net cash used in operating activities was 938 million yen, compared with 392 million yen provided in the

previous fiscal year. Positive factors include amortization of goodwill of 393 million yen, impairment loss of 323 million yen and depreciation of 198 million yen. Negative factors include loss before income taxes of 1,433 million yen and income taxes paid of 379 million yen.

#### Cash flows from investing activities

Net cash used in investing activities was 236 million yen, compared with 1,007 million yen provided in the previous fiscal year. Positive factors include proceeds from refund of leasehold and guarantee deposits of 66 million yen. Negative factors include purchase of intangible assets of 268 million yen and purchase of property, plant and equipment of 42 million yen.

#### Cash flows from financing activities

Net cash used in financing activities was 77 million yen, compared with 83 million yen used in the previous fiscal year. Positive factors include proceeds from disposal of treasury shares of 21 million yen. Negative factors include dividends paid of 79 million yen and repayments of lease obligations of 18 million yen.

#### (4) Outlook

The business climate is likely to remain extremely uncertain with the risk of a further downturn of the global economy because of COVID-19.

We expect more growth of the cloud market in our business operations. One reason is that the cloud is a vital platform for the provision of IoT services. Another reason is the outlook for an even faster shift to business activities with no face-to-face interaction and contactless formats after the pandemic ends. Furthermore, the “cloud first” trend and increasing use of open government are contributing to the growth of the cloud market.

The digital government category of the Cloud Solutions Business provides cloud services that function as a social system for creating lines of communication between local governments and other public-sector entities and regional communities and the residents. The goals for this category are to add new e-government services and to create a social system capable of establishing a profit model for public-sector assets by expanding to encompass the smart city domain, including health care, sports and other sectors. The mobility services category is looking ahead to the emerging next-generation “mobility society” that will include connected cars. One step was the development and launch of our own IoT service for motor vehicles. Next, we plan to create innovative social systems that enable the utilization of data for establishing platforms for services linked to mobility.

Other priorities are training the people who are vital to our ability grow, upgrading development processes, quality management and other key functions, improving the efficiency of business operations, and adding functions to and upgrading IT systems.

Another goal is to strengthen governance in order to clearly define roles and responsibilities concerning the operation of business activities and facilitate the management of these activities with speed and agility.

By taking these actions, we are aiming for growth of the Smartvalue Group’s sales and earnings, an even stronger foundation for business activities, and more progress toward building a base for sustained growth.

Based on this outlook, we forecast a 31.1% increase in net sales to 4,518 million yen, operating profit of 78 million yen (compared with a 605 million yen loss in the previous fiscal year), ordinary profit of 112 million yen (compared with a 580 million yen loss in the previous fiscal year), and profit attributable to owners of parent of 92 million yen (compared with a 1,407 million yen loss in the previous fiscal year) in the fiscal year ending on June 30, 2022.

These projections are based on information available at the time this report was released. Actual results may differ for a variety of reasons.

## 2. Basic Approach to the Selection of Accounting Standards

The Smartvalue Group will continue to prepare consolidated financial statements using generally accepted accounting principles in Japan for the time being to permit comparisons with prior years and with the financial data of other companies. We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

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

(Thousands of yen)

	FY6/20 (As of Jun. 30, 2020)	FY6/21 (As of Jun. 30, 2021)
Assets		
Current assets		
Cash and deposits	2,022,481	770,682
Notes and accounts receivable-trade	444,818	550,147
Electronically recorded monetary claims-operating	1,452	1,903
Merchandise	294,580	155,265
Work in process	32,407	6,281
Income taxes receivable	-	199,838
Other	129,838	77,362
Allowance for doubtful accounts	-	(24)
Total current assets	2,925,579	1,761,456
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	199,114	221,448
Tools, furniture and fixtures, net	94,897	66,832
Leased assets, net	37,024	-
Construction in progress	18,641	788
Total property, plant and equipment	349,678	289,069
Intangible assets		
Goodwill	389,617	158,365
Software	218,426	147,090
Software in progress	297,628	60,839
Other	1,854	2,298
Total intangible assets	907,527	368,594
Investments and other assets		
Investment securities	21,593	1,593
Deferred tax assets	279,431	104,437
Leasehold and guarantee deposits	201,201	205,779
Other	7,988	8,881
Allowance for doubtful accounts	(83)	-
Total investments and other assets	510,130	320,692
Total non-current assets	1,767,337	978,356
Deferred assets		
Organization expenses	-	563
Total deferred assets	-	563
Total assets	4,692,916	2,740,375



	(Thousands of yen)	
	FY6/20	FY6/21
	(As of Jun. 30, 2020)	(As of Jun. 30, 2021)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	187,291	93,175
Current portion of long-term borrowings	-	6,664
Lease obligations	17,530	13,005
Income taxes payable	394,863	2,671
Provision for bonuses	42,329	40,216
Other	388,078	335,428
<b>Total current liabilities</b>	1,030,092	491,161
<b>Non-current liabilities</b>		
Long-term borrowings	-	59,674
Lease obligations	23,643	15,421
Asset retirement obligations	55,156	55,292
Other	53	912
<b>Total non-current liabilities</b>	78,853	131,299
<b>Total liabilities</b>	1,108,945	622,461
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	959,454	959,454
Capital surplus	949,720	949,720
Retained earnings	1,841,718	334,392
Treasury shares	(167,303)	(125,810)
<b>Total shareholders' equity</b>	3,583,589	2,117,756
Share acquisition rights	381	157
<b>Total net assets</b>	3,583,970	2,117,913
<b>Total liabilities and net assets</b>	4,692,916	2,740,375

**(2) Consolidated Statements of Income and Comprehensive Income****Consolidated Statement of Income**

(Thousands of yen)

	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)
Net sales	5,958,661	3,446,178
Cost of sales	4,286,528	2,783,275
Gross profit	1,672,132	662,902
Selling, general and administrative expenses	1,911,882	1,268,219
Operating loss	(239,750)	(605,316)
Non-operating income		
Interest income	156	9
Subsidy income	8,676	21,070
Penalty income	1,903	2,878
Cash contribution income	2,055	-
Other	3,690	1,539
Total non-operating income	16,482	25,497
Non-operating expenses		
Interest expenses	124	150
Amortization of organization expenses	-	29
Other	-	0
Total non-operating expenses	124	180
Ordinary loss	(223,392)	(580,000)
Extraordinary income		
Gain on sale of businesses	1,482,122	-
Total extraordinary income	1,482,122	-
Extraordinary losses		
Loss on sale of non-current assets	276	-
Loss on retirement of non-current assets	22,148	160,064
Impairment losses	102,220	323,634
Loss on valuation of investment securities	107,416	20,000
Amortization of goodwill	342,973	344,661
Other	8,650	5,220
Total extraordinary losses	583,685	853,581
Profit (loss) before income taxes	675,045	(1,433,581)
Income taxes-current	403,873	7,176
Income taxes-refund	-	(208,239)
Income taxes-deferred	238,269	174,993
Total income taxes	642,143	(26,068)
Profit (loss)	32,901	(1,407,512)
Profit (loss) attributable to owners of parent	32,901	(1,407,512)

**Consolidated Statement of Comprehensive Income**

(Thousands of yen)

	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)
Profit (loss)	32,901	(1,407,512)
Comprehensive income	32,901	(1,407,512)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	32,901	(1,407,512)
Comprehensive income attributable to non-controlling interests	-	-

**(3) Consolidated Statement of Changes in Equity**

FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)

(Thousands of yen)

	Shareholders' equity					Share acquisition rights	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		
Balance at beginning of period	959,454	949,720	1,904,349	(200,755)	3,612,768	561	3,613,329
Changes during period							
Dividends of surplus			(79,240)		(79,240)		(79,240)
Profit attributable to owners of parent			32,901		32,901		32,901
Disposal of treasury shares		(16,292)		33,452	17,160		17,160
Transfer of loss on disposal of treasury shares		16,292	(16,292)		-		-
Net changes in items other than shareholders' equity						(180)	(180)
Total changes during period	-	-	(62,631)	33,452	(29,179)	(180)	(29,359)
Balance at end of period	959,454	949,720	1,841,718	(167,303)	3,583,589	381	3,583,970

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

(Thousands of yen)

	Shareholders' equity					Share acquisition rights	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		
Balance at beginning of period	959,454	949,720	1,841,718	(167,303)	3,583,589	381	3,583,970
Changes during period							
Dividends of surplus			(79,712)		(79,712)		(79,712)
Loss attributable to owners of parent			(1,407,512)		(1,407,512)		(1,407,512)
Disposal of treasury shares		(20,100)		41,492	21,392		21,392
Transfer of loss on disposal of treasury shares		20,100	(20,100)		-		-
Net changes in items other than shareholders' equity					-	(224)	(224)
Total changes during period	-	-	(1,507,325)	41,492	(1,465,832)	(224)	(1,466,056)
Balance at end of period	959,454	949,720	334,392	(125,810)	2,117,756	157	2,117,913

**(4) Consolidated Statement of Cash Flows**

(Thousands of yen)

	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)
Cash flows from operating activities		
Profit (loss) before income taxes	675,045	(1,433,581)
Depreciation	246,769	198,231
Impairment losses	102,220	323,634
Amortization of goodwill	427,503	393,678
Increase (decrease) in allowance for doubtful accounts	83	(59)
Increase (decrease) in provision for bonuses	139	(2,112)
Increase (decrease) in allowance for short-term cancellation loss	(153)	-
Interest and dividend income	(156)	(9)
Interest expenses	124	150
Loss (gain) on sale of non-current assets	276	-
Loss on retirement of non-current assets	22,148	160,064
Loss (gain) on valuation of investment securities	107,416	20,000
Loss (gain) on sale of businesses	(1,482,122)	-
Decrease (increase) in trade receivables	338,971	(98,132)
Decrease (increase) in inventories	61,393	165,441
Increase (decrease) in trade payables	(214,226)	(94,115)
Increase (decrease) in accounts payable-other	16,679	(13,792)
Increase (decrease) in accrued consumption taxes	137,844	(156,393)
Other, net	(40,288)	(21,338)
Subtotal	399,668	(558,332)
Interest and dividends received	156	9
Interest paid	(124)	(160)
Income taxes paid	(7,241)	(379,853)
Net cash provided by (used in) operating activities	392,459	(938,336)
Cash flows from investing activities		
Purchase of property, plant and equipment	(183,955)	(42,442)
Proceeds from sale of property, plant and equipment	9	-
Purchase of intangible assets	(414,323)	(268,094)
Proceeds from sale of businesses	1,767,962	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	12,950
Payments of leasehold and guarantee deposits	(160,118)	(4,395)
Proceeds from refund of leasehold and guarantee deposits	13,411	66,160
Payments for asset retirement obligations	(16,425)	-
Other, net	1,388	(545)
Net cash provided by (used in) investing activities	1,007,948	(236,366)
Cash flows from financing activities		
Proceeds from short-term borrowings	300,000	200,000
Repayments of short-term borrowings	(300,000)	(200,000)
Proceeds from disposal of treasury shares	16,980	21,168
Repayments of lease obligations	(21,279)	(18,447)
Dividends paid	(79,019)	(79,816)
Net cash provided by (used in) financing activities	(83,319)	(77,095)
Net increase (decrease) in cash and cash equivalents	1,317,088	(1,251,799)
Cash and cash equivalents at beginning of period	705,393	2,022,481
Cash and cash equivalents at end of period	2,022,481	770,682

**(5) Notes to Consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Changes in Accounting Policies**

Not applicable.

**Reclassifications**

## Notes to Consolidated Balance Sheet

“Leasehold and guarantee deposits,” included in “other” under “investments and other assets” in the previous fiscal year, is reclassified and presented as a separate line item in the current fiscal year, due to an increase in the materiality of impact in the context of consolidated financial statements. To conform to this change, the consolidated financial statements for the previous fiscal year are restated.

Accordingly, “other” of 209 million yen under “investments and other assets” in the consolidated balance sheet of the previous fiscal year has been reclassified as “leasehold and guarantee deposits” of 201 million yen and “other” of 7 million yen.

## Notes to Consolidated Statement of Cash Flows

“Increase (decrease) in accrued consumption taxes,” included in “other, net” under “cash flows from operating activities” in the previous fiscal year, is reclassified and presented as a separate line item in the current fiscal year, due to an increase in the materiality of impact in the context of consolidated financial statements. To conform to this change, the consolidated financial statements for the previous fiscal year are restated.

Accordingly, “other, net” of 97 million yen under “cash flows from operating activities” in the consolidated statement of cash flows of the previous fiscal year has been reclassified as “increase (decrease) in accrued consumption taxes” of 137 million yen and “other, net” of -40 million yen.

## Application of the Accounting Standard for Disclosure of Accounting Estimates

Smartvalue started to apply the Accounting Standard for Disclosure of Accounting Estimates (Accounting Standards Board of Japan (ASBJ) Statement No. 31, March 31, 2020) at the beginning of the current fiscal year. There is a note concerning significant accounting estimates used for the consolidated financial statements.

However, based on the transitional treatment in the proviso to Paragraph 11 of this accounting standard, this note does not include information about the previous fiscal year.

**Notes concerning Accounting-based Estimates**

Accounting estimates are reasonable figures based on information that was available when the consolidated financial statements were prepared.

For the following figures in the consolidated financial statements for the current fiscal year that are based on accounting estimates, there is a risk of a significant effect on consolidated financial statements in the following fiscal years.

## 1. Impairment losses of non-current assets

## (1) Impairment in the fiscal year ended June 30, 2021

Property, plant and equipment	289 million yen
Intangible assets	368 million yen
<hr/> Total	<hr/> 657 million yen

## (2) Additional explanation concerning accounting estimates

The Cloud Solutions Business of the Smartvalue Group consists of the digital government segment and mobility services segment. These segments are the smallest service categories for the independent generation of cash flows and for the impairment of non-current assets. The digital government segment is one asset group. The April 1, 2021 additional investment in consolidated subsidiary Storks, which operates the Nishinomiya Storks professional basketball team, resulted in goodwill of 158 million yen because of the extra earnings anticipated in accordance with this company's business plan. As a result, the professional basketball team that this company plans to operate is one asset group.

Decisions about whether or not to post an impairment loss for an asset group where there are indications that an impairment may be needed are based on if the business activities using a group have been consistently unprofitable or producing a negative cash flow, if this situation is expected to continue, if the business climate has worsened significantly, and on other factors that may result in the need for impairment.

In the current fiscal year, an impairment factor was identified in the asset group for digital government because of business operations have been consistently unprofitable. To determine if impairment is needed, we calculated future cash flows, before discounting, of this asset group based on our business plan. This resulted in the decision that impairment is not needed. The business plan used for calculating future cash flows before discounting includes sales and operating profit forecasts using the expected number of contracts, which are significant assumptions. These assumptions are affected by forecasts concerning market conditions and the economy. In addition, there is uncertainty about upcoming changes in the severity of the pandemic and when this crisis will end. The effect of the pandemic is incorporated in the business plan by using certain assumptions and this plan is then used to estimate future cash flows from individual asset groups.

If there is a need to reexamine the assumptions used for estimates because of economic uncertainty or some other future event, there may be a need for additional impairment losses in the consolidated financial statements for the fiscal year ending in June 2022 or afterward.

## 2. Deferred tax assets

## (1) Deferred tax assets in the fiscal year ended June 30, 2021

Deferred tax assets      104 million yen

## (2) Additional explanation concerning accounting estimates

Deferred tax assets are recognized to the extent that these assets are expected to reduce future tax payments by eliminating deductible temporary differences in the future or using losses carried forward to offset taxable income. Decisions about the ability to use deferred tax assets are based on the schedule for the elimination of taxable temporary differences, the outlook for taxable income based on the profitability of business operations, tax planning and other items.

Taxable income in the future based on profitability is estimated by using the business plan. However, this business plan was prepared by using certain assumptions that reflect significant uncertainties such as, but not limited to, changes in the severity of the pandemic and in the outlook for when this crisis will end, major changes in the economy or market conditions, the effects of these events on orders received, and other factors.

If there is a need to reexamine the assumptions used for estimates because of economic uncertainty or some other future event, there may have a significant impact on the amount of deferred tax assets in the consolidated financial statements for the fiscal year ending in June 2022 or afterward.

## Segment and Other Information

### Segment Information

#### 1. Overview of reportable segments

##### (1) Method of determining reportable segments

Segments used for financial reporting are the Smartvalue Group's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Smartvalue Group has business divisions based on the products and services. Each division determines comprehensive strategies and conducts business operations for its products and services.

Accordingly, the Smartvalue Group has two reportable segments that are classified by products or services and based on the business divisions: Digital Government and Mobility Services.

In prior years, the Mobile Data Communication Hardware Sales Agent Business was classified as the Mobile Business and the sales agent business that sells mobile data communication hardware to companies in the Cloud Solutions Business. Smartvalue sold the Mobile Data Communication Hardware Sales Agent Business on March 31, 2020.

##### (2) Products and services by each reportable segment

The Digital Government Business provides products and services that are a platform for digital government, which involves the digitalization of government services (e-government) linked to a new concept for public services. One activity is Smart L-Gov, a cloud solution for open government that distributes information in order to increase the transparency of local governments. Another component of this digital government platform is GaaS, a cloud service that increases participation and linkage by providing online ties between governments and the people they serve.

The Mobility Services Business includes the car solutions business, 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. There are also the diverse activities of the mobility IoT business that include the CiEMS Series, which is a connected car service, the provision of platforms and software products for the utilization of automobile data, and Kuruma Base, which is a platform that supports car sharing and other car-as-a-service applications.

The Mobile Data Communication Hardware Sales Agent Business engaged in sales of the mobile communications products of NTT Docomo, Inc. and other products.

In prior years, the Mobile Data Communication Hardware Sales Agent Business was classified as the Mobile Business and the sales agent business that sells mobile data communication hardware to companies in the Cloud Solutions Business. Smartvalue sold the Mobile Data Communication Hardware Sales Agent Business on March 31, 2020.

##### (3) Information related to revisions to reportable segments

In prior years the Group has operated in two business domains that were also reportable segments: the Cloud Solutions Business and the Mobile Business. To concentrate resources on strategically important activities, the mobile data communication hardware sales agent business was sold on March 31, 2020. The Smartvalue Group is now focusing on activities for the growth of the Cloud Solutions Business. Due to the resulting change in the composition of the Group's business activities, the Smartvalue Group's reportable segments have been changed from the Cloud Solutions Business and Mobility Business to the Digital Government Business and Mobility Services Business beginning with FY6/21.

The segment information for the Mobile Data Communication Hardware Sales Agent Business, which has been sold, includes the Mobile Business which has been deleted, and the sales agent business for the sale of data communications hardware to companies, an activity that was included in the Cloud Solutions Business in prior years.



The segment information for FY6/20 is prepared based on the revised business segments.

2. Calculation method for net sales, profit or loss, assets, liabilities and other items for each reportable segment

The accounting methods for reportable segments are the same as the methods used for preparing the consolidated financial statements.

3. Information related to net sales, profit or loss, assets, liabilities and other items for each reportable segment

FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)

(Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Digital Government	Mobility Services	Mobile Data Communication Hardware Sales Agent	Total		
Net sales						
External sales	1,512,561	2,198,694	2,247,405	5,958,661	-	5,958,661
Inter-segment sales and transfers	-	-	-	-	-	-
Total	1,512,561	2,198,694	2,247,405	5,958,661	-	5,958,661
Segment profit	69,462	41,355	236,093	346,911	(586,661)	(239,750)
Segment assets	819,067	979,646	-	1,798,713	2,894,202	4,692,916
Other items						
Depreciation	109,586	97,625	22,979	230,191	16,577	246,769
Amortization of goodwill	-	-	-	-	427,503	427,503
Impairment loss	-	102,220	-	102,220	-	102,220
Increase in property, plant and equipment and intangible assets	196,903	282,753	-	479,656	154,468	634,124

Notes: 1. Adjustments are as follows.

- (1) The negative adjustment of 586 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 belong to the administrative division of Smartvalue and amortization of goodwill.
  - (2) The 2,894 million yen adjustment to segment assets includes corporate assets that are not allocated to any of the reportable segments and mainly include cash and deposits and assets related to the administrative division of Smartvalue.
  - (3) The 16 million yen adjustment to depreciation includes depreciation of corporate assets that are not allocated to any of the reportable segments.
  - (4) The 154 million yen adjustment to the increase in property, plant and equipment and intangible assets is the sum of corporate assets that are not allocated to any of reportable segments, including software that is used by Smartvalue's administration division.
  - (5) Amortization of goodwill includes goodwill amortization of 342 million yen recorded in extraordinary losses.
2. Segment profit is adjusted to be consistent with operating loss in the consolidated financial statements.

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

(Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Digital Government	Mobility Services	Mobile Data Communication Hardware Sales Agent	Total		
Net sales						
External sales	1,732,547	1,713,630	-	3,446,178	-	3,446,178
Inter-segment sales and transfers	-	-	-	-	-	-
Total	1,732,547	1,713,630	-	3,446,178	-	3,446,178
Segment profit (loss)	163,864	(276,272)	-	(112,407)	(492,909)	(605,316)
Segment assets	943,927	557,737	-	1,501,665	1,238,709	2,740,375
Other items						
Depreciation	103,897	85,928	-	189,825	8,405	198,231
Amortization of goodwill	4,060	-	-	4,060	389,617	393,678
Impairment loss	5,405	318,229	-	323,634	-	323,634
Increase in property, plant and equipment and intangible assets	270,201	221,706	-	491,907	2,227	494,135

Notes: 1. Adjustments are as follows.

- (1) The negative adjustment of 492 million yen to segment profit (loss) includes corporate expenses that are not allocated to any of the reportable segments and mainly consist of general and administrative expenses that belong to the administrative division of Smartvalue and amortization of goodwill.
  - (2) The 1,238 million yen adjustment to segment assets includes corporate assets that are not allocated to any of the reportable segments and mainly include cash and deposits and assets related to the administrative division of Smartvalue.
  - (3) The 8 million yen adjustment to depreciation includes depreciation of corporate assets that are not allocated to any of the reportable segments.
  - (4) The 2 million yen adjustment to the increase in property, plant and equipment and intangible assets is the sum of corporate assets that are not allocated to any of reportable segments, including software that is used by Smartvalue's administration division.
  - (5) Amortization of goodwill includes goodwill amortization of 344 million yen recorded in extraordinary losses.
2. Segment profit (loss) is adjusted to be consistent with operating loss in the consolidated financial statements.

Information related to impairment loss of non-current assets for each reportable segment

FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)

This information is omitted because the same information is presented in segment information.

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

This information is omitted because the same information is presented in segment information.

Information related to goodwill amortization and the unamortized balance for each reportable segment

FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)

(Thousands of yen)

	Reportable segment				Adjustment	Amounts shown on consolidated financial statements
	Digital Government	Mobility Services	Mobile Data Communication Hardware Sales Agent	Total		
Balance at end of period	-	-	-	-	389,617	389,617

Note: Goodwill amortization is omitted because the same information is presented in segment information.

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

(Thousands of yen)

	Reportable segment				Adjustment	Amounts shown on consolidated financial statements
	Digital Government	Mobility Services	Mobile Data Communication Hardware Sales Agent	Total		
Balance at end of period	158,365	-	-	158,365	-	158,365

Note: Goodwill amortization is omitted because the same information is presented in segment information.

Information related to gain on bargain purchase for each reportable segment

FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)

Not applicable.

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

Not applicable.

### Per-share Information

(Yen)

	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)
Net assets per share	359.65	211.00
Net income (loss) per share	3.31	(140.54)
Diluted net income per share	3.28	-

Notes: 1. Diluted net income per share for FY6/21 is not presented, because net loss was posted despite the existence of latent shares with a dilution effect.

2. The basis of calculating net income per share and diluted net income per share is as follows:

(Thousands of yen)

	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)
Net income per share		
Profit (loss) attributable to owners of parent	32,901	(1,407,512)
Amounts not attributable to common shareholders	-	-
Profit (loss) attributable to common shareholders of parent	32,901	(1,407,512)
Average number of common shares outstanding during the period (shares)	9,951,249	10,015,318
Diluted net income per share		
Adjustment to profit attributable to owners of parent	-	-
Increase in the number of common shares (shares)	91,871	-
[of which share acquisition rights (shares)]	[91,871]	[-]
Summary of dilutive shares not included in the calculation of diluted net income per share since there was no dilutive effect	-	-

### 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.