

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending June 30, 2022
(Three Months Ended September 30, 2021)

[Japanese GAAP]

November 12, 2021

Company name: Smartvalue Co., Ltd.

Listing: Tokyo Stock Exchange, First Section

Securities code: 9417

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Scheduled date of filing of Quarterly Report:

November 12, 2021

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 First Quarter of the Fiscal Year Ending June 30, 2022
(July 1, 2021 to September 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	%
Three months ended Sep. 30, 2021	788	16.5	(136)	-	(132)	-	(135)	-
Three months ended Sep. 30, 2020	676	(62.7)	(195)	-	(194)	-	(141)	-

Note: Comprehensive income (millions of yen)

Three months ended Sep. 30, 2021: (135) (-%)

Three months ended Sep. 30, 2020: (141) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Sep. 30, 2021	(13.50)	-
Three months ended Sep. 30, 2020	(14.11)	-

Note: Diluted net income per share is not presented, because net loss was posted despite the existence of latent shares with a dilution effect.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2021	2,569	1,942	75.6
As of Jun. 30, 2021	2,740	2,117	77.3

Reference: Shareholders' equity (millions of yen)

As of Sep. 30, 2021: 1,942

As of Jun. 30, 2021: 2,117

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2021	-	0.00	-	8.00	8.00
Fiscal year ending Jun. 30, 2022	-	-	-	-	-
Fiscal year ending Jun. 30, 2022 (forecast)	-	0.00	-	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, 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

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

*** Notes**

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

(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: Yes

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares outstanding (common shares)

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

As of Sep. 30, 2021:	10,264,800 shares	As of Jun. 30, 2021:	10,264,800 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2021:	225,490 shares	As of Jun. 30, 2021:	227,890 shares
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3) Average number of shares outstanding during the period

Three months ended Sep. 30, 2021:	10,039,023 shares	Three months ended Sep. 30, 2020:	10,006,549 shares
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* The current quarterly financial report is not subject to the quarterly review by certified public accountants or auditing firms.

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

Cautionary statement with respect to forecasts

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

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first quarter of the current fiscal year, the Japanese economy was affected by the global spread of COVID-19 and the surge of a fifth wave around July 2021 in Japan, leading to the expansion of a state of emergency to 21 prefectures. However, the number of people infected declined as measures were taken to prevent the spread of the disease in Japan and overseas and the state of emergency was lifted, causing the economy to show signs of an overall recovery.

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 due to change in the severity of the pandemic caused by new variants of the coronavirus. As a result, the outlook is becoming increasingly unclear and the business climate will remain uncertain.

Concerning economic trends from the first quarter onward, consumer confidence is expected to improve now that the state of emergency has lifted. 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.”

Although the situation remained difficult in the first quarter, 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 increased 16.5% to 788 million yen. There was an operating loss of 136 million yen compared with a loss of 195 million yen one year earlier and an ordinary loss of 132 million yen compared with a loss of 194 million yen one year earlier.

As a result, loss attributable to owners of parent was 135 million yen compared with a loss of 141 million yen one year earlier.

While taking actions to minimize the impact of the pandemic, we will continue to take actions for increasing sales from fixed monthly payments in the Cloud Solutions Business 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 (note 1), which involves the digitalization of government services (e-government) linked to a new concept for public services. One activity 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 component of this digital government platform is GaaS (note 4), a cloud service that increases participation and linkage by providing online ties between governments and the people they serve.

During the first quarter, 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 remained strong because of activities by the Japanese government to increase the use of e-government. Meanwhile, segment profit decreased year-on-year due to recording amortization of goodwill for Storks Co., Ltd., which became a consolidated subsidiary in April 2021.

Segment sales increased 43.8% from one year earlier to 402 million yen and the segment loss was 47 million yen

compared with a loss of 36 million yen one year earlier.

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 5), which is a connected car (note 6) service, the provision of platforms and software products for the utilization of automobile data, and Kuruma Base (note 7), which is a platform that supports car sharing and other car-as-a-service applications.

During the first quarter, 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.

In addition, cost of sales has been curtailed due to a fall in depreciation and amortization along with other factors, and we are working to control selling, general and administrative expenses by improving operational efficiency.

Segment sales decreased 2.7% from one year earlier to 386 million yen and the segment profit was 32 million yen compared with a loss of 31 million yen one year earlier.

Explanation of terms

Notes:

1. Digital government: The aim is to enhance labor-saving and convenience for public institutions, residents, and businesses by making it possible to perform official procedures online and to centralize information by building a database.
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. Carbon neutral: Net zero carbon dioxide emissions over an entire life cycle by balancing emissions and removal.

(2) Explanation of Financial Position

1) Assets

Total assets at the end of the first quarter decreased 170 million yen from the end of the previous fiscal year to 2,569 million yen.

Current assets decreased 149 million yen to 1,611 million yen. Major items include decreases of 105 million yen in cash and deposits and 52 million yen in notes and accounts receivable-trade, and contract assets.

Non-current assets decreased 21 million yen to 956 million yen. Major items include decreases of 4 million yen in buildings and structures and 17 million yen in software.

2) Liabilities

Total liabilities increased 4 million yen from the end of the previous fiscal year to 627 million yen.

Current liabilities increased 20 million yen to 511 million yen. Major items include increases of 11 million yen in current portion of long-term borrowings and 3 million yen in income taxes payable.

Non-current liabilities decreased 15 million yen to 115 million yen. Major items include a decrease of 11 million yen in long-term borrowings.

3) Net assets

Net assets decreased 175 million yen from the end of the previous fiscal year to 1,942 million yen. This decrease was mainly the result of dividend payments of 80 million yen and a decrease in retained earnings of 135 million yen due to a loss attributable to owners of parent, while there was an increase in capital surplus of 40 million yen due to a third-party investment in Storks Co., Ltd., a consolidated subsidiary.

(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, 2022 that was announced in the “Consolidated Financial Results for the Fiscal Year Ended June 30, 2021 (Japanese GAAP)” on August 13, 2021.

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)

	FY6/21 (As of Jun. 30, 2021)	First quarter of FY6/22 (As of Sep. 30, 2021)
Assets		
Current assets		
Cash and deposits	770,682	665,485
Notes and accounts receivable-trade, and contract assets	550,147	497,957
Electronically recorded monetary claims-operating	1,903	-
Merchandise	155,265	130,808
Work in process	6,281	26,287
Income taxes receivable	199,838	208,241
Other	77,362	83,073
Allowance for doubtful accounts	(24)	(22)
Total current assets	1,761,456	1,611,831
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	221,448	216,816
Other, net	67,621	64,626
Total property, plant and equipment	289,069	281,442
Intangible assets		
Goodwill	158,365	154,304
Software	147,090	129,729
Other	63,138	73,801
Total intangible assets	368,594	357,835
Investments and other assets		
Deferred tax assets	104,437	103,728
Leasehold and guarantee deposits	205,779	205,055
Other	10,475	8,930
Total investments and other assets	320,692	317,713
Total non-current assets	978,356	956,991
Deferred assets		
Organization expenses	563	533
Share issuance costs	-	467
Total deferred assets	563	1,000
Total assets	2,740,375	2,569,824
Liabilities		
Current liabilities		
Accounts payable-trade	93,175	96,812
Current portion of long-term borrowings	6,664	18,338
Income taxes payable	2,671	6,395
Provision for bonuses	40,216	39,184
Other	348,433	350,522
Total current liabilities	491,161	511,252
Non-current liabilities		
Long-term borrowings	59,674	48,000
Asset retirement obligations	55,292	55,326
Other	16,333	12,487
Total non-current liabilities	131,299	115,813
Total liabilities	622,461	627,066

	(Thousands of yen)	
	FY6/21 (As of Jun. 30, 2021)	First quarter of FY6/22 (As of Sep. 30, 2021)
Net assets		
Shareholders' equity		
Share capital	959,454	959,454
Capital surplus	949,720	989,720
Retained earnings	334,392	117,919
Treasury shares	(125,810)	(124,485)
Total shareholders' equity	2,117,756	1,942,607
Share acquisition rights	157	150
Total net assets	2,117,913	1,942,757
Total liabilities and net assets	2,740,375	2,569,824

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

(Thousands of yen)

	First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)	First three months of FY6/22 (Jul. 1, 2021 – Sep. 30, 2021)
Net sales	676,675	788,503
Cost of sales	557,138	596,083
Gross profit	119,537	192,419
Selling, general and administrative expenses	315,218	328,536
Operating loss	(195,681)	(136,117)
Non-operating income		
Interest income	5	2
Subsidy income	417	1,480
Penalty income	498	881
Other	377	1,013
Total non-operating income	1,299	3,377
Non-operating expenses		
Interest expenses	-	134
Amortization of organization expenses	-	29
Amortization of share issuance costs	-	27
Other	0	7
Total non-operating expenses	0	199
Ordinary loss	(194,381)	(132,938)
Extraordinary losses		
Loss on retirement of non-current assets	4	0
Total extraordinary losses	4	0
Loss before income taxes	(194,386)	(132,938)
Income taxes-current	1,761	1,891
Income taxes-deferred	(54,942)	709
Total income taxes	(53,181)	2,601
Loss	(141,204)	(135,539)
Loss attributable to owners of parent	(141,204)	(135,539)

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

	(Thousands of yen)	
	First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)	First three months of FY6/22 (Jul. 1, 2021 – Sep. 30, 2021)
Loss	(141,204)	(135,539)
Comprehensive income	(141,204)	(135,539)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(141,204)	(135,539)
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.

Changes in Accounting Policies

Application of the Accounting Standard for Revenue Recognition

Smartvalue has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of the current fiscal year. Based on this standard, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers. The main change due to the application of the Accounting Standard for Revenue Recognition is that Smartvalue previously applied the percentage-of-completion method to construction contracts for which the outcome was deemed certain and the completed-contract method when this requirement was not met; however, the method was changed to recognize revenue over a certain period of time as the performance obligation to transfer goods or services to customers is satisfied. Moreover, the method of estimating progress related to the fulfillment of performance obligations is calculated by the input method based on the ratio of incurred costs to the total estimated construction costs. The cost recovery standard is applied when it is expected that the costs incurred on construction projects for which the progress cannot be reasonably estimated will be collected. For construction contracts with a very short development period, Smartvalue applies an alternative method of recognizing revenue when the performance obligation is fully satisfied.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional measures in the proviso to Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

The effect of this change on retained earnings at the beginning of the first quarter of the current fiscal year and profit in the first quarter of the current fiscal year is insignificant.

Due to the application of the Accounting Standard for Revenue Recognition, "Notes and accounts receivable-trade" that were presented under the current assets in the consolidated balance sheets in the previous fiscal year is, from the first quarter of the current fiscal year, included in "Notes and accounts receivable-trade, and contract assets." Furthermore, in accordance with the transitional treatment prescribed in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), Smartvalue has not presented information on revenue from contracts with customers broken down for the first quarter of the previous fiscal year.

Application of the Accounting Standard for Fair Value Measurement

Smartvalue has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) from the beginning of the first quarter of the current fiscal year, and has applied the new accounting standard set forth by the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

There is no effect of the application of these standards on the quarterly consolidated financial statements.

Additional Information

There have been no significant changes to the key assumptions used in the accounting estimates for the impact of COVID-19 described in Notes (Significant Accounting Estimates) in the Annual Securities Report for the fiscal year ended June 30, 2021.

Segment and Other Information

Segment Information

First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 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)
	Digital Government	Mobility Services	Total		
Net sales					
External sales	279,657	397,017	676,675	-	676,675
Inter-segment sales and transfers	-	-	-	-	-
Total	279,657	397,017	676,675	-	676,675
Segment loss	(36,307)	(31,241)	(67,549)	(128,131)	(195,681)

Notes: 1. The negative adjustment of 128 million yen to segment loss includes corporate expenses that are not allocated to any of the reportable segments and mainly consist of general and administrative expenses and goodwill amortization that cannot be attributed to any reportable segments.

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

2. Information related to assets for each reportable segment

Not applicable.

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

Not applicable.

First three months of FY6/22 (Jul. 1, 2021 – Sep. 30, 2021)

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)
	Digital Government	Mobility Services	Total		
Net sales					
Goods or services that are transferred at a point in time	13,436	219,889	233,325	-	233,325
Goods or services that are transferred over a certain period of time	388,828	166,349	555,178	-	555,178
Revenue from contracts with customers	402,264	386,239	788,503	-	788,503
Other revenue	-	-	-	-	-
External sales	402,264	386,239	788,503	-	788,503
Inter-segment sales and transfers	-	-	-	-	-
Total	402,264	386,239	788,503	-	788,503
Segment profit (loss)	(47,497)	32,475	(15,022)	(121,094)	(136,117)

Notes: 1. The negative adjustment of 121 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 cannot be attributed to any reportable segments.

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

2. Information related to assets for each reportable segment

Not applicable.

3. Information related to impairment losses of non-current assets or goodwill, etc. for each reportable segment
Not applicable.

4. Information related to revisions to reportable segments

As described in Changes in Accounting Policies, Smartvalue has applied the Accounting Standard for Revenue Recognition from the beginning of the first quarter of FY6/22 and changed the accounting method for revenue recognition. Accordingly, the method for calculating segment profit or loss has been changed as well.

The effect of this change on sales and segment profit or loss of the reporting segments is insignificant.

Revenue Recognition

Information on revenue from contracts with customers broken down is described in the Notes, Segment and Other Information).

Subsequent Events

Additional acquisition of subsidiary's shares

At a meeting of the Board of Directors held on September 16, 2021, Smartvalue resolved to undertake part of the capital increase through third-party allotment for One Bright KOBE Co. Ltd., a consolidated subsidiary of Smartvalue and operator of Kobe Arena. The payment was completed on October 15, 2021.

1. Summary of the transaction

One Bright KOBE Co. Ltd., a consolidated subsidiary of Smartvalue, resolved at the general meeting of shareholders held on September 16, 2021, to execute a capital increase through third-party allotment with the following details, and the payment was completed on October 15, 2021. The said funds are planned to be used for business related to the Kobe Arena operation.

(1) Details of the third-party allotment and allottees for the capital increase

Total number of shares to be issued	28,000 shares
Payment amount	1,400,000 thousand yen
Capital and legal capital surplus after capital increase	Capital: 750,000 thousand yen Legal capital surplus: 750,000 thousand yen
Payment date	October 15, 2021
Allottees	Smartvalue: 22,000 shares NTT DOCOMO, INC.: 6,000 shares

(2) Number and ratio of shares held after capital increase

Shareholders	Before capital increase		After capital increase	
	Number of shares held	Percentage of voting rights	Number of shares held	Percentage of voting rights
Smartvalue	2,000 shares	100%	24,000 shares	80%
NTT DOCOMO, INC.	-	-	6,000 shares	20%
Total	2,000 shares	100%	30,000 shares	100%

2. Summary of the accounting process to be implemented

The process will be treated as a transaction with non-controlling shareholders under common control in accordance with the Accounting Standard for Business Combinations as well as the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.

3. Matters related to additional acquisition of subsidiary shares

Acquisition cost of the acquired company and breakdown by type of consideration

Payment for the acquisition	Cash	1,100,000 thousand yen
Acquisition cost		1,100,000 thousand yen

4. Matters concerning changes in Smartvalue's equity in transactions with non-controlling shareholders

(1) Main reasons for changes in capital surplus

Additional acquisition of a subsidiary's shares and allocation of new shares to a third party by a consolidated subsidiary

(2) Increase in capital surplus due to transactions with non-controlling shareholders

5,168 thousand yen

Borrowing of a large amount of funds

At a meeting of the Board of Directors held on October 12, 2021, Smartvalue resolved to implement the following borrowings to partially underwrite a capital increase through third-party allotment for consolidated subsidiary One Bright KOBE Co., Ltd. The loan was executed on October 15, 2021.

Details of the borrowings

(1) Borrower	Sumitomo Mitsui Banking Corporation
(2) Amount of borrowings	1,100,000 thousand yen
(3) Borrowing date	October 15, 2021
(4) Repayment deadline	January 4, 2022
(5) Repayment method	Lump-sum repayment on due date
(6) Interest rate	Basic rate + 0.70% (variable rate)
(7) Availability of collateral	Smartvalue shares held by Commons & Sense Co., Ltd. where Jun Shibuya, Director, President and CEO of Smartvalue, has a majority of voting rights

* 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.