

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending June 30, 2022
(Six Months Ended December 31, 2021)

[Japanese GAAP]

February 14, 2022

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:

February 14, 2022

Scheduled date of payment of dividend:

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Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly 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 Second Quarter of the Fiscal Year Ending June 30, 2022
(July 1, 2021 to December 31, 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	%
Six months ended Dec. 31, 2021	1,677	19.9	(199)	-	(196)	-	(204)	-
Six months ended Dec. 31, 2020	1,399	(58.8)	(381)	-	(378)	-	(280)	-

Note: Comprehensive income (millions of yen)

Six months ended Dec. 31, 2021: (208) (-%)

Six months ended Dec. 31, 2020: (280) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Dec. 31, 2021	(20.40)	-
Six months ended Dec. 31, 2020	(28.03)	-

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 Dec. 31, 2021	3,966	2,219	48.6
As of Jun. 30, 2021	2,740	2,117	77.3

Reference: Shareholders' equity (millions of yen)

As of Dec. 31, 2021: 1,928

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	-	0.00			
Fiscal year ending Jun. 30, 2022 (forecast)			-	8.00	8.00

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

3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 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
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 Dec. 31, 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 Dec. 31, 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

Six months ended Dec. 31, 2021:	10,039,167 shares	Six months ended Dec. 31, 2020:	10,010,230 shares
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* The current quarterly financial report is not subject to the quarterly review by certified public accountants or auditing firms.

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

Cautionary statement with respect to forecasts

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to Smartvalue's management at the time these materials were prepared. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to the section "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements" on page 5 of the attachments regarding preconditions or other related matters for the forecasts.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first half 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. Among the services segments of Smartvalue, Digital Government, which provides cloud-based services to municipalities and local governments, has not been affected to any significant extent, but Mobility Services, which provides commercial vehicle sharing services for businesses, has been affected by mobility constraints, and there is a certain degree of risk of contract cancellations by existing customers due to the economic downturn.

Concerning economic trends from the first half onward, the sixth wave of the COVID-19 pandemic has hit Japan and the number of people infected with the Omicron strain has increased significantly since January 2022. Although priority measures to prevent the spread of the disease have been implemented, it is expected that the number of people infected will inevitably continue to rise. Depending on the severity of events, there may be issues that cannot be completely resolved by activities of the Smartvalue Group alone. We are aware that there is an urgent need to build a business model that is not affected by the COVID-19 pandemic and are developing services that are not affected in the “with Corona” era.

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 half, partly caused by the pandemic, we are in the process of shifting our entire business to a sustainable growth model, and the actions we have taken since the previous fiscal year are starting to off. Consequently, significant year-on-year improvement has been achieved. Moreover, we are also taking actions to create highly profitable businesses by establishing sources of consistent earnings, 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 19.9% to 1,677 million yen. There was an operating loss of 199 million yen compared with a loss of 381 million yen one year earlier and an ordinary loss of 196 million yen compared with a loss of 378 million yen one year earlier.

As a result, loss attributable to owners of parent was 204 million yen compared with a loss of 280 million yen one year earlier.

Notwithstanding a net loss attributable to owners of parent, we are ahead about 13% of the consolidated earnings forecast for the first half of the current fiscal year, which was disclosed on August 13, 2021. Therefore, no change has been made to the full-year forecast, given that the business is heavily weighted towards the second half of the year.

While taking actions to minimize the impact of the pandemic, we will work to expand our earnings base by securing an increase in monthly recurring revenue (MRR) in the Cloud Solutions business. In addition, we are reorganizing all aspects of our operations to create a more compact and efficient structure. Our goal is to create a new business model that is an extension of our current business.

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 half, 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, there was the recording of amortization of goodwill for Storks Co., Ltd., which became a consolidated subsidiary in April 2021. As a result, segment sales increased 48.9% from one year earlier to 874 million yen and the segment loss was 65 million yen compared with a loss of 63 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 development 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 half, in the car sharing sector, despite the impact of the decline in the use of commercial vehicles by businesses due to mobility constraints, the Kuruma Base business is benefiting from the dramatic shift from ownership to sharing regarding the utilization of automobiles. As interest in carbon neutral (note 8) grows, demand is increasing for electric vehicles. We continue 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 1.1% from one year earlier to 803 million yen and the segment profit was 111 million yen compared with a loss of 63 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, liabilities and net assets

1) Assets

Total assets at the end of the second quarter increased 1,226 million yen from the end of the previous fiscal year to 3,966 million yen.

Current assets increased 1,264 million yen to 3,026 million yen. Major items include a decrease of 199 million yen in income taxes receivable, while there was an increase of 1,473 million yen in cash and deposits.

Non-current assets decreased 41 million yen to 937 million yen. Major items include decreases of 9 million yen in buildings and structures and 38 million yen in software in progress.

Deferred assets increased 2 million yen to 3 million yen. Major items include an increase of 2 million yen in share issuance cost.

2) Liabilities

Total liabilities increased 1,124 million yen from the end of the previous fiscal year to 1,747 million yen.

Current liabilities increased 1,143 million yen to 1,634 million yen. Major items include increases of 1,100 million yen in short-term borrowings, 15 million yen in income taxes payable and 15 million yen in accrued consumption taxes.

Non-current liabilities decreased 18 million yen to 112 million yen. Major items include decreases of 11 million yen in long-term borrowings and 6 million yen in lease obligations.

3) Net assets

Net assets increased 101 million yen from the end of the previous fiscal year to 2,219 million yen. This increase was mainly the result of an increase in capital surplus of 90 million yen due to a third-party investment in Storks Co., Ltd., a consolidated subsidiary, an increase in capital surplus of 5 million yen due to a third-party investment in One Bright KOBE Co. Ltd., and an increase of 291 million yen in non-controlling interests, while there were dividend payments of 80 million yen and a decrease in retained earnings of 204 million yen due to a loss attributable to owners of parent.

2. Cash flows

Cash and cash equivalents (hereinafter, "cash") at the end of the second quarter increased 1,473 million yen from the end of the previous fiscal year to 2,244 million yen, compared with 728 million yen at the end of the second quarter 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 provided by operating activities was 113 million yen, compared with 1,082 million yen used in the same period of the previous fiscal year. Positive factors include depreciation of 56 million yen, a 17 million yen decrease in inventories, a 17 million yen increase in accrued consumption taxes and income taxes refund of 208 million yen. Negative factors include loss before income taxes of 196 million yen.

Cash flows from investing activities

Net cash used in investing activities was 38 million yen, compared with 140 million yen used in the same period of the previous fiscal year. Negative factors include purchase of property, plant and equipment of 10 million yen and purchase of intangible assets of 28 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 1,398 million yen, compared with 71 million yen used in the same period of the previous fiscal year. Positive factors include proceeds from short-term borrowings of 1,100 million yen and proceeds from share issuance to non-controlling shareholders of 386 million yen. Negative factors include dividends paid of 80 million yen and repayments of lease obligations of 6 million yen.

(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)	Second quarter of FY6/22 (As of Dec. 31, 2021)
Assets		
Current assets		
Cash and deposits	770,682	2,244,321
Notes and accounts receivable-trade, and contract assets	550,147	555,340
Electronically recorded monetary claims-operating	1,903	-
Merchandise	155,265	110,057
Work in process	6,281	34,199
Income taxes receivable	199,838	0
Other	77,362	82,197
Allowance for doubtful accounts	(24)	(25)
Total current assets	1,761,456	3,026,090
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	221,448	212,183
Other, net	67,621	63,055
Total property, plant and equipment	289,069	275,238
Intangible assets		
Goodwill	158,365	150,244
Software	147,090	176,029
Other	63,138	26,665
Total intangible assets	368,594	352,939
Investments and other assets		
Deferred tax assets	104,437	96,580
Leasehold and guarantee deposits	205,779	205,338
Other	10,475	7,186
Total investments and other assets	320,692	309,106
Total non-current assets	978,356	937,284
Deferred assets		
Organization expenses	563	503
Share issuance costs	-	2,907
Total deferred assets	563	3,410
Total assets	2,740,375	3,966,786
Liabilities		
Current liabilities		
Accounts payable-trade	93,175	92,451
Short-term borrowings	-	1,100,000
Current portion of long-term borrowings	6,664	16,672
Income taxes payable	2,671	18,005
Provision for bonuses	40,216	40,054
Other	348,433	367,173
Total current liabilities	491,161	1,634,357
Non-current liabilities		
Long-term borrowings	59,674	48,000
Asset retirement obligations	55,292	55,360
Other	16,333	9,440
Total non-current liabilities	131,299	112,800
Total liabilities	622,461	1,747,157

	(Thousands of yen)	
	FY6/21 (As of Jun. 30, 2021)	Second quarter of FY6/22 (As of Dec. 31, 2021)
Net assets		
Shareholders' equity		
Share capital	959,454	959,454
Capital surplus	949,720	1,044,888
Retained earnings	334,392	48,612
Treasury shares	(125,810)	(124,485)
Total shareholders' equity	2,117,756	1,928,469
Share acquisition rights	157	150
Non-controlling interests	-	291,009
Total net assets	2,117,913	2,219,628
Total liabilities and net assets	2,740,375	3,966,786

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

(Thousands of yen)

	First six months of FY6/21 (Jul. 1, 2020 – Dec. 31, 2020)	First six months of FY6/22 (Jul. 1, 2021 – Dec. 31, 2021)
Net sales	1,399,024	1,677,256
Cost of sales	1,148,185	1,209,188
Gross profit	250,838	468,067
Selling, general and administrative expenses	632,365	667,687
Operating loss	(381,527)	(199,620)
Non-operating income		
Interest income	5	2
Subsidy income	875	2,004
Penalty income	1,481	1,496
Other	1,123	1,857
Total non-operating income	3,486	5,360
Non-operating expenses		
Interest expenses	-	1,987
Amortization of share issuance costs	-	59
Amortization of organization expenses	-	293
Other	-	18
Total non-operating expenses	-	2,359
Ordinary loss	(378,041)	(196,619)
Extraordinary losses		
Loss on retirement of non-current assets	7	0
Early termination fee	5,220	-
Total extraordinary losses	5,227	0
Loss before income taxes	(383,268)	(196,619)
Income taxes-current	3,523	4,193
Income taxes-deferred	(106,155)	7,856
Total income taxes	(102,631)	12,050
Loss	(280,636)	(208,669)
Loss attributable to non-controlling interests	-	(3,822)
Loss attributable to owners of parent	(280,636)	(204,847)

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

	(Thousands of yen)	
	First six months of FY6/21 (Jul. 1, 2020 – Dec. 31, 2020)	First six months of FY6/22 (Jul. 1, 2021 – Dec. 31, 2021)
Loss	(280,636)	(208,669)
Comprehensive income	(280,636)	(208,669)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(280,636)	(204,847)
Comprehensive income attributable to non-controlling interests	-	(3,822)

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months ofFY6/21 (Jul. 1, 2020 – Dec. 31, 2020)	First six months ofFY6/22 (Jul. 1, 2021 – Dec. 31, 2021)
Cash flows from operating activities		
Loss before income taxes	(383,268)	(196,619)
Depreciation	89,935	56,738
Amortization of goodwill	22,477	8,121
Increase (decrease) in allowance for doubtful accounts	21	0
Increase (decrease) in provision for bonuses	(103)	(162)
Interest and dividend income	(5)	(2)
Interest expenses	-	1,987
Loss on retirement of non-current assets	7	0
Decrease (increase) in trade receivables	(18,519)	(3,290)
Decrease (increase) in inventories	(190,061)	17,289
Increase (decrease) in trade payables	(28,996)	(724)
Increase (decrease) in accrued consumption taxes	(178,826)	17,459
Other, net	(28,440)	11,751
Subtotal	(715,777)	(87,450)
Interest and dividends received	5	2
Interest paid	-	(2,079)
Income taxes paid	(366,949)	(5,121)
Income taxes refund	-	208,240
Net cash provided by (used in) operating activities	(1,082,722)	113,592
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,946)	(10,190)
Purchase of intangible assets	(196,279)	(28,974)
Payments of leasehold and guarantee deposits	(1,482)	(2,099)
Proceeds from refund of leasehold and guarantee deposits	64,636	2,540
Net cash provided by (used in) investing activities	(140,071)	(38,724)
Cash flows from financing activities		
Proceeds from short-term borrowings	-	1,100,000
Repayments of long-term borrowings	-	(1,666)
Proceeds from share issuance to non-controlling shareholders	-	386,799
Proceeds from disposal of treasury shares	14,376	679
Repayments of lease obligations	(9,571)	(6,854)
Dividends paid	(75,855)	(80,188)
Net cash provided by (used in) financing activities	(71,050)	1,398,769
Net increase (decrease) in cash and cash equivalents	(1,293,844)	1,473,638
Cash and cash equivalents at beginning of period	2,022,481	770,682
Cash and cash equivalents at end of period	728,637	2,244,321

(4) 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 (Accounting Standards Board of Japan (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 half 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 half 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 six months of FY6/21 (Jul. 1, 2020 – Dec. 31, 2020)

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

(Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Digital Government	Mobility Services	Total		
Net sales					
External sales	586,917	812,107	1,399,024	-	1,399,024
Inter-segment sales and transfers	-	-	-	-	-
Total	586,917	812,107	1,399,024	-	1,399,024
Segment loss	(63,875)	(63,468)	(127,343)	(254,183)	(381,527)

Notes: 1. The negative adjustment of 254 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 six months of FY6/22 (Jul. 1, 2021 – Dec. 31, 2021)

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

	Reportable segment			Adjustment (Note 1)	(Thousands of yen)
	Digital Government	Mobility Services	Total		Amounts shown on quarterly consolidated statement of income (Note 2)
Net sales					
Goods or services that are transferred at a point in time	42,915	440,393	483,308	-	483,308
Goods or services that are transferred over a certain period of time	831,262	362,685	1,193,947	-	1,193,947
Revenue from contracts with customers	874,177	803,078	1,677,256	-	1,677,256
Other revenue	-	-	-	-	-
External sales	874,177	803,078	1,677,256	-	1,677,256
Inter-segment sales and transfers	-	-	-	-	-
Total	874,177	803,078	1,677,256	-	1,677,256
Segment profit (loss)	(65,074)	111,536	46,462	(246,082)	(199,620)

Notes: 1. The negative adjustment of 246 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.

* 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.