

Consolidated Financial Results for the Fiscal Year Ended June 30, 2022

[Japanese GAAP]

August 12, 2022

Company name: Smartvalue Co., Ltd.

Securities code: 9417

Representative: Jun Shibuya, President and CEO

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

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

Listing: Tokyo Stock Exchange

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

Scheduled date of Annual General Meeting of Shareholders: September 29, 2022

Scheduled date of payment of dividend: September 30, 2022

Scheduled date of filing of Annual Securities Report: September 30, 2022

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, 2022 (July 1, 2021 to June 30, 2022)

(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, 2022	3,805	10.4	(15)	-	8	-	1	-
Fiscal year ended Jun. 30, 2021	3,446	(42.2)	(605)	-	(580)	-	(1,407)	-

Note: Comprehensive income (millions of yen) Fiscal year ended Jun. 30, 2022: 22 (-%)

Fiscal year ended Jun. 30, 2021: (1,407) (-%)

	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, 2022	0.11	0.11	0.1	0.2	(0.4)
Fiscal year ended Jun. 30, 2021	(140.54)	-	(49.4)	(15.6)	(17.6)

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Jun. 30, 2022: - Fiscal year ended Jun. 30, 2021: -

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, 2022	4,120	2,451	51.8	212.60
As of Jun. 30, 2021	2,740	2,117	77.3	211.00

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2022: 2,134 As of Jun. 30, 2021: 2,117

(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, 2022	596	(1,175)	1,271	1,463
Fiscal year ended Jun. 30, 2021	(938)	(236)	(77)	770

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividends on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended Jun. 30, 2021	Yen -	Yen 0.00	Yen -	Yen 8.00	Yen 8.00	Millions of yen 80	% (5.7)	% 2.8
Fiscal year ended Jun. 30, 2022	Yen -	Yen 0.00	Yen -	Yen 8.00	Yen 8.00	Millions of yen 80	% 7,272.7	% 3.8
Fiscal year ending Jun. 30, 2023 (forecasts)	Yen -	Yen 0.00	Yen -	Yen 8.00	Yen 8.00		% 169.5	

3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2023 (July 1, 2022 to June 30, 2023)

(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	1,938	15.6	(169)	-	(169)	-	(127)	-	(12.69)
Full year	4,539	19.3	48	-	42	415.0	47	-	4.72

*** Notes**

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

(2) 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

(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, 2022: 10,264,800 shares As of Jun. 30, 2021: 10,264,800 shares

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

As of Jun. 30, 2022: 225,490 shares As of Jun. 30, 2021: 227,890 shares

3) Average number of shares outstanding during the period

Fiscal year ended Jun. 30, 2022: 10,039,238 shares Fiscal year ended Jun. 30, 2021: 10,015,318 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2022 (July 1, 2021 to June 30, 2022)

(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, 2022	3,026	(2.9)	15	-	39	-	37	-
Fiscal year ended Jun. 30, 2021	3,116	(44.9)	(557)	-	(518)	-	(1,405)	-

	Net income per share		Diluted net income per share	
	Yen		Yen	
Fiscal year ended Jun. 30, 2022	3.76		3.75	
Fiscal year ended Jun. 30, 2021	(140.29)		-	

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, 2022	3,569		2,135		59.8		212.74	
As of Jun. 30, 2021	2,571		2,177		84.7		216.96	

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2022: 2,135 As of Jun. 30, 2021: 2,177

* 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	6
3. Consolidated Financial Statements and Notes	7
(1) Consolidated Balance Sheet	7
(2) Consolidated Statements of Income and Comprehensive Income	9
(3) Consolidated Statement of Changes in Equity	11
(4) Consolidated Statement of Cash Flows	13
(5) Notes to Consolidated Financial Statements	14
Going Concern Assumption	14
Changes in Accounting Policies	14
Additional Information	15
Segment and Other Information	15
Per-share Information	18
Subsequent Events	19

1. Overview of Results of Operations

(1) Results of Operations

The economy in Japan during the current fiscal year was held down by the global COVID-19 pandemic, which has produced sixth and seventh waves of infections in Japan and still shows no signs of ending. However, the economies of many countries are recovering as Japan and other countries take actions to contain the pandemic while supporting economic growth.

In Japan, consumer sentiment is declining as the cost of resources rise due to the Ukraine crisis and the yen's depreciation due to the widening gap between Japanese and U.S. interest rates is fueling inflation. These events are also creating concerns about a downturn in corporate earnings as effective purchasing power declines and expenses climb. The United States and many other countries have switched to tight monetary policies in response to inflation worldwide. There is a risk of the global economic recovery ending as these policies raise interest rates and as logistics turmoil caused by lockdowns in Shanghai and other events restrict manufacturing and create shortages of products. As a result, caution is required due to the increasingly uncertain outlook for the economy. Digital Government, which provides cloud-based services to municipalities and local governments, has not been affected significantly by the current business climate. However, Mobility Services, which provides commercial vehicle sharing services for businesses, has been affected by mobility constraints and the increase in the cost of operating vehicles because of the high cost of energy. In addition, there is a risk of contract cancellations by existing customers due to the economic downturn.

In this challenging business climate, the activities of the Smartvalue Group are guided by the mission of “combining ‘smart’ systems and technologies to create social systems that can thrive for many years.”

Focusing resources on the Cloud Solutions Business will be essential for increasing the corporate value of the Smartvalue Group. In one step to achieve this focus, the mobile data communications hardware sales agent business was sold on March 31, 2020. However, the pandemic severely impacted sales and earnings in the fiscal years that ended in June 2020 and June 2021.

In the fiscal year that ended in June 2022, the pandemic continued to affect business operations. In response, there have been numerous measures since the fiscal year that ended in 2021 to improve sales and earnings, such as actions to operate more efficiently and lower depreciation. In addition, there were more activities to generate monthly recurring revenue (MRR) in the cloud solutions business, shift to a business model capable of sustained growth, and create a new profit structure from a medium to long-term perspective.

Consolidated net sales increased 10.4% to 3,805 million yen. There was an operating loss of 15 million yen compared with a loss of 605 million yen one year earlier and an ordinary profit of 8 million yen compared with a loss of 580 million yen one year earlier. As a result, profit attributable to owners of parent was 1 million yen compared with a loss of 1,407 million yen one year earlier.

We will continue to work on minimizing the impact of the pandemic and increasing SaaS MRR in the Cloud Solutions Business. Other goals are constantly improving efficiency in order to offset salary increases and developing services for smart cities and other digital community creation programs. Our objectives are a recovery in earnings and the creation of a powerful profit structure capable of supporting activities based on our medium to long-term mission.

Results by business segment were as follows.

Digital Government

This business provides Gabukura (note 1), a cloud suite for local governments that is designed to increase transparency, participation and linkage of local government digital transformation open government (note 2).

Gabukura is structured for the digitalization of government services that will lead to a new concept for public services. Gabukura has three components. First is Smart-L-Gov, a cloud solution for the distribution of local government information in order to increase the transparency of open governments. Second is GaaS (note 3) for increasing participation and linkage for online ties between governments and the people they serve. Third is the Open-gov Platform, which is a data utilization platform (city OS) for “smart areas” of communities. With these capabilities, Gabukura can be used for community creation in a sustainable and democratic manner.

During the current fiscal year, in the digital government category, 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. Due to these activities, sales and earnings in this business domain increased to all-time highs.

Currently, there are up-front investments in the smart city (note 4) and smart venue (note 5) domains, where the utilization of data is expected to produce substantial medium to long-term earnings growth.

As a result, segment sales increased 29.8% from one year earlier to 2,249 million yen and the segment profit increased 39.2% from one year earlier to 228 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 6), which is a connected car (note 7) service, the provision of platforms and software development for the utilization of automobile data, and Kuruma Base (note 8), which is a platform that supports car sharing and other car-as-a-service applications. One noteworthy event is the start of a car sharing platform for electric vehicles by using automobiles made by Tesla. We believe this platform demonstrates the significant growth potential of the Mobility Services business.

During the current fiscal year, 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 in the utilization of automobiles from ownership to sharing. As interest in carbon neutrality grows, demand is increasing for electric vehicles. We will 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 controlling selling, general and administrative expenses by improving operational efficiency.

Segment sales decreased 9.2% from one year earlier to 1,556 million yen and the segment profit was 233 million yen compared with a loss of 276 million yen one year earlier.

(Thousands of yen)

Business segments and categories	FY6/21		FY6/22		Year-on-year changes (%)
	Sales	Composition (%)	Sales	Composition (%)	
Cloud Solutions Business					
Digital Government	1,732,547	50.3	2,249,199	59.1	29.8
Mobility Services	1,713,630	49.7	1,556,174	40.9	(9.2)
Total	3,446,178	100.0	3,805,373	100.0	10.4

Explanation of terms

Notes:

1. Gabukura: A regional information cloud platform suite for local governments and other public-sector institutions
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 a service for online procedures for the digitalization of government services
4. Smart city: A concept for solving issues of cities and regions by using highly advanced management (planning, maintenance, administration, operation, etc.) supported by ICT and other new technologies. Smart city is also a term for a sustainable city or region that can constantly create new value.
5. Smart venue: Sustainable facilities for interaction among people that combines many functions, including local

- area management
6. Connected car: Automobiles that use the internet to send and receive information
7. 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.
8. Kuruma Base: An integrated platform provided by Smartvalue that encompasses car connectivity and car-as-a-service applications

(2) Financial Position

Assets

Total assets at the end of the current fiscal year increased 1,380 million yen from the end of the previous fiscal year to 4,120 million yen.

Current assets increased 1,417 million yen to 3,179 million yen. Major items include decreases of 142 million yen in accounts receivable-trade and 199 million yen in income taxes receivable, while there was an increase of 1,793 million yen in cash and deposits.

Non-current assets decreased 39 million yen to 938 million yen. Major items include decreases of 18 million yen in buildings and structures, 16 million yen in goodwill and 52 million yen in software in progress, while there were increases of 37 million yen in software and 23 million yen in deferred tax assets.

Liabilities

Total liabilities increased 1,046 million yen from the end of the previous fiscal year to 1,669 million yen.

Current liabilities increased 787 million yen to 1,278 million yen. Major items include increases of 628 million yen in short-term borrowings, 84 million yen in current portion of long-term borrowings and 30 million yen in income taxes payable.

Non-current liabilities increased 259 million yen to 391 million yen. Major items include an increase of 266 million yen in long-term borrowings.

Net assets

Net assets increased 333 million yen from the end of the previous fiscal year to 2,451 million yen. This increase was mainly the result of an increase in capital surplus of 90 million yen due to a third-party allotment to non-controlling shareholders to a consolidated subsidiary Storks Co., Ltd., an increase in capital surplus of 5 million yen due to a third-party allotment in One Bright KOBE Co. Ltd. and an increase of 316 million yen in non-controlling interests, while there was a decrease of 80 million yen in retained earnings due to dividend payments.

(3) Cash Flows

Cash and cash equivalents (hereinafter, "cash") at the end of the current fiscal year increased 693 million yen from the end of the previous fiscal year to 1,463 million yen, compared with 770 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 provided by operating activities was 596 million yen, compared with 938 million yen used in the previous fiscal year. Positive factors include depreciation of 121 million yen, amortization of goodwill of 16 million yen, a 126 million yen decrease in trade receivables and contract assets, a 46 million yen decrease in inventories, a 79 million yen increase in accrued consumption taxes and income taxes refund of 208 million yen. Negative factors include a 24 million yen decrease in accounts payable-other.

Cash flows from investing activities

Net cash used in investing activities was 1,172 million yen, compared with 236 million yen used in the previous fiscal year. Positive factors include proceeds from refund of leasehold and guarantee deposits of 6 million yen.

Negative factors include payments into time deposits of 1,100 million yen, purchase of property, plant and equipment of 9 million yen and purchase of intangible assets of 64 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 1,268 million yen, compared with 77 million yen used in the previous fiscal year. Positive factors include a net increase of 628 million yen in short-term borrowings, proceeds from long-term borrowings of 358 million yen, proceeds from share issuance to non-controlling shareholders of 386 million yen. Negative factors include repayments of lease liabilities of 13 million yen and dividends paid of 80 million yen.

(4) Outlook

The outlook for the business climate is expected to remain extremely uncertain because of the risk of a further slowdown of global economic growth because of the possibility of another wave of COVID-19 infections, a worsening of the Ukraine crisis, the continuation of inflation and the yen's depreciation, and other events.

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.

Furthermore, cloud services are increasingly used to acquire data, to use data linkage platforms for open data and other data linkage, and for the analysis of data. By making data an integral element of physical communities, these activities are expected to lead to the creation of smart cities capable of solving regional issues.

The digital government category of the Cloud Solutions business uses the digitalization of local governments in order to supply cloud services that function as a social system for creating lines of communication between local governments and communities and their residents. The goal is to increase activities to earn MRR to build a stable profit structure and to be a source of convenience and value for communities by further deepening the digitalization of government services. Furthermore, in the smart city domain, which is based on the utilization of data, preparations are under way for the launch of a private-sector facility model based on an entirely new concept that includes the use of arenas and other venues as core elements.

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. After the pandemic ends, we plan to use this IoT service in a contactless car sharing platform, fully automated rental car platform and other applications. We also plan to enter the markets for the management of corporate vehicles and the provision of commercial vehicles. Our goal is to use more advanced mobility IoT technologies to provide even more and better services.

For the people of the Smartvalue Group, who are vital to our ability to grow, we will place priority on increasing salaries and improving workplace environments, including expenditures from the standpoint of investing in our human capital. In addition, there will be more progress with the digital transformation of business processes to allow people to do their jobs from almost any location.

To strengthen corporate governance, we plan to further upgrade the operation of the components of our company with a nomination and other committees governance structure, which we switched to recently, clarify the roles and responsibilities for operating businesses, and manage the Smartvalue Group with speed. By taking these actions, we are aiming for growth of sales and earnings and the establishment of an even stronger foundation for business operations by investing in community creation using data utilization, speeding up investments in our people, and other actions. Our objective is to achieve strong medium to long-term growth. Based on this outlook, we forecast a 19.3% increase in net sales to 4,539 million yen, operating profit of 48 million yen compared with a 15 million yen loss in the previous fiscal year, a 415.0% increase in ordinary profit to 42 million yen, and a 4286.4% increase in profit attributable to owners of parent to 47 million yen in the fiscal year ending on June 30, 2023.

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)	
	FY6/21 (As of Jun. 30, 2021)	FY6/22 (As of Jun. 30, 2022)
Assets		
Current assets		
Cash and deposits	770,682	2,563,701
Notes and accounts receivable-trade	550,147	-
Notes receivable-trade	-	1,492
Accounts receivable-trade	-	407,684
Contract assets	-	14,199
Electronically recorded monetary claims-operating	1,903	1,683
Merchandise	155,265	102,025
Work in process	6,281	12,832
Income taxes receivable	199,838	-
Other	77,362	75,697
Allowance for doubtful accounts	(24)	(34)
Total current assets	1,761,456	3,179,281
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	221,448	202,918
Tools, furniture and fixtures, net	66,832	53,000
Leased assets, net	-	7,616
Construction in progress	788	788
Total property, plant and equipment	289,069	264,324
Intangible assets		
Goodwill	158,365	142,122
Software	147,090	184,956
Software in progress	60,839	8,183
Other	2,298	2,414
Total intangible assets	368,594	337,676
Investments and other assets		
Investment securities	1,593	1,593
Deferred tax assets	104,437	127,775
Leasehold and guarantee deposits	205,779	203,869
Other	8,881	3,298
Allowance for doubtful accounts	-	(69)
Total investments and other assets	320,692	336,467
Total non-current assets	978,356	938,468
Deferred assets		
Organization expenses	563	444
Share issuance costs	-	2,461
Total deferred assets	563	2,906
Total assets	2,740,375	4,120,656

	(Thousands of yen)	
	FY6/21	FY6/22
	(As of Jun. 30, 2021)	(As of Jun. 30, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	93,175	87,754
Short-term borrowings	-	628,000
Current portion of long-term borrowings	6,664	91,114
Lease liabilities	13,005	14,905
Income taxes payable	2,671	33,650
Contract liabilities	-	124,618
Provision for bonuses	40,216	41,453
Other	335,428	256,898
Total current liabilities	491,161	1,278,394
Non-current liabilities		
Long-term borrowings	59,674	326,560
Lease liabilities	15,421	8,893
Asset retirement obligations	55,292	55,428
Other	912	127
Total non-current liabilities	131,299	391,009
Total liabilities	622,461	1,669,403
Net assets		
Shareholders' equity		
Share capital	959,454	959,454
Capital surplus	949,720	1,044,888
Retained earnings	334,392	254,539
Treasury shares	(125,810)	(124,485)
Total shareholders' equity	2,117,756	2,134,396
Share acquisition rights	157	150
Non-controlling interests	-	316,706
Total net assets	2,117,913	2,451,252
Total liabilities and net assets	2,740,375	4,120,656

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

	(Thousands of yen)	
	FY6/21	FY6/22
	(Jul. 1, 2020 – Jun. 30, 2021)	(Jul. 1, 2021 – Jun. 30, 2022)
Net sales	3,446,178	3,805,373
Cost of sales	2,783,275	2,518,519
Gross profit	662,902	1,286,854
Selling, general and administrative expenses	1,268,219	1,301,937
Operating loss	(605,316)	(15,083)
Non-operating income		
Interest income	9	14
Subsidy income	21,070	27,134
Penalty income	2,878	2,919
Other	1,539	2,605
Total non-operating income	25,497	32,673
Non-operating expenses		
Interest expenses	150	6,058
Amortization of organization expenses	29	118
Amortization of share issuance costs	-	849
Settlement payments	-	1,500
Other	0	835
Total non-operating expenses	180	9,361
Ordinary profit (loss)	(580,000)	8,228
Extraordinary losses		
Loss on retirement of non-current assets	160,064	0
Impairment losses	323,634	-
Loss on valuation of investment securities	20,000	-
Amortization of goodwill	344,661	-
Other	5,220	-
Total extraordinary losses	853,581	0
Profit (loss) before income taxes	(1,433,581)	8,228
Income taxes-current	7,176	8,612
Income taxes-refund	(208,239)	-
Income taxes-deferred	174,993	(23,338)
Total income taxes	(26,068)	(14,726)
Profit (loss)	(1,407,512)	22,954
Profit attributable to non-controlling interests	-	21,874
Profit (loss) attributable to owners of parent	(1,407,512)	1,080

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY6/21	FY6/22
	(Jul. 1, 2020 – Jun. 30, 2021)	(Jul. 1, 2021 – Jun. 30, 2022)
Profit (loss)	(1,407,512)	22,954
Comprehensive income	(1,407,512)	22,954
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,407,512)	1,080
Comprehensive income attributable to non-controlling interests	-	21,874

(3) Consolidated Statement of Changes in Equity

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

(Thousands of yen)

	Shareholders' equity					Share acquisition rights	Non-controlling interests	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

FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)

(Thousands of yen)

	Shareholders' equity					Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity			
Balance at beginning of period	959,454	949,720	334,392	(125,810)	2,117,756	157	-	2,117,913
Changes during period								
Dividends of surplus			(80,295)		(80,295)			(80,295)
Profit attributable to owners of parent			1,080		1,080			1,080
Disposal of treasury shares		(638)		1,324	686			686
Transfer of loss on disposal of treasury shares		638	(638)		-			-
Change in ownership interest of parent due to transactions with non-controlling interests		95,168			95,168			95,168
Net changes in items other than shareholders' equity						(7)	316,706	316,698
Total changes during period	-	95,168	(79,853)	1,324	16,639	(7)	316,706	333,338
Balance at end of period	959,454	1,044,888	254,539	(124,485)	2,134,396	150	316,706	2,451,252

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY6/21	FY6/22
	(Jul. 1, 2020 – Jun. 30, 2021)	(Jul. 1, 2021 – Jun. 30, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	(1,433,581)	8,228
Depreciation	198,231	121,714
Impairment losses	323,634	-
Amortization of goodwill	393,678	16,242
Increase (decrease) in allowance for doubtful accounts	(59)	79
Increase (decrease) in provision for bonuses	(2,112)	1,236
Interest and dividend income	(9)	(14)
Interest expenses	150	6,058
Loss on retirement of non-current assets	160,064	0
Loss (gain) on valuation of investment securities	20,000	-
Decrease (increase) in trade receivables	(98,132)	-
Decrease (increase) in trade receivables and contract assets	-	126,921
Decrease (increase) in inventories	165,441	46,689
Increase (decrease) in trade payables	(94,115)	(5,421)
Increase (decrease) in accounts payable-other	(13,792)	(24,527)
Increase (decrease) in accrued consumption taxes	(156,393)	79,795
Other, net	(21,338)	23,297
Subtotal	(558,332)	400,298
Interest and dividends received	9	14
Interest paid	(160)	(6,767)
Income taxes paid	(379,853)	(5,051)
Income taxes refund	-	208,240
Net cash provided by (used in) operating activities	(938,336)	596,735
Cash flows from investing activities		
Payments into time deposits	-	(1,100,000)
Purchase of property, plant and equipment	(42,442)	(13,323)
Purchase of intangible assets	(268,094)	(64,292)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	12,950	-
Payments of leasehold and guarantee deposits	(4,395)	(4,335)
Proceeds from refund of leasehold and guarantee deposits	66,160	6,245
Other, net	(545)	-
Net cash provided by (used in) investing activities	(236,366)	(1,175,706)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	628,000
Proceeds from long-term borrowings	-	358,000
Repayments of long-term borrowings	-	(6,664)
Proceeds from share issuance to non-controlling shareholders	-	386,689
Proceeds from disposal of treasury shares	21,168	679
Repayments of lease obligations	(18,447)	(13,498)
Repayments of lease liabilities	-	(688)
Dividends paid	(79,816)	(80,526)
Net cash provided by (used in) financing activities	(77,095)	1,271,990
Net increase (decrease) in cash and cash equivalents	(1,251,799)	693,018
Cash and cash equivalents at beginning of period	2,022,481	770,682
Cash and cash equivalents at end of period	770,682	1,463,701

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

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 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 current fiscal year, is added to or subtracted from retained earnings at the beginning of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

The effect of profit in the current fiscal year is insignificant. In addition, there is no effect of this change on retained earnings at the beginning of the current fiscal year.

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 current fiscal year, included in “Notes receivable-trade” and “Notes and accounts receivable-trade, and contract assets.” “Other” that was presented under the current liabilities is included in “Contract liabilities” and “Other” from the current fiscal year. In addition, “Decrease (increase) in trade receivables” under “cash flows from operating activities” in the consolidated statement of cash flows of the previous fiscal year is, from the current fiscal year, included in “Decrease (increase) in trade receivables and contract assets.” In accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Accounting Standard, reclassification based on the new presentation method has not been carried out for the previous fiscal year.

Furthermore, in accordance with the transitional treatment prescribed in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, disaggregated revenue arising from contracts with customers in the previous fiscal year is not presented.

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 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 consolidated financial statements.

Additional Information

Accounting Estimates for the Impact of COVID-19

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

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.

(2) Products and services by each reportable segment

The Digital Government Business provides Gabukura, a cloud suite for local governments that is designed to increase transparency, participation and linkage of local government digital transformation open government.

Gabukura is structured for the digitalization of government services that will lead to a new concept for public services. Gabukura has three components. First is Smart-L-Gov, a cloud solution for the distribution of local government information in order to increase the transparency of open governments. Second is GaaS for increasing participation and linkage for online ties between governments and the people they serve. Third is the Open-gov Platform, which is a data utilization platform (city OS) for "smart areas" of communities. With these capabilities, Gabukura can be used for community creation in a sustainable and democratic manner.

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.

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. Profits for reportable segments are generally operating profit.

As described in Changes in Accounting Policies, the Company has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the 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 in the reportable segments is insignificant.

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

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	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.

FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)

(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	225,831	840,721	1,066,552	-	1,066,552
Goods or services that are transferred over a certain period of time	2,023,368	715,453	2,738,821	-	2,738,821
Revenue from contracts with customers	2,249,199	1,556,174	3,805,373	-	3,805,373
Other revenue	-	-	-	-	-
External sales	2,249,199	1,556,174	3,805,373	-	3,805,373
Inter-segment sales and transfers	-	-	-	-	-
Total	2,249,199	1,556,174	3,805,373	-	3,805,373
Segment profit	228,026	233,098	461,125	(476,209)	(15,083)
Segment assets	2,475,099	395,358	2,870,457	1,250,198	4,120,656
Other items					
Depreciation	98,963	15,624	114,588	7,125	121,714
Amortization of goodwill	16,242	-	16,242	-	16,242
Impairment loss	-	-	-	-	-
Increase in property, plant and equipment and intangible assets	47,283	27,646	74,929	-	74,929

Notes: 1. Adjustments are as follows.

- (1) The negative adjustment of 476 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.
 - (2) The 1,250 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 7 million yen adjustment to depreciation includes depreciation of corporate assets that are not allocated to any of the reportable segments.
2. Segment profit 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

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

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

FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)

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

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

(Thousands of yen)

	Reportable segment			Adjustment	Amounts shown on consolidated financial statements
	Digital Government	Mobility Services	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.

FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)

(Thousands of yen)

	Reportable segment			Adjustment	Amounts shown on consolidated financial statements
	Digital Government	Mobility Services	Total		
Balance at end of period	142,122	-	142,122	-	142,122

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

FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)

Not applicable.

FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)

Not applicable.

Per-share Information

(Yen)

	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)	FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)
Net assets per share	211.00	212.60
Net income (loss) per share	(140.54)	0.11
Diluted net income per share	-	0.11

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)

	FY6/21 (Jul. 1, 2020 – Jun. 30, 2021)	FY6/22 (Jul. 1, 2021 – Jun. 30, 2022)
Net income per share		
Profit (loss) attributable to owners of parent	(1,407,512)	1,080
Amounts not attributable to common shareholders	-	-
Profit (loss) attributable to common shareholders of parent	(1,407,512)	1,080
Average number of common shares outstanding during the period (shares)	10,015,318	10,039,238
Diluted net income per share		
Adjustment to profit attributable to owners of parent	-	-
Increase in the number of common shares (shares)	-	24,688
[of which share acquisition rights (shares)]	[-]	[24,688]
Summary of dilutive shares not included in the calculation of diluted net income per share since there was no dilutive effect	-	-

Subsequent Events

Changes in the classification of business segments

In the fiscal year that ended in June 2022, the Smartvalue Group had two reportable segments: Digital Government and Mobility Services. We aim to create exciting content centered on stadiums, arenas and other venues that are iconic parts of communities as platforms for sports and entertainment. Our goal is to use data to create smart cities that are integral parts of their surroundings while providing a completely digital customer experience. To use digital technologies for energizing communities and creating new ideas for the future, One Bright KOBE Co., Ltd. and Storks Co., Ltd., which were included in the Digital Government segment, will be transferred to create the new Smart Venues segment. This will result in three business segments in the fiscal year ending in June 2023: Digital Government, Mobility Services and Smart Venues. The Smartvalue Board of Directors approved a resolution on August 12, 2022 to make this change.

Work is under way to determine sales, earnings, assets and other financial data for these three business segments in the fiscal year that ended in June 2022. This information will be disclosed in the Securities Report for the fiscal year ending in June 2023.

** 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.*