

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending June 30, 2023
(Three Months Ended September 30, 2022)

[Japanese GAAP]

November 14, 2022

Company name: Smartvalue Co., Ltd.

Listing: Tokyo Stock Exchange

Securities code: 9417

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Scheduled date of filing of Quarterly Report:

November 14, 2022

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

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, 2023
(July 1, 2022 to September 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	%
Three months ended Sep. 30, 2022	789	0.2	(124)	-	(126)	-	(95)	-
Three months ended Sep. 30, 2021	788	16.5	(136)	-	(132)	-	(135)	-

Note: Comprehensive income (millions of yen) Three months ended Sep. 30, 2022: (130) (-%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Sep. 30, 2022	(9.51)	-
Three months ended Sep. 30, 2021	(13.50)	-

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, 2022	3,772	2,191	50.6
As of Jun. 30, 2022	4,120	2,451	51.8

Reference: Shareholders' equity (millions of yen) As of Sep. 30, 2022: 1,910 As of Jun. 30, 2022: 2,134

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended Jun. 30, 2022	Yen -	Yen 0.00	Yen -	Yen 8.00	Yen 8.00
Fiscal year ending Jun. 30, 2023	-	-	-	-	-
Fiscal year ending Jun. 30, 2023 (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, 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

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: None

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, 2022:	10,264,800 shares	As of Jun. 30, 2022:	10,264,800 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2022:	319,490 shares	As of Jun. 30, 2022:	225,490 shares
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3) Average number of shares outstanding during the period

Three months ended Sep. 30, 2022:	10,006,974 shares	Three months ended Sep. 30, 2021:	10,039,023 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

The Japanese economy staged a recovery in the first quarter of the current fiscal year due to the benefits of government stimulus measures as well as progress with pandemic control measures and returning to normal social and economic activities. The outlook for the economy is becoming increasingly uncertain due to slowing economic growth and downturns caused by monetary tightening worldwide and other events.

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.”

In the first quarter, the pandemic continued to affect business operations. In response, there have been numerous measures since the fiscal year that ended in June 2022 to improve sales and earnings, such as actions to operate more efficiently and cut costs wherever possible. 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 0.2% to 789 million yen. There was an operating loss of 124 million yen compared with a loss of 136 million yen one year earlier and an ordinary loss of 126 million yen compared with a loss of 132 million yen one year earlier. As a result, loss attributable to owners of parent was 95 million yen compared with a loss of 135 million yen one year earlier.

We will continue to work on minimizing the impact of the pandemic and increasing sales in the SaaS MRR in the Cloud Solutions Business. Other goals are constantly improving efficiency in order to lower expenses in order to hold down the increase in expenses resulting from salary increases and developing services for smart cities and other digital community creation programs. By taking these actions, our objectives are a recovery in earnings and the creation of a powerful profit structure capable of supporting activities for accomplishing our medium to long-term mission.

Results by business segment were as follows.

Smartvalue revised its reportable segments beginning with the first quarter of the fiscal year ending on June 30, 2023. Information concerning this revision is in “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Segment Information, 4. Information related to revisions for reportable segments”.

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 first quarter, 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.

As a result, segment sales increased 9.9% from one year earlier to 396 million yen and the segment profit increased 48.9% from one year earlier to 37 million yen.

Mobility Services

The car solutions business, which dates back to Smartvalue's establishment, involves the sale of safety assistance equipment and information devices placed in automobiles. These devices target opportunities created by the growing use of electrical equipment in automobiles, often viewed as an automobile industry revolution on a scale that happens only once in a century. The diverse activities of the mobility IoT business include the CiEMS Series (note 4), which is a connected car (note 5) service, the provision of platforms and software development for the utilization of automobile data, and Kuruma Base (note 6), which is a platform that supports car sharing and other car-as-a-service applications.

During the first quarter, despite the impact of the decline in the use of commercial vehicles by businesses due to mobility constraints, there were activities for the growth of business involving cargo transport and other commercial vehicles.

In the car sharing sector, 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.

Segment sales decreased 10.1% from one year earlier to 347 million yen and the segment profit was increased 66.0% from one year earlier to 53 million yen.

Smart Venues

The smart venues business has the goal of creating sports, entertainment and other content that can be a source of enjoyment and excitement for many people. Activities are centered on stadiums and arenas that can be a symbol for an entire region. In addition, this business is using fully digital customer experiences for the creation of smart cities that use data to become integral components of society.

In the first quarter, there were investments for upcoming business activities that are not expected to start generating significant earnings until several years from now or longer. Activities for securing sponsors are continuing and there is a very high level of interest in becoming a sponsor of the venues of this business.

Segment sales increased 10.3% from one year earlier to 45 million yen and the segment loss was 93 million yen compared with a loss of 72 million yen one year earlier.

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. CiEMS Series: The Car intelligent Energy Management System analyzes and utilizes a broad array of data associated with the operation of motor vehicles to eliminate traffic accidents, reduce traffic jams, operate vehicles more efficiently and provide other benefits. By fully utilizing data obtained from the operation of cars, this system also has the goal of helping solve a variety of social issues.
5. Connected car: Automobiles that use the internet to send and receive information
6. Kuruma Base: An integrated platform provided by Smartvalue that encompasses car connectivity and car-as-a-service applications

(2) Explanation of Financial Position

1) Assets

Total assets at the end of the first quarter decreased 348 million yen from the end of the previous fiscal year to 3,772 million yen.

Current assets decreased 325 million yen to 2,854 million yen. Major items include a decrease of 394 million yen in cash and deposits, while there were increases of 44 million yen in notes and accounts receivable-trade, and contract assets, and 25 million yen in merchandise.

Non-current assets decreased 22 million yen to 915 million yen. Major items include decreases of 4 million yen in buildings and structures, 4 million yen in goodwill, 8 million yen in software and 2 million yen in deferred tax assets.

Deferred assets decreased 305 thousand yen to 2 million yen. Major items include a decrease of 275 thousand yen in share issuance cost.

2) Liabilities

Total liabilities decreased 88 million yen from the end of the previous fiscal year to 1,581 million yen.

Current liabilities decreased 66 million yen to 1,212 million yen. Major items include decreases of 34 million yen in short-term borrowings, 11 million yen in current portion of long-term borrowings, 30 million yen in income taxes payable and 7 million yen in contract liabilities, while there was an increase of 43 million yen in accounts payable-trade.

Non-current liabilities decreased 22 million yen to 368 million yen. Major items include a decrease of 19 million yen in long-term borrowings.

3) Net assets

Net assets decreased 259 million yen from the end of the previous fiscal year to 2,191 million yen. This decrease was mainly the result of a decrease of 80 million yen in retained earnings due to dividend payments and a decrease in retained earnings of 95 million yen due to a loss attributable to owners of parent, while there was an increase in treasury shares of 47 million yen due to the purchase of treasury shares.

(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, 2023 that was announced in the “Consolidated Financial Results for the Fiscal Year Ended June 30, 2022 (Japanese GAAP)” on August 12, 2022.

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)	
	FY6/22 (As of Jun. 30, 2022)	First quarter of FY6/23 (As of Sep. 30, 2022)
Assets		
Current assets		
Cash and deposits	2,563,701	2,168,988
Notes and accounts receivable-trade, and contract assets	423,376	467,461
Electronically recorded monetary claims-operating	1,683	-
Merchandise	102,025	127,390
Work in process	12,832	14,356
Other	75,697	76,039
Allowance for doubtful accounts	(34)	(38)
Total current assets	3,179,281	2,854,198
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	202,918	198,285
Other, net	61,405	57,870
Total property, plant and equipment	264,324	256,156
Intangible assets		
Goodwill	142,122	138,062
Software	184,956	176,234
Other	10,597	7,627
Total intangible assets	337,676	321,924
Investments and other assets		
Deferred tax assets	127,775	125,067
Leasehold and guarantee deposits	203,869	208,347
Other	4,891	4,290
Allowance for doubtful accounts	(69)	(69)
Total investments and other assets	336,467	337,635
Total non-current assets	938,468	915,716
Deferred assets		
Organization expenses	444	414
Share issuance costs	2,461	2,185
Total deferred assets	2,906	2,600
Total assets	4,120,656	3,772,516

	(Thousands of yen)	
	FY6/22 (As of Jun. 30, 2022)	First quarter of FY6/23 (As of Sep. 30, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	87,754	131,102
Short-term borrowings	628,000	593,140
Current portion of long-term borrowings	91,114	79,440
Income taxes payable	33,650	2,790
Provision for bonuses	41,453	40,877
Other	396,422	364,995
Total current liabilities	1,278,394	1,212,346
Non-current liabilities		
Long-term borrowings	326,560	306,700
Asset retirement obligations	55,428	55,462
Other	9,021	6,639
Total non-current liabilities	391,009	368,801
Total liabilities	1,669,403	1,581,147
Net assets		
Shareholders' equity		
Share capital	959,454	959,454
Capital surplus	1,044,888	1,044,888
Retained earnings	254,539	77,537
Treasury shares	(124,485)	(171,595)
Total shareholders' equity	2,134,396	1,910,284
Share acquisition rights	150	114
Non-controlling interests	316,706	280,969
Total net assets	2,451,252	2,191,368
Total liabilities and net assets	4,120,656	3,772,516

(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 FY6/22 (Jul. 1, 2021 – Sep. 30, 2021)	First three months of FY6/23 (Jul. 1, 2022 – Sep. 30, 2022)
Net sales	788,503	789,694
Cost of sales	596,083	589,799
Gross profit	192,419	199,895
Selling, general and administrative expenses	328,536	324,652
Operating loss	(136,117)	(124,757)
Non-operating income		
Interest income	2	6
Subsidy income	1,480	-
Penalty income	881	803
Other	1,013	348
Total non-operating income	3,377	1,157
Non-operating expenses		
Interest expenses	134	2,074
Amortization of organization expenses	29	29
Amortization of share issuance costs	27	275
Other	7	150
Total non-operating expenses	199	2,530
Ordinary loss	(132,938)	(126,131)
Extraordinary income		
Gain on reversal of share acquisition rights	-	18
Total extraordinary income	-	18
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	0
Loss before income taxes	(132,938)	(126,113)
Income taxes-current	1,891	2,096
Income taxes-deferred	709	2,708
Total income taxes	2,601	4,805
Loss	(135,539)	(130,918)
Loss attributable to non-controlling interests	-	(35,736)
Loss attributable to owners of parent	(135,539)	(95,181)

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

	(Thousands of yen)	
	First three months of FY6/22 (Jul. 1, 2021 – Sep. 30, 2021)	First three months of FY6/23 (Jul. 1, 2022 – Sep. 30, 2022)
Loss	(135,539)	(130,918)
Comprehensive income	(135,539)	(130,918)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(135,539)	(95,181)
Comprehensive income attributable to non-controlling interests	-	(35,736)

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

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, 2022.

Segment and Other Information

Segment Information

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

1. Information about net sales and profit or loss for reportable segments

	Reportable segments				Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Digital Government	Mobility Services	Smart Venues	Total		
Net sales						
Goods or services that are transferred at a point in time	10,121	219,889	3,314	233,325	-	233,325
Goods or services that are transferred over a certain period of time	351,039	166,349	37,788	555,178	-	555,178
Revenue from contracts with customers	361,161	386,239	41,103	788,503	-	788,503
Other revenue	-	-	-	-	-	-
External sales	361,161	386,239	41,103	788,503	-	788,503
Inter-segment sales and transfers	-	-	-	-	-	-
Total	361,161	386,239	41,103	788,503	-	788,503
Segment profit (loss)	25,235	32,475	(72,733)	(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 reportable segment and mainly consist of general and administrative expenses that cannot be attributed to any reportable segment.
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.

First three months of FY6/23 (Jul. 1, 2022 – Sep. 30, 2022)

1. Information about net sales and profit or loss for reportable segments

(Thousands of yen)

	Reportable segments				Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Digital Government	Mobility Services	Smart Venues	Total		
Net sales						
Goods or services that are transferred at a point in time	2,388	162,480	5,268	170,137	-	170,137
Goods or services that are transferred over a certain period of time	394,588	184,918	40,050	619,557	-	619,557
Revenue from contracts with customers	396,977	347,399	45,318	789,694	-	789,694
Other revenue	-	-	-	-	-	-
External sales	396,977	347,399	45,318	789,694	-	789,694
Inter-segment sales and transfers	-	-	-	-	-	-
Total	396,977	347,399	45,318	789,694	-	789,694
Segment profit (loss)	37,567	53,919	(93,871)	(2,385)	(122,372)	(124,757)

Notes: 1. The negative adjustment of 122 million yen to segment profit (loss) includes corporate expenses that are not allocated to any reportable segment and mainly consist of general and administrative expenses and goodwill amortization that cannot be attributed to any reportable segment .

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 reportable segments

Not applicable.

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

Not applicable.

4. Information related to revisions for reportable segments

Changes in the classification of reportable segments

In prior years, the Smartvalue Group operated in the business domains of digital government and mobility services. Currently, group companies are also focusing on the goal of using digital technologies to invigorate communities and create a brighter future. Consequently, the group's businesses have been reorganized into three reportable segments from the first three months of FY6/23 by making consolidated subsidiaries One Bright KOBE Co., Ltd. and Storks Co., Ltd., which were in the Digital Government segment, the new Smart Venues segment, The other two reportable segments are Digital Government and Mobility Services.

Reportable segment information for the first three months of FY6/22 has been restated to conform with the new reportable segments.

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.