

**Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending June 30, 2023**  
**(Nine Months Ended March 31, 2023)**

**[Japanese GAAP]**

May 15, 2023

Company name: Smartvalue Co., Ltd.

Listing: Tokyo Stock Exchange

Securities code: 9417

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

Representative: Jun Shibuya, President and CEO

Contact: Seiichiro Minami, Division Manager, Business Management

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

Scheduled date of filing of Quarterly Report:

May 15, 2023

Scheduled date of payment of dividend:

-

Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting:

None

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

**1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending June 30, 2023**  
**(July 1, 2022 to March 31, 2023)**

(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	%
Nine months ended Mar. 31, 2023	2,975	2.6	1	(94.5)	1	(96.4)	41	109.2
Nine months ended Mar. 31, 2022	2,900	16.7	23	-	50	-	19	-

Note: Comprehensive income (millions of yen)      Nine months ended Mar. 31, 2023: (14) (-%)

Nine months ended Mar. 31, 2022: 35 (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Mar. 31, 2023	4.15	4.14
Nine months ended Mar. 31, 2022	1.98	1.97

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Mar. 31, 2023	3,954	2,487	56.3
As of Jun. 30, 2022	4,120	2,451	51.8

Reference: Shareholders' equity (millions of yen)

As of Mar. 31, 2023: 2,227

As of Jun. 30, 2022: 2,134

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2022	-	0.00	-	8.00	8.00
Fiscal year ending Jun. 30, 2023	-	0.00	-		
Fiscal year ending Jun. 30, 2023 (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, 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
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 Mar. 31, 2023:	10,679,800 shares	As of Jun. 30, 2022:	10,264,800 shares
----------------------	-------------------	----------------------	-------------------

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

As of Mar. 31, 2023:	287,490 shares	As of Jun. 30, 2022:	225,490 shares
----------------------	----------------	----------------------	----------------

3) Average number of shares outstanding during the period

Nine months ended Mar. 31, 2023:	10,018,270 shares	Nine months ended Mar. 31, 2022:	10,039,214 shares
----------------------------------	-------------------	----------------------------------	-------------------

\* 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.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	4
(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements	4
2. Quarterly Consolidated Financial Statements and Notes	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
(3) Notes to Quarterly Consolidated Financial Statements	9
Going Concern Assumption	9
Significant Changes in Shareholders' Equity	9
Additional Information	9
Segment and Other Information	9
Revenue Recognition	10

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

The Japanese economy recovered during the first nine months of the current fiscal year as pandemic restrictions gradually eased, economic and social activities returned to normal, and consumer spending recovered. Government stimulus measures also supported the recovery. However, as countries worldwide raise interest rates, there are concerns about a negative effect on Japan's recovery of overseas economic downturns caused by high prices of resources and raw materials due to the prolonged Ukraine conflict, the semiconductor shortage, and other problems. Inflation, restrictions on supplies of many items, volatility of financial markets and other events are also making the outlook for the economy uncertain.

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 nine months, there are numerous measures that began in the previous fiscal year 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.

In February 2023, an equity and business alliance was established with WingArc1st Inc. that included the sale of newly issued Smartvalue stock to this company by using a third-party allotment. WingArc1st is a provider of cloud services that use a broad spectrum of data (big data). This alliance combines the local government relationships and sales expertise of Smartvalue with the advanced data utilization knowledge and experience of WingArc1st. The goal is to create new services that can contribute to progress with the digitalization of government activities.

Consolidated net sales increased 2.6% to 2,975 million yen. Operating profit decreased 94.5% to 1 million yen, ordinary profit decreased 96.4% to 1 million yen and profit attributable to owners of parent increased 109.2% to 41 million yen.

We will continue to work on minimizing the impact of the pandemic and increasing sales in the SaaS MRR in the Cloud Solutions Business. We are also continuing to improve efficiency to lower expenses in order to limit the growth of expenses caused by salary increases. Another priority is the addition of services for creating digital communities, such as services for digital government and smart cities and the development of new mobility services. By taking these actions, our goal is a further increase in earnings as we achieve a recovery in our sales and earnings and accomplish our medium to long-term mission.

Business segment performance was as follows. Segments changed in the first quarter of the current fiscal year because of the establishment of the Smart Venues segment. The new segment includes the operations of consolidated subsidiaries One Bright KOBE Co., Ltd. and Storcs Co., Ltd., which were previously included in the Digital Government segment. This revision reflects our goal of using digital technologies for the vitality of communities and an even better future for everyone. Comparisons with results of operations in the first nine months of the previous fiscal year are based on the revised business 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 nine months, 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. In addition, activities with alliance partner companies have started for the development of government digitalization services that do not rely on competitive bids.

As a result, segment sales increased 13.4% from one year earlier to 1,575 million yen and the segment profit increased 38.9% from one year earlier to 407 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.

Although the use of vehicles by companies decreased during the first nine months because of restrictions on outings, there were activities for the growth of car solutions services. The market for cargo transport and other commercial vehicles is increasing and a large company in the mobility sector is using our platform and other assistance for the development of innovative mobility services.

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 as we lower expenses and operate more efficiently.

Segment sales decreased 2.1% from one year earlier to 1,174 million yen and the segment profit increased 28.0% from one year earlier to 227 million yen.

#### Smart Venues

This 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 nine months, although there were investments for upcoming business activities, we expect to generate earnings until several years from now or longer and are conducting many activities associated with our partnership with the City of Kobe and for attracting sponsors. These activities are generating a very high level of interest as well as many prospective sponsors. We are making steady progress with the establishment of an environment that will result in substantial sales and earnings after Kobe Arena opens in 2025.

Segment sales decreased 27.6% from one year earlier to 225 million yen and the segment loss was 255 million yen compared with a loss of 85 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 third quarter decreased 166 million yen from the end of the previous fiscal year to 3,954 million yen.

Current assets decreased 93 million yen to 3,085 million yen. Major items include a decrease of 632 million yen in cash and deposits, and an increase of 529 million yen in notes and accounts receivable-trade, and contract assets.

Non-current assets decreased 75 million yen to 863 million yen. Major items include decreases of 40 million yen in software, 13 million yen in buildings and structures and 12 million yen in goodwill.

Deferred assets increased 2 million yen to 5 million yen. Major items include an increase of 2 million yen in share issuance cost.

### 2) Liabilities

Total liabilities decreased 202 million yen from the end of the previous fiscal year to 1,466 million yen.

Current liabilities decreased 138 million yen to 1,140 million yen. Major items include an increase of 18 million yen in accounts payable-trade, and decreases of 104 million yen in short-term borrowings, 11 million yen in current portion of long-term borrowings and 16 million yen in income taxes payable.

Non-current liabilities decreased 64 million yen to 326 million yen. Major items include a decrease of 59 million yen in long-term borrowings.

### 3) Net assets

Net assets increased 36 million yen from the end of the previous fiscal year to 2,487 million yen. This increase was mainly the result of dividend payments of 80 million yen and a decrease in retained earnings of 48 million yen due to profit attributable to owners of parent of 41 million yen. There were a decrease of 56 million yen in non-controlling interests due to a loss attributable to non-controlling interests, and capital stock and capital surplus increased 85 million yen each by the third-party allotment to WingArc1st Inc.

## **(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)	Third quarter of FY6/23 (As of Mar. 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	2,563,701	1,931,419
Notes and accounts receivable-trade, and contract assets	423,376	952,622
Electronically recorded monetary claims-operating	1,683	-
Merchandise	102,025	107,603
Work in process	12,832	2,964
Other	75,697	91,400
Allowance for doubtful accounts	(34)	(84)
Total current assets	3,179,281	3,085,925
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	202,918	189,020
Other, net	61,405	50,136
Total property, plant and equipment	264,324	239,157
Intangible assets		
Goodwill	142,122	129,940
Software	184,956	143,993
Other	10,597	7,288
Total intangible assets	337,676	281,223
Investments and other assets		
Deferred tax assets	127,775	129,357
Leasehold and guarantee deposits	203,869	210,105
Other	4,891	3,533
Allowance for doubtful accounts	(69)	-
Total investments and other assets	336,467	342,996
Total non-current assets	938,468	863,377
Deferred assets		
Organization expenses	444	355
Share issuance costs	2,461	4,986
Total deferred assets	2,906	5,341
Total assets	4,120,656	3,954,644
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	87,754	106,355
Short-term borrowings	628,000	523,420
Current portion of long-term borrowings	91,114	79,440
Income taxes payable	33,650	17,547
Provision for bonuses	41,453	43,411
Other	396,422	369,979
Total current liabilities	1,278,394	1,140,154
Non-current liabilities		
Long-term borrowings	326,560	266,980
Asset retirement obligations	55,428	55,530
Other	9,021	4,128
Total non-current liabilities	391,009	326,639
Total liabilities	1,669,403	1,466,793

	(Thousands of yen)	
	FY6/22 (As of Jun. 30, 2022)	Third quarter of FY6/23 (As of Mar. 31, 2023)
Net assets		
Shareholders' equity		
Share capital	959,454	1,044,944
Capital surplus	1,044,888	1,130,378
Retained earnings	254,539	206,238
Treasury shares	(124,485)	(154,411)
Total shareholders' equity	2,134,396	2,227,149
Share acquisition rights	150	-
Non-controlling interests	316,706	260,700
Total net assets	2,451,252	2,487,850
Total liabilities and net assets	4,120,656	3,954,644



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

	(Thousands of yen)	
	First nine months of FY6/22 (Jul. 1, 2021 – Mar. 31, 2022)	First nine months of FY6/23 (Jul. 1, 2022 – Mar. 31, 2023)
Net sales	2,900,985	2,975,715
Cost of sales	1,892,348	1,972,205
Gross profit	1,008,636	1,003,510
Selling, general and administrative expenses	985,183	1,002,230
Operating profit	23,453	1,279
Non-operating income		
Interest income	12	16
Subsidy income	27,134	3,458
Penalty income	2,183	3,057
Other	2,160	958
Total non-operating income	31,490	7,490
Non-operating expenses		
Interest expenses	4,057	5,795
Amortization of organization expenses	88	88
Amortization of share issuance costs	573	923
Other	35	151
Total non-operating expenses	4,755	6,959
Ordinary profit	50,188	1,810
Extraordinary income		
Gain on reversal of share acquisition rights	-	36
Total extraordinary income	-	36
Extraordinary losses		
Loss on retirement of non-current assets	0	226
Total extraordinary losses	0	226
Profit before income taxes	50,188	1,619
Income taxes-current	6,289	17,654
Income taxes-deferred	8,878	(1,581)
Total income taxes	15,168	16,073
Profit (loss)	35,020	(14,453)
Profit (loss) attributable to non-controlling interests	15,155	(56,005)
Profit attributable to owners of parent	19,864	41,551

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

	(Thousands of yen)	
	First nine months of FY6/22 (Jul. 1, 2021 – Mar. 31, 2022)	First nine months of FY6/23 (Jul. 1, 2022 – Mar. 31, 2023)
Profit (loss)	35,020	(14,453)
Comprehensive income	35,020	(14,453)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	19,864	41,551
Comprehensive income attributable to non-controlling interests	15,155	(56,005)

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

Not applicable.

**Significant Changes in Shareholders' Equity**

Smartvalue acquired 100,000 treasury shares upon resolution at the Board of Directors meetings on August 17, 2022. These transactions resulted in an increase of 50,331 thousand yen in treasury shares for the first nine months of the current fiscal year and the balance of 154,411 thousand yen in treasury shares as of March 31, 2023.

The payment for stock sold to WingArc 1st using a third-party allotment was received on March 2, 2023. Accordingly, capital stock and legal capital surplus increased 85 million yen each in the first nine months of the current fiscal year. As of the end of the third quarter of the current fiscal year, capital stock and legal capital surplus were 1,044 million yen and 1,130 million yen, respectively.

**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 nine months of FY6/22 (Jul. 1, 2021 – Mar. 31, 2022)

## 1. Information about net sales and profit or loss for reportable segments and breakdown of revenue

	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	24,989	652,596	145,210	822,796	-	822,796
Goods or services that are transferred over a certain period of time	1,364,821	547,156	166,211	2,078,189	-	2,078,189
Revenue from contracts with customers	1,389,810	1,199,753	311,421	2,900,985	-	2,900,985
Other revenue	-	-	-	-	-	-
External sales	1,389,810	1,199,753	311,421	2,900,985	-	2,900,985
Inter-segment sales and transfers	-	-	-	-	-	-
Total	1,389,810	1,199,753	311,421	2,900,985	-	2,900,985
Segment profit (loss)	293,151	178,090	(85,617)	385,624	(362,170)	23,453

Notes: 1. The negative adjustment of 362 million yen to segment profit 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 profit 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 nine months of FY6/23 (Jul. 1, 2022 – Mar. 31, 2023)

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

	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	20,911	541,154	62,731	624,797	-	624,797
Goods or services that are transferred over a certain period of time	1,554,836	633,403	162,678	2,350,918	-	2,350,918
Revenue from contracts with customers	1,575,748	1,174,558	225,409	2,975,715	-	2,975,715
Other revenue	-	-	-	-	-	-
External sales	1,575,748	1,174,558	225,409	2,975,715	-	2,975,715
Inter-segment sales and transfers	-	-	-	-	-	-
Total	1,575,748	1,174,558	225,409	2,975,715	-	2,975,715
Segment profit (loss)	407,274	227,976	(255,174)	380,077	(378,797)	1,279

Notes: 1. The negative adjustment of 378 million yen to segment profit 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 profit 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 nine 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.