

# Fiscal Year Ended June 30, 2023 (FY6/23) Results of Operations

Smartvalue Co., Ltd.  
(Securities code: 9417)

August 15, 2023



SMARTVALUE  
Hospitality Firm

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# 01 Business Highlights

Activities are underway to restructure the portfolio. Preparations are proceeding as planned with some delays. MRR continues to increase in the core Digital Government and Mobility Services businesses.

Taking actions for making the Smart Venues business, currently in an investment phase, a third core business.

**Strong performance** of Digital Government **as governments in Japan increase the use of digital technologies**. Operating profit **increased 28.1%**.

**Using an alliance strategy** for growth in the e-government sector, which is a very large market. **Starting regional vertical application services** with alliance partners.

Although Mobility Services progress regarding KPI is slower than planned, operating profit was **up 23.6%**.

**Building alliances in the B-to-B category** of Mobility Services

**Preparations are advancing as planned for the April 2025 start** of Smart Venues operations, although progress with current performance is slow.

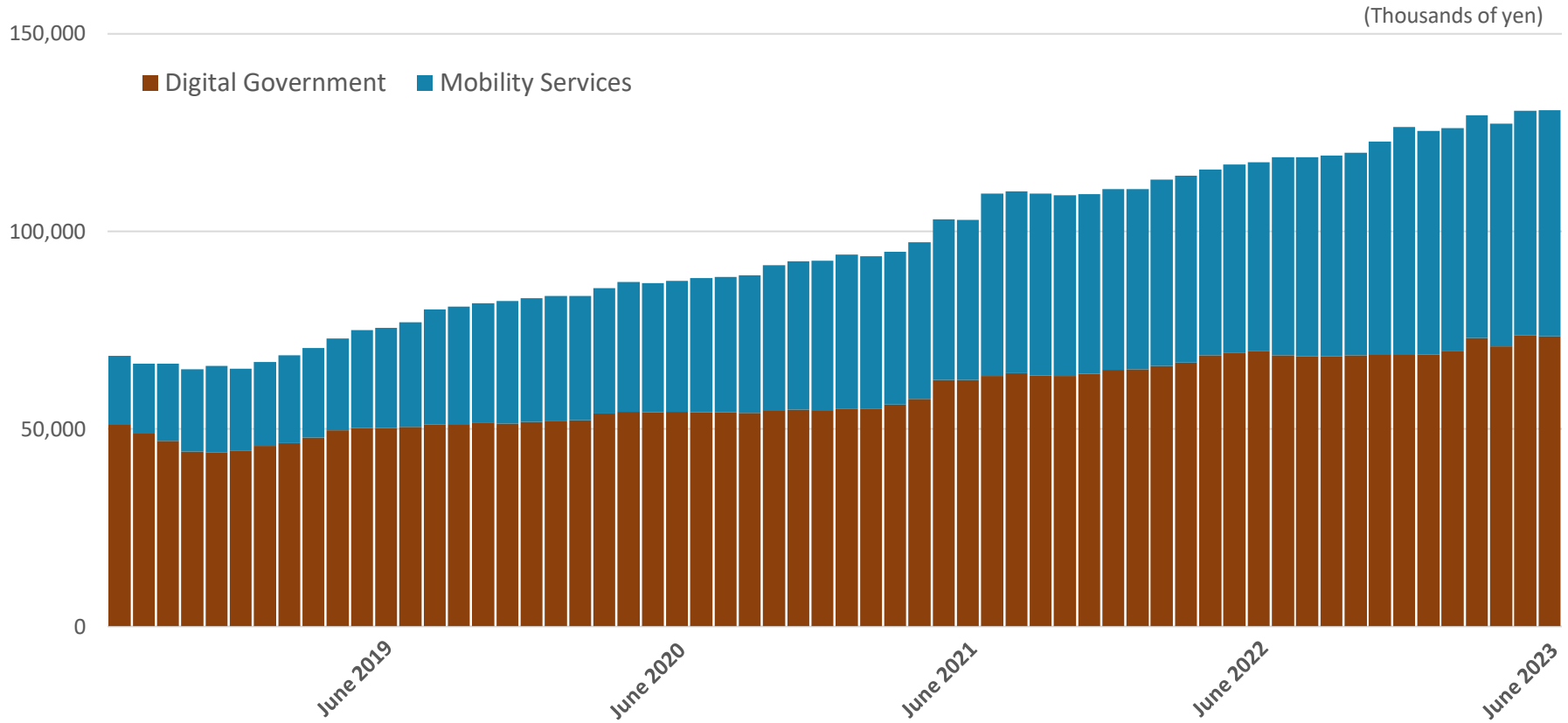
The core Digital Government and Mobility Services businesses are performing well.

Activities for generating sales in the Smart Venues Business, now in the investment phase, are progressing more slowly than expected.

(Millions of yen)

Consolidated	FY6/22	FY6/23	Change
Net sales	3,805	3,873	+67
Operating profit	(15)	(74)	-59
Digital Government	FY6/22	FY6/23	Change
Net sales	1,788	1,948	+160
Operating profit	317	406	+89
Mobility Services	FY6/22	FY6/23	Change
Net sales	1,556	1,555	0
Operating profit	233	288	+55
Smart Venues	FY6/22	FY6/23	Change
Net sales	460	369	-91
Operating profit	(89)	(268)	-178





MRR as of term-end

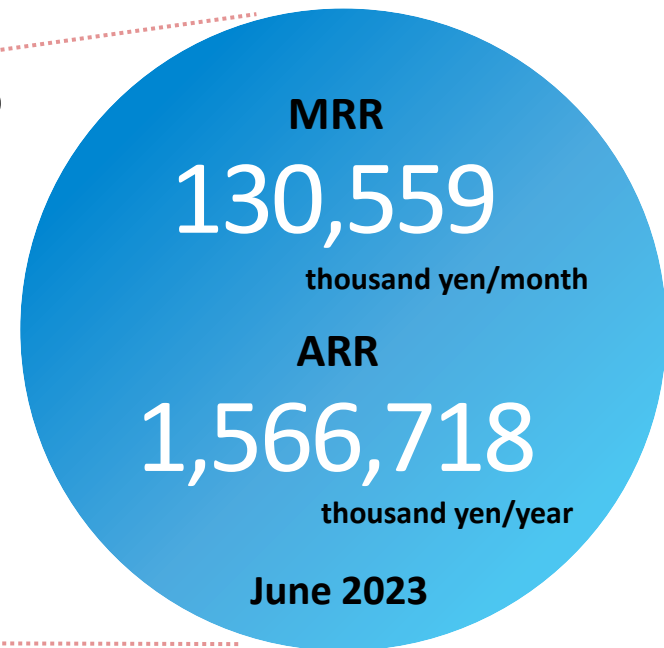
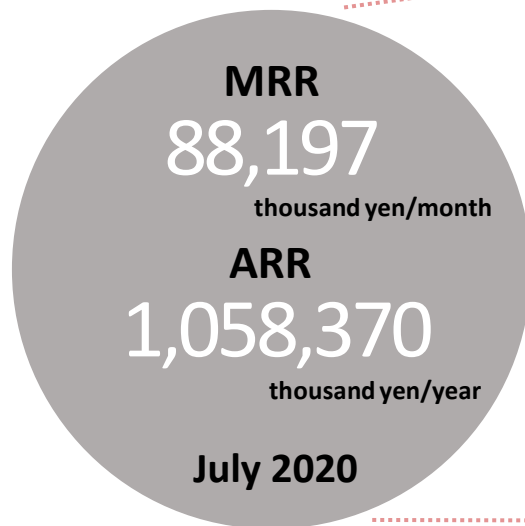
Segment	June 2019	June 2020	June 2021	June 2022	June 2023
Digital Government	50,243	54,336	62,331	69,702	73,335
Mobility Services	25,279	33,131	40,504	47,737	57,224
Total	75,522	87,468	102,835	117,440	130,559

\* MRR...Monthly recurring revenue, which is cloud service fees and other income received on a monthly basis

A relatively long time is needed to receive orders in the social services domain, but recurring revenue has been growing steadily during the past three years.

## 3-year CAGR

21.7%



\* The compound annual growth rate (CAGR) is the geometric average (an average of an item that changes by a percentage of share) of the annual growth rate of a company over a period of several years.

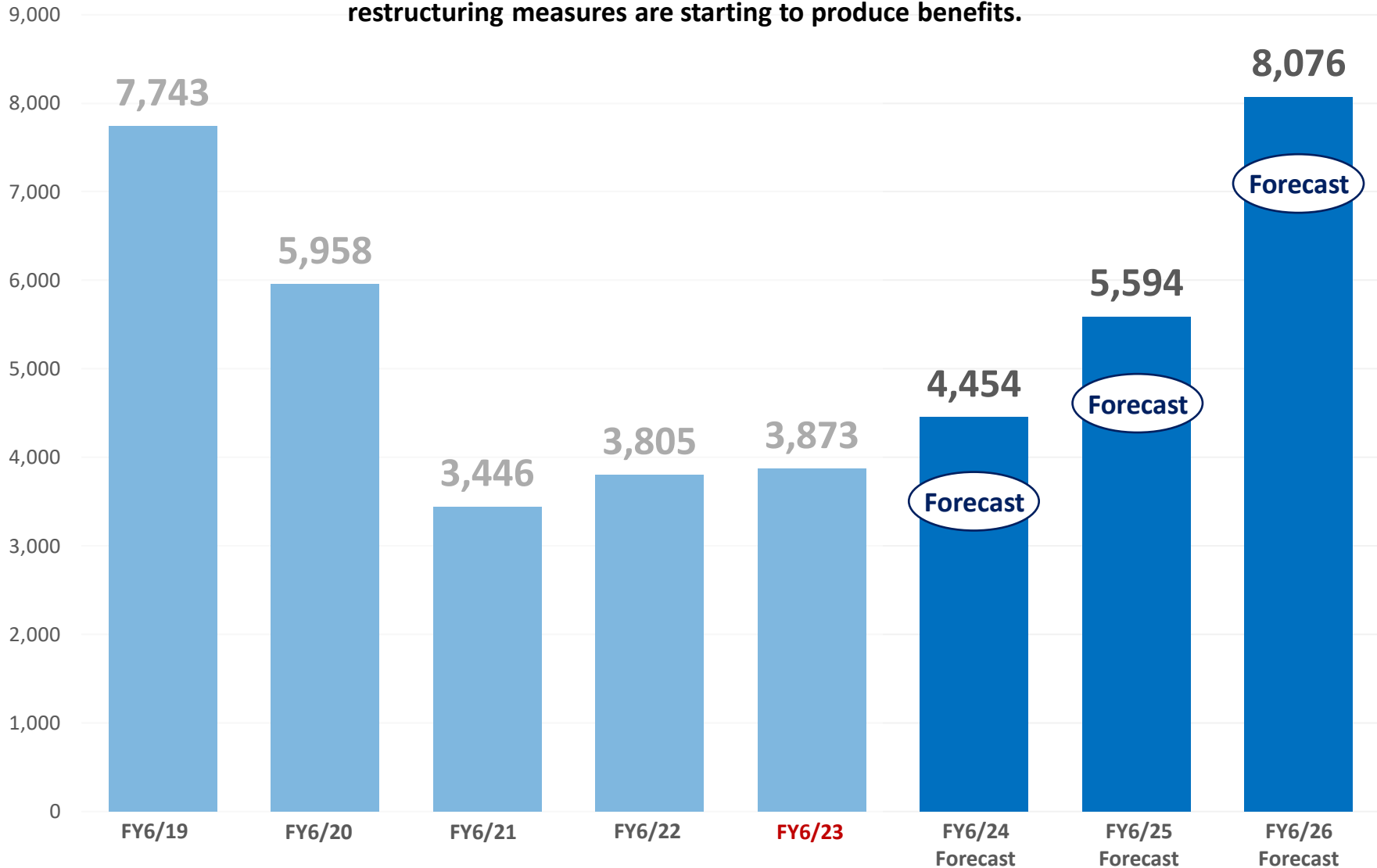
\* Average annual revenue (ARR) is monthly recurring revenue (MRR) multiplied by 12.

# Sales Trends and Forecasts (Consolidated)

## Consolidated

Sales have been low following the 2020 termination of the carrier shop agency business and due to the pandemic. Currently, portfolio restructuring measures are starting to produce benefits.

(Millions of yen)



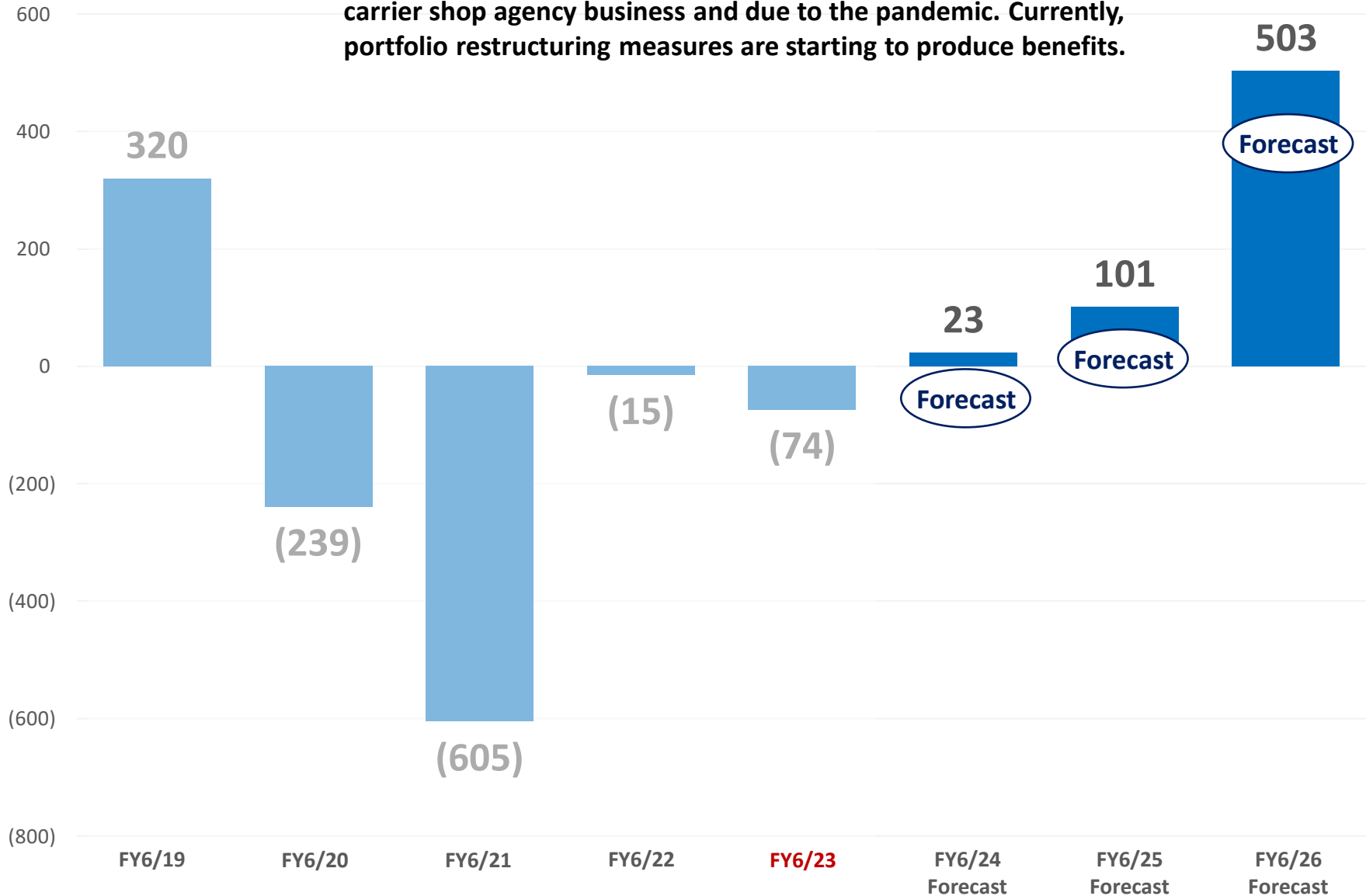


# Operating Profit Trends and Forecasts (Consolidated)

## Consolidated

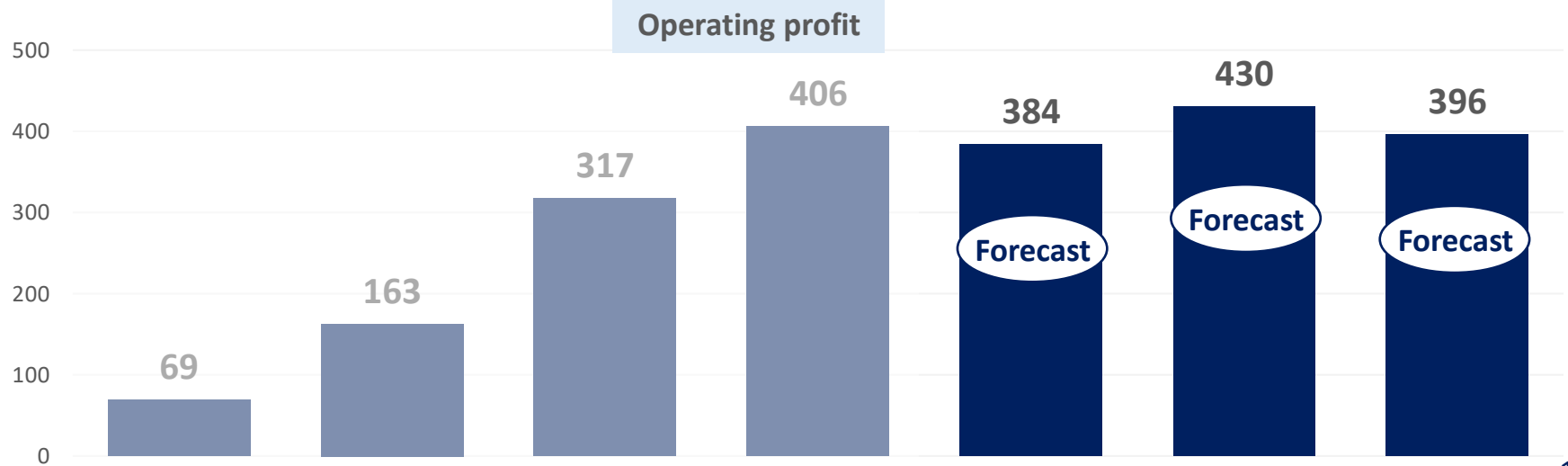
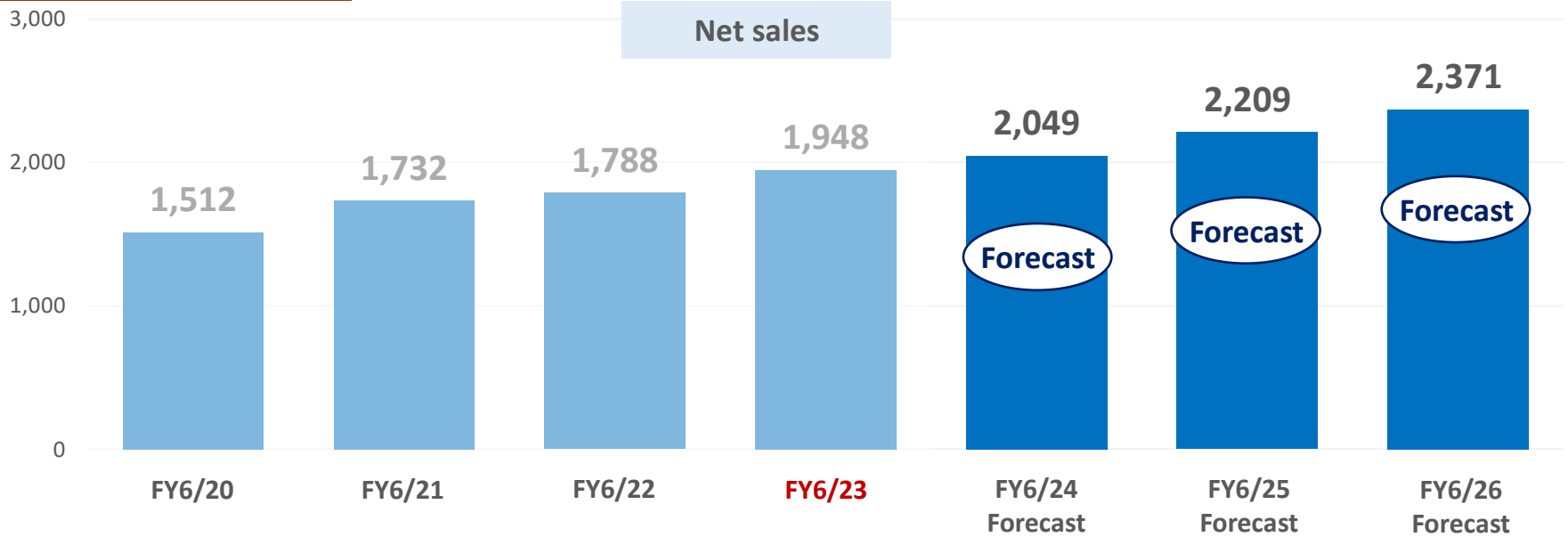
Operating profit has been low following the 2020 termination of the carrier shop agency business and due to the pandemic. Currently, portfolio restructuring measures are starting to produce benefits.

(Millions of yen)



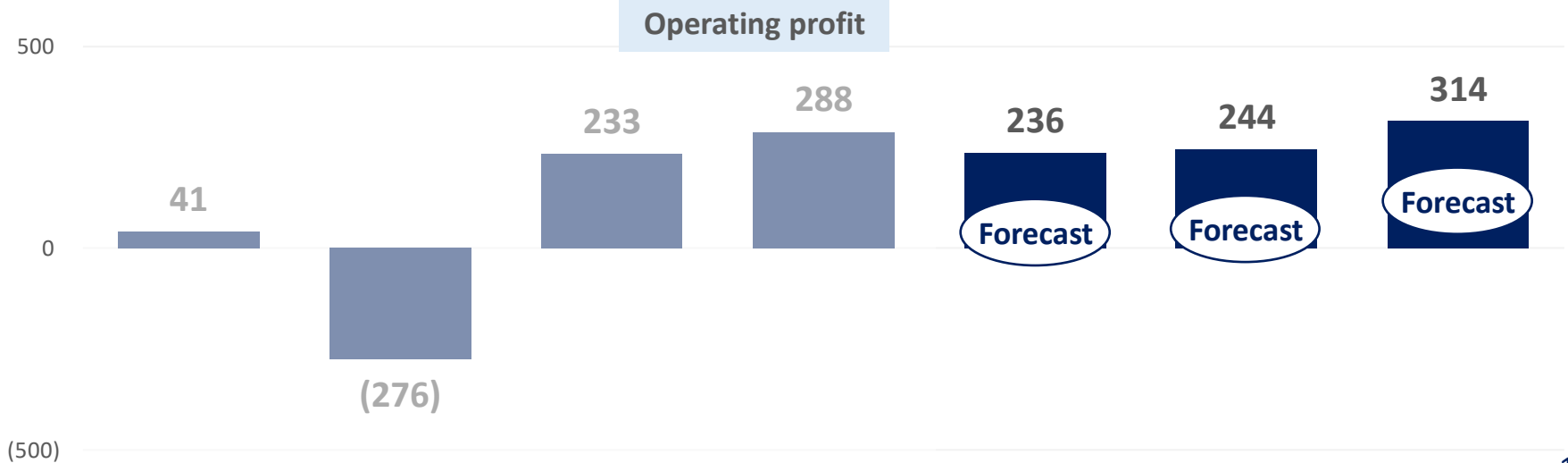
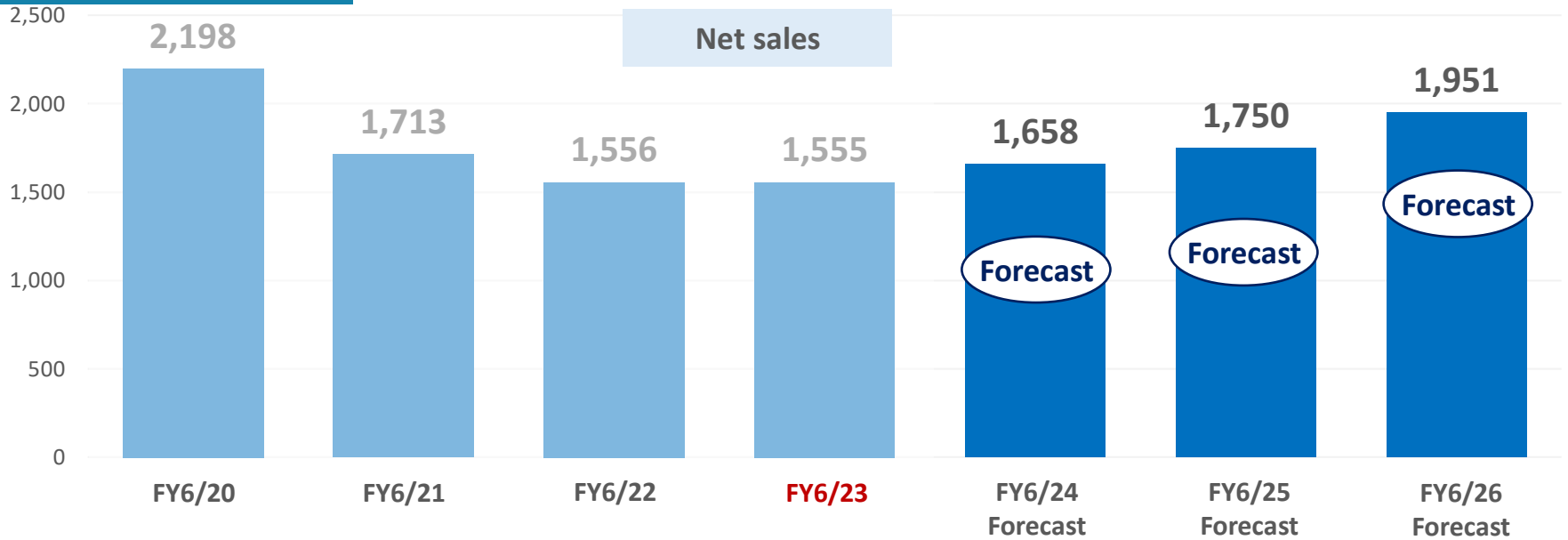
## Digital Government

(Millions of yen)



## Mobility Services

(Millions of yen)



## Smart Venues

(Millions of yen)










# 02

## Corporate Profile

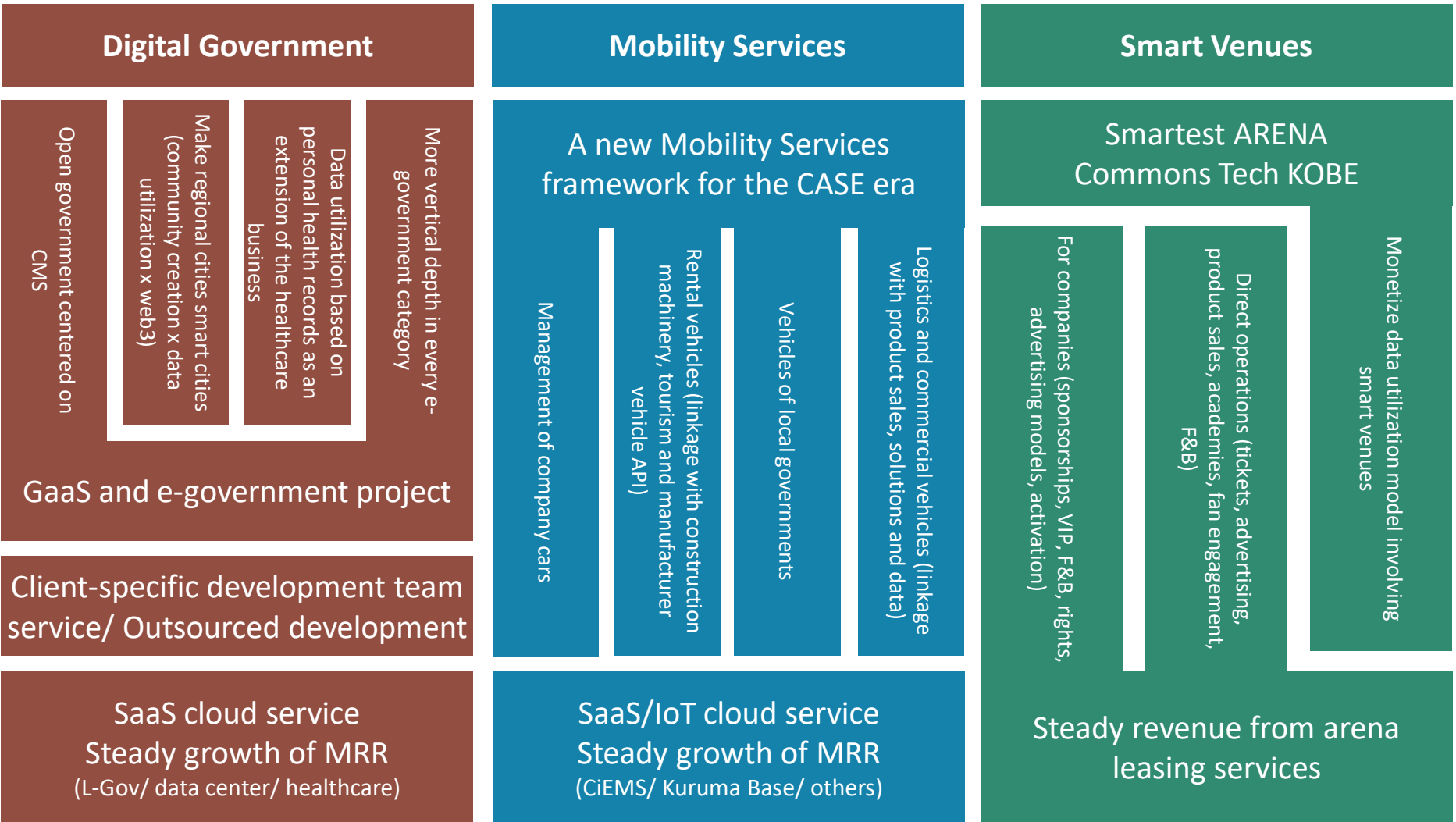
**An entrepreneurial IT company now in its 95th year.** Starting as a small factory and now in the third generation, the company is **evolving and adding new business models.**

Although the transformation and growth process is still under way, Smartvalue has the goal of using cloud services, data utilization and Commons Tech to be a key element of the **social infrastructure of the 21st century and afterward.**

Name	Smartvalue Co., Ltd.
Listing	Tokyo Stock Exchange, Standard Market (Securities code: 9417)
Founded	October 1928
Established	June 1947
Capital	1,044,944 thousand yen
Representative	Jun Shibuya, President and CEO
Employees	278 (As of June 30, 2023) including group employees
Headquarters	Keihanshin Midosuji Bldg. 7F 3-6-1, Doshomachi, Chuo-ku, Osaka
Offices	Tokyo office (Chuo-ku, Tokyo) / Miyakonojo BPO Center (Miyakonojo, Miyazaki)
Consolidated Subsidiaries	North Detail Co., Ltd. (Sapporo, Hokkaido) / One Bright KOBE Co., Ltd. (Kobe, Hyogo) / Storks. Co., Ltd. (Nishinomiya, Hyogo)
Business	Digital Government/ Mobility Services/ Smart Venues

Business segments	Companies	Business categories	Business activities	Services
<p><b>Digital Government</b></p>	<p>Smartvalue Digital Government Business</p> <p>North Detail</p>	<p>SaaS platform</p> <p>Client-specific development team service</p>	<ul style="list-style-type: none"> <li>● E-government</li> <li>● CMS services for local governments</li> <li>● Online procedure service</li> <li>● Data linkage/analysis</li> <li>● Software development</li> </ul>	  <p>Open-gov Platform</p>
<p><b>Mobility Services</b></p>	<p>Smartvalue Mobility Services Business</p>	<p>SaaS/IoT platform</p> <p>Outsourced development</p> <p>Sales of devices</p>	<ul style="list-style-type: none"> <li>● Management of the operation of company cars</li> <li>● Mobility IoT platform</li> <li>● Car sharing platform</li> <li>● Sales of safe driving support devices</li> <li>● IoT/software development</li> </ul>	  
<p><b>Smart Venues</b></p>	<p>One Bright KOBE</p> <p>Storks</p>	<p>Operation of venues: arena leasing service</p> <p>Content service: sports/entertainment</p> <p>Hospitality service</p> <p>Digital city creation</p>	<ul style="list-style-type: none"> <li>● Operation of stadiums and arenas</li> <li>● Commons Tech KOBE</li> <li>● Operation of a professional sports team</li> </ul>	 

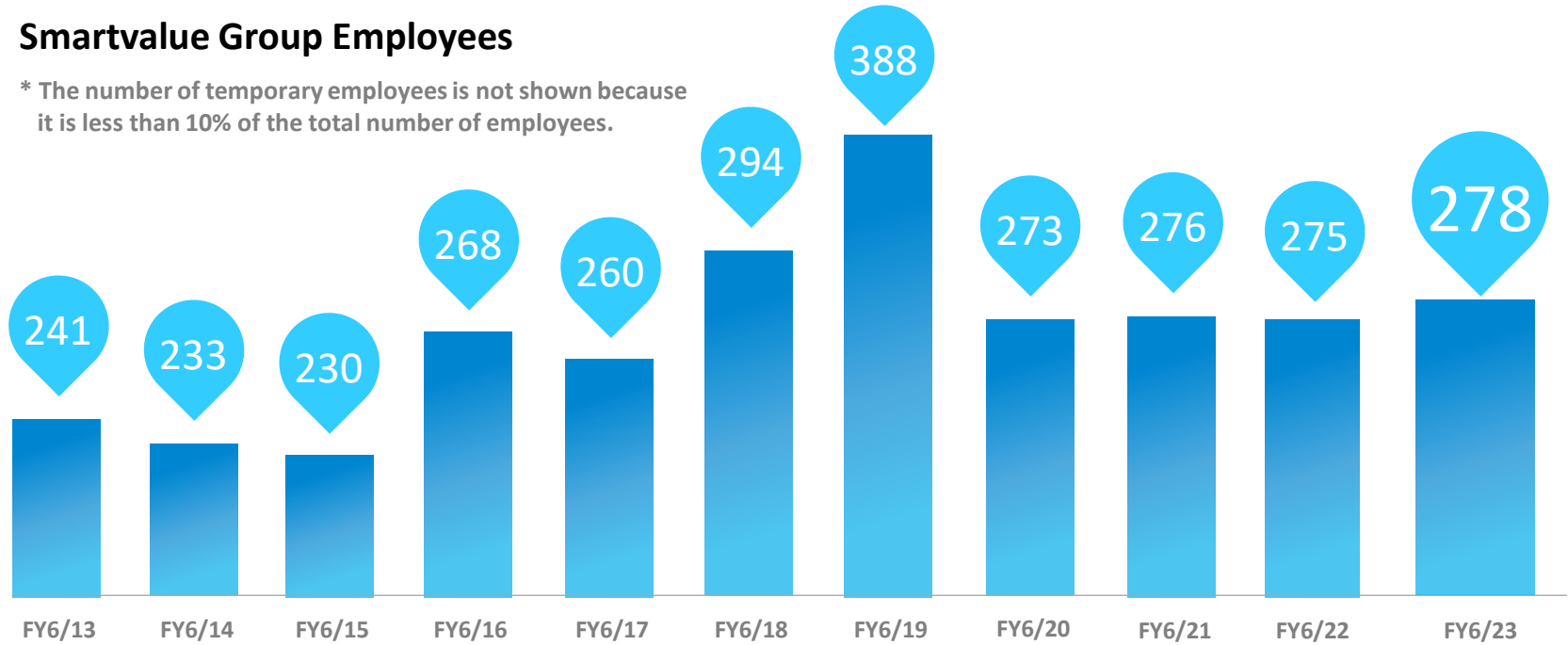
**Growth of monthly recurring revenue (MRR)** from SaaS in current business sectors and **stable leasing income** in the arena business will be the base. In addition, vertical applications will be provided as cloud services and the data obtained from these services will be **used in smart city models**.



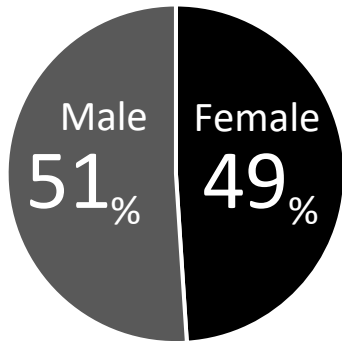


## Smartvalue Group Employees

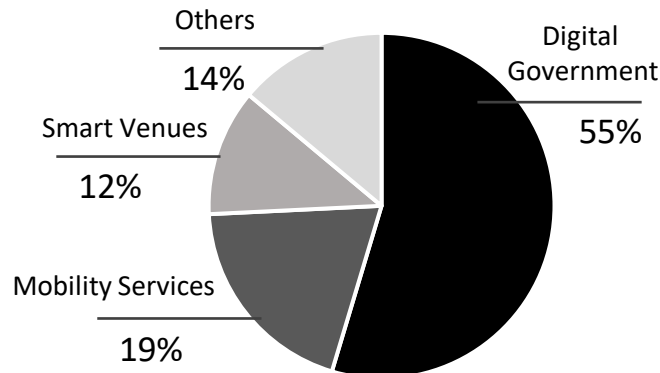
\* The number of temporary employees is not shown because it is less than 10% of the total number of employees.



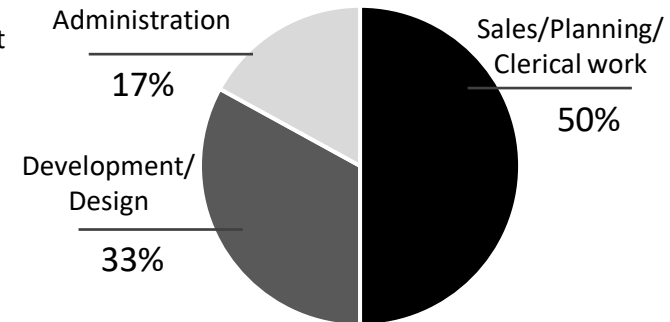
### Gender



### Segment



### Job type



\*Percentages by gender, segment and job type are those of Smartvalue employees. Figures are as of June 30, 2023.

## The Smartvalue strategy

In the 21st century and afterward, society will be defined by a **model in which the physical and digital domains (cyberspace using networks) converge.**

We plan to increase recurring revenue from the cloud services required by this model. We will also collect data and use a data linkage platform for establishing a presence in the smart city domain.

## Smartvalue's resources

**Digital Government business domain**

Provision of content management systems (CMS) to more than 350 local governments and public-sector organizations in Japan

Creates many points of contact with municipalities nationwide and facilitates the development of services that incorporate accessibility considerations

**Mobility Services business domain**

More than 27,000 vehicles use a Smartvalue IoT service

By acquiring a massive volume of IoT data, Smartvalue can expand the use of its services to many other industries



**Steady sales and earnings from current services**

## Business strategies

**Business operations based on an overall strategy encompassing three business sectors, including the current core businesses of Digital Government and Mobility Services and the Smart Venues Business, which is primarily the arena business.**

**Digital Government business domain**

**Gov't digital transformation**

**Smart Venues business domain**

**Kobe Arena (tentative name)**

**Mobility Services business domain**

**Help create a sustainable society**

Use these activities to **make the Smartvalue mission (creation of social systems that will thrive for many years) a reality.**

03

# Business Activities, Topics and KPI by Segment

## Overview

Although the KPI targets were not achieved, the performance of Digital Government remains strong as governments continue to shift to digital technologies.

The market share of Smartvalue's services, chiefly CMS, is increasing.

Smartvalue's services have been recognized at PR competitions with two websites receiving awards.



Gakukura is a cloud suite for local governments that contributes to increasing the transparency, participation and linkage of local government DX open government.

Gakukura consists of three platforms. **SMART L-Gov** is a regional information platform that increases the transparency of open government. **GaaS** is an online government platform that increases online ties between governments and residents for greater participation and linkage. **Open-gov Platform** is a data utilization platform for smart cities and smart areas. The objective is to use these platforms for the community creation that is sustainable and places priority on people.

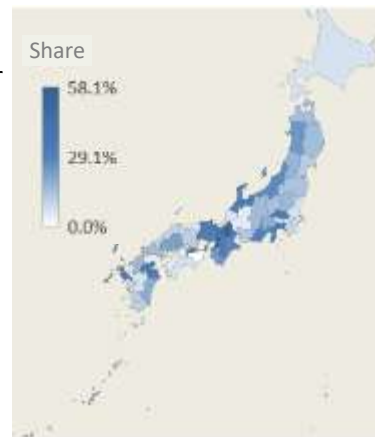


## SMART L-Gov

Local gov't CMS with a consistently high market share  
 Provided to more than **350** local governments and public-sector organizations throughout Japan



Market share in prefectures of Japan



## PR awards received again in 2023



Minister for Internal Affairs and Communications Award (Special Recognition) and Yomiuri Shimbun Award

Awarded

Hisayamamachi, Fukuoka (<https://www.town.hisayama.fukuoka.jp/>)  
 Samukawamachi, Kanagawa (<https://www.town.samukawa.kanagawa.jp/>)

## Policy and goals

The goal is to use Smartvalue's CMS platform, which has the largest market share in Japan, and enlarge the coverage of services in order to build stronger relationships based on agreements for cooperation with local governments.

Acquire knowhow about specific business domains such as public-sector facility reservations and measures for increasing engagement with visitors.

## Platform for online government activities

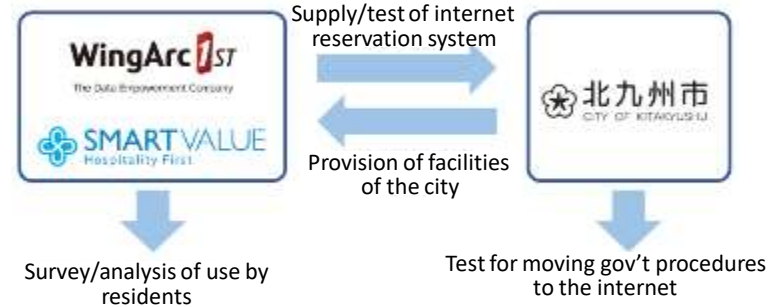
**December 2022**  
**City of Izumisano (Osaka)**  
**Started a procedure search website**



## Local gov't SaaS for achieving the government DX

**Demonstration trial for the DX of facility reservations for the city of Kitakyushu**  
 November 2022

Smartvalue Co., Ltd. and equity alliance partner WingArc 1st conducted a demonstration trial for the DX of reservations for facilities operated by the city of



## Partnership agreement with the city of Kitami (Hokkaido)

**May 2023**  
 Smartvalue Co., Ltd. signed a partnership agreement with the city of Kitami, which is at the forefront of activities in Hokkaido for measures to provide procedures that require no written documents. Smartvalue Co., Ltd. and NORTHDETAIL Co., Ltd. have established KITFRONT, a co-creation office in the Kitami High-Tech Park. Activities are under way for the DX of the city of Kitami and the city's businesses and residents and for increasing engagement with the residents of Kitami.

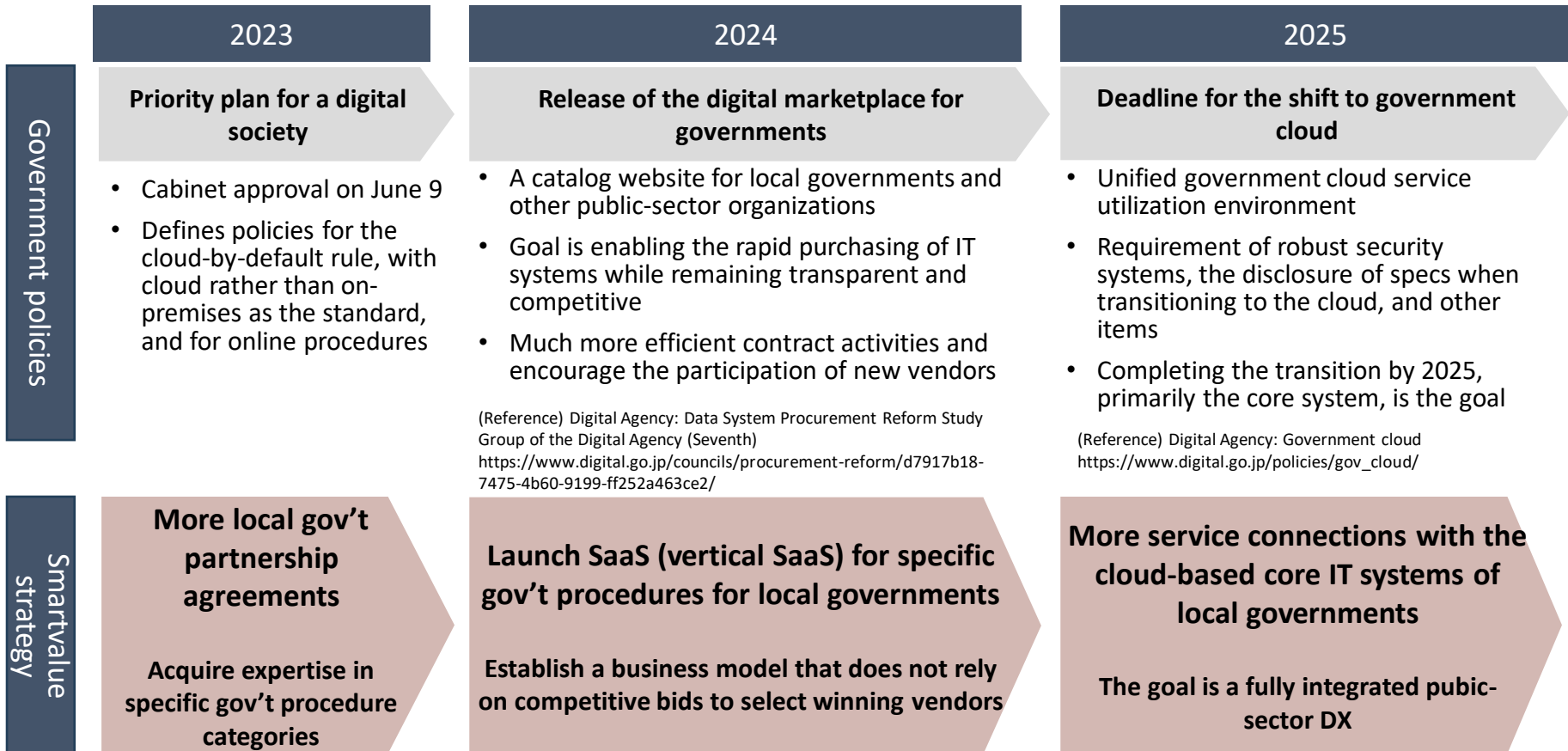
## Strategy and goals

**Start a digital marketplace for the public sector in 2024.**

**Government cloud shift in 2025 for full-scale use of the cloud by governments.**

**Stronger ties with alliance partners to enlarge the lineup of services.**

**Aim for more growth of businesses by benefiting from the increasing use of digital technologies by governments.**

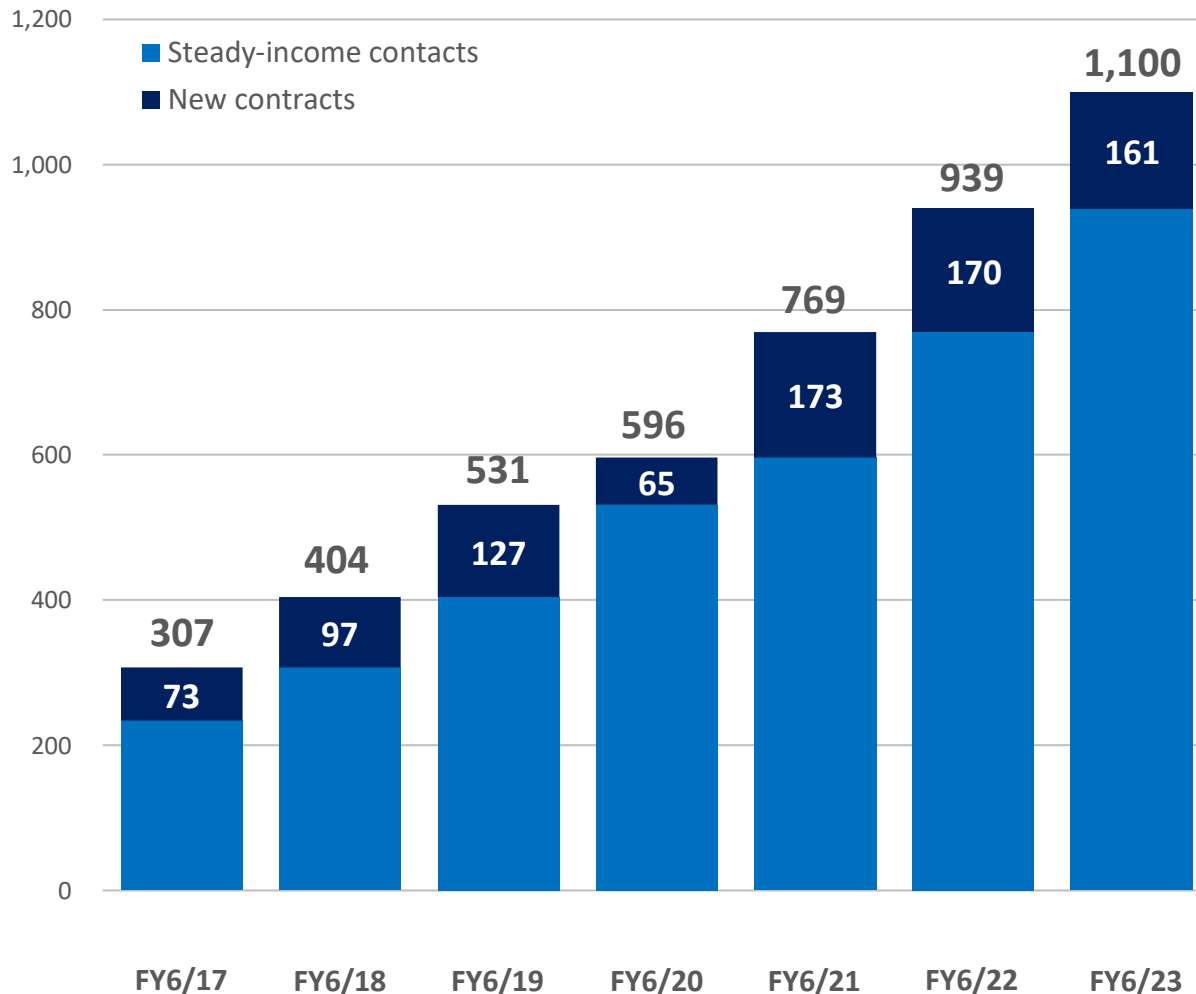


# Digital Government: KPI

## (Number of Contracts for Regional Information Cloud Service)

### Digital Government

(Number of contracts)



1,100  
contracts

Although the goal was not accomplished, the number of contracts is increasing steadily and is currently 1,100.

Contracts with more than 350 local governments and public-sector organizations throughout Japan. More growth of this business is expected by utilizing this customer base.

\* Total of the four major services of the SMART L- Gov, additional services, and GaaS.

\* Number of users of services, not the number of local governments.

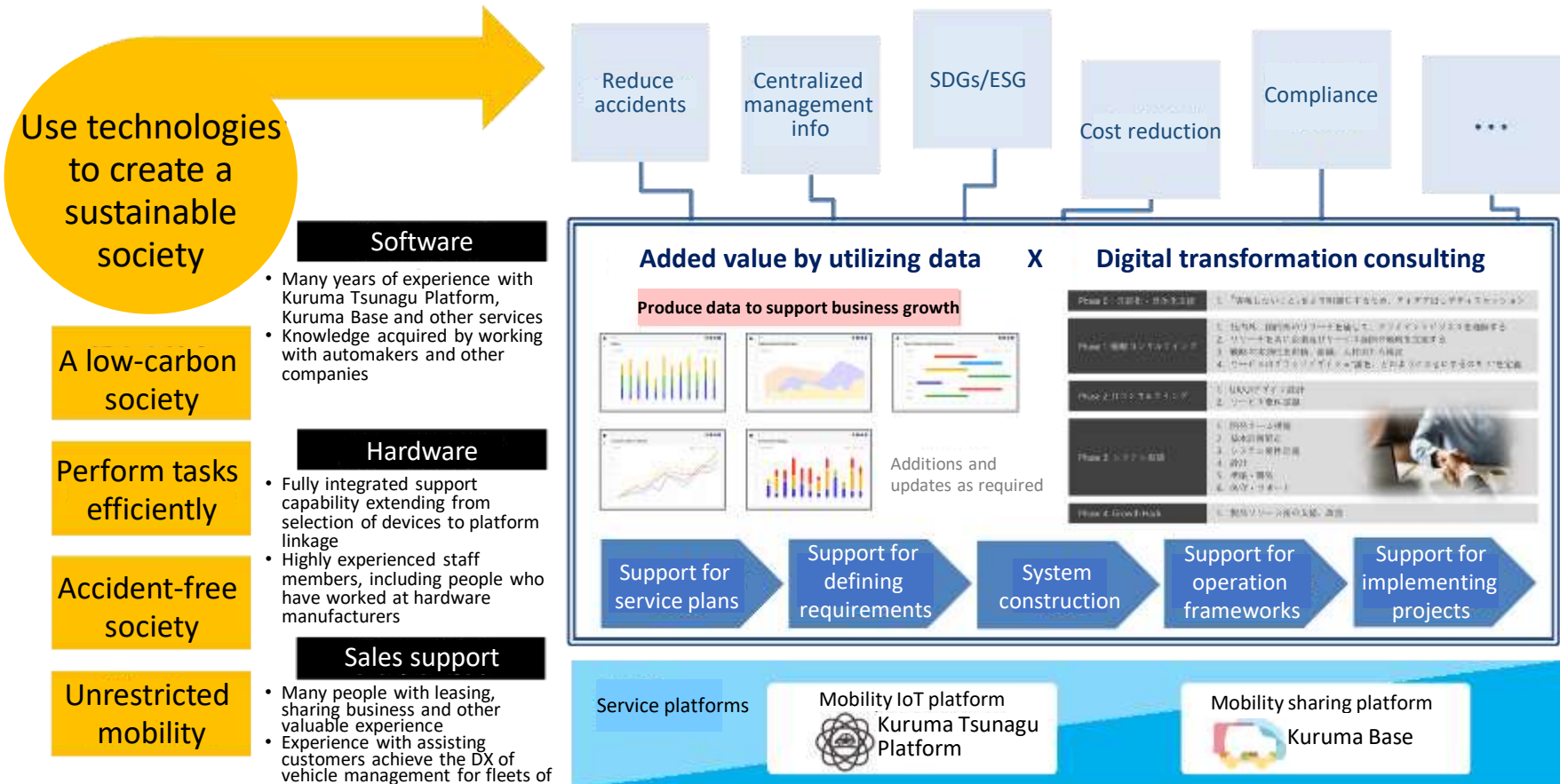
## Overview

Although the recovery of KPI is slow, MRR is 20% higher than in FY6/22.

Progress with the outsourced development of services for private-sector companies and other activities.

Also started services for the fleet vehicles of local governments.

## Strategy utilizing the Smartvalue platform





## Strategy and goals

Smartvalue's IoT services are currently used for about 27,000 vehicles in Japan. These services reduce accidents and generate an enormous volume of IoT data that can be used in many ways.

While establishing relationships with rental car companies and local governments, enable customers to maintain a suitable size of their fleets and increase the number of electric vehicles in order to contribute to the creation of a sustainable society.

## Enormous volume of mobility IoT data

Mobility data

**4,137,703,050** driving data entries every month as of August 4, 2023

Vehicles driven **22,061,814**km every month

Driving distance is equivalent to **551.5** times around the world

**Use data from these activities to develop many types of services for the mobility services sector**

Car sharing/  
rental car system

Telematics  
insurance

Construction  
machinery/  
special-use vehicles

Platform for  
vehicle  
maintenance  
providers

IoT service for  
logistics industry

DX for local  
gov't vehicles

## Create a sustainable society

DX cooperation agreement by Smartvalue and Softbank with the city of Mitoyo



### Partnership agreement with the city of Mitoyo (Kagawa prefecture)

February 2023

Smartvalue Co., Ltd. and SoftBank Corp. signed a local government DX partnership agreement with the city of Mitoyo on February 21, 2023. The goals are understanding the issues and goals of local governments and developing new services. Aiming for proof of concept for the DX of vehicle management and facility reservations.

### Vehicle sharing for the city of Tokushima

March 2023

SKY MOBILITY SERVICE CO., which has a smart rental car system business alliance with Smartvalue, SKY Rental Shikoku Co., Ltd. and Nissan Satio Tokushima Co., Ltd. have jointly started a demonstration trial for the sharing of the fleet vehicles of the city of Tokushima. Using the city's vehicles more efficiently is expected to lower the environmental impact of these vehicles and enable vehicles to be used for transporting emergency response materials when a disaster occurs.



## Business alliance with J-WING RENTAL & LEACE (currently SKY MOBILITY SERVICE)

Smartvalue Co., Ltd. has started a business alliance with J-WING RENTAL & LEACE. CO. (currently SKY MOBILITY SERVICE. CO.), which operates a new rental car service called SKY Rent a Car Smart Service. This innovative contactless and fully automated service utilizes the Kuruma Base car sharing platform developed and operated by Smartvalue Co., Ltd.

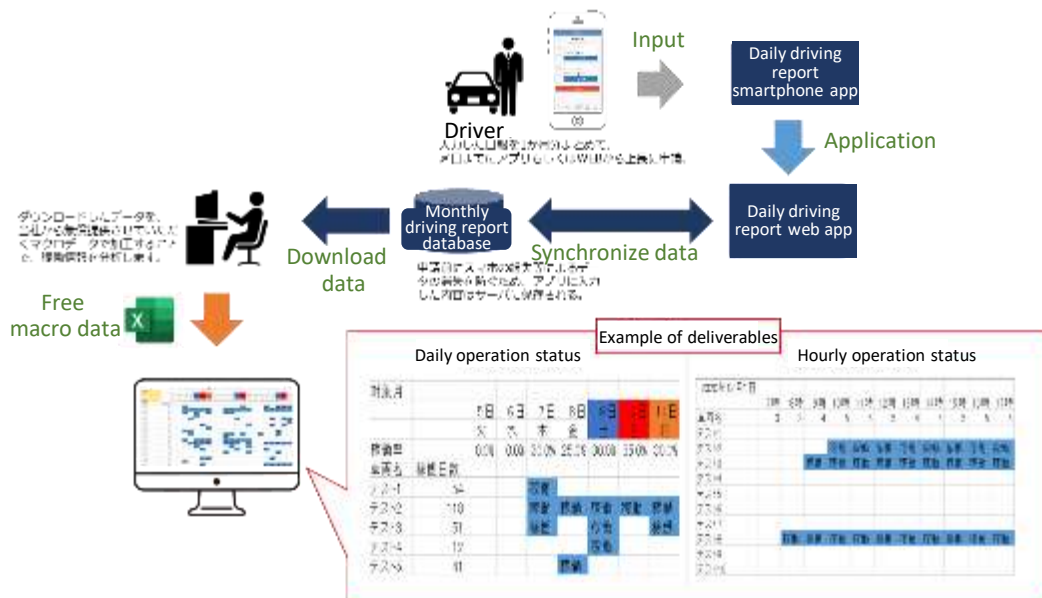


This alliance has the goals of covering 150 vehicles within one year and about 1,000 vehicles after three years.

## Support for DX of gov't fleet vehicles (Example: Mitoyo, others)

The Kuruma Tsunagu Platform, an IoT platform specifically for mobility developed and operated by Smartvalue Co., Ltd., is used for this support. Data about the vehicle's use and application data entered by the driver are used to determine the most suitable size of a fleet of gov't vehicles and for efficiently producing daily reports on the daily operations of these vehicles.

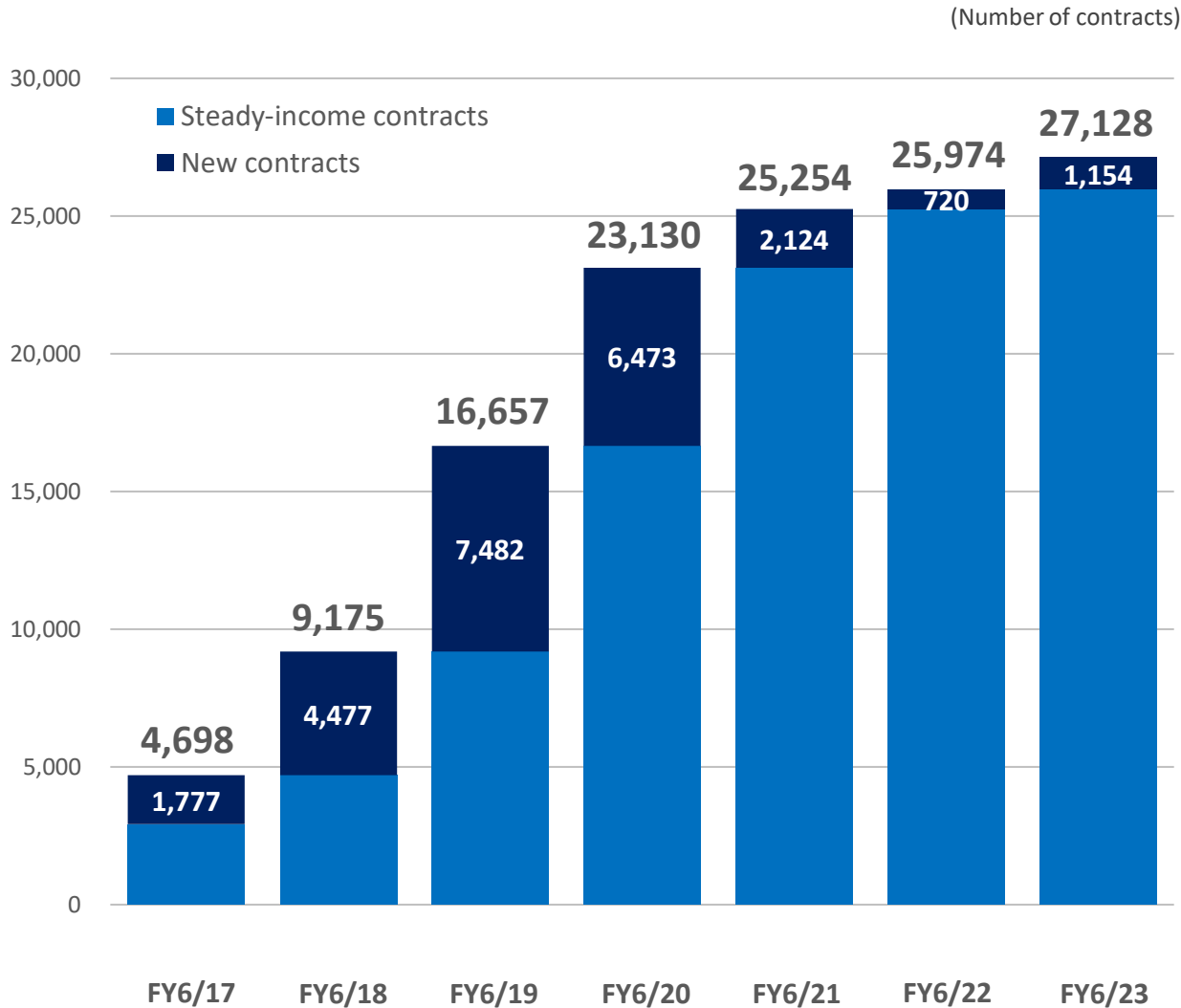
In addition, this service includes support for creating a plan for switching to electric and other next-generation vehicles as a means of converting to mobility methods that help achieve decarbonization



# Mobility Services: KPI

## (Mobility IoT: Number of CiEMS Hardware Contracts)

### Mobility Services



**27,128**  
contracts

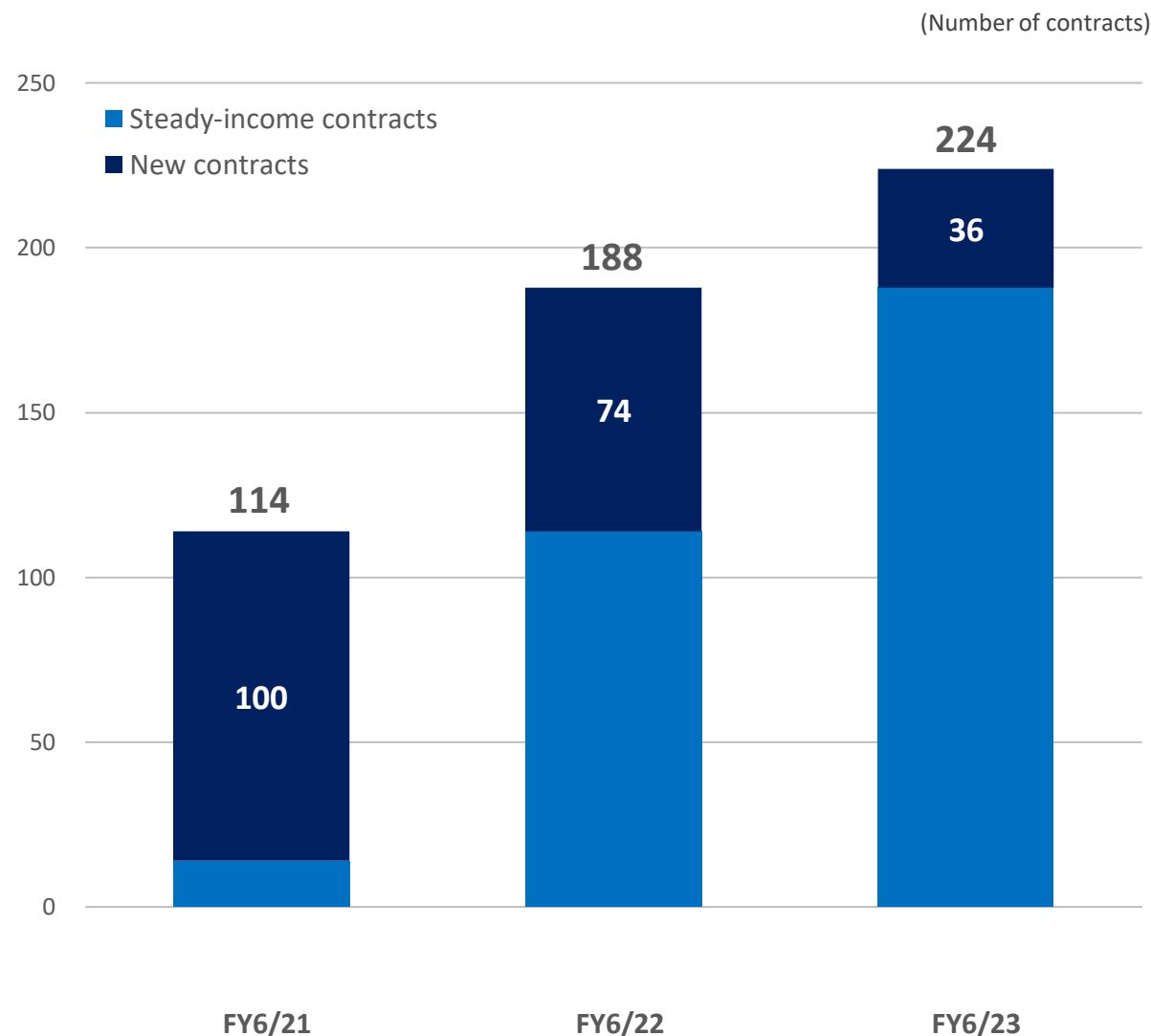
Although the net increase in contracts was well below the plan, the number at the end of FY6/23 was 60% higher than one year earlier. There were two main reasons that the plan was not achieved.

1. The cancellation rate was 8.3% compared with the planned rate of 4.3%.
2. New contract vehicles totaled 3,359 but there were only three new contracts with at least 100 vehicles each.

# Mobility Services: KPI

## (Mobility IoT: Number of Kuruma Base Contracts)

### Mobility Services



224  
contracts

The car sharing market in Japan is growing in terms of the number of sharing stations and vehicles. However, as of 2023, the leading company has a dominant market share of about 90%.

Smartvalue's performance in this market was affected by the withdrawal from this business of one OEM company and the reluctance of a current alliance partner to increase the number of vehicles.

## Strategy and goals

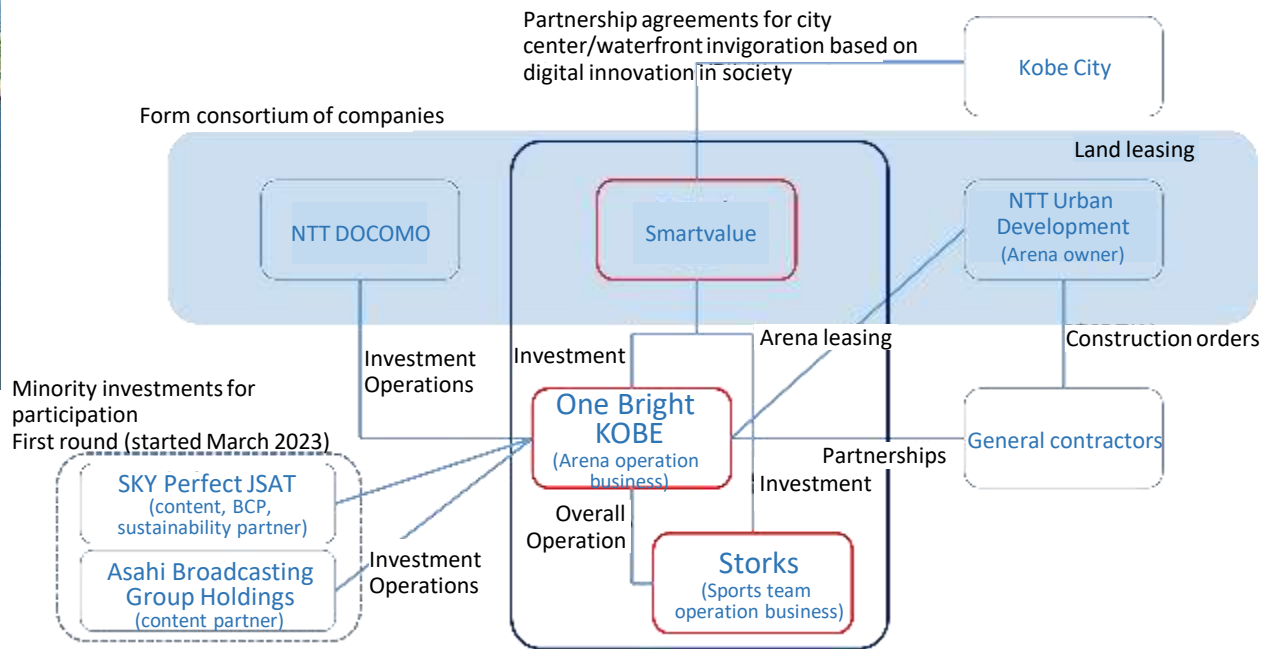
Based on the concept of “a more energetic community and society,” the goals for Smart Venues are enacting stadium/arena operation reforms, which is a growing industry, and using joint activities with many stakeholders to make smart venues an integral element of society.

## Profile of Kobe Arena



<b>Name</b>	Kobe Arena (tentative name)
<b>Capacity</b>	Approx. 10,000 people
<b>Completion</b>	February 2025 (tentative)
<b>Opening</b>	April 2025 (tentative)
<b>Site area</b>	Approx. 23,700m <sup>2</sup>
<b>Floor area</b>	Approx. 32,300m <sup>2</sup>

## Scheme



**Kobe Arena is expected to be a new landmark in Kobe that will attract 3 million visitors every year to events at the arena and adjacent park.**

Full digitalization will make this the **Smartest Arena**, based on the power of sports and entertainment to attract and excite people.

The arena will be the base for using data in the community for **achieving a smart city**.




Use the arena app for a greater flow of people



Use area-specific digital coupons to send people to other businesses too



Use data analysis for further invigoration of the region

## All private sector



A new private-sector arena business model

## A new community



A smart city using a data linkage platform

## Integrated content operation



This business will develop its own content (basketball, music and others) to operate as a business centered on citizen engagement (fans)

# Partnership Agreement with the City of Kobe

On August 5, 2022, Smartvalue Co., Ltd. signed a business partnership agreement with the city of Kobe for cooperation to further invigorate central Kobe and the waterfront area.



**More city center-waterfront circulation of people centered on Kobe Arena (tentative name)**

Kobe Arena will use a new arena app for visitors and residents of Kobe for the purpose of increasing the movement of people between the city center and waterfront. For example, the app will give people an incentive to use public transportation when visiting the arena and provide information about nearby stores and special events. Another aim of the app is to enable every visitor and resident of Kobe to receive the best possible services.

**A source of digital innovation, such as the creation of a digital twin city**

Project planners are working on ways to use the metaverse to allow people unable to attend arena events in person to have a realistic sense of being at an event. In addition to optimizing services for everyone, the Kobe Arena app will have a data platform capable of giving people a new type of viewing experience for sports and other events. To create these capabilities, a co-creation program has been launched with companies, universities and other partners in the fall of 2022. These partners will jointly create value for the future of the city center and waterfront areas.

**Activities for increasing engagement with residents and visitors and attracting even more people**

By using a link with customer relationship management (CRM), the arena app will facilitate the visualization of engagement for everyone. Furthermore, non-fungible tokens (NFT) may be used for converting visualized engagement into an entity with value.

## Details of the agreement

## The Co-creation Partnership Program

In April 2023, when construction of the Kobe Arena started, Smartvalue Co., Ltd. began signing co-creation partnership program contracts with companies that support the vision of the Kobe Arena Project.



**Asahi Broadcasting Group Holdings Corporation**



**Bestie, Inc.**



Co-creation of new experiences by using video content production expertise and joint planning of events at Kobe Arena



**SKY Perfect JSAT Corporation**

Joint development of content and use of this company's satellite business for emergency communication links during a disaster and for sustainable business operations

**WingArc 1st Inc.**



Digital transformation activities that use data originating from Kobe Arena operations



**Synergy Marketing, Inc.**

Use of CRM domain digital marketing for co-creation aimed at greater convenience and energizing and invigorating the area around Kobe Arena



There are no similar projects to use for comparisons because this is a business model used for the first time in Japan. In the United States, there are arenas with sales of about ¥40 billion even though they are about the same size as public-sector arenas in Japan with sales of about ¥2.8 billion.

Smart Venues is expected to be operating throughout the fiscal year ending in June 2026. Probability concerning the resulting revenue is a key point. There were large investments during FY6/23 and the start of sales of rights, which generate sales before the start of operations, has been delayed. Currently, sales of rights are proceeding generally as planned.

Smart Venues segment (FY6/26)	
Net sales	Approx. ¥3.7bn
Operating profit	Approx. ¥0.36bn

Sales category	Remarks	Probability	Estimated pct of FY6/26 sales
Arena leasing service	Full-scale start of operations, preparation days, park leasing, etc.	April-Sep. 2025 demand survey indicates that the arena will be rented on all weekends	46%
Hospitality services	VIP floor service	Service menu not yet finalized, but many applications have been received	6%
Rights/Advertising	B-to-B sponsors/support, activation, co-creation partnerships, advertising business	Generation of revenue has already started; initial delays but now proceeding generally as planned	11%
Tenants/Food & beverage	Tenant leasing for food & beverage and other businesses, internally operated food & beverage, and others	Little risk and, based on performance of other arenas, the size of this business can reach the goal with no problem if the arena can be rented	11%
Internal businesses (including Storks Co., Ltd.)	All types of events	A conservative plan for internal businesses, which are expected to benefit from synergies with Expo 2025, starting in Osaka in April 2025, and that is based on the minimum expected Storks revenue	26%

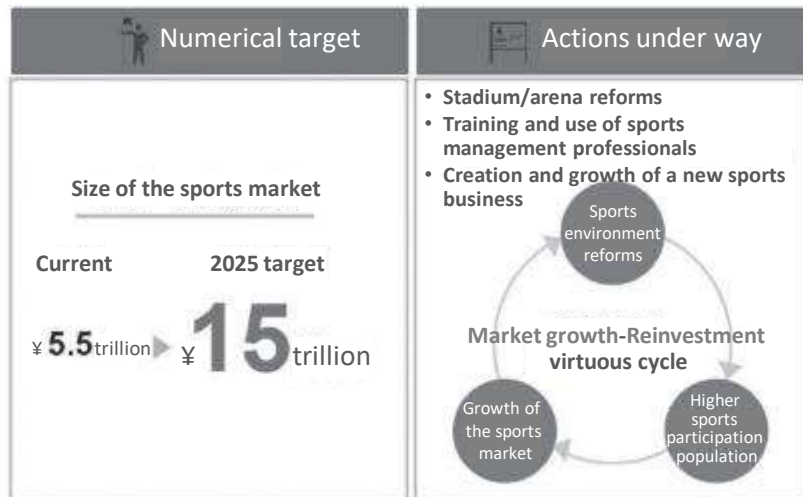
The performance of existing public-sector facilities is by far the biggest difference between public and private-sector stadiums and arenas.

Both public hall A and public arena B operated at more than 90% of capacity prior to the pandemic. The shortage of these facilities, particularly severe in the Kansai region, held back the growth of the markets for sports and live entertainment. Government reforms for stadiums and arenas position this sector as a growth industry. Activities are under way to create a stadium/arena business sector in Japan similar to the levels in Europe and North America. (Currently, there are plans for almost 100 new and renovated stadiums/arenas in Japan.)

Smart Venues segment (FY6/26)		Public hall A (FY3/23)		Public arena B (FY3/20)	
Net sales	Approx. ¥3.7bn	Net sales	Approx. ¥2.3bn	Net sales	Approx. ¥2.6bn
Operating profit	Approx. ¥0.36bn	Operating profit	Approx. ¥1.1bn	Operating profit	Approx. ¥1.2bn

## Making sports a growth industry

## Use sports to alter society

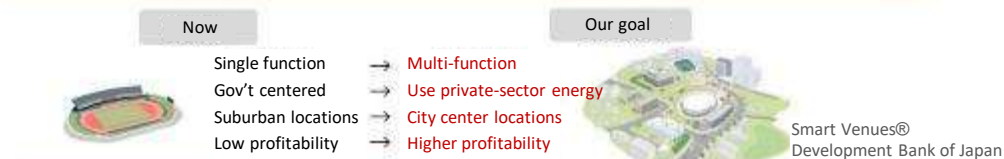


(Source) Basic Plan for Basic Sports (page 18), Japan Sports Agency

Source: Japan Sports Agency 2018

## Measures for stadium and arena reforms

- Stadium/arena reforms will be essential for making sports a growth industry.
- Alter the current perception of sports facilities based on stereotypes and precedents.
- Goal is public-private operations for a "new public benefit," such as sustained growth of a regional economy centered on a stadium or arena.
- Goal is interactive facilities that bring together a variety of functions



**Definition of stadium/arena**

- A facility that attracts people and has a capacity of thousands to tens of thousands of people
- A facility designed primarily for spectator sports

**Change from a cost center to a profit center**

- Differentiate facilities for nearby residents to play sports from stadiums and arenas. Priority is on spectator convenience and team business operations.
- Reduce public-sector expenses by making facilities more profitable
- A profit center that can also produce regional benefits greater than the investments, such as by creating excitement and sustainable community
- Use business and fund procurement methods that can upgrade facilities and services

**Regional benefits of stadium/arena reforms**

- A symbol of a region
  - Use private-sector knowhow and achieve profitability
  - Able to operate many years as a sustainable facility
- Create a new industry cluster
  - Economic benefits and job creation, including positive influences on industries in nearby areas
  - A sports team will further improve the facility's ability to remain successful
- Community creation using positive regional effects
  - Creates more energy and vitality in a community
  - More opportunities for nearby residents to play sports
  - Helps solve social issues through social responsibility, increasing public awareness and in other ways
- Sustainable growth of communities and regions
  - Helps create a community/regional identity
  - Raises the value of real estate in the area where the stadium/arena is located

## Construction of the Kobe Arena (tentative name)

(As of July 31, 2023)










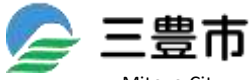
Construction started in April 2023 and is proceeding as planned. The arena is scheduled to open in April 2025, the year of the Osaka-Kansai Expo and the 30th anniversary of the Kobe earthquake.

The arena will be a key component of the Kobe waterfront and become a new symbol of the city of Kobe.



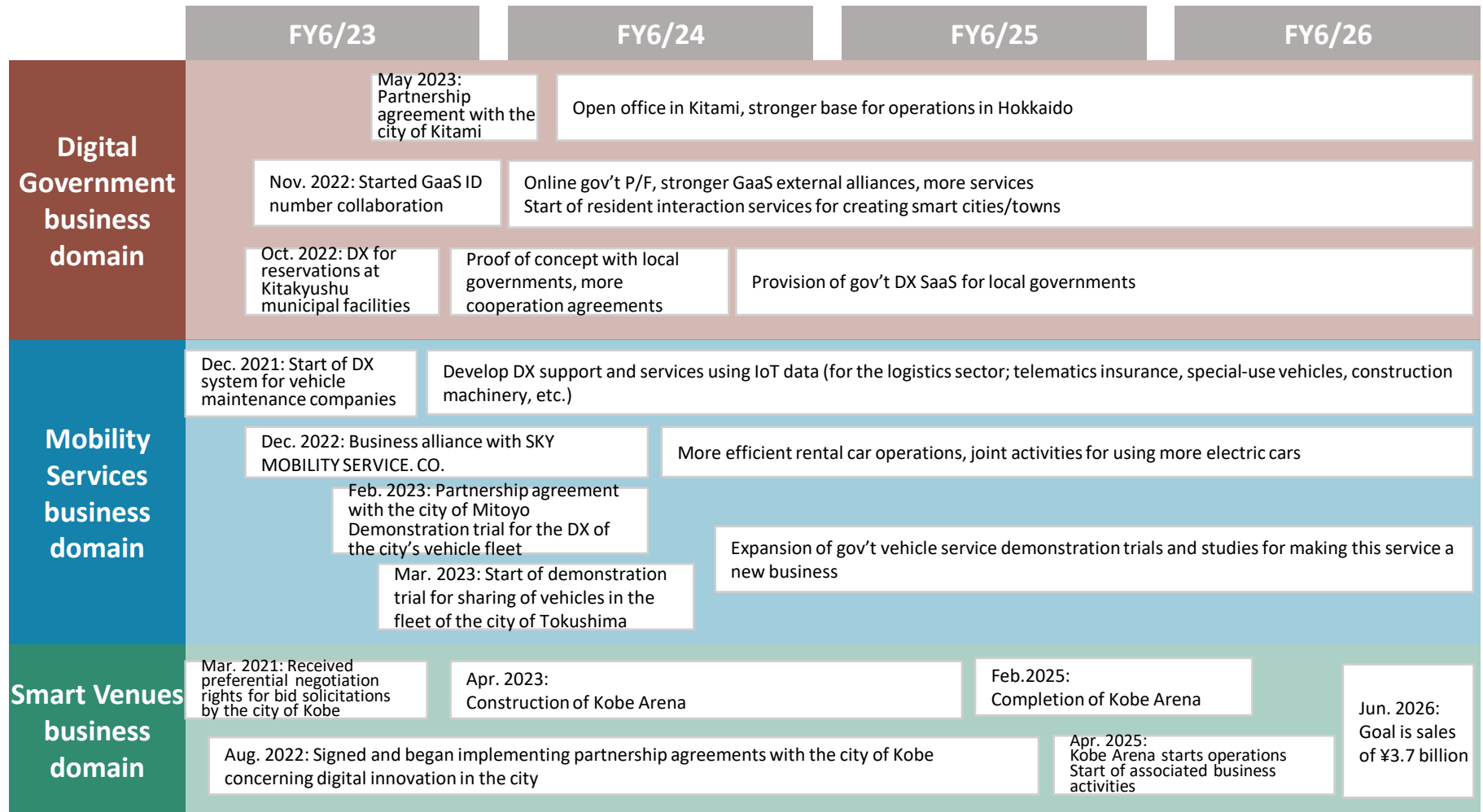
# The Smartvalue Alliance Strategy

The objective of the strategy is the **creation of a social system based on the convergence of physical and digital components**. Many projects are moving forward with the backing of alliances with many partners that cover a broad spectrum of expertise and distinctive strengths.

Digital Government business domain	Smart Venues business domain	Mobility Services business domain
 <p>Joint planning/development of local gov't SaaS</p>	<p>Use data for greater convenience</p>	<p>Participation in Transportation Digital Business Conference (TDBC)</p>
 <p>Tourism CRM studies for local gov'ts</p>	<p>Digital marketing/CRM</p>	 <p>Meet needs for many services Increase EV use for decarbonization Energy efficient store operations</p>  <p>Sharing of city fleet vehicles for efficient use of assets</p>
 <p>Studies for joint planning of local gov't SaaS</p>	 <p>Content, BCP, sustainability</p>	
 <p>Increase engagement with residents Government digital transformation</p>	 <p>Joint planning of content and events</p>	
	 <p>Ideas for the future of the city center and waterfront</p>	 <p>Demonstration of benefits of digital transformation of city fleet vehicle management</p>

This diagram summarizes major events and expected events concerning progress in the three business domains of Smartvalue.

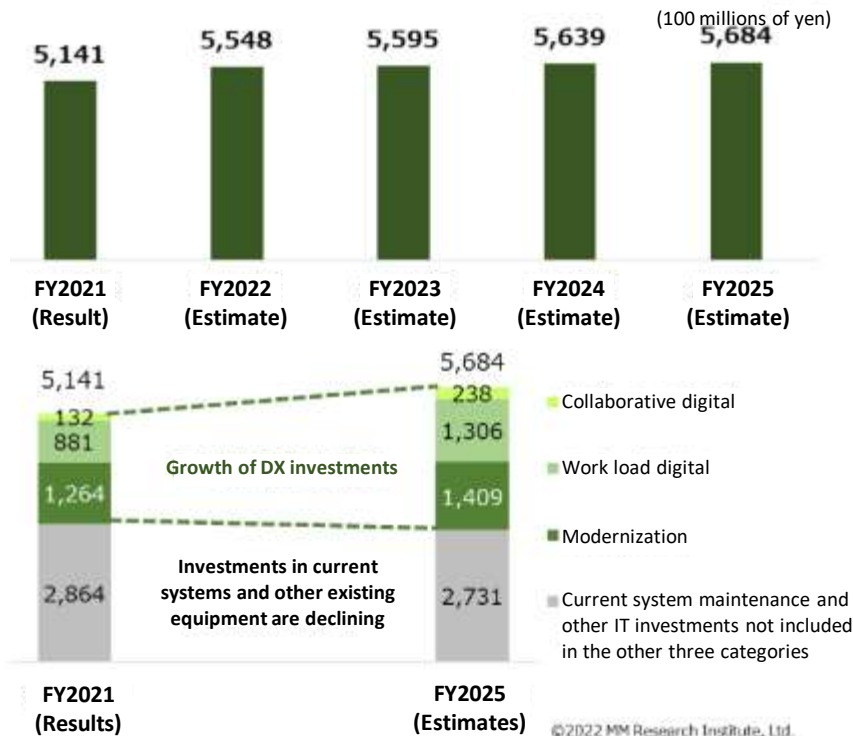
Only information that can be disclosed is shown. A large number of activities will continue with the support of alliance partners in order to accomplish the mission of the Smartvalue Group.



In the digital transformation of local governments category, which is the targeted market, the goal is sales of ¥273.8 billion in FY2025.

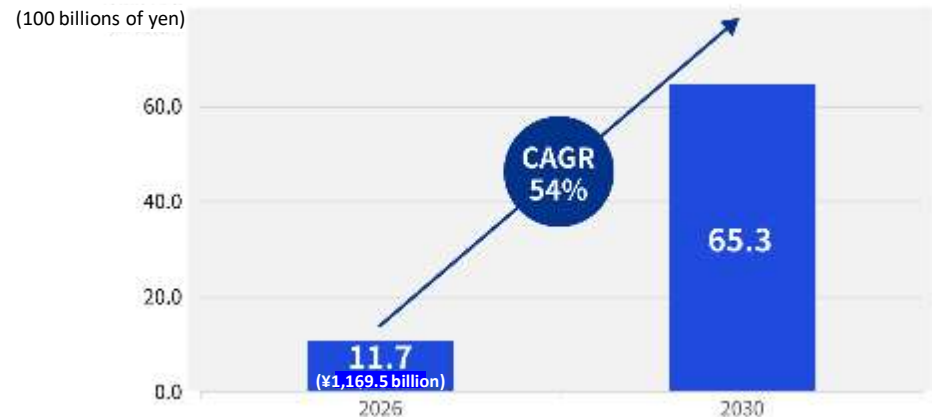
When the market is expanded to encompass the entire smart city domain, annual sales are expected to be ¥6,530 billion in FY2030. Consequently, by operating the Smart Venues business, which is centered on Kobe Arena, we plan to continue growing with our markets.

Local gov't ICT investment survey



The gov't DX and smart city (urban OS) market in Japan

**¥1,170 billion in 2026**  
**¥6,530 billion in 2030**



Source: Survey of Local Government ICT Investments (March 2022), MM Research Institute  
<https://www.m2ri.jp/release/detail.html?id=543>

Source: 2030 Market Outlook and Personnel Requirements: Public Sector (Government DX and smart cities (Urban OS)), KPMG Consulting  
<https://kpmg.com/jp/ja/home/insights/2023/05/hr-strategy-smartcity.html>

04

# Results of Operations by Segment

# FY6/23 Consolidated Statement of Income

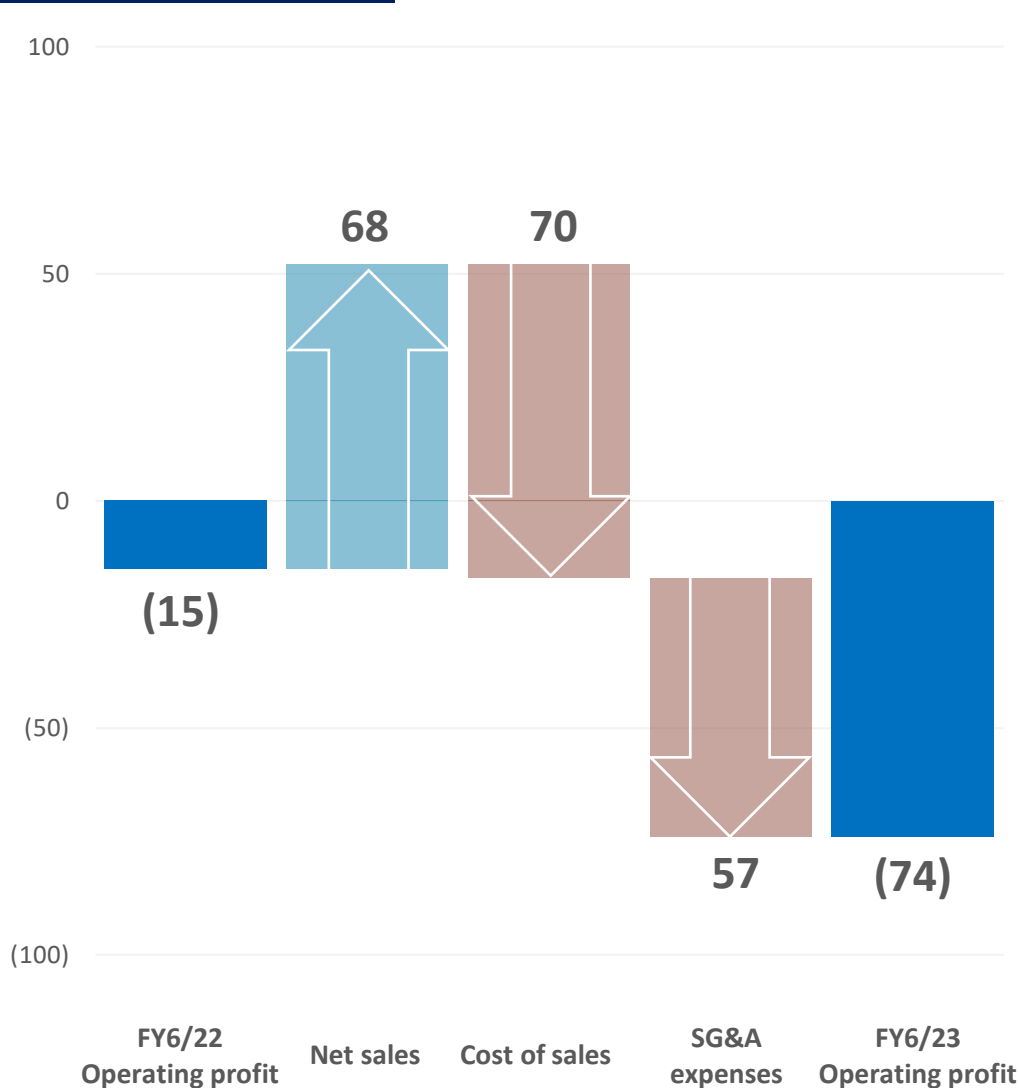
(Millions of yen)

	FY6/22	FY6/23
<b>Net sales</b>	<b>3,805</b>	<b>3,873</b>
<b>Digital Government</b>	<b>1,788</b>	<b>1,948</b>
<b>Mobility Services</b>	<b>1,556</b>	<b>1,555</b>
<b>Smart Venues</b>	<b>460</b>	<b>369</b>
<b>Operating profit</b>	<b>(15)</b>	<b>(74)</b>
<b>Digital Government</b>	<b>317</b>	<b>406</b>
<b>Mobility Services</b>	<b>233</b>	<b>288</b>
<b>Smart Venues</b>	<b>(89)</b>	<b>(268)</b>
<b>Corporate expenses</b>	<b>(476)</b>	<b>(501)</b>
<b>Operating margin</b>	<b>-</b>	<b>-</b>
<b>Digital Government</b>	<b>17.8%</b>	<b>20.9%</b>
<b>Mobility Services</b>	<b>15.0%</b>	<b>18.5%</b>
<b>Smart Venues</b>	<b>-</b>	<b>-</b>
<b>Ordinary profit</b>	<b>8</b>	<b>(75)</b>
<b>Profit attributable to owners of parent</b>	<b>1</b>	<b>(48)</b>



# Changes in Operating Profit (Consolidated)

## Consolidated



(Millions of yen)

### Increase in net sales

Digital Government	160
Mobility Services	0
Smart venues	(91)

### Increase in cost of sales

Digital Government	96
Mobility Services	(19)
Smart venues	(6)

### Increase in SG&A expenses

Digital Government	(25)
Mobility Services	(36)
Smart venues	93
Administration	25

# Net Sales by Business Format (Consolidated)

## Consolidated

(Millions of yen)

	FY6/22	FY6/23	Comp.	YoY change
Net sales	3,805	3,873	100.0%	101.8%
Cloud services	2,069	2,276	58.8%	110.0%
MRR (Monthly recurring revenue)	1,346	1,494	38.6%	111.0%
Service start-up and construction	723	781	20.2%	108.0%
Outsourced development	204	217	5.6%	106.1%
Sales of products	752	618	16.0%	82.3%
Client-specific development team service	318	392	10.1%	123.2%
Smart venues/sports	460	369	9.5%	80.1%
Operating profit	(15)	(74)	-	-
Operating margin	-	-	-	-

# Net Sales by Business Format (Digital Government)

## Digital Government

(Millions of yen)

	FY6/22	FY6/23	Comp.	YoY change
Net sales	1,788	1,948	100.0%	109.0%
Cloud services	1,425	1,524	78.2%	107.0%
MRR (Monthly recurring revenue)	788	840	43.1%	106.6%
Service start-up and construction	636	684	35.1%	107.4%
Outsourced development	44	32	1.7%	71.8%
Client-specific development team service	318	392	20.1%	123.2%
Operating profit	317	406	-	128.1%
Operating margin	17.8%	20.9%	-	117.6%

# Net Sales by Business Format (Mobility Services)

## Mobility Services

(Millions of yen)

	FY6/22	FY6/23	Comp.	YoY change
Net sales	1,556	1,555	100.0%	99.9%
Cloud services	644	751	48.3%	116.6%
MRR (Monthly recurring revenue)	557	654	42.1%	117.3%
Service start-up and construction	86	97	6.3%	112.4%
Outsourced development	159	184	11.9%	115.8%
Sales of products	752	618	39.8%	82.3%
Operating profit	233	288	-	123.6%
Operating margin	15.0%	18.5%	-	123.7%

# Net Sales by Business Format (Smart Venues)

## Smart Venues

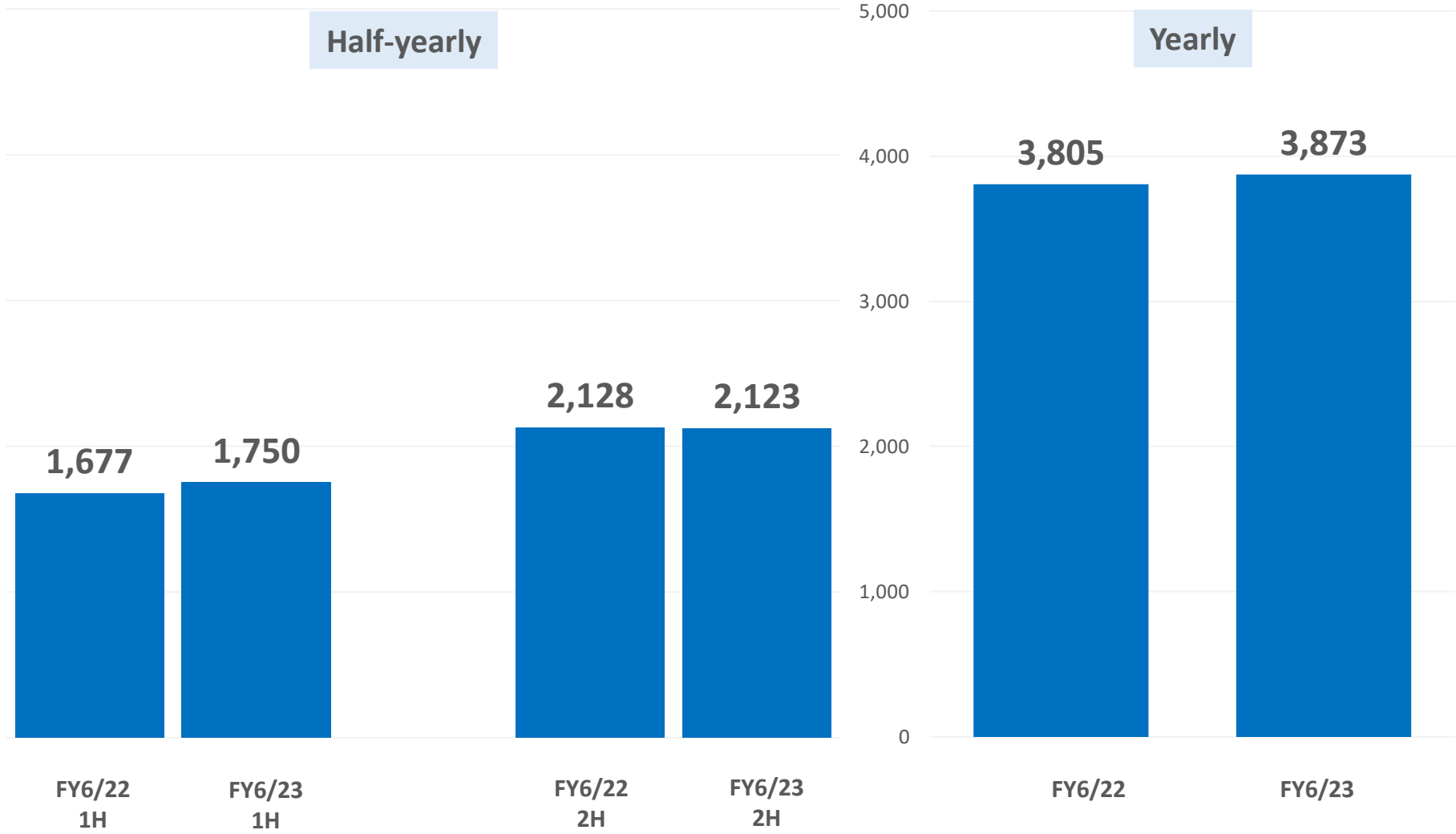
(Millions of yen)

	FY6/22	FY6/23	Comp.	YoY change
Net sales	460	369	100.0%	78.3%
Smart venues/sports	460	369	100.0%	78.3%
Operating profit	(89)	(268)	-	-
Operating margin	-	-	-	-

# Net Sales (Consolidated)

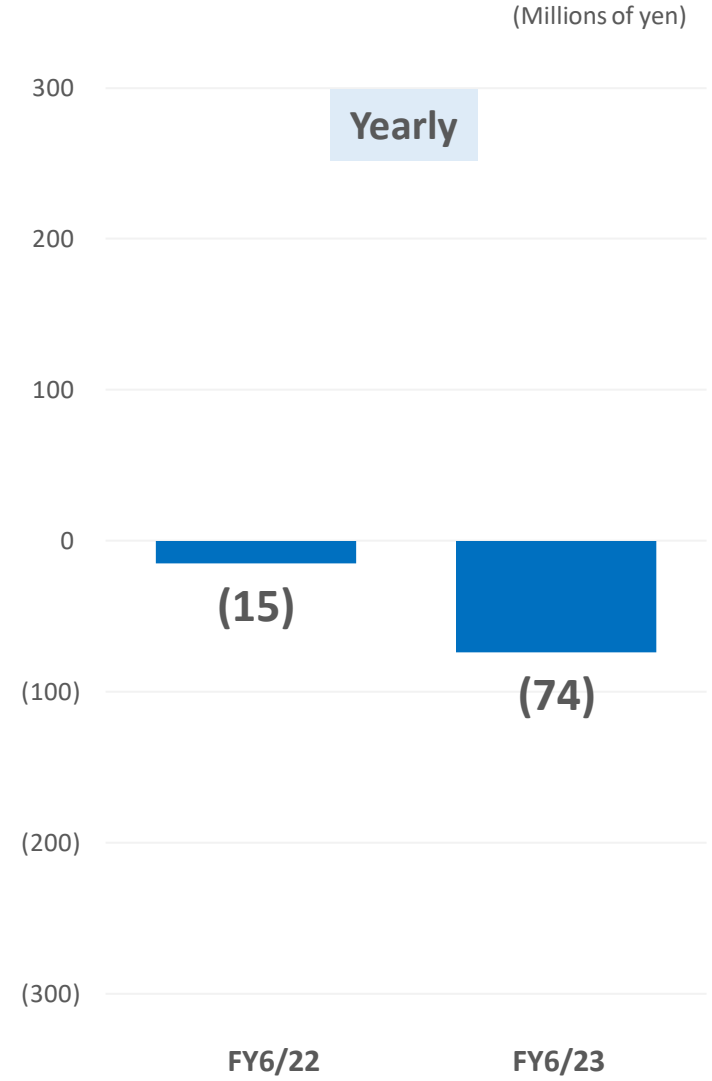
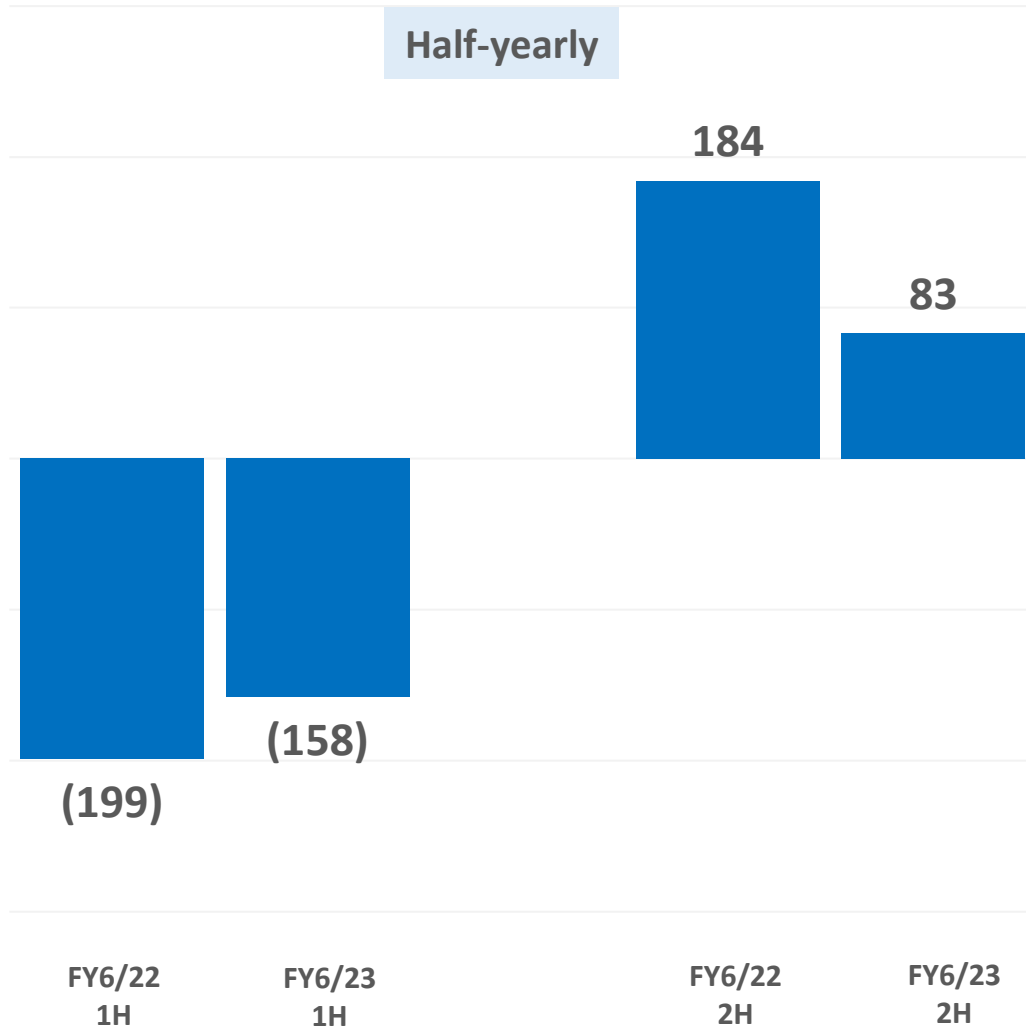
## Consolidated

(Millions of yen)



# Operating Profit (Consolidated)

## Consolidated



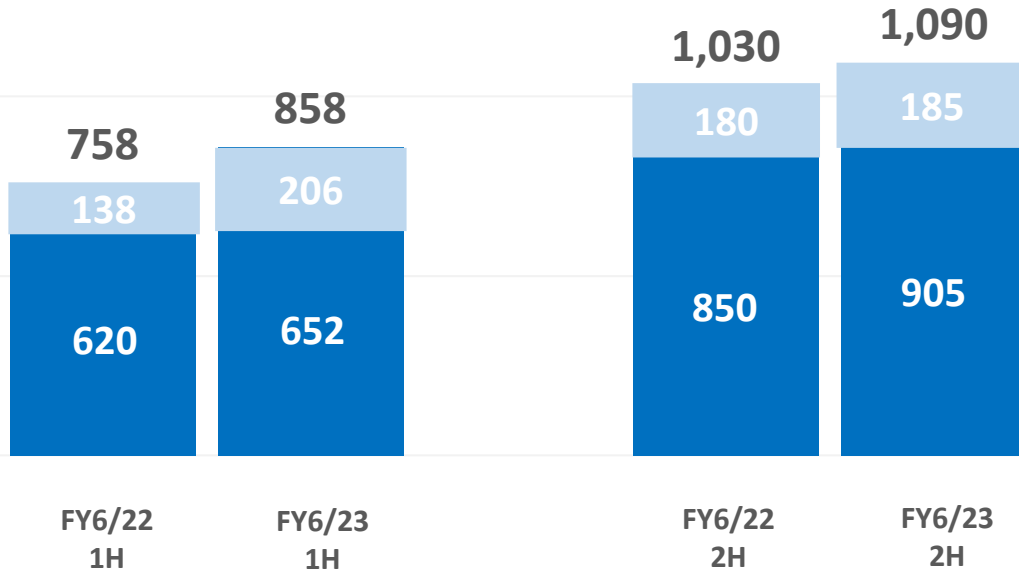
# Net Sales (Digital Government)

## Digital Government

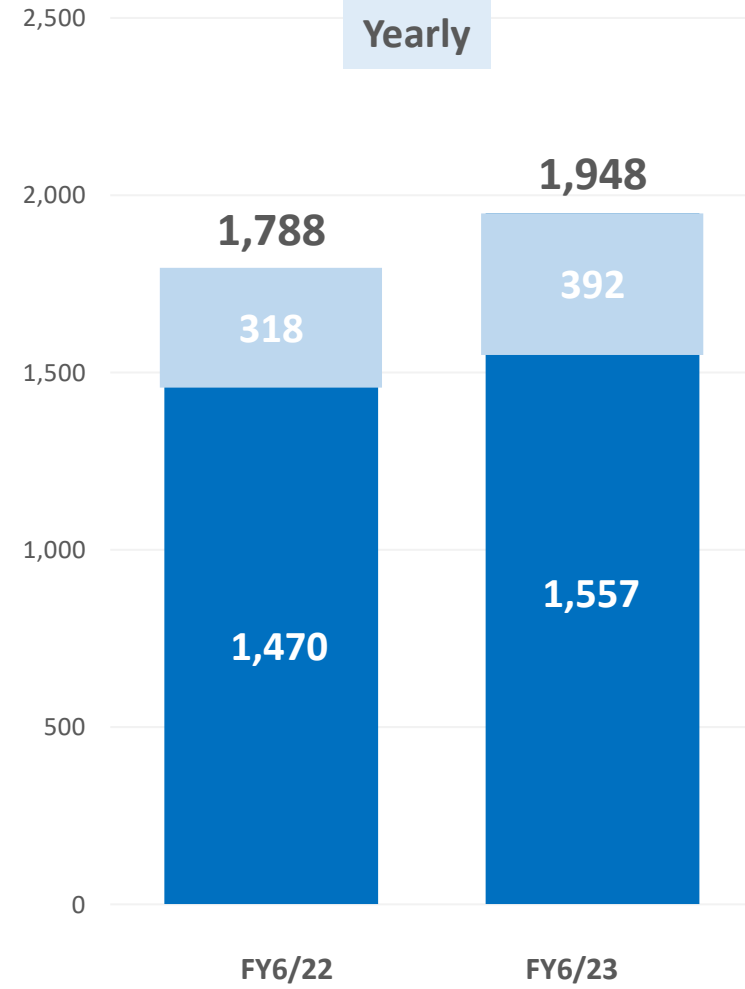
(Millions of yen)

### Half-yearly

- Client-specific development team service
- Digital Government Business



### Yearly

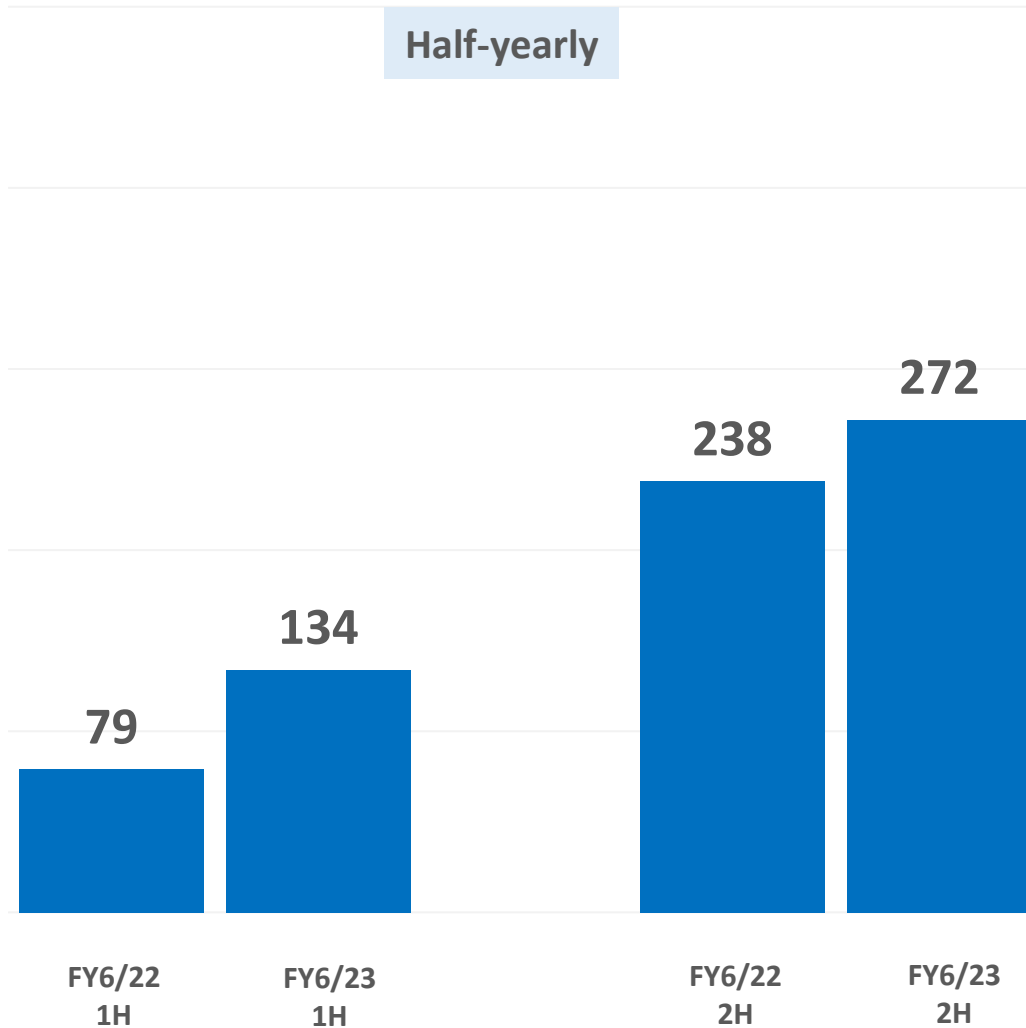




# Operating Profit (Digital Government)

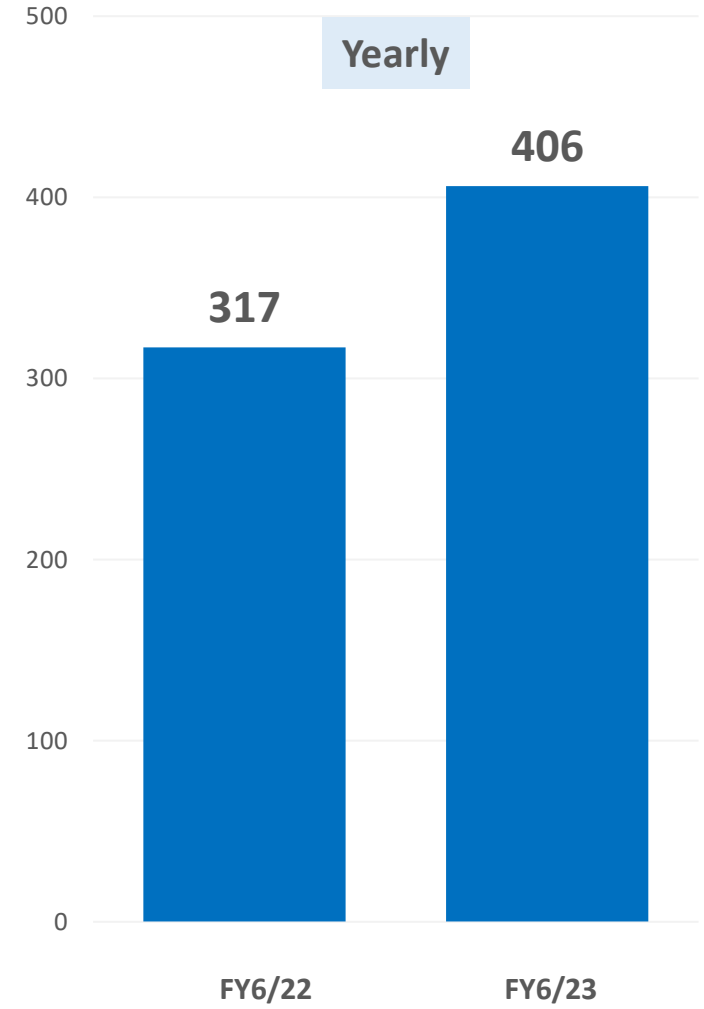
## Digital Government

Half-yearly



(Millions of yen)

Yearly

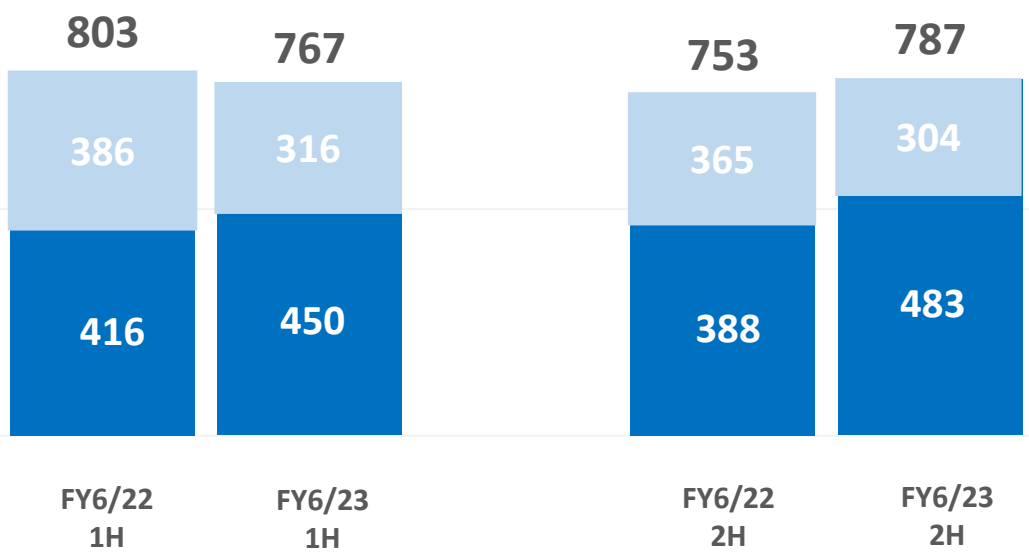


## Mobility Services

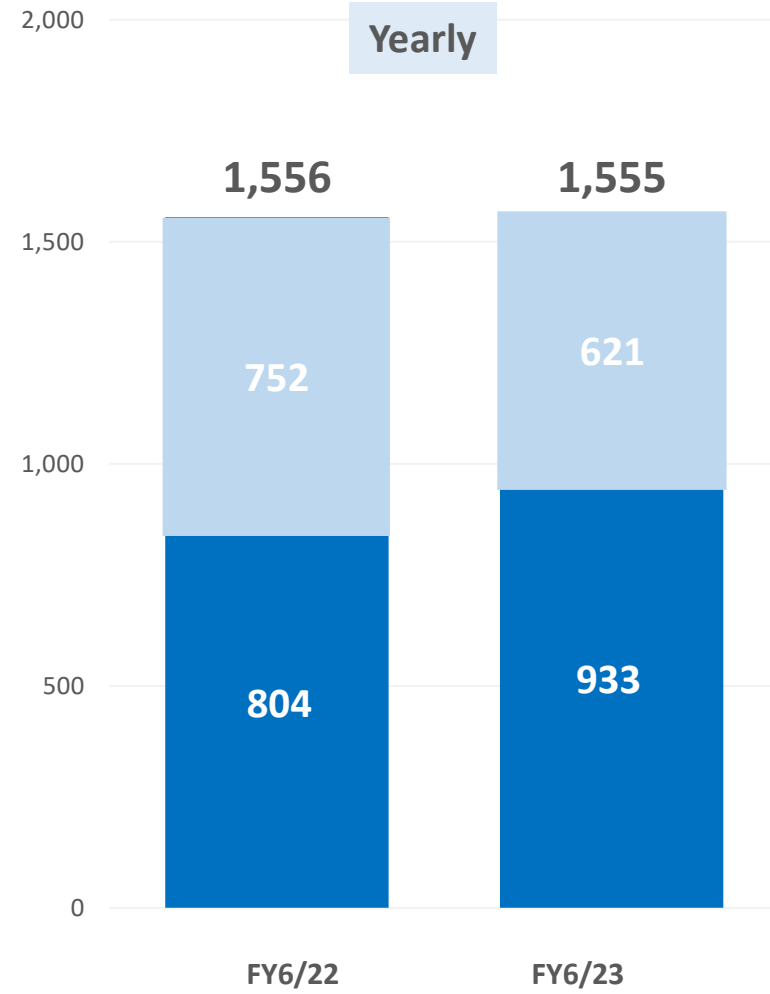
(Millions of yen)

### Half-yearly

- Car solutions
- Mobility IoT



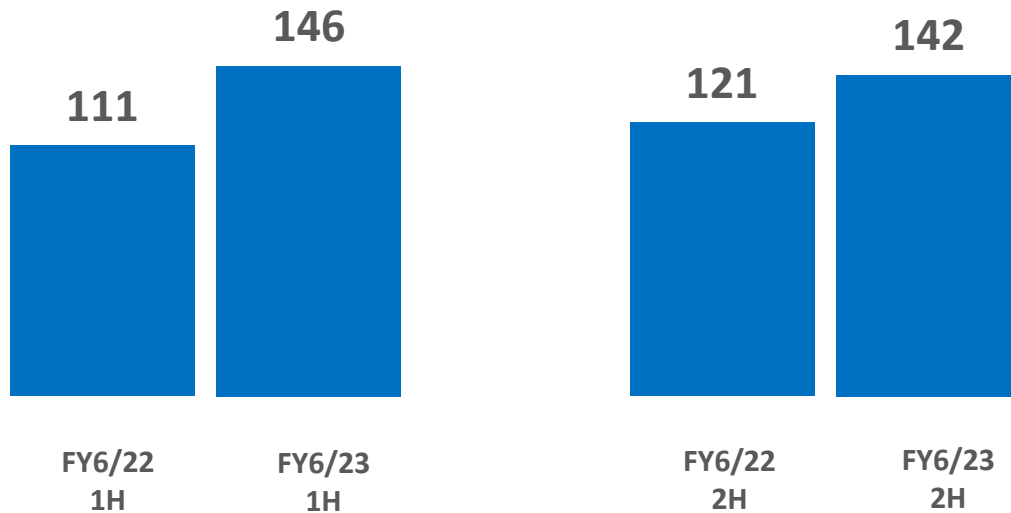
### Yearly



# Operating Profit (Mobility Services)

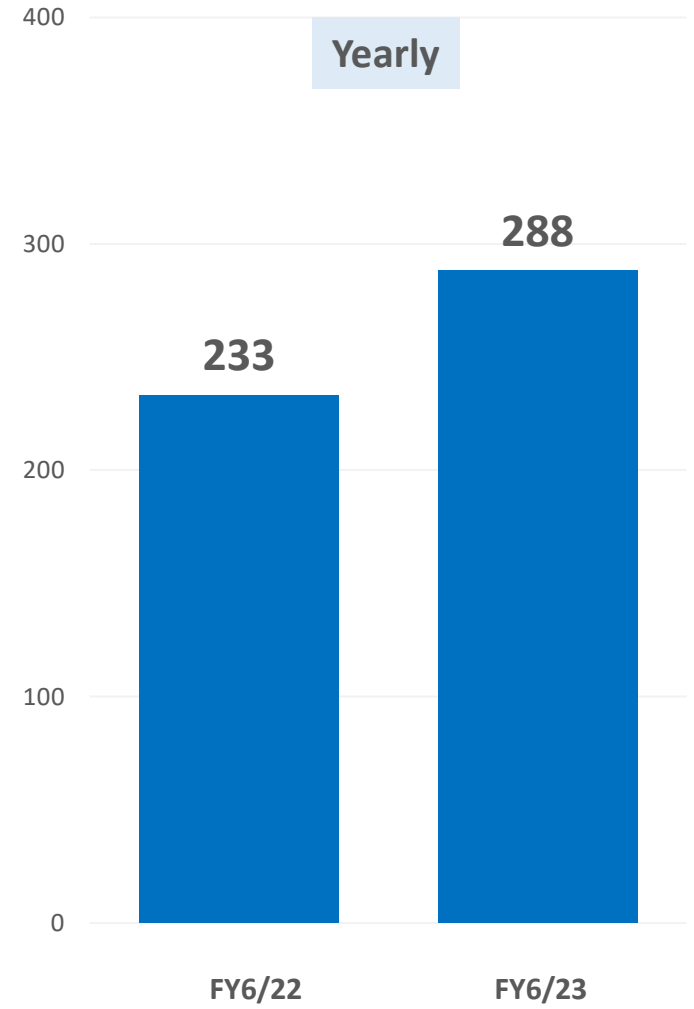
## Mobility Services

Half-yearly



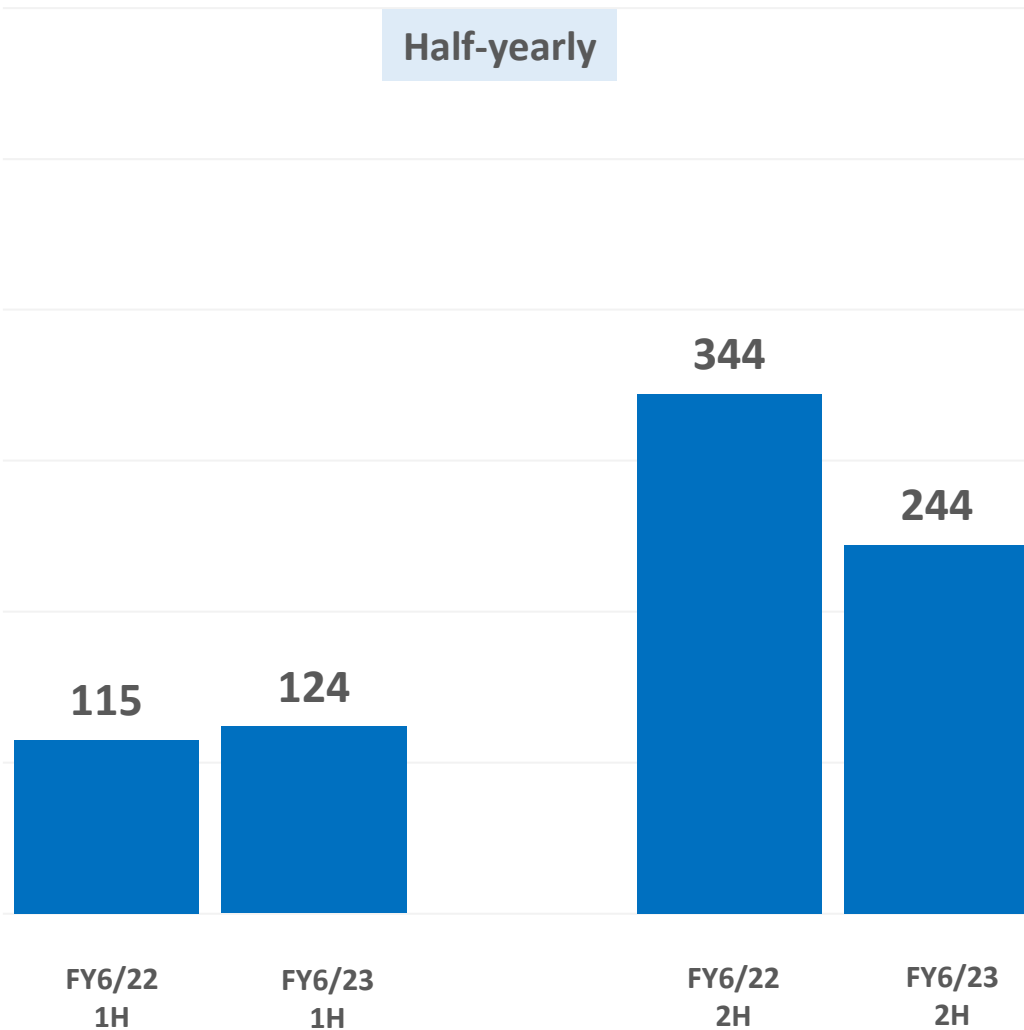
(Millions of yen)

Yearly



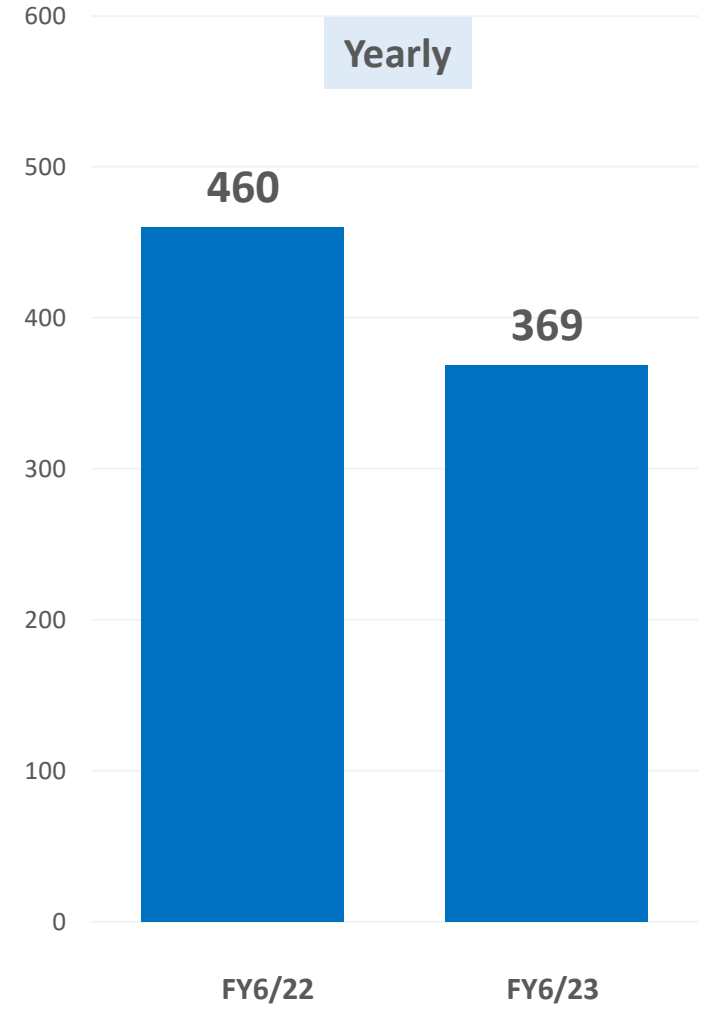
## Smart Venues

Half-yearly



(Millions of yen)

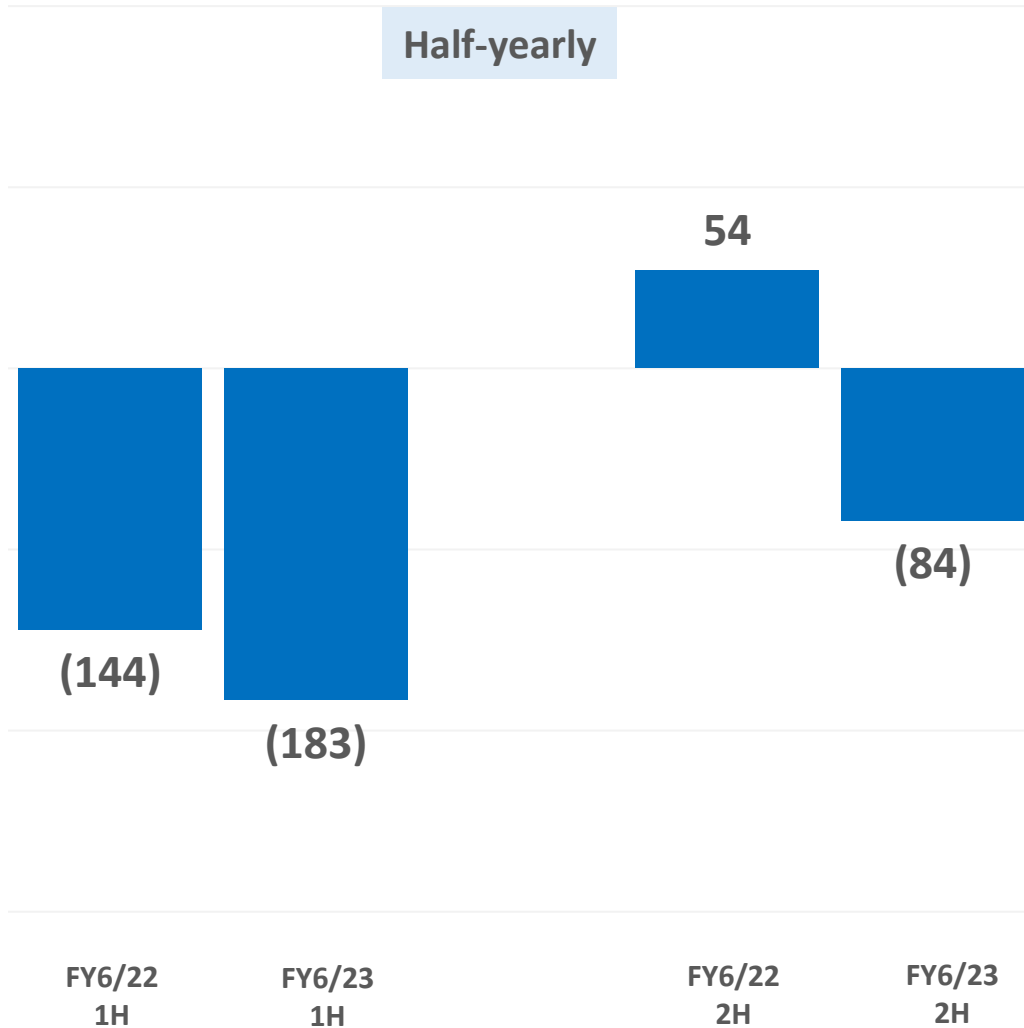
Yearly



# Operating Profit (Smart Venues)

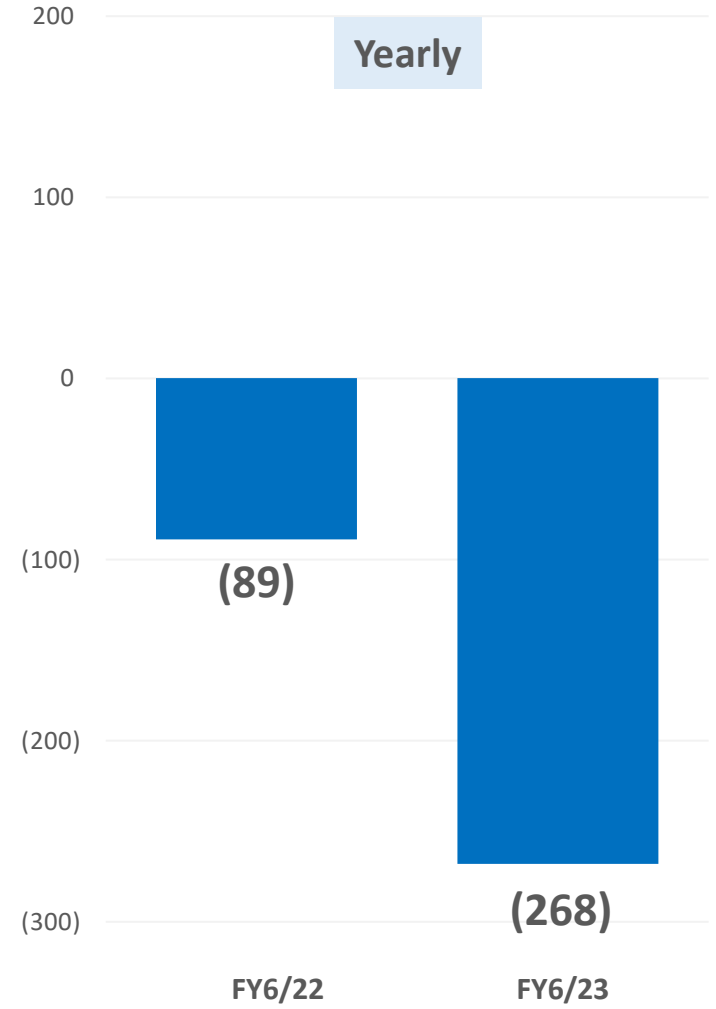
## Smart Venues

Half-yearly



(Millions of yen)

Yearly



# FY6/23 Consolidated Balance Sheet

(Millions of yen)

	FY6/22	FY6/23	Change	Major items
<b>Current assets</b>	<b>3,179</b>	<b>3,016</b>	<b>(162)</b>	<ul style="list-style-type: none"> <li>■ Current assets</li> <li>• Cash and deposits: Down 224</li> <li>• Accounts receivable-trade: Up 11</li> <li>• Notes receivable-trade: Up 9</li> <li>• Contract assets: Up 28</li> <li>■ Non-current assets</li> <li>• Buildings and structures: Down 18</li> <li>• Construction in progress: Up 8</li> <li>• Software: Down 56</li> <li>• Deferred tax assets: Down 26</li> <li>• Goodwill: Down 16</li> <li>• Software in progress: Up 5</li> <li>■ Deferred assets</li> <li>• Share issuance costs: Up 2</li> </ul>
<b>Non-current assets</b>	<b>938</b>	<b>844</b>	<b>(94)</b>	
<b>Deferred assets</b>	<b>2</b>	<b>5</b>	<b>2</b>	
<b>Total assets</b>	<b>4,120</b>	<b>3,866</b>	<b>(254)</b>	
<b>Current liabilities</b>	<b>1,278</b>	<b>1,116</b>	<b>(161)</b>	<ul style="list-style-type: none"> <li>■ Current liabilities</li> <li>• Short-term borrowings: Down 139</li> <li>• Current portion of long-term borrowings: Down 11</li> <li>• Income taxes payable: Down 18</li> <li>■ Non-current liabilities</li> <li>• Long-term borrowings: Down 79</li> </ul>
<b>Non-current liabilities</b>	<b>391</b>	<b>308</b>	<b>(82)</b>	
<b>Total liabilities</b>	<b>1,669</b>	<b>1,424</b>	<b>(244)</b>	
<b>Share capital</b>	<b>959</b>	<b>1,044</b>	<b>85</b>	<ul style="list-style-type: none"> <li>• Share capital: Up 85 by the third-party allotment to WingArc1st Inc.</li> <li>• Capital surplus: Up 85 by the third-party allotment to WingArc1st Inc.</li> <li>• Retained earnings: Down 80 due to dividend payments Loss attributable to owners of parent of 48.</li> </ul>
<b>Capital surplus</b>	<b>1,044</b>	<b>1,114</b>	<b>70</b>	
<b>Retained earnings</b>	<b>254</b>	<b>116</b>	<b>(138)</b>	
<b>Treasury shares</b>	<b>(124)</b>	<b>(154)</b>	<b>(29)</b>	
<b>Non-controlling interests</b>	<b>316</b>	<b>319</b>	<b>2</b>	
<b>Total net assets</b>	<b>2,451</b>	<b>2,441</b>	<b>(10)</b>	
<b>Total liabilities and net assets</b>	<b>4,120</b>	<b>3,866</b>	<b>(254)</b>	

05

# FY6/24 Outlook and Medium-term Business Plan

(Announced in August 2023)

# FY6/24 Consolidated Forecast

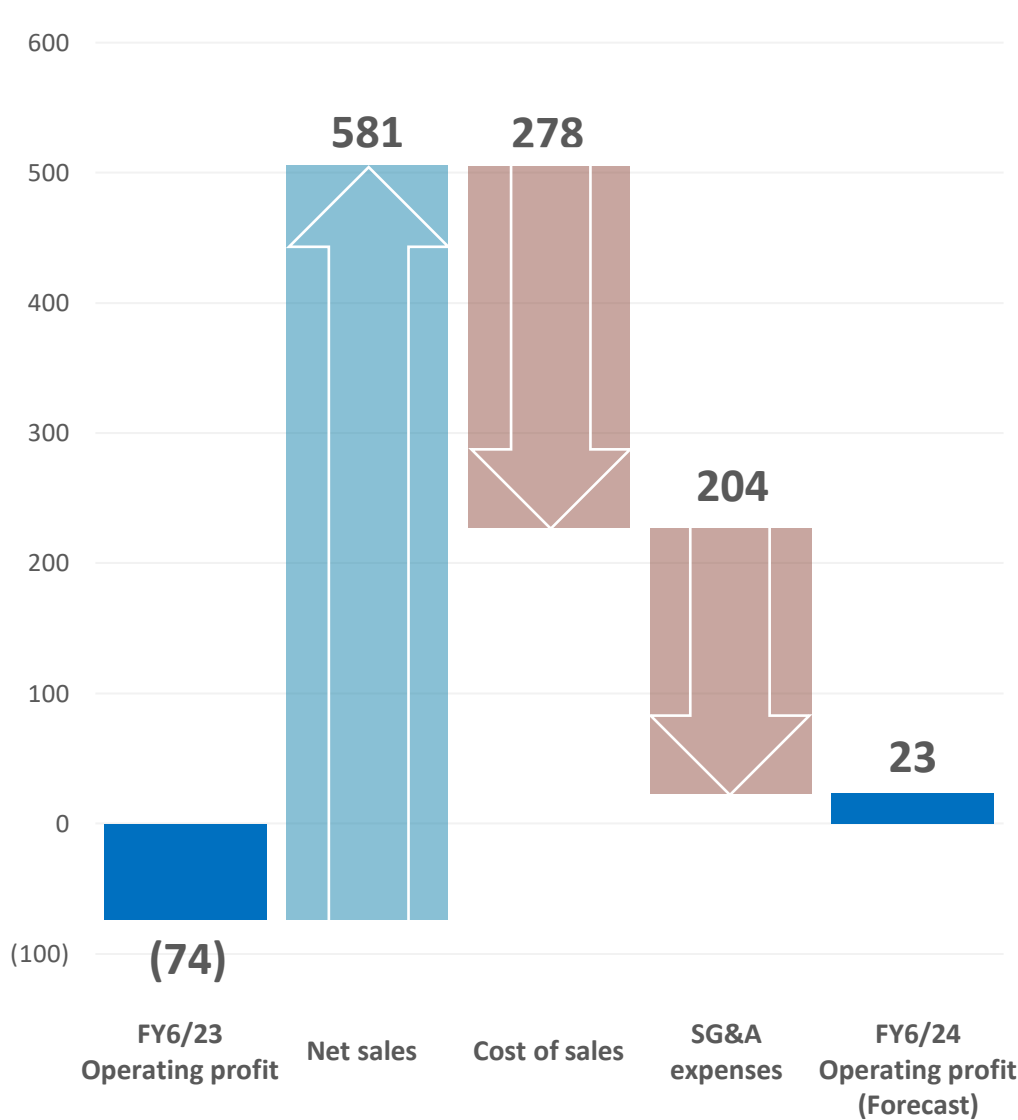
MRR is increasing steadily in the core Digital Government and Mobility Services businesses but higher wages, organizational improvement measures and other activities for the next stage of growth will hold down earnings. Forecast a smaller Smart Venues loss as sales prior to the start of operations begin to emerge. Activities for making this business profitable are continuing. (Millions of yen)

	FY6/23	FY6/24
Net sales	3,873	4,454
Digital Government	1,948	2,049
Mobility Services	1,555	1,658
Smart Venues	369	746
Operating profit	(74)	23
Digital Government	406	384
Mobility Services	288	236
Smart Venues	(268)	(78)
Corporate expenses	(501)	(518)
Operating margin	-	0.5%
Digital Government	20.9%	18.8%
Mobility Services	18.5%	14.2%
Smart Venues	-	-
Ordinary profit	(75)	16
Profit attributable to owners of parent	(48)	15



# FY6/24 Forecast for Changes in Operating Profit (Consolidated)

## Consolidated



Increase in net sales	
Digital Government	100
Mobility Services	103
Smart venues	377

Increase in cost of sales	
Digital Government	74
Mobility Services	105
Smart venues	98

Increase in SG&A expenses	
Digital Government	48
Mobility Services	49
Smart venues	89
Administration	16

# FY6/24-FY6/26 Statement of Income

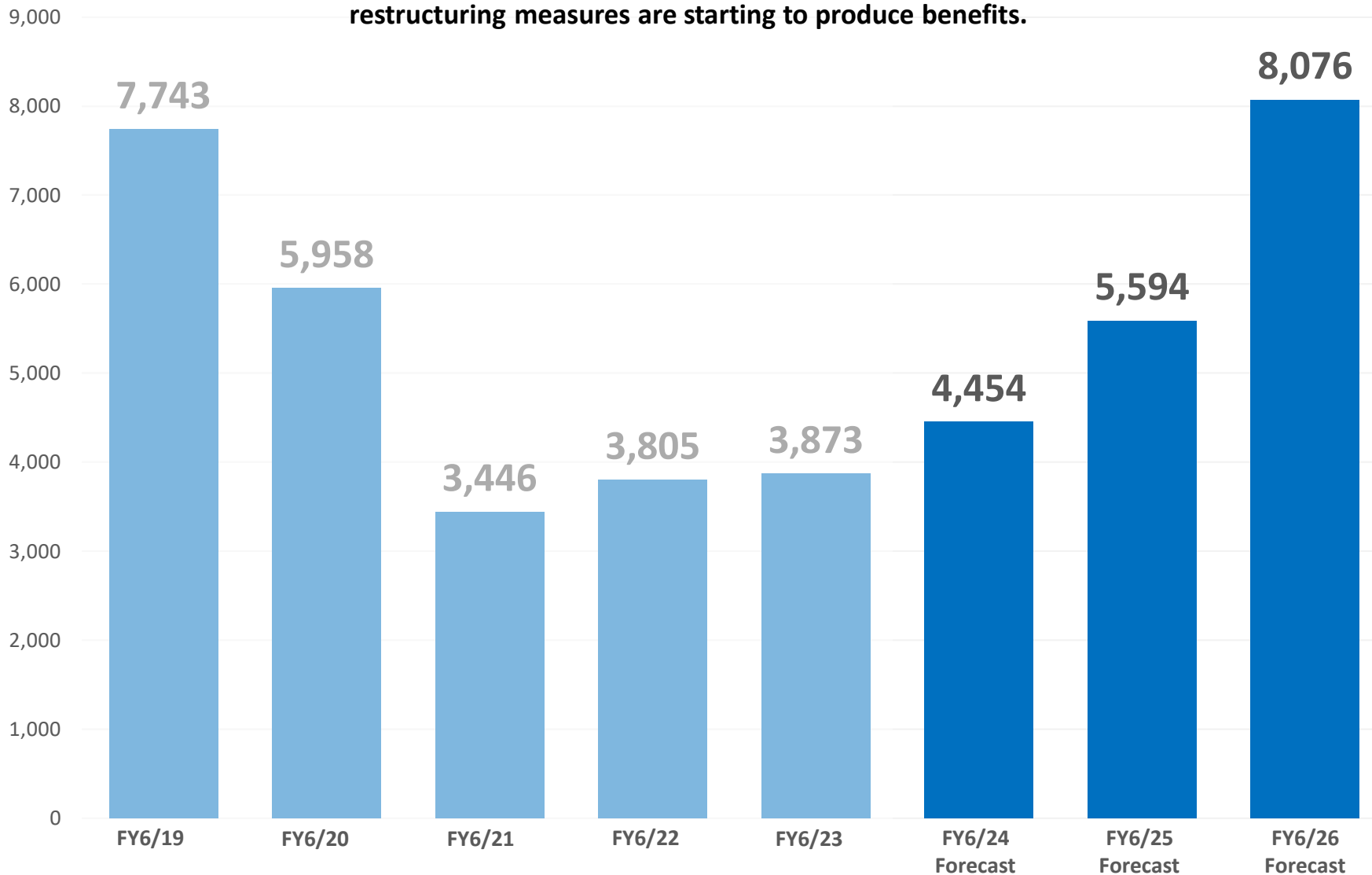
Forecast consistent growth of the core Digital Government and Mobility Services businesses as monthly recurring revenue enables these businesses to grow as expenditures are made for human resources and other purposes. Anticipate a significant contribution to earnings by Smart Venues, which will become the third core business, beginning in FY6/26. (Millions of yen)

		FY6/23	FY6/24 Forecast	FY6/25 Forecast	FY6/26 Forecast
Digital Government	Net sales	1,948	2,049	2,209	2,371
	Operating profit	406	384	430	396
Mobility Services	Net sales	1,555	1,658	1,750	1,951
	Operating profit	288	236	244	314
Smart Venues	Net sales	369	746	1,634	3,752
	Operating profit	(268)	(78)	(25)	366
Administration	Operating profit	(501)	(518)	(547)	(574)
Consolidated	Net sales	3,873	4,454	5,594	8,076
	Operating profit	(74)	23	101	503
	Ordinary profit	(75)	16	86	459

## Consolidated

Sales have been low following the 2020 termination of the carrier shop agency business and due to the pandemic. Currently, portfolio restructuring measures are starting to produce benefits.

(Millions of yen)

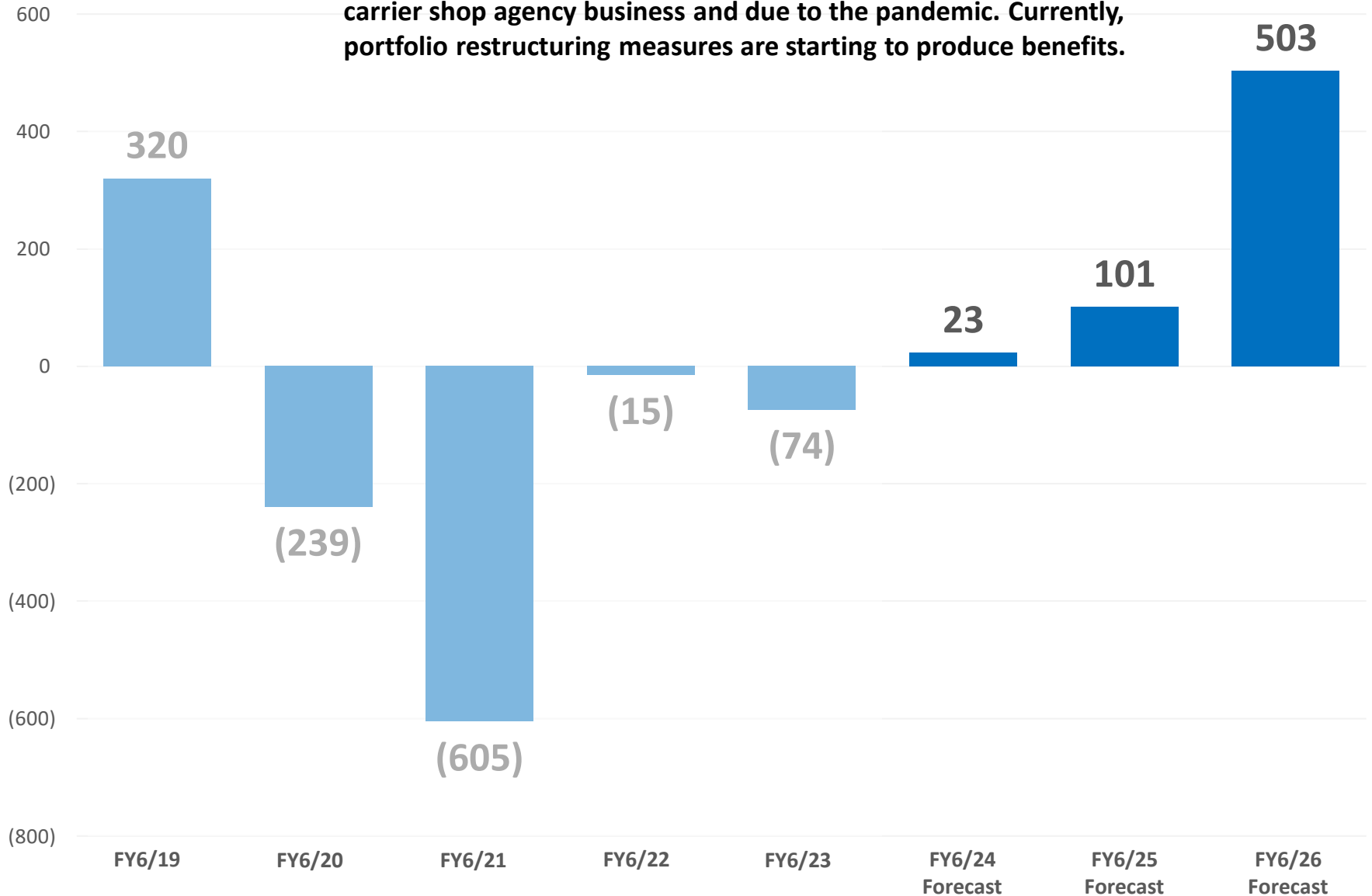


# Operating Profit (Consolidated)

## Consolidated

Operating profit has been low following the 2020 termination of the carrier shop agency business and due to the pandemic. Currently, portfolio restructuring measures are starting to produce benefits.

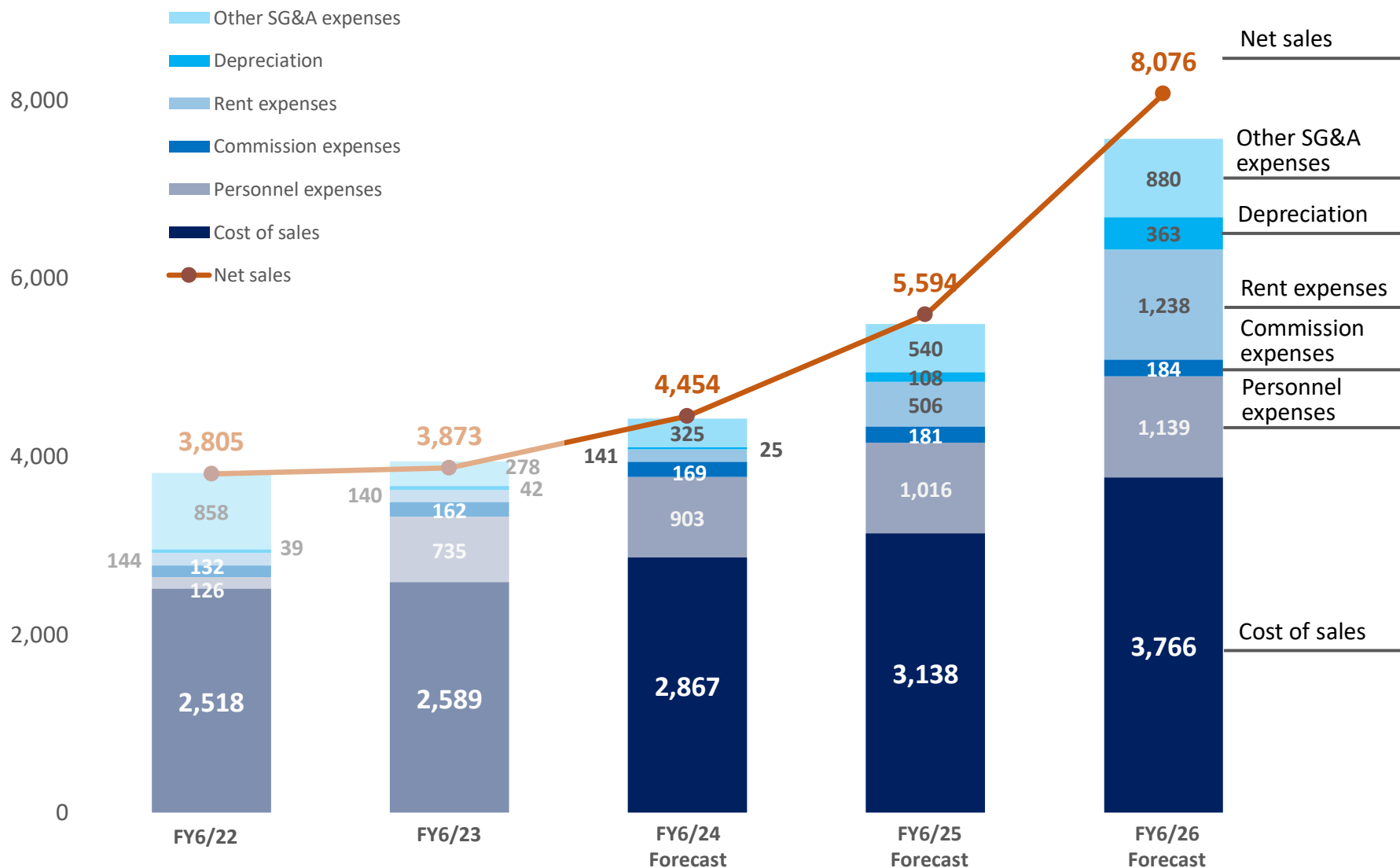
(Millions of yen)



# Net Sales and Operating Expenses

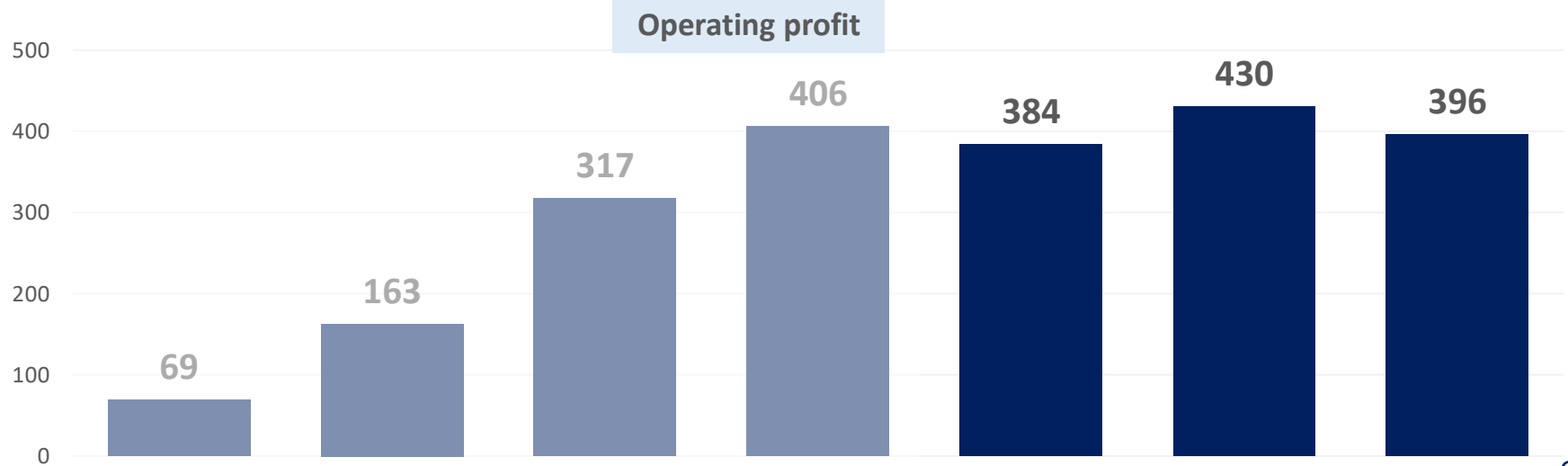
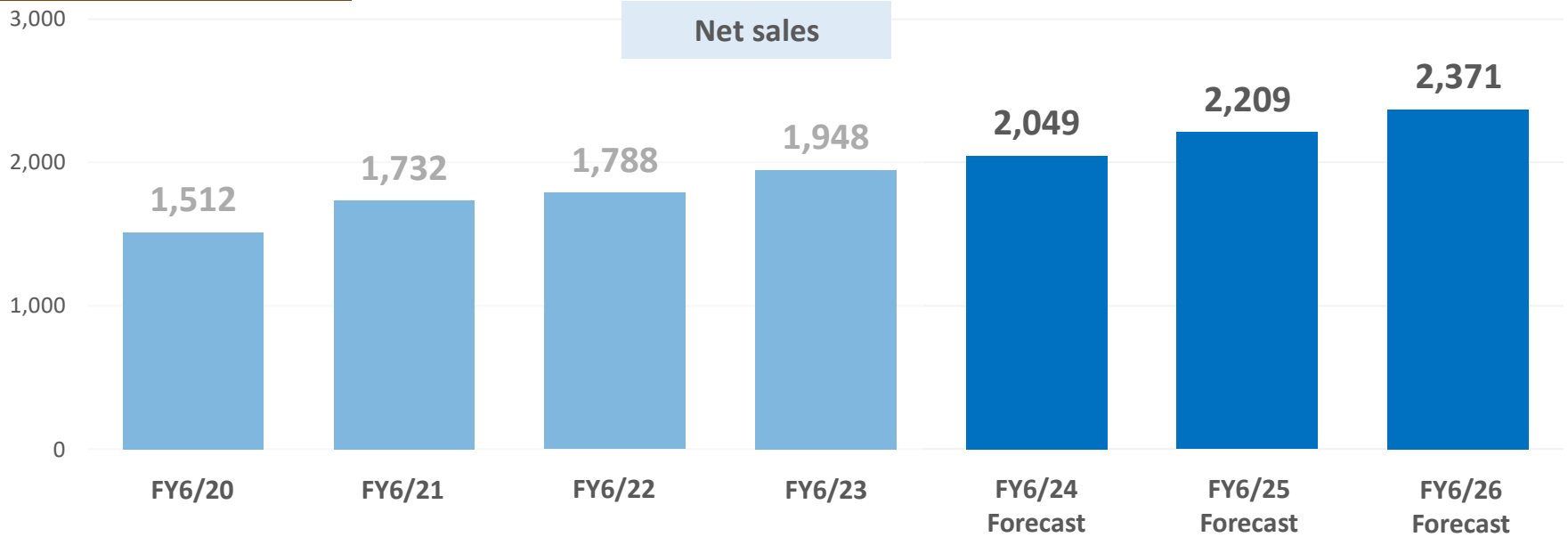
## Consolidated

(Millions of yen)



## Digital Government

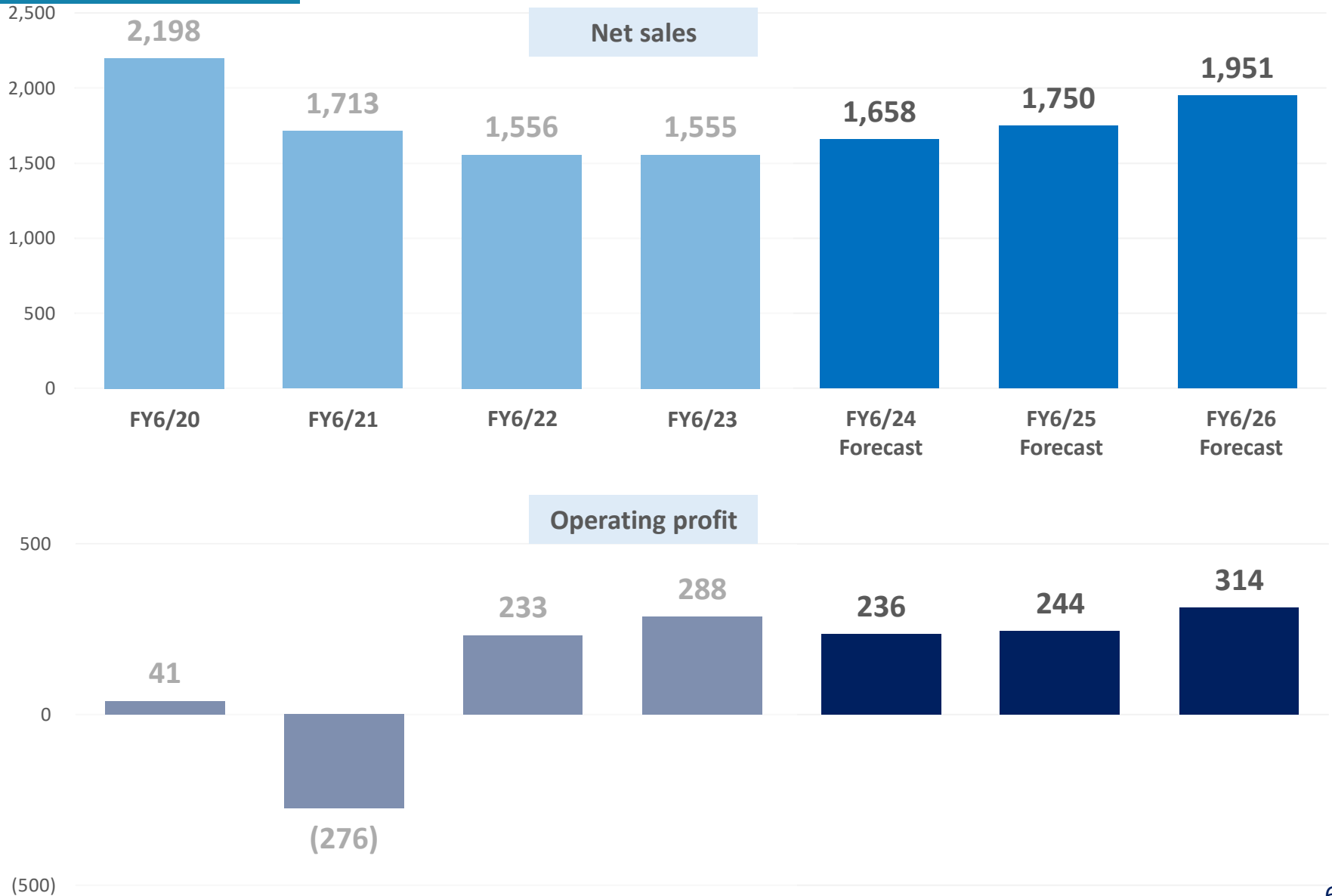
(Millions of yen)



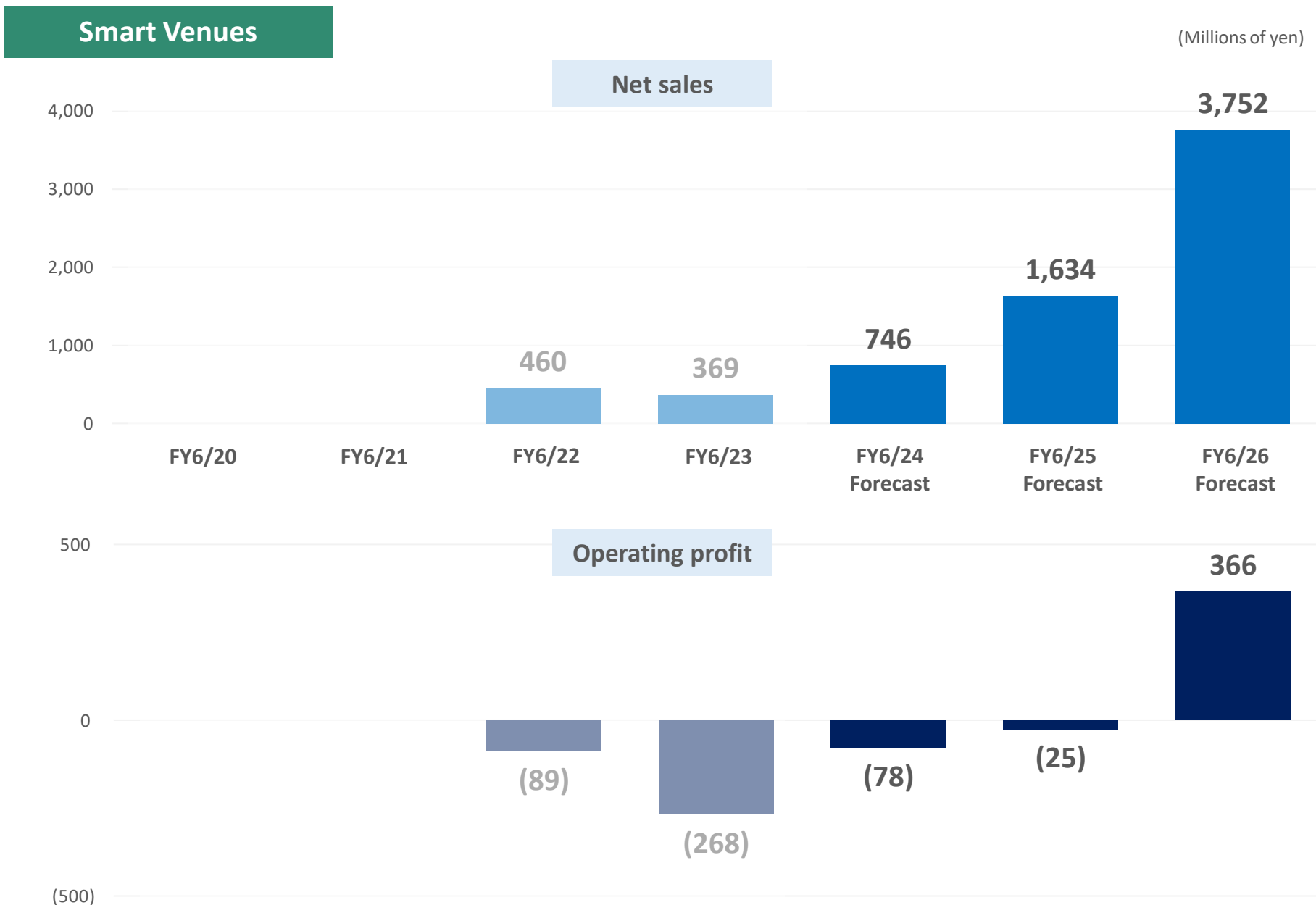
# Net Sales and Operating Profit (Mobility Services)

## Mobility Services

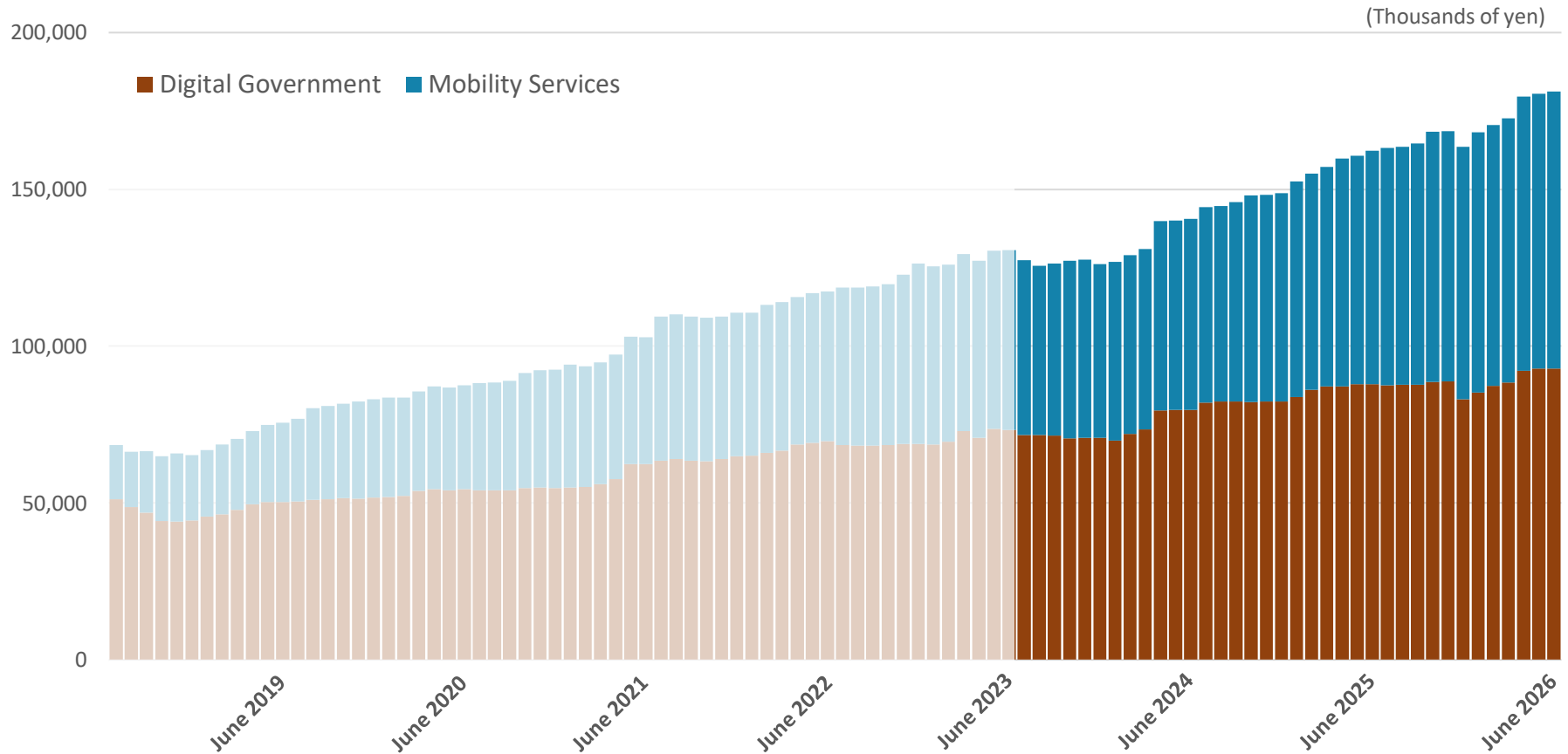
(Millions of yen)



# Net Sales and Operating Profit (Smart Venues)







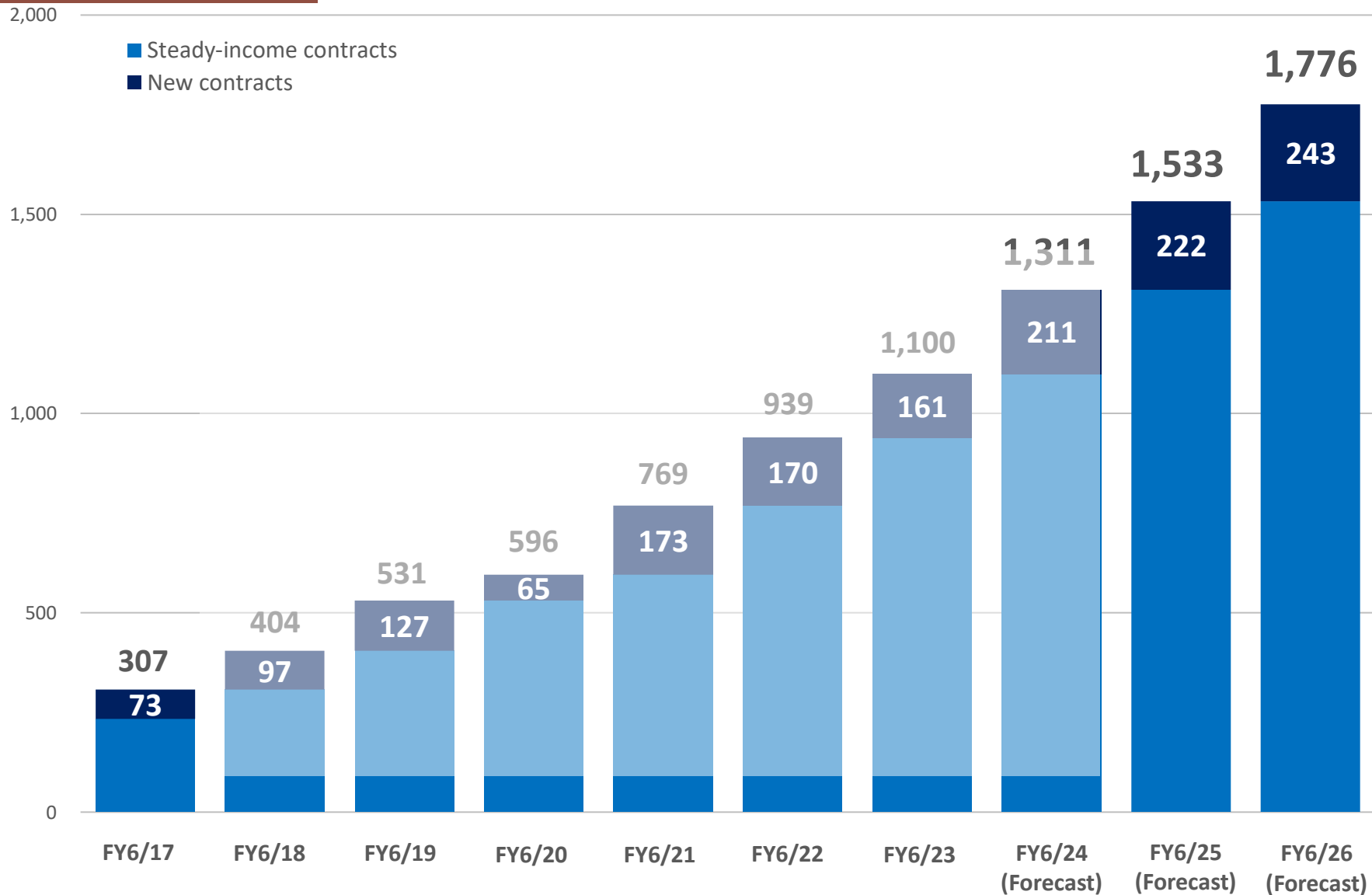
MRR as of the term-end

Segment	FY6/19 Results	FY6/20 Results	FY6/21 Results	FY6/22 Results	FY6/23 Results	FY6/24 (Forecast)	FY6/25 (Forecast)	FY6/26 (Forecast)
Digital Government	50,243	54,336	62,331	69,702	73,335	79,670	87,926	92,830
Mobility Services	25,279	33,131	40,504	47,737	57,224	60,866	74,385	88,433
Total	75,522	87,468	102,835	117,440	130,559	140,537	162,312	181,263

\* MRR...Monthly recurring revenue, which is cloud service fees and other income received on a monthly basis

Digital Government

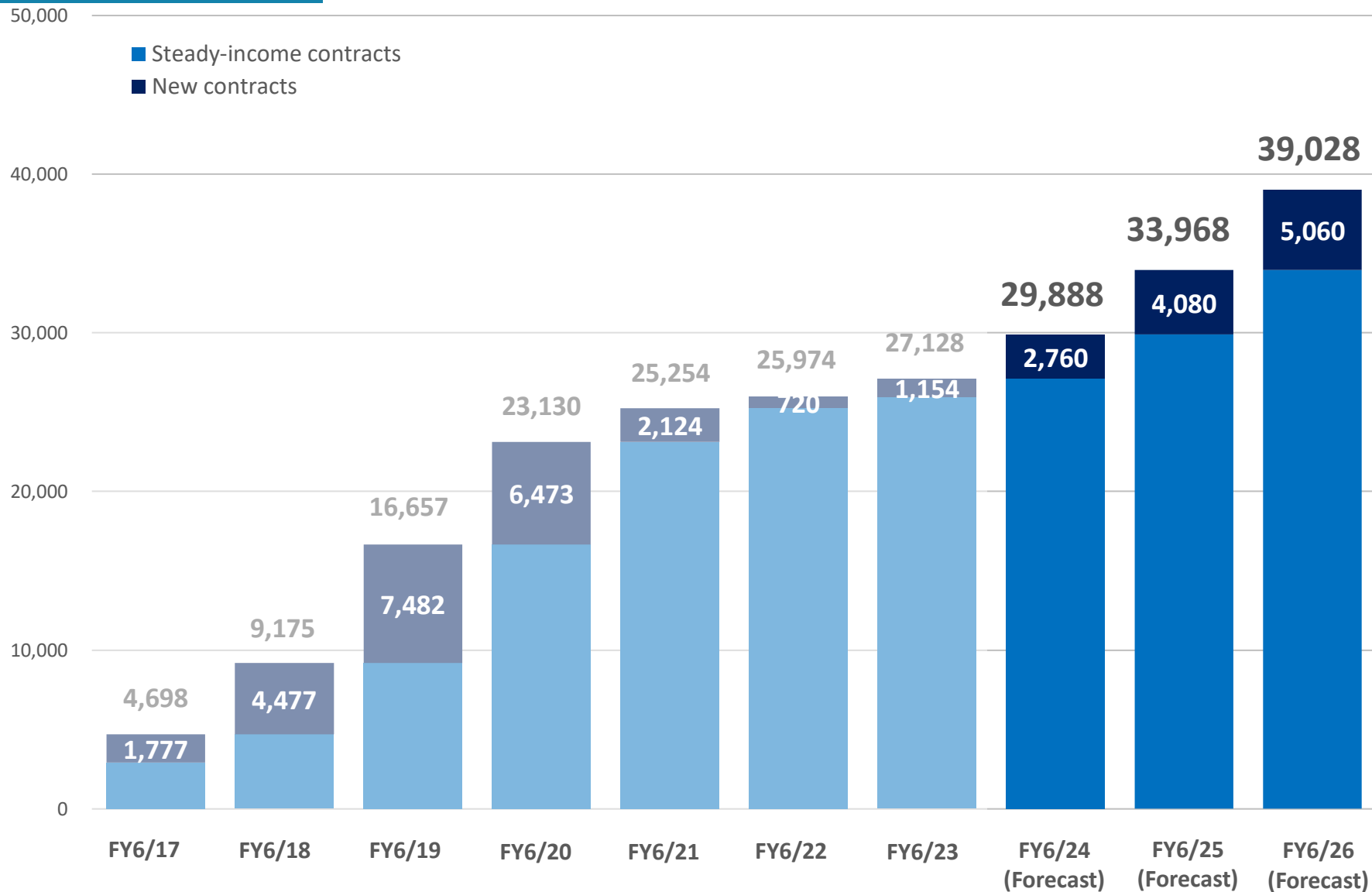
(Number of contracts)



# KPI (Mobility IoT: Number of CiEMS Hardware Contracts)

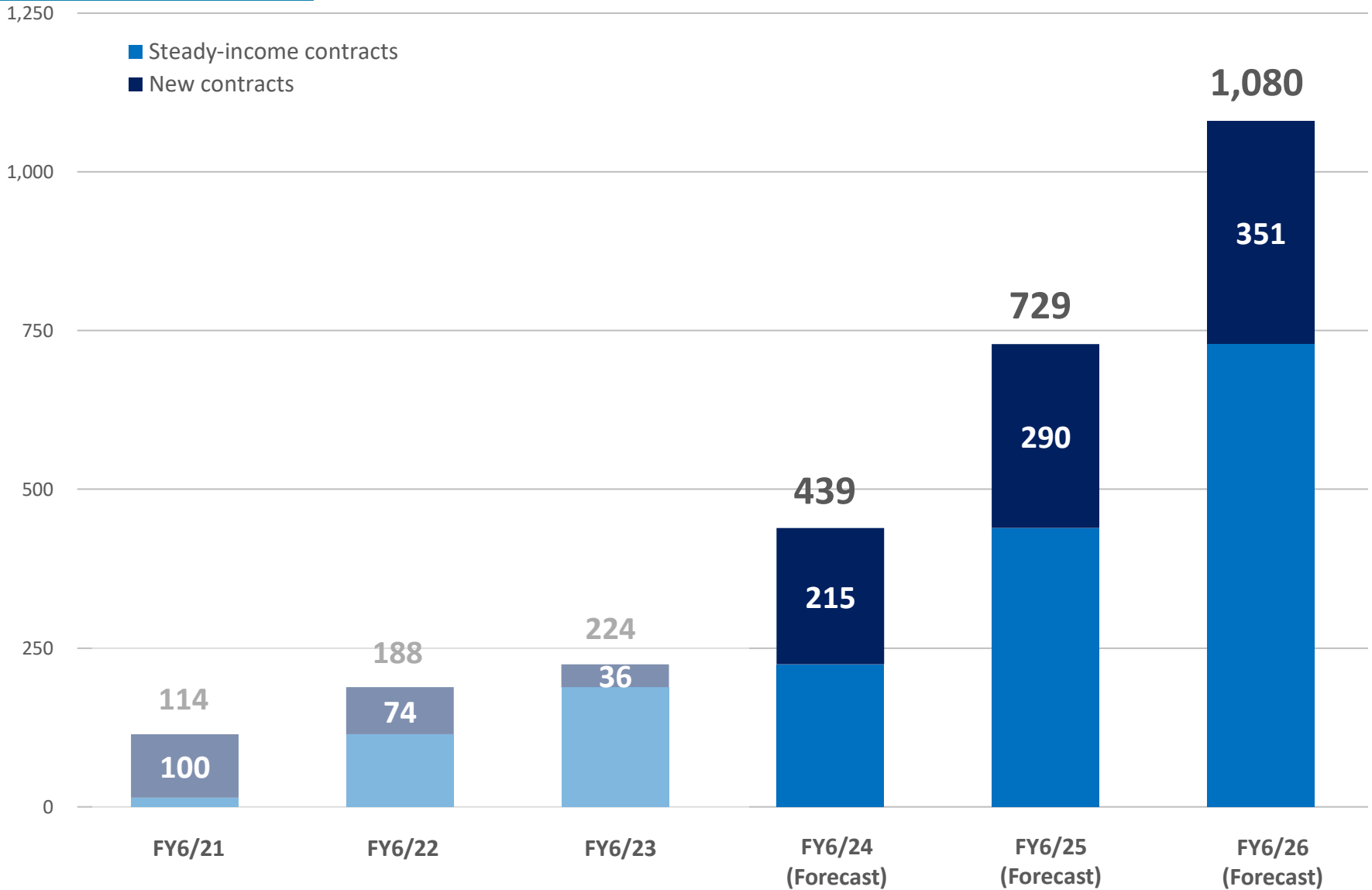
## Mobility Services

(Number of contracts)



## Mobility Services

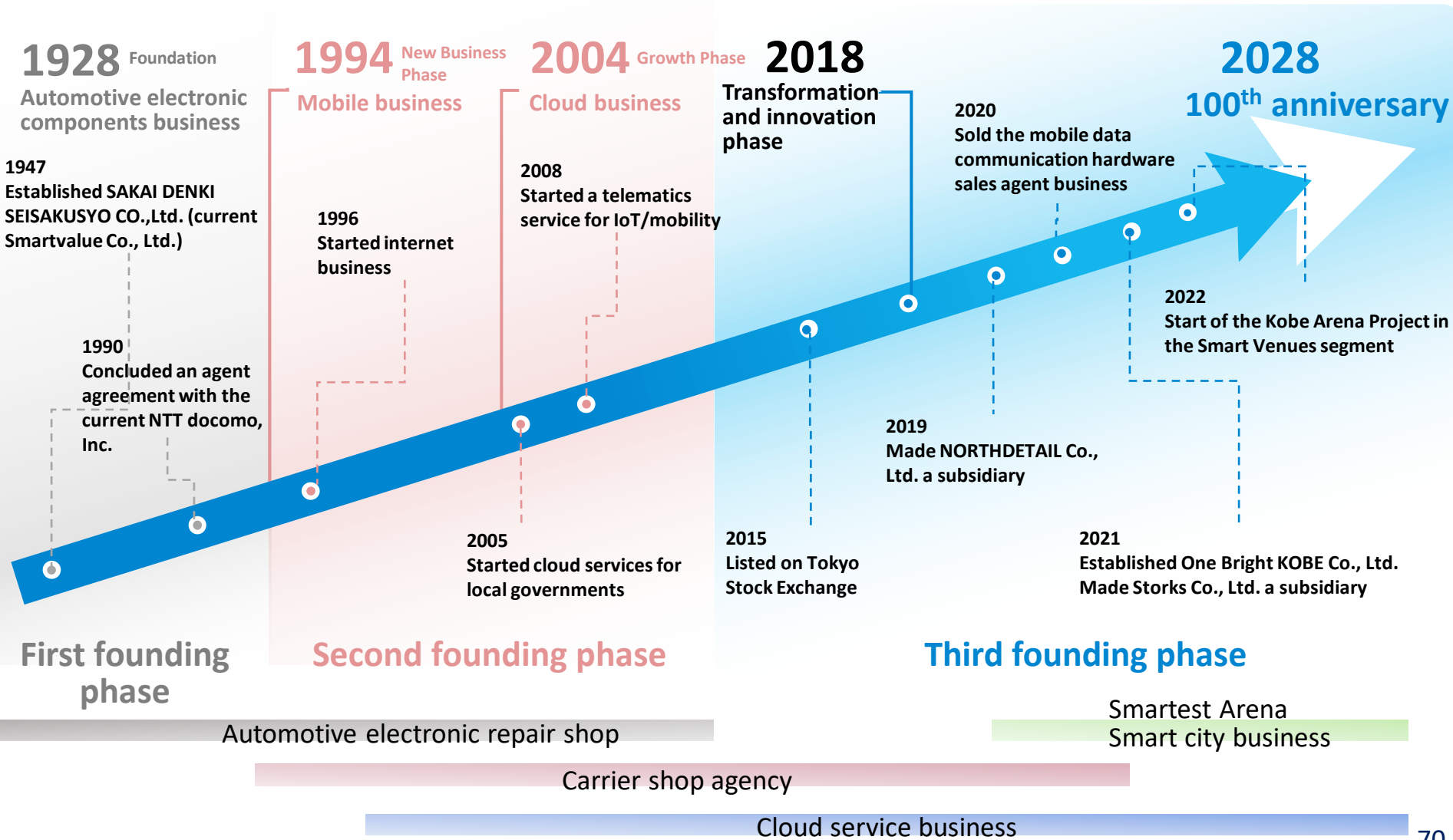
(Number of contracts)



05

# Appendix

**Growth over 95 years from a small factory to a cloud services provider.**  
**A company backing up social systems as new events continue to reshape society.**



## SMART WORK

The SMART WORK project of Smartvalue Co., Ltd. includes initiatives to enable people to do their jobs by using many working styles, increase support for raising children, allow employees to do their jobs while caring for an aging parent, and improve the workplace environment in many other ways.

We will continue to take actions for more improvements concerning the workplace environment, measures to deal with Japan's aging and declining population, and other activities. We are committed to maintaining workplaces and providing benefits that enable people to work with confidence while realizing their full potential.



### Kurumin certification



In March 2023, Smartvalue received for the fourth time Kurumin certification from the Minister of Health, Labour and Welfare as a company that provides support for raising and caring for children. (Continuously certified since April 2013)

### Eruboshi certification



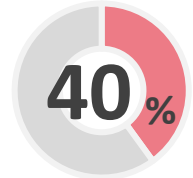
In September 2022, Smartvalue was certified by the Minister of Health, Labour and Welfare as an outstanding company concerning the empowerment and advancement of women.

### Use of child care time off

Female employees



Male employees



Women have used 100% of available time off for child care since this program started. During FY6/22, men used 40% of the available time off. (No reports of a wife of an employee giving birth in FY6/23)

## Basic Policy for Sustainability

The purpose of Smartvalue is to serve as “a business infrastructure that can be effective forever as a valuable element of society and play key roles in creating new stages for society over the years.” Our businesses help solve social issues and business activities are backed by sound corporate governance. We are also committed to protecting the environment and constantly being a positive and beneficial member of society in other ways. This commitment and our socially responsible business activities are rooted in our belief that the implementation of sustainability initiatives is our purpose.



### Convergence of “digital” and “real”

Our businesses help solve social issues through the use of technology for achieving the convergence of the “digital” and “real” domains.



### Earth is our biggest stakeholder

Our activities for helping deal with environmental issues are based on the belief that the Earth is our biggest stakeholder.



### Respect for diversity

We respect the diversity of our people and recognize this diversity as the premise for ability to produce innovative ideas. Based on this thinking, we maintain an organizational culture that always puts people first.



