

**Consolidated Financial Results for the First Quarter of the Fiscal Year Ending June 30, 2024**  
**(Three Months Ended September 30, 2023)**

**[Japanese GAAP]**

November 14, 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: Tomoe Daimon, Division Manager, President's Office

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

Scheduled date of filing of Quarterly Report:

November 14, 2023

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

(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, 2024**  
**(July 1, 2023 to September 30, 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	%
Three months ended Sep. 30, 2023	779	(1.3)	(189)	-	(189)	-	(167)	-
Three months ended Sep. 30, 2022	789	0.2	(124)	-	(126)	-	(95)	-

Note: Comprehensive income (millions of yen) Three months ended Sep. 30, 2023: (192) (-%)

Three months ended Sep. 30, 2022: (130) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Sep. 30, 2023	(16.15)	-
Three months ended Sep. 30, 2022	(9.51)	-

Note: Diluted net income per share for the three months ended September 30, 2023 is not presented because there are no latent shares with a dilution effect. Diluted net income per share for the three months ended September 30, 2022 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, 2023	3,701	2,215	50.5
As of Jun. 30, 2023	3,866	2,441	54.9

Reference: Shareholders' equity (millions of yen)

As of Sep. 30, 2023: 1,870

As of Jun. 30, 2023: 2,121

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2023	-	0.00	-	8.00	8.00
Fiscal year ending Jun. 30, 2024	-				
Fiscal year ending Jun. 30, 2024 (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, 2024 (July 1, 2023 to June 30, 2024)**

(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	1,812	3.6	(256)	-	(260)	-	(222)	-	(21.98)
Full year	4,454	15.0	23	-	16	-	15	-	1.56

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, 2023:	10,679,800 shares	As of Jun. 30, 2023:	10,679,800 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2023:	287,490 shares	As of Jun. 30, 2023:	287,490 shares
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3) Average number of shares outstanding during the period

Three months ended Sep. 30, 2023:	10,392,310 shares	Three months ended Sep. 30, 2022:	10,006,974 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

There was a slow recovery of the Japanese economy during the first quarter of the current fiscal year as economic activity continued to return to normal as most pandemic restrictions ended with the Japanese government's downgrade of COVID-19 and demand created by foreign tourists in Japan recovered. The outlook for the economy is still unclear because of the prolonged Ukraine conflict, the Israel-Palestinian conflict and other sources of geopolitical risk as well as the rising cost of energy, food and other items.

The current business climate is having virtually no effect on the Digital Government segment, which provides cloud services to local governments. In the Mobility Services segment, which provides services mainly for the fleets of companies, there is a risk to some degree of contract cancellations by current customers due to the rising cost of vehicle maintenance caused by the high price of energy and to the possibility of an 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, there were activities to generate monthly recurring revenue (MRR) in the cloud solutions business, shift to a business model capable of sustained growth, such as by continuing to step up activities for the digitalization of government services, and create a new profit structure based on a medium to long-term perspective.

In the Smart Venues segment, preparations are progressing as planned for the April 2025 opening of Kobe Arena (note 1) and activities are currently focused on generating sales.

Consolidated net sales decreased 1.3% to 779 million yen. There was an operating loss of 189 million yen compared with a loss of 124 million yen one year earlier, an ordinary loss of 189 million yen compared with a loss of 126 million yen one year earlier, and loss attributable to owners of parent of 167 million yen compared with a loss of 95 million yen one year earlier.

Although the loss was higher than one year earlier, first quarter results of operations were generally as planned.

In the cloud solutions business, we are continuing to take actions for steady growth of MRR in the SaaS market, where growth is expected to continue, and for cutting expenses. In the Smart Venues segment, which we plan to make our third core business with Digital Government and Mobility Services, we are focusing on the creation of services that can play a role in creating digital communities, such as activities for smart cities linked to the Kobe Arena, which is to open in 2025. The objective of these initiatives is the creation of a profit model that can be a driver of more growth.

Business segment performance for the first quarter was as follows.

#### Digital Government

This segment provides Gabukura (note 2), a cloud suite for local governments that is designed to increase transparency, participation and linkage of local government digital transformation open government (note 3).

An increasing number of governments in Japan are using online procedures and other digital operations. As a result, the shift to the cloud is gaining momentum, including use of the government cloud (note 4) and digital marketplace (note 5). To meet needs involving the increasing use of digital technologies in the public sector, the cloud suite Gabukura enables the dissemination of information by local governments as governments continue to use digital technologies for the transition to a new concept for public services. This cloud suite has components such as Smart-L-Gov, CMS (note 6) for the production and operation of websites and GaaS (note 7) for increasing participation and linkage for online ties between governments and the people they serve. With these capabilities, Gabukura can be used for community creation in a sustainable and democratic manner.

During the first quarter, the priorities of the Digital Government segment 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. However, sales and earnings decreased because of higher personnel and business travel expenses and up-front investments for starting the new wellbeing business at Grand Green Osaka, a large urban development

project near Osaka Station. Activities with alliance partners and others are being used to start developing government digitalization services that do not rely on submitting bids for contracts and start joint activities concerning the digital transformation of governments.

As a result, segment sales decreased 7.4% from one year earlier to 367 million yen and the segment profit decreased 66.6% from one year earlier to 12 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 8), which is a connected car (note 9) service, the provision of platforms and software development for the utilization of automobile data, and Kuruma Base (note 10), which is a platform that supports car sharing and other car-as-a-service applications.

During the first quarter, orders increased more than expected because of the recovery of new car sales and there were measures to cut costs and improve efficiency in order to become more profitable. Despite these activities, sales were higher but earnings decreased. Mobility Services will continue activities to upgrade capabilities for providing solutions, raise operating efficiency for higher earnings and make other improvements.

Segment sales increased 4.6% from one year earlier to 363 million yen and the segment profit decreased 7.6% from one year earlier to 49 million yen.

#### Smart Venues

The Smart Venues segment has the goal of creating new markets based on the concepts of stadium and arena innovations and smart venues, which governments are positioning as growing business sectors. Operations of this business are centered on the Kobe Arena, which is scheduled to open in April 2025. In addition, in terms of earnings too, preparations are proceeding for making the Smart Venues Business the third core business along with Digital Government and Mobility Services.

During the first quarter, there was progress generally as planned for establishing a sound environment for the start of operations of Kobe Arena in 2025. However, due to the slow pace of finding sponsors and other supporters for the arena and to expenses associated with up-front investments, sales were up in this business and the loss increased.

Segment sales increased 6.4% from one year earlier to 48 million yen and the segment loss was 125 million yen compared with a loss of 93 million yen one year earlier.

#### Explanation of terms

##### Notes:

1. Kobe Arena            The Kobe Arena Project is a project established and operated by the private sector and consisting of a consortium consisting of Smartvalue, NTT Urban Development Corporation and NTT DOCOMO, INC. This is a multi-purpose arena under construction in the second jetty of the New Port Jetty West Area in the City of Kobe.
2. Gabukura            A regional information cloud platform suite for local governments and other public-sector institutions
3. Open government:    A concept for measures aimed at making national and local government activities more open that is based on three basic principles: (1) Transparency, (2) Participation of the public, and (3) Public/private-sector cooperation
4. Government cloud:    An environment for using numerous cloud services for the purposes of creating a unified platform and providing functions concerning data systems for governments
5. Digital marketplace: A framework for the registration of vendors and services using the same requirements and for the easy procurement of goods and services from registered services and companies by the public sector with no need to ask for bids.
6. CMS:                 A Content Management System facilitates the centralized storage and management of all information concerning the content of a website, such as text, images, designs (templates) and other items
7. GaaS:                 Government as a Service is a service for online procedures for the digitalization of government services

- 8. 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.
- 9. Connected car: Automobiles that use the internet to send and receive information
- 10. 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 164 million yen from the end of the previous fiscal year to 3,701 million yen.

Current assets decreased 192 million yen to 2,824 million yen. Major items include decreases of 230 million yen in cash and deposits and 7 million yen in merchandise, and increases of 17 million yen in notes and accounts receivable-trade, and contract assets and 19 million yen in work in process.

Non-current assets increased 27 million yen to 871 million yen. Major items include an increase of 26 million yen in leasehold and guarantee deposits.

Deferred assets decreased 416 thousand yen to 5 million yen. Major items include a decrease of 386 thousand yen in share issuance cost.

### 2) Liabilities

Total liabilities increased 60 million yen from the end of the previous fiscal year to 1,485 million yen.

Current liabilities increased 81 million yen to 1,198 million yen. Major items include increases of 38 million yen in accounts payable-other, 43 million yen in contract liabilities, 22 million yen in advance received, and 6 million yen in current portion of long-term borrowings, and decreases of 23 million yen in short-term borrowings and 11 million yen in income taxes payable.

Non-current liabilities decreased 20 million yen to 287 million yen. Major items include a decrease of 19 million yen in long-term borrowings.

### 3) Net assets

Net assets decreased 225 million yen from the end of the previous fiscal year to 2,215 million yen as retained earnings decreased 83 million yen due to dividend payments and 167 million yen due to a loss attributable to owners of parent.

## **(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, 2024 that was announced in the “Consolidated Financial Results for the Fiscal Year Ended June 30, 2023 (Japanese GAAP)” on August 14, 2023.

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)	
	FY6/23 (As of Jun. 30, 2023)	First quarter of FY6/24 (As of Sep. 30, 2023)
Assets		
Current assets		
Cash and deposits	2,339,306	2,108,857
Notes and accounts receivable-trade, and contract assets	472,324	489,375
Electronically recorded monetary claims-operating	1,683	-
Merchandise	110,333	103,237
Work in process	9,491	28,612
Other	83,285	94,308
Allowance for doubtful accounts	(20)	(20)
Total current assets	3,016,404	2,824,371
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	184,387	177,561
Other, net	73,491	76,031
Total property, plant and equipment	257,879	253,592
Intangible assets		
Goodwill	125,880	121,819
Software	128,447	115,103
Other	16,112	30,667
Total intangible assets	270,439	267,590
Investments and other assets		
Deferred tax assets	100,962	100,364
Leasehold and guarantee deposits	205,526	232,518
Other	9,308	17,527
Total investments and other assets	315,797	350,410
Total non-current assets	844,115	871,593
Deferred assets		
Organization expenses	325	296
Share issuance costs	5,269	4,882
Total deferred assets	5,595	5,179
Total assets	3,866,115	3,701,144

	(Thousands of yen)	
	FY6/23 (As of Jun. 30, 2023)	First quarter of FY6/24 (As of Sep. 30, 2023)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	92,212	92,701
Short-term borrowings	488,560	465,320
Current portion of long-term borrowings	79,440	86,060
Income taxes payable	15,440	3,522
Provision for bonuses	44,046	43,503
Other	396,750	506,978
<b>Total current liabilities</b>	<b>1,116,449</b>	<b>1,198,085</b>
<b>Non-current liabilities</b>		
Long-term borrowings	247,120	227,260
Asset retirement obligations	55,564	55,599
Other	5,807	4,705
<b>Total non-current liabilities</b>	<b>308,492</b>	<b>287,564</b>
<b>Total liabilities</b>	<b>1,424,941</b>	<b>1,485,650</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	1,044,944	1,044,944
Capital surplus	1,114,988	1,114,988
Retained earnings	116,161	(134,849)
Treasury shares	(154,411)	(154,411)
<b>Total shareholders' equity</b>	<b>2,121,682</b>	<b>1,870,671</b>
<b>Non-controlling interests</b>	<b>319,491</b>	<b>344,823</b>
<b>Total net assets</b>	<b>2,441,173</b>	<b>2,215,494</b>
<b>Total liabilities and net assets</b>	<b>3,866,115</b>	<b>3,701,144</b>



**(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 FY6/23 (Jul. 1, 2022 – Sep. 30, 2022)	First three months of FY6/24 (Jul. 1, 2023 – Sep. 30, 2023)
Net sales	789,694	779,072
Cost of sales	589,799	599,813
Gross profit	199,895	179,259
Selling, general and administrative expenses	324,652	368,499
Operating loss	(124,757)	(189,240)
Non-operating income		
Interest income	6	4
Subsidy income	-	250
Penalty income	803	927
Lecture fee revenue	9	404
Other	338	277
Total non-operating income	1,157	1,864
Non-operating expenses		
Interest expenses	2,074	1,660
Amortization of organization expenses	29	29
Amortization of share issuance costs	275	651
Other	150	-
Total non-operating expenses	2,530	2,341
Ordinary loss	(126,131)	(189,717)
Extraordinary income		
Gain on reversal of share acquisition rights	18	-
Total extraordinary income	18	-
Extraordinary losses		
Loss on retirement of non-current assets	0	6
Total extraordinary losses	0	6
Loss before income taxes	(126,113)	(189,724)
Income taxes-current	2,096	2,219
Income taxes-deferred	2,708	597
Total income taxes	4,805	2,816
Loss	(130,918)	(192,541)
Loss attributable to non-controlling interests	(35,736)	(24,668)
Loss attributable to owners of parent	(95,181)	(167,873)

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

	(Thousands of yen)	
	First three months of FY6/23 (Jul. 1, 2022 – Sep. 30, 2022)	First three months of FY6/24 (Jul. 1, 2023 – Sep. 30, 2023)
Loss	(130,918)	(192,541)
Comprehensive income	(130,918)	(192,541)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(95,181)	(167,873)
Comprehensive income attributable to non-controlling interests	(35,736)	(24,668)

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

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

**Segment and Other Information**

## Segment Information

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

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

	Reportable segments				Adjustment (Note 1)	(Thousands of yen) 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 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.

First three months of FY6/24 (Jul. 1, 2023 – Sep. 30, 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	1,721	153,293	5,098	160,113	-	160,113
Goods or services that are transferred over a certain period of time	365,863	209,987	43,108	618,959	-	618,959
Revenue from contracts with customers	367,584	363,280	48,207	779,072	-	779,072
Other revenue	-	-	-	-	-	-
External sales	367,584	363,280	48,207	779,072	-	779,072
Inter-segment sales and transfers	-	-	-	-	-	-
Total	367,584	363,280	48,207	779,072	-	779,072
Segment profit (loss)	12,544	49,800	(125,316)	(62,971)	(126,269)	(189,240)

Notes: 1. The negative adjustment of 126 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 reportable segments

Not applicable.

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

Not applicable.

**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.