

Consolidated Financial Results for the Fiscal Year Ended June 30, 2024

[Japanese GAAP]

August 14, 2024

Company name: Smartvalue Co., Ltd.

Securities code: 9417

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Listing: Tokyo Stock Exchange

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Scheduled date of Annual General Meeting of Shareholders:

September 26, 2024

Scheduled date of payment of dividend:

September 27, 2024

Scheduled date of filing of Annual Securities Report:

September 27, 2024

Preparation of supplementary materials for financial results:

Yes

Holding of financial results meeting:

Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended June 30, 2024 (July 1, 2023 to June 30, 2024)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Jun. 30, 2024	3,814	(1.5)	(308)	-	(312)	-	(348)	-
Fiscal year ended Jun. 30, 2023	3,873	1.8	(74)	-	(75)	-	(48)	-

Note: Comprehensive income (millions of yen)

Fiscal year ended Jun. 30, 2024 (389) (-%)

Fiscal year ended Jun. 30, 2023: (111) (-%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Jun. 30, 2024	(33.57)	-	(18.3)	(7.9)	(8.1)
Fiscal year ended Jun. 30, 2023	(4.80)	-	(2.3)	(1.9)	(1.9)

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Jun. 30, 2024: - Fiscal year ended Jun. 30, 2023: -

Note: Diluted net income per share for the fiscal year ended June 30, 2023 is not presented because net loss was posted despite the existence of latent shares with a dilution effect. Diluted net income per share for fiscal year ended June 30, 2024 is not presented because there are no latent shares with a dilution effect.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Jun. 30, 2024	4,037	2,158	41.8	162.58
As of Jun. 30, 2023	3,866	2,441	54.9	204.16

Reference: Shareholders' equity (millions of yen)

As of Jun. 30, 2024: 1,689

As of Jun. 30, 2023: 2,121

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended Jun. 30, 2024	26	354	106	1,726
Fiscal year ended Jun. 30, 2023	(21)	(54)	(148)	1,239

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividends on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended Jun. 30, 2023	-	0.00	-	8.00	8.00	83	(166.7)	3.8
Fiscal year ended Jun. 30, 2024	-	0.00	-	6.00	6.00	62	(17.9)	3.3
Fiscal year ending Jun. 30, 2025 (forecasts)	-	0.00	-	6.00	6.00		2,069.0	

3. Consolidated Earnings Forecast for the Fiscal Year Ending June 30, 2025 (July 1, 2024 to June 30, 2025)

(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	1,872	7.0	(216)	-	(238)	-	(239)	-	(23.07)
Full year	5,609	47.0	68	-	23	-	3	-	0.29

*** Notes**

(1) Significant changes in the scope of consolidation during the period: None

(2) 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: Yes
- 4) Restatements: None

(3) Number of shares outstanding (common shares)

- 1) Number of shares outstanding at the end of the period (including treasury shares)

As of Jun. 30, 2024:	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 Jun. 30, 2024:	287,490 shares	As of Jun. 30, 2023:	287,490 shares
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- 3) Average number of shares outstanding during the period

Fiscal year ended Jun. 30, 2024:	10,392,310 shares	Fiscal year ended Jun. 30, 2023:	10,111,524 shares
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Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2024 (July 1, 2023 to June 30, 2024)

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Jun. 30, 2024	2,854	(8.3)	(147)	-	66	(57.2)	(60)	-
Fiscal year ended Jun. 30, 2023	3,112	2.8	104	573.8	156	291.2	116	207.2

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Jun. 30, 2024	(5.79)	-
Fiscal year ended Jun. 30, 2023	11.47	11.46

Note: Diluted net income per share for the fiscal year ended June 30, 2024 is not presented because there are no latent shares with a dilution effect.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Jun. 30, 2024	3,158	2,159	68.4	207.81
As of Jun. 30, 2023	3,505	2,302	65.7	221.60

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2024: 2,159 As of Jun. 30, 2023: 2,302

* The current financial report is not subject to audit by certified public accountants or auditing firm.

* Explanation of appropriate use of earnings forecast and other special items

Cautionary statement with respect to forecasts

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to the Company's management at the time these materials were prepared. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to the section "1. Overview of Results of Operations, (4) Outlook" on page 5 of the attachments regarding preconditions or other related matters for the forecasts.

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1. Overview of Results of Operations

(1) Results of Operations

There was a slow recovery of the Japanese economy during the fiscal year as economic activity continued to return to normal as the impact of the pandemic subsided. Pandemic restrictions have ended and demand created by foreign tourists in Japan has recovered due to the yen's depreciation. The outlook for the economy is still unclear because factors that can suddenly disrupt economic activity still persist. These include the prolonged Ukraine conflict, the Israel-Hamas conflict and other sources of geopolitical risk as well as the rising cost of energy, food and other items, the yen's depreciation and the effects of interest rate policies in other countries.

Regarding market trends relevant to our company, the market for information systems for local governments is poised for expansion. This growth is driven by the increasing adoption of digital technologies by governments, with the rapid migration of government systems to the cloud playing a significant role. However, the market remains constrained by the dominance of major vendors, and it cannot yet be considered fully open. It seems that it will take some time before the market grows enough to enhance convenience for residents and improve government efficiency. Meanwhile, the mobility IoT market is facing challenges due to the decline in company car usage and the suspensions of some automobile shipments caused by fraud involving vehicle quality of a manufacturer. Despite these setbacks, the demand for automation is rapidly increasing, driven by labor shortages in the transportation and construction industries expected to intensify starting in 2024. The stadium and arena market are thriving, with a constant influx of new plans and companies entering the scene nationwide. However, it is anticipated that it will take approximately three years before we begin to see significant results. The smart city market remains distorted, heavily dependent on government subsidies, and has yet to produce any tangible results. Additionally, from a financial standpoint, the Bank of Japan's decision to end the negative interest rate policy during this fiscal year has impacted the market, resulting in higher bank loan interest rates. We anticipate that the effects of this change will become more pronounced in the future.

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.”

The current fiscal year marked the final phase of our business portfolio restructuring, which commenced in 2020. It also represented the last year in which we laid the groundwork for a recovery in our business performance. During this period, we completed or prepared for significant actions, including the sale of our cell phone carrier agency business, the closure of our data center business, the sale of car solutions (product sales) business, the acquisition of a software development company, and the establishment of an operating company for a large-scale multi-purpose arena (GLION ARENA KOBE) (note 1). Despite the challenges posed by the COVID-19 pandemic, we have continued with reorganization and investment activities. We believe we are now well-positioned to resume our growth trajectory starting from the next fiscal year. As business investment has grown, we have focused on a sustainable growth model, securing monthly recurring revenue (MRR) in the cloud solutions business and continuing to step up activities for the digitalization of government services. Additionally, we have been actively developing new revenue streams, including arena leasing service and strategic partnership agreements in the Smart Venues segment.

Consolidated net sales decreased 1.5% to 3,814 million yen. There was an operating loss of 308 million yen compared with a loss of 74 million yen one year earlier, an ordinary loss of 312 million yen compared with a loss of 75 million yen one year earlier, and loss attributable to owners of parent of 348 million yen compared with a loss of 48 million yen one year earlier.

Business segment performance 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 manner.

During the fiscal year, 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. Although progress with activities by the Japanese government to increase the use of e-government is continuing, sales to local governments and other public-sector organizations due to orders received through competitive bids were lower than one year earlier. This decrease is attributable to a lower percentage of winning bids caused by more intense competition in some market sectors. Recording duplicate expenses due to relocation of cloud environment and up-front investments for starting the new healthcare business at Grand Green Osaka, a large urban development project near Osaka Station, affected this segment's performance. As a result, sales and earnings were lower than one year earlier. As local governments continue to increase the use of digital technologies, the Company and alliance partner WingArc1st Inc. developed the Rakuriza ("easy reservation") government facility reservation system as one way to speed up the digital transformation of the public sector. Sales of this service started in April 2024.

As a result, segment sales decreased 12.2% from one year earlier to 1,711 million yen and the segment profit decreased 39.8% from one year earlier to 245 million yen.

Mobility Services

The car solutions business, which dates back to the Company'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 fiscal year, there were measures to cut costs and improve efficiency. Despite these activities, sales and earnings decreased mainly because of the decline in the number of company cars and delays in deliveries of new cars. The new vehicle key management service of Kuruma Base and the fully automated construction machinery rental service, provided jointly with construction machinery rental company AKTIO Corporation, are both performing well. Activities are continuing to upgrade capabilities for providing solutions, generate earnings and operate more efficiently.

Segment sales decreased 6.0% from one year earlier to 1,462 million yen and the segment profit decreased 32.8% from one year earlier to 193 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 GLION ARENA KOBE, 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 fiscal year, to create a framework for medium to long-term sales and earnings, there was progress generally as planned for establishing a sound environment for the start of operations of GLION ARENA KOBE in 2025. Sales in this segment increased significantly mainly because of the arena naming rights agreement with the GLION Co., Ltd. and other sponsorship agreements. However, the segment loss increased because of up-front investments and the instability of the performance of consolidated subsidiary Storks Co., Ltd.

Segment sales increased 73.8% from one year earlier to 641 million yen and the segment loss was 271 million yen compared with a loss of 268 million yen one year earlier.

(Thousands of yen)

Business segments and categories	FY6/23		FY6/24		Year-on-year changes (%)
	Sales	Composition (%)	Sales	Composition (%)	
Digital Government	1,948,978	50.3	1,711,288	44.9	(12.2)
Mobility Services	1,555,345	40.2	1,462,227	38.3	(6.0)
Smart Venues	369,025	9.5	641,203	16.8	73.8
Total	3,873,348	100.0	3,814,719	100.0	(1.5)

Explanation of terms

Notes:

1. GLION ARENA KOBE: A multi-purpose arena under construction in the second jetty of the New Port Jetty West Area in the City of Kobe based on the Kobe Arena Project, which was established and is operated by the private sector and consists of a consortium of NTT Urban Development Corporation, NTT DOCOMO, INC, and the Company. The arena was officially named GLION ARENA KOBE in February 2024.
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 IT infrastructure that allows all national government units (ministries, public-sector companies, etc.) and local governments to jointly use government systems as cloud services
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 the Company that encompasses car connectivity and car-as-a-service applications

(2) Financial Position

Assets

Total assets at the end of the fiscal year increased 171 million yen from the end of the previous fiscal year to 4,037 million yen.

Current assets decreased 557 million yen to 2,458 million yen. Major items include a decrease of 612 million yen in cash and deposits.

Non-current assets increased 731 million yen to 1,575 million yen. Major items include increases of 77 million yen in leased assets, 573 million yen in construction in progress, 42 million yen in software in progress and 25 million yen in leasehold and guarantee deposits.

Deferred assets decreased 1 million yen to 3 million yen. Major items include a decrease of 1 million yen in share issuance cost.

Liabilities

Total liabilities increased 453 million yen from the end of the previous fiscal year to 1,878 million yen.

Current liabilities increased 213 million yen to 1,329 million yen. Major items include an increase of 276 million yen in contract liabilities.

Non-current liabilities increased 240 million yen to 549 million yen. Major items include increases of 131 million yen in long-term borrowings and 73 million yen in lease liabilities.

Net assets

Net assets decreased 282 million yen from the end of the previous fiscal year to 2,158 million yen.

This decrease was mainly the result of an increase of 189 million yen in non-controlling interests due to a third-party allotment in a consolidated subsidiary One Bright KOBE Co. Ltd., a decrease in retained earnings of 432 million yen due to dividend payments of 83 million yen and a loss attributable to owners of parent of 348 million yen, and a decrease of 40 million yen in non-controlling interests due to a loss attributable to non-controlling interests.

(3) Cash Flows

Cash and cash equivalents (hereinafter, “cash”) at the end of the fiscal year increased 487 million yen from the end of the previous fiscal year to 1,726 million yen.

The cash flow components and the main reasons for changes are as follows.

Cash flows from operating activities

Net cash provided by in operating activities was 26 million yen, compared with 21 million yen used in the previous fiscal year. Positive factors include depreciation of 135 million yen and a 276 million yen increase in contract liabilities. Negative factors include loss before income taxes of 360 million yen.

Cash flows from investing activities

Net cash provided by investing activities was 354 million yen, compared with 54 million yen used in the previous fiscal year. Positive factors include proceeds from withdrawal of time deposits of 1,100 million yen. Negative factors include purchase of property, plant and equipment of 619 million yen and purchase of intangible assets of 100 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 106 million yen, compared with 148 million yen used in the previous fiscal year. Positive factors include proceeds from long-term borrowings of 216 million yen and proceeds from share issuance to non-controlling shareholders of 189 million yen. Negative factors include net decrease in short-term borrowings of 127 million yen and dividends paid of 83 million yen.

(4) Outlook

Economic activity in Japan is recovering driven by a resurgence in inbound tourists demand. However, the business climate will probably remain unclear because of uncertainty about the direction of the global economy shaped by geopolitical risks and interest rate fluctuations across various countries.

As the “cloud first” trend is expected to continue, the outlook is for more growth of our business domains, which are services for the digitalization of government services and systems and for the mobility IoT market. Furthermore, cloud services are increasingly used to acquire data, to use data linkage platforms for open data and other data linkage, and for the analysis of data. By utilizing data in physical communities, these activities are expected to lead to the creation of smart cities capable of solving regional issues.

The Digital Government Business uses the digitalization of local governments in order to supply cloud services that function as a social system for creating lines of communication between local governments and communities and their residents. Looking ahead, we will continue to advance the digitalization of government services by utilizing

the government digital marketplace and government cloud. Our focus will be on promoting activities that generate stable profits through strengthened MRR, while also creating convenience and value for local communities.

The Mobility Services Business is looking ahead to the emerging next-generation “mobility society” that will include connected cars. One step was the development and launch of our own IoT service for motor vehicles. Conversely, the product sales business for leased vehicles, which was part of our car solutions business and a continuation of our original operations, faced operating losses mainly due to external factors. As a result, we sold this business in July 2024. In the future, we aim to enhance our services by leveraging the mobility IoT technologies we have developed, including automating construction machinery rentals through “Kuruma Base.” These initiatives will address the 2024 challenges in the mobility industry, enhance corporate vehicle management, and support our entry into the commercial vehicle market. Additionally, we will focus on expanding our business through strategic alliances with major clients.

In the Smart Venues Business, numerous activities are under way for the planned April 2025 opening of the GLION ARENA KOBE. The plan is to use this business for operations in the smart city domain based on the utilization of data while establishing a framework for generating earnings from rental of the arena, finding sponsors and other supporters for the arena, provision of hospitality services, leasing to tenants and other operations. We will also use this business for creating smart city models that incorporate consumer data obtained at the fully digitized arena. In addition, we want to use stadium and arena business, which governments are positioning as growing business sectors for community creation activities that include the energy and excitement of sports and live entertainment.

For the people of the Smartvalue Group, who are vital to our ability to grow, we will place priority on increasing salaries and improving workplace environments, including expenditures from the standpoint of investing in our human capital. Furthermore, we will continue to use the digital transformation of business processes in order to enable our people to do their jobs in many ways and from many locations.

To strengthen corporate governance, we plan to further upgrade the operation of the components of our company with a nomination and other committees governance structure, which we switched to recently, clarify the roles and responsibilities for operating businesses, and manage the Smartvalue Group with speed.

Having largely accomplished our goal of restructuring the business portfolio over the past five years, it is now crucial to stay the course and further strengthen our current strategies to secure our viability for the next 50 years.

By taking these actions, we aim to strike a balance between expanding our group’s business performance, improving profitability, and addressing social issues. Additionally, we seek to strengthen our foundation for business operations by investing in community creation using data utilization, speeding up investments in our people, and other actions. Our objective is to achieve strong medium to long-term growth.

Based on this outlook, we forecast a 47.0% increase in net sales to 5,609 million yen, operating profit of 68 million yen (compared with a 308 million yen loss in the previous fiscal year), ordinary profit of 23 million yen (compared with a 312 million yen loss in the previous fiscal year), and profit attributable to owners of parent of 3 million yen (compared with a 348 million yen loss in the previous fiscal year) in the fiscal year ending on June 30, 2025.

These projections are based on information available at the time this report was released. Actual results may differ for a variety of reasons.

2. Basic Approach to the Selection of Accounting Standards

The Smartvalue Group will continue to prepare consolidated financial statements using generally accepted accounting principles in Japan for the time being to permit comparisons with prior years and with the financial data of other companies. We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

3. Consolidated Financial Statements and Notes**(1) Consolidated Balance Sheet**

	(Thousands of yen)	
	FY6/23	FY6/24
	(As of Jun. 30, 2023)	(As of Jun. 30, 2024)
Assets		
Current assets		
Cash and deposits	2,339,306	1,726,858
Notes receivable-trade	10,986	121
Accounts receivable-trade	418,754	411,713
Contract assets	42,582	62,772
Electronically recorded monetary claims-operating	1,683	-
Merchandise	110,333	86,070
Work in process	9,491	4,822
Other	83,285	166,203
Allowance for doubtful accounts	(20)	(18)
Total current assets	3,016,404	2,458,542
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	184,387	143,297
Tools, furniture and fixtures, net	56,156	55,582
Leased assets, net	8,034	85,437
Construction in progress	9,300	583,257
Total property, plant and equipment	257,879	867,575
Intangible assets		
Goodwill	125,880	109,637
Software	128,447	111,349
Software in progress	13,405	56,325
Other	2,706	5,050
Total intangible assets	270,439	282,362
Investments and other assets		
Investment securities	1,593	1,593
Deferred tax assets	100,962	83,557
Leasehold and guarantee deposits	205,526	231,178
Other	7,715	108,978
Total investments and other assets	315,797	425,307
Total non-current assets	844,115	1,575,245
Deferred assets		
Organization expenses	325	207
Share issuance costs	5,269	3,488
Total deferred assets	5,595	3,695
Total assets	3,866,115	4,037,483

	(Thousands of yen)	
	FY6/23	FY6/24
	(As of Jun. 30, 2023)	(As of Jun. 30, 2024)
Liabilities		
Current liabilities		
Accounts payable-trade	92,212	85,926
Short-term borrowings	488,560	360,740
Current portion of long-term borrowings	79,440	91,753
Lease liabilities	6,629	14,039
Income taxes payable	15,440	8,850
Contract liabilities	125,306	401,770
Provision for bonuses	44,046	57,449
Other	264,815	309,085
Total current liabilities	1,116,449	1,329,616
Non-current liabilities		
Long-term borrowings	247,120	378,626
Lease liabilities	5,681	79,128
Asset retirement obligations	55,564	85,550
Other	125	5,714
Total non-current liabilities	308,492	549,020
Total liabilities	1,424,941	1,878,637
Net assets		
Shareholders' equity		
Share capital	1,044,944	1,044,944
Capital surplus	1,114,988	1,114,988
Retained earnings	116,161	(315,888)
Treasury shares	(154,411)	(154,411)
Total shareholders' equity	2,121,682	1,689,632
Non-controlling interests	319,491	469,214
Total net assets	2,441,173	2,158,846
Total liabilities and net assets	3,866,115	4,037,483

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

	(Thousands of yen)	
	FY6/23	FY6/24
	(Jul. 1, 2022 – Jun. 30, 2023)	(Jul. 1, 2023 – Jun. 30, 2024)
Net sales	3,873,348	3,814,719
Cost of sales	2,589,025	2,657,406
Gross profit	1,284,323	1,157,313
Selling, general and administrative expenses	1,359,230	1,465,737
Operating loss	(74,907)	(308,424)
Non-operating income		
Interest income	21	14
Subsidy income	3,461	1,075
Penalty income	3,807	5,822
Rent revenue	-	7,110
Other	1,225	1,798
Total non-operating income	8,514	15,821
Non-operating expenses		
Interest expenses	7,493	8,993
Amortization of share issuance costs	1,499	2,701
Amortization of organization expenses	141	118
Rental costs	-	6,341
Other	150	1,774
Total non-operating expenses	9,285	19,929
Ordinary loss	(75,678)	(312,532)
Extraordinary income		
Gain on reversal of share acquisition rights	36	-
Total extraordinary income	36	-
Extraordinary losses		
Loss on retirement of non-current assets	247	11
Impairment losses	-	47,935
Total extraordinary losses	247	47,946
Loss before income taxes	(75,889)	(360,479)
Income taxes-current	8,427	8,878
Income taxes-deferred	26,813	19,781
Total income taxes	35,240	28,659
Loss	(111,130)	(389,138)
Loss attributable to non-controlling interests	(62,605)	(40,226)
Loss attributable to owners of parent	(48,525)	(348,911)

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY6/23	FY6/24
	(Jul. 1, 2022 – Jun. 30, 2023)	(Jul. 1, 2023 – Jun. 30, 2024)
Loss	(111,130)	(389,138)
Comprehensive income	(111,130)	(389,138)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(48,525)	(348,911)
Comprehensive income attributable to non-controlling interests	(62,605)	(40,226)

(3) Consolidated Statement of Changes in Equity

FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)

(Thousands of yen)

	Shareholders' equity					Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity			
Balance at beginning of period	959,454	1,044,888	254,539	(124,485)	2,134,396	150	316,706	2,451,252
Changes during period								
Issuance of new shares	85,490	85,490			170,980			170,980
Dividends of surplus			(80,314)		(80,314)			(80,314)
Loss attributable to owners of parent			(48,525)		(48,525)			(48,525)
Purchase of treasury shares				(50,331)	(50,331)			(50,331)
Disposal of treasury shares		(9,538)		20,406	10,868			10,868
Transfer of loss on disposal of treasury shares		9,538	(9,538)		-			-
Change in ownership interest of parent due to transactions with non-controlling interests		(15,390)			(15,390)			(15,390)
Net changes in items other than shareholders' equity					-	(150)	2,785	2,635
Total changes during period	85,490	70,099	(138,377)	(29,925)	(12,713)	(150)	2,785	(10,078)
Balance at end of period	1,044,944	1,114,988	116,161	(154,411)	2,121,682	-	319,491	2,441,173

FY6/24 (Jul. 1, 2023 – Jun. 30, 2024)

(Thousands of yen)

	Shareholders' equity					Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity			
Balance at beginning of period	1,044,944	1,114,988	116,161	(154,411)	2,121,682	-	319,491	2,441,173
Changes during period								
Issuance of new shares					-			-
Dividends of surplus			(83,138)		(83,138)			(83,138)
Loss attributable to owners of parent			(348,911)		(348,911)			(348,911)
Purchase of treasury shares					-			-
Disposal of treasury shares					-			-
Transfer of loss on disposal of treasury shares					-			-
Change in ownership interest of parent due to transactions with non-controlling interests					-			-
Net changes in items other than shareholders' equity					-		149,723	149,723
Total changes during period			(432,050)		(432,050)		149,723	(282,327)
Balance at end of period	1,044,944	1,114,988	(315,888)	(154,411)	1,689,632	-	469,214	2,158,846

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY6/23	FY6/24
	(Jul. 1, 2022 – Jun. 30, 2023)	(Jul. 1, 2023 – Jun. 30, 2024)
Cash flows from operating activities		
Loss before income taxes	(75,889)	(360,479)
Depreciation	130,354	135,044
Amortization of goodwill	16,242	16,242
Impairment losses	-	47,935
Increase (decrease) in allowance for doubtful accounts	(84)	(1)
Increase (decrease) in provision for bonuses	2,593	13,403
Interest and dividend income	(21)	(14)
Interest expenses	7,493	8,993
Loss on retirement of non-current assets	247	11
Decrease (increase) in accounts receivable-trade, and contract assets	(48,948)	(599)
Decrease (increase) in inventories	(4,967)	28,931
Increase (decrease) in trade payables	4,457	(6,285)
Increase (decrease) in contract liabilities	688	276,464
Decrease (increase) in prepaid expenses	(3,331)	(116,124)
Increase (decrease) in accounts payable-other	(9,616)	45,004
Increase (decrease) in accrued consumption taxes	(79,791)	(16,341)
Increase (decrease) in deposits received	65,597	(41,528)
Other, net	(105)	14,931
Subtotal	4,918	45,589
Interest and dividends received	21	14
Interest paid	(7,320)	(8,446)
Income taxes paid	(18,702)	(10,594)
Net cash provided by (used in) operating activities	(21,083)	26,563
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	-	1,100,000
Purchase of property, plant and equipment	(16,890)	(619,588)
Purchase of intangible assets	(35,828)	(100,191)
Payments of leasehold and guarantee deposits	(12,692)	(34,830)
Proceeds from refund of leasehold and guarantee deposits	11,036	9,179
Other, net	(338)	-
Net cash provided by (used in) investing activities	(54,713)	354,568
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(139,440)	(127,820)
Proceeds from long-term borrowings	-	216,640
Repayments of long-term borrowings	(91,114)	(72,820)
Proceeds from issuance of shares	167,532	-
Proceeds from share issuance to non-controlling shareholders	49,582	189,030
Purchase of treasury shares	(50,331)	-
Proceeds from disposal of treasury shares	10,754	-
Repayments of lease liabilities	(15,085)	(15,605)
Repayments of installment payables	(110)	-
Dividends paid	(80,384)	(83,004)
Net cash provided by (used in) financing activities	(148,598)	106,420
Net increase (decrease) in cash and cash equivalents	(224,395)	487,552
Cash and cash equivalents at beginning of period	1,463,701	1,239,306
Cash and cash equivalents at end of period	1,239,306	1,726,858

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Reclassifications

Consolidated Statement of Cash Flows

“Increase (decrease) in contract liabilities” and “decrease (increase) in prepaid expenses,” included in “other, net” under “cash flows from operating activities” in the previous fiscal year, are reclassified and presented as separate line items in the current fiscal year, due to an increase in the materiality of impact in the context of consolidated financial statements. To conform to this change, the consolidated financial statements for the previous fiscal year are restated.

Accordingly, “other, net” of -2,748 thousand yen under “cash flows from operating activities” in the consolidated statement of cash flows of the previous fiscal year has been reclassified as “increase (decrease) in contract liabilities” of 688 thousand yen, “decrease (increase) in prepaid expenses” of -3,331 thousand yen and “other, net” of -105 thousand yen.

Changes in Accounting-based Estimates

Changes in Accounting-based Estimates for Asset Retirement Obligations

In the current fiscal year, we received new information concerning the asset retirement obligations for returning leased space to its original condition in association with real estate leasing contracts for S-Cube, a facility used in our data center business. As a result, we have revised our estimate of the restoration costs needed when vacating the facility.

As a result of this change, asset retirement obligations increased by 28 million yen.

The full additional cost for asset retirement obligations related to asset disposal has been recognized as an impairment loss, which has decreased profit before income taxes by 28 million yen.

Segment and Other Information

Segment Information

1. Overview of reportable segments

(1) Method of determining reportable segments

Segments used for financial reporting are the Smartvalue Group’s constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Smartvalue Group has business divisions based on the products and services. Each division determines comprehensive strategies and conducts business operations for its products and services.

Accordingly, the Smartvalue Group has three reportable segments that are classified by products or services and based on the business divisions: Digital Government, Mobility Services and Smart Venues.

(2) Products and services by each reportable segment

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

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 and digital marketplace. 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 for the production and operation of websites and GaaS 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 manner.

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

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 GLION ARENA KOBE, 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.

2. Calculation method for net sales, profit or loss, assets, liabilities and other items for each reportable segment

The accounting methods for reportable segments are the same as the methods used for preparing the consolidated financial statements.

Profits for reportable segments are generally operating profit.

3. Information related to net sales, profit or loss, assets, liabilities and other items for reportable segments and breakdown of revenue

FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)

(Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Digital Government	Mobility Services	Smart Venues	Total		
Net sales						
Goods or services that are transferred at a point in time	23,575	703,535	110,842	837,952	-	837,952
Goods or services that are transferred over a certain period of time	1,925,402	851,809	258,183	3,035,396	-	3,035,396
Revenue from contracts with customers	1,948,978	1,555,345	369,025	3,873,348	-	3,873,348
Other revenue	-	-	-	-	-	-
External sales	1,948,978	1,555,345	369,025	3,873,348	-	3,873,348
Inter-segment sales and transfers	-	-	-	-	-	-
Total	1,948,978	1,555,345	369,025	3,873,348	-	3,873,348
Segment profit (loss)	406,901	288,212	(268,216)	426,898	(501,805)	(74,907)
Segment assets	673,824	455,397	1,674,881	2,804,102	1,062,012	3,866,115
Other items						
Depreciation	97,531	25,261	188	122,981	7,372	130,354
Amortization of goodwill	-	-	16,242	16,242	-	16,242
Increase in property, plant and equipment and intangible assets	31,589	19,589	20,497	71,676	1,010	72,686

Notes: 1. Adjustments are as follows.

- (1) The negative adjustment of 501 million yen to segment profit (loss) includes corporate expenses that are not allocated to any of the reportable segments and mainly consist of general and administrative expenses that belong to the administrative division of Smartvalue.
 - (2) The 1,062 million yen adjustment to segment assets includes corporate assets that are not allocated to any of the reportable segments and mainly include cash and deposits and assets related to the administrative division of Smartvalue.
 - (3) The 7 million yen adjustment to depreciation includes depreciation of corporate assets that are not allocated to any of the reportable segments.
 - (4) The 1 million yen adjustment to the increase in property, plant and equipment and intangible assets is the sum of corporate assets that are not allocated to any of reportable segments, including software that is used by the administrative division of Smartvalue.
2. Segment profit (loss) is adjusted to be consistent with operating loss in the consolidated financial statements.

FY6/24 (Jul. 1, 2023 – Jun. 30, 2024)

(Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Digital Government	Mobility Services	Smart Venues	Total		
Net sales						
Goods or services that are transferred at a point in time	6,017	648,462	158,328	812,808	-	812,808
Goods or services that are transferred over a certain period of time	1,705,271	813,764	482,874	3,001,911	-	3,001,911
Revenue from contracts with customers	1,711,288	1,462,227	641,203	3,814,719	-	3,814,719
Other revenue	-	-	-	-	-	-
External sales	1,711,288	1,462,227	641,203	3,814,719	-	3,814,719
Inter-segment sales and transfers	-	-	-	-	-	-
Total	1,711,288	1,462,227	641,203	3,814,719	-	3,814,719
Segment profit (loss)	245,114	193,686	(271,419)	167,381	(475,806)	(308,424)
Segment assets	517,646	469,027	2,306,484	3,293,159	744,324	4,037,483
Other items						
Depreciation	136,647	31,482	8,122	176,252	6,344	182,596
Amortization of goodwill	-	-	16,242	16,242	-	16,242
Impairment losses	47,449	486	-	47,935	-	47,935
Increase in property, plant and equipment and intangible assets	48,213	43,855	740,844	832,913	5,350	838,263

Notes: 1. Adjustments are as follows.

- (1) The negative adjustment of 475 million yen to segment profit (loss) includes corporate expenses that are not allocated to any of the reportable segments and mainly consist of general and administrative expenses that belong to the administrative division of Smartvalue.
- (2) The 744 million yen adjustment to segment assets includes corporate assets that are not allocated to any of the reportable segments and mainly include cash and deposits and assets related to the administrative division of Smartvalue.
- (3) The 6 million yen adjustment to depreciation includes depreciation of corporate assets that are not allocated to any of the reportable segments.
- (4) The 5 million yen adjustment to the increase in property, plant and equipment and intangible assets is the sum of corporate assets that are not allocated to any of reportable segments, including buildings that are used by the administrative division of Smartvalue.

2. Segment profit (loss) is adjusted to be consistent with operating loss in the consolidated financial statements.

Information related to impairment loss of non-current assets for each reportable segment

FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)

Not applicable.

FY6/24 (Jul. 1, 2023 – Jun. 30, 2024)

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

Information related to goodwill amortization and the unamortized balance for each reportable segment

FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)

(Thousands of yen)

	Reportable segment				Adjustment	Amounts shown on consolidated financial statements
	Digital Government	Mobility Services	Smart Venues	Total		
Balance at end of period	-	-	125,880	125,880	-	125,880

Note: Goodwill amortization is omitted because the same information is presented in segment information.

FY6/24 (Jul. 1, 2023 – Jun. 30, 2024)

(Thousands of yen)

	Reportable segment				Adjustment	Amounts shown on consolidated financial statements
	Digital Government	Mobility Services	Smart Venues	Total		
Balance at end of period	-	-	109,637	109,637	-	109,637

Note: Goodwill amortization is omitted because the same information is presented in segment information.

Information related to gain on bargain purchase for each reportable segment

FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)

Not applicable.

FY6/24 (Jul. 1, 2023 – Jun. 30, 2024)

Not applicable.

Per-share Information

(Yen)

	FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)	FY6/24 (Jul. 1, 2023 – Jun. 30, 2024)
Net assets per share	204.16	162.58
Net loss per share	(4.80)	(33.57)

Notes: 1. Diluted net income per share for FY6/23 is not presented because net loss was posted despite the existence of latent shares with a dilution effect. Diluted net income per share for FY6/24 is not presented because there are no latent shares with a dilution effect.

2. The basis of calculating net loss per share is as follows:

(Thousands of yen)

	FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)	FY6/24 (Jul. 1, 2023 – Jun. 30, 2024)
Net income per share		
Loss attributable to owners of parent	(48,525)	(348,911)
Amounts not attributable to common shareholders	-	-
Loss attributable to common shareholders of parent	(48,525)	(348,911)
Average number of common shares outstanding during the period (shares)	10,111,524	10,392,310

Subsequent Events

Sale of significant business

On July 31, 2024, Smartvalue sold the product sales business for leased vehicles, which was part of the car solutions business of the Mobility Services segment, to Koshida Corporation.

1. Reason for sale

As a Group, we have concluded that focusing our management resources in the car solutions business on enhancing our existing IoT and product sales for commercial vehicles, as well as developing services that address challenges in the logistics industry observed through product sales for commercial vehicles, will contribute to the medium to long-term growth of corporate value. Consequently, we have decided to transfer this business, which faces an uncertain future in a mature market, to Koshida Corporation.

2. Summary

(1) Business activities

Product sales business for leased vehicles

(2) Results of operations of the product sales business for leased vehicles

FY6/23 (Jul. 1, 2022 – Jun. 30, 2023)

(Thousands of yen)

	Product sales business for leased vehicles (a)	Consolidated sales and operating profit (b)	Pct. of consolidated sales and gross profit (a/b)
Net sales	479,733	3,873,348	12.4%
Gross profit	74,269	1,284,323	5.8%

FY6/24 (Jul. 1, 2023 – Jun. 30, 2024)

(Thousands of yen)

	Product sales business for leased vehicles (a)	Consolidated sales and operating profit (b)	Pct. of consolidated sales and gross profit (a/b)
Net sales	404,365	3,814,719	10.6%
Gross profit	58,924	1,157,313	5.1%

(3) Composition and value of assets and liabilities of the product sales business for leased vehicles

(Thousands of yen)

Assets		Liabilities	
Item	Carrying amount	Item	Carrying amount
Inventories	26,639	-	-

(4) Sale price

At no cost

** 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.*