

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending June 30, 2025 (Three Months Ended September 30, 2024)

[Japanese GAAP]

November 14, 2024

Company name: Smartvalue Co., Ltd.

Listing: Tokyo Stock Exchange

Securities code: 9417

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Scheduled date of payment of dividend: -

Preparation of supplementary materials for financial results: None

Holding of 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, 2025

(July 1, 2024 to September 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	%
Three months ended Sep. 30, 2024	805	3.4	(105)	-	(107)	-	(102)	-
Three months ended Sep. 30, 2023	779	(1.3)	(189)	-	(189)	-	(167)	-

Note: Comprehensive income (millions of yen) Three months ended Sep. 30, 2024 (103) (-%)

Three months ended Sep. 30, 2023: (192) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Sep. 30, 2024	(9.87)	-
Three months ended Sep. 30, 2023	(16.15)	-

Note: Diluted net income per share is not presented because there are no 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, 2024	4,080	1,992	37.4
As of Jun. 30, 2024	4,037	2,158	41.8

Reference: Shareholders' equity (millions of yen) As of Sep. 30, 2024: 1,524 As of Jun. 30, 2024: 1,689

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2024	-	0.00	-	6.00	6.00
Fiscal year ending Jun. 30, 2025	-				
Fiscal year ending Jun. 30, 2025 (forecast)		0.00	-	6.00	6.00

Note: Revisions to the most recently announced dividend forecast: None

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

Note: Revisions to the most recently announced consolidated earnings forecast: None

*** Notes**

(1) Significant changes in the scope of consolidation during the period: 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, 2024:	10,679,800 shares	As of Jun. 30, 2024:	10,679,800 shares
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2) Number of treasury shares at the end of the period

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

Three months ended Sep. 30, 2024:	10,392,310 shares	Three months ended Sep. 30, 2023:	10,392,310 shares
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* Review of the attached quarterly consolidated financial statements by certified public accountants or auditing firms: None

* 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. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements" on page 4 of the attachments regarding preconditions or other related matters for the forecasts.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

The Japanese economy recovered slowly during the first quarter with the support of improvements in the labor market and personal income. The outlook for the economy is still highly uncertain because of the high cost of raw materials and energy, inflation and other reasons.

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.”

During the first quarter, there were many activities to build an even stronger framework for sustained growth by generating monthly recurring revenue (MRR) in the cloud solutions business, continuing to step up activities for the digitalization of government services, and taking other actions. The goal is to use earnings from these operations as the base while making progress with creating a new profit structure due to activities that include arena leasing reservations and partnership contracts at GLION ARENA KOBE (note 1) in the smart venues business.

Consolidated net sales increased 3.4% to 805 million yen. There was an operating loss of 105 million yen compared with a loss of 189 million yen one year earlier, an ordinary loss of 107 million yen compared with a loss of 189 million yen one year earlier, and loss attributable to owners of parent of 102 million yen compared with a loss of 167 million yen one year earlier. Overall, there was a big improvement in performance compared with the previous fiscal year.

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 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. Although progress with the use of e-government is continuing, the percentage of competitive bids that resulted in orders from local governments and other public-sector organizations decreased because of intense competition in the previous fiscal year. However, the percentage of successful competitive bids has started to recover in this fiscal year. In addition, duplicate expenses due to relocation of cloud environment and up-front investments for starting the new healthcare business at Grand Green Osaka put pressure on costs in this segment.

As a result, segment sales increased 4.1% from one year earlier to 382 million yen and the segment profit increased 40.5% to 17 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.

Although the cost ratio improved as a result of the elimination of loss-making operations due to the sale of the product sales business for leased vehicles in the car solutions segment on July 31, 2024, and measures to reduce expenses and operate businesses more efficiently to improve profitability, first quarter sales and earnings in this segment were lower than one year earlier.

Segment sales decreased 25.2% from one year earlier to 271 million yen and the segment profit decreased 12.5% from one year earlier to 43 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 first quarter, to create a framework for medium to long-term sales and earnings, there was progress for establishing a sound environment for the start of operations in 2025. There was a big increase in sales because of large sponsorship agreements signed early in the first quarter. The loss was down significantly as expenses for up-front investments were offset by activities to hold down the cost of sales and SG&A expenses.

Segment sales increased 213.6% from one year earlier to 151 million yen and the segment loss was 51 million yen compared with a loss of 125 million yen one year earlier.

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) Explanation of Financial Position

1) Assets

Total assets at the end of the first quarter increased 43 million yen from the end of the previous fiscal year to 4,080 million yen.

Current assets decreased 186 million yen to 2,272 million yen. Major items include decreases of 102 million yen in cash and deposits, 12 million yen in notes and accounts receivable-trade, and contract assets, and 27 million yen in merchandise.

Non-current assets increased 230 million yen to 1,805 million yen. Major items include an increase of 224 million yen in construction in progress.

Deferred assets decreased 715 thousand yen to 2 million yen. Major items include a decrease of 685 thousand yen in share issuance cost.

2) Liabilities

Total liabilities increased 209 million yen from the end of the previous fiscal year to 2,087 million yen.

Current liabilities increased 2 million yen to 1,331 million yen. Major items include an increase of 119 million yen in contract liabilities, decreases of 29 million yen in accounts payable-trade, 46 million yen in short-term borrowings, 11 million yen in provision for bonuses, and 37 million yen in other.

Non-current liabilities increased 207 million yen to 756 million yen. Major items include an increase of 212 million yen in long-term borrowings.

3) Net assets

Net assets decreased 165 million yen from the end of the previous fiscal year to 1,992 million yen. This decrease was mainly decreases in retained earnings due to dividend payments of 62 million yen and a loss attributable to owners of parent of 102 million yen.

(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, 2025 that was announced in the “Consolidated Financial Results for the Fiscal Year Ended June 30, 2024 (Japanese GAAP)” on August 14, 2024.

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)

	FY6/24 (As of Jun. 30, 2024)	First quarter of FY6/25 (As of Sep. 30, 2024)
Assets		
Current assets		
Cash and deposits	1,726,858	1,624,479
Notes and accounts receivable-trade, and contract assets	474,606	461,876
Merchandise	86,070	58,990
Work in process	4,822	8,901
Other	166,203	118,025
Allowance for doubtful accounts	(18)	(18)
Total current assets	2,458,542	2,272,255
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	143,297	139,661
Construction in progress	583,257	808,116
Other, net	141,019	135,553
Total property, plant and equipment	867,575	1,083,332
Intangible assets		
Goodwill	109,637	105,576
Software	111,349	113,582
Other	61,375	75,601
Total intangible assets	282,362	294,760
Investments and other assets		
Deferred tax assets	83,557	89,945
Leasehold and guarantee deposits	231,178	229,669
Other	110,571	107,908
Total investments and other assets	425,307	427,523
Total non-current assets	1,575,245	1,805,616
Deferred assets		
Organization expenses	207	177
Share issuance costs	3,488	2,802
Total deferred assets	3,695	2,980
Total assets	4,037,483	4,080,851

	(Thousands of yen)	
	FY6/24 (As of Jun. 30, 2024)	First quarter of FY6/25 (As of Sep. 30, 2024)
Liabilities		
Current liabilities		
Accounts payable-trade	85,926	56,662
Short-term borrowings	360,740	314,260
Current portion of long-term borrowings	91,753	104,351
Income taxes payable	8,850	3,438
Contract liabilities	401,770	521,410
Provision for bonuses	57,449	46,043
Other	323,125	285,510
Total current liabilities	1,329,616	1,331,677
Non-current liabilities		
Long-term borrowings	378,626	591,269
Deferred tax liabilities	2,377	2,233
Asset retirement obligations	85,550	85,605
Other	82,466	77,131
Total non-current liabilities	549,020	756,238
Total liabilities	1,878,637	2,087,915
Net assets		
Shareholders' equity		
Share capital	1,044,944	1,044,944
Capital surplus	1,114,988	1,114,988
Retained earnings	(315,888)	(480,822)
Treasury shares	(154,411)	(154,411)
Total shareholders' equity	1,689,632	1,524,698
Non-controlling interests	469,214	468,237
Total net assets	2,158,846	1,992,935
Total liabilities and net assets	4,037,483	4,080,851

(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 FY6/24 (Jul. 1, 2023 – Sep. 30, 2023)	First three months of FY6/25 (Jul. 1, 2024 – Sep. 30, 2024)
Net sales	779,072	805,408
Cost of sales	599,813	537,074
Gross profit	179,259	268,334
Selling, general and administrative expenses	368,499	374,041
Operating loss	(189,240)	(105,706)
Non-operating income		
Interest income	4	104
Subsidy income	250	-
Penalty income	927	2,129
Rent revenue	-	7,110
Other	681	220
Total non-operating income	1,864	9,564
Non-operating expenses		
Interest expenses	1,660	3,382
Amortization of organization expenses	29	29
Amortization of share issuance costs	651	685
Rental costs	-	6,383
Other	-	1,228
Total non-operating expenses	2,341	11,709
Ordinary loss	(189,717)	(107,852)
Extraordinary losses		
Loss on retirement of non-current assets	6	16
Total extraordinary losses	6	16
Loss before income taxes	(189,724)	(107,869)
Income taxes-current	2,219	2,219
Income taxes-deferred	597	(6,531)
Total income taxes	2,816	(4,312)
Loss	(192,541)	(103,556)
Loss attributable to non-controlling interests	(24,668)	(976)
Loss attributable to owners of parent	(167,873)	(102,580)

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

	(Thousands of yen)	
	First three months of FY6/24 (Jul. 1, 2023 – Sep. 30, 2023)	First three months of FY6/25 (Jul. 1, 2024 – Sep. 30, 2024)
Loss	(192,541)	(103,556)
Comprehensive income	(192,541)	(103,556)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(167,873)	(102,580)
Comprehensive income attributable to non-controlling interests	(24,668)	(976)

(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 FY6/24 (Jul. 1, 2023 – Sep. 30, 2023)

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

(Thousands of yen)

	Reportable segments				Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Digital Government	Mobility Services	Smart Venues	Total		
Net sales						
Goods or services that are transferred at a point in time	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.

First three months of FY6/25 (Jul. 1, 2024 – Sep. 30, 2024)

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	1,298	81,152	16,260	98,710	-	98,710
Goods or services that are transferred over a certain period of time	381,214	190,588	134,895	706,698	-	706,698
Revenue from contracts with customers	382,512	271,740	151,155	805,408	-	805,408
Other revenue	-	-	-	-	-	-
External sales	382,512	271,740	151,155	805,408	-	805,408
Inter-segment sales and transfers	-	-	-	-	-	-
Total	382,512	271,740	151,155	805,408	-	805,408
Segment profit (loss)	17,625	43,580	(51,541)	9,664	(115,371)	(105,706)

Notes: 1. The negative adjustment of 115 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.

Note to Statements of Cash Flows

There is no consolidated statement of cash flows for the first three months of FY6/25.

Depreciation (excluding goodwill but including amortization of intangible assets) and amortization of goodwill for the first three months of FY6/24 and FY6/25 are as follows.

	(Thousands of yen)	
	First three months of FY6/24 (Jul. 1, 2023 – Sep. 30, 2023)	First three months of FY6/25 (Jul. 1, 2024 – Sep. 30, 2024)
Depreciation	32,530	30,062
Amortization of goodwill	4,060	4,060

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.*