

**Consolidated Financial Results for the First Quarter of the Fiscal Year Ending June 30, 2021
(Three Months Ended September 30, 2020)**

[Japanese GAAP]

November 13, 2020

Company name: Smartvalue Co., Ltd.

Listing: Tokyo Stock Exchange, First Section

Securities code: 9417

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Scheduled date of filing of Quarterly Report:

November 13, 2020

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, 2021
(July 1, 2020 to September 30, 2020)**

(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, 2020	676	(62.7)	(195)	-	(194)	-	(141)	-
Three months ended Sep. 30, 2019	1,815	-	(7)	-	(4)	-	(13)	-

Note: Comprehensive income (millions of yen)

Three months ended Sep. 30, 2020: (141) (-%)

Three months ended Sep. 30, 2019: (13) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Sep. 30, 2020	(14.11)	-
Three months ended Sep. 30, 2019	(1.40)	-

Note: Diluted net income per share 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, 2020	3,918	3,377	86.2
As of Jun. 30, 2020	4,692	3,583	76.4

Reference: Shareholders' equity (millions of yen)

As of Sep. 30, 2020: 3,376

As of Jun. 30, 2020: 3,583

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2020	-	0.00	-	8.00	8.00
Fiscal year ending Jun. 30, 2021	-	-	-	-	-
Fiscal year ending Jun. 30, 2021 (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, 2021 (July 1, 2020 to June 30, 2021)

(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	1,688	(50.2)	(330)	-	(330)	-	(342)	-	(34.44)
Full year	4,773	(19.9)	(82)	-	(81)	-	(93)	-	(9.40)

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

Newly added: - Excluded: -

(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, 2020:	10,264,800 shares	As of Jun. 30, 2020:	10,264,800 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2020:	251,090 shares	As of Jun. 30, 2020:	300,690 shares
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3) Average number of shares outstanding during the period

Three months ended Sep. 30, 2020:	10,006,549 shares	Three months ended Sep. 30, 2019:	9,929,306 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.

Contents of Attachments

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

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

The prolonged measures for limiting a broad range of activities in order to prevent the spread of COVID-19 infections severely impacted the Japanese economy in the first quarter. Most economic activity came to a stop in Japan and other countries, corporate earnings declined and consumer spending plummeted.

In this challenging business climate, the activities of the Smartvalue Group are guided by the goal of “combining ‘smart’ systems and technologies to create social systems that can thrive for many years.” Group companies are taking actions aimed at using the foundation for business operations to build a business model capable of sustained growth. Many actions are under way to create highly profitable businesses by establishing sources of consistent earnings and making substantial investments to create new business domains.

In the first quarter of the fiscal year ending June 30, 2021, consolidated net sales decreased 62.7% to 676 million yen. There were an operating loss of 195 million yen compared with a loss of 7 million yen one year earlier, an ordinary loss of 194 million yen compared with a loss of 4 million yen one year earlier, and loss attributable to owners of parent of 141 million yen compared with a loss of 13 million yen one year earlier.

Results of operations have briefly fallen below the prior-year level because of the sale of the mobile data communication hardware sales agent business on March 31, 2020. There are currently numerous initiatives for building the best possible production framework for the entire Smartvalue Group while focusing the Group’s resources on carefully selected businesses and other activities. This focus also includes measures for strengthening our presence in business fields with good growth prospects and for starting new businesses that can create new growth vectors.

In the forecast for the current fiscal year, the second half of the fiscal year accounts for the majority of sales and earnings. Expenditures to hire more people for new business domains, IT system investments and other expenses have affected earnings. However, we are determined to continue making progress with our business plan in order to generate a suitable level of earnings and build a stronger base of operations.

Business segment performance was as follows. To concentrate resources on strategically important activities, the mobile data communication hardware sales agent business was sold on March 31, 2020. The Smartvalue Group is now focusing on activities for the growth of the Cloud Solutions Business. Due to the resulting change in the composition of the Group’s business activities, the Smartvalue Group’s reportable segments have been changed beginning with the first quarter of the current fiscal year. Comparisons with results of operations in the first quarter of the previous fiscal year are based on the revised business segments. For more information, please see “Segment and Other Information, First three months of FY6/21, 4. Information related to revisions to reportable segments.”

Digital Government

Digital government (note 1) provides products and services in order to create e-government linked to a new concept for public services. One product is Smart L-Gov (note 2), a cloud solution for open government (note 3) that distributes information in order to increase the transparency of local governments. Another activity is GaaS (note 4), a cloud service centered on resident ID platforms that increases participation and linkage.

In the first quarter, the priorities of this business were capturing orders from new customers and expanding relationships with existing customers. In addition, this business continued to implement many cost-cutting measures. Sales to local governments and other public-sector organizations resulting from orders received through competitive bids were negatively affected by cancelations of purchases and postponements of deliveries due to COVID-19. The business climate is currently beginning to recover because of government measures during the first quarter for the resumption of economic activities.

Segment sales decreased 21.5% to 279 million yen and segment loss was 36 million yen compared with a loss of 16 million yen one year earlier.

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 5), which is a connected car (note 6) service, the provision of platforms and software products for the utilization of automobile data, and Kuruma Base (note 7), which is a platform that supports car sharing and other car-as-a-service applications.

In the first quarter, sales of safety assistance equipment in the car solutions category were down because of the reduction in sales activities caused by COVID-19. In the telematics service (note 8) and other IoT sectors, performance was held down by the decline in the use of automobiles for business activities and in other business operations. The number of new orders was low and sales fell more than expected.

Face-to-face sales meetings have restarted, while using precautions to prevent the spread of COVID-19. The number of meetings with prospective customers has almost returned to the pre-crisis level. As a result, the number of units sold is recovering in both the car solutions and mobility IoT categories. Furthermore, many companies have expressed an interest in platforms for the utilization of data and for the outsourced development of these platform. This reflects the increasing use of EV (note 9) and the growth of the sharing economy in order to become carbon neutral (note 10). We will continue to make substantial investments in market sectors that are expected to grow as we continue to implement our business plan.

Segment sales decreased 44.3% to 397 million yen and segment loss was 31 million yen compared with a profit of 70 million yen one year earlier.

Explanation of terms

Notes:

1. Digital government: Services for simplifying procedures for government agencies as well as people and companies by using the internet to conduct procedures, building a database for the centralization of information, and other measures
2. Smart L-Gov: A local information cloud platform provided by Smartvalue for local governments and public-sector agencies
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. GaaS: Government as a Service is Smartvalue's resident ID platform, the first of its type in Japan, that uses digital technology incorporating blockchain technology for government procedures and services.
5. 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.
6. Connected car: Automobiles that use the internet to send and receive information
7. Kuruma Base: An integrated platform provided by Smartvalue that encompasses car connectivity and car-as-a-service applications
8. Telematics service: Telematics (a combination of "telecommunications" and "informatics") services for automobiles and other motor vehicles provided by using mobile phones and other mobile communication devices.
9. EV: Electric vehicles are vehicles powered by electric motors.
10. Carbon neutral: Net zero carbon dioxide emissions over an entire life cycle by balancing emissions and removal

(2) Explanation of Financial Position

1) Assets

Total assets at the end of the first quarter decreased 774 million yen from the end of the previous fiscal year to 3,918 million yen.

Current assets decreased 903 million yen to 2,022 million yen. Major items include a decrease of 901 million yen in cash and deposits.

Non-current assets increased 128 million yen to 1,896 million yen. Major items include increases of 71 million yen in software in progress and 54 million yen in deferred tax assets.

2) Liabilities

Total liabilities decreased 567 million yen from the end of the previous fiscal year to 541 million yen.

Current liabilities decreased 564 million yen to 465 million yen. Major items include decreases of 390 million yen in income taxes payable and 167 million yen in accrued consumption taxes.

Non-current liabilities decreased 2 million yen to 76 million yen. Major items include a decrease of 2 million yen in lease obligations.

3) Net assets

Net assets decreased 206 million yen from the end of the previous fiscal year to 3,377 million yen. This decrease was mainly the result of a decrease in retained earnings of 79 million yen due to dividend payments and 141 million yen due to the first quarter loss attributable to owners of parent, and a decrease of 27 million yen in treasury shares due to exercise of share acquisition rights.

(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, 2021 that was announced in the “Consolidated Financial Results for the Fiscal Year Ended June 30, 2020 (Japanese GAAP)” on August 14, 2020.

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)

	FY6/20 (As of Jun. 30, 2020)	First quarter of FY6/21 (As of Sep. 30, 2020)
Assets		
Current assets		
Cash and deposits	2,022,481	1,121,240
Notes and accounts receivable-trade	444,818	441,123
Electronically recorded monetary claims-operating	1,452	-
Merchandise	294,580	315,272
Work in process	32,407	65,034
Other	129,838	79,527
Allowance for doubtful accounts	-	(23)
Total current assets	2,925,579	2,022,175
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	199,114	195,489
Other, net	150,563	140,903
Total property, plant and equipment	349,678	336,393
Intangible assets		
Goodwill	389,617	378,378
Other	517,909	611,435
Total intangible assets	907,527	989,814
Investments and other assets		
Deferred tax assets	279,431	334,374
Other	230,783	235,547
Allowance for doubtful accounts	(83)	(83)
Total investments and other assets	510,130	569,838
Total non-current assets	1,767,337	1,896,045
Total assets	4,692,916	3,918,220
Liabilities		
Current liabilities		
Accounts payable-trade	187,291	172,693
Income taxes payable	394,863	4,240
Provision for bonuses	42,329	42,033
Other	405,608	246,148
Total current liabilities	1,030,092	465,115
Non-current liabilities		
Asset retirement obligations	55,156	55,190
Other	23,696	20,825
Total non-current liabilities	78,853	76,015
Total liabilities	1,108,945	541,131

	(Thousands of yen)	
	FY6/20 (As of Jun. 30, 2020)	First quarter of FY6/21 (As of Sep. 30, 2020)
Net assets		
Shareholders' equity		
Share capital	959,454	959,454
Capital surplus	949,720	949,720
Retained earnings	1,841,718	1,607,408
Treasury shares	(167,303)	(139,725)
Total shareholders' equity	3,583,589	3,376,856
Share acquisition rights	381	232
Total net assets	3,583,970	3,377,089
Total liabilities and net assets	4,692,916	3,918,220

(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 FY6/20 (Jul. 1, 2019 – Sep. 30, 2019)	First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)
Net sales	1,815,123	676,675
Cost of sales	1,301,586	557,138
Gross profit	513,537	119,537
Selling, general and administrative expenses	521,381	315,218
Operating loss	(7,843)	(195,681)
Non-operating income		
Interest income	55	5
Subsidy income	1,440	417
Penalty income	1,354	498
Other	422	377
Total non-operating income	3,272	1,299
Non-operating expenses		
Other	-	0
Total non-operating expenses	-	0
Ordinary loss	(4,570)	(194,381)
Extraordinary losses		
Loss on retirement of non-current assets	4	4
Total extraordinary losses	4	4
Loss before income taxes	(4,575)	(194,386)
Income taxes-current	9,105	1,761
Income taxes-deferred	183	(54,942)
Total income taxes	9,288	(53,181)
Loss	(13,863)	(141,204)
Loss attributable to owners of parent	(13,863)	(141,204)

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

	(Thousands of yen)	
	First three months of FY6/20 (Jul. 1, 2019 – Sep. 30, 2019)	First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)
Loss	(13,863)	(141,204)
Comprehensive income	(13,863)	(141,204)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(13,863)	(141,204)
Comprehensive income attributable to non-controlling interests	-	-

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Additional Information

There are no significant changes in the assumptions about the effect of COVID-19, in the supplementary information section of the Securities Report for the fiscal year that ended on June 30, 2020.

Segment and Other Information

Segment Information

First three months of FY6/20 (Jul. 1, 2019 – Sep. 30, 2019)

1. Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Digital Government	Mobility Services	Mobile Data Communication Hardware Sales Agent	Total		
Net sales						
External sales	356,317	713,410	745,396	1,815,123	-	1,815,123
Inter-segment sales and transfers	-	-	-	-	-	-
Total	356,317	713,410	745,396	1,815,123	-	1,815,123
Segment profit (loss)	(16,847)	70,377	71,053	124,583	(132,427)	(7,843)

Notes: 1. The negative adjustment of 132 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 and goodwill amortization that cannot be attributed to any reportable segments.

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 each reportable segment

Not applicable.

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

Not applicable.

First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)

1. Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Digital Government	Mobility Services	Mobile Data Communication Hardware Sales Agent	Total		
Net sales						
External sales	279,657	397,017	-	676,675	-	676,675
Inter-segment sales and transfers	-	-	-	-	-	-
Total	279,657	397,017	-	676,675	-	676,675
Segment loss	(36,307)	(31,241)	-	(67,549)	(128,131)	(195,681)

Notes: 1. The negative adjustment of 128 million yen to segment loss includes corporate expenses that are not allocated to any of the reportable segments and mainly consist of general and administrative expenses and goodwill amortization that cannot be attributed to any reportable segments.

2. Segment loss is adjusted to be consistent with operating loss in the quarterly consolidated statement of income.

2. Information related to assets for each reportable segment

Not applicable.

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

Not applicable.

4. Information related to revisions to reportable segments

Changes in the classification of reportable segments

The Group has operated in two business domains that are also reportable segments: the Cloud Solutions Business and the Mobile Business. To concentrate resources on strategically important activities, the mobile data communication hardware sales agent business was sold on March 31, 2020. The Smartvalue Group is now focusing on activities for the growth of the Cloud Solutions Business. Due to the resulting change in the composition of the Group's business activities, the Smartvalue Group's reportable segments have been changed from the Cloud Solutions Business and Mobility Business to the Digital Government Business and Mobility Services Business beginning with the first quarter of FY6/21.

The segment information for the Mobile Data Communications Hardware Sales Agent Business, which has been sold, includes the Mobile Business which has been deleted, and the sales agent business for the sale of data communications hardware to companies, an activity that was included in the Cloud Solutions Business in prior years.

The segment information for the first three months of FY6/20 is prepared based on the revised business segments.

** 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.*