

Third Quarter of the Fiscal Year Ending June 30, 2020 (FY2020)

# Results of Operations

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Explanatory Material

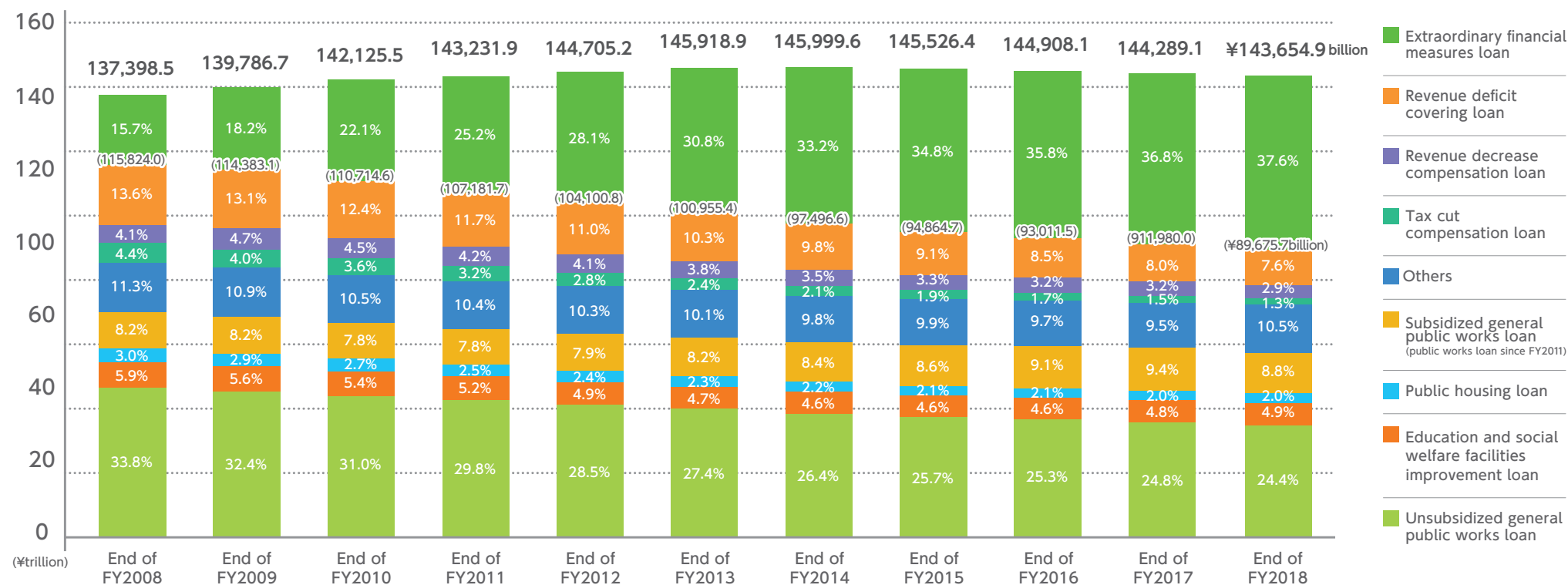
May 13, 2020

HOPE, INC.

[6195]

Governments need to secure funds on their own as more extraordinary financial measures loans (deficit-covering local government loans) are issued.

## Outstanding local government bonds (purposes) and loans (sources)

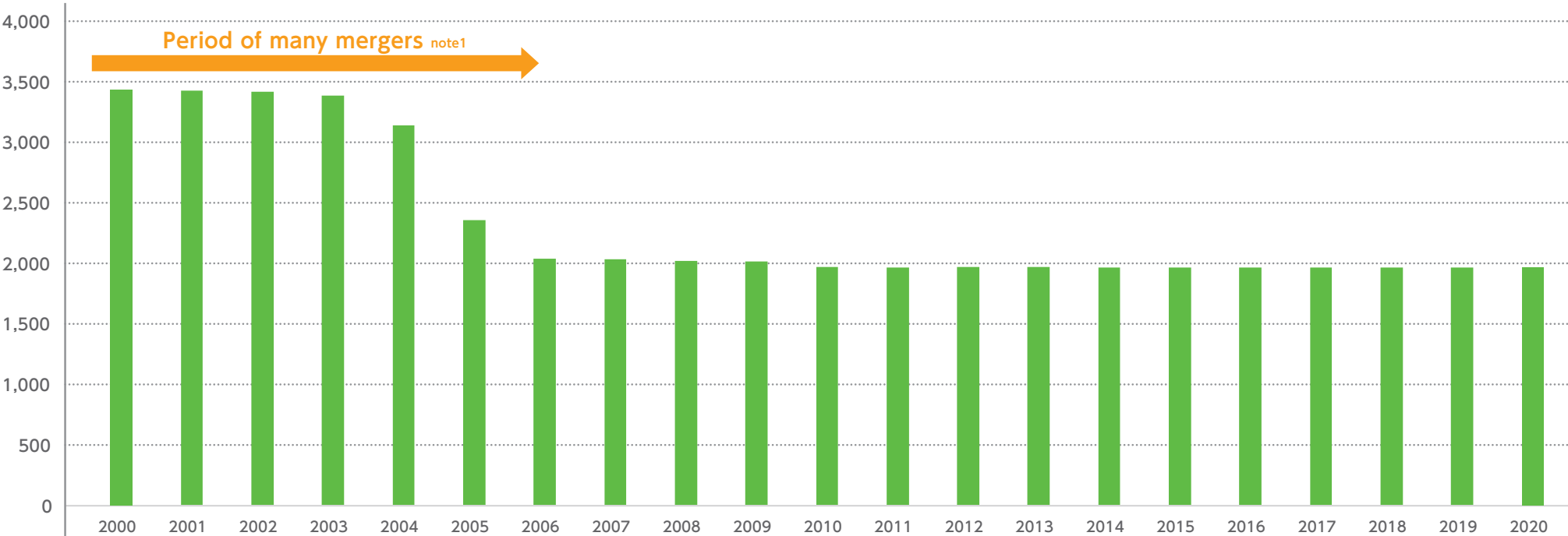


- Notes:
1. Outstanding local government bonds do not include special fund public investment loans.
  2. Government funds during FY2008-FY2018 are financial loan funds.
  3. Revenue deficit covering loans are the sum of these bonds associated with subsidized general public works and public works loans and these bonds associated with corporate bonds.
  4. Outstanding local government bonds do not include payments to a sinking fund for the lump-sum repayment of the principal upon maturity.
  5. Numbers in parentheses are outstanding local government bonds minus outstanding loans for extraordinary financial measures.

\*Prepared by HOPE, INC. based on the March 2020 White Paper on Local Public Finance, Ministry of Internal Affairs and Communications

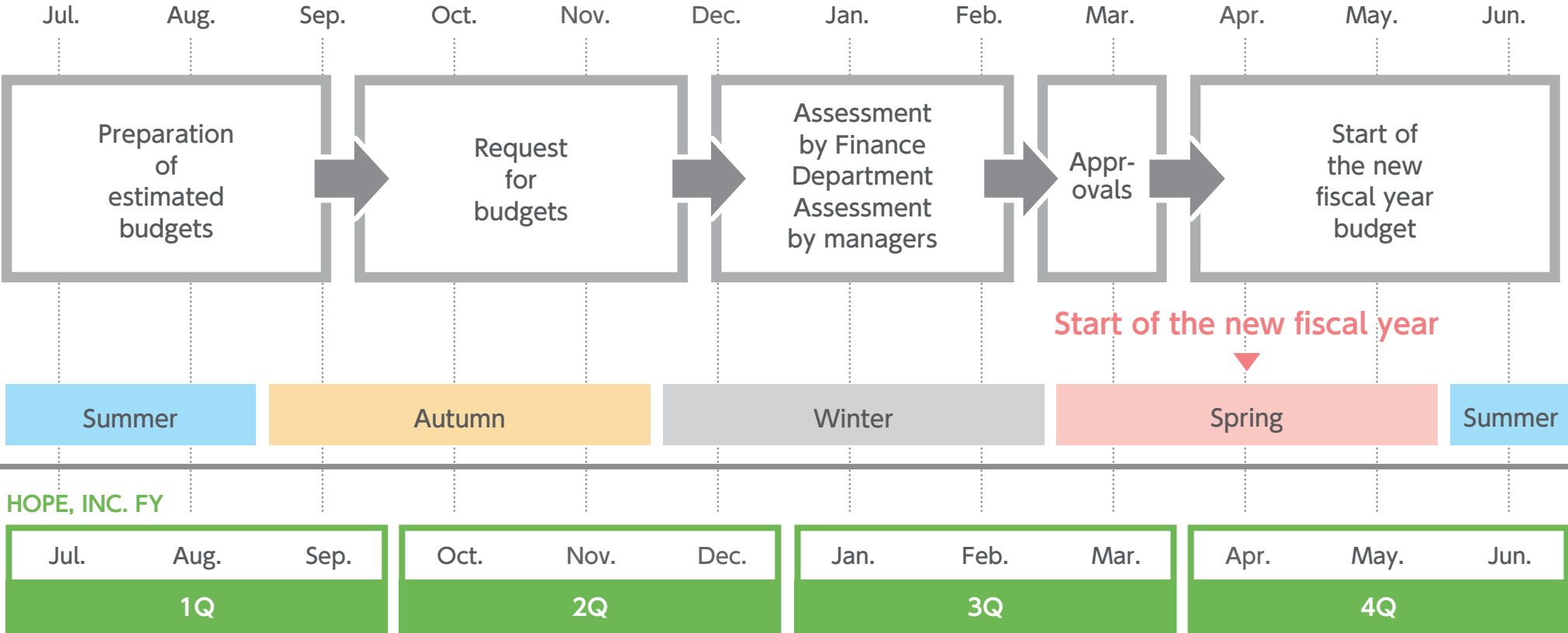
Local governments need to become stronger in order to adapt to Japan’s declining population, resulting in an older population and fewer children. The national government is urging local governments to merge. Many municipalities with weak finances have merged with other municipalities.

Number of local governments in Japan

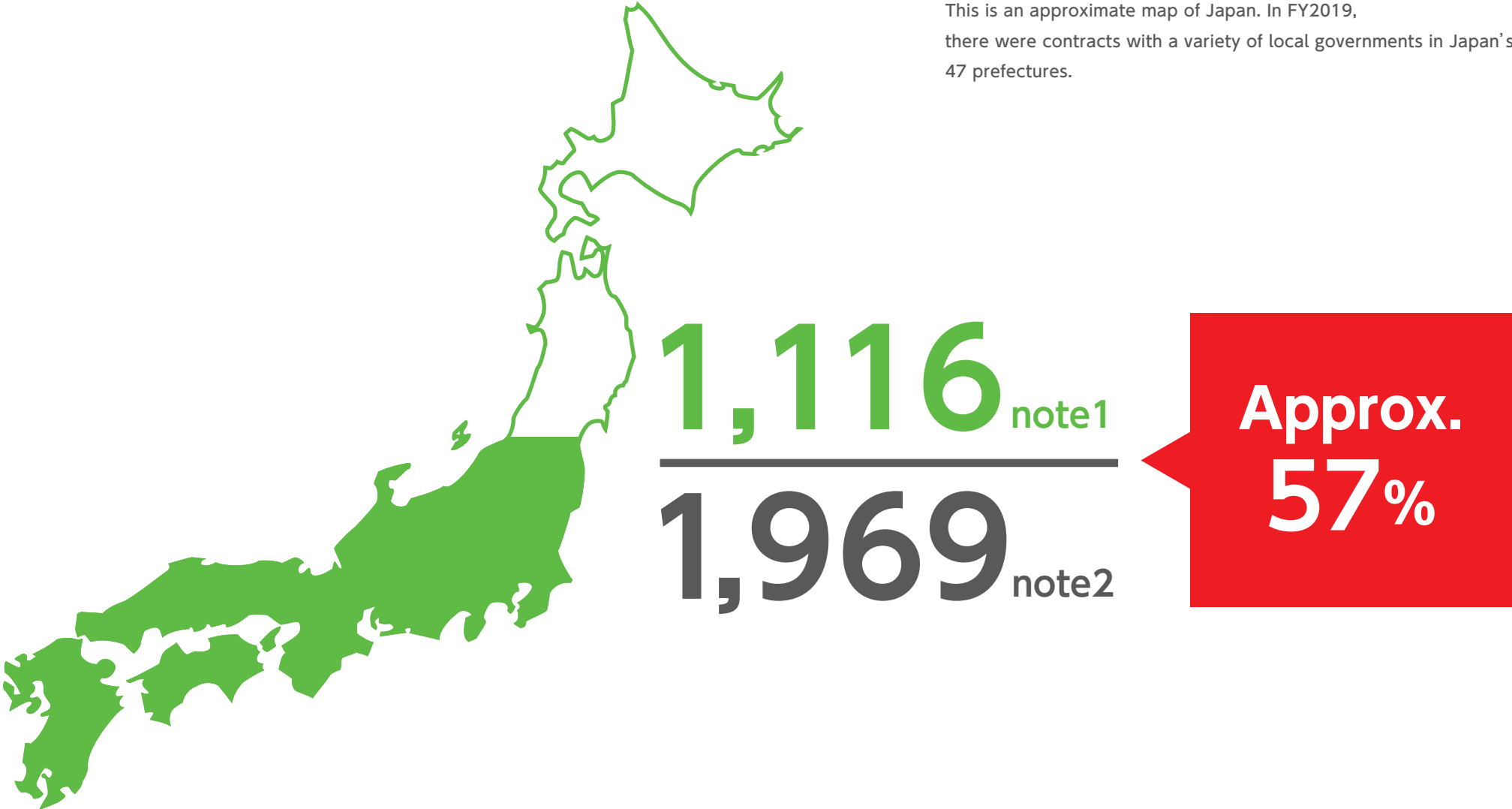


Note 1: Mergers started in 1995 with enactment of a law to permit local government mergers and the number of mergers peaked in 2005 and 2006. The first period of many mergers was in Meiji era following the establishment of the local government system in 1888. There was a four-fifth decline from about 70,000 municipalities. The second period of many mergers was 1955-1959 as the establishment of a postwar political system sparked a two-thirds decline from about 10,000 municipalities. The most recent merger peak was the result of reforms for giving more authority to local governments.  
\* Prepared by HOPE,INC. using data on the National Statistics Center website (except counties and small islands)

New fiscal years start in April 1 because local governments use a fiscal year ending in March 31.



This is an approximate map of Japan. In FY2019, there were contracts with a variety of local governments in Japan's 47 prefectures.



Notes: 1. Number of contracts for all HOPE,INC. services with local governments in FY2019  
2. Source: Population, Demography and Number of Households Based on the Basic Resident Registers; 2019 Resident Register Population, Households; 2018 Population Trends (for cities, towns and villages), Ministry of Internal Affairs and Communications website Local governments are cities, towns and villages in all prefectures, special wards in Tokyo, and wards in ordinance-designated cities (excludes counties and small islands)

Government in Japan has reached a turning point due to amendments to laws and regulations and social change. The result is many opportunities for HOPE,INC.

- **2005**  
Plan for More Efficient Government/National government
  - .....  HOPE INC. | **Feb. 2005** Started the Smart Resource service
- **2007**  
Start of the Hello Baby Project (home visits)/Ministry of Health, Labour and Welfare
  - .....  HOPE INC. | **Sep. 2013** Issued Child Raising Pamphlet
- **Feb. 2015**  
Special Measures for Empty House Countermeasures/  
Ministry of Land, Infrastructure, Transport and Tourism
  - .....  HOPE INC. | **Oct. 2015** Issued Empty House Pamphlet
- **Apr. 2016**  
Full Liberalization of Retail Electricity Sales/Ministry of Economy, Trade and Industry
  - .....  HOPE INC. | **Mar. 2018** Started GENEWAT

- I . 3Q FY2020 Financial Highlight**
- II . FY2020 Outlook and Growth Strategies**
- III . Company overview**

# I . 3Q FY2020 Financial Highlight



## 1Q-3Q FY2020 Results

The energy business remains the primary source of growth with a big YoY increase in sales. Although financial information was corrected, there was an operating profit for the first three quarters.

Net sales  
**¥8,082**million (up 388.6% YoY)

Operating profit  
**¥82**million ((¥245) million in 1Q-3Q FY2019)

### Advertising Business

Sales down due to measures to achieve the proper size of this business but earnings are improving from one year earlier

Net sales  
**¥1,244**million (down 13.4% YoY)

Segment profit  
**¥64**million (¥(11) million in 1Q-3Q FY2019)

### Media Business

Temporary decline in earnings growth due to a substantial sales recognition shift to the fourth quarter

Net sales  
**¥53**million (up 10.5% YoY)

Segment profit  
**¥(2)**million (¥(12) million in 1Q-3Q FY2019)

### Energy Business

New orders include electricity services that started in the third quarter; rapid sales growth (+12.5% over previous quarter) and consistent profitability; contributed to third quarter earnings

Net sales  
**¥6,774**million (¥167 million in 1Q-3Q FY2019)

Segment profit  
**¥250**million (¥(11) million in 1Q-3Q FY2019)

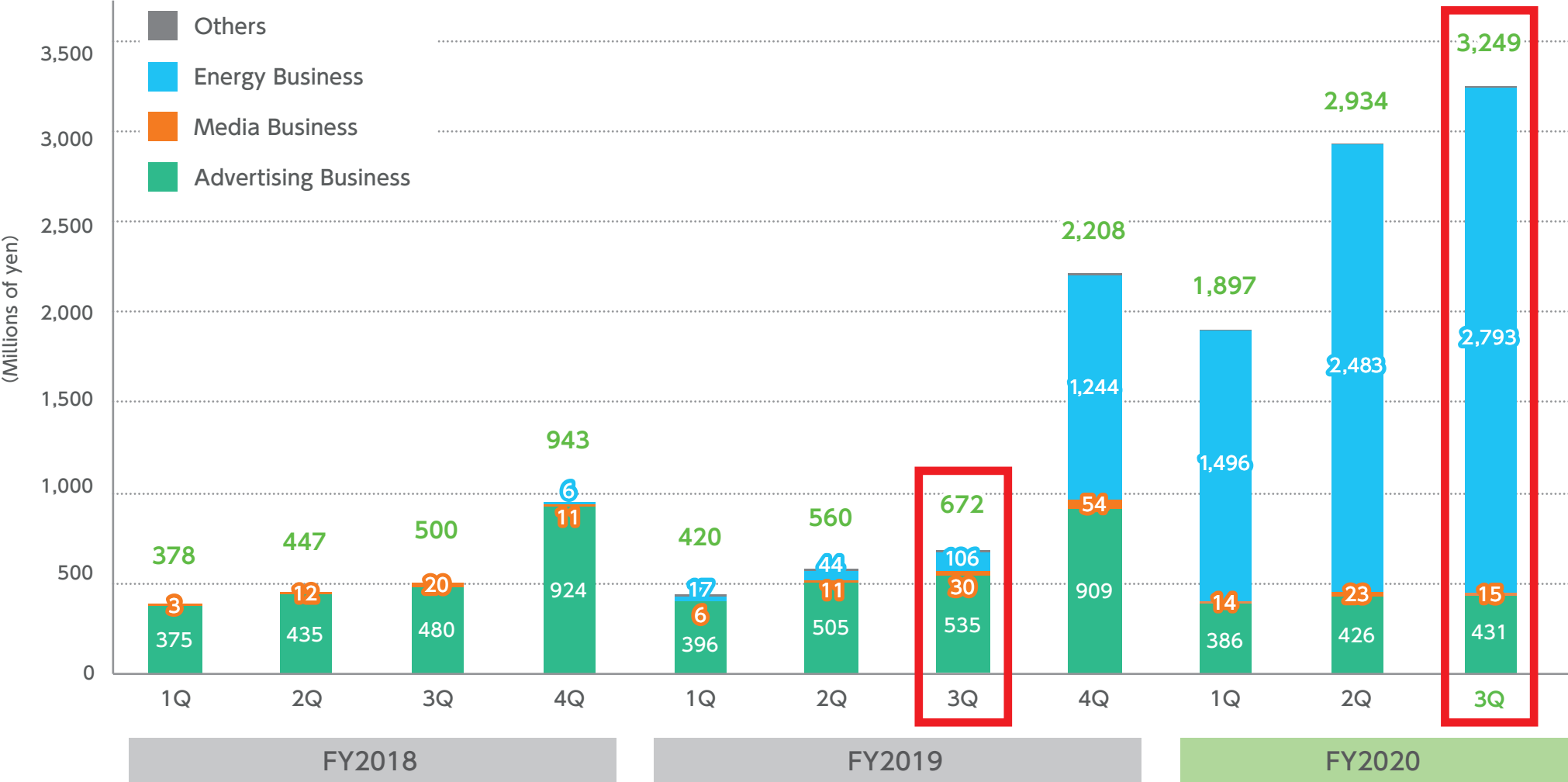
\*Numbers are rounded down and percentages are rounded up or down to the first decimal place.

# 3Q FY2020 Income Statement Highlight

(Millions of yen)	1Q-3Q FY2019		1Q-3Q FY2020		
	Results	Comp.	Results	Comp.	YoY change
Net sales	1,654	—	8,082	—	+388.6%
Gross profit	422	25.6%	782	9.7%	+85.0%
SG&A expenses	667	40.4%	699	8.7%	+4.7%
Operating profit	(245)	(14.8)%	82	1.0%	—
Ordinary profit	(230)	(14.0)%	75	0.9%	—
Profit	(237)	(14.3)%	50	0.6%	—

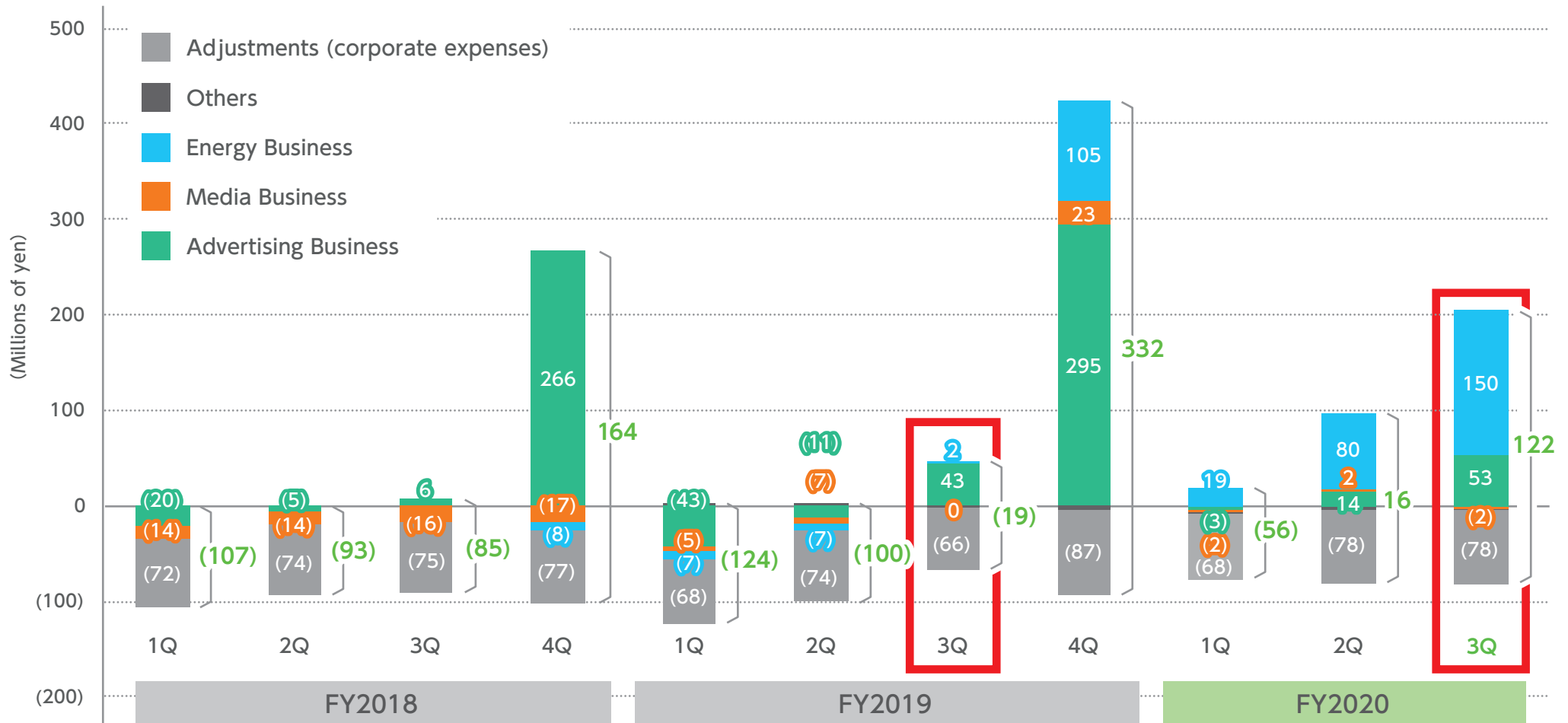
Sales increased 383% YoY due to the growth in the energy business.

Up 383.0% YoY

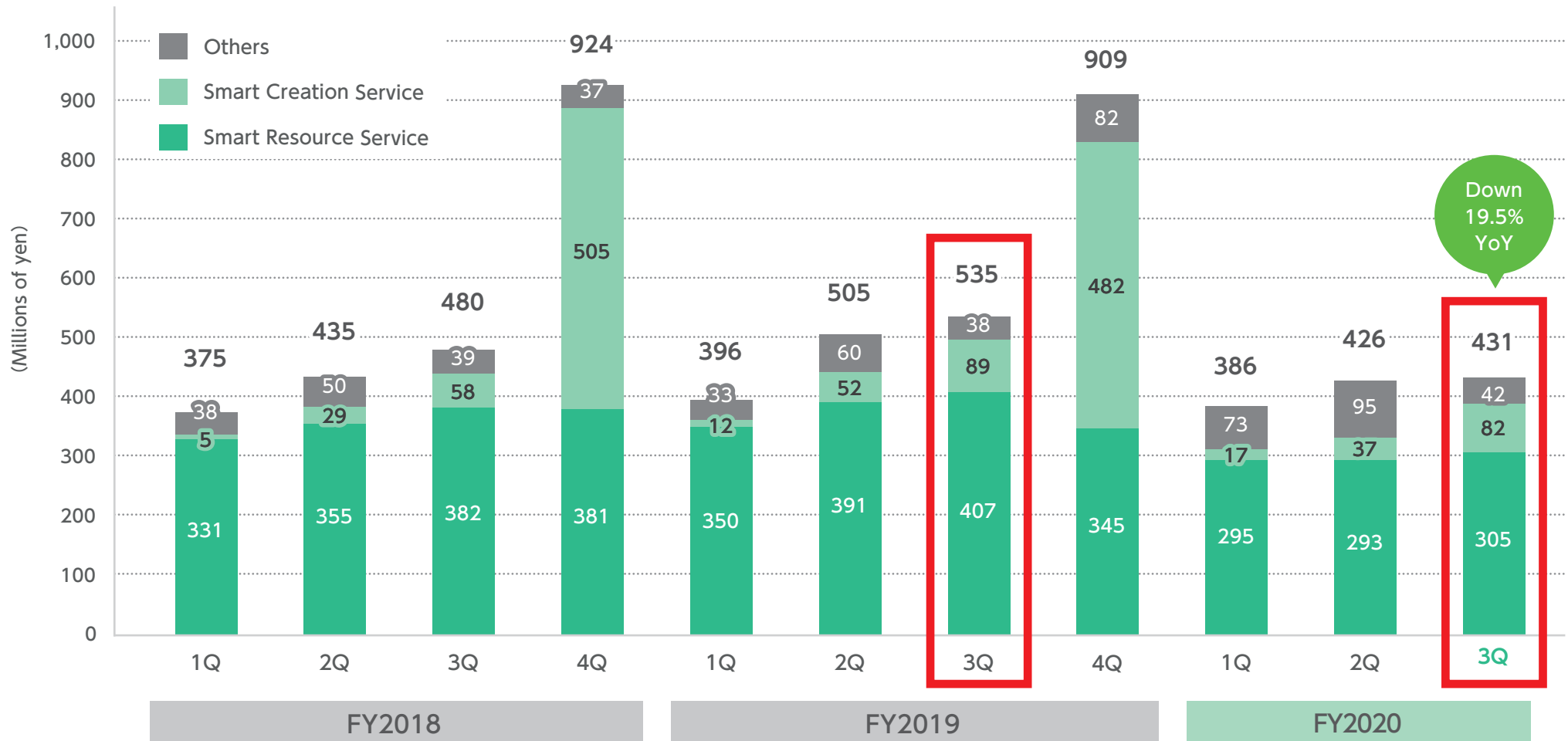


# Quarterly Operating Profit

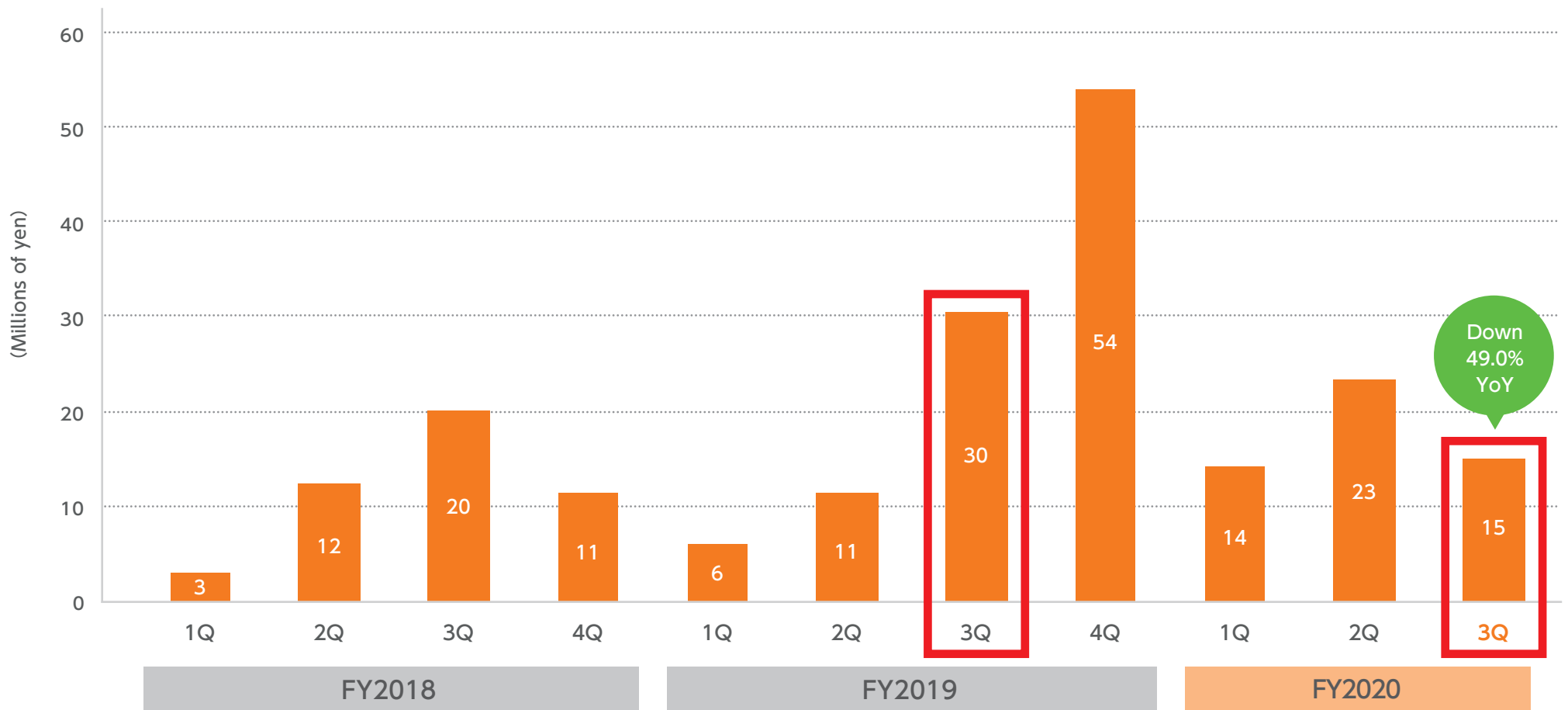
Record-high quarterly earnings in the third quarter because of energy business growth and steady improvement of advertising business profitability. Corporate expense level remains unchanged.



Sales continue to decline due to measures to achieve the proper size of this business in order to become more profitable.



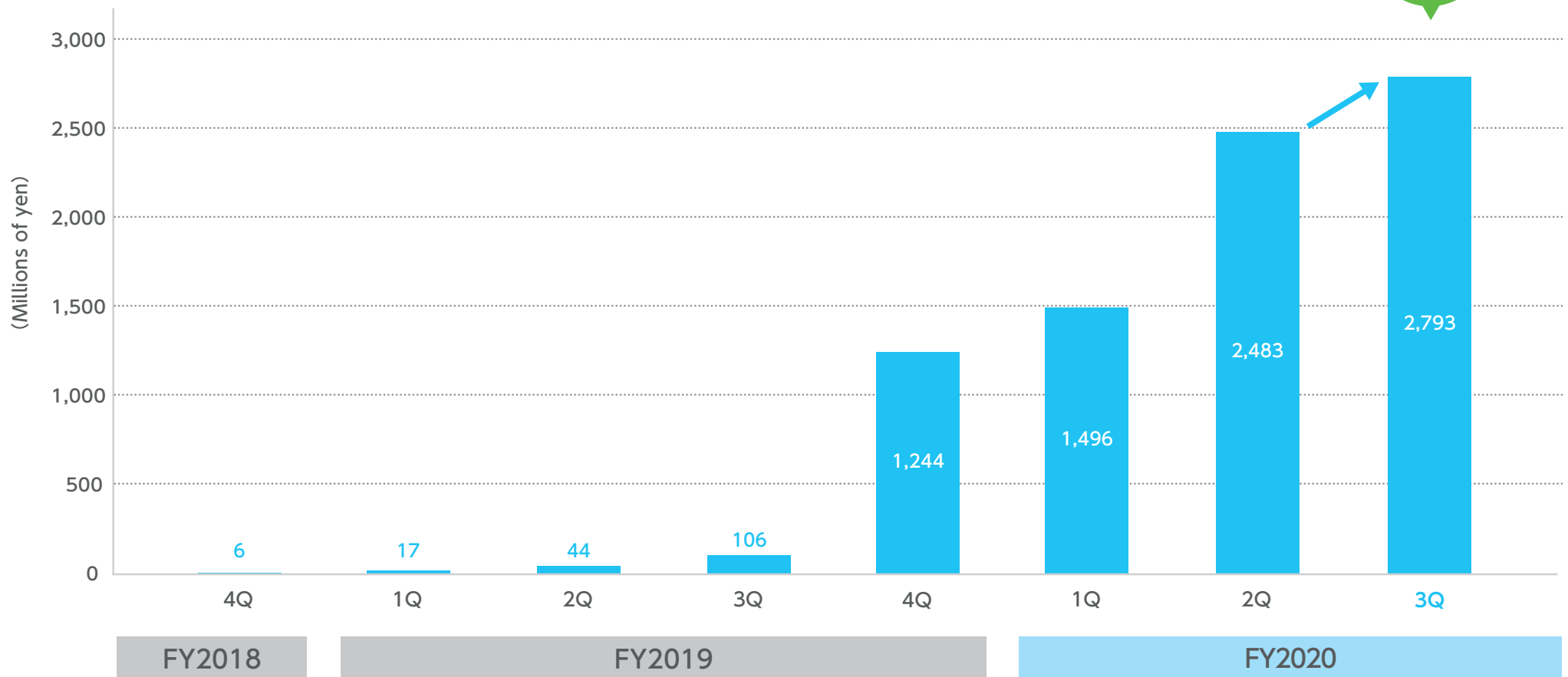
Sales increased 10.5% YoY in the first three quarters but were down 49.0% YoY in the third quarter. The fourth quarter is expected to be a large percentage of fiscal year sales.



\*The first issue of Jichitai Works, magazine for local governments employees was on Dec. 22, 2017.

Third quarter sales were 12.5% higher than in the second quarter, in part because of orders with the start of electricity services in the third quarter. The number of winning bids was 70, 83 and 329 in the first, second and third quarters, respectively.

Up  
12.5%  
QoQ



# 3Q FY2020 Balance Sheet Highlight

(Millions of yen)	3Q FY2019		3Q FY2020		
	Results	Comp.	Results	Comp.	Change
Cash and deposits	245	18.9%	526	13.8%	+280
Accounts receivable - trade	258	19.8%	1,497	39.4%	+1,239
Inventories	476	36.6%	438	11.5%	(37)
<b>Current assets</b>	<b>1,047</b>	<b>80.5%</b>	<b>2,772</b>	<b>72.9%</b>	<b>+1,724</b>
<b>Non-current assets</b>	<b>253</b>	<b>19.5%</b>	<b>1,029</b>	<b>27.1%</b>	<b>+776</b>
<b>Total assets</b>	<b>1,300</b>	<b>100.0%</b>	<b>3,802</b>	<b>100.0%</b>	<b>+2,501</b>
Accounts payable - trade	583	44.9%	1,412	37.2%	+828
Short-term borrowings	—	—	356	9.4%	+356
Current portion of long-term borrowings	86	6.7%	386	10.2%	+300
<b>Current liabilities</b>	<b>830</b>	<b>63.9%</b>	<b>2,383</b>	<b>62.7%</b>	<b>+1,553</b>
Bonds payable	—	—	100	2.6%	+100
Long-term borrowings	256	19.7%	741	19.5%	+484
<b>Non-current liabilities</b>	<b>256</b>	<b>19.7%</b>	<b>841</b>	<b>22.1%</b>	<b>+584</b>
<b>Total liabilities</b>	<b>1,087</b>	<b>83.6%</b>	<b>3,225</b>	<b>84.8%</b>	<b>+2,137</b>
<b>Total net assets</b>	<b>213</b>	<b>16.4%</b>	<b>576</b>	<b>15.2%</b>	<b>+363</b>
<b>Total liabilities and net assets</b>	<b>1,300</b>	<b>100.0%</b>	<b>3,802</b>	<b>100.0%</b>	<b>+2,501</b>

Increase in energy business transaction security deposits

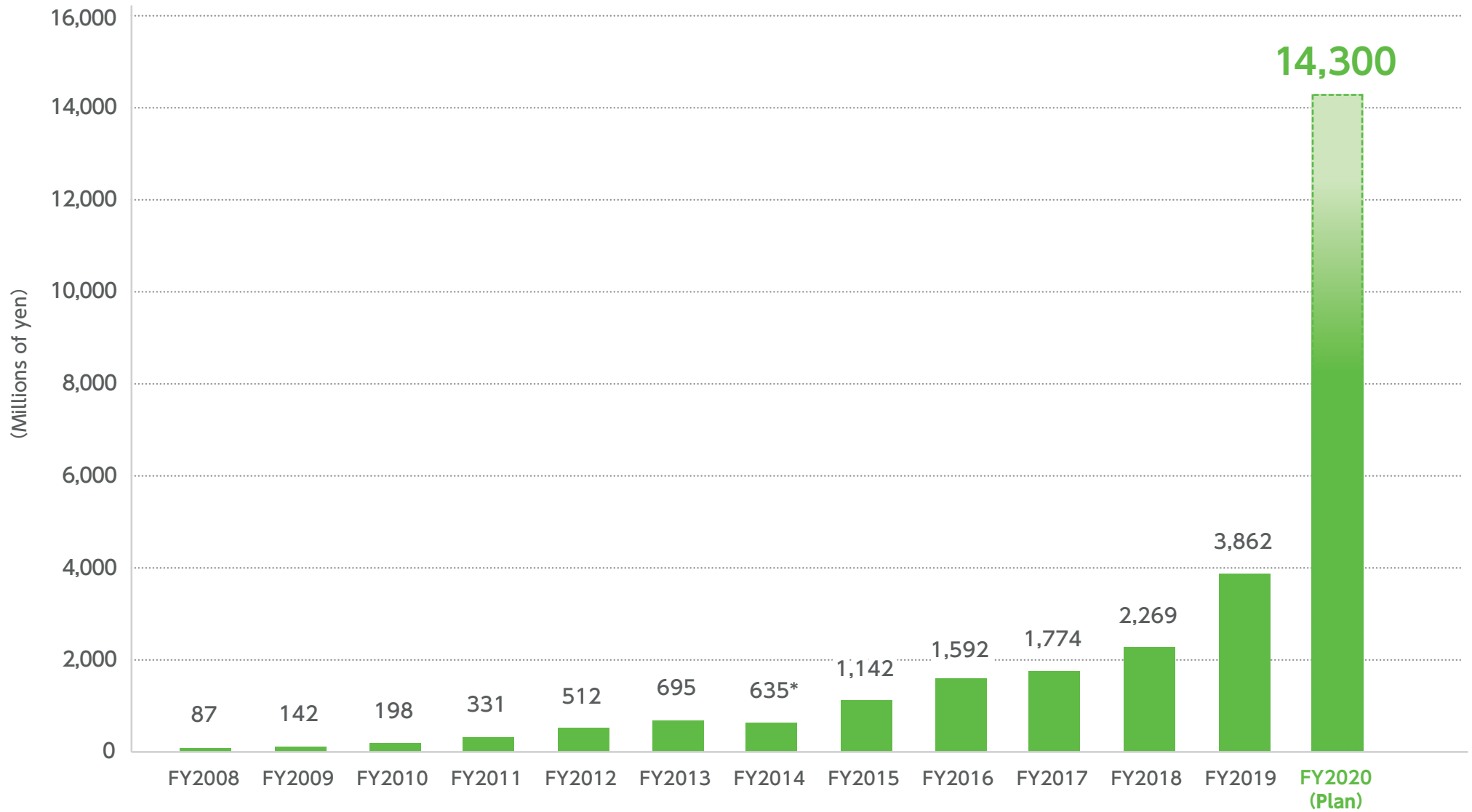
Funds procured for the growth of working capital and other reasons



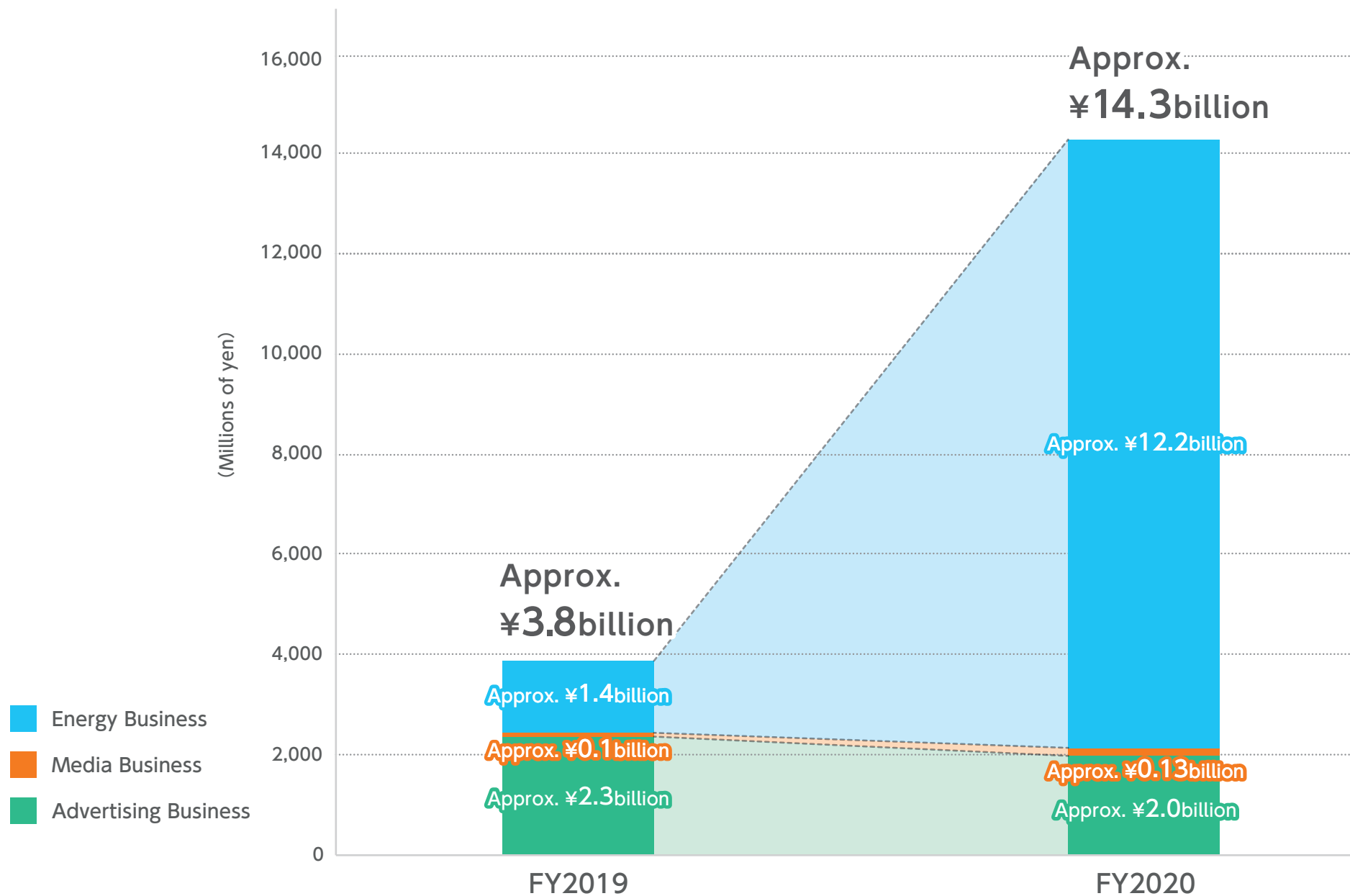
## II . FY2020 Outlook and Growth Strategies

The sales plan has been raised again and an earnings forecast has been announced.  
A very big increase in earnings is expected.

(Millions of yen)	FY2018	FY2019		FY2020	
	Results	Results	YoY change	Plan	YoY change
Net sales	2,269	<b>3,862</b>	+70.2%	<b>14,300</b>	+270.2%
Gross profit	759	<b>1,039</b>	+36.9%	—	—
SG&A expenses	881	<b>952</b>	+8.1%	—	—
Operating profit	(121)	<b>87</b>	—	<b>850 - 950</b>	+876.7% - 991.6%
Ordinary profit	(114)	<b>95</b>	—	<b>840 - 940</b>	+781.1% - 886.0%
Profit	(128)	<b>75</b>	—	<b>600 - 675</b>	+693.9% - 793.1%



\*FY2014 was an irregular nine-month period because of a change in fiscal year-end.



# 1 Redefine the positioning of each business

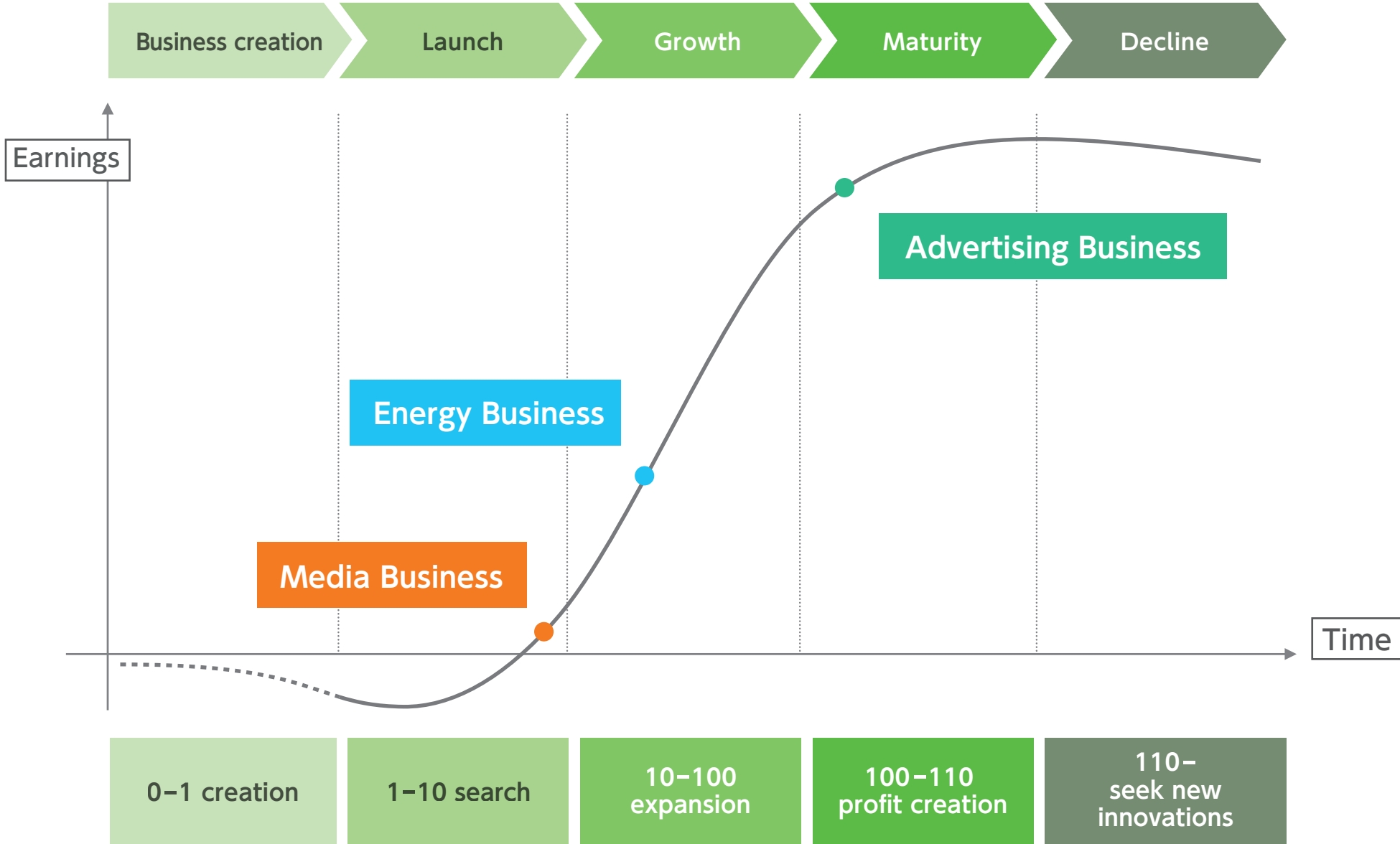
**Advertising Business** ..... Achieve the proper size to make this a profit-generating business

**Media Business** ..... Position this business at the very top of upstream information flows

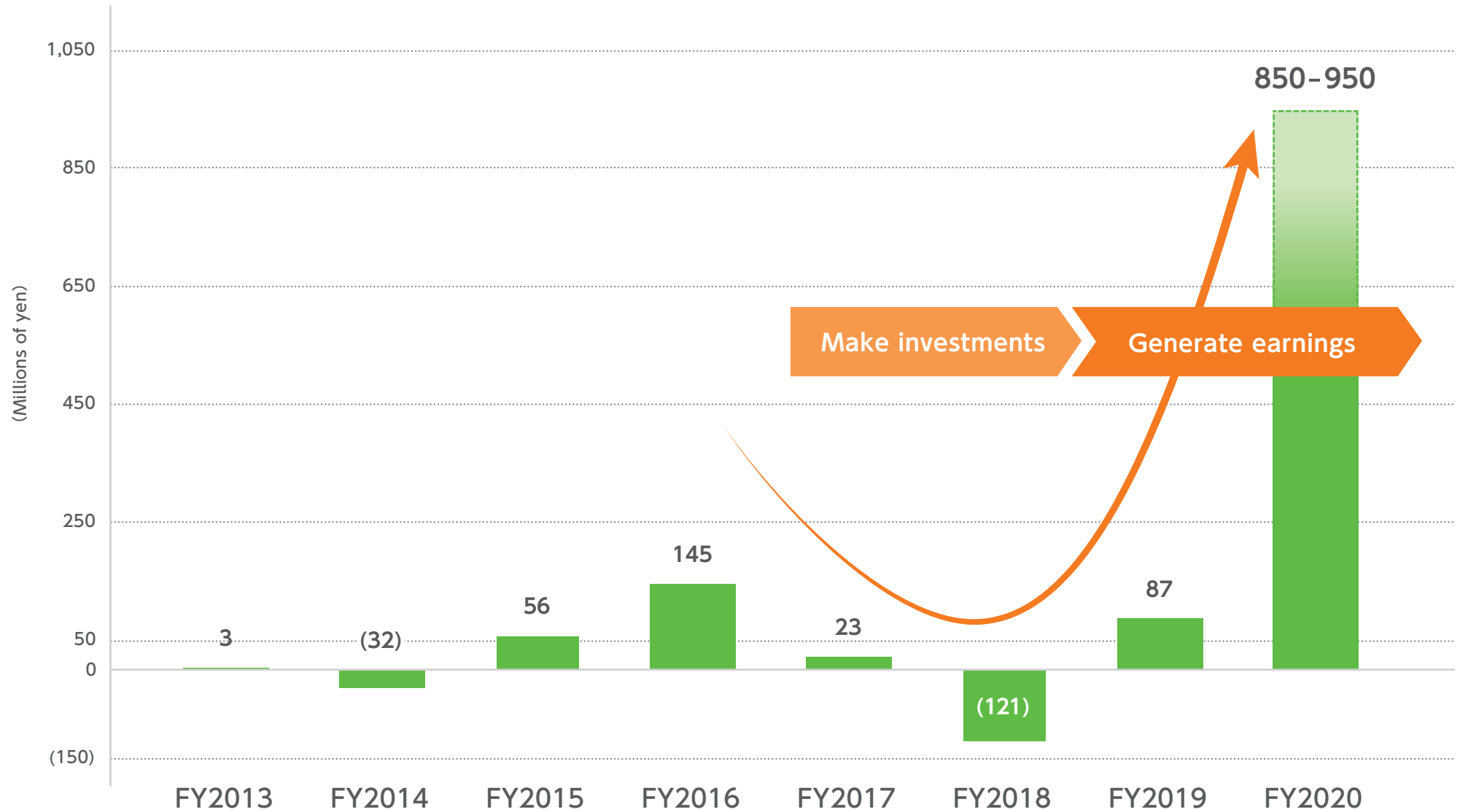
**Energy Business** ..... Continue growth and aim for consistent profitability, making this business the primary source of growth

# 2 Optimization of human resources

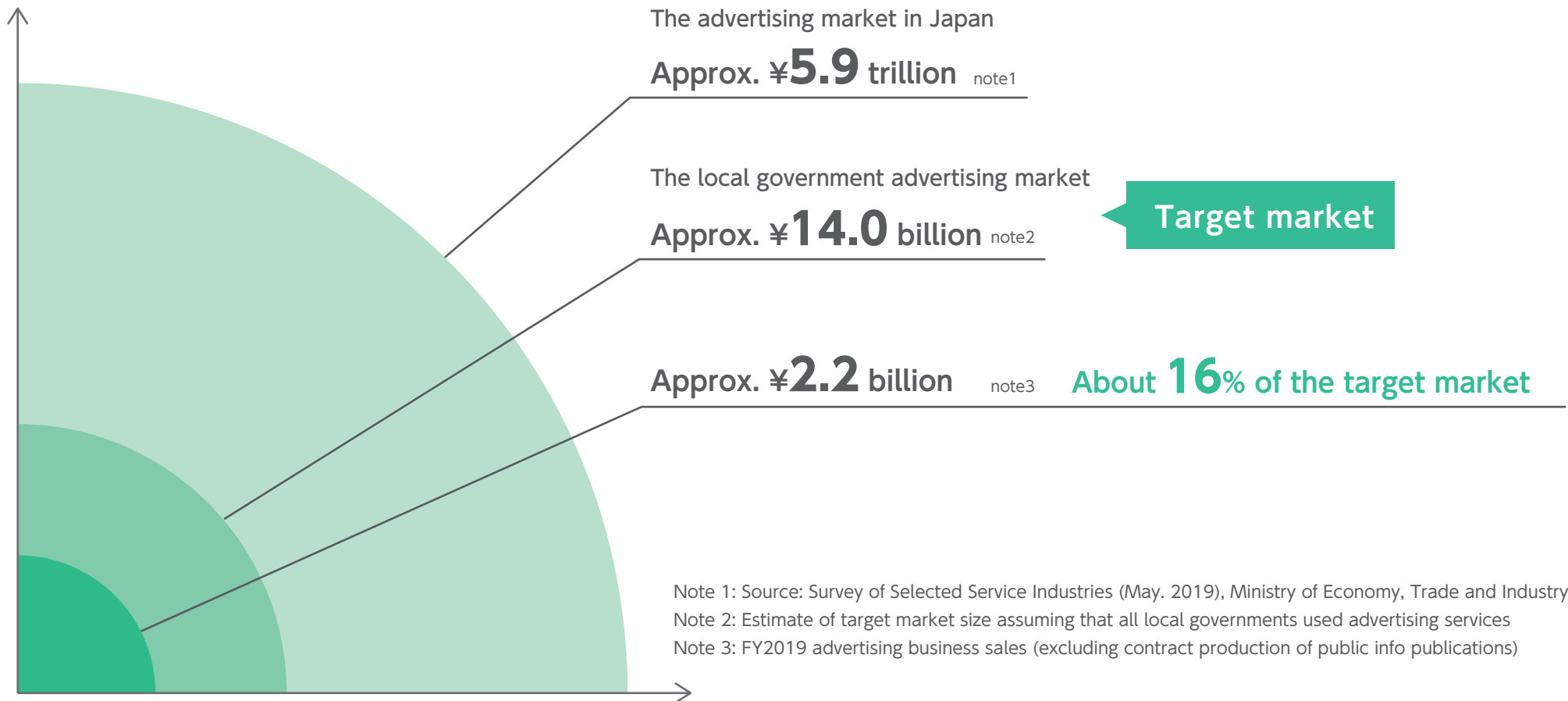
Reallocation of people, HOPE, INC's largest and most valuable resource



# Trend in Operating Profit

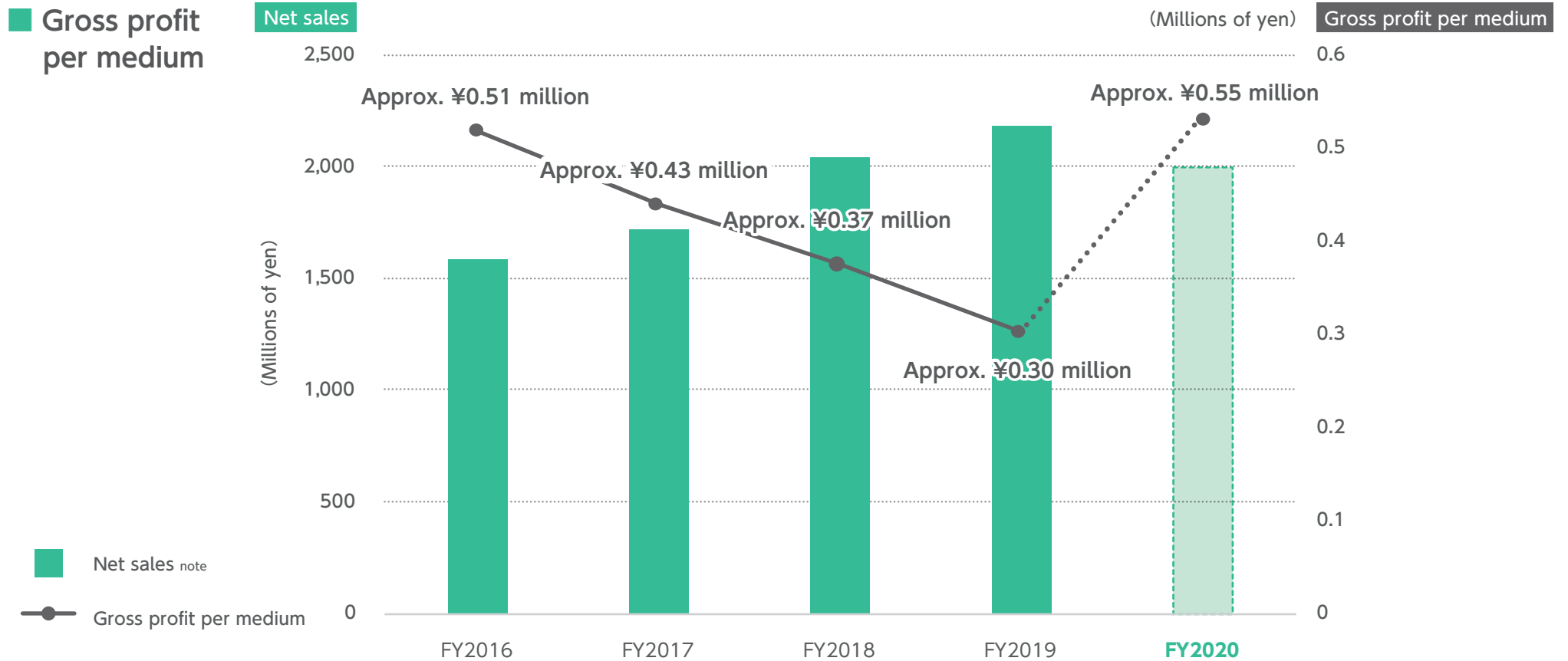


HOPE, INC. created a new market with its advertising business, the company's original activity, and has provided advertising services to local governments for about 15 years. HOPE, INC's share of this market is about 16%.





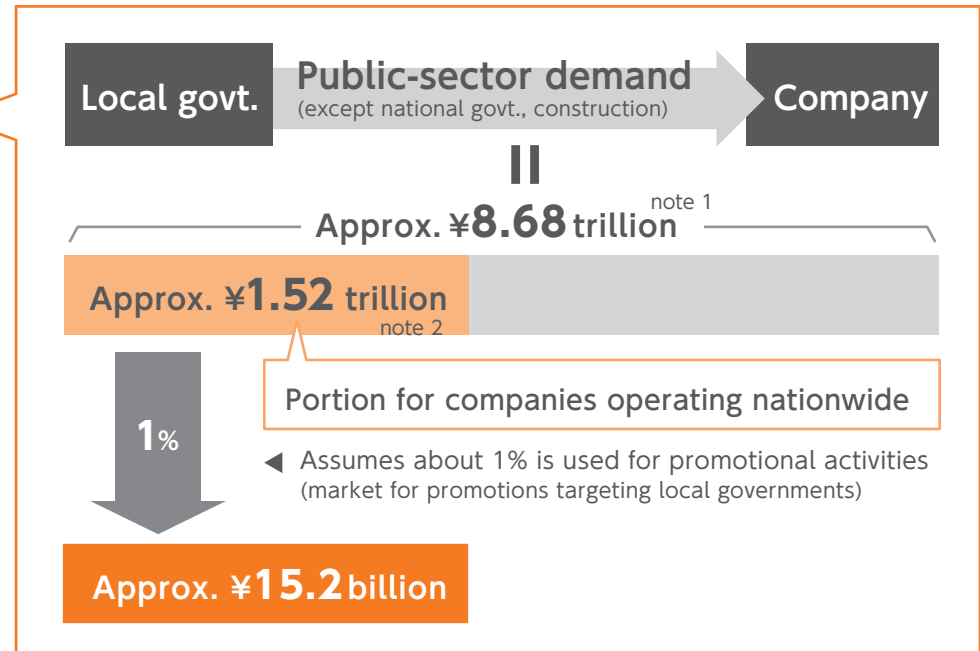
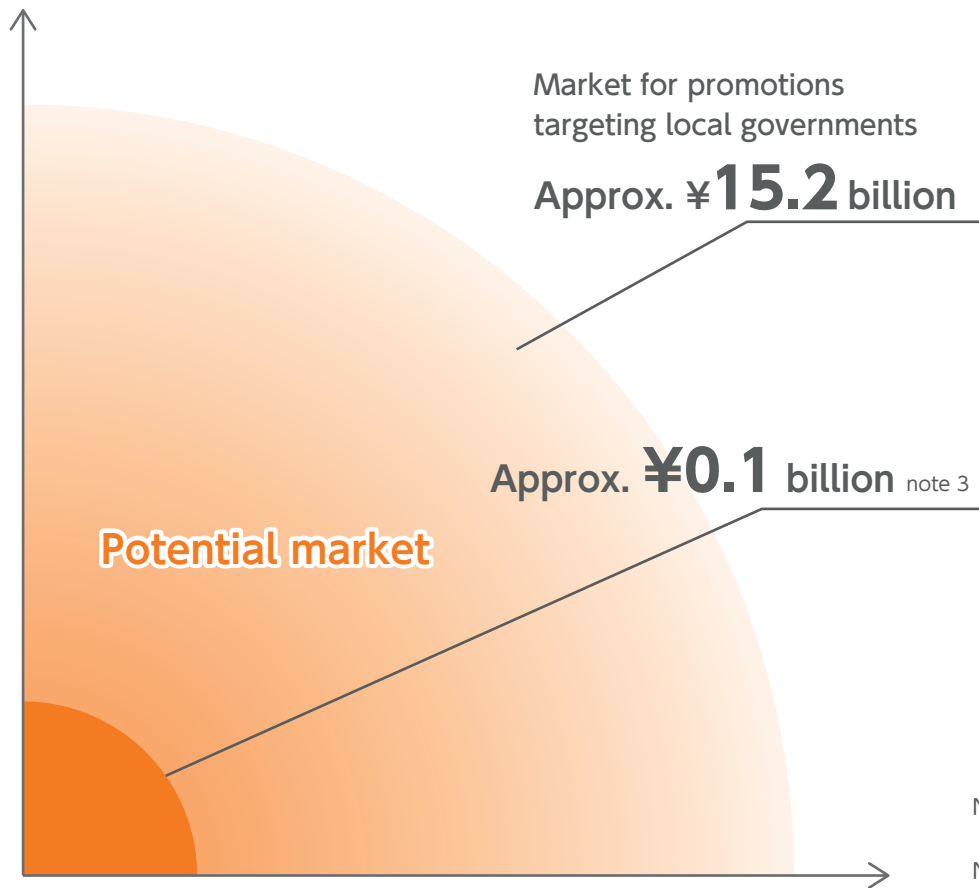
Achieving the proper size of this business by accepting orders for a smaller number of media while raising the gross profit of each medium with the goal of making advertising a “profit-generating business.”



Note: Advertising business sales (excluding contract production of public information publications)

Substantial public-sector demand and still considerable growth potential

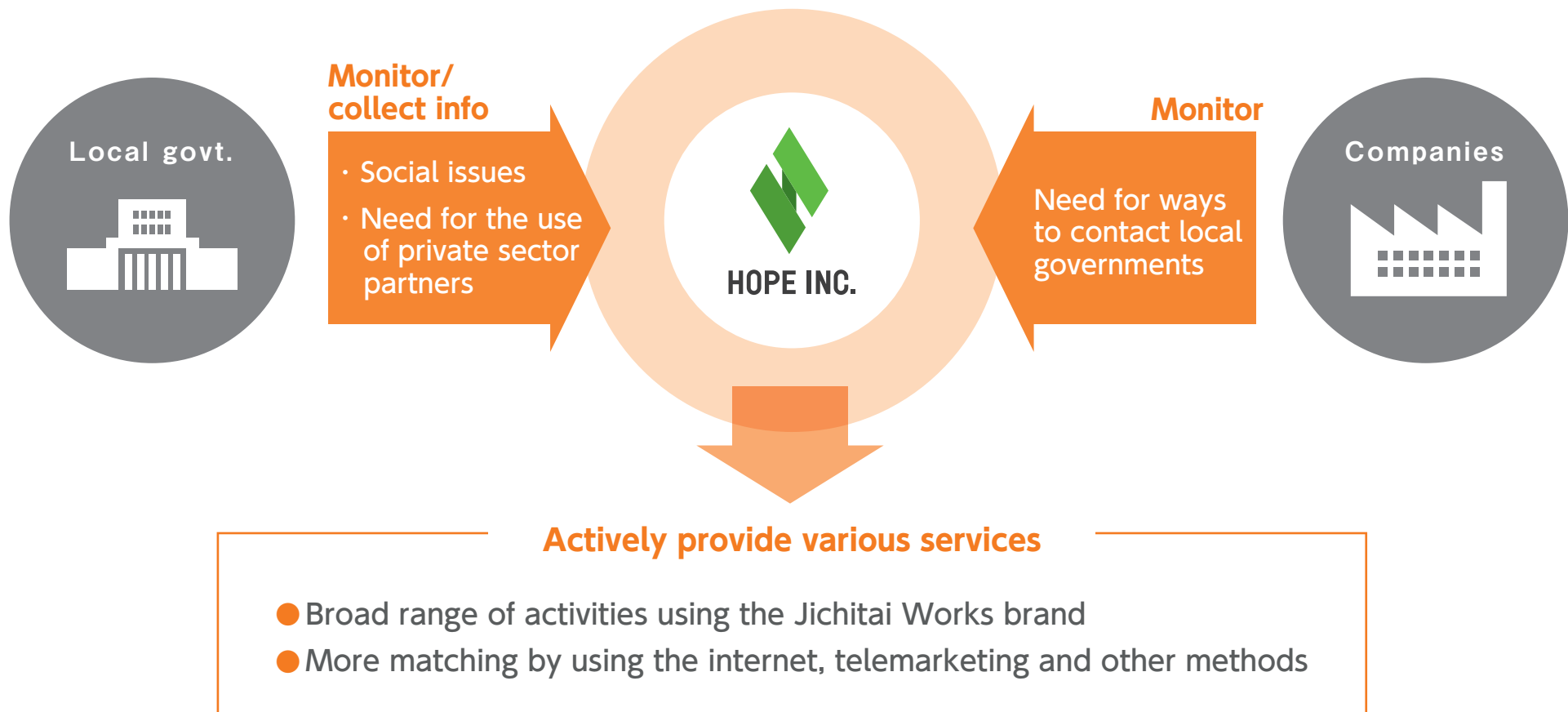
The market for promotions targeting local governments still has much more potential, including public-private sector matching and measures to become more competitive



Note 1: Calculated by HOPE, INC. using Summary of Guide to Contracts in the Public Sector - FY2018, The Small and Medium Enterprise Agency  
 Note 2: HOPE, INC. estimates based on FY2018 Administrative Project Review, Ministry of Internal Affairs and Communications  
 Note 3: FY2019 media business sales

Position this business at the very top of upstream information flows to serve as a link for public-private sector collaboration and for ties between local governments

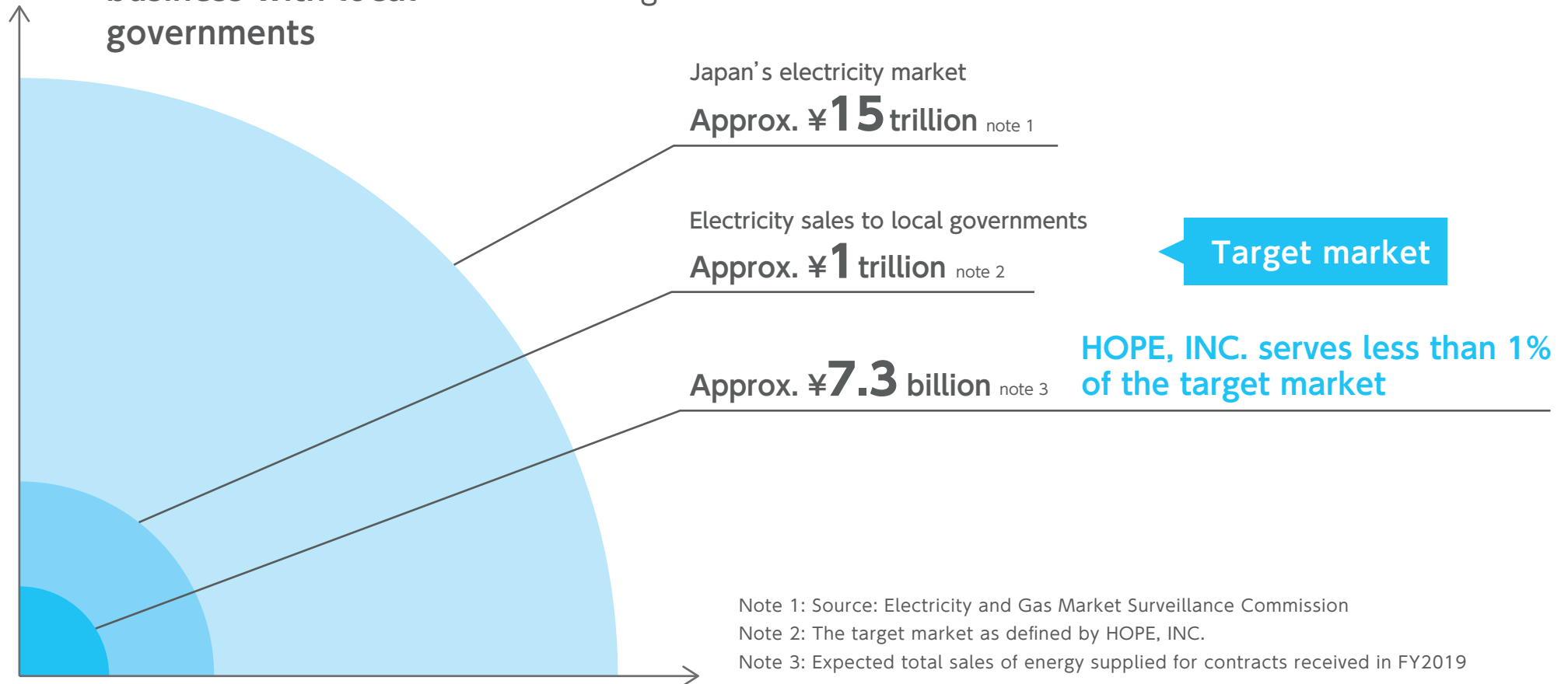
▶ **Contribute to market growth**



Energy is the driver of growth - The goals are more business volume growth and consistent profitability

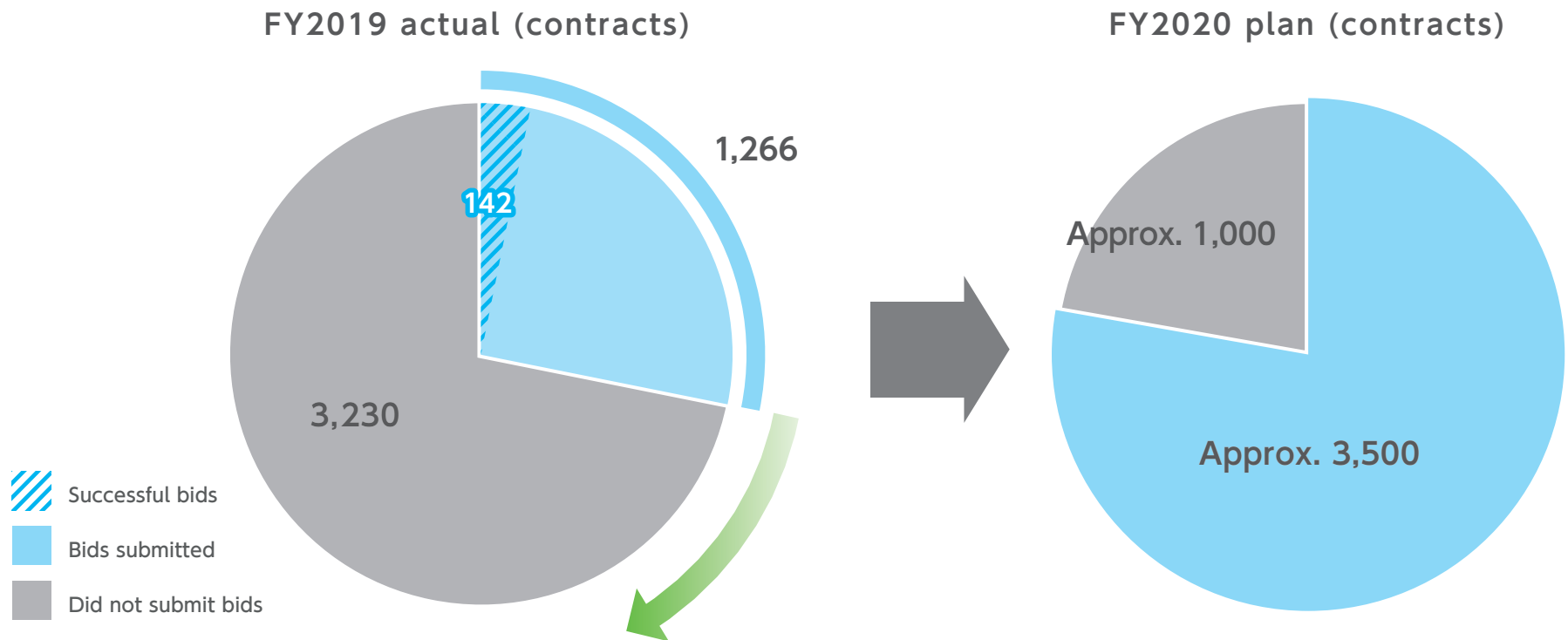
**+** Leverage current business with local governments

▶ Submit bids for many new contracts by using company registrations and other measures



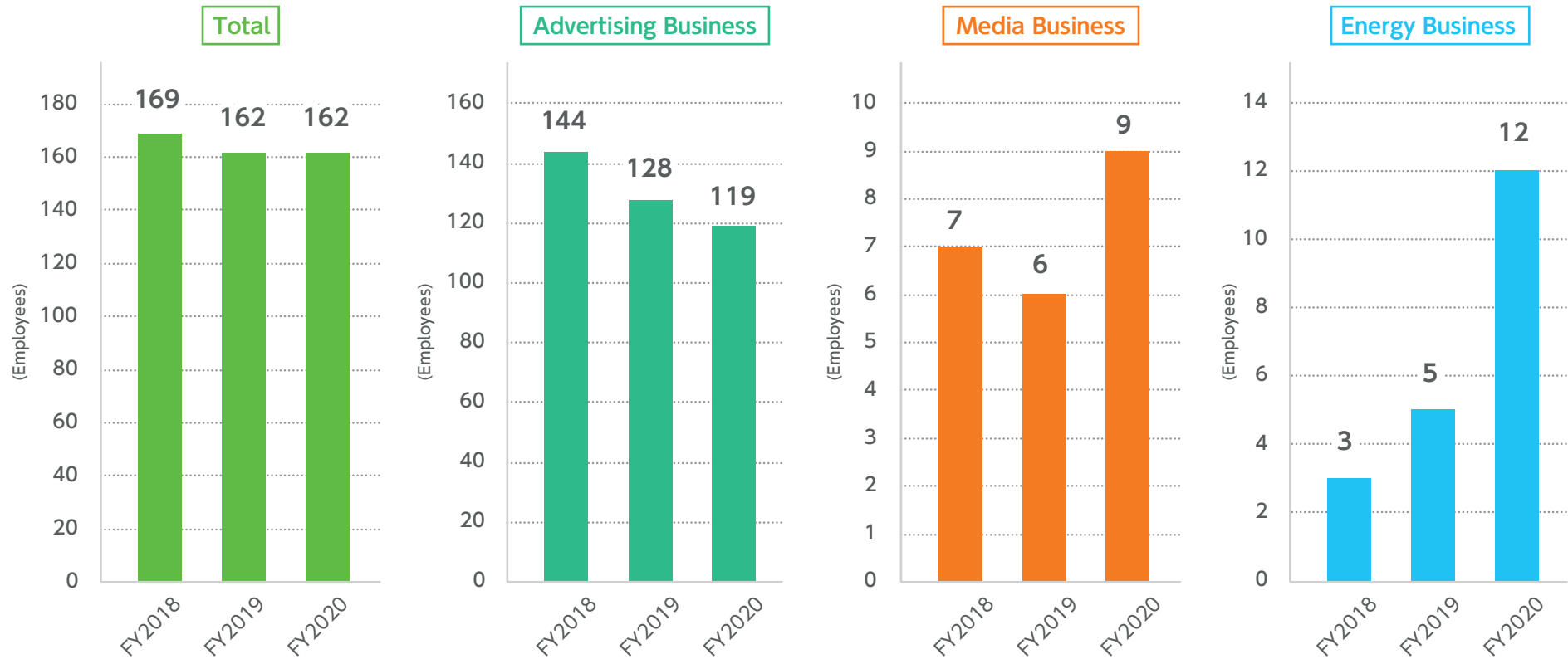
HOPE, INC. made a full-scale start of the energy business in FY2019 but was unable to bid for many contracts because of the inability to meet past experience and other requirements. The number of bids increased in FY2020 due to the ability to meet the requirements for submitting bids for more contracts.

■ **Number of bids submitted** (only contracts where HOPE, INC. was eligible)



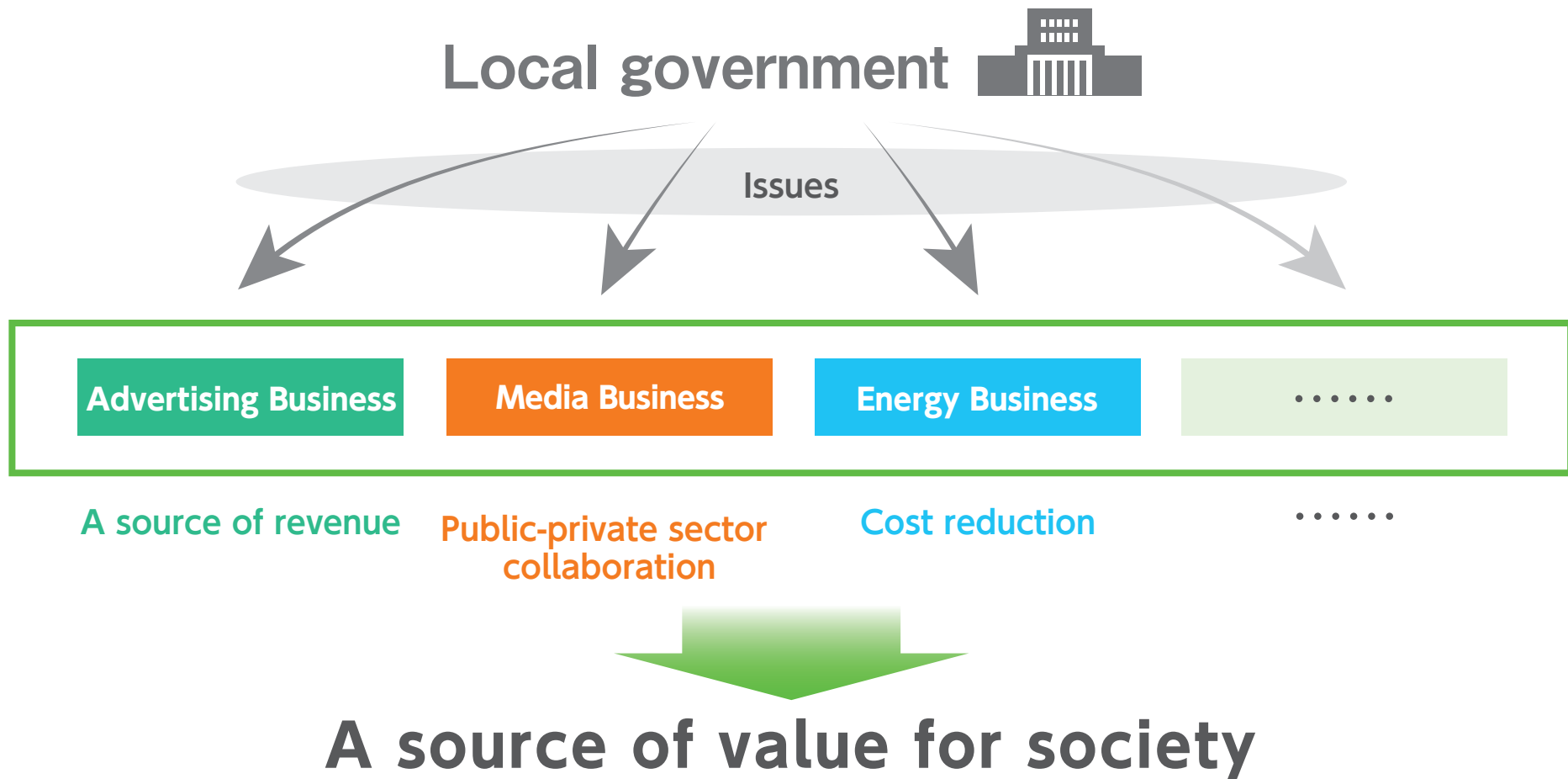
Optimization of human resources  
 Reallocation of people, HOPE, INC's largest and most valuable resource

**Number of employees (regular employees)**



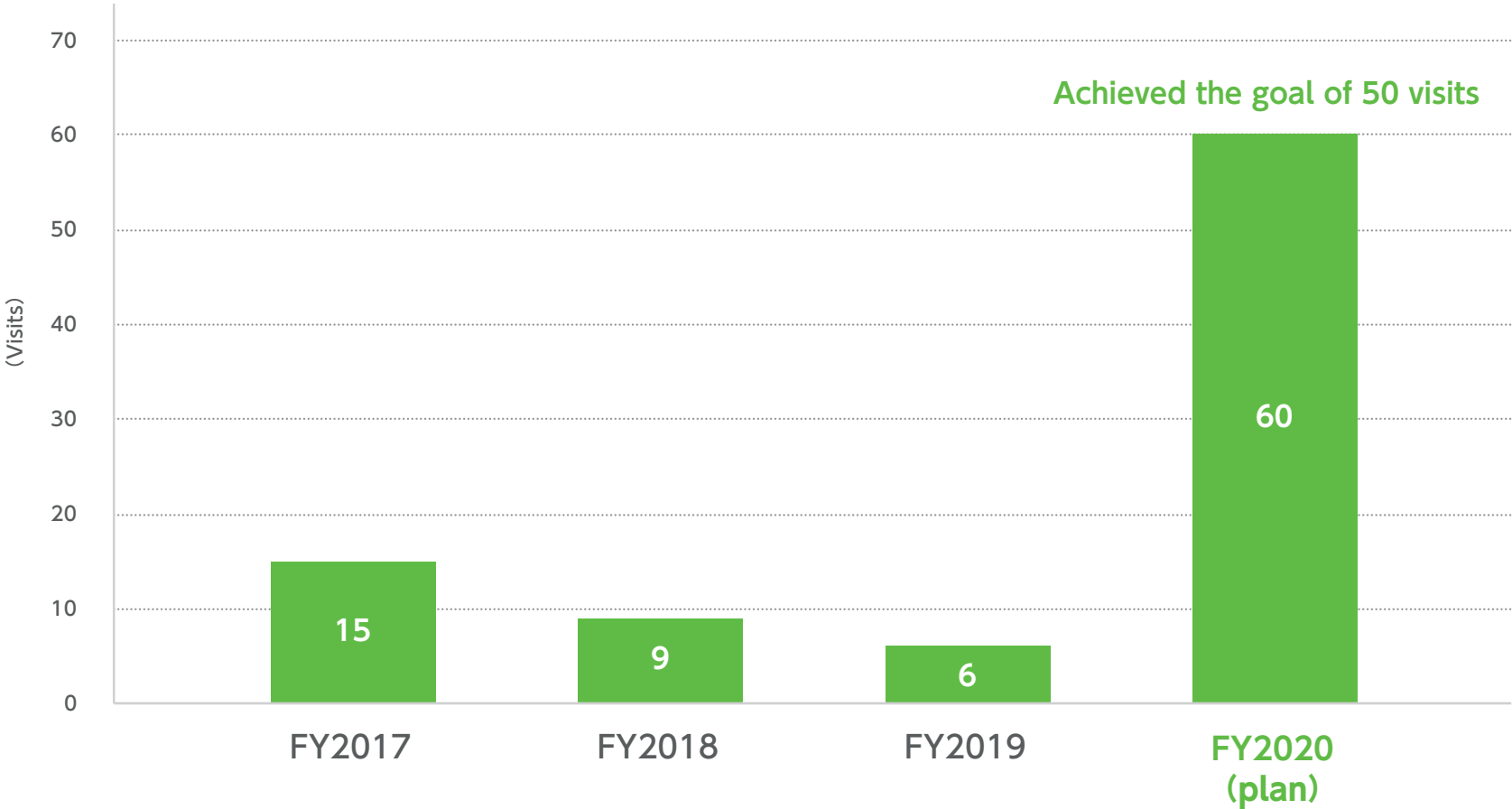
\*Number of regular employees at the end of FY2018 and FY2019 and at the beginning of FY2020

Operating an advertising business specializing in local governments gives HOPE, INC. valuable experience and knowledge for developing and providing new services that precisely match the needs and issues of local governments.



Overseas IR activities have been canceled because of COVID-19, but the FY2020 goal for meetings with institutional investors has been achieved.

### ■ Number of institutional investor visits





## III. Company overview

## Corporate Philosophy

Providing new forms of value to citizens through local governments and aim for more growth of our business and our people

<b>Company name</b>	HOPE, INC.	
<b>Established</b>	Feb. 2005 (fiscal year-end: Jun.)	
<b>Representative</b>	Takayasu Tokitsu, CEO	
<b>Securities code</b>	6195 (listed on the TSE-Mothers/FSE Q-Board on Jun. 15, 2016)	
<b>Employees</b>	170 (as of the end of March 2020, including temporary employees)	
<b>Business</b>	Providing services specializing in local governments (Advertising Business, Media Business, Energy Business)	
<b>Head office</b>	MG Yakuin Building 1-14-5, Yakuin, Chuo-ku, Fukuoka, Japan	
<b>History</b>	Feb. 2005   Founded	Aug. 2014   Started BtoG marketing business
	Jun. 2006   Launched Smart Resource Service	Jun. 2016   Listed on TSE-Mothers and FSE Q-Board
	Sep. 2013   Launched Smart Creation Service   “Machilet”	Dec. 2017   Issued the first edition of “Jichitai Works”
	Jul. 2014   Launched “Machihiro,” an app that   connects local governments and local   residents	Mar. 2018   Registered as an electricity retailer and   launched “GENEWAT”

## Advertising Business

### Smart Resource Service

Ads in public info publications,  
banner ads, etc.

### Smart Creation Service



## Media Business

自治体ワークス

Jichitai Works

B to G Marketing

自治体クリップ  
Jichitai Clip



## Energy Business

GENEWAT

\*Beginning with FY2020, Machiyo has been moved from the media segment to others.

\*The mamaro baby care cubicle service is provided by Trim Inc., which developed and manufactures this cubicle. HOPE, INC. has an alliance with Trim that allows submitting proposals to local governments for the use of mamaro. Trim owns the intellectual property rights for mamaro.

Corporate Philosophy

Providing new forms of value to citizens through local governments



- Public info publications, local govt. websites
- Information distributed to residents



- Use of media space
- Free joint local govt/ HOPE, INC. publications



Additional local government revenue



Local governments sell ad space in their publications

## A new source of revenue for local governments

### Business model



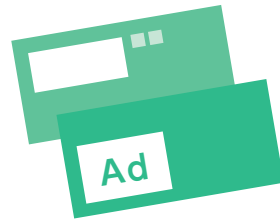
### Examples of media



Public info publications



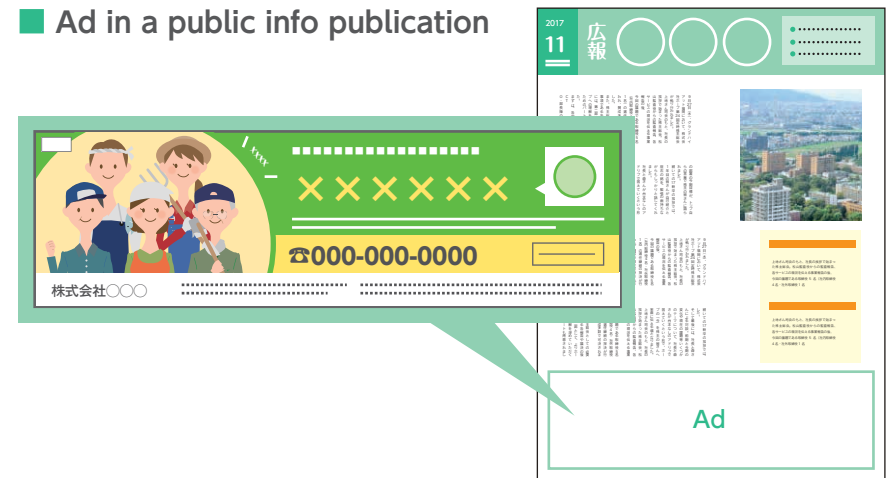
Website banner



Payslips for public officers

Others

### Ad in a public info publication



Production and supply of local governments.  
pamphlets for various fields with space for ads

Free joint production of pamphlets  
with even more useful info

Business model



Examples of pamphlets



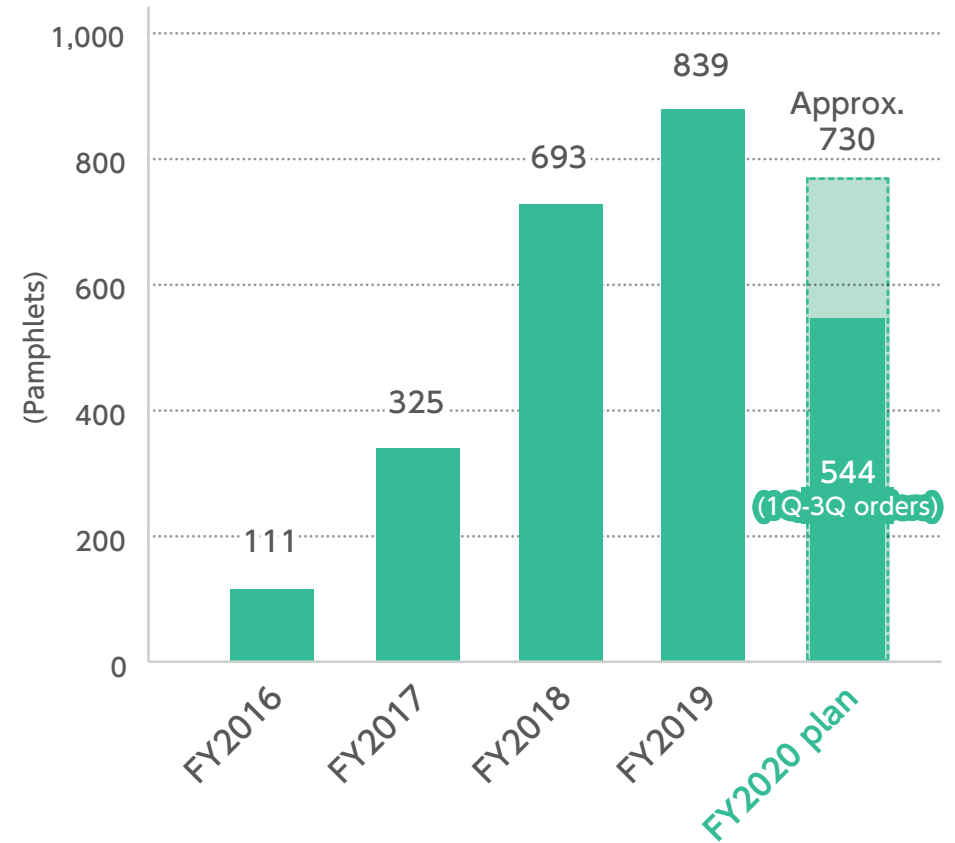
Ad in a pamphlet (child care information)



## Smart Resource Service



## Smart Creation Service (Machilet)



\*For two or more different contracts with the same local government, each contract is counted separately.

\*The number of Machilet pamphlets is the number issued during each fiscal year, including pamphlets planned to be issued.



## Smart Resource Service

### 1 Bids used to purchase products

- Big swings in bids (cost of purchases)
- Risk of inability to purchase a sufficient volume due to bids of other companies, etc.

### 2 Seasonal nature of purchases and inventory risk

- Most Smart Resource purchases are single transactions for an entire year (Apr. to Mar.), resulting in risk for holding large inventories

### 3 Effect on the next fiscal year

- Most purchases using bids submitted during the peak season for governments. contract bids will have an effect on the next fiscal year all the way to Mar.

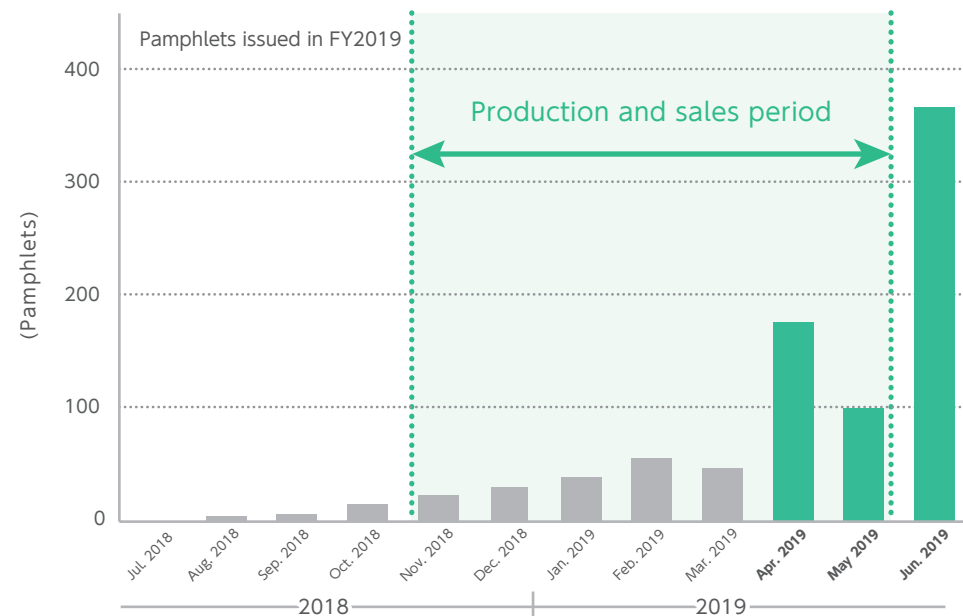
## Smart Creation Service (Machilet)

### 1 Most production and sales at the same time of the year

The production and sales period starts after signing contracts with local governments

### 2 Large pct. of sales in the fourth quarter

About 80% of pamphlets are issued between Apr. and Jun.  
 ▶ Most sales and cost of sales are recorded in the fourth quarter



Corporate Philosophy

Providing new forms of value to citizens through local governments



## A govt. magazine with new info and ideas 自治体ワークス

A HOPE, INC. publication with useful info and ideas relating for jobs for local govt. employees



### Issued four times every year



Standard format

### 1 One of the largest circulations in Japan

A comprehensive info magazine for local govt. employees; circulation of up to 70,000, one of the largest in Japan

### 2 Extensive coverage

Distributed at no charge to 1,788 municipalities and all 47 prefectural governments

### 3 Upgrading sharing of knowledge

Magazines include examples of innovative ideas, a variety of know-how and other content for improving govt. services throughout Japan

### Issued as needed



#### (Topic-specific editions)

Highly specialized content for a specific subject

#### Examples

- Tourism/ Foreign Tourist Edition
- Disaster Readiness/ Crisis Management Edition



#### (Special editions)

Each special edition has a single advertiser and all content involves the advertiser's products and services

#### Examples

- Disaster Readiness x ICT Special Edition
- Cabinet secretariat promoted Evidence-Based Policy Making Special Edition

Market need survey and sales services for local governments

## Leveraging our relationships with local governments

Support for companies with products and services for local govt.



### Contracted Services (Examples)

- |   |  |
|---|--|
| ● Sales agent for translation tool ..... 100 municipalities                     | ● Disaster response product market survey ..... 154 municipalities                                 |
| ● Sales agent for office efficiency tool ..... 100 municipalities               | ● Smart city market survey ..... 500 municipalities  |
| ● Production and distribution of marketing materials ..... 1,788 municipalities | ● Emergency response service market survey ..... 31 municipalities                                 |
| ● Emergency preparedness item packaging ..... 11,000 departments in charge      | ● Direct marketing telemarketing ..... 100 municipalities x 4 times<br>600 municipalities x 1 time |
| ● Medical services market survey ..... 100 municipalities                       | ● Employee communication tool sales agent ..... 500 municipalities                                 |
| ● Sales agent for welfare services ..... 60 municipalities                      | ● Production of marketing flyers for local governments   |



## An app linking local governments and residents



- Sends the latest info from the registered local govt.
- Nationwide local govt. public info publications
- Content for local governments and regions

■ 541,849 cumulative downloads

■ 897 cumulative local govt. contracts

Local govt. share of about 50%



\* Machiiro screen sample

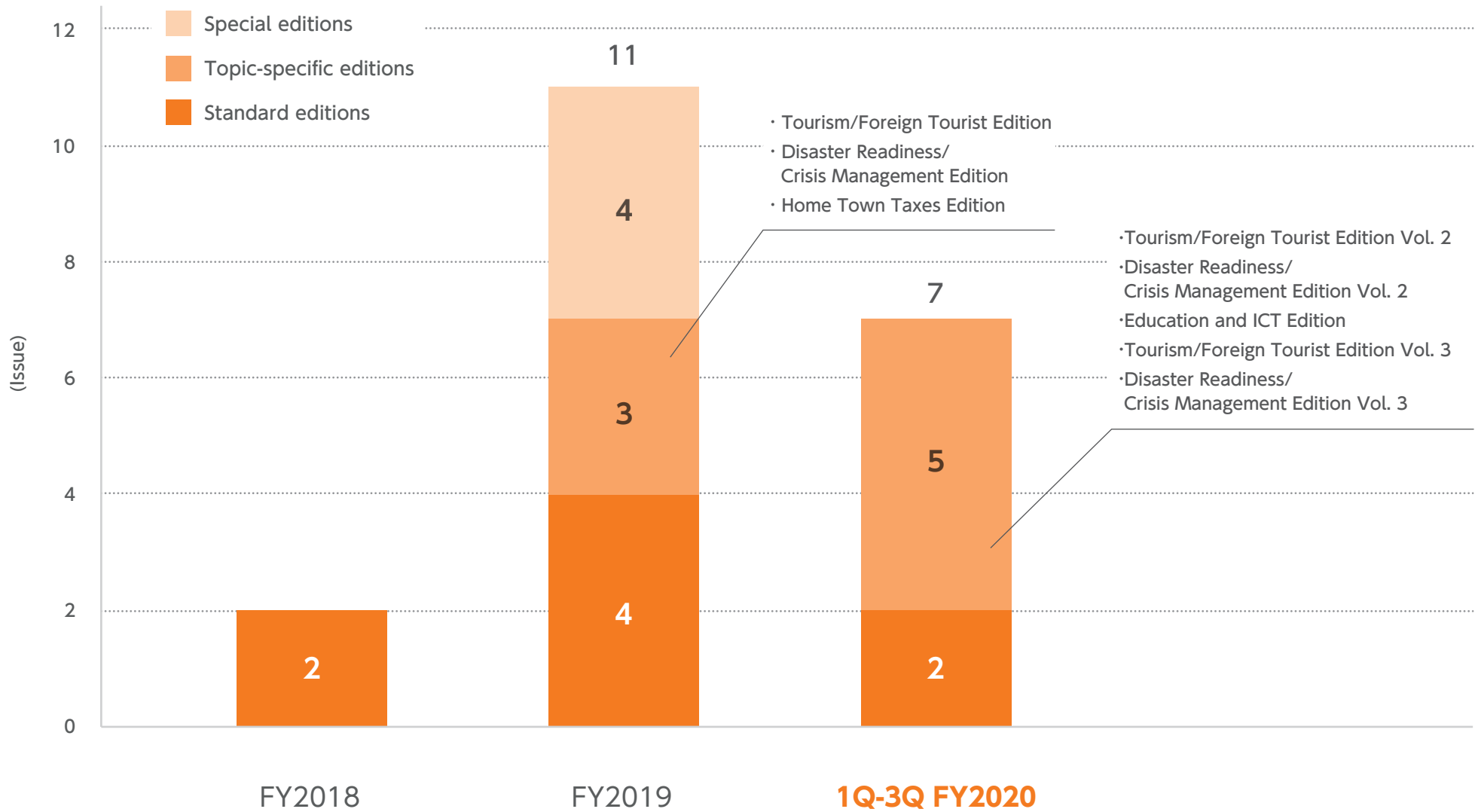
## Owned media



- Roundup posts involving local govt.
- Unique activities and public info publication profiles
- Articles about HOPE, INC. business activities

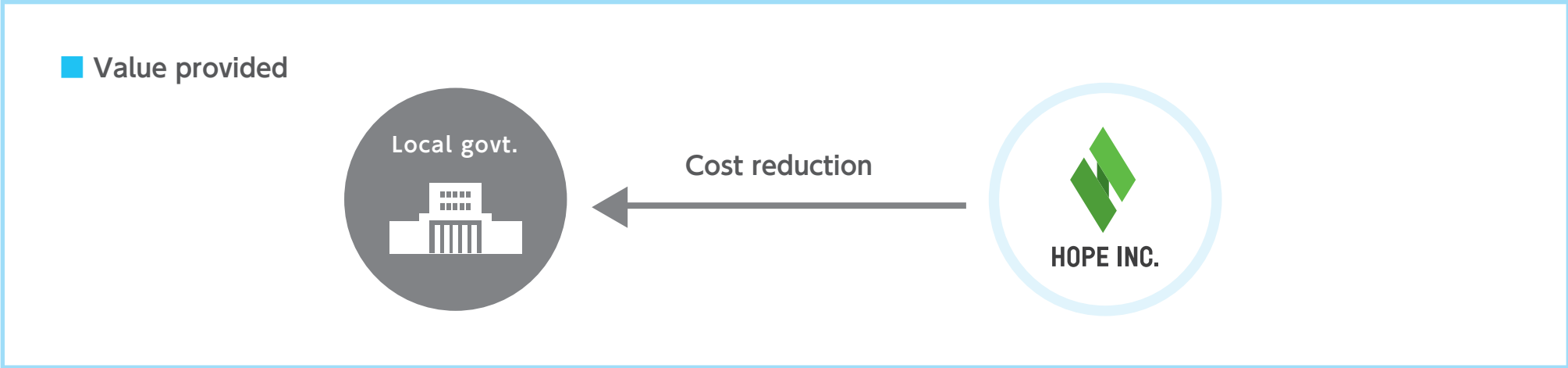
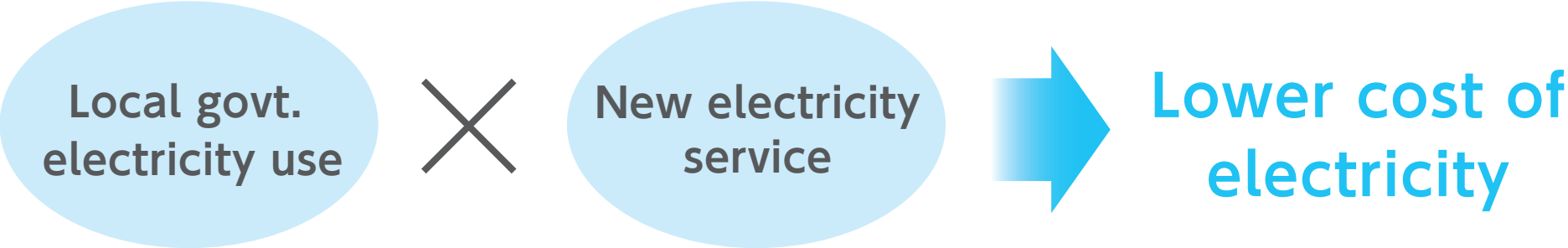


\*The Machikago app, which distributes local information about raising children, will stop operating on Jun. 30, 2020.



Corporate Philosophy

Providing new forms of value to citizens through local governments



## Start of the electricity sales business



GENEWAT uses the new perception of “electricity as a generic product” for supplying electricity at a lower price in order to help local governments reduce costs.

### Business model



Electricity



· Sale of electricity  
\*Business does not include generation and distribution



Payments



· HOPE, INC. posts sales/cost of sales based on monthly utilization

### GENEWAT users (mainly local governments)



...



## 1 Contracts are received by submitting bids

- Business may be lost to competing bids of other companies when new bidding takes place every year

## 2 Vulnerability to the economy and weather

- Electricity sales may vary depending on the health of the economy, unseasonable summer or winter weather, and other weather events
- Wholesale prices of electricity may vary depending on the cost of buying electricity, the cost of fuel, and the balance between the supply and demand of electricity

## 3 A low-cost business

- When determining bids, the energy business utilizes bidding expertise acquired over many years in the advertising business

■ Since HOPE, INC's inception, the advertising business has generated revenue of about **¥7.66 billion** for clients

- Smart Resource Service has paid local governments about **¥7.03 billion**
- Machilet has reduced local govt. costs by about **¥0.63 billion**

(From HOPE, INC's inception through 3Q FY2020)

■ Cost reduction of about **¥11.5 billion** since the start of the energy business

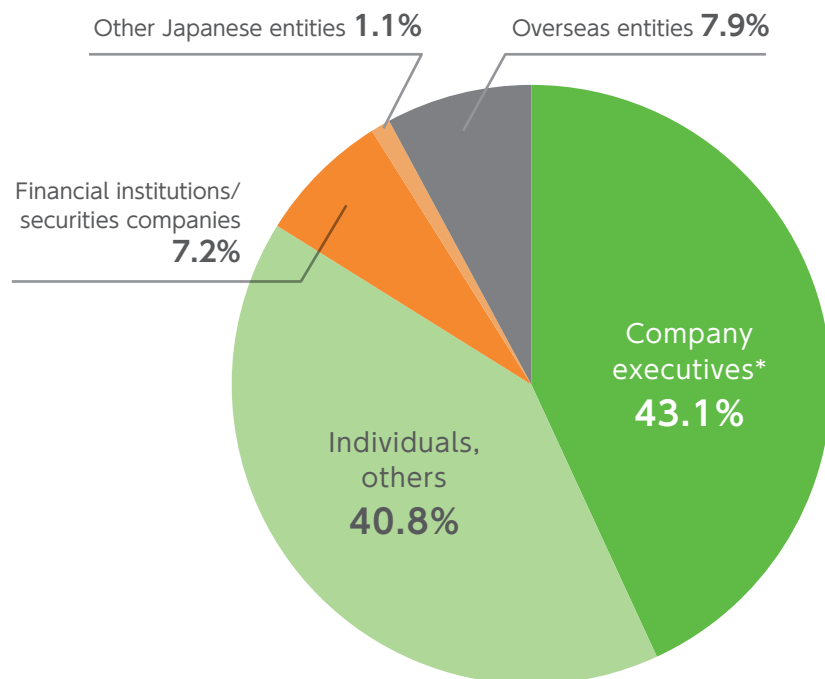
(Estimated cost reduction during the entire length of all current contracts)

(As of the end of 2Q FY2020)

## Number of shares and shareholders

Total number of authorized shares	4,712,000 shares
Number of shares issued	1,394,200 shares
Number of shareholders (with voting rights)	1,126

## Shareholder distribution by type of shareholders



\* Includes their private asset managers

## Top 10 shareholders

No.	Name of shareholders	Number of shares held
1	E.T. Co., Ltd.	321,100shares
2	Takayasu Tokitsu	267,500shares
3	Masaki Kuge	72,000shares
4	Japan Trustee Services Bank, Ltd. (Trust Account)	51,100shares
5	BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE	41,058shares
6	Individual shareholder	28,700shares
7	Individual shareholder	25,100shares
8	GOLDMAN SACHS INTERNATIONAL	20,965shares
9	Individual shareholder	20,600shares
10	Individual shareholder	15,700shares

<b>Period</b>	Jun. 15, 2016 to Mar. 31, 2020
<b>IPO price</b>	¥350
<b>Initial price</b>	¥805 (Jun. 15, 2016)
<b>Highest price since IPO*</b>	¥3,585 (Dec. 30, 2019)
<b>Lowest price since IPO*</b>	¥220 (Dec. 25, 2018)

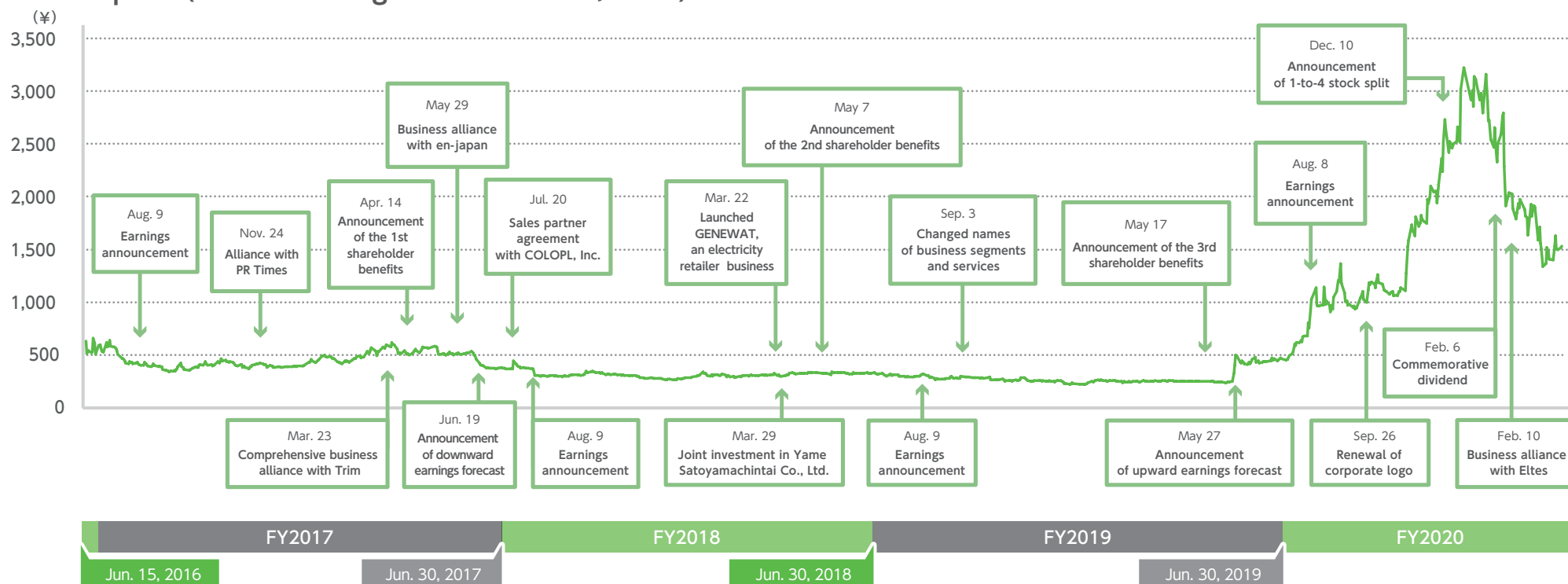
	FY2015	FY2016	FY2017	FY2018	FY2019
ROE	23.7%	23.9%	3.2%	(25.4) %	15.7%
PER*	—	27.9x	116.3x	—	32.3x

\*Calculated based on the stock price on the settlement date.

\*Including stock prices during trading hours.

\*Stock prices are adjusted to reflect a 1-to-4 stock split.

## Stock price (from the listing date to Mar. 31, 2020)



Date	Summary	Date	Summary
Jun. 7, 2016	<b>Investment Information - New IPO Stocks, Nihon Keizai Shimbun</b>	Aug. 7, 2017	Information about HOPE, INC. in <b>Japan Digest, Nihon Keizai Shimbun</b>
Sep. 1, 2016	Included in <b>an article in the Oct. issue of Project Design magazine</b>	Jan. 18, 2018	Information about HOPE, INC.'s electricity sales business in <b>the economy section of the Yomiuri Shimbun</b>
Sep. 25, 2016	Information about HOPE, INC. on <b>the TBS TV program Gacchiri Monday!</b>	Feb. 15, 2018	Information about the Machihiro app for checking how much money is coming, <b>Nonstop TV program of Fuji Television</b>
Nov. 7, 2016	Interview with the HOPE, INC. president in <b>Michishirube, Nihon Keizai Shimbun</b>	Apr. 23, 2018	Information about HOPE, INC. on <b>the TV Asahi Bakumon Fund! Money Success Graph</b>
Jan. 10, 2017	Interview with the HOPE, INC. president in <b>Dash Venture, Nihon Sangyo Shimbun</b>	May 21, 2018	HOPE, INC. president featured in a daily column on <b>business executives in the Nihon Keizai Shimbun</b>
Jan. 16, 2017	Interview with the HOPE, INC. president in <b>Fuji Sankei Business i.</b>	Oct. 31, 2018	Information about a HOPE, INC. Halloween event on <b>NHK TV programs Rokuichi! Fukuoka, NHK News 7, News Watch 9, and News 11</b>
Feb. 23, 2017	Interview with the HOPE, INC. president in <b>God of Happiness Diary, Kabushiki Shimbun</b>	Jan. 5, 2019	Information about the mamoro baby care cubicle <b>on Kyodo Tsushin</b>
Mar. 24, 2017	Included in <b>The First Companies 2017, an article about newly listed companies</b>	Dec. 1, 2019	Information about HOPE, INC. in <b>an article about innovative companies in Nikkei Veritas</b>
May 12, 2017	Included in <b>Gatchiri Monday! The Secret of Making Money on 40 Little Known Companies</b>	Dec. 31, 2019	Included in an article about companies with the biggest market cap increases of 2019, <b>Nihon Keizai Shimbun</b>
Aug. 3, 2017	Interview with the HOPE, INC. president in <b>CEOs Explain Management Strategies, Nikkei Sangyo Shimbun</b>	Jan. 31, 2020	Information about the condolence guidebook of HOPE, INC.'s Machilet, <b>Chunichi Shimbun</b>

Information in this presentation includes forward-looking statements that are based on the current outlook, forecasts and assumptions vulnerable to risk factors. As a result, this information incorporates uncertainties that may cause actual performance to differ from these statements.

Risk factors and uncertainties include economic trends in Japan and other countries, such as changes in industries and markets, interest rates, and foreign exchange rates.

HOPE, INC. has no obligation to update or revise forward-looking statements in this presentation even in the event of new information or events.

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