

Cumulative 2Q of the Fiscal Year Ending June 30, 2021 (FY2021)

# Results of Operations

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Explanatory Material

February 12, 2021

HOPE, INC.

[6195]

## Corporate Philosophy

**Providing new value to citizens  
through local governments,  
and promoting growth of the company  
and its people**

**Company name** HOPE, INC.

**Established** Feb. 2005 (fiscal year-end: Jun.)

**Representative** Takayasu Tokitsu, CEO

**Securities code** 6195 (listed on the TSE-Mothers/FSE Q-Board on Jun. 15, 2016)

**Employees**  
(consolidated) 173 (as of the end of Dec. 2020, including temporary employees)

**Business** Services created specifically for local governments  
(Advertising Business, Energy Business, Media Business)

**Head office** MG Yakuin Building 1-14-5, Yakuin, Chuo-ku, Fukuoka, Japan

## History

**Feb. 2005** | Founded

**Jun. 2006** | Launched SMART RESOURCE SERVICE

**Sep. 2013** | Launched SMART CREATION SERVICE  
"Machilet"

**Jul. 2014** | Launched "Machihiro," an app that connects  
local governments and local residents

**Aug. 2014** | Started B-to-G marketing business

**Jun. 2016** | Listed on TSE-Mothers and FSE Q-Board

**Dec. 2017** | Issued the first edition of "Jichitai Works"

**Mar. 2018** | Registered as an electricity retailer  
and launched "GENEWAT"

**May 2020** | Started Jichitai Works HAxSH

**Aug. 2020** | Announced the medium-term  
management plan [HOPE NEXT 3]

**Oct. 2020** | Established a wholly owned  
subsidiary HOPE ENERGY, INC.

**Nov. 2020** | Developed AI for forecasting market  
prices of electricity (energy business)  
Started supplying Kai, a web  
conferencing tool created in Japan

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# I. Cumulative 2Q FY2021 Financial Highlights

## **Application of the netting method in the energy business**

- Unless specified otherwise, all figures in this presentation use the netting method\* that is expected to be used due to the application of the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No. 29).
- The use of this standard is required beginning with the fiscal year ending in Jun. 2022. However, because the performance of the energy business, which is a major component of consolidated results of operations, has a significant effect on investment decisions, both net and gross figures are shown in this presentation in order to facilitate easy comparisons with performance in prior years and to provide a thorough explanation of results of operations.
- The application of the netting method will have no effect on earnings at all levels.
- With the netting method, in accordance with the renewable energy feed-in tariff system in Japan, fees received from customers (sales) and payments to the cost adjustment organization (cost of sales), which are equal to fees received, offset each other, resulting in the recognition of net revenue. Figures that do not use netting are designated in this presentation as using the gross recognition method.

## **Start of consolidated financial statements**

- Due to the establishment of HOPE ENERGY, INC., which is a wholly owned subsidiary, HOPE, INC. changed from non-consolidated to consolidated financial statements beginning with the second quarter of the fiscal year ending in Jun. 2021. As a result, this presentation has both consolidated and non-consolidated financial information.
- Numbers are rounded down and percentages are rounded up or down to the first decimal place.

## Response to COVID-19

### ■ Started a COVID-19 Response Team

Monitors health of employees and makes preparations for responses to outbreaks.

### ■ Established a teleworking infrastructure

Created an environment that facilitates teleworking for a broad range of tasks.

### ■ Online activities and no outings for business

As a rule, the internet is used for all meetings with people outside the company.

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## Effect on business operations

### ■ Advertising/Media Business

No significant effect at this time, but some companies may start to reduce their advertising activities. There is also a risk that financial difficulties at advertisers may delay payments for some receivables or make it impossible to collect some receivables.

### ■ Energy Business

Although the downturn in the demand for electricity associated with temporary closings of schools and other public-sector buildings has stopped, the COVID-19 crisis may continue to have effects on electricity demand and the purchases of electricity.

## Cumulative 2Q Results (consolidated)

Sales were up 177.9% from one year earlier to an all-time cumulative 2Q high. Big negative impact on operating profit from the sharp increase in the cost of electricity

■ Net sales **¥11,718 million** (up 177.9% YoY)  
〈Gross recognition method: ¥14,044 million〉

■ Operating profit **¥259 million** (¥(40) million in cumulative 2Q FY2020)

### Advertising Business

Sales down due to measures to achieve the proper size of this business but segment profit improved

■ Net sales  
**¥657 million** (down 19.1% YoY)

■ Segment profit  
**¥22 million** (up 154.3% YoY)

### Energy Business

Big increases due to the higher cost of purchasing electricity as the price on the Japan Electricity Power Exchange (JEPX) increased rapidly in the second half of December

■ Net sales  
**¥10,989 million** (up 226.6% YoY)  
〈Gross recognition method: ¥13,314 million〉

■ Segment profit  
**¥390 million** (up 297.5% YoY)

### Media Business

Sales and earnings growth due to an increase in B-to-G marketing orders

■ Net sales  
**¥70 million** (up 85.8% YoY)

■ Segment profit  
**¥12 million** (¥(110) thousand in cumulative 2Q FY2020)

# Cumulative 2Q FY2021 Income Statement Highlights: YoY Change

- Changed to consolidated financial statements in the second quarter following the establishment of wholly owned subsidiary HOPE ENERGY.

(Millions of yen)	Cumulative 2Q FY2020		Cumulative 2Q FY2021		
	Results (non-consolidated)	Comp.	Results (consolidated)	Comp.	YoY change
Net sales	4,216 <4,832>	—	11,718 <14,044>	—	+177.9%
Gross profit	422	10.0% <8.7%>	738	6.3% <5.3%>	+74.8%
SG&A expenses	462	11.0% <9.6%>	479	4.1% <3.4%>	+3.6%
Operating profit	(40)	(1.0)% <(0.8)%>	259	2.2% <1.8%>	—
Ordinary profit	(42)	(1.0)% <(0.9)%>	243	2.1% <1.7%>	—
Profit attributable to owners of parent	(50)	(1.2)% <(1.0)%>	158	1.4% <1.1%>	—
Net income per share	(9.01) yen <small>* Adjusted to reflect the 1-to-4 stock split effective on Jan. 1, 2020</small>	—	26.29 yen	—	—

\* < > is figures using the gross recognition method. \*Cumulative 2Q FY2020 (non-consolidated) figures are the revised figures announced on May 13, 2020.



- Although the earnings forecasts were increased on Dec. 14 because of the performance of the energy business, the sharp increase in the price of electricity on the JEPX that started on Dec. 16 caused the cost of sales to increase dramatically. As a result, earnings at all levels ended up at the bottom of the initial forecast range.

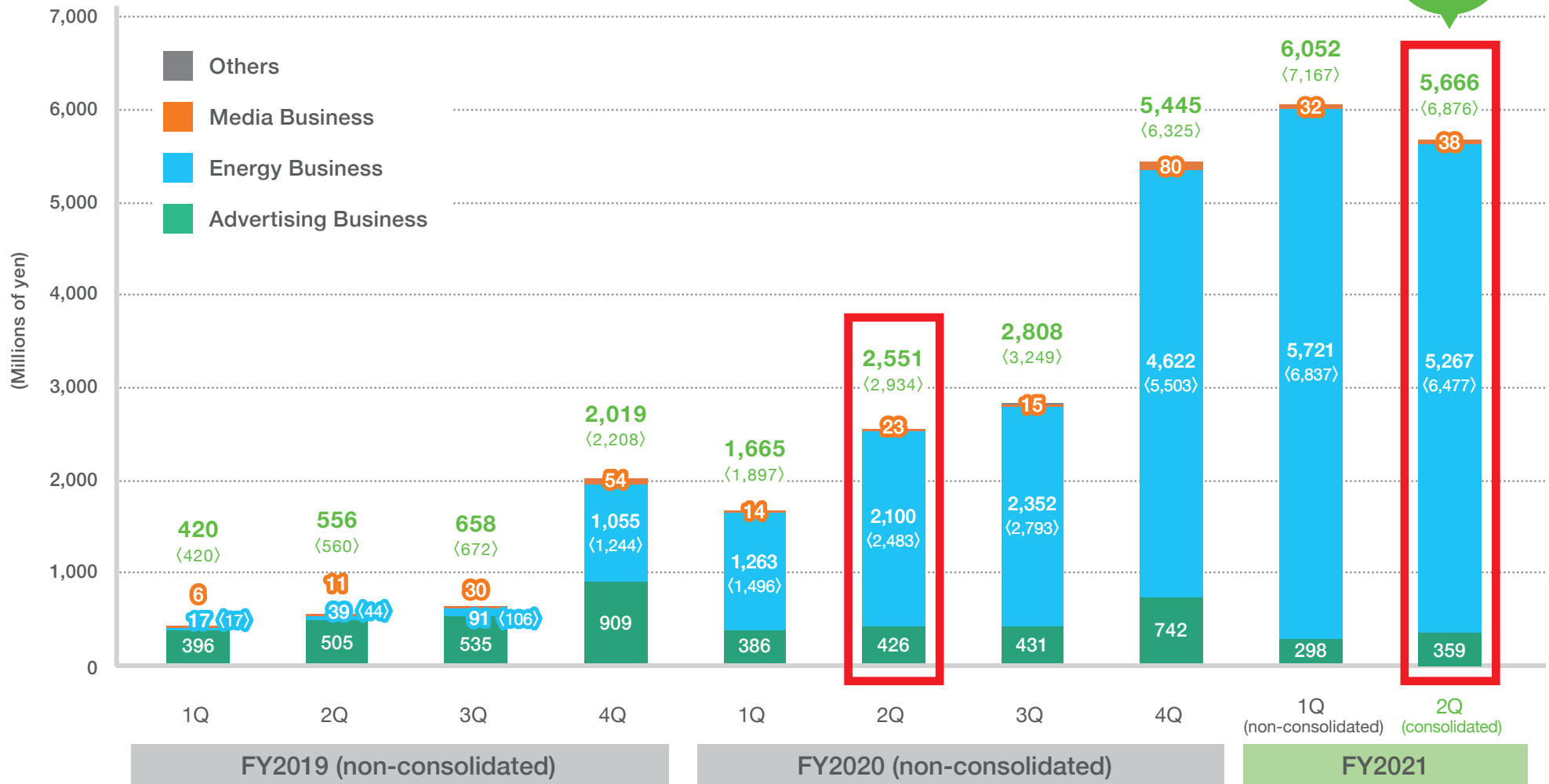
	Cumulative 2Q FY2021		
	Results (consolidated)	Initial forecast (non-consolidated) (announced on Aug. 11, 2020)	Revised forecast (non-consolidated) (announced on Dec. 14, 2020)
(Millions of yen)			
Net sales	<b>11,718</b> <14,044>	<b>12,200</b> <14,450>	<b>11,610</b> <13,970>
Gross profit	<b>738</b>	—	—
SG&A expenses	<b>479</b>	—	—
Operating profit	<b>259</b>	<b>250 – 490</b>	<b>900 – 950</b>
Ordinary profit	<b>243</b>	<b>230 – 470</b>	<b>886 – 936</b>
Profit attributable to owners of parent	<b>158</b>	<b>150 – 320</b>	<b>620 – 655</b>
Net income per share	<b>26.29 yen</b>	<b>25.09 – 53.53 yen</b>	<b>102.79 – 108.60 yen</b>

\* < > is figures using the gross recognition method.

(Reference) More information is in the Jan. 15, 2021 news release titled “Effect on HOPE, INC. of the Rapid Increase in the JEPX Price of Electricity and Upcoming Actions” (Japanese version only). <https://ssl4.eir-parts.net/doc/6195/tdnet/1919946/00.pdf>

• Quarterly sales steadily increased, up 122.1% YoY.

Up  
122.1%  
YoY



\* < > is figures using the gross recognition method.

- A ¥427 million operating loss in 2Q FY2021 because of the significant negative impact of the higher cost of electricity in the energy business.
- Corporate expenses were about the same as in 2Q FY2020.

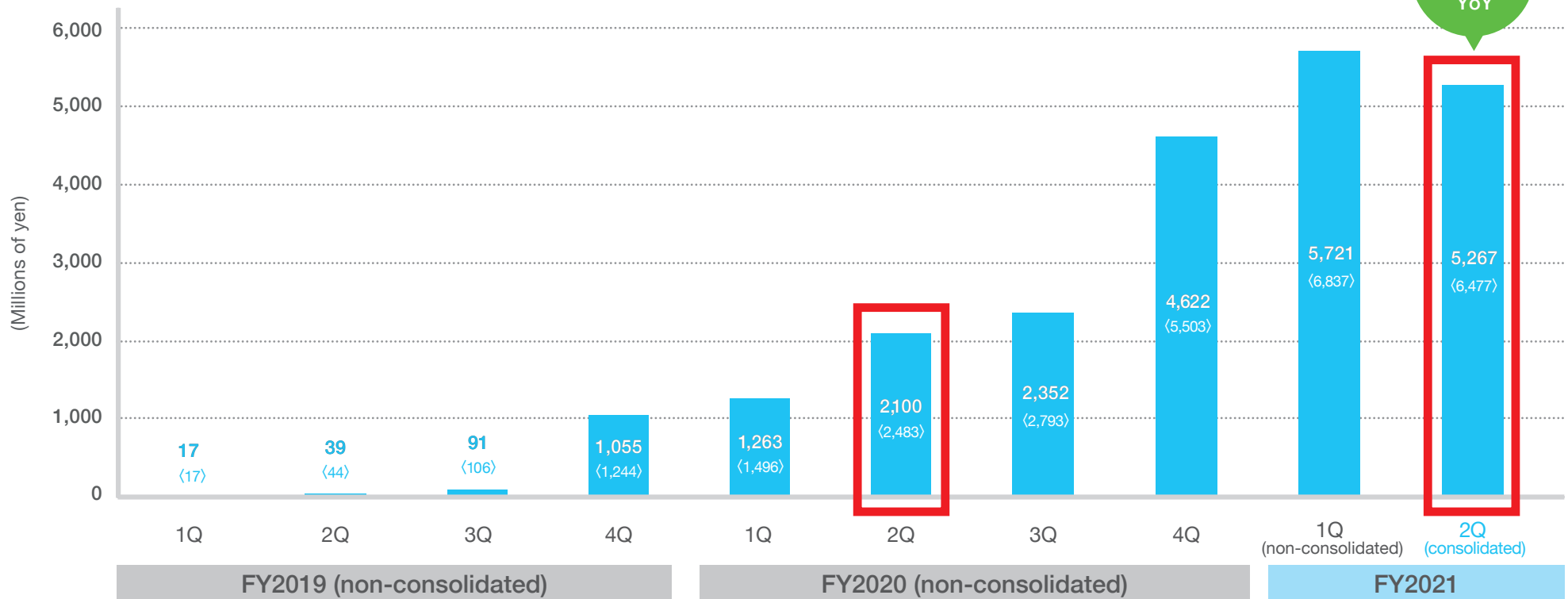


\*Standards for the allocation of corporate expenses were revised to more accurately show segment earnings. As a result, segment earnings and corporate expenses have changed beginning with 1Q FY2020. The changes were not applied to FY2019 because the effect is negligible. The new standards have no effect on total earnings.

- Productivity continues to improve because of measures to achieve the proper size of this business.



- There were 201 winning bids in 2Q (177 in 1Q). Services for most of these contracts started in April.



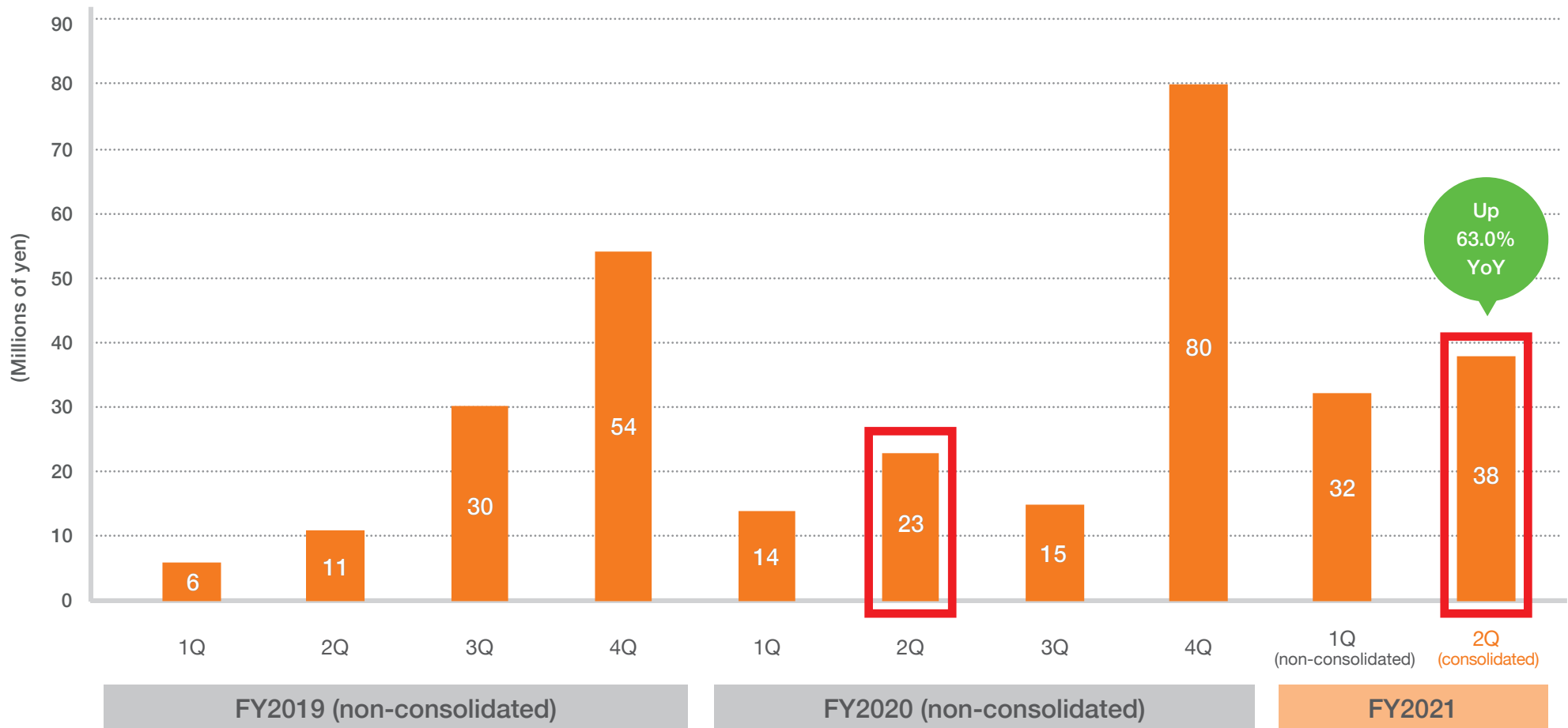
\* < > is figures using the gross recognition method.

**Winning Bids**

\*As of confirmation of result of bids

	1Q (Jul.-Sep.)	2Q (Oct.-Dec.)	3Q (Jan.-Mar.)	4Q (Apr.-Jun.)	Total
FY2019	Not disclosed	Not disclosed	Not disclosed	Not disclosed	142
FY2020 *	70	96	337	77	580
FY2021 *	177	201	—	—	378

- Orders from companies for online seminars and other services increased because of activities to strengthen the Jichitai Works brand.



\*The first issue of Jichitai Works magazine was Dec. 22, 2017 and the magazine's new design and format started in Jun. 2020.

## 2Q FY2021 Balance Sheet Highlights



(Millions of yen)	2Q FY2020		2Q FY2021		
	Results (non-consolidated)	Comp.	Results (consolidated)	Comp.	Change
Cash and deposits	752	23.0%	4,358	48.4%	+3,606
Accounts receivable-trade	1,365	41.8%	3,746	41.6%	+2,381
Inventories	298	9.1%	252	2.8%	(46)
<b>Current assets</b>	<b>2,580</b>	<b>78.9%</b>	<b>8,515</b>	<b>94.5%</b>	<b>+5,934</b>
<b>Non-current assets</b>	<b>690</b>	<b>21.1%</b>	<b>493</b>	<b>5.5%</b>	<b>(196)</b>
<b>Total assets</b>	<b>3,270</b>	<b>100.0%</b>	<b>9,008</b>	<b>100.0%</b>	<b>+5,737</b>
Accounts payable-trade	1,437	43.9%	4,710	52.3%	+3,272
Short-term borrowings	326	10.0%	—	—	(326)
Current portion of long-term borrowings	279	8.6%	266	3.0%	(13)
<b>Current liabilities</b>	<b>2,271</b>	<b>69.4%</b>	<b>5,389</b>	<b>59.8%</b>	<b>+3,118</b>
Bonds payable	—	—	100	1.1%	+100
Long-term borrowings	520	15.9%	563	6.3%	+43
<b>Non-current liabilities</b>	<b>520</b>	<b>15.9%</b>	<b>663</b>	<b>7.4%</b>	<b>+143</b>
<b>Total liabilities</b>	<b>2,791</b>	<b>85.3%</b>	<b>6,053</b>	<b>67.2%</b>	<b>+3,261</b>
<b>Total net assets</b>	<b>479</b>	<b>14.7%</b>	<b>2,955</b>	<b>32.8%</b>	<b>+2,475</b>
<b>Total liabilities and net assets</b>	<b>3,270</b>	<b>100.0%</b>	<b>9,008</b>	<b>100.0%</b>	<b>+5,737</b>

\*2Q FY2020 (non-consolidated) figures are the revised figures announced on May 13, 2020.

- Operating cash flows were positive in the first and second quarters.

## 1 Cash flows

(Millions of yen)	Cumulative 2Q FY2020 (non-consolidated)	Cumulative 2Q FY2021 (consolidated)	Change
Operating cash flows	<b>(323)</b>	<b>2,200</b>	<b>+2,524</b>
Investing cash flows	<b>(20)</b>	<b>(2)</b>	<b>+17</b>
Financing cash flows	<b>602</b>	<b>859</b>	<b>+257</b>

## 2 Exercise of share acquisition rights sold through a third-party allotment

HOPE, INC. announced on Aug. 11, 2020 the sale of 4,000 share acquisition rights (400,000 shares of stock) through a third-party allotment. As of the end of Dec. 2020, 3,000 rights had been exercised (300,000 shares of stock), resulting in proceeds of about ¥1.6 billion.

(Reference) • Jan. 4, 2021 news release “Notice of Monthly Exercise of the Seventh Issue of Share Acquisition Rights Sold Through a Third-party Allotment (with Provisions for Exercise Price Revisions and Permission for Exercise of Rights)” (Japanese version only) <https://ssl4.eir-parts.net/doc/6195/tdnet/1916857/00.pdf>  
 • Dec. 1, 2020 news release “Notice of Monthly Exercise of the Seventh Issue of Share Acquisition Rights Sold Through a Third-party Allotment (with Provisions for Exercise Price Revisions and Permission for Exercise of Rights)” (Japanese version only) <https://ssl4.eir-parts.net/doc/6195/tdnet/1910320/00.pdf>



- Actions under consideration to improve financial soundness.

### Assumptions and Major Expected Risk Factors

- Expect a large operating loss in the third quarter because of the rapid increase in the JEPX price of electricity that started in the middle of Dec. 2020
- Financial risk will increase because of the upcoming need to make pay power shortage imbalance fees. These fees are required when a company selling electricity is unable to supply the required amount of electricity over any 30-minute period and must purchase electricity from a utility to cover the shortfall.

### Actions

#### 1 Stabilize energy business earnings

- **Market price volatility risk**

Proposals for new risk management policies to reduce vulnerability to the volatility of market prices of electricity, such as by adjusting the volume of electricity purchased on the JEPX and other sources for each area and season

- **Installment payments of the Jan. 2021 imbalance fee**

After meeting the requirements of the Ministry of Economy, Trade and Industry program for imbalance fee payments, we plan to apply for this program and pay the imbalance fee in five installments beginning in Apr. 2021

\* For more information about the Ministry of Economy, Trade and Industry response on Jan. 29, 2021 to the sudden increase in the price of wholesale electricity  
<https://www.meti.go.jp/press/2020/01/20210129002/20210129002.html>

#### 2 Stabilize cash flows

- **Measures concerning debt covenants**

Discussions are under way with financial institutions to prevent the exercise of the acceleration clause, requiring the immediate repayment of all debt

- **Procurement of funds**

Discussions are under way with financial institutions to increase the overdraft facility and receive additional loans. We are also considering many other ways to procure funds, including the sale of stock using a third-party allotment.

## II. Topics



The Kai web conferencing service started on Nov. 16, 2020

## Conferences / Interviews / Meetings

Digital support for many types of local government meetings and other activities



### Main feature

#### Easy to start using – No registrations and only a single link

This system increases the convenience of local government services and other activities for residents and is expected to become widely used.



Contributes to the local government digital transformation and functions as an information infrastructure

## The first step of the Government Employee Platform Concept

(Reference) More information is in the Nov. 16, 2020 news release titled “HOPE, INC. Formed a Business Alliance with NEOLAB for Supporting the Local Government Digital Transformation – Aiming for the Widespread Use of the Kai Web Conferencing Tool Created in Japan that Local Governments Can Use with Confidence” (Japanese version only). <https://ssl4.eir-parts.net/doc/6195/tdnet/1906927/00.pdf>

- A private-public sector alliance agreement between HOPE, INC. and the city of Ogori (Fukuoka prefecture) was signed on Dec. 23, 2020.
- This was HOPE, INC.'s first public-sector alliance and activities will continue to establish more alliances.

### Planned alliance activities

#### 1 Trial for Kai

Trial for using Kai for online government services, meetings with people in other locations, and other purposes

#### 2 Assistance for efficient data collection involving public-private sector alliances

Use of Jichitai Works HAxSH by all employees of the city of Ogori

#### 3 Seminars

Seminars led by HOPE INC.'s employees for employees of the city of Ogori

#### 4 Distribution of information about the alliance with Ogori

An interview with the mayor, activities based on this alliance and other information will be distributed using Jichitai Works, and Jichitai Works Web



(Reference) More information is in the Dec. 23, 2020 news release titled “HOPE, INC. and City of Ogori in Fukuoka Prefecture Sign a Public-Private Sector Alliance Agreement – The First HOPE INC.’s Public-Private Sector Alliance with Activities for More Alliances“ (Japanese version only).

<https://ssl4.eir-parts.net/doc/6195/tdnet/1915113/00.pdf>

## III. FY2021 Outlook

- We are no longer announcing earnings forecasts for FY2021 because of the difficulty of determining an outlook due to the effects of the sharp increase in the price of electricity on the JEPX that started in Dec. 2020.

(Millions of yen)	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
FY2021 non-consolidated forecast (announced on Aug. 11, 2020)	<b>25,300</b> 〈29,900〉	<b>1,250 –</b> <b>1,750</b>	<b>1,230 –</b> <b>1,730</b>	<b>830 –</b> <b>1,170</b>
FY2021 consolidated forecast (announced on Jan. 29, 2021)	<b>25,320</b> 〈29,920〉	—	—	—
(Reference) FY2020 results	<b>12,470</b> 〈14,407〉	<b>1,020</b>	<b>1,012</b>	<b>665</b>

\* 〈 〉 is figures using the gross recognition method.

\* There are no differences between the consolidated and non-consolidated forecasts for FY2021.

(Reference) More information is in the Jan. 29, 2021 news release titled “Revisions to Non-consolidated Forecast and Announcement of Consolidated Forecast Due to Start of Consolidated Financial Statements” (Japanese version only). <https://ssl4.eir-parts.net/doc/6195/tdnet/1924250/00.pdf>

# FY2021 Plan (Income Statement)

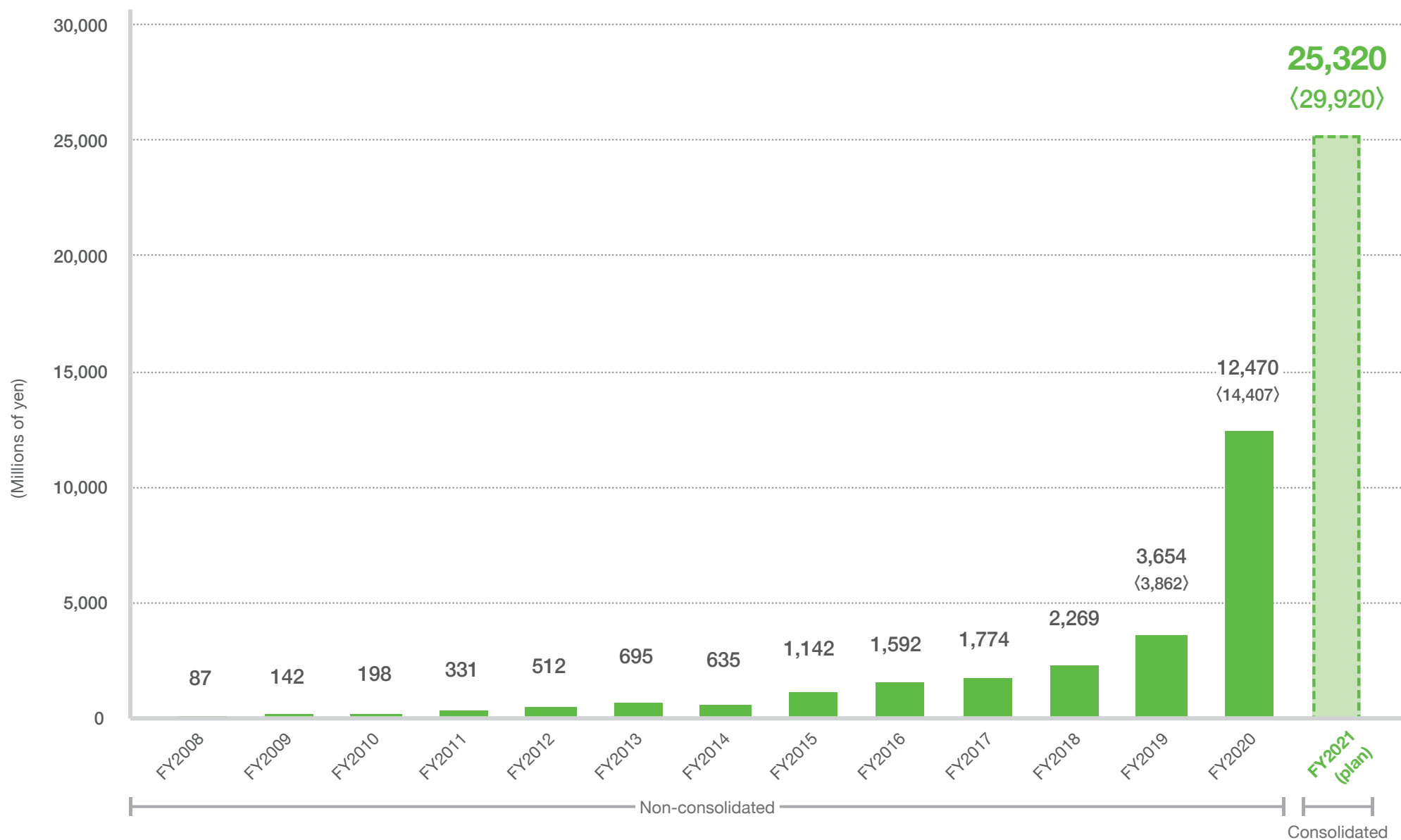
	FY2019	FY2020	FY2021	
	Results (non-consolidated)	Results (non-consolidated)	Plan (consolidated)	YoY change
(Millions of yen)				
Net sales	<b>3,654</b> 〈3,862〉	<b>12,470</b> 〈14,407〉	<b>25,320</b> 〈29,920〉	+103.0% 〈+107.7%〉
Gross profit	<b>1,039</b>	<b>2,261</b>	—	—
SG&A expenses	<b>952</b>	<b>1,240</b>	—	—
Operating profit	<b>87</b>	<b>1,020</b>	—	—
Ordinary profit	<b>95</b>	<b>1,012</b>	—	—
Profit attributable to owners of parent	<b>75</b>	<b>665</b>	—	—
Net income per share	<b>13.55</b> yen*	<b>117.97</b> yen*	—	—

\* More information is in the Jan. 29, 2021 news release titled “Revisions to Non-consolidated Forecast and Announcement of Consolidated Forecast Due to Start of Consolidated Financial Statements” (Japanese version only). <https://ssl4.eir-parts.net/doc/6195/tdnet/1924250/00.pdf>

\* 〈 〉 is figures using the gross recognition method.

\* Net income per share is adjusted to reflect the 1-to-4 stock split effective on Jan. 1, 2020.

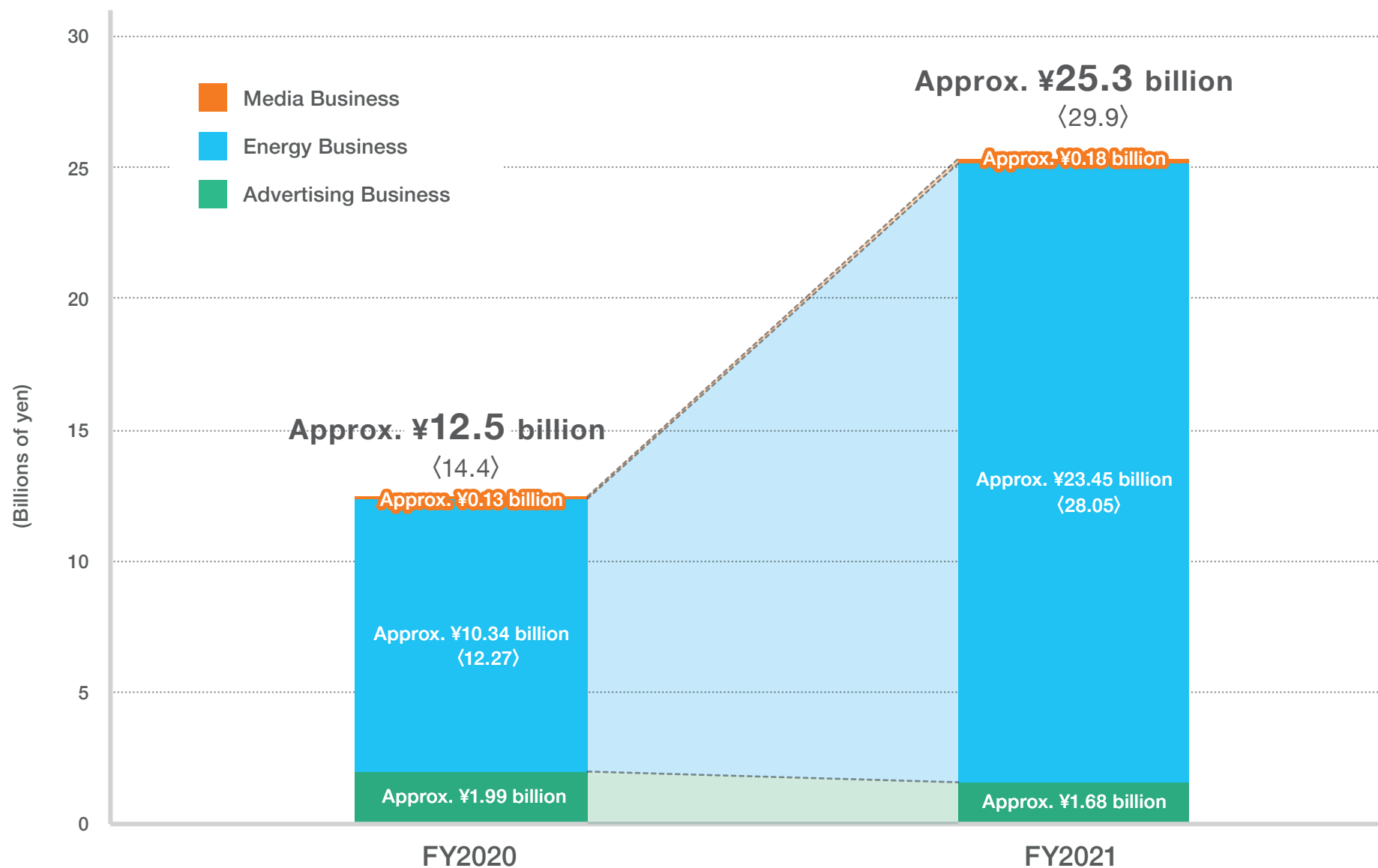
# Consistent Sales Growth



\* FY2014 was an irregular nine-month period because of a change in fiscal year-end. \* < > is figures using the gross recognition method.

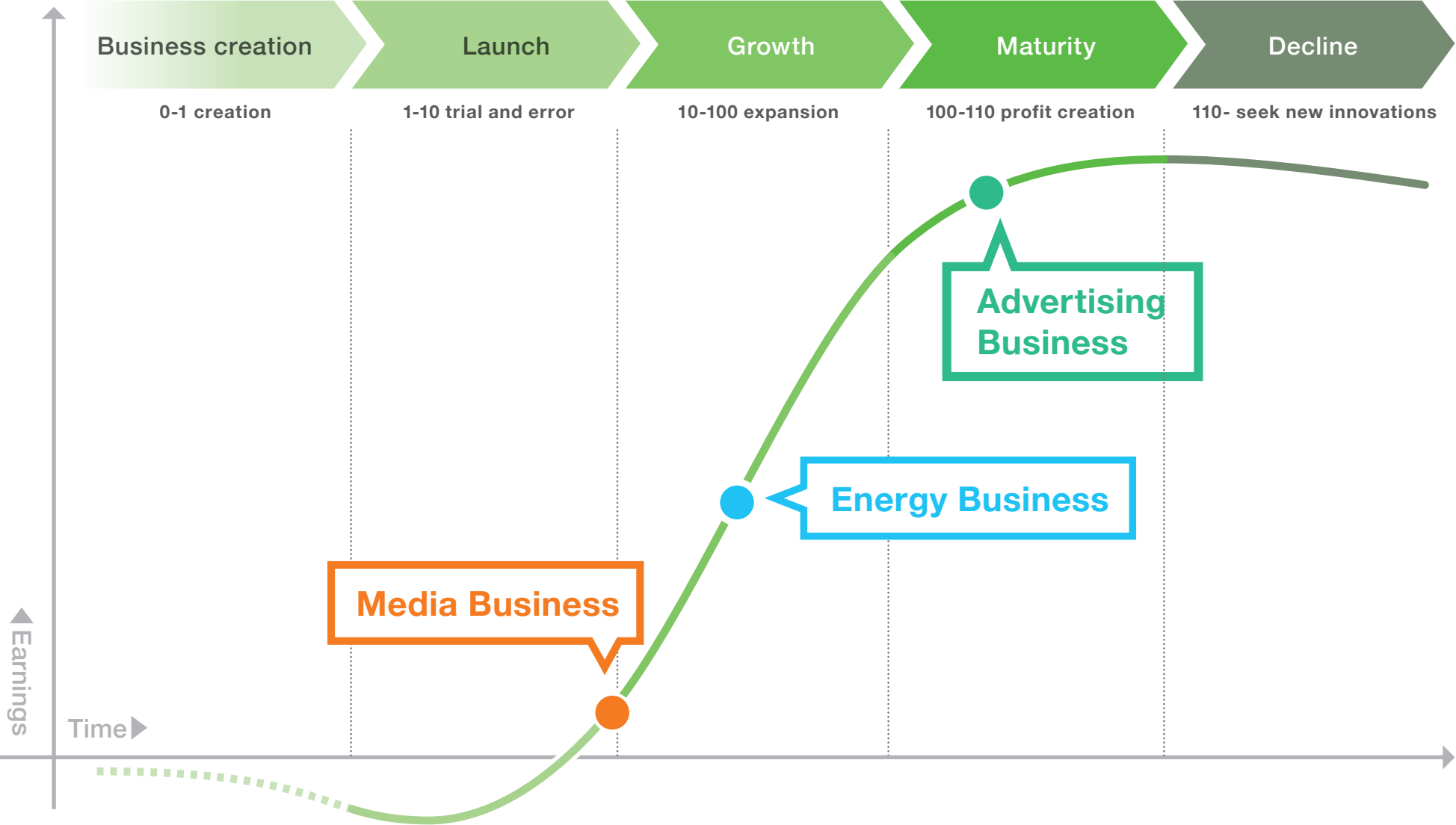


# FY2021 Business Segment Sales Plan

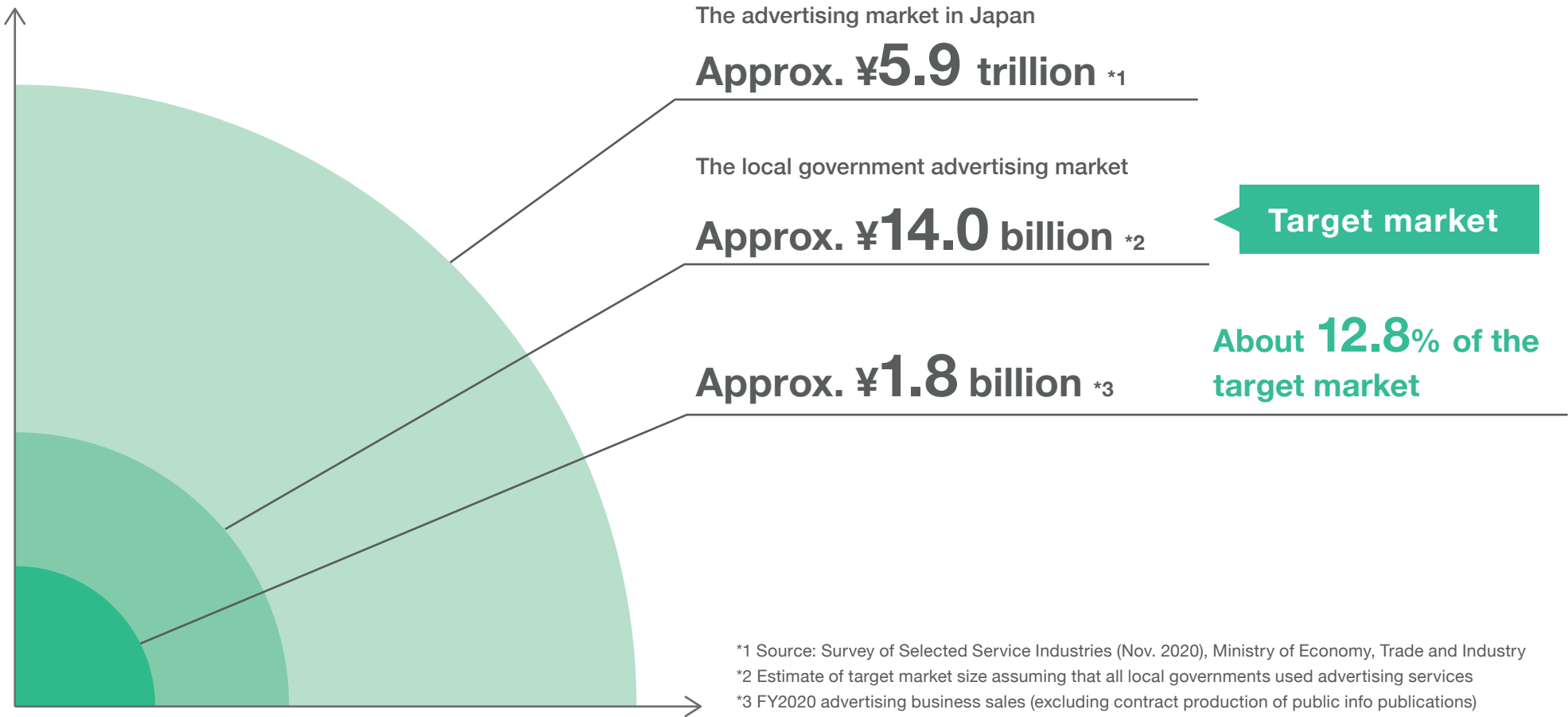


\* 〈 〉 is figures using the gross recognition method.

# IV. Growth Strategies

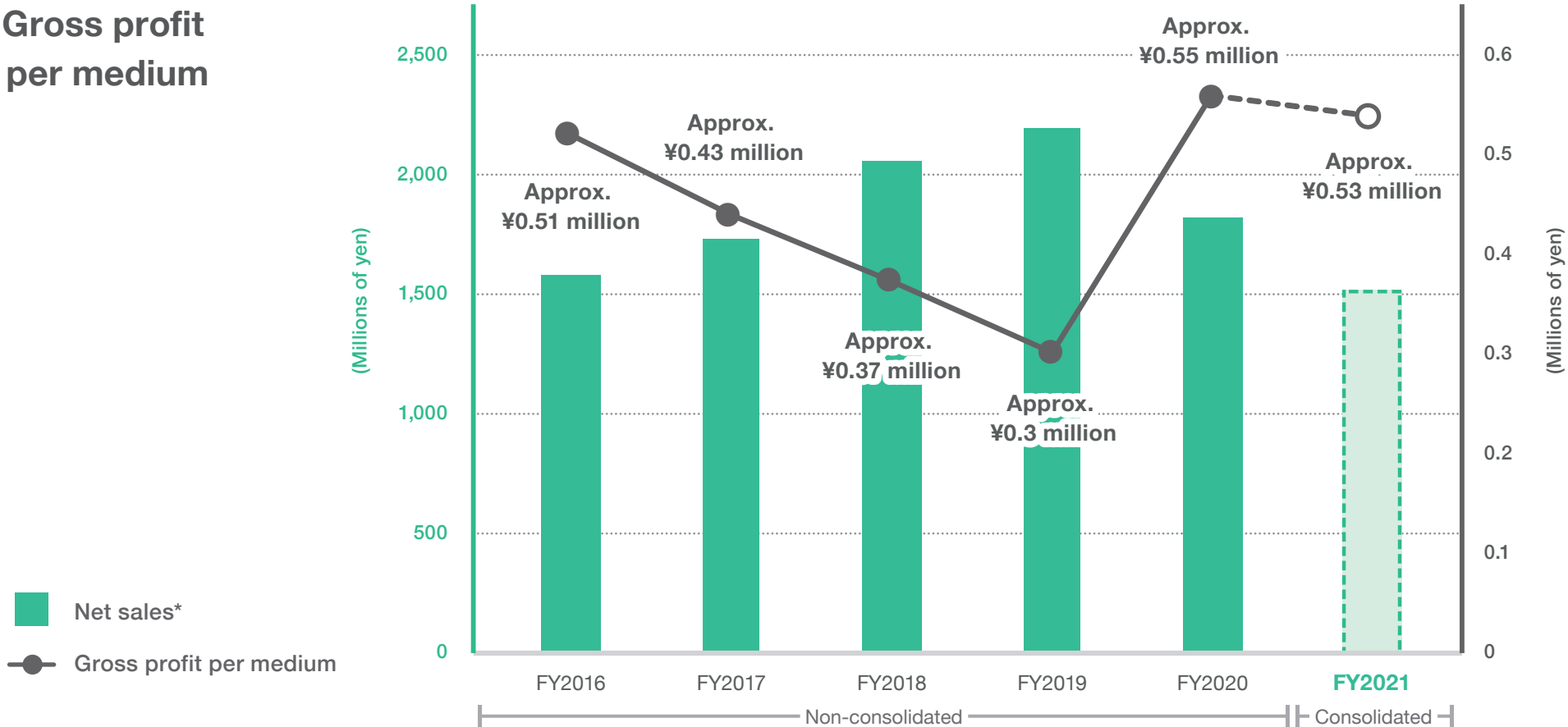


- HOPE, INC created a new market with its advertising business, the company’s original activity, and has provided advertising services to local governments for about 16 years.
- HOPE, INC’s share of this market is about 12.8%.



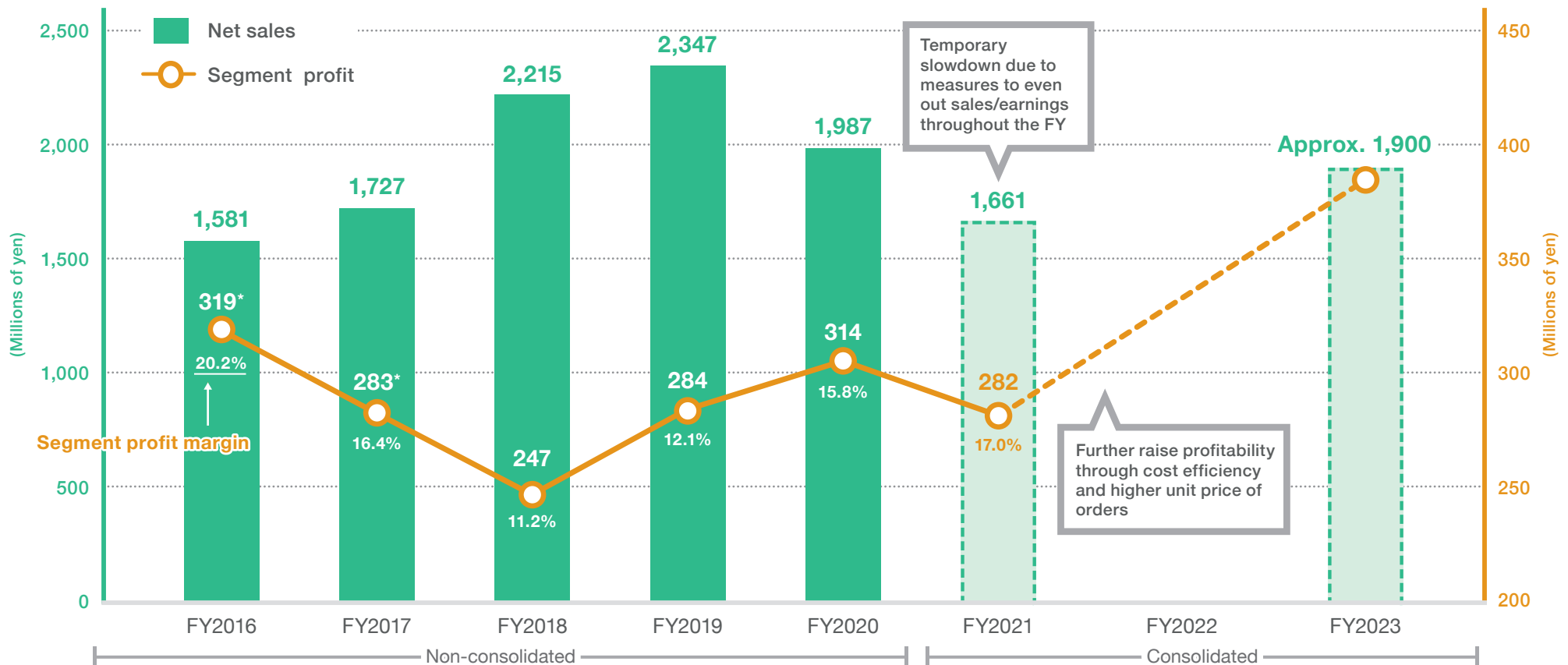
- Continuing to achieve the proper size of this business to make advertising a profit-generating business.
- Gross profit per medium is decreasing, but the goal is to use SG&A expenses more efficiently.

**Gross profit per medium**



\*Advertising business sales (excluding contract production of public information publications)

- Achieve the proper size of this business (sales, people) to continue improving profitability → Make advertising a profit-generating business
- Over a medium term, reduce the tendency for the 4Q to account for most sales and earnings, use expenses more efficiently, and increase the unit price of individual orders in this business

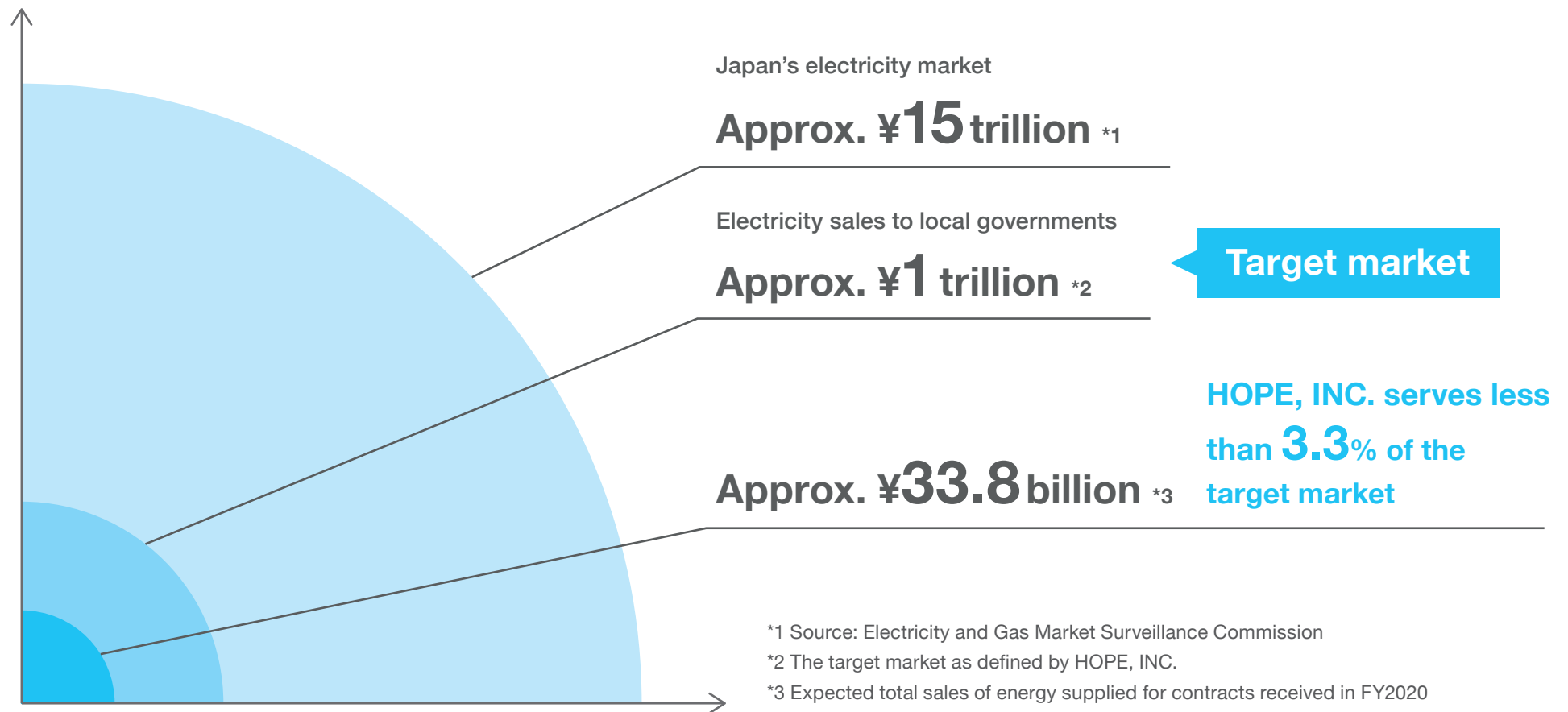


\*FY2016 and FY2017 segment profit are provisional figures using the same basis as for the current segment profit because no segment profit was announced in these two fiscal years.

### Leverage current business with local governments



Submit bids for new contracts by taking advantage of existing vendor registrations with the local governments and other measures

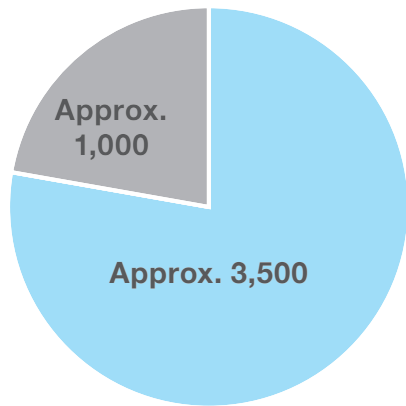


- In FY2020, the number of energy contracts open for bidding was much higher than expected.
- In FY2021, we expect only a small increase in the number of energy contracts open for bidding.

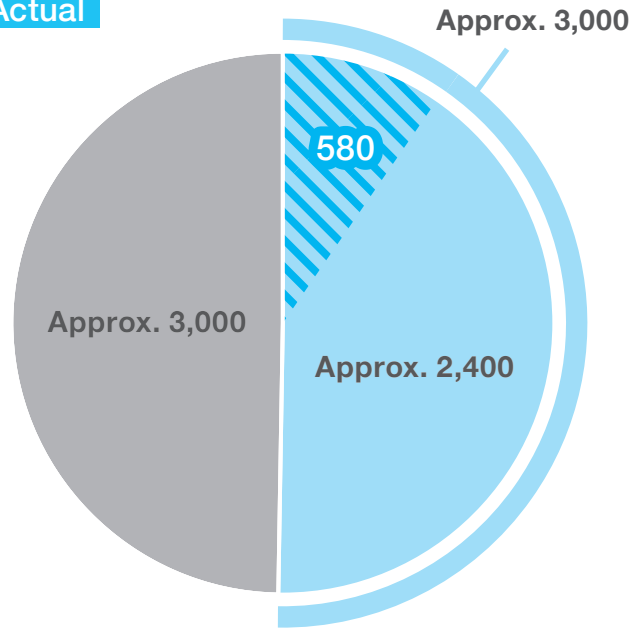
**Number of bids submitted** (only contracts where HOPE, INC. was eligible)

FY2020 plan/actual (contracts)

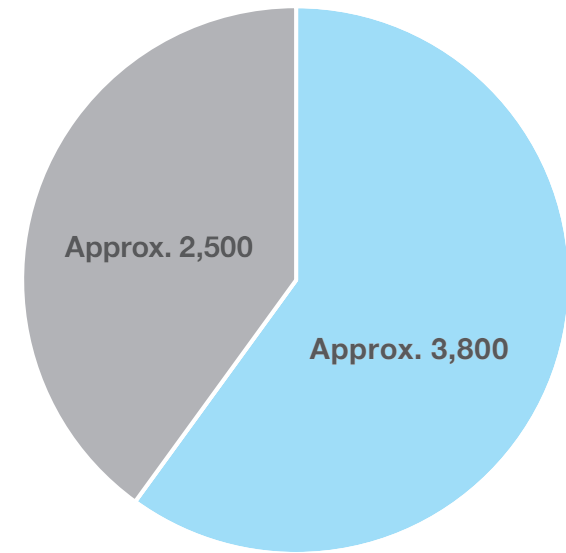
Plan



Actual



FY2021 plan (contracts)

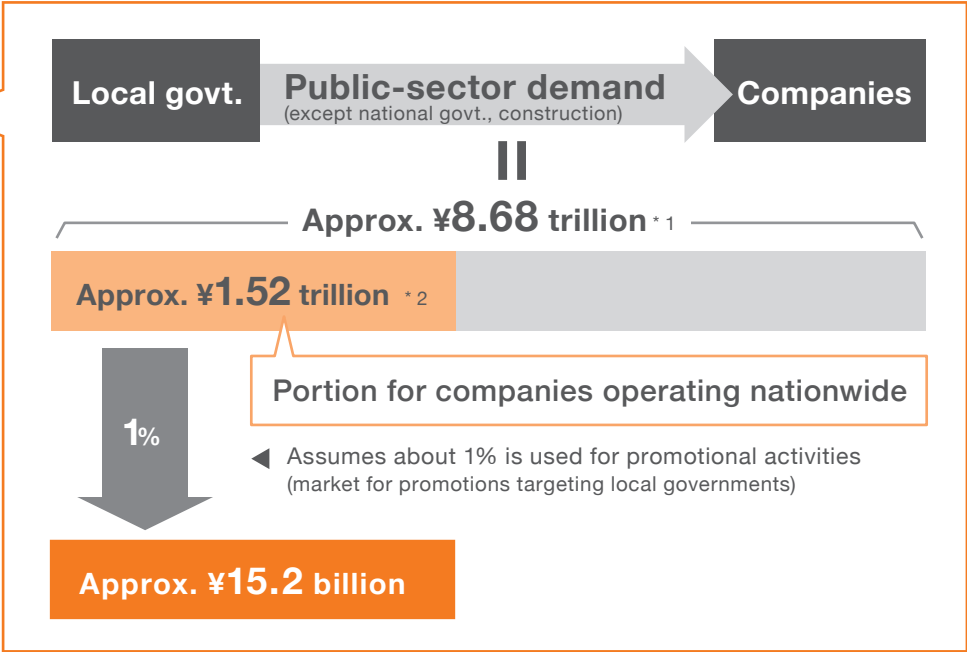
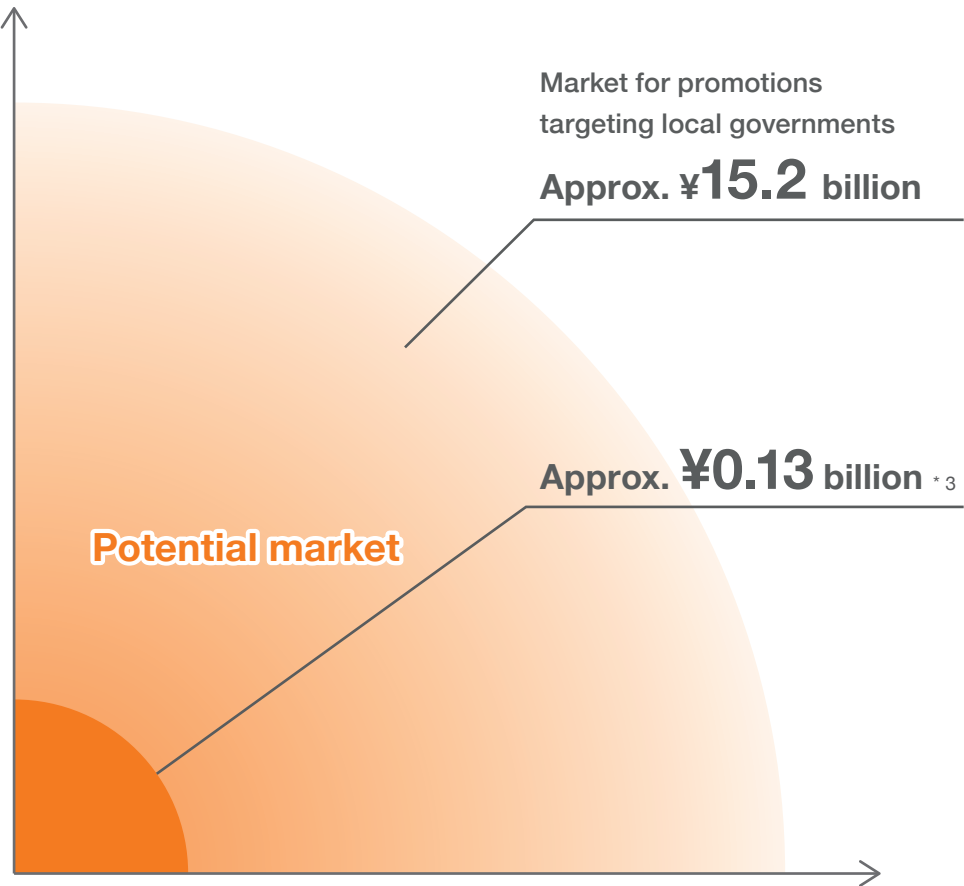


- Successful bids
- Bids submitted
- Did not submit bids



• 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



\*1 Calculated by HOPE, INC. using Summary of Guide to Contracts in the Public Sector – FY2018, The Small and Medium Enterprise Agency  
 \*2 HOPE, INC. estimates based on FY2018 Administrative Project Review, Ministry of Internal Affairs and Communications  
 \*3 FY2020 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**



**Provide many types of services**

- Broad range of activities using the Jichitai Works brand
- More matching by using the internet, telemarketing and other methods

The preeminent upstream source of local government information



Business strengthening, support and creation made possible by the local government database

### Use the Jichitai Works brand to distribute information



- We plan to create a new HOPE NEXT 3.

## ■ Assumption

- The original HOPE NEXT 3 (announced on Aug. 11, 2020) was based on the assumption that the energy business will be a very significant component of HOPE, INC.'s business portfolio.

## ■ Reason and stance for a new plan

- Although the Dec. 2020 surge in the JEPX price of electricity was a highly unusual event, we must revise our plans to incorporate the possibility of a reoccurrence of this type of event.
- We will reinforce energy business risk management and build business and governance frameworks with the goal of consistent profitability of the energy business.

## ■ Other items

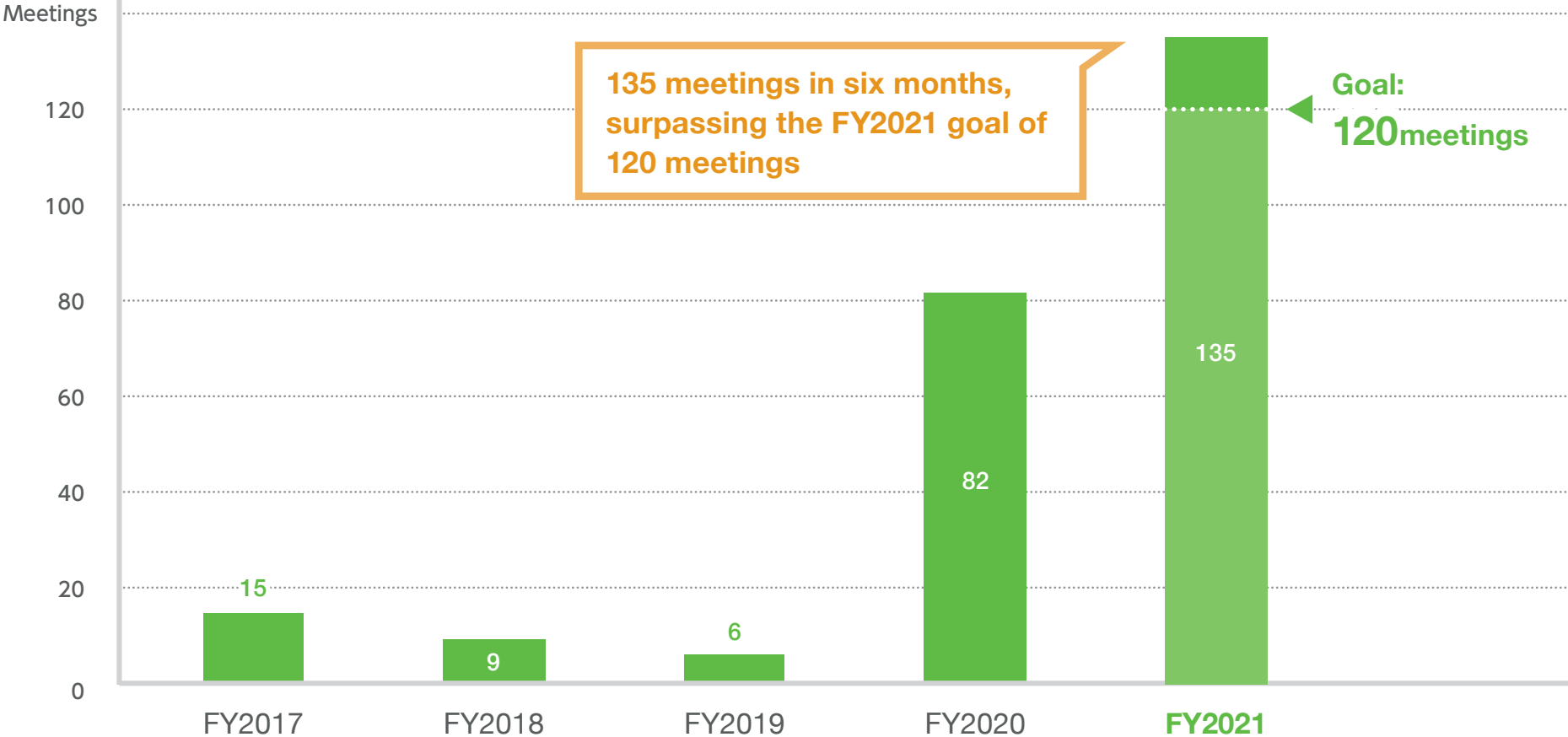
- There is no change at this time in the 2020 VISION goals for FY2030: sales of ¥100 billion, operating profit of ¥10 billion, and a business portfolio with at least 10 services.
- There are no revisions to the expected business environment changes or business policies regarding the advertising business and the media business.

(Reference) More information is in “Medium-term Management Plan HOPE NEXT 3” announced on Aug. 11, 2020.

<https://ssl4.eir-parts.net/doc/6195/tdnet/1873672/00.pdf>

- Plan to continue increasing the number of meetings with institutional investors by using online meetings and expanding English-language disclosure activities.

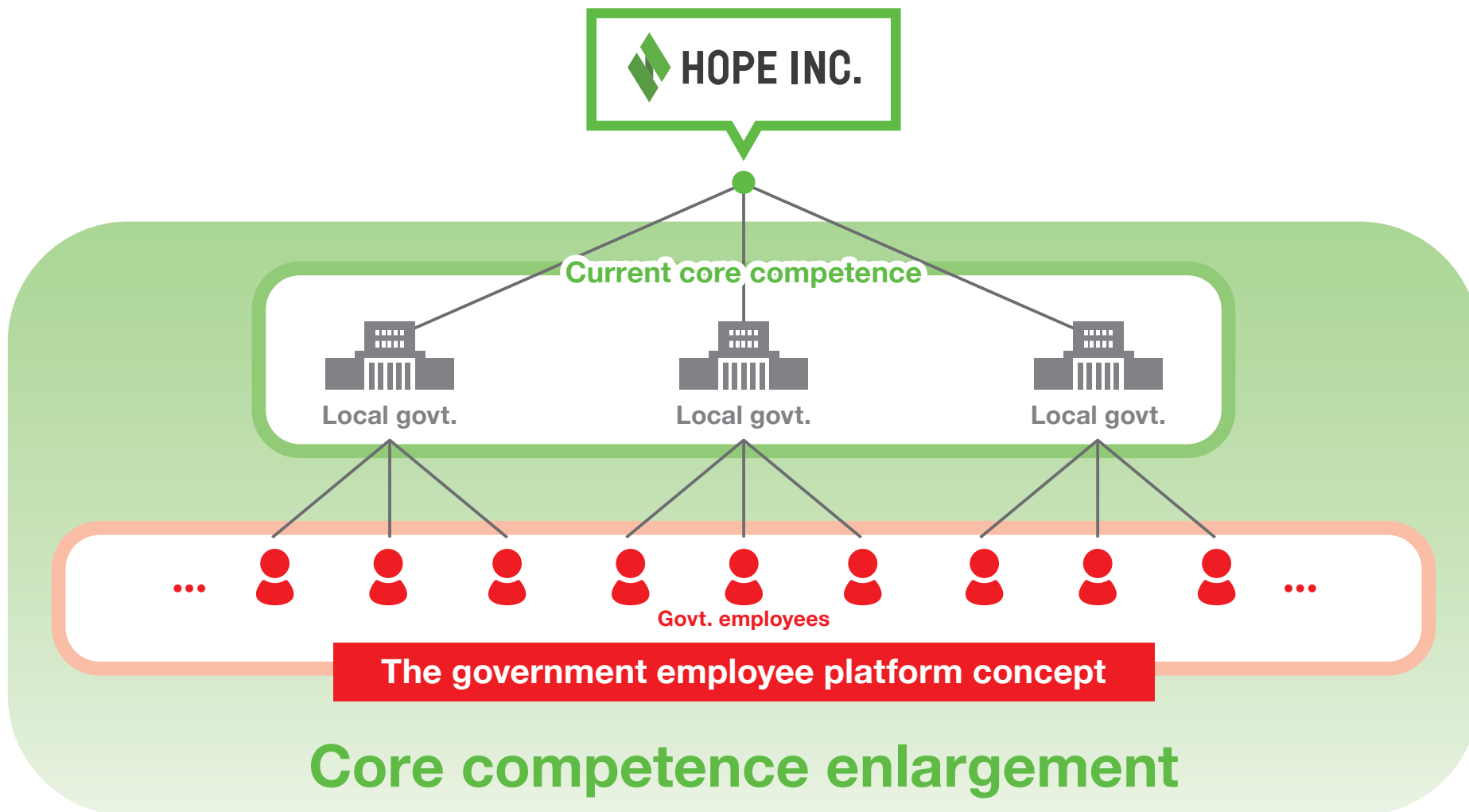
## ■ Number of institutional investor meetings

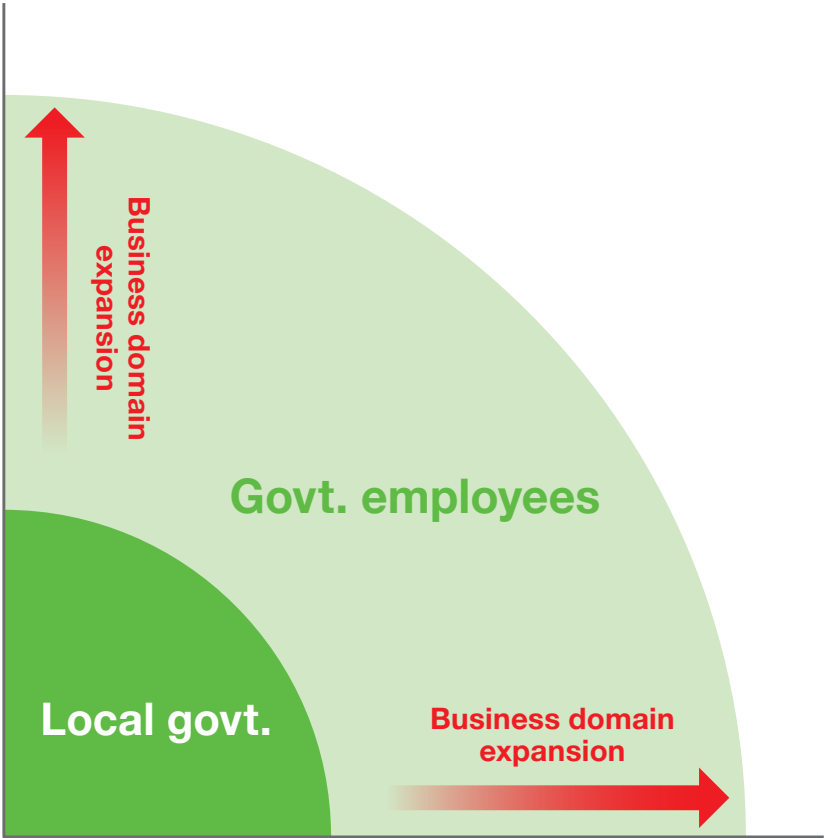


\*Includes online meetings and telephone calls

# V. 2020 VISION

- Enlarge local government relations, HOPE, INC.'s core competence, to encompass the entire government employee sector.





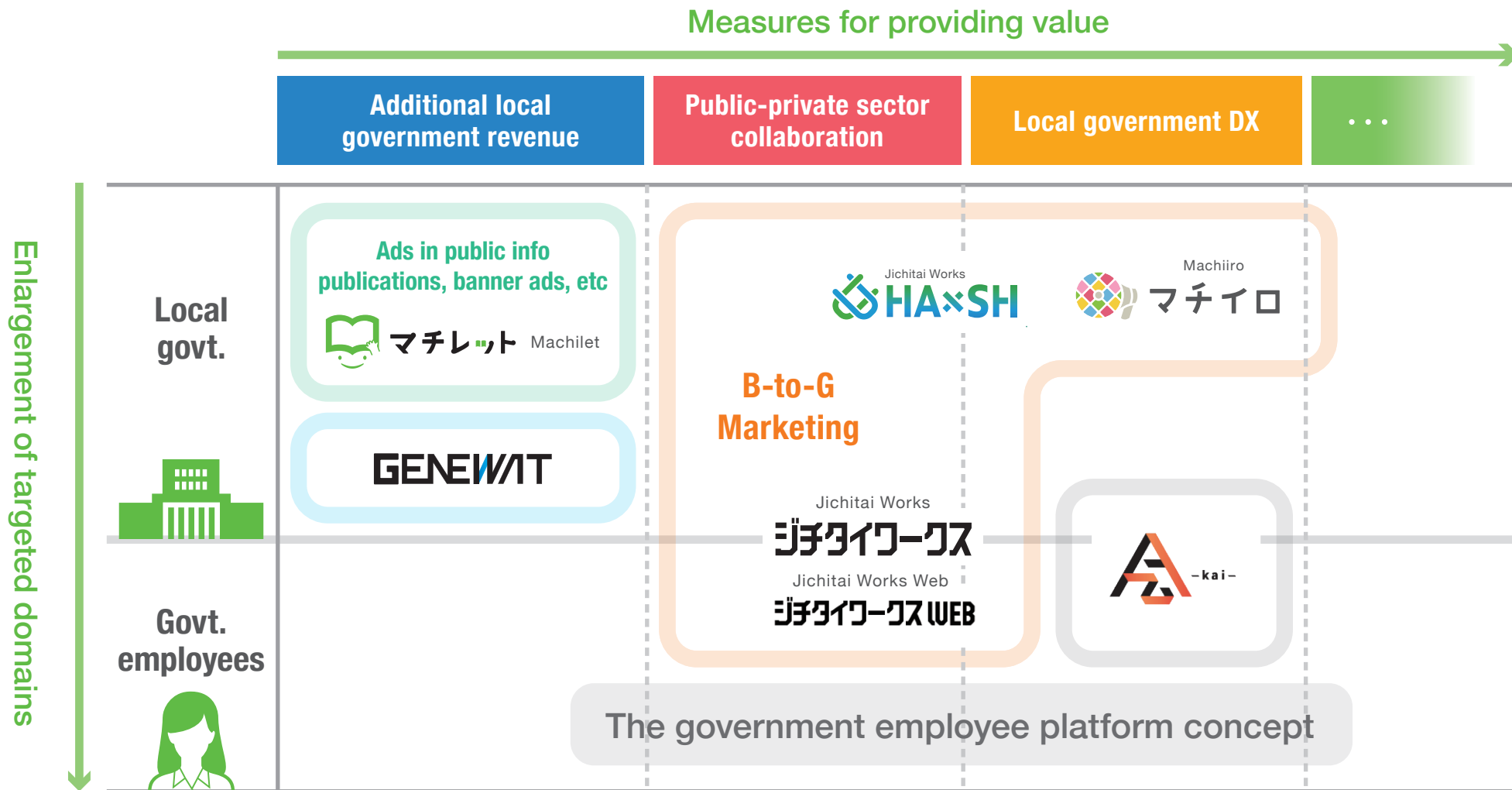
Use the enlargement of the core competence for the diversification of business activities in a domain expanded to include the government employee sector



**Become the leader in businesses and services for local governments**



- Enlarge every business domain and increase actions for the expansion of HOPE, INC.'s core competence.



# FY2030

Net sales

¥ **100** billion

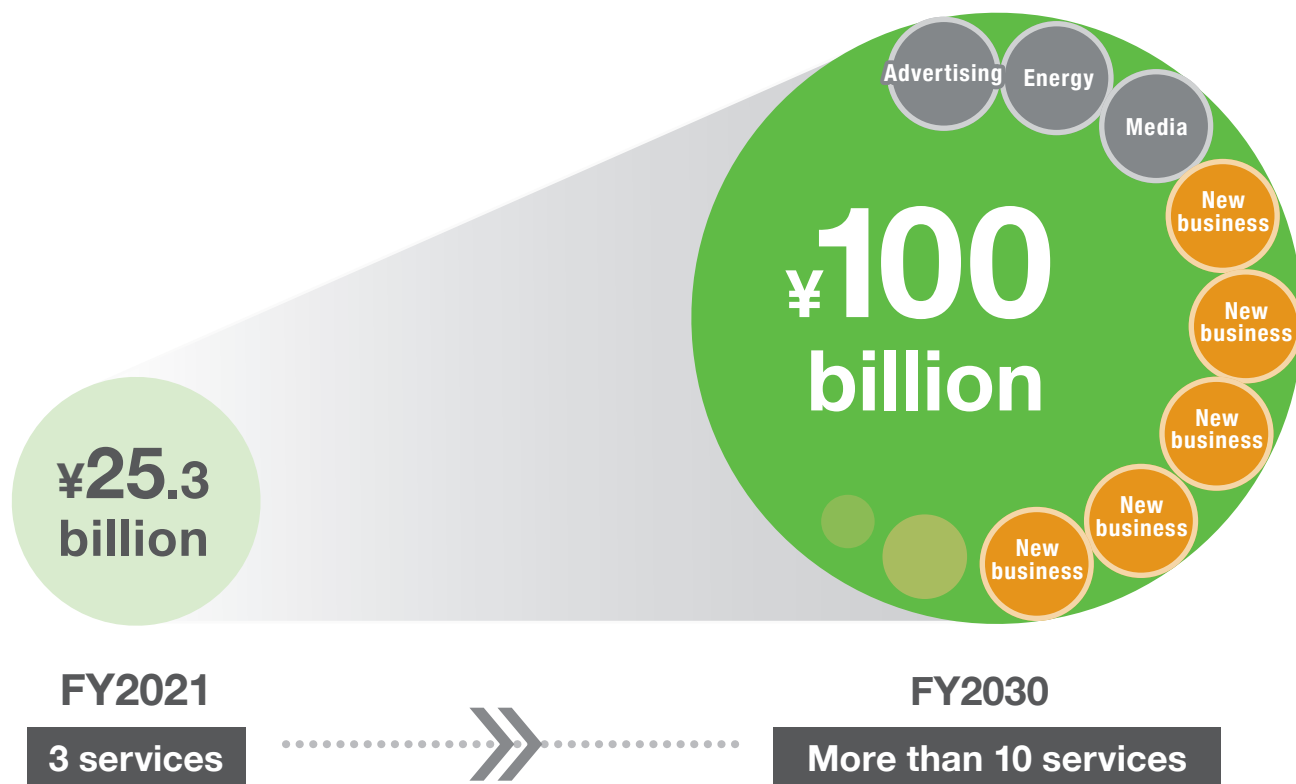
Operating profit

¥ **10** billion

Services

**10** services

- Start and implement initiatives for accomplishing the FY2030 goals of the 2020 VISION: Sales of ¥100 billion, operating profit of ¥10 billion and a business portfolio with at least 10 services.



## Actions

- Improve profitability of existing businesses
- Develop new businesses
- Use all existing businesses as a base for new businesses
- M&A
- Financial and investment strategies

# VI. Appendices

## Advertising Business

### SMARE RESOURCE SERVICE

Ads in public info publications,  
banner ads, etc.

### SMART CREATION SERVICE



## Energy Business

**GENEWAT**

## Media Business

Jichitai Works

ジチタイワークス

Jichitai Works Web

ジチタイワークスWEB

B-to-G Marketing



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

Corporate Philosophy

Providing new value to citizens through local governments



Additional local government revenue

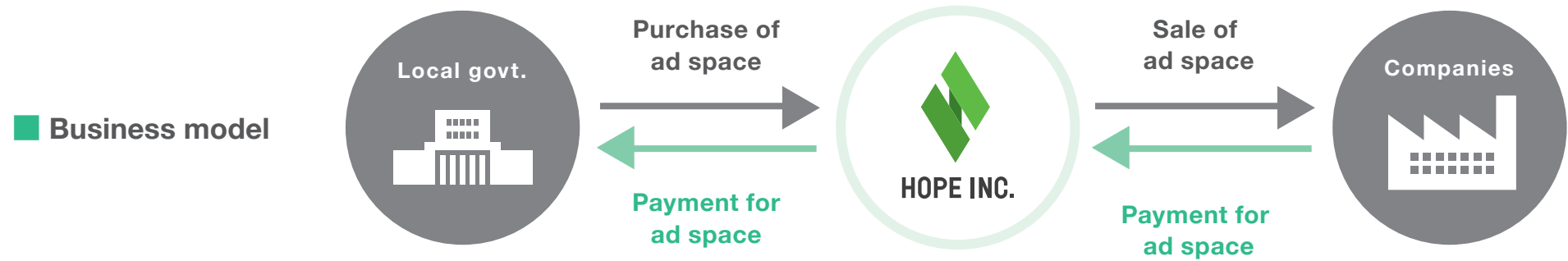
- Public info publications, local govt. websites
- Information distributed to residents

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



Local governments sell ad space in their publications

## A new source of revenue for local governments



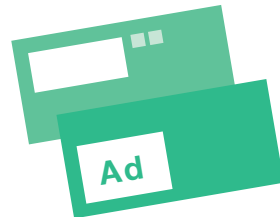
■ Examples of media



Public info publications



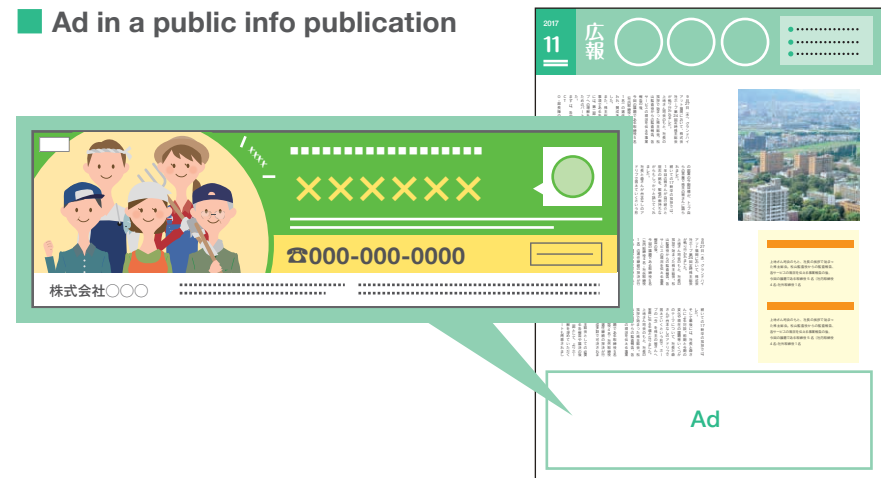
Website banner



Payslips for government employees

Others

■ Ad in a public info publication



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

Free joint production of pamphlets with even more useful info

Business model



Examples of pamphlets



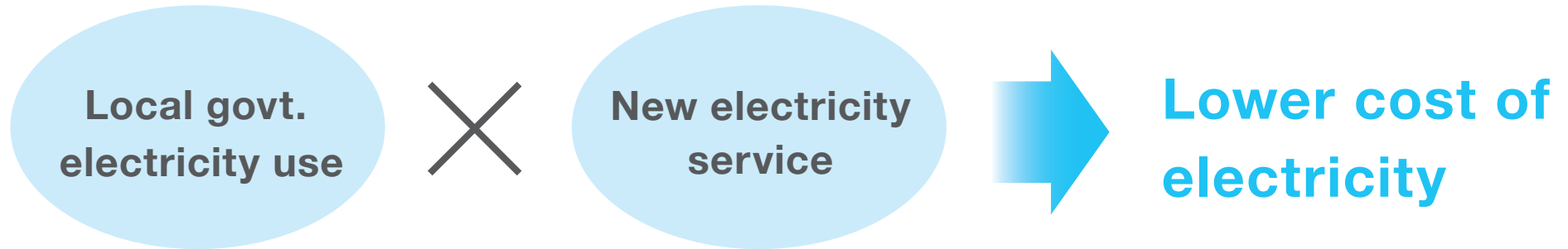
Ad in a pamphlet (child care information)





Corporate Philosophy

Providing new value to citizens through local governments



Value provided

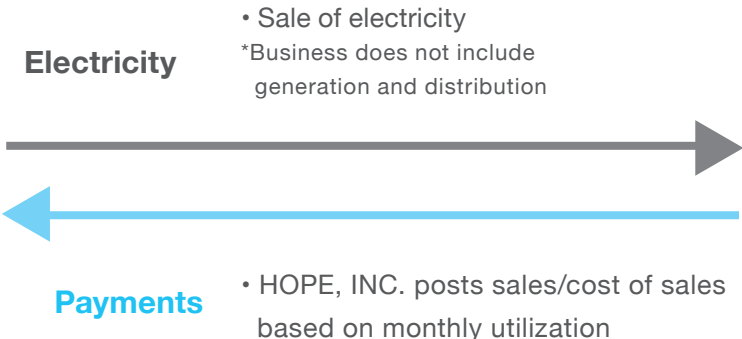


### Start of the electricity sales business



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



#### GENEWAT users (mainly local governments)



Corporate Philosophy

Providing new value to citizens through local governments



A government magazine with new info and ideas 自治体ワークス Jichitai Works

A HOPE, INC. publication with useful info and ideas for the jobs of local government employees



Issued four times every year (Standard editions)

1 One of the largest circulations in Japan

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

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 government services throughout Japan



Issued as needed (Special editions)

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



Jichitai Works Web

Articles in the printed edition of Jichitai Works magazine are also posted on the internet.



Market need survey, holding seminars and sales services for local governments

## Leveraging our relationships with local governments

Support for companies with products and services for local governments.



Seminars, sales agent, research, other services

Reports, other info  
Requests for assistance

### 2Q contracted services

- Seminars for local government employees and other services**

Employee seminar x 2 times 320 people  
Seminar on attracting people  
x 4 times 108 people

- Distribution of e-magazines**

1,000 municipalities x 1 time  
360 municipalities x 1 time  
286 municipalities x 1 time

- Direct mail marketing**

300 municipalities x 3 times  
100 municipalities x 4 times  
1,500; 1,100; 338; 200 municipalities x 1 time

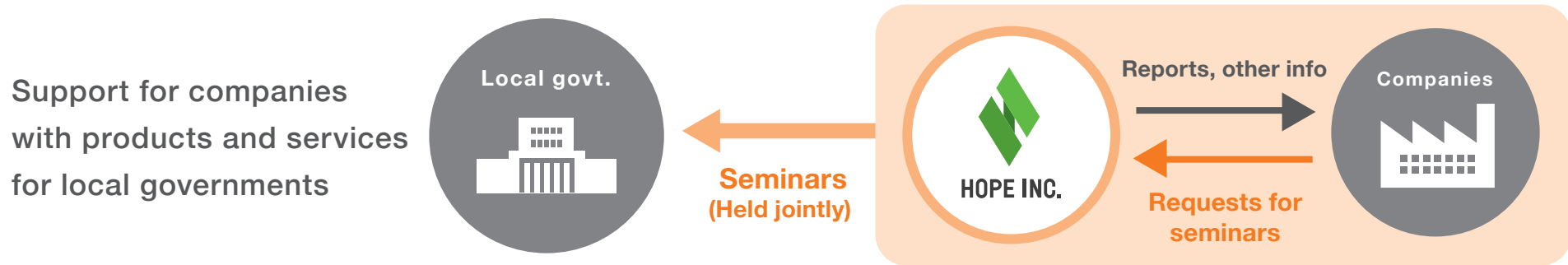
- Telemarketing**

100 municipalities x 9 times  
333; 300; 165; 110; 66; 50 municipalities x 1 time

- Distribution of marketing materials and others**

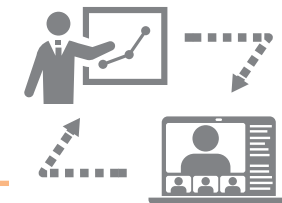
1,000 municipalities x 4 times  
1,788; 216 municipalities x 2 times  
3,576; 498 municipalities x 1 time

Seminars for local government employees **Government-company collaboration**



**Outline of the seminars (including planned seminars)**

- **B-to-G seminar**  
What types of results do residents want to see from “local government x company” co-creation?
- **B-to-G seminar**  
What approaches are best for leading-edge benefits from local government business?  
A discussion for obtaining ideas for solving various issues
- **Online seminar for local government employees**  
Regional revitalization by using “private sector x e-commerce site digital innovation” – Reform local industries by using simple e-commerce platforms
- **Only for local government employees**  
Free on-line Jichitai Works seminar  
Seminar for explaining revised guidelines for data security measures for local governments



**Seminars are held online for safety during the COVID-19 crisis. Seminars covering themes that reflect current events have been very successful. More seminars will take place on a regular basis.**

A joint assistance platform for local governments and companies



Companies providing services

Register their own services

Sharing of information of person who downloaded their documents

Payment of fees



Service searches and examinations

Download documents about services of interest

Register contact and other information

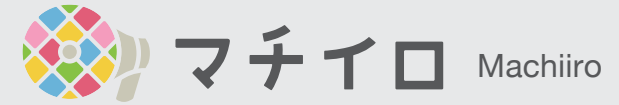


Local governments personnel

Collaboration with local governments creates new opportunities

Solve problems by using private-sector services

# An app linking local governments and residents



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



**643,947**  
cumulative downloads

**921** cumulative  
local government contracts

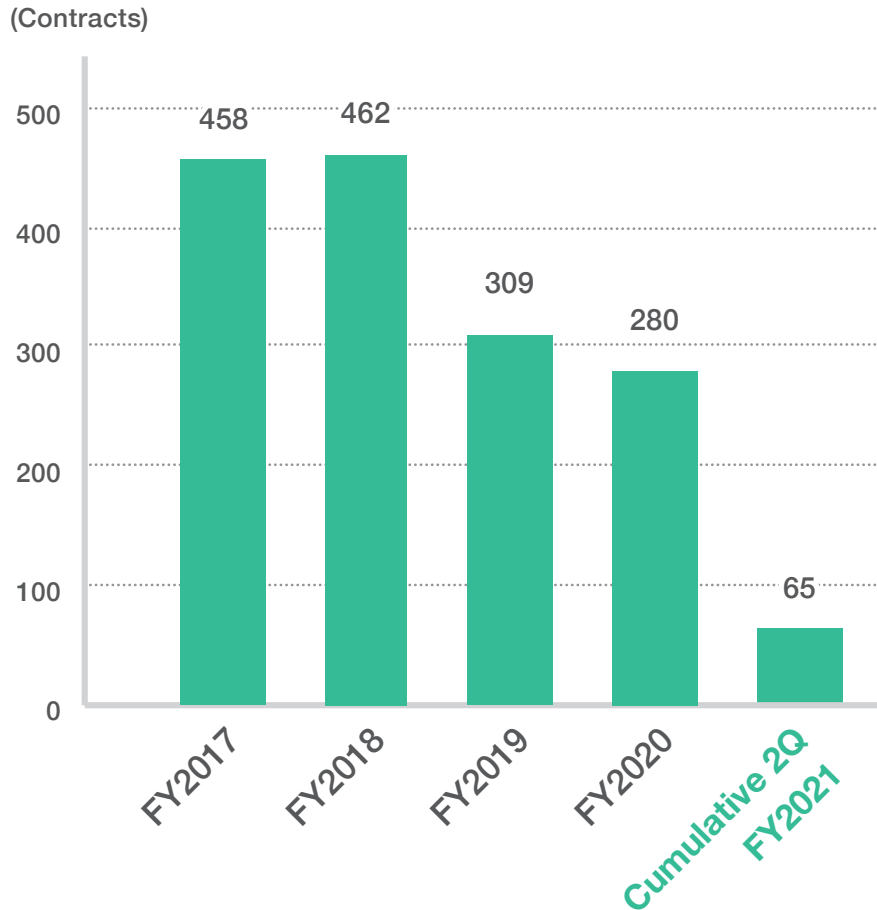
Local governments share of about **52%**



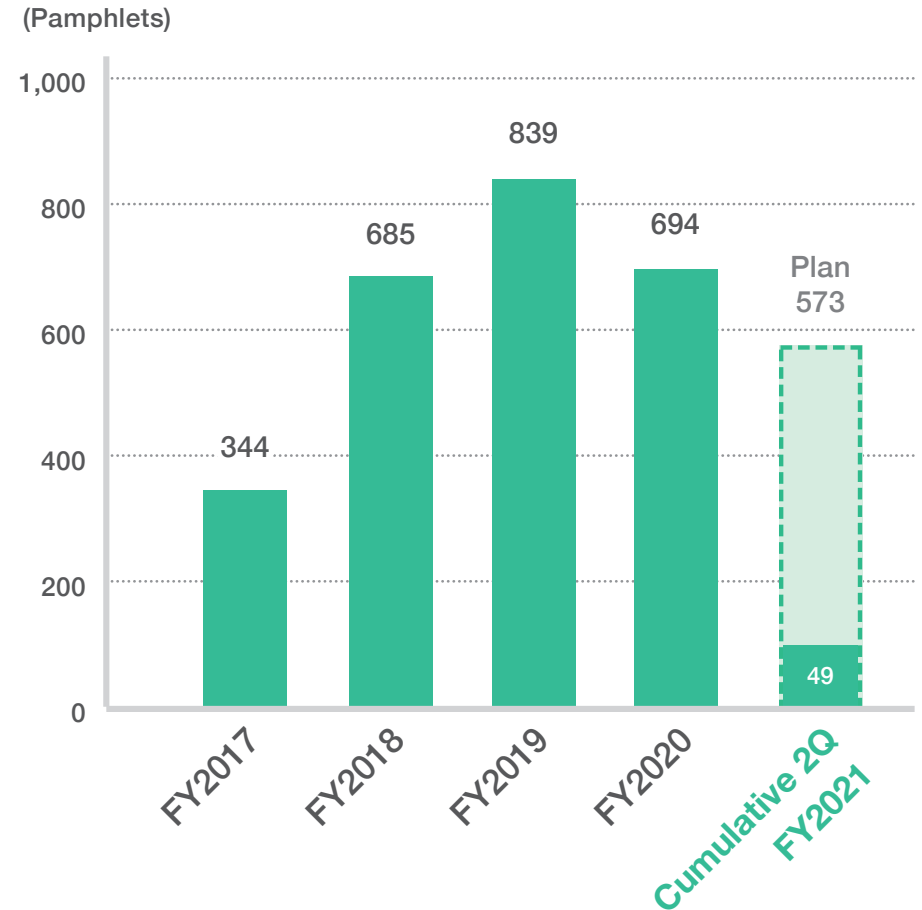
\*Machiiro screen sample



### 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. A different definition is now used to count the number of pamphlets in each fiscal year and the numbers have changes as a result.

## 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)

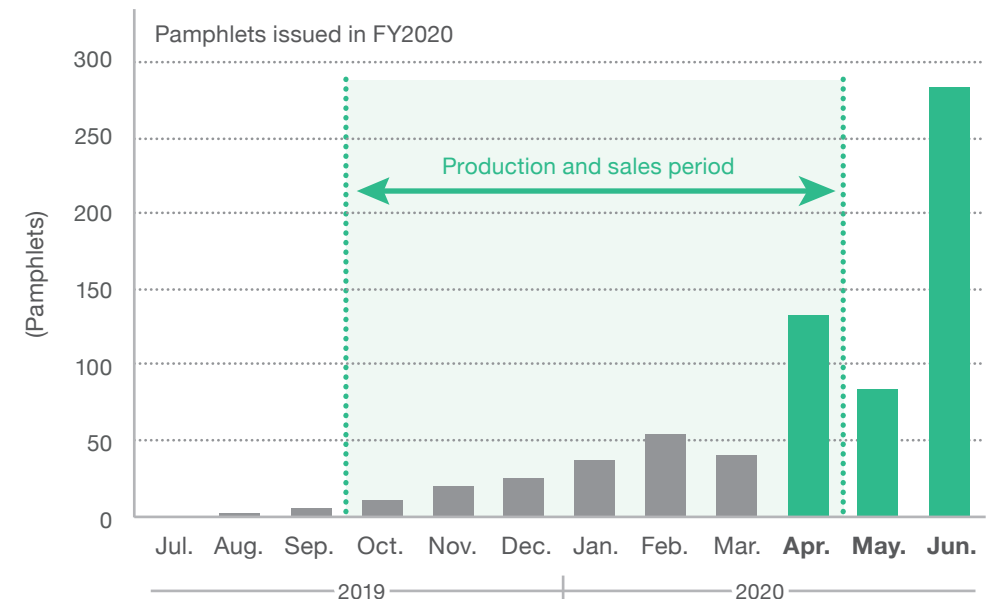
### 1 Most production and sales at the same time of the year

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



## 1 Contracts are received by submitting bids

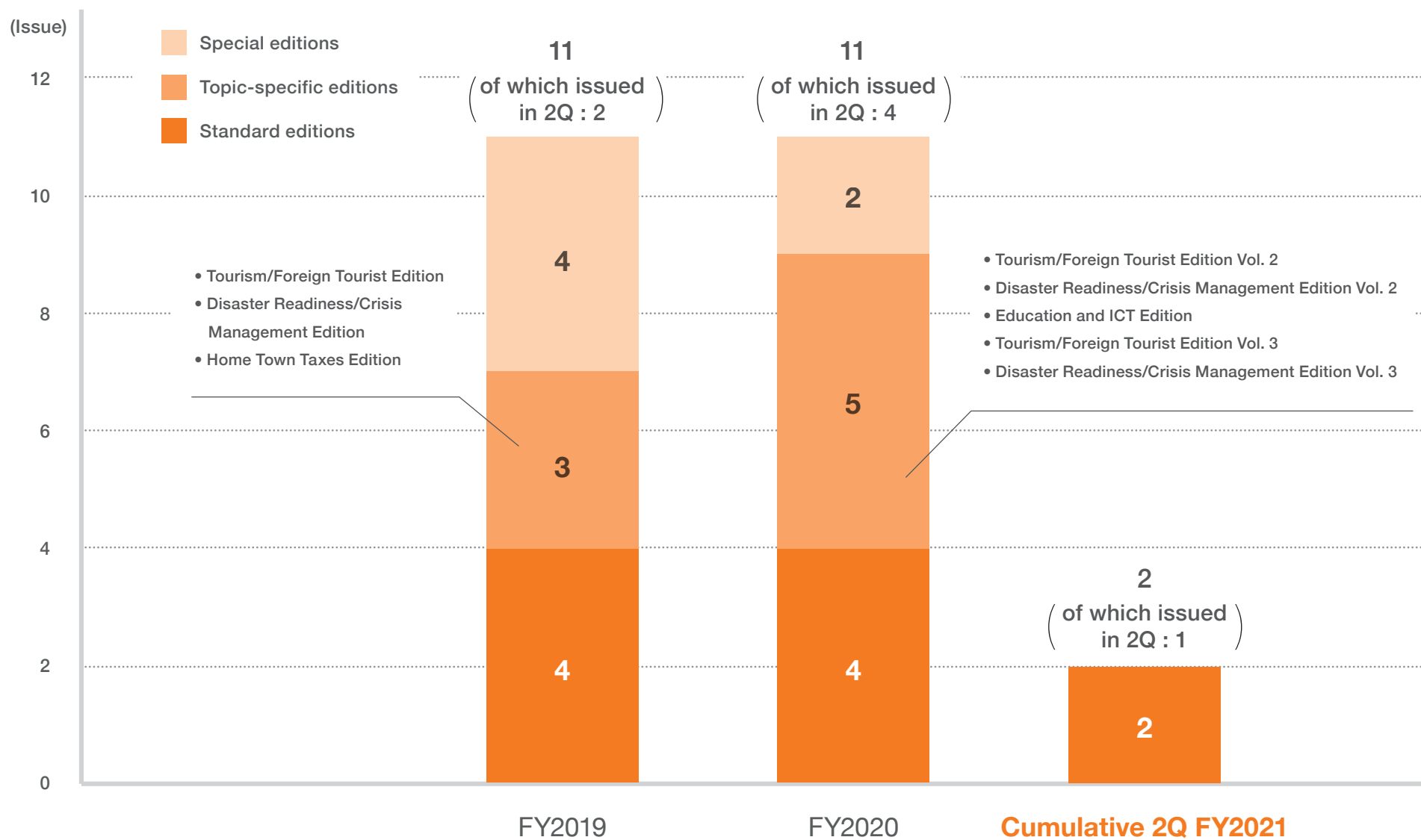
- Business may be lost to competing bids of other companies when new bidding takes place every year

## 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 **¥8.29 billion** for clients

- SMART RESOURCE SERVICE has paid local governments about **¥7.52 billion**
- Machilet has reduced local government costs by about **¥0.76 billion**

(From HOPE, INC.'s inception through 2Q FY2021)

■ Cost reduction of about **¥23.8 billion** since the start of the energy business

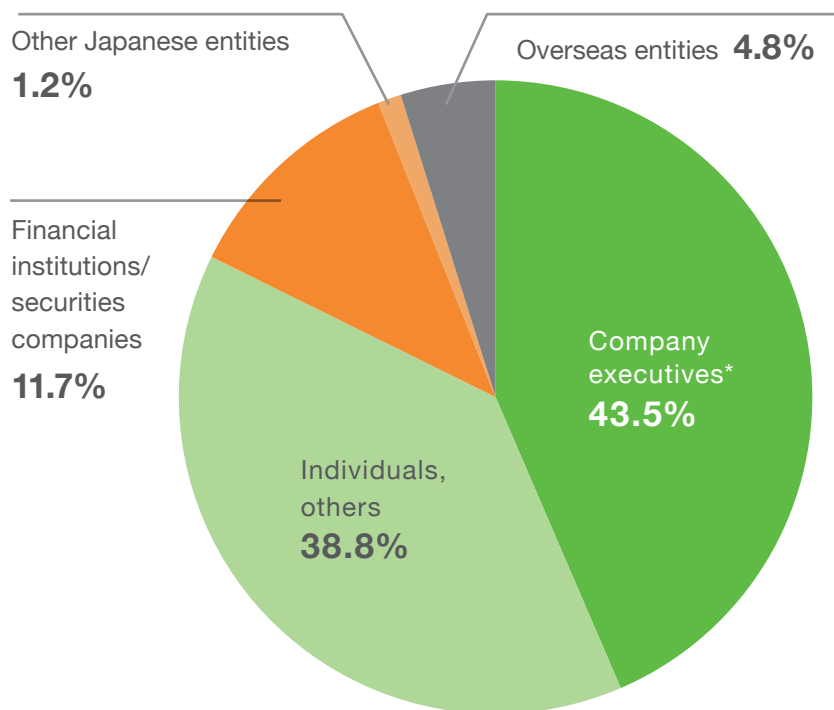
(Estimated cost reduction during the entire length of all current contracts)

(As of Dec. 31, 2020)

## Number of shares and shareholders

Total number of authorized shares	18,848,000 shares
Number of shares issued	6,002,800 shares
Number of shareholders (with voting rights)	5,616

## Shareholder distribution by category



\* Includes their private asset managers

## Top 10 shareholders

No.	Name of shareholders	Number of shares held
1	E.T. Co., Ltd.	1,340,000 shares
2	Takayasu Tokitsu	1,253,000 shares
3	Masaki Kuge	240,000 shares
4	Custody Bank of Japan, Ltd. (Trust Account)	211,400 shares
5	Shimpei Mori	119,000 shares
6	SBI Securities Co., Ltd.	114,094 shares
7	BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	96,797 shares
8	Individual shareholder	91,600 shares
9	JAPAN SECURITIES FINANCE CO., LTD.	74,800 shares
10	NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB)	62,000 shares

**Period** Jun. 15, 2016 to Dec. 31, 2020

**IPO price** ¥350

**Initial price** ¥805 (Jun. 15, 2016)

**Highest price since IPO\*** 7,910 (Nov. 11, 2020)

**Lowest price since IPO\*** ¥220 (Dec. 25, 2018)

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
ROE	23.7%	23.9%	3.2%	(25.4)%	15.7%	75.4%

	FY2016	FY2017	FY2018	FY2019	FY2020
PER*	27.9x	116.3x	—	32.3x	30.5x

\* Including stock prices during trading hours.

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

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

## Stock price (Jul. 1, 2018 to Dec. 31, 2020)



## Apx.8 HOPE, INC. Major Media Exposure

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 October 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.'s 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>	Dec. 1, 2019	Information about HOPE, INC. in <b>an article about innovative companies in Nikkei Veritas</b>
Mar. 24, 2017	Included in <b>The First Companies 2017, an article about newly listed companies</b>	Dec. 31, 2019	Included in an article about companies with the biggest market cap increases of 2019, <b>Nihon Keizai Shimbun</b>
May 12, 2017	Included in <b>Gatchiri Monday! The Secret of Making Money on 40 Little Known Companies</b>	Jan. 31, 2020	Information about the condolence guidebook of HOPE, INC.'s Machilet, <b>Chunichi Shimbun</b>
Aug. 3, 2017	Interview with the HOPE, INC. president in <b>CEOs Explain Management Strategies, Nikkei Sangyo Shimbun</b>	Sep. 4, 2020	Interview with the HOPE, INC. president on <b>the Nikkei CNBC program Hiru Express</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.

### **- IR contact -**

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URL: <https://www.zaigenkakuho.com/en/ir>