

Fiscal Year Ended June 30, 2021 (FY2021)

# Results of Operations

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Explanatory Material

August 11, 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) 168 (as of the end of Jun. 2021, including temporary employees)

**Business** Services created specifically for local governments  
(Advertising Business, Energy Business, Jichitai Works 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 solutions 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

**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

**Mar. 2021** | Announced participation in the private-sector  
trainee program of the city of Shijonawate  
in Osaka prefecture

**Jun. 2021** | Launched SMART FR CONSULTING SERVICE  
Launched the Jichitai Works Free Name Card service

**Jul. 2021** | Renamed the Media Business  
"Jichitai Works Business"

- I. FY2021 Financial Highlights**
- II. Topics**
- III. FY2022 Outlook**
- IV. Business Environment and Growth Strategies**
- V. 2020 VISION**
- VI. Appendices**

# I. 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 ended 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.
- All documents referenced in the following pages are in Japanese version only.

## 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/Jichitai Works 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.

## FY2021 Results (consolidated)

Sales were up 128.1% from one year earlier to an all-time high  
High market price of electricity and power shortage imbalance fees\* had a big negative impact on operating profit

### Net sales

**¥28,446 million** (up 128.1% YoY)

<Gross recognition method: ¥34,617 million>

### Operating profit

**¥(6,897) million** (¥1,020 million in FY2020)

## Advertising Business

Sales down and earnings up due to measures for the proper size of this business

### Net sales

**¥1,719 million** (down 13.5% YoY)

### Segment profit

**¥328 million** (up 7.5% YoY)

## Energy Business

Earnings were less than planned because market price of electricity stayed high in the fourth quarter of FY2021

### Net sales

**¥26,494 million** (up 156.2% YoY)

<Gross recognition method: ¥32,665 million>

### Segment profit

**¥(6,926) million** (¥1,056 million in FY2020)

## Jichitai Works Business

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

### Net sales

**¥228 million** (up 71.2% YoY)

### Segment profit

**¥58 million** (up 48.6% YoY)

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

\*An imbalance fee is paid 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. This fee is included in the cost of sales of the energy business.

# FY2021 Income Statement Highlights

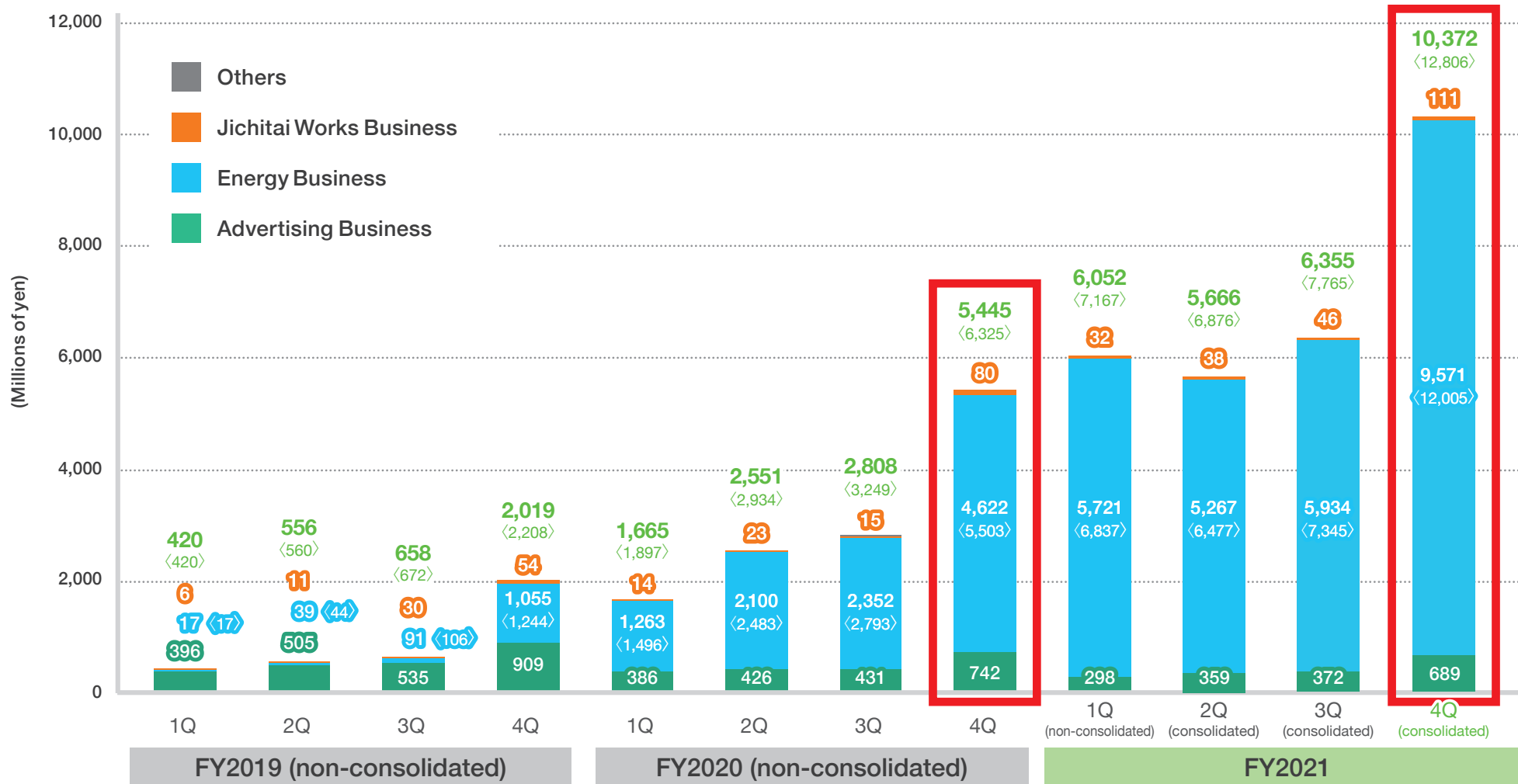
(Millions of yen)	FY2020		FY2021		
	Results (non-consolidated)	Comp.	Results (consolidated)	Comp.	YoY change
Net sales	<b>12,470</b> 〈14,407〉	—	<b>28,446</b> 〈34,617〉	—	<b>+128.1%</b> 〈+140.3%〉
Gross profit	<b>2,261</b>	<b>18.1%</b> 〈15.7%〉	<b>(5,843)</b>	<b>(20.5)%</b> 〈(16.9)%〉	—
SG&A expenses	<b>1,240</b>	<b>10.0%</b> 〈8.6%〉	<b>1,053</b>	<b>3.7%</b> 〈3.0%〉	<b>(15.1)%</b>
Operating profit	<b>1,020</b>	<b>8.2%</b> 〈7.1%〉	<b>(6,897)</b>	<b>(24.2)%</b> 〈(19.9)%〉	—
Ordinary profit	<b>1,012</b>	<b>8.1%</b> 〈7.0%〉	<b>(6,937)</b>	<b>(24.4)%</b> 〈(20.0)%〉	—
Profit attributable to owners or parent	<b>665</b>	<b>5.3%</b> 〈4.6%〉	<b>(6,963)</b>	<b>(24.5)%</b> 〈(20.1)%〉	—

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



• Quarterly sales increased 90.5% YoY due to higher volume of electricity sold in the Energy Business in 4Q.

Up  
90.5%  
YoY



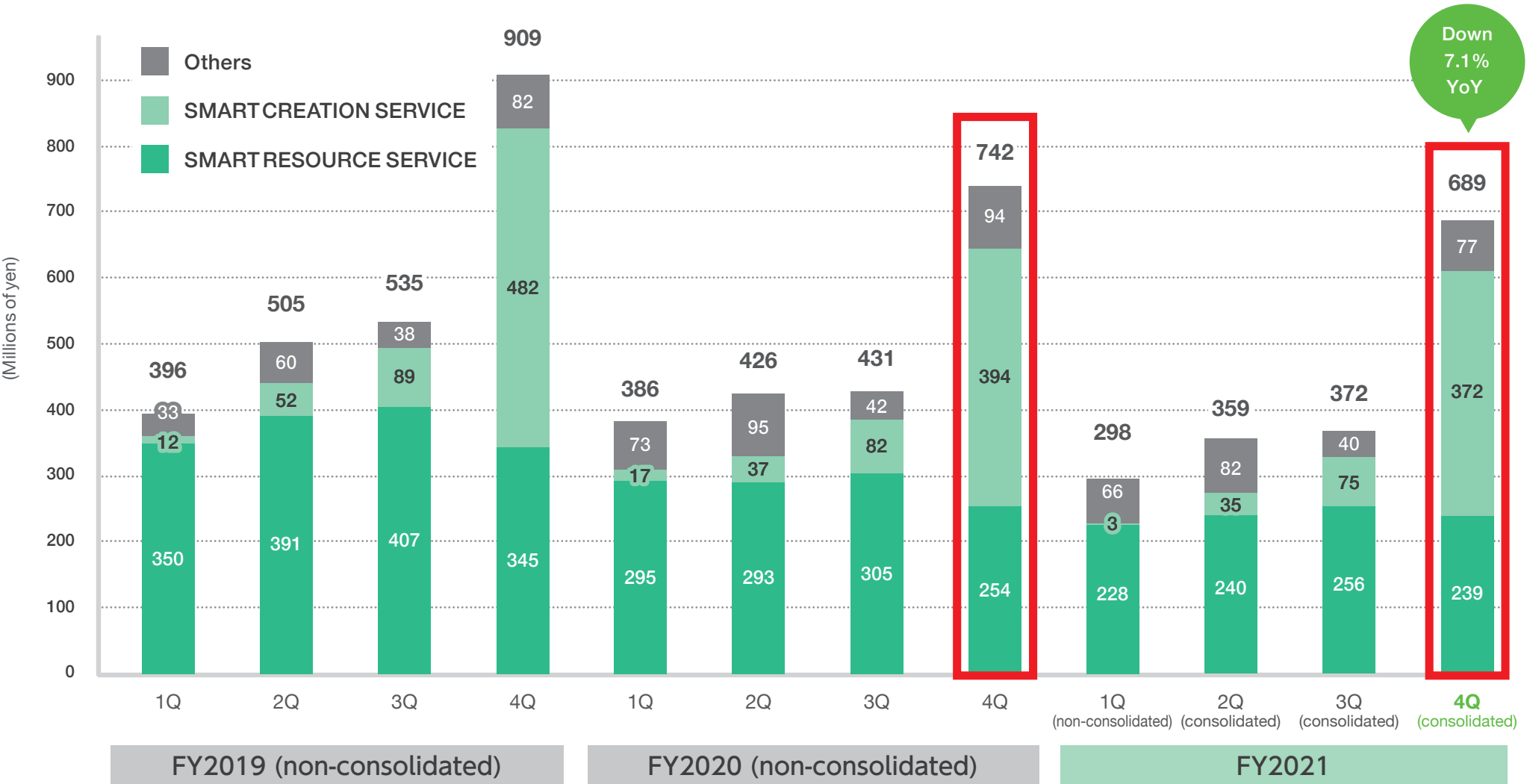
\* < > is figures using the gross recognition method.

- The market price of electricity on the Japan Electricity Power Exchange (JEPX) was higher than expected. The Energy Business fourth quarter segment profit was down 75.8% from one year earlier.
- The advertising and Jichitai Works Businesses achieved record-high earnings.
- Corporate expenses increased temporarily in 4Q FY2020 mainly due to fiscal year end bonus payments and revisions to office space layouts.

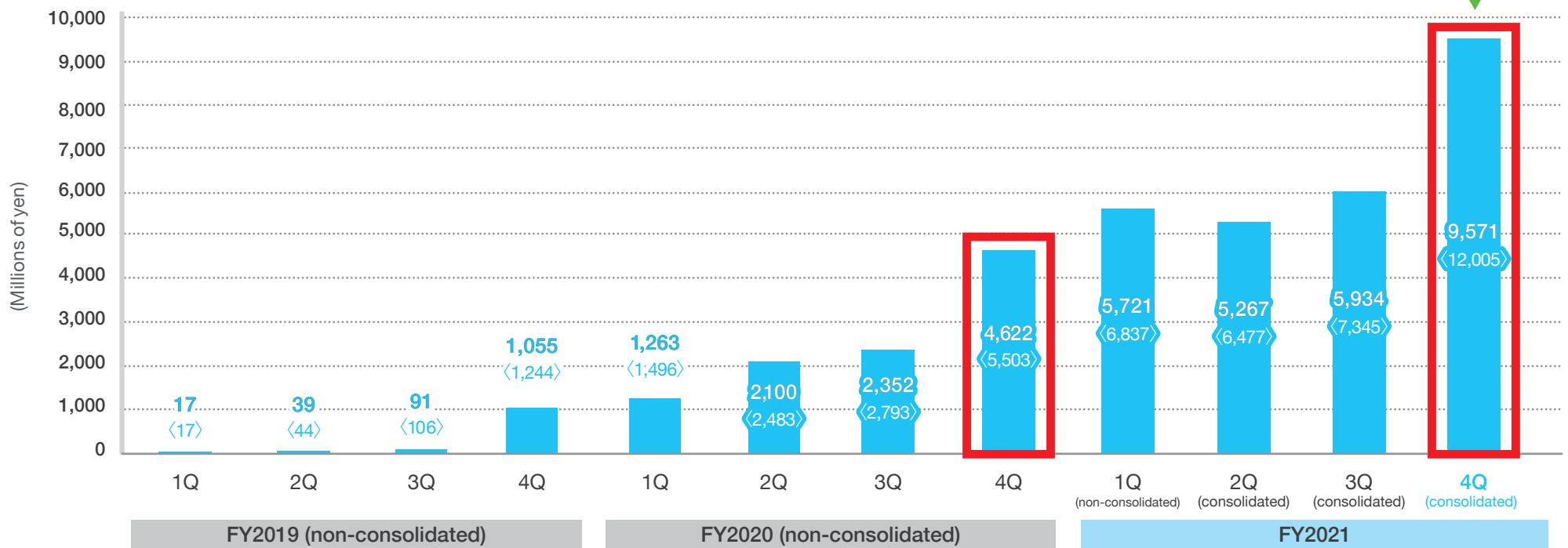
(Millions of yen)	FY2019 (non-consolidated)				FY2020 (non-consolidated)				FY2021			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q (non-consolidated)	2Q (consolidated)	3Q (consolidated)	4Q (consolidated)
<b>Advertising Business</b>	(43)	(11)	43	295	(4)	13	51	244	(2)	25	59	245
<b>Energy Business</b>	(7)	(7)	2	105	19	79	149	808	762	(371)	(7,513)	195
<b>Jichitai Works Business</b>	(5)	(7)	0	23	(2)	2	(3)	42	5	7	1	44
<b>Others</b>	0	0	0	(4)	(2)	(1)	0	(7)	(9)	(8)	(8)	(21)
<b>Adjustments (corporate expenses)</b>	(68)	(74)	(66)	(87)	(66)	(76)	(74)	(150)	(68)	(80)	(75)	(85)
<b>Total</b>	<b>(124)</b>	<b>(100)</b>	<b>(19)</b>	<b>332</b>	<b>(56)</b>	<b>16</b>	<b>122</b>	<b>937</b>	<b>686</b>	<b>(427)</b>	<b>(7,535)</b>	<b>379</b>

\*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; activities were strengthened for development of new services



- The number of contracts submitted for bids is normally low in the fourth quarter of every fiscal year. For most fourth quarter winning bids, electricity sales start in July.
- HOPE, INC. plans to start using a consolidated subsidiary to operate the electricity retail sales business of the Energy Business.



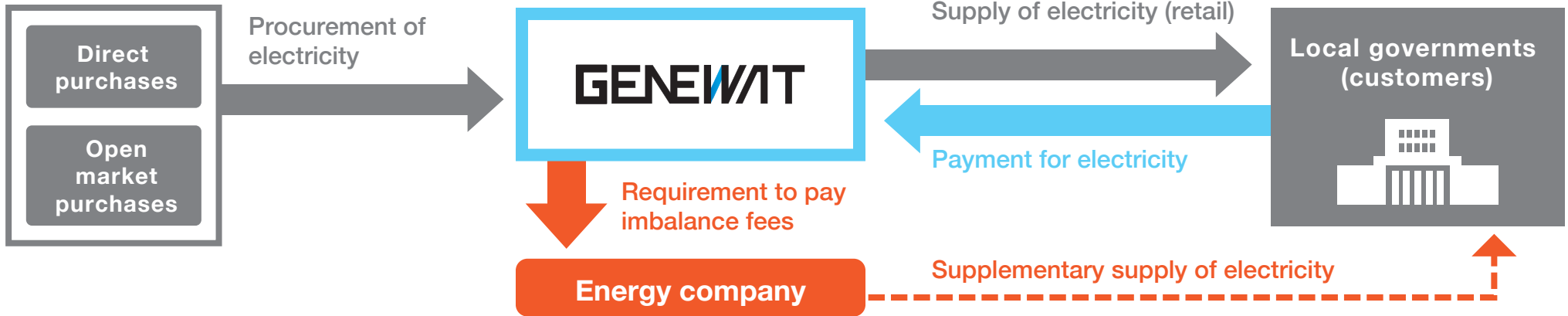
\* < > is figures using the gross recognition method.

### 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	426	55	859

- The Energy Business segment profit amounted to ¥(6,926) million
- There was a big negative impact from the high market price of electricity and the January imbalance fee of about ¥6.5 billion (including tax), resulting in a higher cost of purchasing electricity.



### How the energy business electricity

#### (1) Direct purchases

Uses fixed-rate agreements with suppliers of electricity for the supply of electricity in the future. The cost of this electricity is usually higher than market prices.

#### (2) Open market purchases using the JEPX

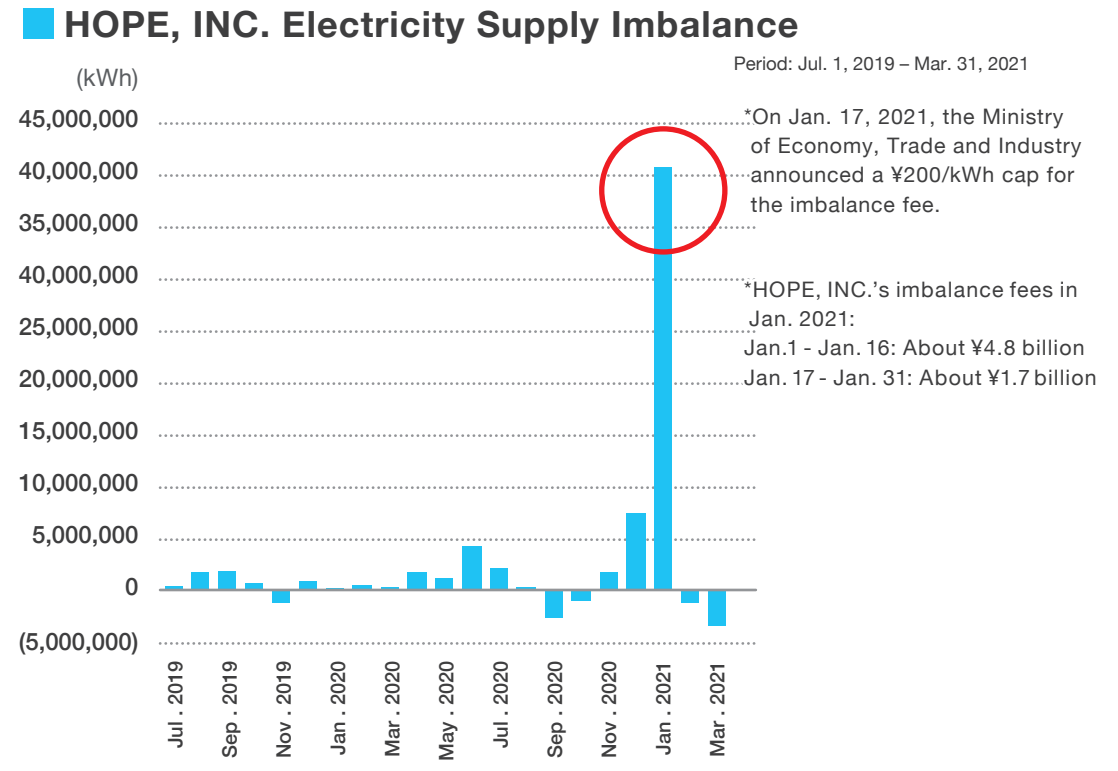
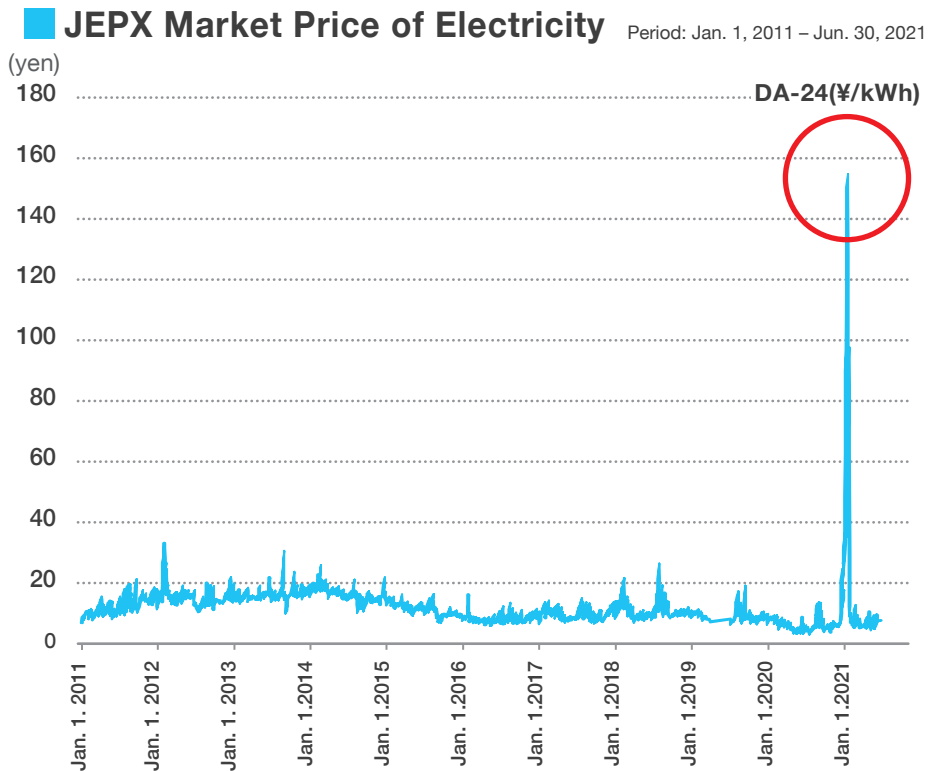
Electricity is purchased on the JEPX and prices are determined by seasonal factors as well as the weather and other considerations.

### How shortfall imbalance fees are triggered

When the demand for electricity at a customer exceeds the amount of electricity provided by the retailer of electricity, the company distributing electricity covers the shortfall. If this happens, the retailer of electricity is required to pay an imbalance fee to the electricity distribution company to cover the cost of electricity purchased to cover the shortfall.

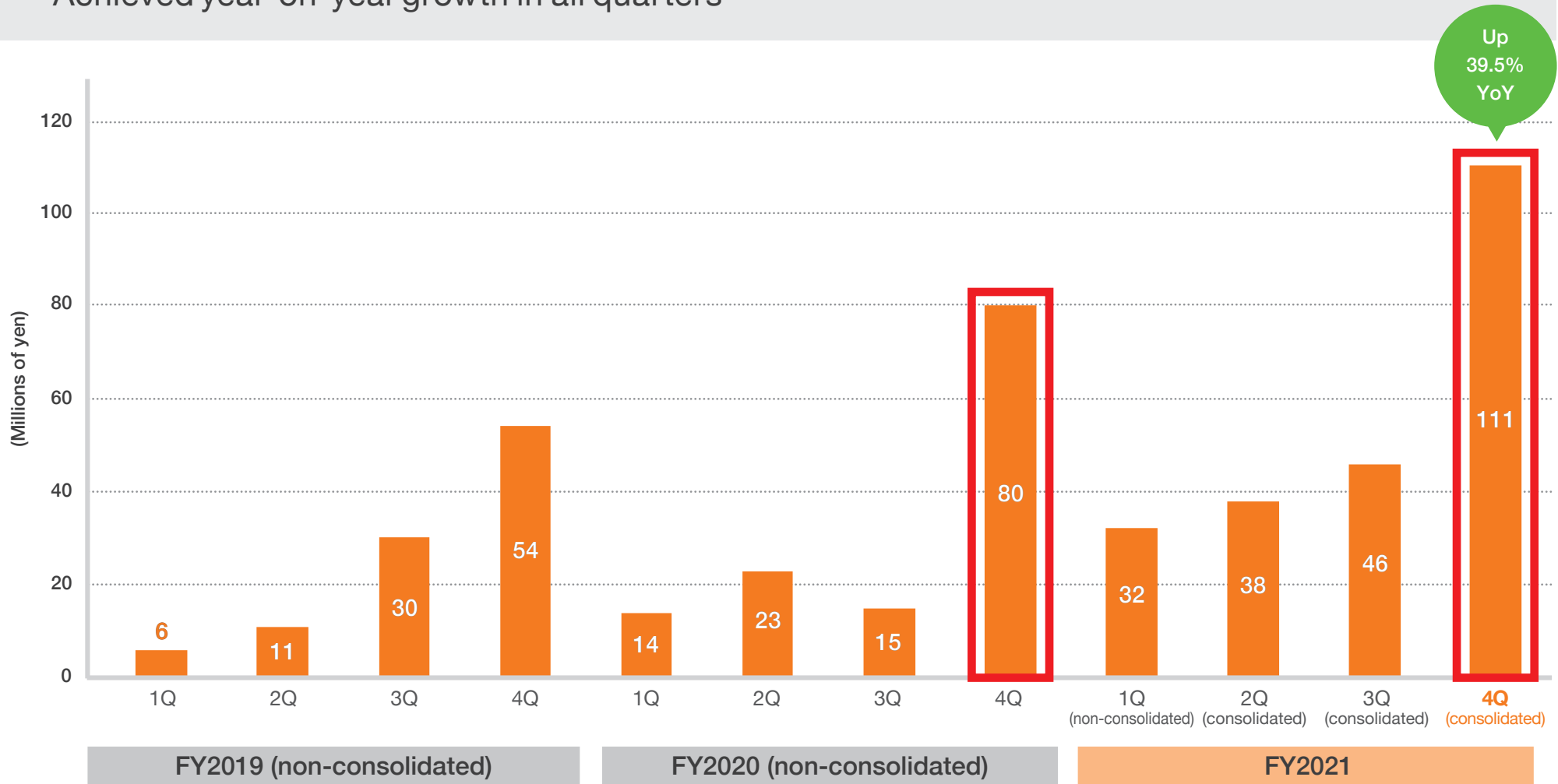
Electricity retailers purchase and sell electricity based on forecasts for the power requirements of their customers. Imbalance fees are normally very small but can be incurred at any time. The large imbalance fee in FY2021 occurred because of the difficulty of open market electricity purchases and the effects of market prices and the tight supply of electricity on the cost of electricity.

- The high market price of electricity affected the cost of procuring electricity and the imbalance fee rate and volume



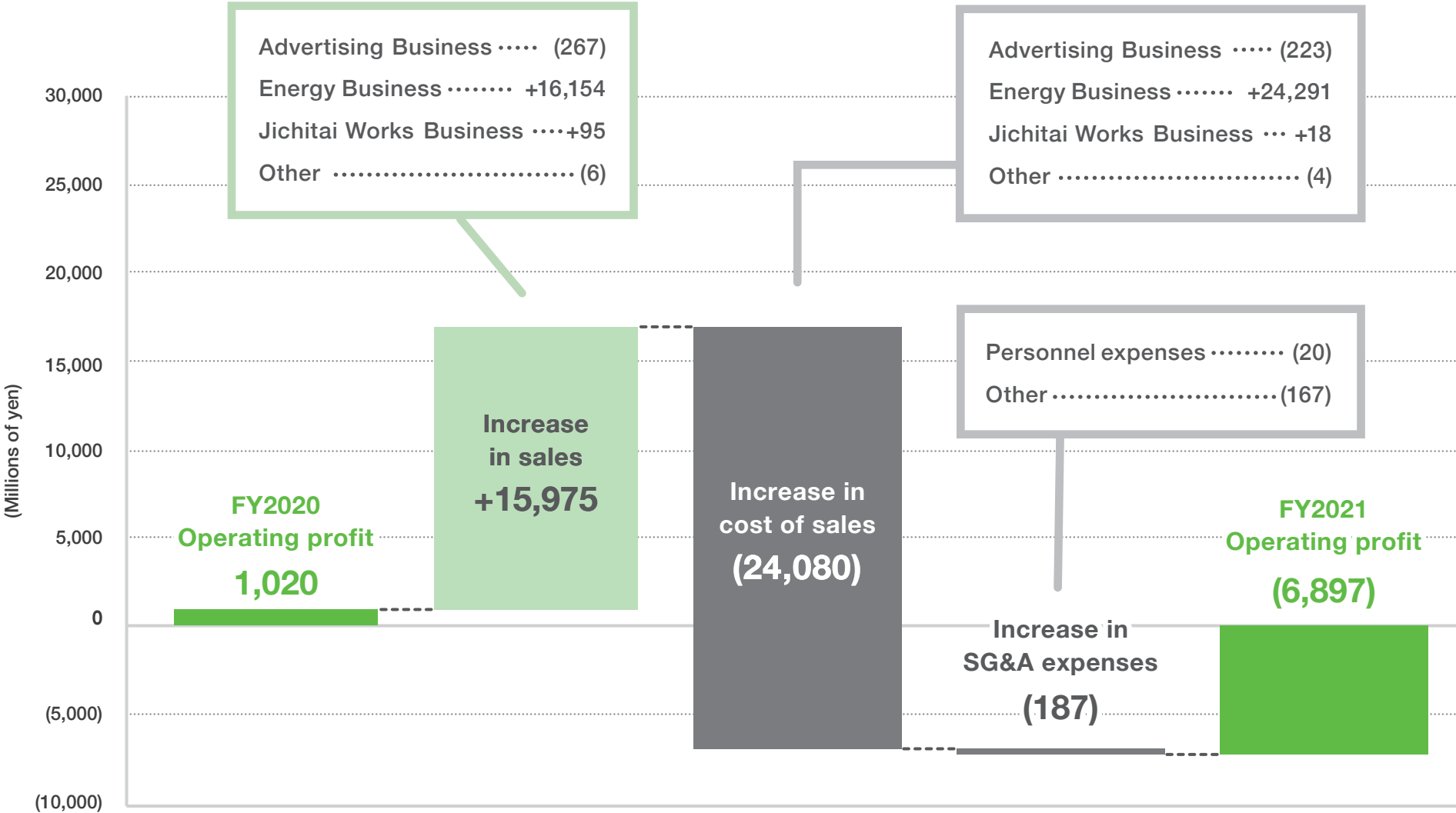
(Reference) Ministry of Economy, Trade and Industry  
 Special approval for an imbalance fee rate cap of ¥200/kWh in response to the rapid increase in the wholesale market price of electricity was announced on Jan. 15, 2021.  
<https://www.meti.go.jp/press/2020/01/20210115007/20210115007.html>

- The Media Business was renamed the Jichitai Works Business on July 1, 2021 to strengthen the Jichitai Works brand.
- Achieved year-on-year growth in all quarters



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

## Major components of changes





- Negative equity at the end of FY2021 was ¥2,482 million, about ¥2 billion less than negative equity of ¥4,514 million at the end of the third quarter.
- We are continuing to study numerous potential measures to return to positive equity.

(Millions of yen)	FY2020		FY2021		
	Results (non-consolidated)	Comp.	Results (consolidated)	Comp.	Change
Cash and deposits	1,300	20.0%	1,932	17.7%	+632
Notes and accounts receivable-trade	3,629	55.7%	7,338	67.1%	+3,709
Inventories	477	7.3%	429	3.9%	(48)
<b>Current assets</b>	<b>5,750</b>	<b>88.2%</b>	<b>10,356</b>	<b>94.7%</b>	<b>+4,606</b>
<b>Non-current assets</b>	<b>769</b>	<b>11.8%</b>	<b>584</b>	<b>5.3%</b>	<b>(184)</b>
<b>Total assets</b>	<b>6,519</b>	<b>100.0%</b>	<b>10,941</b>	<b>100.0%</b>	<b>+4,422</b>
Accounts payable-trade	2,747	42.1%	11,294	103.2%	+8,546
Short-term borrowings	433	6.6%	950	8.7%	+517
Current portion of long-term borrowings	386	5.9%	366	3.4%	(20)
<b>Current liabilities</b>	<b>4,485</b>	<b>68.8%</b>	<b>12,841</b>	<b>117.4%</b>	<b>+8,356</b>
Bonds payable	100	1.5%	100	0.9%	+0
Long-term borrowings	674	10.3%	482	4.4%	(191)
<b>Non-current liabilities</b>	<b>774</b>	<b>11.9%</b>	<b>582</b>	<b>5.3%</b>	<b>(191)</b>
<b>Total liabilities</b>	<b>5,259</b>	<b>80.7%</b>	<b>13,424</b>	<b>122.7%</b>	<b>+8,164</b>
<b>Total net assets</b>	<b>1,259</b>	<b>19.3%</b>	<b>(2,482)</b>	<b>(22.7%)</b>	<b>(3,742)</b>
<b>Total liabilities and net assets</b>	<b>6,519</b>	<b>100.0%</b>	<b>10,941</b>	<b>100.0%</b>	<b>+4,422</b>

- Results of fund procurement activities

To return to positive equity, HOPE, INC. sold stock through a third-party allotment on April 30, 2021 and issued and exercised the Ninth Share Acquisition Rights. This resulted in the procurement of about ¥2,100 million. (As of August 2)

## 1 Stabilize Energy Business earnings

- Respond to market price volatility risk

Increase direct purchases of electricity from suppliers in the future as much as possible while taking into consideration the availability of funds.

- Installment payments of the imbalance fee

HOPE, INC. made the fifth installment payment on August 11 for the January 2021 imbalance fee. About ¥3.6 billion of the imbalance fee of about ¥6.5 billion has been paid.

\*(Reference) Refer to the following for more information.

Responses to the Sudden Increase in the Wholesale Price of Electricity, Jan. 29, 2021 (Ministry of Economy, Trade and Industry)

<https://www.meti.go.jp/press/2020/01/20210129002/20210129002.html>

Additional Responses to the Sudden Increase in the Wholesale Price of Electricity in Jan. 2021, Mar. 19, 2021 (Ministry of Economy, Trade and Industry)

<https://www.meti.go.jp/press/2020/03/20210319010/20210319010.html>

Notice of Acquisition and Cancellation of Seventh Share Acquisition Rights (with Exercise Price Adjustment and Exercise Permission Clauses) through Third-party Allotment, Apr. 30, 2021

<https://ssl4.eir-parts.net/doc/6195/tdnet/1960048/00.pdf>

## 2 Fund procurement activities

- Issued and exercised the Ninth Share Acquisition Rights

Although the share acquisition rights have been exercised, the price of HOPE, INC.'s stock is currently below the minimum exercise price of the rights.

- Maintaining sound relationships with financial institutions, primarily the main banks serving HOPE, INC., and continuing to explore many options for procuring funds

- Plan to amend the Articles of Incorporation to increase the authorized number of shares in order to increase the flexibility for any upcoming fund procurement activities

\*On May 18, 2021, HOPE, INC. purchased and canceled all remaining 1,000 units of the Seventh Share Acquisition Rights allotted to Mizuho Securities that was announced on Aug. 11, 2020.

# II. Topics

- The electricity retail sales business of the Energy Business will be transferred to HOPE ENERGY, INC.
- The transfer is to take place on December 1, 2021 (tentative), which will allow a subsidiary to focus resources on the operation of this business.

## ■ Purpose of this divestiture

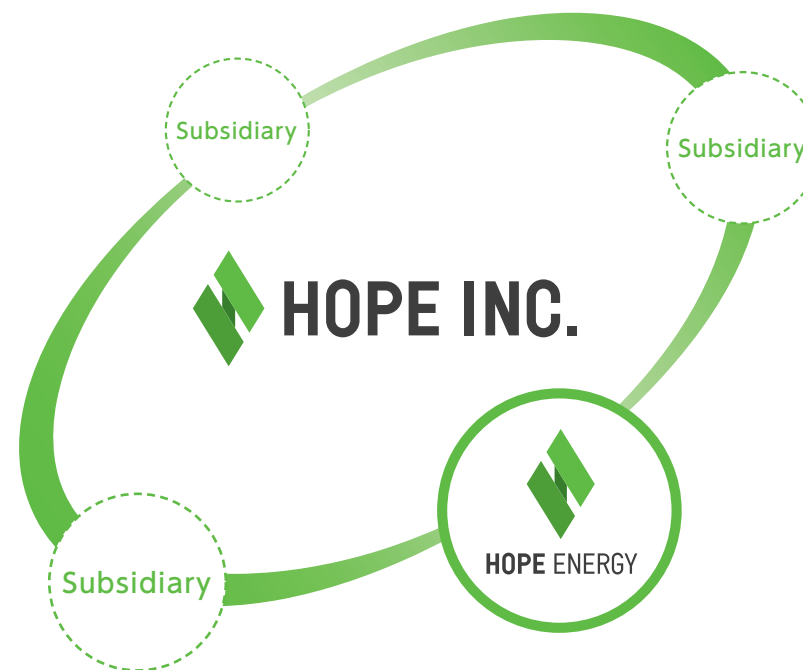
- Increase the speed of the electricity retail sales business and make it more competitive

## ■ Goals for the Energy Business

- Reduce risk exposure by continuing to operate this business at a subsidiary while downsizing operations to reflect market conditions
- Continue to seek more ways to hedge risks
  - Establish a framework for the consistent profitability of this business

## ■ Basic policy for group management

- Continue to study ways for the proper allocation of the group's resources among the energy and all other businesses, based on reorganizations and other measures in every business and activities to start new businesses.



(Reference) More information is in the Aug. 11, 2021 press release “Notice concerning Company Divestiture (Absorption and Divestiture).”

- On July 1, 2021, HOPE, INC. started performing services for advertisements placed on the website of the Japan Meteorological Agency\*.
- HOPE, INC. and Geniee, Inc. (Securities code: 6562) jointly developed an own advertisement distribution system and plan to provide this service for other local governments.

## Efficient use of advertisements on public sector websites

### ■ Conventional public sector websites

- To post banner advertisements on their websites are the mainstream format among the public sectors.
- Although this simplified the oversight of advertisements, it was difficult to determine the benefits of these advertisements in relation to the cost.



### ■ Advantages of the new jointly developed system

- Only advertisements that have been approved in advance are posted to maintain the trustworthiness of the website.
- Advertisers have many options for ad placement fee structures, such as fees based on impressions or clicks and other formats.



\*Advertisements are suspended while streaming press conferences, announcing warnings, asking people to evacuate and when the website is used to distribute other vital information. See the Jun. 25, 2021 press release titled "Restart of Advertisements on the Japan Meteorological Agency Website" [https://www.jma.go.jp/jma/press/2106/25c/20210625\\_koukoku.pdf](https://www.jma.go.jp/jma/press/2106/25c/20210625_koukoku.pdf)

(Reference) For more information, see the May 26, 2021 press release titled "HOPE, INC. to Support Advertisements on the Japan Meteorological Agency Website Starting in Jul. 2021 – Uses a system developed with Geniee and to be provided to local governments too" <https://ssl4.eir-parts.net/doc/6195/tdnet/1977906/00.pdf>

- Started SMART FR CONSULTING SERVICE in the Advertising Business in June 2021
- More efficient increase in revenue for local governments by providing assistance beginning with development of advertisement menus

## More than ad sales – Starts with support for ad menu development

### ■ Assistance for developing public sector website ad menus

- The SMART FR CONSULTING SERVICE is designed as a solution for local governments that want income from advertisements but do not know how to accomplish this.

### ■ SMART FR CONSULTING SERVICE

- Based on the concept of generating income that helps improve communities, this service encompasses everything from ad sales to consulting for ad menu expansion
- The “FR” is short for financial resources
- A source of comprehensive proposals covering much more than simply advertisements in order to generate income for local governments



(Reference) For more information, see the Jun. 15, 2021 press release titled “HOPE,INC. Starts SMART FR CONSULTING in the Advertising Business – Every step from attracting advertisers to creating media and media use consulting in order to generate income for local governments”

<https://ssl4.eir-parts.net/doc/6195/tdnet/1989442/00.pdf>

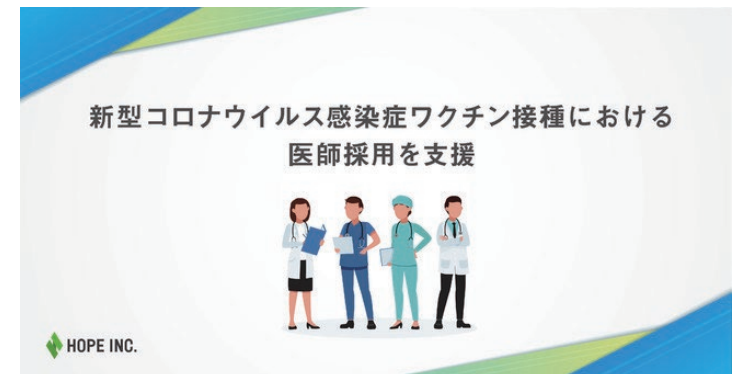
- Established an alliance with CHANGE, Inc. (Securities code: 3962), which provides assistance for the physician and pharmacist recruiting service of the M3 Group. This alliance uses public-private sector cooperation to help local governments recruit physicians to give people COVID-19 vaccinations
- This alliance is an example of how HOPE, INC. is fully utilizing its local government sales skills, a core strength of the company.

### ■ Joint activities with CHANGE, Inc.

- This alliance combines different strengths in the local government services category. CHANGE, Inc. has digital technology skills and HOPE, INC. has local government sales and bidding skills.
- HOPE, INC. will use its local government sales expertise to support CHANGE, Inc..

### ■ Uses a B-to-G solutions\* service

- Strengthens marketing activities centered on public-private sector cooperation in order to provide vaccinations faster and to more people
- Information about the vaccination needs of local governments, telemarketing, joint seminars, assistance for attracting people, physician recruiting needs, and other items is passed on to the M3 Group



\*Formerly B-to-G marketing

(Reference) For more information, see the Jun. 21, 2021 press release titled “HOPE, INC. Helps Meet Local Government Physician Recruiting Needs for COVID-19 Vaccinations – Alliance With CHANGE, Inc. which Provides Assistance for the Physician and Pharmacist Recruiting Service”

<https://ssl4.eir-parts.net/doc/6195/tdnet/1990702/00.pdf>

- In June 2021, the Jichitai Works Business started the Jichitai Works Free Name Card service
- This service will expand the government employee database, which is the key element of the Jichitai Works Business

## Supports government employees and expands the database

### ■ The Jichitai Works Free Name Card service

Our survey revealed that most local government employees do not receive name cards. This is why we started a name card service that gives each employee 100 name cards every year at no charge.

For more information: <https://meishi.jichitai.works/>

### ■ A tool that supports local government employees while expanding our database

Free name cards meet an important need of government employees and enable us to build a larger local government employee database. We plan to use this information to further enlarge and upgrade our lineup of services (as a step for accomplishing our government employee platform concept).



(Reference) For more information, see the Jun. 15, 2021 press release titled "HOPE,INC. Starts the Jichitai Works Free Name Card Service for Government Employees – Preliminary sales activities in Jun. 2021 and full-scale launch in August"

<https://ssl4.eir-parts.net/doc/6195/tdnet/1990019/00.pdf>



## III. FY2022 Outlook

# FY2022 Plan (Income Statement)

	FY2020	FY2021	FY2022	
	Results (non-consolidated)	Results (consolidated)	Plan (consolidated)	YoY change
(Millions of yen)				
Net sales	<b>12,470</b> 〈14,407〉	<b>28,446</b> 〈34,617〉	<b>34,850</b>	+22.5%
Gross profit	<b>2,261</b>	<b>(5,843)</b>	—	—
SG&A expenses	<b>1,240</b>	<b>1,053</b>	—	—
Operating profit	<b>1,020</b>	<b>(6,897)</b>	<b>479</b>	—
Ordinary profit	<b>1,012</b>	<b>(6,937)</b>	<b>424</b>	—
Profit attributable to owners of parent	<b>665</b>	<b>(6,997)</b>	<b>398</b>	—
Net income per share	<b>117.97<sub>yen</sub>*</b>	<b>(1,106.57)<sub>yen</sub></b>	<b>32.18<sub>yen</sub></b>	—

\* < > is figures using the gross recognition method. HOPE, INC. is using the new revenue recognition standard starting in FY2022, so gross figures are not shown for FY2022.

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

- For the FY2022 earnings forecast, the following assumptions are used for estimates for major variable items in the Energy Business.

## Estimated regional composition of energy to be supplied

Hokkaido	Tohoku	Tokyo	Chubu	Hokuriku	Kansai	Chugoku	Shikoku	Kyushu	Total
12.34%	4.32%	26.48%	35.30%	1.51%	7.33%	8.91%	2.62%	1.19%	100.00%

### 1 Cost of open market purchases of electricity

- Forecast for cost of electricity purchased on the JEPX

These estimates are weighted averages using the expected electricity prices and amount purchased by customers of HOPE, INC. in each region

Market price forecast (Yen/including tax)	2021						2022					
	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.
	9.82	10.69	9.50	8.09	8.30	9.84	11.07	8.39	7.47	7.28	7.65	7.75

### 2 Fuel cost adjustment

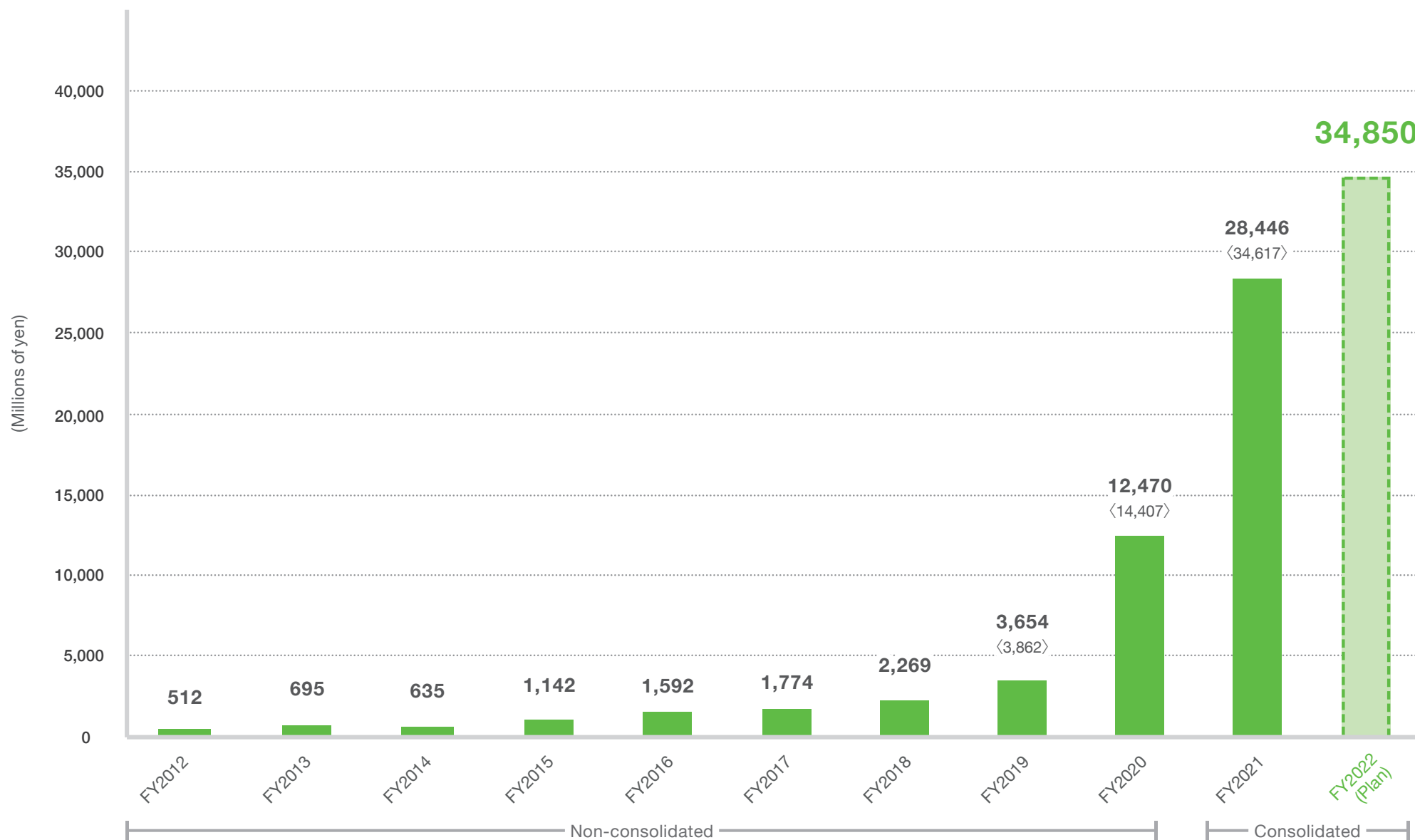
- Forecast for the fuel cost adjustment

These estimates are weighted averages using the expected electricity prices and amount supplied to customers of HOPE, INC. in each region

\*The fuel cost adjustment allows revising electricity rates paid by customers in order to reflect an increase or decrease in the cost of imported fuel used at thermal power plants. The adjustment is based on the difference between the average price of fuel (using 3-month trade statistics for prices of crude oil, LNG and coal) and reference fuel prices.

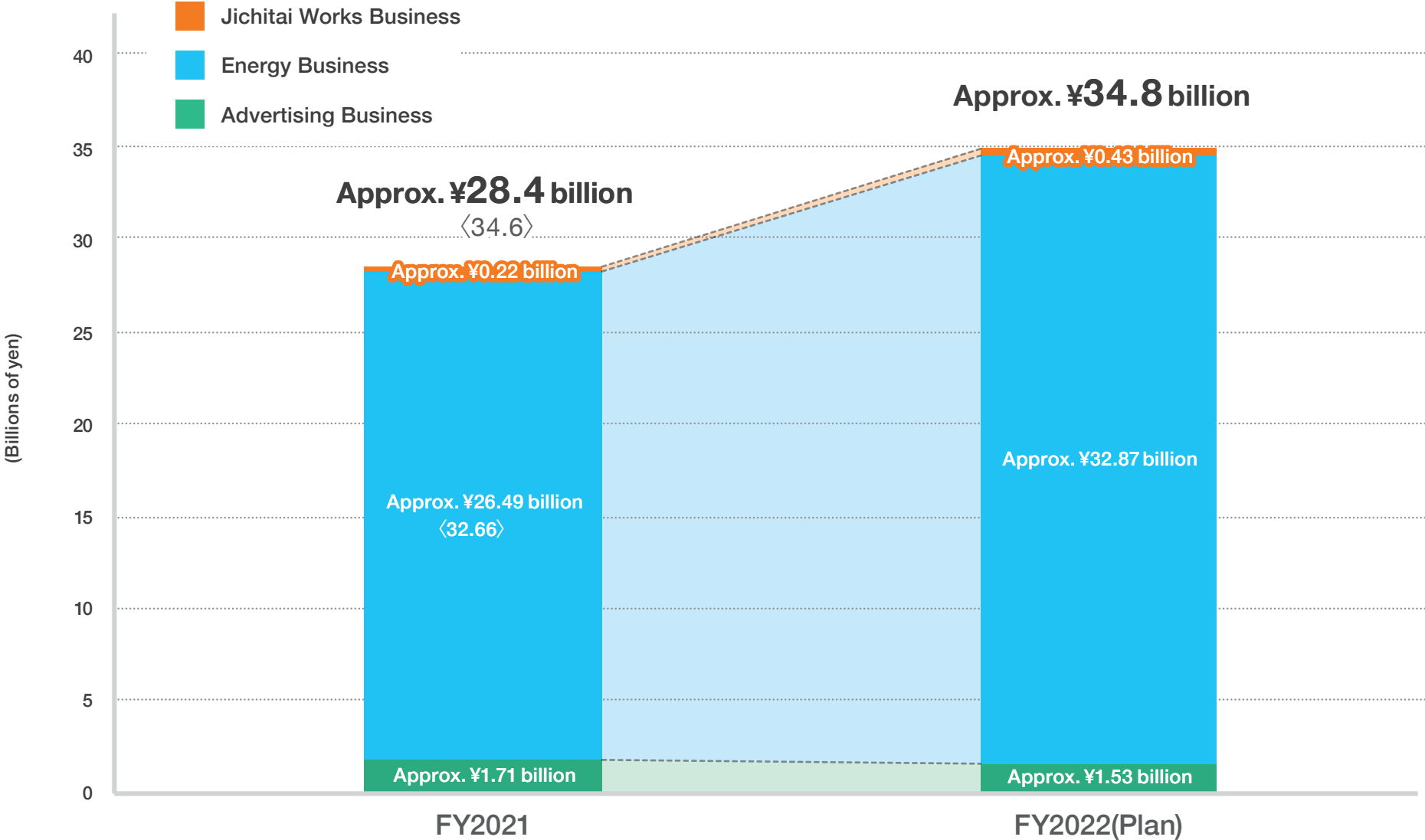
Weighted average fuel cost adjustment (Yen/including tax)	2021						2022					
	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.
	¥(2.73)	¥(2.65)	¥(2.57)	¥(2.46)	¥(2.38)	¥(2.29)	¥(2.21)	¥(2.13)	¥(2.06)	¥(1.91)	¥(1.92)	¥(1.91)

# Consistent Sales Growth



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

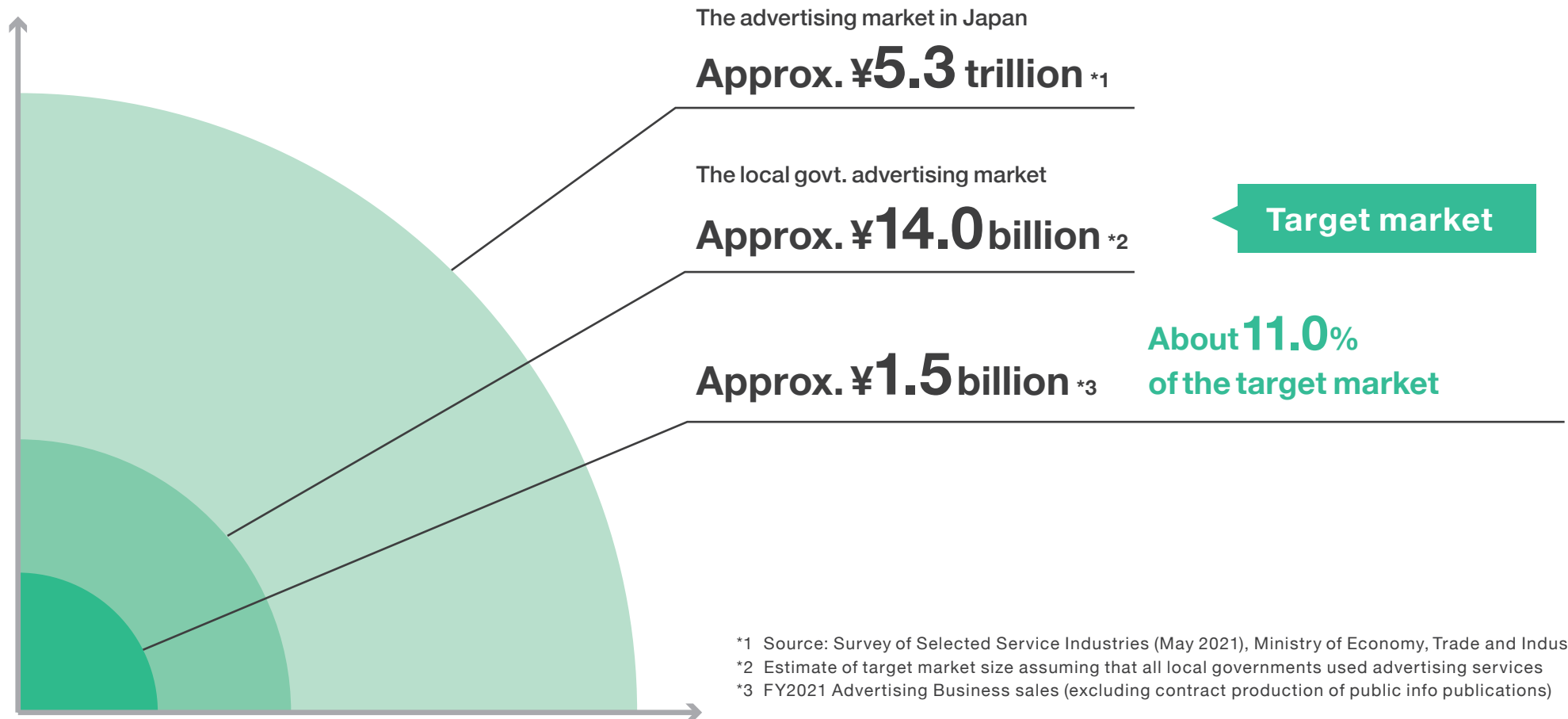
\* < > is figures using the gross recognition method.



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

# IV. Business Environment and Growth Strategies

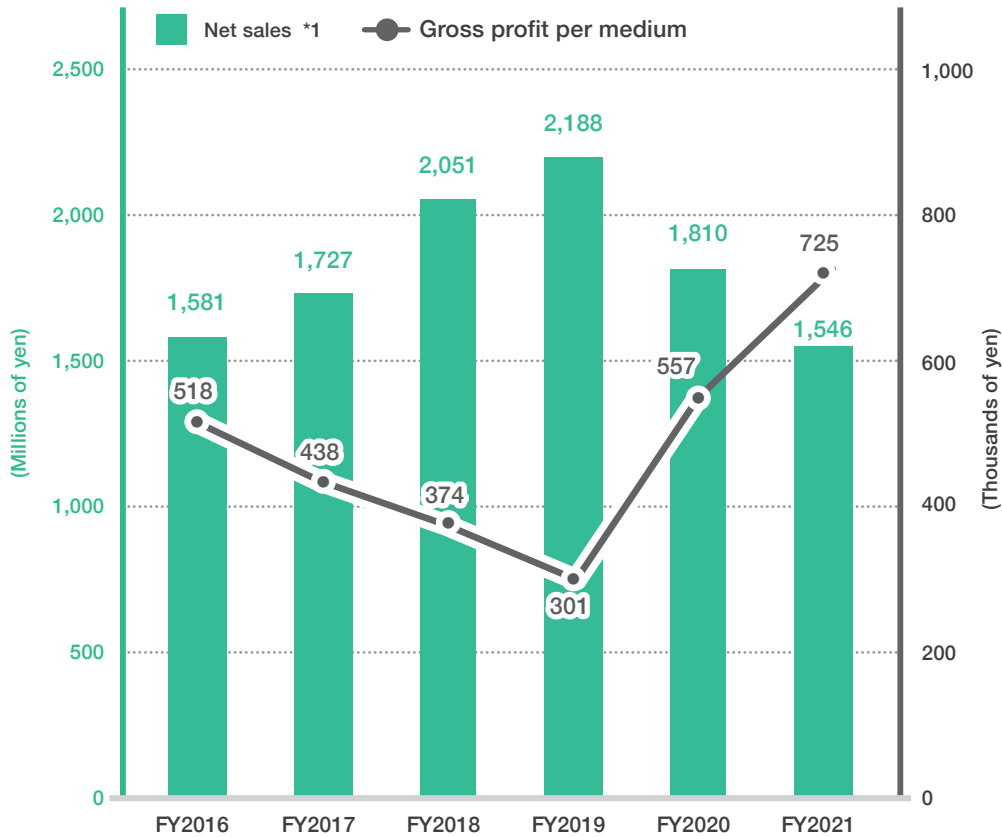
- HOPE, INC. created a new market with its Advertising Business, the company’s original activity, and has provided advertising services to local governments for about 16 years.
- HOPE, INC.’s share of this market is about 11.0%.



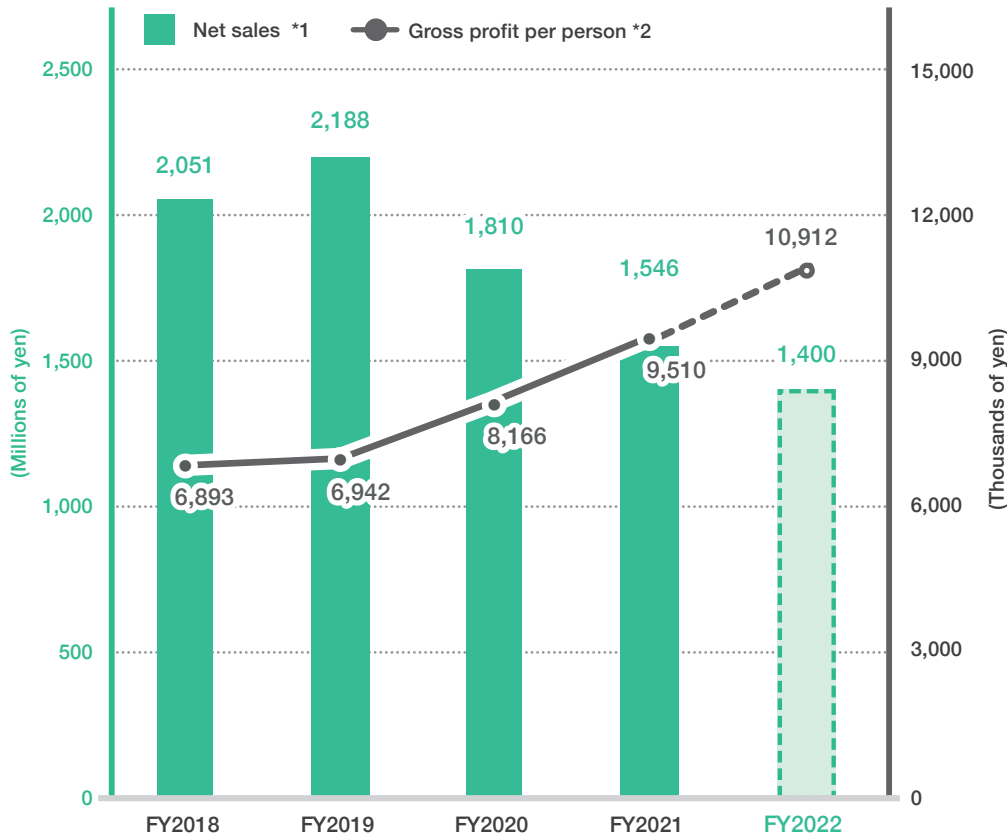
\*1 Source: Survey of Selected Service Industries (May 2021), Ministry of Economy, Trade and Industry  
 \*2 Estimate of target market size assuming that all local governments used advertising services  
 \*3 FY2021 Advertising Business sales (excluding contract production of public info publications)

- Improve profitability by achieving the proper size of this business
- Aim for consistent earnings by raising productivity per employee, a new performance indicator, while holding sales steady at a certain level

■ Gross profit per medium in the Advertising Business



■ Gross profit per person in the Advertising Business



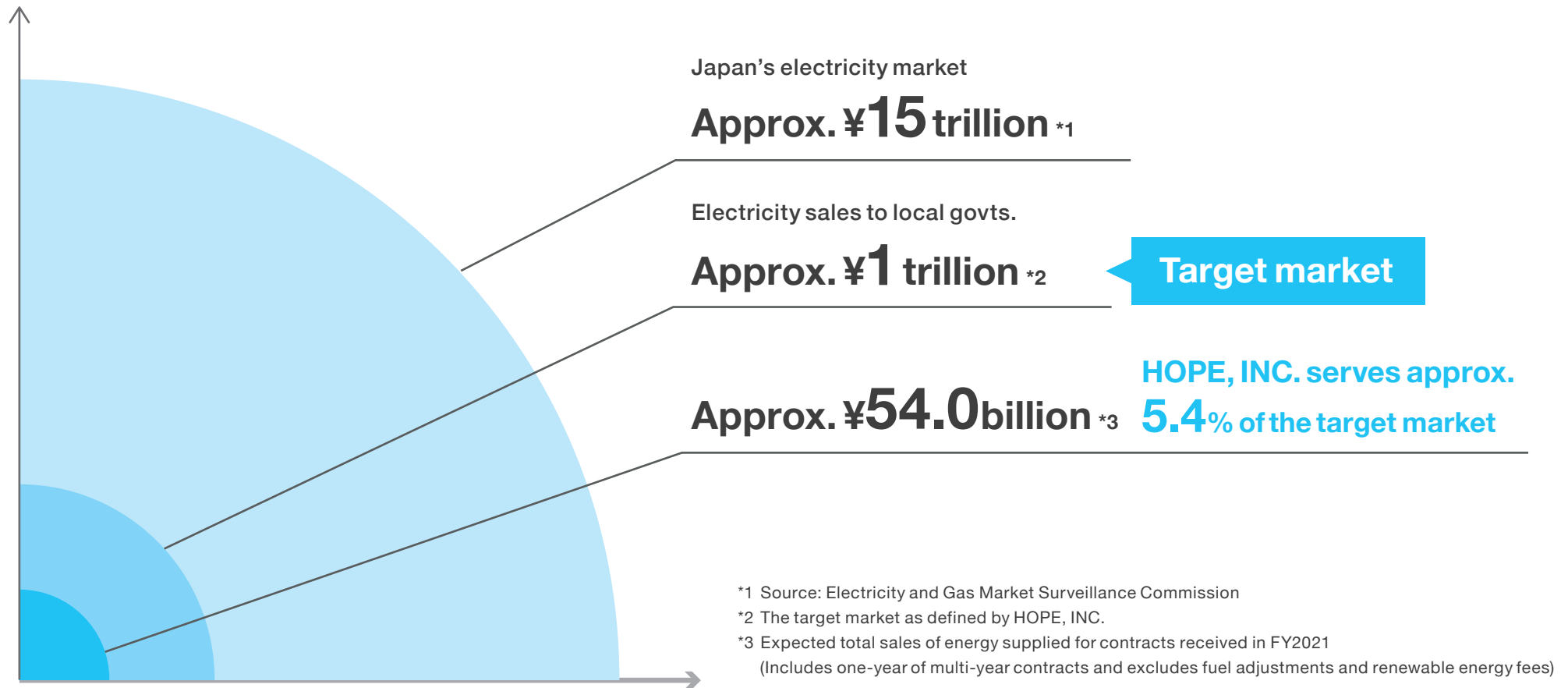
\*1 Advertising business sales (excluding contract production of public information publications)  
 \*2 Number of advertising employees is the average for every year and excludes advertisement designers.



### Leverage current business with local governments



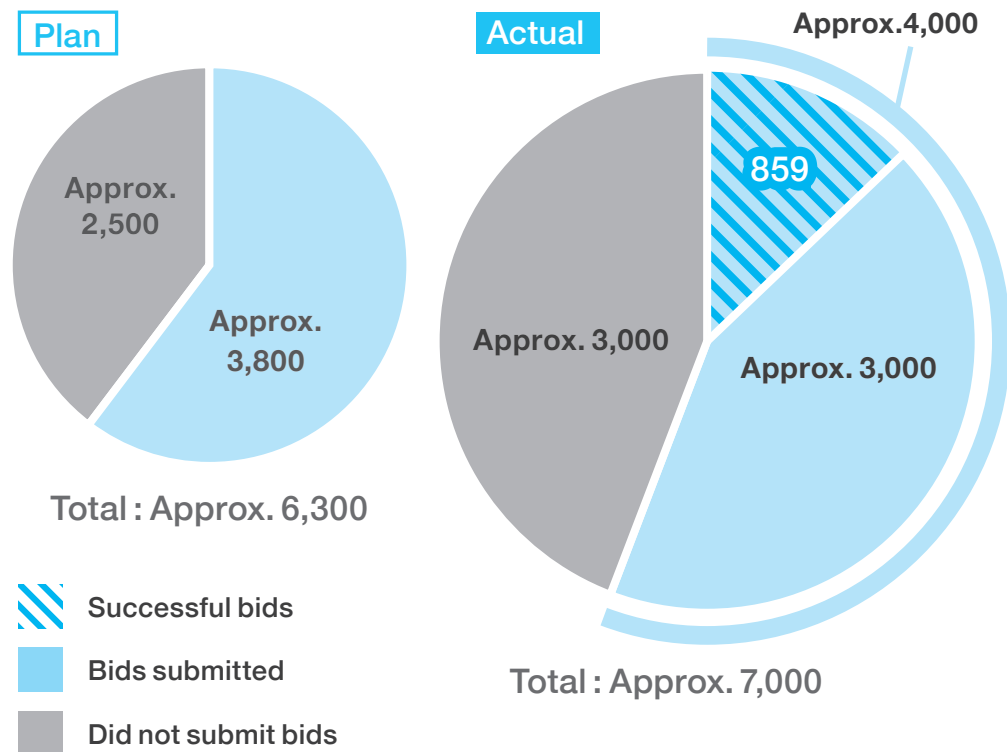
Submit bids for new contracts by taking advantage of existing vendor registrations with the local governments and other measures



- In FY2021, the number of winning bids was generally as expected.
- In FY2022, the electricity retail sales business will continue as a business of a group company following the divestiture.

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

FY2021 plan/actual (contracts)



FY2022 plan and policy

**Assumptions**

- (1) Prices are low usually during the spring but in 2021, JEPX prices have been higher than expected.
- (2) There are concerns about the possibility of a tight supply of electricity during the winter of 2021-2022.

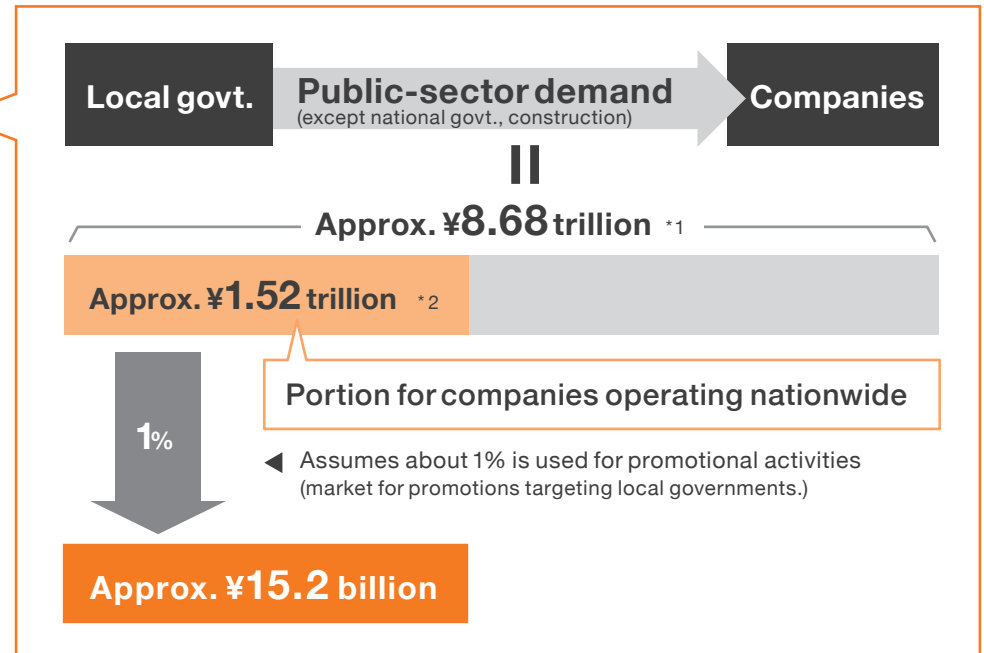
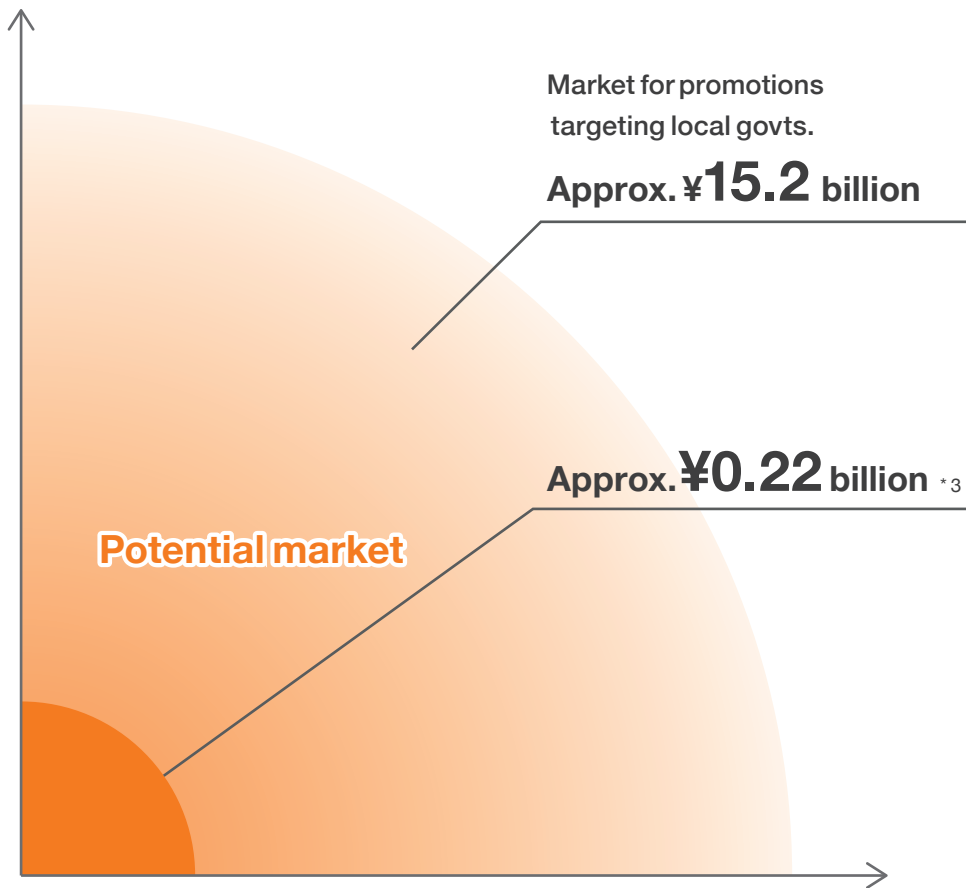
Risk hedges will have to be increased because these risk factors cannot be ignored. The cost of hedges is expected to raise expenses, making it difficult to achieve the high level of profitability of prior years.

**Plan to submit bids on fewer contracts**

- **Downsize to maintain proper balance**  
The Energy Business is more than 80% of total sales, but exposes HOPE, INC. to substantial market risk. HOPE, INC. will allocate resources properly from the standpoint of maintaining a sound base for business operations.

• 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 FY2021 Jichitai Works Business sales

Become a link for public-private sector collaboration and ties among local governments based on the concept of energizing “experiences and people” at local governments.

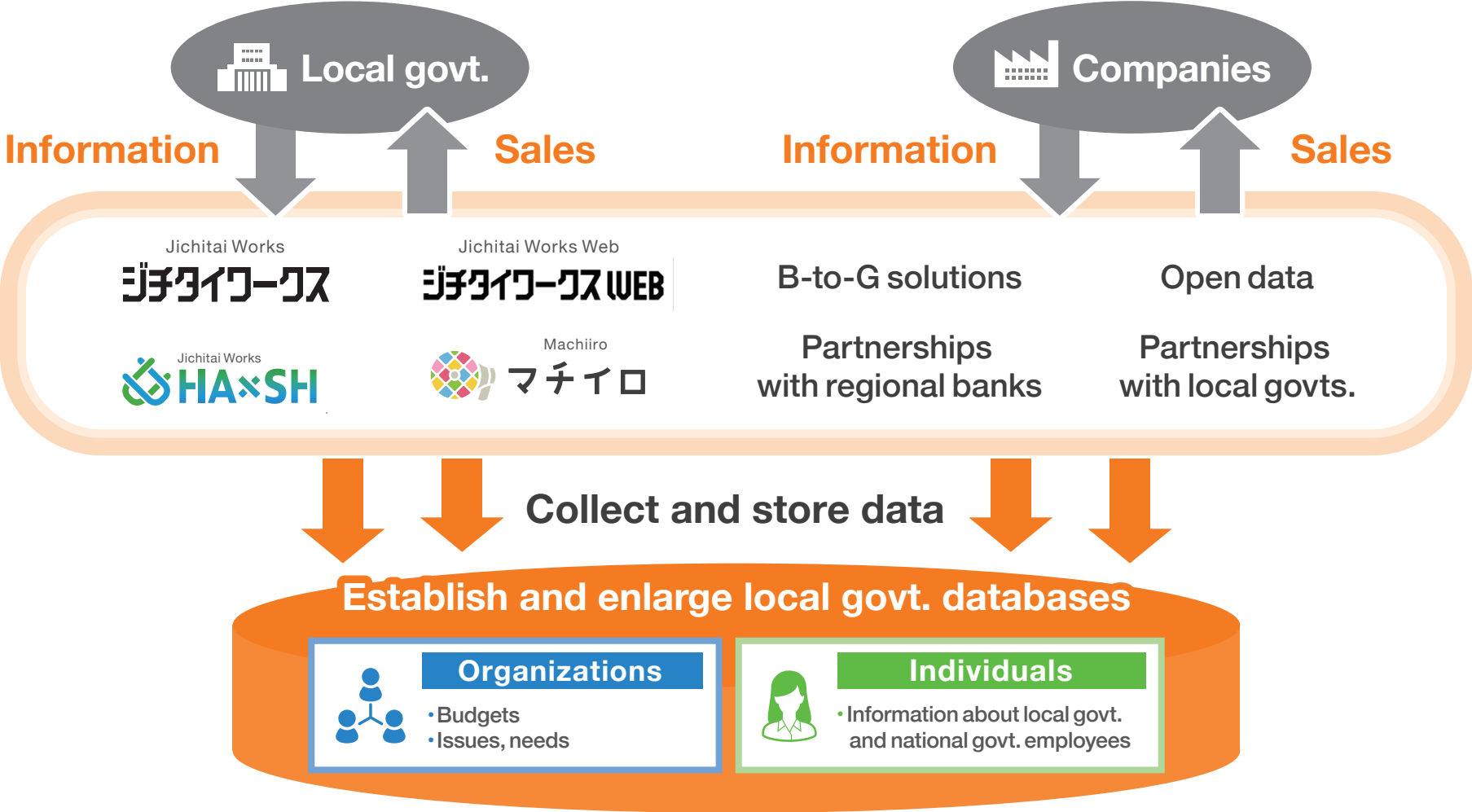


**Contribute to market growth**

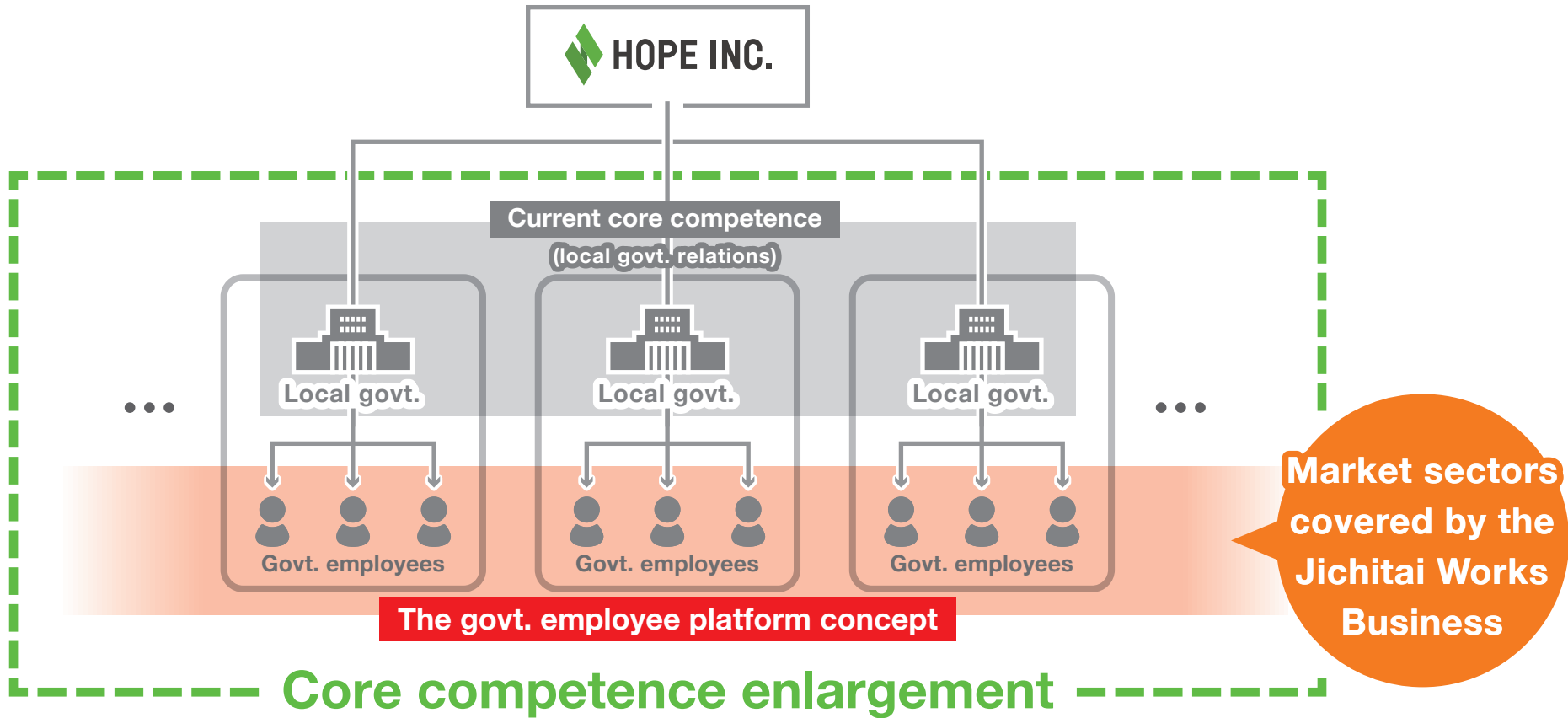


- Provide many types of services**
- Broad range of activities using the Jichitai Works brand
  - More matching by using the internet, telemarketing and other methods

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



- The government employee platform concept :  
Enlarge business operations to cover the government employee sector in order to become the leader in businesses and services for local governments.
- The government employee sector will be a growing market for the Jichitai Works Business.



- Reestablish HOPE NEXT 3 based on the elimination of negative equity
- The goal is to eliminate negative equity by the end of June 2022

## ■ Assumptions

- The original medium-term plan made the Energy Business a large share of sales and earnings.
- We reexamined the business portfolio, including new businesses, to establish a strategy for growth.

## ■ Timing for establishing a new plan

- In FY2022, we are focusing on making steady progress with measures to eliminate negative equity and achieving this goal by the end of June 2022.
- A new medium-term plan will be established after equity becomes positive.

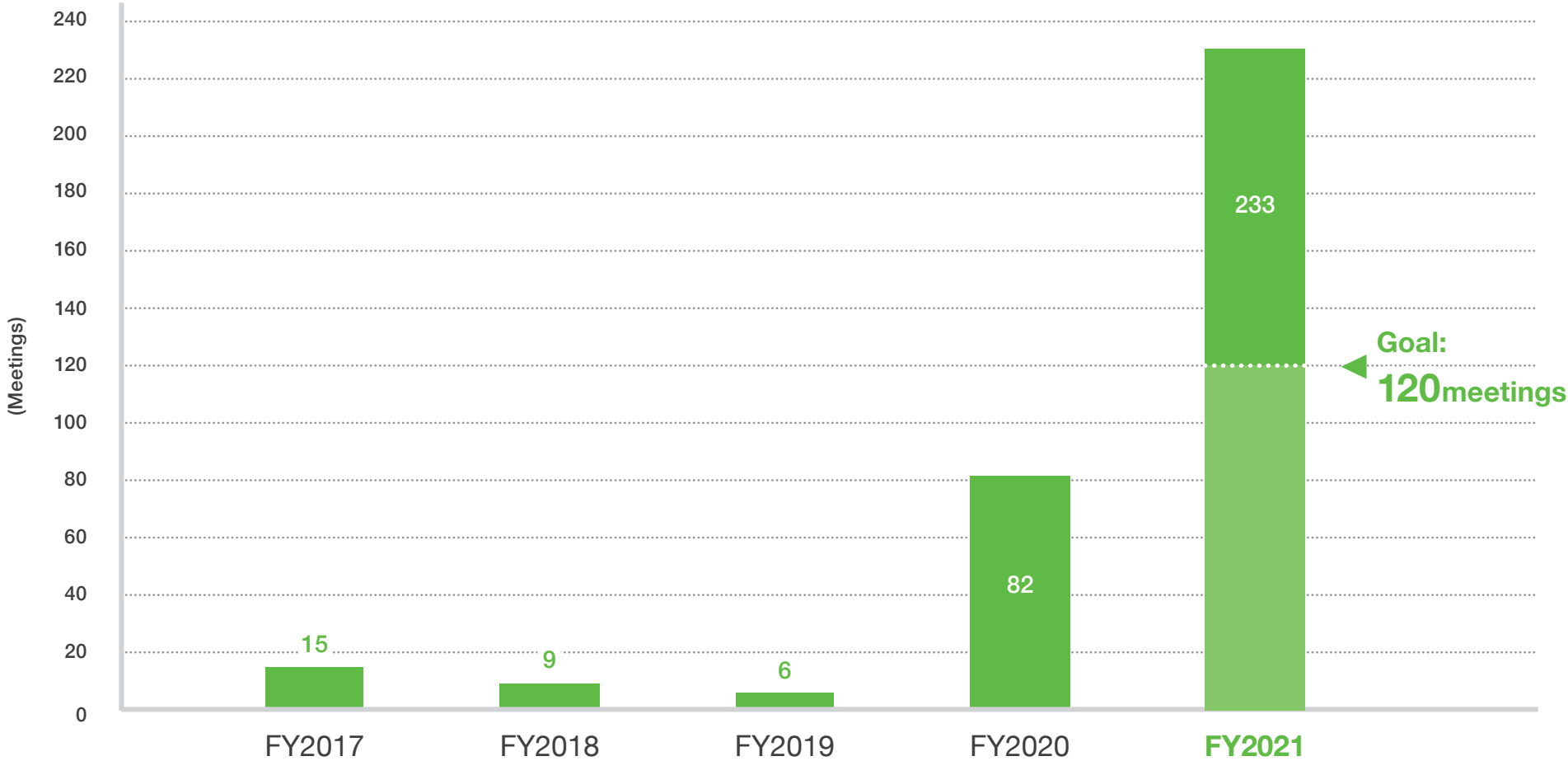
## ■ Other items

- 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 Jichitai Works Business.

(Reference) Information about the Medium-term Management Plan before the reexamination 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

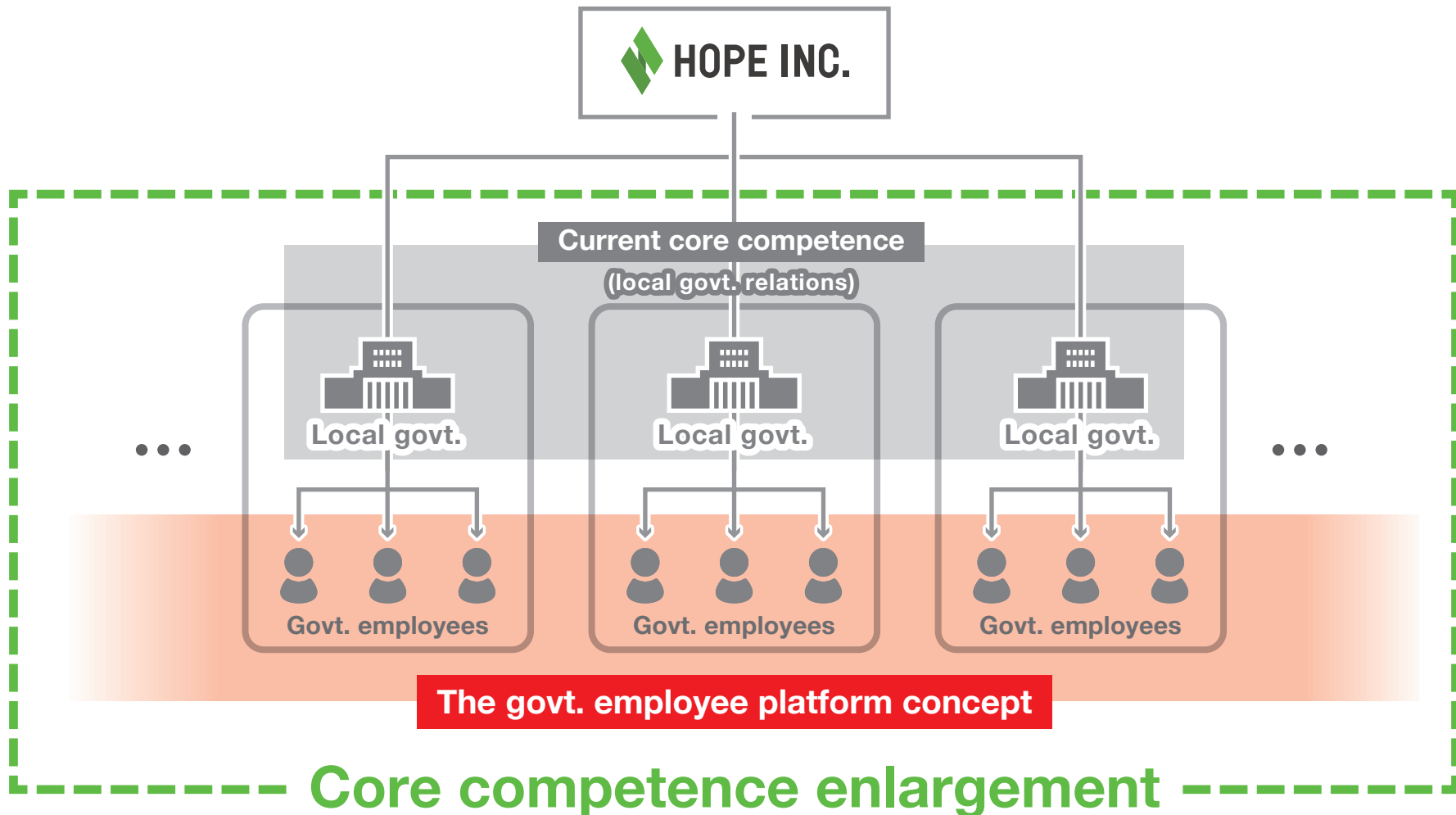


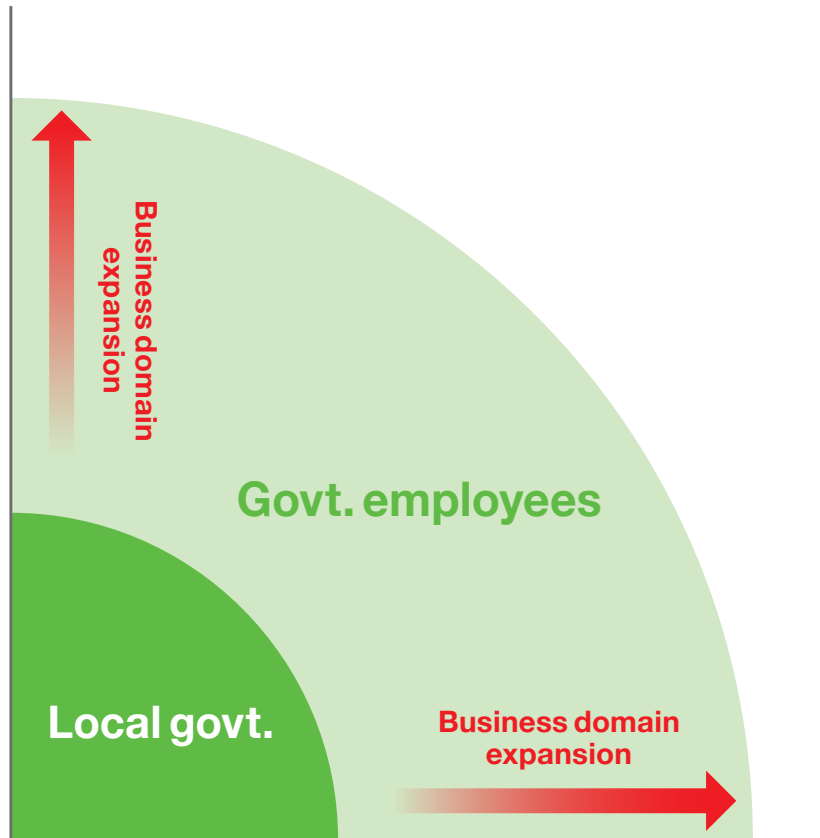
\*Includes online meetings and telephone calls



# V. 2020 VISION

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

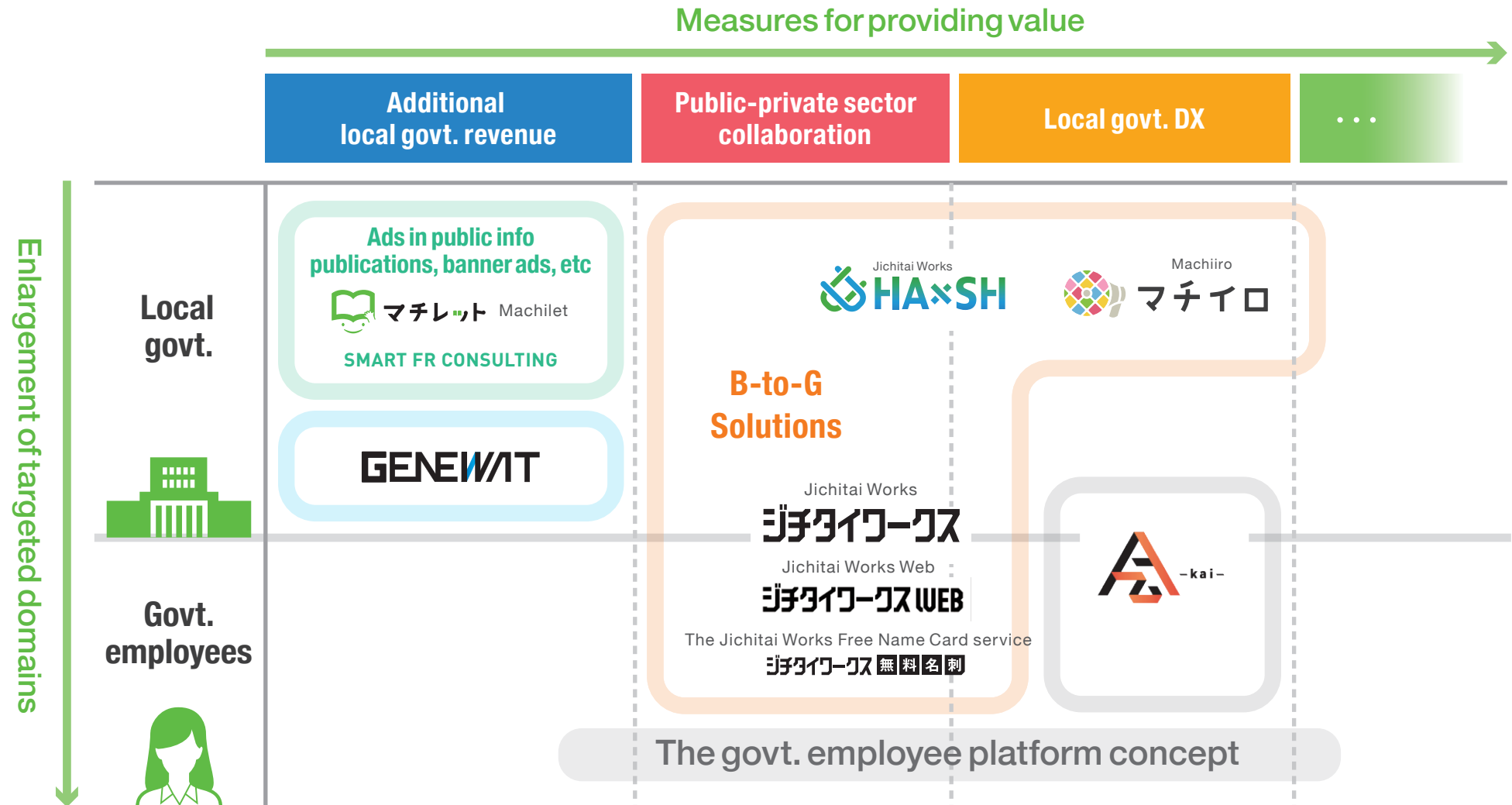




Use the enlargement of the core competence for the diversification of business activities in a domain expanded to include the government employee sector

**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

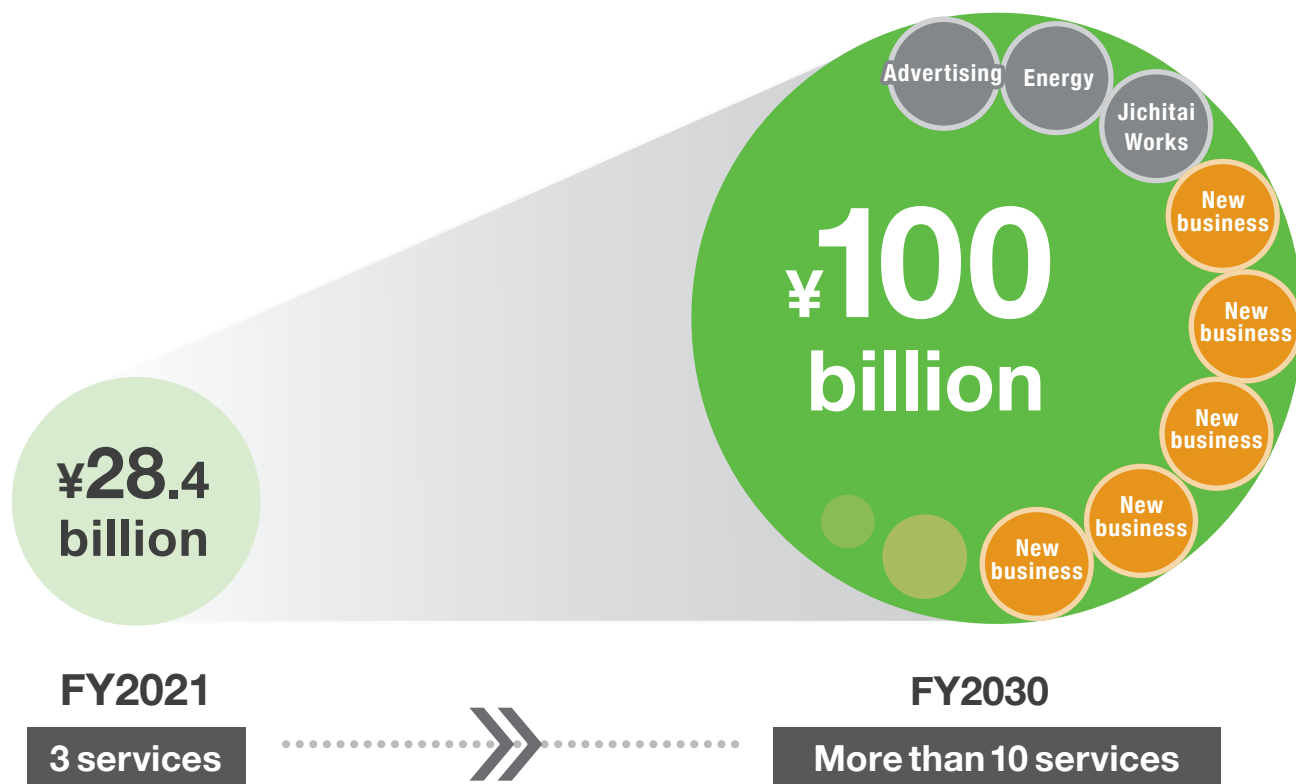
Operating profit

¥ **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



## Jichitai Works Business

Jichitai Works      Jichitai Works Web  
じちたいワークス      じちたいワークスWEB

B-to-G Solutions



\*Beginning with FY2020, Machihiro has been moved from the Jichitai Works segment to others.



Corporate Philosophy

Providing new value to citizens through local governments



Additional local govt. revenue

- Public info publications, local government websites
- Information distributed to residents

- Use of media space
- Free joint publications by local governments and HOPE, INC.



Local governments sell ad space in their publications

A new source of revenue for local governments

Business model



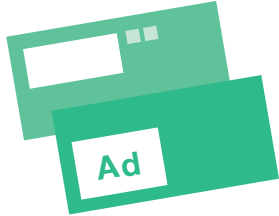
Examples of media



Public info publications



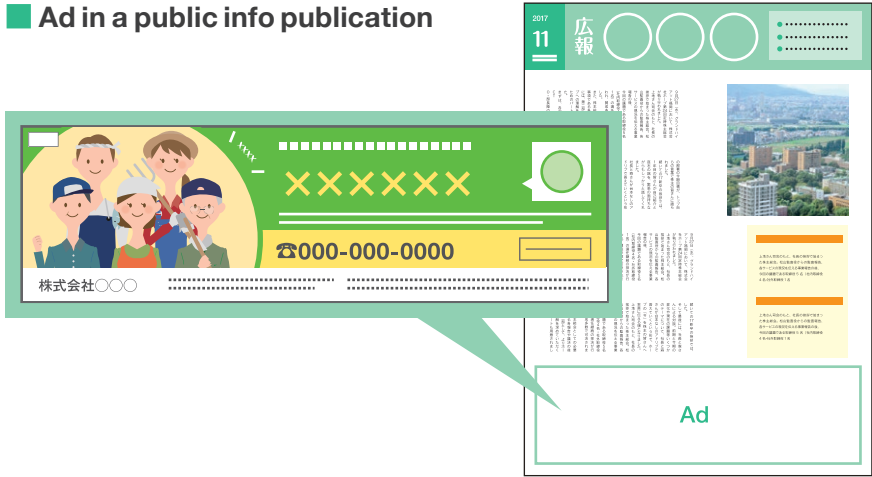
Website banner



Payslips for 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

Child care      Empty houses      Senior care      My ending      Others

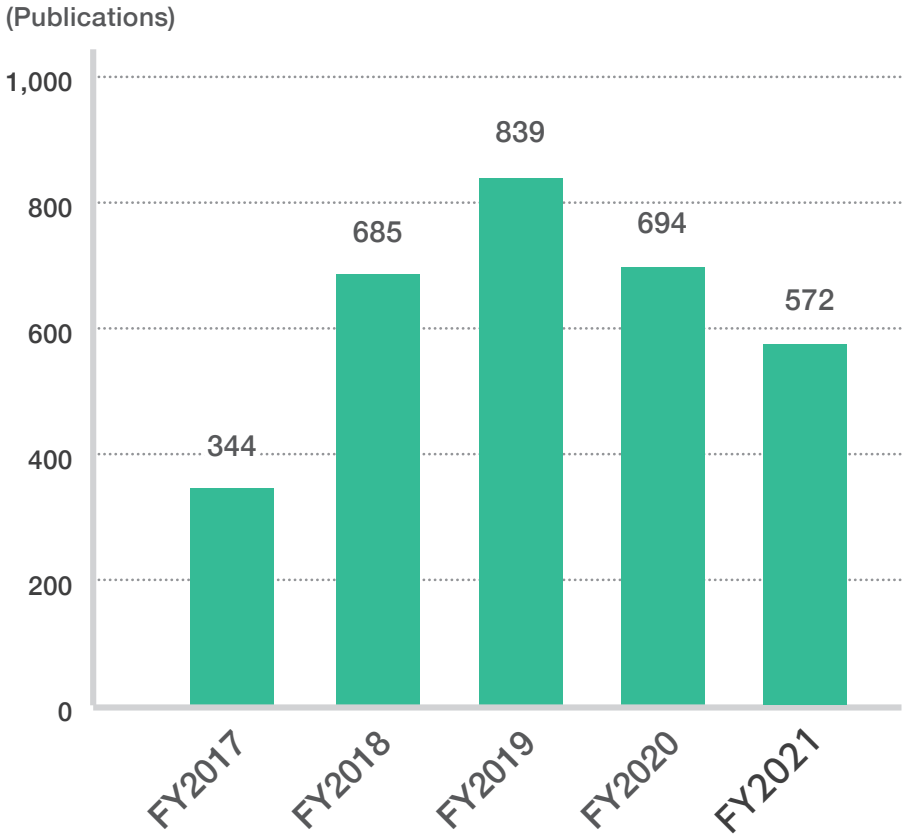
Ad in a pamphlet (child care information)

Content (child care information)      Advertisement (monetize space)

### SMART RESOURCE SERVICE



### SMART CREATION SERVICE (Machilet)



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

\*The SMART CREATION SERVICE includes conventional pamphlets (Machilet) as well as Clear File and other special publications issued in each fiscal year. A revised definition is used for number of publications between FY2017 and FY2021 and these figures have been revised accordingly.

## 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 SERVICE 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 government contract bids will have an effect on the next fiscal year all the way to Mar.

## SMART CREATION SERVICE (Machilet)

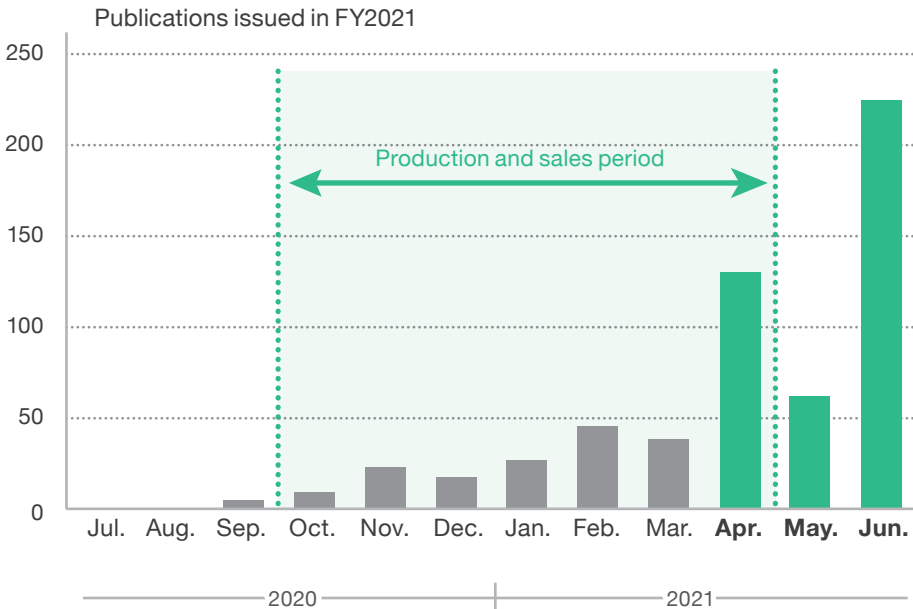
### 1 Most production and sales at the same time of the year

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

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

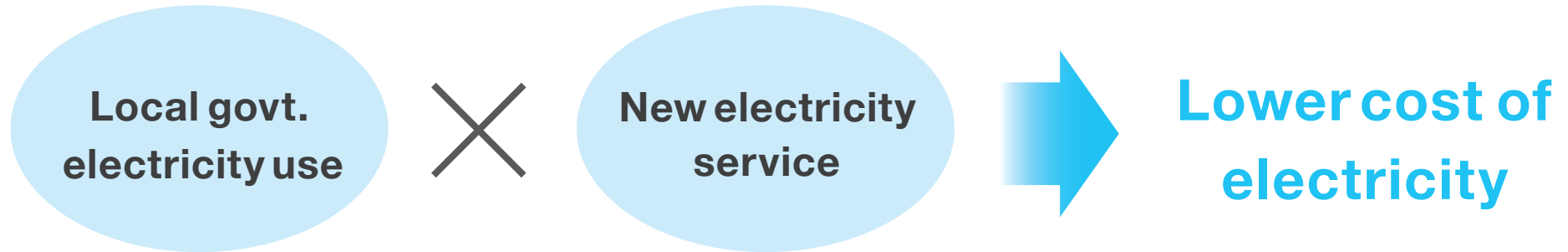
About 70% of publications are issued between Apr. and Jun.

- ▶ Most sales and cost of sales are recorded in the fourth quarter



Corporate Philosophy

Providing new value to citizens through local governments



Value provided

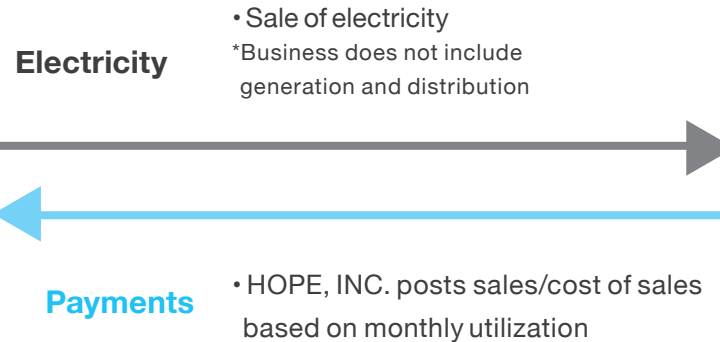


## Start of the electricity sales business

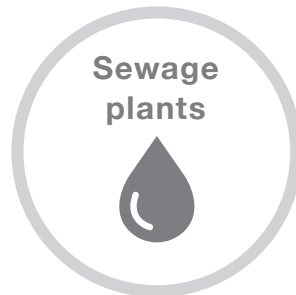


GENEWAT uses the new perception of “electricity as a generic product” for supplying electricity at a lower price in order to help local governments reduce costs.

### Business model



### GENEWAT users (mainly local governments)



## 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

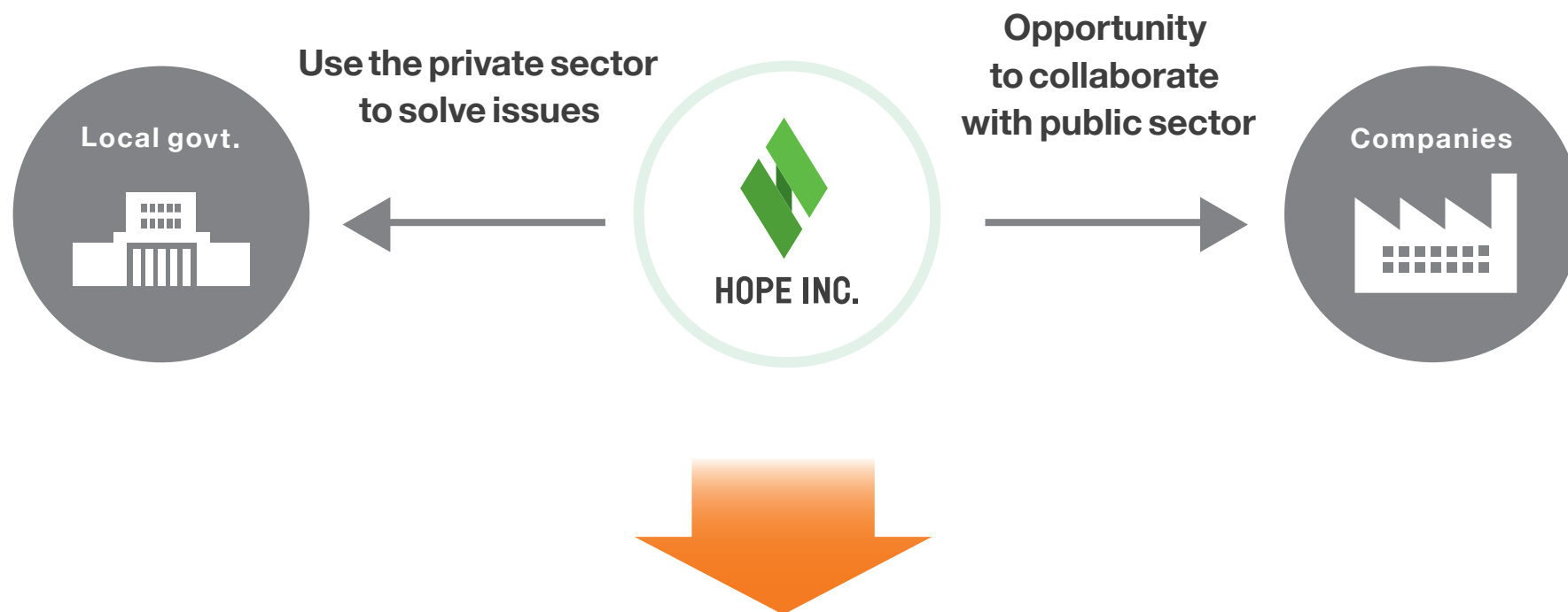
## 3 A low-cost business

- When determining bids, the Energy Business utilizes bidding expertise acquired over many years in the Advertising Business



Corporate Philosophy

Providing new value to citizens through local governments



## Public-private sector collaboration

• Use of advertisements to monetize publications

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



Issued four times every year

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.



- In the B-to-G solutions, local government relationships are used for surveys to identify needs and for holding seminars, and other activities.  
In addition, sales promotion and other promotion fees from companies and a revenue sharing model will be used for monetization.

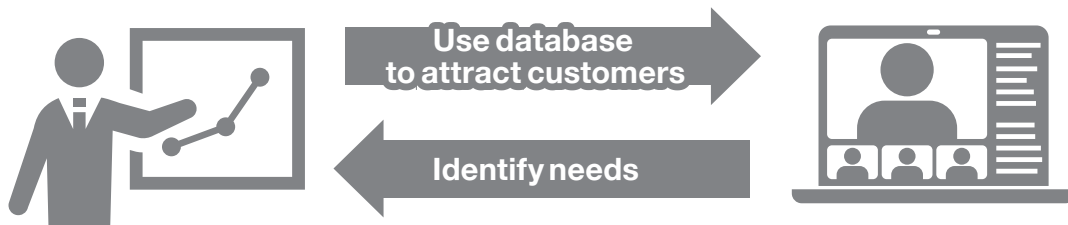
Support for marketing and promotional activities of companies with products and services for local governments



**Contracted service orders received in the fourth quarter (Apr.-Jun.)**

- Seminars for local government employees and other services (orders from 11 companies)

- Distribution of marketing materials (orders from 11 companies)
- Direct mail marketing (orders from 11 companies)
- Telemarketing (orders from 10 companies)
- Distribution of e-magazines (orders from 2 companies)
- Others



\* B-to-G solutions has two components: (1) B-to-G promotions (formerly B-to-G marketing), which receives orders that generate promotion fees, and (2) B-to-G comprehensive support, which receives orders with a revenue sharing structure.

• A joint assistance platform for local governments and companies



- The app provides the latest info from registered local governments by giving users access to public info publications of local governments nationwide.
- Distribution of content for local governments and regions



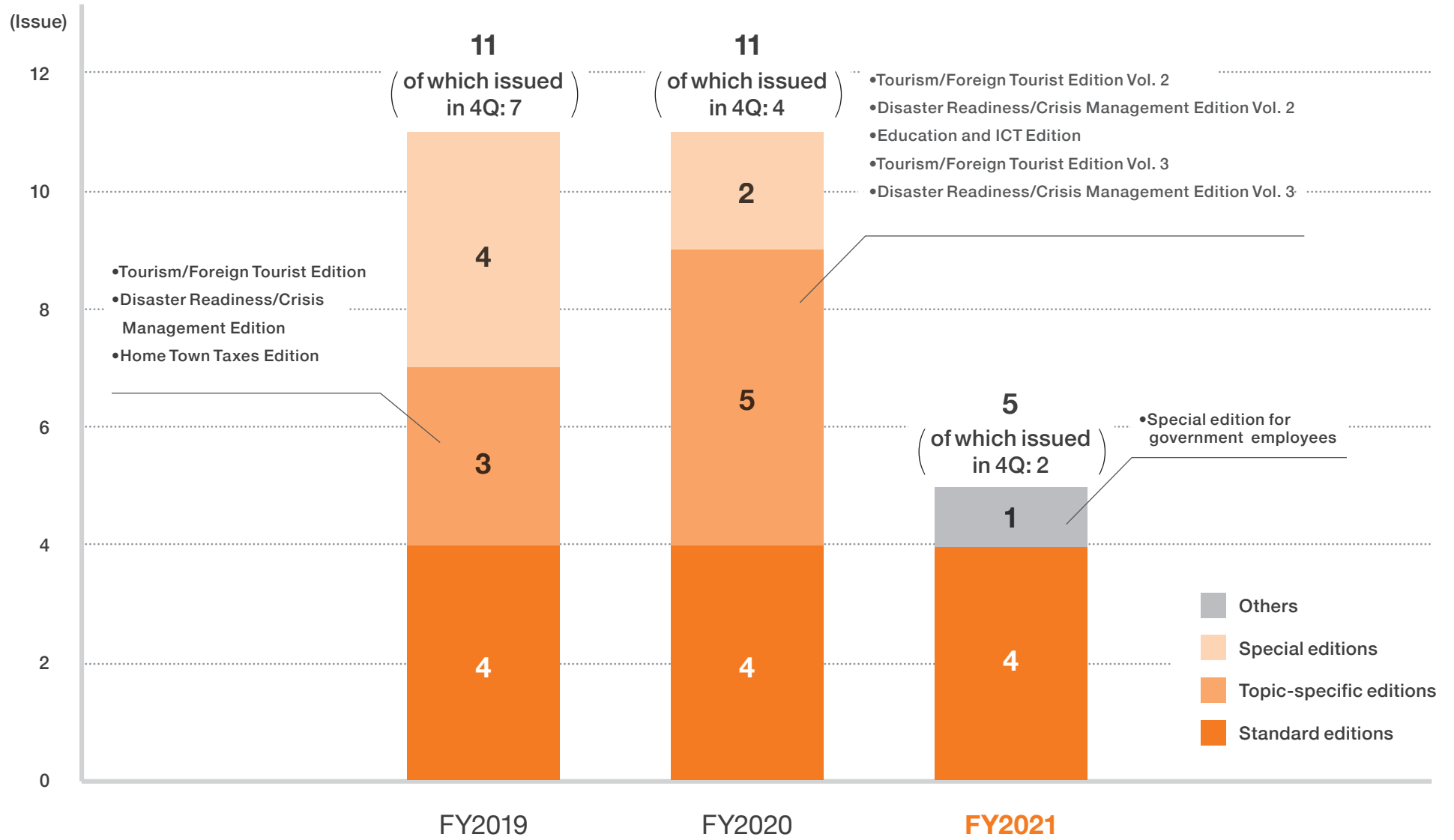
\*Machiuro screen sample

**712,012**  
cumulative downloads

**938** cumulative  
local government contracts

Local governments share of about **52.5%**

\*Total as of Jun. 30, 2021



■ Since HOPE, INC.'s inception, the Advertising Business has generated revenue of about **¥8.67 billion** for clients

- SMART RESOURCE SERVICE has paid local governments about **¥7.80 billion**
- Machilet has reduced local government costs by about **¥0.87 billion**

(From HOPE, INC.'s inception through 4Q FY2021)

■ Cost reduction of about **¥32.5 billion** since the start of the Energy Business

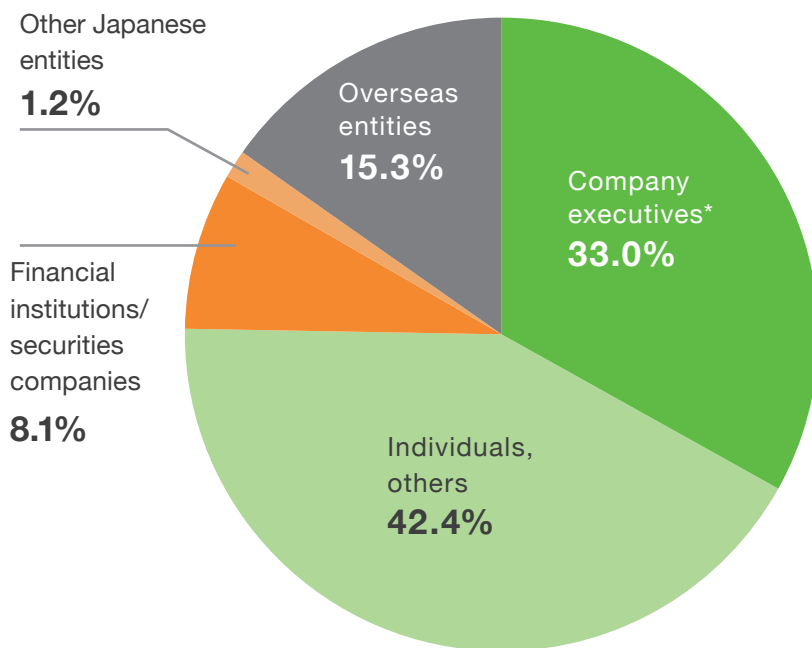
(Estimated cost reduction during the entire length of all current contracts)

(As of Jun. 30, 2021)

## Number of shares and shareholders

Total number of authorized shares	18,848,000 shares
Number of shares issued	7,775,100 shares
Number of shareholders (with voting rights)	5,352

## 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	1,077,400 shares
3	GOLDMAN SACHS INTERNATIONAL	352,817 shares
4	BNYGCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	317,180 shares
5	MACQUARIE BANK LIMITED DBU AC	250,000 shares
6	Individual shareholder	247,800 shares
7	Masaki Kuge	240,000 shares
8	Custody Bank of Japan, Ltd. (Trust Account)	214,500 shares
9	Morgan Stanley MUFG Securities Co., Ltd.	193,700 shares
10	Individual shareholder	127,000 shares



<b>Period</b>	Jun. 15, 2016 to Mar. 31, 2021
<b>IPO price</b>	¥350
<b>Initial price</b>	¥805 (Jun. 15, 2016)
<b>Highest price since IPO*</b>	¥7,910 (Nov. 11, 2020)
<b>Lowest price since IPO*</b>	¥220 (Dec. 25, 2018)

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
<b>ROE</b>	23.7%	23.9%	3.2%	(25.4)%	15.7%	75.4%	—

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
<b>PER*</b>	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 at the end of each fiscal year.

## Stock price (Jul. 1, 2018 to Jun. 30, 2021)



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.'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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