

Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2020

[Japanese GAAP]

August 11, 2020

Company name: HOPE, INC.

Listing: TSE-Mothers/FSE Q-Board

Stock code: 6195

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Scheduled date of Annual General Meeting of Shareholders:

September 25, 2020

Scheduled date of payment of dividend:

September 28, 2020

Scheduled date of filing of Annual Securities Report:

September 28, 2020

Preparation of supplementary materials for financial results:

Yes

Holding of financial results meeting:

Yes (for institutional investors and analysts)

(All amounts are rounded down to the nearest million yen)

1. Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2020 (July 1, 2019 to June 30, 2020)

(1) Results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Jun. 30, 2020	14,407	273.0	1,020	-	1,012	961.9	665	779.9
Fiscal year ended Jun. 30, 2019	3,862	70.2	87	-	95	-	75	-

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Jun. 30, 2020	117.97	109.33	75.4	21.9	7.1
Fiscal year ended Jun. 30, 2019	13.55	13.35	15.7	4.1	2.3

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Jun. 30, 2020: - Fiscal year ended Jun. 30, 2019: -

Note: HOPE conducted a 4-for-1 common stock split effective on January 1, 2020. Net income per share and diluted net income per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Jun. 30, 2020	6,519	1,259	19.1	208.57
As of Jun. 30, 2019	2,743	527	18.9	92.92

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2020: 1,246 As of Jun. 30, 2019: 518

Note: HOPE conducted a 4-for-1 common stock split effective on January 1, 2020. Net assets per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended Jun. 30, 2020	(118)	(211)	1,136	1,289
Fiscal year ended Jun. 30, 2019	(257)	(33)	343	483

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio	Dividends on equity
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended Jun. 30, 2019	Yen -	Yen 0.00	Yen -	Yen 0.00	Yen 0.00	Millions of yen -	% -	% -
Fiscal year ended Jun. 30, 2020	-	0.00	-	15.00	15.00	89	12.7	7.1
Fiscal year ending Jun. 30, 2021 (forecasts)	-	-	-	-	-	-	-	-

Note: Breakdown of year-end dividend for the fiscal year ended June 30, 2020: Commemorative dividend of 15.00 yen

Note: The dividend forecast for the fiscal year ending June 30, 2021 is to be determined.

3. Earnings Forecast for the Fiscal Year Ending June 30, 2021 (July 1, 2020 to June 30, 2021)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	12,200	152.5	250-490	-	230-470	-	150-320	-	25.09-53.53
Full year	25,300	75.6	1,250-1,750	22.5	1,230-1,730	21.5	830-1,170	24.8	138.85-195.72
				-71.5		-70.9		-75.9	

Notes: 1. HOPE plans to early adopt the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29) in the fiscal year ending June 30, 2021 and the forecast for the next fiscal year are based on this standard. For more details, please refer to "1. Overview of Results of Operations, (4) Outlook" on page 4.

2. Of the earnings forecast for the fiscal year ending June 30, 2021, operating profit, ordinary profit, profit and net income per share are presented in a range, as it is difficult to make precise calculation. For more details, please refer to "Overview of Results of Operations, (4) Outlook" on page 4.

*** Notes**

(1) Changes in accounting policies and accounting estimates, and restatements

- 1) Changes in accounting policies due to revisions in accounting standards, others: None
- 2) Changes in accounting policies other than 1) above: None
- 3) Changes in accounting estimates: None
- 4) Restatements: None

(2) Number of shares outstanding (common shares)

- 1) Number of outstanding shares as of the end of the period (including treasury shares)

As of Jun. 30, 2020:	6,002,800 shares	As of Jun. 30, 2019:	5,576,800 shares
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- 2) Number of treasury shares as of the end of the period

As of Jun. 30, 2020:	24,960 shares	As of Jun. 30, 2019:	516 shares
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- 3) Average number of outstanding shares during the period

Fiscal year ended Jun. 30, 2020:	5,637,136 shares	Fiscal year ended Jun. 30, 2019:	5,576,376 shares
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Note: HOPE conducted a 4-for-1 common stock split effective on January 1, 2020. The number of outstanding shares as of the end of the period, the number of treasury shares as of the end of the period and the average number of outstanding shares during the period have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

* The current financial results are not subject to the audit by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecasts, and other special items

- Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to the HOPE's management at the time these materials were prepared. Actual results of operations may differ from forecasts due to uncertainty involving these judgments and assumptions or to changes in business operations and market conditions. HOPE does not guarantee the certainty of any forward-looking statements.
- HOPE plans to hold a results presentation on Tuesday, August 11, 2020. Materials to be distributed at this event will be available on the HOPE website immediately thereafter.

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1. Overview of Results of Operations

(1) Results of Operations

There was a sharp downturn of the Japanese economy during the final months of the fiscal year ended June 30, 2020 because of the severe impact of the COVID-19 outbreak on social and economic activities. This crisis also reduced economic activity on a global scale. Due to this situation, the economic outlook remains unclear.

HOPE has been taking many actions for the consistent growth of corporate value since declaring the start of the company's "second founding" beginning with the fiscal year that ended on June 30, 2017. All of the actions are guided by the philosophy of "providing new forms of value to citizens through local governments and aim for more growth of our business and our people." One goal is to make advertising a profit-generating business. To improve profitability, we have revised the organizational structure of this business, achieved the proper size of this business and improved efficiency. In the media business, our goal is to position ourselves at the very top of upstream information flows. We plan to use a variety of initiatives, with primary emphasis on the Jichitai Works government services magazine, in order to be a source of even more value-added services. In the energy business, which we position as a driver of growth, our goals are more growth in the scale of this business and consistent profitability.

In the fiscal year ended June 30, 2020, net sales were 14,407 million yen, up 273.0% year on year. Operating profit increased 1,072.7% to 1,020 million yen, ordinary profit increased 961.9% to 1,012 million yen, and profit increased 779.9% to 665 million yen.

Business segment performance was as follows.

Beginning with the first quarter of the fiscal year ended June 30, 2020, HOPE revised its three reportable business segments, advertising, media and energy, in conjunction with a reexamination of administrative units. Certain services in the media segment in prior periods was changed into the other segment, which is not included in any of the reportable segments.

Prior-year segment information has been revised to reflect the new segment classification to permit comparisons.

1) Advertising Business

In this business, the Smart Resource service purchases a variety of advertising space from local governments by submitting competitive bids and then sells this space to companies. The Machilet service jointly produces with local governments publications for residents at no cost and sells advertising space in these publications to companies. During the current fiscal year, there were measures to achieve the proper size of the Machilet service.

Segment sales were 1,987 million yen, down 15.3% year on year, and segment profit was 314 million yen, up 10.7% from one year earlier.

2) Media Business

One element of this business is extensive B-to-G marketing activities aimed at matching the needs of local governments and companies. These activities leverages our relationships with local governments. This business also includes the Jichitai Works magazine, which contains ideas, examples of local government innovations and other useful information for government employees.

Segment sales were 133 million yen, up 30.0% year on year, and segment profit was 40 million yen, up 263.5% from one year earlier.

3) Energy Business

By providing new forms of value as a source of electricity as a generic product, the new Genewat electricity sales business has the goal of helping local governments reduce their expenses. Sales of this business have been climbing steadily.

Segment sales were 12,277 million yen, up 769.6% year on year, and segment profit was 1,068 million yen, up 1,035.8% from one year earlier.

4) Other businesses

Other businesses include Machihiro, Machikago and other services that are not part of the reportable segments.

Segment sales were 9 million yen, up 2,308.8% year on year, and segment loss was 11 million yen, compared with 4 million yen loss one year earlier.

(2) Financial Position

Assets

Total assets amounted to 6,519 million yen at the end of the current fiscal year, an increase of 3,775 million yen from the end of the previous fiscal year. Current assets amounted to 5,750 million yen, an increase of 3,466 million yen from the end of the previous fiscal year. This was mainly due to increases of 806 million yen in cash and deposits and 2,552 million yen in accounts receivable-trade. Non-current assets amounted to 769 million yen, an increase of 308 million yen from the end of the previous fiscal year. This was mainly due to increases of 32 million yen in software, 41 million yen in other under intangible assets and 291 million yen in leasehold and guarantee deposits.

Liabilities

Liabilities totaled 5,259 million yen, an increase of 3,043 million yen over the end of the previous fiscal year. Current liabilities amounted to 4,485 million yen, an increase of 2,505 million yen from the end of the previous fiscal year. This was mainly due to increases of 1,376 million yen in accounts payable-trade, 300 million yen in current portion of long-term borrowings and 269 million yen in income taxes payable. Non-current liabilities amounted to 774 million yen, an increase of 537 million yen from the end of the previous fiscal year. This was mainly due to increases of 100 million yen in bonds payable and 437 million yen in long-term borrowings.

Net assets

Net assets totaled 1,259 million yen, an increase of 732 million yen from the end of the previous fiscal year. This was mainly due to an increase of 665 million yen in retained earnings due to profit.

The equity ratio increased from 18.9% at the end of the previous fiscal year to 19.1% at the end of the current fiscal year.

(3) Cash Flows

Cash and cash equivalents (hereinafter "net cash") as of the end of the current fiscal year amounted to 1,289 million yen, an increase of 806 million yen over the end of the previous fiscal year. Operating activities used net cash of 118 million yen, investing activities used net cash of 211 million yen, and financing activities provided net cash of 1,136 million yen.

The cash flow components during the current fiscal year and the main reasons for changes are as described below.

Cash flows from operating activities

Net cash used in operating activities totaled 118 million yen, compared with net cash used of 257 million yen in the previous fiscal year. The main factors include an increase of 2,552 million yen in trade receivables, an increase of 295 million yen in sales deposit and income taxes paid of 38 million yen, while there were profit before income taxes of 963 million yen, loss on valuation of investment securities of 48 million yen, a decrease of 152 million yen in inventories, an increase of 1,376 million yen in trade payables and net cash provided by other operating activities of 225 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 211 million yen, compared with net cash used of 33 million yen in the previous fiscal year. This was mainly due to purchase of intangible assets of 192 million yen.

Cash flows from financing activities

Net cash provided by financing activities totaled 1,136 million yen, compared with net cash provided of 343 million yen in the previous fiscal year. This was mainly due to a net increase of 233 million yen in short-term borrowings and proceeds from long-term borrowings of 920 million yen, while there were repayments of long-term borrowings of 181 million yen.

Reference: Trends in cash flow indicators

	FY6/18	FY6/19	FY6/20
Equity ratio (%)	22.6	18.9	19.1
Market value-based equity ratio (%)	92.5	89.1	331.0
Interest-bearing debt to cash flow ratio (year)	-	-	-
Interest coverage ratio (time)	-	-	-

Equity ratio: Shareholders' equity / Total assets

Market value-based equity ratio: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payments

- Notes:
1. Market capitalization is calculated by multiplying the closing share price at the end of the period by the total number of shares outstanding, excluding treasury shares, at the end of the period.
 2. Cash flows are calculated using the figures for operating cash flows in the statement of cash flows.
 3. Interest-bearing debt to cash flow ratio and interest coverage ratio are not presented because operating cash flows were negative in FY6/18, FY6/19 and FY6/20.

(4) Outlook

The economic outlook in Japan continues to be uncertain because of the drop in social and economic activities caused by COVID-19. To ensure the safety of employees and reduce the impact of this crisis on business activities, we are using teleworking and rigorous measures to prevent infections at our workplaces. COVID-19 had only a minimal effect on results of operations in the fiscal year that ended on June 30, 2020 and at this time is not expected to be a problem concerning the continuity of business operations.

Translating the corporate philosophy into actions and achieving more growth of corporate value will require an intent focus on our relationships with local governments. We have been using our business activities since our inception to increase the number of the relationships, which are a key strength of ours. Our objective is the growth of existing businesses and creation of new businesses in two ways. The first is creating new businesses that can be easily reproduced in many fields while accurately responding to new and amended laws. The second is the easy reproduction of business expansion in the local government business domain. Taking these actions will allow us to support local governments as they create self-reliant and sustainable societies that utilize the distinctive strength and characteristics of individual communities. Moreover, we believe these actions will result in the realization of our corporate philosophy accompanied by the growth of corporate value.

In the fiscal year ending on June 30, 2021, we forecast a 75.6% increase in net sales to 25,300 million yen, an increase of 22.5% to 71.5% in operating profit to between 1,250 million yen and 1,750 million yen, an increase of 21.5% to 70.9% in ordinary profit to between 1,230 million yen and 1,730 million yen, and an increase of 24.8% to 75.9% in profit to between 830 million yen and 1,170 million yen.

Ranges are used for all earnings forecasts because the significant volatility of the cost of sales in the energy business makes it impossible to determine a precise forecast. The cost of electricity on the wholesale market may fluctuate because of the weather, the balance between supply and demand, and other factors. Furthermore, the energy business has a substantial influence on earnings because this business is a large share of total sales and earnings. There is a possibility that the cost of electricity will be lower than expected if demand for wholesale electricity falls because of the continuing impact of COVID-19 on economic activities. The bottom end of the earnings forecast ranges is based on the cost of sales in the energy business remaining consistent with expenses in prior years. The upper end is based on the premise that COVID-19 will continue to hold down the cost of electricity throughout the fiscal year.

In the energy business, in accordance with the renewable energy feed-in tariff system in Japan, fees received from customers were classified as sales and payments to the cost adjustment organization (same as fees received) were recognized as cost of sales in prior years. Beginning with the fiscal year ending on June 30, 2021, we plan switch from this gross recognition method to net recognition before the required time for using the netting method in paragraph 47 of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29). As a result, only the difference between fees received and payments made will be recognized. The forecast for the fiscal year ending on June 30, 2021 incorporates this new recognition method. The application of the Accounting Standard for Revenue Recognition will have no effect on earnings at all levels. Sales, cost of sales and gross profit for the two prior fiscal years when using the netting method are as follows.

(Thousands of yen)

	Net sales	Cost of sales	Gross profit
FY6/19			
Amount before adjustment	3,862,460	2,822,717	1,039,742
Change	(208,157)	(208,157)	-
Amount after adjustment	3,654,302	2,614,560	1,039,742
FY6/20			
Amount before adjustment	14,407,904	12,146,393	2,261,511
Change	(1,937,180)	(1,937,180)	-
Amount after adjustment	12,470,724	10,209,212	2,261,511

2. Basic Approach to the Selection of Accounting Standards

All of the operations of HOPE are in Japan and there are no plans to start operations in other countries in the near future. Consequently, financial statements are based on accounting standards used in Japan.

3. Non-consolidated Financial Statements and Notes**(1) Non-consolidated Balance Sheet**

	(Thousands of yen)	
	FY6/19	FY6/20
	(As of Jun. 30, 2019)	(As of Jun. 30, 2020)
Assets		
Current assets		
Cash and deposits	494,773	1,300,872
Accounts receivable-trade	1,077,420	3,629,445
Merchandise and finished goods	629,230	476,879
Work in process	213	565
Supplies	188	187
Advance payments-trade	4,198	269,388
Prepaid expenses	9,222	15,830
Other	71,156	61,684
Allowance for doubtful accounts	(2,694)	(4,536)
Total current assets	2,283,709	5,750,315
Non-current assets		
Property, plant and equipment		
Buildings	6,771	9,895
Accumulated depreciation	(5,219)	(5,462)
Buildings, net	1,552	4,433
Vehicles	1,737	1,737
Accumulated depreciation	(751)	(1,079)
Vehicles, net	986	657
Tools, furniture and fixtures	17,296	28,857
Accumulated depreciation	(12,410)	(15,599)
Tools, furniture and fixtures, net	4,886	13,257
Total property, plant and equipment	7,424	18,349
Intangible assets		
Software	4,805	37,251
Software in progress	20,710	-
Other	2,356	43,745
Total intangible assets	27,871	80,997
Investments and other assets		
Investment securities	61,736	14,476
Long-term loans receivable from employees	378	-
Distressed receivables	13,885	8,063
Deferred tax assets	14,707	15,334
Leasehold and guarantee deposits	348,151	640,100
Other	9	9
Allowance for doubtful accounts	(13,885)	(8,063)
Total investments and other assets	424,983	669,921
Total non-current assets	460,280	769,267
Total assets	2,743,990	6,519,583

	(Thousands of yen)	
	FY6/19	FY6/20
	(As of Jun. 30, 2019)	(As of Jun. 30, 2020)
Liabilities		
Current liabilities		
Accounts payable-trade	1,370,493	2,747,442
Short-term borrowings	200,000	433,000
Current portion of long-term borrowings	86,658	386,952
Accounts payable-other	39,765	46,155
Accrued expenses	92,068	187,208
Income taxes payable	34,539	303,616
Advances received	71,255	61,538
Deposits received	11,797	4,503
Provision for bonuses	18,823	15,927
Other	54,227	298,808
Total current liabilities	1,979,627	4,485,152
Non-current liabilities		
Bonds payable	-	100,000
Long-term borrowings	236,683	674,610
Total non-current liabilities	236,683	774,610
Total liabilities	2,216,310	5,259,762
Net assets		
Shareholders' equity		
Share capital	246,945	315,149
Capital surplus		
Legal capital surplus	200,745	268,949
Total capital surpluses	200,745	268,949
Retained earnings		
Other retained earnings		
Retained earnings brought forward	70,421	735,427
Total retained earnings	70,421	735,427
Treasury shares	(241)	(70,827)
Total shareholders' equity	517,871	1,248,698
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	290	(1,889)
Total valuation and translation adjustments	290	(1,889)
Share acquisition rights	9,517	13,011
Total net assets	527,679	1,259,820
Total liabilities and net assets	2,743,990	6,519,583

(2) Non-consolidated Statement of Income

	(Thousands of yen)	
	FY6/19	FY6/20
	(Jul. 1, 2018 – Jun. 30, 2019)	(Jul. 1, 2019 – Jun. 30, 2020)
Net sales	3,862,460	14,407,904
Cost of sales	2,822,717	12,146,393
Gross profit	1,039,742	2,261,511
Selling, general and administrative expenses	952,715	1,240,929
Operating profit	87,026	1,020,582
Non-operating income		
Interest income	10	10
Dividend income	18	111
Penalty income	3,983	3,341
Subsidy income	11,880	2,537
Other	700	925
Total non-operating income	16,592	6,925
Non-operating expenses		
Interest expenses	1,708	7,941
Commission expenses	5,950	6,591
Share issuance costs	-	544
Other	622	6
Total non-operating expenses	8,281	15,084
Ordinary profit	95,336	1,012,424
Extraordinary losses		
Impairment loss	2,208	-
Loss on valuation of investment securities	-	48,499
Total extraordinary losses	2,208	48,499
Profit before income taxes	93,127	963,924
Income taxes-current	26,294	299,418
Income taxes-deferred	(8,742)	(499)
Total income taxes	17,551	298,919
Profit	75,576	665,005

(3) Non-consolidated Statement of Changes in Equity

FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)

(Thousands of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	246,945	200,745	200,745	(5,154)	(5,154)	(195)	442,340
Changes during period							
Profit				75,576	75,576		75,576
Purchase of treasury shares						(45)	(45)
Net changes in items other than shareholders' equity							
Total changes during period	-	-	-	75,576	75,576	(45)	75,530
Balance at end of period	246,945	200,745	200,745	70,421	70,421	(241)	517,871

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(87)	(87)	3,713	445,966
Changes during period				
Profit				75,576
Purchase of treasury shares				(45)
Net changes in items other than shareholders' equity	378	378	5,803	6,182
Total changes during period	378	378	5,803	81,712
Balance at end of period	290	290	9,517	527,679

FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)

(Thousands of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
Balance at beginning of period	246,945	200,745	200,745	70,421	70,421	(241)	517,871
Changes during period							
Issuance of new shares-exercise of share acquisition rights	68,204	68,204	68,204				136,408
Profit				665,005	665,005		665,005
Purchase of treasury shares						(70,585)	(70,585)
Net changes in items other than shareholders' equity							
Total changes during period	68,204	68,204	68,204	665,005	665,005	(70,585)	730,827
Balance at end of period	315,149	268,949	268,949	735,427	735,427	(70,827)	1,248,698

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	290	290	9,517	527,679
Changes during period				
Issuance of new shares-exercise of share acquisition rights				136,408
Profit				665,005
Purchase of treasury shares				(70,585)
Net changes in items other than shareholders' equity	(2,179)	(2,179)	3,494	1,314
Total changes during period	(2,179)	(2,179)	3,494	732,141
Balance at end of period	(1,889)	(1,889)	13,011	1,259,820

(4) Non-consolidated Statement of Cash Flows

(Thousands of yen)

	FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)
Cash flows from operating activities		
Profit before income taxes	93,127	963,924
Depreciation	9,082	12,720
Impairment loss	2,208	-
Loss (gain) on sales and valuation of investment securities	-	48,499
Share-based remuneration expenses	5,803	4,300
Increase (decrease) in allowance for doubtful accounts	6,376	(3,979)
Interest and dividend income	(28)	(122)
Interest expenses	1,708	7,941
Decrease (increase) in trade receivables	(686,512)	(2,552,025)
Decrease (increase) in inventories	267,334	152,000
Decrease (increase) in sales deposit	(302,112)	(295,074)
Increase (decrease) in trade payables	355,021	1,376,949
Increase (decrease) in advances received	(41,677)	(9,716)
Other, net	22,826	225,638
Subtotal	(266,839)	(68,943)
Interest and dividends received	28	122
Interest paid	(1,708)	(7,976)
Income taxes (paid) refund	649	(38,611)
Other, net	10,163	(3,587)
Net cash provided by (used in) operating activities	(257,706)	(118,996)
Cash flows from investing activities		
Payments into time deposits	(11,014)	(11,015)
Proceeds from withdrawal of time deposits	11,014	11,014
Purchase of property, plant and equipment	(1,198)	(16,234)
Purchase of intangible assets	(27,910)	(192,009)
Purchase of investment securities	(4,587)	(3,967)
Proceeds from sales of investment securities	-	431
Payments for investments in capital	-	(10)
Long-term loan advances to employees	(550)	-
Collection of long-term loans receivable from employees	385	644
Payments of leasehold and guarantee deposits	(42)	(4)
Proceeds from refund of leasehold and guarantee deposits	-	6
Net cash provided by (used in) investing activities	(33,904)	(211,143)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	200,000	233,000
Proceeds from long-term borrowings	200,000	920,000
Repayments of long-term borrowings	(56,661)	(181,779)
Proceeds from issuance of bonds	-	100,000
Proceeds from issuance of shares resulting from exercise of share acquisition rights	-	135,602
Purchase of treasury shares	(45)	(70,585)
Net cash provided by (used in) financing activities	343,293	1,136,237
Net increase (decrease) in cash and cash equivalents	51,681	806,097
Cash and cash equivalents at beginning of period	432,077	483,759
Cash and cash equivalents at end of period	483,759	1,289,856

(5) Notes to Non-consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Equity in Earnings of Affiliates

1. Affiliates

FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)

Not applicable as HOPE does not have an affiliate.

FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)

Not applicable as HOPE does not have an affiliate.

2. Special purpose companies subject to disclosure

Not applicable as HOPE does not have a special purpose company subject to disclosure.

Segment Information

1. Overview of reportable segment

(1) Method for identifying reportable segments

Segments used for financial reporting are HOPE's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

There are three reportable segments: advertising, media, and energy, which are based on HOPE's core Advertising, media, and energy businesses.

(2) Information related to changes in reportable segments, etc.

In the first quarter of FY6/20, certain services included in the media segment in prior periods have been changed into the other segment, which is not included in any of the reportable segments, following the reexamination of some of the administrative units. In addition, the method of allocating company-wide expenses has also been changed.

The segment information for FY6/19 is presented based on the classification of reportable segments after the change. The effect of this change is insignificant.

(3) Types of products and services belonging to each reportable segment

Products and services belonging to each reportable segment are as follows.

Reportable segments	Products and services
Advertising	Smart Resource service Ads in public info publications, banner ads, etc.
	Smart Creation service Machilet, mamaro
Media	Jichitai Works, B-to-G marketing, Jichitai Clip
Energy	Genewat

2. Calculation methods for net sales, profit or loss, assets, liabilities and other items for each reportable segment

The method of accounting for the reportable segment is in accordance with the accounting policy adopted to prepare the financial statements. Segment profit for reportable segments is based on operating profit.

3. Information related to net sales and profit for each reportable segment

FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)

(Thousands of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on financial statements (Note 2)
	Advertising	Media	Energy	Subtotal				
Net sales								
External sales	2,347,331	102,833	1,411,907	3,862,072	387	3,862,460	-	3,862,460
Inter-segment sales and transfers	-	-	-	-	-	-	-	-
Total	2,347,331	102,833	1,411,907	3,862,072	387	3,862,460	-	3,862,460
Segment profit	283,682	11,032	94,088	388,802	(4,568)	384,234	(297,207)	87,026
Segment assets	1,122,198	33,403	911,020	2,066,622	25	2,066,648	677,341	2,743,990
Other items								
Depreciation	3,795	-	-	3,795	564	4,359	4,722	9,082
Increase in property, plant and equipment and intangible assets	20,710	-	5,050	25,760	-	25,760	3,787	29,547

Notes: 1. Others represent the businesses which are not included in any of the reportable segments and mainly includes Machihiro and Machikago services.

2. Adjustment includes followings:

- (1) The (297,207) thousand yen adjustment to segment profit is corporate expenses that are not allocated to any of the reportable segments. Corporate expenses mainly consist of selling, general and administrative expenses that are not attributable to any of the reportable segments.
- (2) The 677,341 thousand yen adjustment to segment assets is corporate assets that are not allocated to any of the reportable segments and mainly consist of cash and deposits and assets of the administration divisions.
- (3) The 4,722 thousand yen adjustment to depreciation in other items is corporate expenses that are not allocated to any of the reportable segments.
- (4) The 3,787 thousand yen adjustment to increase in property, plant and equipment and intangible assets in other items is corporate expenses that are not allocated to any of the reportable segments.

3. Segment profit is adjusted to be consistent with operating profit shown on the statement of income.

4. Segment loss is not presented as it is not used for making decisions about allocation of management resources and evaluating results of operations.

FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)

(Thousands of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on financial statements (Note 2)
	Advertising	Media	Energy	Subtotal				
Net sales								
External sales	1,987,449	133,707	12,277,425	14,398,582	9,322	14,407,904	-	14,407,904
Inter-segment sales and transfers								
Total	1,987,449	133,707	12,277,425	14,398,582	9,322	14,407,904	-	14,407,904
Segment profit	314,176	40,100	1,068,656	1,422,933	(11,643)	1,411,289	(390,707)	1,020,582
Segment assets	834,602	60,180	4,180,682	5,075,465	31	5,075,497	1,444,086	6,519,583
Other items								
Depreciation	7,380	-	-	7,380	-	7,380	5,340	12,720
Increase in property, plant and equipment and intangible assets	16,911	-	175,500	192,411	-	192,411	18,470	210,881

Notes: 1. Others represent the businesses which are not included in any of the reportable segments and mainly includes Machihiro and Machikago services.

2. Adjustment includes followings:

- (1) The (390,707) thousand yen adjustment to segment profit is corporate expenses that are not allocated to any of the reportable segments. Corporate expenses mainly consist of selling, general and administrative expenses that are not attributable to any of the reportable segments.
- (2) The 1,444,086 thousand yen adjustment to segment assets is corporate assets that are not allocated to any of the reportable segments and mainly consist of cash and deposits and assets of the administration divisions.
- (3) The 5,340 thousand yen adjustment to depreciation in other items is corporate expenses that are not allocated to any of the reportable segments.
- (4) The 18,470 thousand yen adjustment to increase in property, plant and equipment and intangible assets in other items is corporate expenses that are not allocated to any of the reportable segments.

3. Segment profit is adjusted to be consistent with operating profit shown on the statement of income.

4. Segment loss is not presented as it is not used for making decisions about allocation of management resources and evaluating results of operations.

Per-share Information

(Yen)

	FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)
Net assets per share	92.92	208.57
Net income per share	13.55	117.97
Diluted net income per share	13.35	109.33

Notes: 1. HOPE conducted a 4-for-1 common stock split effective on January 1, 2020. Net assets per share, net income per share and diluted net income per share are calculated as if these stock split had taken place at the beginning of FY6/19.

2. The basis for calculating net income per share and diluted net income per share is as follows.

(Thousands of yen, unless otherwise stated)

	FY6/19 (Jul. 1, 2018 – Jun. 30, 2019)	FY6/20 (Jul. 1, 2019 – Jun. 30, 2020)
Net income per share		
Profit	75,576	665,005
Amount not attributable to common shareholders	-	-
Profit applicable to common shares	75,576	665,005
Average number of common shares outstanding during the period (shares)	5,576,376	5,637,136
Diluted net income per share		
Adjustment to profit	-	-
Increase in the number of common shares (shares)	86,232	445,255
[of which share acquisition rights (shares)]	[86,232]	[445,255]
Summary of dilutive shares not included in the calculation of diluted net income per share since there was no dilutive effect	The Second Share Acquisition Rights 2017 (Number of share acquisition rights: 695) The First Share Acquisition Rights 2018 (Number of share acquisition rights: 1,185)	-

Material Subsequent Events

1. Notice of issuance of stock options (stock options with charge)

The Board of Directors of HOPE approved a resolution on August 11, 2020 to issue the eighth share acquisition rights to the employees of HOPE pursuant to the provisions of Articles 236, 238 and 240 of the Companies Act. The stock options will be issued without approval of a General Meeting of Shareholders because the stock options will be sold to the recipient at a price equivalent to their fair value and not allocated at particularly favorable terms.

For more details, please refer to “Notice of Issuance of Share Acquisition Rights (Stock Options with Charge) (Japanese version only),” which was announced today (August 11, 2020).

2. Notice of issuance of share acquisition rights using a third-party allotment

The Board of Directors of HOPE approved a resolution on August 11, 2020 to issue the seventh share acquisition rights for distribution through a third-party allotment.

For more details, please refer to “Issuance of the Seventh Share Acquisition Rights through the Third-party Allotment (with exercise price amendment and exercise permission clauses) (Japanese version only),” which was announced today (August 11, 2020).

This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.