

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

[Japanese GAAP]

November 9, 2020

Company name: HOPE, INC.

Stock code: 6195

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Contact: Kensuke Ohshima, CFO

Scheduled date of filing of Quarterly Report:

Scheduled date of payment of dividend:

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: None

Listing: TSE-Mothers/FSE Q-Board

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November 13, 2020

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

**1. Non-consolidated Financial Results for the First Quarter of the Fiscal Year Ending June 30, 2021
(July 1, 2020 to September 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	%
Three months ended Sep. 30, 2020	7,167	277.7	686	-	676	-	483	-
Three months ended Sep. 30, 2019	1,897	351.7	(56)	-	(55)	-	(61)	-

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Sep. 30, 2020	80.87	74.34
Three months ended Sep. 30, 2019	(10.96)	-

Notes: 1. Diluted net income per share for the three months ended September 30, 2019 is not presented because net loss was posted although there were outstanding dilutive shares.

2. 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
	Millions of yen	Millions of yen	%
As of Sep. 30, 2020	7,138	1,661	23.0
As of Jun. 30, 2020	6,519	1,259	19.1

Reference: Shareholders' equity (millions of yen) As of Sep. 30, 2020: 1,640 As of Jun. 30, 2020: 1,246

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Jun. 30, 2020	-	0.00	-	15.00	15.00
Fiscal year ending Jun. 30, 2021	-	-	-	-	-
Fiscal year ending Jun. 30, 2021 (forecast)	-	-	-	-	-

Notes: 1. Breakdown of year-end dividend for the fiscal year ended June 30, 2020: Commemorative dividend of 15.00 yen

2. 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	14,000	189.7	250-490	-	230-470	-	150-320	-	25.09-53.53
Full year	25,300	75.6	1,250-1,750	22.5-71.5	1,230-1,730	21.5-70.9	830-1,170	24.8-75.9	138.85-195.72

Notes: 1. Revisions to the most recently announced earnings forecast: Yes

2. HOPE has revised the first half sales forecast. For more information, please refer to 1. Qualitative Information on Quarterly Financial Performance, (3) Explanation of Earnings Forecast and Other Forward-looking Statements" on page 4, and the press release titled "Notice of Revisions to First Half Forecasts" (Japanese version only) that was announced today (November 9, 2020).

*** Notes**

(1) Application of special accounting methods for presenting quarterly non-consolidated financial statements: None

(2) 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

(3) Number of shares outstanding (common shares)

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

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

As of Sep. 30, 2020:	24,981 shares	As of Jun. 30, 2020:	24,960 shares
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3) Average number of outstanding shares during the period

Three months ended Sep. 30, 2020:	5,977,821 shares	Three months ended Sep. 30, 2019:	5,576,170 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 quarterly financial report is not subject to quarterly review 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.

- Please refer to the section "1. Qualitative Information on Quarterly Financial Performance, (3) Explanation of Earnings Forecast and Other Forward-looking Statements" on page 4 of the attachments regarding preconditions or other related matters for the forecasts.

Contents of Attachments

1. Qualitative Information on Quarterly Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Earnings Forecast and Other Forward-looking Statements	4
2. Quarterly Non-consolidated Financial Statements and Notes	5
(1) Quarterly Non-consolidated Balance Sheet	5
(2) Quarterly Non-consolidated Statement of Income	6
For the Three-month Period	6
(3) Notes to Quarterly Non-consolidated Financial Statements	7
Going Concern Assumption	7
Significant Changes in Shareholders' Equity	7
Segment Information	7

1. Qualitative Information on Quarterly Financial Performance

Forward-looking statements in this section are based on the judgments of HOPE as of September 30, 2020.

(1) Explanation of Results of Operations

The COVID-19 pandemic severely restricted economic activity in Japan and other countries in the first quarter of the fiscal year ending June 30, 2021 and the outlook for the Japanese economy remains unclear.

On August 11, 2020, HOPE announced HOPE NEXT 3, a three-year medium-term management plan beginning in the current fiscal year. The plan is based on our philosophy of “providing new forms of value to citizens through local governments and aiming for more growth of our business and our people.” To accomplish the goals of this plan, many business activities with the aim of medium-term growth are under way.

HOPE has several core strengths. One is the expertise to reproduce new businesses in a broad range of fields based on a large number of relationships with local governments established over many years of business operations and legal frameworks consisting of new and amended laws and regulations. Another is the expertise to easily reproduce business expansion in the local government business domain. Our objective is to use these two phases for growth of the three existing businesses and creation of new businesses. Making advertising a profit-generating business is one goal. We are continuing to improve profitability by making changes to achieve the proper size of this business and working on reducing over the next several years the high percentage of fiscal year earnings of this business in the fourth quarter. These steps are aimed at making this business more cost efficient and increasing the rates we charge for advertising 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. Our short and medium-term strategy has two elements. First is to continue existing measures for growth centered on using competitive bids to capture new contracts. Second is to reduce vulnerability to the price volatility risk involving the cost of electricity we purchase. This involves achieving the most suitable combination of fixed-price procurement using one-to-one transactions and the purchase of electricity at current market prices on the wholesale market. Our medium and long-term strategy targets Japan’s national goal of increasing the use of clean energy, which is one of the Sustainable Development Goals. We plan to be a source of even more added value for local governments by supplying electricity from renewable sources. Another goal is to forecast the cost of procuring electricity with even greater accuracy. In the media business, the market for promotions targeting local governments still has much potential for more public-private sector collaboration and measures to become more competitive. Our goal is to position ourselves at the very top of upstream information flows in order to capitalize on opportunities involving this potential. This business is upgrading content, strengthening information dissemination capabilities and reinforcing the ability to keep up with the latest information. The objective is firmly establishing the value of the Jichitai Works brand in order to stimulate more growth of the market for promotions targeting local governments. In addition, we believe that these activities will make possible even more public-private sector collaboration based on government information circulation centered on HOPE as well as the use of local government information databases for strengthening, supporting and creating business activities. We will use many activities to accomplish these goals. These measures will include upgrading and expanding our content production capabilities and making extensive use of Jichitai Works HA×SH, which is an internet platform for supporting public-private sector collaboration.

In the first quarter of the fiscal year ending June 30, 2021, net sales were 7,167 million yen, up 277.7% year on year. Operating profit was 686 million yen compared with a 56 million yen loss one year earlier, ordinary profit was 676 million yen compared with a 55 million yen loss one year earlier, and profit was 483 million yen compared with a 61 million yen loss one year earlier.

Business segment performance was as follows.

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 first quarter, there were measures to achieve the proper size of the Machilet service.

Segment sales were 298 million yen, down 22.8% year on year, and segment loss was 2 million yen, compared with a 4 million yen loss one year earlier.

2) Energy Business

This business has the goal of reducing the expenses of local governments by providing new forms of value based on the concept of electricity as a generic product. Sales of electricity, which use the Genewat brand, have been climbing steadily.

Segment sales were 6,837 million yen, up 356.9% year on year, and segment profit was 762 million yen, up 3,875.5% from one year earlier.

3) 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 32 million yen, up 122.9% year on year, and segment profit was 5 million yen, compared with a 2 million yen loss one year earlier.

4) Other businesses

Other businesses include Machihiro, Jichitai Works HA×SH and other services that are not part of the reportable segments. In prior years, Jichitai Works HA×SH was included in the Media Business. Beginning with the current fiscal year, this activity is included in this category because Jichitai Works HA×SH is still in the investment phase.

Segment sales were 427 thousand yen, down 18.4% year on year, and segment loss was 9 million yen, compared with a 2 million yen loss one year earlier.

(2) Explanation of Financial Position

Assets

Total assets amounted to 7,138 million yen at the end of the first quarter of the current fiscal year, an increase of 618 million yen from the end of the previous fiscal year. Current assets amounted to 6,385 million yen, an increase of 634 million yen from the end of the previous fiscal year. This was mainly due to an increase of 853 million yen in cash and deposits, while there were decreases of 118 million yen in merchandise and finished goods and 142 million yen in other under current assets. Non-current assets amounted to 753 million yen, a decrease of 16 million yen from the end of the previous fiscal year. This was mainly due to decreases of 2 million yen in intangible assets, 4 million yen in leasehold and guarantee deposits, and 8 million yen in other under investments and other assets.

Liabilities

Liabilities totaled 5,476 million yen, an increase of 216 million yen over the end of the previous fiscal year. Current liabilities amounted to 4,768 million yen, an increase of 283 million yen from the end of the previous fiscal year. This was mainly due to an increase of 652 million yen in accounts payable-trade, while there were decreases of 109 million yen in income taxes payable and 237 million yen in other under current liabilities. Non-current liabilities amounted to 707 million yen, a decrease of 66 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 66 million yen in long-term borrowings.

Net assets

Net assets totaled 1,661 million yen, an increase of 401 million yen from the end of the previous fiscal year. This

was mainly due to an increase of 483 million yen in retained earnings due to profit, while there was a decrease of 89 million yen due to dividend payments.

The equity ratio increased from 19.1% at the end of the previous fiscal year to 23.0% at the end of the first quarter of the current fiscal year.

(3) Explanation of Earnings Forecast and Other Forward-looking Statements

1) Expected effects of application of revenue recognition standard

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. Following the switch from this gross recognition method to net recognition method in paragraph 47 of the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29), only the difference between fees received and payments made (fees received will not be included in sales and payments made will not be included in cost of sales) will be recognized. The application of the net recognition method will have no effect on earnings at all levels.

2) Timing of application of the new revenue recognition standard

HOPE is required to start using the new revenue recognition standard at the beginning of the fiscal year ending in June 2022. We have been performing studies concerning the application of this new standard in the fiscal year ending in June 2021. Furthermore, the first half and fiscal year forecasts announced on August 11, 2020 for the fiscal year ending in June 2021 incorporate sales that use the new standard (the net recognition method). However, due to the considerable time that is expected to be needed to perform studies concerning the new standard, we are not currently using this standard. Consequently, first quarter sales and cost of sales use the gross recognition method. We are continuing to perform studies with the goal of starting to use the new revenue recognition standard during the current fiscal year.

3) First half forecast

The first half sales forecast has been revised to reflect the current status of studies concerning the use of the new revenue recognition standard that is explained in the preceding two sections. For more information, please refer to the press release titled “Notice of Revisions to First Half Forecasts” (Japanese version only) that was announced today (November 9, 2020).

4) Fiscal year forecast

There are no revisions to the previous fiscal year forecast. One reason is the goal of starting to use the new revenue recognition standard in the current fiscal year. The decision not to revise the forecast also reflects the current inability to determine a new forecast that is likely to be accurate.

We are announcing a specific fiscal year sales forecast because we believe that COVID-19 will have only a limited effect on sales. However, ranges are used for all earnings forecasts. The upper ends of these ranges assume that earnings will be affected by COVID-19 during the fiscal year and are based on the same assumptions used for the previous earnings forecasts.

The fiscal year sales forecast of 25,300 million yen would increase 4,600 million yen to 29,900 million yen if the net recognition method is not used. The increase to 29,900 million yen solely reflects the effect of a decision not to use the net recognition method and is not a newly calculated fiscal year sales forecast.

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

	(Thousands of yen)	
	FY6/20 (As of Jun. 30, 2020)	First quarter of FY6/21 (As of Sep. 30, 2020)
Assets		
Current assets		
Cash and deposits	1,300,872	2,154,674
Accounts receivable-trade	3,629,445	3,663,129
Merchandise and finished goods	476,879	358,379
Work in process	565	5,384
Supplies	187	115
Other	346,903	204,544
Allowance for doubtful accounts	(4,536)	(1,015)
Total current assets	5,750,315	6,385,212
Non-current assets		
Property, plant and equipment	18,349	18,642
Intangible assets	80,997	78,451
Investments and other assets		
Leasehold and guarantee deposits	640,100	635,860
Other	37,883	29,066
Allowance for doubtful accounts	(8,063)	(8,918)
Total investments and other assets	669,921	656,008
Total non-current assets	769,267	753,101
Total assets	6,519,583	7,138,314
Liabilities		
Current liabilities		
Accounts payable-trade	2,747,442	3,400,324
Short-term borrowings	433,000	433,000
Current portion of long-term borrowings	386,952	386,952
Income taxes payable	303,616	193,816
Advances received	61,538	55,742
Provision for bonuses	15,927	-
Other	536,676	298,988
Total current liabilities	4,485,152	4,768,822
Non-current liabilities		
Bonds payable	100,000	100,000
Long-term borrowings	674,610	607,872
Total non-current liabilities	774,610	707,872
Total liabilities	5,259,762	5,476,694
Net assets		
Shareholders' equity		
Share capital	315,149	315,149
Capital surplus	268,949	268,949
Retained earnings	735,427	1,129,207
Treasury shares	(70,827)	(70,902)
Total shareholders' equity	1,248,698	1,642,404
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(1,889)	(1,511)
Total valuation and translation adjustments	(1,889)	(1,511)
Share acquisition rights	13,011	20,727
Total net assets	1,259,820	1,661,620
Total liabilities and net assets	6,519,583	7,138,314

(2) Quarterly Non-consolidated Statement of Income
(For the Three-month Period)

	(Thousands of yen)	
	First three months of FY6/20 (Jul. 1, 2019 – Sep. 30, 2019)	First three months of FY6/21 (Jul. 1, 2020 – Sep. 30, 2020)
Net sales	1,897,977	7,167,855
Cost of sales	1,730,953	6,246,644
Gross profit	167,024	921,211
Selling, general and administrative expenses	223,553	234,407
Operating profit (loss)	(56,529)	686,804
Non-operating income		
Interest income	4	5
Dividend income	1	-
Subsidy income	2,137	427
Penalty income	298	657
Other	373	82
Total non-operating income	2,815	1,173
Non-operating expenses		
Interest expenses	855	2,357
Commission expenses	522	697
Share issuance costs	-	7,431
Other	0	1,400
Total non-operating expenses	1,378	11,886
Ordinary profit (loss)	(55,092)	676,090
Profit (loss) before income taxes	(55,092)	676,090
Income taxes-current	2,249	183,978
Income taxes-deferred	3,781	8,664
Total income taxes	6,030	192,642
Profit (loss)	(61,123)	483,448

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

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, energy, and media, which are based on HOPE's core advertising, energy, and media businesses.

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

Change in method for measuring profit (loss) of reportable segments

Beginning in the first quarter of FY6/21, the standards used for the allocation of corporate expenses have been revised for the purpose of more accurately showing the actual profitability of each segment. The segment information for the first three months of FY6/20 is based on the classification of reportable segments after this change.

(3) Types of products and services in each reportable segment

Products and services in the reportable segments are as follows.

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

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

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

(Thousands of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly non-consolidated statement of income (Note 3)
	Advertising	Energy	Media	Subtotal				
Net sales								
External sales	386,673	1,496,390	14,389	1,897,454	523	1,897,977	-	1,897,977
Inter-segment sales and transfers	-	-	-	-	-	-	-	-
Total	386,673	1,496,390	14,389	1,897,454	523	1,897,977	-	1,897,977
Segment profit (loss)	(4,370)	19,175	(2,245)	12,558	(2,203)	10,355	(66,884)	(56,529)

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

2. The negative 66,884 thousand yen adjustment to segment profit (loss) 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.

3. Segment profit (loss) is adjusted to be consistent with operating loss shown on the quarterly non-consolidated statement of income.

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

(Thousands of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly non-consolidated statement of income (Note 3)
	Advertising	Energy	Media	Subtotal				
Net sales								
External sales	298,330	6,837,024	32,072	7,167,427	427	7,167,855	-	7,167,855
Inter-segment sales and transfers	-	-	-	-	-	-	-	-
Total	298,330	6,837,024	32,072	7,167,427	427	7,167,855	-	7,167,855
Segment profit (loss)	(2,617)	762,303	5,197	764,883	(9,266)	755,616	(68,812)	686,804

Notes: 1. Other consists of the businesses which are not included in any of the reportable segments and mainly includes Machihiro and Jichitai Works HA×SH services.

2. The negative 68,812 thousand yen adjustment to segment profit (loss) 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.

3. Segment profit (loss) is adjusted to be consistent with operating profit shown on the quarterly non-consolidated statement of income.

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.