

**Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending June 30, 2021  
(Six Months Ended December 31, 2020)**

[Japanese GAAP]

February 12, 2021

Company name: HOPE, INC.

Stock code: 6195

Representative: Takayasu Tokitsu, CEO

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:

Listing: TSE-Mothers/FSE Q-Board

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February 15, 2021

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Yes (for institutional investors and analysts)

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

**1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending June 30, 2021  
(July 1, 2020 to December 31, 2020)**

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Dec. 31, 2020	14,044	-	259	-	243	-	158	-
Six months ended Dec. 31, 2019	-	-	-	-	-	-	-	-

Note: Comprehensive income (millions of yen)

Six months ended Dec. 31, 2020: 159 (-%)

Six months ended Dec. 31, 2019: - (-%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended Dec. 31, 2020	26.29		24.16	
Six months ended Dec. 31, 2019	-		-	

Note: Year-on-year changes and figures for the six months ended December 31, 2019 are not presented because HOPE started preparing consolidated financial statements from the second quarter of the fiscal year ending June 30, 2021.

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of Dec. 31, 2020	9,008		2,955		32.6	
As of Jun. 30, 2020	-		-		-	

Reference: Shareholders' equity (millions of yen)

As of Dec. 31, 2020: 2,937

As of Jun. 30, 2020: -

Note: Figures as of June 30, 2020 are not presented because HOPE started preparing consolidated financial statements from the second quarter of the fiscal year ending June 30, 2021.

**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	-	0.00			
Fiscal year ending Jun. 30, 2021 (forecast)			-	-	-

Notes: 1. Revisions to the most recently announced dividend forecast: None

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

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

**3. Consolidated 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 attributable to owners of parent		Net income per share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	
Full year	29,920	-	-	-	-	-	-	-	-	-

Notes: 1. Revisions to the most recently announced earnings forecast: None

2. Year-on-year changes are not presented because HOPE started preparing consolidated financial statements from the second quarter of the fiscal year ending June 30, 2021.

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly added: 1 (HOPE ENERGY, INC.) Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) 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

(4) Number of shares outstanding (common shares)

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

As of Dec. 31, 2020:	6,302,800 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 Dec. 31, 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

Six months ended Dec. 31, 2020:	6,031,488 shares	Six months ended Dec. 31, 2019:	5,576,080 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 management of HOPE 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 Consolidated Earnings Forecast and Other Forward-looking Statements" on page 4 of the attachments regarding preconditions or other related matters for the forecasts.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

The COVID-19 pandemic severely restricted economic activity in Japan and other countries in the first half 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. There was a rapid and enormous increase in the price of electricity on the Japan Electric Power Exchange (JEPX) that started in the middle of December 2020. One reason was higher demand for electricity due to an unexpectedly strong cold wave. Other causes are insufficient inventories of liquefied natural gas (LNG), which accounts for a large share of Japan’s electricity generation, the growth of LNG purchases by East Asian countries, problems with facilities in natural gas producing countries, and delays at the Panama Canal caused by the COVID-19 pandemic. The simultaneous occurrence of these events involving the supply of electricity triggered an unprecedented surge in the price of electricity in Japan, which had a serious impact on first half earnings. We are currently reexamining our plans and goals for the energy business and plan to revise the HOPE NEXT 3 management plan.

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. However, the sharp increase in the price of electricity on the JEPX had a severe impact on the performance of this business. 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 half of the fiscal year ending June 30, 2021, net sales were 14,044 million yen, operating profit was 259 million yen, ordinary profit was 243 million yen and profit attributable to owners of parent was 158 million yen.

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

Segment sales were 657 million yen and segment profit was 22 million yen.

#### 2) Energy Business

This business, which uses the Genewat brand for the sale of electricity, 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. On October 22, 2020, Hope Energy, Inc. was established as a wholly owned subsidiary of HOPE. Preparations are under way to transfer part of the operations of the energy business to this subsidiary.

Segment sales were 13,314 million yen and segment profit was 390 million yen.

#### 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 70 million yen and segment profit was 12 million yen.

#### 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 1 million yen and segment loss was 17 million yen.

## **(2) Explanation of Financial Position**

### Assets

Total assets amounted to 9,008 million yen at the end of the second quarter of the current fiscal year. Current assets amounted to 8,515 million yen. Major items are cash and deposits of 4,358 million yen and accounts receivable-trade of 3,746 million yen. Non-current assets amounted to 493 million yen. Major items are intangible assets of 75 million yen and leasehold and guarantee deposits of 380 million yen.

### Liabilities

Liabilities totaled 6,053 million yen. Current liabilities amounted to 5,389 million yen. Major items are accounts payable-trade of 4,710 million yen, current portion of long-term borrowings of 266 million yen and other under current liabilities of 279 million yen. Non-current liabilities amounted to 663 million yen. Major items are bonds payable of 100 million yen and long-term borrowings of 563 million yen.

### Net assets

Net assets totaled 2,955 million yen. Shareholders' equity was 2,938 million yen and major items include share capital of 1,125 million yen, capital surplus of 1,079 million yen and retained earnings of 804 million yen.

**Cash flows**

Cash and cash equivalents (hereinafter “net cash”) at the end of the second quarter amounted to 4,347 million yen.

The cash flow components and the main reasons for changes are as described below.

**Cash flows from operating activities**

Net cash provided by operating activities totaled 2,200 million yen. The main factors include profit before income taxes of 243 million yen, a decrease of 152 million yen in inventories, a decrease of 225 million yen in advance payments-trade, a decrease of 272 million yen in sales deposit and an increase of 1,962 million yen in trade payables, while there were an increase of 117 million yen in trade receivables, a decrease of 115 million yen in accrued expenses, a decrease of 129 million yen in accrued consumption taxes and income taxes paid of 287 million yen.

**Cash flows from investing activities**

Net cash used in investing activities totaled 2 million yen. This was mainly due to purchase of property, plant and equipment of 2 million yen.

**Cash flows from financing activities**

Net cash provided by financing activities totaled 859 million yen. This was mainly due to proceeds from issuance of shares resulting from exercise of share acquisition rights of 1,617 million yen, while there were a net decrease of 433 million yen in short-term borrowings, repayments of long-term borrowings of 231 million yen and dividends paid of 89 million yen.

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

There are no revisions to the forecast for the current fiscal year that was announced in the press release concerning revision of non-consolidated earnings forecast and consolidated forecasts in association with the start of consolidated financial statements (Japanese version only), which was announced on January 29, 2021.

**2. Quarterly Consolidated Financial Statements and Notes****(1) Quarterly Consolidated Balance Sheet**

	(Thousands of yen)
	Second quarter of FY6/21
	(As of Dec. 31, 2020)
<b>Assets</b>	
Current assets	
Cash and deposits	4,358,585
Accounts receivable-trade	3,746,947
Merchandise and finished goods	241,846
Work in process	10,182
Supplies	135
Other	158,392
Allowance for doubtful accounts	(946)
Total current assets	<u>8,515,143</u>
Non-current assets	
Property, plant and equipment	17,098
Intangible assets	75,904
Investments and other assets	
Leasehold and guarantee deposits	380,400
Other	29,245
Allowance for doubtful accounts	(9,348)
Total investments and other assets	<u>400,296</u>
Total non-current assets	<u>493,299</u>
Total assets	<u>9,008,443</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable-trade	4,710,025
Current portion of long-term borrowings	266,952
Income taxes payable	87,150
Advances received	45,819
Other	279,943
Total current liabilities	<u>5,389,891</u>
Non-current liabilities	
Bonds payable	100,000
Long-term borrowings	563,380
Total non-current liabilities	<u>663,380</u>
Total liabilities	<u>6,053,271</u>
<b>Net assets</b>	
Shareholders' equity	
Share capital	1,125,712
Capital surplus	1,079,512
Retained earnings	804,347
Treasury shares	(70,902)
Total shareholders' equity	<u>2,938,669</u>
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	(1,328)
Total accumulated other comprehensive income	<u>(1,328)</u>
Share acquisition rights	17,830
Total net assets	<u>2,955,172</u>
Total liabilities and net assets	<u>9,008,443</u>

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income**  
**Quarterly Consolidated Statement of Income**  
**(For the Six-month Period)**

	(Thousands of yen)
	First six months of FY6/21 (Jul. 1, 2020 – Dec. 31, 2020)
Net sales	14,044,510
Cost of sales	13,306,014
Gross profit	738,495
Selling, general and administrative expenses	479,427
Operating profit	259,068
Non-operating income	
Interest income	10
Subsidy income	1,034
Penalty income	860
Other	250
Total non-operating income	2,155
Non-operating expenses	
Interest expenses	4,073
Commission expenses	1,347
Share issuance costs	10,481
Other	1,403
Total non-operating expenses	17,306
Ordinary profit	243,917
Profit before income taxes	243,917
Income taxes-current	75,946
Income taxes-deferred	9,383
Total income taxes	85,329
Profit	158,587
Profit attributable to owners of parent	158,587



**Quarterly Consolidated Statement of Comprehensive Income**  
**(For the Six-month Period)**

	(Thousands of yen)
	First six months of FY6/21 (Jul. 1, 2020 – Dec. 31, 2020)
Profit	158,587
Other comprehensive income	
Valuation difference on available-for-sale securities	561
Total other comprehensive income	561
Comprehensive income	159,148
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	159,148
Comprehensive income attributable to non-controlling interests	-

**(3) Quarterly Consolidated Statement of Cash Flows**

	(Thousands of yen)
	First six months of FY6/21 (Jul. 1, 2020 – Dec. 31, 2020)
Cash flows from operating activities	
Profit before income taxes	243,917
Depreciation	8,708
Loss (gain) on sales and valuation of investment securities	1,394
Share-based remuneration expenses	2,221
Share issuance costs	10,481
Increase (decrease) in allowance for doubtful accounts	(2,304)
Interest and dividend income	(10)
Interest expenses	4,073
Decrease (increase) in trade receivables	(117,501)
Decrease (increase) in inventories	152,329
Decrease (increase) in advance payments-trade	225,466
Decrease (increase) in sales deposit	272,067
Increase (decrease) in trade payables	1,962,583
Increase (decrease) in accrued expenses	(115,644)
Increase (decrease) in advances received	(15,718)
Increase (decrease) in accrued consumption taxes	(129,983)
Other, net	(12,140)
Subtotal	2,489,941
Interest and dividends received	9
Interest paid	(4,008)
Income taxes (paid) refund	(287,121)
Other, net	2,107
Net cash provided by (used in) operating activities	2,200,928
Cash flows from investing activities	
Purchase of property, plant and equipment	(2,499)
Purchase of investment securities	(282)
Collection of long-term loans receivable from employees	117
Proceeds from refund of leasehold and guarantee deposits	4
Net cash provided by (used in) investing activities	(2,660)
Cash flows from financing activities	
Net increase (decrease) in short-term borrowings	(433,000)
Repayments of long-term borrowings	(231,230)
Payments for issuance of shares	(10,481)
Proceeds from issuance of share acquisition rights	6,653
Proceeds from issuance of shares resulting from exercise of share acquisition rights	1,617,070
Purchase of treasury shares	(75)
Dividends paid	(89,491)
Net cash provided by (used in) financing activities	859,445
Net increase (decrease) in cash and cash equivalents	3,057,713
Cash and cash equivalents at beginning of period	1,289,856
Cash and cash equivalents at end of period	4,347,569

#### **(4) Notes to Quarterly Consolidated Financial Statements**

##### **Going Concern Assumption**

There are reasons for significant doubts concerning the going concern assumption due to consistently negative cash flows in prior years. In addition, a large operating loss is expected in the third quarter of the current fiscal year because of the very large increase in the JEPX price of electricity since the middle of December 2020.

HOPE, which is a company that prepares quarterly consolidated financial statements, is taking the following actions to end these problems.

##### 1. Stabilize earnings of business operations

###### (1) Management of risk involving volatility of market prices

The HOPE Group has no electricity generation facilities and therefore purchases most of the electricity sold to its customers by using the JEPX. As a result, this business is vulnerable to changes in the cost of electricity. Many actions have been taken in order to reduce exposure to this price volatility risk. Major initiatives include establishing new risk management policies and adjusting the amount of electricity purchased by using the JEPX and one-to-one transactions for each area and season.

###### (2) Payment in installments of imbalance fees associated with the insufficient supply of electricity in January 2021 and other events

On January 29, 2021, the Ministry of Economy, Trade and Industry announced that companies meeting certain requirements will be allowed to pay January 2021 imbalance fees in equal installments over a period of up to five months. As HOPE's business operations are believed to meet these requirements, HOPE plans to submit an application for installment payments and subsequently pay imbalance fees in five monthly installments beginning in April 2021.

##### 2. Stabilize cash flows

###### (1) Financial covenants

HOPE is holding discussions with financial institutions in order to prevent the exercise of the acceleration clause, which would require the immediate repayment of all applicable debt, due to HOPE's inability to continue to fulfill the obligations of its debt covenants.

###### (2) Procurement of funds

The payment of imbalance fees started in January 2021 and the amount of these fees will increase in the following months. We are holding discussions with financial institutions concerning an increase in its overdraft facility that would be used when the amount of these payments increases. We are also holding discussions with financial institutions concerning an additional loan of several billion yen in order to meet its subsequent funding requirements. We plan to use loans from financial institutions as the primary source of funding, but are also considering many other methods for procuring funds, including the sale of stock or other securities through a third-party allotment.

The goal of these actions is the stabilization of the earnings of business operations and of cash flows. However, we are only at the beginning of these actions. Moreover, there is a limit to the degree to which we can reduce our vulnerability to the volatility of the price of electricity. Consequently, there are significant uncertainties concerning the going concern assumption.

The going concern assumption was used as the basis for the quarterly consolidated financial statements and these statements do not reflect the significant uncertainties concerning this assumption.

##### **Significant Changes in Shareholders' Equity**

Between November 11, 2020 and December 11, 2020, Mizuho Securities Co., Ltd. purchased share acquisition rights issued by HOPE and sold through a third-party allotment. In the first half, share capital and capital surplus increased by 810,563 thousand yen each. As a result, share capital was 1,125,712 thousand yen and capital surplus was 1,079,512 thousand yen at the end of the second quarter.

**Additional Information**

(Significant Accounting Policies for the Preparation of Quarterly Consolidated Financial Statements)

HOPE started preparing quarterly consolidated financial statements from the second quarter of the fiscal year ending June 30, 2021. Basis of preparation of the quarterly consolidated financial statements is as follows.

1. Matters concerning the scope of consolidation

Number of consolidated subsidiaries: 1

Name of principal consolidated subsidiary: HOPE ENERGY, INC.

2. Matters concerning application of the equity method

Not applicable.

3. Matters concerning accounting period of consolidated subsidiary

The fiscal year of consolidated subsidiary ends on the quarterly consolidated balance sheet date.

4. Accounting standards

(1) Valuation criteria and methods for marketable securities

Other securities

Securities with market quotations

Stated at market value at the accounting closing date (valuation difference is comprehensively reported as a component of net assets and the cost of securities sold is computed using the moving-average method.)

Securities without market quotations

Stated at cost by the moving-average method.

(2) Valuation criteria and methods for inventories

a. Merchandise and finished goods and work in process

Stated at cost on an individual specified cost basis (the balance sheet value is computed by the method of devaluing book price to reflect declines in profitability).

b. Supplies

Stated at cost, cost being determined by the last purchased cost method (the balance sheet value is computed by the method of devaluing book price to reflect declines in profitability).

(3) Depreciation and amortization methods for non-current assets

a. Property, plant and equipment

Declining-balance method except for buildings (excluding attached structures) acquired on or after April 1, 1998, which are accounted for by the straight-line method.

Useful lives of principle assets are as follows:

Buildings: 10 years

Vehicles: 5 to 6 years

Tools, furniture and fixtures: 2 to 8 years

b. Intangible assets

The straight-line method. Software for internal use is amortized over an expected useful life of five years.

(4) Recognition of allowances

Allowance for doubtful accounts

To prepare for losses on doubtful accounts such as notes and account receivables-trade and loans receivable, allowances equal to the estimated amount of uncollectible receivables are booked for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectibility.

(5) Cash and cash equivalents in the Consolidated Statement of Cash Flows

Cash and cash equivalents consist of cash on hand, bank deposits which can be withdrawn at any time, and short-term investments with the duration of three months or less which can be easily converted to cash and are exposed to little risk of change in value.

## (6) Other significant accounting policies in the preparation of consolidated financial statements

## Accounting for consumption taxes

National and local consumption taxes are accounted by the tax-exclusion method. Non-deductible national and local consumption taxes are charged to expenses for the fiscal year when they were incurred.

**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.

## (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 six months of FY6/21 (Jul. 1, 2020 – Dec. 31, 2020)

(Thousands of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Advertising	Energy	Media	Subtotal				
Net sales								
External sales	657,736	13,314,990	70,423	14,043,150	1,360	14,044,510	-	14,044,510
Inter-segment sales and transfers	-	-	-	-	-	-	-	-
Total	657,736	13,314,990	70,423	14,043,150	1,360	14,044,510	-	14,044,510
Segment profit (loss)	22,576	390,726	12,275	425,579	(17,444)	408,134	(149,065)	259,068

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 149,065 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 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.*