

Business Plan and Growth Potential

December 6, 2021

HOPE, INC.

[6195]

I. Company Overview

II. Business

III. Strengths and Differentiation

IV. Risk Information

V. 2020 VISION

I. Company Overview

HOPE Group Corporate Philosophy

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

Company name HOPE, INC.

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

Representative Takayasu Tokitsu, CEO

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

Employees
(consolidated) 163 (as of the end of Sep. 2021, including temporary employees)

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

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

History

Feb. 2005 | Founded

Jun. 2006 | Launched SMART RESOURCE SERVICE

Sep. 2013 | Launched SMART CREATION SERVICE
"Machilet"

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

Aug. 2014 | Started B-to-G solutions business

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

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

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

May 2020 | Started Jichitai Works HAxSH

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

Nov. 2020 | Developed AI for forecasting market prices
of electricity (Energy Business)

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

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

Sep. 2021 | Announced actions for ending negative equity

Dec. 2021 | Transferred to a Holding Company Structure

- Announced the conversion of the Advertising and Jichitai Works businesses into subsidiaries.
- Subsidiaries were established on December 1, 2021, by using a company split (simple spinoff).
- Considering alliances and other types of partnerships with other companies, including the sale of some stock of these subsidiaries, to procure funds for the entire group.

■ Purpose of becoming a holding company

- The holding company structure will increase the speed and agility of business operations, enable the proper allocation of the group's resources, and provide a framework for overseeing financial strategies and actions involving equity.
- The holding company will consider alliances and other types of partnerships with other companies.

■ Rights and obligations transferred to the new subsidiaries

- The two new subsidiaries will receive all assets, liabilities, and contractual and other rights and obligations involving the Advertising and Jichitai Works businesses.
- Employees of these businesses will continue to be employed by HOPE, INC. and will be seconded to these subsidiaries.



Name	JICHITAI AD, INC.	HOPE ENERGY, INC.	JICHITAI WORKS, INC.
Representative	Takayasu Tokitsu, CEO	Takayasu Tokitsu, CEO	Takayasu Tokitsu, CEO
Business	Advertising Business	Energy Business	Jichitai Works Business
Capital	¥10 million	¥10 million	¥10 million
Established	Dec. 1, 2021	Oct. 22, 2020	Dec. 1, 2021
Major shareholder	HOPE, INC. 100%	HOPE, INC. 100%	HOPE, INC. 100%
Sales (Pct. of total HOPE, INC. sales) (FY2021)	¥1,719 million (6.0%)	¥26,493 million (93.1%)	¥228 million (0.8%)

* On Sep. 28, 2021, shareholders approved a resolution for the spinoff of the electricity retail sales business and absorption by HOPE ENERGY, a wholly owned subsidiary of HOPE, INC., on Dec. 1, 2021.

(Reference) For more information, see the news release dated Oct. 26, 2021 concerning the company split (simple spinoff) of the Advertising and Jichitai Works businesses and establishment of subsidiaries.
<https://ssl4.eir-parts.net/doc/6195/tdnet/2035126/00.pdf>

II. Business

- 1. Business Objective and Summary**
- 2. Advertising Business**
- 3. Energy Business**
- 4. Jichitai Works Business**

II. Business

1. Business Objective and Summary



HOPE group provides services created specifically for local governments with all activities guided by the group corporate philosophy of Providing new value to citizens through local governments and promoting growth of the company and its people.

We are a source of ideas for creating new sources of revenue other than taxes that helps local governments reduce expenses.

Local governments that chose our services for an additional revenue source are using this income to upgrade services for residents.

The objective of the businesses of the HOPE Group is to use these strengths to make possible the provision of new value to people throughout Japan as well as for the sustained growth of the group's businesses.

Advertising Business

SMARE RESOURCE SERVICE

Ads in public info publications,
banner ads, etc.

SMART CREATION SERVICE



Energy Business

GENEWAT

Jichitai Works Business

Jichitai Works

じちたいワークス

B-to-G solutions

The Jichitai Works Free Name Card service

じちたいワークス 無料名刺

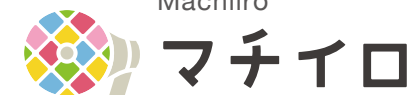
Jichitai Works Web

じちたいワークスWEB

Jichitai Works

**じちたいワークス
HA×SHI**

Machihiro



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

■ Since HOPE, INC.'s inception, the Advertising Business has generated revenue of about **¥ 8.83 billion** for clients

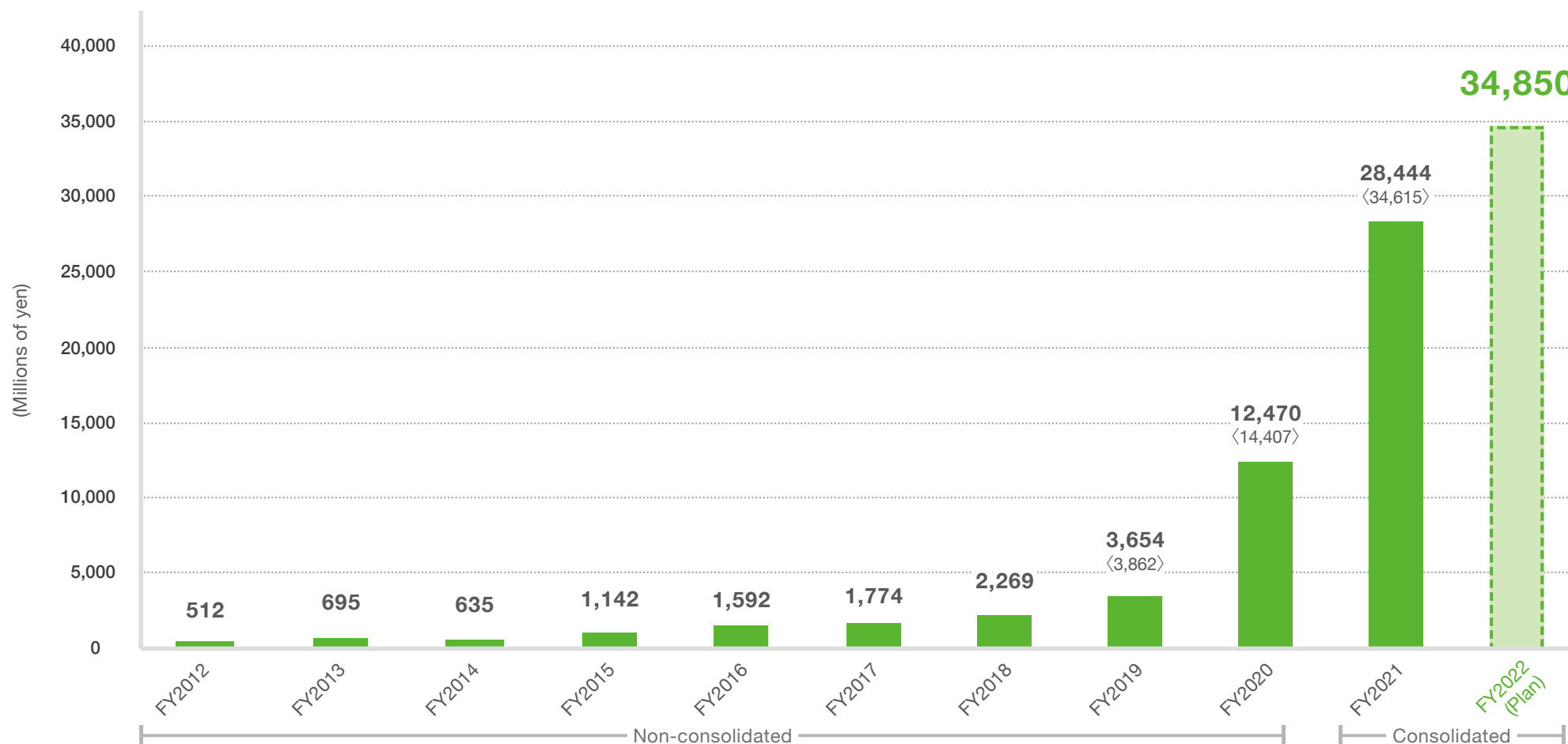
- SMART RESOURCE SERVICE has paid local governments about **¥ 7.94 billion**
- Machilet has reduced local government costs by about **¥ 0.88 billion**

(From HOPE, INC.'s inception through 1Q FY2022)

■ Cost reduction of about **¥ 32.8 billion** since the start of the Energy Business

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

- Sales started increasing rapidly in FY2020 because of the launch of the Energy Business.



(Reference) For more information, see the news release dated Aug. 24, 2021 concerning (Numerical and Other Corrections) Announcement of Corrections to Consolidated Financial Results for the Fiscal Year Ended June 30, 2021.

<https://ssl4.eir-parts.net/doc/6195/tdnet/2022430/00.pdf>

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

* < > is figures using the gross recognition method.



- Negative equity at the end of 1Q FY2022 was ¥1,701 million, about ¥796 million less than negative equity of ¥2,498 million at the end of FY2021.
- YoY comparisons were used in prior years due to seasonal factors. In these highlights, prior-quarter comparisons are shown to facilitate comparisons of negative equity.

(Millions of yen)	4Q FY2021 (consolidated)		1Q FY2022 (consolidated)		
	Results	Comp.	Results	Comp.	Change
Cash and deposits	1,932	17.6%	2,542	20.7%	+609
Trade receivables and contract assets	7,336*	66.9%	8,286	67.5%	+949
Inventories	429	3.9%	321	2.6%	(107)
Current assets	10,396	94.8%	11,545	94.0%	+1,148
Non-current assets	567	5.2%	733	6.0%	+166
Total assets	10,964	100.0%	12,279	100.0%	+1,314
Accounts payable-trade	11,290	103.0%	10,925	89.0%	(365)
Short-term borrowings	950	8.7%	950	7.7%	+0
Current portion of bonds	—	—	775	6.3%	+775
Current portion of long-term borrowings	366	3.3%	336	2.7%	(30)
Current liabilities	12,880	117.5%	13,469	109.7%	+589
Bonds payable	100	0.9%	100	0.8%	+0
Long-term borrowings	482	4.4%	410	3.3%	(71)
Non-current liabilities	582	5.3%	511	4.2%	(71)
Total liabilities	13,462	122.8%	13,980	113.9%	+518
Total net assets	(2,498)	(22.8)%	(1,701)	(13.9)%	+796
Total liabilities and net assets	10,964	100.0%	12,279	100.0%	+1,314

(Reference) For more information, see the news release dated Aug. 24, 2021 concerning (Numerical and Other Corrections) Announcement of Corrections to Consolidated Financial Results for the Fiscal Year Ended June 30, 2021.

<https://ssl4.eir-parts.net/doc/6195/tdnet/2022430/00.pdf>

* Notes and accounts receivable-trade in 4Q FY2021

- There are no earnings forecasts at this time because the rapid increase in Japan Electric Power Exchange (JEPX) market prices that started in October makes it difficult to determine a reliable estimate.

	FY2020	FY2021	FY2022	
	Results (non-consolidated)	Results (consolidated)	Plan (consolidated)	YoY change
Net sales	12,470 (14,407)	28,444 (34,615)	34,850	+22.5%
Gross profit	2,261	(5,841)	—	—
SG&A expenses	1,240	1,053	—	—
Operating profit	1,020	(6,895)	—	—
Ordinary profit	1,012	(6,935)	—	—
Profit attributable to owners of parent	665	(6,978)	—	—
Net income per share	117.97yen*	(1,109.09)yen	—	—

(Reference) For more information, see the news release dated Aug. 24, 2021 concerning (Numerical and Other Corrections) Announcement of Corrections to Consolidated Financial Results for the Fiscal Year Ended June 30, 2021.

<https://ssl4.eir-parts.net/doc/6195/tdnet/2022430/00.pdf>

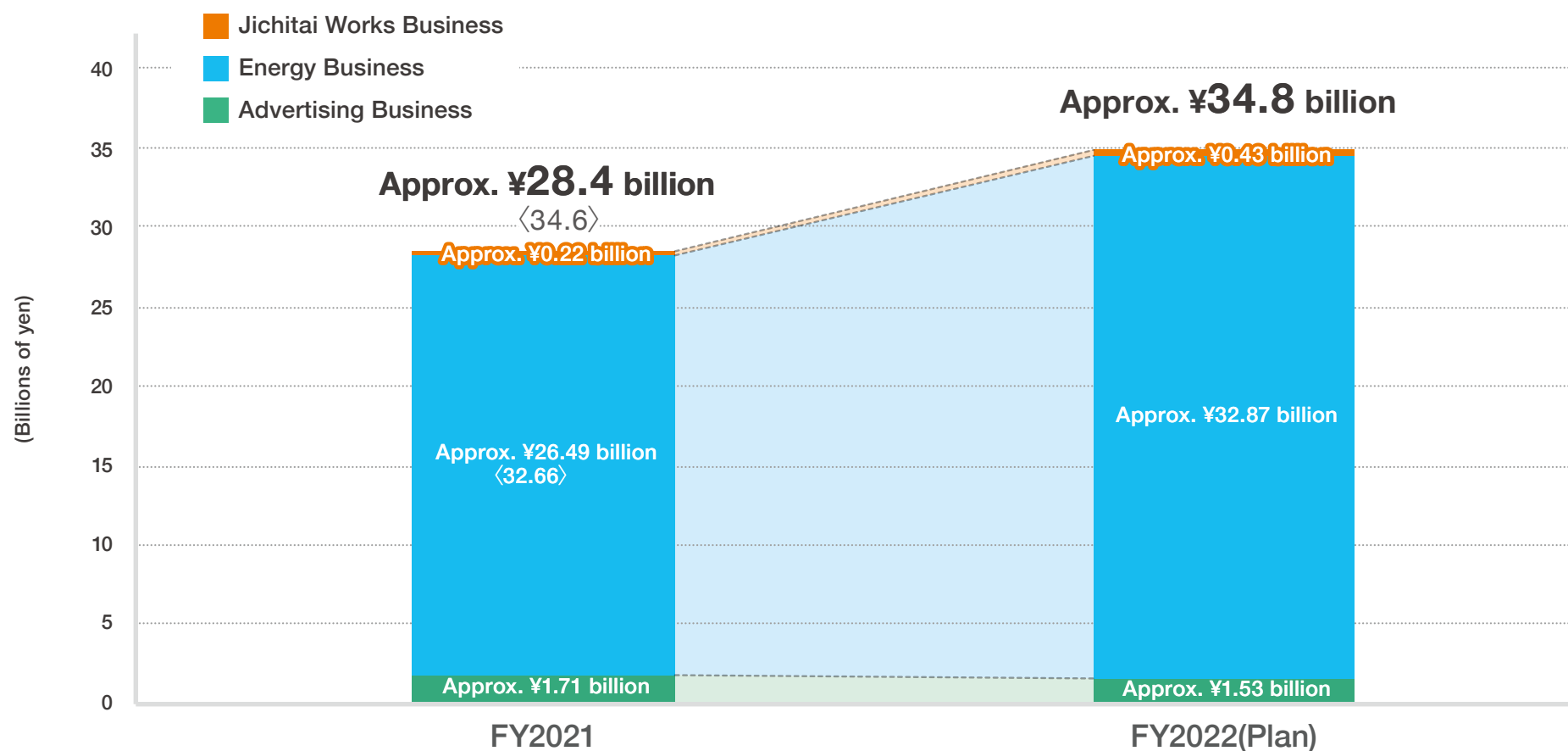
For more information, see the news release dated Nov. 15, 2021 concerning the FY2022 forecast for consolidated sales and earnings.

<https://ssl4.eir-parts.net/doc/6195/tdnet/2050565/00.pdf>

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

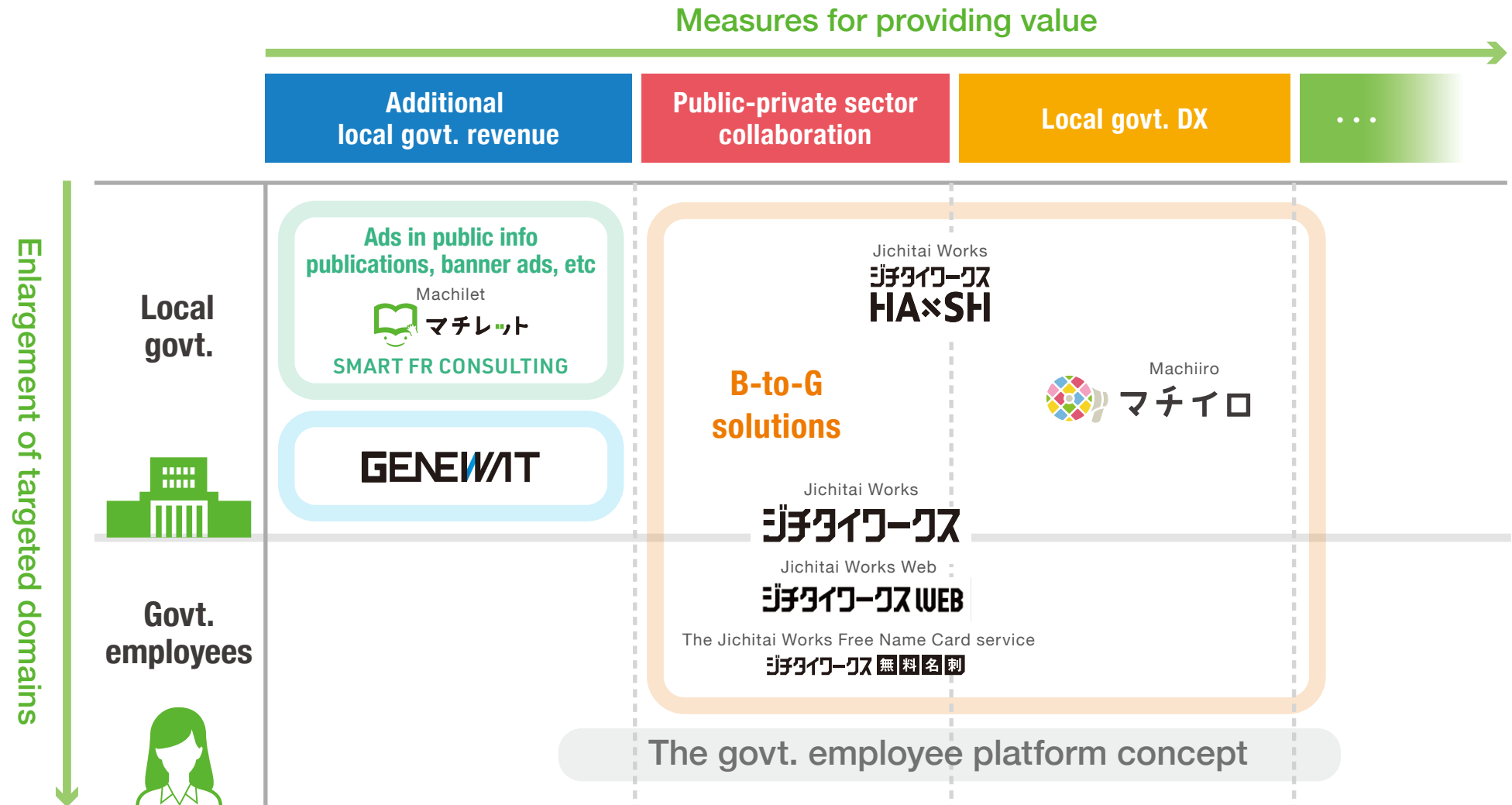
* Net income per share is adjusted to reflect the 1-to-4 stock split effective on Jan. 1, 2020.

- Most of the new Energy Business contracts in FY2021 are for the supply of electricity for one year starting in April 2021.
- Energy Business sales will continue to increase in FY2022 due to the obligation to supply this electricity.



* $\langle \rangle$ is figures using the gross recognition method.

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



II. Business

2. Advertising Business

■ Business summary

Advertising is the original business of HOPE, INC. when the company started operations in 2005. We find companies that want to place advertisements in paper publications, websites and other media of local governments to create an additional source of revenue. This revenue is used to help cover expenses for producing pamphlets, which reduces expenses for local governments.

■ Value provided

A source of revenue for local governments
Allows local governments to reduce expenses

FY2021 sales: ¥1,719 million (6.0% of total sales)

FY2021 segment profit: ¥328 million (no pct. due to FY2021 loss)

Corporate Philosophy

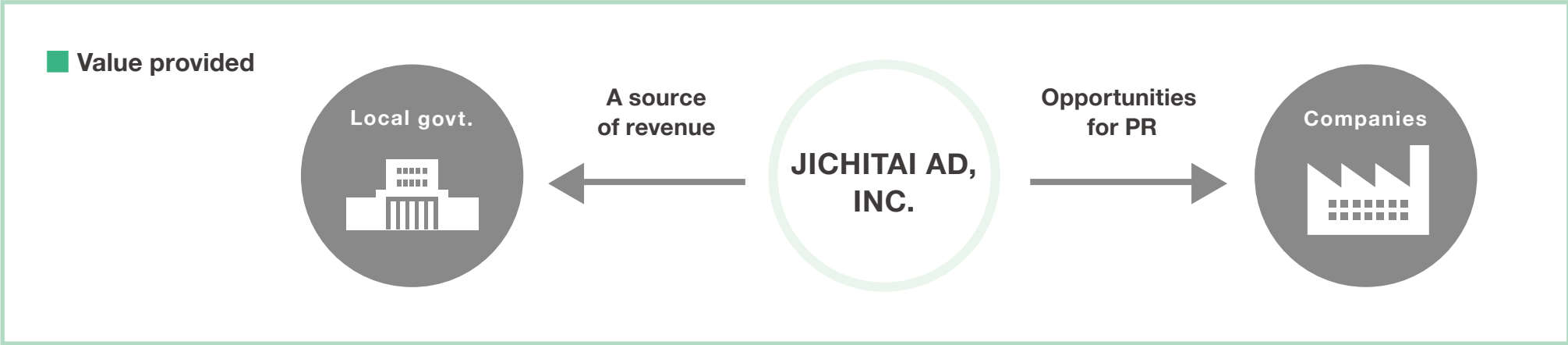
Providing new value to citizens through local governments



Additional local govt. revenue

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

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



Local governments sell ad space in their publications

A new source of revenue for local governments

■ Business model



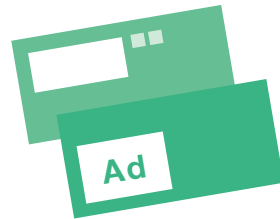
■ Examples of media



Public info publications



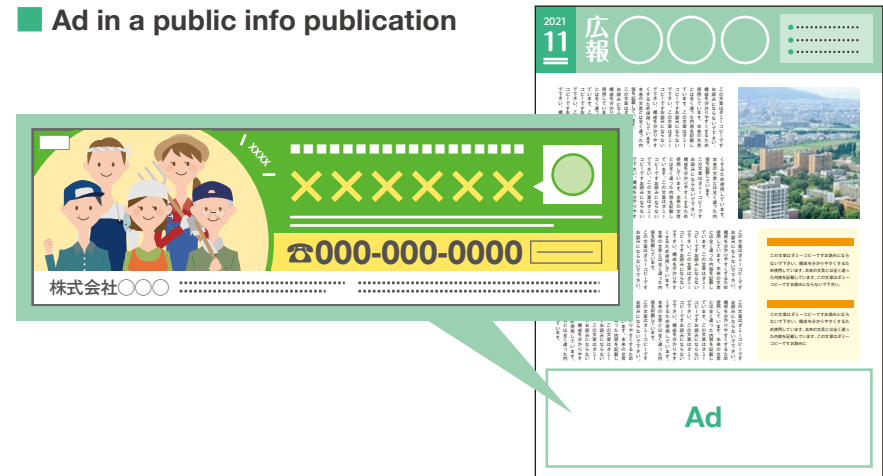
Website banner



Payslips for government employees

Others

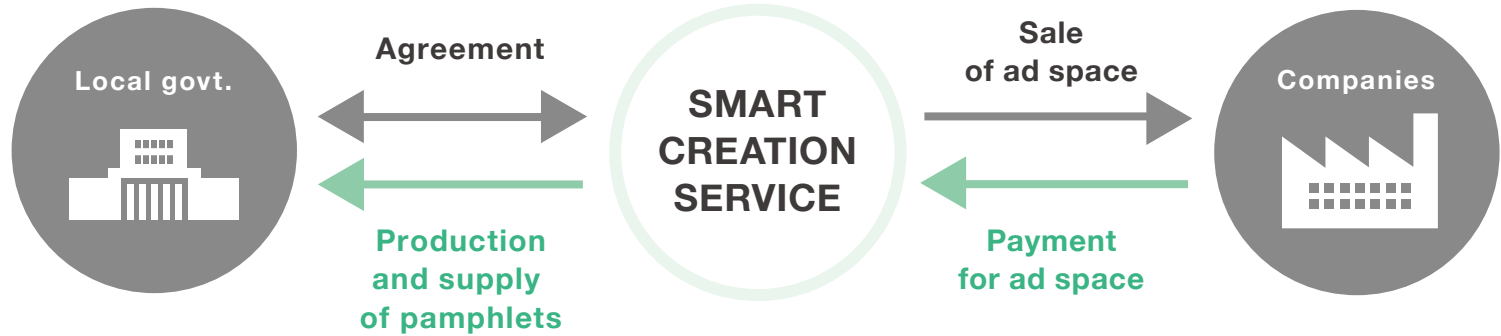
■ Ad in a public info publication



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

Free joint production of pamphlets with even more useful info

Business model



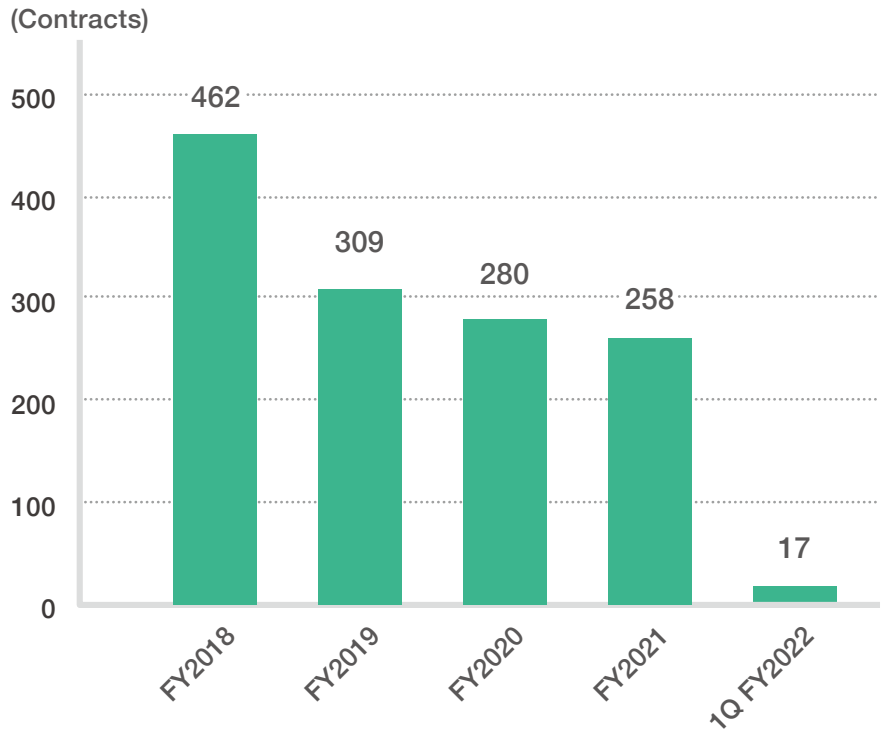
Examples of pamphlets



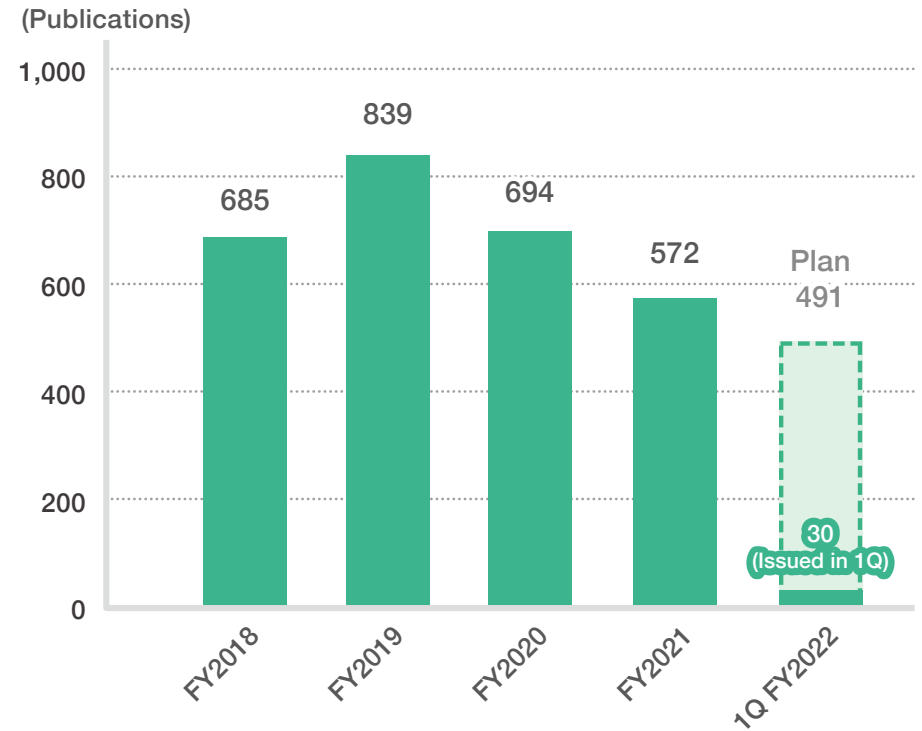
Ad in a pamphlet (child care information)



SMART RESOURCE SERVICE



SMART CREATION SERVICE (Machilet)



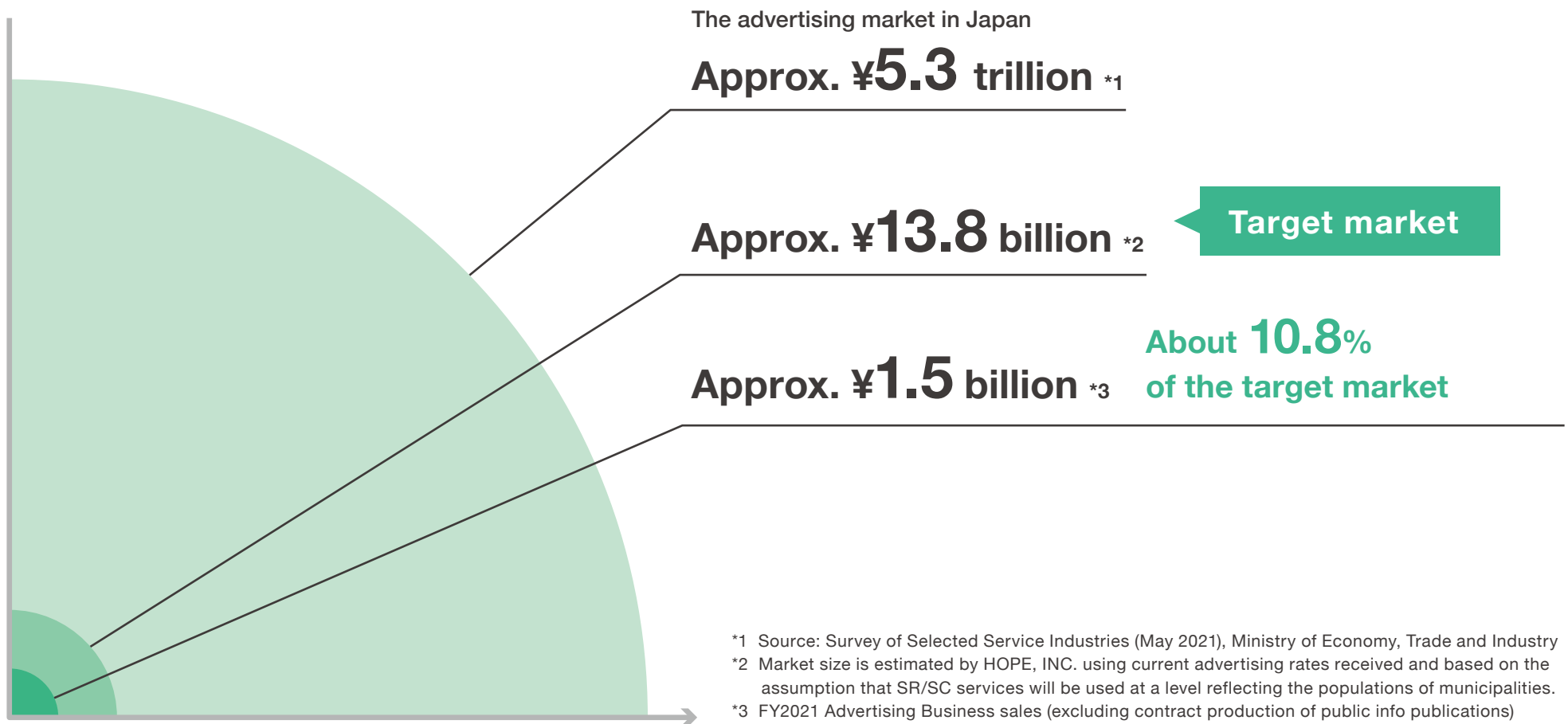
*For two or more different contracts with the same local government, each contract is counted separately.
 *The SMART CREATION SERVICE includes conventional pamphlets (Machilet) as well as Clear File and other special publications issued in each fiscal year. A revised definition is used for the actual number of these publications from FY2018 and these figures have been revised accordingly.

SMART FR CONSULTING SERVICE

Two local governments are using this new service that was launched in July 2021.

(Reference) For more information, see the news release dated Jul. 29, 2021 concerning the start of providing this new consulting service for Fukuoka city; estimated effect of advertising revenue will contribute to effective and sustainable business operations of local governments.
<https://ssl4.eir-parts.net/doc/6195/tdnet/2005240/00.pdf>

- HOPE, INC. created a new market with its Advertising Business, the company’s original activity, and has provided advertising services to local governments for about 16 years.
- HOPE, INC.’s share of this market is about 10.8%.

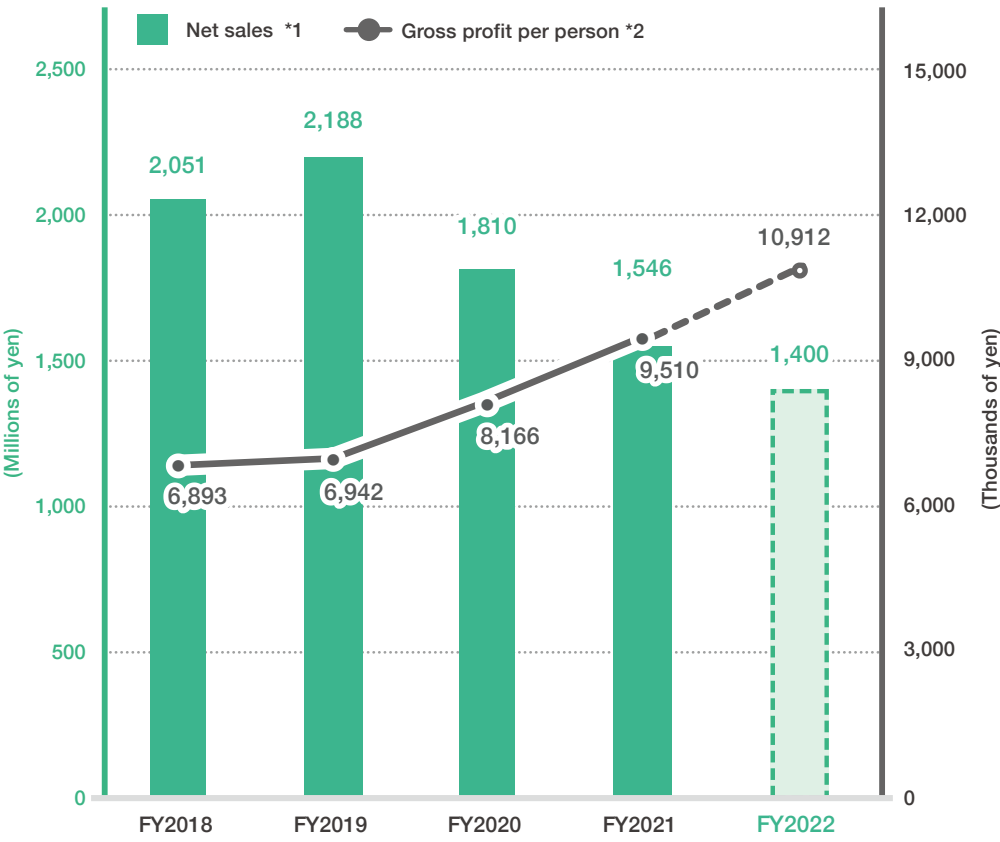


- Improve profitability by positioning this business as a profit-generation business and achieving the proper size of this business
- Aim for consistent earnings by raising productivity per employee while holding sales steady at an appropriate level

Strategies for a Mature Market

- HOPE, INC. already has more than 10% of the local government ad market in Japan with annual revenue of about ¥13.8 billion. → The goal is a higher profit margin rather than sales growth.
- Reduce the seasonality of this business to build a stronger profit structure by cutting expenses and raising efficiency.
- To increase profitability, improve productivity with measures targeting the new performance indicator of gross profit per person

■ Gross profit per person in the Advertising Business



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

II. Business

3. Energy Business

■ Business summary

The retail sale of electricity started in 2018 using the GENEWAT brand.

This business submits bids for contracts to supply electricity to local governments and public-service facilities for a contract period.

Based on the new perception of “electricity as a generic product,” this service makes it possible to buy electricity at lower rates than major utilities charge.

■ Value provided

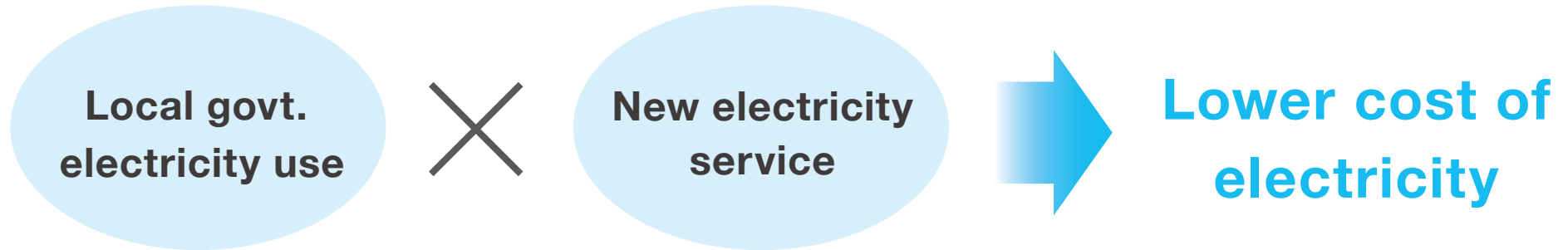
Allows local governments to reduce expenses

FY2021 sales: ¥26,493 million (93.1% of total sales)

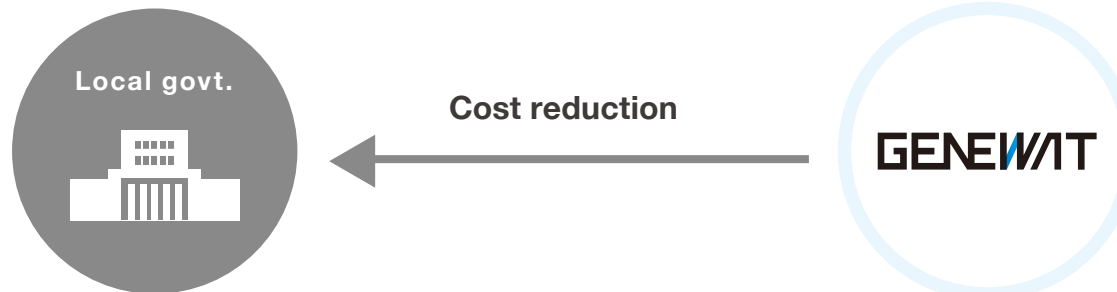
FY2021 segment profit: ¥(6,924) million (no pct. due to FY2021 loss)

Corporate Philosophy

Providing new value to citizens through local governments



Value provided



Electricity retail sales service



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

Business model



Electricity



- Sale of electricity
- *Business does not include generation and distribution

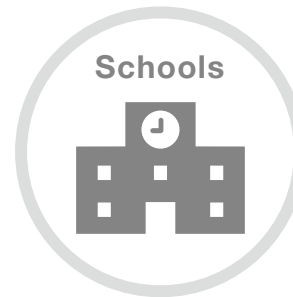
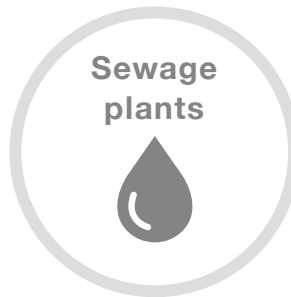


Payments

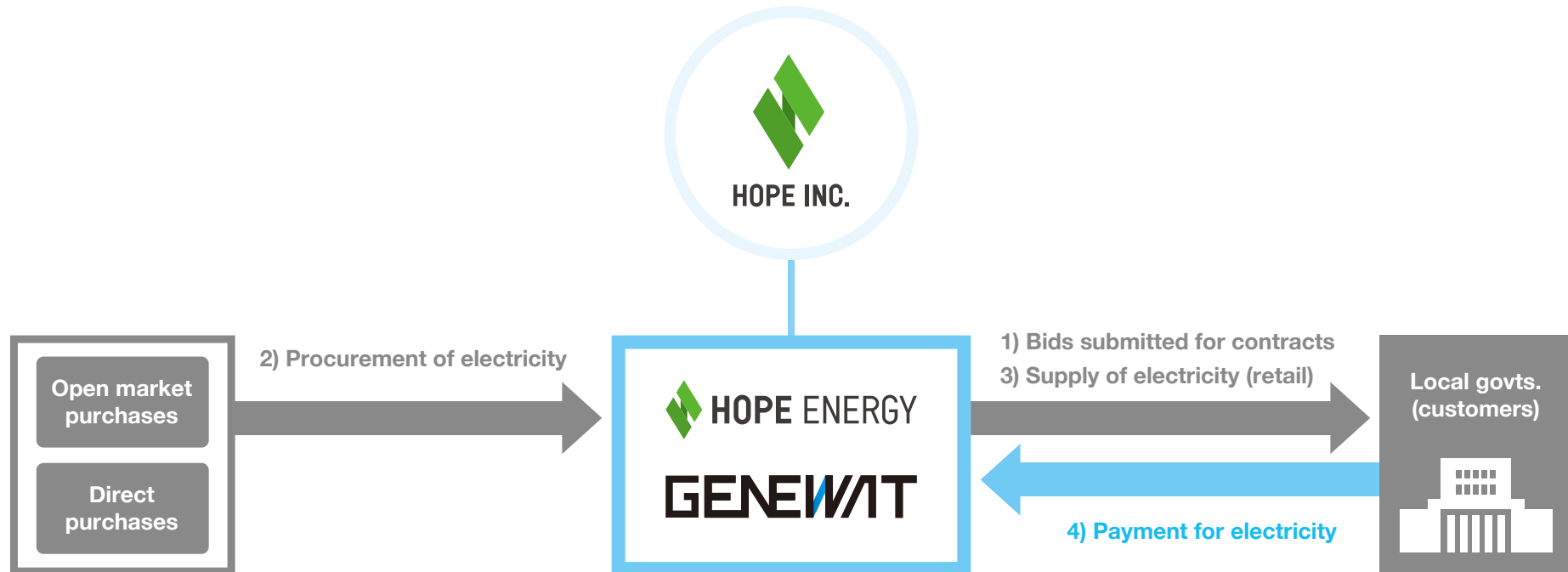
- HOPE, INC. posts sales/cost of sales based on monthly utilization



GENEWAT users (mainly local governments)



• Structure of the retail sale of electricity in the Energy Business is shown below.



How the energy business purchases electricity

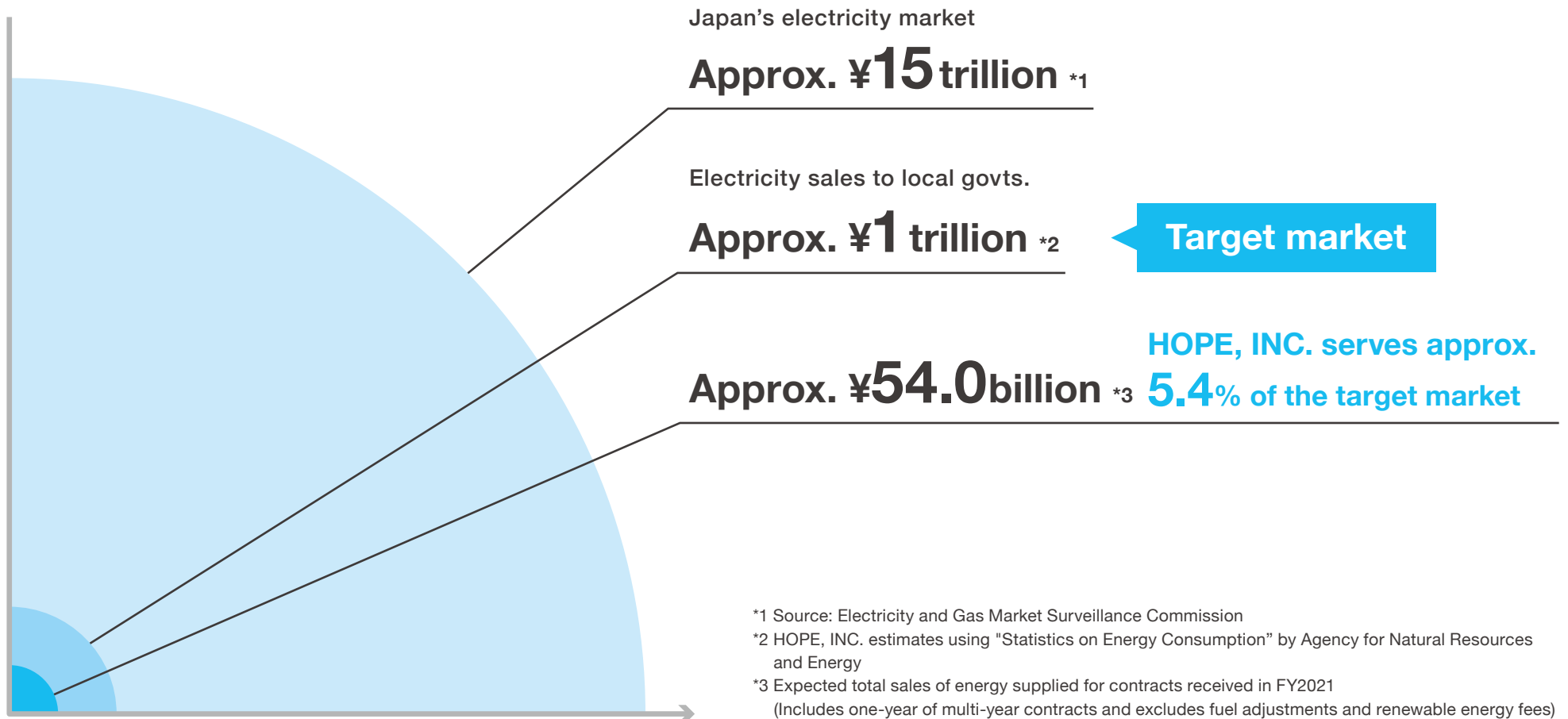
Open market purchases using the JEPX

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

Direct purchases

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

- Rapid growth since the launch of this business in 2018 that used HOPE, INC.'s expertise involving bidding on public-sector contracts
- Expect electricity supplied to reach a record high in FY2022, but have stopped bidding on new contacts (see page 29 for more information)



- Downsize operations to reduce business risk exposure

■ Assumptions

- 1) Electricity prices are usually low in the spring and fall (including October) but in 2021, JEPX prices were higher than expected.
- 2) HOPE, INC. was unable to purchase the expected volume of electricity by using direct one-to-one transactions because payment terms did not match the HOPE Group's desired terms.
- 3) There are concerns about a tight supply of electricity during the winter of 2021-2022 too.

■ Continuation of the suspension of submitting bids

The Energy Business is a large percentage of total sales. Due to the substantial market risk in this business, HOPE, INC. will not submit bids in the electricity retail sales business for new electricity supply contracts with local governments in order to improve the soundness of business operations. This suspension will continue until it becomes clear that this market risk will no longer have a significant effect on business operations.

■ Purpose of the spinoff of the electricity retail sales business to HOPE ENERGY, INC.

- The electricity retail sales business will continue at HOPE ENERGY, INC. and actions will be taken to reduce risk exposure by downsizing this business in a manner that reflects the business climate.
- The shift to a group management structure with more speed and flexibility will better facilitate the timely and proper management of risk and the best possible allocation of the HOPE Group's resources.

(Reference) For more information, see the Sep. 27, 2021 news release concerning measures to end negative equity. <https://ssl4.eir-parts.net/doc/6195/tdnet/2026961/00.pdf>

For more information, see the Aug. 11, 2021 news release concerning the spinoff of the electricity retail sales business. <https://ssl4.eir-parts.net/doc/6195/tdnet/2014535/00.pdf>

- For the FY2022 earnings forecast, our estimates for major variable items in the Energy Business are as follows.

Estimated regional composition of energy to be supplied in FY2022

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

1 Cost of open market purchases of electricity

- Forecast for cost of electricity purchased on the JEPX

These estimates are weighted averages using the expected electricity prices and amount purchased by customers in each region

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

2 Fuel cost adjustment

- Forecast for the fuel cost adjustment

These estimates are weighted averages using the expected electricity prices and amount supplied to customers in each region

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

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

* All prices include tax.

II. Business

4. Jichitai Works Business

■ Business summary

The first issue of Jichitai Works was issued in 2017 as HOPE, INC. started its media business.

This business provides employees of local governments in all areas of Japan with the latest information for determining budgets through its own media research. Currently, the sales of this business are primarily from advertisements in Jichitai Works and the receipt of orders from companies for B-to-G solutions.

Originally called the Media Business, this business was renamed the Jichitai Works Business in July 2021.

■ Value provided

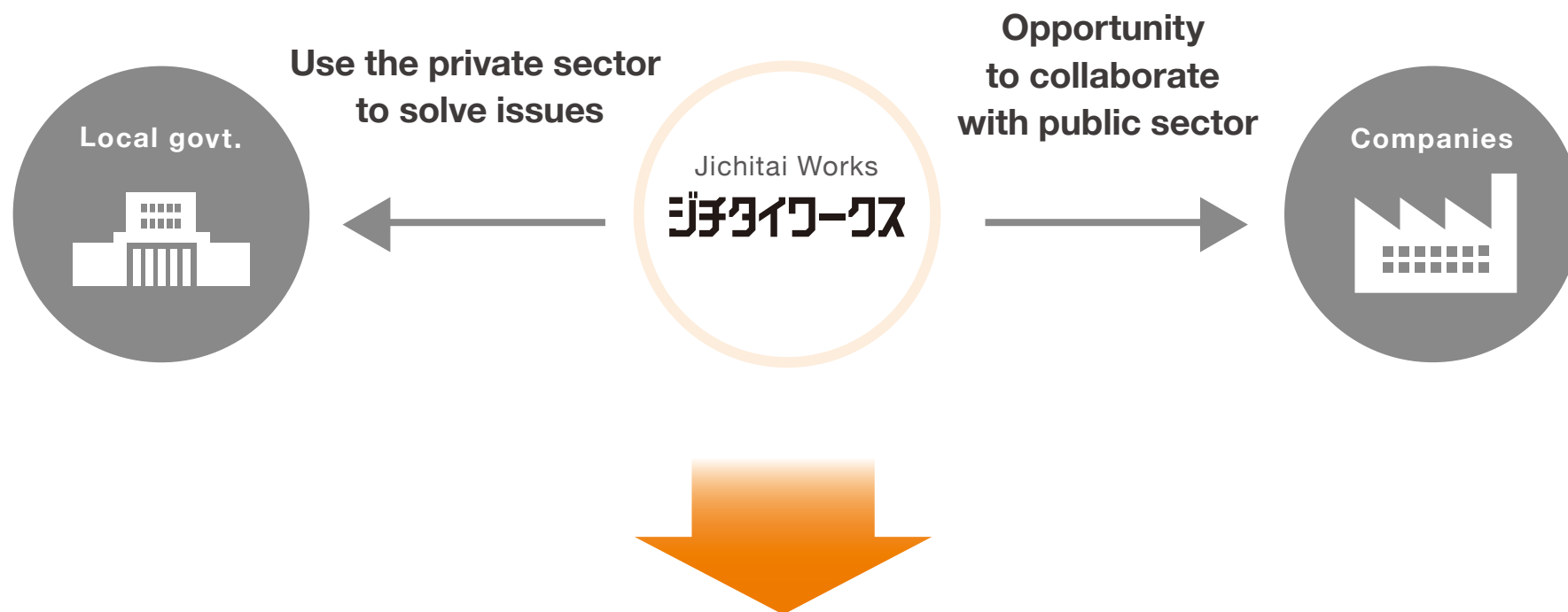
Public-private sector collaboration

FY2021 sales: ¥228 million (0.8% of total sales)

FY2021 segment profit: ¥58 million (no pct. due to FY2021 loss)

Corporate Philosophy

Providing new value to citizens through local governments



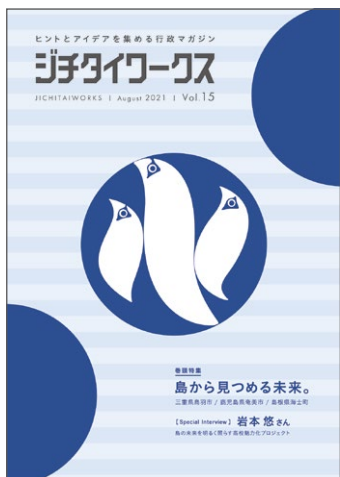
Public-private sector collaboration

- Use of advertisements to monetize publications
- Starting in FY2022, increased to three the types of publications with all advertisements by a single advertiser; selling these publications as a B-to-G solution

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



Issued six times every year 《Standard Jichitai Works》



1 One of the largest circulations in Japan

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

2 Extensive coverage

Distributed at no charge to 1,788 municipalities and all 47 prefectural governments

3 Upgrading sharing of knowledge

Magazines include examples of innovative ideas, a variety of know-how and other content for improving government services throughout Japan

Issued as needed (Special issues / PICKS / INFO)

Publications with a single advertiser
 Layout created specifically for each advertiser; three types depending on the number of pages

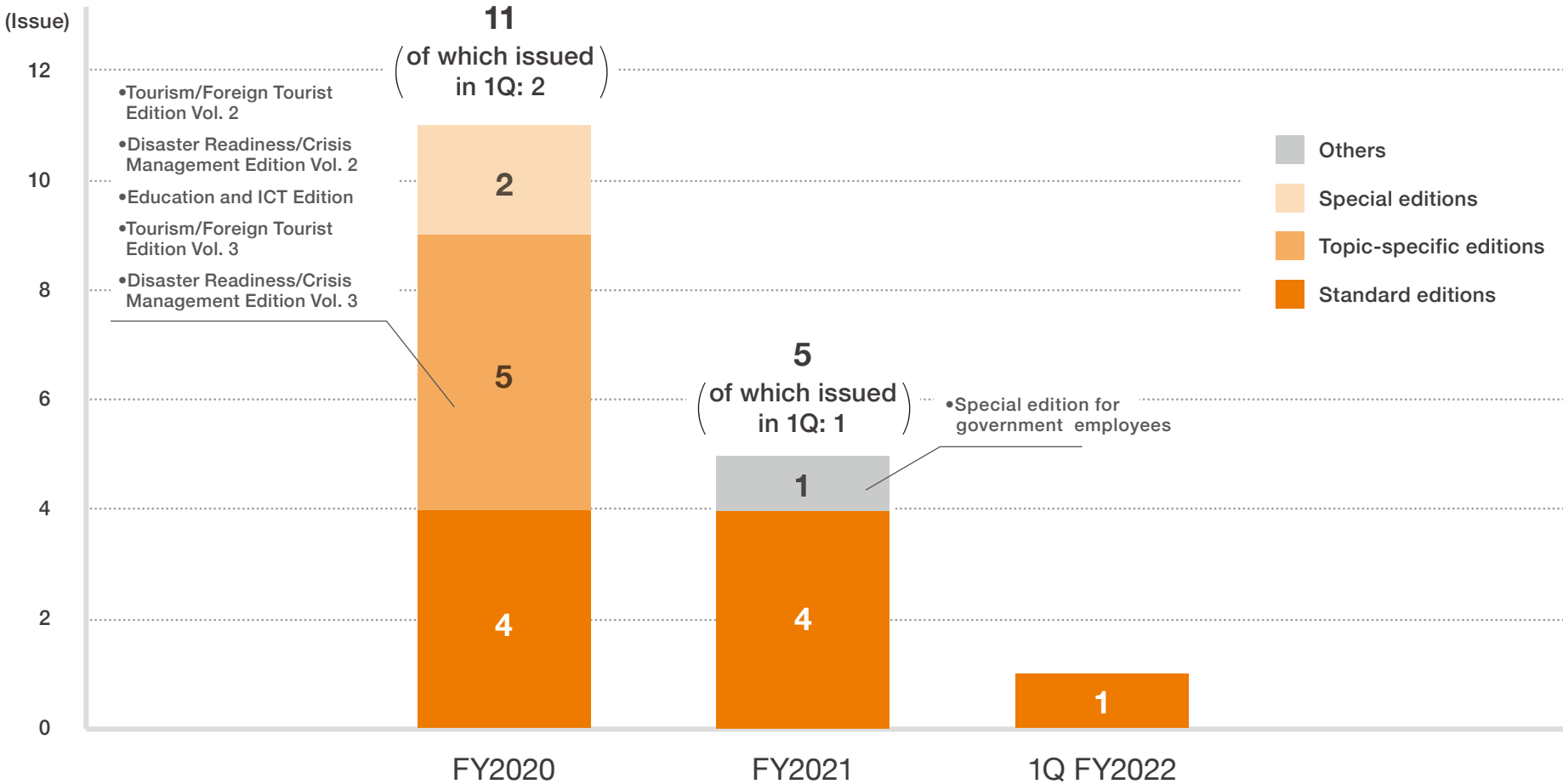


Jichitai Works Web

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



- In FY2021, the number of pages increased with every issue and content of the magazines was expanded and upgraded.
- In FY2022, we are increasing the staff of the Jichitai Works Business with the goal of raising the number of magazines issued while maintaining the high quality of these publications.



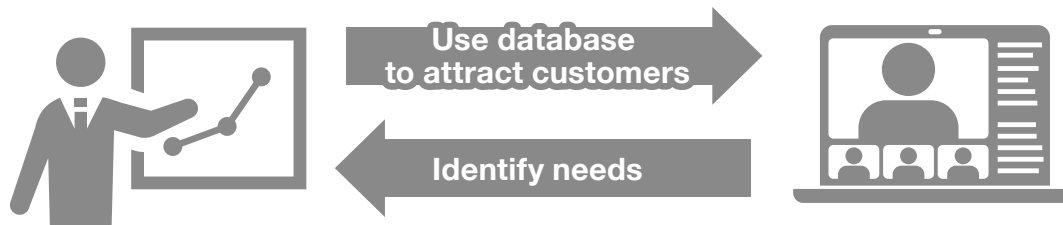
- In the B-to-G solutions, local government relationships are used for surveys to identify needs and for holding seminars, and other activities.
In addition, sales promotion and other promotion fees from companies and a revenue sharing model will be used for monetization.

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



Contracted service orders received

- Seminars for local government employees and other service



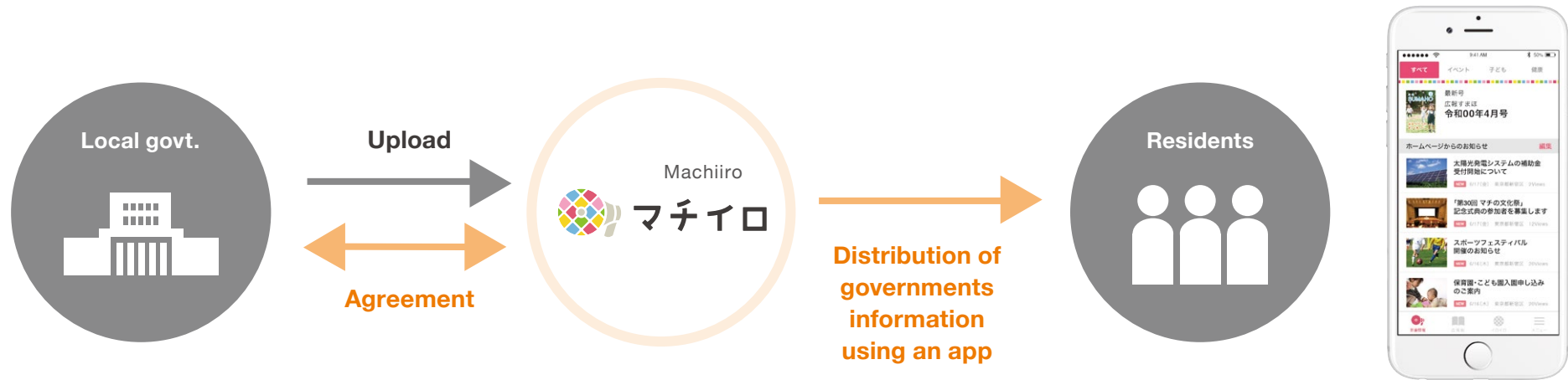
- Direct mail marketing
- Telemarketing
- Others

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

- A joint assistance platform for local governments and companies



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



*Machihiro screen sample

743,735
cumulative downloads

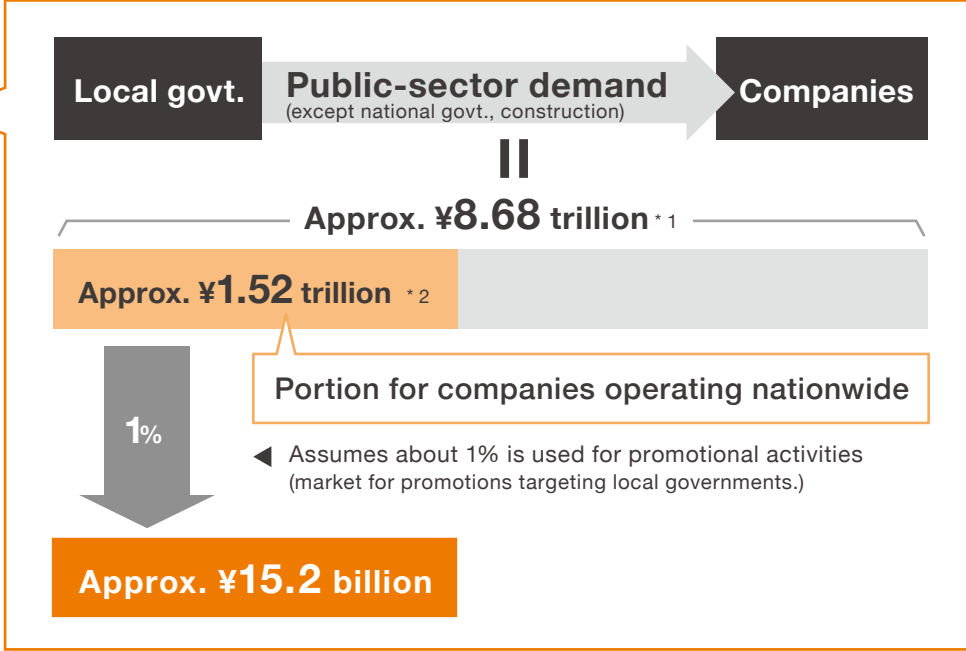
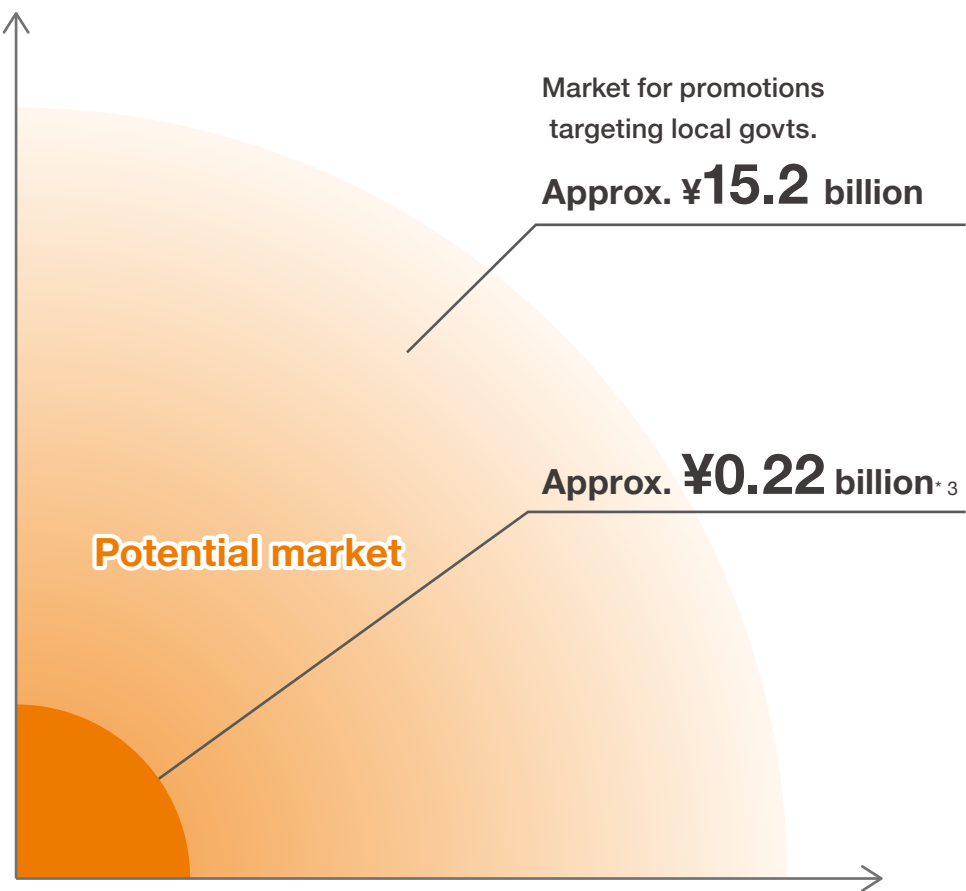
945 cumulative
local government contracts

Local governments
share of about **52.9%**

*Total as of Sep. 30, 2021

• Substantial public-sector demand and still considerable growth potential

The market for promotions targeting local governments still has much more potential, including public-private sector matching and measures to become more competitive



*1 Calculated by HOPE, INC. using Summary of Guide to Contracts in the Public Sector – FY2018, The Small and Medium Enterprise Agency
 *2 HOPE, INC. estimates based on FY2018 Administrative Project Review, Ministry of Internal Affairs and Communications
 *3 FY2021 Jichitai Works Business sales

III. Strengths and Differentiation

- The use of the unique characteristics of the media we handle for building strong ties with prominent local companies and local governments makes it possible to provide reliable ideas for advertisements.

Strengths	Explanation
Expertise for submitting bids	Since its inception, the HOPE Group has been acquiring expertise concerning the submission of bids for public-sector contracts. This expertise sets us apart from competitors. We can participate in a large number of contract offers by quickly preparing bids, which require a high level of accuracy, while upgrading our capabilities involving these bids.
Unique advertising media	The HOPE Group publishes media specifically for local governments and other public-sector organizations. Ads can be placed on government information publications, websites banner, trash collection calendars, signs at government buildings, LCD panels and many other locations. The recognition and reliability of these media are very high because they involve a government. We handle advertisements in our home region of Fukuoka and Kyushu as well as all other areas of Japan.
Local government relations	Machilet and other pamphlet production operations involve many departments of local governments to cover various themes, resulting in business relationships with people responsible for advertising and many other activities. This business uses consistent ties with local government employees to broaden relationships within individual governments, such as by maintaining ties with people after they are transferred in order to receive orders for different types of publications.
Relationships with prominent local companies	Some local companies do not use newspapers, magazines and other conventional media due to the high cost in relation to benefits. The unique characteristics of a local government publication make this an ideal channel for these companies to reach their targeted user segments. This makes it possible for us to establish relationships with local companies that large ad agencies and other big companies cannot serve.
A unique position in the ad industry	The highly distinctive characteristics of our media and customers give us a position within the ad industry that unlike that of any other company. Furthermore, strong relationships with local government employees allows us to obtain timely information about current issues and other needs. Using this knowledge makes it possible to maintain a framework for developing and supplying media and services with themes that produce benefits quickly.

- The original plan was to use expertise involving public-sector bids to capture electricity supply contracts and then build on accomplishments for sustained growth. However, we have stopped submitting bids due to problems caused by price volatility risk. We are now conducting a thorough study to determine whether to continue operating the Energy Business, including the option of significantly downsizing this business, while taking into consideration the market conditions and other factors.

Strengths	Explanation
<p>Expertise for submitting bids</p>	<p>Since its inception, the HOPE Group has been acquiring expertise concerning the submission of bids for public-sector contracts. This expertise sets us apart from competitors.</p> <p>We can participate in a large number of contract offers by quickly preparing bids, which require a high level of accuracy, while upgrading our capabilities involving these bids.</p> <p>When the Energy Business was started in 2018, we used bidding know-how acquired in the Advertising Business to quickly and efficiently start submitting bids for electricity contracts.</p>
<p>Position</p>	<p>An increasing number of local governments are switching from the use of major utilities to public offers for bids for the supply of electricity. This trend creates significant opportunities for the sale of electricity to local governments and public-sector users.</p> <p>Building a proven record of reliability allows meeting local government bidding requirements concerning the supply of electricity in the past to other users. More contracts support a positive cycle of enabling more first-time bids to local governments in the following year.</p>

- Jichitai Works supplies useful information to local government employees and facilitates public-private sector collaboration to enable local governments to conduct an even broader range of activities.

Strengths	Explanation
<p>The powerful Jichitai Works brand</p>	<p>Local government employees nationwide receive this magazine to read about ideas, success stories and other information involving their jobs. Articles backed by thorough research and information collection cover disaster readiness, the pandemic, the digital transformation and many other themes involving local governments. All content is selected to be immediately useful for current issues. We have constantly issued this magazine and are upgrading the quality to make this brand even stronger as a source of vital information for local government personnel. Due to its reputation as a publication solely for local government employees, Jichitai Works attracts a constant flow of advertisements from companies seeking a marketing channel for reaching local governments.</p>
<p>Effective support for sales activities targeting local governments</p>	<p>Jichitai Works is a valuable media for the many companies looking for ways to sell products and services to local governments. Establishing business ties with these governments is difficult without support due to numerous preconditions and specific procedures. Using the HOPE Group as an intermediary for relationships with local governments can enable companies to work with these governments more efficiently.</p>
<p>A unique position in the local government media industry</p>	<p>There are other companies that produce information publications for local government employees. However, Jichitai Works does more than supply information. Articles also reflect current issues involving these employees and offer ideas for solutions in order to be an even more valuable source of information and support. Furthermore, strong relationships with local government employees allows us to obtain timely information about current issues and other needs. Using this knowledge makes it possible to maintain a framework for developing and supplying media and services with themes that produce benefits quickly.</p>

IV. Risk Information

This section covers only significant risk factors associated with the characteristics of the business activities of the HOPE Group.

Information about other risk factors is in the Business Risk section of the Securities Report and the Quarterly Reports.

(Reference) For more information, see the Annual Securities Report released on Sep. 29, 2021. https://ssl4.eir-parts.net/doc/6195/yo_ho_pdf/S100MIFN/00.pdf
For more information, see the Quarterly Report released on Nov. 15, 2021. https://ssl4.eir-parts.net/doc/6195/yo_ho_pdf/S100MW2E/00.pdf

Risk	Summary	Actions
Recruiting and training talented people	If we are unable to recruit and train people required to perform key roles within our organization, there may be a shortage of qualified management personnel in the future.	We have many activities for raising the business literacy of our employees and for maintaining and upgrading training programs and frameworks that give people skills needed to advance to management positions.
Business growth	If problems occur that prevent us from establishing and accomplishing the goals of the plans for our businesses, there may be negative effects on our financial condition and sales and earnings.	We currently anticipate consistent demand from customers for the services of our Advertising Business and Jichitai Works Business. Our business plans are established and implemented based on this outlook. We are currently downsizing the Energy Business in order to minimize exposure to risk factors associated with this business.

Risk	Summary	Actions
<p>The need to improve cash flows and financial soundness</p>	<p>Working capital has been high in the past two fiscal years because of the growth of the Energy Business. In addition, there was a very large imbalance fee in January 2021 (about ¥6.5 billion including tax), which created an urgent need for measures to meet the demand for funds.</p>	<p>To procure these funds, there were a third-party allotment to sell stock, 11th share acquisition rights with an exercise price adjustment clause and unsecured bonds (private placement) on August 27, 2021.</p> <p>On December 1, 2021, the Advertising Business and Jichitai Works Business were each spun off as separate companies and we are considering activities involving these new subsidiaries, such as the use of business and equity alliances for the sale of some of the stock of these companies for the procurement of funds required by the HOPE Group.</p> <p>We will continue to consider various methods to procure funds in order to improve cash flows and financial soundness.</p>
<p>The need for actions due to start of grace period for stock delisting</p>	<p>The delisting grace period for HOPE's stock listing started on July 1, 2021 because of negative equity. The stock listing may be canceled if equity is still negative at the end of June 2022.</p>	<p>Information about measures to return to positive equity is on the following page.</p>
<p>The need for the proper size and consistent profitability of the Energy Business</p>	<p>For the retail sale of electricity, which is more than 90% of consolidated sales, the volume of electricity sold depends on the economy, the weather (hot summers, cold winters, etc.) and other factors.</p> <p>Furthermore, earnings in this business are vulnerable to price volatility risk involving the cost of purchasing electricity, the cost of fuel and the shifts in the balance between electricity supply and demand. If the cost of buying electricity increases more than expected, there may be a significant negative effect on the cost of sales.</p>	<p>The sharp increase in the cost of purchasing electricity during the last winter highlighted this risk.</p> <p>Due to the current business climate, we have stopped submitting bids for electricity contracts until we determine that level of risk in the Energy Business is acceptable. We are downsizing this business to lower the volume of risk. In addition, in December 2021 we used a spinoff to transfer the retail electricity sales business of the Energy Business to subsidiary HOPE ENERGY, INC., which will focus exclusively on retail sales of electricity.</p>

- Many activities are under way to return to positive equity.
- Initiatives to increase equity and improve business operations have the goals of increasing financial soundness and profitability.

■ Third-party allotment of stock and share acquisition rights

On August 27, 2021, HOPE, INC. used a third-party allotment to sell stock and the 11th share acquisition rights with an exercise price adjustment clause. At the end of September 2021, net assets totaled negative ¥1,701 million, ¥796 million less than negative ¥2,498 million at the end of June 2021.

■ Used spinoffs to establish subsidiaries; considering business/capital alliance or other measures for these businesses (see page 6 for more information)

■ Management improvements for stability of earnings

(1) Reduce risk in the electricity retail sales business and take actions concerning business risk

- In the electricity retail sales business, HOPE, INC. will not submit bids for selling electricity to local governments until this business has clearly reached the point where JEPX market risk no longer has a significant effect on the business operations of HOPE, INC.
(39 bids were submitted for electricity contracts during 1Q FY2022 and then the Energy Business stopped all bids for these contracts.)
- Plan to conduct a thorough study to determine whether to continue the Energy Business, including the option of significantly downsizing this business.

(2) Use of a spinoff and absorption to transfer the electricity retail sales business to a subsidiary

- On September 28, 2021, shareholders approved this spinoff and the spinoff took place on December 1, 2021.

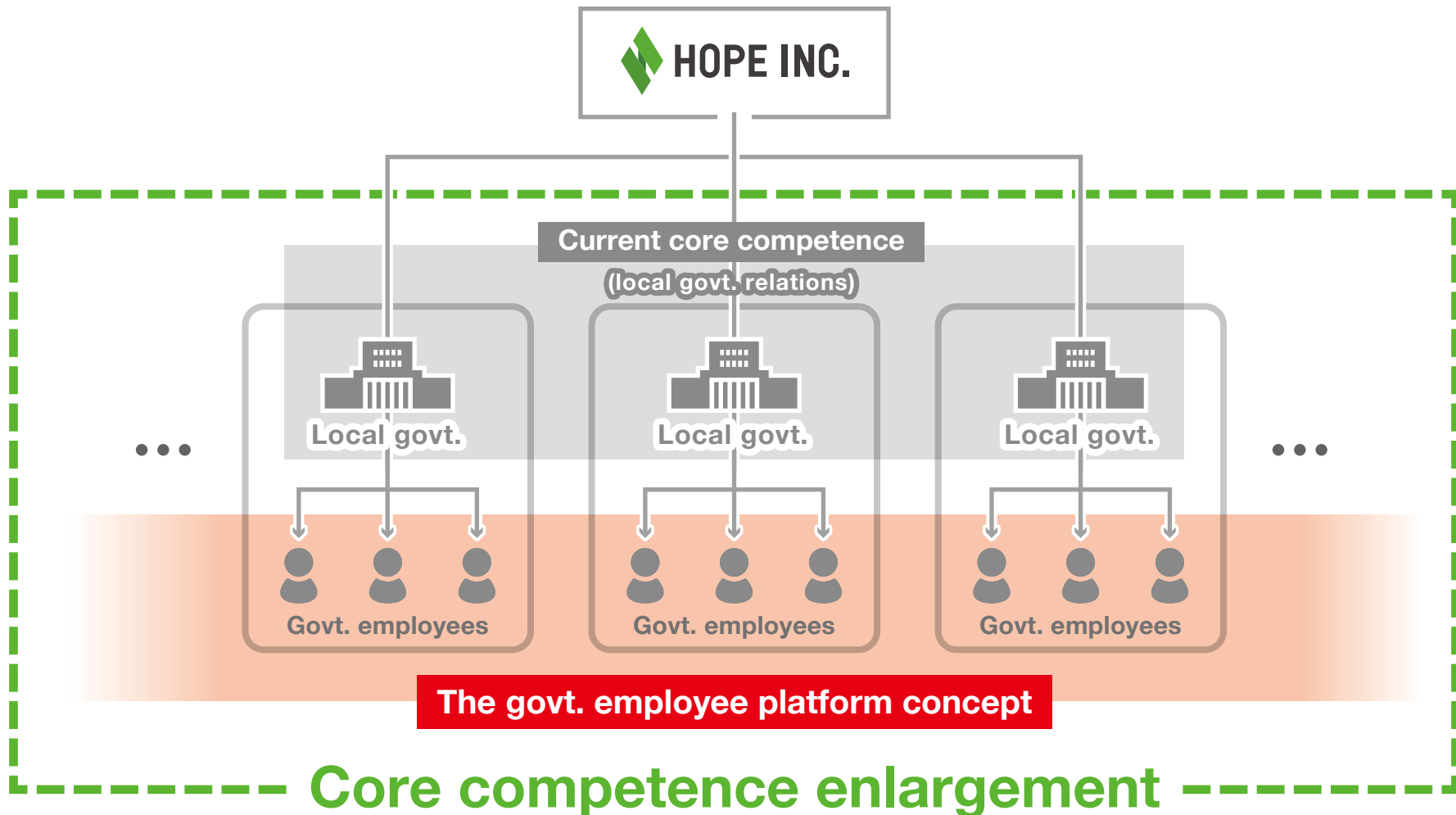
(3) Profitability of existing and new businesses

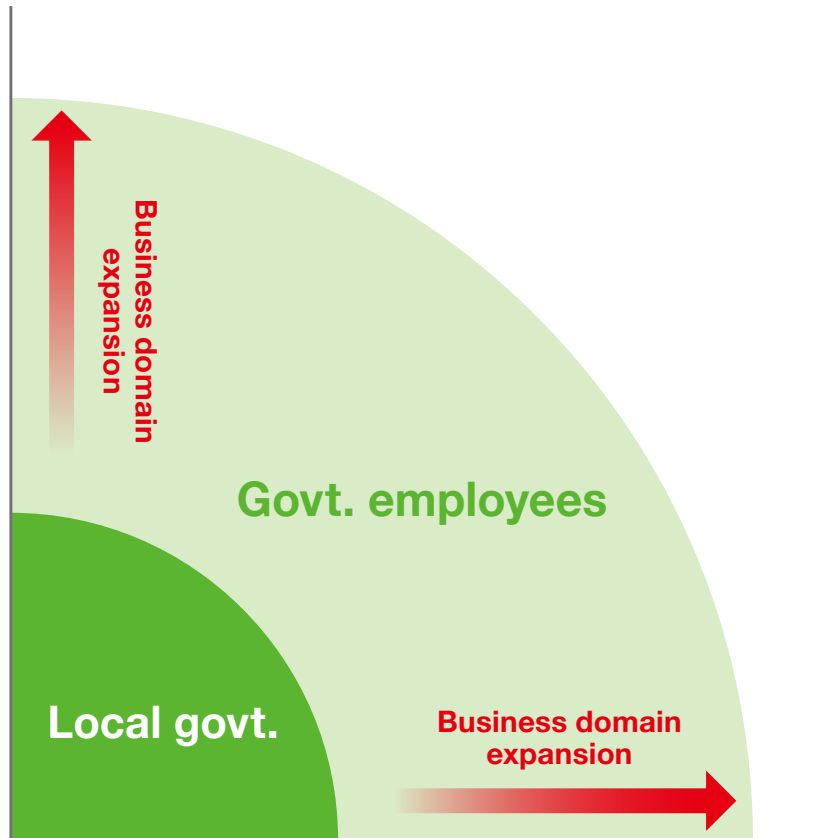
- 1Q FY2022 earnings of the existing Advertising and Jichitai Works businesses were as planned.
- Continuing activities for the launch of new businesses to create more sources of earnings.

(Reference) For more information, see the news release dated Sep. 27, 2021 concerning measures to end negative equity. <https://ssl4.eir-parts.net/doc/6195/tdnet/2026961/00.pdf>

V. 2020 VISION

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





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

Become the leader in businesses and services for local governments

FY2030

Net sales

¥100 billion

Operating profit

¥10 billion

Services

10 services

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



Actions

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

- There are currently no revisions to the 2020 VISION because this is a long-term goal.
- A new HOPE NEXT 3, which is a medium-term management plan, will be reestablished after completing measures to ensure that equity will be positive by the end of June 2022.

■ Assumptions

- The original medium-term plan (announced on August 11, 2020) made the Energy Business a large share of sales and earnings.
- Based on the performance of the Energy Business, a new framework, including a new medium-term plan, will be needed for making progress regarding the 2020 VISION.
- We will reexamine the business portfolio, including new businesses, to establish a strategy for growth.

■ Timing for reestablishing the HOPE NEXT 3 Medium-term Management Plan

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

■ Other items

- There are no revisions to the expected business environment changes or business policies regarding the Advertising Business and the Jichitai Works Business.

(Reference) Information about the Medium-term Management Plan before the reexamination is in “Medium-term Management Plan HOPE NEXT 3” announced on Aug. 11, 2020.
<https://ssl4.eir-parts.net/doc/6195/tdnet/1873672/00.pdf>

Takayasu Tokitsu

CEO



Feb. 2005 Established HOPE CAPITAL LLC. (currently HOPE, INC.)

Oct. 2020 CEO, HOPE ENERGY, INC.

Dec. 2021 CEO, JICHITAI AD, INC. and JICHITAI WORKS, INC.

Executive for: Regional Collaboration Business Dept. (Advertising Business),
Business Development Div., Corporate Div.

Shimpei Mori

COO



Apr. 2008 Joined HOPE, INC.

Nov. 2011 Director, HOPE, INC.

Dec. 2021 Director, JICHITAI AD, INC. and JICHITAI WORKS, INC.

Executive for: Jichitai Works Business Dept.

Kensuke Ohshima

CFO



Oct. 2011 Joined HOPE, INC.

Dec. 2013 Director, HOPE, INC.

Dec. 2021 Director, JICHITAI AD, INC. and JICHITAI WORKS, INC.

Executive for: Business Management Dept.

Yusuke Arai
Outside Director



Apr. 2001 Joined Kyokujitsu Electric Co., Ltd.
Feb. 2002 Joined Card Commerce Service Co., Ltd. (currently GMO Payment Gateway, Inc.)
May 2005 Director, Epsilon, Inc. (currently GMO Epsilon, Inc.)
Jan. 2006 President & CEO, Epsilon, Inc. (currently GMO Epsilon, Inc.)
Dec. 2014 Director, GMO Payment Gateway, Inc.
Aug. 2018 Director, GMO Medical Reservations Technology Co., Ltd.
Dec. 2019 President & Representative Director, SCALE, Inc. (current)
Mar. 2020 Outside Director, Givery, Inc. (current)
Aug. 2020 Outside Director, USA Real Estate Investment (current)
Sep. 2020 Outside Director, HOPE, INC.
May 2021 Representative Director, Enz Golf (current)

Eri Hirata
(Attorney)
Outside Director



Dec. 2012 Registered as an attorney, joined Kitahama Partners
May 2017 Joined Nishimura & Asahi
Jan. 2019 Nishimura & Asahi Fukuoka Office (current)
Sep. 2021 Outside Director, HOPE, INC.

Takaaki Matsuyama

(Labor and social security attorney)

Full-time Audit and Supervisory Board Member



Mar. 1974 Joined Fukuoka Sogo Bank (currently The Nishi-Nippon City Bank, Ltd.)
 Jun. 2001 Managing Director, General Manager of Sales Dept., Kyushu Leasing Service Co., Ltd.
 Jun. 2004 Director, General Manager of General Affairs Dept., NCB Business Service
 Jun. 2006 Audit & Supervisory Board Member, Kyusyu Servicer
 Dec. 2014 Registered as a labor and social security attorney (Fukuoka Labor and Social Security Attorney Association)
 Jun. 2015 Audit & Supervisory Board Member, Beta Soft
 Mar. 2017 Audit & Supervisory Board Member, HOPE, INC.

Yasuhiro Kawakami

(Tax accountant, small and medium enterprise management consultant)

Audit & Supervisory Board Member



Apr. 2001 Joined PIETRO Co., Ltd.
 Jan. 2007 Joined Fukuoka Realty Co., Ltd.
 Jul. 2007 Established Kawakami Tax Accountant Office (current)
 Apr. 2011 Established Kawakami Small and Medium Enterprise Management Consultant Office (current)
 Nov. 2011 Audit & Supervisory Board Member, HOPE, INC.
 Jul. 2020 Auditor, General Incorporated Association Kyushu no Shoku (current)
 Aug. 2020 Fukuoka Small and Medium Enterprise Management Consultant Association (current)

Keishi Tokuomi

(Professional name: Keishi Maeda)

(Judicial scrivener)
 Audit & Supervisory Board Member



Apr. 2002 Joined Takefuji Corporation
 Nov. 2009 Joined Soeda Judicial Scrivener Office
 Jan. 2014 Established Maeda Legal Affairs Office, representative of the current Otemon Legal Affairs Office (current)
 Sep. 2015 Audit & Supervisory Board Member, HOPE, INC.

Information in this presentation includes forward-looking statements that are based on the current outlook, forecasts and assumptions vulnerable to risk factors. As a result, this information incorporates uncertainties that may cause actual performance to differ from these statements.

Risk factors and uncertainties include economic trends in Japan and other countries, such as changes in industries and markets, interest rates, and foreign exchange rates.

Information in this presentation that does not concern the HOPE Group is based on information available to the public and other sources. We make no guarantee that this information is accurate or appropriate.

We plan to announce updates of the information in this presentation when we announce results of operations for fiscal years, which end in June. These announcements are usually between the middle of August and end of September. If the new medium-term management plan is reestablished and announced prior to the announcement of fiscal year results of operations, the information in this presentation may be updated too because of the significant effect that a new business plan would have on the information in this presentation.

Almost all the documents referenced in this presentation are in Japanese version only.

- IR contact -

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