



Fiscal Year Ending March 31, 2021

# Financial Results for Nine Months

February 10, 2021

**COPRO-HOLDINGS. Co., Ltd.**

Tokyo Stock Exchange and Nagoya Stock Exchange – First Section  
(Stock Code: 7059)

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## **Topic 1. Business Report for Nine Months of Fiscal Year Ending March 31, 2021**

- Net sales increased by double digits +15.9% year-on-year. The number of engineers was 2,054, up by 70 people from the end of the previous term.
- Cost of sales ratio rose 4.9 percentage points year on year to 71.5%. The main factor was engineers salary increase under “Equal pay for equal work” system. In addition, smartphone rentals to all engineers and payments for special holidays accompanying home standby for engineers suspected of being infected with COVID-19 increased (see P.5).
- SG&A increased mainly due to one-time costs for future growth (see P.5).
- Operating profits are on a year-on-year basis, excluding one-time costs.

## **Topic 2. Revisions to the Full-Year Forecasts for the Fiscal Year ending March 31, 2021**

- Full-year earnings forecasts were revised to reflect progress through 3Q and the expected booking of extraordinary losses in 4Q associated with the relocation of the head office (see P.7).

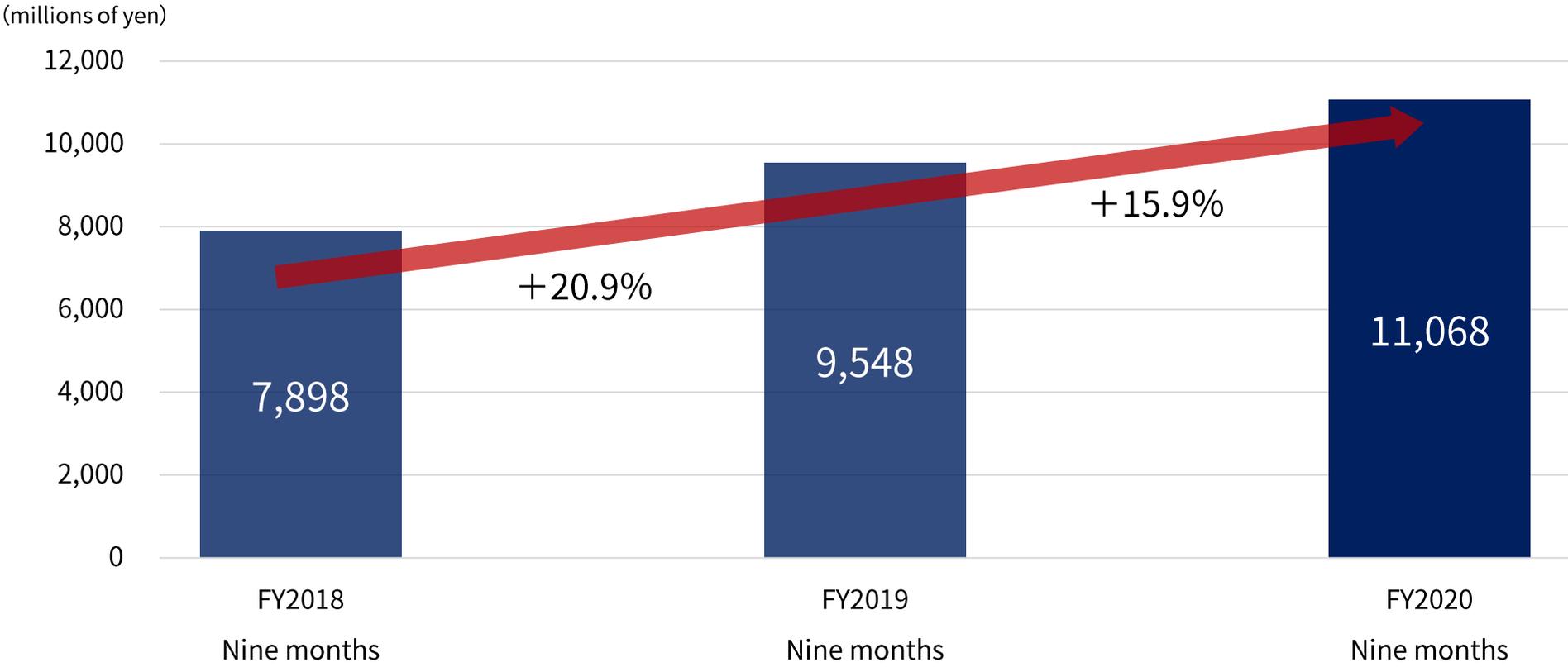
## **Topic 3. Efforts from 4Q Onward**

- Focus on negotiations to improve contract amount per engineers to improve cost of sales ratio.
- Sales reforms, core system renovations, and global business will be promoted as planned.
- Conduct a 2-for-1 share split of common stock with a record date of March 31, 2021 (see P.22).

# 1 . Financial Highlights and Full-Year Forecasts

# Net Sales (Consolidated)

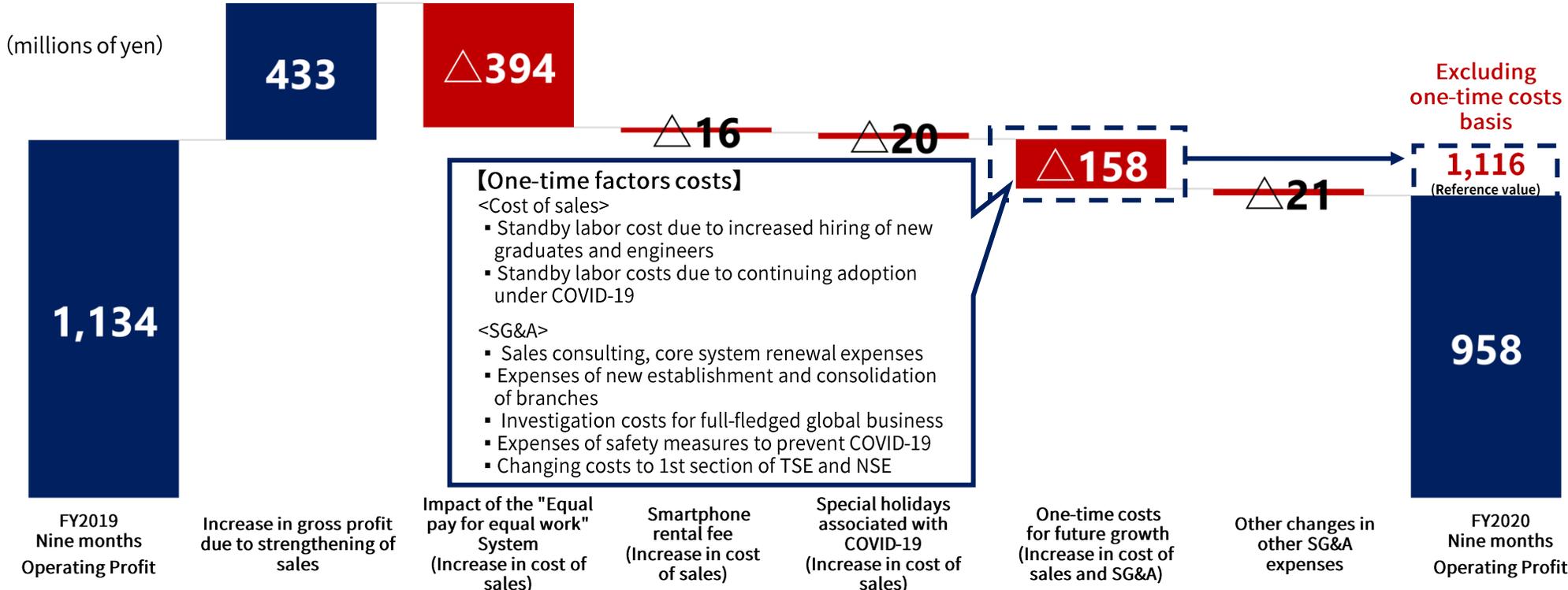
- Due to an increase in engineers numbers, net sales increased by double digits **+15.9%** year-on-year.



Note. The results for nine months of FY2018 are presented as reference values because we were unlisted.

# Operating Profit (Consolidated)

- Cost of sales ratio rose 4.9 percentage points year on year to 71.5%. The main factor was engineers salary increase under “Equal pay for equal work” system. In addition, smartphone rentals to all engineers and payments for special holidays accompanying home standby for engineers suspected of being infected with the new coronavirus increased (see P.5).
- 158 million yen in one-time costs for future growth. Operating profit remained at the same level as the previous year on a basis excluding one-time costs.



# Summary of Consolidated Financial Results



(millions of yen)

	FY2019 Nine months Result	FY2020 Nine months Results	Year-on-year	
			(Amount)	(%)
Net sales	9,548	11,068	+1,519	+15.9%
Cost of sales	6,363	7,915	+1,551	+24.4%
Ratio to sales	66.6%	71.5%	—	+4.9pt
Gross profit	3,184	3,152	△32	△1.0%
Ratio to sales	33.4%	28.5%	—	△4.9pt
SG&A expenses	2,050	2,194	+144	+7.0%
Ratio to sales	21.5%	19.8%	—	△1.7pt
Operating profit	1,134	958	△176	△15.6%
Ratio to sales	11.9%	8.7%	—	△3.2pt
Ordinary profit	1,127	960	△167	△14.8%
Ratio to sales	11.8%	8.7%	—	△3.1pt
Profit attributable to owners of parent	733	689	△43	△5.9%
Ratio to sales	7.7%	6.2%	—	△1.5pt

# Revision of FY2020 Full-Year Forecasts

## <Reasons for revision>

- In COVID-19, there has been a delay in charge-up negotiations on the rise in the cost of sales under “Equal pay for equal work” system, and the pace of cost of sales ratio improvements has been lower than expected.
- Stand-by at home payments for engineers suspected of infected with the new coronavirus increased.
- In the 4th quarter, we expect to book an extraordinary loss of approximately 80 million yen related to the relocation\* of the head office with the aim of expanding office space in line with business expansion.

※Floor movement within the current residential building

(millions of yen)

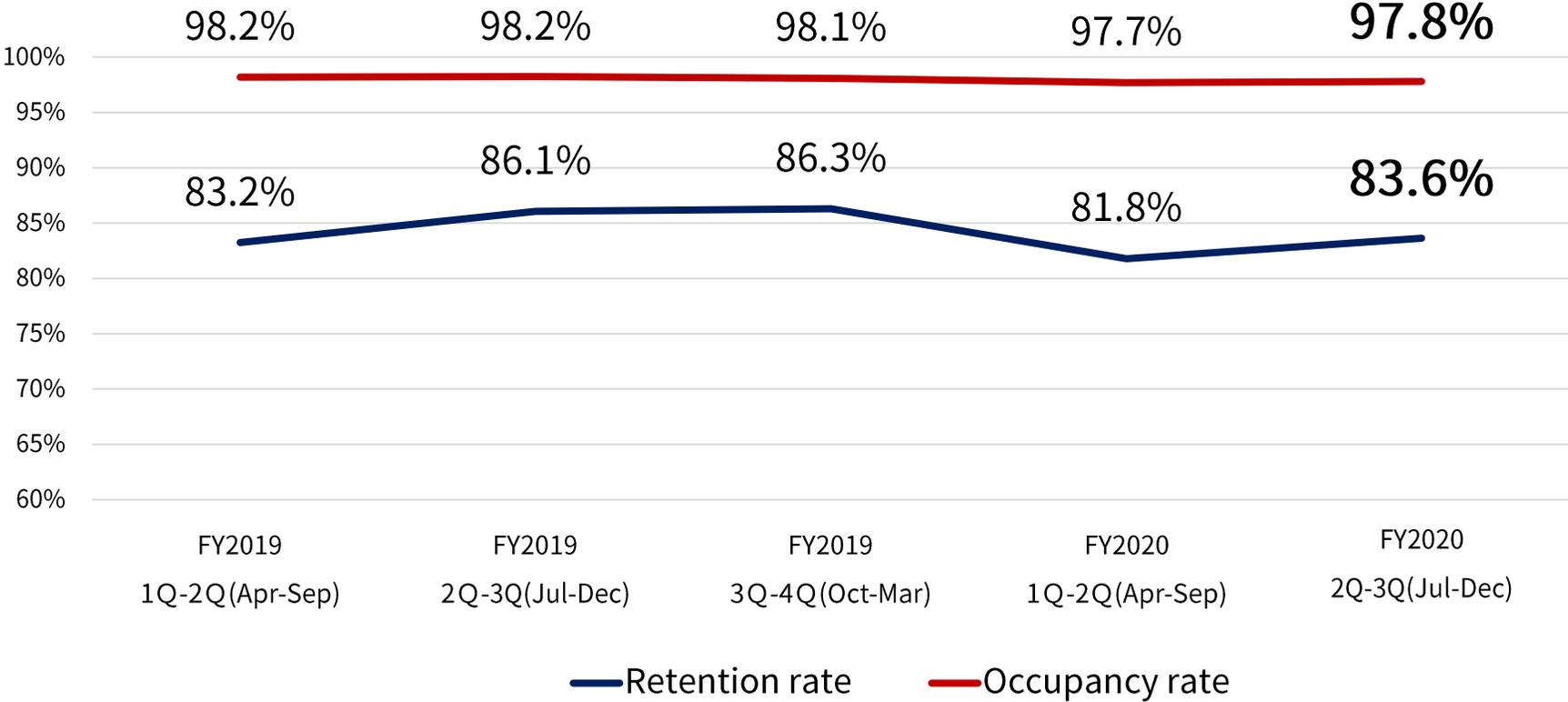
	FY2019	FY2020	FY2020	Year-on-year		Versus
	Result	(previous forecast)	(Revised forecast)	(Amount)	(%)	previous forecast
						(Amount)
Net sales	13,122	15,432	14,819	+1,696	+12.9%	△613
Operating profit	1,592	1,793	1,366	△226	△14.2%	△427
Ratio to sales	12.1%	11.6%	9.2%	—	△2.9pt	—
Ordinary profit	1,585	1,795	1,368	△217	△13.7%	△427
Ratio to sales	12.1%	11.6%	9.2%	—	△2.9pt	—
Profit attributable to owners of parent	1,084	1,221	901	△182	△16.9%	△320
Ratio to sales	8.3%	7.9%	6.1%	—	△2.2pt	—

# 2 . Key Performance Indicators

# Retention Rate and Occupancy Rate



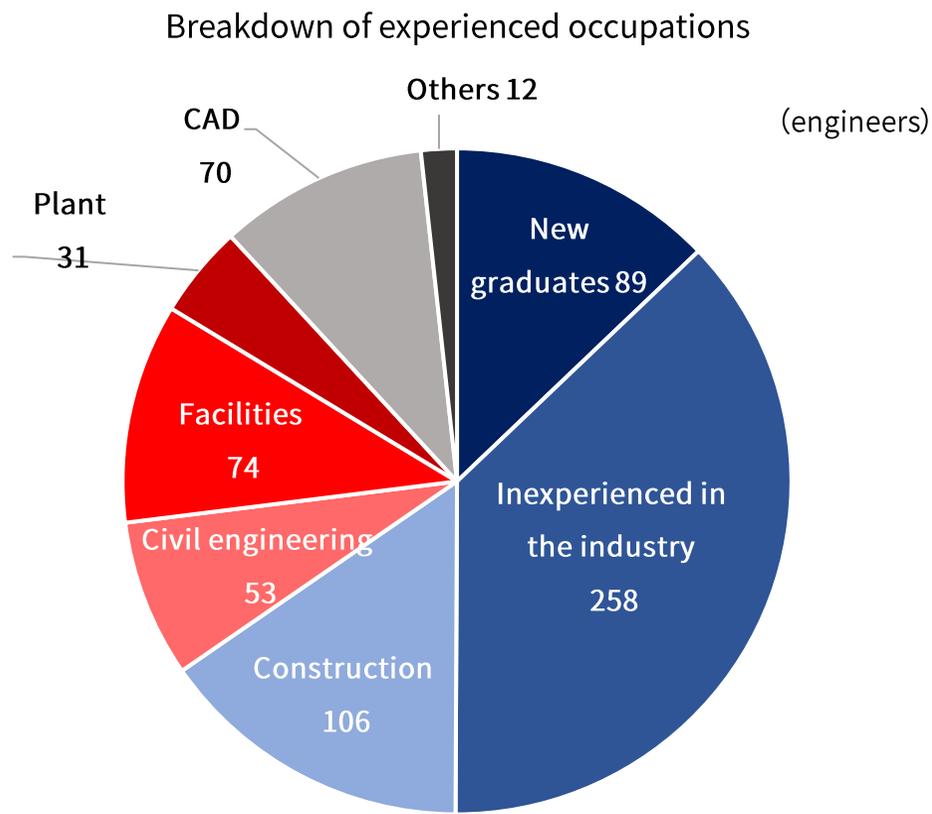
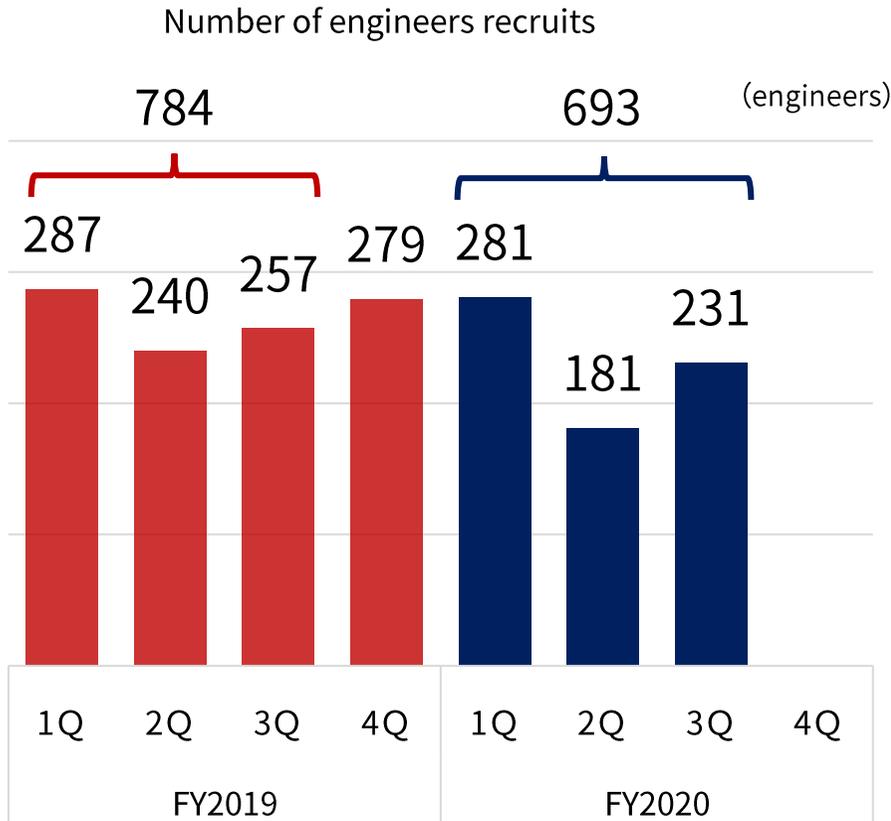
- Retention rate for 2Q-3Q period improved 1.8 percentage points from 1Q-2Q period to 83.6%.
- Occupancy rate remains high at 100% in real terms, except for leaves of absence, etc.



\*Retention rate = Number of engineers at the end of the current quarter ÷ (Number of engineers six months ago + Number of employees hired during the applicable period) × 100

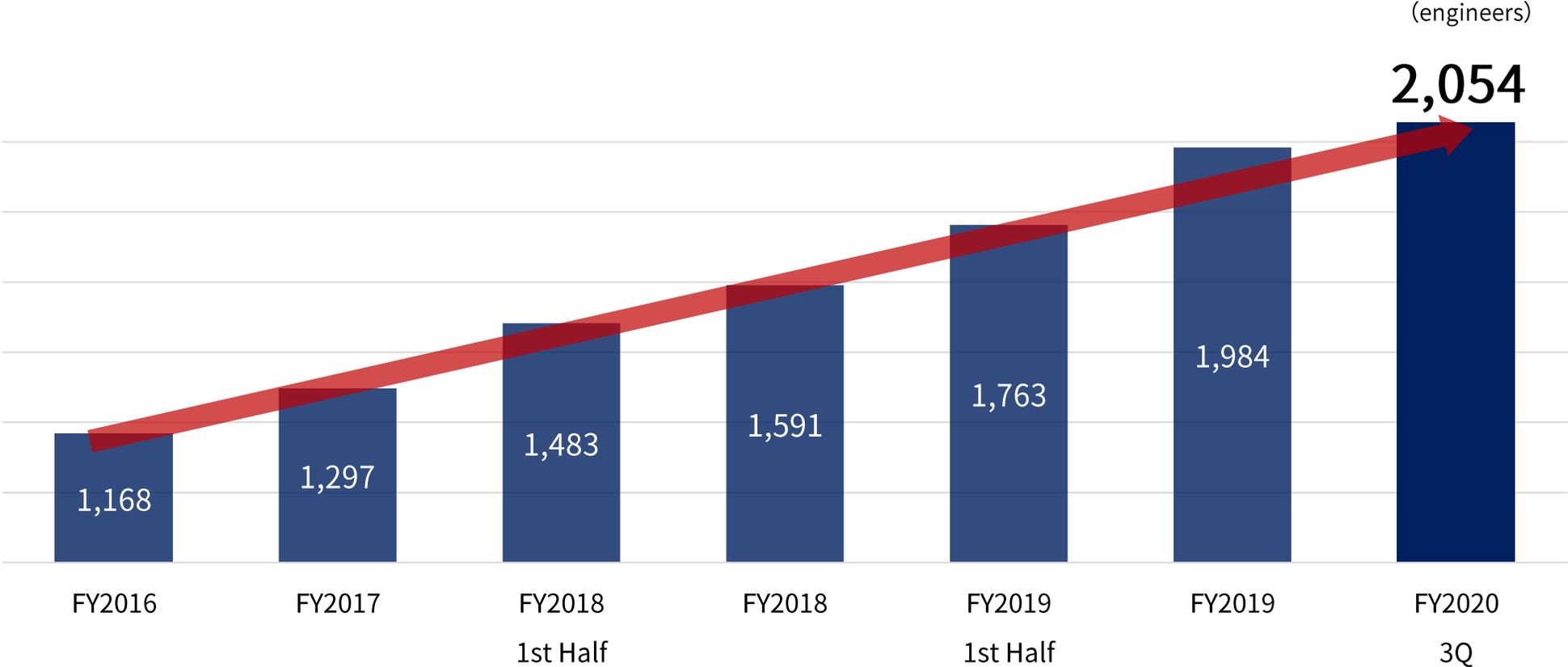
# Number of Engineers Hired

- The number of employees hired up to 3Q exceeds the planned number. (Implemented recruitment activities emphasizing the quality of human resources, with annual recruitment expected to be negative YoY)
- Based on the above policy, the strategic restraint of recruitment costs has worked, and recruitment efficiency has improved dramatically.  
 ⇒ Recruiting cost per engineer (mid-career employment): 159 thousand yen, YoY  $\Delta$ 19.5%



# Number of Engineers

- Continued hiring in COVID-19 has kept engineers numbers on an increase trend.



■ Number of engineers at the end of the quarter

# Contract Amount per Engineer by Length of Service (monthly)

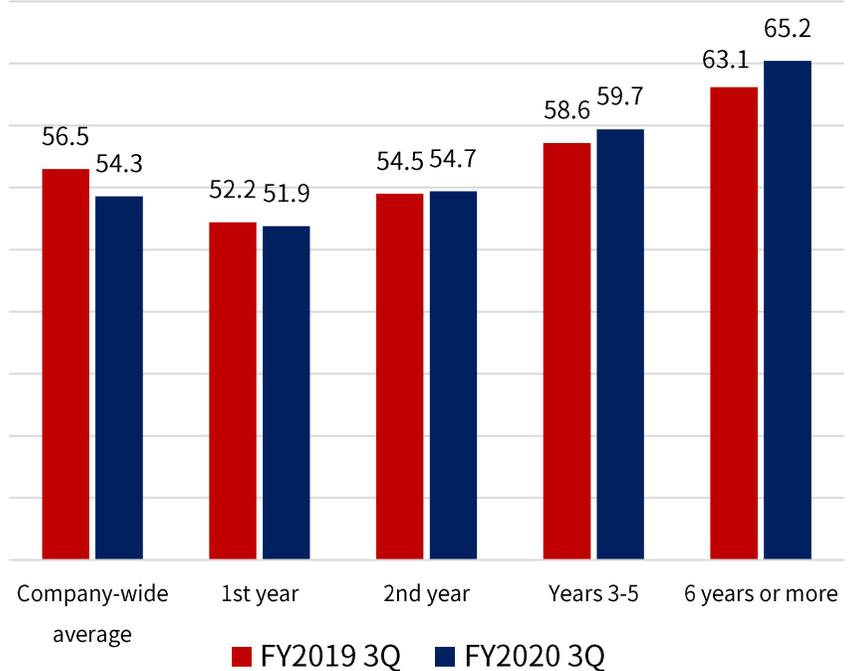


- The Company-wide average contract amount per engineer declined both year-over-year and quarter-over-quarter due to an increase in the proportion of engineers with short service years.
- Contract amount per engineer by length of service during FY2020 has been steady.

Comparison of the same period of the previous year

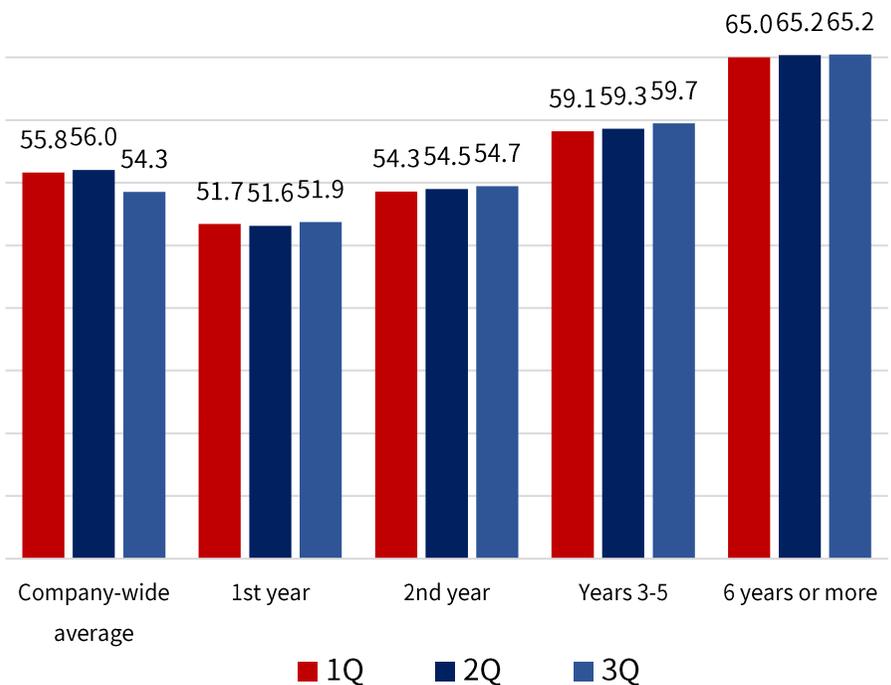
by length of service

(ten thousands of yen)



Quarterly trends by length of service

(ten thousands of yen)



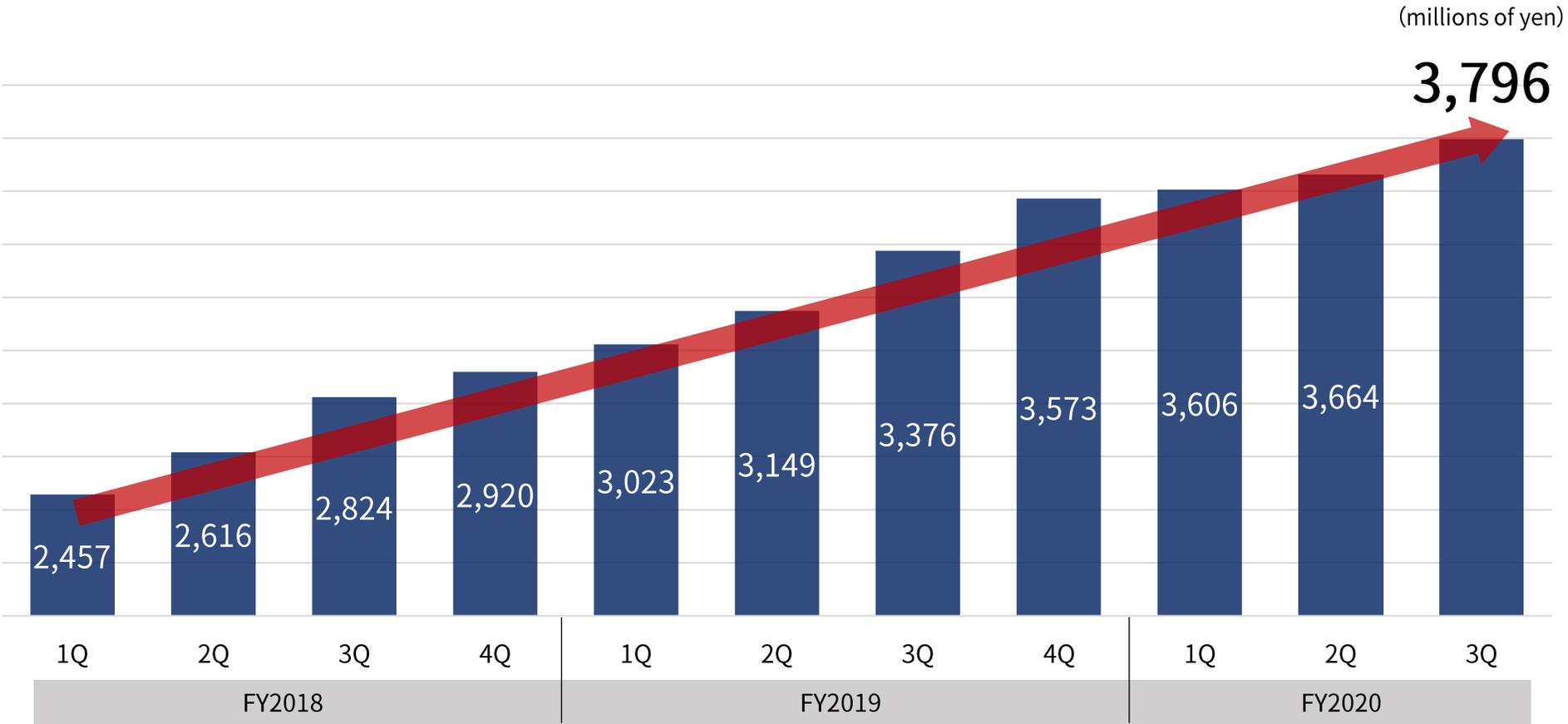
Note 1. The contract amount is a monthly fee, and there is no change in monthly fees due to holidays, etc.

Note 2. In addition to fluctuations in contract amount itself, the average value fluctuates slightly due to join and leave, etc.

# 3 . Breakdown of Sales

# Quarterly Sales Trends

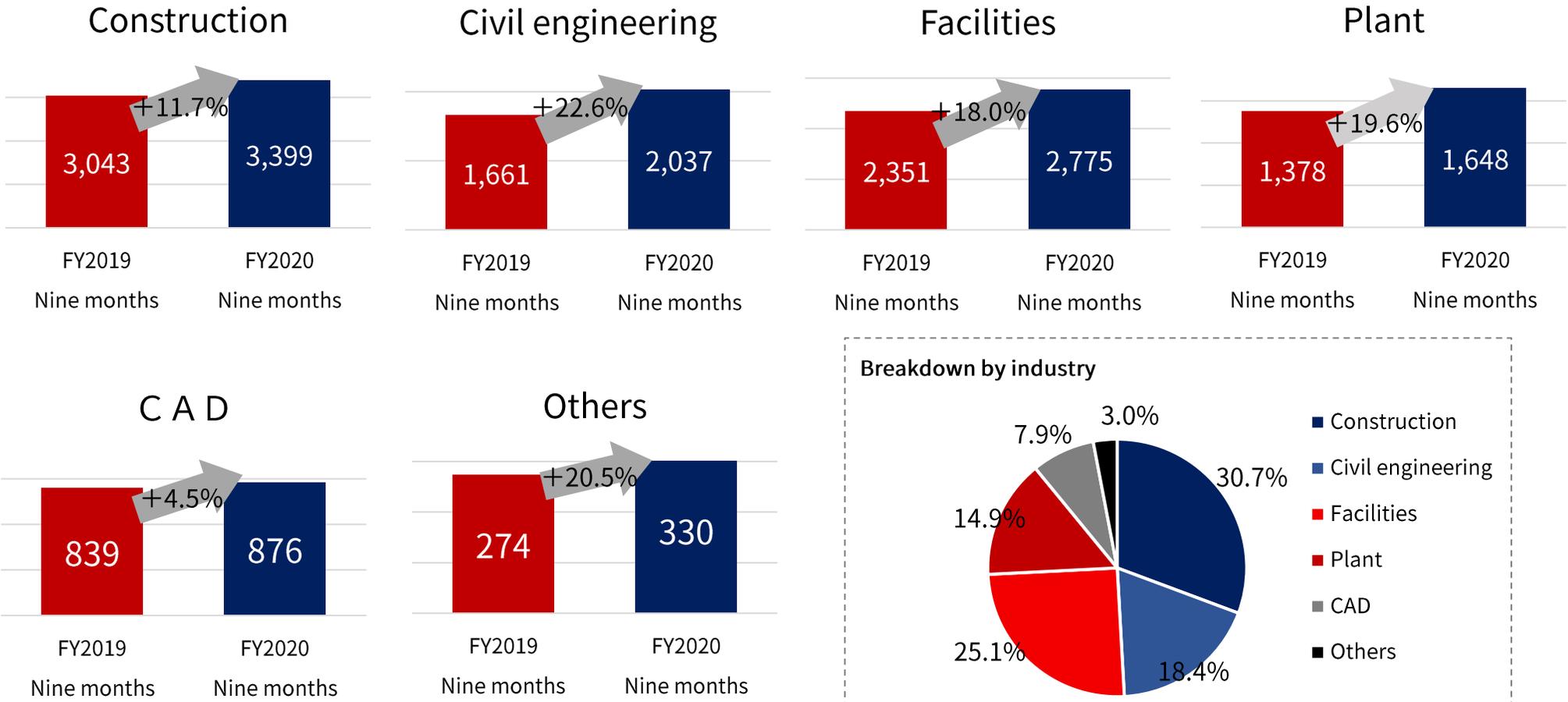
- Accompanying the growth in engineers counts, quarterly sales have increased on a cumulative basis.



# Sales by Industry

- Sales were positive YoY in all industries, including plant area we focus on.

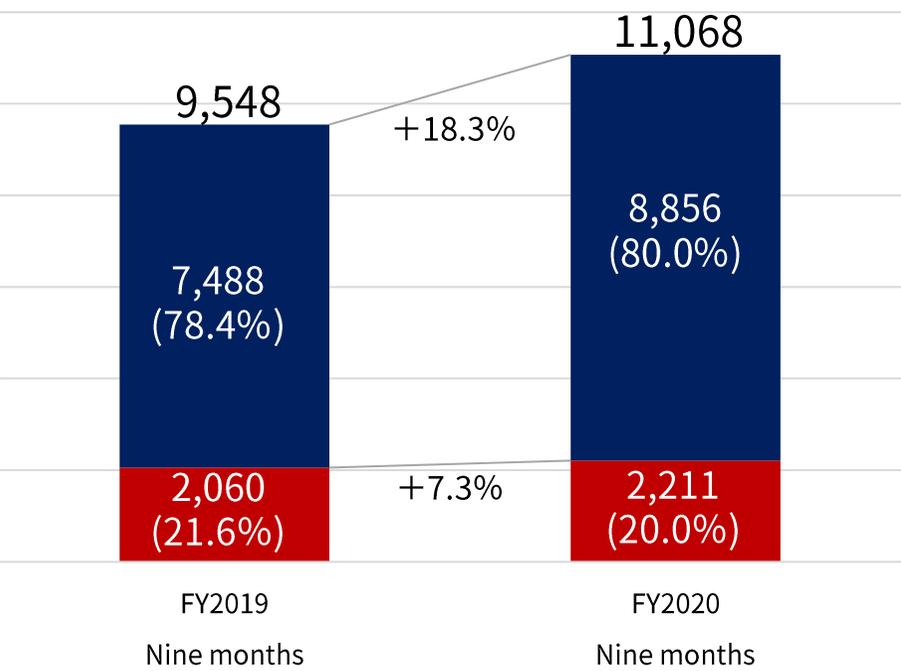
(millions of yen)



# Sales by Business Partner and Area

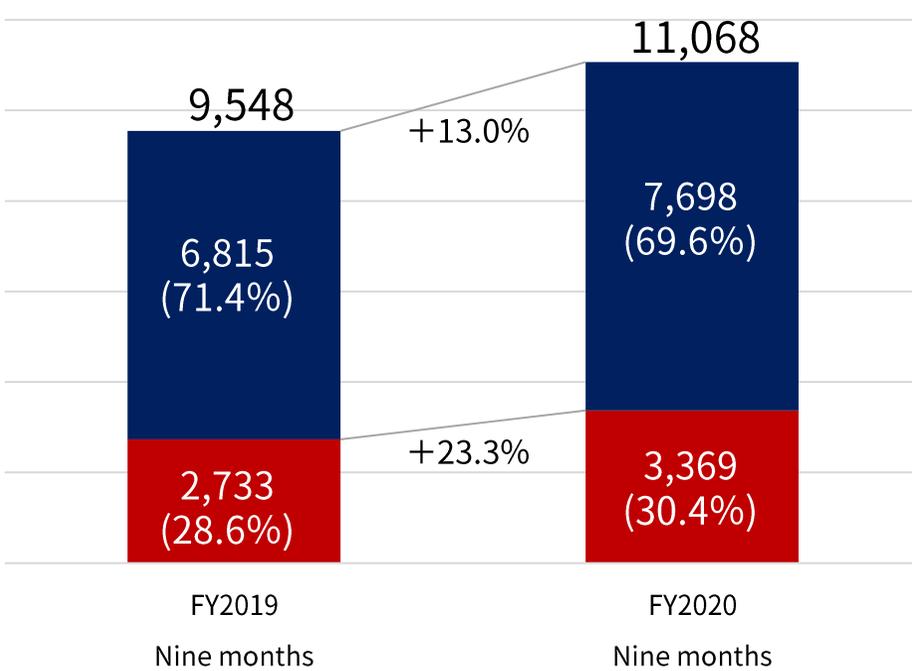
- Net sales increased, mainly at construction companies in local areas, due to the expansion of sales areas through the opening of branches.

Sales by business partner  
(millions of yen)



■ Super general contractor total ■ Others

Sales by area  
(millions of yen)



■ Local total ■ Total in Kanto, Tokai, and Kansai regions

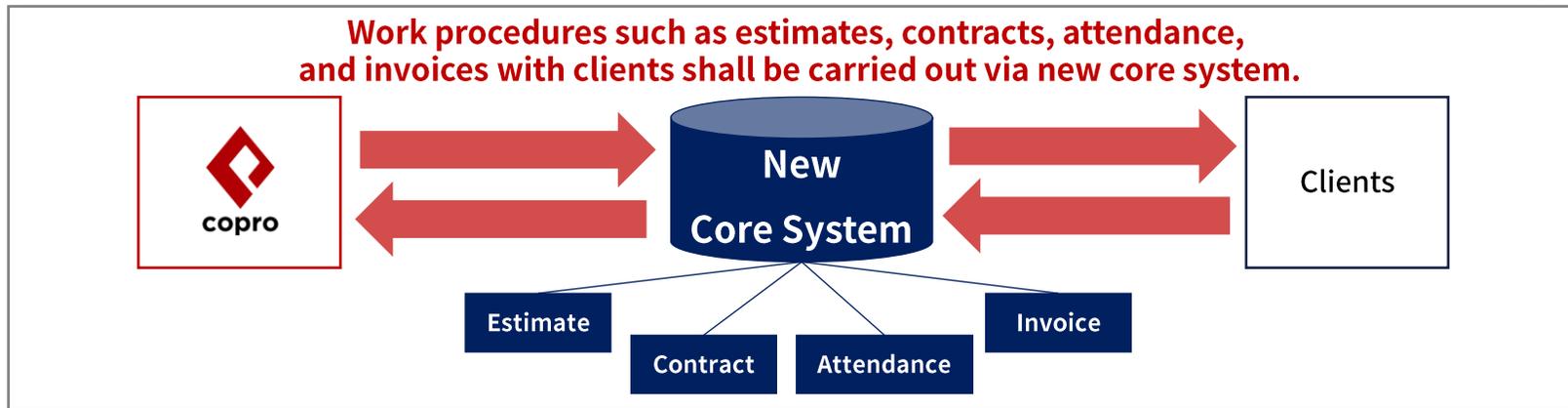
# 4 . Follow-up on the Growth Strategy



# Upgrading the core system

- Promoting reforms to the core system to improve the productivity of back-office operations at branches. Progress made on schedule toward full operation in April 2021.
- Forecast of **approximately 40% reduction** in labor costs for salaries, invoices, contracts, etc.  
⇒ Further strengthen sales management functions and strengthen support operations for sales employees.

## 【Schedule for introduction】



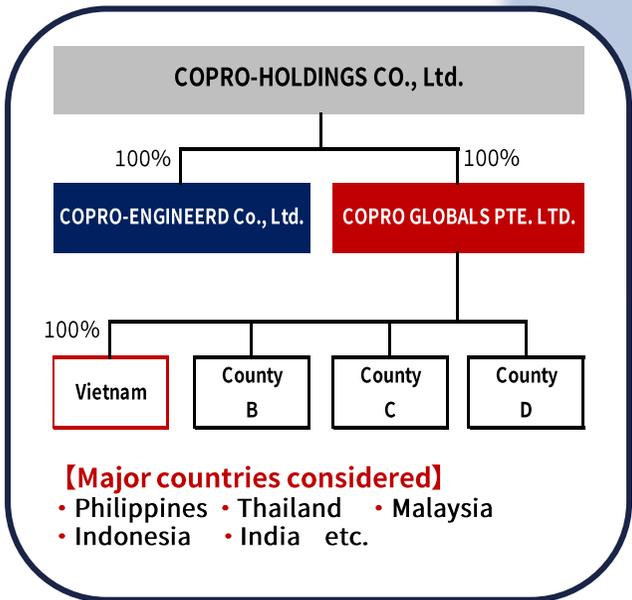
To curb the increase in labor costs related to back-office operations, which had been increasing in proportion to the number of engineers, expecting to improve margins in the future

- Decided to establish an operating subsidiary in Vietnam in April 2021.

### Process 1

#### Establishment of overseas bases

- COPRO GLOBALS PTE, an intermediate holding company, was established in April 2020 as a hub base in ASEAN.
- Plans to establish COPRO VIETNAM CO., LTD. (provisional name) in Vietnam in April 2021.
- Considering developing its businesses into other ASEAN countries in the future.



### Process 2

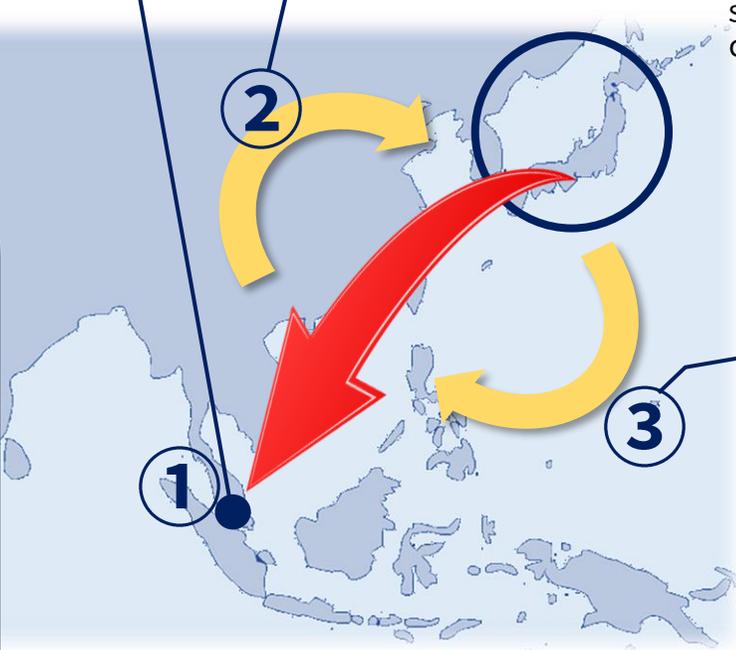
#### Accepting overseas human resources

- Accepting overseas personnel domestically
- Establishing educational systems for Japanese, construction, and communication skills at overseas subsidiaries in each country

### Process 3

#### Overseas human resources' active participation in the home country

- Establishing a system for dispatching overseas personnel who have learned Japanese technology to Japanese general contractors in their home country, etc.
- Promoting business development in ASEAN countries



# 5 . Returning Shareholders

# Share Split

- A 2-for-1 share split will be conducted on April 1, 2021, targeting the common shares held by shareholders on March 31, 2021, with the aim of creating an environment in which investors can invest more easily by lowering the trading price of our shares, expanding the investor base, and improving stock liquidity.

Split Ratio

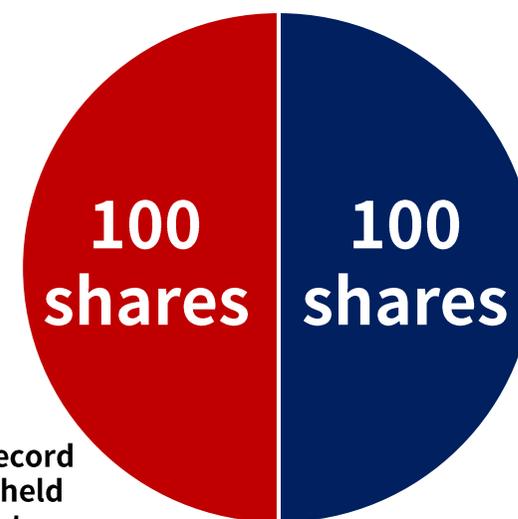
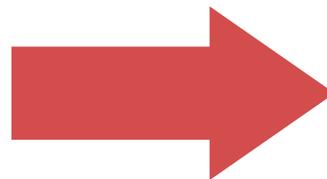
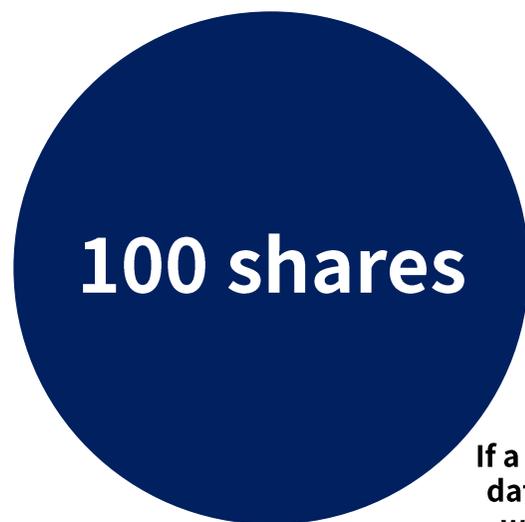
**1 to 2**

Date of record

March 31, 2021

Effective date

April 1, 2021



If a shareholder who holds 100 shares on the record date for the share split, the number of shares held will increase to 200 shares on the effective date.

- The basic policy is to maintain stable dividends with a consolidated dividend payout ratio of 30% as our immediate target, while paying attention to the balance with investments that will contribute to future business expansion.

## 【Dividend forecast for the year ending March 31, 2021】

- No revisions were made to the year-end dividend forecast in line with the downward revision of the FY 2020 full-year results forecasts.
- Revised the year-end dividend forecast from ¥55.00 to ¥27.50 in accordance with the share split.

\*Please note that this revision is made only in association with the share split, and there is no substantive change in the forecast for the dividends from forecast previous published.

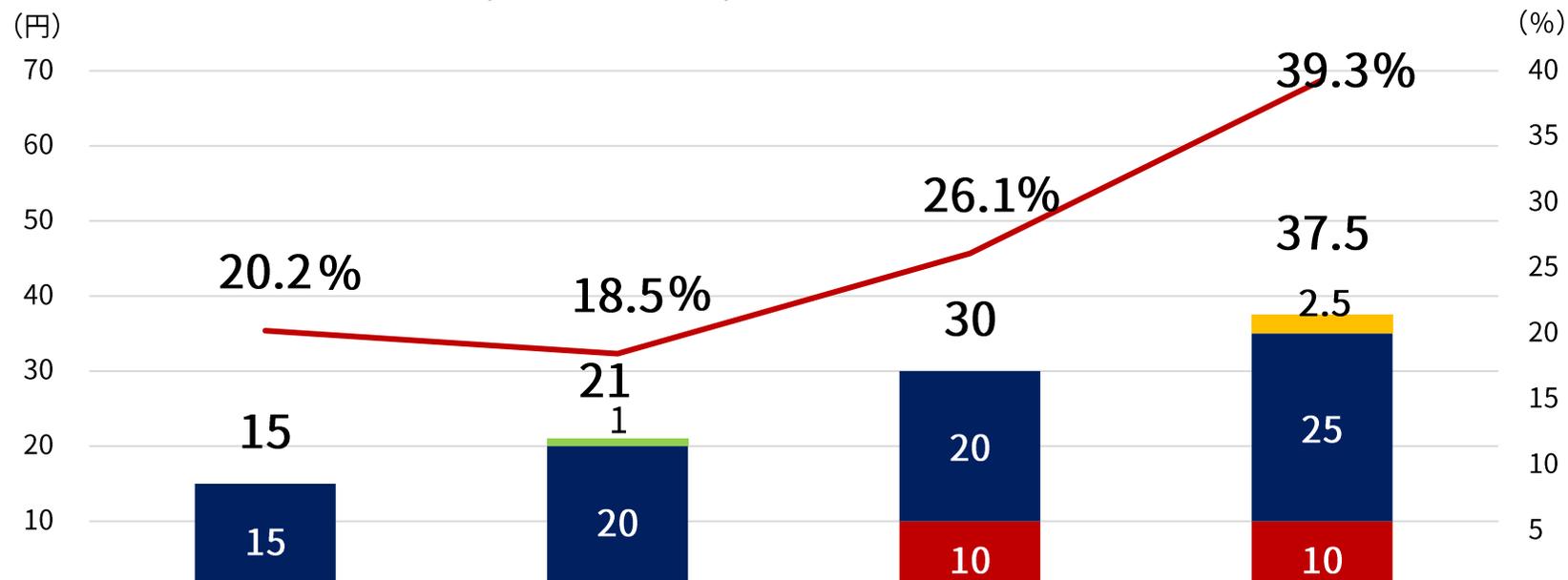
- In anniversary of the market change to 1st section of TSE and NSE, we will pay a commemorative dividend of ¥2.50 per share in addition to the ¥25.00-per-share ordinary dividend for the end of the period.\*

\*This matter will be discussed at the 15th Ordinary General Meeting of Shareholders to be held in June 2021.

# Dividends per Share and Dividend Payout Ratio

※The per-share dividend has been retroactively revised, taking into account the impact of the 1-to-2 share split.

• Date of record; March 31, 2021 / Effective date; April 1, 2021 / Split ratio; 1 to 2



	FY2017	FY2018	FY2019	FY2020 (forecast)
 Commemorative dividend for changing to 1st section of TSE and NSE	—	—	—	2.5 yen
 Commemorative dividend for listing	—	1 yen	—	—
 Ordinary dividend (year-end)	15 yen	20 yen	20 yen	25 yen
 Ordinary dividend (interim)	—	—	10 yen	10 yen
<b>Total dividends</b>	<b>15 yen</b>	<b>21 yen</b>	<b>30 yen</b>	<b>37.5 yen</b>
 Dividend payout ratio (%)	20.2%	18.5%	26.1%	39.3%

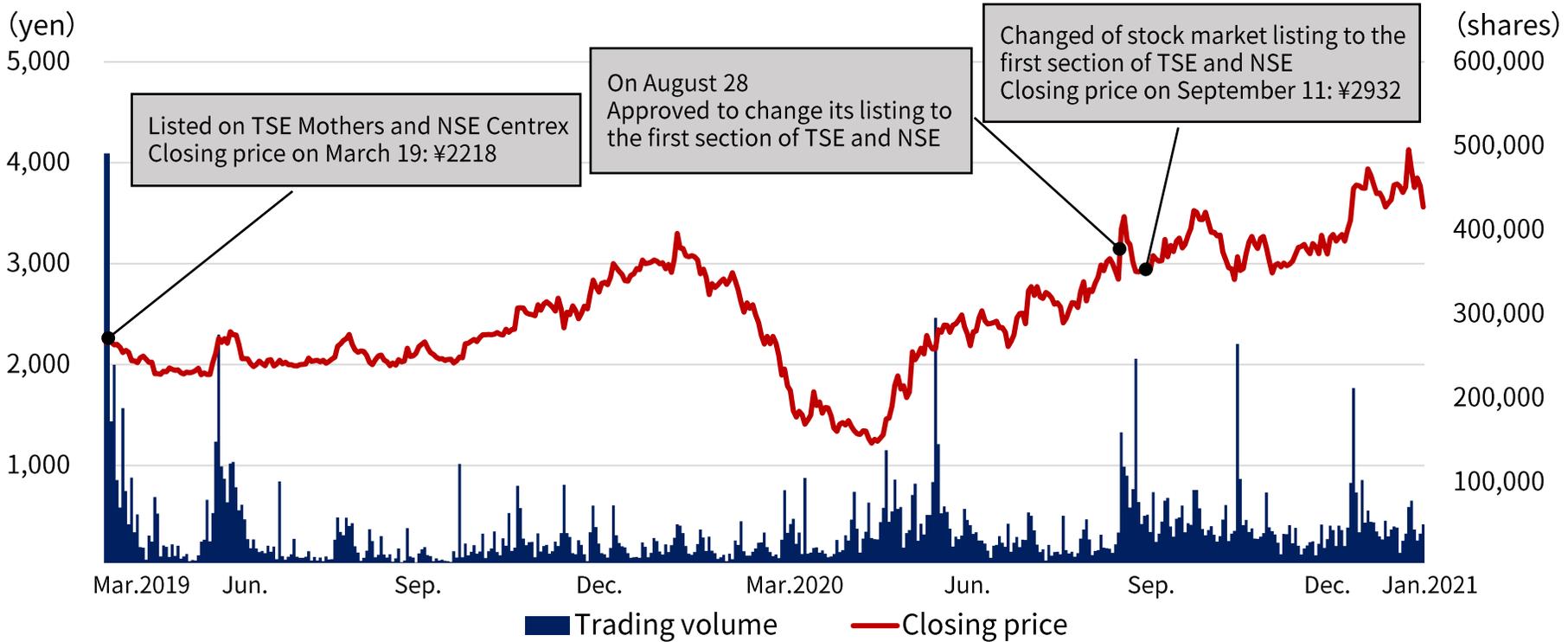
# Stock Price Chart

(Based on the closing stock price of January 29, 2021)

Stock price	¥3,560	Purchase amount	¥356,000	Market capitalization	¥17.8bn
Trading lot	100 shares	Expected dividend yield	2.1%	PER*	13.7

\*PER uses net income per share forecast for FY2020 ending March 31, 2021 as announced on October 28, 2020

From March 19, 2019 to January 29, 2021



# 【Appendix】

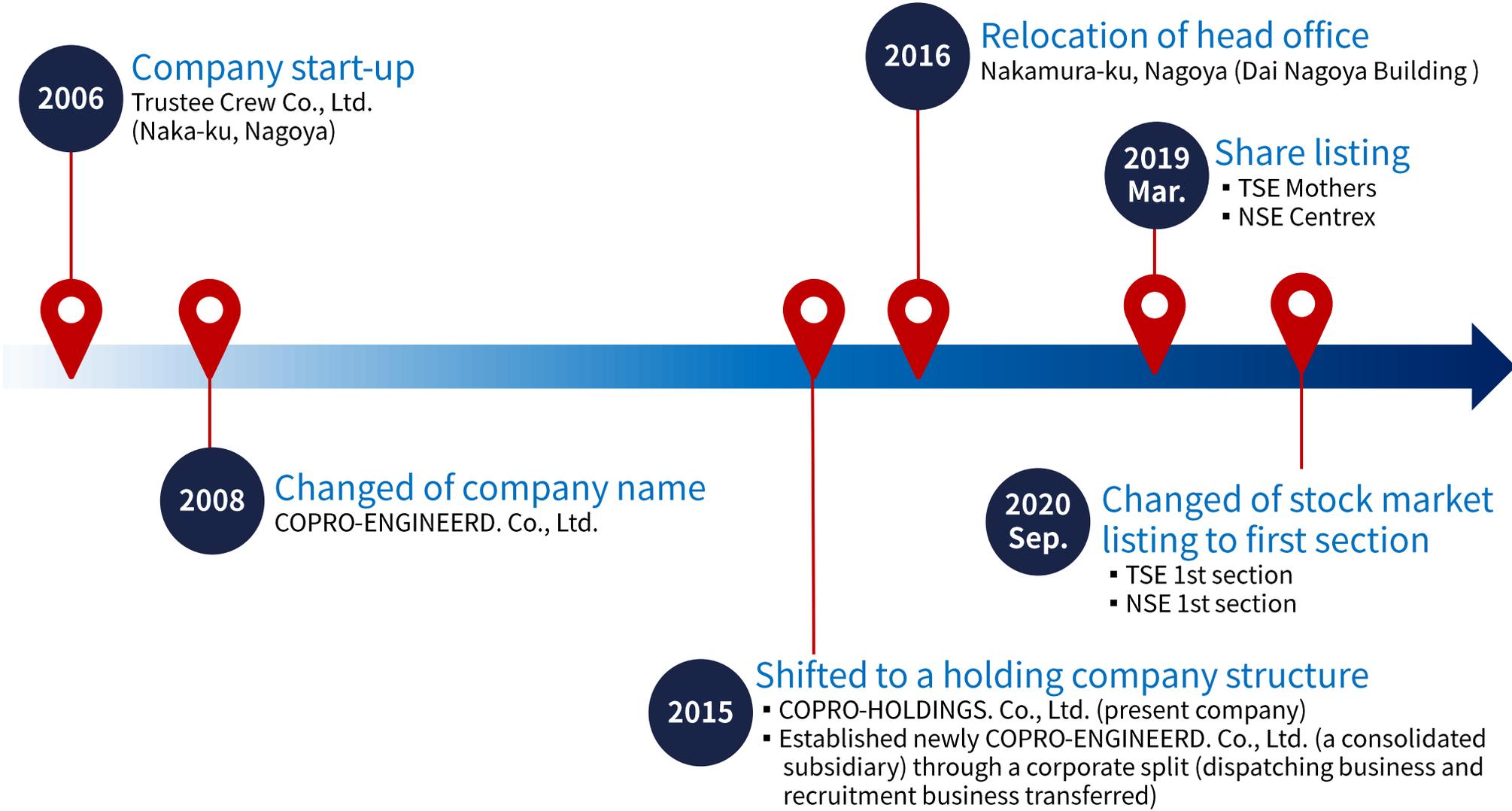
Company name	COPRO-HOLDINGS Co., Ltd.
Representative	Kosuke Kiyokawa, CEO
Head office	Dai Nagoya Building 27F , 3-28-12 Meieki, Nakamura-ku, Nagoya, Aichi 450-6427
Foundation	October, 2006
Fiscal year-end	March
Stock listings	First Section of the Tokyo Stock Exchange, First Section of the Nagoya Stock Exchange
Security code	7059
Description of business	Dispatching and recruitment consulting services centered on the construction industry
Consolidated subsidiaries	COPRO-ENGINEERD. Co., Ltd. COPRO GLOBALS PTE. LTD.
Number of employees	2,286 <small>(as of September 30, 2020, incl. temporary staff, on consolidated basis)</small>
Number of branches	19 branches <small>(as of December 31, 2020)</small>

## Kosuke Kiyokawa, CEO



Born in Aichi, Japan on October 16, 1977. After graduating from Nagoya Future Technical College, he worked as a site supervisor in a local construction firm for two years. Then after five years working in sales for a leading outsourcing company and a stint as president of a group affiliate of the company, he launched COPRO-ENGINEERD. Co., Ltd. in 2006.

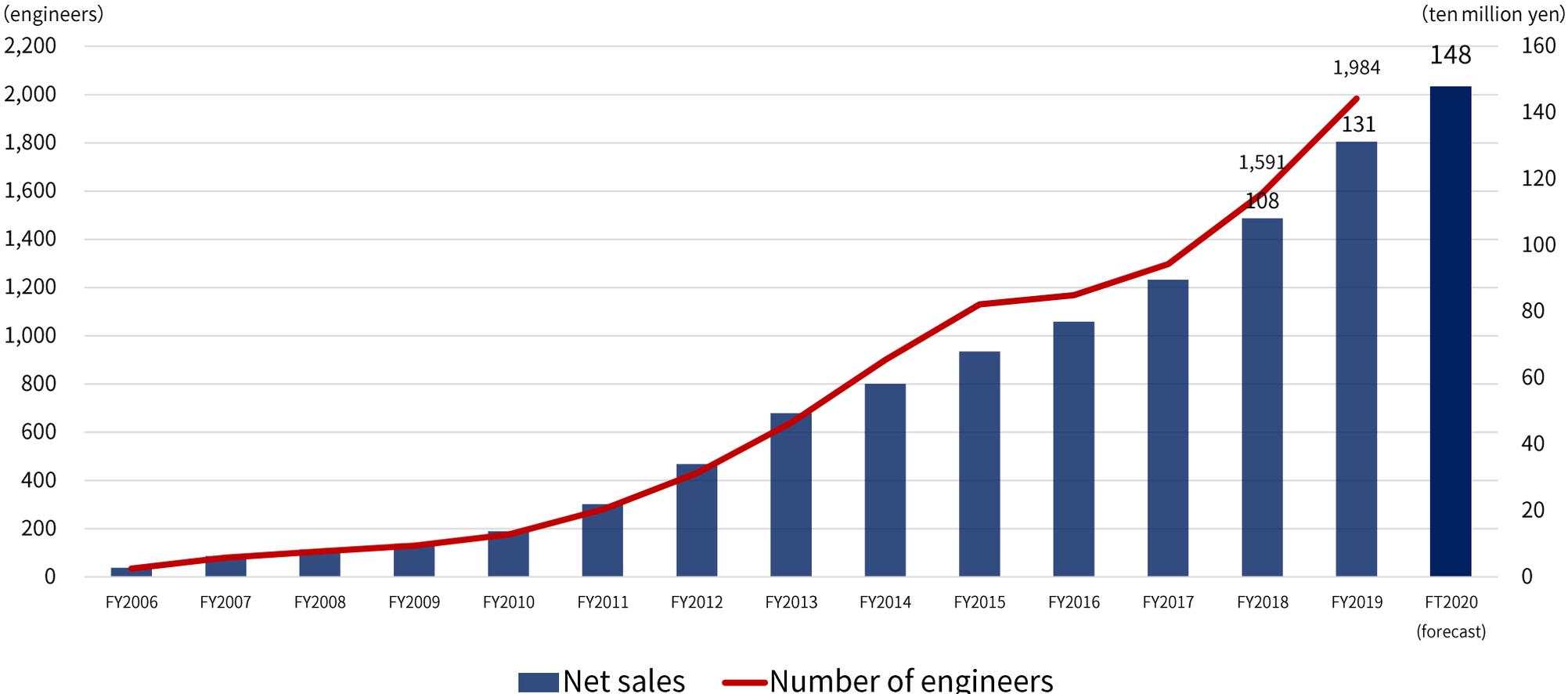
# Company History



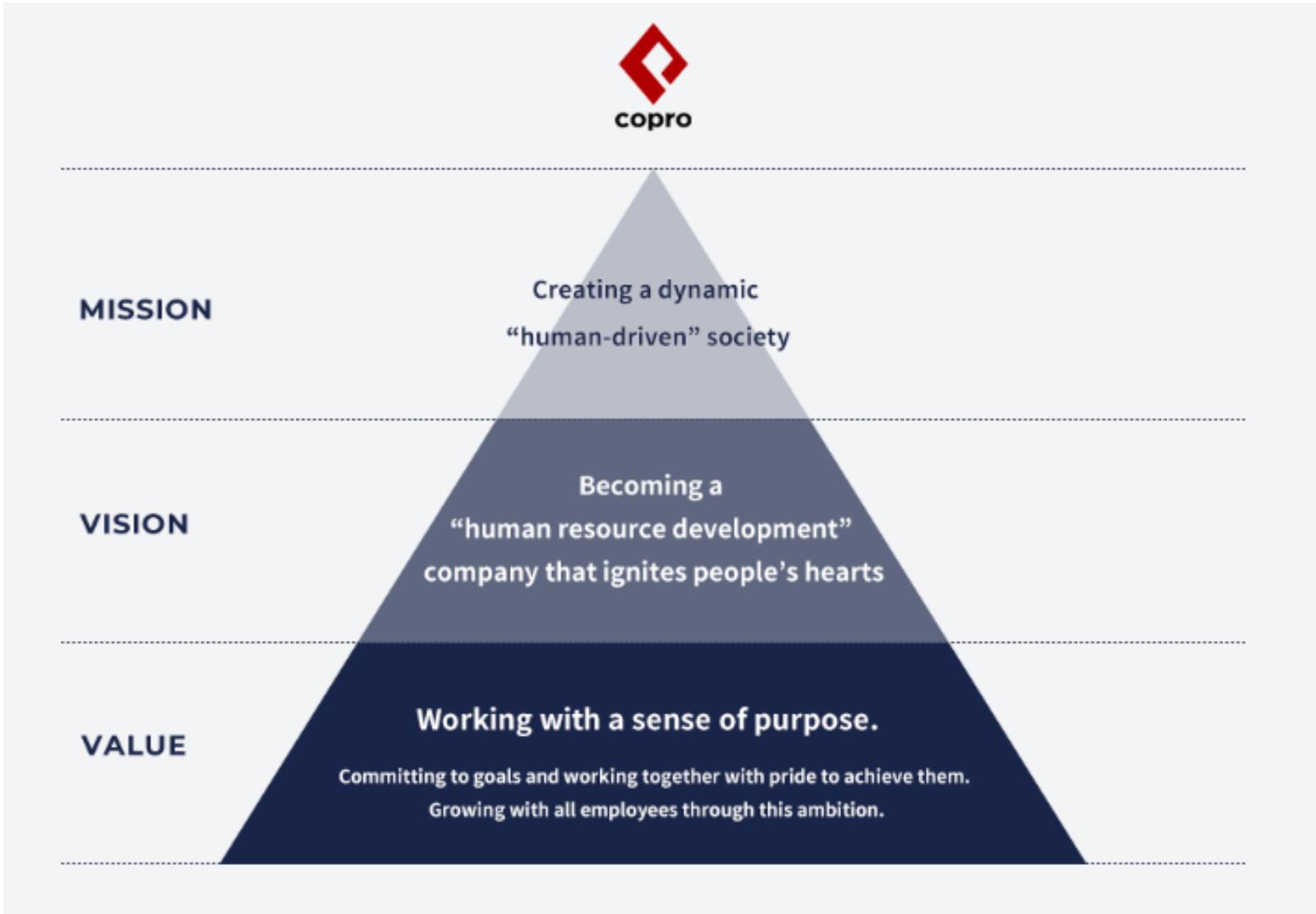
# Trends in Sales and Engineers since Start-up



- The number of engineers has increased every fiscal year since the Company’s start-up, achieved an increase in sales for the 14th consecutive fiscal year.
- For the fiscal year ending March 2021, we expect record sales.



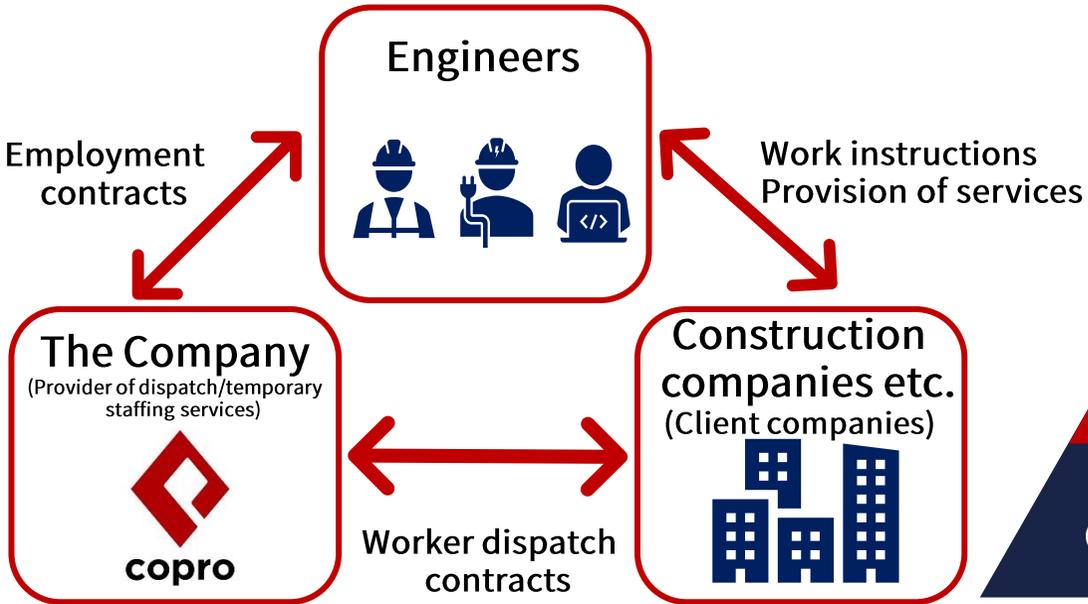
# Company Philosophy



- Temporary staffing for engineers mainly in the construction industry.
- The Company dispatches engineers to client companies. The engineers’ principal work tasks include construction work management.

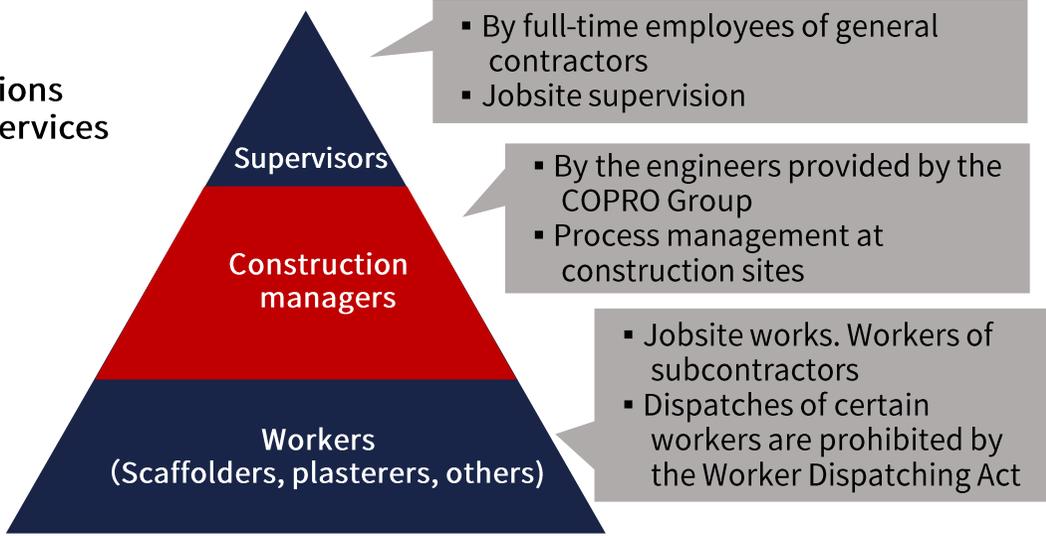
## Business model

- Temporary staffing for engineers mainly in the construction industry.
- The Company’s Group concludes employment contracts with engineers and dispatches them to client companies.



## Description of dispatch work

- The engineers enter between the supervisors, who are responsible for construction companies’ full-time employees, and various types of workers, and manage construction projects.
- Their principal work tasks are conducting 1) process management, 2) safety management, 3) quality control, 4) and cost management.



# 4 Pillars of Dispatching Businesses

- In order to identify and nurture human resources, dispatch them to the construction industry as a high-value-added human resources and build a Win-Win-Win relationship between clients, engineers, and COPRO, pursue "recruitment, training, matching, and retention," which are the 4 pillars of dispatching business.

## 【Recruitment】



- Develop branches and satellite offices nationwide to establish recruitment bases.
- Managing *Gen-Kyari*.

## 【Training】



- Establish in-house training facilities *Kantoku-no-tane* in four locations: Tokyo, Chiba, Osaka, and Nagoya as educational venues.
- Specialized instructors teach through their own curriculum.
- Supporting skill enhancement for a wide range of people, from inexperienced to experienced.

## 【Matching】

- Consider destination by facing each engineers who seek diverse work styles and conditions that are unique to them.
- Securing a wide range of dispatch projects to respond to the requirements of job-seekers.
- Matching destinations to meet the engineers' demands.
- Negotiate to increase the contract amount from next time onwards, in accordance with the increase in engineers' experiences.

## 【Retention】

- Specialist personnel visit regularly to provide comprehensive care.
  - Consulting on career advancement (obtaining qualifications, following Shift)
  - Health management (safety and health management, improvement of long working hours)
  - Mental care
- Retention rate\* in 2Q-3Q period for FY2020 remained at **83.6%** even under COVID-19, a high level among industries.

\*Retention rate = Number of engineers at the end of the current quarter ÷ (Number of engineers six months ago + Number of employees hired during the applicable period) × 100

# Image of 10-year-growth from Now

- ✓ **Step 4** M&A strategy and considering new businesses
- ✓ **Step 3** Global business advancement
- ✓ **Step 2** Increase market share for plant engineer dispatches
- ✓ **Step 1** Further deepening in the construction engineers dispatch market

**FY2029 results targets**  
 Net sales of **¥100bn**  
 Operating profit of **¥10bn**

**FY2019(14th period)**  
 Net sales of ¥13.122bn  
 Operating of ¥1.592bn

Exploration in business field

**FY2029(24th period)**

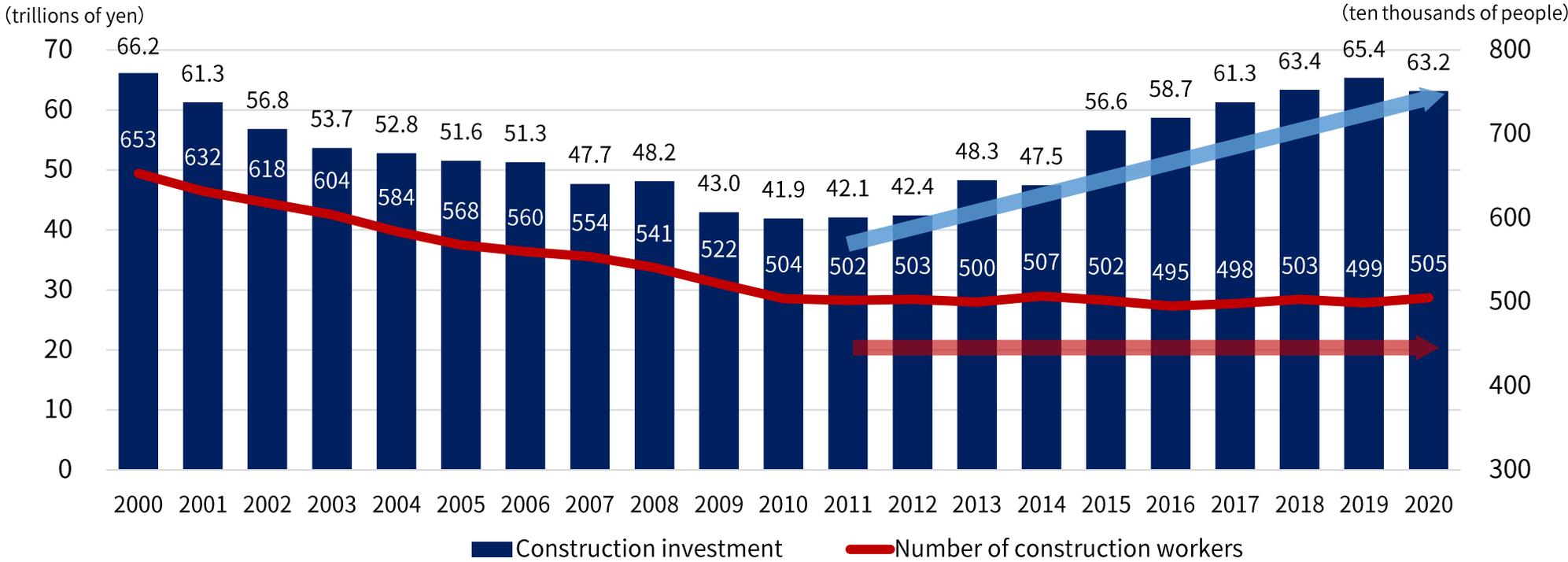


# Business Environment that Supports Our Growth ①

- The amount of investment in construction has remained robust after the Tokyo Olympic demand, due in part to the need for redevelopment, infrastructure development, and countermeasures against natural disasters. On the other hand, the number of employed persons peaked in 1997 and was on a declining trend, and has leveled off in recent years.



## Recent demand for engineer dispatch is firm



(Source)  
 • Construction Investment: Outlook for Construction Investment by the Ministry of Land, Infrastructure, Transport and Tourism (announced on October 12, 2020)  
 • Number of construction workers: Ministry of Internal Affairs and Communications, Labor Force Survey (2020 results are for November 2020)

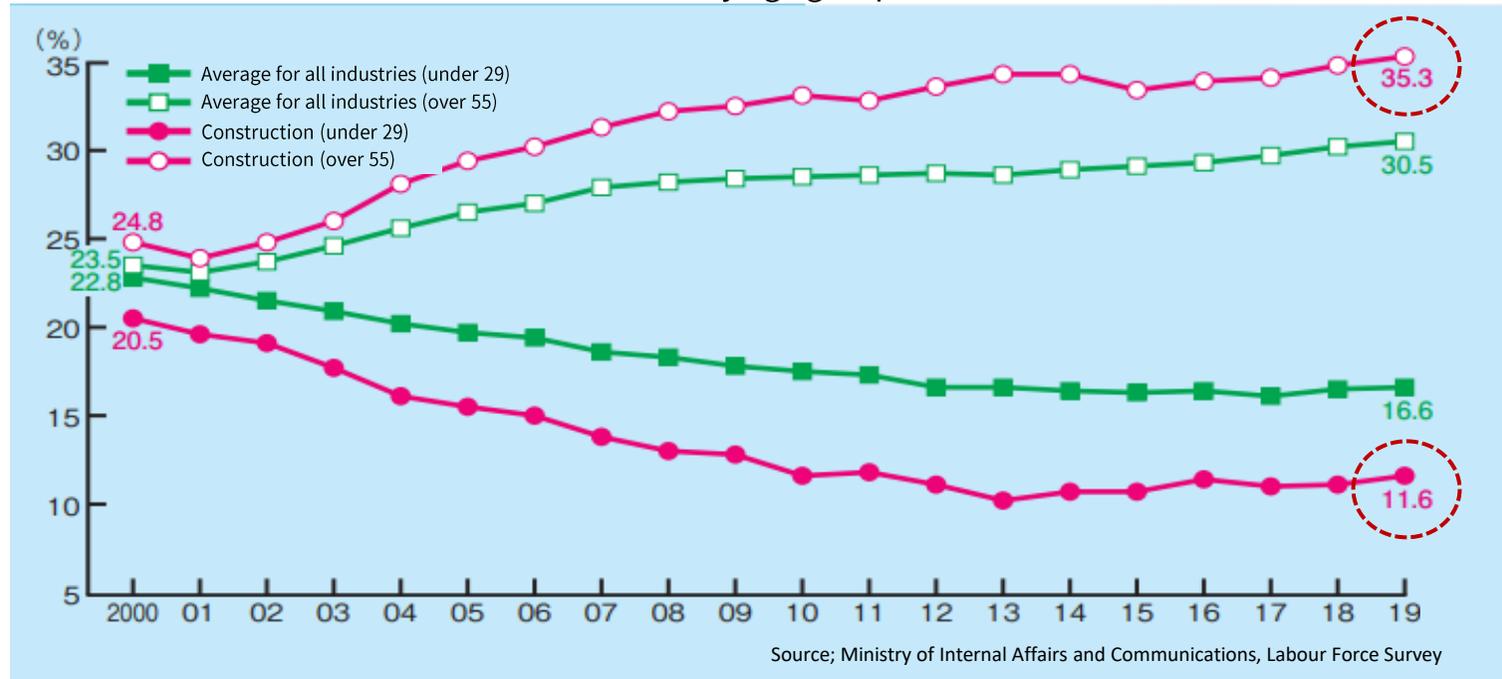
# Business Environment that Supports Our Growth ②

- The construction industry is aging compared to the average for all industries, and there are fewer young workers.
- While many construction workers will be forced to retire in 10 years, there are no young workers to cover it.



## Demand for engineer dispatch is expected to increase

▪ Percent distribution of construction workers by age group



Source; Ministry of Internal Affairs and Communications, Labour Force Survey

Source; Japan Federation of Construction Contractors, Construction Industry Handbook 2020

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- The information contained in this document is based on economic, social, and other conditions generally recognized as of the date of publication and on certain assumptions deemed reasonable by Company. However, the information may change without notice due to changes in the business environment or other factors.
- Materials and information provided in this announcement include so-called "forward-looking statements". These forward-looking statements are based on current expectations, forecasts and assumptions that involve risks and uncertainties that could cause actual results to differ materially from these statements.
- These risks and uncertainties include general industry, market conditions, general domestic and international economic conditions such as interest rate and currency exchange rate fluctuations.
- Company undertakes no obligation to update or revise any forward-looking statements contained in this document, whether as a result of new information or future events.