

COPRO-HOLDINGS. Co., Ltd.

7059

Tokyo Stock Exchange First Section, Nagoya Stock Exchange First Section

14-Jul.-2021

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<https://www.fisco.co.jp>

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<https://copro-h.co.jp/en/ir/>

Summary

Conducts a construction engineer dispatch business and aims to be a comprehensive engineer dispatch company by entering the machine design field

COPRO-HOLDINGS Co. Ltd. <7059> (hereafter, also “the Company”) conducts a construction engineers dispatch business. Furthermore, the Company has utilized M&A to enter the dispatch business for machine design and development. By transforming itself into a comprehensive engineer dispatch business, the Company will work to achieve sustainable growth and improve medium- to long-term corporate value, and is aiming to satisfy the continued listing requirements for the Prime Market, which will be newly established through the Tokyo Stock Exchange’s market reorganization.

1. Strengths include the high engineer retention rate

The Company pursues the four pillars of the human resources dispatch business (recruitment, training, matching, and retention), and its features and strengths include its ability to increase clients and ability to recruit through its nationwide network of branches, its high engineer retention rate through the thorough implementation of education, training, and mental healthcare support, and its ability to maintain a high utilization rate based on its high-quality engineers and relationships of trust with client companies. The Company increases the engineer retention rate by enhancing its support system and raising its matching rate, and the dispatch of high-quality engineers creates a positive cycle which leads to an increase in business with existing clients as well as the acquisition of new clients.

2. In FY3/21, net sales increased by double digits but profits declined due to one-time costs and other factors

In the FY3/21 consolidated results, net sales increased 13.1% compared to the same period in the previous fiscal year (year-on-year (YoY)) to ¥14,836mn, operating profit decreased 9.7% to ¥1,437mn, ordinary profit declined 9.2% to ¥1,439mn, and profit attributable to owners of parent fell 6.9% to ¥1,009mn. Sales increased by double digits due to the high level of demand, and because the Company continued to recruit new engineers even during the COVID-19 pandemic, leading to an increase in the number of engineers. Net sales increased for the 15th consecutive period. Profits declined due to the increase in the cost of sales ratio (71.0% in FY3/21, +4.3pp YoY) due to raising the salary base for engineers following the April 2020 launch of the Equal Pay for Equal Work of Dispatch Workers system, and the increase in one-time costs (¥123mn) accompanying growth investment.

3. For FY3/22, forecasting a double digit increase in both operating and ordinary profit, return to a growth track

The FY3/22 full year consolidated results are for net sales to increase 10.2% YoY to ¥16,343mn, operating profit to rise 12.3% to ¥1,614mn, ordinary profit to grow 12.1% to ¥1,614mn, and profit attributable to owners of parent to increase 3.8% to ¥1,048mn. The Company is expecting a double-digit increase in net sales due to the high level of demand and an increase in the number of engineers, while it also forecasts double-digit increases in both operating and ordinary profit due to the effect of higher net sales and an increase in gross margin resulting from progress on charge-up negotiations with clients. With this, the Company expects to return to a growth track. The Company expects to make ATMOS CO., LTD., which the Company made a subsidiary, a consolidated subsidiary from FY3/22 1Q. However, the amount of goodwill amortization and other factors have not been determined, so the impact of this has not been included in the consolidated results forecasts. Profits are expected to decline in FY3/22 1H due to M&A-related expenses associated with the acquisition of ATMOS CO., LTD.

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Summary

4. Aiming to transform itself into a comprehensive engineer dispatch company

In its long-term management vision, the Company has set management targets of ¥100bn in net sales and operating profit of ¥10bn in FY3/30. With a base of growth in the existing construction engineer dispatch field, it will strengthen its business in the plant industry, develop its business overseas, and advance its M&A strategy. With respect to cultivating new fields through M&A, in April 2021, the Company acquired all the shares of ATMOS, which is engaged in the machine design and development engineer dispatch business, thereby making ATMOS a subsidiary. The Company's strategy is to transform itself into a comprehensive engineer dispatch company by entering the machine design and development field in addition to its existing business in the construction field.

5. Company stated its intent to meet the Prime Market's continued listing requirements and SDGs initiatives

On May 6, 2021, the Company released a "Notice of Statement to Meet the Continued Listing Requirements for the Prime Market." In advance of the Tokyo Stock Exchange's market reorganization scheduled for April 2022, the Company will strive to achieve sustainable growth and increase its corporate value over the medium to long term through constructive dialogue with investors and aim to meet the continued listing requirements stipulated in the newly established Prime Market. In addition to pursuing further growth in the existing construction and plant engineer dispatch business, the Company will advance its global business and its M&A strategy, including making ATMOS a subsidiary in April 2021, as it aims to transform into a comprehensive engineer dispatch company. Also, the Company will strengthen its initiatives on the SDGs and on ESG-conscious management.

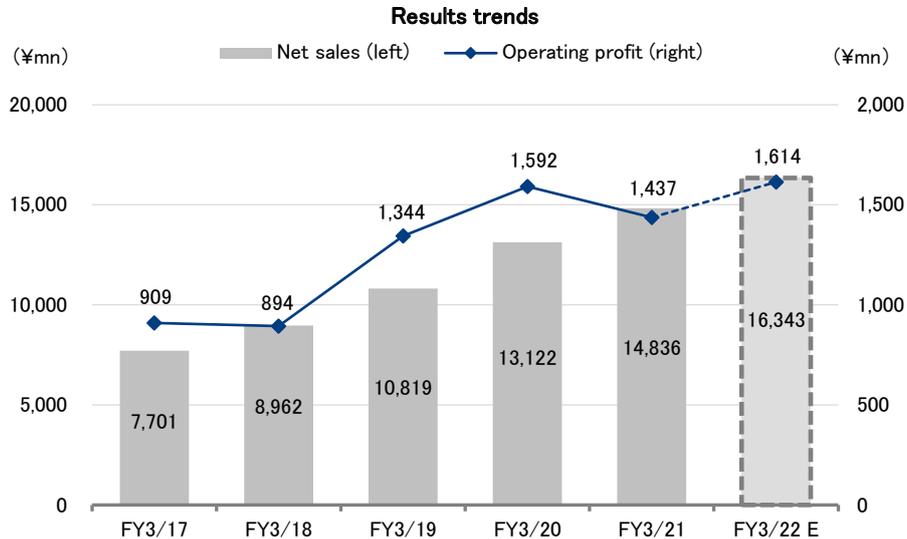
6. The dividend is forecast to increase again in FY3/22

After retroactively calculating the dividend taking into account the 1:2 share split conducted on April 1, 2021, the FY3/21 annual dividend was ¥37.50, a ¥7.50 YoY increase (interim dividend of ¥10, fiscal year-end dividend of ¥27.50 = ordinary dividend of ¥25 + dividend to commemorate change to First Section of TSE and NSE of ¥2.50). The forecast for the FY3/22 dividend is a ¥2.50 YoY increase to ¥40.00 (interim dividend of ¥10.00, fiscal year-end dividend of ¥30.00).

Key Points

- Conducts a construction engineer dispatch business and aims to be a comprehensive engineer dispatch company by entering the machine design and development field
- For FY3/22, forecasting a double digit increase in both operating and ordinary profit, and a return to a growth track
- Released a notice of statement to meet the requirements of the Prime Market to be created through the TSE's reorganization

Summary



Source: Prepared by FISCO from the Company's financial results

Company outline

Company name is derived from the “responsive pros”

1. Company outline

The Company conducts a human resources (construction engineers) dispatches and temporary staffing business mainly for the construction industry. Furthermore, the Company has used M&A to enter the machine design and development field. By transforming itself into a comprehensive engineer dispatch company, the Company will work to achieve sustainable growth and improve medium- to long-term corporate value, and is aiming to satisfy the continued listing requirements for the Prime Market, which will be newly established through the Tokyo Stock Market's market reorganization (scheduled for April 2022).

The company name “COPRO” is derived from the Japanese for the “responsive pros.” It was founded with the idea of valuing each and every engineer with the goal of “becoming a human resources development company that ignites people's hearts,” and it is building strong relations of trust with its client companies and engineers.

As of March 31, 2021, the Company was headquartered in Nakamura-ku, Nagoya, and had total assets of ¥8,514mn, share capital of ¥30mn, the equity ratio was 73.7%, the number of issued shares was 10,000,000 shares (including 446,334 treasury shares), and there were 2,280 Group employees (regular employees and dispatch employees).

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Company outline

The Group companies are the Company (holding company) and two consolidated subsidiaries (business company COPRO-ENGINEERD. Co., Ltd., and COPRO GLOBALS PTE. LTD., an intermediary holding company responsible for the ASEAN region). In April 2021, the Company established COPRO VIETNAM CO., LTD., a sub-subsidiary, as a business company in Vietnam. In addition, the Company acquired all the shares of machine design and development engineer dispatch company ATMOS (Nakamura-ku, Nagoya) and made it a subsidiary.

2. History

The Company was established in Nagoya City as Trustee Crew Co. Ltd., in October 2006 and changed its company name to COPRO-ENGINEERD. Co., Ltd., in March 2008. It transitioned to being a holding company in May 2015 and changed its company name to COPRO-HOLDINGS Co., Ltd. In March 2019, it was newly listed on the TSE Mothers Market and NSE Centrex Market, and then in September 2020, its listings were upgraded to the TSE First Section and the NSE First Section.

History

Date	Event
October 2006	Established as Trustee Crew Co., Ltd., in Naka-ku, Nagoya City (human resources dispatches and temporary staffing business)
March 2008	Changed company name to COPRO-ENGINEERD. Co., Ltd.
May 2015	Transitioned to being a holding company and changed the company name to COPRO-HOLDINGS Co., Ltd.
May 2016	Head office of COPRO-HOLDINGS. Co., Ltd. is relocated (Nakamura-ku, Nagoya)
March 2019	The Company's stock is listed for public trading on the Mothers Section of the Tokyo Stock Exchange and the Centrex Section of the Nagoya Stock Exchange
April 2020	Established COPRO GLOBALS PTE.LTD. in Singapore
September 2020	Listings were upgraded to the Tokyo Stock Exchange First Section and the Nagoya Stock Exchange First Section
April 2021	Established COPRO VIETNAM CO., LTD. as a sub-subsidiary in Vietnam
April 2021	Made machine design engineer dispatch company ATMOS CO., LTD. a subsidiary

Source: Prepared by FISCO from the Company materials

Business description

Strengths include a high engineer retention rate through an enhanced support system

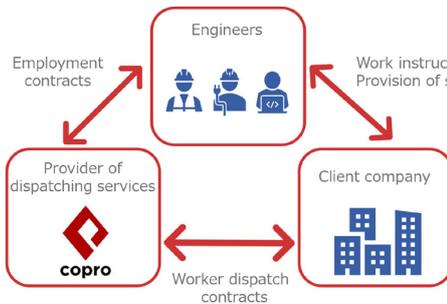
1. Summary of services

The Company's construction engineer dispatch and temporary staffing business dispatches engineers to client companies, centered on major general contractors. The engineers' principal work tasks include construction work management (process management, safety management, quality control, and cost management at construction, civil engineering, facilities, and plant work sites) and CAD operators. The engineers, based on the instructions of the client companies, enter worksites between the supervisors and workers and perform construction management.

Business description

Business model

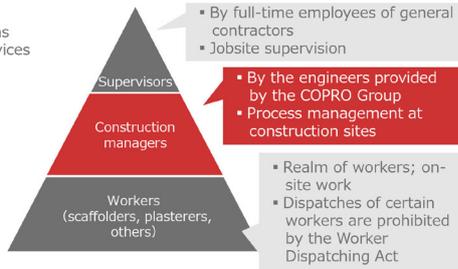
About Dispatch Business



Source: The Company's financial results briefing materials

Our Engineers' Services in the Construction Industry

▪ Their principal work tasks are conducting 1) process management, 2) safety management, 3) quality control, 4) and cost management.



In the percentages of total net sales by industry in FY3/21, the construction industry provided 30.3%, civil engineering 18.5%, facilities 24.9%, the plant industry 14.8%, CAD 8.1%, and others 3.3%. There were no major changes versus the previous fiscal year, but going forward the Company is focusing on expanding its business in the plant sector as a field of emphasis. In the percentages of net sales by clients, approximately 20% were to the super general contractors (five companies), while in net sales by area, around 70% were from the three major metropolitan areas (Kanto, Tokai, and Kansai).

2. Features and strengths

The Company pursues the four pillars of the human resources dispatch business (recruitment, training, matching, retention), and its features and strengths include its ability to increase clients and ability to recruit through its nationwide network of branches, its high engineer retention rate through the thorough implementation of education, training, and mental healthcare support, and its ability to maintain a high utilization rate based on its high-quality engineers and relationships of trust with client companies.

Through recruiting activities utilizing its nationwide branch office network, the Company is able to respond to the wide-ranging human resources needs of companies throughout Japan and also grow transactions with client companies nationwide. The Company increases its engineer retention rate by enhancing its support system and raising its matching rate, and the dispatch of high-quality engineers creates a positive cycle which leads to an increase in business with existing clients as well as the acquisition of new clients.

(1) Nationwide branch network

The Company changed the organization on March 31, 2021, to establish a nationwide network of 18 branches. Also, in April 2021 the Company made an organizational change placing each branch under one of five divisions (Northern Japan Division, Eastern Japan Division, Central Japan Division, Western Japan Division and the Plant Sales Division). In addition to separating the construction and plant sales functions in order to flexibly respond to the market, sales employees now handle the entire chain in a one-stop approach, from engineer matching to follow-up after engineers are assigned.

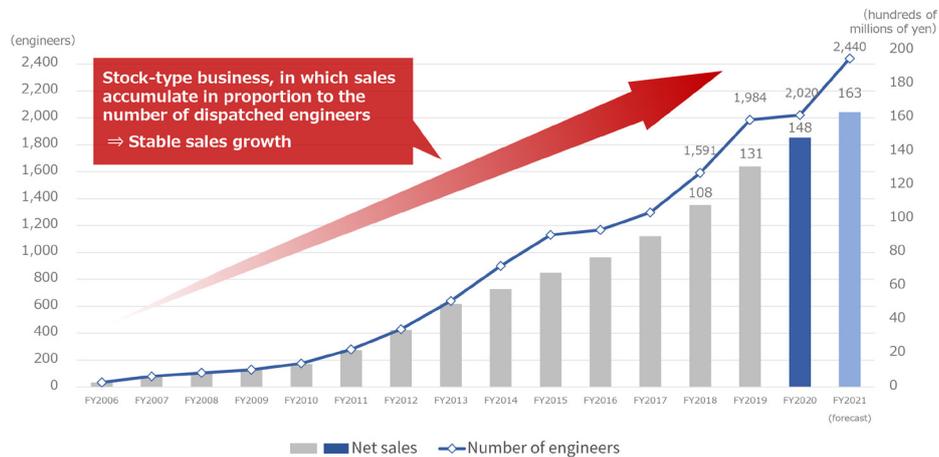
(2) The number of engineers is increasing

The Company recruits using Gen-Kyari, the Company's own construction and plant industry recruitment website. The Company hired 865 engineers in FY3/21 (198 less than in FY3/20) even during the COVID-19 pandemic, and at the end of FY3/21 it had a total of 2,020 engineers, which is 36 more than at the end of FY3/20. It is a recurring revenue business in which sales increase in proportion to the number of engineers dispatched.

Business description

Net sales and number of engineers since the Company's founding

Aim to increase net sales for the sixteenth consecutive terms and record-high net sales for FY2021.



Source: The Company's financial results briefing materials

(3) Enhanced education and training and support structure

For the education and training of engineers, all recruited engineers must be able to respond to various problems in the workplaces they are dispatched to, so on joining the Company, they all undergo education and training (on attendance management, work rules, information security, engineers' support supervisor role, work excluded from the scope of temporary staffing, harassment, occupational health and safety, responses at the workplace in the event of an accident or natural disaster, risk predictions, etc.) Toward improving client satisfaction and growing transactions with clients, the Company prioritizes whether engineers are able to contribute at worksites, and in particular, it thoroughly instills in them an awareness of being and readiness as COPRO Group engineers. The period of education and training for new graduates was previously two weeks, but from FY3/21, this period of education and training at the time of joining the Company was lengthened to one month.

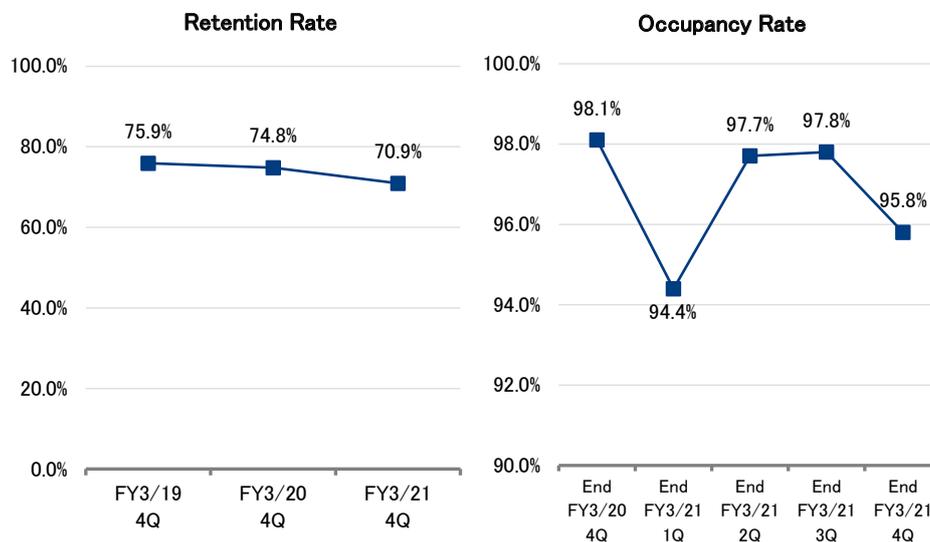
Together with the education and training at the time of joining the Company, the Company allocates dedicated lecturers to the Seed of Supervisor training facilities it manages, where it provides practical training according to the learning levels of applicants, with the aims of supporting engineers' skills improvements and career advancement. It has built a network of four Seed of Supervisor facilities nationwide (Tokyo, Chiba, Nagoya, and Osaka).

As a support system, the Company provides engineers with support, including follow-up support after they are dispatched, health management, mental health management, support for improving skills, and holding regular safety conferences. These initiatives help the Company realize a high retention rate. In addition, through hearing interviews with client companies and engineers, it works to build better workplace environments and improve client satisfaction. Furthermore, as a rare initiative for a human resources temporary staffing company, it lends smartphones to all engineers and thoroughly conducts accurate attendance management for workstyle reforms, while it is also advancing the digitalization of communication with engineers.

Business description

(4) The engineer retention rate and occupancy rate are trending at high levels

The Company's engineer retention rate is 73.9% (most recent three-year average from FY3/19 to FY3/21). In FY3/21, the engineer retention rate declined 3.9pp YoY to 70.9%. The main reason for this was the increase in the number of term expiration retirements, especially for engineers with relatively little experienced who joined the Company within the last one to two years, caused by the review or postponement of private works due to the COVID-19 pandemic and the resulting temporary decline in dispatch projects. In addition, the engineer occupancy rate is 96.4% (1Q-4Q average for FY3/21). At the end of the FY3/21 4Q the occupancy rate decreased by 2.3pp to 95.8%, but it is 100% in actual terms if vacation leave and other related factors are excluded. Due to the fact that there is a structural shortage of workers in the construction industry, the total number of dispatch projects acquired by the Company in FY3/21 increased by about 30% YoY. Demand for dispatch workers is strong, especially for those with industry experience.



Source: Prepared by FISCO from the Company's results briefing materials

3. Risk factors, earnings characteristics, and response measures

The general risk factors and earning characteristics in a construction engineer dispatches and temporary staffing business include work laws and regulations (the Worker Dispatching Law, the Labor Standards Law, etc.), securing human resources, and seasonal factors.

Regarding laws and regulations, the Equal Pay for Equal Work for Dispatch Workers system accompanying the April 2020 amendment to the Worker Dispatching Law is a factor which has pushed up the cost of sales, and responding to this is an issue. The Company is working to increase charges to its clients (increasing the contract amount per engineer), and the Company expects to see an improvement in the cost of sales ratio in stages in FY3/22.

In terms of seasonal factors, job offers in the construction industry, particularly for civil engineering projects, tend to be concentrated at the end of the fiscal year (January through March), but the Company works to keep orders level and retain fluidity among human resources so as to not create periods in which engineers are temporarily on standby. Also, as engineer numbers are increasing every fiscal quarter due to the active recruitment, it seems that there are no particularly large seasonal variations in sales.

Business trends

In FY3/21, net sales increased by double digits, but profits declined due to one-time costs and other factors

1. Summary of the FY3/21 consolidated results

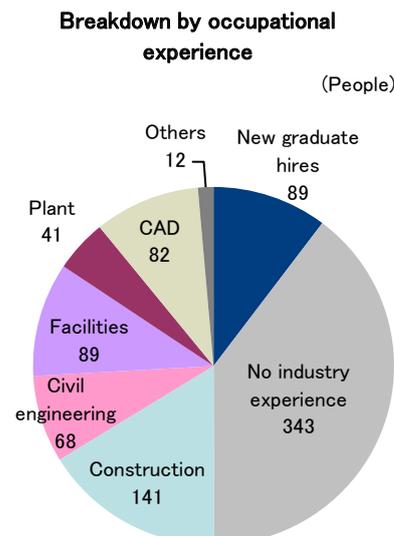
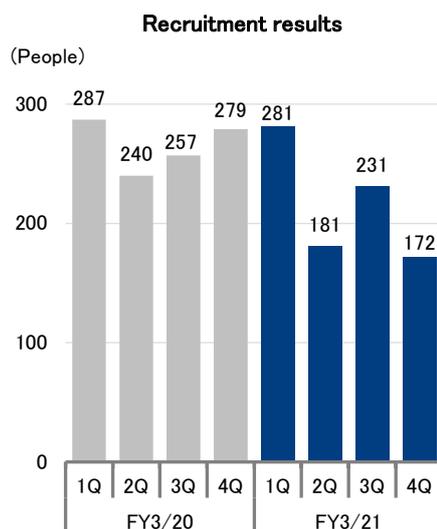
In the FY3/21 consolidated results, net sales increased 13.1% YoY to ¥14,836mn, operating profit decreased 9.7% to ¥1,437mn, ordinary profit declined 9.2% to ¥1,439mn, and profit attributable to owners of parent fell 6.9% to ¥1,009mn.

Summary of the FY3/21 consolidated results

	FY3/20	FY3/21	YoY
Net sales	13,122	14,836	13.1%
Operating profit	1,592	1,437	-9.7%
Ordinary profit	1,585	1,439	-9.2%
Profit attributable to owners of parent	1,084	1,009	-6.9%

Source: Prepared by FISCO from the Company's financial results

Net sales increased by double digits due to the increase in the number of engineers resulting from the high level of demand as well as active recruiting even amid the COVID-19 pandemic. This marked the 15th straight fiscal year of an increase in net sales. The Company hired 865 people, which was 198 less than in the previous fiscal year. Of these, 433 were engineers with industry experience, while 432 had no experience (89 new graduates, 343 mid-career). At the end of FY3/21, there was a total of 2,020 engineers, which was 36 more than at the end of FY3/20.

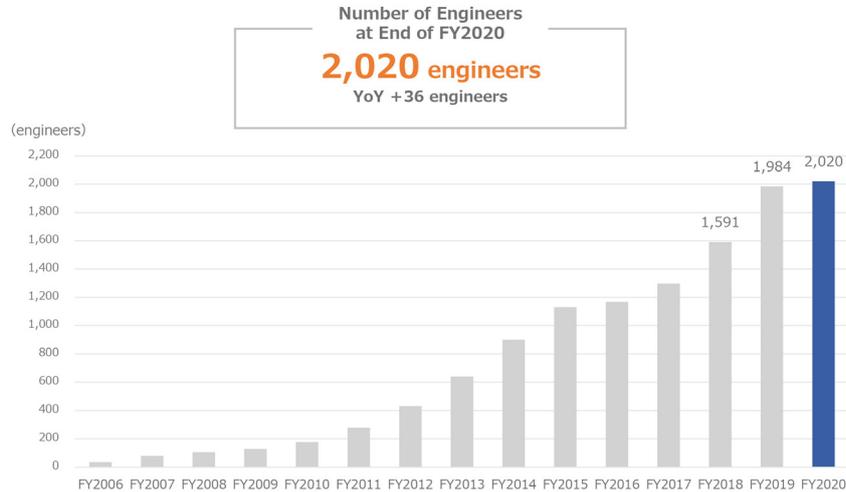


Source: Prepared by FISCO from the Company's results briefing materials

Business trends

Number of engineers

The number of engineers increased for 15 consecutive years even under the outbreak of COVID-19.

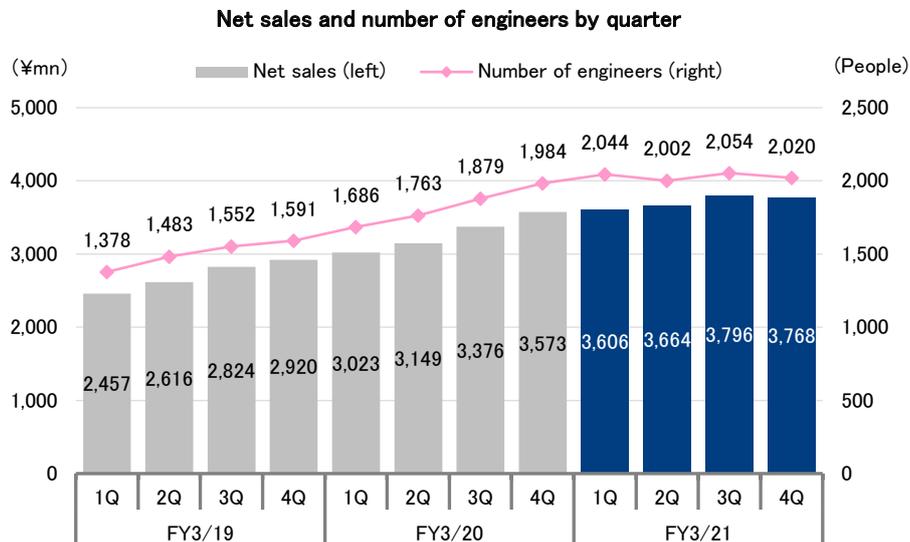


Source: The Company's financial results briefing materials

In net sales by industry, sales grew in every industry. Sales grew 7.4% YoY in construction, 20.0% in civil engineering, 13.3% in facilities, 16.9% in plant, 6.4% in CAD, and 33.2% in others. By client, net sales increased 2.4% for super general contractors, and 16.0% for others. By area, net sales increased 9.6% in the three major metropolitan areas (Kanto, Tokai, Kansai), while net sales in rural areas increased 21.8%. In FY3/21, the expansion of the business area (Takamatsu Branch opened in October 2019, while the Chiba Branch, Shizuoka Branch, and Kitakyushu Plant Branch opened in April 2020, and the Niigata Branch opened in November 2020) helped lift net sales, with sales increasing significantly, especially to construction companies in non-urban areas. Also, progress was made on cultivating new clients in the plant-related business.

By quarter, net sales in 1Q were up 19.3% YoY to ¥3,606mn, 2Q sales rose 16.4% to ¥3,664mn, 3Q sales rose 12.5% to ¥3,796mn, while 4Q sales jumped 5.4% to ¥3,768mn, as sales steadily increased. In 1Q, there were some temporary closures of work sites and some work leaves by engineers due to the COVID-19 pandemic, but the Company received compensation based on monthly contracts from client companies for all engineers who took a leave from work.

Business trends



Source: Prepared by FISCO from the Company's results briefing materials

Profits declined due to the increase in one-time costs (¥123mn) associated with growth investment and other factors. The main reason for this was the deterioration in the cost of sales ratio due to the Equal Pay for Equal Work for Dispatch Workers system. The gross profit margin declined 4.3pp YoY to 29.0%. The cost of sales increased due to a number of reasons, including the raising of the engineer salaries table accompanying the Equal Pay for Equal Work for Dispatch Workers system, the increase in training expenses due to the increased hiring of new graduate engineers, the rise in standby labor expenses during the COVID-19 pandemic, and special vacation taken in conjunction with at-home standby by engineers who were suspected of being infected with COVID-19. Also, one-time costs associated with growth investment (business consulting expenses, core system reconstruction-related expenses, branch opening/consolidation expenses, global business survey expenses, COVID-19 countermeasures expenses, costs to change to the First Section of the Tokyo Stock Exchange and Nagoya Stock Exchange) caused SG&A expenses to increase 2.7%. However, the SG&A expenses ratio declined 1.9pp to 19.3%.

Because the Company strategically curbed recruitment expenses, recruitment efficiency improved significantly. Recruiting costs per engineer were ¥156,000 in FY3/21, compared to ¥193,000 in FY3/20. The contract amount per engineer (monthly amount) increased ¥4,000 YoY to ¥546,000 as a Company-wide average. This was due to support from charge-up negotiations with client companies, as well as the result of the decline in the ratio of first-year engineers.

2. Financial condition

Looking at the financial condition, at the end of FY3/21, total assets were up ¥483mn on the end of FY3/20 to ¥8,514mn, mainly due to an increase in cash and deposits. Total liabilities were down ¥300mn to ¥2,241mn, primarily due to a decline in income taxes payable. Total net assets were up ¥784mn to ¥6,272mn, mainly due to an increase in retained earnings, and the equity ratio increased 5.4pp to 73.7%. The Company's financial condition is very sound.

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Business trends

The main management indicators

	(¥mn)		
Item	FY3/19	FY3/20	FY3/21
Net sales	10,819	13,122	14,836
Cost of sales	7,194	8,746	10,539
Gross profit	3,624	4,376	4,297
Ratio to sales	33.5%	33.3%	29.0%
SG&A expenses	2,280	2,783	2,859
Ratio to sales	21.1%	21.2%	19.3%
Operating profit	1,344	1,592	1,437
Ratio to sales	12.4%	12.1%	9.7%
Non-operating income	2	1	5
Non-operating expenses	10	9	3
Ordinary profit	1,336	1,585	1,439
Ratio to sales	12.4%	12.1%	9.7%
Extraordinary income	-	17	90
Extraordinary losses	1	35	91
Profit before income taxes	1,335	1,567	1,438
Total income taxes	396	483	429
Profit attributable to owners of parent	938	1,084	1,009
Ratio to sales	8.7%	8.3%	6.8%
Comprehensive income	938	1,084	1,009
Total assets	7,474	8,030	8,514
Current assets	6,486	6,897	7,407
Non-current assets	988	1,132	1,106
Total liabilities	2,781	2,542	2,241
Current liabilities	2,104	2,379	2,162
Non-current liabilities	676	162	78
Total net assets	4,692	5,487	6,272
Shareholders' equity	4,692	5,487	6,272
Share capital	30	30	30
No. of shares issued at period end, excluding treasury shares (shares)	9,420,000	9,428,000	9,553,666
Earnings per share (¥)	113.76	115.08	106.74
Net assets per share (¥)	498.17	582.09	656.54
Dividend per share (¥)	21.00	30.00	37.50
Equity ratio	62.8%	68.3%	73.7%
Return on Earnings	25.4%	21.3%	17.2%
Cash flows from operating activities	1,165	1,125	988
Cash flows from investing activities	-122	-144	-83
Cash flows from financing activities	761	-885	-417
Cash and cash equivalents at end of period	4,699	4,795	5,283

Note: After retroactively calculating the dividend taking into account the 1:2 share split conducted on April 1, 2021

Source: Prepared by FISCO from the Company's financial results and results briefing materials

■ Outlook

For FY3/22, forecasting a double digit increase in both operating and ordinary profit, and a return to a growth track

1. Outline of FY3/22 consolidated results forecasts

The FY3/22 full year consolidated results forecasts are for net sales to increase 10.2% YoY to ¥16,343mn, operating profit to rise 12.3% to ¥1,614mn, ordinary profit to grow 12.1% to ¥1,614mn, and profit attributable to owners of parent to increase 3.8% to ¥1,048mn. Profits declined in FY3/21, but the Company expects profits to return to a growth track in FY3/22.

Outline of FY3/22 consolidated results forecasts

	FY3/21		FY3/22			
	1H results	Full-year results	1H forecast	YoY growth rate	Full-year forecast	YoY growth rate
	(¥mn)					
Net sales	7,271	14,836	7,446	2.4%	16,343	10.2%
Gross profit	2,015	4,297	2,226	10.4%	5,016	16.7%
SG&A expenses	1,483	2,859	1,739	17.2%	3,402	19.0%
Operating profit	531	1,437	487	-8.4%	1,614	12.3%
Ordinary profit	534	1,439	486	-8.9%	1,614	12.1%
Profit attributable to owners of parent	404	1,009	315	-22.2%	1,048	3.8%
New engineer hires (people)	-	865	-	-	1,200	38.7%
Engineers (people)	-	2,020	-	-	2,440	20.8%

Source: Prepared by FISCO from the Company's financial results and results briefing materials

The Company is expecting a double-digit increase in net sales due to the high level of demand and an increase in the number of engineers, and also forecasts double-digit growth in both operating profit and ordinary profit due to a higher gross margin resulting from the increase in sales as well as progress on charge-up negotiations. The gross profit margin is expected to increase 1.7pp to 30.7%, while the SG&A expenses ratio is forecast to increase 1.5pp to 20.8%.

The Company expects to newly consolidate ATMOS CO., LTD. (which the Company acquired the shares of on April 30, 2021) from FY3/22 1Q. However, the amount of goodwill amortization and other factors have not been determined, so ATMOS has not been included in the consolidated results forecasts. Also, profits are expected to decline in 1H due to M&A-related expenses associated with the acquisition of ATMOS. In terms of the consolidated forecasts for 1H, the Company expects net sales to increase 2.4% YoY to ¥7,446mn, operating profit to decrease 8.4% to ¥487mn, ordinary profit to decline 8.9% to ¥486mn, and profit attributable to owners of the parent to decline 22.2% to ¥315mn.

Outlook

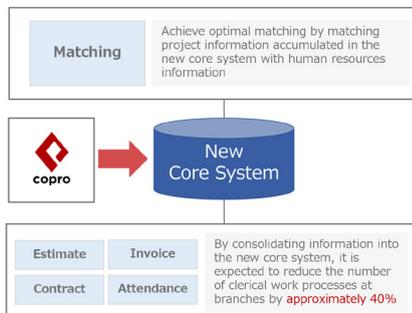
2. Key Initiatives

In recruitment, the Company plans to increase recruitment expenses 70% YoY as it bolsters hiring efforts, mainly targeting people with industry experience, and the Company is expecting to hire 1,200 engineers during FY3/22, an increase of 335 engineers (+38.7%) compared to the previous year. In April 2021, the Company completely renewed its recruitment website Gen-Kyari, and utilizing the new core system which began operating in April, the Company plans to boost the accuracy of matching engineers with client companies, thereby increasing the number of engineers hired and improve the retention rate. The Company expects to have 2,440 engineers at the end of FY3/22, a 420 person YoY increase (+20.8%)

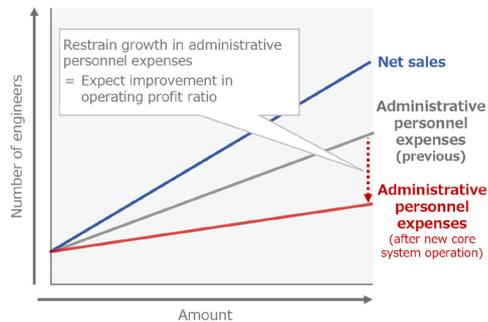
Concerning the gross profit margin, from February 2021 the Company started to bolster its charge-up negotiations, and it believes that this will lead to a gradual improvement in the gross profit margin. Also, the Company will utilize the new core system, which began operation in April 2021, to boost the engineer retention rate through optimal matching, and also improve productivity in branches (expected to achieve a roughly 40% reduction in the number of administrative man-hours, including for making estimates, concluding contracts, attendance management, and invoicing). With respect to the improvement in the retention rate, the Company got rid of the position of Trust representative, which provided follow-up for engineers after dispatch, and changed to a system in which sales representatives, who know the clients well, are responsible for handling both sales and follow-up. This is expected to boost the retention rate.

New core system

- Promote productivity improvement in branch office work and utilize the new core system for matching.



Source: The Company's financial results briefing materials

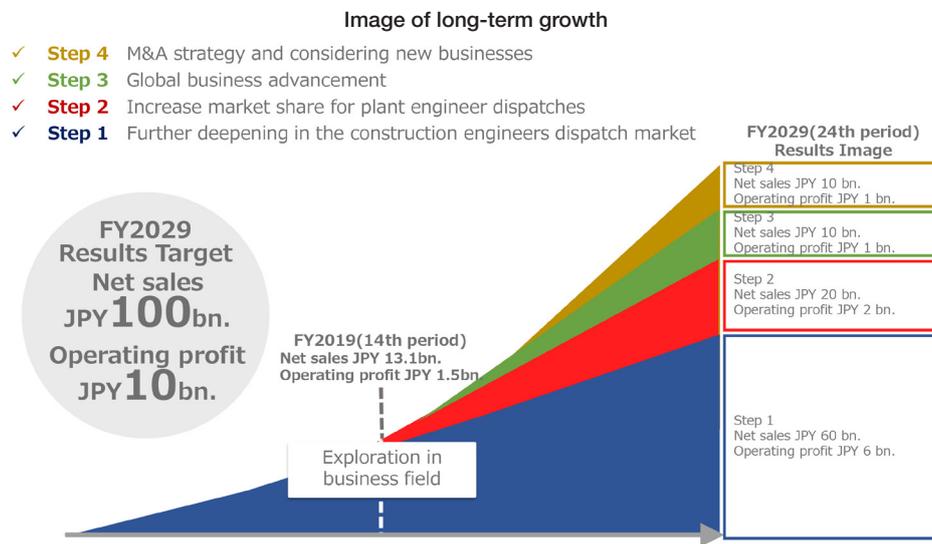


Growth strategy

Aiming to utilize M&A to transform into a comprehensive engineer dispatch company

1. The long-term targets are net sales of ¥100bn and operating profit of ¥10bn in FY3/30

In its long-term management vision, the Company has set management targets of ¥100bn in net sales and operating profit of ¥10bn in FY3/30. Based on growth in the existing construction engineer dispatch field, it will develop its business in the plant industry, expand globally, and advance its M&A strategy.



2. Expand business in the existing construction field targeting large, blue-chip companies

In the existing construction engineer dispatch field, with the aim of strengthening sales the Company is changing from an individual sales style to an organizational sales style. Going forward, taking sales efficiency and other factors into consideration, the Company will shift its emphasis from acquiring new clients to increasing the number of engineers it dispatches to existing clients, particularly targeting large, blue-chip client companies such as super general contractors. By doing so, the Company aims to increase the volume of business with companies ranked highly in terms of net sales.

3. Strengthen the development in the plant field

The Company is strengthening its dispatch of engineers to the plant industry, positioning this as the second earnings pillar behind construction engineer dispatch. The plant industry is a field in which it can utilize its experience and expertise in the construction industry, such as in plant construction, and in which it is comparatively easy to horizontally deploy engineers (utilize construction experience for dispatches to plants). It is a promising market as there is little competition and the orders unit price is high.

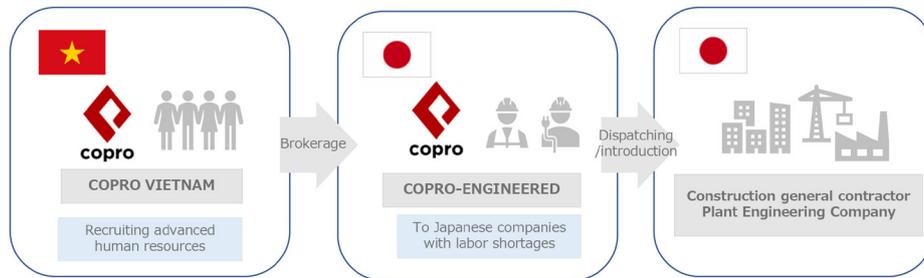
Growth strategy

4. Global development

In terms of initiatives targeting global development, in April 2021 the Company established COPRO GLOBALS PTE. LTD., a local subsidiary in Singapore as the hub (intermediary holding company) for entering the ASEAN region. Also, in April 2021, COPRO GLOBALS PTE. LTD. established subsidiary COPRO VIETNAM CO., LTD. as a business company in Vietnam. Partnering with local educational institutions, this company will recruit high-quality human resources who want to work in Japan.

Global business

- Partnering with local educational institutions to recruit advanced foreign human resources who want to work in Japan.
- Brokerage of human resources to Group company COPRO-ENGINEERED. Co., Ltd., and dispatching and introduction to construction general contractors and plant engineering companies in Japan, where there is a shortage of human resources, is planned.
- Considering dispatching U-turn to Japanese general contractors, which have expanded into Vietnam, in the future.



Source: The Company's financial results briefing materials

It is considering developing its businesses into other ASEAN countries in the future, including the Philippines, Thailand, and Malaysia. It is promoting the acceptance into Japan of high-level, overseas human resources, and also for the future, it is considering creating businesses, such as local and overseas U-turn training for human resources who studied technologies in Japan, intended for local and overseas Japanese general contractors and plant companies that are entering-into the ASEAN region.

5. Aims to transform itself into a comprehensive engineer dispatch company

With respect to its M&A strategy, in April 2021 the Company acquired all the shares of ATMOS, a machine design and development engineer dispatch company, thereby making it a subsidiary. This business engages in the dispatch of development and design engineers mainly to major manufacturers in Japan. In addition to the synergy effects of sharing management resources such as the Company's recruitment website Gen-Kyari and the nationwide branch network, by entering the machine design and development field, the career plan options for construction and plant engineers will expand, and engineers wishing to change jobs will likely be able to move to other jobs within the Group. The Company's strategy is to transform itself into a comprehensive engineer dispatch company by entering the machine design and development field in addition to its existing business in the construction field.

COPRO-HOLDINGS. Co., Ltd.

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<https://copro-h.co.jp/en/ir/>

Growth strategy

Acquisition of ATMOS shares

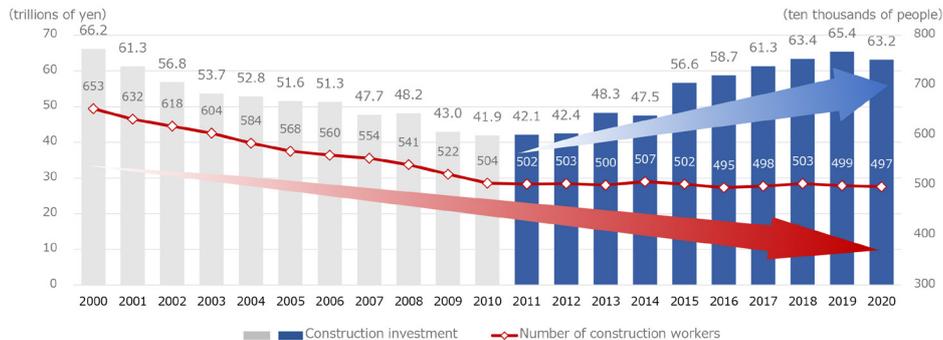
Company Outline		Business Details	
Company name	ATMOS CO., LTD.	Dispatching development and design engineers mainly to major manufacturers in Japan	
Head office	1-24-20 Meieki-minami, Nakamura-ku, Nagoya, Aichi		
Description of business	Dispatching business of machinery design engineers, etc.	Major Clients	
Share capital	35 million yen	<ul style="list-style-type: none"> ✓ JAMCO CORPORATION ✓ Okuma Giken Co., Ltd. ✓ YANMAR AGRIBUSINESS CO., LTD. ✓ YANMAR ENERGY SYSTEM CO., LTD. ✓ DAIKIN INDUSTRIES, LTD. ✓ Toyota Production Engineering Corporation 	
Foundation	June 2006	<ul style="list-style-type: none"> ✓ Panasonic Corporation ✓ OMRON Corporation ✓ HOSHIZAKI CORPORATION ✓ AISHIN CORPORATION ✓ Makita Corporation ✓ TOSHIBA LIFESTYLE PRODUCTS & SERVICES CORPORATION 	
Fiscal year-end	February		
Number of employees ¥	119 (including 115 engineers)		

Source: The Company's financial results briefing materials

6. Earnings will grow in the medium- to long-term

The construction investment amount in Japan recovered after the Great East Japan Earthquake of 2011, and while the number of employees in the construction industry peaked in 1997 and then began falling, it has been trending basically unchanged YoY since 2011. Also, a tendency has strengthened among major general contractors and others to keep down recruitment to reduce fixed costs, while the ages of employees are becoming older. With these factors in the background, demand for dispatches of construction engineers, mainly young engineers, is growing even more. The business environment in the construction industry is good, and it can be said that by having added the machine design and development field, earnings are on the way up over the medium term as a comprehensive engineer dispatch company.

Business environment supporting growth



(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

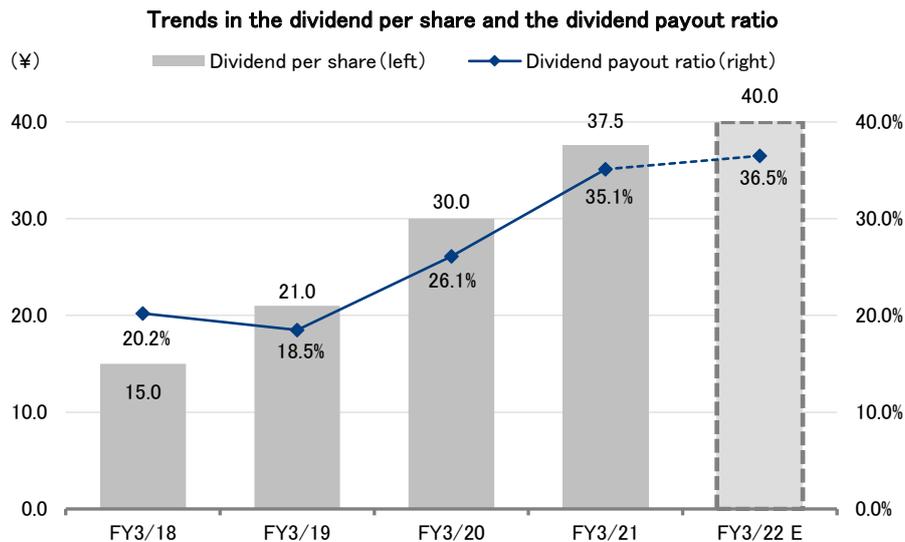
Source: The Company's financial results briefing materials

Shareholder return policy

The dividend is forecast to increase again in FY3/22

The Company's basic shareholder return policy is to maintain stable dividends with a target consolidated dividend payout ratio of 30% or more, while paying attention to the balance with investments that will contribute to future business expansion. On April 1, 2021 (date of effect), the Company carried out a 1:2 share split of its common shares.

After retroactively calculating the dividend taking into account the 1:2 share split conducted on April 1, 2021, the FY3/21 annual dividend was ¥37.50, a ¥7.50 YoY increase (interim dividend of ¥10, fiscal year-end dividend of ¥27.50 = ordinary dividend of ¥25.00 + dividend to commemorate change to First Section of TSE and NSE of ¥2.50). The forecast for the FY3/22 dividend is a ¥2.50 YoY increase to ¥40.00 (interim dividend of ¥10.00, fiscal year-end dividend of ¥30.00). The Company is proactive with shareholder returns, and we can expect the Company to further enhance returns to shareholders alongside its earnings growth.



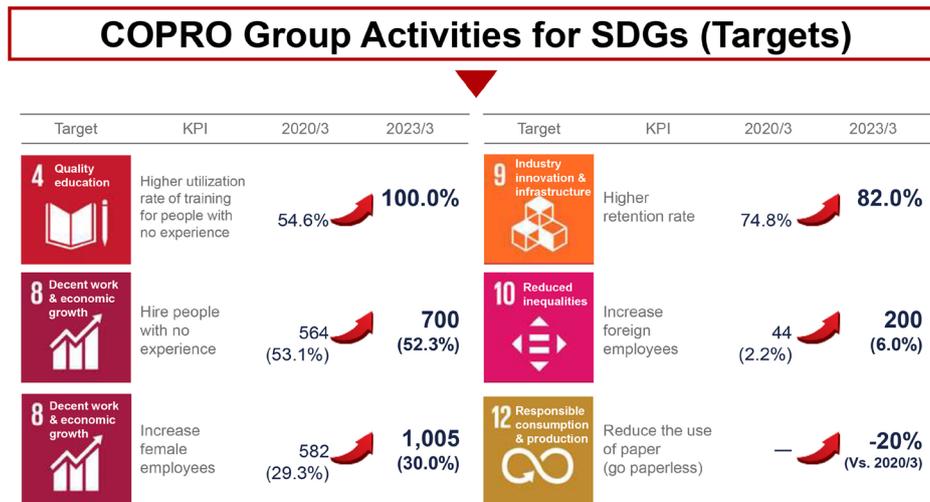
Note: Dividends per share have been retroactively adjusted to reflect the 1-to-2 share split which was conducted on April 1, 2021.

Source: Prepared by FISCO from the Company's financial results

SDGs initiatives and statement of intent to meet the Prime Market requirements Notice of Statement to Meet the Prime Market

In terms of SDGs initiatives, the four human resources creation flow elements (recruitment, training and development, matching, retention) are very closely related to SDGs targets (No. 4, 8, 9, 10, 12), and are priority issues that the Group should work on. The Company has also set medium- to long-term targets in areas such as increasing the number of inexperienced employees who receive training, expanding the recruitment of inexperienced employees, increasing the ratio of female employees, increasing the number of non-Japanese employees, increasing the retention rate, and reducing the amount of paper used. In March 2021, the Company was recognized by the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi as a “Certified Health & Productivity Management Organization (large enterprise category).”

Initiatives to achieve SDGs



Source: The Company's results briefing materials

Also, on May 6, 2021, the Company released a “Notice of Statement to Meet the Continued Listing Requirements for the Prime Market.” In advance of the Tokyo Stock Exchange’s market reorganization scheduled for April 2022, the Company will strengthen its SDGs initiatives and bolster its ESG-conscious management, as well as transform itself into a comprehensive engineer dispatch company, as it strives to achieve sustainable growth and increase its corporate value over the medium to long term through constructive dialogue with investors and aim to meet the continued listing requirements stipulated by the newly established Prime Market.

The Company is also formulating a medium-term management plan. The long-term growth image targeting FY3/30 has been presented, but the plan is expected to offer more detailed medium-term growth scenarios and targets.

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SDGs initiatives and statement of intent to meet the Prime Market requirements Notice of Statement to Meet the Prime Market

Notice of statement on TSE market reorganization

Plan to select to move to the Prime Market

Consider all kinds of corporate actions as options, aiming to meet the continued listing requirements

Improving Corporate Value ✓ Increase corporate value by expanding corporate size and business areas and improving profitability through M&A and other growth investments.

Returning Shareholders ✓ While considering the balance between strategic investments for growth and shareholder returns, continue stable dividends with a target consolidated dividend payout ratio of 30% or more, and maximize shareholder profits.

Prime Market's continued listing requirements		Our compliance status	
Number of shareholders	At least 800 shareholders	2,398 shareholders (As of March 31, 2021)	○
Number of tradable shares	At least 20,000 units	39,737 units (As of March 31, 2021*)	○
Tradable share market capitalization	At least JPY 10 bn.	JPY 5.05 bn. (As of May 13, 2021)	×
Trading value	At least daily JPY avg. 20 mn.	JPY 110 mn. (daily average from January 6 to December 30, 2020)	○
Tradable share ratio	At least 35%	39.7% (As of March 31, 2021)	○

*The number of tradable shares as of March 31, 2,021 is multiplied by 2 times in accordance with the 2-for-1 share split conducted on April 1, 2021.

Source: The Company's financial results briefing materials



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