

May 21, 2021
COPRO-HOLDINGS. Co., Ltd.

Earnings Announcement Q&A **for the Fiscal Year Ended March 31, 2021**

COPRO-HOLDINGS. Co., Ltd. (hereafter, “the Company”) held an earnings announcement presentation on May 20, 2021 at which the analysts and institutional investors were in attendance. The principal questions received and answers given during the session have been presented below. Certain details have been added or amended to further understanding of the COPRO Group’s performance and activities.

Q: Why has clients’ needs shifted from non-experienced and inexperienced engineers to more experienced ones?

A: Before COVID-19, the construction industry has generally been in chronic shortage of human resources, so the needs of them, whether or not they have experienced engineers, have been high. However, due to the impact of COVID-19, since construction work was postponed mainly in the private sector, the number of projects requiring dispatching decreased temporarily. As a result, clients’ demand shifted from non-experienced and inexperienced engineers to experienced ones who can immediately compete. However, there is still a labor shortage in the construction industry. Without dispatched engineers, construction site will not go around. In FY2021, it will be important how to match non-experienced and inexperienced engineers while focusing on increasing the number of experienced employees.

Q: You explained that the changes in the sales method had lowered the sales growth rate in the fourth quarter. What changes did you make?

A: In FY2019, the number of engineers went upward from the first quarter to the fourth quarter, whereas in FY2020, the number of engineers went upward by a slight increase of +36 throughout the year. As a result, the growth rate of net sales went down year-on-year from the third quarter to the fourth quarter. Regarding the reason for the slight increase of the number of engineers, the company believes that the burden on sales staff was due in part to the accumulation of information on orders for the new core system, which would begin operations in April 2021, amidst a challenging environment in which the number of inexperienced engineers retired following the outbreak of COVID-19 and the decline in the number of new dispatch projects for inexperienced engineers.

Q: Regarding sales reforms, are there any other efforts other than the change to a system in which sales employees conduct 1-stop sales and after-sales follow-up of engineers?

A: The company is strengthening sales to existing clients. Previously, the company focused on cultivating new clients and aimed to grow by expanding the number of clients. From FY2021, however, from the perspective of improving productivity and building strong trusting relations with clients, it is aiming to expand net sales by working to increase the number of dispatched engineers to clients that the company already has business relations.

Q: What are the details of the recruitment plan for FY2021?

A: The number of hires for FY2021 is expected to be 1,200, a substantial increase of +335 YoY. The company

aims to increase the total of recruiting expenses by controlling recruiting expenses per engineer, strengthening hiring with experienced employees as the main target. It also aims to increase the number of engineers by working to efficiently win orders and match cases by promoting in-depth sales.

Q: Why are you expected that net sales growth rate lower than the number of engineers growth rate? Are the factors behind this expected decrease in the contract amount per engineer?

A: Charge-up negotiations are positioned as a top management priority, and the Company is seeing the renewal of temporary staffing contract as an opportunity for negotiations, and will steadily increase the contract amount per engineer. Net sales for the first and second quarter of FY2021 would be slow compared to the previous period, because the number of engineers was only slightly increased due to the effects of COVID-19 in FY2020. It is assembling a forecast that net sales will grow due to the accumulation of the number of engineers through second half.

Q: Are the impacts of making ATMOS CO., LTD. a subsidiary factored into the announcement plan?

A: It is not factored in. The Company will disclose the impact on the earnings forecast as soon as it is finalized, as it is currently under review.

End of document