

copro

Fiscal Year Ending March 31, 2023

Financial Results for 1st Quarter

August 10, 2022

COPRO-HOLDINGS. Co., Ltd.

Tokyo Stock Exchange-Prime, Nagoya Stock
Exchange Premier (Ticker Symbol: 7059)

- 1. Summary of the Consolidated Financial Results**
- 2. Major Initiatives in Construction Technician Dispatching**
- 3. FYE2023 Financial Forecast**
- 4. Reference Materials**

1. Summary of the Consolidated Financial Results

2. Major Initiatives in Construction Technician Dispatching

3. FYE2023 Financial Forecast

4. Reference Materials

Consolidated Financial Highlights

- Net sales increased significantly by +19.5% YoY. COPRO-ENGINEERD, a core business, which dispatches construction technicians increased sales due to the increase in the number of hires, and the transfer of technicians after taking over business from Hucoss Co., Ltd. ATMOS and VALUE ARK CONSULTING, which were consolidated last fiscal year, also contributed to the rise in sales.
- Operating profit and non-GAAP operating profit decreased by 17.0% and 3.5%, respectively, due to active investment in recruitment costs to secure excellent human resources, which is positioned as upfront investment for business expansion from the next fiscal year onward.
- Profit at each stage is steadily increasing compared to the first half forecast.

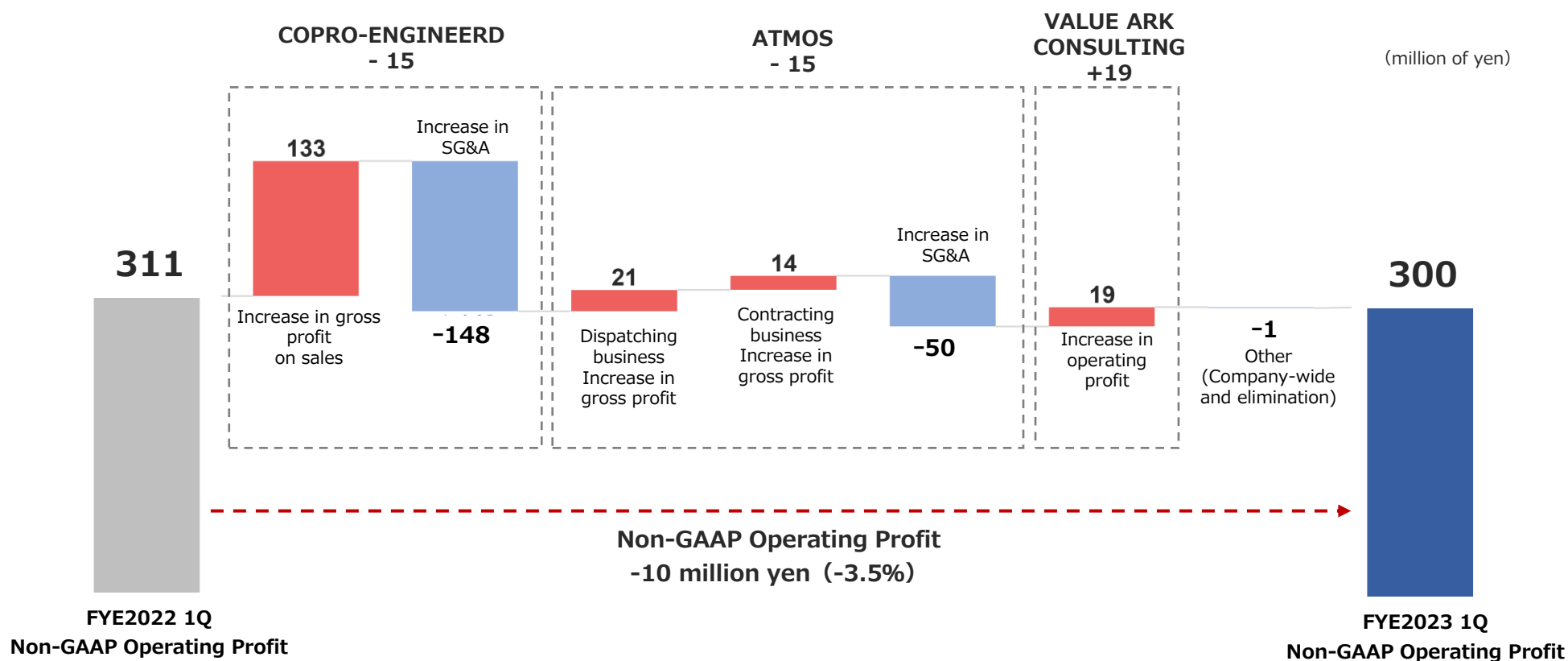
	(million of yen)							
	FYE2022		FYE2023		YoY Change		FYE2023	
	1Q	Ratio	1Q	Ratio	Pct Change	Amount of Change	1H Forecast	Progress Rate
Net sales	3,555	100.0%	4,249	100.0%	+19.5%	+693	8,144	52.2%
Cost of sales	2,491	70.1%	2,972	70.0%	+19.3%	+481	5,662	52.5%
Gross profit	1,063	29.9%	1,276	30.0%	+20.0%	+212	2,482	51.4%
SG&A expenses	786	22.1%	1,045	24.6%	+33.0%	+259	2,193	47.7%
Operating profit	277	7.8%	230	5.4%	-17.0%	-47	289	79.7%
Depreciation	28	0.8%	33	0.8%	+18.4%	+5	-	-
Amortization of goodwill	-	-	26	0.6%	-	+26	-	-
Shared-based remuneration expenses	5	0.1%	9	0.2%	+85.9%	+4	-	-
Non-GAAP operating profit*	311	8.7%	300	7.1%	-3.5%	-10	427	70.3%
Ordinary profit	277	7.8%	230	5.4%	-16.8%	-46	290	79.6%
Profit attributable to owners of parent	154	4.3%	135	3.2%	-12.4%	-19	158	85.4%
Number of consolidated technicians & engineers (quarter end)*	1,957	-	2,394	-	+22.3%	+437	-	-

*As a profit index to measure essential performance, non-GAAP operating profit is calculated by adding depreciation costs, goodwill amortization and stock award expenses back to operating profit.

*The number of consolidated technicians & engineers is the number of employees at the end of the fiscal year including IT freelancers in the SES business.

Non-GAAP Operating Profit

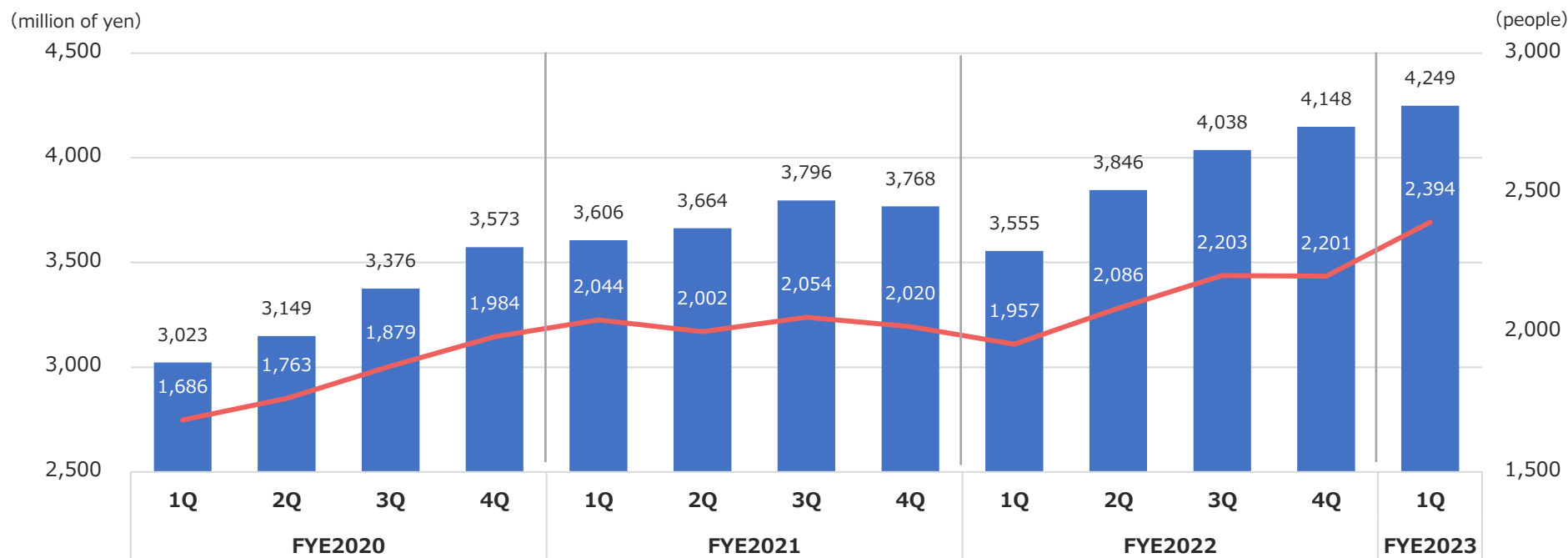
- The top line of COPRO-ENGINEERD, which dispatches construction technicians, has grown due to an increase in the number of technical employees. On the other hand, SG&A expenses increased due to aggressive hiring expenses and compensation payments associated with taking over business from Hucoss, which contributed a profit decrease of 15 million yen.
- ATMOS, which was newly consolidated from the second quarter of FYE2022, contributed a profit decrease of 15 million yen due to an increase in personnel and hiring expenses aimed at strengthening sales and recruiting.
- VALUE ARK CONSULTING, which was newly consolidated from the third quarter of FYE2022, absorbed the increase in personnel expenses due to the expansion of personnel, and contributed a profit increase of 19 million yen.



*As a profit index to measure essential performance, non-GAAP operating profit is calculated by adding depreciation, amortization of goodwill and share-based remuneration expenses back to operating profit.

Quarterly Consolidated Financial Results

- Net sales in the first quarter reached a record high as the number of engineers and technicians increased.
- Non-GAAP operating profit for the first quarter decreased from the previous quarter (FYE2022 4Q) mainly because of the increase in the cost of sales ratio due to standby labor costs as new graduates were trained at COPRO-ENGINEERD, and the increase in SG&A expenses such as hiring costs.



Net sales	3,023	3,149	3,376	3,573	3,606	3,664	3,796	3,768	3,555	3,846	4,038	4,148	4,249
Non-GAAP operating profit	318	391	485	482	218	357	450	503	311	410	561	558	300
Number of consolidated technicians and engineers	1,686	1,763	1,879	1,984	2,044	2,002	2,054	2,020	1,957	2,086	2,203	2,201	2,394

■ Net sales — Number of consolidated technicians and engineers (quarter end)

*As a profit index to measure essential performance, non-GAAP operating profit is calculated by adding depreciation, amortization of goodwill and share-based remuneration expenses to operating profit.

*The number of consolidated technicians and engineers is the number of employees at the quarter-end of the fiscal year including IT freelancers in the SES business.

1. Summary of the Consolidated Financial Results

2. Major Initiatives in Construction Technician Dispatching

3. FYE2023 Financial Forecast

4. Reference Materials

Major Initiatives in Construction Technician Dispatching Business

Strengthening sales abilities

Main Initiatives for FYE2023 1Q

- Expanding the amount of activity for sales representatives by managing sales process KPIs.
- Boosting sales personnel at branches in Tokyo, Nagoya and Osaka where construction demand is high.

Progress Evaluation

No. of 1Q Job Posting Requests

6,172

(YoY Change +214.6%)

- Achieved a certain result in raising the sales volume through sales reform efforts

Expanding the number hired

Main Initiatives for FYE2023 1Q

- By increasing the number of hires and raising the internal standard for hiring costs per person, mid-career hiring costs increases 2.3 times from the previous fiscal year.
- Expanding the amount of activity for recruiters by managing recruitment process KPIs in order to deal with the increase in the number of interviews with applicants.
- Strengthening the hiring system. In addition to increasing the number of hiring managers, shortening the lead time from applications to interviews by assigning a dedicated person in charge of setting up interviews to secure human resources in Tokyo, Nagoya and Osaka, where construction demand is high.

Progress Evaluation

1Q Mid-Career Hiring Costs

89 million yen

(YoY Change +130.1%)

1Q Mid-Career Hiring Numbers

239 people

(YoY Change +65 people)

- 1Q hiring costs are slightly below the Company's internal plan
- The number of 1Q mid-career hires is in line with the Company's internal plan
- Continuing to strengthen the hiring system as we plan to increase the number of hires in stages even after the 2Q

Improving the retention rate

Main Initiatives for FYE2023 1Q

- By further deepening sales to target companies that have abundant construction projects and are expected to have high contract continuation rates, we could promote new assignments and push shifting of assignments when the contracts end.
- For those who meet the conditions, switching employees from fixed-term employment to permanent employment.
- Hiring new employees on the premise of changing to permanent employment.

Progress Evaluation

1Q Target Company Assignment Rate

89.2%

(YoY Change +5.3pts)

1Q permanent Employee Ratio

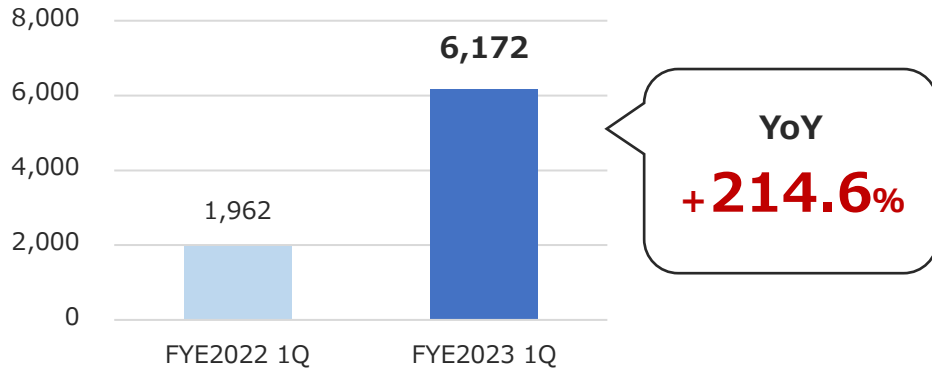
49.5%

(YoY Change +26.7pts)

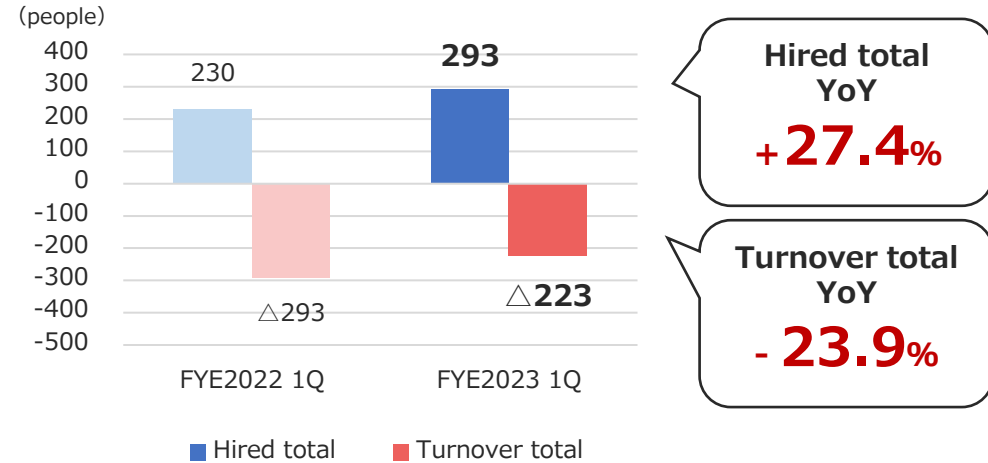
- Expanded assignments to target companies, including major general contractors
- The number of those resigning decreased due to the increase in both the ratio of employees assigned to target companies, and the ratio of indefinite-term employees
- Promoting efforts to further improve the retention rate even after 2Q

Summary of Main KPI (Construction Technician Dispatching Business)

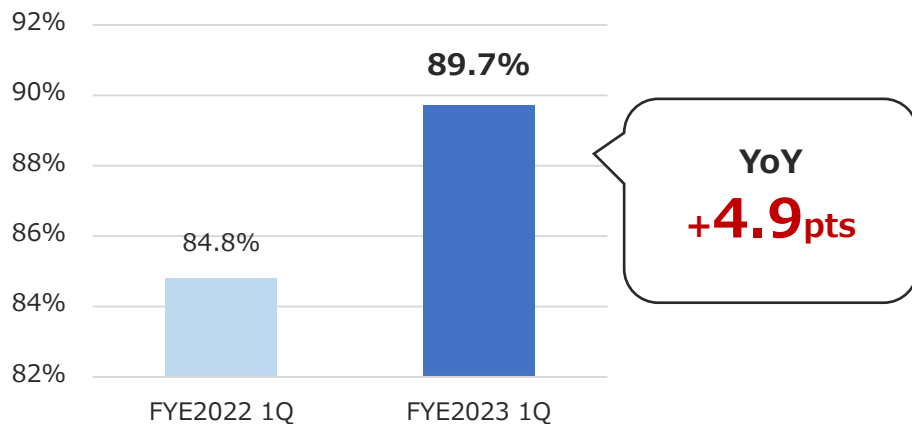
Number of Job Posting Requests



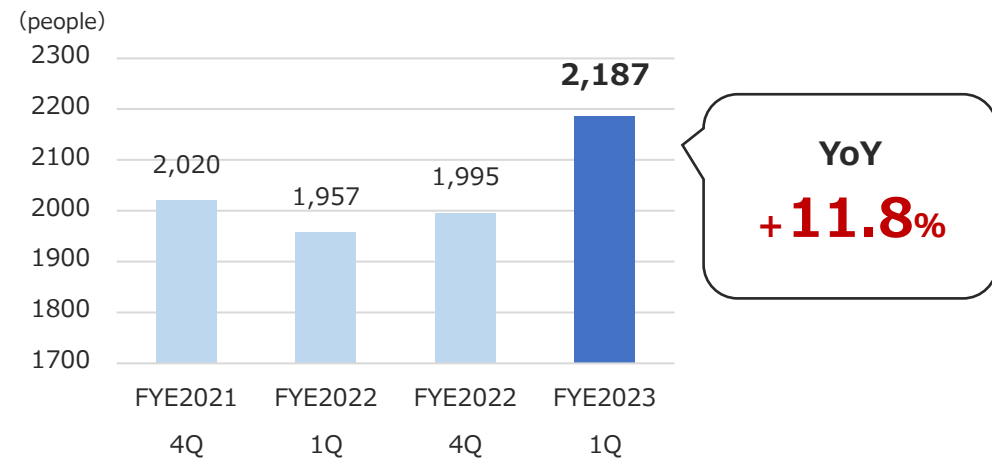
Number of Hired and Resigned Technical Employees



Retention Rate of Technicians (1Q cumulative)



Number of Technicians (Quarter End)



1. Summary of the Consolidated Financial Results

2. Major Initiatives in Construction Technician Dispatching

3. FYE2023 Financial Forecast

4. Reference Materials

FYE2023 Financial Forecast

- Net sales are expected to increase by 14.5% from the previous fiscal year with the rise in the number of people assigned, mainly in the core business of construction technician dispatching.
- In order to overcome the current situation where opportunity loss is occurring with a bottleneck in hiring, we plan to increase hiring costs 2.5 times from the previous fiscal year, with the aim of securing excellent engineers and technicians who will be the basis of growth, positioning this fiscal year as a phase to promote upfront investment for business expansion.
- Non-GAAP operating profit is expected to decrease by 27.6% from the previous fiscal year due to an increase in selling and administration expenses from aggressive investment in recruitment costs.
- In FYE2024, the next fiscal year, we will recover the upfront costs of the current fiscal year and aim for a record high profit under operating profit due to a V-shaped recovery.

(million of yen)

	FYE2022		FYE2023		YoY Change	
	Full-year	Ratio	Full-year (Forecast)	Ratio	Pct Change	Amount of Change
Net sales	15,589	100.0%	17,854	100.0%	+14.5%	+2,264
Cost of sales	10,744	68.9%	12,354	69.2%	+15.0%	+1,609
Gross profit	4,844	31.1%	5,500	30.8%	+13.5%	+655
SG&A expenses	3,223	20.7%	4,476	25.1%	+38.9%	+1,252
Operating profit	1,621	10.4%	1,024	5.7%	- 36.8%	- 597
Non-GAAP operating profit*	1,841	11.8%	1,334	7.5%	- 27.6%	- 507
Ordinary profit	1,619	10.4%	1,024	5.7%	- 36.8%	- 595
Profit attributable to owners of parent	962	6.2%	604	3.4%	- 37.3%	- 358
Earnings per share*	¥102.12	-	¥65.05	-	- 36.3%	¥- 37.07
Number of consolidated technicians & engineers (quarter end)*	2,201	-	3,024	-	+37.4%	+823

*As a profit index to measure essential performance, Non-GAAP operating profit is calculated by adding depreciation, amortization of goodwill and share-based remuneration expenses back to operating profit.

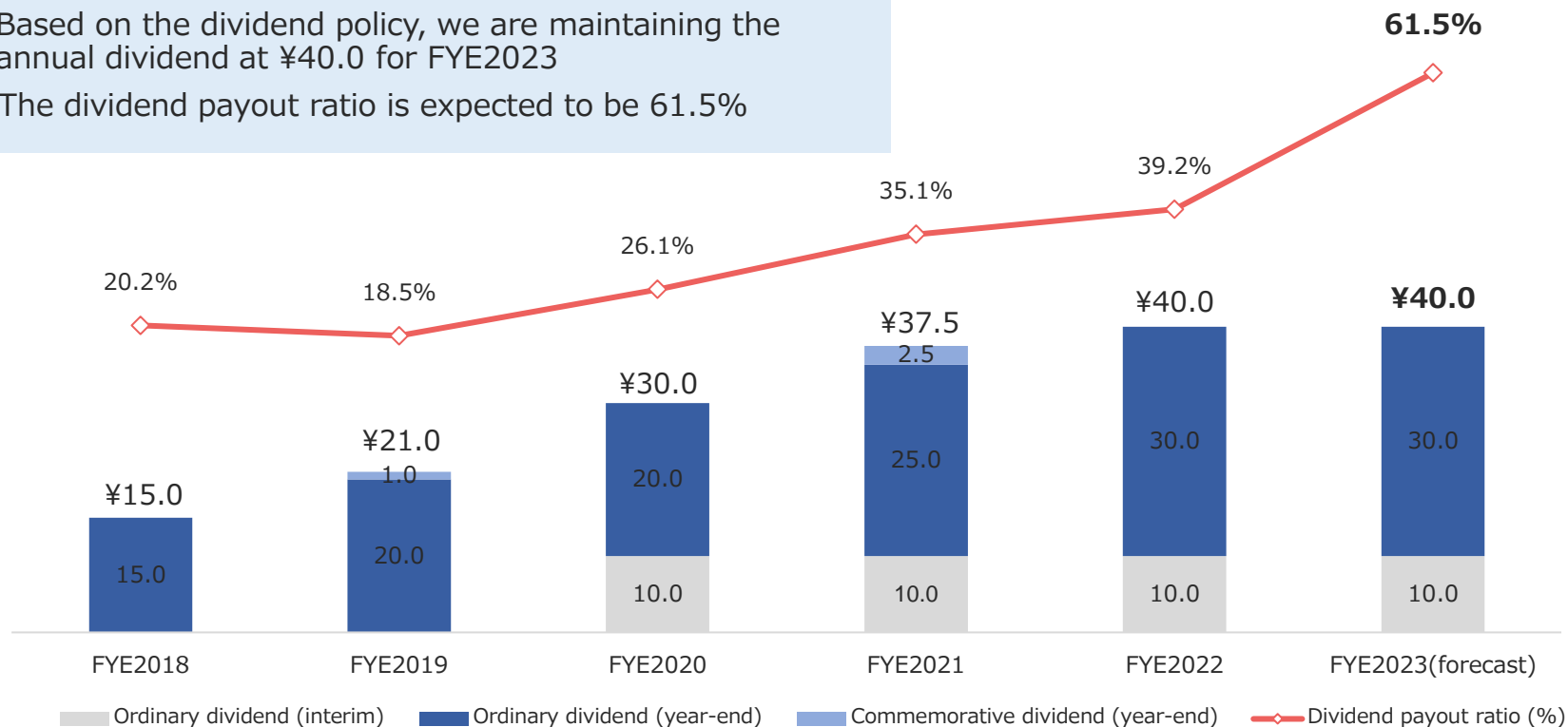
*The number of consolidated technicians & engineers is the number of employees at the end of the fiscal year including IT freelancers in the SES business.

Returning Shareholders

[Basic Policy]

Dividends are the basis for shareholder returns, which we consider to be one of the important management issues, and our basic policy is to pay stable dividends. Dividends will not be reduced during the period covered by the medium-term management plan "COPRO Group Build the Future 2027" (from FYE2023 to FYE2027), depending on the profit growth achieved through aggressive investment.

- ✓ Based on the dividend policy, we are maintaining the annual dividend at ¥40.0 for FYE2023
- ✓ The dividend payout ratio is expected to be 61.5%



*The commemorative dividends were for listing on the stock exchange in FYE2019, and moving to the first sections of the Tokyo Stock Exchange and the Nagoya Stock Exchange in FYE2021.

*The dividend per share has been retroactively revised to take into account the impact of the one-to-two stock split implemented on April 1, 2021.

1. Summary of the Consolidated Financial Results

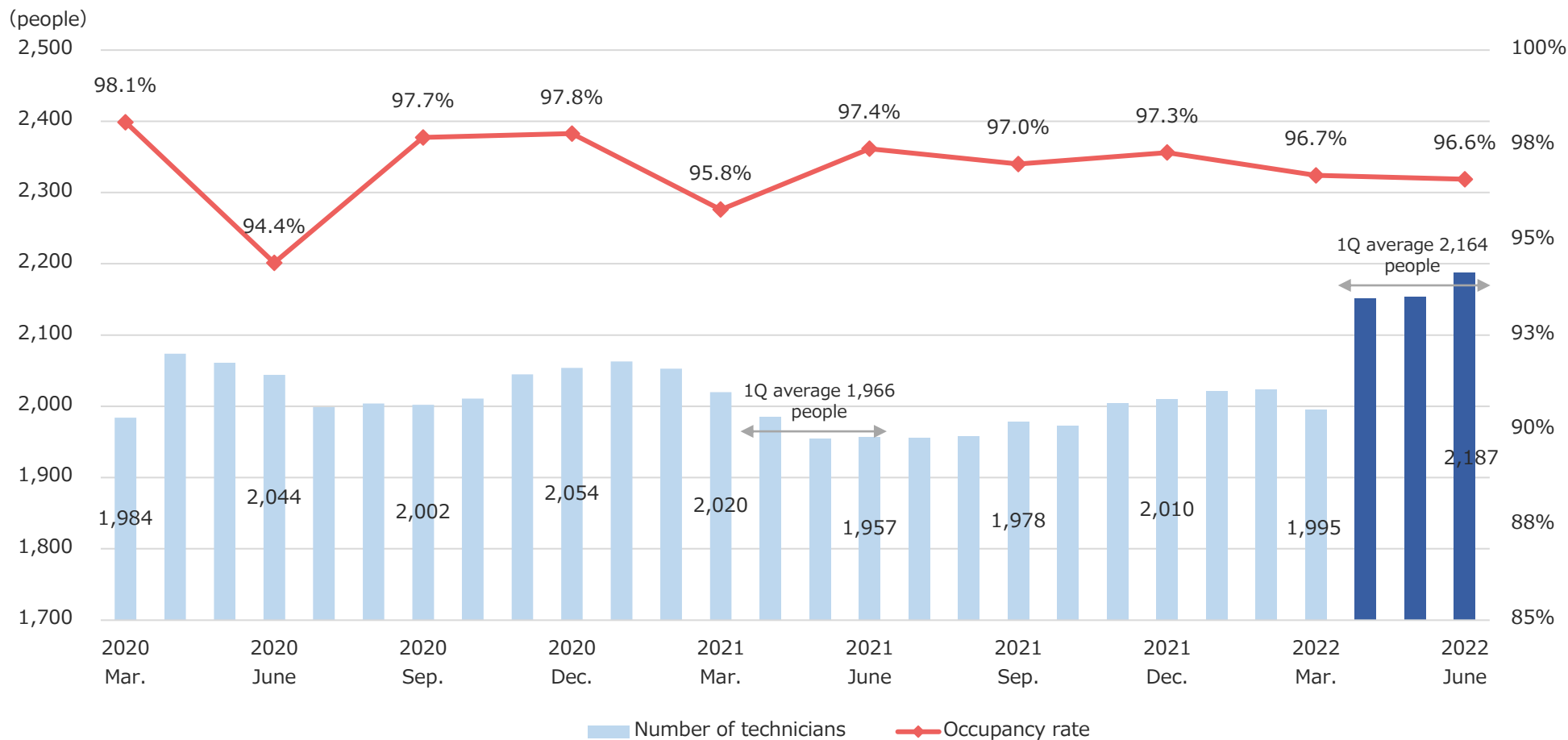
2. Major Initiatives in Construction Technician Dispatching

3. FYE2023 Financial Forecast

4. Reference Materials

Construction Technician Dispatching: Number of Technicians and Occupancy Rate

- The number of technicians at the end of this 1Q was 2,187 (up 230 people from the end of the previous 1Q). In addition to a net increase due to a rise in the number of hires and a decrease in the number of those resigning, the worker dispatching business of Hucoss Co., Ltd. was taken over on April 1, 2022, which 122 technicians were transferred.
- The occupancy rate at the end of this 1Q was 96.6% (down 0.8pts from the end of the previous 1Q).



Construction Technician Dispatching: Hiring and Resigning and Retention Rate

- The number of hires reached a record high on a quarterly basis.
- Of the number of hires, the number of mid-career hires was 239 people, an increase of 65 people from the previous quarter, and an increase of 37.4%. In addition to the significant increase in the number of applications due to the aggressive investment in hiring costs, we are strengthening our efforts such as shortening the lead time from applications to interviews, and increasing the number of interviews done.
- The 1Q retention rate of technicians was 89.7%, an improvement of 4.9pts from the previous quarter. The number of those resigning decreased due to the success of further sales to exsiting clients, and the increase in the ratio of assignments to target companies such as major general contractors.

Recruitment / Turnover

(people)

	FYE2022					FYE2023	
	1Q	2Q	3Q	4Q	Full Year	1Q	Full Year (forecast)
Hired total	230	208	213	183	834	293	1,501
New graduates and recent graduates with work experience	56	0	0	0	56	54	84
Mid-career	174	208	213	183	778	239	1,417
Turnover total	293	187	181	198	859	223	885
Permanent employees	24	25	21	24	94	40	-
Fixed-term employees	269	162	160	174	765	183	-
Net change	- 63	+21	+32	- 15	- 25	+70	+616
Increase due to M&A, etc.	0	0	0	0	0	+122	+122
Number of technicians	1,957	1,978	2,010	1,995	1,995	2,187	2,733

Retention Rate

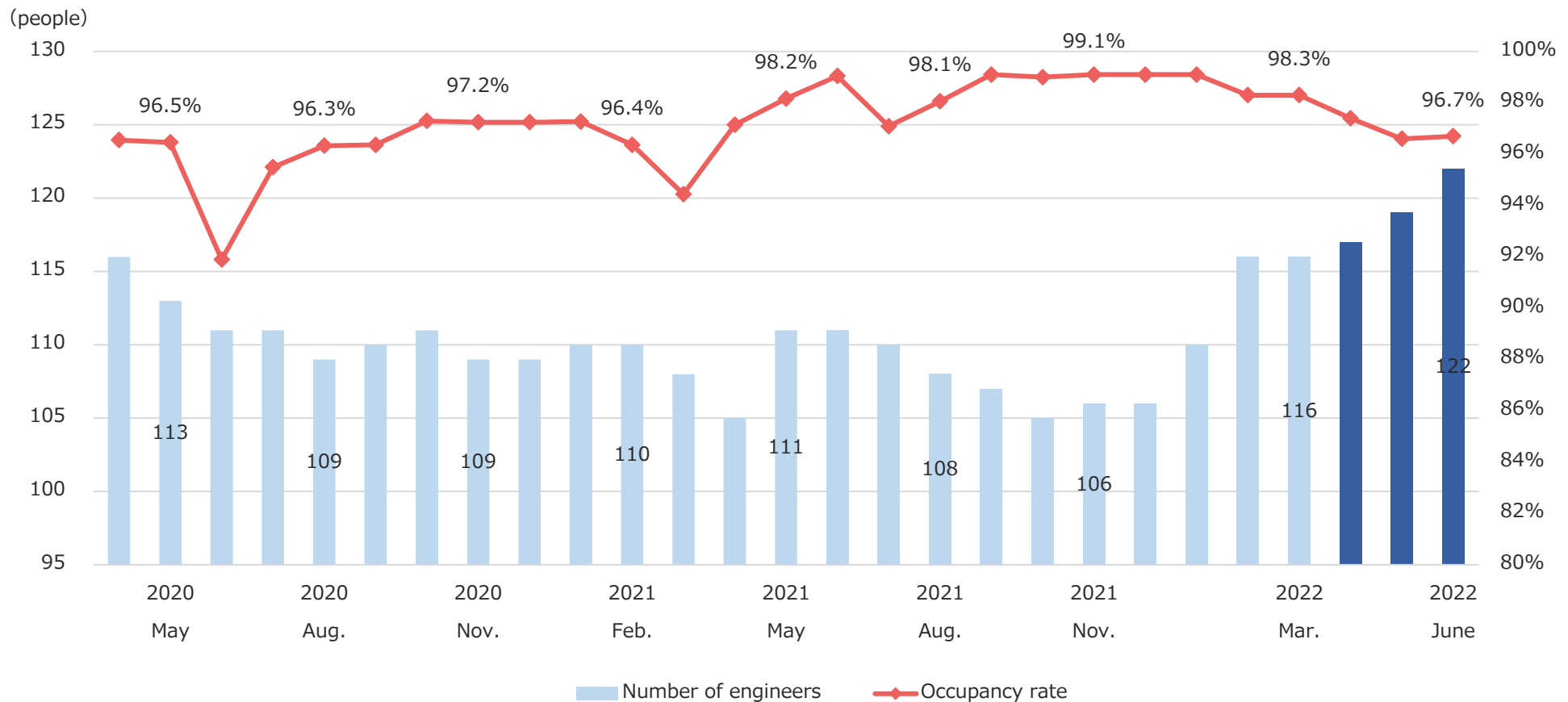
	FYE2022				FYE2023
	1Q	2Q	3Q	4Q	1Q
Retention rate (fiscal year accumulative total)	84.8%	79.3%	74.6%	69.4%	89.7%
Retention rate (LTM)	68.0%	69.5%	69.2%	69.4%	71.8%

*Retention rate (Fiscal year accumulative total) = Among the technicians who were registered at the end of the previous fourth quarter, the percentage who were still registered at the end of the relevant quarter.

*Retention rate (LTM) = Among the technicians who were registered at the end of the quarter one year ago, the percentage who were still registered at the end of the same quarter one year later.

Mechanical Design and Development Engineer Dispatching and Contracting: Number of Engineers and Occupancy Rate

- The number of hires has increased in line with the development of the in-house system that has been expanded since the previous fiscal year. As a result, the number of engineers has steadily increased.
- The occupancy rate remains at a high level as a whole, while more inexperienced employees, who goes through in-house training instead of working, have been hired.



Mechanical Design and Development Engineer Dispatching and Contracting: Hiring and Resigning and Retention Rate

- The hiring of experienced personnel has continued to steadily realized, with a focus on engineers from a manufacturing industry. In addition, 14 people were hired this 1Q by promoting the hiring of inexperienced personnel.
- The number of those resigning has increased slightly due to foreign employees resigning as they return to their country.

Recruitment / Turnover

(people)

	FYE2022					FYE2023	
	1Q	2Q	3Q	4Q*	Full Year	1Q	Full Year (forecast)
Hired total		2	3	15	20	14	85
New graduated		0	0	0	0	1	1
Mid-career		2	3	15	20	13	84
Turnover total		5	5	5	15	8	23
Permanent engineers		5*	4	3	12	7	-
Fixed-term engineers		0	1	2	3	1	-
Net change		3	- 2	+10	+5	+6	+62
Number of engineers		108	106	116	116	122	178

*Includes three people who changed from technical employees to management employees.

*For the 4Q of FYE2022, due to the change in the month that the fiscal year ends, the results for the four months from December 2021 to March 2022 are included.

Retention Rate

	FYE2022				FYE2023
	1Q (reference*)	2Q	3Q	4Q	1Q
Retention rate (fiscal year accumulative total)	100.0%	95.4%	91.7%	88.9%	93.1%
Retention rate (LTM)	92.9%	92.7%	90.8%	88.9%	84.7%

*Retention rate (Fiscal year accumulative total) = Among the technical employees who were registered at the end of the previous fourth quarter, the percentage who were still registered at the end of the relevant quarter.

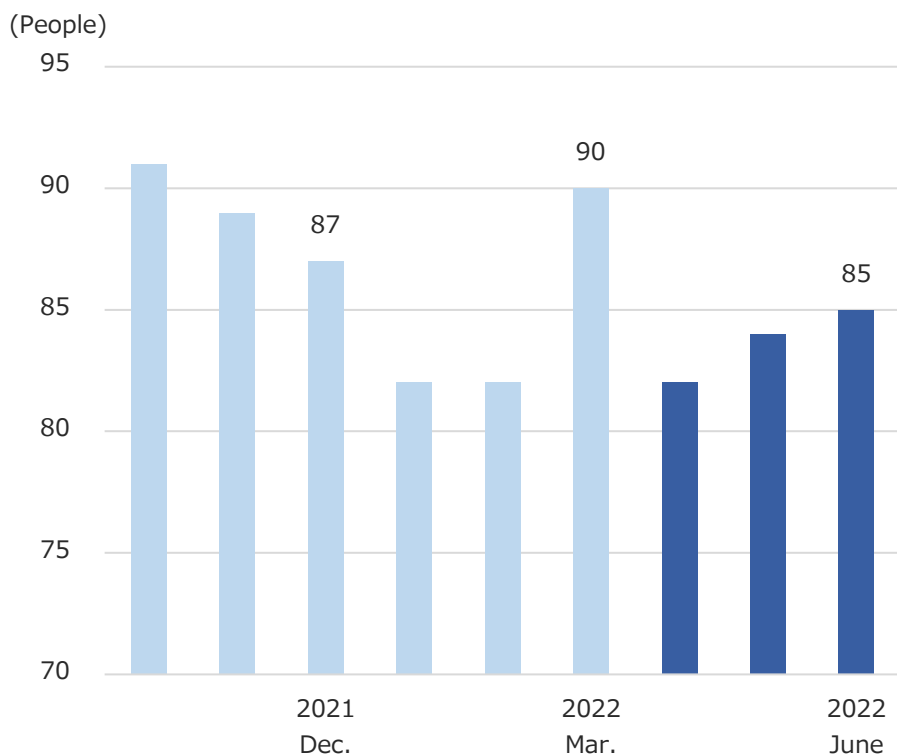
*Retention rate (LTM) = Among the technical employees who were registered at the end of the quarter one year ago, the percentage who were still registered at the end of the same quarter one year later.

*ATMOS Co., Ltd. has been consolidated since June 2021 due to M&A. Therefore, the result for 1Q of FYE2022 is provided for reference only.

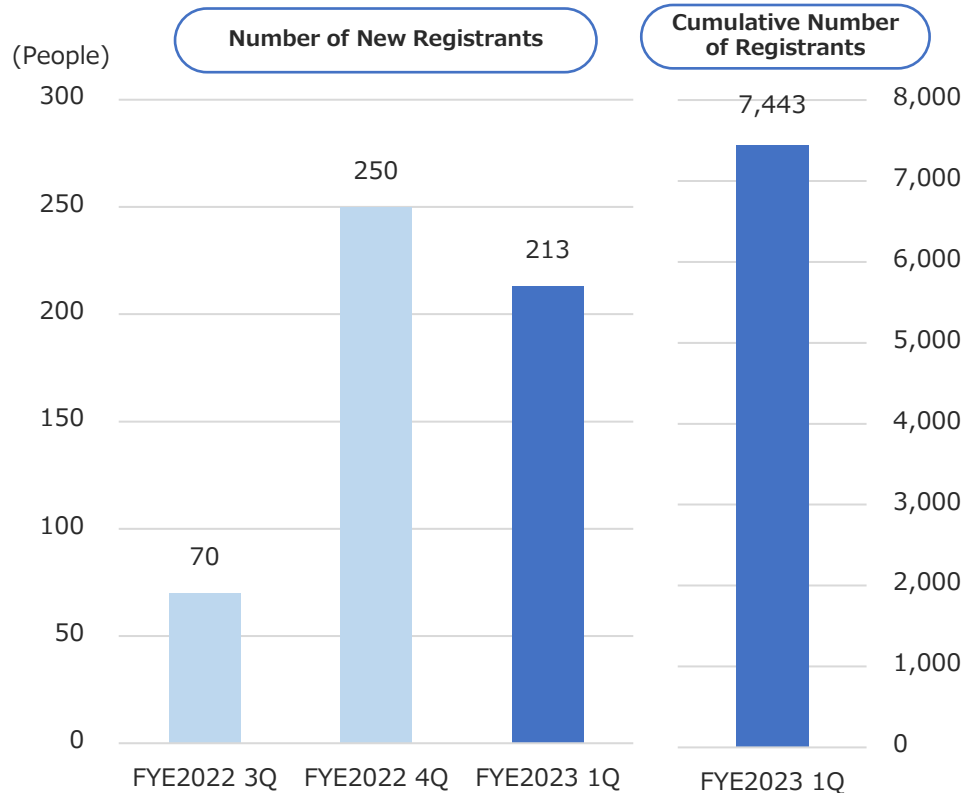
SES: Number of Engineers Working and Number of New IT Freelance Registrants

- Although the number of employees working saw a net decrease with many projects ending at the March close of the fiscal year, it has increased steadily since May.
- Regarding the number of new registrants, it has been improving in gaining applicants by posting paid media advertisements in addition to the company's recruiting site "Happy Engineer".

Number of People Working



Number of IT Freelance Registrants



Disclaimer and Forward-Looking Statements

- This document has been prepared by COPRO-HOLDINGS. Co., Ltd. (the “Company”) to assist investors in understanding the current status of Company.
- 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.