

**copro**

Fiscal Year Ending March 31, 2022

# Financial Results for Nine Months

February 10, 2022

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

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

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(Dispatching business of construction and plant engineers)
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# 1. Major Topics from 2nd Quarter Financial Results Announcement

## 2. Consolidated Financial Highlights

## 3. Breakdown of Sales & Key Performance Indicators

(Dispatching business of construction and plant engineers)

## 4. Breakdown of Sales & Key Performance Indicators

(Dispatching and contracting business of machinery design and development engineers)

## 5. FYE2022 Business Outlook and Financial Forecast

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# Major Topics from 2Q Financial Results Announcement

## Plans to Meet the Continued Listing Criteria (announced on December 10, 2021)

- In order to meet the Prime Market's listing criteria, we intend to promote each business strategy based on the medium-term management plan (FYE2023 to FYE2027), which will be announced in Spring 2022. At the same time, we intend to expand our business results by enhancing corporate governance and improving stock liquidity in order to increase the total value of the market through the improvement of corporate value.
- We expect to achieve a tradable share market capital of at least 10 billion JPY by the end of March 2027, the final fiscal year of the medium-term management plan.

## Completion of Share Repurchase (announced on December 3, 2021)

- At a meeting of the Board of Directors held on September 14, 2021, the Company resolved to repurchase up to 0.3 million shares at a total cost of 350 million for the purpose of implementing a flexible capital policy in response to changes in the business environment in order to meet the Prime Market's listing criteria of at least 10 billion for a tradable market capital.
- During the period from September 15 to November 30, 2021, the Company repurchased the following shares.
  - ✓ Total number of shares repurchased : 280,000 shares (2.93% of the total number of issued shares (excluding treasury stock))
  - ✓ Total amount of repurchase : 349,942,000 JPY

## Began Consolidation of Profits and Losses of VALUE ARK CONSULTING CO., LTD.

- Profit and loss of VALUE ARK CONSULTING CO., LTD., a company engaged in the SES business targeting freelance IT engineers, which the Company conducted an M&A on September 30, 2021, was newly consolidated in the 3rd quarter of FYE2022 under review.

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# Consolidated Financial Highlights

- Net sales increased 3.4% year on year due to the new consolidation of ATMOS and VALUE ARK CONSULTING.
- Non-GAAP operating profit\* increased significantly by +24.7% year-on-year due to the contribution of the improved cost of sales ratio from the progress in charge-up negotiations at COPRO-ENGINEERED.

\* Non-GAAP operating profit is calculated as operating profit plus amortization of goodwill and share-based remuneration expenses as an essential indicator measuring profit.

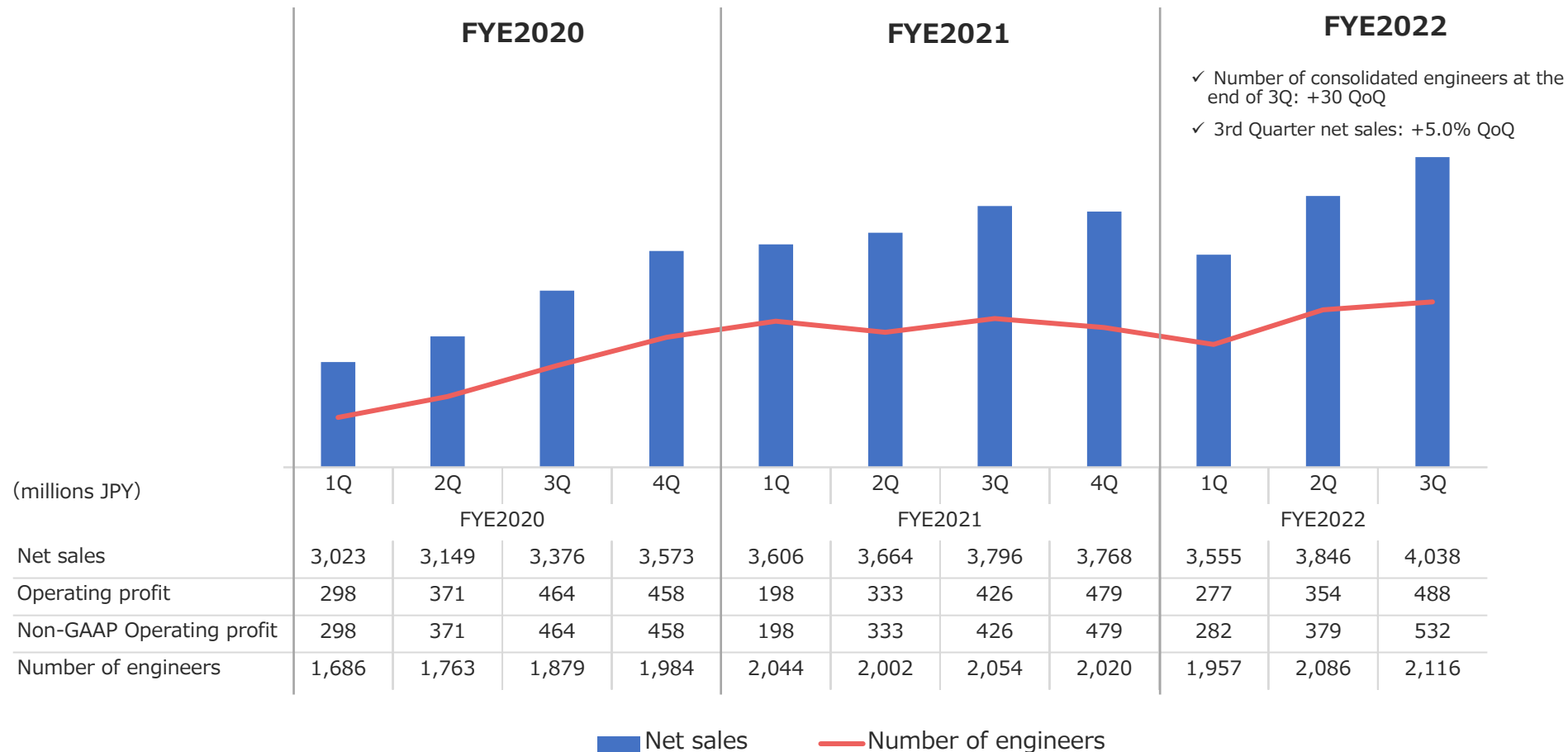
(millions JPY)

	FYE2021		FYE2022		Year-on-year	
	Nine months	Ratio to sales	Nine months	Ratio to sales	(%)	(amount)
Net sales	11,068	100.0%	11,440	100.0%	+3.4%	+371
Cost of sales	7,915	71.5%	7,909	69.1%	△0.1%	△5
Gross profit	3,152	28.5%	3,530	30.9%	+12.0%	+377
SG&A expenses	2,194	19.8%	2,408	21.1%	+9.8%	+214
Operating profit	958	8.7%	1,121	9.8%	+17.1%	+163
Amortization of goodwill	–	–	37	–	–	+37
Share-based remuneration expenses	–	–	35	–	–	+35
<b>Non-GAAP Operating profit<sup>※</sup></b>	<b>958</b>	<b>8.7%</b>	<b>1,194</b>	<b>10.4%</b>	<b>+24.7%</b>	<b>+236</b>
Ordinary profit	960	8.7%	1,119	9.8%	+16.6%	+159
Profit attributable to owners of parent	689	6.2%	619	5.4%	△10.2%	△70
Number of engineers on a consolidated basis	2,054	–	2,116	–	+3.0%	+62

\* The number of engineers on a consolidated basis is the number of engineers at the end of the fiscal year excluding the SES business.

# Quarterly Consolidated Financial Results

- Net sales, operating profit, and Non-GAAP operating profit for 3rd Quarter period achieved record highs on a quarterly basis.

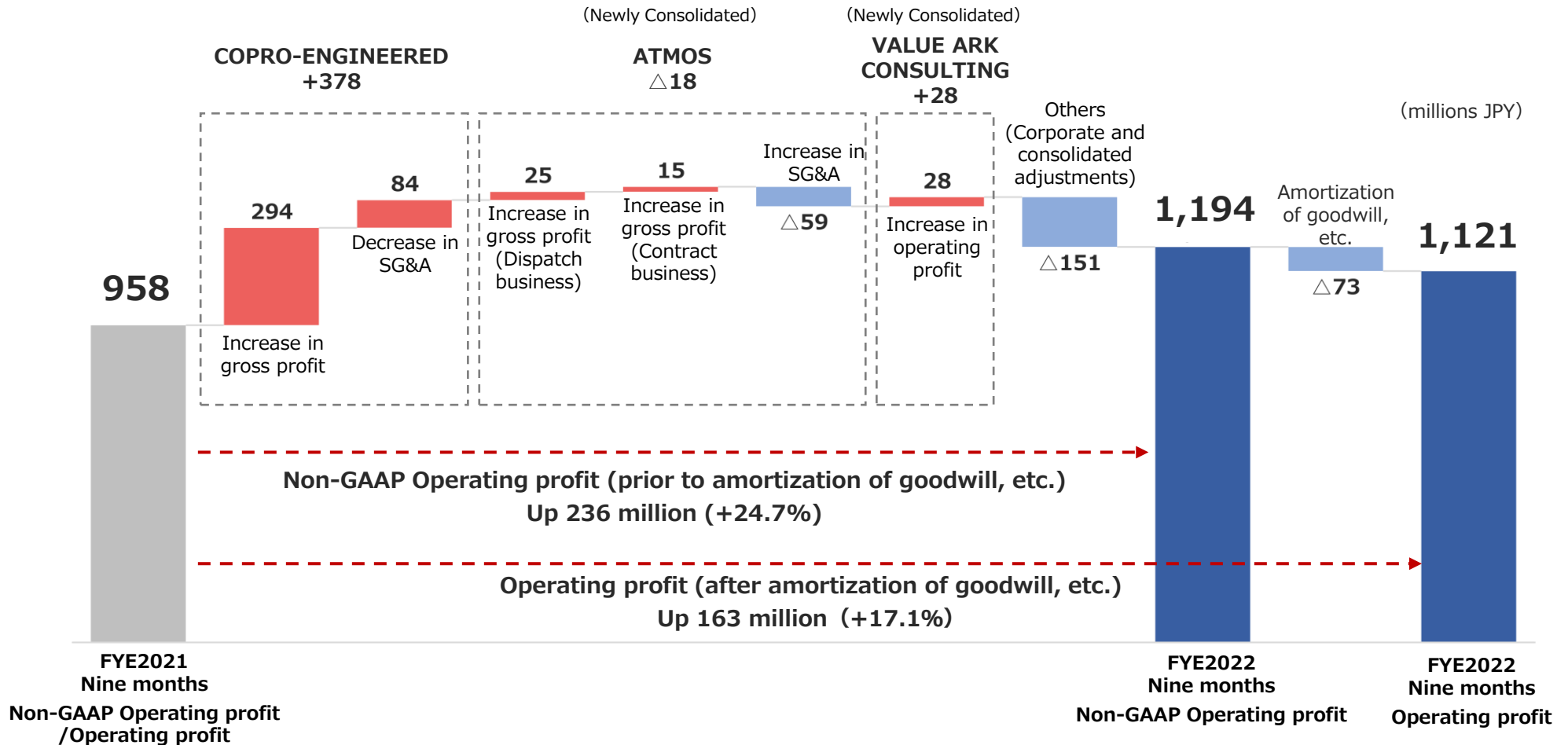


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\* The number of engineers is the number of engineers at the end of the fiscal year excluding the SES business.

# Consolidated Operating Profit

- Non-GAAP operating profit increased +24.7% year on year, supported by the contribution from newly consolidated VALUE ARK CONSULTING, in addition to the contribution from the increase in gross profit from progress in charge-up negotiations at COPRO-ENGINEERED.



\* Non-GAAP operating profit is calculated as operating profit plus amortization of goodwill and share-based remuneration expenses as an essential indicator measuring profit.



# Non-Consolidated Results of Subsidiaries

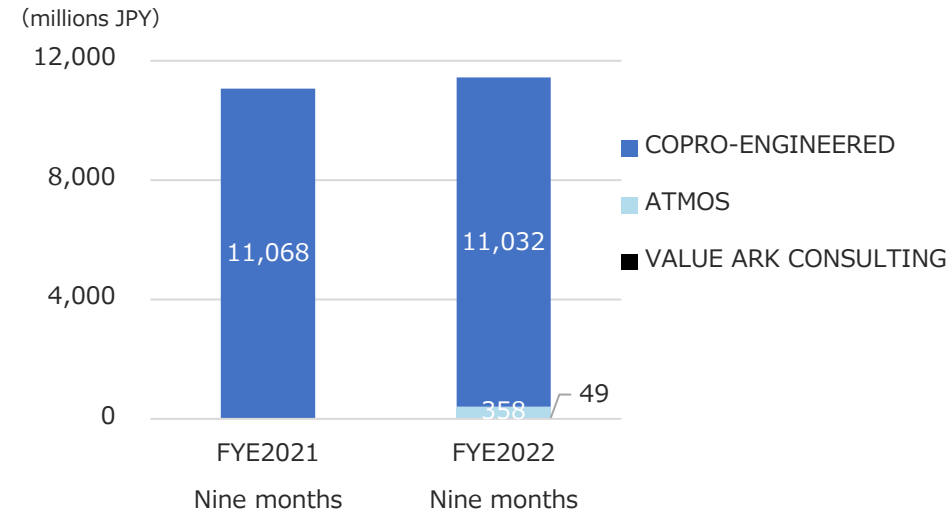
## COPRO-ENGINEERED. Co., Ltd.

(millions JPY)

	FYE2021		FYE2022		Year-on-year	
	Nine months	Ratio to sales	Nine months	Ratio to sales	(%)	(amount)
Net sales	11,068	100.0%	11,032	100.0%	△0.3%	△35
Cost of sales	7,915	71.5%	7,585	68.8%	△4.2%	△330
Gross profit	3,152	28.5%	3,447	31.2%	+9.3%	+294
SG&A expenses	2,548	23.0%	2,464	22.3%	△3.3%	△84
Operating profit	604	5.5%	982	8.9%	+62.7%	+378
Number of engineers	2,054	-	2,010	-	△2.1%	△44
Sales per head (thousands of yen)	629	-	639	-	+1.6%	+10

\* Sales per head : Average monthly sales per engineer

## Sales by Subsidiary



## ATMOS CO., LTD.

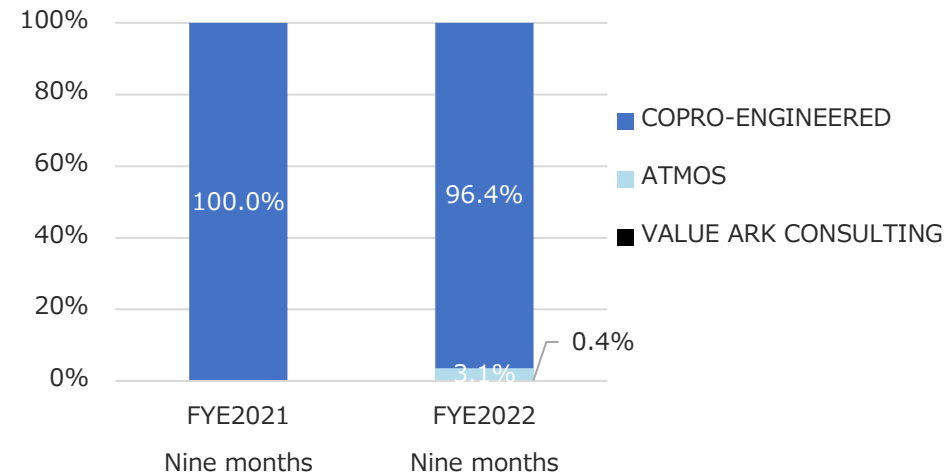
(millions JPY)

	FYE2021		FYE2022		Year-on-year	
	Nine months	Ratio to sales	Nine months	Ratio to sales	(%)	(amount)
Net sales	-	-	358	100.0%	-	-
Cost of sales	-	-	317	88.7%	-	-
Gross profit	-	-	40	11.3%	-	-
SG&A expenses	-	-	59	16.6%	-	-
Operating profit	-	-	△18	-	-	-
Number of engineers	-	-	106	-	-	-
Sales per head (thousands of yen)	-	-	556	-	-	-

\* Number of engineers are the sum of both dispatched and contracted engineer.

\* Sales per head : Average monthly sales per engineer

## Sales Composition Ratio by Subsidiary



# Balance Sheet

- (Assets) Current assets decreased due to payments for acquisition of subsidiaries, purchase of treasury stock, and payment of dividends. On the other hand, fixed assets increased due to the acquisition of subsidiaries, the relocation of the head office, and the development of a new core system.
- (Liabilities) Liabilities increased due to an increase in accounts payable-other resulting from new consolidation of subsidiaries, while accrued consumption taxes decreased.

## Balance Sheet

(millions JPY)

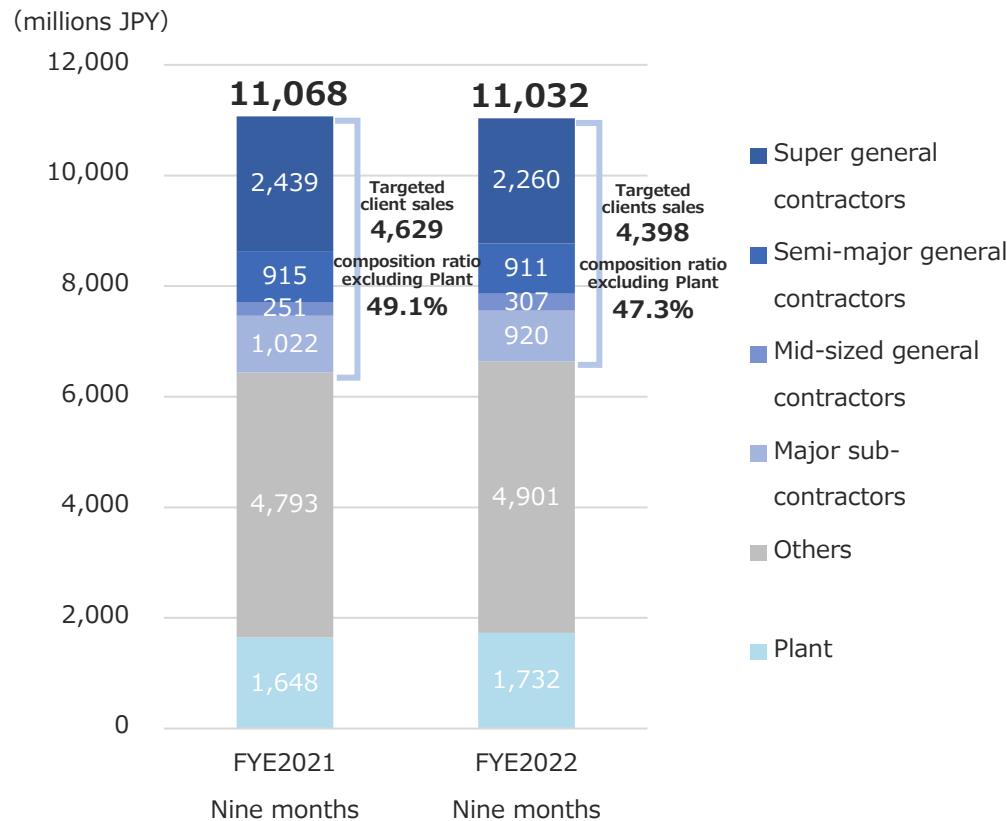
	FYE2021	FYE2022	Year-on-year	
	4Q	3Q	(amount)	(%)
Total assets	8,514	8,568	+54	+0.6%
Cash and deposits	5,320	3,921	△1,399	△26.3%
Accounts receivable - trade	1,880	2,055	+175	+9.3%
Goodwill	–	857	+857	–
Others	1,313	1,734	+420	+32.0%
Total liabilities	2,241	2,341	+99	+4.4%
Interest-bearing liabilities	89	5	△83	△93.5%
Others	2,152	2,335	+182	+8.5%
Net assets	6,272	6,227	△44	△0.7%
Shareholders' equity	6,272	6,191	△80	△1.3%

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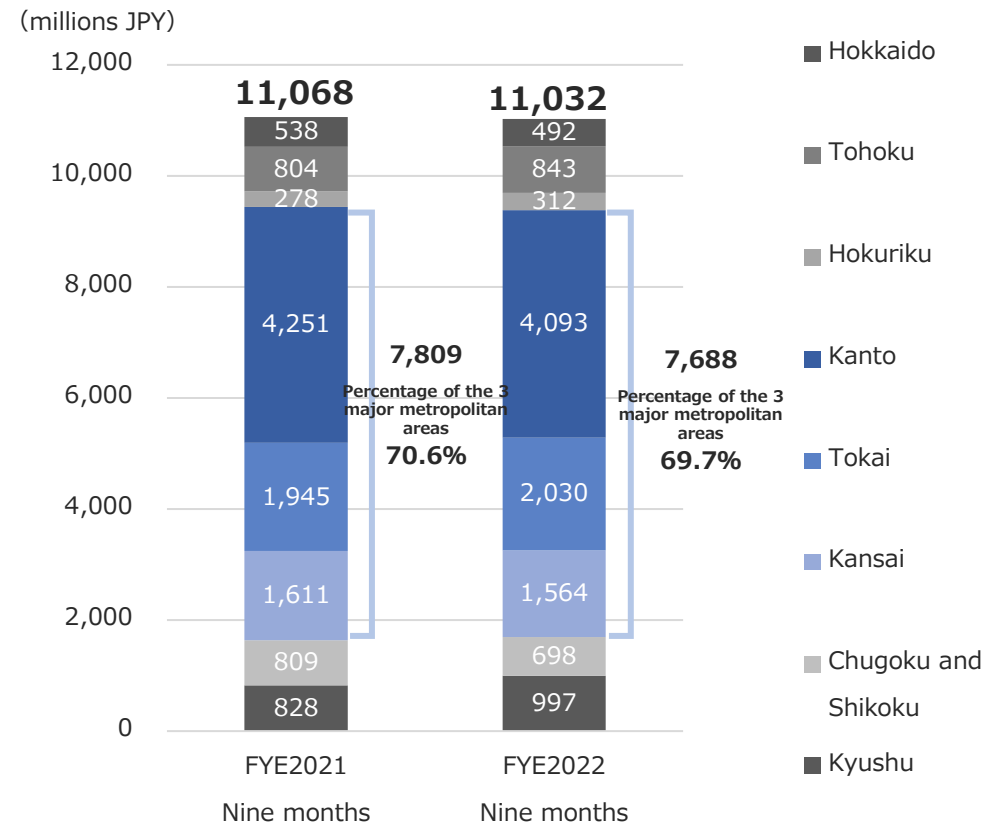
# Sales by Client and Area

- In line with progress in deepening sales, targeted client sales improved gradually over the quarter, and 3rd Quarter period (October to December) grew +2.9% YoY (1st Quarter: YoY  $\Delta$ 11.7%; 2nd Quarter: YoY+5.5%).
- Due to increased urban redevelopment projects, sales in the 3 major metropolitan areas recovered to  $\Delta$ 0.5% YoY in 3rd Quarter period (October to December) (1st Quarter: YoY  $\Delta$ 3.5%; 2nd Quarter: YoY $\Delta$ 0.6%).

## Sales by Client



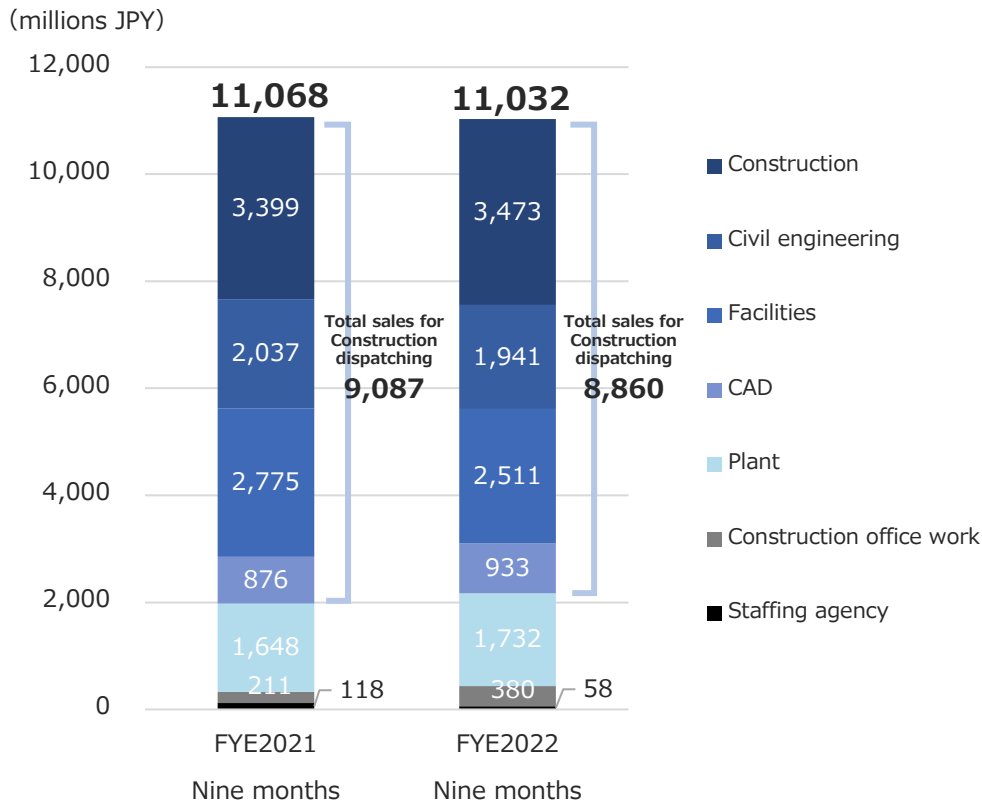
## Sales by Area



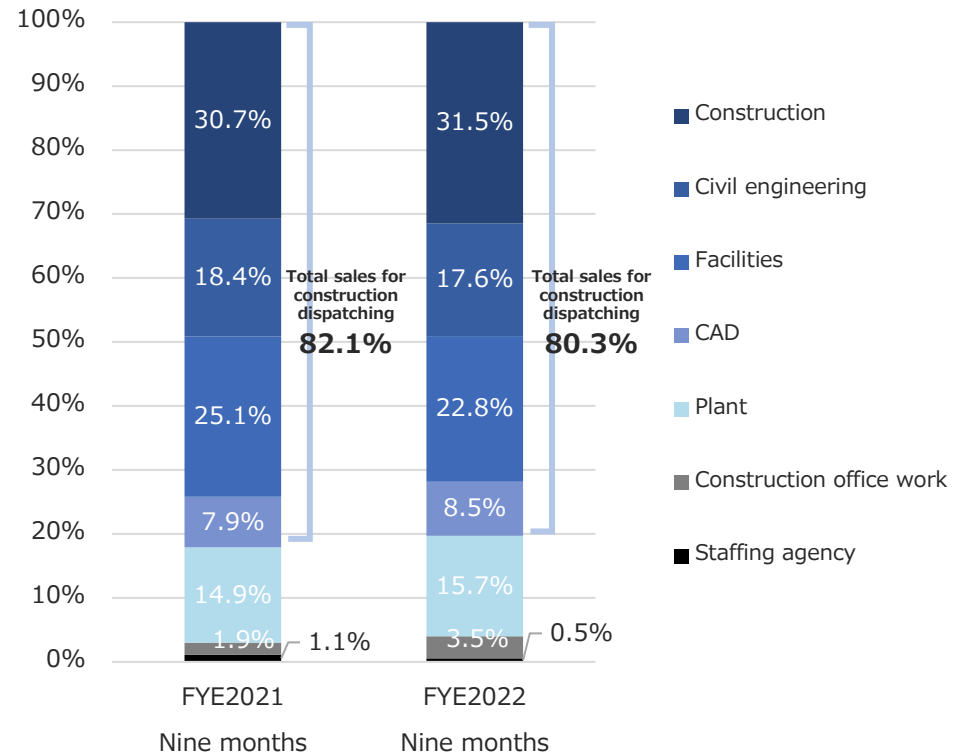
# Sales by Industry

- The number of orders immediately after commencement of construction was on the rise against the backdrop of urban redevelopment projects, and sales of construction grew. Plants also remained strong. On the other hand, facilities sales declined due to a decrease in projects before completion.

## Sales by Business Partner

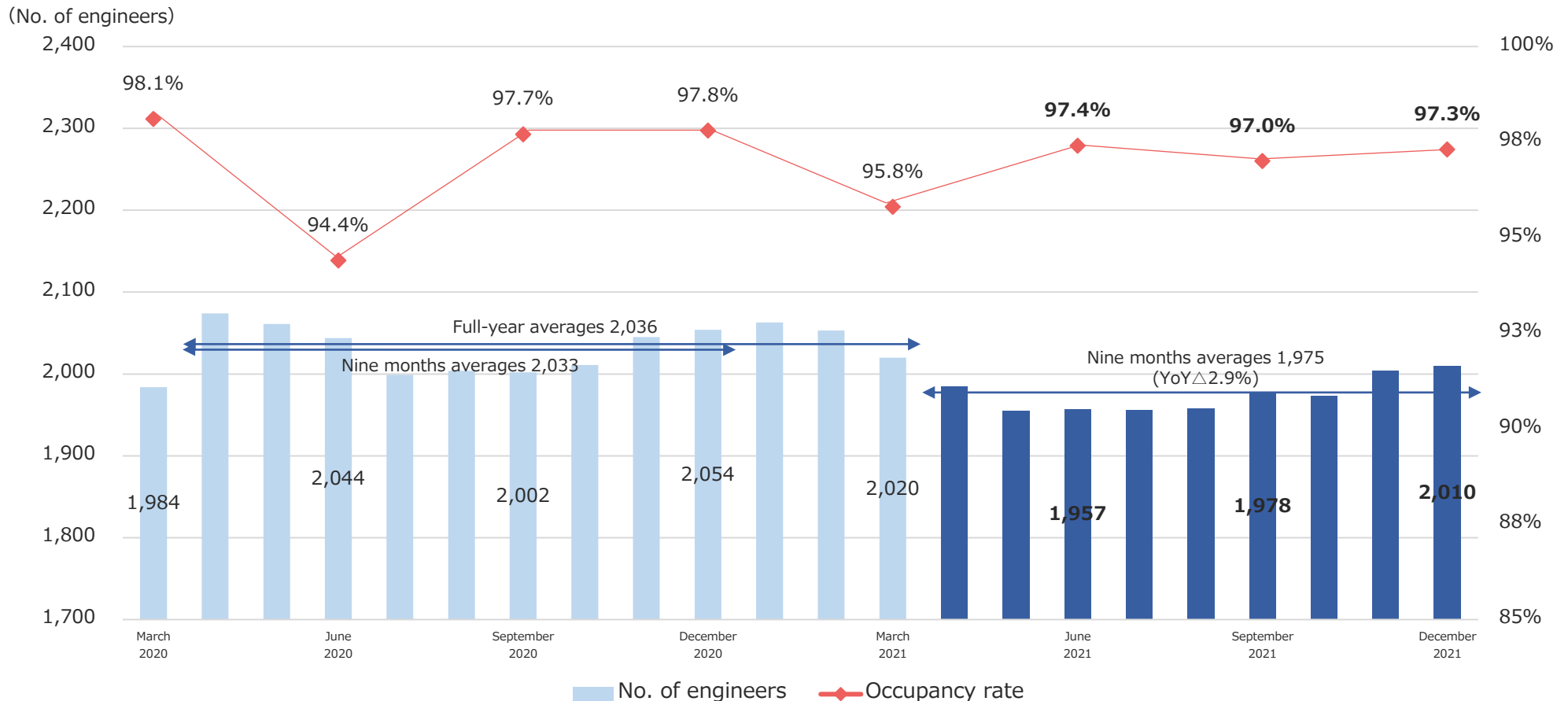


## Sales by Area



# Number of Engineers & Occupancy Rate

- The number of engineers at the end of 3rd Quarter was 2010, down 44 from the end of the same period in the previous fiscal year.
- The occupancy rate at the end of 3rd Quarter was 97.3%, down 0.5 percentage points from the end of the same period in the previous fiscal year.



# Recruitment / Turnover, Retention Rate & Contract Renewal

- Cumulative 3rd Quarter recruitment of engineers was largely unchanged YoY. Especially in mid-career recruitment, while the number of hires of experienced employees, which we have been strengthening since the beginning of the period, rose from the same period in the previous year, the number of hires of inexperienced employees declined from the same period in the previous year.
- From the fiscal year under review, the effects of the change to a system in which sales employees consistently conduct sales to clients and after-sales follow-up for engineers are gradually becoming apparent, and the number of retirement engineers has been restrained.

## Recruitment / Turnover

	FYE2021	FYE2022 Nine months	YoY	FYE2022 (forecast)
<b>Hired total</b>	<b>865</b>	<b>651</b>	-	<b>1,200</b>
New-grads joined in April	89	56	△33	
Mid-carrier: 1Q	192	174	△18	
Mid-carrier: 2Q	181	208	+27	
Mid-carrier: 3Q	231	213	△18	
Mid-carrier: 4Q	172	-	-	
<b>Turnover total</b>	<b>829</b>	<b>661</b>	-	<b>780</b>
Permanent employees	68	70	-	
Fixed-term employees	761	591	-	
Turnover: 1Q	221	293	+72	
Turnover: 2Q	223	187	△36	
Turnover: 3Q	179	181	+2	
Turnover: 4Q	206	-	-	
<b>Net change</b>	<b>+36</b>	<b>△10</b>	-	<b>+420</b>
<b>No. of engineers</b>	<b>2,020</b>	<b>2,010</b>	-	<b>2,440</b>

## Retention Rate

	FYE2021				FYE2022		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>Engineers total (LTM)</b>	<b>73.7%</b>	<b>73.0%</b>	<b>71.0%</b>	<b>69.1%</b>	<b>68.0%</b>	<b>69.5%</b>	<b>69.2%</b>
<b>year-to-date</b>	<b>89.7%</b>	<b>80.4%</b>	<b>74.7%</b>	<b>69.1%</b>	<b>84.8%</b>	<b>79.3%</b>	<b>74.6%</b>
Permanent employees (LTM)	84.5%	85.8%	85.2%	85.2%	78.9%	77.0%	78.9%
year-to-date	95.7%	92.2%	87.9%	85.2%	94.2%	88.9%	85.3%
Fixed-term employees(LTM)	71.5%	70.6%	68.7%	66.7%	65.8%	68.0%	67.5%
year-to-date	88.8%	78.6%	72.8%	66.7%	82.4%	76.8%	71.9%

Retention rate; the percentage of engineers who were employed at the end of the quarter 1 year ago and who were employed at the end of the current quarter 1 year later.

Year-to-date retention rate; the percentage of engineers employed at the end of the previous FY4Q that were employed at the end of the current fiscal quarter.

## Contract Renewal Ratio

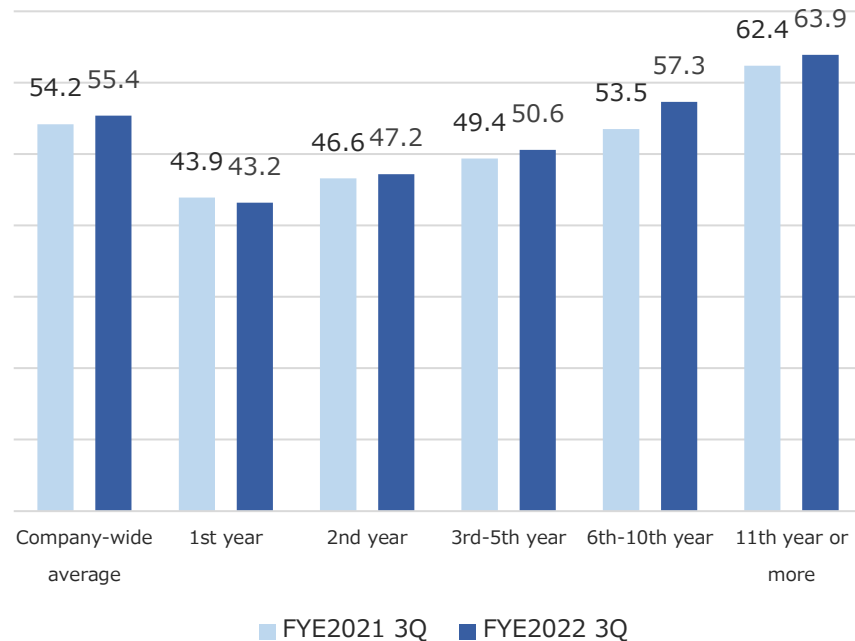
	FYE2021						FYE2022			
	1Q	2Q	3Q	Nine months	4Q	Full-year	1Q	2Q	3Q	Nine months
<b>Contract renewal ratio</b>	<b>63.2%</b>	<b>67.6%</b>	<b>67.8%</b>	<b>66.1%</b>	<b>70.0%</b>	<b>67.1%</b>	<b>74.1%</b>	<b>82.2%</b>	<b>71.5%</b>	<b>75.9%</b>

# Average Monthly Contract Amount per Engineer by Years of Experience

- As a result of progress in charge-up negotiations, the company-wide average contract unit price as of the end of the current 3rd Quarter increased by +12 thousand yen YoY and +1 thousand yen QoQ.

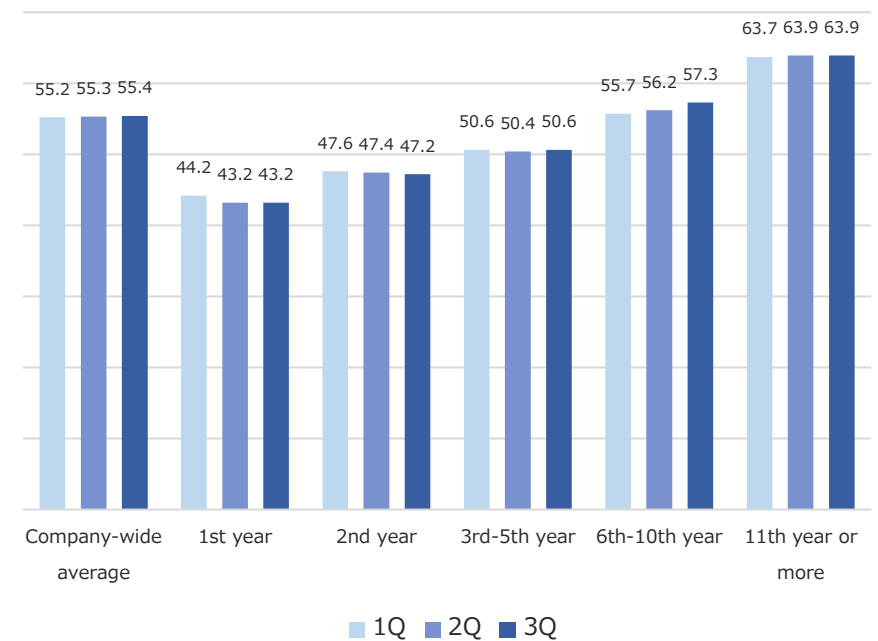
## Year-on-year

(ten thousands JPY)



## Quarterly Trends

(ten thousands JPY)





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# Sales by Area and Industry

- In the dispatch business, due to an increase in orders from new clients, particularly net sales during 3rd Quarter period (September to November) in the Tokai region were up 17.2% QoQ.
- In the contracting business, due to solid performance in the transportation equipment industry and accompanying industrial machinery and contributions from the product business, net sales during 3rd Quarter period (September to November) in the Tokai region were up 77.3% QoQ.
- The gradual recovery in manufacturing led to an increase in orders in both the dispatch business and the contracting business.

## Sales by Area

## Sales by Industry

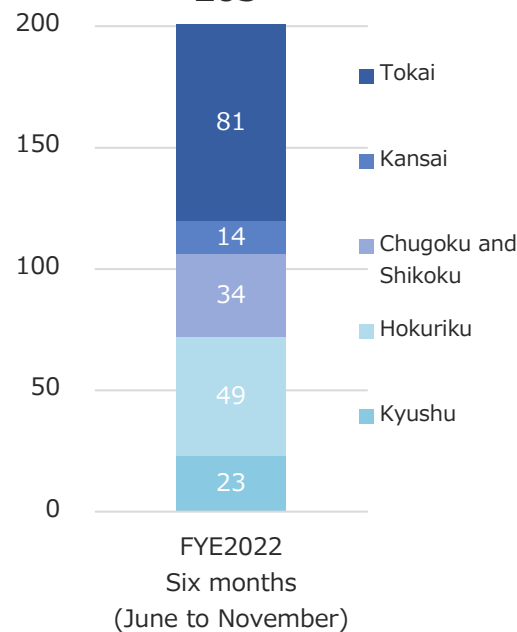
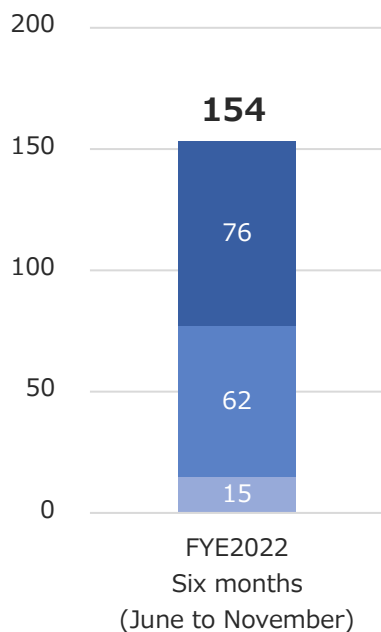
### Dispatch Business

### Contract Business

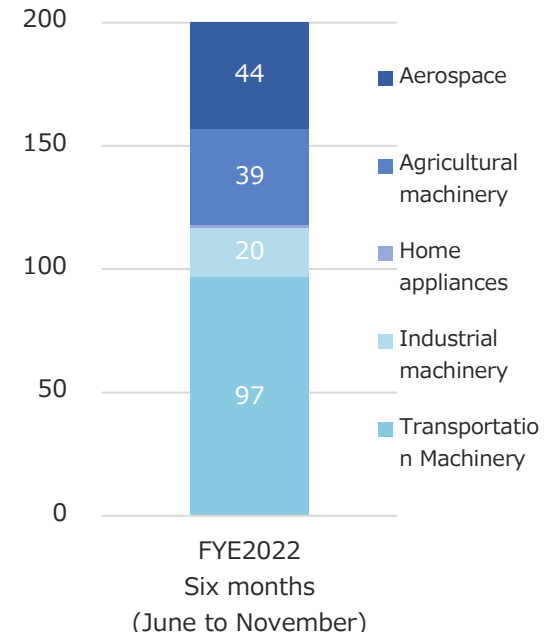
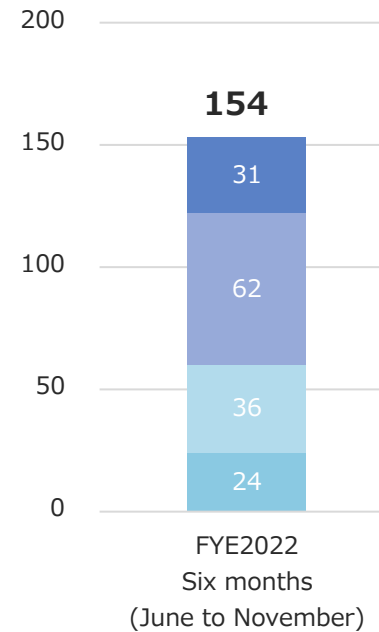
### Dispatch Business

### Contract Business

(millions JPY)



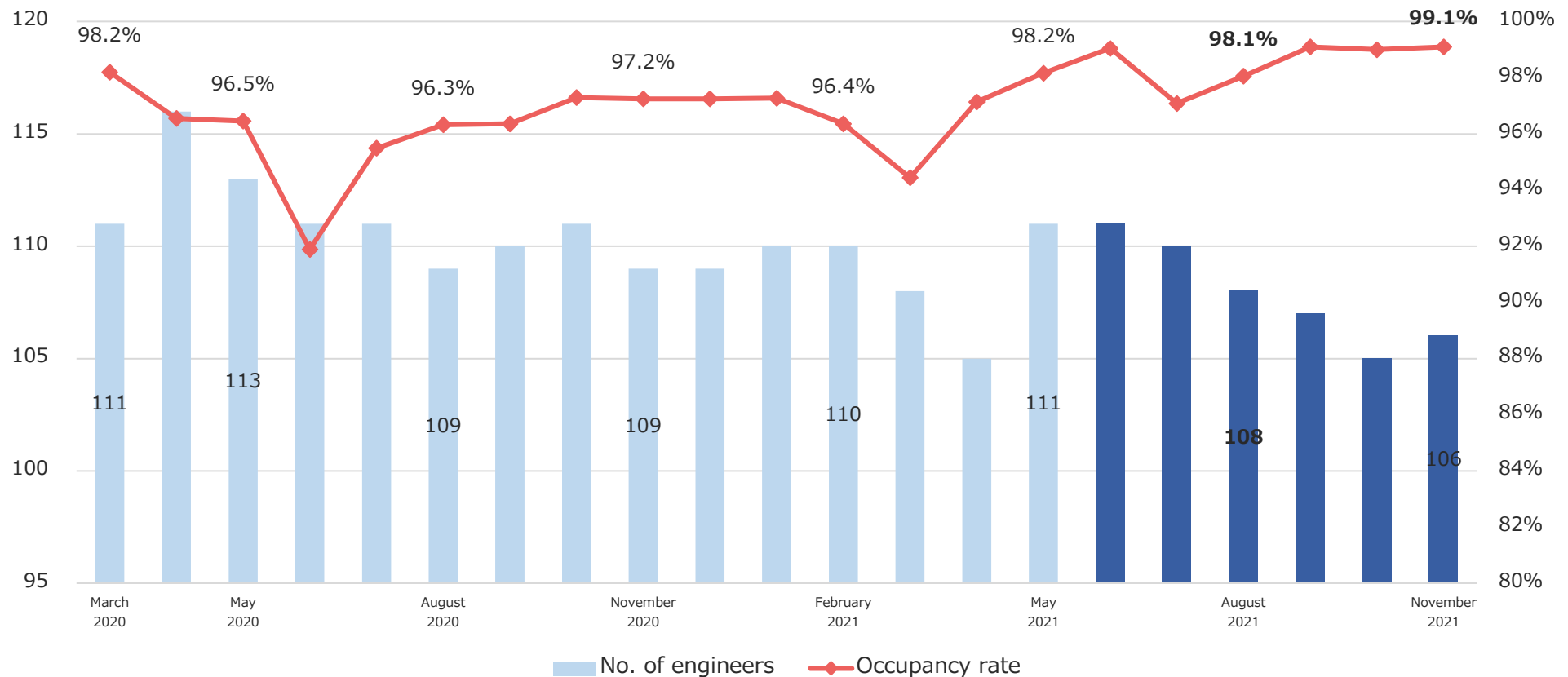
(millions JPY)



# Number of Engineers & Occupancy Rate

- The number of engineers at the end of 3rd Quarter was 106.
- The occupancy rate at the end of this 3rd Quarter was 99.1%. Accompanying cost reductions in the contracting business, the Company has achieved a higher occupancy rate by promoting shift of contracted human resources into the dispatching business.

(No. of engineers)



# Recruitment / Turnover, Retention Rate & Contract Renewal

- Started full-scale recruitment activities from 3rd Quarter. Aim to increase the number of employees from 4th Quarter.

## Recruitment / Turnover

	FYE2022 Six months (June-November)	FYE2022 (forecast)
<b>Hired total</b>	<b>5</b>	<b>30</b>
New-grads joined in April		
Mid-carrier: 1Q		
Mid-carrier: 2Q	2	
Mid-carrier: 3Q	3	
Mid-carrier: 4Q	–	
<b>Turnover total*</b>	<b>10</b>	<b>10</b>
Permanent employees*	9	
Fixed-term employees	1	
Turnover: 1Q		
Turnover: 2Q	5	
Turnover: 3Q	5	
Turnover: 4Q	–	
<b>Net change</b>	<b>△5</b>	<b>+20</b>
<b>No. of engineers</b>	<b>106</b>	<b>130</b>

\* Number of turnover includes 3 career changes from engineers to management employees.

## Retention Rate

	FYE2021				FYE2022		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>Retention rate (LTM)</b>	<b>88.6%</b>	<b>87.7%</b>	<b>89.0%</b>	<b>90.8%</b>	<b>90.9%</b>	<b>92.3%</b>	<b>87.3%</b>
year-to-date	98.8%	95.5%	93.4%	92.2%	97.6%	95.2%	88.3%

Retention rate; the percentage of engineers who were employed at the end of the quarter 1 year ago and who were employed at the end of the current quarter 1 year later.

Year-to-date retention rate; the percentage of engineers employed at the end of the previous FY4Q that were employed at the end of the current fiscal quarter.

## Contract Renewal Ratio

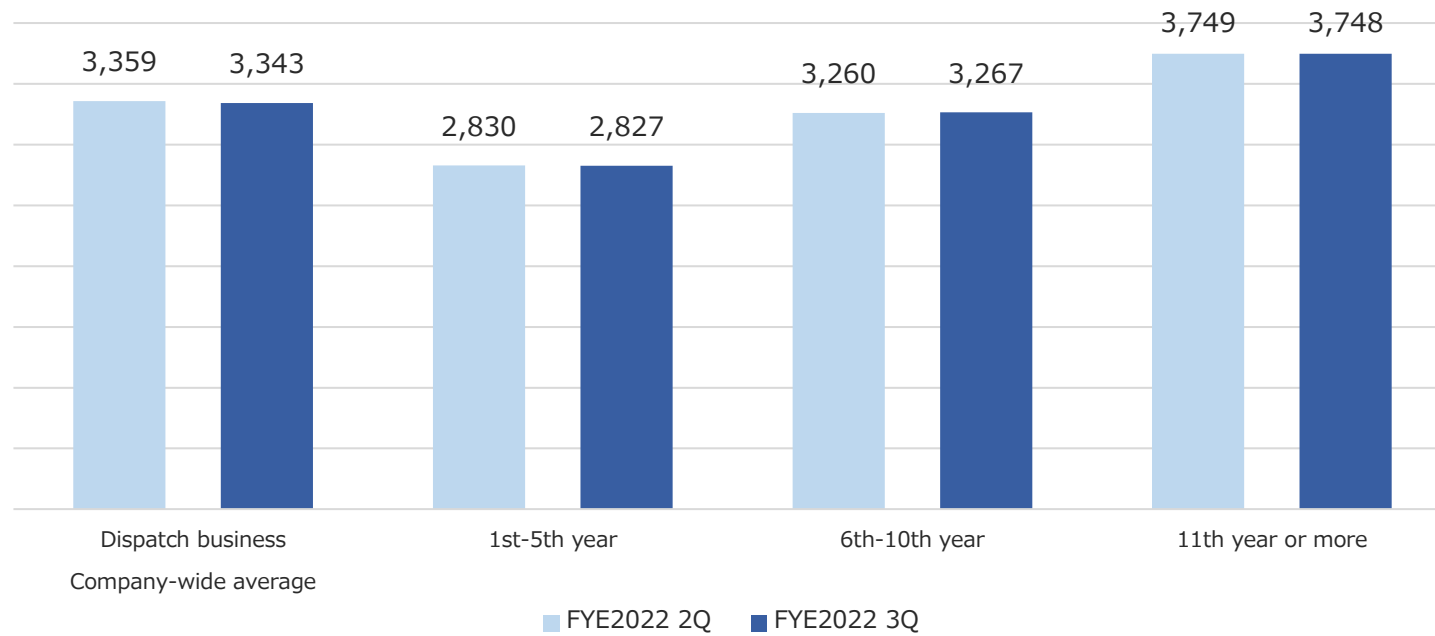
	FYE2021						FYE2022			
	1Q	2Q	3Q	Nine months	4Q	Full-year	1Q	2Q	3Q	Nine months
<b>Contract renewal ratio</b>	<b>93.1%</b>	<b>91.7%</b>	<b>94.4%</b>	<b>93.3%</b>	<b>86.7%</b>	<b>91.6%</b>	<b>89.7%</b>	<b>93.8%</b>	<b>92.9%</b>	<b>92.0%</b>

# Average Hourly Contract Amount by Years of Experience

- With charge-up in mind in April 2022, the Company will promote contracts for shift aimed at charge-up and at higher wages in new transactions.

## Average Hourly Contract Amount (Dispatch business)

(JPY/Hour)



\* Average hourly contract amount at the end of quarter.

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# FYE2022 Business Outlook

## ▪ COPRO-ENGINEERD. Co., Ltd. (Dispatching business of construction and plant engineers)

<b>Orders received</b>	Partly due to the success of the promotion of sales reforms, 3rd Quarter has been able to acquire about double the number of projects compared to the previous fiscal year, and demand is trending firmly. In addition, demand for construction and facilities is expected to expand from 4th Quarter to the next fiscal year, as redevelopment projects have started to appear recently, mainly in the Kanto region.
<b>Recruitment</b>	While working to secure human resources in preparation for the expansion of demand, the active job openings-to-applicants ratio is wary of an increase. In addition to continuing to strengthen recruitment of experienced personnel, strengthen measures aimed at acquiring applications from inexperienced individuals with a priority issue of retaining high-caliber inexperienced personnel.
<b>Retention</b>	The number of retirements is beginning to reflect the impact of a change in the system for sales staff to consistently conduct sales to destination and after-sales follow-up on engineers, and the number of retirements is expected to remain restrained due to the progress made in deepening sales to target customers.
<b>Charge-up negotiation</b>	Steady progress in revising contract unit prices. The Company will continue to cultivate business and increase the contract renewal rate while accumulating charge-up.

## ▪ ATMOS CO., LTD. (Dispatching and contracting business of machinery design and development engineers)

<b>Orders received</b>	In addition to the impact of the COVID-19, the impact of finished goods's production cutbacks due to the global shortage of semiconductors remains a concern, but the manufacturing industry is gradually recovering. In particular, aircraft sector is expected to recover substantially in FY2022. In addition, demand for semiconductor parts and equipment is increasing due to the impact of the shortage of semiconductors, and demand for dispatch and outsourcing is expected to increase.
<b>Recruitment</b>	It has begun full-fledged hiring from 3rd Quarter, and in addition to hiring younger workers, it is focusing on hiring experts (seniors). 4th Quarter expects an increase in the number of recruits.

## ▪ VALUE ARK CONSULTING CO., LTD. (System engineering services business (SES))

<b>Strengthen the organization</b>	Begin strengthening the sales structure by sharing human resources to develop new business steadily.
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# FYE2022 Financial Forecast

(millions JPY)

	FYE2021		FYE2022		Year-on-year	
	Full-year	Ratio to sales	Full-year (revised forecast on Aug. 11)	Ratio to sales	(amount)	(%)
Net sales	14,836	100.0%	16,943	100.0%	+14.2%	+2,106
Cost of sales	10,539	71.0%	11,788	69.6%	+11.9%	+1,248
Gross profit	4,297	29.0%	5,155	30.4%	+20.0%	+857
SG&A expenses	2,859	19.3%	3,500	20.7%	+22.4%	+640
Operating profit	1,437	9.7%	1,655	9.8%	+15.1%	+217
Ordinary profit	1,439	9.7%	1,657	9.8%	+15.1%	+217
Profit attributable to owners of parent	1,009	6.8%	1,077	6.4%	+6.7%	+67
Earnings per share (JPY)*	106.74	–	112.76	–	+5.6%	+6.02
Number of engineers on a consolidated basis*	2,020	–	2,570	–	+27.2%	+550

\* The Company conducted a 2-for-1 share split on April 1, 2021. The Company assumes that the share split occurred at the beginning of the period in order to calculate earnings per share for FYE2021.

\* The number of engineers on a consolidated basis is the number of engineers at the end of the fiscal year excluding the SES business.



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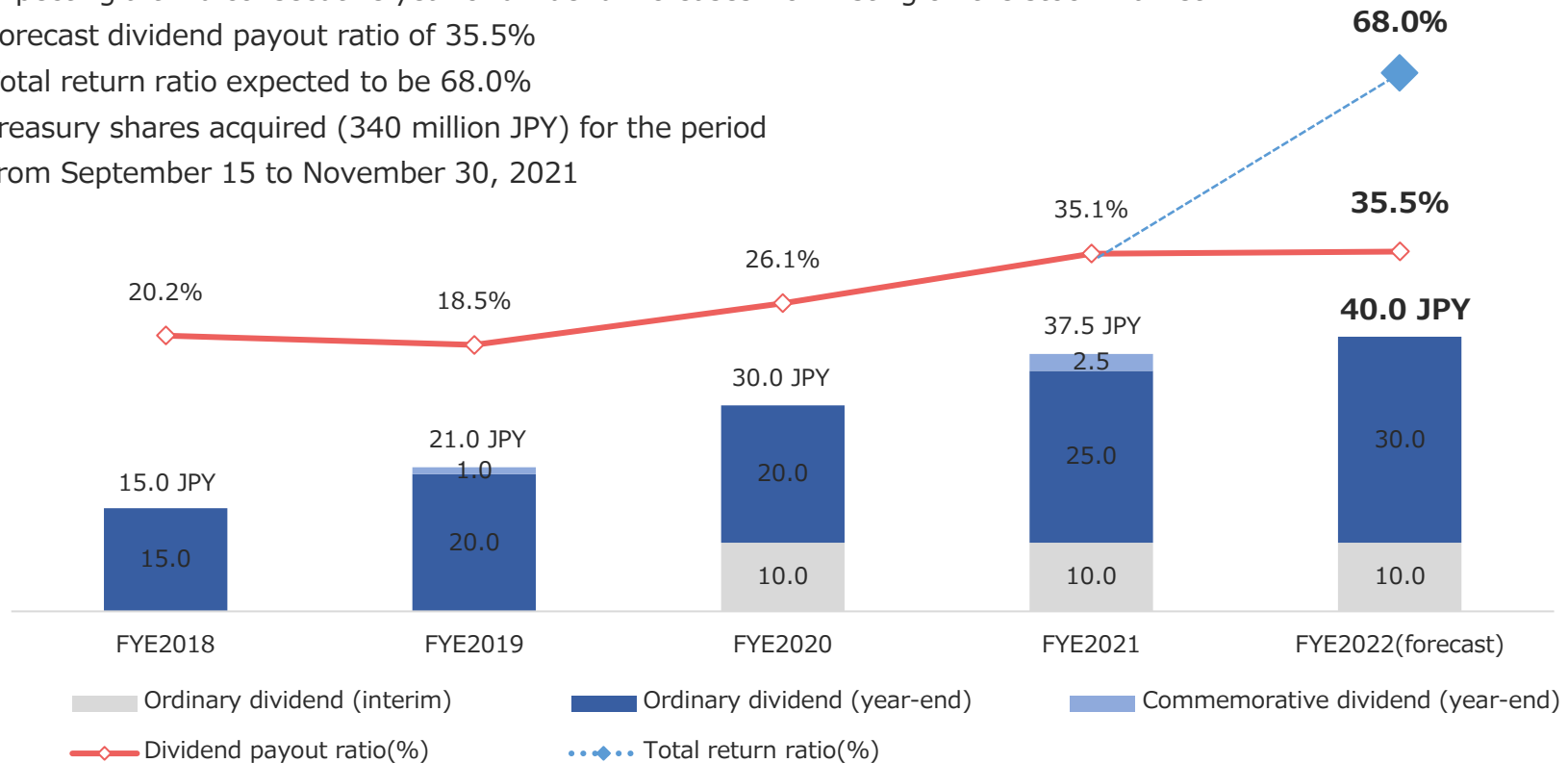
# Returning Shareholders

## 【Basic Policy】

Our basic policy is to continue paying a stable dividend aiming for a consolidated dividend payout of at least 30% while heeding a balance with investment that will contribute to future business expansion.

- ✓ Annual Dividend for FYE2022 is expected to be 40, an increase of YoY +2.5 JPY
- ✓ Expecting a third consecutive year of dividend increases from listing on the stock market
- ✓ Forecast dividend payout ratio of 35.5%
- ✓ Total return ratio expected to be 68.0%

Treasury shares acquired (340 million JPY) for the period from September 15 to November 30, 2021



※ Total return ratio = (Total dividends + Total share buybacks) ÷ Profit attributable to owners of parent  
 ※ FYE2019 is commemorative dividend for listing, and FYE2021 is commemorative dividend for changing to 1st section of TSE and NSE.  
 ※ Dividends per share have been retroactively adjusted to reflect the impact of the 2-for-1 share split, which was effected on April 1, 2021.

# 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.
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