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## Regarding the Progress Status of the Plan to Comply with the Continued Listing Standards of the Prime Market to Maintain Our Listing

On December 10, 2021, we disclosed our plan to comply with the standards to maintain our listing on the Prime Market. Following is our report on the progress status of the plan as of the end of March 2023.

### Details

#### 1. Changes in our compliance status with the standards to maintain our listing, and the status for implementing initiatives

As of the end of March 2023, the status of our compliance with the standards to maintain our listing on the Prime Market, including any changes, are as shown in the below table. The market capitalization of tradable shares does not meet the criteria. We will continue to promote various initiatives in order to meet by the end of FYE2027 the standards to maintain our listing.

		No. of tradable shares	Market capitalization of tradable shares	Tradable share ratio
Compliance Status of the Company and Any Changes	As of the end of June 2021 (Change base date)*1	39,736 units	¥5.31 bln	39.7%
	As of the end of Mar. 2023 (Base date)*2	36,665 units	¥4.34 bln	36.6%
	As of the end of May 2023 (Base date)*3	—	¥6.66 bln	—
Prime Market's continued listing criteria		At least 20,000 units	At least ¥10 bln	At least 35%
Compliance Status (as of the end of Mar. 2023)		○	×	○
Scheduled Period Stated in the Plan		—	Until the end of Mar. 2027	—

\*1. Results of the Tokyo Stock Exchange's secondary determination for the change base date (end of June 2021).

\*2. Figures calculated based on the distribution of the Company's shares, etc., as understood by the Tokyo Stock Exchange as of the base date (end of March 2023).

\*3. The underlined market capitalization of tradable shares is the figure calculated by the Company as of the end of May 2023 (calculated based on the number of tradable shares as of the end of March 2023 and the average closing price from May 16 to May 31, 2023).

## **2. Implementation status and evaluation of the initiatives to comply with the standards to maintain our listing (Feb. 2022 to Mar. 2023)**

Based on the "Plan to Comply with the Standards to Maintain our Prime Market Listing" disclosed on December 10, 2021, and with the period of the plan being through the end of FYE2027, under the Medium-Term Management Plan "COPRO Group Build the Future 2027" (FYE2023 to FYE2027), the Company has been working to expand our market capitalization by improving our corporate value as we strive to expand our business performance with the promotion of each business strategy, and through our efforts to enhance corporate governance and improve the liquidity of our shares.

However, regarding the market capitalization of tradable shares as of the base date of March 31, 2023, it decreased by ¥970 million to ¥4.34 billion from ¥5.31 billion as of the base date at the end of June 2021, and does not meet the standards to maintain our listing. This is mainly due to the drop in the tradable share ratio to 36.6% from 39.7% at the end of June 2021 due to the acquisition of common shares of the Company, as described in the "Notice Regarding the Status and Completion of the Acquisition of Treasury Stock" disclosed on December 3, 2021. In addition, the stock price has decreased from ¥1,337.7 as of the end of June 2021 (the average daily closing price from April to June 2021) to ¥1,184.8 as of the end of March 2023 (the average daily closing price from January to March 2023). We believe that the main reason for the sluggish stock price is that the consolidated results for FYE2023 showed a decrease in profit compared to the previous fiscal year due to aggressive upfront investment for recruiting costs, etc.

In addition, market capitalization of tradable shares calculated by the Company as of the end of May 2023, using the average daily closing prices from May 16, 2023, the day after the announcement of the full year financial results for FYE2023, until May 31, 2023, has increased by ¥1.35 billion to ¥6.66 billion from ¥5.31 billion as of the base date at the end of June 2021, showing an improvement trend as the stock price rose to ¥1,818.1 based on the financial results for FYE2023, as well as the earnings forecast and dividend forecast for FYE2024.

As mentioned above, the market capitalization of tradable shares is on an upward trend, but in order to meet the criteria for market capitalization of tradable shares to maintain our listing, we believe that further improvement of the stock price, which is a component of the market capitalization of tradable shares, is an important issue.

The implementation status and evaluation of specific initiatives to date are as follows.

### (1) Improving Corporate Value

#### 1) Improving performance by promoting the Medium-Term Management Plan

In May 2022, the Company formulated the Medium-Term Management Plan "COPRO Group Build the Future 2027" (from FYE2023 to FYE2027), and is proceeding with the plan's initiatives.

In FYE2023, the first year of the plan, against the backdrop of strong construction demand and expanding demand for dispatching technical employees in this field, in terms of sales and recruiting reforms, in addition to thoroughly strengthening the management of benchmarks for each process of the sales activities, we have worked to raise the level of recruiting activities, including proactive up-front investment in recruiting costs, and increasing the number of interviews that serve as a gateway.

As a result of these factors, in addition to an increase in the number of technical employees at COPRO-ENGINEERD Co., Ltd., which dispatches construction technicians, ATMOS Co., Ltd. and VALUE ARK CONSULTING Co., Ltd. also increased the number of technical employees. The number of consolidated technical employees at the end of FYE2023 increased to 3,036 (versus 2,201 at the end of FYE2022).

As a result, consolidated sales exceeded the initial forecast by 5.2%, while each of the following exceeded their forecasts announced at the beginning of the fiscal year - operating profit by 29.1%, non-GAAP operating profit by 20.4%, and net profit attributable to the shareholders of the parent company by 42.9%. As can be seen, the first year of the Medium-Term Management Plan got off to a good start, exceeding expectations.

(Unit: ¥1mln)

	Sales	Operating profit	Non-GAAP operating profit	Net profit attributable to the shareholders of the parent company
FYE2023 initial forecasts	17,854	1,024	1,334	604
FYE2023 results	18,791	1,321	1,606	864
Vs. the initial forecast	+5.2%	+29.1%	+20.4%	+42.9%

\* 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.

## 2) Enhancing corporate governance

As a major initiative, on April 13, 2022, we established a nomination and compensation committee consisting of all independent outside directors and independent outside corporate auditors. We have strengthened the fairness and objectivity of procedures for the functions of the board of directors related to the nomination and remuneration of directors, etc. In addition, in order to create an environment in which domestic and overseas institutional investors can exercise their voting rights more easily, from the 16th ordinary general meeting of shareholders held in June 2022, we have participated in the electronic voting platform for institutional investors. In addition, regarding the corporate governance code revised in June 2021, we have newly dealt with the following items.

Main Revised Items	Details	Prime Market Only Applicable, Weighted
Fulfilling the function of the board of directors	Establishing a nomination and compensation committee with a majority of independent outside directors	○
	Disclosing a skill matrix	—
Ensuring diversity	Disclosure of policies, goals and the status for the promotion of core human resources who are women, foreigners and mid-career professionals	—
Business portfolio	Disclosure of business portfolio policies and the status of revisions	—
General meeting of shareholders	Using the electronic voting platform	○
	With regards to required information in disclosure documents, providing and disclosing them in English	○

## (2) Improving the Liquidity of Our Shares

### 1) Initiatives related to stock measures

In order to promote the liquidity of our shares and improve supply and demand, and to activate trading and form a fair price, we have satisfied the selection criteria set by the Tokyo Stock Exchange, and from January 13, 2022 our shares were selected as a margin trading issue by the Tokyo Stock Exchange.

### 2) Strengthening IR activities

From the perspective of fair disclosure, from the end of FYE2022, in addition to institutional investors, we have been holding for analysts and individual investors joint financial result briefings aimed at individual investors. Since then it has been held twice a year for the first half financial results and the full year financial results. In

addition, from February 2022 we published a sponsored report for investors from Shared Research, and besides promoting understanding of our business, we began disclosing convocation notices in English from the 16th ordinary general meeting of shareholders, and have worked to strengthen information disclosure to domestic and foreign investors.

In addition, as a result of continuously reviewing the information disclosed on our IR website, we received the “Award for Excellence” at the “2022 Internet IR Awards” as selected by Daiwa Investor Relations Co., Ltd. We were also selected by Nikko Investor Relations Co., Ltd. as the “Best Site” in the “FY2022 All Listed Company Website Quality Rankings”, which was a higher evaluation than the previous year.

### 3) Stable and continuous dividends

In FYE2023, we paid an interim dividend of 10 yen per share. As for the year-end dividend, we decided to increase the dividend by 10 yen per share to 40 yen as our performance exceeded the forecasts announced at the beginning of the fiscal year. As a result, the annual dividend, which is the sum of the interim and year-end dividends, will be 50 yen per share, an increase of 10 yen per share, and the consolidated dividend payout ratio is expected to be 53.7%.

The year-end dividend is scheduled to be submitted at the 17th ordinary general meeting of shareholders scheduled to be held on June 21, 2023.

## 3. Details of future issues and initiatives to comply with the standards to maintain our listing

In order to meet the criteria for market capitalization of tradable shares, which we currently do not meet, based on the initial plan, we will continue to improve our business performance, which is the source of our corporate value. We will also continue to promote various initiatives to obtain an appropriate evaluation in the stock market, with the aim of forming a market capitalization that is appropriate for our corporate value.

### (1) Accelerating various initiatives to achieve the Medium-Term Management Plan ahead of schedule

As for the performance targets of the Medium-Term Management Plan formulated on May 13, 2022, each fiscal year we will steadily exceed our earnings forecasts. As for the performance targets of consolidated sales of ¥40 billion and Non-GAAP operating profit of ¥5 billion in FYE2027, the final year of the Medium-Term Management Plan, we aim to achieve them ahead of schedule. As a result, we will strive to improve our business performance, which is the source of our corporate value, while raising the expectations of investors regarding our growth potential. Through this, we will strive to improve our stock price and comply with the criteria of a market capitalization of ¥10 billion or more for tradable shares to maintain our listing.

(Unit: ¥1mln)

	Sales	Operating profit	Non-GAAP operating profit	Net profit attributable to the shareholders of the parent company
Performance targets for FYE2023 in the Medium-Term Management Plan*1	17,854	1,024	1,334	604
FYE2023 results	18,791	1,321	1,606	864
Vs. the target	+5.2%	+29.1%	+20.4%	+42.9%

(Unit: ¥1mln)

	Sales	Operating profit	Non-GAAP operating profit	Net profit attributable to the shareholders of the parent company
Performance targets for FYE2024 performance target in the Medium-Term Management Plan *2	21,870	—	1,995	—
FYE2024 earnings forecasts*3	24,298	1,800	2,140	1,167
Vs. the target	+11.1%	—	+7.3%	—

\*1. The figures are the same as those announced at the beginning of the year ending March 31, 2023.

\*2. The performance targets of the Medium-Term Management Plan are the target values at the time of its formulation in May 2022. From FYE2024, which is the second year, to FYE2027, which is the fifth and final year, operating profit and net profit attributable to the shareholders of the parent company have not been disclosed.

\*3. Consolidated earnings forecast for FYE2024 announced on May 15, 2023.

## (2) Changes to our dividend policy

In FYE2024, which is the second year of the Medium-Term Management Plan, bringing to fruition the results of various reforms promoted up to the previous fiscal year, we forecast record high consolidated sales and record high profits for each category of profit, and we aim to transition to a phase of generating profits as we reach a harvesting stage. In addition, we will continue to position the return of profits to shareholders as an important management issue, and in order to clarify an increase in dividends that is in line with the profit growth, we have decided to introduce a dividend payout ratio as a benchmark for calculating dividend amounts.

### • Dividend Policy

\* Changes are underlined.

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. We will not reduce dividends, but rather maintain a consolidated dividend payout ratio of 50% or more, 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.

## (3) Communication with shareholders

By actively developing IR activities, we will work to improve the visibility of our company and improve the liquidity of our shares. To that end, we will make efforts to communicate our growth potential broadly and in an easy-to-understand manner through such things as strengthening the collecting of information by institutional investors, enhancing IR events for individual investors, enhancing information disclosure through our IR website, and preparing English-language IR materials.

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