

COPRO-HOLDINGS. Co., Ltd.

7059

Tokyo Stock Exchange First Section, Nagoya Stock Exchange First Section

4-Feb.-2021

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Summary

Conducts a construction engineer dispatch business and is developing the business for the plant industry to be the second earnings pillar

COPRO-HOLDINGS Co. Ltd. <7059> (hereafter, also “the Company”) conducts a construction engineers dispatch and temporary staffing business. It dispatches the engineers it employs (hereafter, engineers) to its client companies, which are mainly 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.

1. Strengths include the high engineer retention rate

The Company’s features and strengths includes its high engineer retention rate through thoroughly implementing education and training and mental healthcare support, its foundation of highly mobile dispatch human resources who are able to meet a wide range of staffing needs, its ability to increase clients through a nationwide network, and that it maintains a high utilization rate based on its high quality engineers and relations of trust with client companies.

2. In FY3/21 1H, profits declined due to one-time costs, but they were still higher than forecast

In the FY3/21 1H consolidated results, net sales increased 17.8% compared to the same period in the previous fiscal year (year-on-year (YoY)) to ¥7,271mn, operating profit decreased 20.7% to ¥531mn, ordinary profit declined 20.0% to ¥534mn, and profit attributable to owners of parent fell 7.3% to ¥404mn. Sales rose from the effects of the increase in engineers, as the Company actively recruited new engineers even during the COVID-19 pandemic, and also from the increase in charges. Profits declined due to the impact of one-time costs in cost prices and SG&A expenses, and operating profit increased when excluding these one-time costs. Compared to the initial forecast, operating profit was ¥122mn higher than the initial forecast of ¥408mn, as one-time costs were kept within the expected range and SG&A expenses were lower than anticipated due to Group-wide cost reductions.

3. For the FY3/21 full year, is forecasting sales and profits will increase by double digits for new record highs

The FY3/21 full year consolidated results forecasts (upwardly revised on October 28) are for net sales to increase 17.6% YoY to ¥15,432mn, operating profit to rise 12.6% to ¥1,793mn, ordinary profit to grow 13.3% to ¥1,795mn, and profit attributable to owners of parent to increase 12.7% to ¥1,221mn. The Company upwardly revised the forecasts by the amounts that the results exceeded the 1H initial forecasts, and it is now forecasting that sales and profits will increase by double digits for new record highs. The rates of progress in the 1H toward achieving the forecasts were at low levels, but for sales, the 2H is the demand period in the construction industry, while for profits, the many one-time costs incurred in the 1H will be eliminated. So it seems highly likely that the Company will achieve its full fiscal year forecasts, and it can be expected to continue to maintain high growth even during the COVID-19 pandemic.

Summary

4. Long-term targets are net sales of ¥100bn and operating profit of ¥10bn in FY3/30

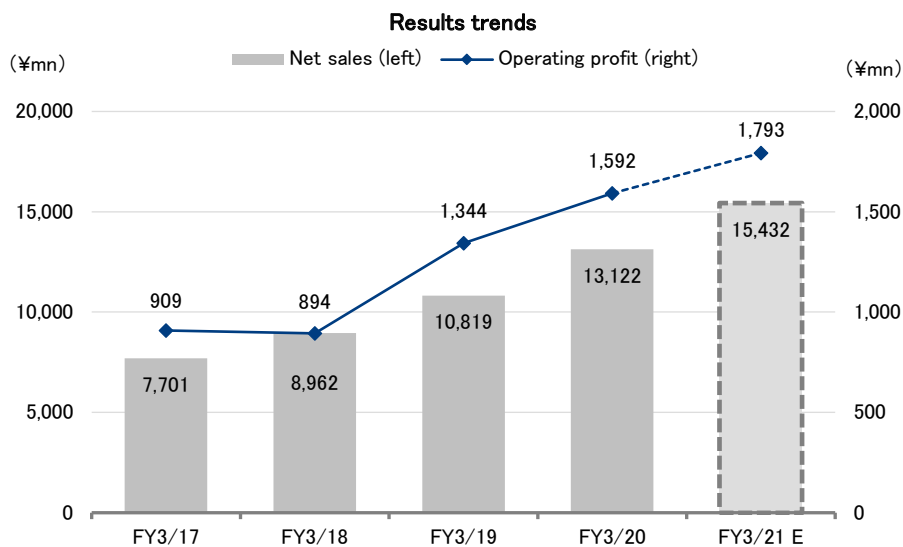
The Company’s medium- to long-term management vision is to become “the No.1 brand in the industry,” and its management numerical targets are net sales of ¥100bn and operating profit of ¥10bn in FY3/30. Based on the growth of existing engineer dispatches to the construction industry, it will develop engineer dispatches to the plant industry to be the second pillar of earnings and grow this business field. It also has in sight entering into new fields and overseas business development. CEO Kosuke Kiyokawa has spoken ambitiously about the future, saying “We will further increase the engineer retention rate by enhancing the support system and increasing the matching rate, while dispatches of high quality engineers will create a virtuous circle, of leading to expanded transactions with existing clients and acquisitions of new clients. Toward achieving the targets, we also intend to actively utilize M&A.” It seems that earnings will trend upward in the medium- to long-term.

5. The dividend is forecast to increase again in FY3/21

The FY3/21 dividend forecast is for an increase of ¥15 compared to FY3/20 to ¥75 (end of 2Q dividend ¥20, period-end dividend ¥55 = ordinary dividend ¥50 + commemorative dividend of ¥5 for upgrading listings to the Tokyo Stock Exchange (TSE) First Section and Nagoya Stock Exchange (NSE) First Section. So the forecast is for the dividend to once again increase. It seems we can expect the Company to further enhance returns to shareholders alongside earnings growth.

Key Points

- Conducts a construction engineers dispatch business and is developing the business for the plant industry to become the second pillar of earnings
- In FY3/21, is forecasting that sales and profits will increase by double digits for new record highs
- Long-term targets are net sales of ¥100bn and operating profit of ¥10bn in FY3/30



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

■ Company outline

Company name is derived from the “responsive pros”

The Company conducts a human resources (construction engineers) dispatches and temporary staffing business mainly for the construction industry. The Group consists of the Company (holding company) and two consolidated subsidiaries (COPRO-ENGINEERD. Co., Ltd., the business company, and COPRO GLOBALS PTE. LTD., the intermediate holding company supervising the ASEAN region). 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.

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.

At the of the FY3/21 2Q, share capital was ¥30mn, the equity ratio was 72.7%, and the number of issued shares was 5,000,000 shares (including 283,267 treasury shares).

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

Source: Prepared by FISCO from the Company materials

Business description

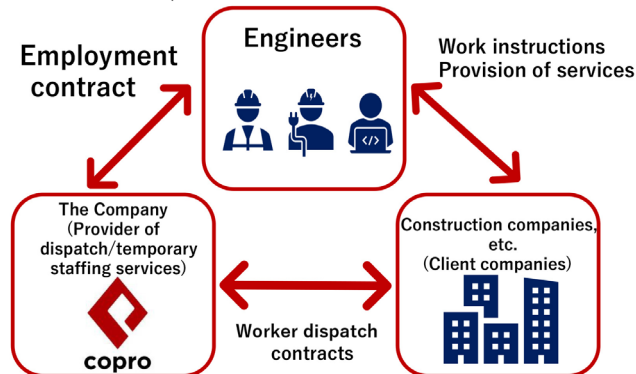
Strengths include a high engineer retention rate and an enhanced support structure

1. Summary of services

The Company conducts a construction engineers dispatch and temporary staffing business. The engineers it recruits are dispatched to client companies, which are mainly 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 model

- Temporary staffing for engineers mainly in the construction industry
- The Company's Group concludes employment contracts with engineers and dispatches them to client companies

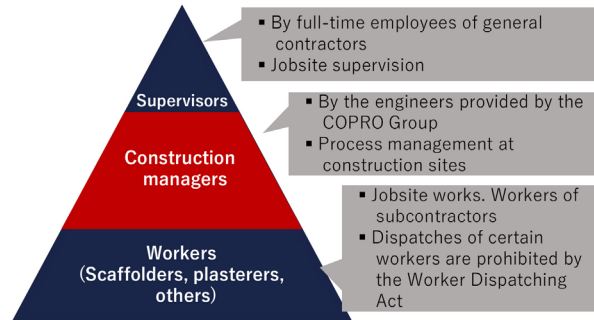


Source: The Company's financial results briefing materials

Business description

Description of dispatch work

- The engineers enter between the supervisors, who are responsible for construction companies' full-time employees, and various types of workers, and manage construction projects
- Their principal work tasks are conducting 1) process management, 2) safety management, 3) quality control, 4) and cost management



Source: The Company's financial results briefing materials

In the percentages of total net sales by industry in FY3/20, the construction industry provided 85.6% (construction 31.9%, civil engineering 17.4%, facilities 24.9%, CAD 8.6%, and others 2.8%), and the plant industry 14.4%. The Company is focusing on growing sales from the plant industry as a priority field of the future. 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's features and strengths include its high engineer retention rate through thoroughly implementing education and training and mental healthcare support, its foundation of highly mobile dispatch human resources who are able to meet a wide range of staffing needs, its ability to increase clients through a nationwide network, and that it maintains a high utilization rate based on its high quality engineers and relations of trust with client companies.

Through actively recruiting human resources on Gen-Kyari, which is the construction and plant industry recruitment website that the Company itself manages, it is building a foundation of highly mobile human resources it can dispatch to anywhere in the country. Through this, it has a network of branches that covers the entire country that can respond to a wide range of needs for human resources from clients anywhere in the country and that can grow transactions with client companies nationwide.

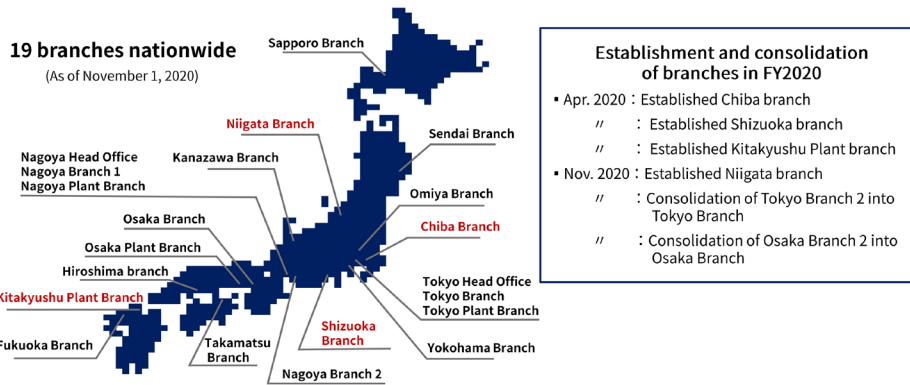
(1) A network of branches that covers the entire country

The Company changed the organization on November 1, 2020, to establish a nationwide network of 19 branches. In order to respond flexibly to each market, it created a system by separating the sales functions for the construction and plant markets and placing each branch (responsible for sales and trust) under four departments (the Construction Department 1 to 3 and the Plant Department). The functions of the Trust Department, which was responsible for following-up with engineers after they were dispatched, was transferred to the branches (previously, the Human Resources Strategy Division in the Head Office), for a structure facilitating close coordination with sales.

Business description

Expansion of Business Network

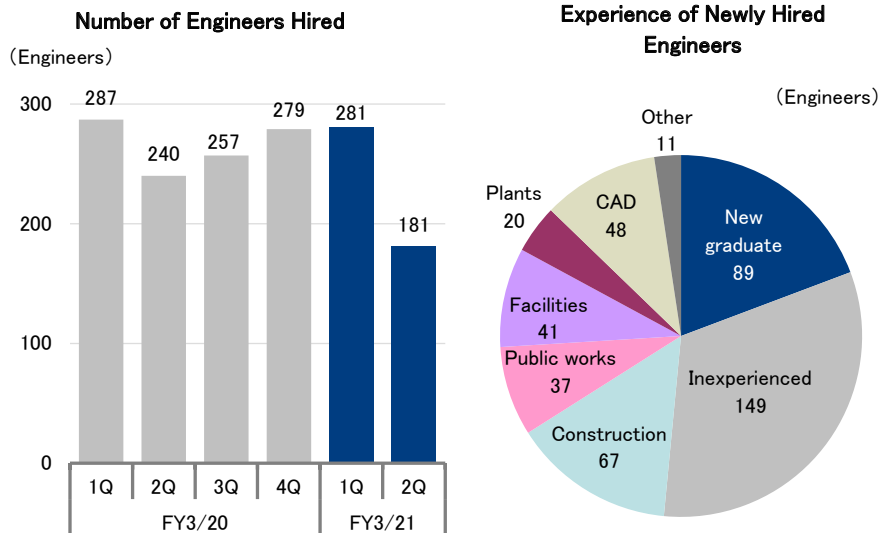
- Under the newly launched Plant Division, further expand the shares of plant engineer dispatch business
- Working to capture the market in the Joshinetsu area by opening the Niigata branch
- Improve productivity and quickly respond to customers by consolidating branches



Source: The Company's results briefing materials

(2) The Company is actively hiring and the number of engineers is increasing

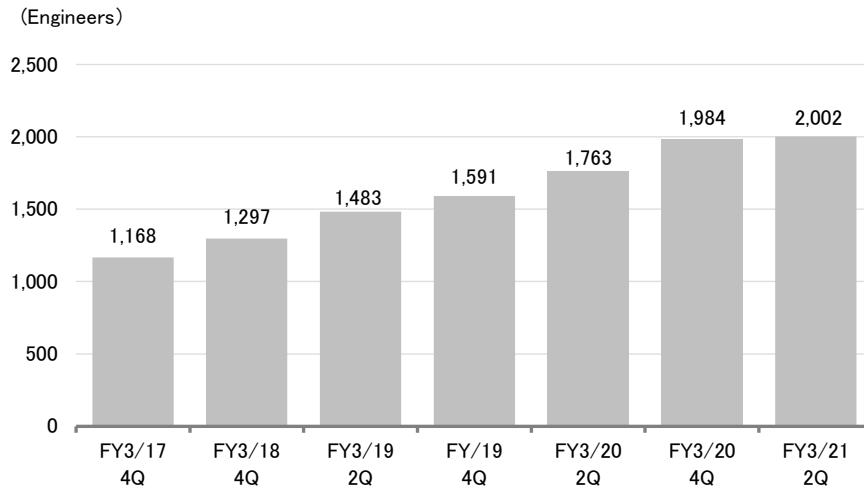
The Company continues to actively hire even during the COVID-19 pandemic, and in FY3/21 1H, it hired a total of 462 engineers. At the end of FY3/21 2Q, it had a total of 2,002 engineers. It is actively hiring so the number of engineers is increasing, and alongside this, sales and profits are also trending upward.



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

Business description

No. of Engineers (Period End)



Source: Prepared by FISCO from the Company's 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. Also, from January 2021, it plans to utilize smart devices to carry out remote training for engineers living in remote locations. 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.

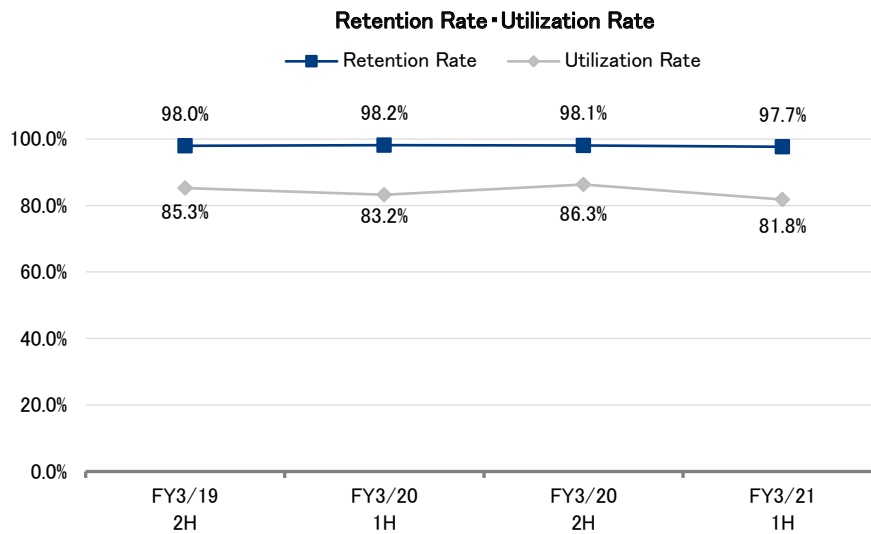
Together with the education and training at the time of joining the Company, the Company allocates dedicated lecturers to the Seed of Supervisor training facilities it manages, where it provides practical training according to the learning levels of applicants, with the aims of supporting engineers' skills improvements and career advancement. It has built a network of four Seed of Supervisor facilities nationwide, as in addition to the facilities in Tokyo, Nagoya, and Osaka, it opened a facility in Chiba in April 2020.

Moreover, the Company deploys trust supervisors to provide support to each branch, and it realizes a high retention rate by providing engineers with high-quality support activities, including follow-up support after they are dispatched, health management, mental health management, support for improving skills, and holding regular safety conferences. 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 utilization rate are trending at high levels

The Company's engineer retention rate and utilization rate are trending at around 80%, which are higher levels than the industry averages, due to the previously mentioned education and training and enhanced support structure. It is targeting a retention rate in the 90% range in the medium- to long-term. Also, in addition to the shortage of personnel in the construction industry, the improved client satisfaction from dispatches of high quality engineers is contributing to the utilization rate, which is trending at a 100% level in actual terms on excluding temporary work leave and related factors.



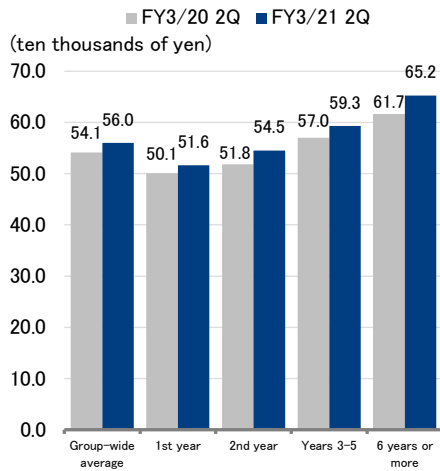
Source: Prepared by FISCO from the Company's results briefing materials

(5) Promoting increases in charges

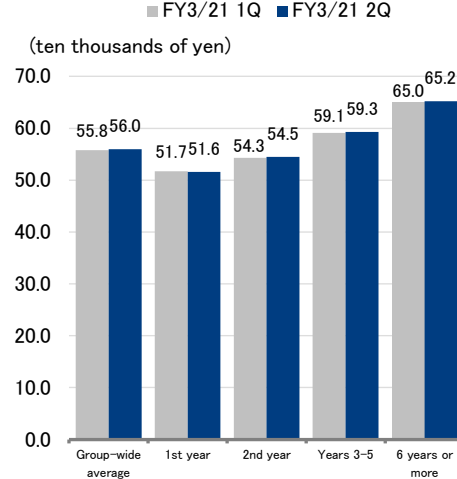
The Company's invoices clients not based on the actual working hours, but on monthly contracts for each engineer. In response to the Equal Pay for Equal Work for Dispatch Workers system launched in April, it is negotiating to increase charges (increase the sales unit price per engineer). As of FY3/21 2Q, the Company's contract amount per person (monthly) was basically increasing compared to in the previous fiscal year and the previous fiscal quarter.

Business description

**Contract Amount per Person (Monthly)
Comparison of the same period of
the previous year by year of employment**



**Contract Amount per Person (Monthly)
Quarterly trends by year of employment**



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. Of these, for laws and regulations, in particular an issue has been responding to the Equal Pay for Equal Work for Dispatch Workers system, which is a factor pushing-up costs. However, against the backdrop of its high quality engineers and relations of trust with clients, the Company is basically making steady progressing with the previously mentioned negotiations to increase charges.

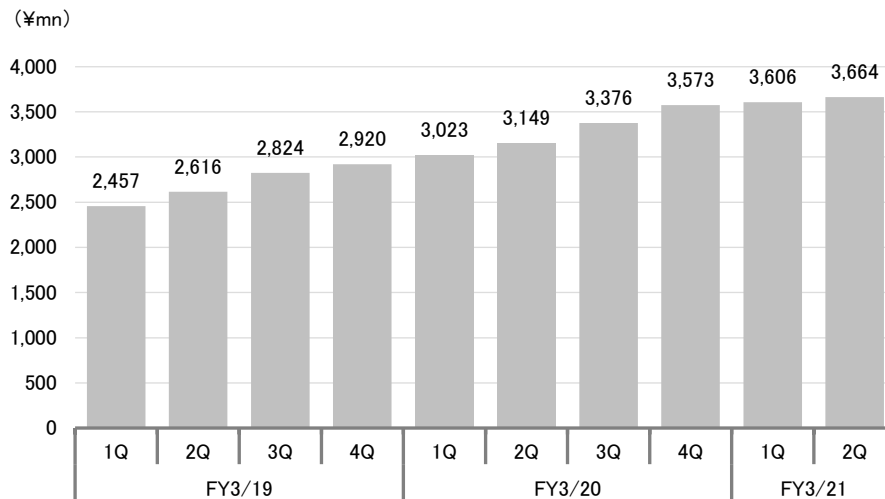
In terms of seasonal factors, job offers in the construction industry, particularly for civil engineering projects, tend to be concentrated at the end of the fiscal year (January to March). But the Company strategically keeps down orders in the civil engineering field so as not to create periods in which 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.

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

Business description

Quarterly Sales Trends


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

Business trends

In FY3/21 1H, operating profit increased after excluding one-time costs

1. Summary of the FY3/21 1H consolidated results

In the FY3/21 1H consolidated results, net sales increased 17.8% YoY to ¥7,271mn, operating profit decreased 20.7% to ¥531mn, ordinary profit declined 20.0% to ¥534mn, and profit attributable to owners of parent fell 7.3% to ¥404mn.

Summary of the FY3/21 1H consolidated results

	(¥mn)		
	FY3/20 1H	FY3/21 1H	Growth rate
Net sales	6,172	7,271	17.8%
Operating profit	670	531	-20.7%
Ordinary profit	667	534	-20.0%
Profit attributable to owners of parent	436	404	-7.3%
No. of newly hired engineers	527 engineers	462 engineers	
No. of engineers at period end	1,763 engineers	2,002 engineers	
Monthly contract amount per engineer (Group-wide average)	¥541,000	¥560,000	

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

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Business trends

For sales, even during the COVID-19 pandemic, the Company has been actively conducting new recruitment, and sales rose significantly due to the increases in the number of engineers and in charges. In the 1Q, work sites were temporarily closed and some engineers were placed on leave due to the impact of COVID-19, but all engineers on leave received their monthly contracted remuneration from the client companies.

Profits declined due the impact of one-time costs (¥151mn in total) in cost prices and SG&A expenses. The gross profit margin declined 5.5 percentage points (pp) YoY to 27.7%. In addition to the one-time costs, this was from the impact of the Equal Pay for Equal Work for Dispatch Workers system launched in April 2020, which raised-up the engineer salaries table. However, the Company was able to cover for some of these costs by progressing negotiations to increase charges, while a recovery is expected in the 2H. SG&A expenses increased 7.8% YoY, but the SG&A expenses ratio declined 1.9pp to 20.4%.

In the one-time costs, costs related to lending smartphones to engineers will be incurred as running costs in the 2H and onwards also, while depreciation expenses relating to the upgrade of the mission-critical system will be incurred from FY3/22. But the effect of both these factors on results is expected to be negligible.

Breakdown of One-time Costs
Factors for the increase in cost of sales

- ① **Increased recruitment of new graduates in April and strengthened training for them**
 ⇒ Joined 89 employees, up 33 from the previous year. Training was held for a month longer than last year, and assignment was completed on May 6, 2020.

- ② **To take advantage of COVID-19 as an opportunity for excellent human resources to recruit, the company promoted recruitment activities without relaxing our hands.**
 ⇒ Temporary waiting engineers occurred, but the assignment was completed during the first quarter

- ③ **Lending smartphones to all engineers**
 ⇒ Using for appropriate attendance management and further communication

Factors for the increase in SG&A expenses

- ① **Consulting expenses for sales reform and expenses associated with the renewal of the core system**

- ② **Expenses for the establishment of three new branches (Chiba Branch, Shizuoka Branch, Kitakyushu Plant Branch), and expenses for the integration and the relocation of existing branches**

- ③ **Research costs in ASEAN countries for overseas operations**

- ④ **Expenses of measures to prevent the spread of COVID-19**

- ⑤ **Cost of changing to the First Section of the Tokyo Stock Exchange and the Nagoya Stock Exchange**

Source: The Company's results briefing materials

After excluding the one-time costs, operating profit increased 1.8% YoY to ¥682mn. Compared to the initial forecast, operating profit was ¥122mn higher than the initial forecast of ¥408mn, as one-time costs were within the expected range and SG&A expenses were lower than anticipated due to Group-wide cost reductions.

Business trends

Operating Profit (Consolidated)

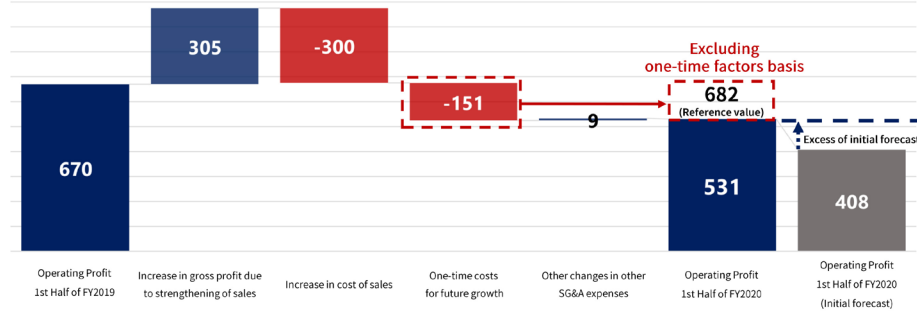
【Year-on-year】

- Operating profit maintained an upward trend excluding one-time costs for future growth

【Versus initial forecast】

- Operating profit exceeded the initial forecast due to lower SG&A expenses by the company-wide efforts to reduce expenses
(Announced revisions to earnings forecast on October 28, 2020)

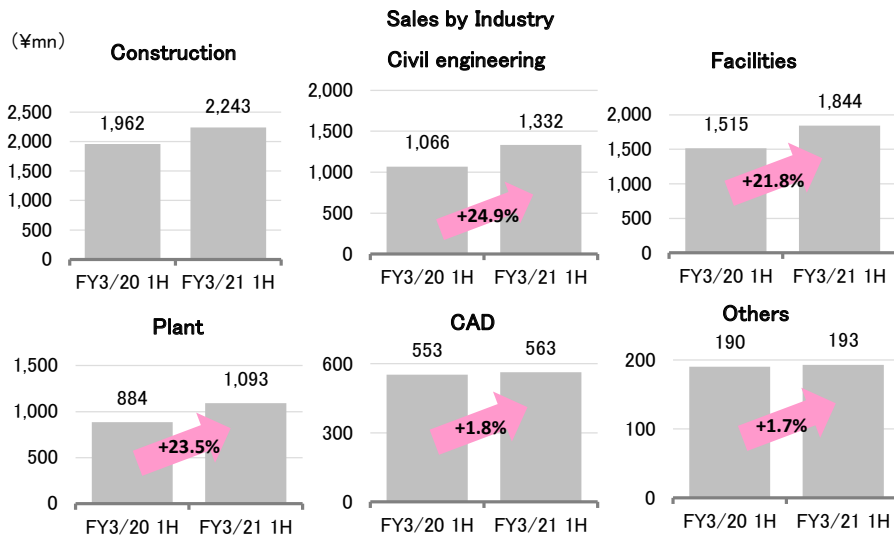
(millions of yen)



Source: The Company's results briefing materials

2. Trends by client company industry

In net sales by client company industry, they grew for every industry. They increased significantly for the plant industry, which is a field that the Company is focusing on, rising 23.5% YoY. They also increased greatly for civil engineering, up 24.9%. But in the 2H, it intends to grow sales with a focus on construction and facilities, for which seasonal-variation factors are small.



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

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Business trends

3. Financial condition and management indicators

Looking at the financial condition, at the end of FY3/21 2Q, total assets were down ¥173mn on the end of FY3/20 to ¥7,857mn, while total liabilities were down ¥394mn to ¥2,148mn. No items changed particularly greatly. Total net assets increased ¥221mn to ¥5,709mn due to the accumulation of retained earnings, and the equity ratio rose 4.4pp to 72.7%. So the Company is highly financially sound.

The main management indicators

Item	(¥mn)		
	FY3/19	FY3/20	FY3/21 2Q
Net sales	10,819	13,122	7,271
Cost of sales	7,194	8,746	5,255
Gross profit	3,624	4,376	2,015
Ratio to sales (%)	33.5	33.3	27.7
SG&A expenses	2,280	2,783	1,483
Ratio to sales (%)	21.1	21.2	20.4
Operating profit	1,344	1,592	531
Ratio to sales (%)	12.4	12.1	7.3
Non-operating income	2	1	4
Non-operating expenses	10	9	1
Ordinary profit	1,336	1,585	534
Ratio to sales (%)	12.4	12.1	7.3
Extraordinary income	-	17	90
Extraordinary losses	1	35	4
Profit before income taxes	1,335	1,567	620
Total income taxes	396	483	215
Profit attributable to owners of parent	938	1,084	404
Ratio to sales (%)	8.7	8.3	5.6
Comprehensive income	938	1,084	404
Total assets	7,474	8,030	7,857
Current assets	6,486	6,897	6,785
Non-current assets	988	1,132	1,071
Total liabilities	2,781	2,542	2,148
Current liabilities	2,104	2,379	2,039
Non-current liabilities	676	162	108
Total net assets	4,692	5,487	5,709
Shareholders' equity	4,692	5,487	5,709
Share capital	30	30	30
No. of shares issued at period end, excluding treasury shares (shares)	4,710,000	4,714,000	4,716,733
Earnings per share (¥)	227.52	230.16	-
Net assets per share (¥)	996.35	1164.18	-
Dividend per share (¥)	42.00	60.00	20.00
Equity ratio (%)	62.8	68.3	72.7
Return on Earnings (ROE) (%)	25.4	21.3	-
Cash flows from operating activities	1,165	1,125	-
Cash flows from investing activities	-122	-144	-
Cash flows from financing activities	761	-885	-
Cash and cash equivalents at end of period	4,699	4,795	-

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

■ Outlook

For the FY3/21 full year, is forecasting sales and profits will increase by double digits for new record highs

1. FY3/21 full year consolidated results forecasts

The FY3/21 full year consolidated results forecasts (upwardly revised on October 28) are for net sales to increase 17.6% YoY to ¥15,432mn, operating profit to rise 12.6% to ¥1,793mn, ordinary profit to grow 13.3% to ¥1,795mn, and profit attributable to owners of parent to increase 12.7% to ¥1,221mn. The Company upwardly revised the forecasts by the amounts that the results exceeded the 1H initial forecasts (net sales by ¥33mn, operating profit by ¥122mn, ordinary profit by ¥126mn, and profit attributable to owners of parent by ¥72mn). So it is forecasting that both sales and profits will increase by double digits for new record highs.

FY3/21 full year consolidated results forecasts

	FY3/20 Result	FY3/21			
		Initial forecast	Revised forecast	YoY growth rate	1H rate of progress
Net sales	13,122	15,398	15,432	17.6%	47.1%
Operating profit	1,592	1,670	1,793	12.6%	29.6%
Ordinary profit	1,585	1,669	1,795	13.3%	29.7%
Profit attributable to owners of parent	1,084	1,148	1,221	12.7%	33.1%

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

2. Rates of progress in the 1H were low, but in the 2H, the one-time costs will be eliminated

The rates of progress in the 1H toward achieving the forecasts were 47.1% for net sales, 29.6% for operating profit, 29.7% for ordinary profit and 33.1% for profit attributable to owners of parent. These appear somewhat low levels, but for sales, the 2H is the demand period in the construction industry, while the number of engineers is increasing due to the active recruitment, and in addition, the effects of higher charges are expected to contribute. For profits in the 2H, in addition to the improvement to the cost rate due to the increase in charges, the many one-time costs in the 1H are expected to be eliminated. So it seems highly likely that the Company will achieve its full fiscal year forecasts, and it can be expected to maintain high growth even during the COVID-19 pandemic.

Growth strategy

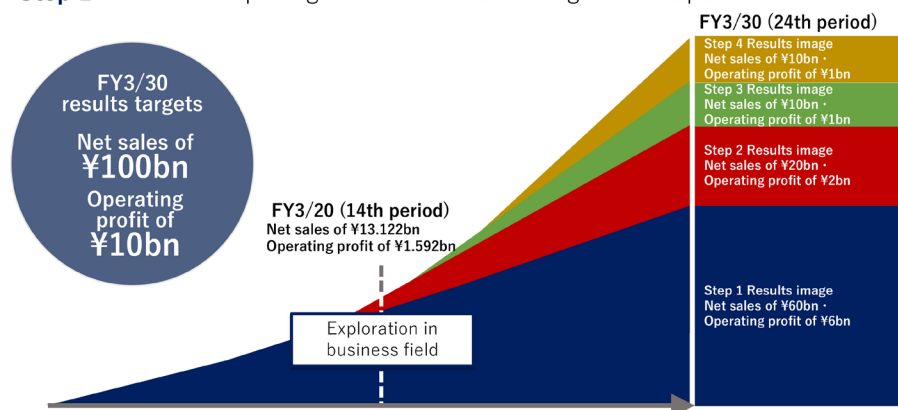
Aiming for high growth by growing the existing businesses and entering into new fields

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

The Company’s medium- to long-term management vision is to become the “No.1 brand in the industry,” while its management numerical targets are net sales of ¥100bn and operating profit of ¥10bn in FY3/30. Its priority initiatives in order to achieve these targets are, based on the growth of existing engineer dispatches to the construction industry, to develop engineer dispatches to the plant industry, which has a high order unit price, to be the second pillar of earnings and to grow this business field. The plant industry is a field in which it can utilize its expertise, such as in worksite construction projects in the construction industry. Moreover, it will utilize M&A and has in sight entering-into new fields and overseas business development.

Image of 10-year-growth from Now

- ✓ **Step 4** M&A strategy and considering new businesses
- ✓ **Step 3** Global business advancement
- ✓ **Step 2** Increase market share for plant engineer dispatches
- ✓ **Step 1** Further deepening in the construction engineers dispatch market



Source: The Company’s financial results briefing materials

2. Further deepening in the construction market

(1) Strengthening recruitment and sales

To strengthen recruitment, the Company will upgrade Gen-Kyari (scheduled for April 2021), which is the construction and plant industry recruitment website it itself manages, with the aim of doubling the number of applicants.

Growth strategy

To strengthen sales, the Company plans to convert from an individual sales style to an organizational sales style. It will also open new branches, of a Chiba branch, Shizuoka branch, and Kitakyushu plant branch in April 2020, and a Niigata branch in November 2020, while by enhancing the network of branches, it will expand the sales area and grow its share of the plant engineers dispatches market. On the other hand, it is consolidating branches in areas with duplicate branches (in November 2020, it consolidated the Tokyo Branch 2 into the Tokyo Branch and the Osaka Branch 2 into the Osaka Branch), with the aims of improving productivity and responding speedily to clients. Through the change of organization conducted on November 1, 2020 (the construction and plant sales functions were separated and the functions of the Trust Department, which carried out engineer support, was transferred to the branches), it is building a network of 19 branches nationwide under 4 business departments (the Construction Department 1 to 3 and the Plant Department).

(2) Supporting career advancement through enhancing the education system

To support engineers' career advancement through enhancing the education system, at Seed of Supervisor, which are the training facilities managed by the Company itself, specialist lecturers provide a training curriculum tailored to the learning levels of the applicants and provide practical training for small groups of learners. To respond to the increase in engineers, in April 2020 it opened a facility in Chiba as the fourth facility, following on from the facilities in Tokyo, Nagoya, and Osaka. Moreover, going forward its policy is to strengthen digital training to respond to the "with COVID-19" and "after COVID-19" periods.

(3) Increasing the matching rate and improving productivity

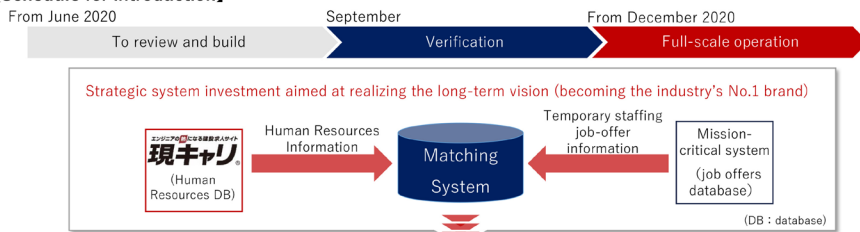
The Company is actively investing in systems with the aims of increasing the matching rate and improving productivity.

For the matching system, in order to improve the satisfaction levels of both the engineers and the client companies, it is upgrading the system and improving the matching rate. The Company is creating a database of the job offers at each branch, which is shared with all Group companies. It is aiming to improve the matching rate by combining it with the human resources information on Gen-Kyari, which is the construction and plant industry recruitment website it itself manages, which will lead to extensions of contracts with clients and improvements to the engineer retention rate. The new system is scheduled to become fully operational from December 2020 onwards.

Increase the Matching Rate

- Creating a database of dispatch job offer information known only to supervisors and branches, and building a framework in which this information can be shared with all Group companies in a timely manner
- Via the matching system, combining dispatch job offer information with human resources information on its own Gen-Kyari recruitment website and optimizing matching

[Schedule for introduction]



Aiming for a match that maximizes the satisfaction of both engineers and client

Source: The Company's financial results briefing materials

Growth strategy

(4) Further improving the engineer retention rate

In order to further improve the engineer retention rate, the Company allocates to each branch a specialist manager (trust manager) to follow-up with engineers after they are dispatched, and it provides them with consultations, such as on career advancement. It also holds hearing interviews to eliminate any anxieties and dissatisfactions that they may have, while as a measure to improve engineer engagement, it loans smartphones to all engineers. In addition to accurate attendance management and health management, it is promoting digitalization, including utilizing digital devices for communication. Moreover, as a welfare program, it manages the COPRO Mileage Club, in which miles allocated every month can be exchanged for product coupons and other rewards.

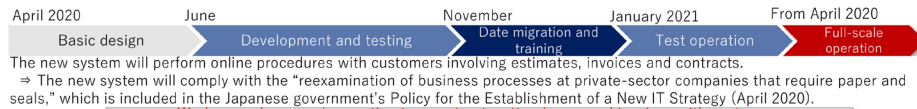
(5) Improving the productivity of back-office work

The Company is upgrading the mission-critical system in order to improve the productivity of back-office work. Work such as estimates, contracts, attendance, and invoicing will be systemized, making it possible to keep down personnel costs relating to the management personnel of branches, which are rising alongside the increases in client companies and engineers. This will lead to a reduction in the SG&A expenses ratio in the future. The new system is scheduled to be fully operational from April 2021.

Improve Productivity by Upgrading the Mission-critical System

- Promote systemization of back-office operations and reduce fixed costs at branches

[Schedule for introduction]



Expecting higher profit margins

Will make it possible to keep down the rise in personnel expenses relating to branches' sales work, which are rising in proportion to the increase in client companies (= increase in engineers)

Source: The Company's results briefing materials

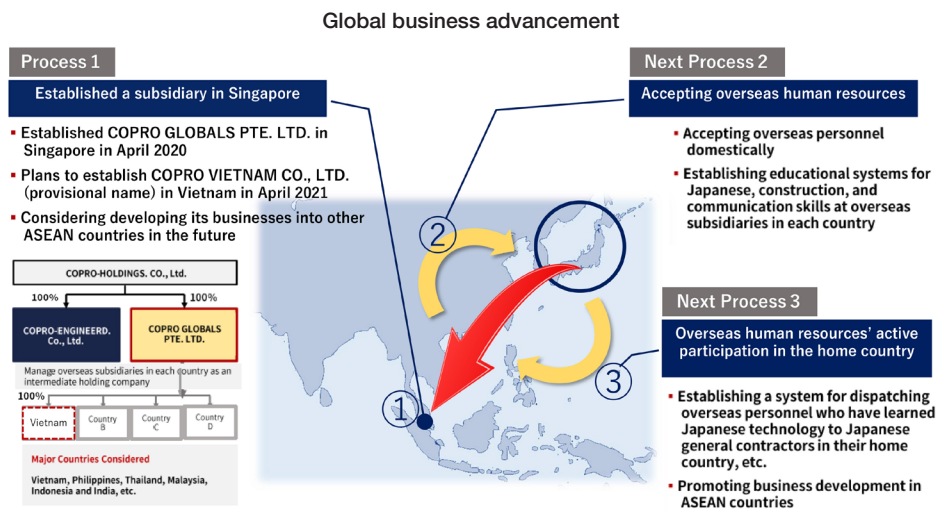
3. Growing share of the plant engineers dispatches market

The Company is developing dispatches of engineers to the plant industry to be the second pillar of earnings after dispatches of engineers to the construction industry, and it is growing this business area. 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. Establishment of a local subsidiary in Singapore

As an initiative for overseas business expansion, in April 2020 the Company established COPRO GLOBALS PTE. LTD., as a local subsidiary in Singapore. It is positioning this Singapore local subsidiary as a hub base (an intermediary holding company) from which to advance into ASEAN countries. It also plans to establish COPRO VIETNAM CO., LTD. (provisional name) in Vietnam in April 2021 as a business company, and moreover, it is considering developing its businesses into other ASEAN countries in the future, including the Philippines, Thailand, and Myanmar. 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.



Source: The Company's results briefing materials

5. M&A strategy and considering new businesses

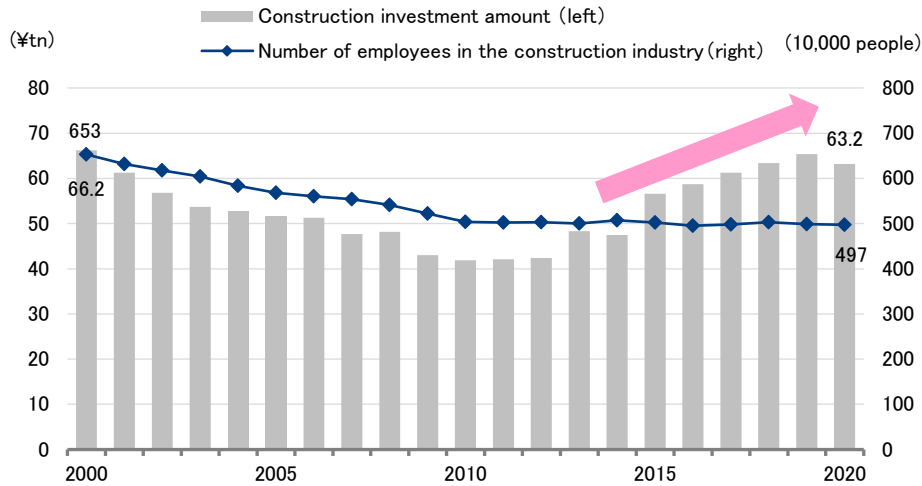
Not limited to dispatches of construction engineers, in the human resources dispatches and temporary staffing services industry, the Equal Pay for Equal Work for Dispatch Workers system was launched in April 2020, while the law bill relating to workstyle reforms is scheduled to be enforced in April 2024, and these will be major burdens on many small- and medium-sized temporary staffing companies. Therefore, it is anticipated that they will accelerate the weeding-out of companies in and reorganization of the industry in the future. To accelerate growth in this business environment, the Company is considering M&A not only for engineer temporary staffing companies, but also for companies for which synergies can be expected with its existing businesses. In addition, its policy is to launch new businesses within the Group.

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. So it can be said that the Company's business environment looks excellent in the medium- to long-term.

Growth strategy

Trends in the construction investment amount and the number of employees in the construction industry



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

GEO Kosuke Kiyokawa has spoken ambitiously about the Company's prospects for the future, stating that "The market scale of engineer dispatches to the construction and plant industries is estimated to be ¥500bn to ¥600bn, while the potential market is large on considering the aging population and other factors. We will further increase the engineer retention rate by enhancing the support system and increasing the matching rate, while dispatching high quality engineers will create a virtuous circle, of leading to expanded transactions with existing clients and acquisitions of new clients. Toward achieving our management vision of becoming the 'No.1 brand in the industry' and the FY3/30 numerical targets, we also intend to actively utilize M&A." It seems that earnings will trend upward in the medium- to long-term.

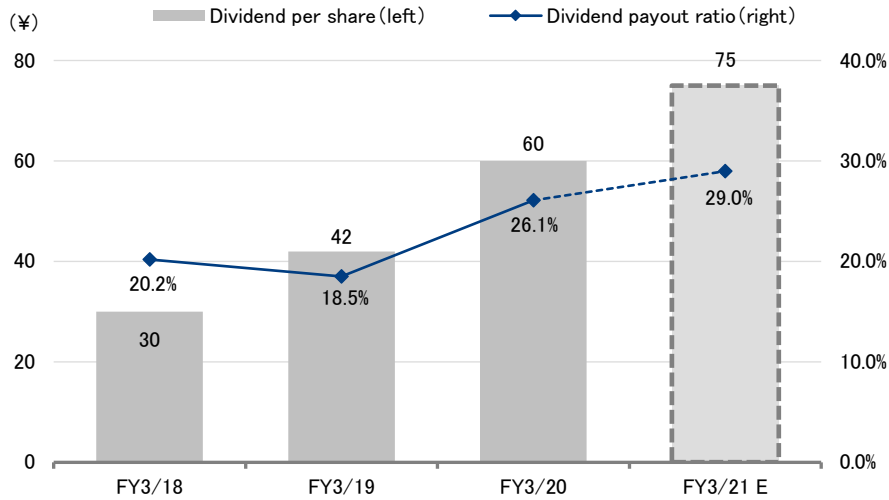
Shareholder return policy

The dividend is forecast to increase again in FY3/21

The Company's basic shareholder return policy is to target improving the dividend payout ratio (targeting 30%), while maintaining a good balance with investment for business expansion in the future. Based on this policy, the dividend forecast for FY3/21 is an increase of ¥15 on FY3/20 to ¥75 (end of 2Q dividend ¥20, period-end dividend ¥55 = ordinary dividend ¥50 + commemorative dividend of ¥5 for upgrading listings to the TSE First Section and NSE First Section). So it is once again forecasting a higher dividend. It would seem we can expect the Company to further enhance returns to shareholders alongside the earnings growth.

Shareholder return policy

Trends in the dividend per share and the dividend payout ratio

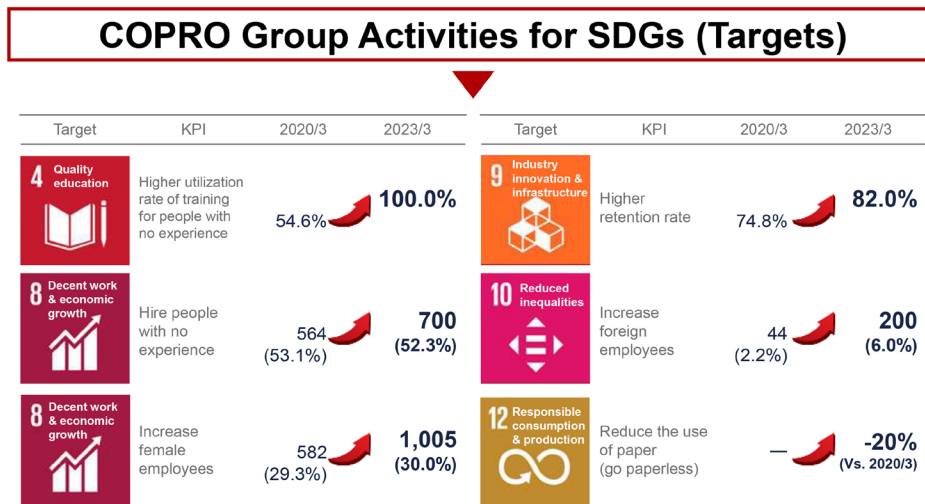


Source: Prepared by FISCO from the Company's results briefing materials

Initiatives to achieve SDGs

As the initiatives to achieve SDGs, the Company has set medium-to long-term targets and is strengthening initiatives to achieve them. These targets include improving the training rate for inexperienced employees, promoting the recruitment of inexperienced employees, improving the ratio of female employees, improving the retention rate, improving the ratio of foreign employees, and promoting paperless work.

Initiatives to achieve SDGs



Source: The Company's results briefing materials

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