

**ARTNER CO., LTD.**

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- Here is the content of today's report.

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- Let's start with an overview of our company.

■ Company Motto

Pursuit of Mindset, Pursuit of Wisdom, Pursuit of Creativity

■ Management Philosophy

**“Engineer Support Company”**

**—We support our engineers’ dreams—**

We aim for the happiness of all the employees and reflection within the company by developing talents, fostering technologies, and contributing to society through our engineers.

■ Origin of the Company Name



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## History (at the time of founding in 1953)



- Originally founded as Sekiguchi Kogyo Co., Ltd. in Amagasaki, Hyogo in 1953.
- Manufactures and sells gloves for use in heavy industries in the Hanshin Industrial Region.
- Reproduces and binds design drawings received from client companies, using whiteprinting and blueprinting techniques.
- Starts hiring employees with STEM degrees and offering a tracing service for design drawings.
- Our engineers visit frequently the design departments of client companies.
- Demand increases from clients for tracing and other designing and development services.

1953



Originally founded as Sekiguchi Kogyo Co., Ltd.



Manufactures and sells gloves for use in heavy industries in the Hanshin Industrial Region.



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Starts hiring employees with STEM degrees and offering a tracing service for design drawings.



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Demand from client companies increases for tracing and other designing and development services.

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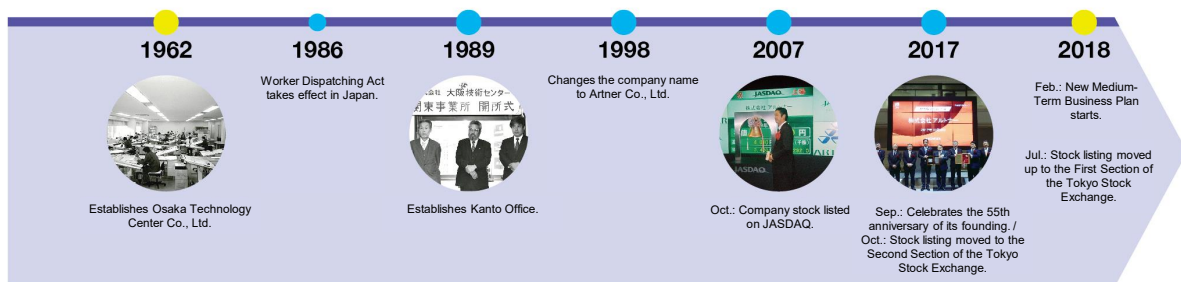
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## History (1962 to present)



- **1962** Establishes Osaka Technology Center Co., Ltd. to offer design and development services.
- **1986** Worker Dispatching Act takes effect in Japan.
- **1998** Changes the company name to Artner Co., Ltd.
- **2007** Company stock listed on JASDAQ.
- **2017** Celebrates the 55th anniversary of its founding. Stock listing moved to the Second Section of the Tokyo Stock Exchange.
- **2018** Stock listing moved up to the First Section of the Tokyo Stock Exchange.



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- First, a brief history.
- Our company was established in Osaka in 1962 as Osaka Technology Center Co., Ltd., a company that offered design and development services.
- Then, in 1998, we changed the company name to Artner Co., Ltd., our current name.
- In 2007, our stock was listed on JASDAQ.
- In 2017, on the 55th anniversary of our founding, we moved our stock listing to the Second Section of the Tokyo Stock Exchange.
- Then, the following year, in 2018, our stock listing moved up to the First Section of the Tokyo Stock Exchange.

## Business locations

- **Headquarters** Tokyo, Osaka
- **Business bases** Yokohama, Utsunomiya, Osaka, Nagoya
- **Learning centers** East Japan, West Japan



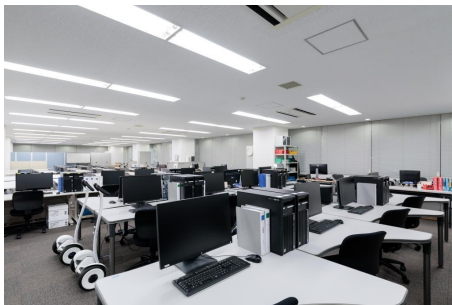
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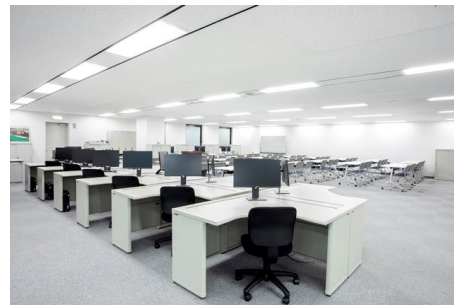
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- Here are our current business locations.

[West Japan LC]



[East Japan LC]



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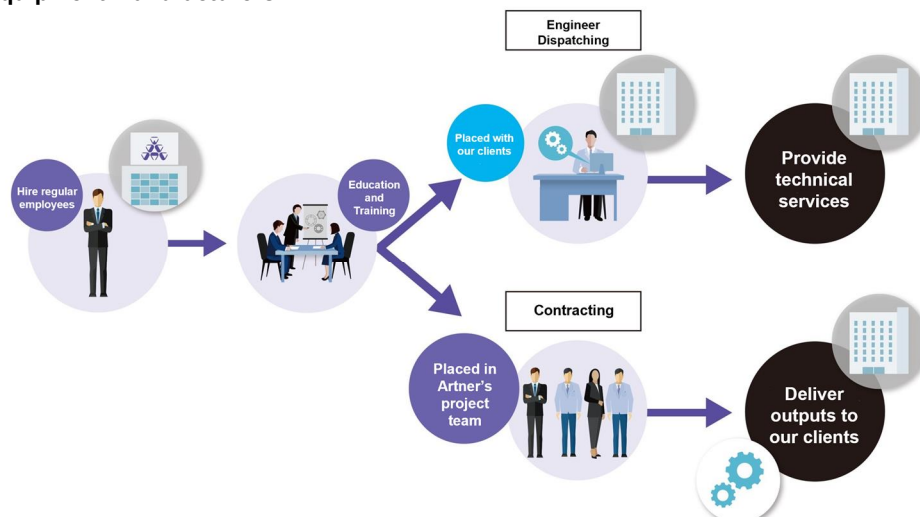
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- Of those, we moved our learning center in West Japan to a larger space last year, and we expanded and opened our learning center in East Japan as of March 2 this year.
- To further improve our engineer training facilities, we are planning to improve our learning centers in West and East Japan.



## Business Model

- Hire undergraduate and graduate students in the sciences (engineering, science and engineering, science, information engineering) as regular employees. After receiving education and training, they are placed with our clients or the Company's teams
- Our training staff are engineers with extensive experience
- Our clients include transportation equipment, electrical equipment, and precision equipment manufacturers



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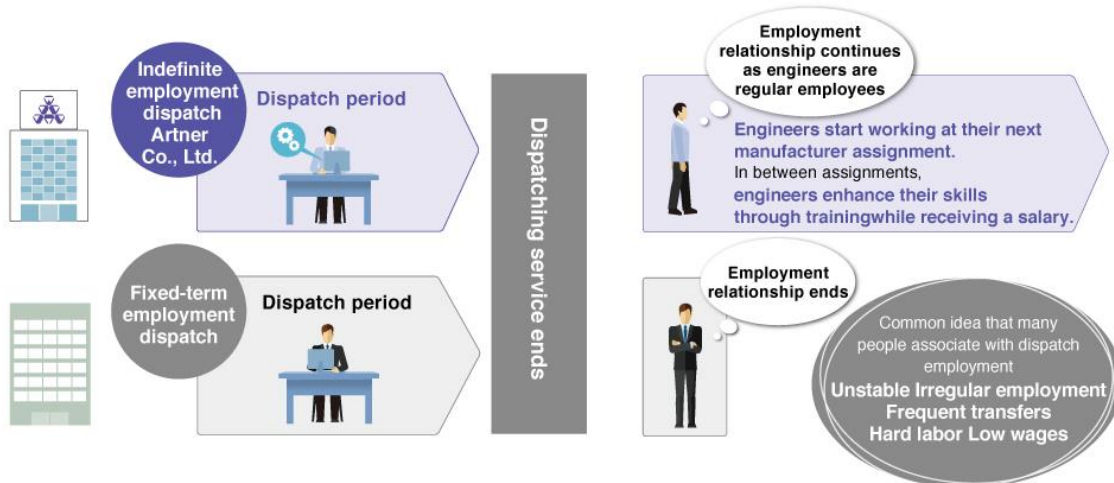
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- Next, I would like to explain our business model.
- Under our business model, we mainly hire fresh undergraduate and graduate students with engineering, science and engineering, science, and information engineering backgrounds. We educate them in-house, then place them in projects with our major clients.
- Every year, about 50% of the number of people expected to resign over a given year is offset by standard job recruitment, in addition to supplemental and new graduate recruitment.

## Employment status at Artner

- Artner's engineers with an "indefinite employment dispatch" status are hired as regular employees, meaning that the employment relationship continues even after a dispatching service ends.



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- Now let's look at the employment status of engineers at Artner. Engineers hired as regular employees will be dispatched to work on projects for our clients while remaining employed with us for an indefinite period of time as regular employees.
- Since we also started conducting part of our business on a contractual basis, we are currently operating using two patterns of employment: temporary dispatch and contractual dispatch.

## Education and training flow

- After entering the Company, employees undergo a process of “general training,” “outside on-the-job training,” “basic training,” and “customized training (practical training)” before their assignment to a manufacturer’s project. After being assigned, employees take the “career support courses” to develop their ability to provide services tailored to our clients.



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- Next, concerning our education and training process, the usual pattern is for engineers to undergo in-house training for three to six months after joining us, after which they are assigned to client projects depending on their suitability for a given project.

## Technology fields



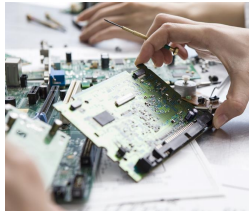
**[Machinery]**  
(Compatible fields)  
Equipment and  
Devices / Mechanisms /  
Resin and Sheet Metal /  
Analysis

Mechanical  
engineers design  
the mechanisms of  
machines with  
moving parts using  
2D/3D CAD tools.



**[Electronics]**  
(Compatible fields)  
Electrical Equipment  
/ Electronic Circuits /  
Semiconductors

Electronic engineers  
design the circuit  
boards that form the  
heart of equipment  
and devices and they  
perform reliability  
assessment work for  
electronics.



**[Software]**  
(Compatible fields)  
Control Software

Software engineers  
develop software for  
operating electrical  
equipment with CPUs,  
including vehicles  
with increasingly  
advanced  
technologies and IoT  
devices.



**[Software]**  
(Compatible fields)  
Data Processing

Software engineers  
develop systems and  
apps, web and open  
systems, and package  
software.



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- Our engineers mainly specialize in one of four technology fields: machinery, electronics, control software, and data processing.

Our clients (by industry, in alphabetical order, standard company name used)



■ Business with client companies in a wide range of industries for stable business

**[Transportation equipment]**

Honda R&D, Nissan, Subaru, Toyota, etc.

**[Electrical equipment]**

Canon, Daikin Rexxam Electronics, Omron, Panasonic, etc.

**[Precision equipment]**

Nikon, Shimadzu, Terumo, etc.

**[Machinery]**

JTEKT, Komatsu, Zuiko, etc.

**[Information and communications]**

Hitachi Solutions Technology, etc.

- Companies listed on the first and second sections of their respective stock exchange, as well as blue-chip, mid-sized companies
- Transaction history with roughly 400 companies

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- Next, these are our main clients.
- Our client base mainly consists of manufacturers working in the automobile-centered transportation equipment, electrical equipment, precision equipment, machinery, and information and communications industries, and we conduct our business by dispatching our mechanical, electrical, and software engineers to our clients' respective projects, or accepting orders for contractual work.

## Products and systems related to design and development (1)



|   |  |   |  |   |  |
|---|--|---|--|---|--|
| <b>Automobile</b>    |  |   | <b>Eco cars</b>    |   |  |
| <b>Machinery</b> <ul style="list-style-type: none"> <li>● Design and development of car bodies</li> <li>● Reliability test</li> </ul>   | <b>Electronics</b> <ul style="list-style-type: none"> <li>● Planning and design of ECU</li> <li>● Cable harness power circuit</li> </ul> | <b>Software</b> <ul style="list-style-type: none"> <li>● Development of control software for automobile meters, in-car navigation systems, and dashboard cameras</li> </ul> | <b>Machinery</b> <ul style="list-style-type: none"> <li>● Development of eco car chargers</li> <li>● Development of lithium-ion batteries</li> <li>● Development of drive motors</li> </ul>                        | <b>Electronics</b> <ul style="list-style-type: none"> <li>● R&amp;D of next-generation fuel cells</li> <li>● Hybrid system design</li> <li>● Safety evaluation of automotive batteries</li> </ul> | <b>Software</b> <ul style="list-style-type: none"> <li>● Development and evaluation of brake control system</li> </ul>                                 |
| <b>Advanced safety vehicle (ASV)</b>   |  |   | <b>Motorcycle</b>    |   |  |
| <b>Electronics</b> <ul style="list-style-type: none"> <li>● Development of parking assist system (e.g., automatic braking, accelerator control)</li> <li>● Development of lane keeping</li> </ul> |  | <b>Software</b> <ul style="list-style-type: none"> <li>● R&amp;D of Driving Safety Support Systems</li> <li>● Advance development of automatic perimeter</li> </ul>         | <b>Machinery</b> <ul style="list-style-type: none"> <li>● Design and development of frames</li> <li>● Design and development of exterior parts</li> <li>● Design and development of electric motorbikes</li> </ul> | <b>Electronics</b> <ul style="list-style-type: none"> <li>● Design of harnesses for electrical wiring</li> </ul>  | <b>Software</b> <ul style="list-style-type: none"> <li>● Development of test software</li> <li>● Development of software for digital meters</li> </ul> |

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## Products and systems related to design and development (2)



| Home electronics  |   |   | Medical devices  |   |  |
|---|---|---|--|---|--|
|   |   |   |  |   |  |
| Machinery   | Electronics   | Software  | Machinery  | Electronics   | Software   |
| <ul style="list-style-type: none"> <li>Design and development of home appliances (enclosure design, structural design)</li> <li>Development of in-car navigation system</li> </ul>                    | <ul style="list-style-type: none"> <li>Prototyping, evaluation, and analysis of smartphone circuit boards</li> <li>Circuit design for AV equipment</li> </ul> | <ul style="list-style-type: none"> <li>Development of energy system</li> <li>Development of iPhone applications</li> </ul>  | <ul style="list-style-type: none"> <li>Development of PET system</li> <li>Improvement of blood transfusion and infusion sets, design of next set</li> </ul>  | <ul style="list-style-type: none"> <li>Design and development of control board for X-ray imaging system</li> <li>Evaluation of visceral fat measuring device</li> </ul> | <ul style="list-style-type: none"> <li>R&amp;D of walking assist devices</li> <li>R&amp;D of pulse measuring equipment</li> </ul>  |
| Industrial equipment  |   |   | Aerospace machinery  |   |  |
|   |   |   |  |   |  |
| Machinery   | Electronics   | Software  | Machinery  | Electronics   | Software   |
| <ul style="list-style-type: none"> <li>Design and development of industrial robots</li> <li>Design of production line for health products</li> <li>Design and development of machine tools</li> </ul> | <ul style="list-style-type: none"> <li>Development of semiconductor lithography equipment</li> <li>Design and development of production facilities</li> </ul> | <ul style="list-style-type: none"> <li>Development of applications for semiconductor manufacturing equipment</li> <li>Development and validation of software for automatic ticket gate</li> </ul> | <ul style="list-style-type: none"> <li>Design and development of aircraft test jigs</li> <li>Development of passenger aircraft AV equipment</li> <li>Design and development of aircraft</li> </ul> | <ul style="list-style-type: none"> <li>Development of satellite inspection equipment</li> </ul>   | <ul style="list-style-type: none"> <li>R&amp;D of next satellites</li> <li>Development and evaluation of simulators for satellite radio communication equipment</li> </ul> |

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## The Company's Groups corresponding to the work processes of manufacturers

- Upstream processes are markets less affected by economic conditions
- Emphasis on assignment to design and development projects (especially automobile manufacturers)
- Placement in upstream processes results in higher unit prices of engineers



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- Next, while there are many other companies that also offer engineer dispatching services, what sets Artner's engineer dispatching services apart is our extremely high proportion of engineers assigned primarily upstream in the development process.
- Our organizational structure consists of three groups: the High Value Group, which covers R&D; the Wide Value Group, which covers product development; and the Product Value Group, which covers production-related processes.
- The breakdown of engineers is about 20% in the High Value Group, 60% in the Wide Value Group, and 20% in the Product Value Group.
- About 80% of the total number of engineers assigned to upstream processes are taking part in upstream projects.
- This is a hallmark of the sector in which our engineers actively operate.



## Internal programs that can be chosen by engineers



### Performance-based salary system

HV

The High Value Group is responsible for the top-secret, high-level design and development projects of different manufacturers under a performance-based, generous salary system.

### Limited area system

WV

Engineers with three years of work experience (from the fourth year of their career) can limit their area of work to either the Kanto, Chubu, or Kansai region.

### Internal recruitment program

HV

WV

PV

Engineers may switch their affiliation between the HV Group and the WV Group, or between the WV Group and the PV Group.

### Job change assistance program

HV

WV

PV

If the engineer wishes to change jobs and the client/manufacturer to which the engineer is placed wishes to officially hire the engineer, we support their career change. We also provide support for engineers who wish to return to their hometowns to work.

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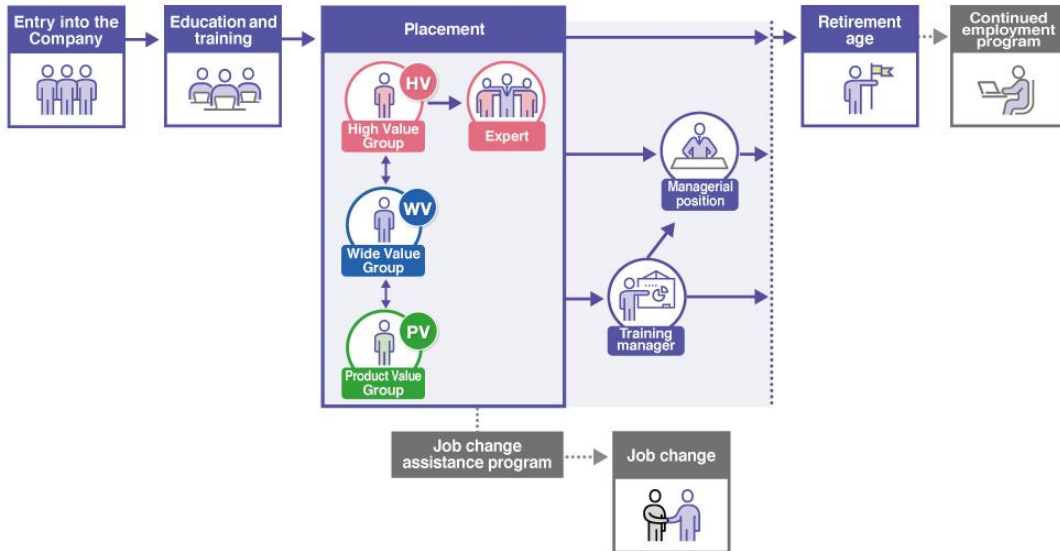
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- Because we divide our engineers into different groups, each group has its own internal employee benefits or wage system, as well as distinct programs.
- One especially unique program is the job change assistance program at the bottom of this list.
- In recent years, the number of students and standard job applicants who find this program appealing and apply has been increasing rapidly.
- If an engineer wishes to change jobs and the client/manufacturer with which the engineer is placed wishes to officially hire the engineer, Artner will support their career change. This type of program is available.
- Many of our employees make use of this program to make a U-turn (returning to their hometown to work), I-turn (moving to the countryside to work), or J-turn (returning to a place near their hometown to work) in their careers.
- This concludes the company overview.

## Career paths of engineers

- We offer various career paths for engineers, such as “to hone their skills in a high-level environment and earn high compensation,” “to work in a particular region,” “to eventually return to work in their hometowns,” and “to shift to employment with a manufacturer.”



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- Moving on, I will report on our financial summary for FY2020.

## Financial summary for FY2020



- Record high income due to the sixth consecutive period of growth in both sales and profit.

### [Market environment]

- The market environment continued to thrive in the transportation equipment field mainly for automobiles, such as electric and hybrid vehicles, and the information and communications field.
- Accelerated development of product software, coupled with automobile driving support technology projects, etc., increased the demand for software engineers.

### [State of engineer dispatching business]

- The number of operative personnel was higher than that for the previous period. (The number of engineers was higher than that for the previous period. Utilization rate remained high. Newly graduated engineers entering the Company in April 2019 were assigned ahead of the initial schedule.)
- The unit price of engineers was higher than that for the previous period.
- Total work person-hours saw a downward trend following work style reforms.

### [State of contracting business]

- Aggressive sales activities led to an increasing number of contracted projects.

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- This sums up our results for FY2020. In terms of the market environment, we enjoyed a thriving market environment with demand driven by transportation equipment manufacturers, which was the same as last year. They were looking for software engineers in particular.
- In terms of the state of our engineer dispatching business, the number of operative personnel increased due to an increase in the number of employees, and the unit price of engineers went up.
- At the same time, total work person-hours, especially overtime work person-hours, continued to decline as a result of work style reforms.
- Concurrently with our policy of increasing the weight of our contracting business, the number of accepted contractual projects is also on the rise due to our aggressive sales pushes.

## Financial results highlights for FY2020



- Net sales up 10.6%, operating profit up 12.8%, ordinary profit up 12.5%, profit up 13.4%. Operating margin 12.7%.

|                  | FY2019                  |                   | FY2020                  |                   | Change from the previous year<br>(million yen) | Change from the previous year<br>(%) |
|------------------|-------------------------|-------------------|-------------------------|-------------------|--|--------------------------------------|
|                  | Result<br>(million yen) | Percentage<br>(%) | Result<br>(million yen) | Percentage<br>(%) |  |                                      |
| Net sales        | 6,331                   | 100.0             | 7,002                   | 100.0             | 671  | 10.6                                 |
| Cost of sales    | 4,033                   | 63.7              | 4,461                   | 63.7              | 428  | 10.6                                 |
| Gross profit     | 2,298                   | 36.3              | 2,540                   | 36.3              | 242  | 10.5                                 |
| SG&A expenses    | 1,513                   | 23.9              | 1,654                   | 23.6              | 141  | 9.3                                  |
| Operating profit | 785                     | 12.4              | 886                     | 12.7              | 101  | 12.8                                 |
| Ordinary profit  | 794                     | 12.5              | 893                     | 12.8              | 99   | 12.5                                 |
| Profit           | 540                     | 8.5               | 613                     | 8.8               | 73   | 13.4                                 |

• The number of operative personnel increased.  
 • The unit price of engineers rose.

• Employee treatment improved.

• Recruitment expenses increased.  
 • The number of administration staff increased.  
 • Newly graduated engineer hires increased.  
 • The floor space of West Japan LC increased.

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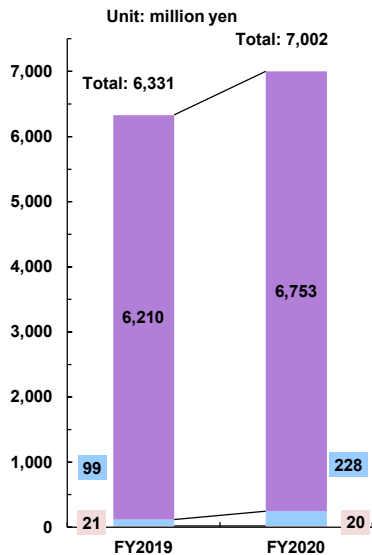
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- Next, let's look at our financial results highlights.
- Net sales were approximately 7.0 billion yen, up 10.6% from the previous year.
- Gross profit grew by 10.5%.
- Operating profit grew by 12.8% to 886 million yen.
- The operating margin was 12.7%.
- Ordinary profit went up 12.5%.
- The ordinary margin was 12.8%.
- Profit went up 13.4%.
- Our profit ended up to be 613 million yen.

## Financial summary for FY2020: Net sales by business



■ Engineer dispatching up 8.7% ■ Contracting up 128.8%



|                               | FY2019               |           | FY2020               |           | Change from the previous year (%) | Percentage variance (pt) |
|-------------------------------|----------------------|-----------|----------------------|-----------|-----------------------------------|--------------------------|
|                               | Result (Million yen) | Ratio (%) | Result (Million yen) | Ratio (%) |                                   |                          |
| Engineer dispatching services | 6,210                | 98.1      | 6,753                | 96.4      | 8.7                               | (1.7)                    |
| Contracting                   | 99                   | 1.6       | 228                  | 3.3       | 128.8                             | 1.7                      |
| Subtotal                      | 6,310                | 99.7      | 6,981                | 99.7      | 10.6                              | 0.0                      |
| Other                         | 21                   | 0.3       | 20                   | 0.3       | (4.8)                             | 0.0                      |
| Total                         | 6,331                | 100.0     | 7,002                | 100.0     | 10.6                              | —                        |

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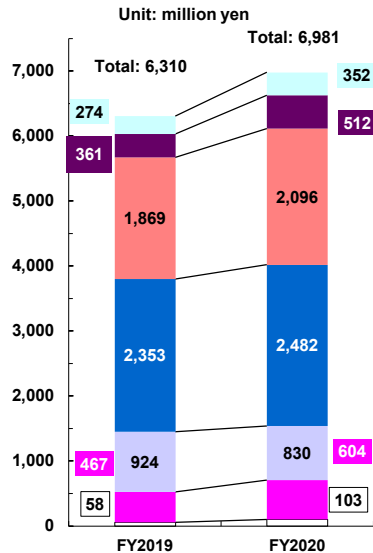
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- Let's look at our financial results by category. This is the composition of net sales by business.
- It shows our engineer dispatching business and contractual dispatching business.
- Engineer dispatching currently generates 96.4% of net sales.
- The contracting business generates 3.3%.
- The remaining 0.3% comes from other business.
- In particular, the weight of contracting has increased from 1.6% last year to 3.3%, almost double its previous level.

## Financial summary for FY2020: Net sales by industry field



- Electrical equipment up 12.1%
- Transportation equipment up 5.5%
- Information and communications up 29.2%



|  | FY2019               |              | FY2020               |              | Change from the previous year (%) | Percentage variance (pt) |
|--|----------------------|--------------|----------------------|--------------|-----------------------------------|--------------------------|
|  | Result (Million yen) | Ratio (%)    | Result (Million yen) | Ratio (%)    |                                   |                          |
| Steel, nonferrous materials and metals | 274                  | 4.4          | 352                  | 5.0          | 28.1                              | 0.7                      |
| Machinery                              | 361                  | 5.7          | 512                  | 7.3          | 41.6                              | 1.6                      |
| Electrical equipment                   | 1,869                | 29.6         | 2,096                | 30.0         | 12.1                              | 0.4                      |
| Transportation equipment               | 2,353                | 37.3         | 2,482                | 35.6         | 5.5                               | (1.7)                    |
| Precision equipment                    | 924                  | 14.6         | 830                  | 11.9         | (10.1)                            | (2.8)                    |
| Information and communications         | 467                  | 7.4          | 604                  | 8.7          | 29.2                              | 1.2                      |
| Miscellaneous                          | 58                   | 0.9          | 103                  | 1.5          | 105.9                             | 0.7                      |
| <b>Total</b>                           | <b>6,310</b>         | <b>100.0</b> | <b>6,981</b>         | <b>100.0</b> | <b>10.6</b>                       | <b>—</b>                 |

\*Excludes sales from "Other" businesses.

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- Here are our net sales by industry field.
- Net sales to clients in the main industries of electrical equipment, transportation equipment, and information and communications increased by 12.1%, 5.5%, and 29.2%, respectively.

## Financial summary for FY2020: Top ten client companies by net sales



### [Top ten by net sales (Standard company name used)]

|    | FY2019                                      |                                       | FY2020                                      |  |
|----|---|---------------------------------------|---|--|
|    | Our clients                                 | Segment                               | Our clients                                 | Segment                                |
| 1  | Honda R&D Co., Ltd.                         | Transportation equipment              | Honda R&D Co., Ltd.                         | Transportation equipment               |
| 2  | Nikon Corporation                           | Precision equipment                   | Nikon Corporation                           | Precision equipment                    |
| 3  | Panasonic Corporation                       | Electrical equipment                  | Sumitomo Electric Industries, Ltd.          | Steel, nonferrous materials and metals |
| 4  | Terumo Corporation                          | Precision equipment                   | Terumo Corporation                          | Precision equipment                    |
| 5  | Sumitomo Electric Industries, Ltd.          | Steel, nonferrous materials and metal | Panasonic Corporation                       | Electrical equipment                   |
| 6  | Tokyo Electron Technology Solutions Limited | Electrical equipment                  | Tokyo Electron Technology Solutions Limited | Electrical equipment                   |
| 7  | JTEKT Corporation                           | Machinery                             | DENSO TEN Limited                           | Electrical equipment                   |
| 8  | Keihin Corporation                          | Transportation equipment              | JTEKT Corporation                           | Machinery                              |
| 9  | Hitachi Automotive Systems, Ltd.            | Transportation equipment              | Daikin Rexxam Electronics Co., Ltd.         | Electrical equipment                   |
| 10 | Daikin Rexxam Electronics Co., Ltd.         | Electrical equipment                  | Keihin Corporation                          | Transportation equipment               |

### [Net sales per 10 companies]

|                            | FY2019               |           | FY2020               |           | Change from the previous year (%) | Percentage variance (pt) |
|----------------------------|----------------------|-----------|----------------------|-----------|-----------------------------------|--------------------------|
|                            | Result (Million yen) | Ratio (%) | Result (Million yen) | Ratio (%) |                                   |                          |
| Top 10 Total               | 3,158                | 50.1      | 3,332                | 47.7      | 5.5                               | (2.3)                    |
| Top 11 to 20 Total         | 825                  | 13.1      | 890                  | 12.8      | 8.0                               | (0.3)                    |
| Top 21 to 30 Total         | 660                  | 10.5      | 583                  | 8.4       | (11.7)                            | (2.1)                    |
| Other than the above Total | 1,665                | 26.4      | 2,175                | 31.2      | 30.6                              | 4.8                      |
| Total                      | 6,310                | 100.0     | 6,981                | 100.0     | 10.6                              | —                        |

\*Excludes sales from "Other" businesses.

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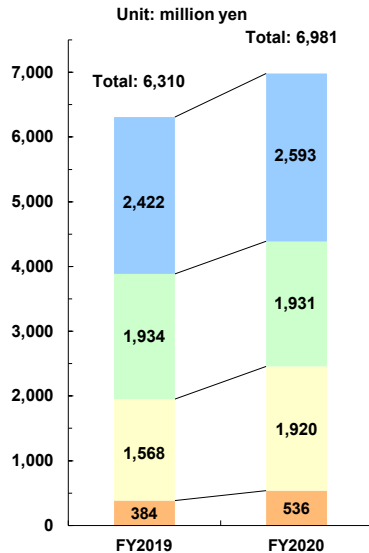
- Based on those results, here are our clients with top ten net sales.



## Financial summary for FY2020: Net sales by business field



- Machinery up 7.1% ■ Control software up 22.4%
- Data processing up 39.5%



|                  | FY2019               |           | FY2020               |           | Change from the previous year (%) | Percentage variance (pt) |
|------------------|----------------------|-----------|----------------------|-----------|-----------------------------------|--------------------------|
|                  | Result (million yen) | Ratio (%) | Result (million yen) | Ratio (%) |                                   |                          |
| Machinery        | 2,422                | 38.4      | 2,593                | 37.2      | 7.1                               | (1.2)                    |
| Electronics      | 1,934                | 30.7      | 1,931                | 27.7      | (0.2)                             | (3.0)                    |
| Control software | 1,568                | 24.9      | 1,920                | 27.5      | 22.4                              | 2.6                      |
| Data processing  | 384                  | 6.1       | 536                  | 7.7       | 39.5                              | 1.6                      |
| Total            | 6,310                | 100.0     | 6,981                | 100.0     | 10.6                              | —                        |

\*Excludes sales from "Other" businesses.

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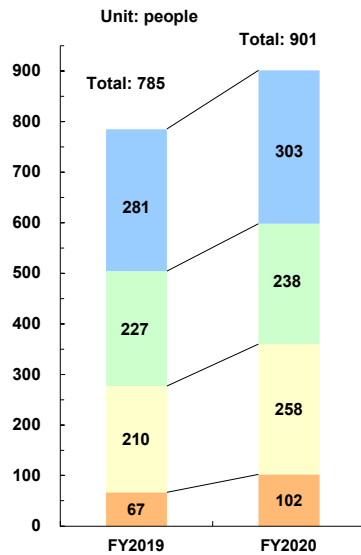
25

- Next, this is our net sales by business field.
- In the software and control software field, where demand was particularly strong, net sales were up 22.4%.
- In the data processing field, net sales went up 39.5%.
- We predict that this demand for software engineers will likely continue from next year onwards, and we have already begun hiring more software engineers.

## Financial summary for FY2020: Term-end engineer count by business field



- Machinery up 7.8%
- Control software up 22.9%
- Data processing up 52.2%



|                  | FY2019          |           | FY2020          |           | Change from the previous year (%) | Percentage variance (pt) |
|------------------|-----------------|-----------|-----------------|-----------|-----------------------------------|--------------------------|
|                  | Result (People) | Ratio (%) | Result (People) | Ratio (%) |                                   |                          |
| Machinery        | 281             | 35.8      | 303             | 33.6      | 7.8                               | (2.2)                    |
| Electronics      | 227             | 28.9      | 238             | 26.4      | 4.8                               | (2.5)                    |
| Control software | 210             | 26.8      | 258             | 28.6      | 22.9                              | 1.9                      |
| Data processing  | 67              | 8.5       | 102             | 11.3      | 52.2                              | 2.8                      |
| Total            | 785             | 100.0     | 901             | 100.0     | 14.8                              | —                        |

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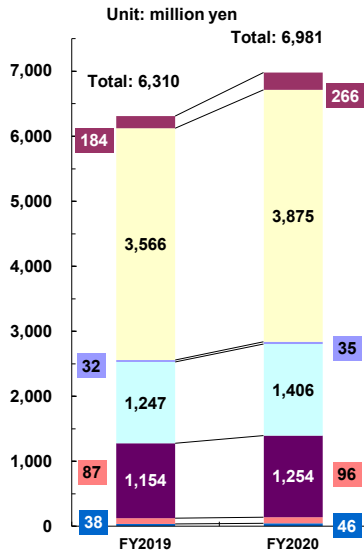
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- And here is our term-end engineer count.
- Discounting our engineers working in data processing, our mechanical, electrical, and control software engineers are generally balanced numbers-wise, with roughly 250 to 300 engineers per category.
- The total number of engineers at the end of the fiscal year was 901.

## Financial summary for FY2020: Net sales by region



■ Kanto up 8.7% ■ Tokai up 12.7% ■ Kinki up 8.7%



|          | FY2019               |           | FY2020               |           | Change from the previous year (%) | Percentage variance (pt) |
|----------|----------------------|-----------|----------------------|-----------|-----------------------------------|--------------------------|
|          | Result (million yen) | Ratio (%) | Result (million yen) | Ratio (%) |                                   |                          |
| Tohoku   | 184                  | 2.9       | 266                  | 3.8       | 44.5                              | 0.9                      |
| Kanto    | 3,566                | 56.5      | 3,875                | 55.5      | 8.7                               | (1.0)                    |
| Hokuriku | 32                   | 0.5       | 35                   | 0.5       | 11.2                              | 0.0                      |
| Tokai    | 1,247                | 19.8      | 1,406                | 20.1      | 12.7                              | 0.4                      |
| Kinki    | 1,154                | 18.3      | 1,254                | 18.0      | 8.7                               | (0.3)                    |
| Chugoku  | 87                   | 1.4       | 96                   | 1.4       | 10.5                              | (0.0)                    |
| Kyushu   | 38                   | 0.6       | 46                   | 0.7       | 22.1                              | 0.1                      |
| Total    | 6,310                | 100.0     | 6,981                | 100.0     | 10.6                              | —                        |

\*Excludes sales from "Other" businesses.

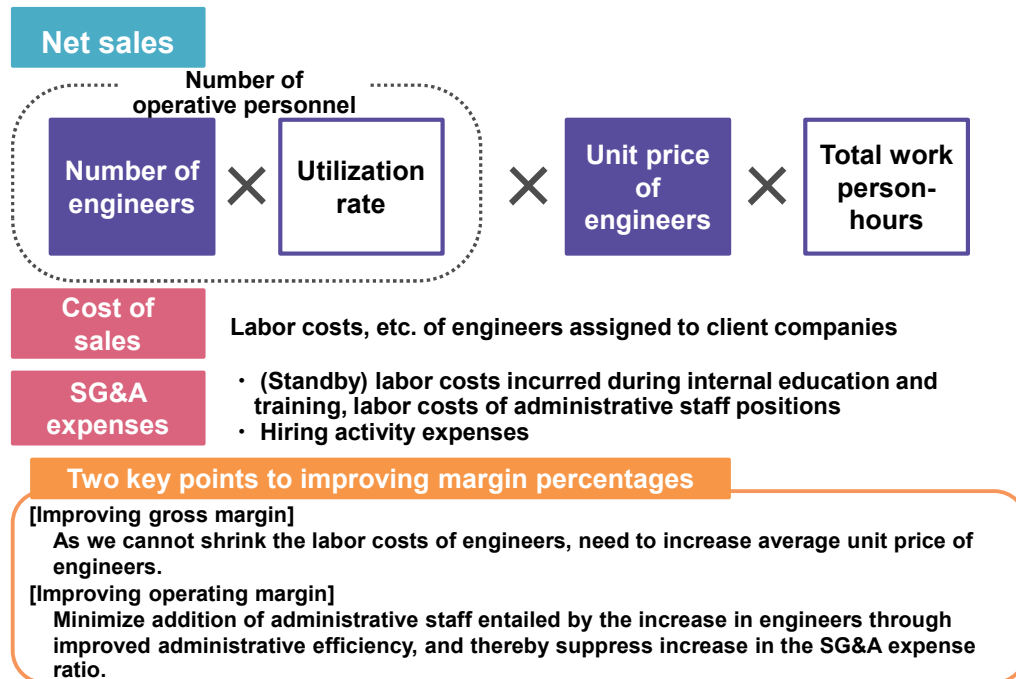
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- Next is our net sales by region.
- Sales in the Kanto, Tokai, and Kinki regions increased compared to the previous year.
- We are currently putting effort into client development in the Tohoku, Chugoku, Shikoku, and Kyushu regions, particularly in the hopes of improving recruitment.

## Stance on engineer dispatching business net sales, expenses, and improving margin percentages



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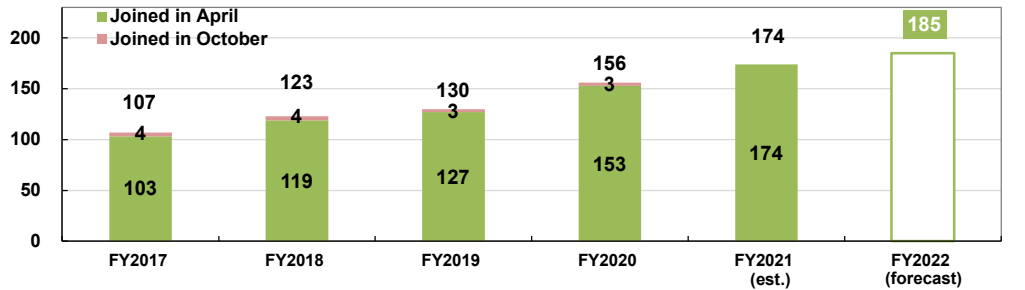
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- Depicted here is our sales or profit structure in the engineer dispatching business.
- Net sales are calculated by multiplying the number of operative personnel by the unit price and total work person-hours.
- Then there is our engineers' salaries. Salaries, the next line item, are the cost of sales.
- Subtracting personnel and SG&A expenses from this results in our operating profit.
- Finally, we have summarized two key points to improving margin percentages: improving gross profit and improving the operating margin.
- Please read through it later.

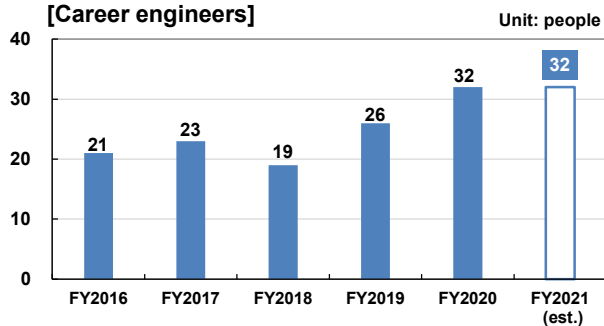
## Engineer hires for FY2020 / turnover rate



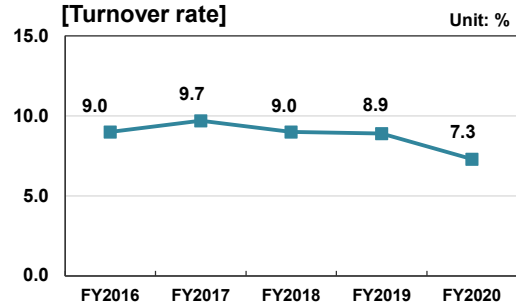
[Newly graduated engineers]



[Career engineers]



[Turnover rate]



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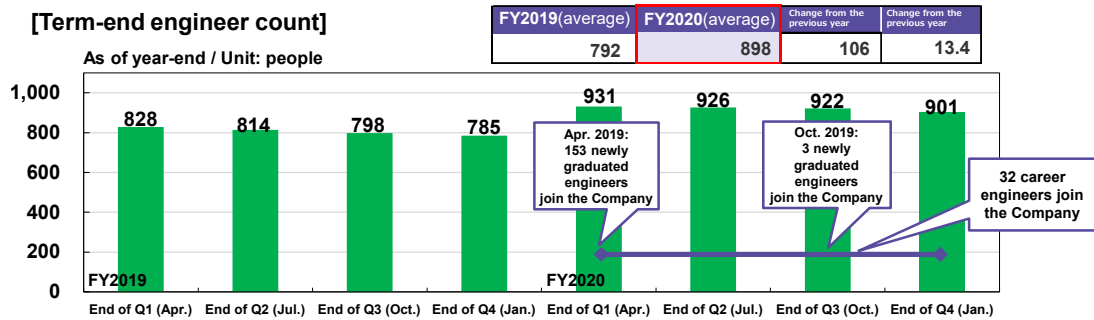
29

- This next page contains supplementary information about the number of engineers hired.
- First, 174 newly graduated engineers plan to join the company on April 1, 2020.
- Of that number, three are non-Japanese engineers.
- We are currently working under the assumption that 185 newly graduated engineers will be joining us next year in April 2021.
- As for our career hires, our estimate for FY2021 is 32 engineers, the same as the previous year.
- The turnover rate was 7.3% in FY2020.
- The turnover rate continues to improve on a year-to-year basis.

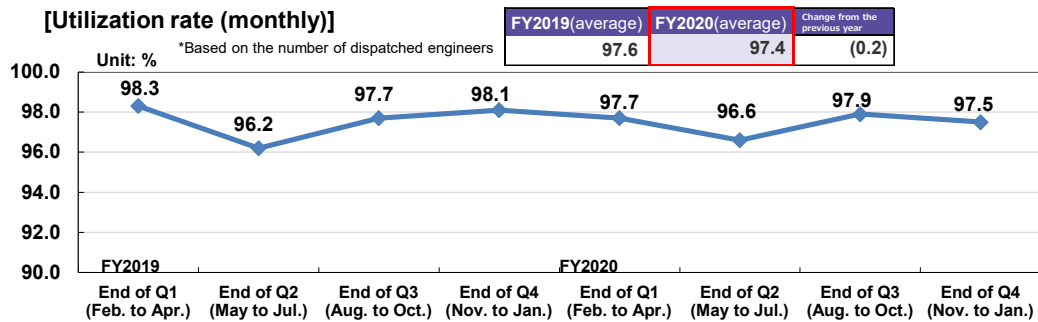
## Financial summary for FY2020: Term-end engineer count / utilization rate



### [Term-end engineer count]



### [Utilization rate (monthly)]



\*New employees and others who joined the Company mid-year are not included in the utilization rate until after they are dispatched to their assignments.

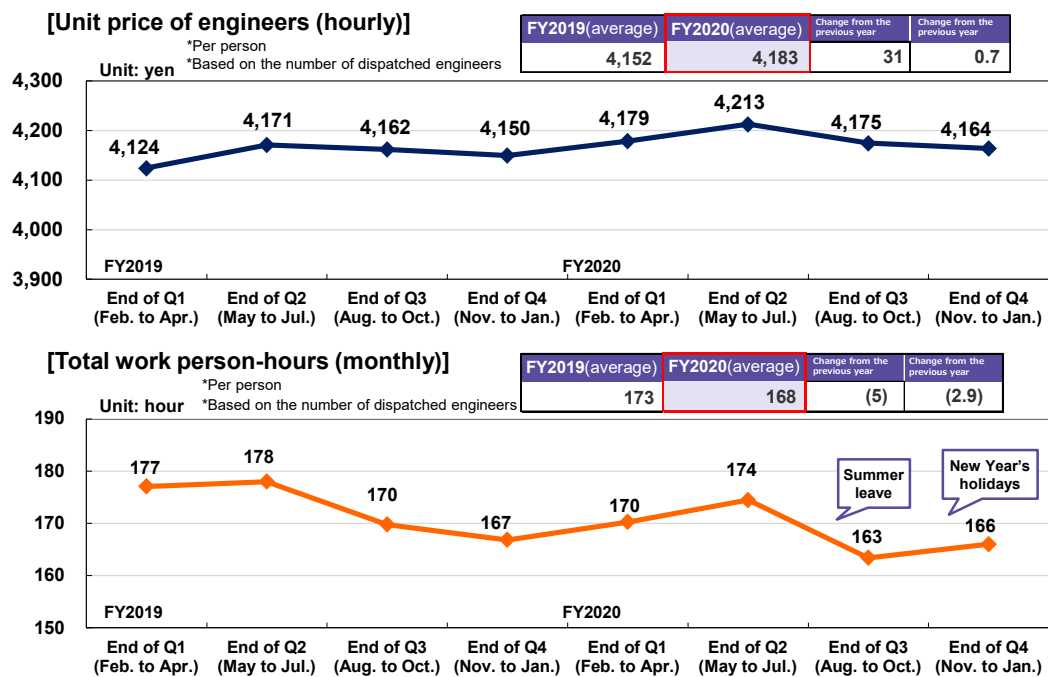
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- This page is also supplemental, and it shows that we had 901 engineers at the end of the term.
- This is a graph depicting the utilization rate of our engineers on a quarterly basis.

## Financial summary for FY2020: Unit price of engineers / total work person-hours



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- This graph shows the unit price of engineers, which is the unit price per hour.
- The graph below it shows the total work person-hours, which is a monthly average.

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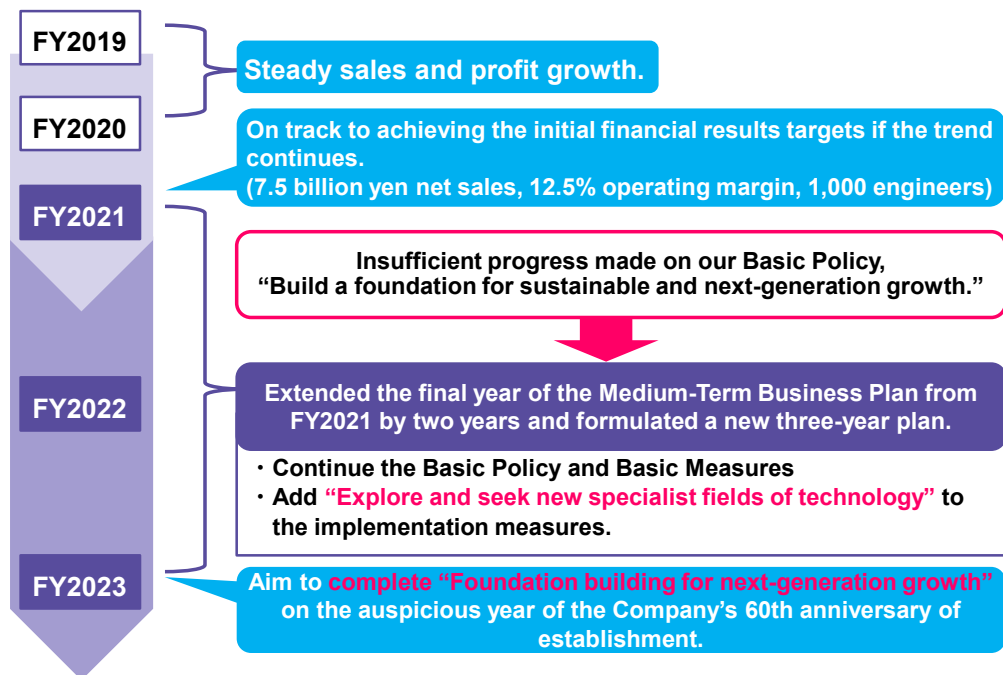
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- This concludes our financial summary for FY2020.
- Moving on, I would like to present our Medium-Term Business Plan.



## Background of the Medium-Term Business Plan (FY2021 to FY2023)



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- Initially, we were implementing a three-year Medium-Term Business Plan for 2018, 2019, and 2020, shown here as FY2019, FY2020, and FY2021.
- However, we did not make sufficient progress on our Basic Policy to build a foundation, so we decided to extend the Medium-Term Business Plan by two years. We then rolled over the new Medium-Term Business Plan to cover the three year period of FY2021, FY2022, and FY2023.
- Despite this change, we still expect to achieve the numerical targets announced externally for the initial three-year period: 7.5 billion yen in net sales, a 12.5% operating margin, and a term-end engineer count of 1,000 engineers by the end of the fiscal year, even with the budget at the end of the previous Medium-Term Business Plan.
- We will continue to strive toward the completion of our basic measures for another three years.

## <Basic Policy>

**“Build a foundation for sustainable and next-generation growth”**

**“Make Value! For the Next 2020-2022”**

## Basic Measures

### 1. Promote strategies by segment

- Develop strategies for each segment (recruitment - education - assignment - system).
- Establish approaches to markets by segment.
- Explore and seek new specialist fields of technology.

### 2. Promote diversity and inclusion in talent management

- Utilize workers of retirement age, women, and foreign workers (overseas students) as personnel.
- Utilize and organize partner companies (set up a contracting system).

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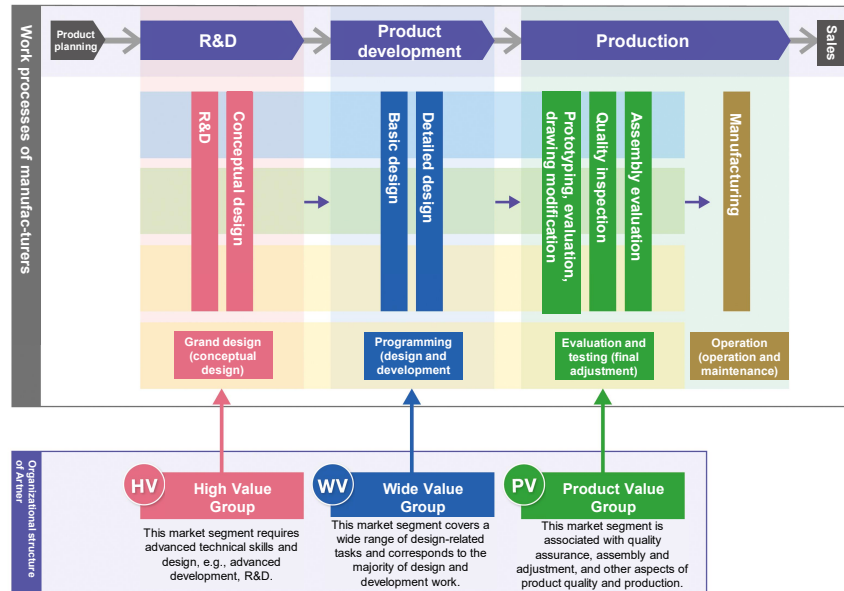
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- This is the Basic Policy and Basic Measures in our current Medium-Term Business Plan.
- In particular, one of our Basic Measures is to promote strategies for each segment.
- Our second measure is to promote diversity and inclusion in talent management.
- To do this, we will establish a contracting system.
- We will remain resolute in regard to these two initiatives.

## Approaches to markets by segment

- In order to meet the needs of our clients and cater to increasingly diverse business areas in manufacturing processes, we implement strategies stratified into three segments to realize a high match rate between our engineers and clients.



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- First, let's go over the first Basic Measure in more detail.
- This Basic Measure is to approach each market by segment, further strengthening the upstream processes of High Value and Wide Value, which we introduced earlier.

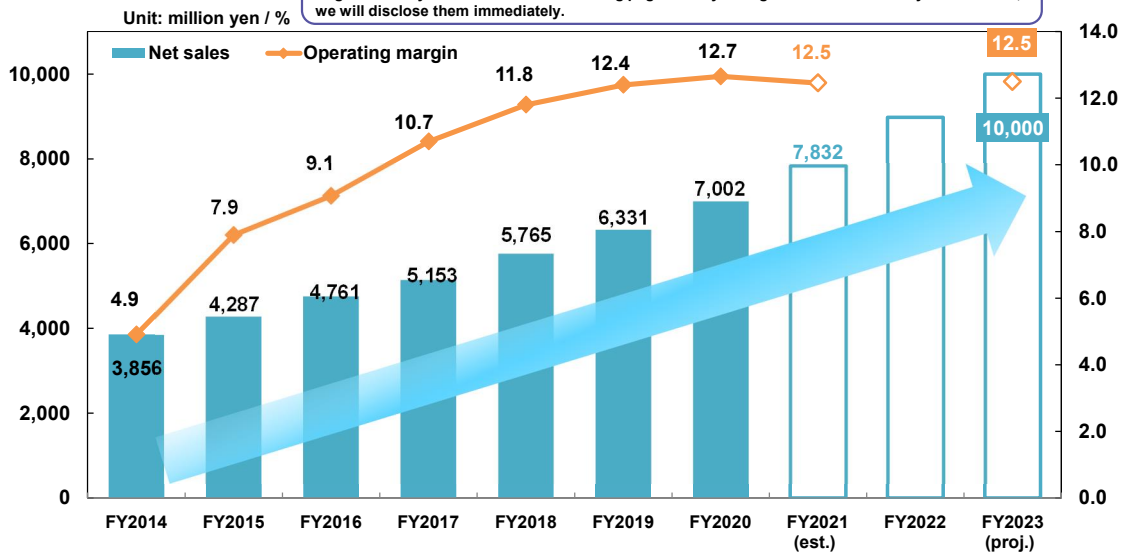
## Numerical business targets <FY2023 (final year) earnings and sales targets>



**Net sales** **10.0 billion yen**

**Operating margin** **12.5%**

It is currently difficult to ascertain the effect the increasing spread of COVID-19 will have on our performance, so its potential impact is not factored into the above Medium-Term Business Plan targets and key indicators on the following pages. If any changes become necessary in the future, we will disclose them immediately.



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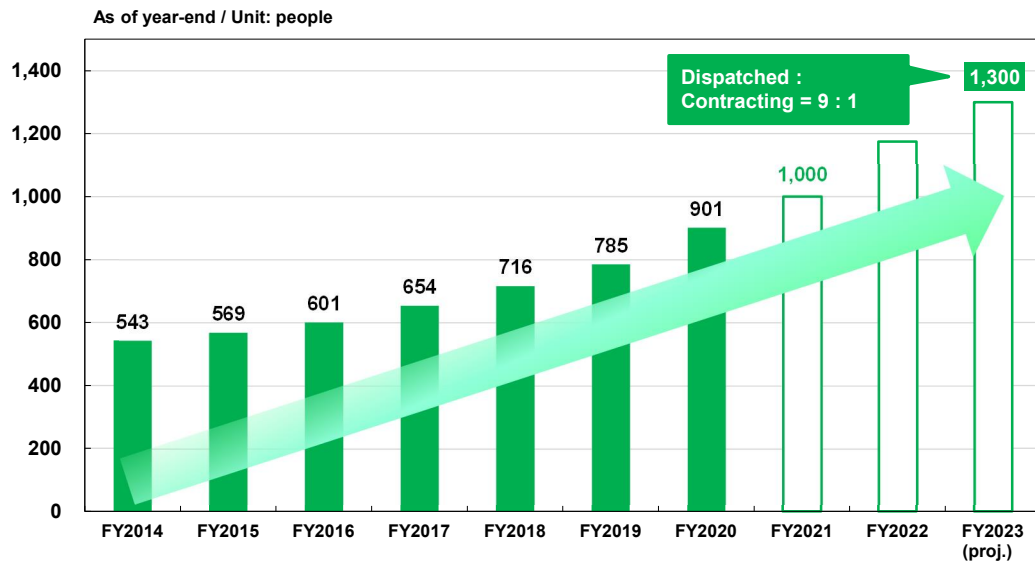
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- Next, these are our numerical business targets.
- Our sales target for FY2023, the final year of the Medium-Term Business Plan, is 10.0 billion yen.
- We will maintain an operating margin of 12.5%.

## Numerical business targets <FY2023 (final year) key indicators>



**Number of engineers** **1,300**



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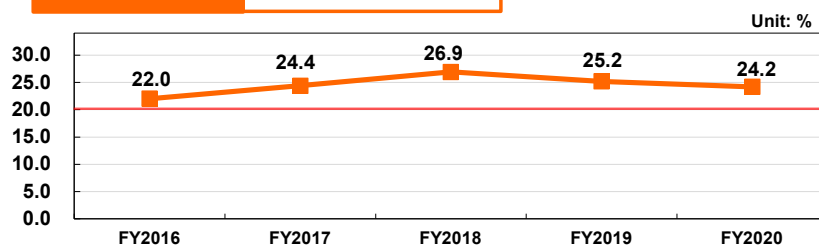
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- We also aim to add 300 engineers to arrive at a total of 1,300 engineers.
- We would like to aim for a final ratio of 9:1 dispatched to contracting engineers.

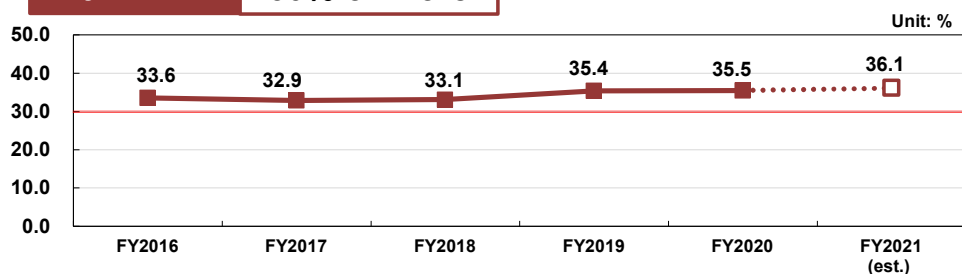
## Numerical business targets <FY2023 (final year) key indicators>



### ROE 20% or more



### Payout ratio 30% or more



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- We are also looking to maintain an ROE of 20% or more and a dividend payout ratio of 30% or more as our key business indicators.

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- Lastly, I would like to present our forecast of financial results and dividend for next fiscal year, FY2021, which is our 59th term.

## Forecast of financial results for FY2021 / prerequisites



- Assuming that the number of engineers increases and that the utilization rate and the unit price of engineers remain at the same level as those in the previous year, we forecast the seventh consecutive period of growth in both sales and profit and an operating margin of 12.5%.

It is currently difficult to ascertain the effect the increasing spread of COVID-19 will have on our performance, so the forecast of financial results below does not factor in its potential impact. If any changes become necessary in the future, we will disclose them immediately.

### [Forecast of financial results for FY2021]

|                                | FY2020 |                | FY2021   |                | Change from the previous year | Change from the previous year (%) |
|--------------------------------|--------|----------------|----------|----------------|-------------------------------|-----------------------------------|
|                                | Result | Percentage (%) | Forecast | Percentage (%) |                               |                                   |
| Net sales (million yen)        | 7,002  | 100.0          | 7,832    | 100.0          | 830                           | 11.9                              |
| Operating profit (million yen) | 886    | 12.7           | 975      | 12.5           | 89                            | 10.1                              |
| Ordinary profit (million yen)  | 893    | 12.8           | 979      | 12.5           | 86                            | 9.6                               |
| Profit (million yen)           | 613    | 8.8            | 677      | 8.6            | 64                            | 10.4                              |

### [Prerequisites for FY2021]

|   |       |                              |    |      |
|---|-------|------------------------------|----|------|
| Newly graduated engineers(April, October)<br>(people) | 156   | 174                          | 18 | 11.5 |
| Career engineers (people)                             | 32    | 32                           | 0  | 0.0  |
| Turnover rate (%)                                     | 7.3   | Same level as preceding year |    |      |
| Utilization rate (%)                                  | 97.4  | Same level as preceding year |    |      |
| Unit price of engineers (yen)                         | 4,183 | Same level as preceding year |    |      |

|   |     |
|---|-----|
| Newly graduated engineers joining in April 2021(people) | 185 |
|---|-----|

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- As you can see in the rounded rectangle, it is currently difficult to ascertain the effect the increasing spread of COVID-19 will have on our performance, so the forecast of financial results below does not factor in its potential impact at the present time.
- We will conduct a thorough investigation at a later date when its impact becomes more apparent, and if revisions must be made, we will disclose said revisions as soon as possible.
- With this in mind, our forecast of financial results for FY2021 is 7.832 billion yen in net sales, an increase of 11.9% over the previous year.
- We forecast operating profit to grow by 10.1% to 975 million yen.
- Ordinary profit will grow by 9.6% to 979 million yen.
- Our forecast of financial results is that profit will grow by 10.4% to 677 million yen.
- The prerequisites for these results are shown in the lower graph.
- First, we need to hire 174 newly graduated engineers.
- Thirty-two career engineers must enter the company.
- The budget is based on the assumption that the turnover rate, utilization rate, and unit price of engineers are the same level as the preceding year.
- Our target for the recruitment of new graduates is to have 185 engineers joining in April 2021.
- We are working on a recruitment budget for this.



## FY2020 / FY2021 Dividend per share

- FY2020...Ordinary dividend (year-end) 10.5 yen (**1.5 yen more** than initial forecast of 9.0 yen).  
Combined with the interim dividend of 10.0 yen, the total ordinary dividend was 20.5 yen.
- FY2021...Expected ordinary dividend 23.0 yen (interim 11.5 yen, year-end 11.5 yen). (Ordinary dividend **up 2.5 yen**)

|              | Annual dividends per share<br>(yen) |                 |       |                           |       | Dividend<br>yield<br>(%) | Payout<br>ratio<br>(%) | Dividend<br>on<br>equity ratio<br>(DOE)<br>(%) |
|--------------|-------------------------------------|-----------------|-------|---------------------------|-------|--------------------------|------------------------|--|
|              | ordinary dividend                   |                 |       | commemorative<br>dividend | Total |                          |                        |  |
|              | Second quarter-end                  | Fiscal year-end | Total |                           |       |                          |                        |  |
| FY2020       | 7.50                                | 8.00            | 15.50 | 2.50                      | 18.00 | 1.63                     | 35.4                   | 8.9  |
| FY2021       | 10.00                               | 10.50           | 20.50 |                           |       | 2.26                     | 35.5                   | 8.6  |
| FY2022(est.) | 11.50                               | 11.50           | 23.00 |                           |       | 2.85                     | 36.1                   |  |

\*Dividend yield (%) = individual dividend per share (total) ÷ stock price (beginning of the fiscal year, closing price) × 100  
 FY2019 (Closing value at beginning of year): 2,212 yen (before 2-for-1 stock split),  
 FY2020 (Closing value at beginning of year): 906 yen,  
 FY2021 (Closing value at beginning of year): 807 yen

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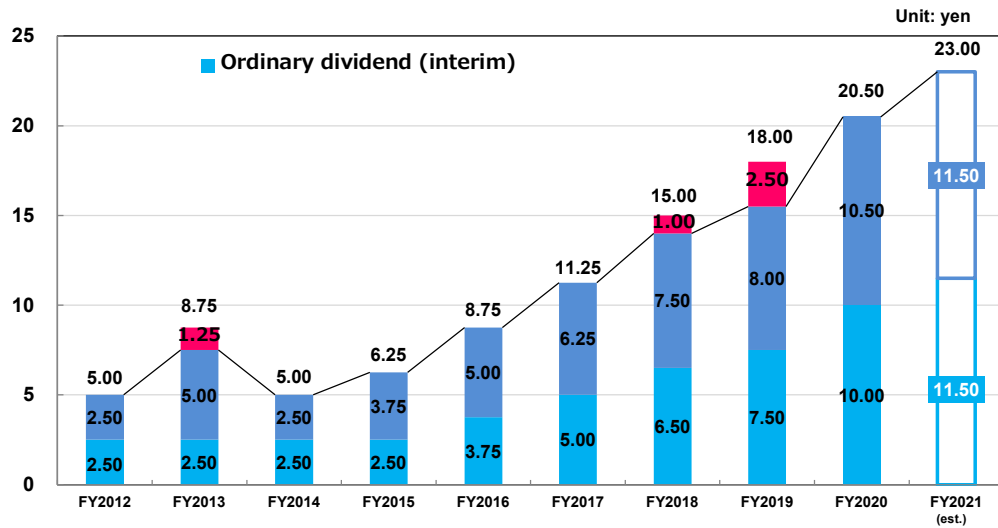
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- Next, let's look at our dividend forecast.
- First, the year-end ordinary dividend for FY2020 is 10.5 yen.
- The initial forecast was 9.0 yen, so we plan to increase the dividend by 1.5 yen.
- We already paid an interim dividend of 10.0 yen, so combined with this, the annual ordinary dividend will be 20.5 yen.
- As for FY2021, we expect to pay an ordinary dividend of 23.0 yen, consisting of an interim dividend of 11.5 yen and a year-end dividend of 11.5 yen.
- The ordinary dividend will be 2.5 yen more than the previous year.

## Dividend per share

- The Company considers it its top priority in business to pay stable dividends to shareholders and investors.



\*Dividends per share were retroactively revised to factor in the impact of stock splits conducted as follows.  
 • February 1, 2011 (3-for-1 stock split) • February 1, 2017 (2-for-1 stock split) • April 1, 2018 (2-for-1 stock split)

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- Lastly, this graph shows the trends in our annual dividends.

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- Section five consists of reference materials.
- This concludes our presentation explaining Artner's company overview, financial summary for FY2020, Medium-Term Business Plan, forecast of financial results for FY2021, and dividend forecast.
- Thank you very much for your time and attention.

## Impact of “equal pay for equal work” on our financial results and corporate activities



**Entered into force  
April 2020:**

**Revised Worker Dispatching Act (realization of  
equal pay for equal work)**

The dispatching business operators must ensure fair treatment of dispatched workers by either of the following methods for determining treatment.

(Equal and balanced treatment method) ... Equal and balanced treatment between dispatched workers and regular workers employed by clients

(Labor-management agreement method) ... Treatment based on a labor-management agreement that meets certain requirements

### **[Our response]**

- Selected the labor-management agreement method as the method for determining treatment.
- Compare the wages of all employees with the standard wages for recruited jobs in the Employment Security Service Statistics.
- Conclude a labor-management agreement with the labor union regarding treatment that meets certain requirements.
- Corrective measures for employees for whom certain requirements are unmet.



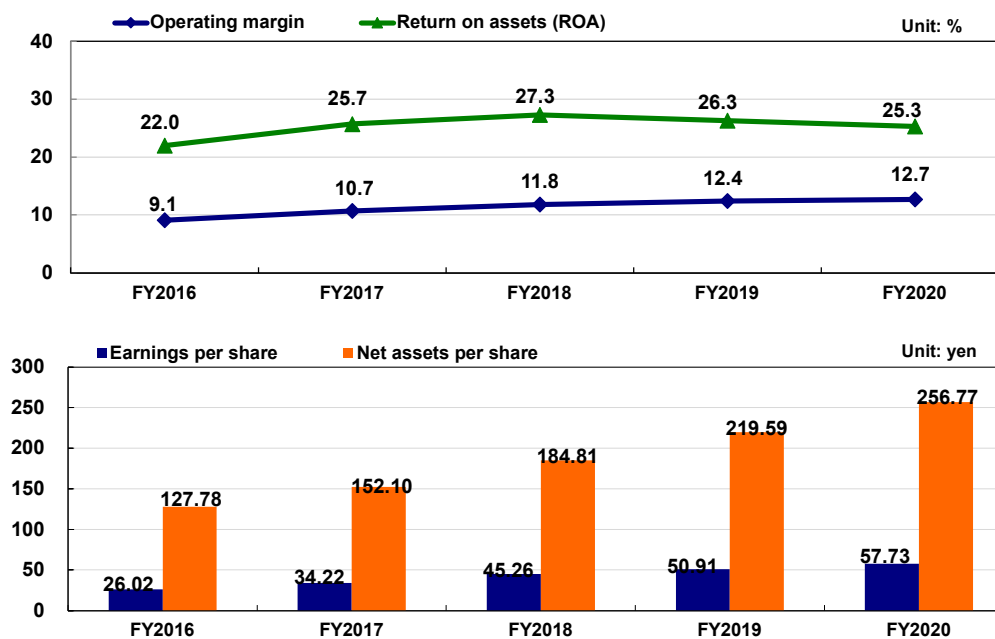
**Even if the above corrective measures are taken,  
the impact on the Company's profit will be negligible.**

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## Operating margin / ROA / earnings per share and net assets per share

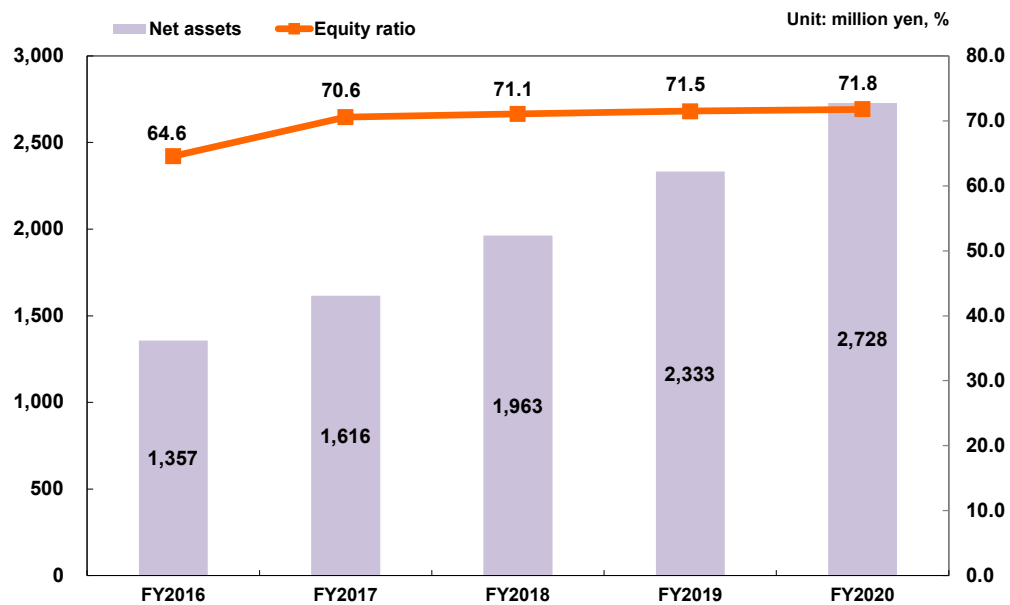


\*Earnings per share and net assets per share were retroactively revised to factor in the impact of stock splits conducted as follows.  
 • February 1, 2017 (2-for-1 stock split) • April 1, 2018 (2-for-1 stock split)

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## Net assets / equity ratio



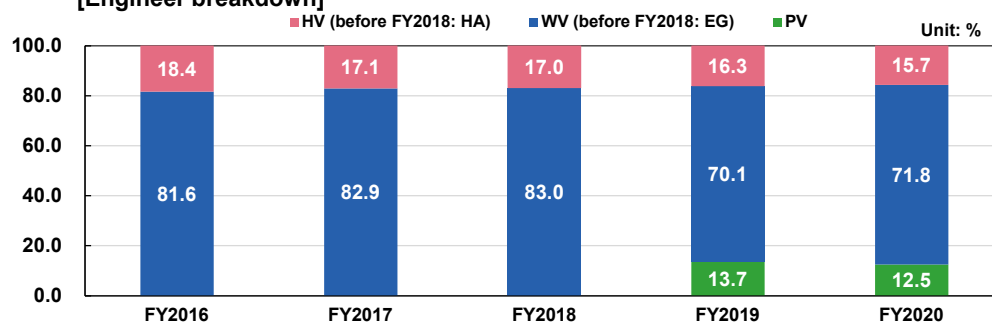
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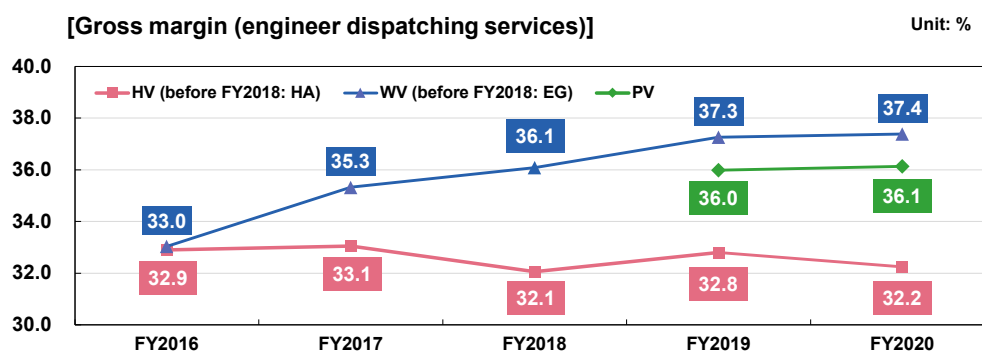
## Engineer breakdown / gross margin by HV (former HA), WV (former EG), and PV groups



[Engineer breakdown]



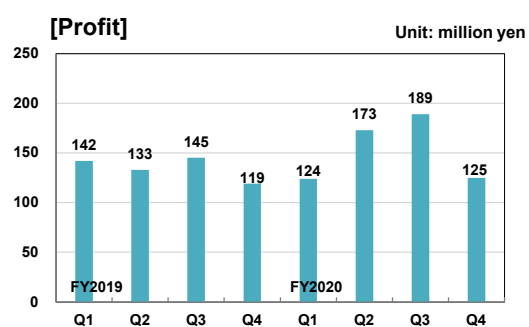
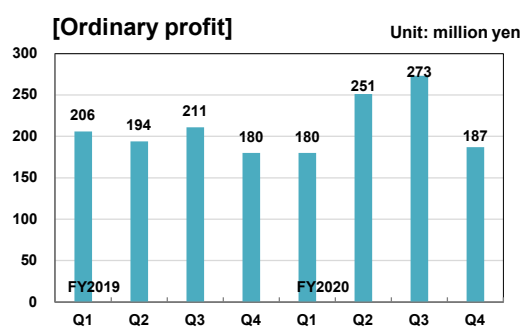
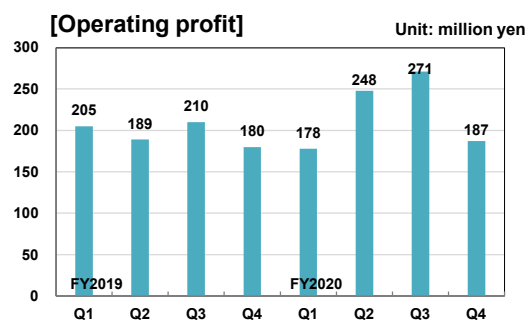
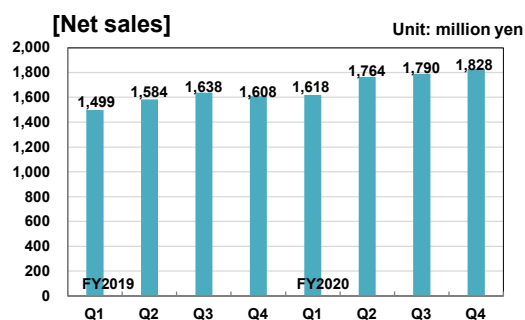
[Gross margin (engineer dispatching services)]



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## Quarterly (accounting period) financial results



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## Quarterly (accounting period) financial results, numerical data



### [FY2020]

|                  | Q1                      |                        |            |              | Q2                      |                        |            |              | Q3                      |                        |            |              | Q4                      |                        |            |              |
|------------------|-------------------------|------------------------|------------|--------------|-------------------------|------------------------|------------|--------------|-------------------------|------------------------|------------|--------------|-------------------------|------------------------|------------|--------------|
|                  | Result<br>(million yen) | Percent<br>-age<br>(%) | YOY<br>(%) | * (1)<br>(%) | Result<br>(million yen) | Percent<br>-age<br>(%) | YOY<br>(%) | * (1)<br>(%) | Result<br>(million yen) | Percent<br>-age<br>(%) | YOY<br>(%) | * (1)<br>(%) | Result<br>(million yen) | Percent<br>-age<br>(%) | YOY<br>(%) | * (1)<br>(%) |
| Net sales        | 1,618                   | 100.0                  | 7.9        | 23.1         | 1,764                   | 100.0                  | 11.3       | 25.2         | 1,790                   | 100.0                  | 9.3        | 25.6         | 1,828                   | 100.0                  | 13.7       | 26.1         |
| Cost of sales    | 1,005                   | 62.1                   | 8.8        | 22.5         | 1,078                   | 61.2                   | 9.8        | 24.2         | 1,148                   | 64.1                   | 6.6        | 25.7         | 1,229                   | 67.2                   | 17.1       | 27.5         |
| Gross Profit     | 613                     | 37.9                   | 6.6        | 24.1         | 685                     | 38.8                   | 13.7       | 27.0         | 642                     | 35.9                   | 14.3       | 25.3         | 599                     | 32.8                   | 7.3        | 23.6         |
| SG&A expenses    | 434                     | 26.8                   | 17.4       | 26.2         | 436                     | 24.7                   | 5.6        | 26.4         | 371                     | 20.7                   | 5.5        | 22.4         | 412                     | 22.6                   | 9.1        | 24.9         |
| Operating profit | 178                     | 11.1                   | (12.9)     | 20.2         | 248                     | 14.1                   | 31.4       | 28.1         | 271                     | 15.1                   | 29.0       | 30.6         | 187                     | 10.2                   | 3.7        | 21.1         |
| Ordinary profit  | 180                     | 11.2                   | (12.8)     | 20.2         | 251                     | 14.3                   | 29.6       | 28.2         | 273                     | 15.3                   | 29.2       | 30.6         | 187                     | 10.3                   | 3.7        | 21.0         |
| Profit           | 124                     | 7.7                    | (12.5)     | 20.3         | 173                     | 9.9                    | 30.4       | 28.3         | 189                     | 10.6                   | 30.3       | 30.9         | 125                     | 6.9                    | 4.8        | 20.5         |

\* (1) Quarterly composition of full-year financial results

### [FY2019]

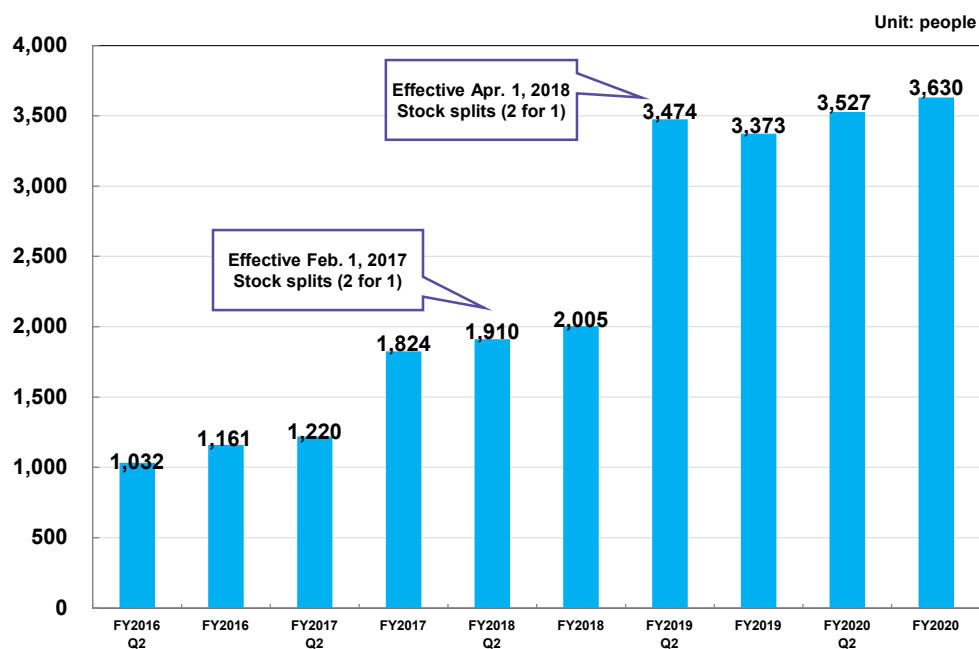
|                  | Q1                      |                        |            |              | Q2                      |                        |            |              | Q3                      |                        |            |              | Q4                      |                        |            |              |
|------------------|-------------------------|------------------------|------------|--------------|-------------------------|------------------------|------------|--------------|-------------------------|------------------------|------------|--------------|-------------------------|------------------------|------------|--------------|
|                  | Result<br>(million yen) | Percent<br>-age<br>(%) | YOY<br>(%) | * (2)<br>(%) | Result<br>(million yen) | Percent<br>-age<br>(%) | YOY<br>(%) | * (2)<br>(%) | Result<br>(million yen) | Percent<br>-age<br>(%) | YOY<br>(%) | * (2)<br>(%) | Result<br>(million yen) | Percent<br>-age<br>(%) | YOY<br>(%) | * (2)<br>(%) |
| Net sales        | 1,499                   | 100.0                  | 8.4        | 23.7         | 1,584                   | 100.0                  | 9.6        | 25.0         | 1,638                   | 100.0                  | 11.8       | 25.9         | 1,608                   | 100.0                  | 9.5        | 25.4         |
| Cost of sales    | 924                     | 61.6                   | 10.2       | 22.9         | 982                     | 62.0                   | 6.8        | 24.4         | 1,076                   | 65.7                   | 7.6        | 26.7         | 1,049                   | 65.3                   | 8.6        | 26.0         |
| Gross Profit     | 575                     | 38.4                   | 5.7        | 25.0         | 602                     | 38.0                   | 14.3       | 26.2         | 562                     | 34.3                   | 20.9       | 24.4         | 558                     | 34.7                   | 11.0       | 24.3         |
| SG&A expenses    | 369                     | 24.6                   | 6.0        | 24.4         | 413                     | 26.1                   | 15.8       | 27.3         | 351                     | 21.5                   | 5.8        | 23.2         | 378                     | 23.5                   | 18.2       | 25.0         |
| Operating profit | 205                     | 13.7                   | 5.2        | 26.2         | 189                     | 11.9                   | 11.3       | 24.1         | 210                     | 12.8                   | 58.5       | 26.8         | 180                     | 11.2                   | (1.5)      | 23.0         |
| Ordinary profit  | 206                     | 13.8                   | 5.4        | 26.1         | 194                     | 12.3                   | 11.2       | 24.5         | 211                     | 12.9                   | 56.8       | 26.7         | 180                     | 11.3                   | (1.7)      | 22.8         |
| Profit           | 142                     | 9.5                    | 4.1        | 26.3         | 133                     | 8.4                    | 11.4       | 24.7         | 145                     | 8.9                    | 56.5       | 26.9         | 119                     | 7.4                    | (9.0)      | 22.1         |

\* (2) Quarterly composition of full-year financial results

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## Term-end shareholder numbers



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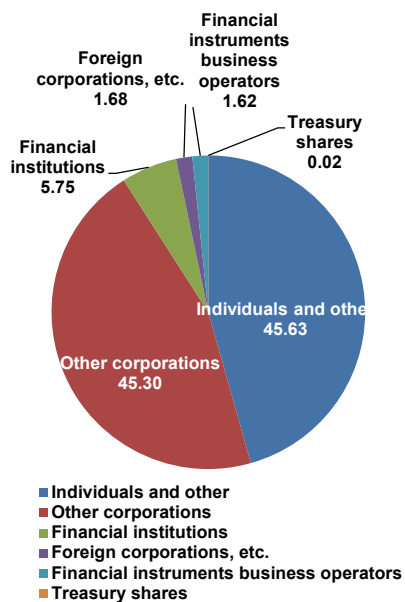
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## Data by owner category (As of January 31, 2020)



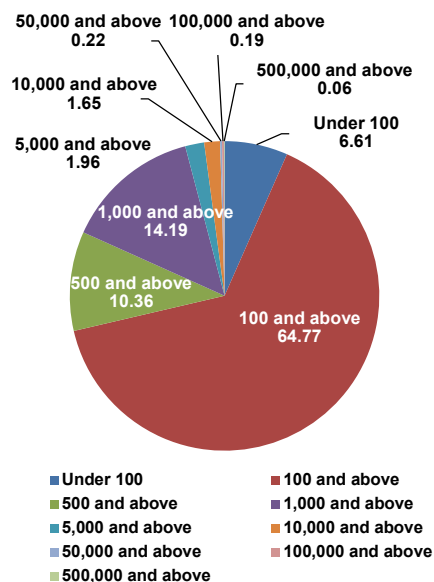
### ■ Share Distribution by Owner Category

Unit: %



### ■ Shareholder Distribution by Number of Shares Held

Unit: %



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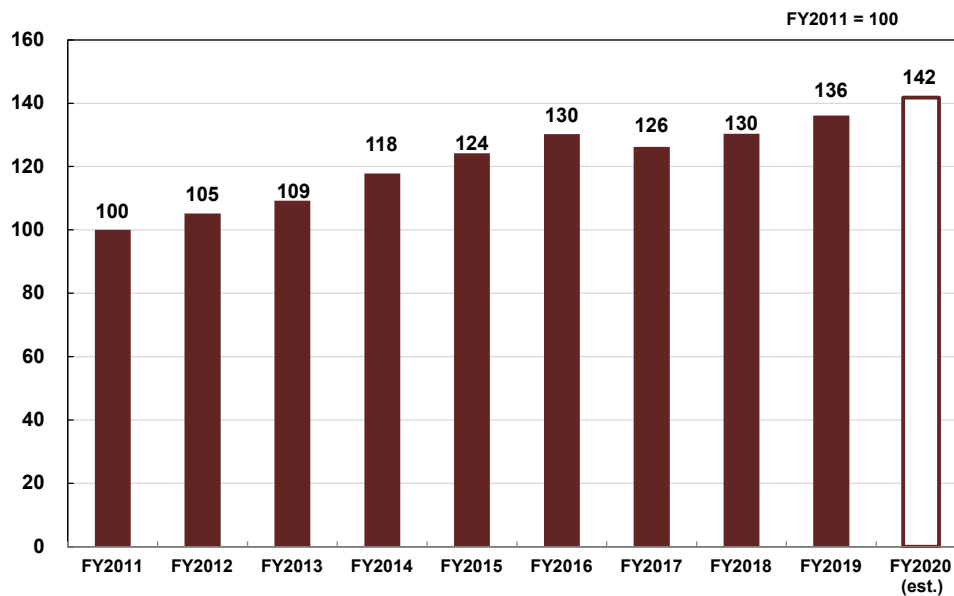
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## Our clients' R&D costs



### ■ The R&D costs of our client manufacturers have remained steady



\*Calculations were made by using the data of FY2011 as 100 (baseline).

\*The costs of our listed clients whose fiscal year ends on March 31 were totaled.

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## Company Information



|  |  |
|--|--|
| <b>Name</b>                            | Artner Co., Ltd.   |
| <b>Founded</b>                         | September 18, 1962   |
| <b>Representative</b>                  | President and CEO SEKIGUCHI Sozo   |
| <b>Share listing</b>                   | First Section of the Tokyo Stock Exchange (Securities code: 2163)  |
| <b>General Meeting of Shareholders</b> | Held in Osaka  |
| <b>Capital</b>                         | 238,284,320 yen (As of January 31, 2020)   |
| <b>Headquarters</b>                    | Tokyo, Osaka   |
| <b>Business bases</b>                  | Yokohama, Utsunomiya, Osaka, Nagoya  |
| <b>Learning centers</b>                | East Japan, West Japan   |
| <b>Business fields</b>                 | 1) Machinery 2) Electronics 3) Software<br>Basic research, design, and development in the above fields,<br>as well as tasks relating to them |
| <b>Number of employees</b>             | 1,002 (As of January 31, 2020)   |
| <b>License number</b>                  | Worker Dispatching Business (派27-020513)<br>Paid Employment Agency Business (27-工-020355)  |

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### ■ Handling of this document

**This document is intended to provide information to help you deepen your understanding of the Company, and is not intended to solicit investment in securities issued by the Company.**

**Although this document has been created carefully to ensure its accuracy, its completeness is not guaranteed.  
The Company shall not be held liable for any failure or damage caused by the use of forecast data or information contained in this document.**

**The opinions, forecasts, and other information contained in this document are based on our assessment at the time this document was prepared, and they may include potential risks and uncertainties. Therefore, please note that actual results may differ from the forward-looking statements in this document due to various factors, such as changes in the business environment.**

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