

March 24, 2021 - Online Investor Briefings for Analysts and Individual Investors

Key Questions and Answers

(Some parts of the contents have been added or modified for easier understanding.)

Q. In the fourth quarter of the previous fiscal year, you gave general expectations that COVID-19 would subside a bit and that the utilization rate and total work person-hours would increase. However, they did not return. Do you expect the utilization rate and total work person-hours to continue at these levels after COVID-19?

A. In terms of the utilization rate, we assume that the number of returnees will be similar to that of the previous fiscal year, occurring at the end of March, June, September, and December when contracts are being switched. And we believe returnees will be replaced at the same speed as in the previous fiscal year.

The number of returning personnel at the end of March is expected to be smaller than in the previous fiscal year, so we feel that the number of returning personnel will tend to decrease from the previous fiscal year. However, it is difficult to predict how fast the replacement of returnees will progress compared with the previous fiscal year, before assessing the state of engineers' needs after April 1, the new fiscal year for customers.

Therefore, if the speed at which returnees are replaced remains at the same level as the previous year, the number of people waiting after returning will tend to decrease. I think this will positively impact business results.

With regard to the total work person-hours, a certain number of temporary workers continue to work from home even now. We expect at this time that the overtime person-hours will probably remain at the same level as in the previous fiscal year. In addition, in the previous fiscal year, there were restrictions on business travel for some customers. However, these restrictions were gradually lifted in the second half of the previous fiscal year. We are now in the process of returning to a normal business travel situation for the most part. As a result, we do not feel that there are any factors at this time that will cause a significant deterioration in the total work person-hours compared with the previous fiscal year.

Q. The placement of newly graduated engineers was delayed last term and is expected to be delayed this term. Is there a possibility that the turnover rate will increase again this term?

A. Under the current non-normal environment, we have no choice but to conduct shift- and home-based training for newly graduated engineers this year. Therefore, based on last year's experience, we would like to support people from rural areas, including caring for their daily needs. On the other hand, it is currently difficult to predict the worsening turnover rate due to delays in the placement of newly graduated engineers. However, based on last year's experience, we would like to curb this by providing more support for living and training.

- Q. The automobile industry has various development themes, and the semiconductor-related industry is booming. However, you said that the needs of engineers would not be known until April. Is there a recovery trend?
- A. We believe the number of returning personnel will be less than expected at the end of March this year compared with the end of March last year. In the automotive and semiconductor-related industries, the needs for engineers are increasing. However, customers are still working from home, and the needs for engineers with little or no experience who need to be mentored have not been restored.
- Q. I think the Company expects sales to increase this fiscal year due to continued strength in the automotive and semiconductor-related industries. However, your assumptions, including the utilization rate, remain the same, and the placement of newly graduated engineers will be delayed. What are the factors contributing to the increase in revenues?
- A. The main reason for the projected higher revenue this fiscal year is an increase in the number of operative personnel. The number of operative personnel is the total number of engineers times the utilization rate. As the total number of engineers has gone up from the previous fiscal year, the number of operative personnel is expected to increase.
- Q. What are the factors behind the profit decline this fiscal year? (broken down into cost of sales and SG&A expenses)
- A. As an accounting treatment for the Company, cost of sales allocates the labor costs of engineers who operate. Therefore, if the unit price of engineers does not fall significantly, the gross margin is unlikely to decrease significantly.
- Since unplaced employees are recorded in SG&A expenses, an increase in unplaced employees, including newly graduated engineers, would increase the standby labor cost for engineers. Therefore, SG&A expenses will rise, which will be a factor that keeps operating profit down. Accordingly, the decline in operating profit and ordinary profit compared with the previous fiscal year was primarily due to an increase in the number of unplaced employees compared with the previous fiscal year.
- Q. Does “returning personnel” mean that those who retired and then returned to work?
- A. “Returning personnel” in the Company means those who go out on dispatched work and then end their contracts and return to Artner. We call this “returning.”
- Q. The industries that saw a large number of returnees in the previous fiscal year and the background to this.
- A. In the previous fiscal year, all industries saw returnees, especially among those with less than three years of experience who had difficulty working from home.