

Engineer Support Company

Make Value



Q2 FY2023 Briefing for Analysts and Institutional Investors

September 22, 2022



— Create the Future —

ARTNER



ARTNER CO., LTD.

Company Information

Name	Artner Co., Ltd.
Founded	September 18, 1962
Representative	President and CEO SEKIGUCHI Sozo
Share listing	First Section of the Tokyo Stock Exchange (Securities code: 2163)
General Meeting of Shareholders	Held in Osaka
Capital	238,284,320 yen (As of July 31, 2022)
Headquarters	Tokyo, Osaka
Business bases	Yokohama, Osaka, Utsunomiya, Nagoya
Learning centers	East Japan, West Japan
Business fields	1) Software 2) Electronics 3) Machinery <small>Basic research, design, and development in the fields on the left, as well as tasks relating to them</small>
Number of employees	1,308 (As of July 31, 2022)
License number	Worker Dispatching Business (派27-020513) Paid Employment Agency Business (27-コ-020355)

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Market size of engineer dispatching business, our clients' R&D costs

Market size of engineer dispatching business

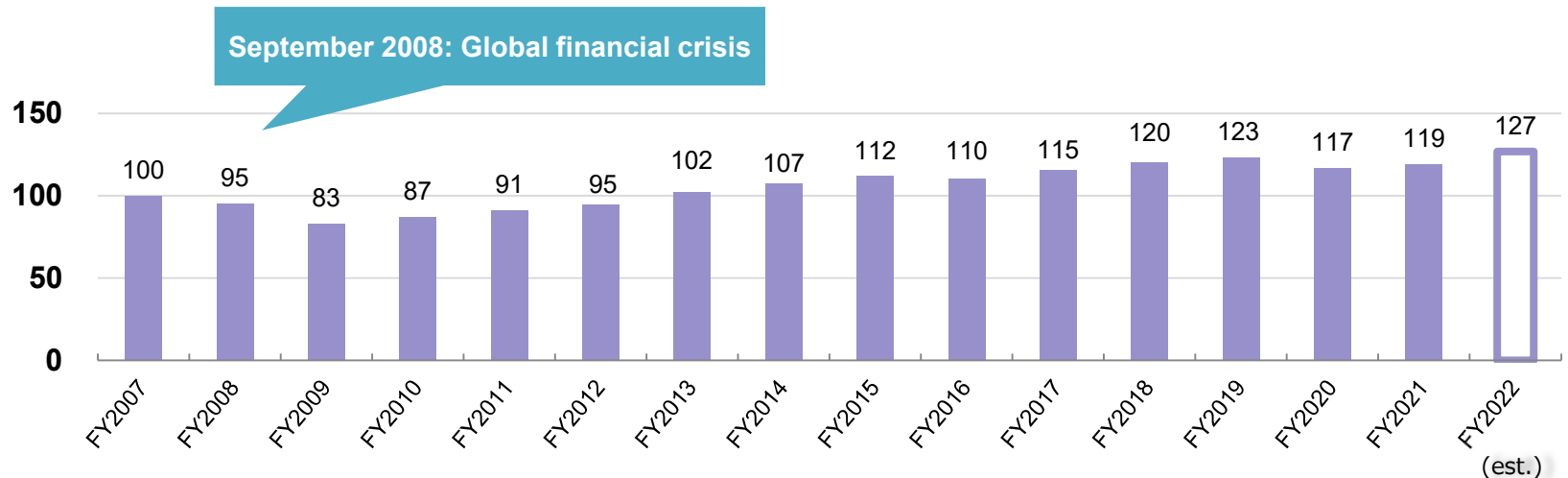
1.1 to 1.3 trillion yen (estimate)

Calculated by the Company based on the "Combined results of reports on worker dispatching businesses" (Ministry of Health, Labour and Welfare)

*The data of "annual net sales" of the worker dispatching businesses are used, which is a rough total of net sales arising from "dispatched workers on open-ended contracts" and either of "manufacturing engineers," "information processing & communications engineers," or "other engineers."

Our clients' R&D costs

Our clients continuously allocate a budget for R&D, which keeps R&D costs stable.



*Calculations were made by using the data of FY2008 as 100 (baseline). *The costs of our listed clients whose fiscal year ends on March 31 were totaled.

Factors behind “the eighth consecutive period of sales and profit growth, double-digit growth”



■ Trust from our clients built on our long history

- Over our long history of 60 years, we have built trust with many of our clients and have a proven track record.

⇒ We can place newly graduated engineers with little or no experience, as well as place additional existing engineers.



■ Business model developed by Artner since eight periods ago

- Even during the global financial crisis of 2008, not many engineers placed in the upstream processes of the work processes of manufacturers (R&D, design and development) experienced contract cancellations.
- ↓
- Artner decided to increase the ratio of engineers placed in upstream processes.
- ↓
- In order to recruit outstanding students who can be placed in upstream processes, internal programs (e.g., job change assistance program, performance-based salary system, limited area system) were introduced based on the needs of engineers.
- ↓
- Placements were made after education and training were conducted according to our clients' upstream process work.

⇒ The unit price of engineers increased, resulting in higher profit margins.



■ Placement of engineers in technical fields with high market needs

- Assigned to projects for developing electric vehicles (EVs), fuel cell vehicles (FCVs), infrastructure (charging infrastructure, hydrogen stations), automated driving, semiconductors, etc.

⇒ Utilization rate remained high.

History (at the time of founding in 1953)

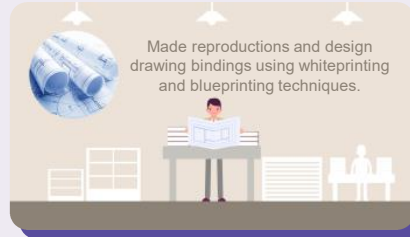
1953 -

- Originally founded as Sekiguchi Kogyo Co., Ltd. in Amagasaki, Hyogo in 1953.

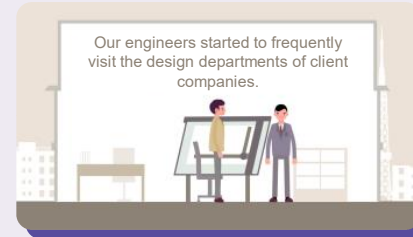


Founded

- Reproduces and binds design drawings received from client companies, using whiteprinting and blueprinting techniques.



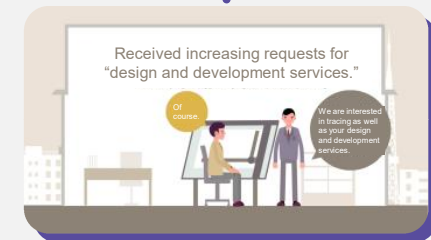
- Our engineers visit frequently the design departments of client companies.



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



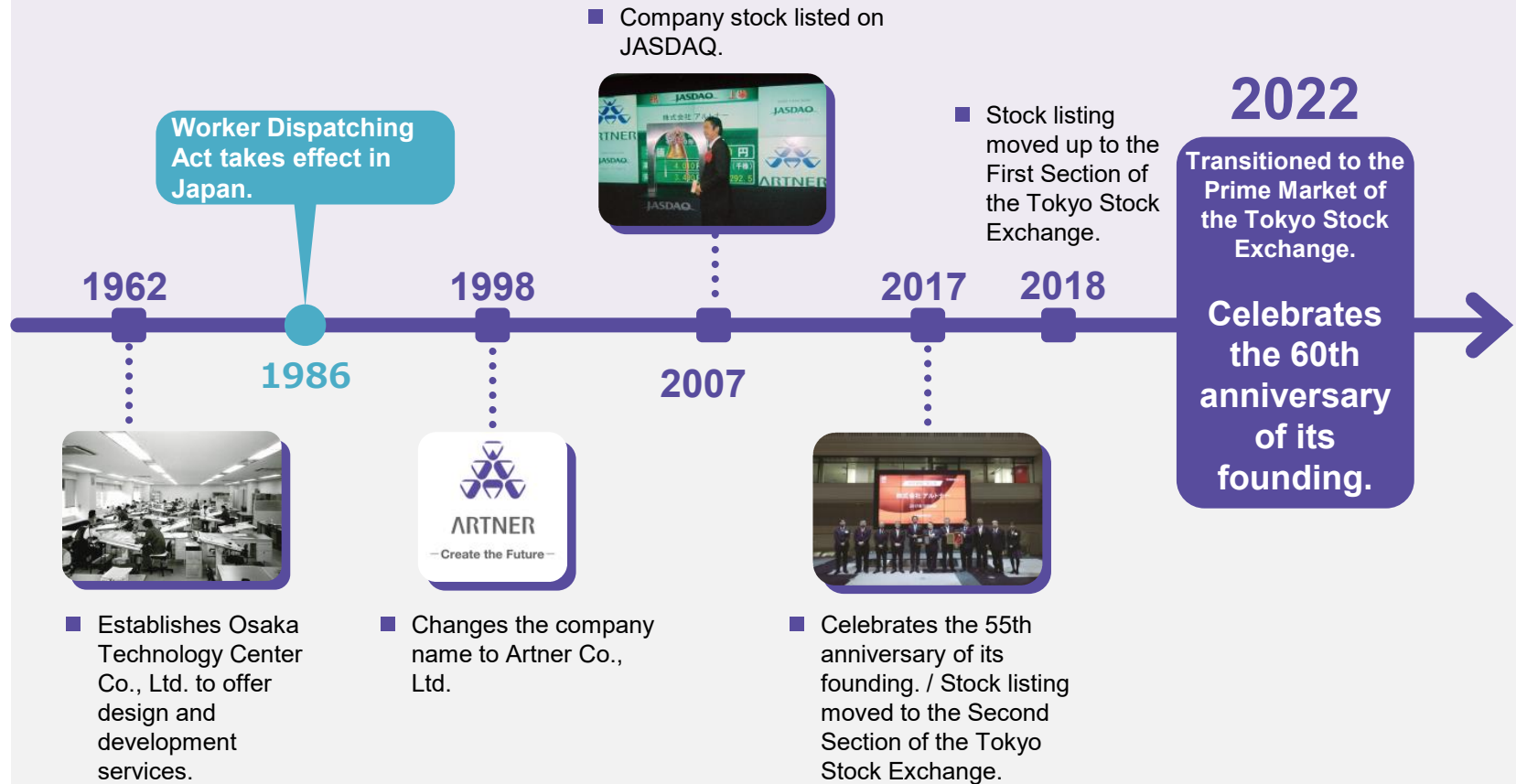
- Starts hiring employees with STEM degrees and offering a tracing service for design drawings.



- Demand increases from clients for tracing and other designing and development services.

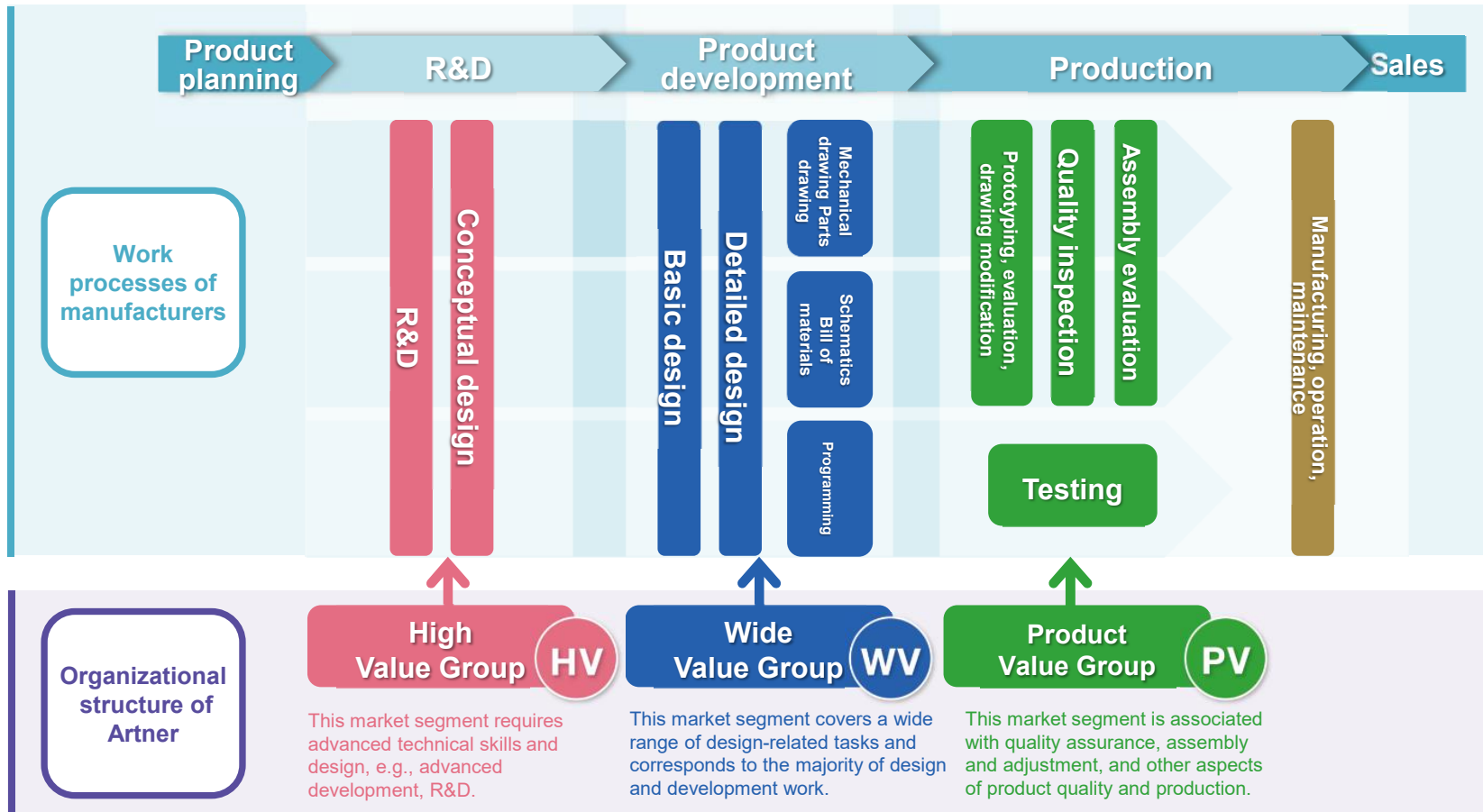
History (1962 to present)

1962 -



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



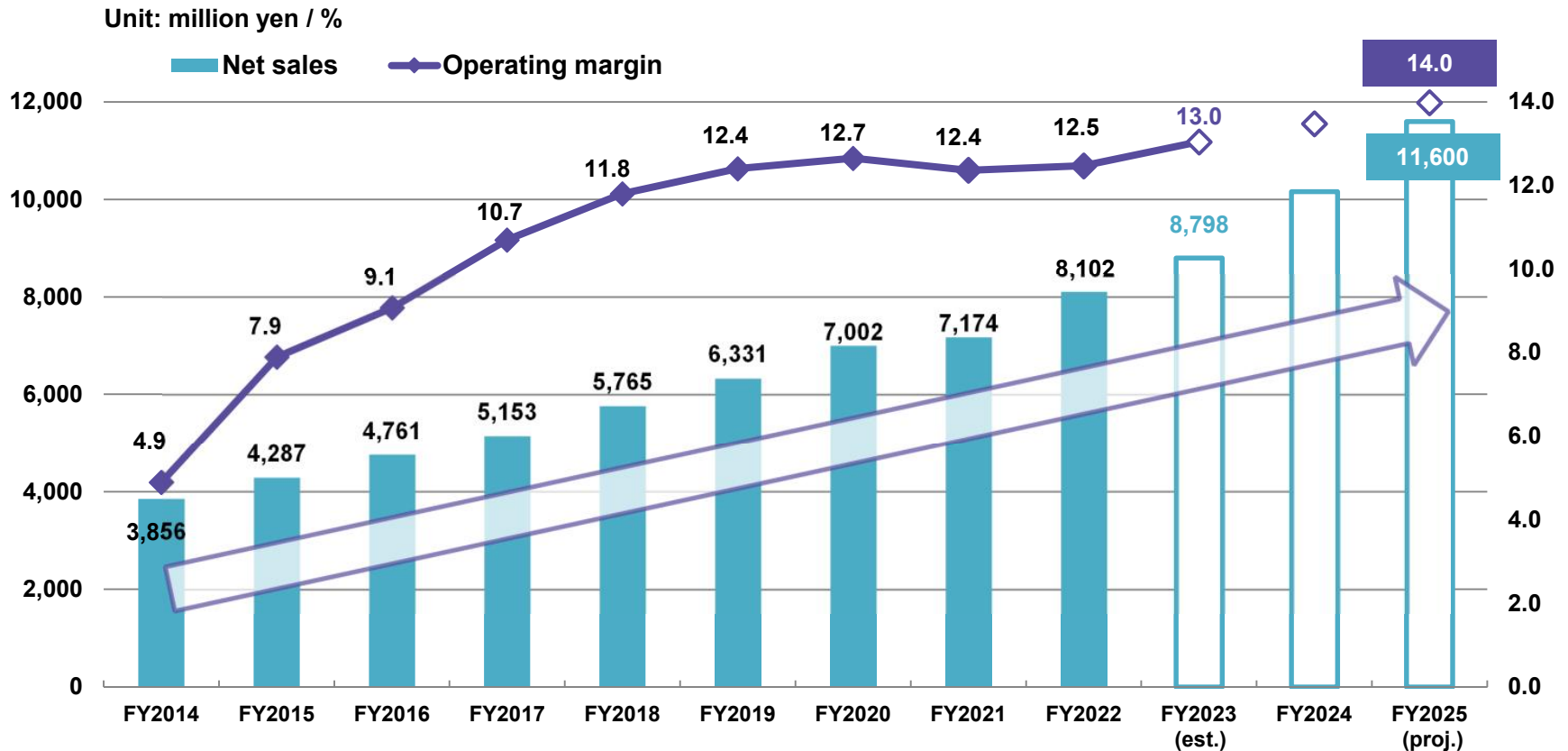
Numerical business targets <FY2025 (final year) earnings and sales targets>

Net sales

11.6 billion yen

Operating margin

14.0 %



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Earnings highlights for Q2 FY2023

- Net sales up **13.6%**, operating profit up **21.9%**, ordinary profit up **19.2%**, profit up **14.2%**. Operating margin **15.3%**

	Q2 FY2022		Q2 FY2023		Change from the previous year (¥ million)	Change from the previous year (%)
	Result (¥ million)	% of Net sales	Result (¥ million)	% of Net sales		
Net sales	3,980	100.0	4,522	100.0	542	13.6
Cost of sales	2,478	62.3	2,890	63.9	412	16.6
Gross profit	1,502	37.7	1,632	36.1	130	8.7
SG&A expenses	935	23.5	941	20.8	6	0.7
Operating profit	566	14.2	690	15.3	124	21.9
Ordinary profit	580	14.6	691	15.3	111	19.2
Profit	420	10.6	479	10.6	59	14.2

- Newly graduated engineers
- Utilization rate remained high due to the recovery trend in the demand for engineers.
- Placement of newly graduated engineers who joined us in 2022 progressed ahead of the initial schedule.

- The number of operative personnel was higher than for the previous period.

- Progress in the placement of unplaced personnel

- led to a decrease in labor costs in SG&A expenses and an increase in the cost of sales.

- Despite a decrease in labor costs, expenses for recruiting, travel, transportation, and others increased with a recovery in our recruiting and sales activities.

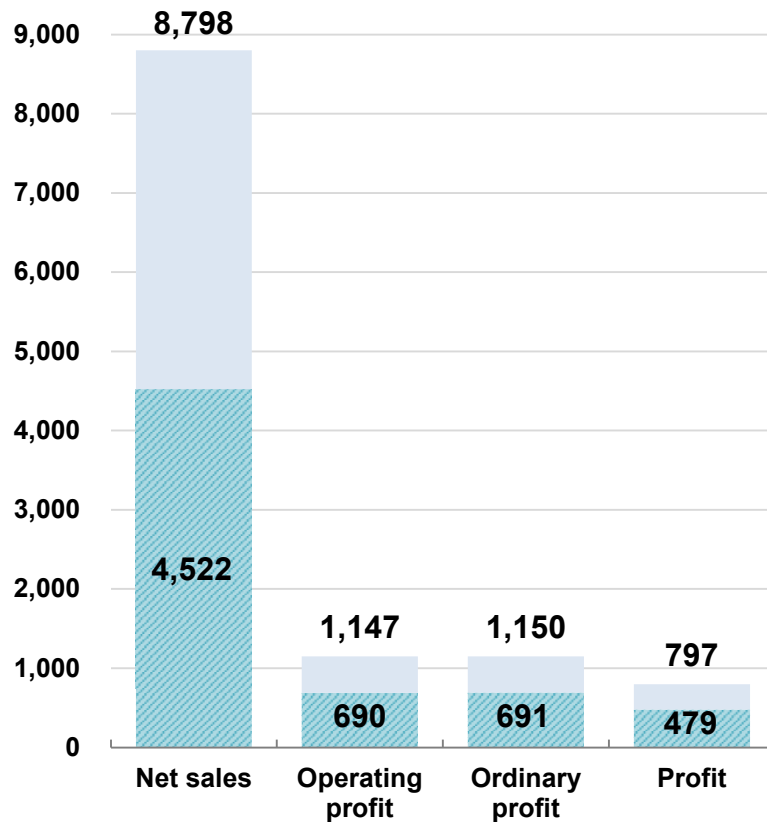
Progress of the Earnings Forecast for Q2 FY2023

■ Q2 progress rates on full-year forecast of financial results:

Net sales 51.4%, operating profit 60.2%, ordinary profit 60.1%, profit 60.2%

■ At this time, we do not expect the economy to decelerate in the second half of the year.

Unit: ¥ million



	Q2 FY2023		
	Result (¥ million)	% of Net sales	Progress rate on full-year forecast (%)
Net sales	4,522	100.0	51.4
Operating profit	690	15.3	60.2
Ordinary profit	691	15.3	60.1
Profit	479	10.6	60.2

	Earnings Forecast for FY2023	
	Result (¥ million)	% of Net sales
Net sales	8,798	100.0
Operating profit	1,147	13.0
Ordinary profit	1,150	13.1
Profit	797	9.1

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Compliance with the listing maintenance criteria of the Prime Market

■ Transitioned to the Prime Market of the Tokyo Stock Exchange in April 2022

“Plan for Compliance with Listing Maintenance Criteria of New Market Segment” was prepared as we did not meet the listing maintenance criteria of the Prime Market as of the transition standard date (June 30, 2021)

■ Compliance with the listing maintenance criteria of the Prime Market

	Number of tradable shares	Tradable share market capitalization	The ratio of tradable shares	Average daily trading value
The Company (As of transition standard date of June 30, 2021)	49,748 units	4.1 billion yen	46.8%	28 million yen
Listing maintenance criteria	20,000 units	10 billion yen	35%	20 million yen

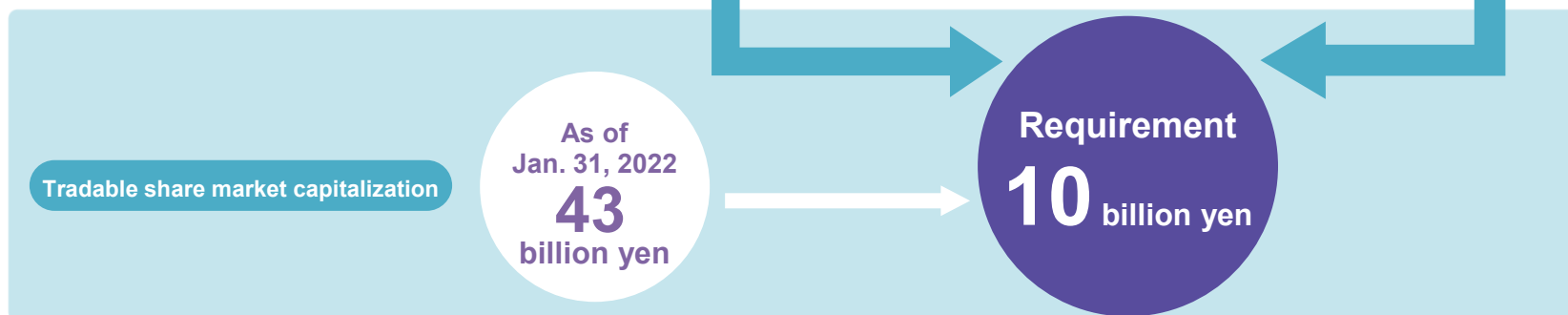
Criteria not met

KPI requirements for compliance with tradable share market capitalization / Planning period

KPI requirements / Actual

	As of transition standard date of June 30, 2021	As of Jul. 31, 2022	Requirement		As of Jan. 31, 2022	As of Sep. 13, 2022	Requirement
The ratio of tradable shares	46.80%	70.00%	70.00%	Price earnings ratio (PER)	12.7 times	13.2 times	15.0 times
Number of tradable shares	4,974,000 shares	7,439,000 shares	7,439,000 shares	Earnings per share (EPS)	68.59 yen	75.01 yen (forecast)	93.34 yen
				Stock price	858 yen	990 yen	1,400 yen

Apr. 2022
Secondary offering



Planning period

Various efforts will be made to meet the listing maintenance criteria of tradable share market capitalization in the lead-up to FY2025, the final year of the Medium-Term Business Plan.

Measures to achieve the KPI requirements, their evaluation, and future issues

■ Increase the ratio of tradable shares



Secure a certain number of tradable shares through liquidation of shares held by existing shareholders, e.g., discuss with major shareholders on the sale of shares.

⇒ Conducted a secondary offering and increased the ratio to **70%**

■ Increase earnings per share (EPS)



1

Aim to expand the scale of our business by building an internal system of recruitment, training, and sales with carbon neutrality as a main pillar of our business activities

2

Conduct M&As and other activities to acquire new technical fields of expertise (e.g., chemistry, civil engineering and construction)

■ Increase shareholder returns



Payout ratio

Based on **30%** → Raise to **50%**

To be considered

Total return ratio

Consider share buyback

■ Strengthen IR activities (Details on next slide)

Strengthen IR activities



■ Strengthen information dissemination for individual and institutional investors

- Hold briefings for individual and institutional investors (online or in-person) (for individual investors: twice a year ⇒ 3 to 4 times a year; for institutional investors and analysts: once a year ⇒ twice a year)
- One-on-one meetings with institutional investors (phone or online)
- Disseminate timely investor information on the website
- Video messages from top management

⇒ Increase opportunities to interact with individual and institutional investors to raise awareness



■ Increase English-language disclosures with foreign investors in mind

- Further increase English-language disclosures, including website materials (e.g., Medium-Term Business Plan, Company Overview, Business Model), Convocation Notice (April), Corporate Governance Report (April), and Summary of Non-consolidated Financial Results (June)

⇒ Inform foreign investors about the Company's businesses and financial results



■ Adapt to the Corporate Governance Code (ver. June 2021)

Ex: “companies listed on the Prime Market should enhance the quality and quantity of disclosure based on the TCFD recommendations, or an equivalent framework.”

⇒ From this fiscal year

Medium-Term Business Plan (fiscal year ending January 31, 2023 to fiscal year ending January 31, 2025)

Basic policy

"Build a foundation for sustainable and next-generation growth"

"Make Value for 2022 to 2024"

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)

Artner's approach to sustainable growth and next-generation growth

As our social environment continues to change on a global scale, dealing with social issues, such as initiatives based on the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), is an important managerial agenda

Build an internal system of recruitment, training, and sales with carbon neutrality as a main pillar of our business activities

Contribute to solving social issues through our business activities, increasing our corporate value and returning profits to stakeholders
 Build a foundation for sustainable growth and next-generation growth

Direction of our carbon neutrality initiatives

For our major customers in the automotive industry, etc.



Participation by our engineers in development projects related to electric vehicles (EVs) that do not emit CO₂ when driven, fuel cell vehicles (FCVs), infrastructure (charging infrastructure, hydrogen stations), automated driving, semiconductors, etc.



Aim for further development and market penetration

Our recruitment, training, and sales efforts with an eye to carbon neutrality

Recruitment

Recruitment targets

- Students who have graduated from departments in the fields of electricity, electronics, materials science, energy, and information technology
- Experienced workers with skills and experience in the fields above

In order to recruit more talents that match client needs, we are committed to changing our recruitment policy, which is heavily focused on new graduates. ⇒ **Balance the numbers of new graduates and career hires to secure optimum talents**

Share of carbon neutrality recruitment targets for new graduates and career hires

	FY2022	FY2025 (target)
New graduates	47.9%	55.0%
Career hires	48.6%	55.0%

Training

Training details

- Understanding the principles of power systems (inverter systems) for EVs and FCVs
- Optimization of infrastructure resources and AI/machine learning for human and product transactions through the introduction of cloud computing
- Model design and validation of EV battery management systems
- How to analyze the results of sensor characterization
- Recycling of chemicals and materials

Meet the ever-increasing needs of engineers in the software, electrical and electronic fields. ⇒ **Increase trainers**

Sales

Placement in carbon neutrality projects Contribute to solving social issues to improve business performance

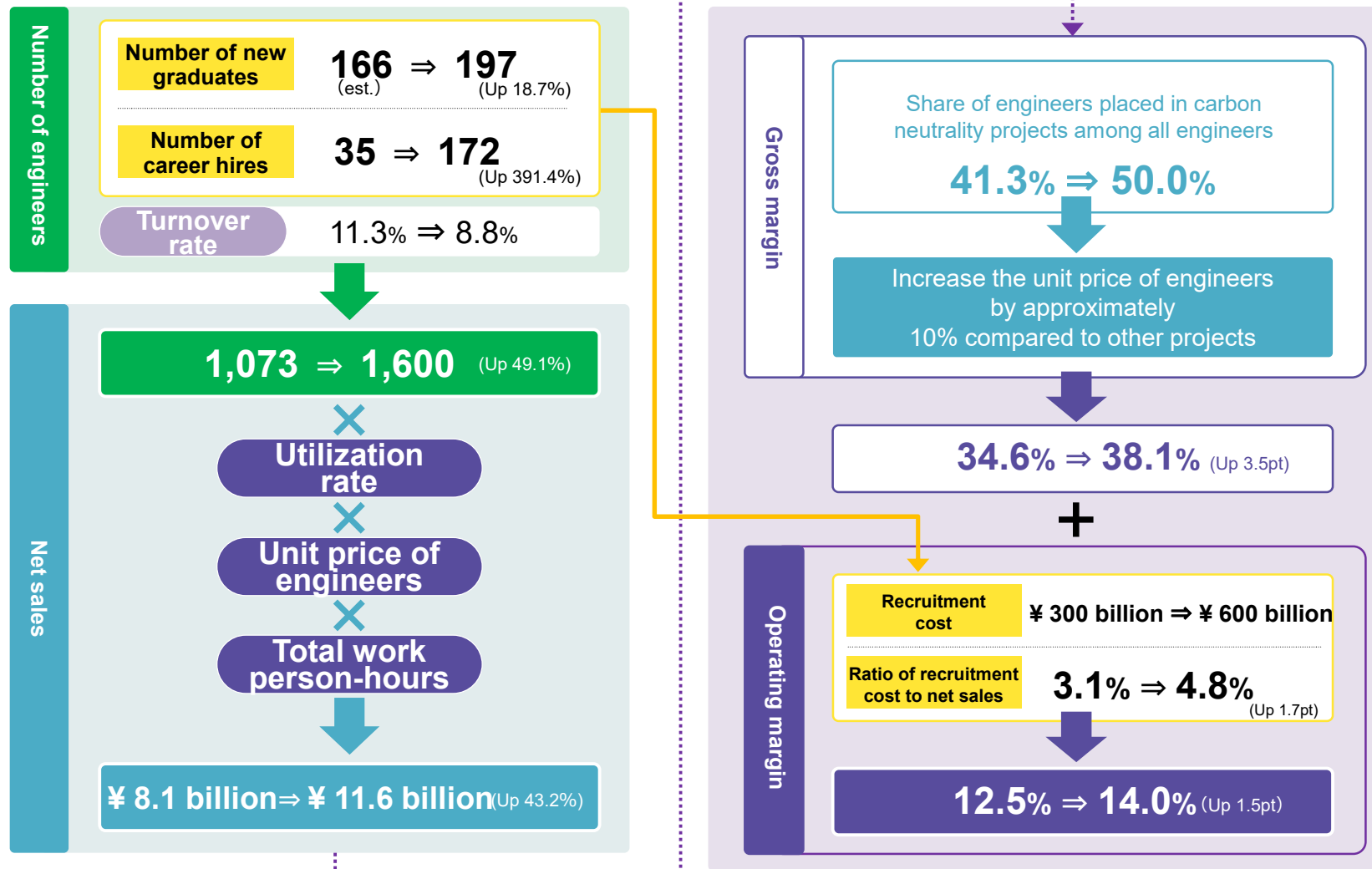
Increase the unit price of engineers **by approximately 10%** compared to other projects
⇒ **Increase net sales and profit margins**

Share of engineers placed in carbon neutrality projects among all engineers

FY2022	FY2025 (target)
41.3%	50.0%

Medium-Term Business Plan Correlation diagram of earnings and sales targets and key indicators

* □⇒□... (FY2022) ⇒ (FY2025) figures



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Forecast of dividend for FY2023

■ This year's interim dividend revised to 20.00 yen, up 1.00 yen from the previous forecast. Year-end dividend (planned) 19.00 yen, annual dividend (planned) 39.00 yen.

	Annual dividends per share (yen)			Dividend yield (%)	Payout ratio (%)	Dividend on equity ratio (DOE) (%)
	Second quarter-end	Fiscal year-end	Total			
FY2022	14.00	20.50	34.50	3.97	50.3	10.9
FY2023 (forecast)	20.00	19.00	39.00	4.43	52.0	

*Dividend yield (%) = individual dividend per share (total) ÷ share price (year-end, closing price) × 100

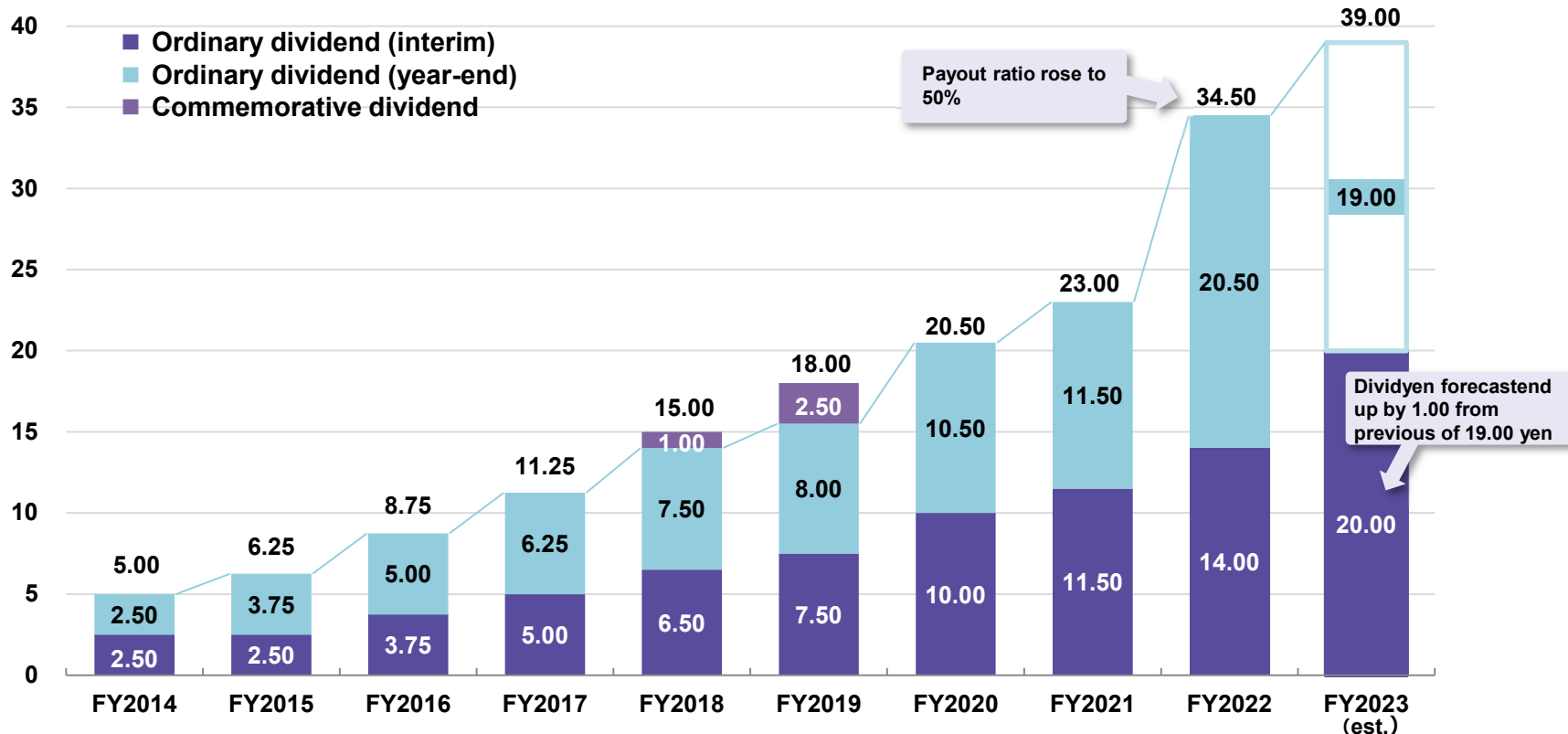
Closing value at ending of FY2022 (January 31, 2021) **869** yen / Closing value at ending of Q2 FY2023 (July 29, 2022) **880** yen

Dividend per share

Dividend increased for the **eighth** consecutive period

■ The top priority in business is to pay stable dividends to shareholders and investors.

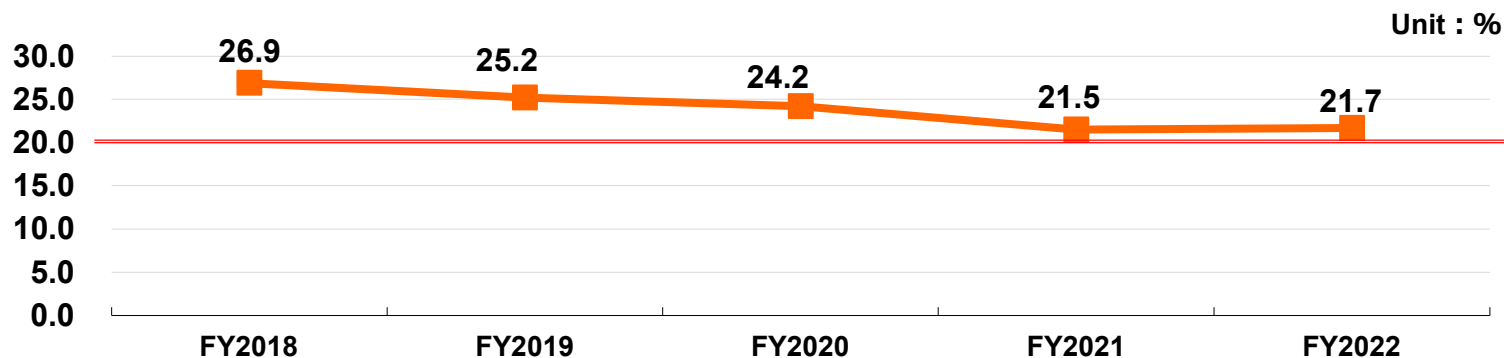
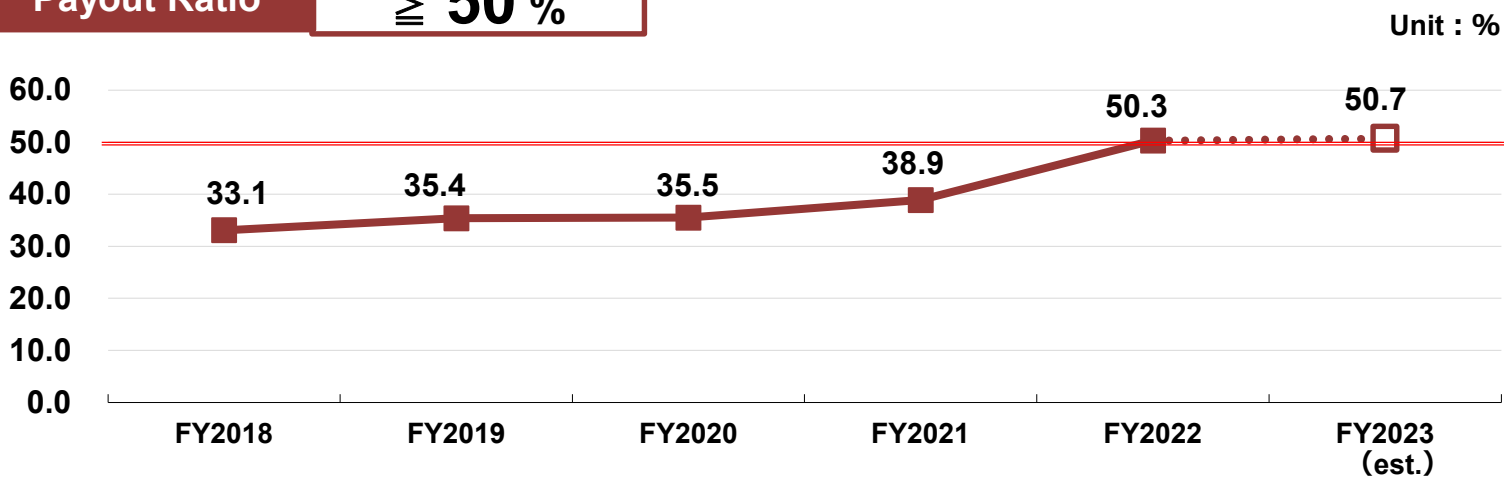
Unit: ¥



Dividends 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)

<https://www.artner.co.jp/>

Numerical management targets (FY2025) ROE / Payout Ratio

ROE
 $\geq 20\%$

Payout Ratio
 $\geq 50\%$

<https://www.artner.co.jp/>

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Company Motto / Management Philosophy / Origin of the Company Name

■ 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



Purpose

Support the growth and self-actualization of engineers, who are Japan's world-class assets.

For resource-poor Japan, its engineers are assets, of which we can boast to the world.

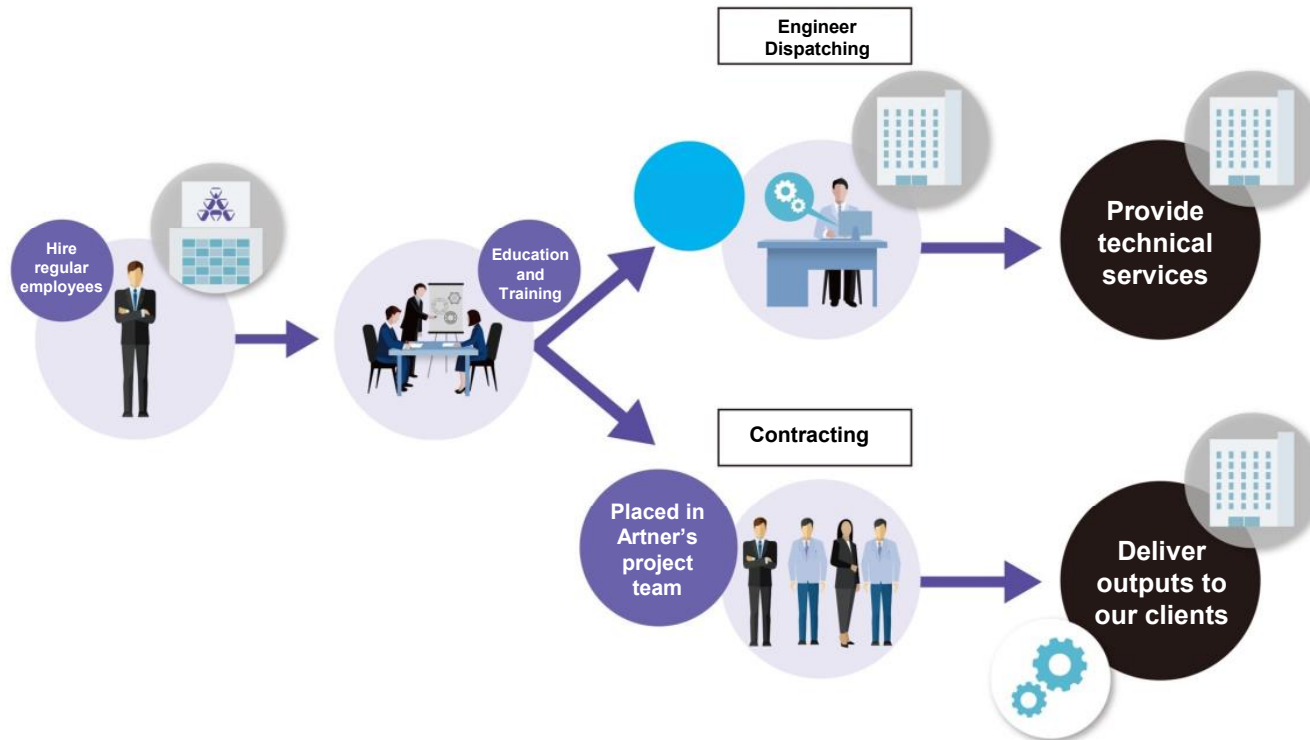
Artner is a platform that supports the growth and
self-actualization of engineers.

Artner nurtures engineers not only as assets of Artner,
but also as shared assets of Japan.

Amid a rapidly changing work environment and mindset,
attributed to the fluidity of talents and various diversity initiatives, Artner is committed to
promoting the happiness of working engineers to create “a new way of life” for them.

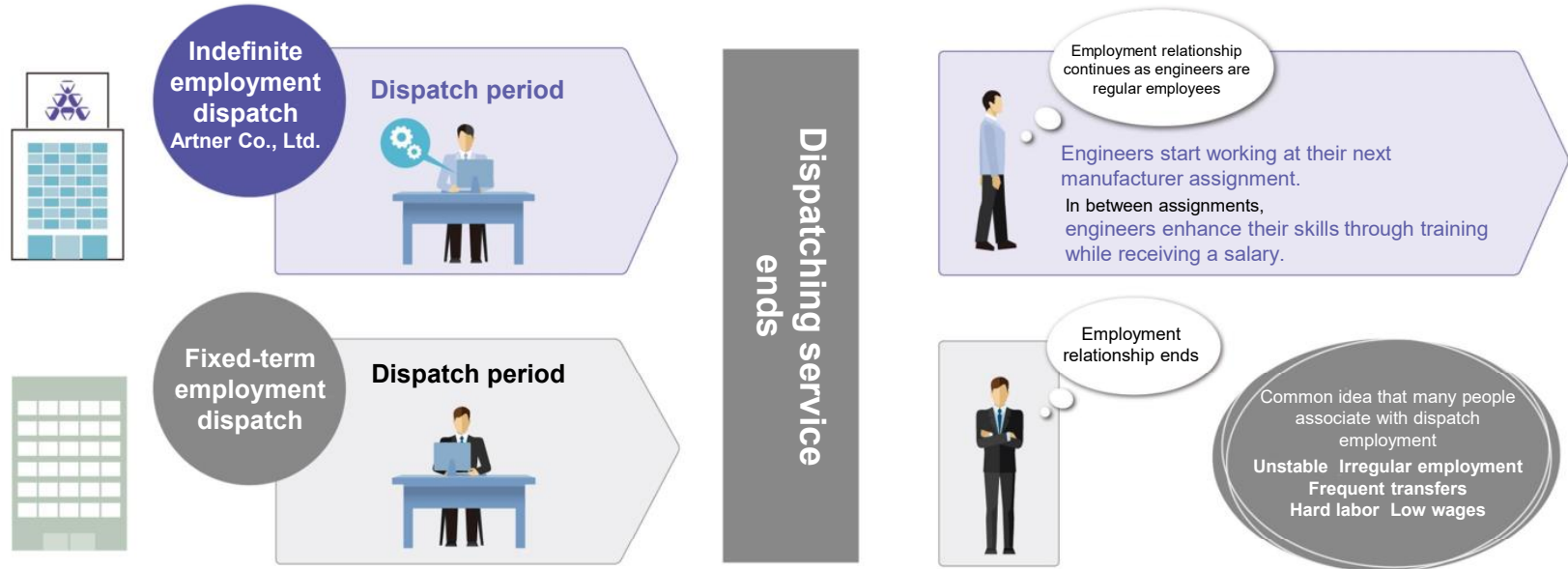
Business Model

- Hire undergraduate, graduate, technical, and professional 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, precision equipment manufacturer, and information and communications companies



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.



Business fields

Software

Compatible fields

**Embedded
IT Solution
Model-Based**

Software engineers develop software to be embedded in IoT devices and application software for network systems.

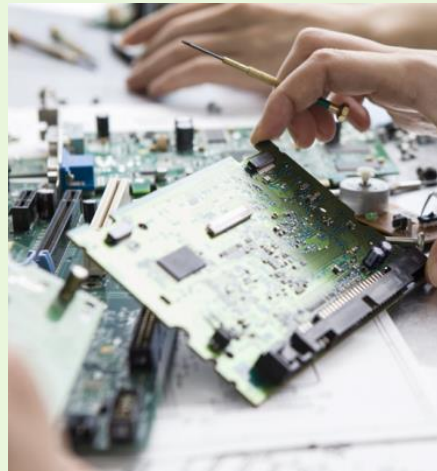


Electronics

Compatible fields

**Electrical Equipment
Electronic Circuits
Electronic Devices**

Electronic engineers design the circuit boards that form the heart of equipment and devices and they conduct reliability assessments of such systems.



Machinery

Compatible fields

**Drive Systems
Mechanisms
Structures and Materials**

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



Top ten client companies by net sales in FY2022

■ Top ten by net sales (Standard company name used)

	FY2021		FY2022	
	Our clients	Segment	Our clients	Segment
1	Honda R&D Co., Ltd.	Transportation equipment	Honda R&D Co., Ltd.	Transportation equipment
2	Honda Motor Co., Ltd.	Transportation equipment	Honda Motor Co., Ltd.	Transportation equipment
3	Nikon Corporation	Precision equipment	Nikon Corporation	Precision equipment
4	Sumitomo Electric Industries, Ltd.	Steel, nonferrous materials and metals	Sumitomo Electric Industries, Ltd.	Steel, nonferrous materials and metals
5	Terumo Corporation	Precision equipment	Terumo Corporation	Precision equipment
6	DENSO TEN Limited	Electrical equipment	Panasonic Corporation	Electrical equipment
7	Panasonic Corporation	Electrical equipment	Tokyo Electron Technology Solutions Limited	Electrical equipment
8	Tokyo Electron Technology Solutions Limited	Electrical equipment	Tokyo Electron Miyagi Ltd.	Electrical equipment
9	JTEKT Corporation	Machinery	JTEKT Corporation	Machinery
10	Daikin Rexxam Electronics Co., Ltd.	Electrical equipment	Chubu Toshiba Engineering Corporation	Electrical equipment

■ Net sales per 10 companies

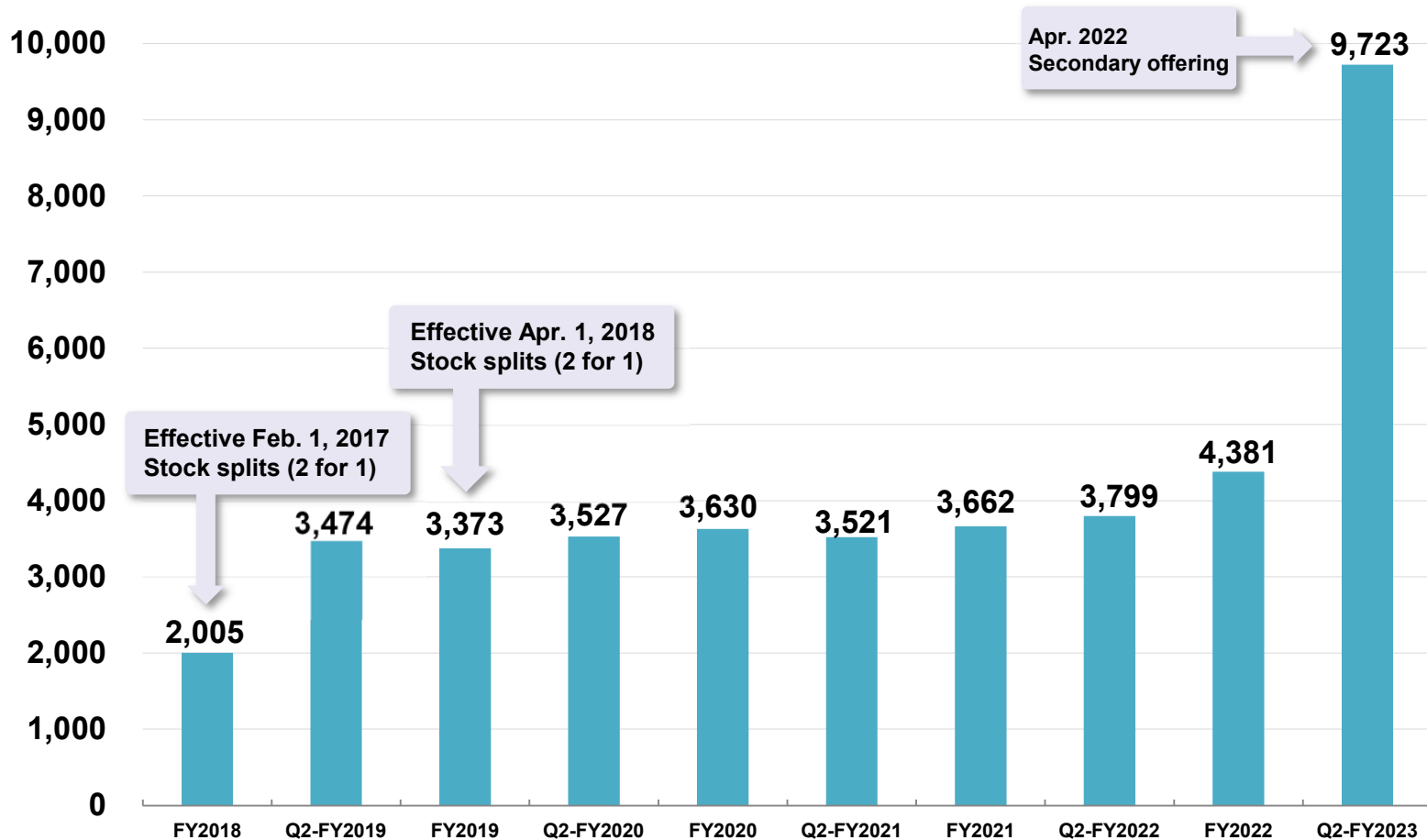
	FY2021		FY2022		Change from the previous year (%)	Percentage variance (pt)
	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)		
Top 10 Total	3,394	47.4	3,765	46.6	10.9	(0.8)
Top 11 to 20 Total	977	13.6	1,139	14.1	16.6	0.4
Top 21 to 30 Total	655	9.2	778	9.6	18.7	0.5
Other than the above Total	2,134	29.8	2,405	29.7	12.7	(0.1)
Total	7,162	100.0	8,089	100.0	12.9	—

*Excludes sales from "Other" businesses.

<https://www.artner.co.jp/>

Term-end shareholder numbers

Unit : people



Stock price changes (January 4th - September 13th, 2022)



Internal programs that can be chosen by engineers

Performance-based salary system



The HV 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



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



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



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.

What is the job change assistance program?

Basic policy

The program respects the choices made by our engineers, whether they choose to develop their careers as regular employees of the Company or go work at our client to challenge themselves in a new world.

Benefit to our clients

Clients can assess the abilities of Artner engineers during their placement period (3 to 5 years) before hiring them.

Benefit to our engineers

Engineers can gain experience and develop their skills at Artner and have their abilities be evaluated by clients based on their actual onsite work.

Benefit to Artner

Recruitment

The program encourages students who wish to work at a manufacturer but had little interest in engineer dispatching services and did not consider joining Artner to become interested and decide to join the Company upon comparing it With other companies.

Sales

If engineers from Artner are successful after changing jobs, the reputation of “Artner’s former employee” will improve. Such engineers will further strengthen the relationship between the Company and our clients.

Design and development projects including “carbon neutrality”

Eco cars



Software

- Development of brake control system
- Analysis of motors and inverters

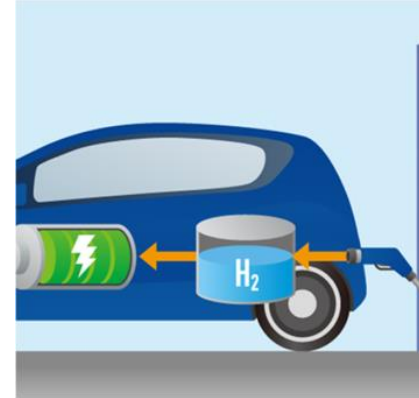
Electronics

- R&D of next-generation fuel cells
- Hybrid system design
- Safety evaluation of automotive batteries

Machinery

- Development of eco car chargers
- Development of drive motors

Fuel cell vehicles (FCVs)



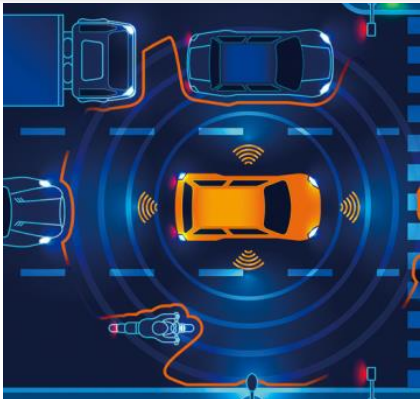
Software

- R&D of hydrogen station system
- R&D of energy system

Electronics

- Analysis of basic performance of fuel cells
- R&D of hydrogen safety

Automated driving



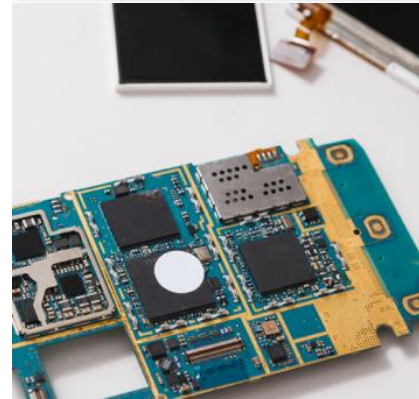
Software

- R&D of Driving Safety Support Systems
- Advance development of automatic perimeter monitoring system using camera images

Electronics

- Development of parking assist system (e.g., automatic braking, accelerator control)
- Development of lane keeping assist (e.g., steering assistance)

Semiconductors



Software

- Development of applications for semiconductor manufacturing equipment

Electronics

- Circuit design for semiconductor lithography equipment

Machinery

- Development of temperature controller for semiconductor lithography equipment (enclosure concept, basic design)

Products and systems related to design and development

Home electronics



Software

- Development of energy system
- Development of iPhone applications

Electronics

- Prototyping, evaluation, and analysis of smartphone circuit boards
- Circuit design for AV equipment

Machinery

- Design and development of home appliances (enclosure design, structural design)
- Development of in-car navigation system

Medical devices



Software

- R&D of walking assist devices
- R&D of pulse measuring equipment

Electronics

- Design and development of control board for X-ray imaging system
- Evaluation of visceral fat measuring device

Machinery

- Development of PET system
- Improvement of blood transfusion and infusion sets, design of next set

Motorcycle



Software

- Development of test software for development of brakes
- Development of software for digital meters

Electronics

- Design of harnesses for electrical wiring

Machinery

- Design and development of frames
- Design and development of electric motorbikes

Aerospace machinery



Software

- R&D of next satellites
- Development and evaluation of simulators for satellite radio communication equipment

Electronics

- Development of satellite inspection equipment

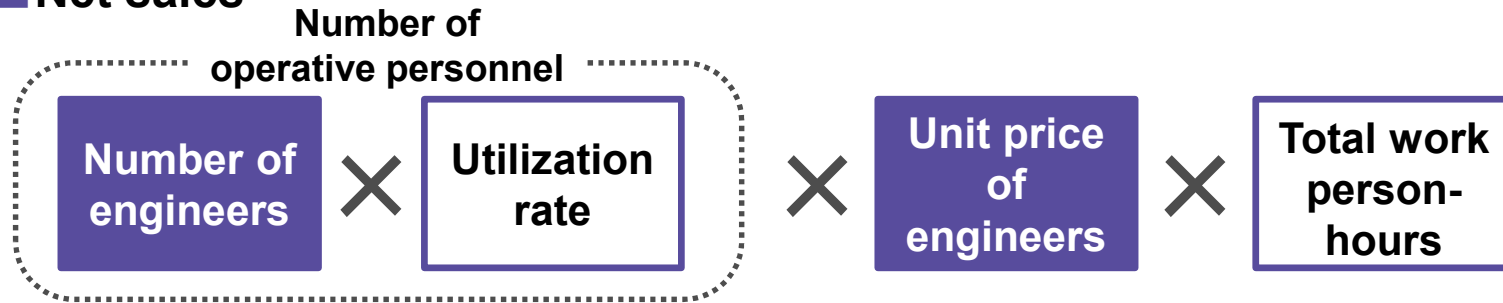
Machinery

- Design and development of aircraft test jigs
- Development of passenger aircraft AV equipment
- Design and development of aircraft

<https://www.artner.co.jp/>

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

■ Net sales



■ **Cost of sales** Labor costs, etc. of engineers assigned to client companies

■ **SG&A expenses**

- (Standby) labor costs incurred during internal education and training, labor costs of administrative staff positions
- Hiring activity expenses

Two key points to improving margin percentages

[Improving gross margin]

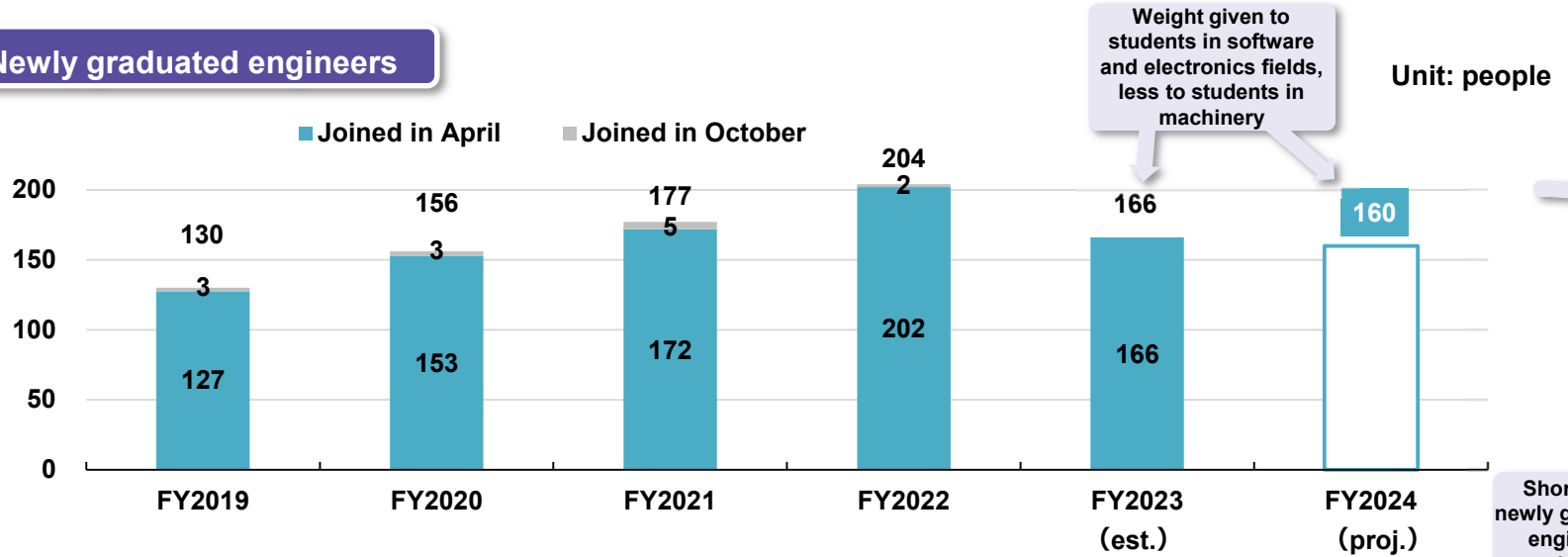
Increase average unit price of engineers.

[Improving operating margin]

Minimize addition of administrative staff entailed by the increase in engineers through improved administrative efficiency, and thereby suppress increase in the SG&A expense ratio.

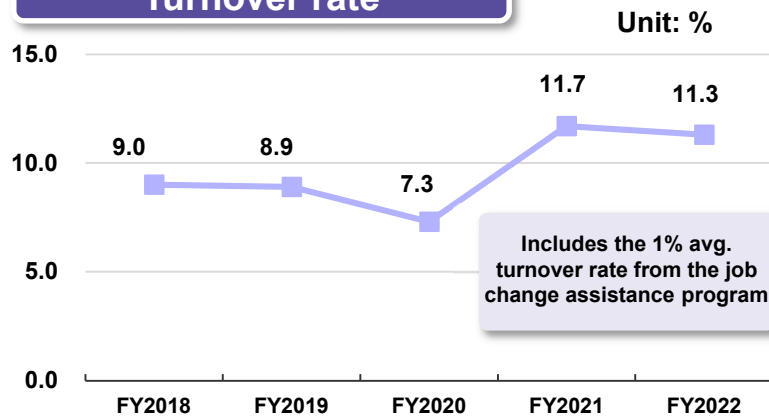
Number of newly graduated and career engineers hired / Turnover rate

Newly graduated engineers

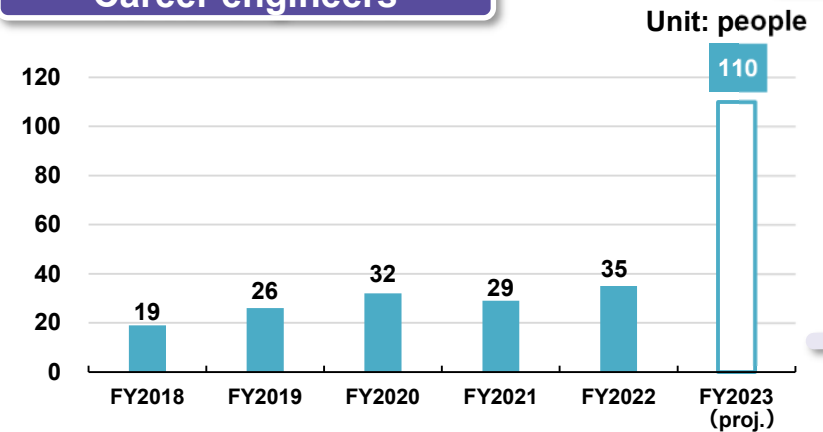


Shortfall in newly graduated engineers supplemented with career engineers

Turnover rate



Career engineers

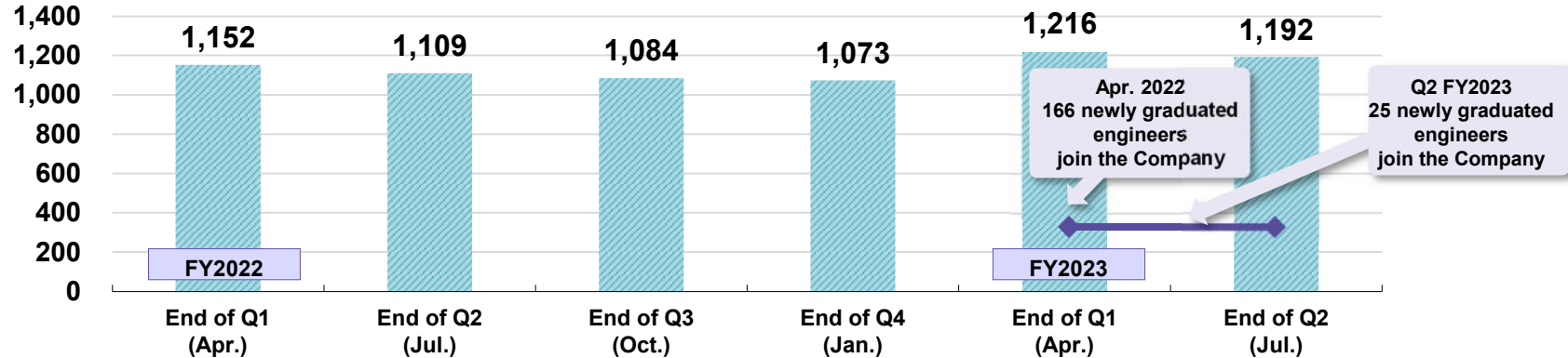


Term-end engineer count / Utilization rate for Q2 FY2023

Term-end engineer count

Unit: persons

Q2 FY2022 (average)	Q2 FY2023 (average)	Change from the previous year (persons)	Change from the previous year (%)
1,077	1,156	79	7.4

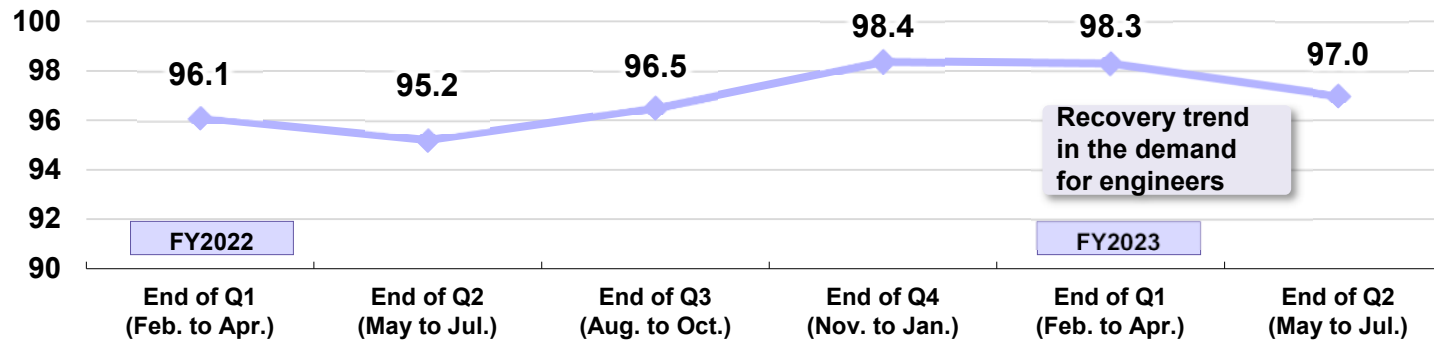


Utilization Rates

*Based on the number of dispatched engineers

Unit: %

Q2 FY2022 (average)	Q2 FY2023 (average)	Change from the previous year (pts)
95.6	97.6	2.0



*These figures do not include the number of new employees placed after joining the Company mid-year.

Unit price of engineers / Total work man-hours for Q2 FY2023

Unit price of engineers

Q2 FY2022 (average)

Q2 FY2023 (average)

Change from the
previous year
(yen)Change from the
previous year (%)

4,217

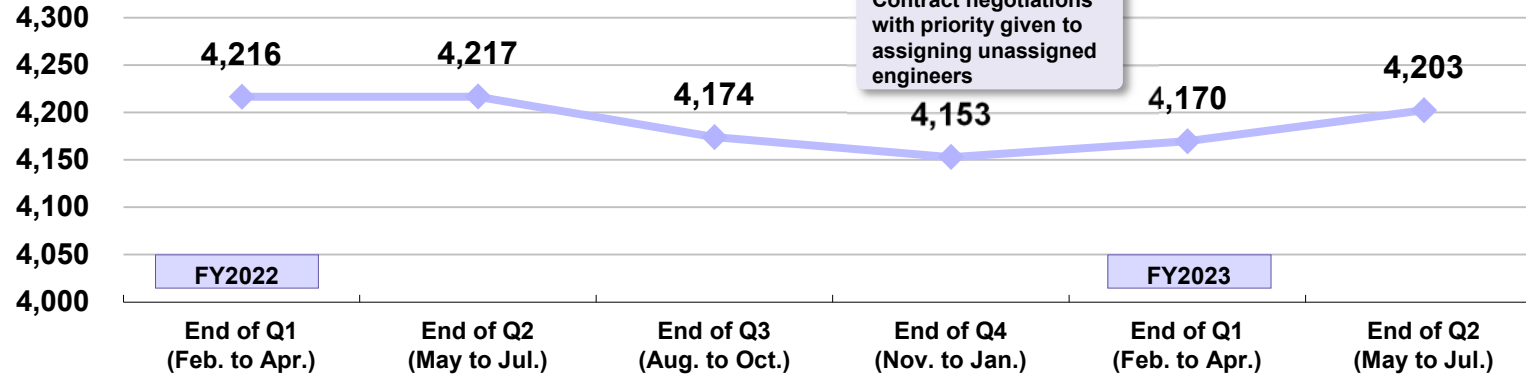
4,186

▲ 31

▲ 0.7

*Figures for dispatched engineers *Per person

Unit: yen / hour



Total work man-hours

Q2 FY2022 (average)

Q2 FY2023 (average)

Change from the
previous year
(hrs)Change from the
previous year (%)

170

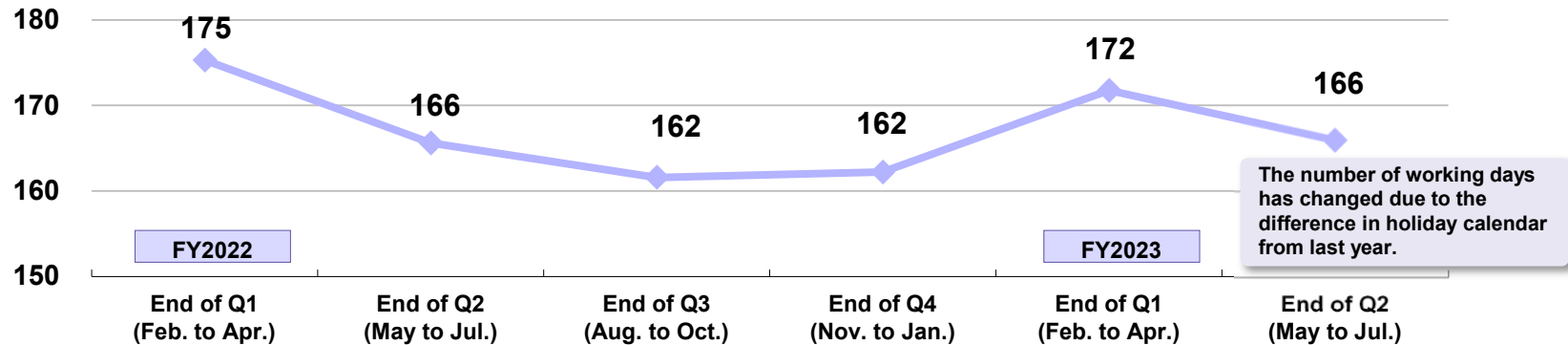
169

▲ 1

▲ 1.0

*Figures for dispatched engineers *Per person

Unit: hours / month



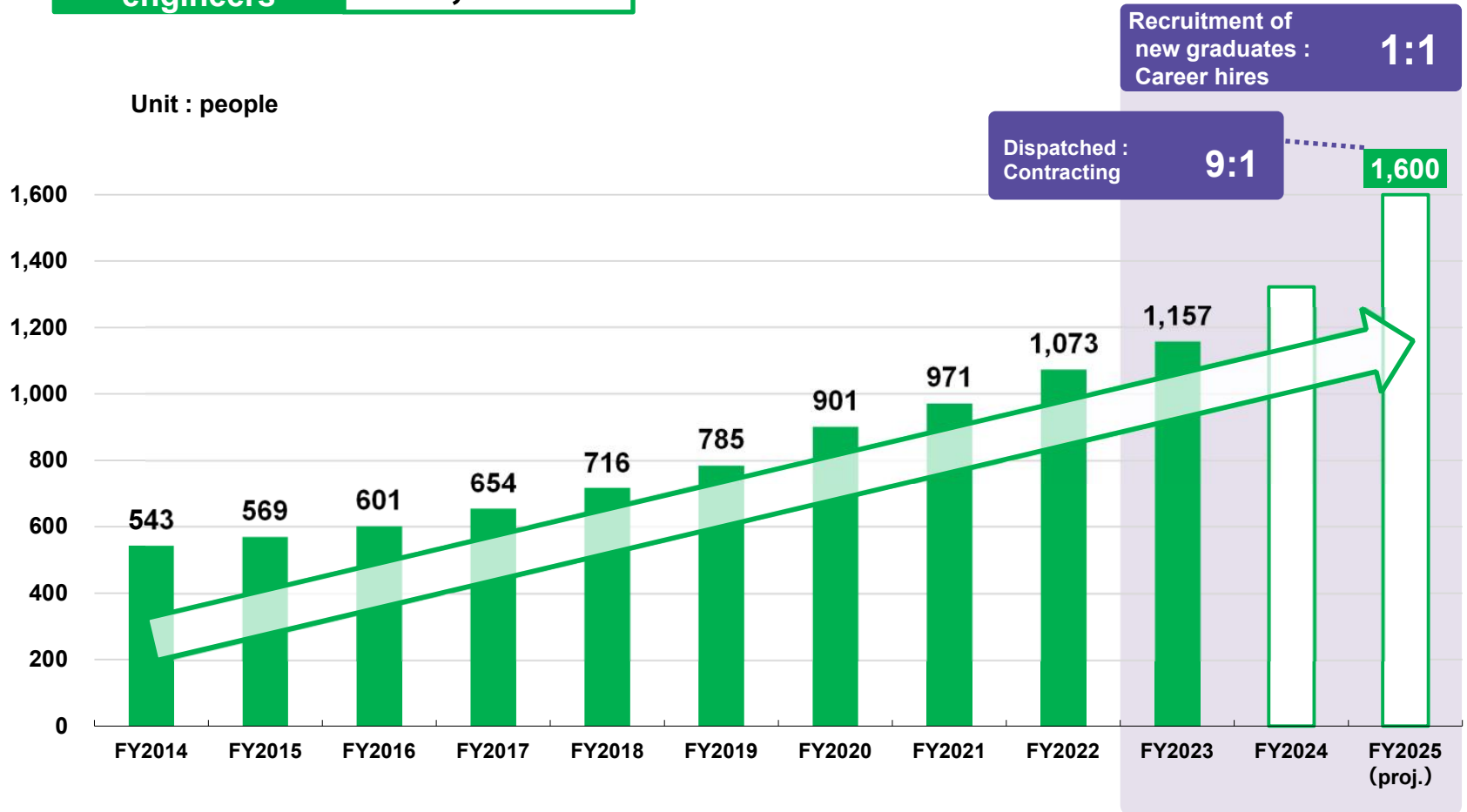
Numerical business targets <FY2025 (final year) key indicators>



Number of
engineers

1,600

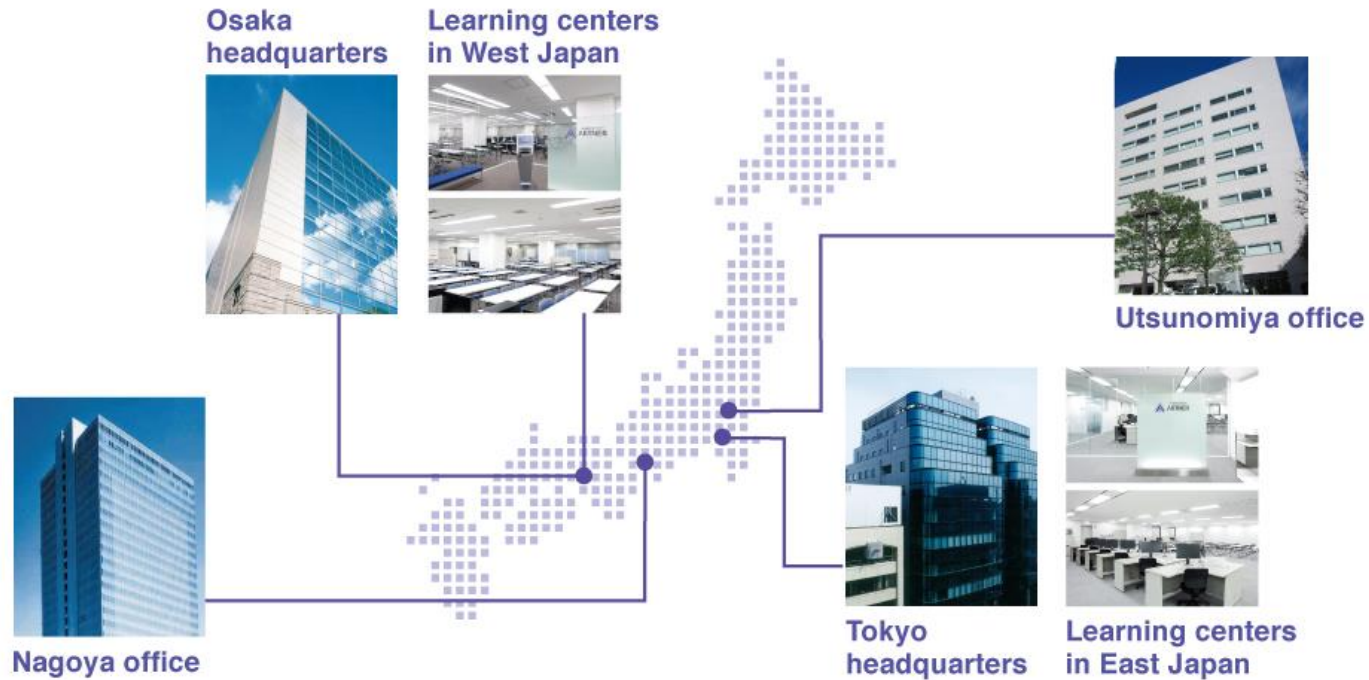
Unit : people



<https://www.artner.co.jp/>

Business locations

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



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.



Industry-academia collaboration

- Deepening industry-academia collaboration by combining universities' advanced technologies and Artner's practical skills.

Lectures at universities

Our training staff give practical lectures at universities as part-time lecturers and seminar lecturers.



Collaboration with academic societies and organizations

We present papers at affiliated academic societies and organizations. We are deepening our friendship with members of universities.

- Japan Society for Graphic Science
- Japan Society for Design Engineering
- The Japan Society of Mechanical Engineers
- The Institute of Electrical Engineers of Japan, etc.

Publication of educational materials

With the cooperation of companies and universities, we have put together books on the training know-how that we have accumulated, and use the books in our education and training.



Skill development papers

Our training systems and outputs are made available as papers to educational and business professionals. The papers are used for developing a wide range of human resources.



<https://www.artner.co.jp/>

Skill development seminars

- The seminars are held by inviting lecturers from diverse fields. Participants acquire a range of knowledge, not limited to specific technical fields, and develop their human skills.



Around 10 times a year, outside lecturers share technical information on various topics for employees' personal growth.

The seminars especially help those with practical experience to develop criteria for making effective use of their experience.

TOEIC score improvement seminar

- Learn how to acquire useful English by preparing for TOEIC®

Seminar on next-generation business skills needed in the new normal era

- Our potential to design the future of the organization

Technological capability booster lectures

- Strategy for developing China's new technology industries and 4K / 8K and 5G
- Introduction to feature engineering for data science
- Introduction to contactless power transfer
- IoT security
- Analytical methods for thermal stress problems

Human skill enhancement seminar

- Adapting to an era of diversity

<https://www.artner.co.jp/>

Career support courses

- Courses are offered in line with jobs and career levels to ensure employees possess the skills required by the manufacturers with which they are placed.



Even after being assigned to a department, employees who are participating in a manufacturer's project receive training on technologies and products in high demand, both as on-the-job and off-the-job team training.

Software skill development courses

- Introduction to JavaScript
- Introduction to MicroPython
- Introduction to IoT Microcontroller ESP32
- MBD engineers in the automobile industry
- Practical algorithm development
- Power window pinch detection

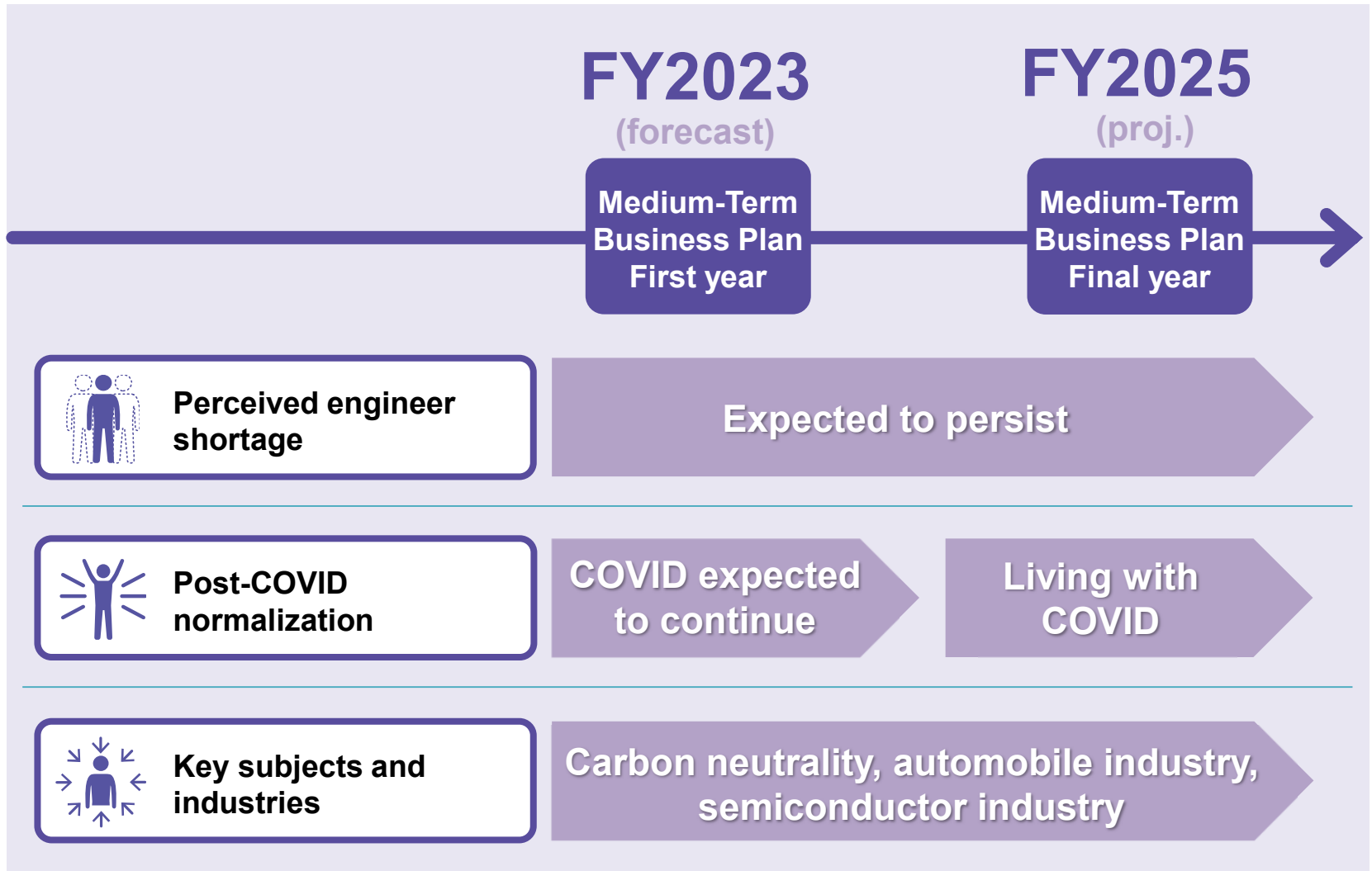
Electronics skill development courses

- Improving work efficiency using Excel VBA
- Sequence control and production site

Machinery skill development courses

- Basics of resin sheet metal design
- Product conceptual design training
- Fluid mechanics in our surroundings

Business environment forecast



Artner's initiatives for achieving SDGs in the Medium-Term Business Plan

■ “Carbon neutrality”



7 エネルギーをみんなに
そしてクリーンに

- Personnel for technical development of eco cars



13 気候変動に
具体的な対策を

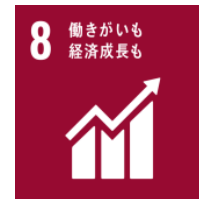
- Participating in the “Fun to Share” climate change campaign and providing

■ Promote diversity and inclusion in talent management



5 ジェンダー平等を
実現しよう

- Diversity and LGBTQ initiatives
- Improving the employment environment to promote active participation of women



8 働きがいも
経済成長も

- Establishing a diversity promotion office



10 人や国の不平等
をなくそう

- Ensuring diversity and equal opportunity in employment
- Active hiring of people with disabilities

- Establishing a diversity promotion office
- Diversity and LGBT initiatives

Financial summary for Q2 of Reporting Period 61 (FY2023)



Market environment

- While both control of the seventh wave of COVID-19 infections in Japan and recovery of economic activities are being sought, the demand for engineers in the automotive and semiconductor industries remain strong.
- Projects related to carbon neutrality, including next-generation batteries for EVs, have been implemented actively.

State of engineer dispatching business

- The number of operative personnel surpassed that of the same period of the preceding year.
 - Number of engineers increased; utilization rate remained high due to the recovery trend in the demand for engineers.
 - Placement of newly graduated engineers who joined us in 2022 progressed ahead of the initial schedule.
- The unit price of engineers dropped slightly from the same period of the preceding year. (Prioritized placement negotiations for unplaced engineers)
- Total work person-hours dropped slightly from the same period of the preceding year. (The number of work days changed due to the difference in the holiday calendar from the preceding year.)

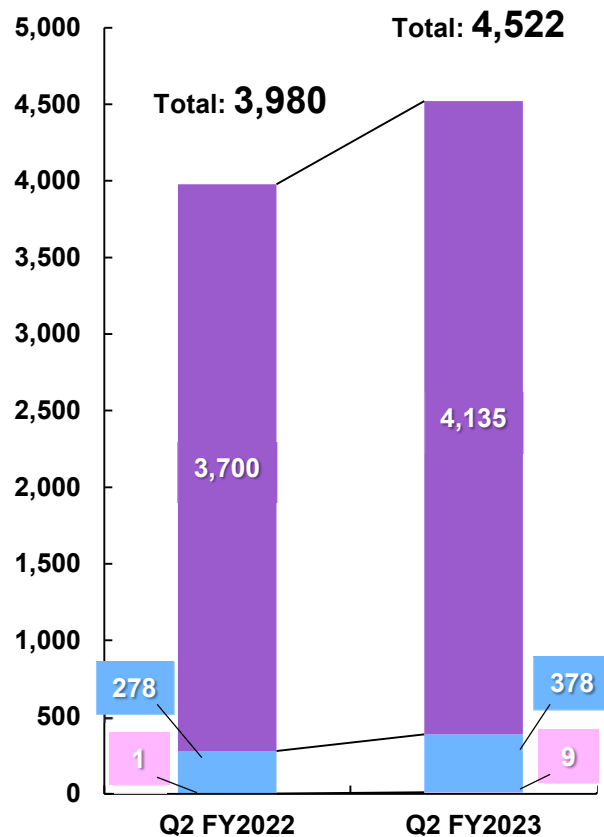
Expenses

- Progress in the placement of unplaced personnel led to a decrease in labor costs in SG&A expenses and an increase in the cost of sales. (Labor costs connected to engineers are recorded as SG&A expenses until they are assigned to our client companies, after which the costs are recorded under cost of sales.)
- SG&A expenses increased slightly. (Despite a decrease in labor costs, expenses for recruiting, travel, transportation, and others increased with a recovery in our recruiting and sales activities.)

Net sales by business for Q2 FY2023

■ Engineer dispatching up 11.8%, ■ Contracting up 35.6%

Unit: ¥ million

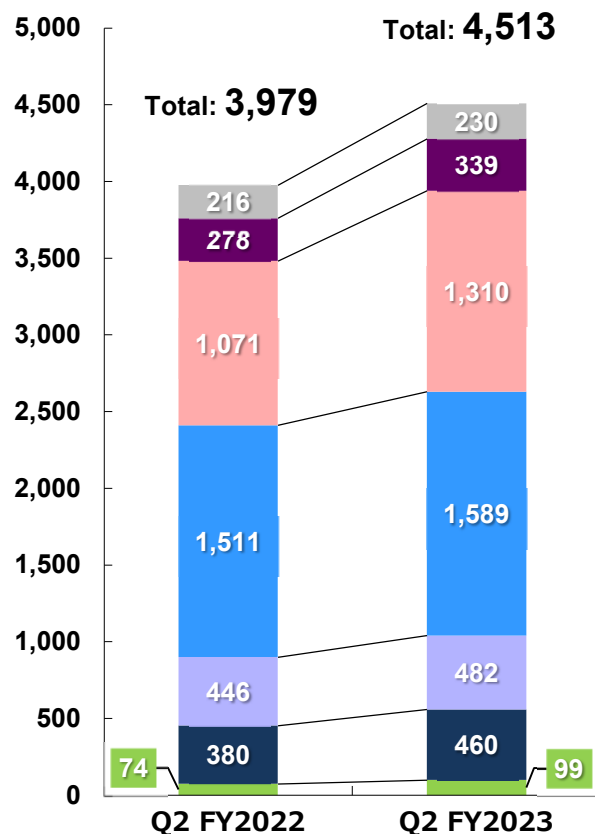


	Q2 FY2022		Q2 FY2023		Change from the previous year (%)	Percentage variance (pt)
	Result (¥ million)	% of Net sales	Result (¥ million)	% of Net sales		
Engineer dispatching services	3,700	93.0	4,135	91.4	11.8	▲ 1.5
Contracting	278	7.0	378	8.4	35.6	1.4
Subtotal	3,979	100.0	4,513	99.8	13.4	▲ 0.2
Other	1	0.0	9	0.2	645.3	0.2
Total	3,980	100.0	4,522	100.0	13.6	—

Net sales by industry field for Q2 FY2023

- Electronic devices up 22.3%, ■ Transportation equipment up 5.2%,
- Precision equipment up 8.0%, ■ Information and communications up 21.1%

Unit: ¥ million



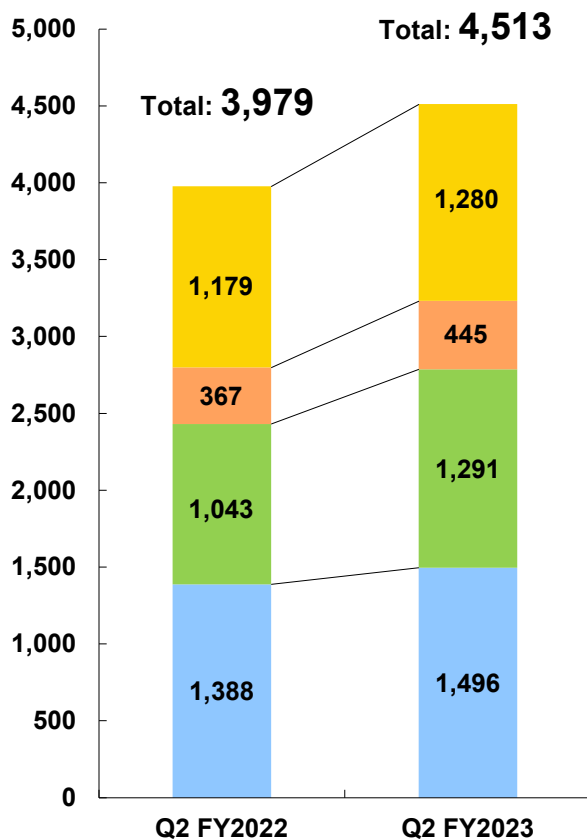
	Q2 FY2022		Q2 FY2023		Change from the previous year (%)	Percentage variance (pt)
	Result (¥ million)	% of Net sales	Result (¥ million)	% of Net sales		
Steel, nonferrous materials and metals	216	5.4	230	5.1	6.5	▲ 0.3
Machinery	278	7.0	339	7.5	22.0	0.5
Electrical equipment	1,071	26.9	1,310	29.0	22.3	2.1
Transportation equipment	1,511	38.0	1,589	35.2	5.2	▲ 2.8
Precision equipment	446	11.2	482	10.7	8.0	▲ 0.5
Information and communications	380	9.6	460	10.2	21.1	0.6
Miscellaneous	74	1.9	99	2.2	34.4	0.3
Total	3,979	100.0	4,513	100.0	13.4	—

*Excludes sales from "Other" businesses.

Net sales by business field for Q2 FY2023

- Embedded / Model-Based up 8.5%, ■ IT Solution up 21.2%,
- Electronics up 23.8%

Unit: ¥ million



	Q2 FY2022		Q2 FY2023		Change from the previous year (%)	Percentage variance (pt)
	Result (¥ million)	% of Net sales	Result (¥ million)	% of Net sales		
Embedded / Model-Based	1,179	29.6	1,280	28.4	8.5	▲ 1.3
IT Solution	367	9.2	445	9.9	21.2	0.6
Electronics	1,043	26.2	1,291	28.6	23.8	2.4
Machinery	1,388	34.9	1,496	33.2	7.7	▲ 1.8
Total	3,979	100.0	4,513	100.0	13.4	—

*Excludes sales from "Other" businesses.

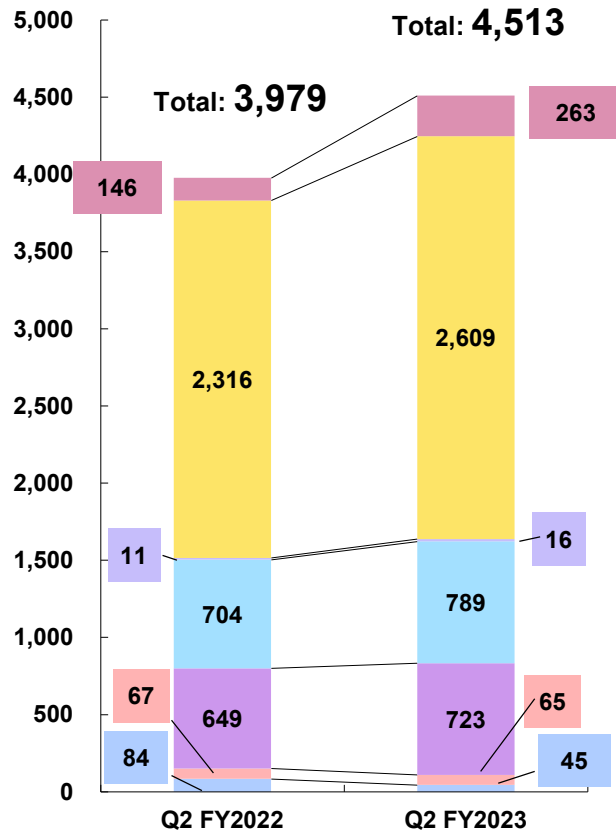
[The name changes below took effect as of the release of the financial results materials for the fiscal year ended January 31, 2022.]
 "Control software" changed to "Embedded / Model-Based"
 "Data processing" changed to "IT Solution"

<https://www.artner.co.jp/>

Net sales by region for Q2 FY2023

■ Kanto up 12.7%, ■ Tokai up 12.0%, ■ Kinki up 11.5%

Unit: ¥ million



	Q2 FY2022		Q2 FY2023		Change from the previous year (%)	Percentage variance (pt)
	Result (¥ million)	% of Net sales	Result (¥ million)	% of Net sales		
Tohoku	146	3.7	263	5.8	80.4	2.2
Kanto	2,316	58.2	2,609	57.8	12.7	▲ 0.4
Hokuriku	11	0.3	16	0.4	40.3	0.1
Tokai	704	17.7	789	17.5	12.0	▲ 0.2
Kinki	649	16.3	723	16.0	11.5	▲ 0.3
Chugoku	67	1.7	65	1.5	▲ 1.6	▲ 0.2
Kyushu	84	2.1	45	1.0	▲ 46.5	▲ 1.1
Total	3,979	100.0	4,513	100.0	13.4	—

*Excludes sales from "Other" businesses.

Forecast of financial results for FY2023 / prerequisites

[Forecast of Financial results]

	FY2022		FY2023		Change from the previous year (million yen)	Change from the previous year (%)
	Result (million yen)	Percent- age (%)	Forecast (million yen)	Percent- age (%)		
Net sales	8,102	100.0	8,798	100.0	696	8.6
Operating profit	1,010	12.5	1,147	13.0	137	13.6
Ordinary profit	1,032	12.7	1,150	13.1	118	11.4
Profit	728	9.0	797	9.1	69	9.4

[Prerequisites]

Newly graduated engineers (April, October) (people)	204	165	(39)	(19.1)
Career engineers (people)	35	110	75	214.3
Turnover rate (%)	11.3	Decreased YoY		
Utilization rate (%)	96.6	Same level as preceding year		
Unit price of engineers (yen)	4,189	Same level as preceding year		
Total work person-hours (h)	166	Same level as preceding year		

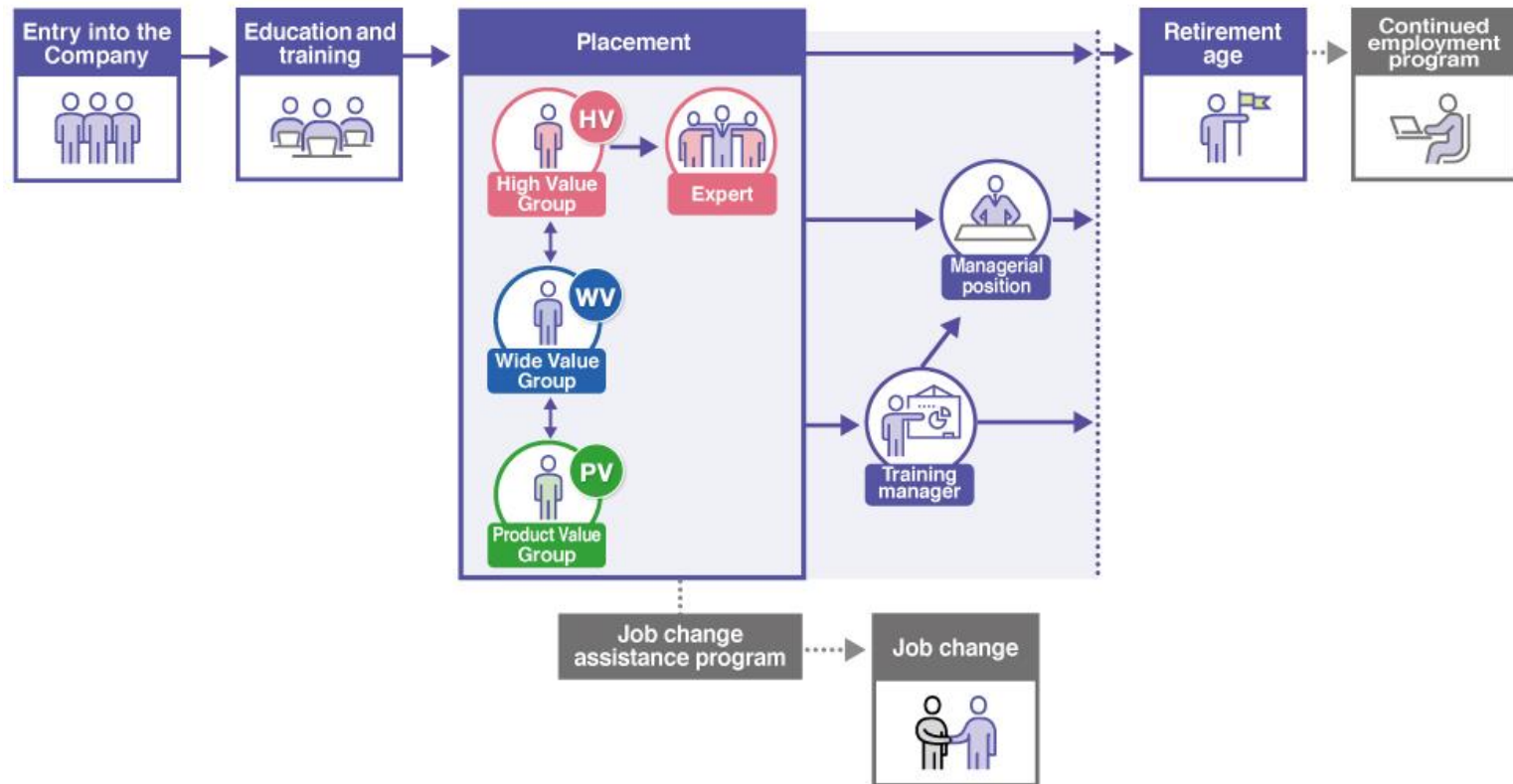
[Expected time of assignment completion]

Newly graduated engineers joining in April 2022

Around the same
period as pre-
pandemic

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.”



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

SUBARU, TOYOTA MOTOR, Nissan Motor, BOSCH, Honda Motor, etc.

Electronic devices

OMRON, Tokyo Electron, Panasonic Holdings, Lasertec, etc.

Precision equipment

SHIMADZU, Terumo, NIKON, etc.

Machinery

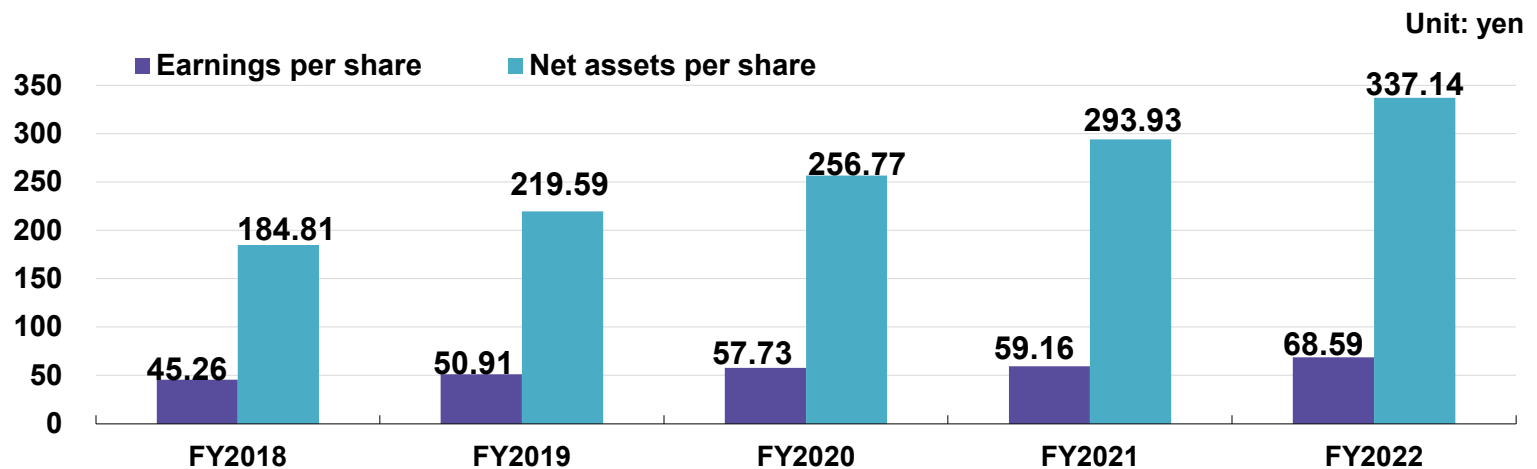
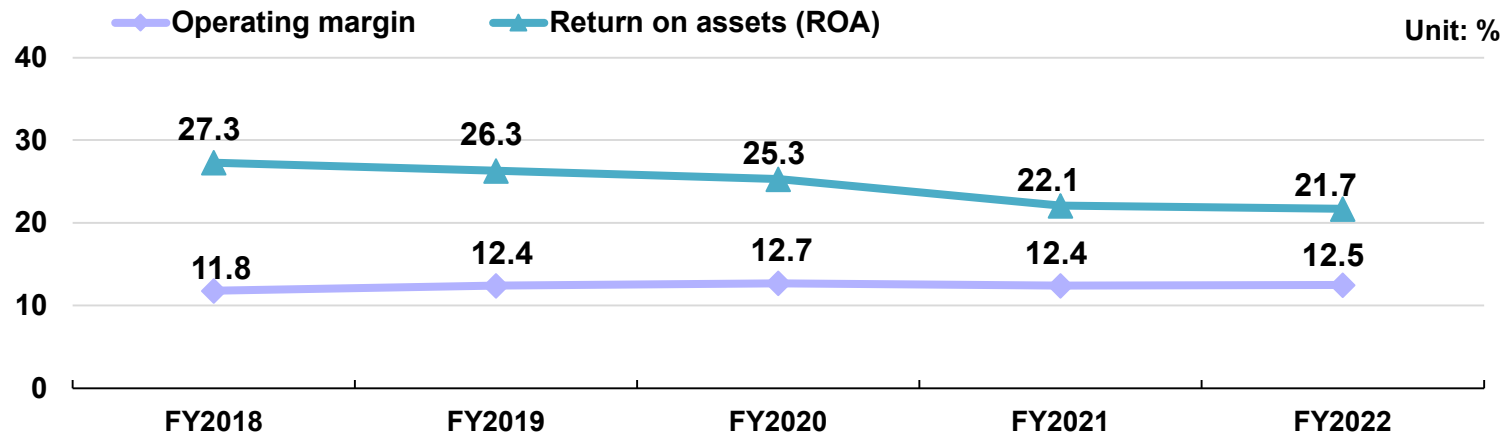
SMC, Komatsu, JTEKT, etc.

Information and communications

Hitachi Hi-System21, 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 1,000 companies**

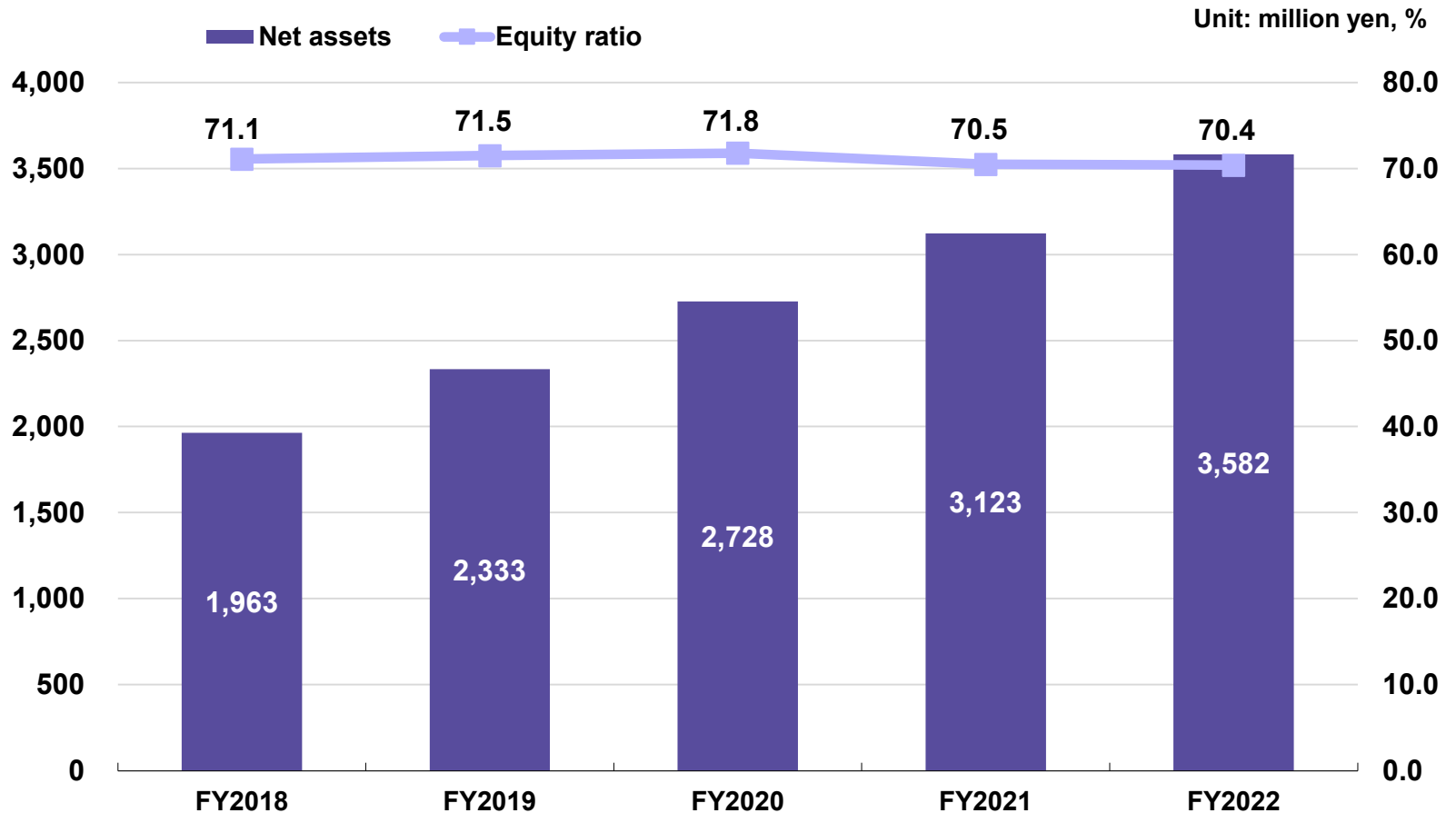
Operating margin / ROA / earnings per share and net assets per share



*Earnings per share and net assets per share were retroactively revised to factor in the impact of stock splits conducted as follows.

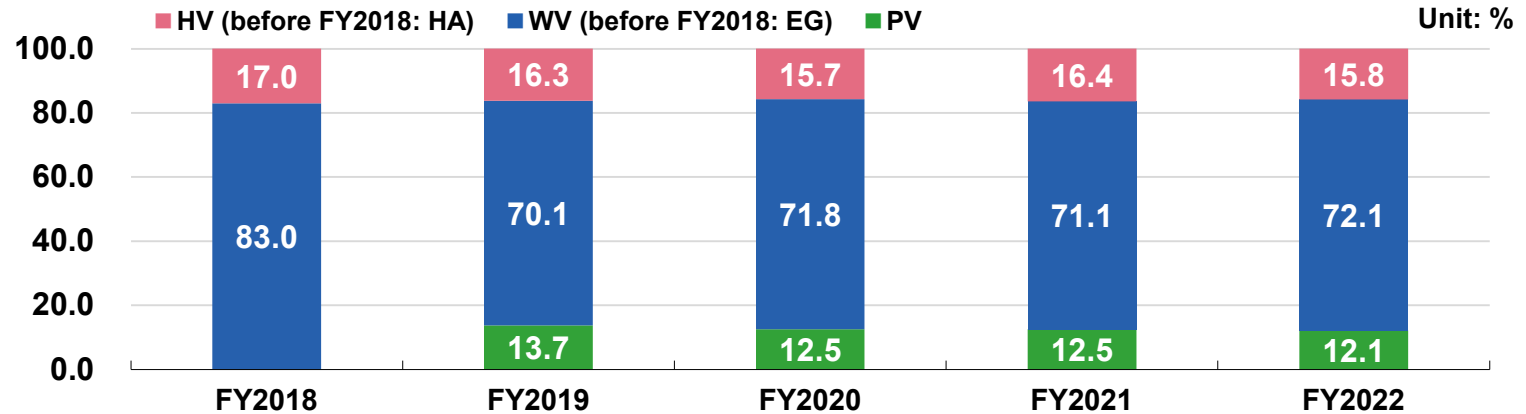
April 1, 2018 (2-for-1 stock split)

Net assets / equity ratio

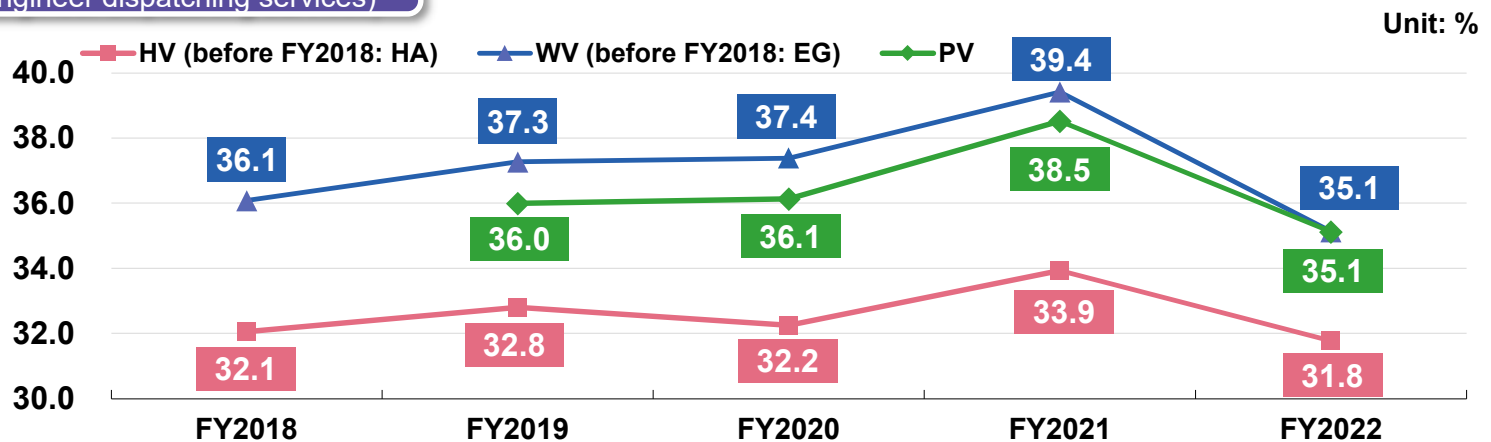


Engineer breakdown by group / gross margin

Engineer breakdown



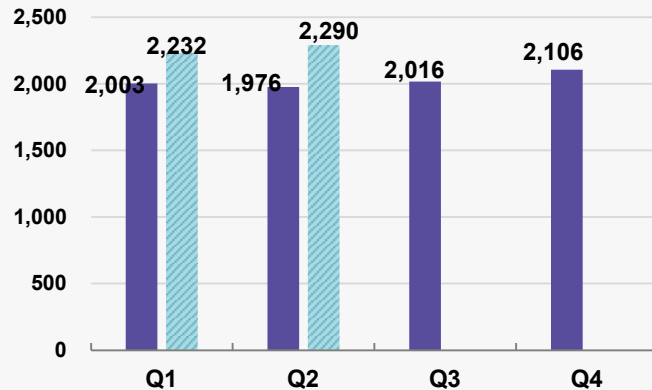
Gross margin (engineer dispatching services)



Quarterly (accounting period) performance

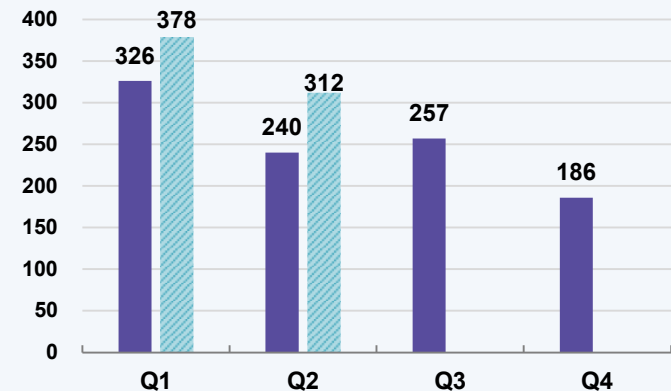
Net sales

■ FY2022 ■ FY2023 Unit: ¥ million



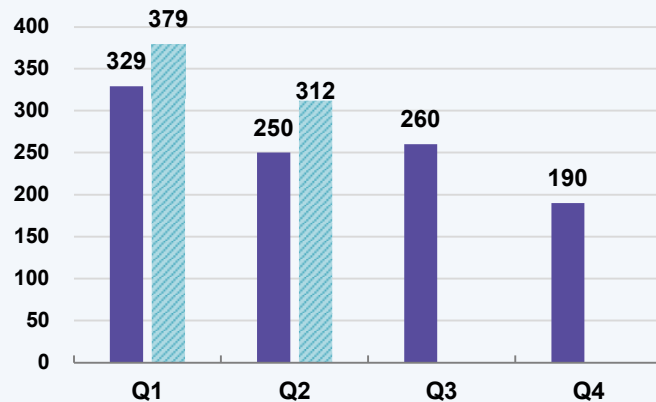
Operating profit

■ FY2022 ■ FY2023 Unit: ¥ million



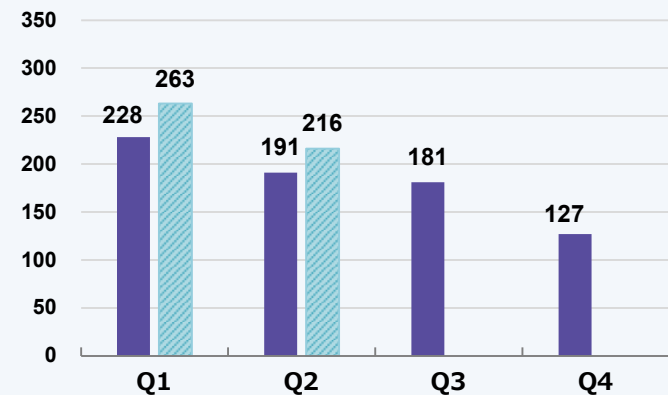
Ordinary profit

■ FY2022 ■ FY2023 Unit: ¥ million



Profit

■ FY2022 ■ FY2023 Unit: ¥ million



Quarterly (accounting period) performance trend, numerical data

FY2023

	Q1				Q2				Q3				Q4			
	Result (¥ million)	% of Net sales	YOY (%)	※ ^① (%)	Result (¥ million)	% of Net sales	YOY (%)	※ ^① (%)	Result (¥ million)	% of Net sales	YOY (%)	※ ^① (%)	Result (¥ million)	% of Net sales	YOY (%)	※ ^① (%)
Net sales	2,232	100.0	11.4	24.2	2,290	100.0	15.9	24.8								
Cost of sales	1,387	62.1	15.9		1,503	65.6	17.3									
Gross profit	845	37.9	4.8		787	34.4	13.1									
SG&A expenses	467	20.9	▲ 2.8		474	20.7	4.2									
Operating profit	378	16.9	16.0	31.7	312	13.7	30.0	26.2								
Ordinary Profit	379	17.0	15.0	31.5	312	13.7	24.6	26.0								
Profit	263	11.8	15.1	29.4	216	9.4	13.1	24.2								

* (1) Quarterly composition of the forecast of financial results (full year)

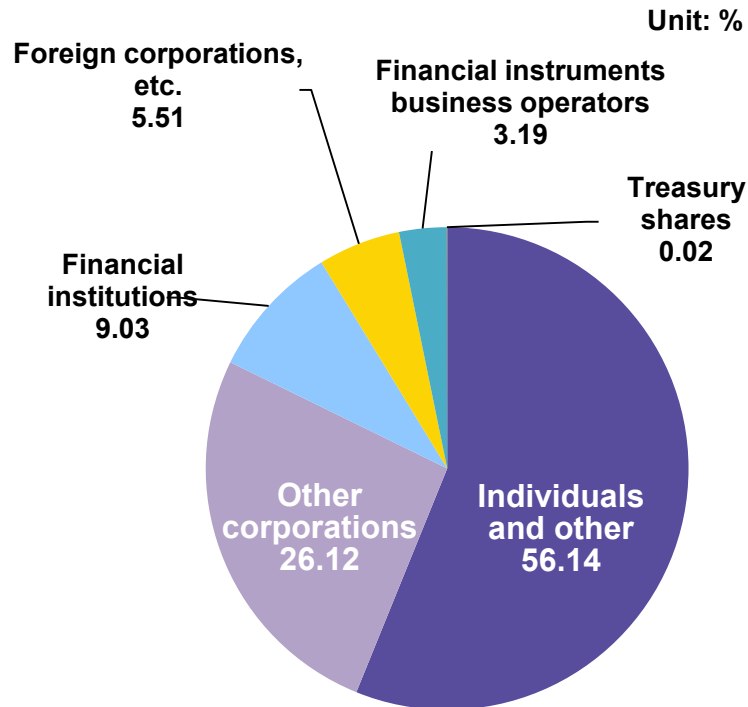
FY2022

	Q1				Q2				Q3				Q4			
	Result (¥ million)	% of Net sales	YOY (%)	※ ^② (%)	Result (¥ million)	% of Net sales	YOY (%)	※ ^② (%)	Result (¥ million)	% of Net sales	YOY (%)	※ ^② (%)	Result (¥ million)	% of Net sales	YOY (%)	※ ^② (%)
Net sales	2,003	100.0	6.9	24.7	1,976	100.0	11.1	24.4	2,016	100.0	15.8	24.9	2,106	100.0	18.4	26.0
Cost of sales	1,197	59.8	4.4	22.6	1,281	64.8	16.6	24.2	1,343	66.7	26.7	25.3	1,480	70.3	30.3	27.9
Gross profit	806	40.2	10.8	28.8	695	35.2	2.3	24.8	672	33.3	(1.2)	24.0	625	29.7	(2.7)	22.3
SG&A expenses	480	24.0	4.8	26.8	455	23.0	▲ 4.0	25.4	414	20.6	(14.6)	23.2	439	20.9	3.0	24.6
Operating profit	326	16.3	21.1	32.3	240	12.2	16.6	23.8	257	12.8	32.3	25.5	186	8.8	(14.1)	18.4
Ordinary Profit	329	16.4	21.8	31.9	250	12.7	19.5	24.3	260	12.9	24.5	25.3	190	9.1	(13.3)	18.5
Profit	228	11.4	22.1	31.4	191	9.7	31.7	26.2	181	9.0	24.6	24.8	127	6.1	(15.3)	17.5

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

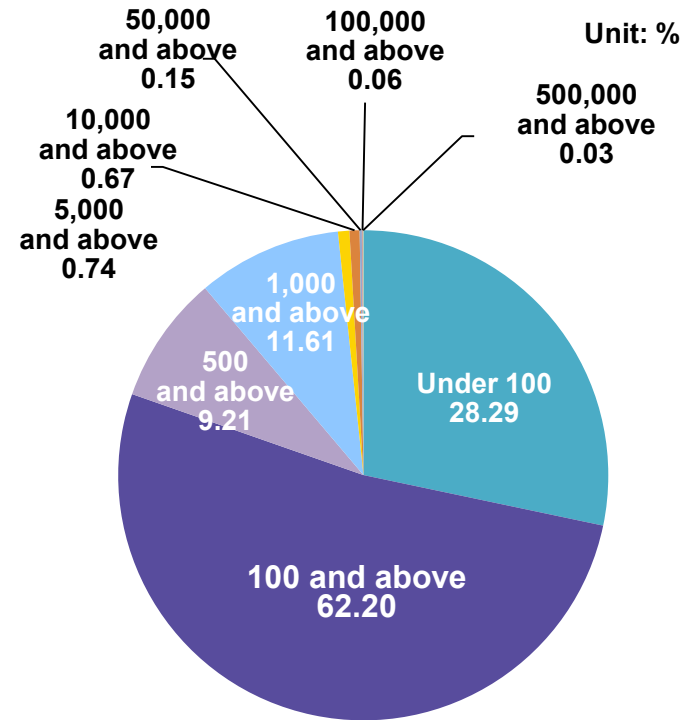
Data by owner category (As of July 31, 2022)

Share Distribution by Owner Category



- Individuals and other
- Other corporations
- Financial institutions
- Foreign corporations, etc.
- Financial instruments business operators
- Treasury shares

Shareholder Distribution by Number of Shares Held



- Under 100
- 100 and above
- 500 and above
- 1,000 and above
- 5,000 and above
- 10,000 and above
- 50,000 and above
- 100,000 and above
- 500,000 and above

Handling of this document

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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.

(Forward-looking statements)

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, actual results may differ from the forward-looking statements in this document due to various factors, such as changes in the business environment.

(Processing of numbers)

As the amounts in the text and figures of this document are rounded down to the nearest unit, the total of breakdowns may not coincide with the official total numbers. In addition, as ratios (%) are rounded to the first decimal place, the total of their breakdown may not add up to 100.0%.