

Make Value

Engineer Support Company

Q2 FY2023 Briefing for Analysts and Institutional Investors

September 22, 2022

— Create the Future —

ARTNER

JPX  
PRIME

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ARTNER CO., LTD.

- Let me formally introduce myself again. I'm SEKIGUCHI Sozo, president and CEO of Artner Co., Ltd.
- Thank you all for coming to today's Briefing for Analysts and Institutional Investors despite the ongoing COVID-19 pandemic.
- Allow me to thank you once more. Thank you for your attendance today.
- Let me start today's session according to the briefing summary in front of you.
- As there are many documents, we have compiled the points we want to address in the front pages.
- The rest are compiled in the reference section, so feel free to view them as you like.

## Company Information



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

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- I will begin with information about the Company.
- Once again, the company name is Artner Co., Ltd.
- Our shares are listed on the Prime Market of the Tokyo Stock Exchange.
- The securities code is 2163.
- We are in the worker dispatching business and the paid employment agency business in the software, electronics, and machinery fields.

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- Despite FY2021's COVID-19 pandemic, we achieved our eighth consecutive period of growth in both sales and profit in the last fiscal year, supported by the market environment.
- I would like to explain the factors and background behind this achievement.

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

### Market size of engineer dispatching business

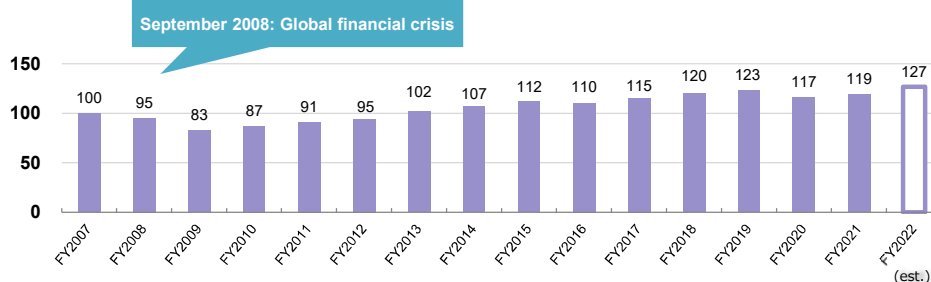
**1.1 to 1.3 trillion yen** (estimate)

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.


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- We are a part of the engineer dispatching services market, which continues to have high prospects for growth.
- In the current market environment, our main clients, big manufacturing companies, are continuously increasing their R&D budgets and focusing on advanced development.

1 The eighth consecutive period of sales and profit growth, double-digit growth


**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.

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- Against the backdrop of a favorable market environment, several factors contributed to the eighth consecutive period of growth in both sales and profit, as we have outlined here. Let me run through them.
- The first is trust from our clients built on our long history. We have become an established company in engineer dispatching services, with this year marking the 60th anniversary of our establishment.
- The second factor is the business model developed by Artner since eight periods ago.
- Following the global financial crisis of 2008, we redistributed the number of engineers assigned to each process of R&D where we excel. This has helped us achieve high earnings.
- The third factor is the placement of engineers in technical fields which are currently drawing significant attention and have high market needs.
- Specifically, we are intensively assigning engineers to CO2 reduction projects, and this has helped us achieve high earnings.

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

# 1953 -

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

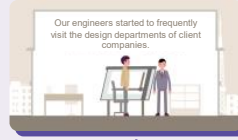


Founded

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



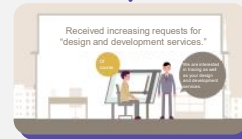
Our engineers visit frequently the design departments of client companies.



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



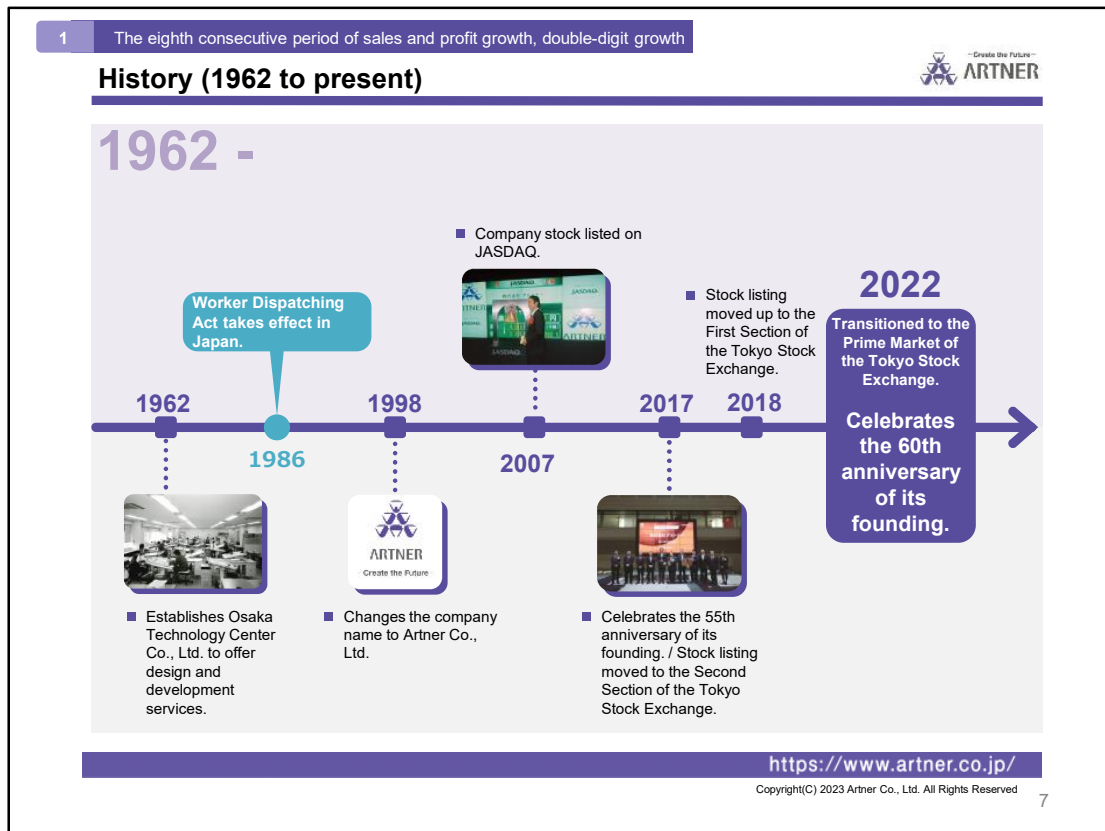
Starts hiring employees with STEM degrees and offering a tracing service for design drawings.



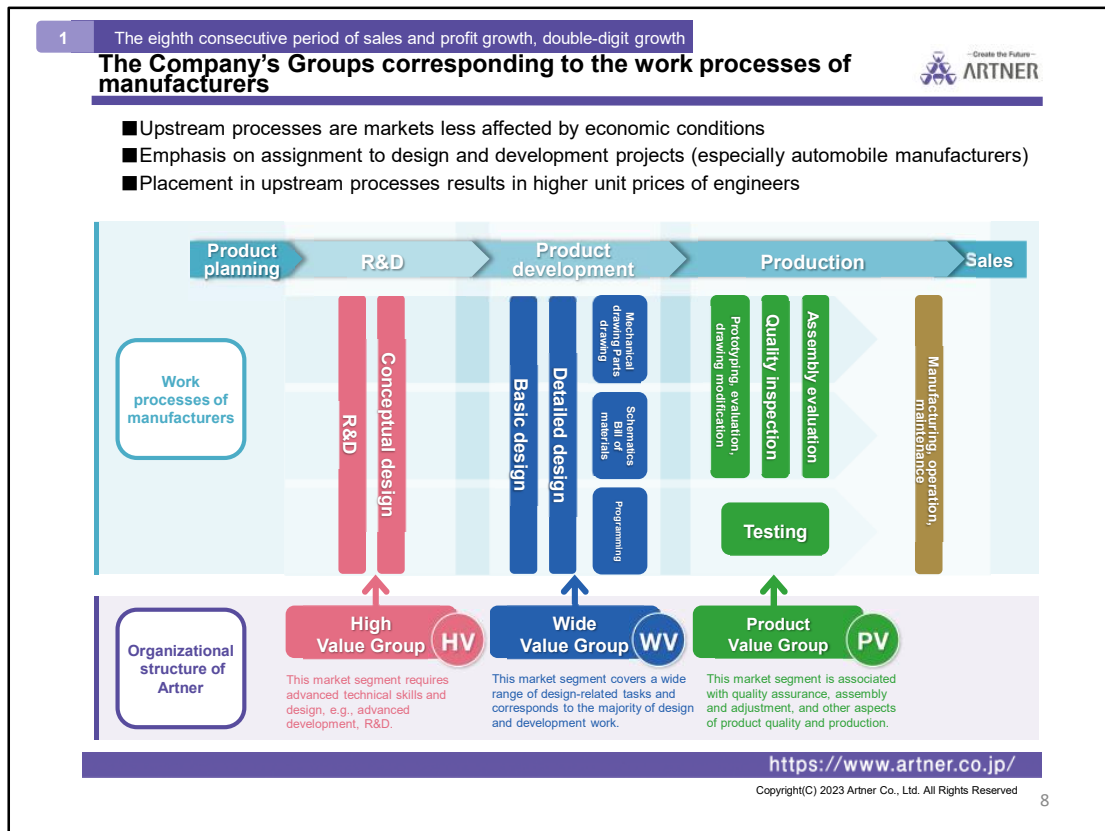
Demand increases from clients for tracing and other designing and development services.

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- Let me elaborate on each event.
- We have a long history. We established an engineer dispatching services company based in Osaka in 1962, and it will celebrate its 60th anniversary this year.
- The company name at the time was Osaka Technology Center Co., Ltd.
- In 1998, the company name changed to the current Artner Co., Ltd.
- In 2007, the company stock was listed on JASDAQ.
- In 2017, our stock listing moved to the Second Section of the Tokyo Stock Exchange.
- In 2018, our stock listing moved up to the First Section of the Tokyo Stock Exchange.
- This year, 2022, we transitioned to the Prime Market of the Tokyo Stock Exchange.



- Next, I would like to explain about the business model that Artner has been developing since the global financial crisis of 2008.
- This diagram shows how each of Artner's groups corresponds to a work process of manufacturers. Manufacturers' work processes consist of, from left to right, upstream, midstream, and downstream processes, with R&D on the left.
- Artner excels in the fields from R&D, an upstream process, to product development, a midstream process.
- Approximately 80% of all our engineers are placed in these fields.
- As engineers are placed in an upstream process, the added value received from clients, in other words, the contract unit price of engineers, is naturally on an upward trend.



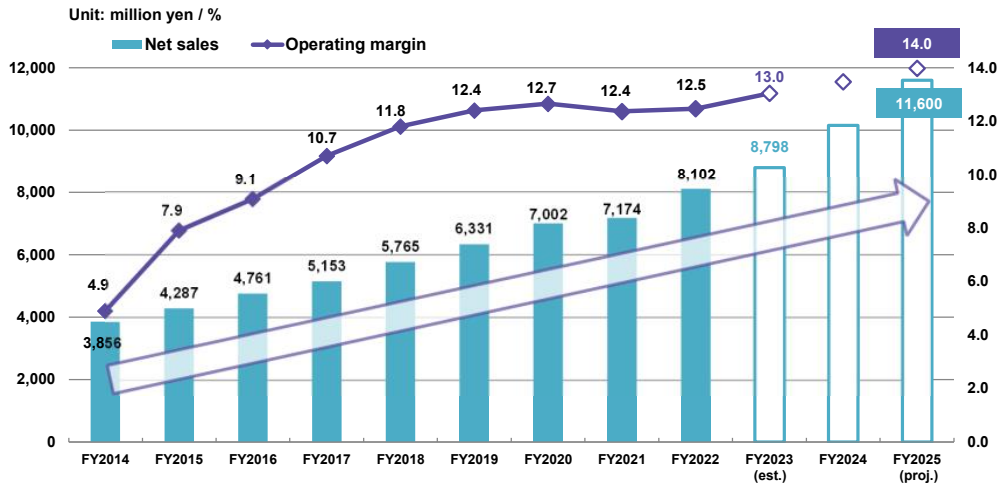
1 The eighth consecutive period of sales and profit growth, double-digit growth

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



**Net sales** 11.6 billion yen

**Operating margin** 14.0%



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- As a result, Artner has achieved the eighth consecutive period of growth in both sales and profit.
- Let me explain our financial results for this current year.

## Investment Highlights



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- I will provide a financial summary of Q2 FY2023.

### 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.

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- These are our financial results highlights for Q2.
- First, in the first half of this year, net sales went up 13.6%.
- Operating profit by 21.9%.
- Ordinary profit by 19.2%.
- Profit by 14.2%.

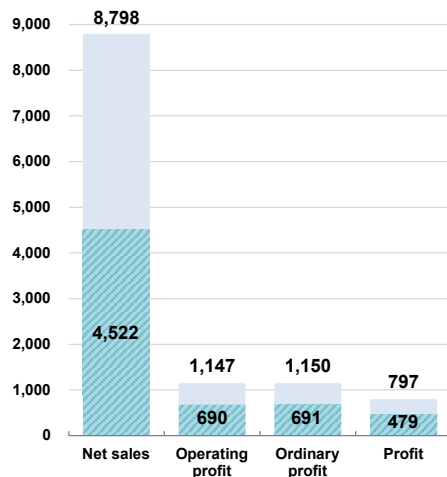
## Progress of the Earnings Forecast for Q2 FY2023

### ■ 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		Progress rate on full-year forecast (%)
	Result (¥ million)	% of Net sales	
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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- This page shows our financial results progress for the full year.
- Q2 progress rates on the full-year forecast of financial results were: net sales 51.4%; operating profit 60.2%; ordinary profit 60.1%; and profit 60.2%.
- We are now in the second half of the fiscal year with August and two-thirds of September behind us.
- In the current market environment, demand for engineers remains high.
- Considering the economic situation, our present outlook for the market environment is that deceleration in the second half of the fiscal year is unlikely.
- Therefore, in terms of our full-year financial results for this fiscal year, at this point in time, the ninth consecutive period of growth in both sales and profit is in sight, following on from our eighth consecutive period of growth in both sales and profit.
- However, there are medium- to long-term challenges.

## Investment Highlights



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The eighth consecutive period of sales and profit growth, double-digit growth

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- I will explain about Artner's plan for fulfilling the listing maintenance criteria of the Prime Market.

## 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
<b>The Company</b> (As of transition standard date of June 30, 2021)	<b>49,748 units</b>	<b>4.1 billion yen</b>	<b>46.8%</b>	<b>28 million yen</b>
<b>Listing maintenance criteria</b>	<b>20,000 units</b>	<b>10 billion yen</b>	<b>35%</b>	<b>20 million yen</b>

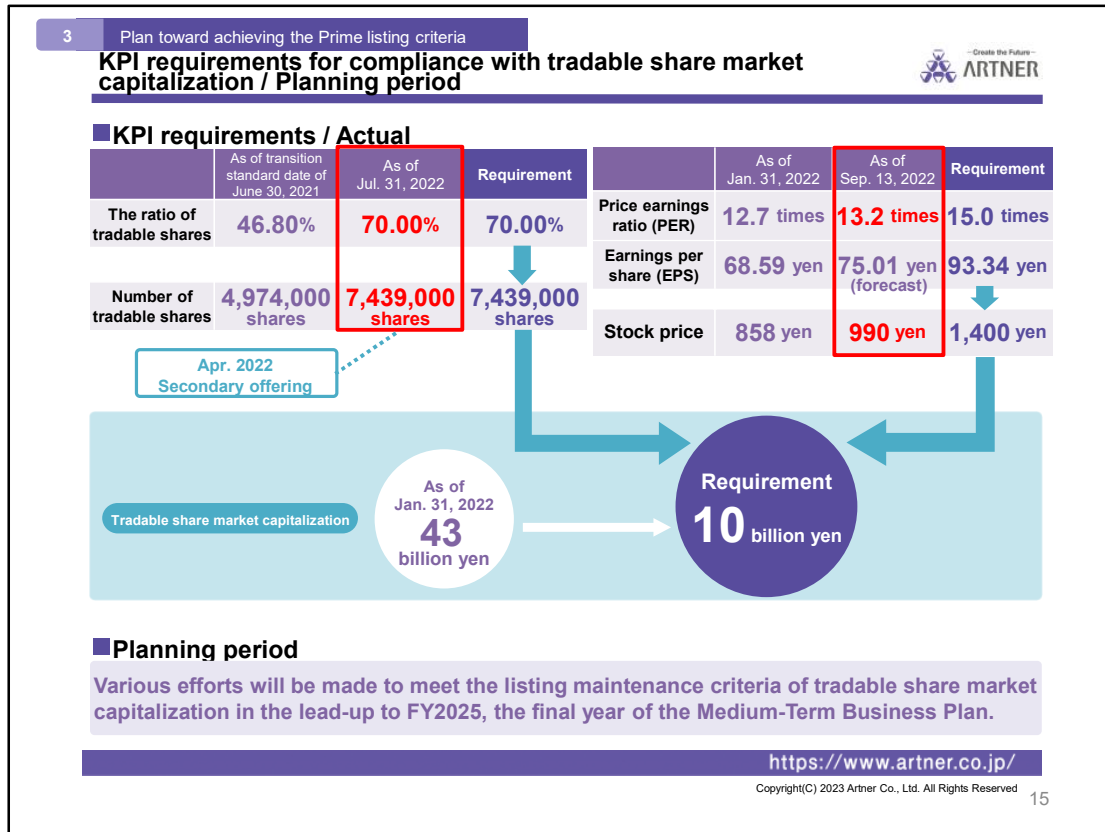
Criteria not met

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- First, our progress toward complying with the listing maintenance criteria of the Prime Market.
- As we did not meet the criterion for tradable share market capitalization as of June 30, 2021, the transition standard date, we prepared “Plan for Compliance with Listing Maintenance Criteria of New Market Segment” and submitted it to the Tokyo Stock Exchange.
- Our tradable share market capitalization as of the transition standard date was 4.1 billion yen.
- We were short by 5.9 billion yen to the 10 billion yen criterion.



- Based on our progress, I will explain the requirements for achieving the 10 billion yen tradable share market capitalization and our plan for the Medium-Term Business Plan period.
- Our Medium-Term Business Plan, which was implemented this fiscal year, will be in place for three years.
- In other words, there is a Medium-Term Business Plan for achieving our unmet tradable share market capitalization criterion by the end of FY2025.
- Next, the requirements.
- To achieve the 10 billion yen tradable share market capitalization, we intend to increase the ratio of tradable shares to over 70%.
- This will increase the number of tradable shares.
- Furthermore, we intend to actively disclose information to investors to increase PER to the industry average of 15.0 times.
- The Medium-Term Business Plan also calls for increasing earnings per share (EPS) to 93.34 yen through the business promotion efforts under the plan.
- As a result, the stock price in theoretical terms will rise to 1,400 yen.
- By doing so, we expect to achieve the 10 billion yen requirement for tradable share market capitalization.

## 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



To be considered

Payout ratio

Based on **30%**Raise to **50%**

Total return ratio

Consider share buyback

### ■ Strengthen IR activities (Details on next slide)

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- Allow me to once again explain our specific initiatives.
- These are initiatives to achieve tradable share market capitalization of 10 billion yen.
- First, we will increase the ratio of tradable shares.
- As I mentioned earlier, the ratio will be increased to 70%.
- The secondary offering began on April 1 and settled on April 18, and the ratio of tradable shares has already risen to over 70%.
- We will also seek to increase EPS through the business promotion efforts under the Medium-Term Business Plan.
- The specific measures are as written here.
- The third initiative is increasing shareholder returns.
- The 30% base ratio will be increased to 50%.
- We already shifted our payout ratio policy ahead of schedule as of the last fiscal year, and we have announced a dividend plan based on the current 50% payout ratio policy.



## 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

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- Lastly, to further enhance our IR activities, we will strengthen information dissemination for individual and institutional investors.
- Until now, we have been holding briefings like today's twice a year at the end of the second quarter and at the end of the fiscal year. From this fiscal year, we will increase their frequency and hold briefings every quarter, or four times a year.
- Secondly, we will increase English-language disclosures with foreign investors in mind.
- Thirdly, we will adapt to the Corporate Governance Code.

3 Plan toward achieving the Prime listing criteria

**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**

<p><b>1 Promote strategies by segment</b></p> <ul style="list-style-type: none"> <li>• Develop strategies for each segment (recruitment – education – assignment – system)</li> <li>• Establish approaches to markets by segment</li> <li>• Explore and seek new specialist fields of technology</li> </ul>	<p><b>2 Promote diversity and inclusion in talent management</b></p> <ul style="list-style-type: none"> <li>• Utilize workers of retirement age, women, and foreign workers (overseas students) as personnel</li> <li>• Utilize and organize partner companies (set up a contracting system)</li> </ul>
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- I will now explain about our Medium-Term Business Plan for increasing EPS.
- The basic policy and basic measures are as shown here.

## 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

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- The core of our sales strategy is, I repeat, projects related to CO2 reduction.
- Our strategy is to concentrate our human resources on these projects as much as possible and increase added value.

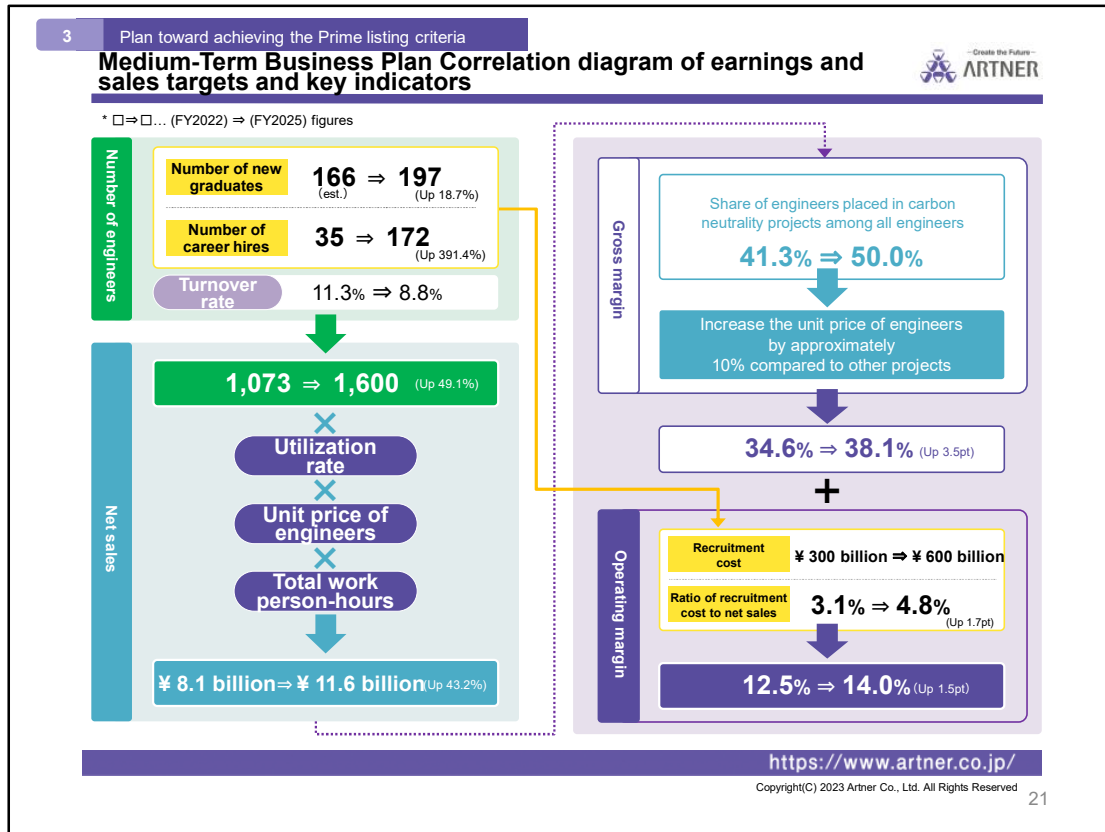
## Our recruitment, training, and sales efforts with an eye to carbon neutrality



<b>Recruitment</b>	<p><b>Recruitment targets</b></p> <ul style="list-style-type: none"> <li>Students who have graduated from departments in the fields of electricity, electronics, materials science, energy, and information technology</li> <li>Experienced workers with skills and experience in the fields above</li> </ul> <p>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. ⇒ <b>Balance the numbers of new graduates and career hires to secure optimum talents</b></p>	<p><b>Share of carbon neutrality recruitment targets for new graduates and career hires</b></p> <table border="1"> <thead> <tr> <th></th> <th>FY2022</th> <th>FY2025 (target)</th> </tr> </thead> <tbody> <tr> <td>New graduates</td> <td>47.9%</td> <td>55.0%</td> </tr> <tr> <td>Career hires</td> <td>48.6%</td> <td>55.0%</td> </tr> </tbody> </table>			FY2022	FY2025 (target)	New graduates	47.9%	55.0%	Career hires	48.6%	55.0%
		FY2022	FY2025 (target)									
New graduates	47.9%	55.0%										
Career hires	48.6%	55.0%										
<b>Training</b>	<p><b>Training details</b></p> <ul style="list-style-type: none"> <li>Understanding the principles of power systems (inverter systems) for EVs and FCVs</li> <li>Optimization of infrastructure resources and AI/machine learning for human and product transactions through the introduction of cloud computing</li> <li>Model design and validation of EV battery management systems</li> <li>How to analyze the results of sensor characterization</li> <li>Recycling of chemicals and materials</li> </ul> <p>Meet the ever-increasing needs of engineers in the software, electrical and electronic fields. ⇒ <b>Increase trainers</b></p>											
	<b>Sales</b>	<p><b>Placement in carbon neutrality projects</b></p> <p>Contribute to solving social issues to improve business performance</p> <p>Increase the unit price of engineers by approximately 10% compared to other projects ⇒ <b>Increase net sales and profit margins</b></p>	<p><b>Share of engineers placed in carbon neutrality projects among all engineers</b></p> <table border="1"> <thead> <tr> <th></th> <th>FY2022</th> <th>FY2025 (target)</th> </tr> </thead> <tbody> <tr> <td></td> <td>41.3%</td> <td>50.0%</td> </tr> </tbody> </table>			FY2022	FY2025 (target)		41.3%	50.0%		
		FY2022	FY2025 (target)									
	41.3%	50.0%										

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- We are currently implementing recruitment, training, and sales efforts for achieving carbon neutrality and have set numerical targets for each of them.



- A correlation diagram between the Medium-Term Business Plan's financial results targets and key indicators is shown here.
- Firstly, we are looking to increase the number of our engineers from 1,073 to 1,600.
- We plan to increase net sales from 8.1 billion yen to 11.6 billion yen.
- We assume that, by focusing on projects related to carbon neutrality and projects with high market needs, the unit price of engineers will increase, and as a result, the gross margin will increase.
- Accordingly, we will incur more recruitment costs for increasing the number of engineers. However, our plan assumes that operating margin will increase from 12.5% to 14.0%.

## Investment Highlights



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- We will make stable and continuous dividend payments as part of our efforts for increasing PER.

## 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**.

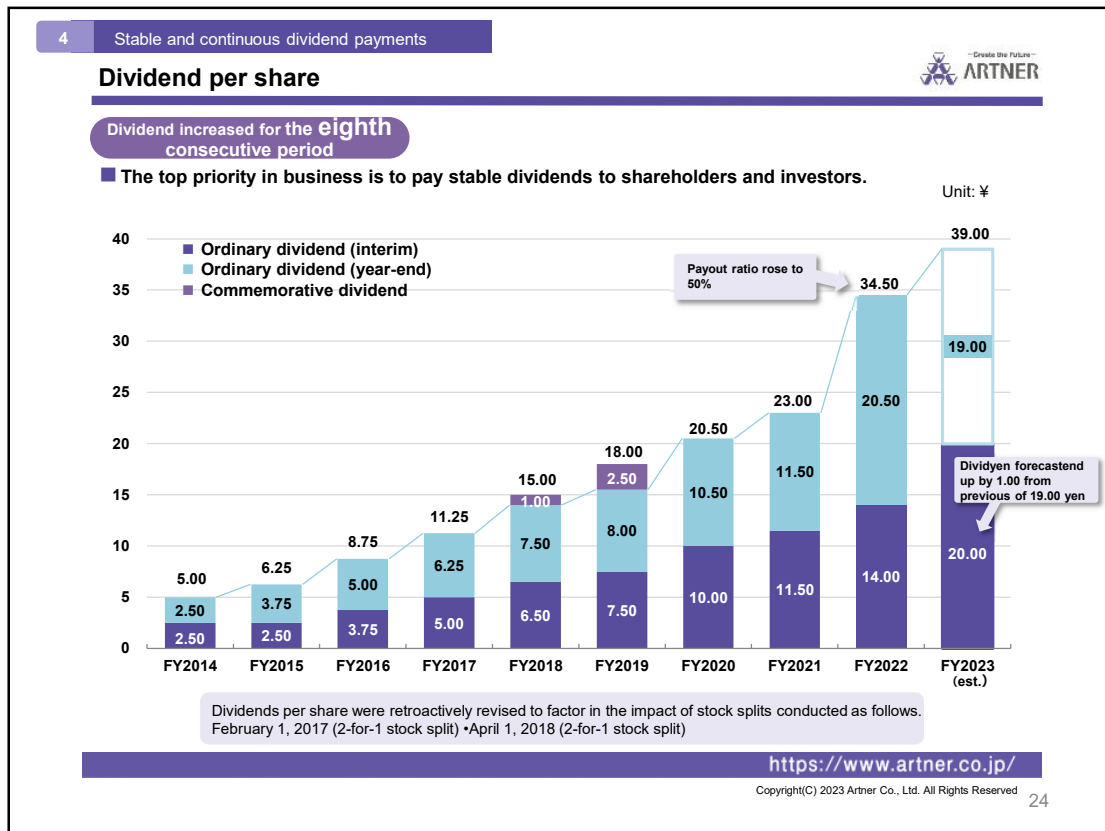
	Annual dividends per share (yen)			Dividend yield (%)	Payout ratio (%)	Dividend on equity ratio (DOE) (%)
	Second quarter-end	Fiscal year-end	Total			
FY2022	14.00	20.50	34.50	3.97	50.3	10.9
FY2023 (forecast)	20.00	19.00	39.00	4.43	52.0	

\*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

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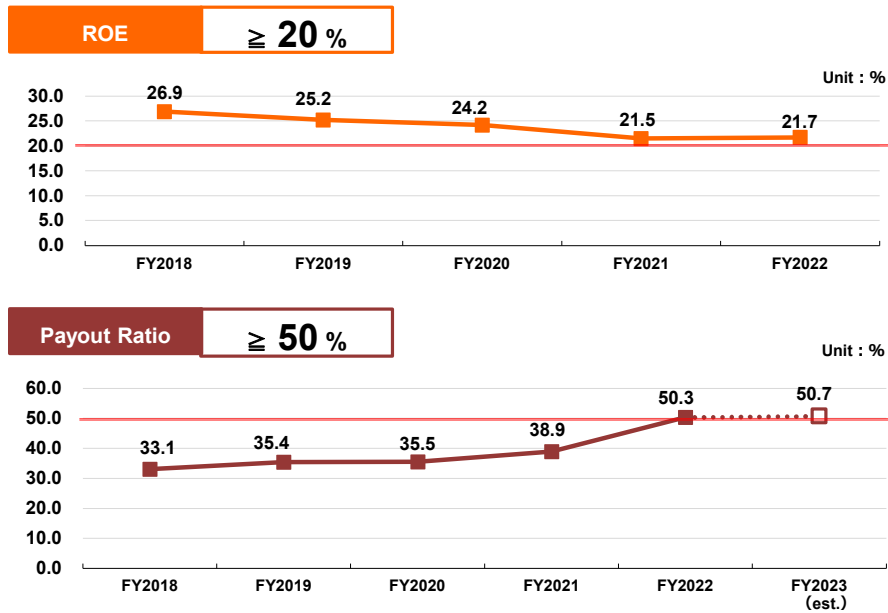
- This is our dividend forecast for this fiscal year, FY2023.
- This year's interim dividend went up 1.00 yen from the previous forecast to 20.00 yen.
- We are planning a year-end dividend of 19.00 yen, and at this point in time, an annual dividend of 39.00 yen.



- This is a graph of our dividend per share in past fiscal years and our forecast for this fiscal year.
- The far right is this fiscal year. We have already paid out an interim dividend of 20.00 yen, and we forecast a fiscal year-end dividend of 19.00 yen. The forecast for annual dividend is 39.00 yen.
- In the past, we have paid commemorative dividends in FY2018 and FY2019.
- These years marked the 55th anniversary of our establishment and the 10th anniversary of our listing on the JASDAQ (now our shares are listed on the Prime Market).
- In celebration, commemorative dividends were paid in FY2018 and FY2019.
- As I mentioned in the beginning, this fiscal year marks a special occasion for us, as it marks the 60th anniversary of our establishment, as well as the 15th anniversary of our listing on the JASDAQ.
- Thus, we are actively contemplating the distribution of a commemorative dividend at the end of the fiscal year in addition to the ordinary dividend, considering our previous dividend records, financial results, profits, and other factors.



## Numerical management targets (FY2025) ROE / Payout Ratio

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- This shows the trend in payout ratio. Our current policy is to have a payout ratio of 50% or more.

## Investment Highlights



1	The eighth consecutive period of sales and profit growth, double-digit growth	p. 3
2	Financial summary for Q2 FY2023	p. 10
3	Plan toward achieving the Prime listing criteria	p. 13
4	Stable and continuous dividend payments	p. 22
5	Reference	p. 26

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- Lastly, I would like to draw everyone's attention to some specific pages in this lengthy reference section and explain them.

**■ 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****ART**  
Art: Pursuing  
superior quality

+

**ARTNER**

+

**PARTNER**  
Partner: Responding to  
customer trust<https://www.artner.co.jp/>

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- These are our company motto and management philosophy.

## 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.

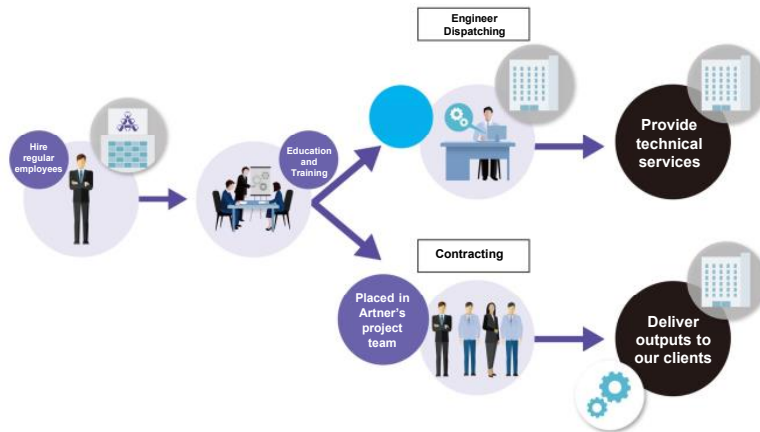
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- Next, our purpose.
- Support the growth and self-actualization of engineers, who are Japan's world-class assets.
- Our management philosophy, as I just showed you, is “‘Engineer Support Company’: We support our engineers’ dreams.”
- We will be taking various measures based on this philosophy and purpose.

## 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



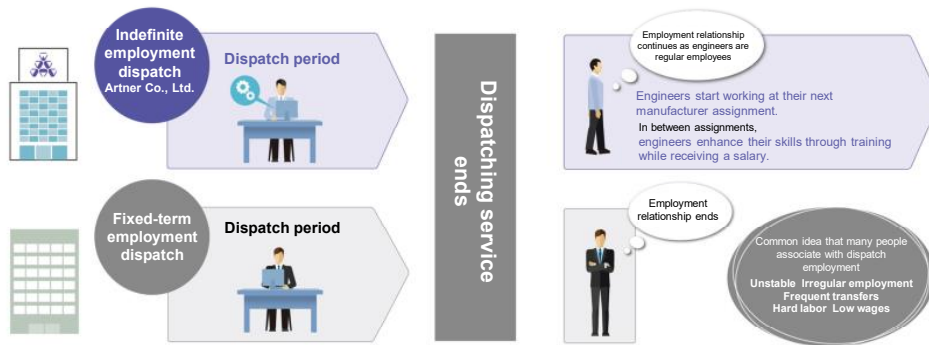
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- Next, our business model.

## 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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- And the employment status of Artner's engineers.
- Artner employs all engineers as regular employees and provides services based on this employment status.

## 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.



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- These are our technology fields.
- We have about 1,200 engineers specializing in software, electronics, and machinery, who work for our clients as a dispatch or contracting worker based on an agreement.

## 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.

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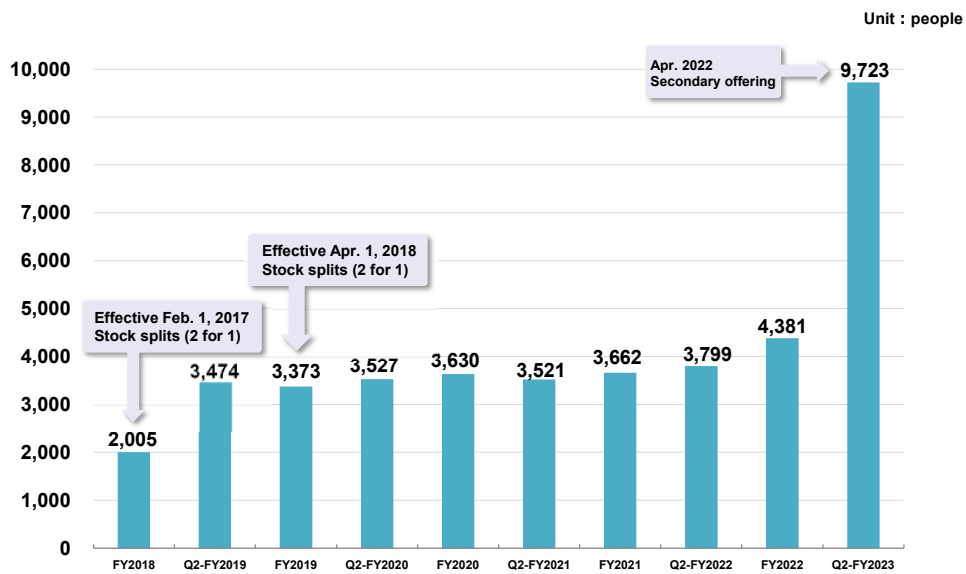
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- These are some of our clients.
- Listed here are our clients with the top ten net sales last fiscal year.
- Our main clients are automobile and semiconductor equipment related manufacturers.



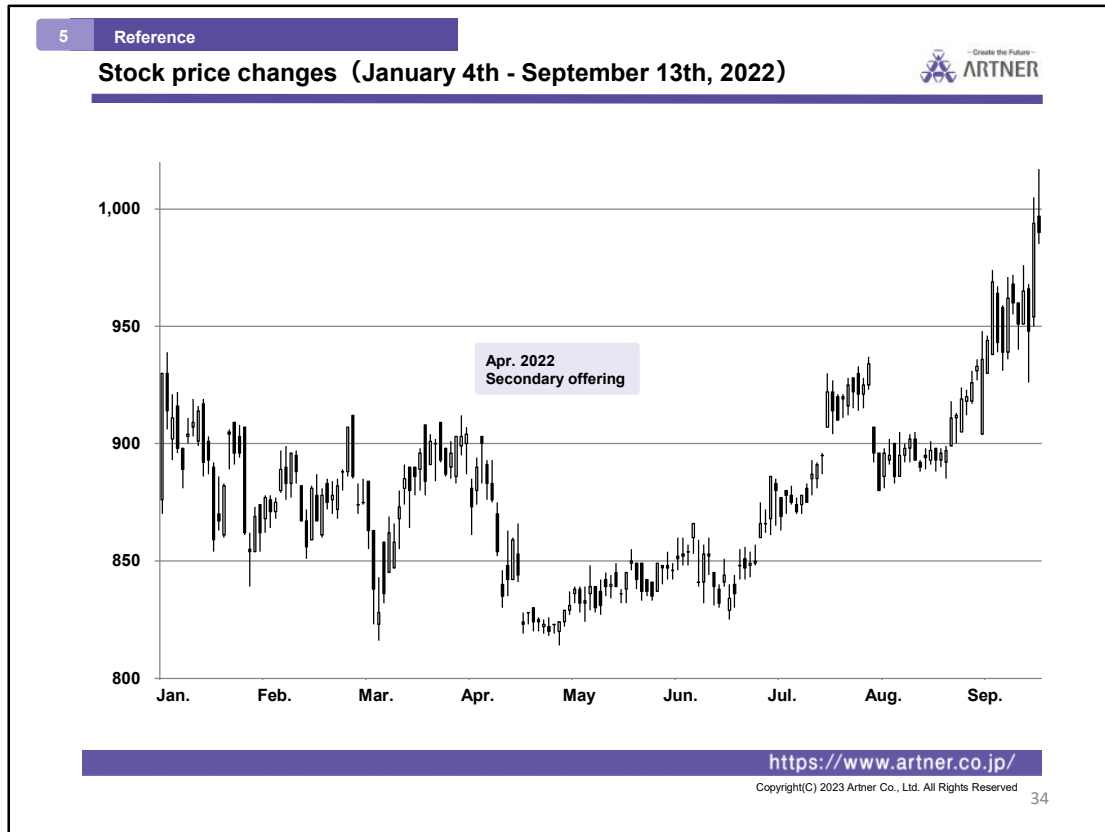
### Term-end shareholder numbers



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- These are our term-end shareholder numbers.
- As I mentioned earlier, this April, we made a second offering of over 30% of our stocks.
- As a result, the number of shareholders nearly doubled from 4,381 at the end of last fiscal year to 9,723 currently according to the shareholder registry as of July 31, the end of the first half of the year.



- Lastly, allow me to draw everyone's attention to our stock price changes since our second offering.
- We conducted a secondary offering in April 2022.
- Our public offering price was 824 yen.
- At the end of morning trading today, September 22, 2022, our stock price was 979 yen.
- Calculating the difference in stock price, this represents a 155 yen increase.
- Putting it into percentages, today's morning trading finished with an increase of about 18.8%.

## Internal programs that can be chosen by engineers

Performance-based salary system

HV

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

WV PV

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/manufacture 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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## 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.

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## Design and development projects including “carbon neutrality”

### Eco cars



#### Software

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

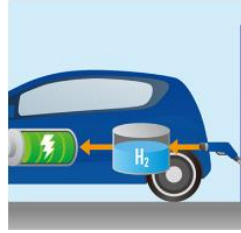
#### Electronics

- 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



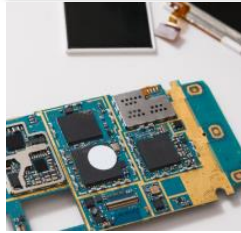
#### Software

- 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

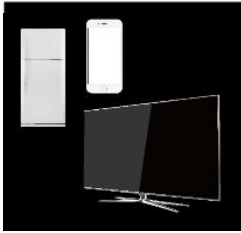
- Development of temperature controller for semiconductor lithography equipment (enclosure concept, basic design)

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## 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

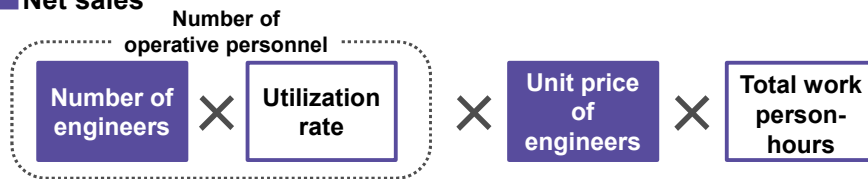
- Design and development of aircraft test jigs
- Development of passenger aircraft AV equipment
- Design and development of aircraft

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## 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]

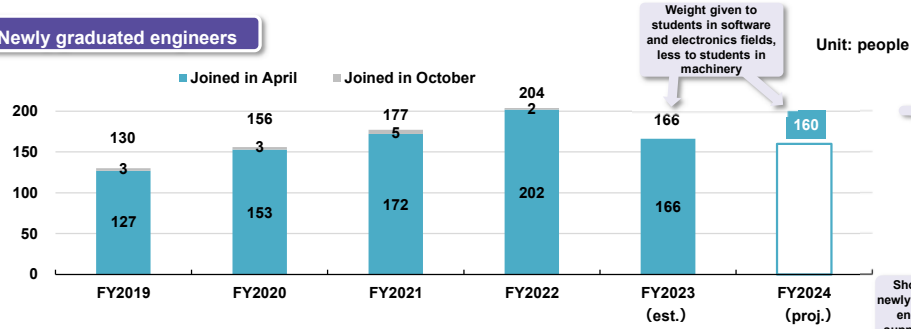
Minimize addition of administrative staff entailed by the increase in engineers through improved administrative efficiency, and thereby suppress increase in the SG&A expense ratio.

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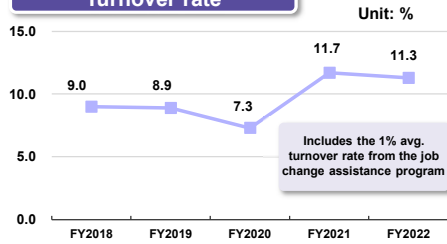
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### Number of newly graduated and career engineers hired / Turnover rate

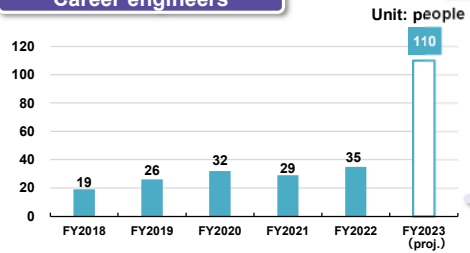
#### Newly graduated engineers



#### Turnover rate



#### Career engineers



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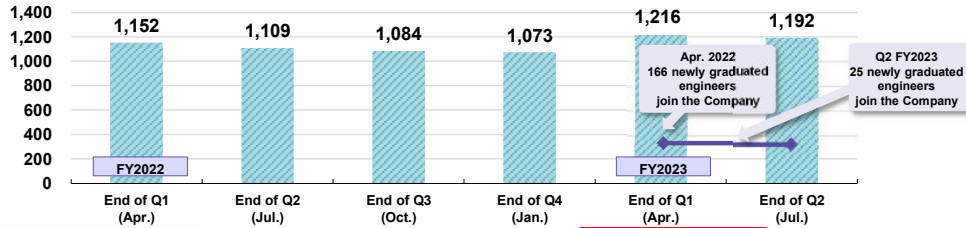


### Term-end engineer count / Utilization rate for Q2 FY2023

#### 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

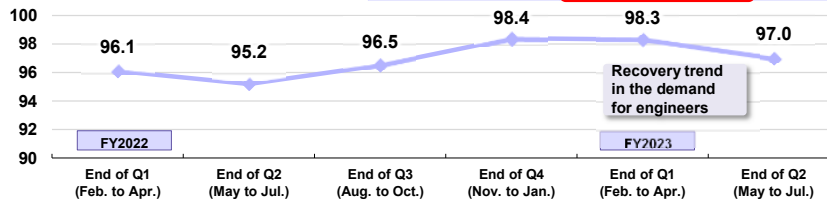


#### Utilization Rates

\*Based on the number of dispatched engineers

Unit: %

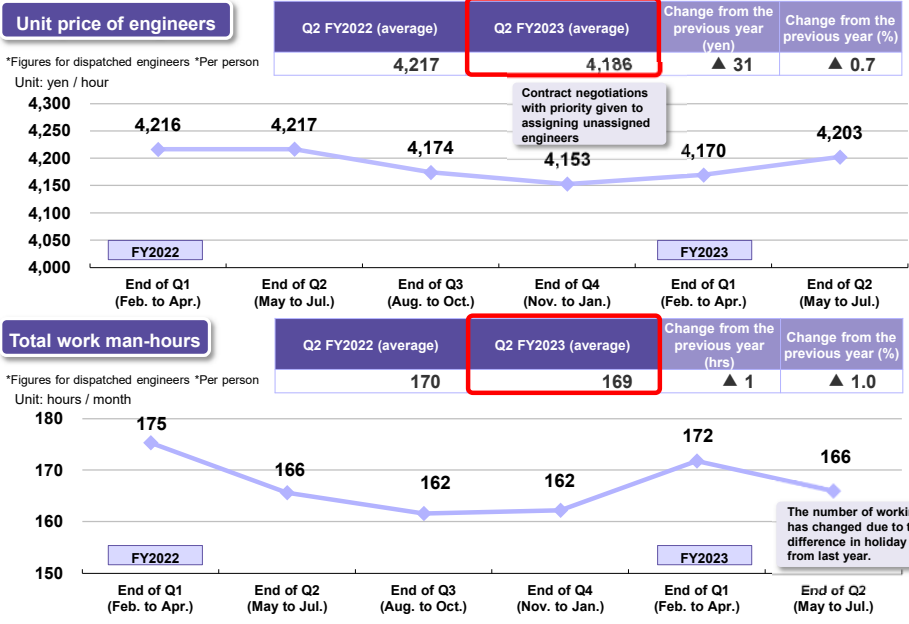
Q2 FY2022 (average)	Q2 FY2023 (average)	Change from the previous year (pts)
95.6	97.6	2.0



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

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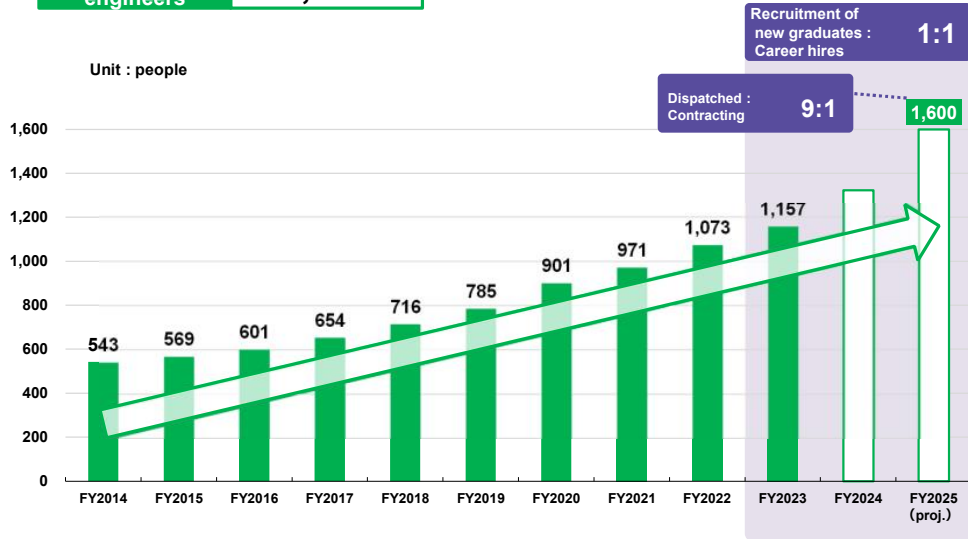
### Unit price of engineers / Total work man-hours for Q2 FY2023



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

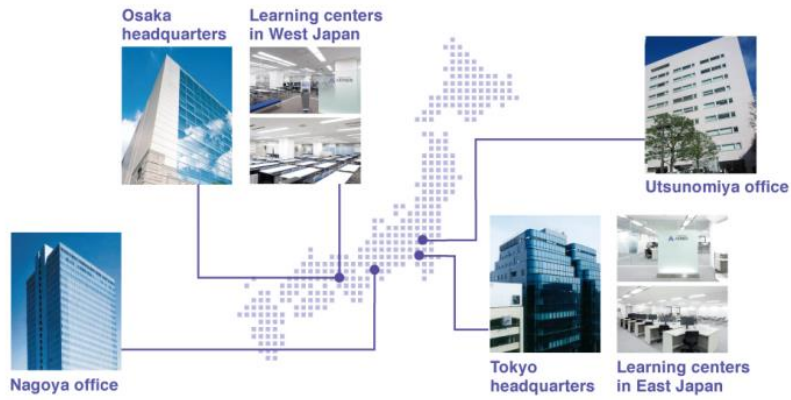
**Number of engineers** **1,600**



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## Business locations

<b>Headquarters</b>	<b>Tokyo, Osaka</b>
<b>Business bases</b>	<b>Yokohama, Osaka, Utsunomiya, Nagoya</b>
<b>Learning centers</b>	<b>East Japan, West Japan</b>



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## 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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## 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.



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## 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

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## 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

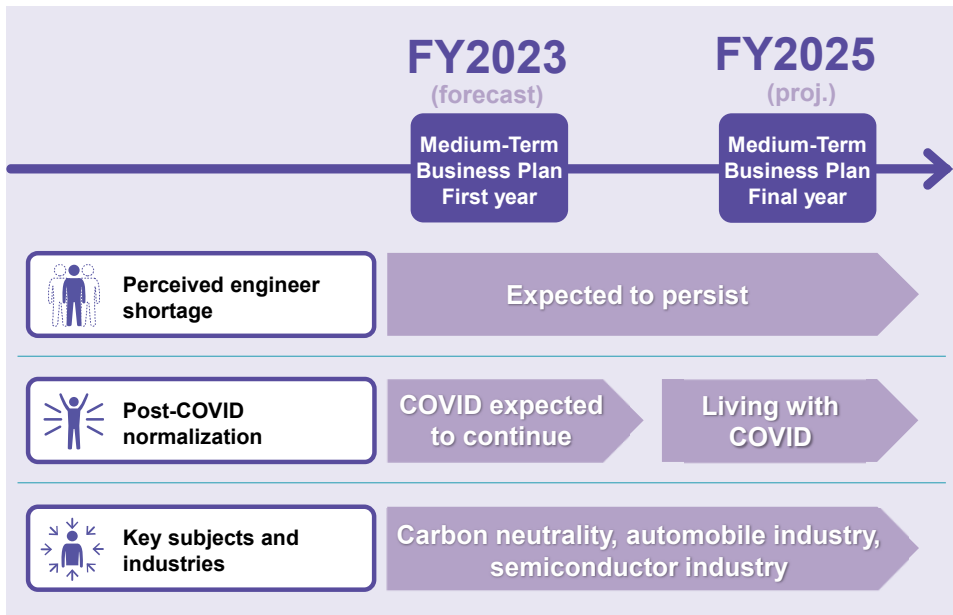
- Basics of resin sheet metal design
- Product conceptual design training
- Fluid mechanics in our surroundings

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### Business environment forecast



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

### ■ “Carbon neutrality”



- Personnel for technical development of eco cars



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

### ■ Promote diversity and inclusion in talent management



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



- Establishing a diversity promotion office



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

- Establishing a diversity promotion office
- Diversity and LGBT initiatives

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## 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.)

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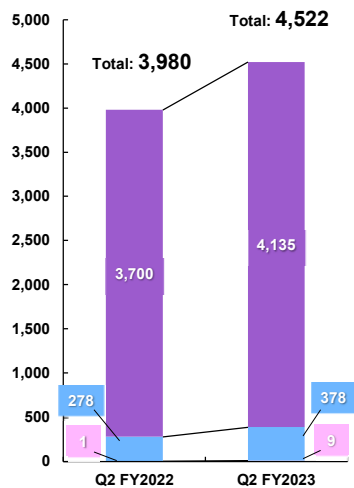
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## Net sales by business for Q2 FY2023

■ 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
<b>Total</b>	<b>3,980</b>	<b>100.0</b>	<b>4,522</b>	<b>100.0</b>	<b>13.6</b>	<b>—</b>

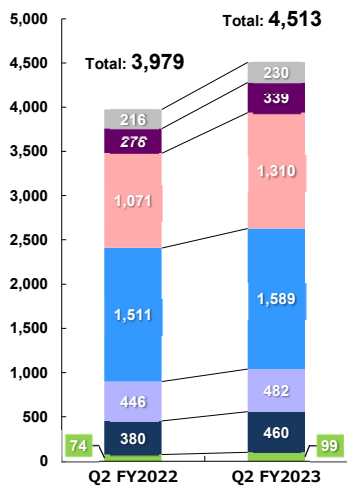
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### Net sales by industry field for Q2 FY2023

■ 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
<b>Total</b>	<b>3,979</b>	<b>100.0</b>	<b>4,513</b>	<b>100.0</b>	<b>13.4</b>	<b>—</b>

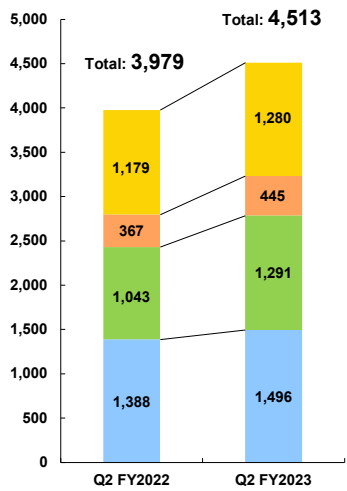
\*Excludes sales from "Other" businesses.

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## 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
<b>Total</b>	<b>3,979</b>	<b>100.0</b>	<b>4,513</b>	<b>100.0</b>	<b>13.4</b>	<b>—</b>

\*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"

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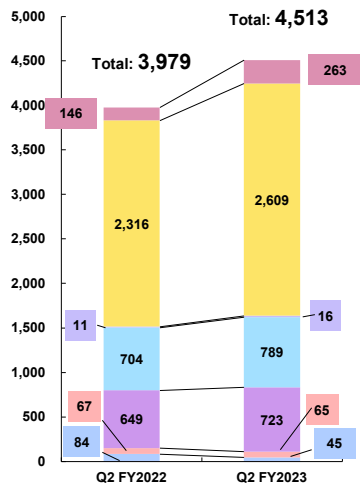
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### Net sales by region for Q2 FY2023

■ 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
<b>Total</b>	<b>3,979</b>	<b>100.0</b>	<b>4,513</b>	<b>100.0</b>	<b>13.4</b>	<b>—</b>

\*Excludes sales from "Other" businesses.

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## 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)	Percentage (%)	Forecast (million yen)	Percentage (%)		
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
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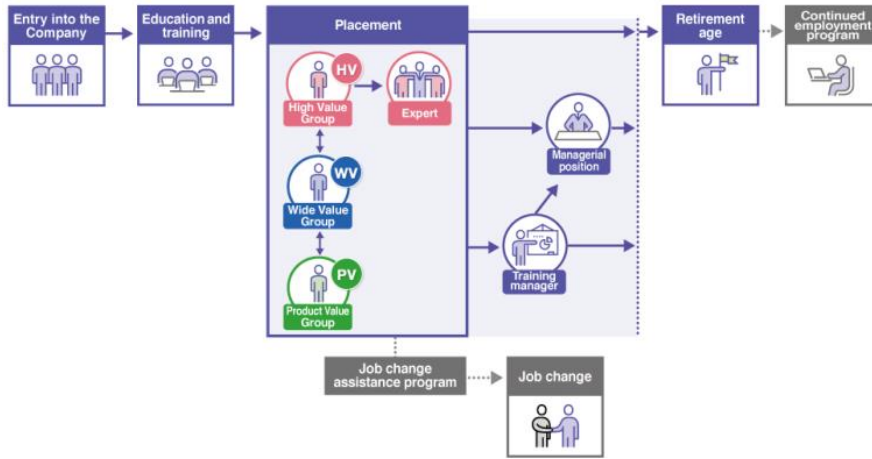
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### Career paths of engineers

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

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

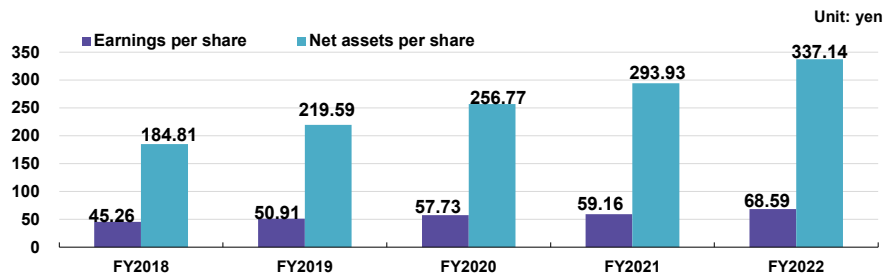
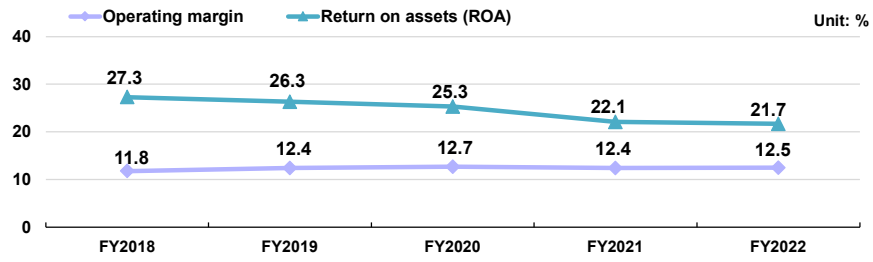
**Transportation equipment****SUBARU, TOYOTA MOTOR, Nissan Motor, BOSCH, Honda Motor, etc.****Electronic devices****OMRON, Tokyo Electron, Panasonic Holdings, Lasertec, etc.****Precision equipment****SHIMADZU, Terumo, NIKON, etc.****Machinery****SMC, Komatsu, JTEKT, etc.****Information and communications****Hitachi 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**

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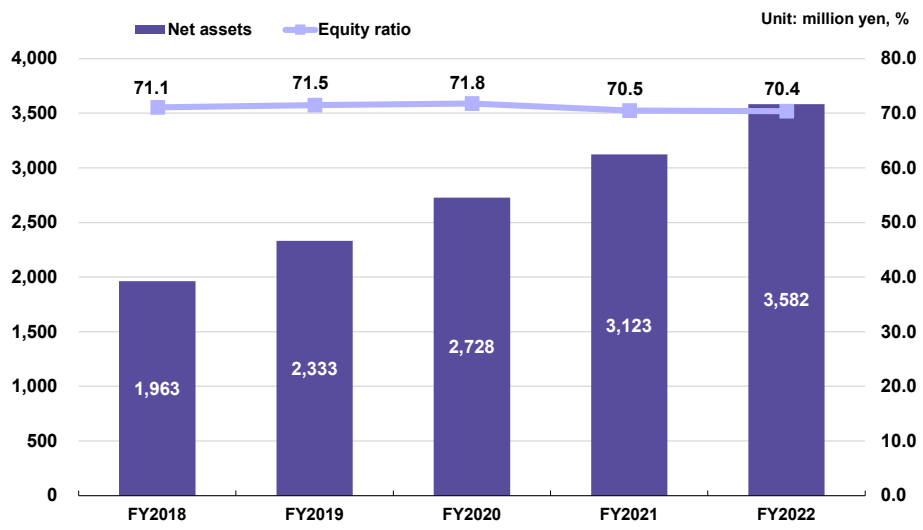
## Operating margin / ROA / earnings per share and net assets per share



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

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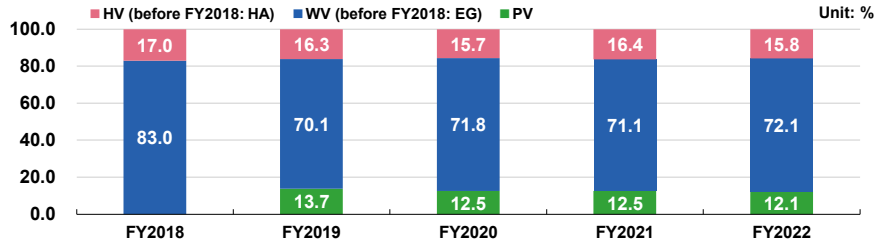
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**Net assets / equity ratio**<https://www.artner.co.jp/>

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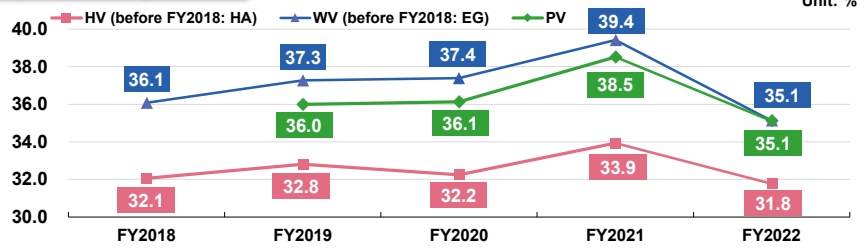
## Engineer breakdown by group / gross margin

### Engineer breakdown



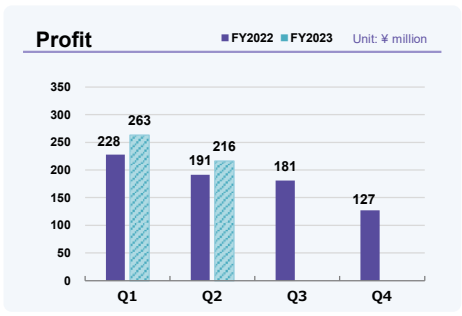
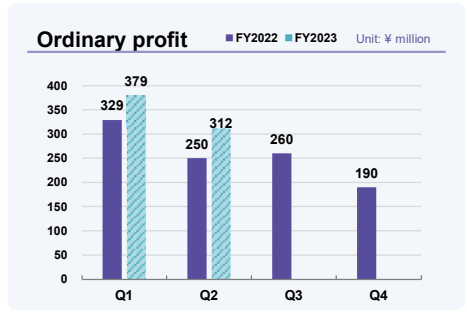
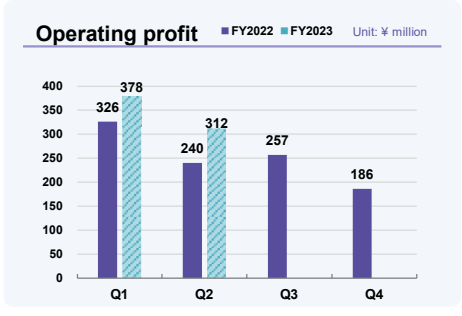
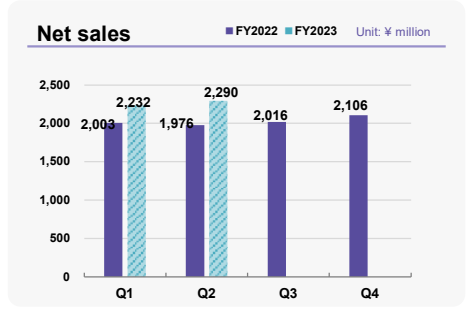
### Gross margin

(engineer dispatching services)



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### Quarterly (accounting period) performance



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### Quarterly (accounting period) performance trend, numerical data

#### FY2023

	Q1				Q2				Q3				Q4			
	Result (\$ million)	% of Net sales	YOY (%)	※ <sup>①</sup> (%)	Result (\$ million)	% of Net sales	YOY (%)	※ <sup>①</sup> (%)	Result (\$ million)	% of Net sales	YOY (%)	※ <sup>①</sup> (%)	Result (\$ million)	% of Net sales	YOY (%)	※ <sup>①</sup> (%)
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

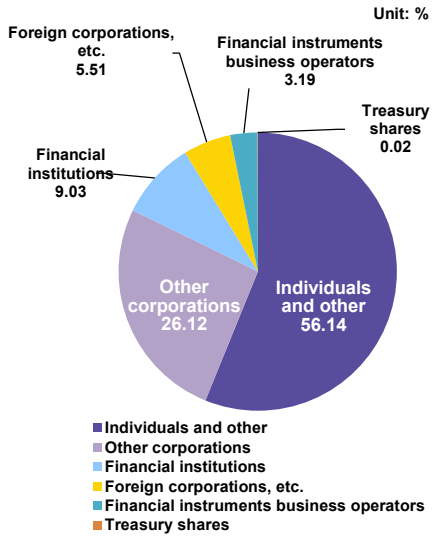
	Q1				Q2				Q3				Q4			
	Result (\$ million)	% of Net sales	YOY (%)	※ <sup>②</sup> (%)	Result (\$ million)	% of Net sales	YOY (%)	※ <sup>②</sup> (%)	Result (\$ million)	% of Net sales	YOY (%)	※ <sup>②</sup> (%)	Result (\$ million)	% of Net sales	YOY (%)	※ <sup>②</sup> (%)
Net sales	2,003	100.0	6.9	24.7	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

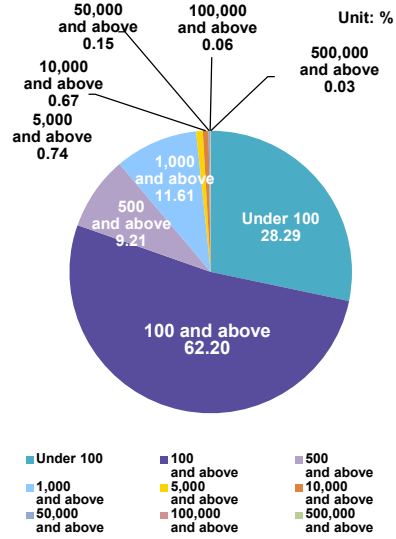
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### Data by owner category (As of July 31, 2022)

**Share Distribution by Owner Category**



**Shareholder Distribution by Number of Shares Held**



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