

Make Value



Engineer Support Company

FY2023 Briefing for Analysts and Institutional Investors

March 22, 2023



— 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	Prime Market of the Tokyo Stock Exchange (Securities code: 2163)
General Meeting of Shareholders	Held in Osaka
Capital	¥238,284,320 (as of January 31, 2023)
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 above fields, as well as tasks relating to them</small>
Number of employees	1,276 (as of January 31, 2023)
License Number	Worker Dispatching Business (派 27 – 020513) Paid Employment Agency Business (27 – ㄅ – 020355)

1

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

p. 3

2

Financial summary for FY2023

p. 13

3

Progress toward achieving the Prime listing criteria

p. 25

4

Stable and continuous dividend payments

p. 39

5

Reference

p. 43

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

Market size of engineer dispatching business

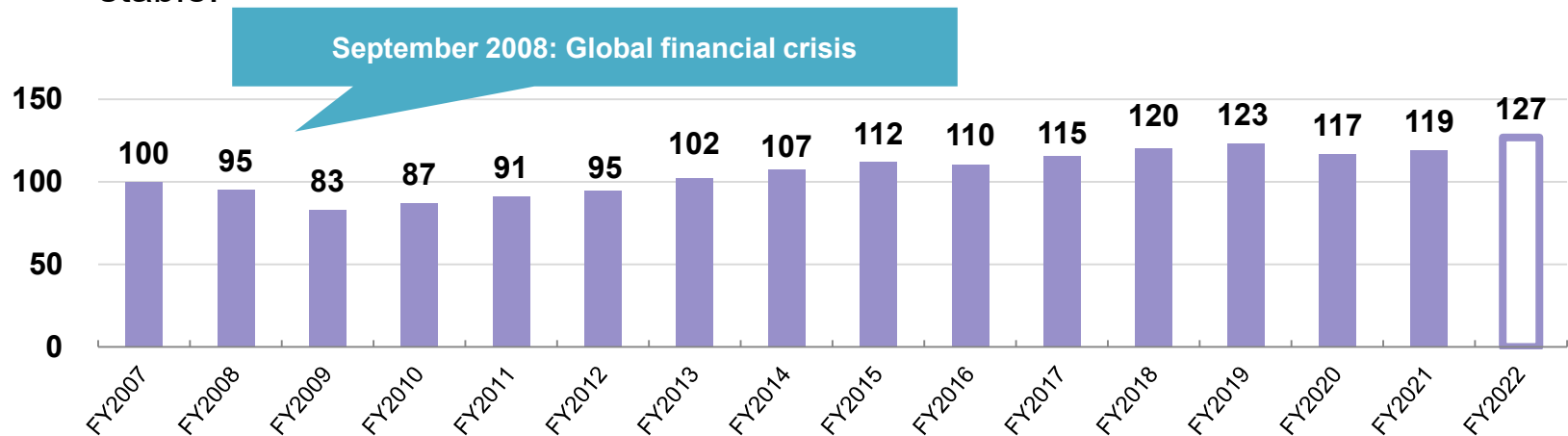
1.1 to 1.3 trillion yen (estimate)

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 ninth 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 nine 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)

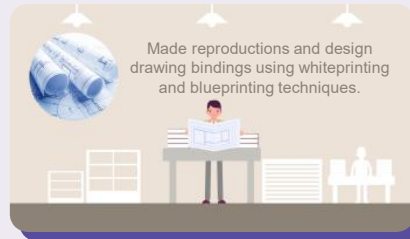
1953 -

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

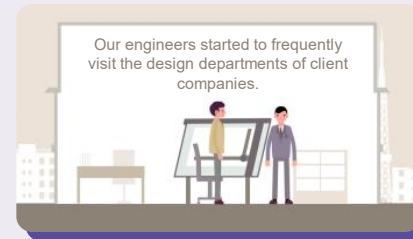


Founded

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



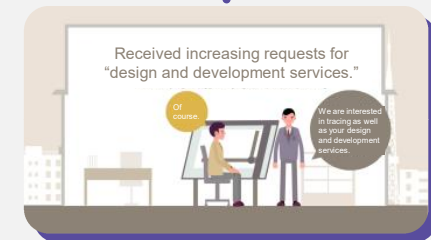
- Our engineers visit frequently the design departments of client companies.



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



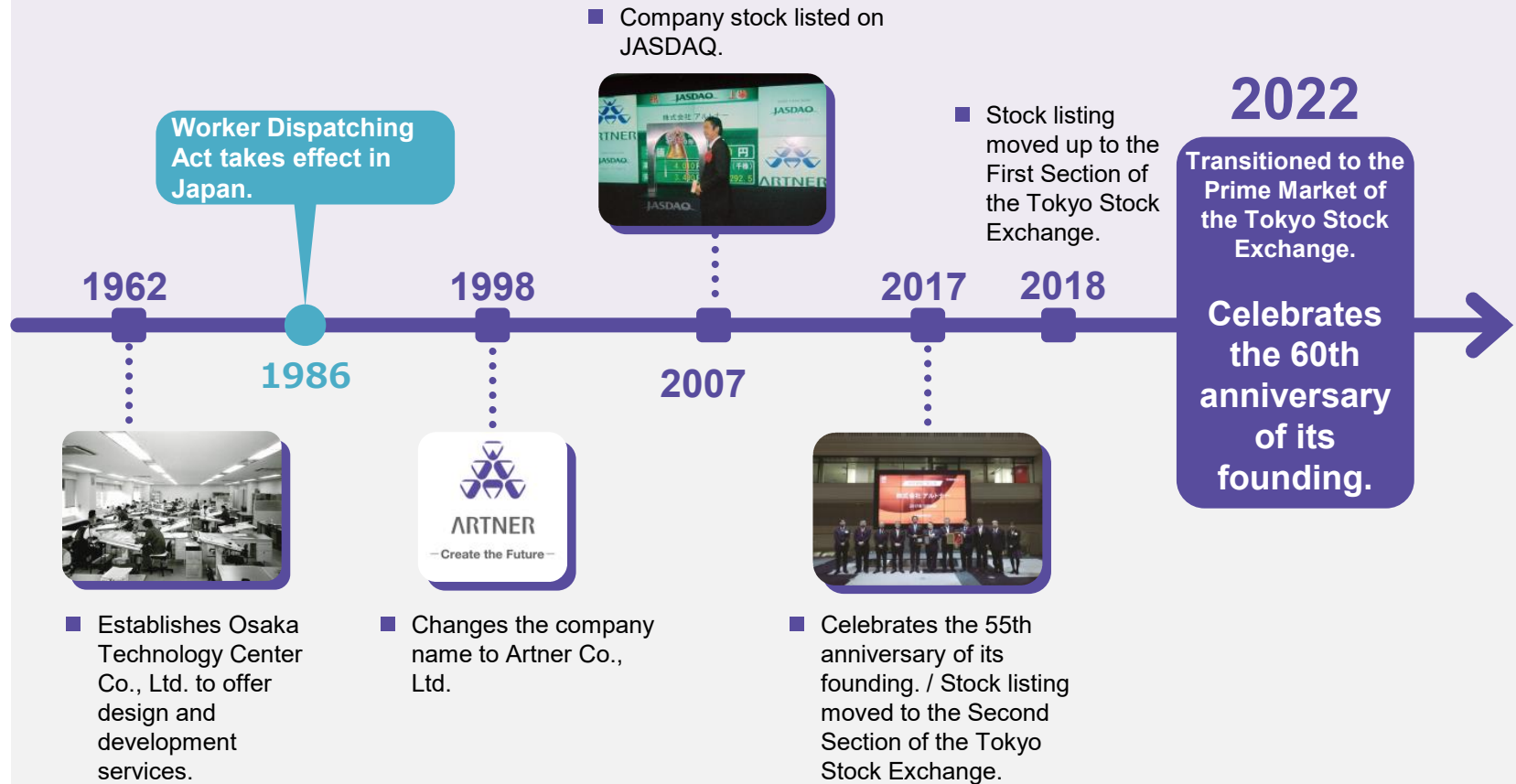
- Starts hiring employees with STEM degrees and offering a tracing service for design drawings.



- 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

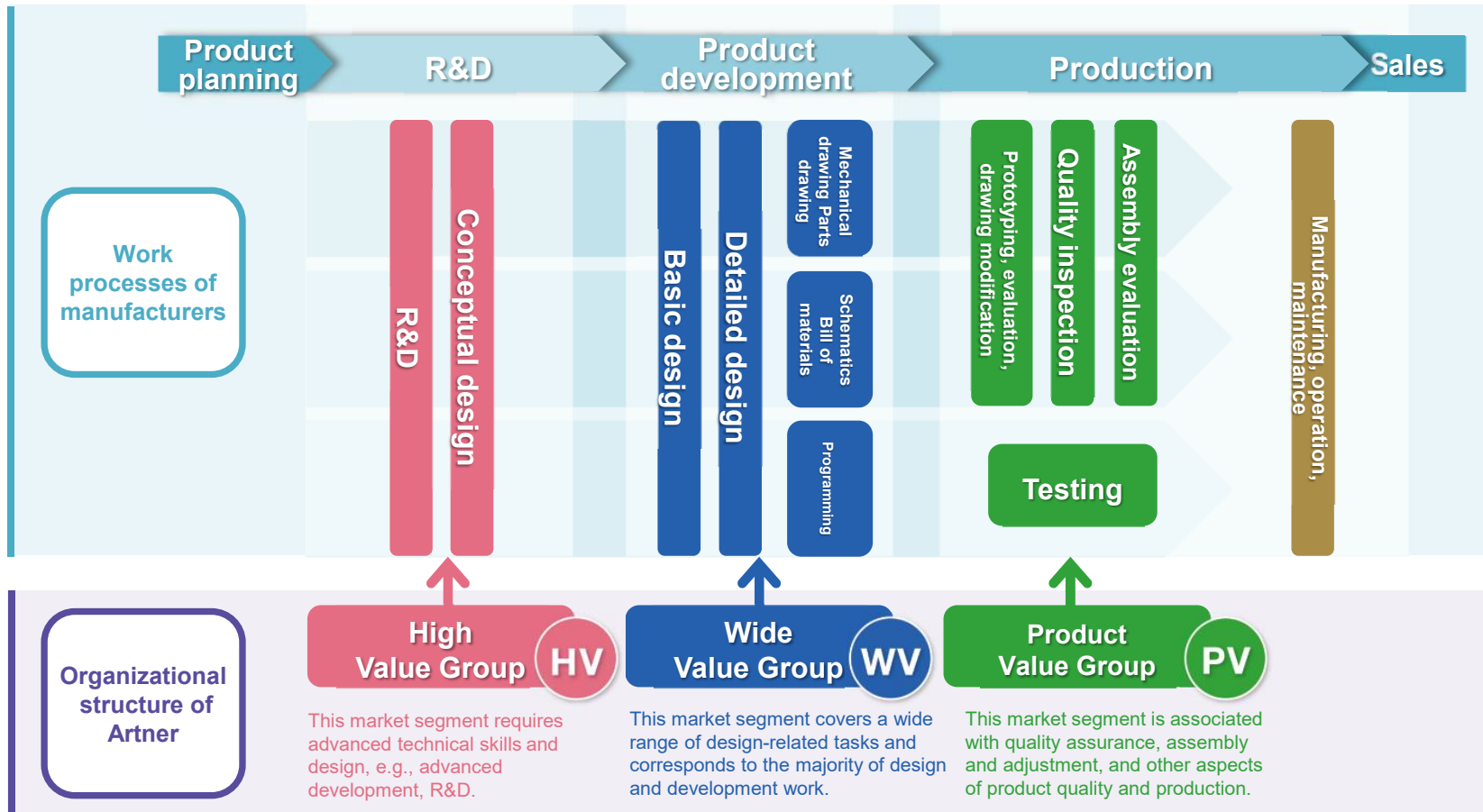
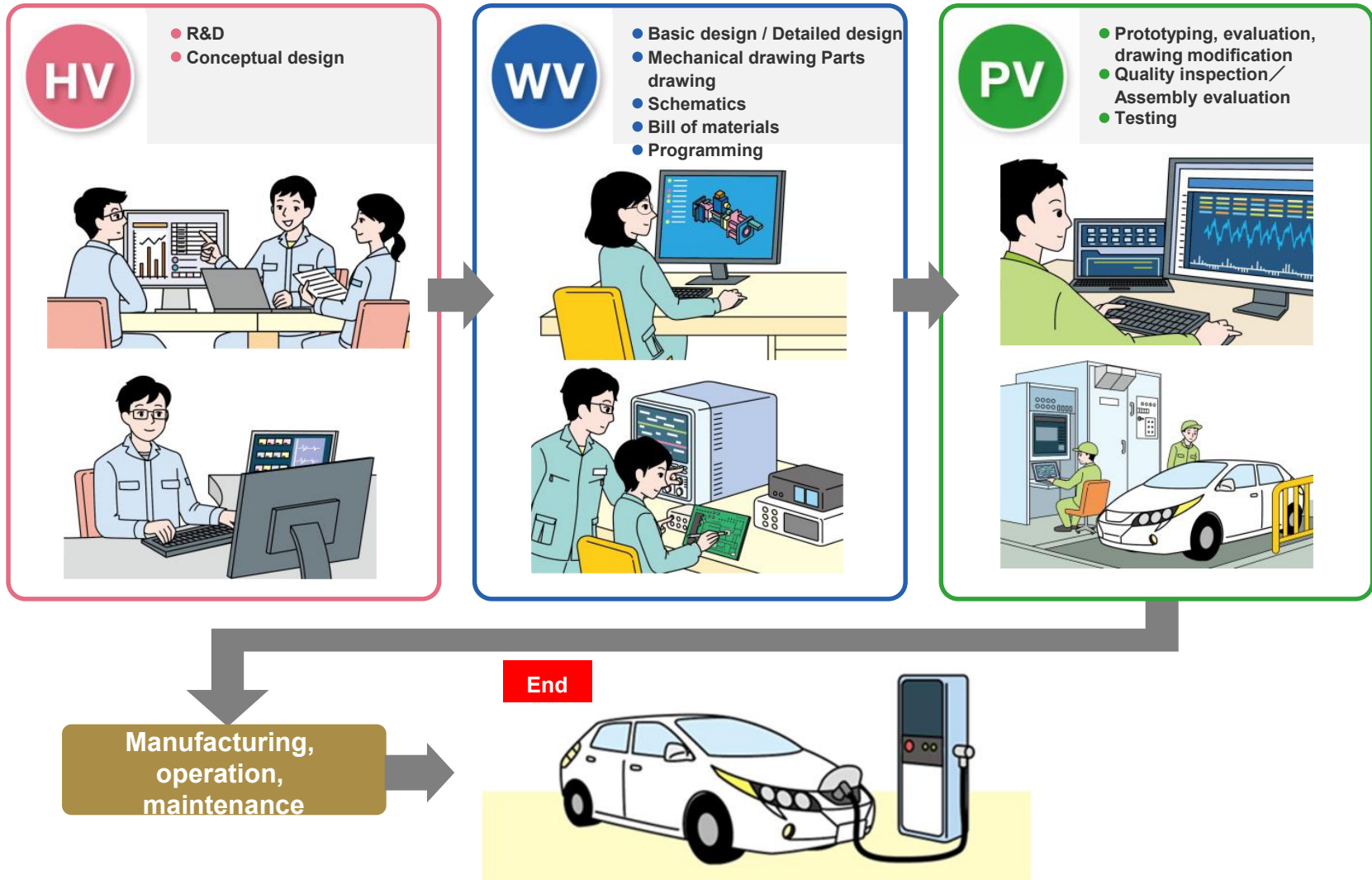


Diagram of the work processes of manufacturers and the work of the Company's engineers [Ex: electric vehicles (EVs)]



Design and development projects including “carbon neutrality”

Eco cars



Software

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

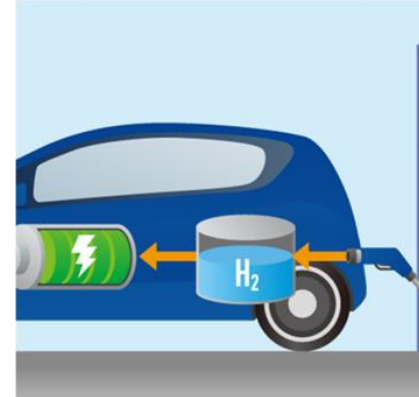
Electronics

- 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 stations system
- R&D of energy system

Electronics

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

Automated driving



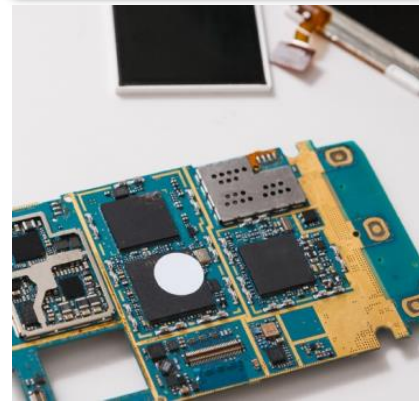
Software

- 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)

Semiconductor



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

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

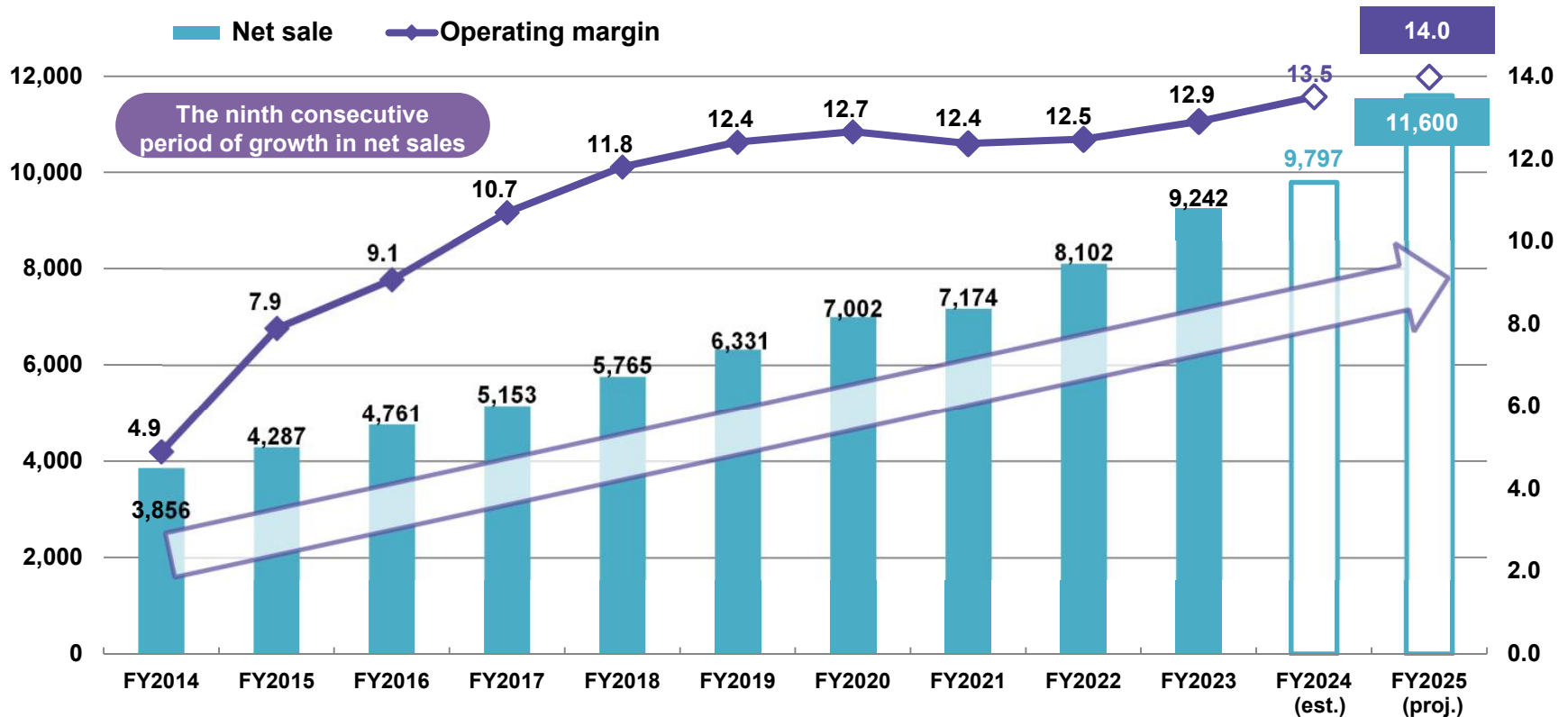
Net sales

11.6 billion yen

Operating margin

14.0 %

Unit: ¥ million / %



1

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

p. 3

2

Financial summary for FY2023

p. 13

3

Progress toward achieving the Prime listing criteria

p. 25

4

Stable and continuous dividend payments

p. 39

5

Reference

p. 43

Financial summary for Reporting Period 61 (Fiscal year ended January 31, 2023)

Market environment

- The global economy is slowly picking up in the “living with COVID” world.
- The automotive industry is in the midst of technological innovation such as CASE (connected, autonomous, shared, and electric), and the need for semiconductors is rapidly increasing due to the evolution of automotive software. These industries are committed to promoting advanced development regardless of current economic trends.
- Our business environment has not been significantly affected by the COVID-19 pandemic, the situation in Russia and Ukraine, or fluctuations in resource prices and exchange rates, and there is a strong demand for engineers.

State of engineer dispatching business

- The number of operative personnel was higher than for the previous period.
 - 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 increased slightly compared with the previous period (a rising trend is observed for the second half of the year).
- Total work person-hours declined slightly compared with the previous period.

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.)

Earnings highlights for FY2023

Double-digit growth /the ninth consecutive period of growth in both sales and profit

Net sales up 14.1%, operating profit up 18.2%, ordinary profit up 16.5%, profit up 22.8%. Operating margin 12.9%

	FY2022		FY2023		Change from the previous year (¥ million)	Change from the previous year (%)
	Result (¥ million)	% of Net sales	Result (¥ million)	% of Net sales		
Net sales	8,102	100.0	9,242	100.0	1,140	14.1
Cost of sales	5,302	65.4	6,168	66.7	866	16.3
Gross profit	2,800	34.6	3,073	33.3	273	9.8
SG&A expenses	1,789	22.1	1,879	20.3	90	5.0
Operating profit	1,010	12.5	1,194	12.9	184	18.2
Ordinary profit	1,032	12.7	1,203	13.0	171	16.5
Profit	728	9.0	895	9.7	167	22.8

- 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.

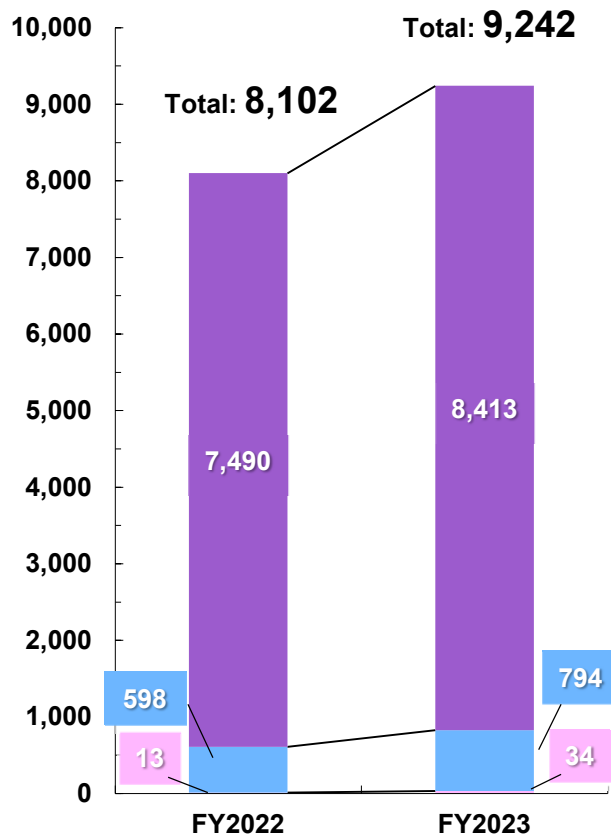
↓

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

Net sales by business for FY2023

■ Engineer dispatching up 12.3%, ■ Contracting up 32.7% / Percentage 8.6%

Unit: ¥ million

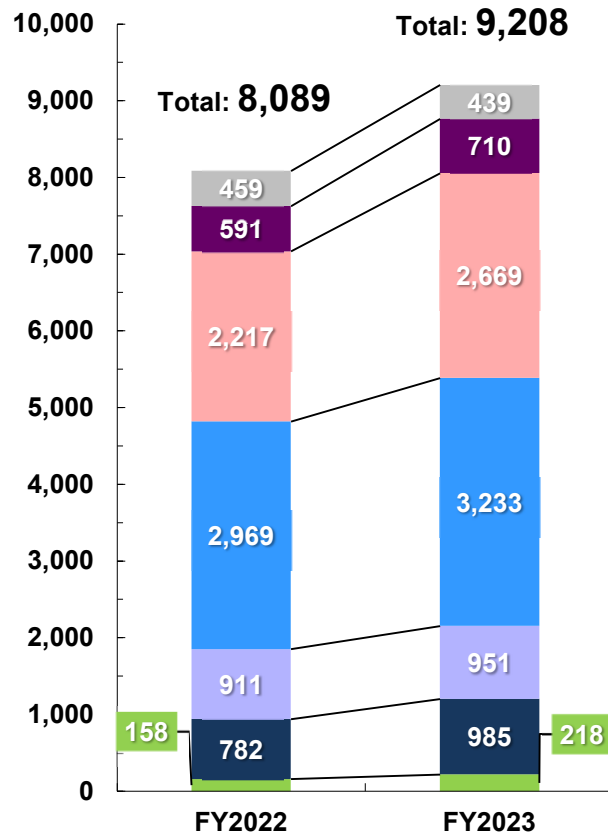


	FY2022		FY2023		Change from the previous year (%)	Percentage variance (pt)
	Result (¥ million)	% of Net sales	Result (¥ million)	% of Net sales		
Engineer dispatching services	7,490	92.4	8,413	91.0	12.3	▲ 1.4
Contracting	598	7.4	794	8.6	32.7	1.2
Subtotal	8,089	99.8	9,208	99.6	13.8	▲ 0.2
Other	13	0.2	34	0.4	156.4	0.2
Total	8,102	100.0	9,242	100.0	14.1	—

Net sales by industry field for FY2023

- Electronic devices up 20.4%,
 ■ Transportation equipment up 8.9%,
■ Precision equipment up 4.4%,
 ■ Information and communications up 26.0%

Unit: ¥ million



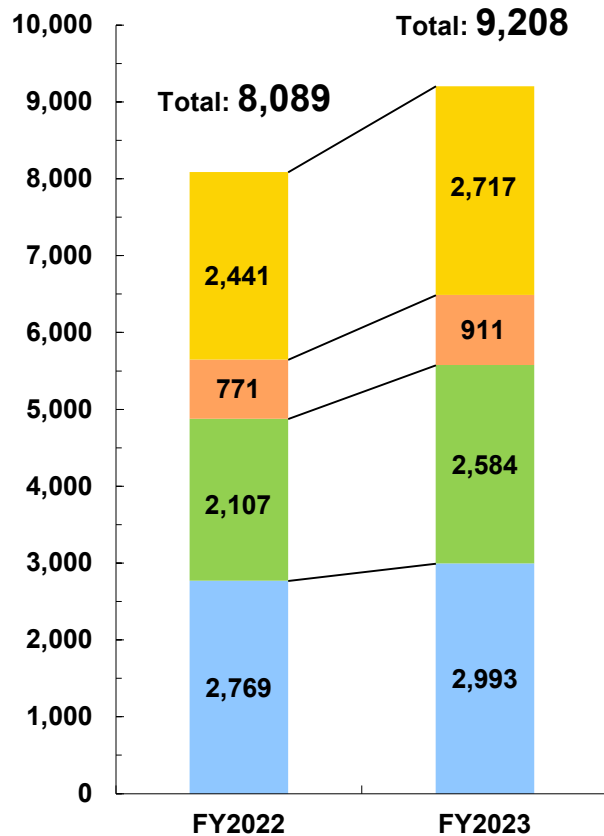
	FY2022		FY2023		Change from the previous year (%)	Percentage variance (pt)
	Result (¥ million)	% of Net sales	Result (¥ million)	% of Net sales		
Steel, nonferrous materials and metals	459	5.7	439	4.8	▲ 4.2	▲ 0.9
Machinery	591	7.3	710	7.7	19.9	0.4
Electrical equipment	2,217	27.4	2,669	29.0	20.4	1.6
Transportation equipment	2,969	36.7	3,233	35.1	8.9	▲ 1.6
Precision equipment	911	11.3	951	10.3	4.4	▲ 0.9
Information and communications	782	9.7	985	10.7	26.0	1.0
Miscellaneous	158	2.0	218	2.4	38.0	0.4
Total	8,089	100.0	9,208	100.0	13.8	—

*Excludes sales from "Other" businesses.

Net sales by business field for FY2023

■ Embedded / Model-Based up 11.3%,
 ■ IT Solution up 18.1%,
 ■ Electronics up 22.7%

Unit: ¥ million



	FY2022		FY2023		Change from the previous year (%)	Percentage variance (pt)
	Result (¥ million)	% of Net sales	Result (¥ million)	% of Net sales		
Embedded / Model-Based	2,441	30.2	2,717	29.5	11.3	▲ 0.7
IT Solution	771	9.5	911	9.9	18.1	0.4
Electronics	2,107	26.0	2,584	28.1	22.7	2.0
Machinery	2,769	34.2	2,993	32.5	8.1	▲ 1.7
Total	8,089	100.0	9,208	100.0	13.8	—

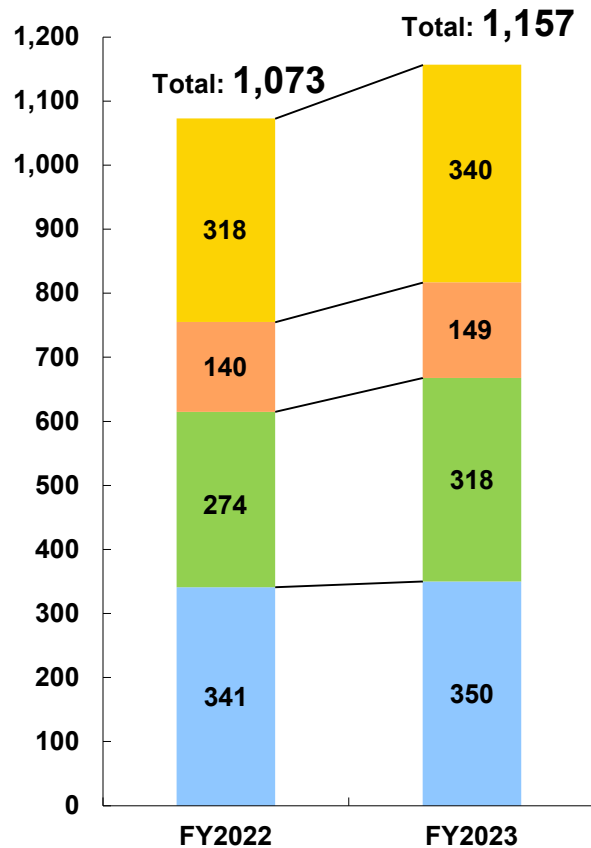
*Excludes sales from "Other" businesses.

[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"

Term-end engineer count by business field for FY2023

- Embedded / Model-Based up 6.9%, ■ IT Solution up 6.4%,
- Electronics up 16.1%

Unit: people



	FY2022		FY2023		Change from the previous year (%)	Percentage variance (pt)
	Result (¥ million)	% of Net sales	Result (¥ million)	% of Net sales		
Embedded / Model-Based	318	29.6	340	29.4	6.9	▲ 0.3
IT Solution	140	13.0	149	12.9	6.4	▲ 0.2
Electronics	274	25.5	318	27.5	16.1	1.9
Machinery	341	31.8	350	30.3	2.6	▲ 1.5
Total	1,073	100.0	1,157	100.0	7.8	—

[The name changes below took effect as of the release of the financial results materials for the fiscal year ended January 31, 2022.]

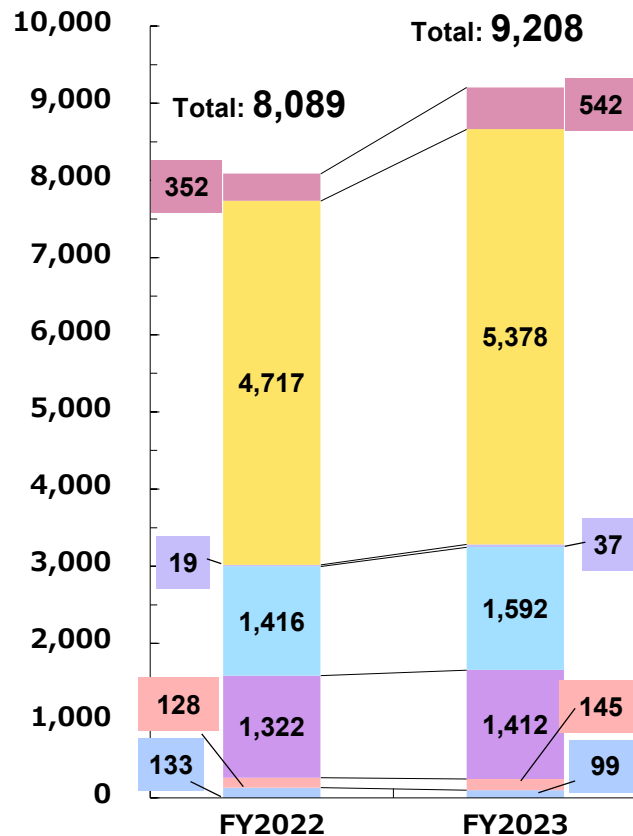
“Control software” changed to “Embedded / Model-Based”

“Data processing” changed to “IT Solution”

Net sales by region for FY2023

■ Kanto up 14.0%, ■ Tokai up 12.4%, ■ Kinki up 6.9%

Unit: ¥ million

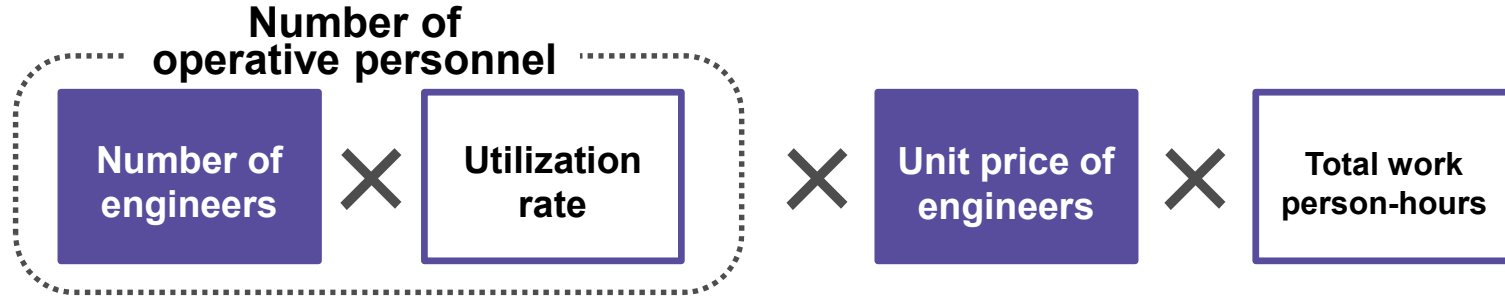


	FY2022		FY2023		Change from the previous year (%)	Percentage variance (pt)
	Result (¥ million)	% of Net sales	Result (¥ million)	% of Net sales		
Tohoku	352	4.4	542	5.9	54.1	1.5
Kanto	4,717	58.3	5,378	58.4	14.0	0.1
Hokuriku	19	0.2	37	0.4	87.4	0.2
Tokai	1,416	17.5	1,592	17.3	12.4	▲ 0.2
Kinki	1,322	16.3	1,412	15.3	6.9	▲ 1.0
Chugoku	128	1.6	145	1.6	13.4	▲ 0.0
Kyushu	133	1.6	99	1.1	▲ 25.0	▲ 0.6
Total	8,089	100.0	9,208	100.0	13.8	—

*Excludes sales from "Other" businesses.

Stance on Engineer Dispatching Business Net sales, Cost of sales and Selling, General and administrative expenses

Net sales



Cost of sales

Work-related expenses, etc., for engineers stationed at corporate clients

Selling, general and administrative expenses

- Engineer work expenses incurred during internal education, training(standby time), work expenses for administrative staff positions
- Hiring activity expenses

Two keys to improving profitability

[Improving Gross margin]

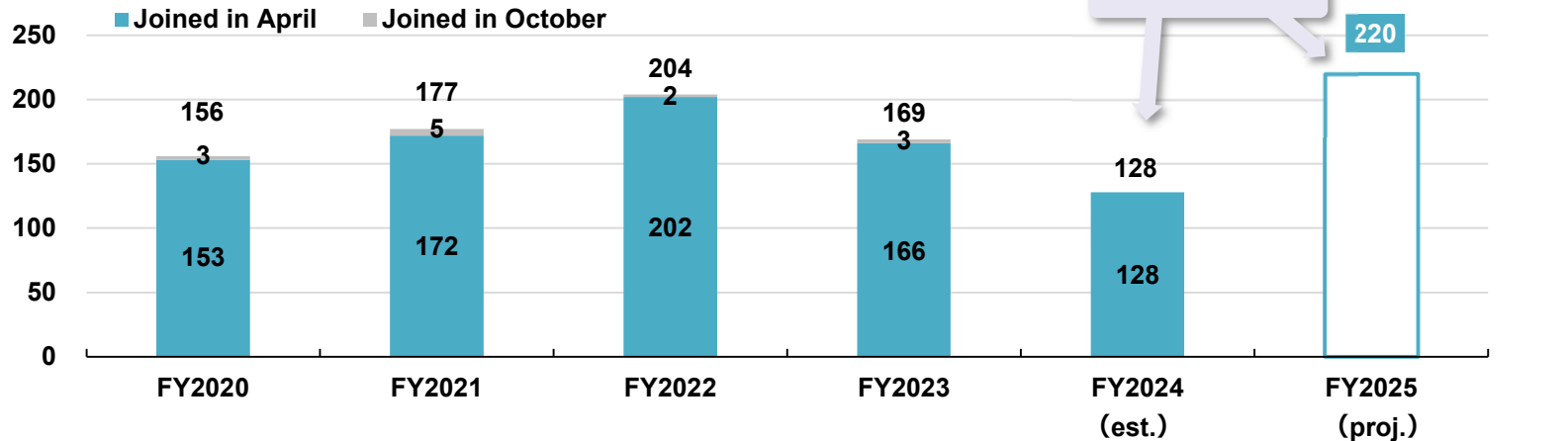
Increase average unit price of engineers.

[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.

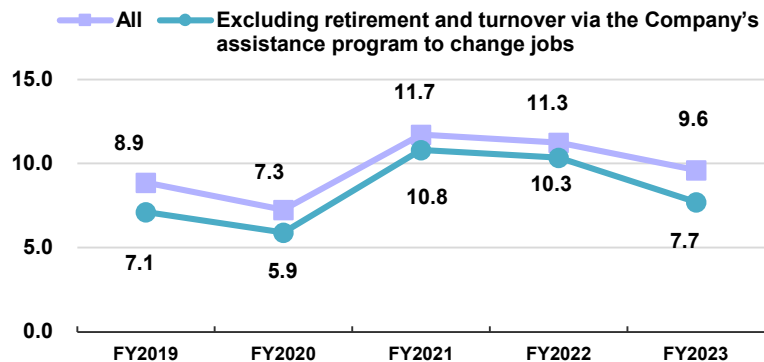
Engineer hires for FY2023 / turnover rate

Newly graduated engineers



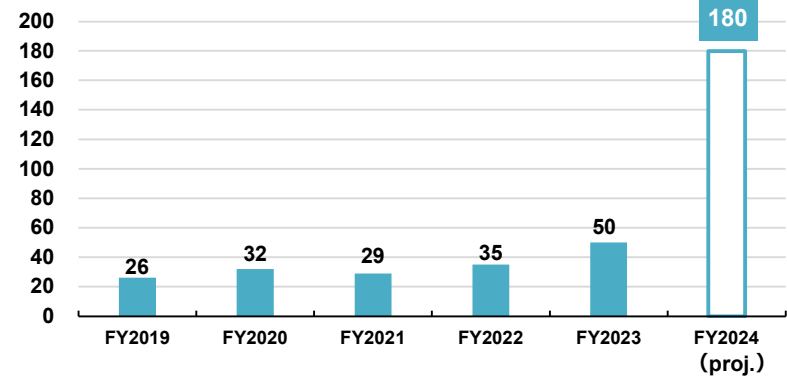
Turnover rate

Unit: %



Career engineers

Unit: people

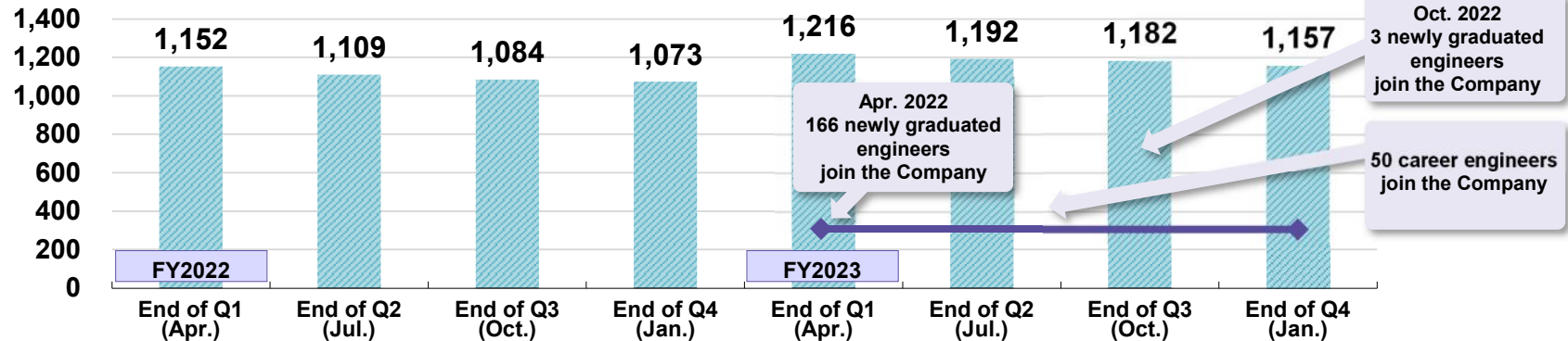

<https://www.artner.co.jp/>

Term-end engineer count / Utilization rate for FY2023

Term-end engineer count

Unit: persons

	FY2022(average)	FY2023(average)	Change from the previous year (persons)	Change from the previous year (%)
	1,082	1,166	84	7.8

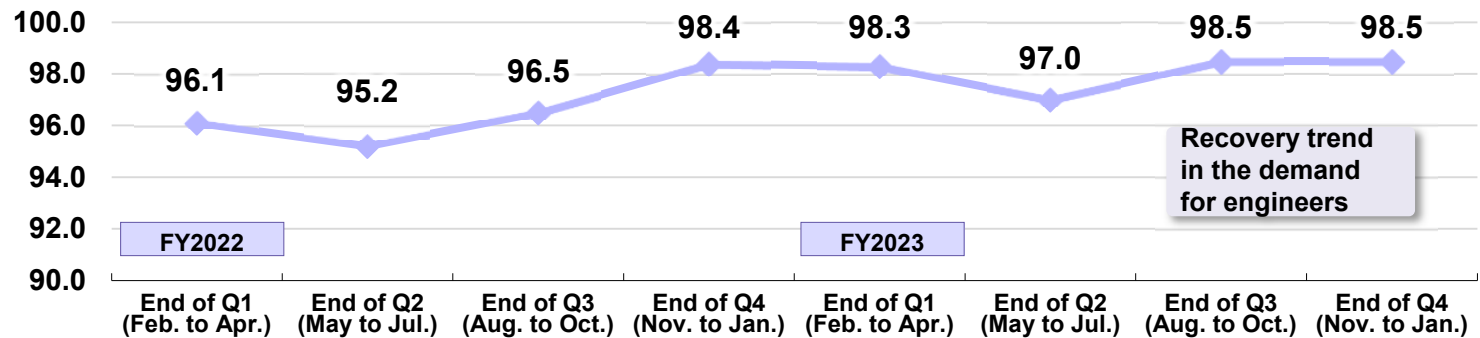


Utilization Rates

*Based on the number of dispatched engineers

Unit: %

	FY2022 (average)	FY2023 (average)	Change from the previous year (pts)
	96.6	98.1	1.5



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

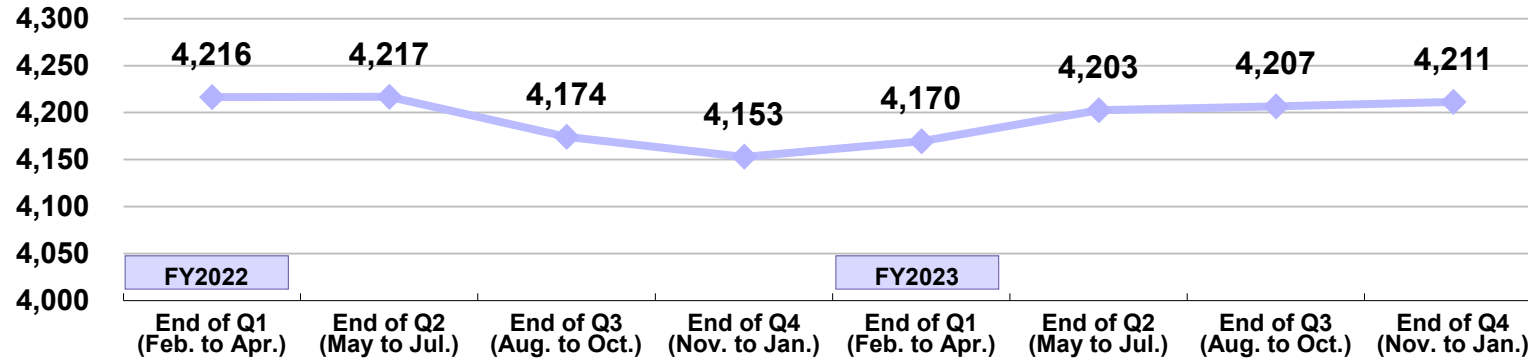
Unit price of engineers / Total work man-hours for FY2023

Unit price of engineers

FY2022 (average)	FY2023 (average)	Change from the previous year (yen)	Change from the previous year (%)
4,189	4,198	9	0.2

*Figures for dispatched engineers *Per person

Unit: yen / hour

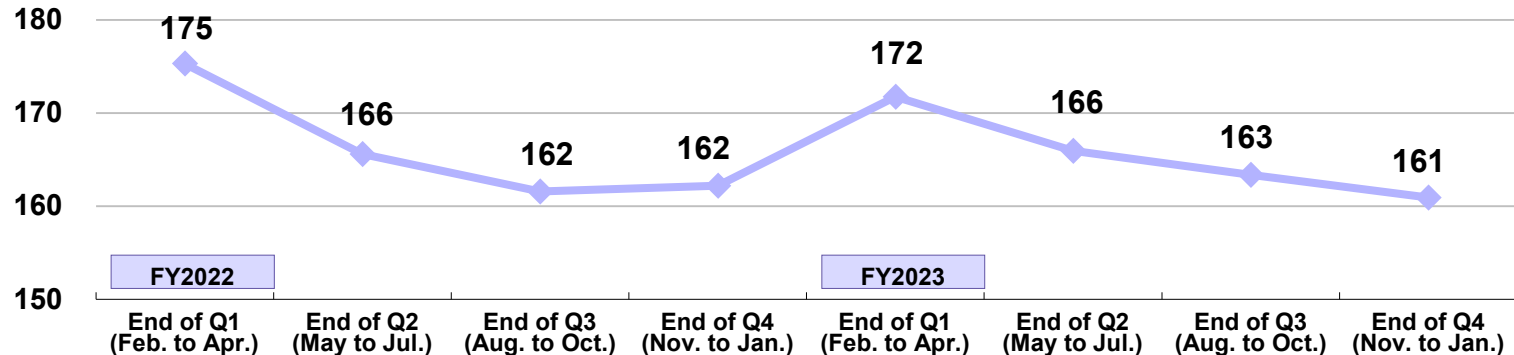


Total work man-hours

FY2022 (average)	FY2023 (average)	Change from the previous year (hrs)	Change from the previous year (%)
166	165	▲ 1	▲ 0.4

*Figures for dispatched engineers *Per person

Unit: hours / month



1

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

p. 3

2

Financial summary for FY2023

p. 13

3

Progress toward achieving the Prime listing criteria

p. 25

4

Stable and continuous dividend payments

p. 39

5

Reference

p. 43

Compliance with the listing maintenance criteria and the Business Plan period

■ 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
Listing maintenance criteria		20,000 units	10 billion yen	35%	20 million yen
The Company	As of transition standard date of June 30, 2021	49,748 units	4.1 billion yen	46.8%	28 million yen
	As of Jan. 31, 2023	74,096 units	7.5 billion yen	69.7%	53 million yen

Criteria not met

*Most recently as of March 16, 2023: stock price 1,245 yen, tradable share market capitalization 9.2 billion yen

■ Medium-Term Business Plan period

Continued efforts will be made to meet the listing maintenance criteria of “tradable share market capitalization” by FY2025, the final year of the Medium-Term Business Plan.

KPI requirements for compliance with tradable share market capitalization / Status

KPI requirements / Actual

	As of transition standard date of June 30, 2021	As of Jan. 31, 2023	Requirement		As of Jan. 31, 2022	As of Jan. 31, 2023	Requirement
The ratio of tradable shares	46.80%	70%	70%	Price earnings ratio (PER)	12.7 times	11.8 times	15.0 times
Number of tradable shares	4,974,000 shares	7,410,000 shares	7,439,000 shares	Earnings per share (EPS)	68.59 yen *	84.24 yen	93.34 yen
				Stock price	858 yen	997 yen	1,400 yen

Apr. 2022
Secondary offering

*As of transition standard date of June 30, 2021



*Most recently as of March 16, 2023: stock price 1,245 yen, tradable share market capitalization 9.2 billion yen

Status

As of January 31, 2023, tradable share market capitalization increased by 82.9% from that as of the transition standard date. Stock price increased 16.2%.

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.

⇒ April 2022: 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)

⇒ Up **22.8%** year-on-year. Continue to aim for 93.34 yen.

■ Increase shareholder returns



Payout ratio

Based on **30%** → Raise to **50%**

⇒ Implemented since FY2022

To be considered

Total return ratio

Share buyback

⇒ Consider as appropriate based on the situation

■ Improve capital efficiency

Return On Equity (ROE)

Over **20%** (aim for FY2018 actual **26.9%**)

⇒ **23.5%** Aim to set a new high

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



■ 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)

⇒ Planned number held in FY2023. Awareness increased (survey).
Continue to hold the same number as in FY2023.



■ Increase English-language disclosures with foreign investors in mind

- The main pages of our website, Convocation Notice, Corporate Governance Report, Summary of Non-consolidated Financial Results, etc.

⇒ In FY2023, English-language disclosures were implemented as planned.
Continue to make similar disclosures as in FY2023.



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

⇒ Making TCFD disclosures, etc. since FY2023.
Continue to make disclosures with corporate governance in mind.



■ Disseminate non-financial information

Add from FY2024

- Prepare Annual Report
- Promote information dissemination with ESG evaluation organizations in mind

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

	Fiscal year ended January 31, 2023	Fiscal year ending January 31, 2025 (target)
New graduates	46.1%	55.0%
Career	62.0%	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 sales and profit margins**

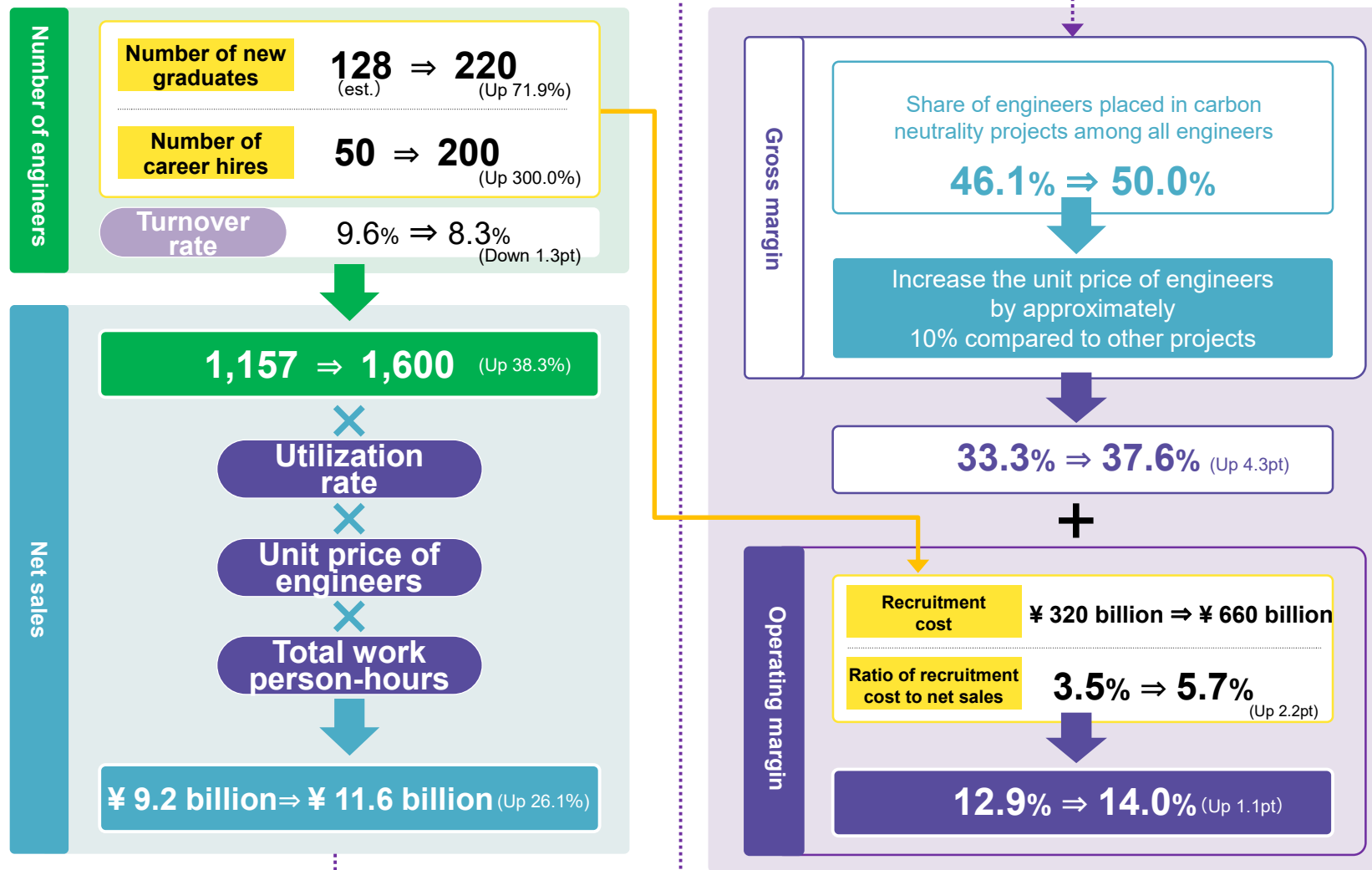
Share of engineers placed in carbon neutrality projects among all engineers

Fiscal year ended January 31, 2023	Fiscal year ending January 31, 2025 (target)
46.1%	50.0%

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

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

* □⇒□... (FY2023) ⇒ (FY2025) figures

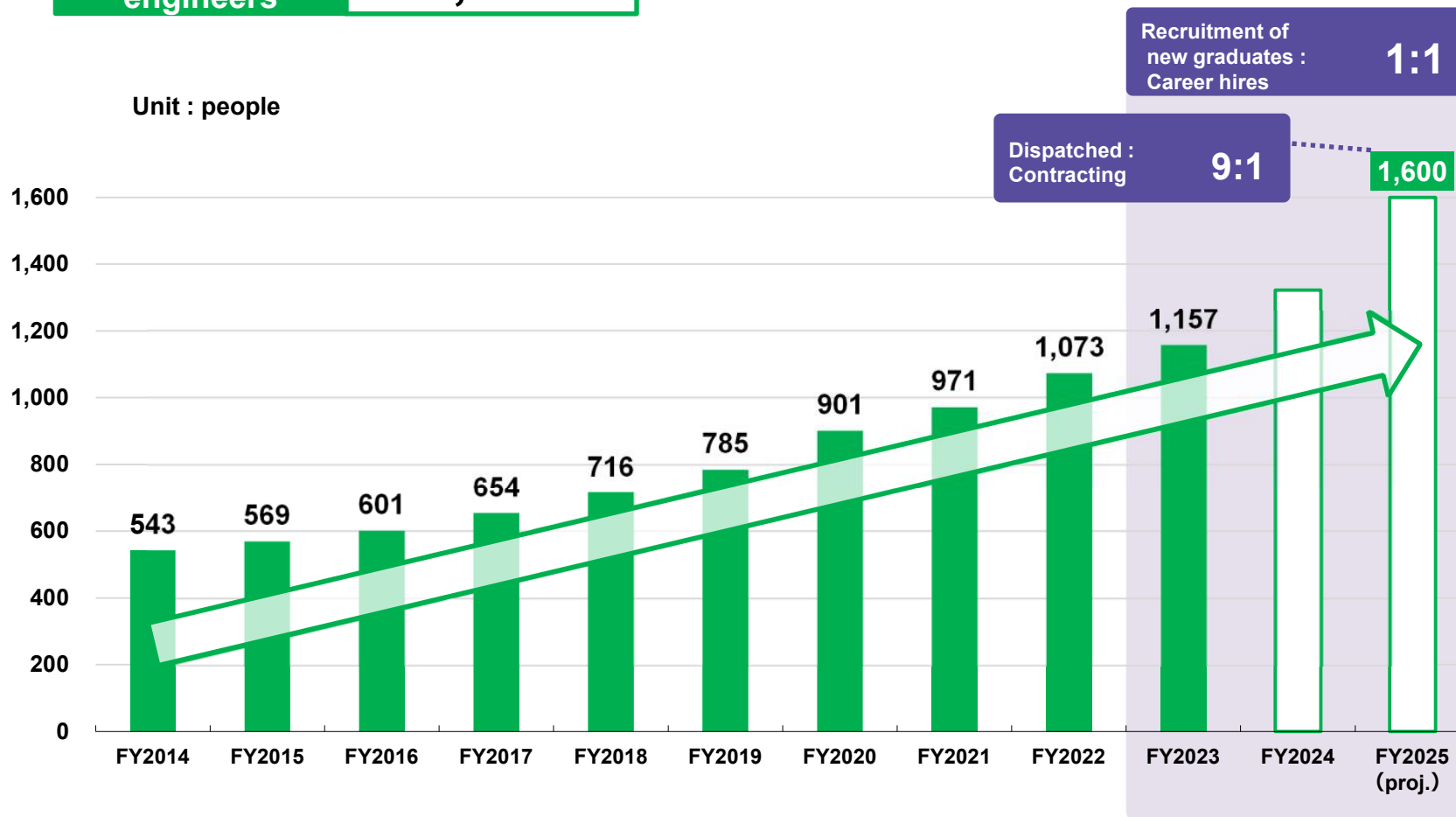


Numerical business targets <FY2025 (final year) key indicators>

Number of
engineers

1,600

Unit : people



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

Efforts to reach 1,600 engineers

Recruitment of new graduates

Target for April 2024 hires: 220 engineers
 (up 71.9% from 128 engineers in the preceding year (forecast))

FY2024 forecast



Staff **Up 35.7 %**



Investment expenses **Up 48.3 %**



Recruitment activities

- Request university professors to introduce students to Artner (regularly visit science and engineering universities in Japan, actively visit schools whose graduates we have previously hired)
- Hold university laboratory seminars (in-person, online) by our engineers who are alumni of that university
- Utilize web media, exhibit at off-campus joint company information sessions, exhibit at events for international students
- Utilize employment agencies, utilize employee referral system
- Build relationships with university professors and university career centers through industry-academia collaboration (participation in academic societies, part-time lecturers at universities, etc.)
- Conduct internships (increase name recognition, increase applications by students who have begun job hunting)

Career hires

Target for FY2024 hires: 180 engineers
 (up 260% from 50 engineers in the preceding year)

FY2024 forecast



Staff **Up 71.4 %**



Investment expenses **Up 112.5 %**



Recruitment activities

- Actively hire year-round not only people with experience but also talented non-recent graduates with no experience
- Utilize employment agencies, utilize web media, utilize employee referral system, utilize “Hello Work” employment service
- Exhibit at job fairs
- Establish a career hire recruitment website
- Increase the number of staff and enhance their skills to improve the job offer acceptance rate

Efforts to reach 1,600 engineers

PR content across all recruitment activities

■ Provision of jobs and an enabling environment

We will provide engineers with good jobs and a good training environment, and we will further enhance our benefits including a secure salary. We will offer career paths and skill improvement plans.

■ Job-based employment

We have projects for upstream, midstream, and downstream processes. By joining the Company, starting careers from midstream, and transitioning projects, employees can complete their career advancement to upstream internally.

■ Emphasizing the job change assistance program to differentiate from other companies in the same industry

In a survey for new hires, approx. 80% responded that they found our job change assistance program to be “attractive.”

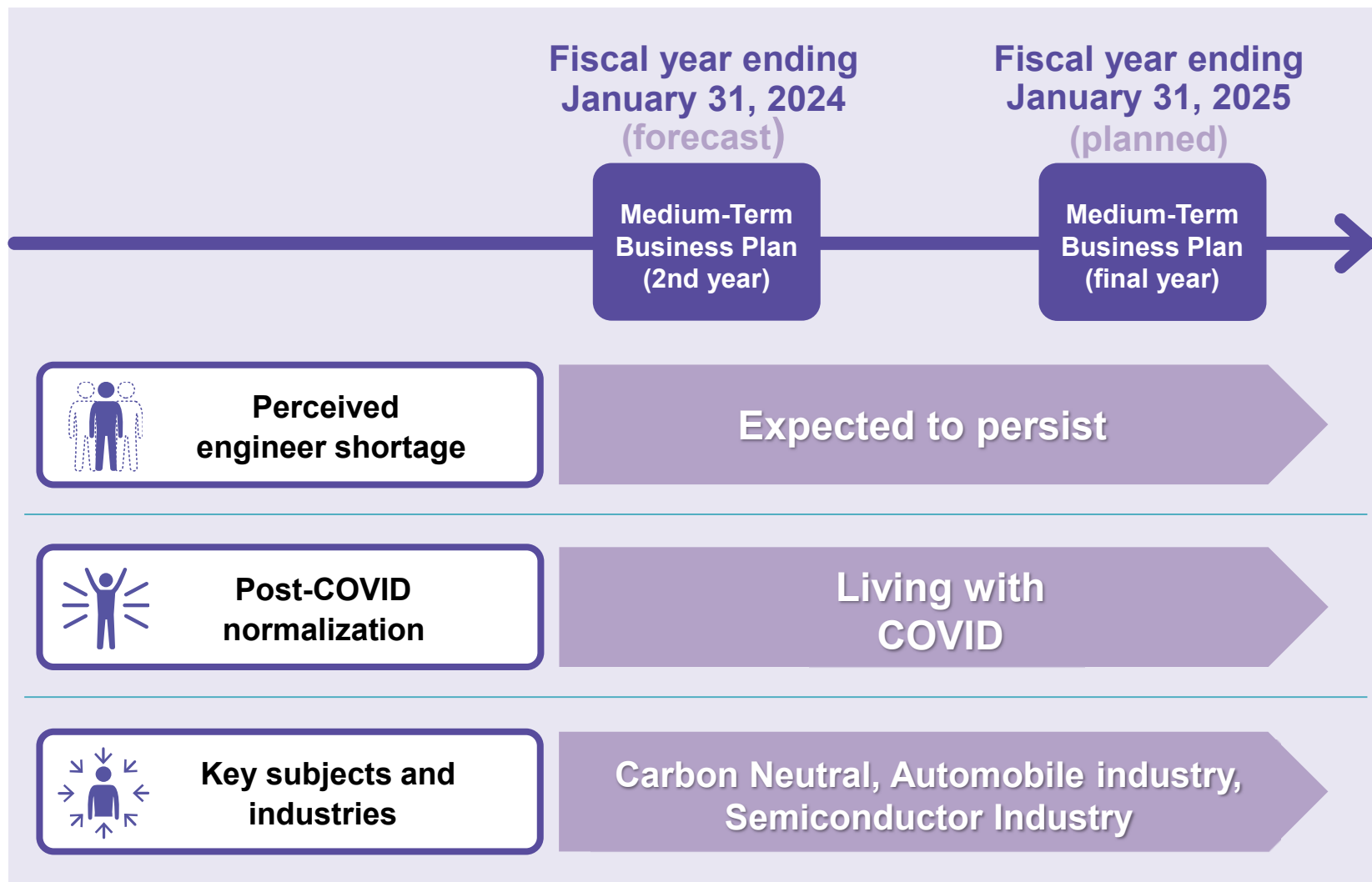
The program works to our favor when employee candidates compare the Company with other companies in the same industry.

Improving the turnover rate

During the COVID-19 pandemic, the number of engineers returning to Artner for training after projects were completed increased from previous years, resulting in a higher turnover rate. However, with the recovery from the pandemic, the turnover rate is expected to improve to the previous years' level.

Sales representatives will visit engineers regularly or conduct online interviews to maintain close communication.

Business environment forecast



Forecast of financial results for Reporting Period 62 (Fiscal year ending January 31, 2024) / Prerequisites

- FY2024 is expected to see a continued active market in carbon neutrality-related development projects

【Forecast of financial results】

	FY2023		FY2024		Change from the previous year (¥ million)	Change from the previous year (%)
	Result (¥ million)	% of Net sales	Result (¥ million)	% of Net sales		
Net sales	9,242	100.0	9,797	100.0	555	6.0
Operating profit	1,194	12.9	1,325	13.5	131	11.0
Ordinary profit	1,203	13.0	1,328	13.6	125	10.4
Profit	895	9.7	920	9.4	25	2.8

【Prerequisites】

Newly graduated engineers (April, October) (people)	169	128	▲ 41	▲ 24.3
Career engineers (people)	50	180	130	260.0
Turnover rates (%)	9.6	Decreased YoY		
Utilization rates (%)	98.1	Same level as preceding year		
Unit price of engineers (¥)	4,198	Same level as preceding year		
Total work man-hours (h)	165	Same level as preceding year		

1

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

p. 3

2

Financial summary for FY2023

p. 13

3

Progress toward achieving the Prime listing criteria

p. 25

4

Stable and continuous dividend payments

p. 39

5

Reference

p. 43

FY2023/ FY2024 Dividend per share

Payout ratio

Based on 50%

 FY2023 **71.2%** / FY2024 (forecast) **73.9%**

- FY2023...Ordinary dividend (year-end) 23 yen (4 yen more than initial forecast of 19 yen). Combined with the interim dividend of 20 yen, the total ordinary dividend was 43 yen. Commemorative dividend 17 yen (60th anniversary of founding / 15th anniversary of listing on JASDAQ (now Prime Market). Annual total 60 yen.
- FY2024...Expected ordinary dividend 64 yen (interim 32 yen, year-end 32 yen). (Ordinary dividend up 21 yen)

	Annual dividends per share (yen)					Dividend yield (%)	Payout ratio (%)	Dividend on equity ratio (DOE) (%)
				Commemorative dividends	Total			
	Second quarter- end	Fiscal year-end	Total					
FY2022	14.00	20.50	34.50			3.92	50.3	10.9
FY2023	20.00	23.00	43.00	17.00	60.00	6.96	71.2	16.7
FY2023 (forecast)	32.00	32.00	64.00			6.36	73.9	

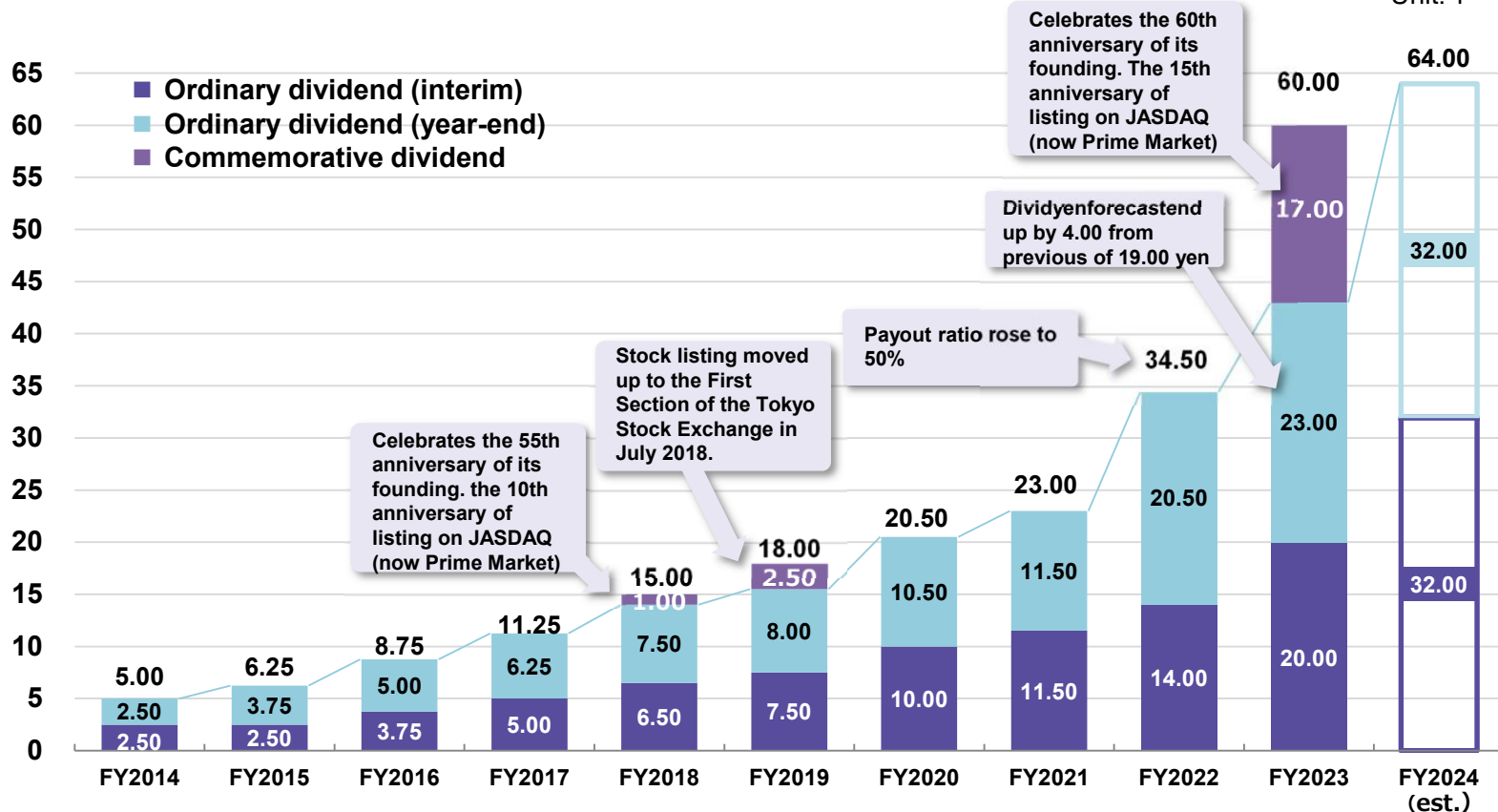
*Dividend yield (%) = individual dividend per share (total) ÷ share price (year-end, closing price) × 100
 Closing value at beginning of FY2022 (February 1, 2021) 881 yen / Closing value at beginning of FY2023 (February 1, 2022) 862 yen / Closing value at beginning of FY2024 (February 1, 2023) 1,007 yen

Dividend per share

Dividend increased for the **ninth** consecutive period

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

Unit: ¥

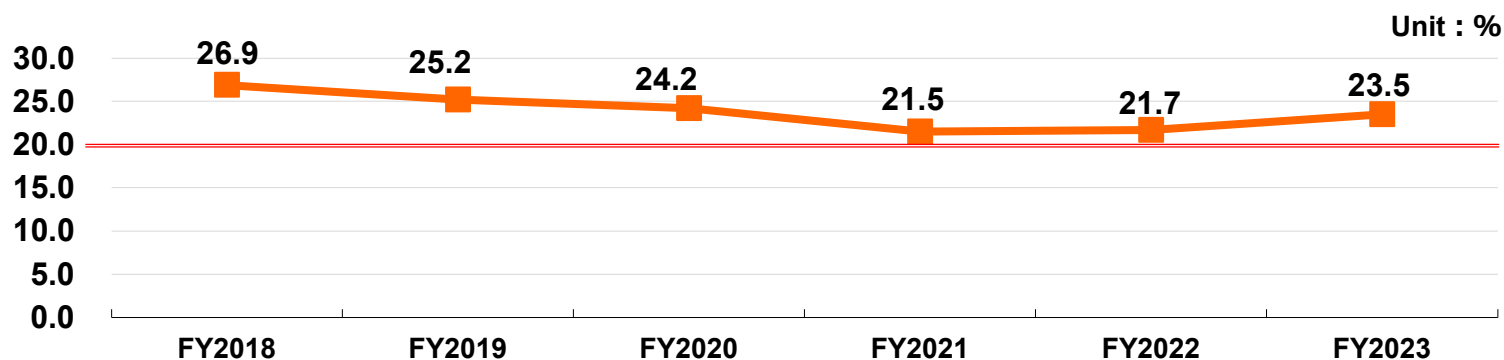
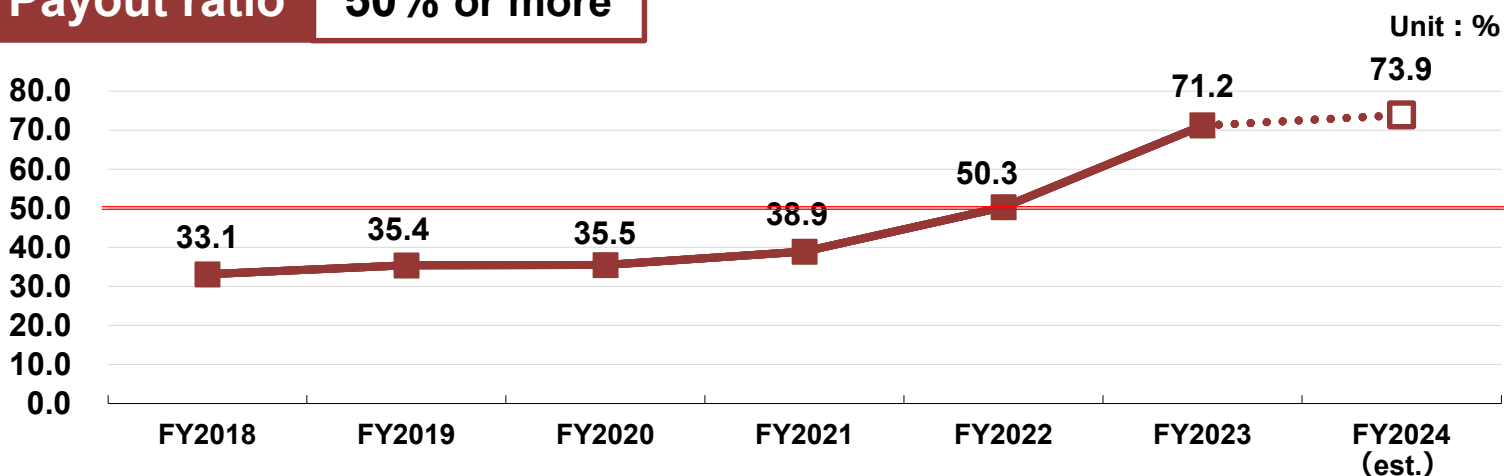


Dividends per share were retroactively revised to factor in the impact of stock splits conducted as follows.
February 1, 2017 (2-for-1 stock split) • April 1, 2018 (2-for-1 stock split)

Numerical management targets (FY2025) ROE / Payout Ratio

ROE
20% or more

(Aim to achieve FY2018 actual level of 26.9%)


Payout ratio
50% or more

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

1

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

p. 3

2

Financial summary for FY2023

p. 13

3

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p. 25

4

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p. 39

5

Reference

p. 43

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

ART
Art: Pursuing
superior quality

+

ARTNER

+

PARTNER
Partner: Responding
to customer trust

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

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.

To Achieve Our Purpose

Mission

As an “Engineer Support Company,” we are committed to creating “a new way of life” for engineers.

Vision

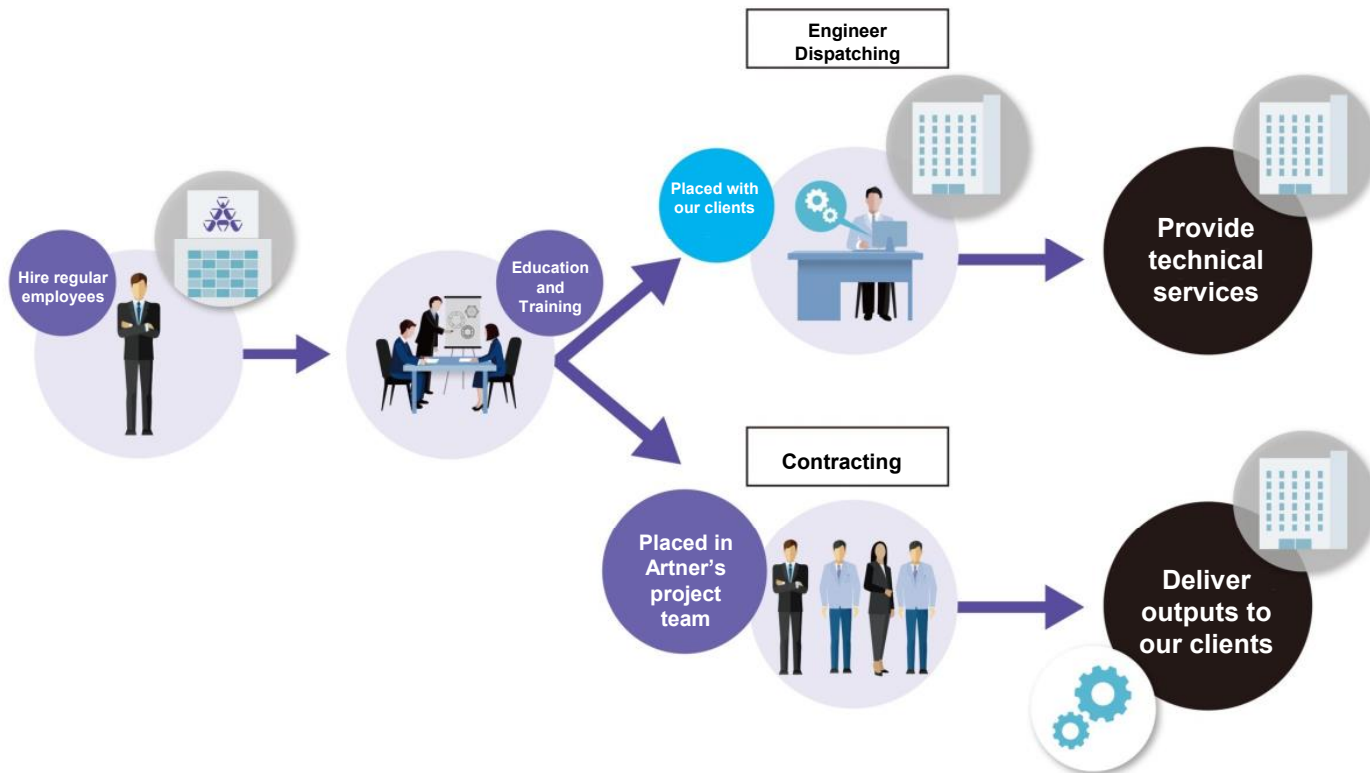
We will improve the quality of our engineers to become, within 10 years, a group of engineers providing the greatest added value in the industry. The talents developed by Artner will support the world of manufacturing.

Values

Competent engineers are capable of selecting what they need, and making every effort to attain happiness for themselves. Artner supports the career and skill development of each and every engineer to offer a wide range of projects that fit with their desires and qualifications.

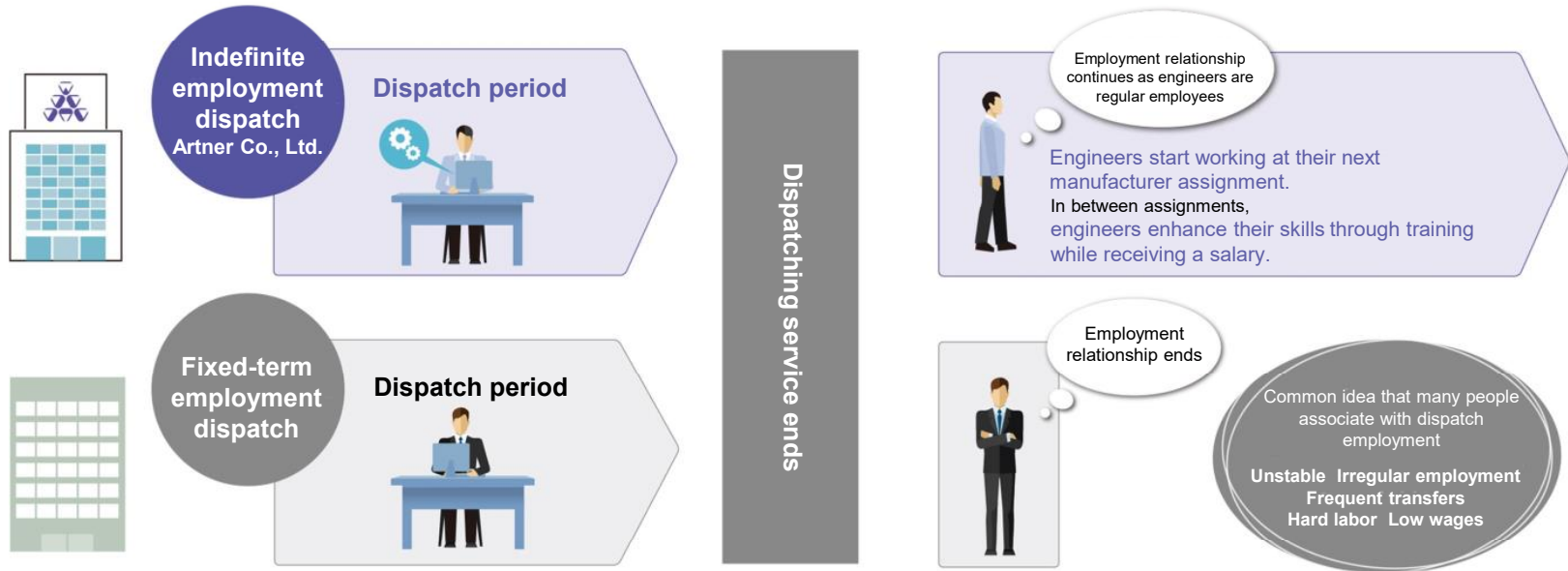
Business Model

- 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.

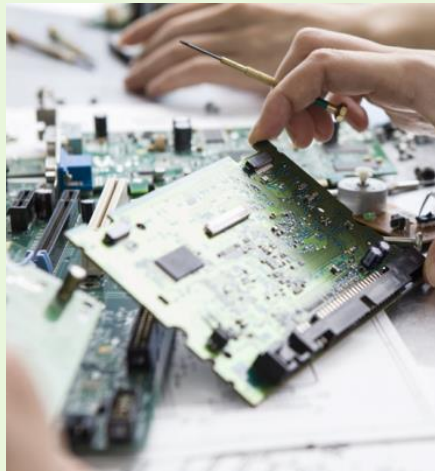


Electronics

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.



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.

Top ten corporate clients by net sales in FY2023

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

	FY2022		FY2023	
	Our clients	Segment	Our clients	Segment
1	Honda R&D Co., Ltd.	Transportation equipment	Honda Motor Co., Ltd.	Transportation equipment
2	Honda Motor Co., Ltd.	Transportation equipment	Honda R&D Co., Ltd.	Transportation equipment
3	Nikon Corporation	Precision equipment	Nikon Corporation	Precision equipment
4	Sumitomo Electric Industries, Ltd.	Steel, nonferrous materials and metals	Terumo Corporation	Precision equipment
5	Terumo Corporation	Precision equipment	Sumitomo Electric Industries, Ltd.	Steel, nonferrous materials and metals
6	Panasonic Corporation	Electronic devices	Tokyo Electron Miyagi Ltd.	Electronic devices
7	Tokyo Electron Technology Solutions Limited	Electronic devices	Bosch Corporation	Transportation equipment
8	Tokyo Electron Miyagi Ltd.	Electronic devices	Lasertec Corporation	Electronic devices
9	JTEKT CORPORATION	Machinery	Tokyo Electron Technology Solutions Limited	Electronic devices
10	CHUBU TOSHIBA ENGINEERING CORPORATION	Electronic devices	SMC Corporation	Machinery

■ Net sales per 10 companies

	FY2022		FY2023		Change from the previous year (%)	Percentage variance (pt)
	Result (¥ million)	% of Net sales	Result (¥ million)	% of Net sales		
Top 10 Total	3,765	46.6	4,161	45.2	10.5	(1.4)
Top 11 to 20	1,139	14.1	1,329	14.4	16.7	0.4
Top 21 to 30	778	9.6	884	9.6	13.6	(0.0)
Other than the above	2,405	29.7	2,832	30.8	17.7	1.0
Total	8,089	100.0	9,208	100.0	13.8	—

*Excludes sales from "Other" businesses.

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

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

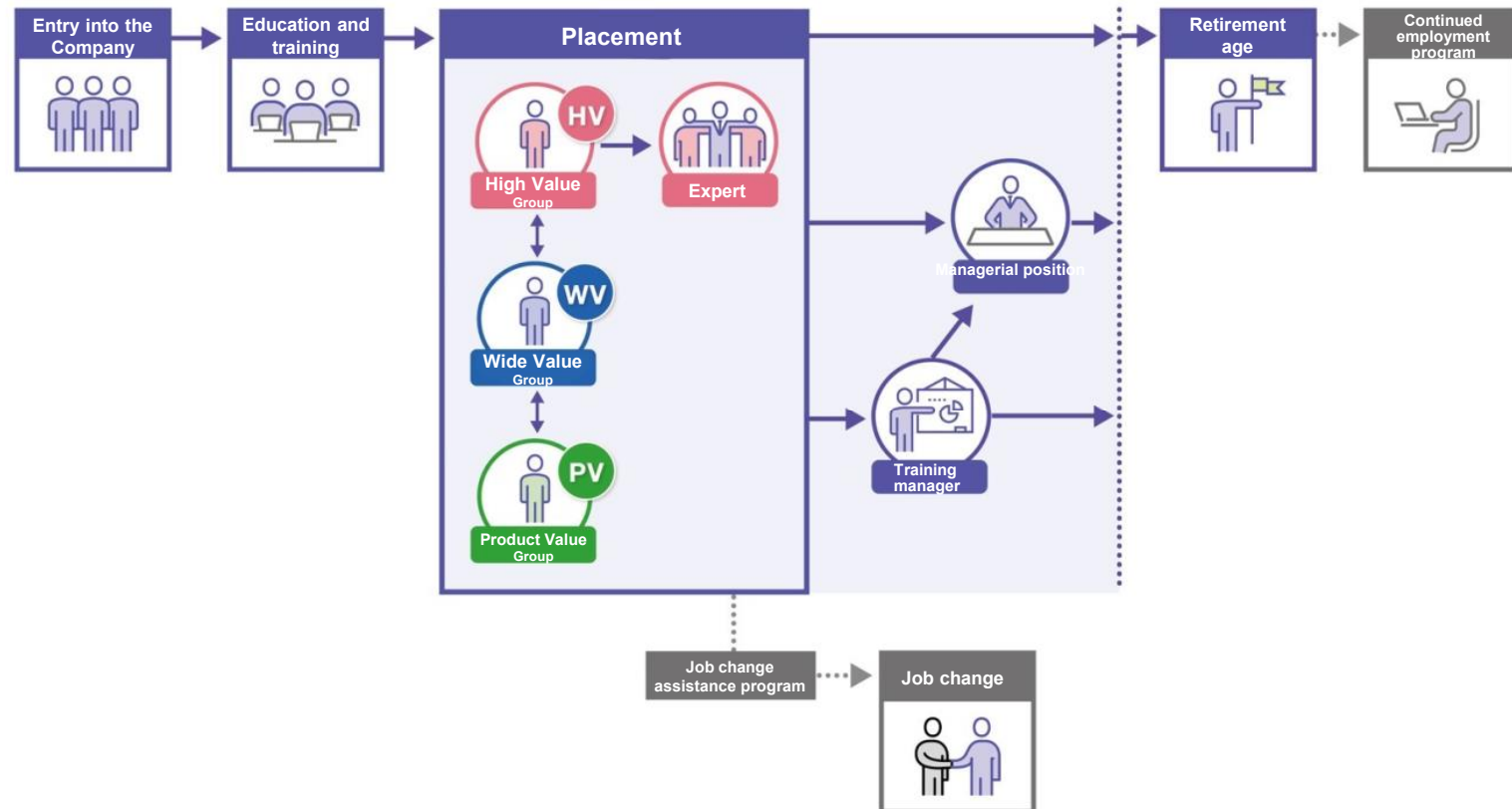
The program encourages students who wish to work at a manufacturer but had little interest in engineer dispatching services and did not consider joining Artner to become interested and decide to join the Company upon comparing it With other companies.

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.

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.”



Business locations

Headquarters

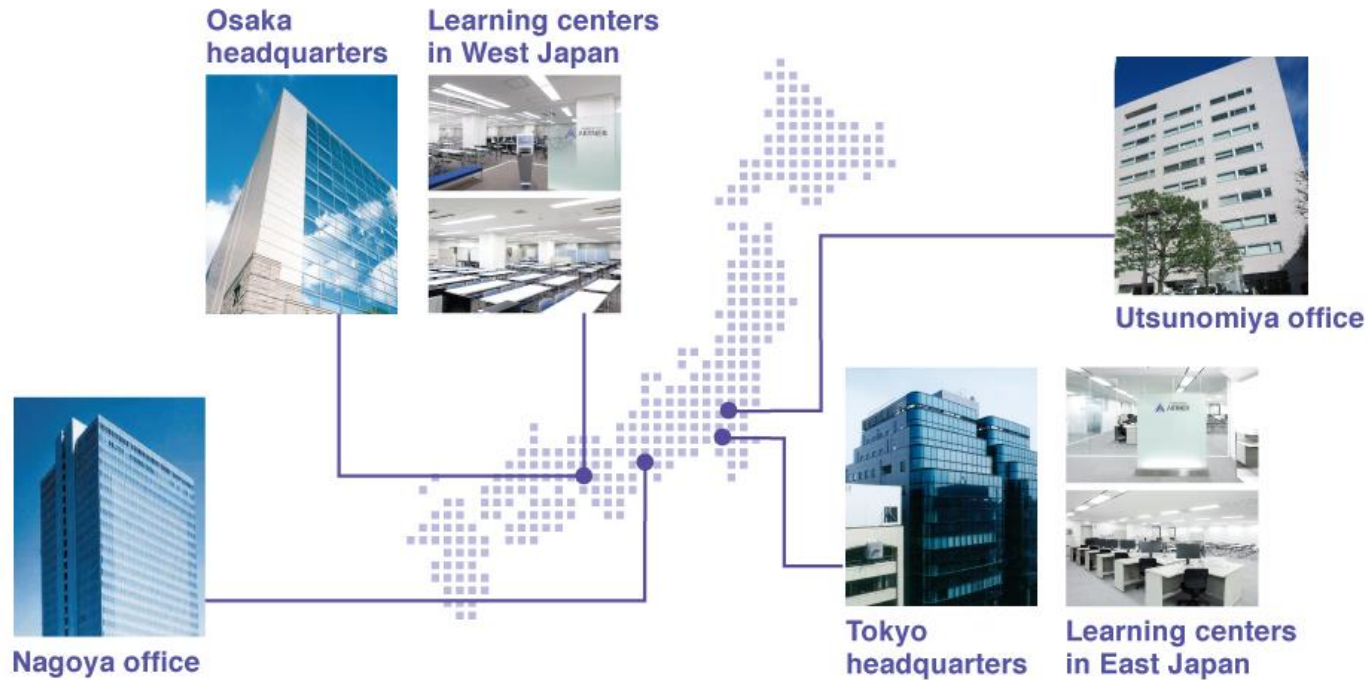
Tokyo headquarters, Osaka headquarters

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.



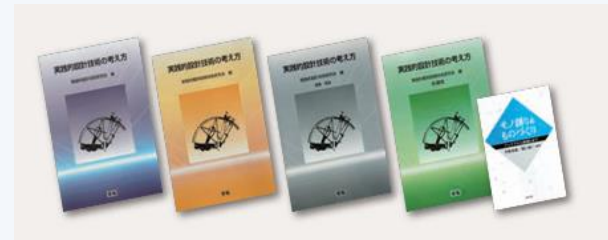
Collaboration with academic societies and organizations

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

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
- Endorsed Task Force on Climate-related Financial Disclosures (TCFD) recommendations

■ 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

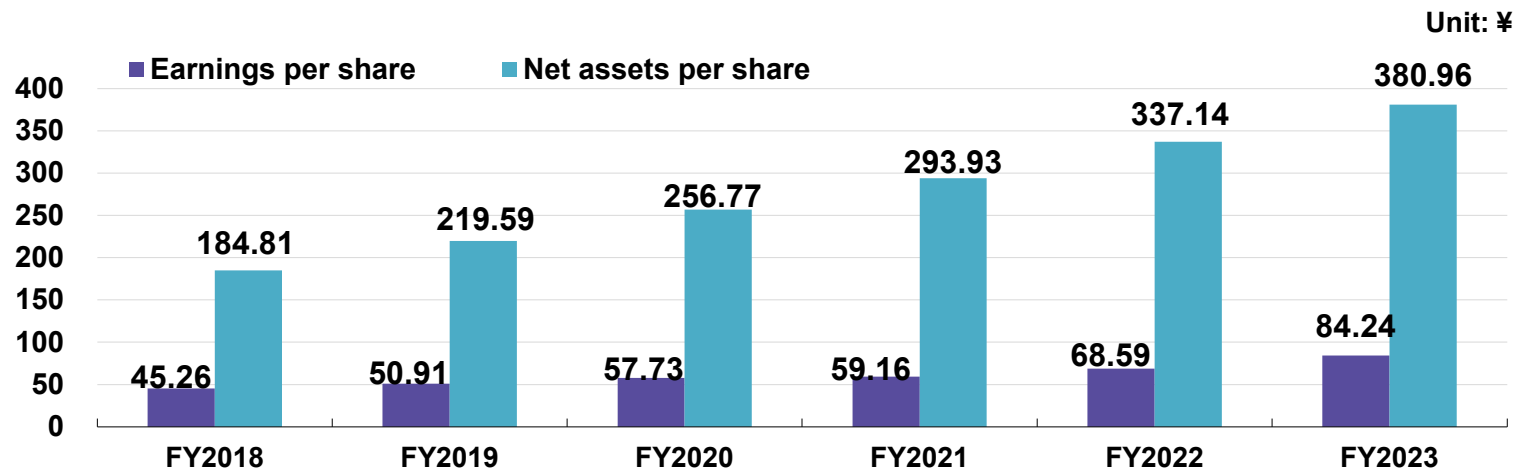
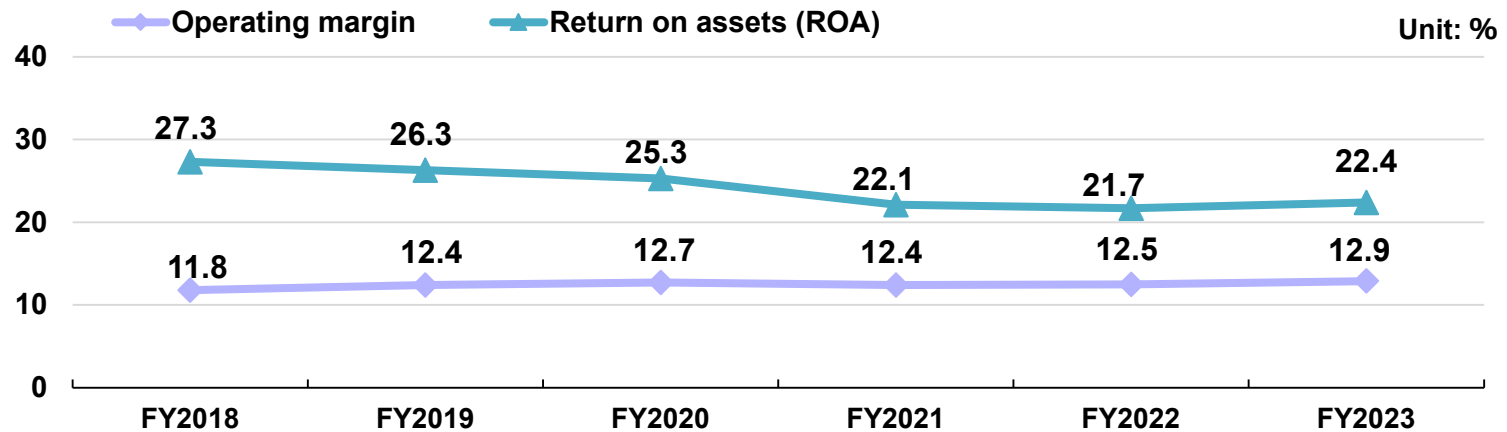


10 人や国の不平等
をなくそう

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

- Establishing a diversity promotion office
- Diversity and LGBTQ initiatives

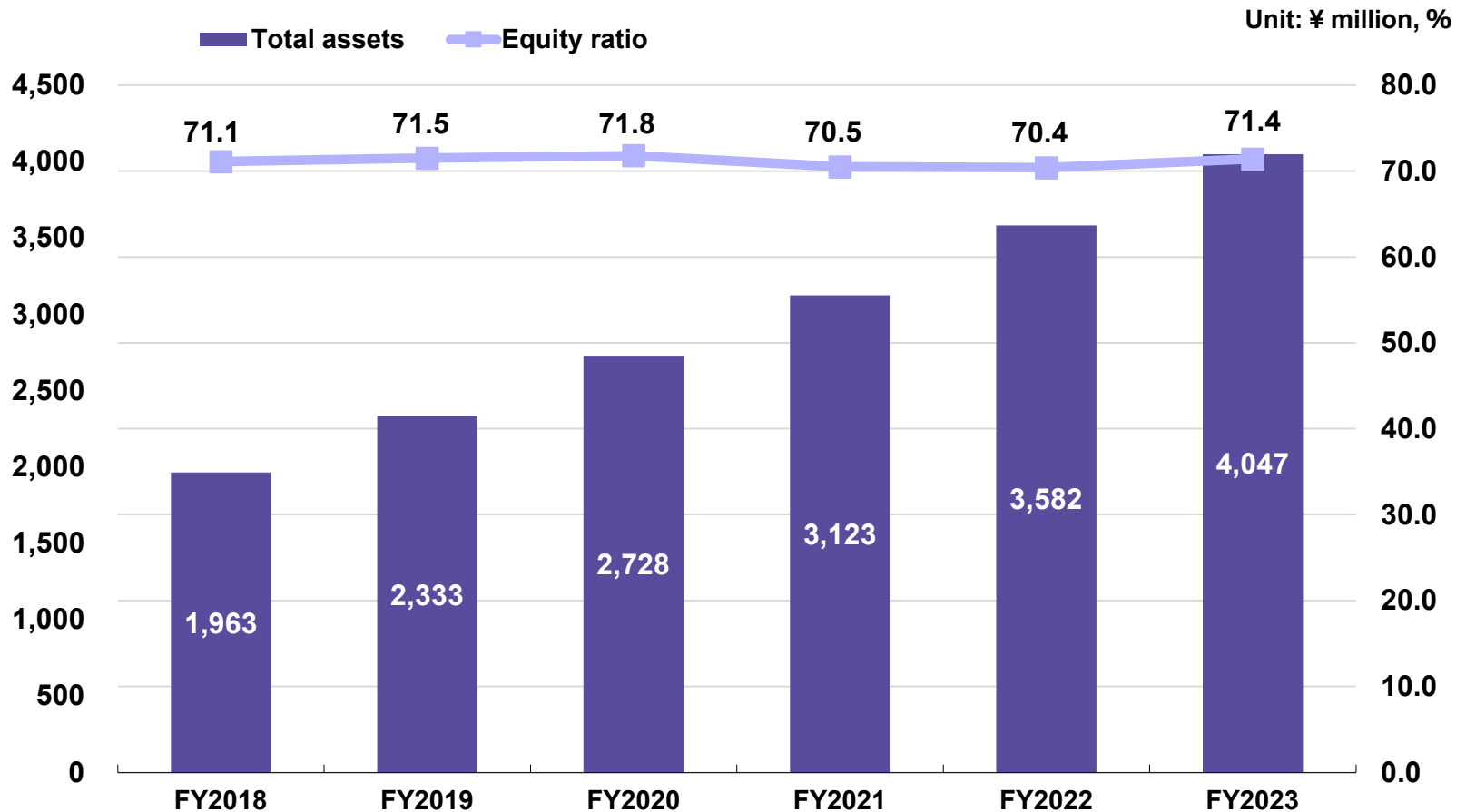
Operating margin/Return on assets (ROA)/ Earnings per share · Net assets per share



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

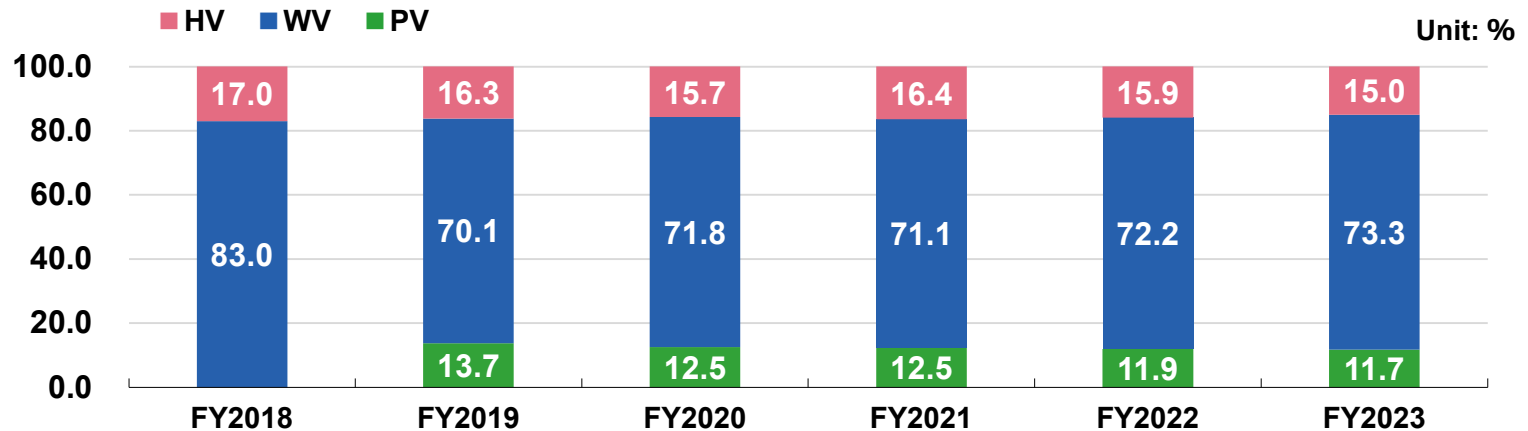
April 1, 2018 (2-for-1 stock split)

Total assets / Equity ratio

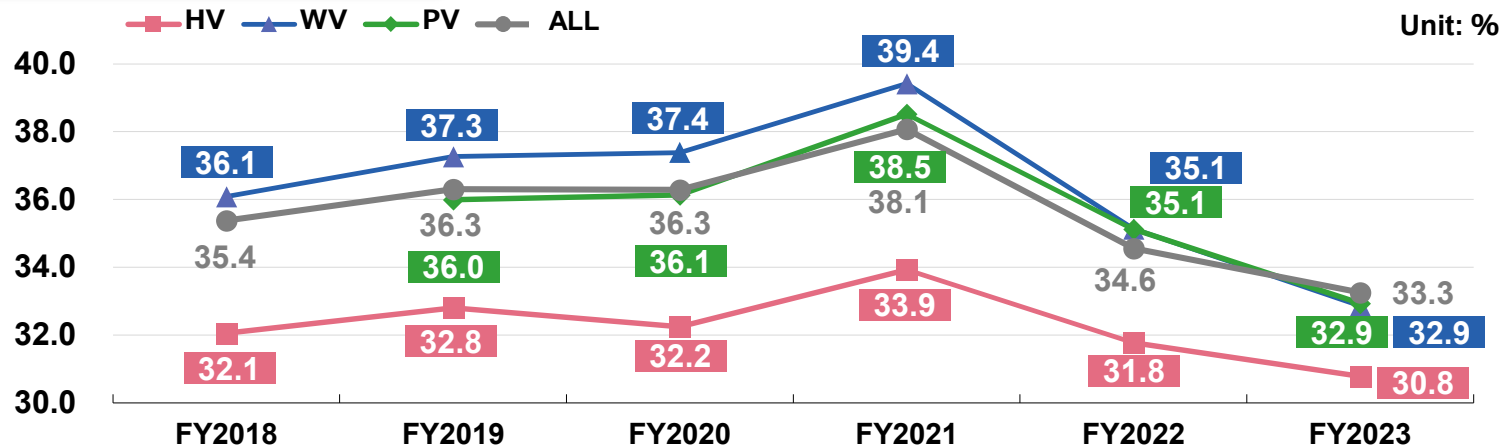


Engineer breakdown by group / Gross margin

Engineer breakdown



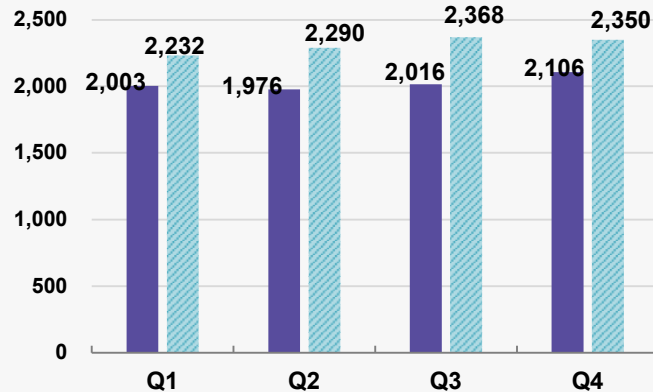
Gross margin (By group/ ALL)



Quarterly (accounting period) performance

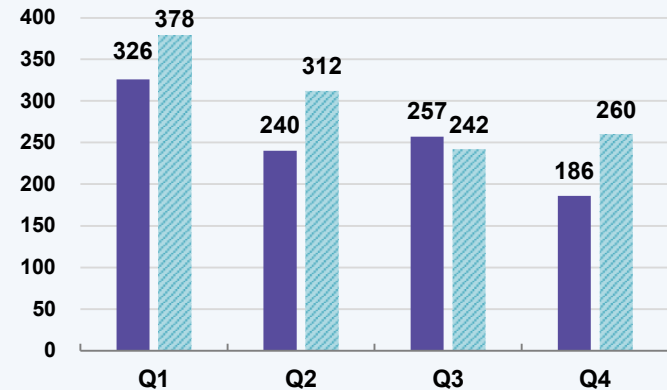
Net sales

■ FY2022 ■ FY2023 Unit: ¥ million



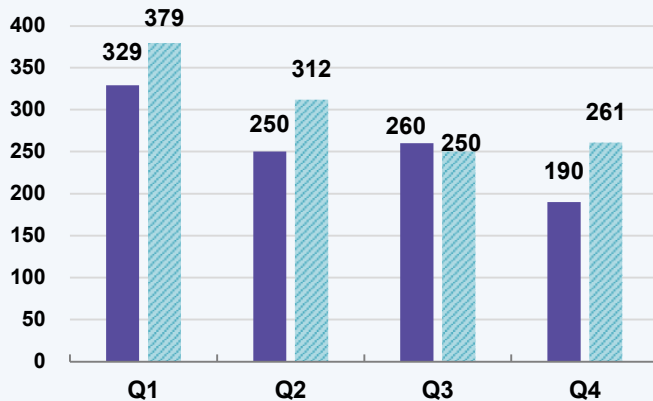
Operating profit

■ FY2022 ■ FY2023 Unit: ¥ million



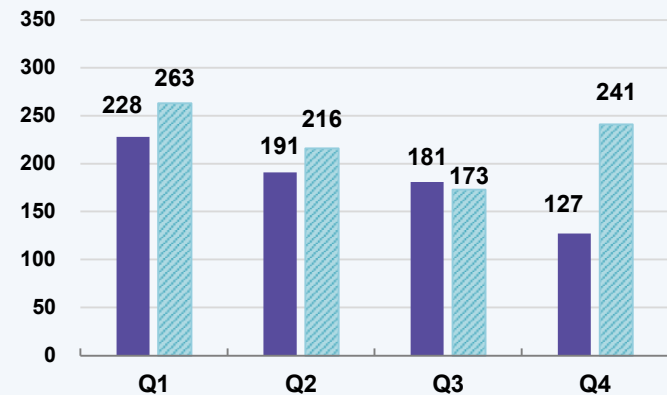
Ordinary profit

■ 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	2,368	100.0	17.5	25.6	2,350	100.0	11.6	25.4
Cost of sales	1,387	62.1	15.9	22.5	1,503	65.6	17.3	24.4	1,666	70.3	24.0	27.0	1,611	68.6	8.8	26.1
Gross profit	845	37.9	4.8	27.5	787	34.4	13.1	25.6	702	29.7	4.5	22.8	739	31.4	18.1	24.0
SG&A expenses	467	20.9	▲ 2.8	24.9	474	20.7	4.2	25.2	460	19.4	10.9	24.5	478	20.3	8.8	25.4
Operating profit	378	16.9	16.0	31.7	312	13.7	30.0	26.2	242	10.2	▲ 5.9	20.3	260	11.1	40.1	21.9
Ordinary Profit	379	17.0	15.0	31.5	312	13.7	24.6	26.0	250	10.6	▲ 4.1	20.8	261	11.1	36.7	21.7
Profit	263	11.8	15.1	29.4	216	9.4	13.1	24.2	173	7.3	▲ 4.1	19.4	241	10.3	89.3	27.0

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

FY2022

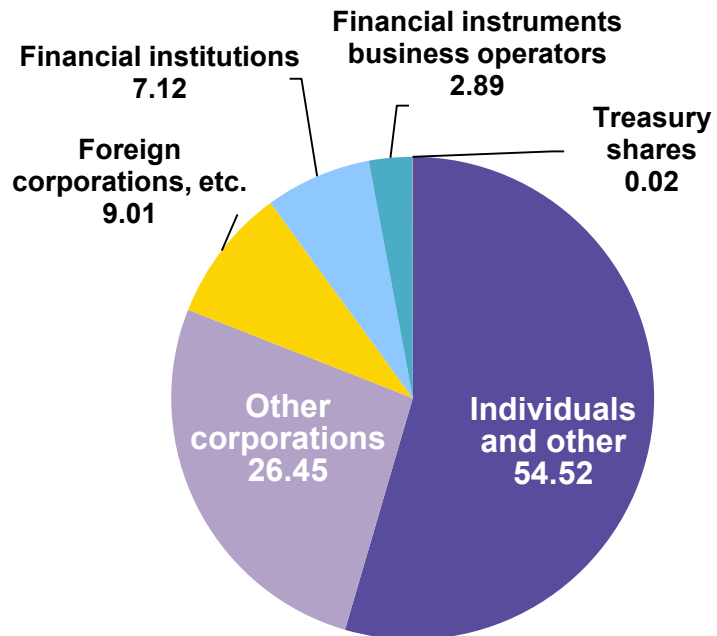
	Q1				Q2				Q3				Q4			
	Result (¥ million)	% of Net sales	YOY (%)	※② (%)	Result (¥ million)	% of Net sales	YOY (%)	※② (%)	Result (¥ million)	% of Net sales	YOY (%)	※② (%)	Result (¥ million)	% of Net sales	YOY (%)	※② (%)
Net sales	2,003	100.0	6.9	24.7	1,976	100.0	11.1	24.4	2,016	100.0	15.8	24.9	2,106	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 January 31, 2022)

Share Distribution by Owner Category

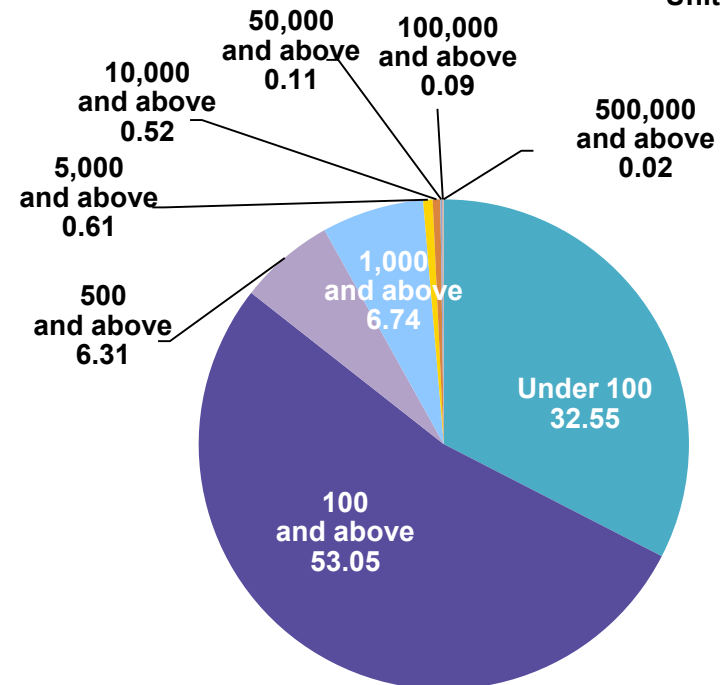
Unit : %



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

Shareholder Distribution by Number of Shares Held

Unit : %

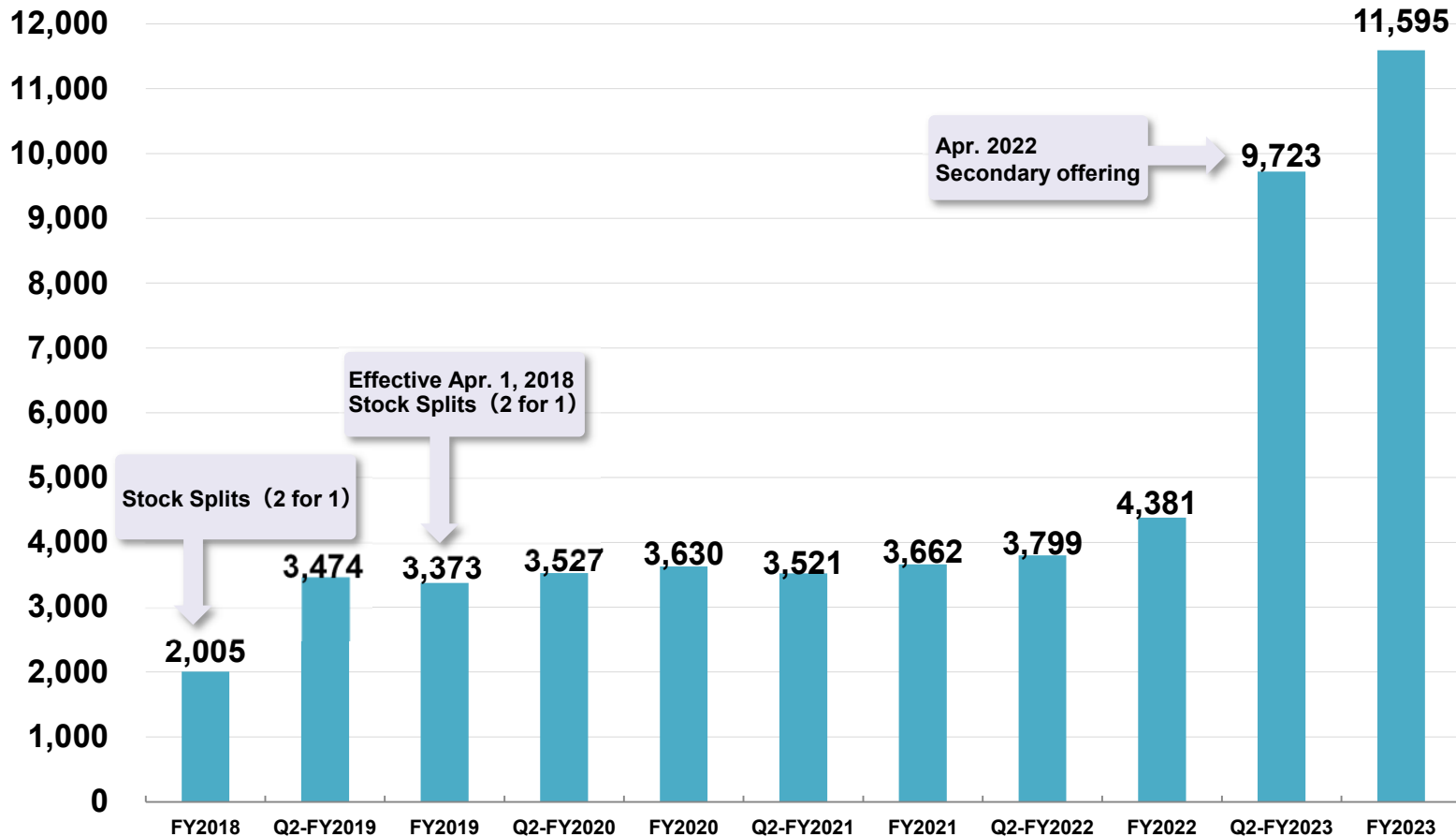


- Under 100
- 100 and above
- 500 and above
- 1,000 and above
- 5,000 and above
- 10,000 and above
- 50,000 and above
- 100,000 and above
- 500,000 and above

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

Term-end shareholder numbers

Unit : people



Stock price changes (January 4, 2022 – March 16, 2023)



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

Handling of this document

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

Although this document has been created carefully to ensure its accuracy, its completeness is not guaranteed.

The Company shall not be held liable for any failure or damage caused by the use of forecast data or information contained in this document.

(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%.