Make Value

Engineer Support Company

Q2 FY2024 Briefing for Analysts and Institutional Investors

September 13, 2023

—Create the Future—
ARTNER

JPX
PRIME

ARTNER CO., LTD.

Company Information

Name	Artner Co., Ltd.
Founded	September 18, 1962
Representative	President and CEO SEKIGUCHI Sozo
Share listing	First Section of the Tokyo Stock Exchange (Securities code: 2163)
General Meeting of Shareholders	Held in Osaka
Capital	238,284,320 yen (As of January 31, 2023)
Headquarters	Tokyo, Osaka
Business bases	Yokohama, Utsunomiya, Osaka, Nagoya
Learning centers	East Japan, West Japan
Business fields	1) Software 2) Electronics 3) Machinery — Basic research, design, and development in the fields on the left, as well as tasks relating to them
Number of employees	1,276 (As of January 31, 2023)
License number	Worker Dispatching Business (派27－020513) Paid Employment Agency Business (27－ユ－020355)

Investment Highlights

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

Market size of engineer dispatching business

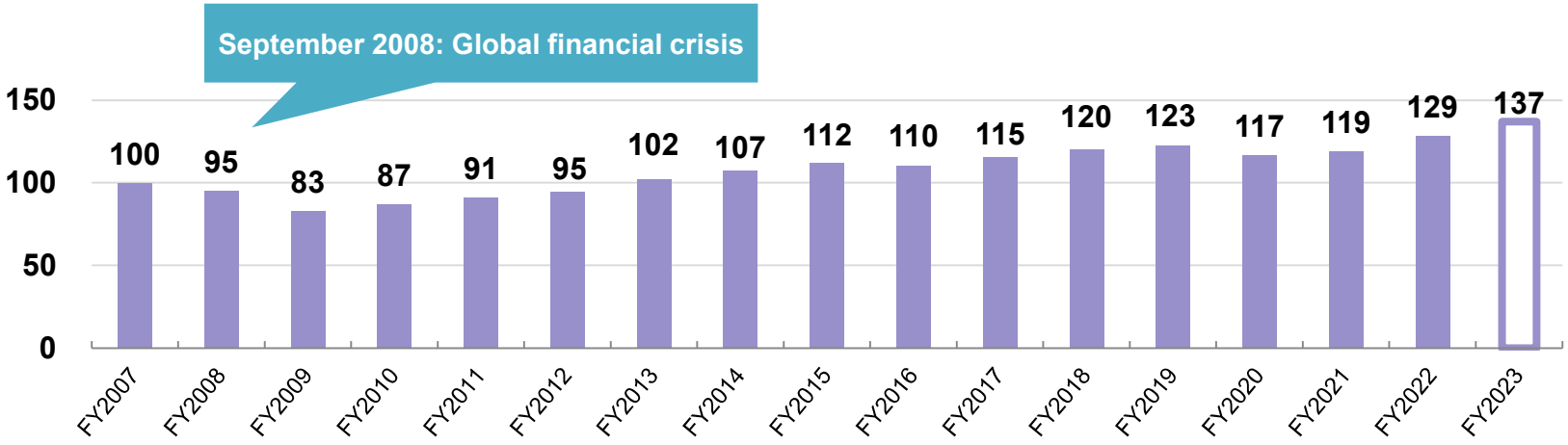
1.1 to 1.3 trillion yen (estimate)

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."
*The share is 0.7 to 0.8%; calculations based on the Company's most recent net sales of 9.2 billion yen for FY2023.

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 61 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)

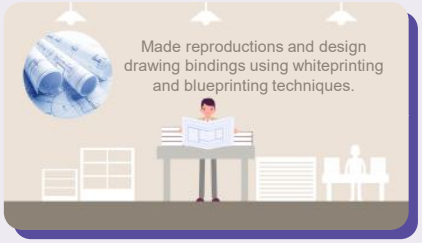
1953 -

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

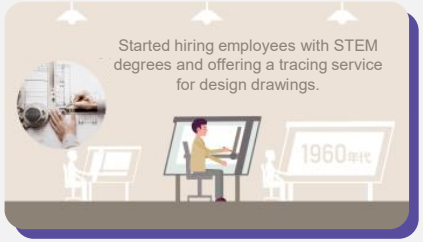
Founded

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

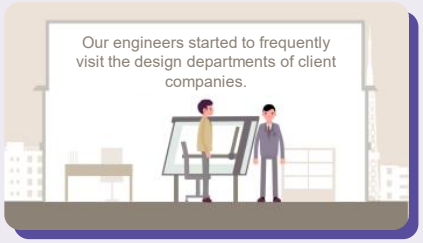
■ Reproduces and binds design drawings received from client companies, using whiteprinting and blueprinting techniques.



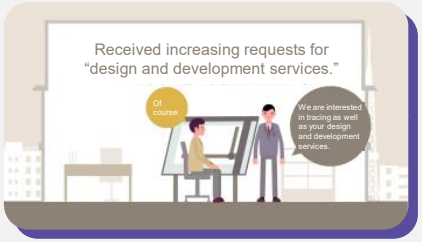
■ Starts hiring employees with STEM degrees and offering a tracing service for design drawings.



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



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



History (1962 to present)

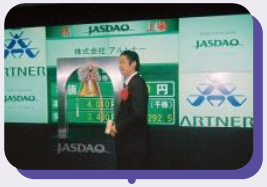
1962 -

1962
- Establishes Osaka Technology Center Co., Ltd. to offer design and development services.

1986
Worker Dispatching Act takes effect in Japan.

1998
- Changes the company name to Artner Co., Ltd.

2007
- Company stock listed on JASDAQ.



2017
- Celebrates the 55th anniversary of its founding. / Stock listing moved to the Second Section of the Tokyo Stock Exchange.

2018
- Stock listing moved up to the First Section of the Tokyo Stock Exchange.

2022
Transitioned to the Prime Market of the Tokyo Stock Exchange.

Celebrates the 60th anniversary of its founding.

Presidents Since Our Founding / Profile of President and CEO SEKIGUCHI Sozo

Presidents Since Our Founding

September 1962	Osaka Technology Center Co., Ltd. was established as a subsidiary of Sekiguchi Kogyo Co., Ltd. (1st) President and CEO SEKIGUCHI Noboru was appointed.
April 1984	President and CEO SEKIGUCHI Noboru retired. (2nd) President and CEO MARUHASHI Shiro was appointed.
April 1987	President and CEO MARUHASHI Shiro retired. (3rd) President and CEO SEKIGUCHI Masaru was appointed.
April 1998	Osaka Technology Center Co., Ltd. was renamed to Artner Co., Ltd.
February 2002	President and CEO SEKIGUCHI Masaru retired. (4th) President and CEO SEKIGUCHI Sozo was appointed.

Profile of President and CEO SEKIGUCHI Sozo, positions and areas of responsibility held in the Company

June 1983	Joined MEITEC CORPORATION
April 1988	Joined Osaka Technology Center Co., Ltd. (previous name of the Company)
March 1993	Appointed Director; Head of the Business Planning Office
February 1998	Appointed Director; Vice President
February 2002	Appointed President and CEO (current)

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

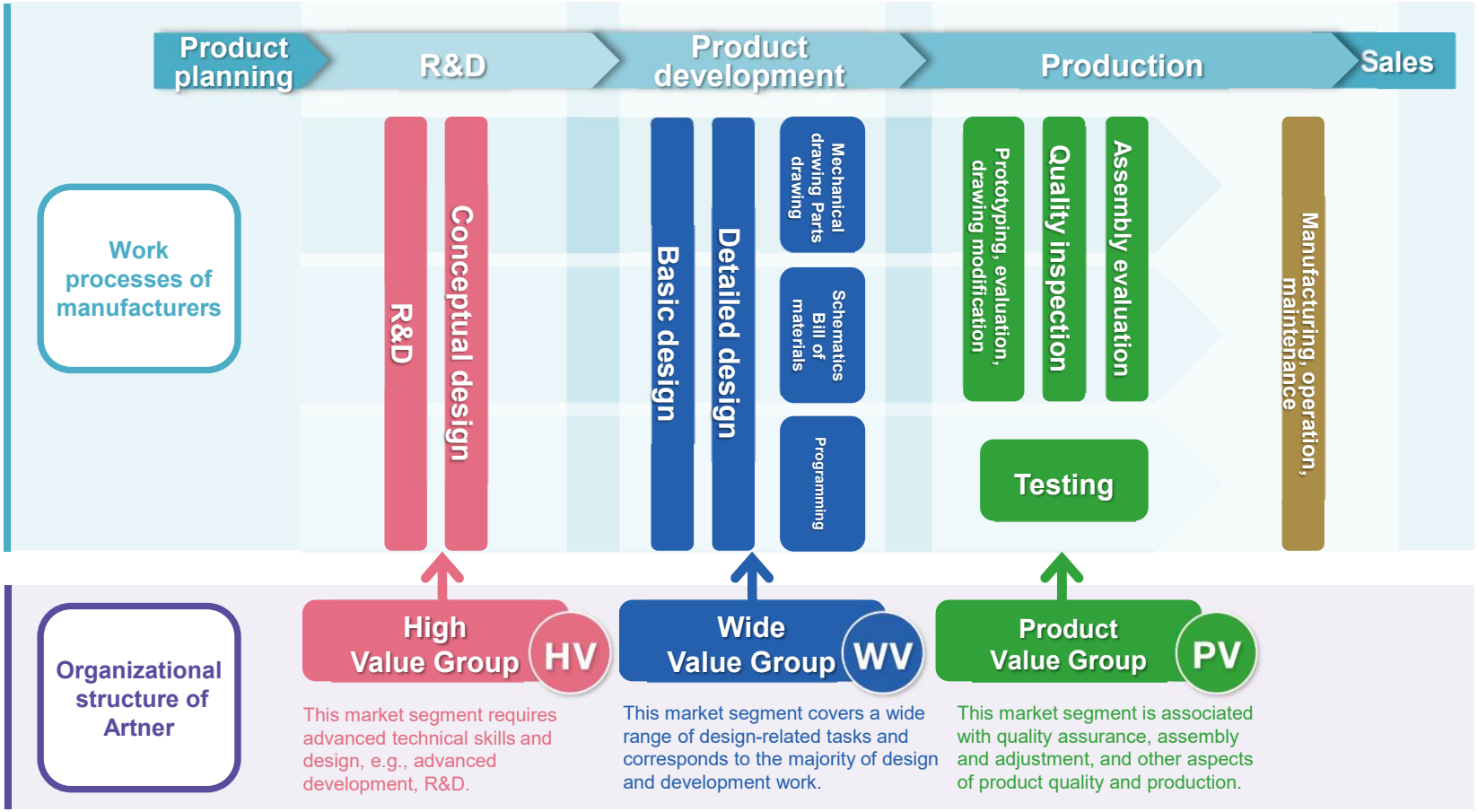


Diagram of the work processes of manufacturers and the work of the Company's engineers [Ex: electric vehicles (EVs)]

Create the Future ARTNER

HV

- R&D
- Conceptual design

WV

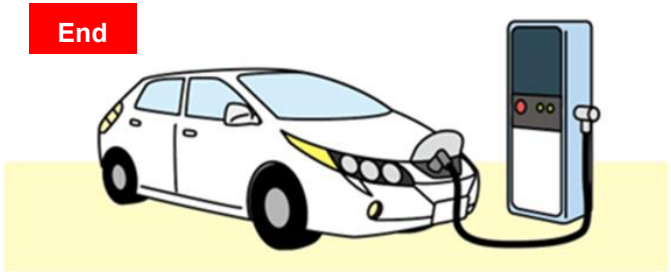
- Basic design / Detailed design
- Mechanical drawing Parts drawing
- Schematics
- Bill of materials
- Programming

PV

- Prototyping, evaluation, drawing modification
- Quality inspection／Assembly evaluation
- Testing

Manufacturing, operation, maintenance

End



Design and development projects including “carbon neutrality”

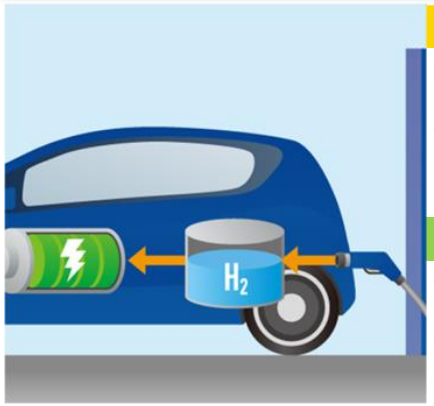
Eco cars

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

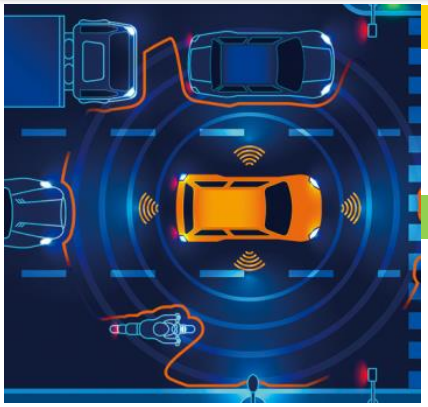
Fuel cell vehicles (FCVs)



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

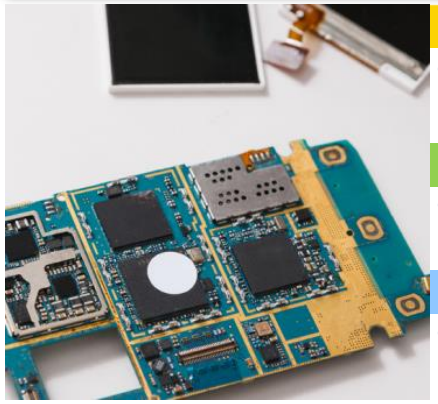
Automated driving



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

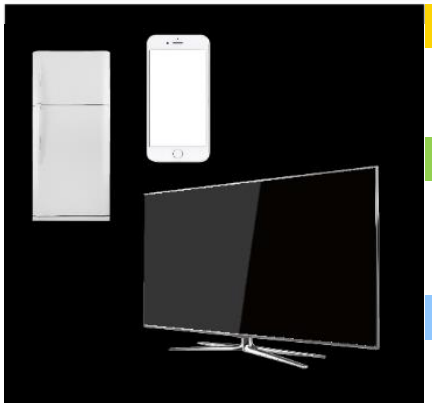
Electronics
- Circuit design for semiconductor lithography equipment

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

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

Products and systems related to design and development

Home electronics



Software
- Development of energy system
- Development of iPhone applications

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

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

Medical devices

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

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

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

Motorcycle

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

Electronics
- Design of harnesses for electrical wiring

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

Aerospace machinery

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

Electronics
- Development of satellite inspection equipment

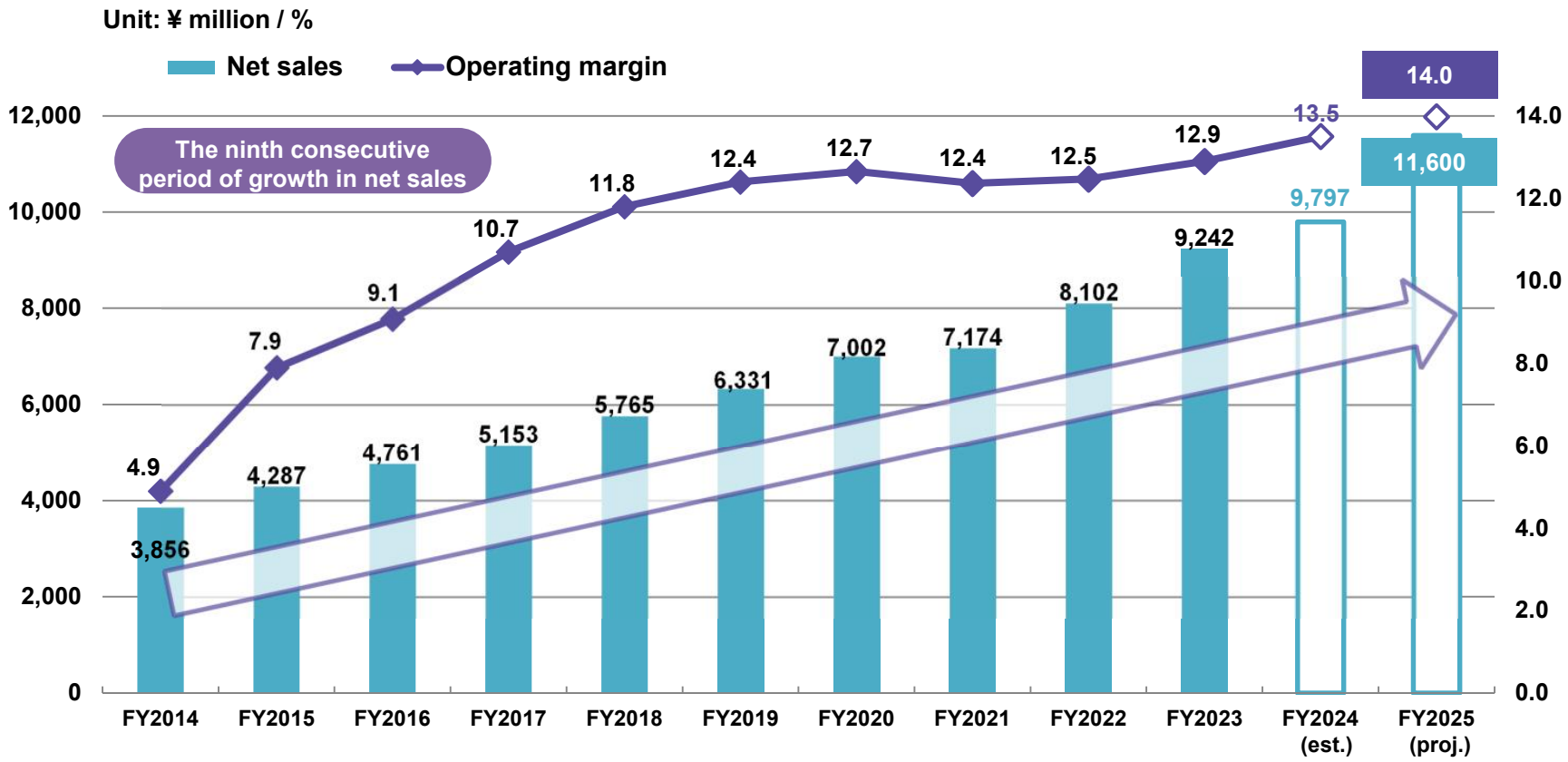
Machinery
- Design and development of aircraft test jigs
- Development of passenger aircraft AV equipment
- Design and development of aircraft

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

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

Net sales	11.6 billion yen

Operating margin	14.0 %



Financial summary for Q2 FY2024

Market environment

- The global economy is slowly recovering in tandem with growth in demand post-COVID-19.
- Interest in development among our main clients, manufacturers in industries related to automobiles and semiconductor manufacturing equipment, remains strong.
  ➡ There is a strong demand for the Company's engineers.

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 upward trend in the demand for engineers.
  - Assignments for newly graduated engineers entering the Company in 2023 are progressing ahead of the initial schedule.
- The unit price of engineers surpassed that of the same period of the preceding year.
  - Due to the trend of engineer shortage, the unit price for newly graduated engineers at their first assignments is on the rise.
  - We are negotiating unit prices with our clients, taking into account the work performance of our current engineers.
- Total work person-hours remained at the same level as the same period of the preceding year.

Expenses

- We are increasing our number of staff and engaging in recruitment advertising and other forms of recruitment investment.
- Expenses for recruiting, travel, transportation, and others grew with a recovery in our recruiting and sales activities.

Financial results highlights for Q2 FY2024

- **Net sales up 10.7%, operating profit up 27.7%, ordinary profit up 27.6%, profit up 28.8%. Operating margin 17.6%.**

	Q2 FY2023		Q2 FY2024		Change from the previous year	Change from the previous year
	Result (million yen)	Percentage (%)	Result (million yen)	Percentage (%)	(million yen)	(%)
Net sales	4,522	100.0	5,006	100.0	484	10.7
Cost of sales	2,890	63.9	3,115	62.2	225	7.8
Gross profit	1,632	36.1	1,890	37.8	258	15.8
SG&A expenses	941	20.8	1,008	20.2	67	7.2
Operating profit	690	15.3	882	17.6	192	27.7
Ordinary profit	691	15.3	882	17.6	191	27.6
Profit	479	10.6	617	12.3	138	28.8

- Number of engineers increased.
- Utilization rate remained high

↓

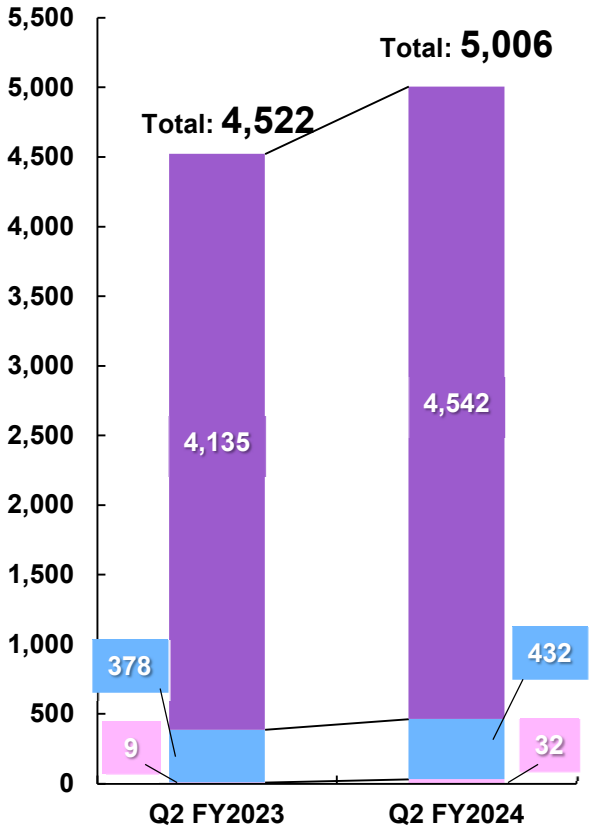
- The number of operative personnel increased.
- Unit price of engineers rose

- More staff, recruitment advertising and other recruitment investment
- Travel/transportation fees, etc. increased due to recovery of recruitment and sales activities

Net sales by business for Q2 FY2024

Engineer dispatching up 9.8% **Contracting up 14.3%** / **Percentage 8.6%**

Unit: million yen



	Q2 FY2023		Q2 FY2024		Change from the previous year	Percentage variance
	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	(%)	(pt)
Engineer dispatching services	4,135	91.4	4,542	90.7	9.8	▲ 0.7
Contracting	378	8.4	432	8.6	14.3	0.3
Subtotal	4,513	99.8	4,974	99.4	10.2	▲ 0.4
Other	9	0.2	32	0.6	241.4	0.4
Total	4,522	100.0	5,006	100.0	10.7	—

Net sales by industry field for Q2 FY2024

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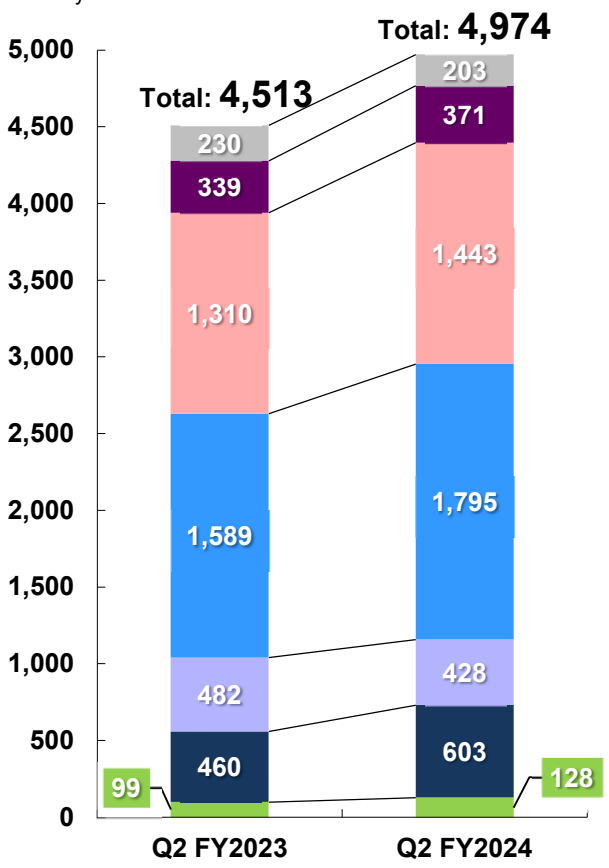
Electrical equipment up 10.1% **Transportation equipment up 12.9%**
Precision equipment down 11.0% **Information and communications up 31.0%**

Unit: million yen



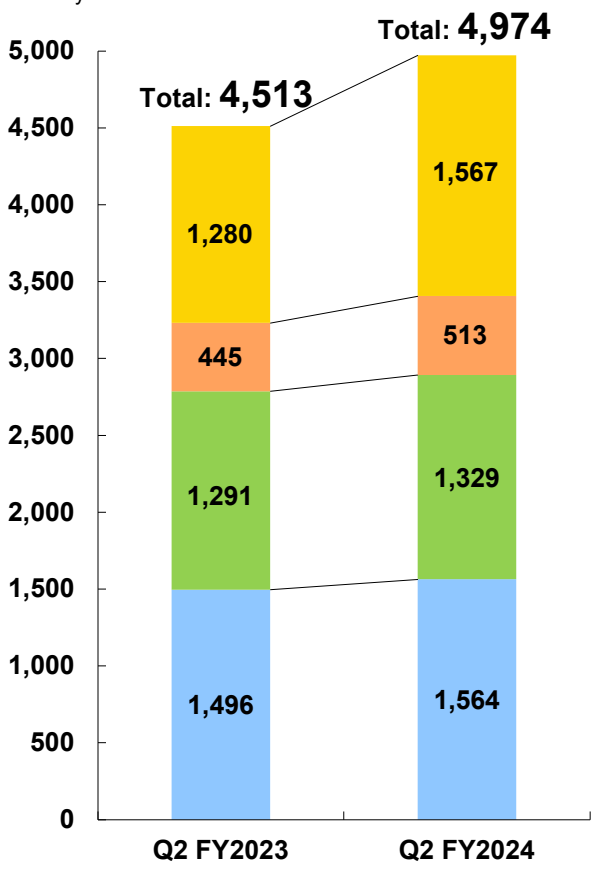
	Q2 FY2023		Q2 FY2024		Change from the previous year	Percentage variance
	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	(%)	(pt)
Steel, nonferrous materials and metals	230	5.1	203	4.1	▲11.5	▲ 1.0
Machinery	339	7.5	371	7.5	9.3	▲ 0.1
Electrical equipment	1,310	29.0	1,443	29.0	10.1	▲ 0.0
Transportation equipment	1,589	35.2	1,795	36.1	12.9	0.9
Precision equipment	482	10.7	428	8.6	▲11.0	▲ 2.1
Information and communications	460	10.2	603	12.1	31.0	1.9
Miscellaneous	99	2.2	128	2.6	28.2	0.4
Total	4,513	100.0	4,974	100.0	10.2	—

*Excludes sales from "Other" businesses.

Net sales by business field for Q2 FY2024

Embedded / Model-Based up 22.4% **IT Solution up 15.2%**
Electronics up 2.9% **Machinery up 4.6%**

Unit: million yen



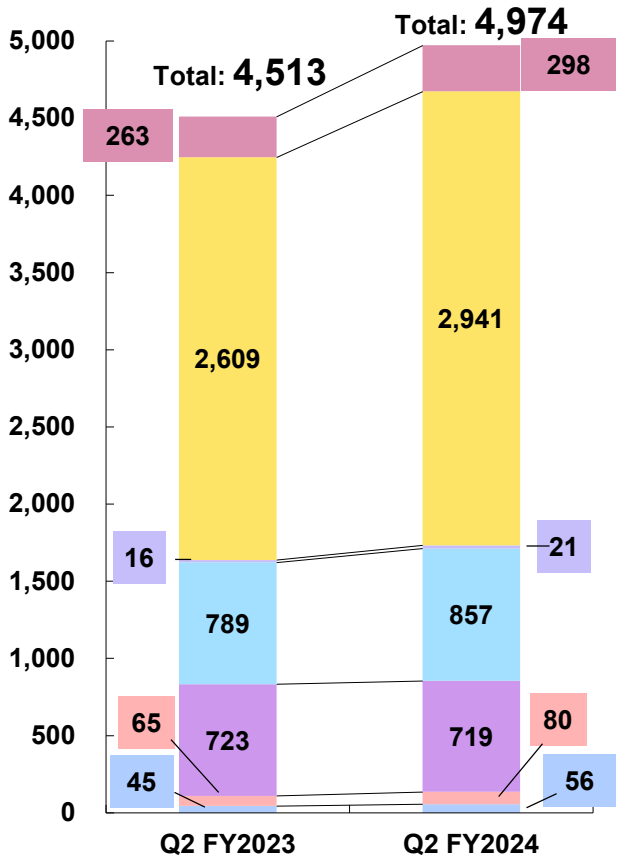
	Q2 FY2023		Q2 FY2024		Change from the previous year	Percentage variance
	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	(%)	(pt)
Embedded / Model-Based	1,280	28.4	1,567	31.5	22.4	3.1
IT Solution	445	9.9	513	10.3	15.2	0.4
Electronics	1,291	28.6	1,329	26.7	2.9	▲ 1.9
Machinery	1,496	33.2	1,564	31.5	4.6	▲ 1.7
Total	4,513	100.0	4,974	100.0	10.2	—

*Excludes sales from "Other" businesses.

Net sales by region for Q2 FY2024

Kanto up 12.7% Tokai up 8.6% Kinki down 0.6%

Unit: million yen

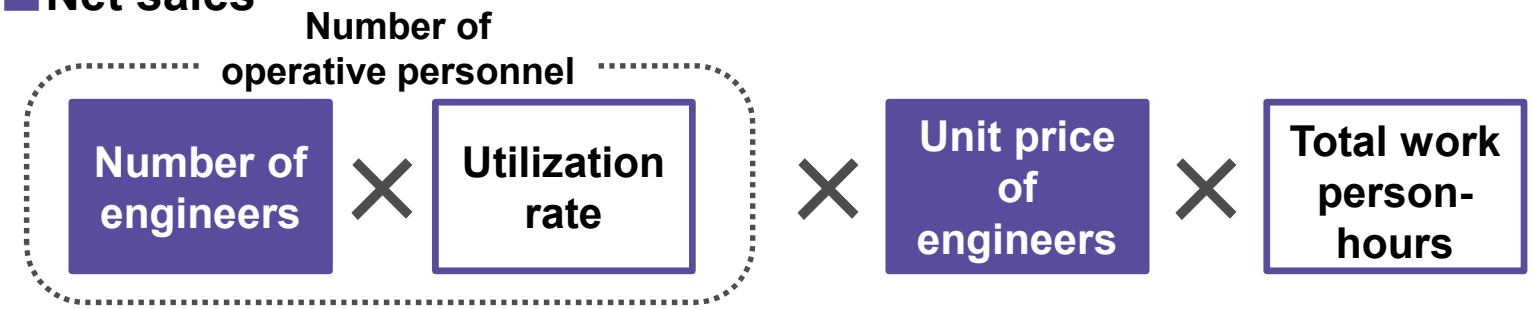


	Q2 FY2023		Q2 FY2024		Change from the previous year	Percentage variance
	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	(%)	(pt)
Tohoku	263	5.8	298	6.0	13.1	0.2
Kanto	2,609	57.8	2,941	59.1	12.7	1.3
Hokuriku	16	0.4	21	0.4	32.7	0.1
Tokai	789	17.5	857	17.2	8.6	▲ 0.3
Kinki	723	16.0	719	14.5	▲ 0.6	▲ 1.6
Chugoku	65	1.5	80	1.6	21.5	0.1
Kyushu	45	1.0	56	1.1	25.0	0.1
Total	4,513	100.0	4,974	100.0	10.2	—

*Excludes sales from "Other" businesses.

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

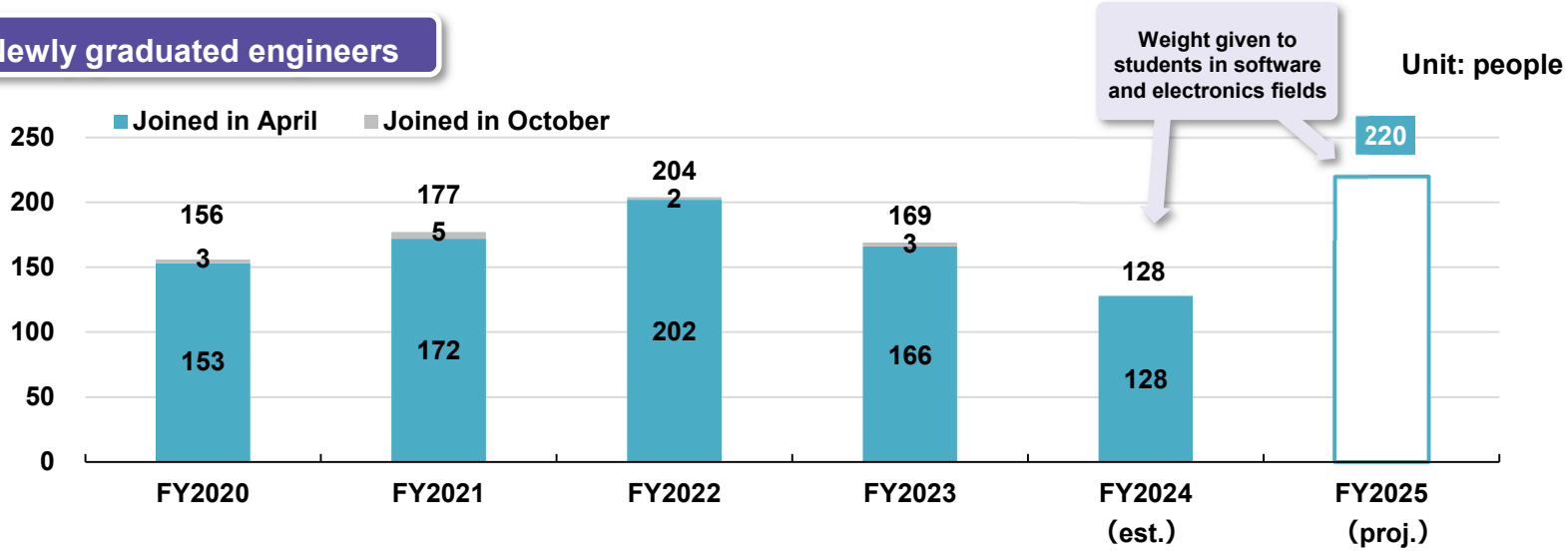
Two key points to improving margin percentages

[Improving gross margin]
Increase average unit price of engineers.

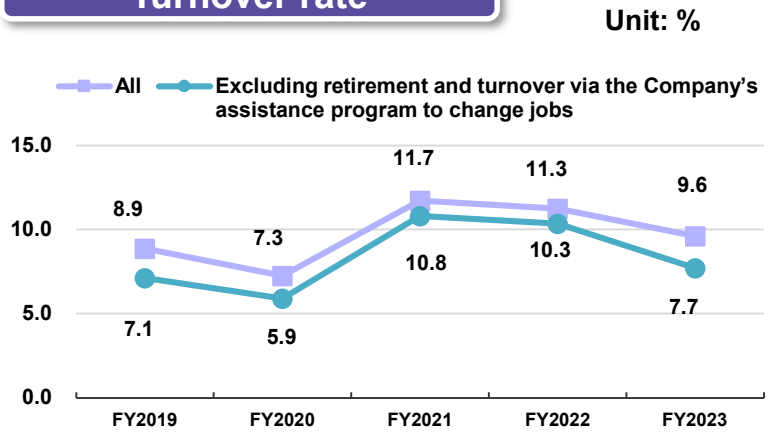
[Improving operating margin]
Minimize addition of administrative staff entailed by the increase in engineers through improved administrative efficiency, and thereby suppress increase in the SG&A expense ratio.

Engineer hires for FY2024 / turnover rate

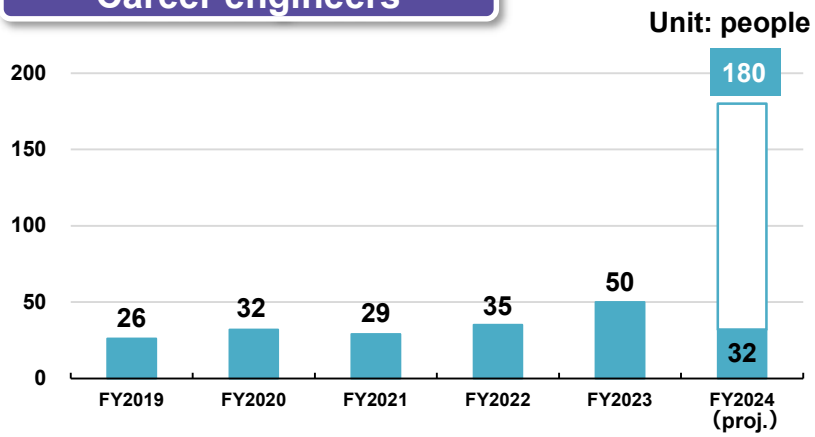
Newly graduated engineers



Turnover rate



Career engineers

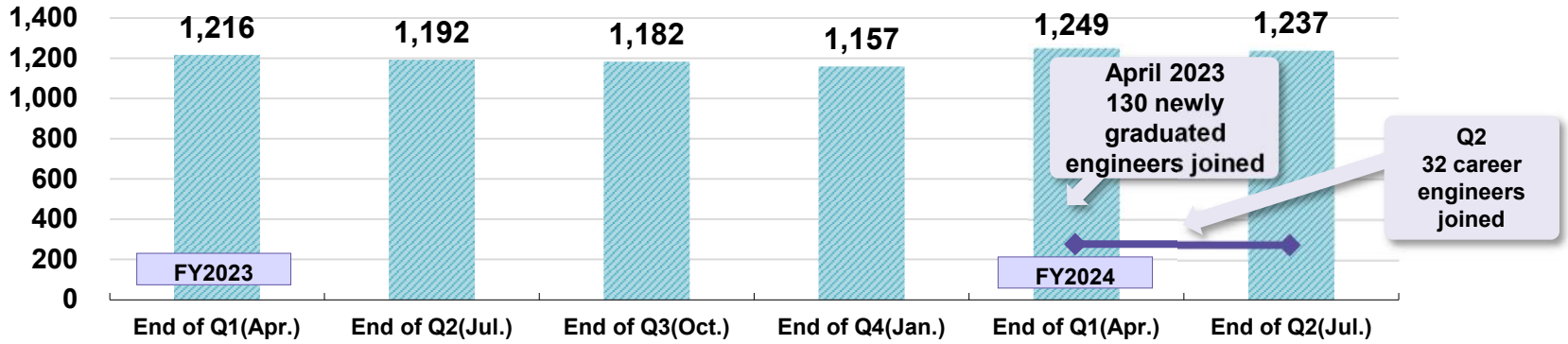


Term-end engineer count / utilization rate for Q2 FY2024

Term-end engineer count

Unit: people

Q2 FY2023 (average)	Q2 FY2024 (average)	Change from the previous year (people)	Change from the previous year (%)
1,156	1,212	56	4.8

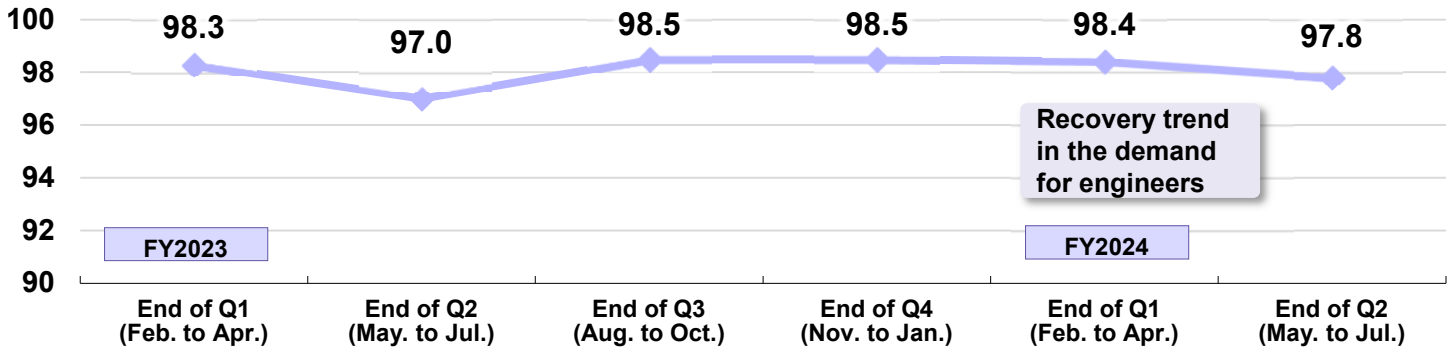


Utilization rate

*Based on the number of dispatched engineers

Unit: %

Q2 FY2023 (average)	Q2 FY2024 (average)	Change from the previous year (pt)
97.6	98.1	0.5



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

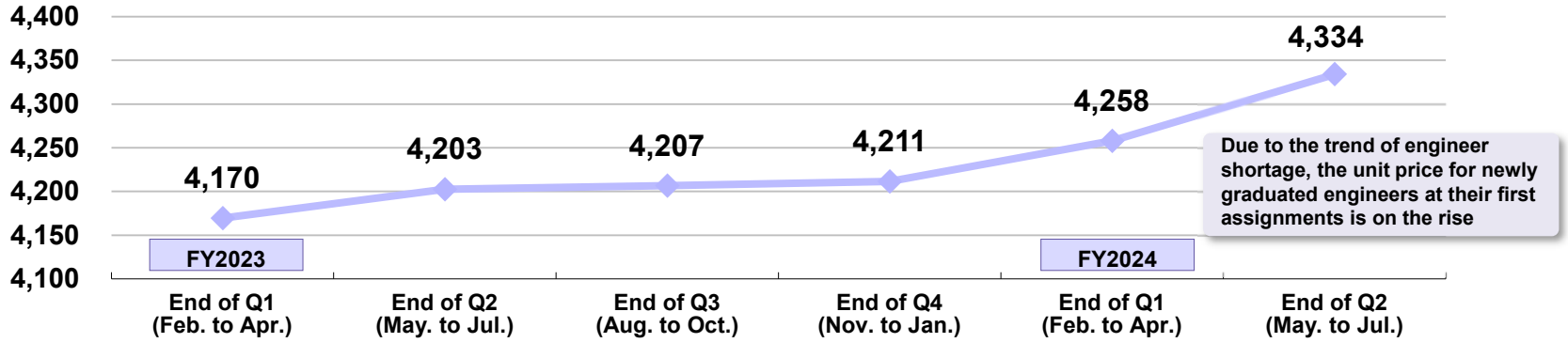
Unit price of engineers / total work man-hours for Q2 FY2024

Unit price of engineers

*Figures for dispatched engineers *Per person

Q2 FY2023 (average)	Q2 FY2024 (average)	Change from the previous year (yen)	Change from the previous year (%)
4,186	4,296	110	2.6

Unit: yen / hour

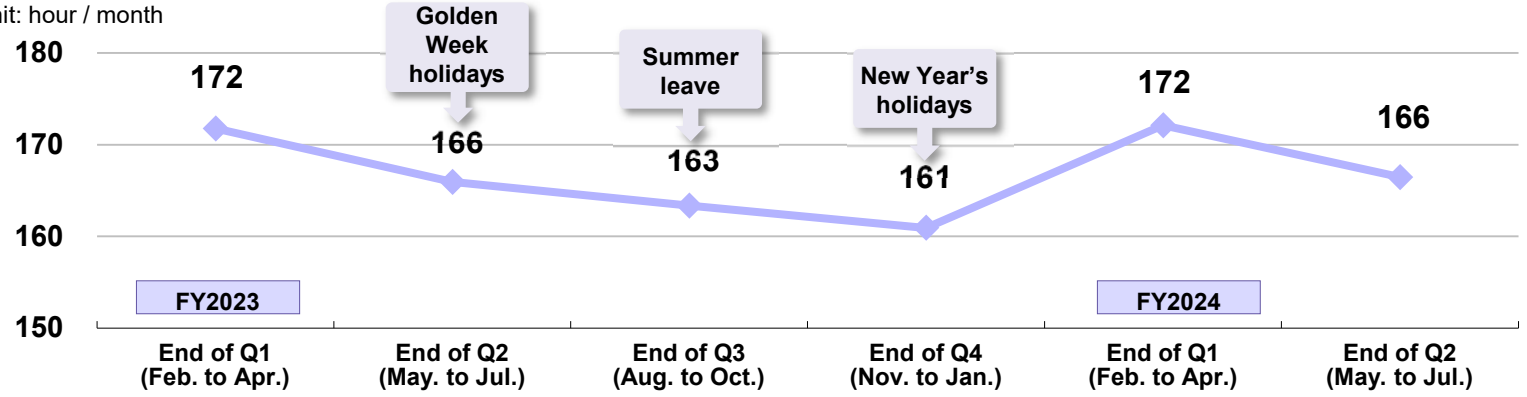


Total work person-hours

*Figures for dispatched engineers *Per person

Q2 FY2023 (average)	Q2 FY2024 (average)	Change from the previous year (h)	Change from the previous year (%)
169	169	0	0.3

Unit: hour / month



Investment Highlights

Progress toward achieving the Prime listing criteria

Compliance with the listing maintenance criteria of the Prime Market

Not met as of transition standard date (June 30, 2021)

		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
The Company	Latest data	72,893 units (As of Jul. 31, 2023)	124 billion yen (As of Sep. 7, 2023)	68.6% (As of Jul. 31, 2023)	91 million yen (As of Jul. 31, 2023)

Medium-Term Business Plan period

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

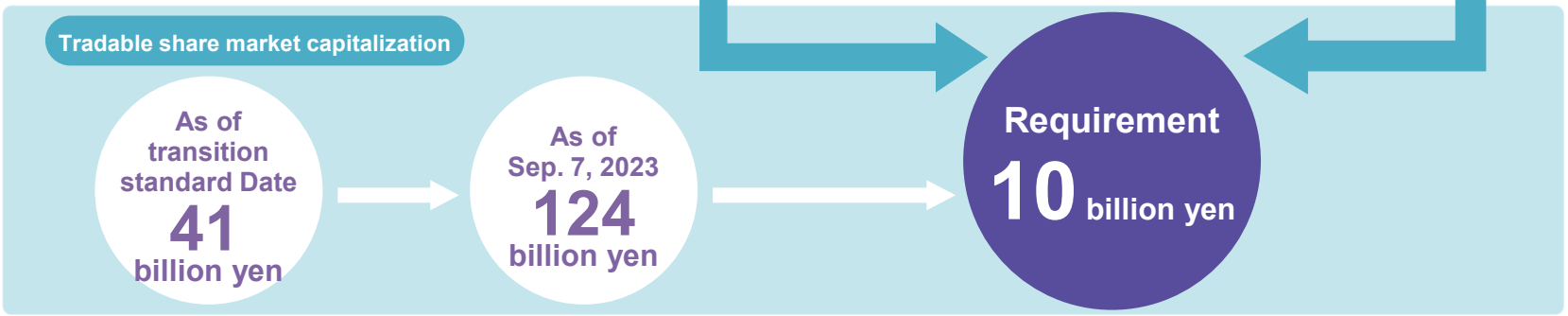
KPI requirements for compliance with tradable share market capitalization / Status

KPI requirements / Actual

	As of transition standard date of June 30, 2021	As of Jul. 31, 2023	Requirement
The ratio of tradable shares	46.80%	68.6%	70%
Number of tradable shares	4,974,000 shares	7,289,000 shares	7,439,000 shares

Apr. 2022 Secondary offering

	As of transition standard date of June 30, 2021	As of Sep. 7, 2023	Requirement
Price earnings ratio (PER)	12.7 times	19.7 times	15.0 times
Earnings per share (EPS)	68.59 yen	86.65 yen (est.)	93.34 yen
Stock price	858 yen	1,705 yen	1,400 yen



Status

As of September 7, 2023, tradable share market capitalization increased by 202.4% from that as of the transition standard date. Stock price increased 98.7%.

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 68.6%

■ 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

- 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

	FY2025 (target)	FY2023
New graduates	55.0%	46.1%
Career hires	55.0%	62.0%

Training

Training details

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

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

Sales

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

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

Share of engineers placed in carbon neutrality projects among all engineers

FY2025 (target)	FY2023
50.0%	46.1%

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

* □⇒□… (FY2023) ⇒ (FY2025) figures

Number of engineers

Number of new graduates	130 ⇒ 220 (Up 69.2%)
Number of career hires	50 ⇒ 200 (Up 300.0%)
Turnover rate	9.6% ⇒ 8.3% (Down 1.3pt)

Net sales

1,157 ⇒ 1,600 (Up 38.3%)

× Utilization rate

× Unit price of engineers

× Total work person-hours

¥ 9.2 billion⇒ ¥ 11.6 billion (Up 26.1%)

Gross margin

Share of engineers placed in carbon neutrality projects among all engineers

46.1% ⇒ 50.0%

Increase the unit price of engineers by approximately 10% compared to other projects

33.3% ⇒ 37.6% (Up 4.3pt)

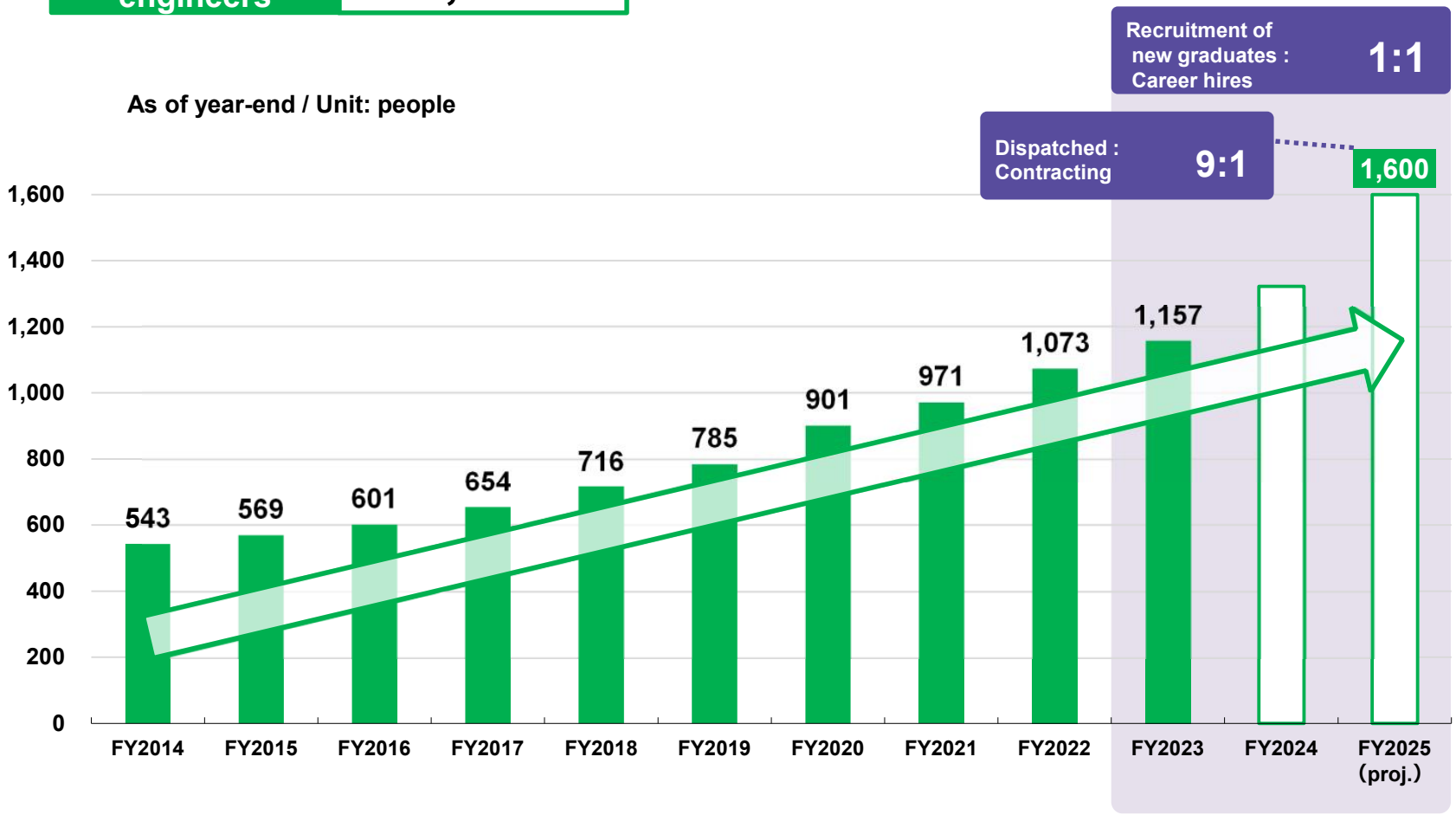
Operating margin

Recruitment cost	¥ 320 billion ⇒ ¥ 660 billion
Ratio of recruitment cost to net sales	3.5% ⇒ 5.7% (Up 2.2pt)

12.9% ⇒ 14.0% (Up 1.1pt)

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

Number of engineers	1,600



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

Efforts to reach 1,600 engineers

Recruitment of new graduates

Target for April 2024 hires: 220 engineers
(up 69.2% from 130 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

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

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

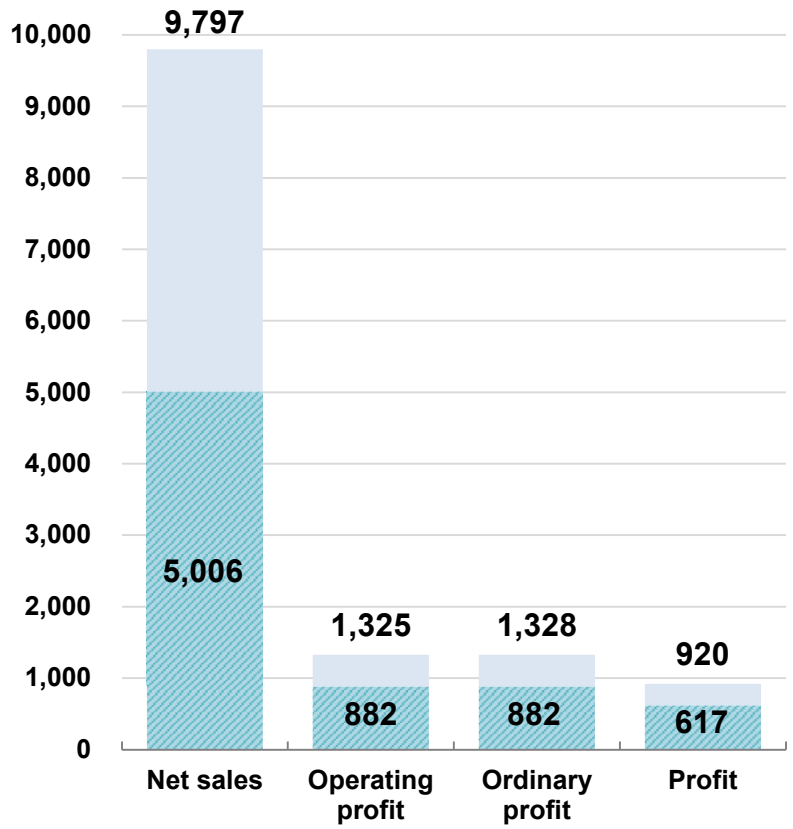
	Fiscal year ending January 31, 2024 (forecast)	Fiscal year ending January 31, 2025 (planned)
	Medium-Term Business Plan (2nd year)	Medium-Term Business Plan (final year)
Perceived engineer shortage	Expected to persist	
Post-COVID normalization	Living with COVID	
Key subjects and industries	Carbon Neutral, Automobile industry, Semiconductor Industry	

Progress of the Earnings Forecast for Q2 FY2024

Q2 progress rates on full-year forecast of financial results:
Net sales 51.1%, operating profit 66.5%, ordinary profit 66.5%, profit 67.1%

*** Despite only 32 career hires in Q2 (180 career hires planned for the full year), we still expect to achieve our forecast due to increases in the unit prices of engineers and the assignments of newly graduated engineers progressing ahead of schedule.**

Unit: ¥ million



	Q2 FY2024		
	Result (¥ million)	% of Net sales	Progress rate on full-year forecast (%)
Net sales	5,006	100.0	51.1
Operating profit	882	17.6	66.5
Ordinary profit	882	17.6	66.5
Profit	617	12.3	67.1

	Earnings Forecast for FY2024	
	Result (¥ million)	% of Net sales
Net sales	9,797	100.0
Operating profit	1,325	13.5
Ordinary profit	1,328	13.6
Profit	920	9.4

Investment Highlights

FY2024 Dividend per share

Payout ratio **Based on 50%** **FY2024 (forecast) 80.2%**

- **This year's interim dividend revised to 37.5 yen, up 5.5 yen from the previous forecast. Year-end dividend (planned) 32 yen, annual dividend (planned) 69.5 yen (up 9.5 yen YoY)**

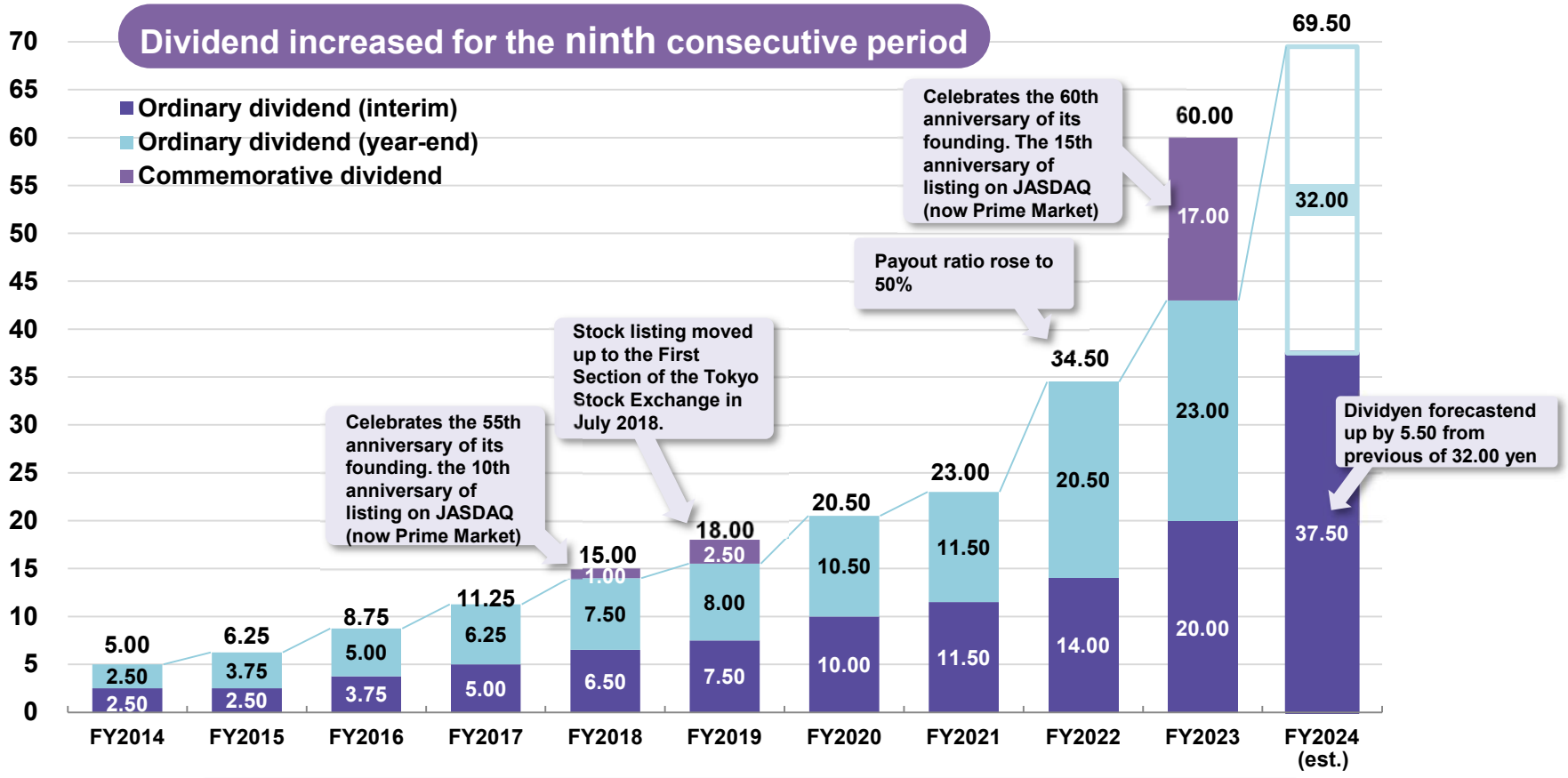
	Annual dividends per share (yen)					Dividend yield (%)	Payout ratio (%)	Dividend on equity ratio (DOE) (%)
	Second quarter-end	Fiscal year-end	Total	Commemorative dividends	Total			
FY2023	20.00	23.00	43.00	17.00	60.00	6.02	71.2	16.7
FY2024 (forecast)	37.50	32.00	69.50			3.80	80.2	

*Dividend yield (%) = individual dividend per share (total) ÷ share price (year-end, closing price) × 100
Closing value at ending of FY2023 (January 31, 2023) 997 yen / Closing value at ending of Q2 FY2024 (July 31, 2023) 1,828 yen

Dividend per share

■ **We intend to increase our profit every year and determine a dividend amount that will not fall below the previous year's amount, based on a payout ratio of 50%.**

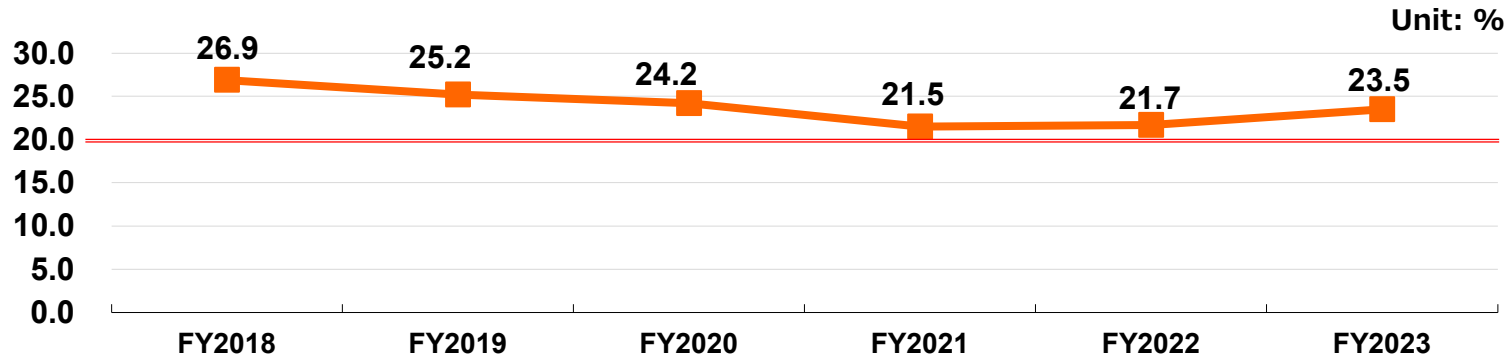
Unit: yen



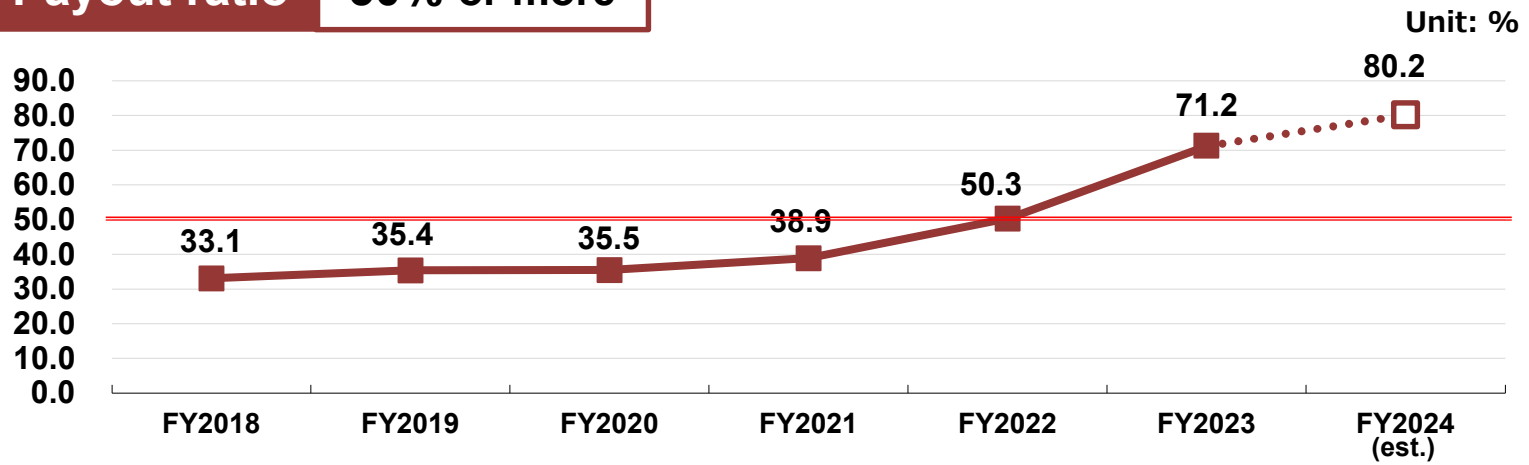
Dividends per share were retroactively revised to factor in the impact of stock splits conducted as follows.
February 1, 2017 (2-for-1 stock split) •April 1, 2018 (2-for-1 stock split)

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

ROE **20% or more** (Aim to achieve FY2018 actual level of 26.9%)



Payout ratio **50% or more**



Investment Highlights

Company Motto / Management Philosophy / Origin of the Company Name Corporate Logo

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

Corporate Logo

Our corporate logo was designed with a motif of shimmering water droplets that evoke fresh and clear ideas with a futuristic taste. Each droplet also represents our proud engineers individually, forming an “A (Artner)” that stands for a group of excellent talents. Furthermore, each opening of the droplets signifies our open-mindedness to freely incorporate and disseminate different ideas.

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.

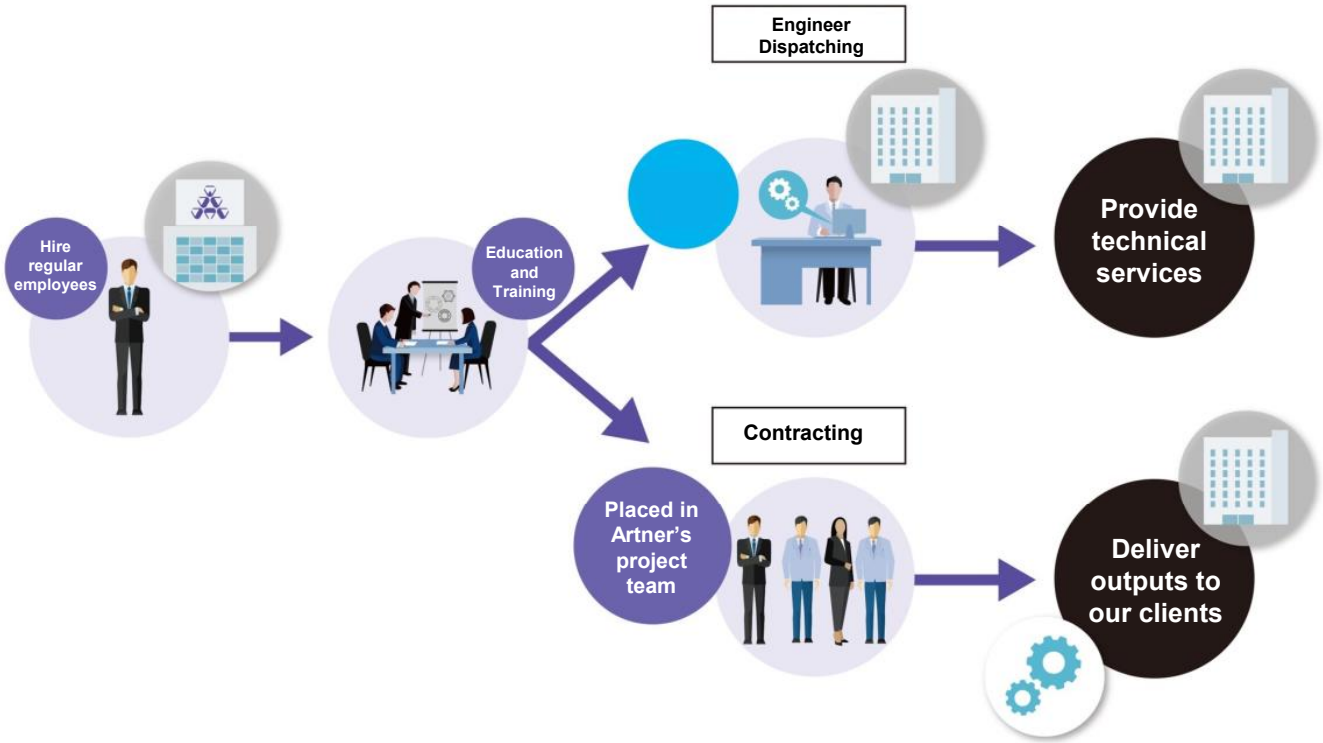
Amid a rapidly changing work environment and mindset,
attributed to the fluidity of talents and various diversity initiatives, Artner is committed to promoting the happiness of working engineers to create "a new way of life" for them.

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.

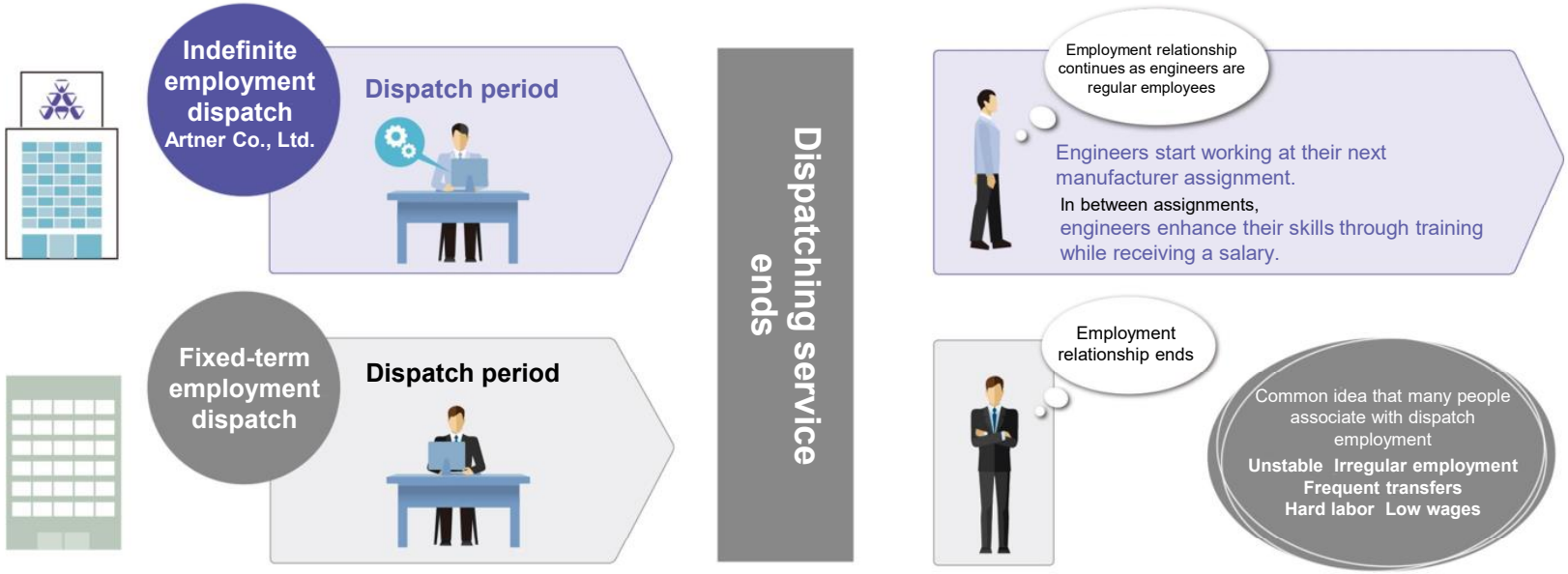
Business Model

- 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

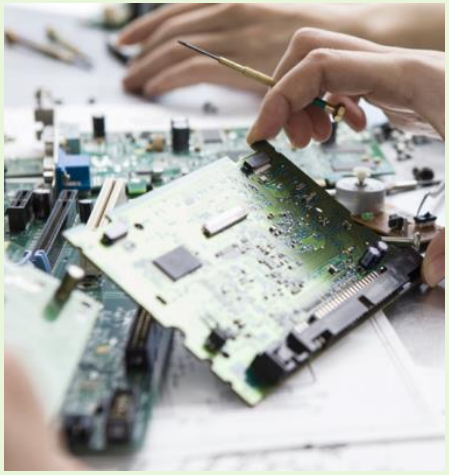
Software engineers develop software to be embedded in IoT devices and application software for network systems.

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

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/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

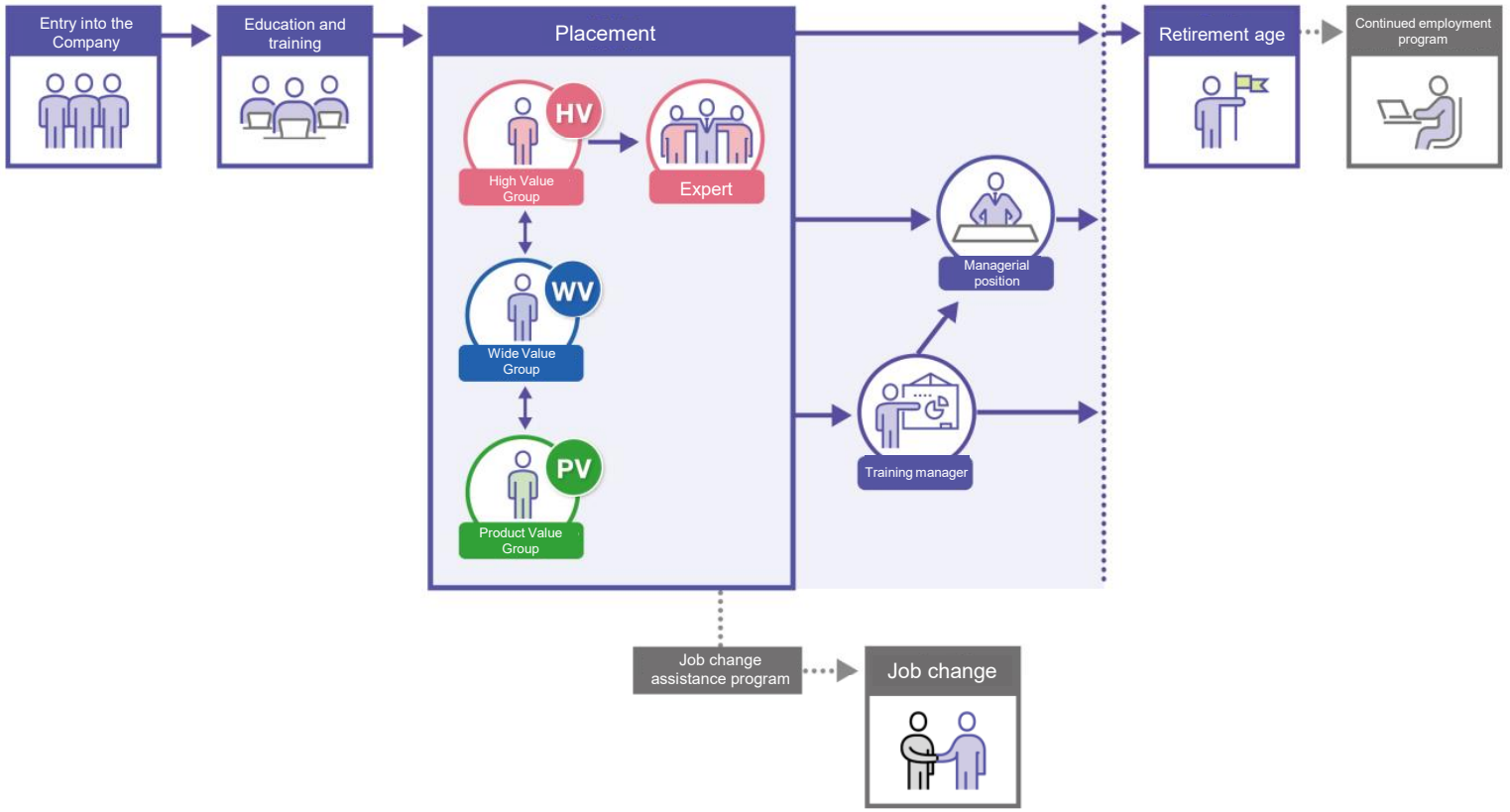
The program encourages students who wish to work at a manufacturer but had little interest in engineer dispatching services and did not consider joining Artner to become interested and decide to join the Company upon comparing it With other companies.

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.

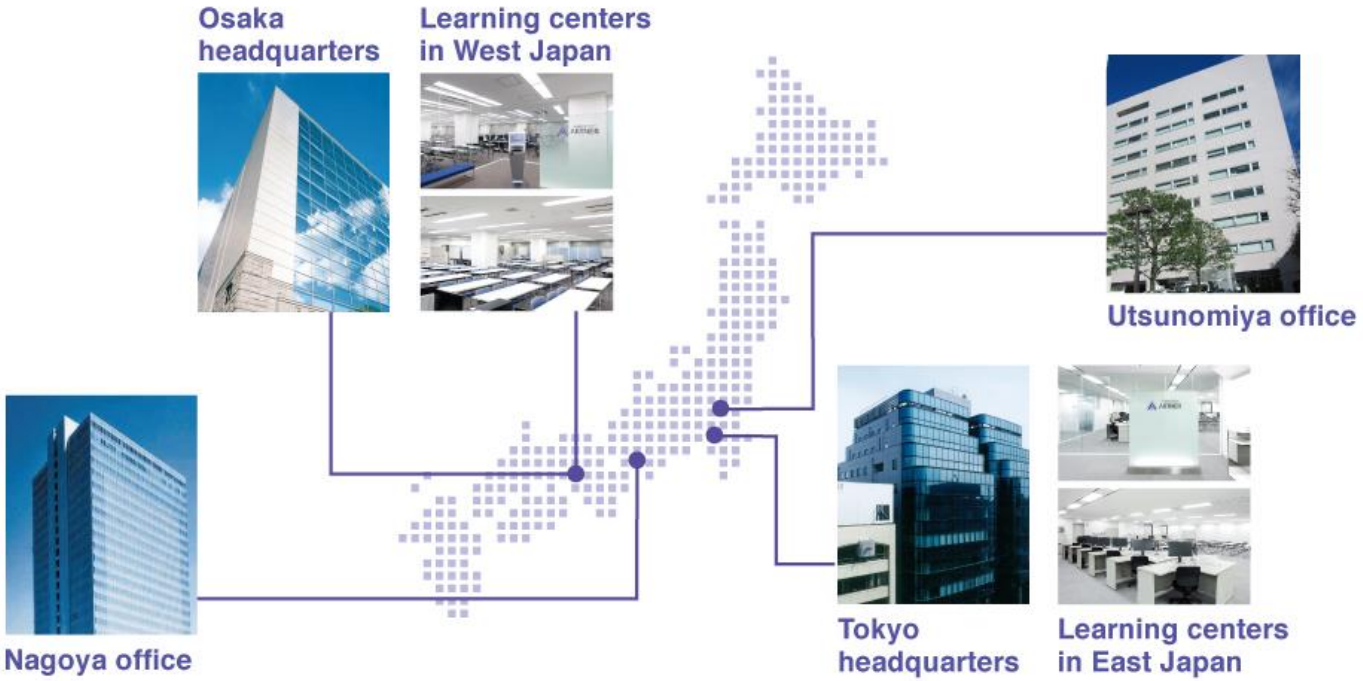
Career paths of engineers

■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, Osaka
Business bases	Yokohama, Utsunomiya, Osaka, 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.

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.

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.

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.

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 sha re 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

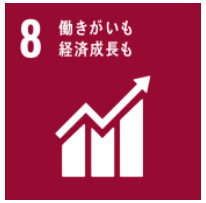
"Carbon neutrality"

- Personnel for technical development of eco cars

- 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

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

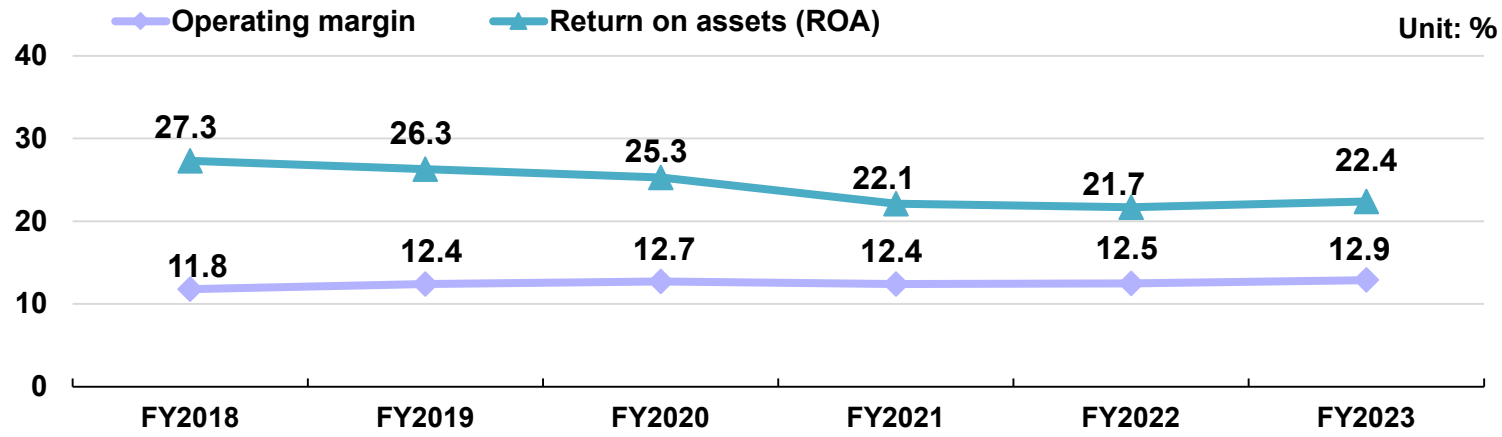


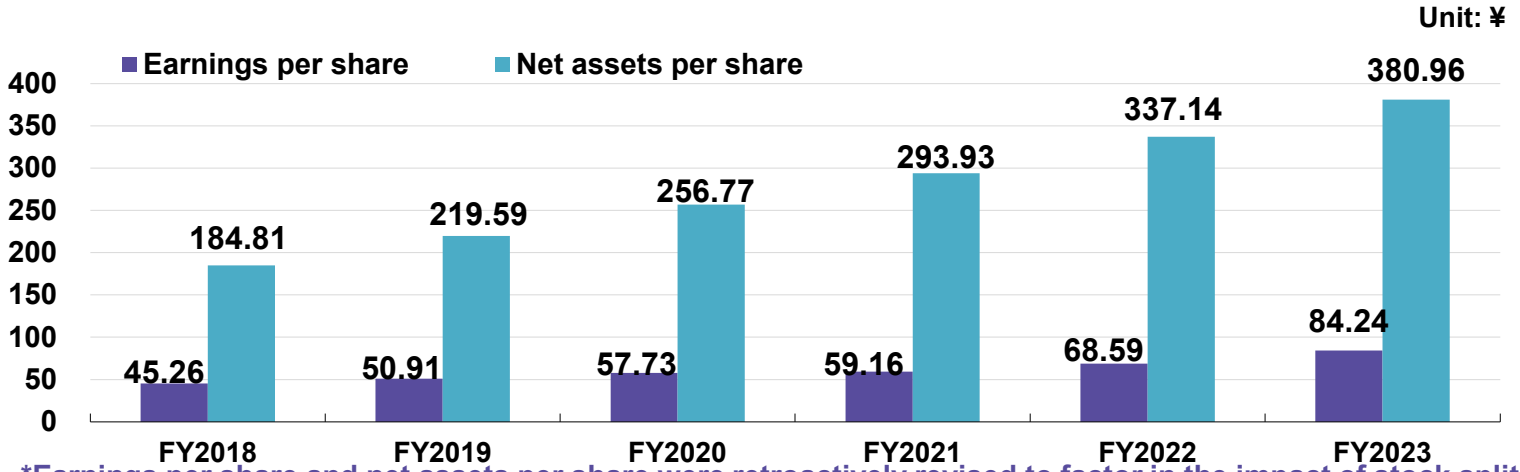
- Establishing a diversity promotion office

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

- Establishing a diversity promotion office
- Diversity and LGBTQ initiatives

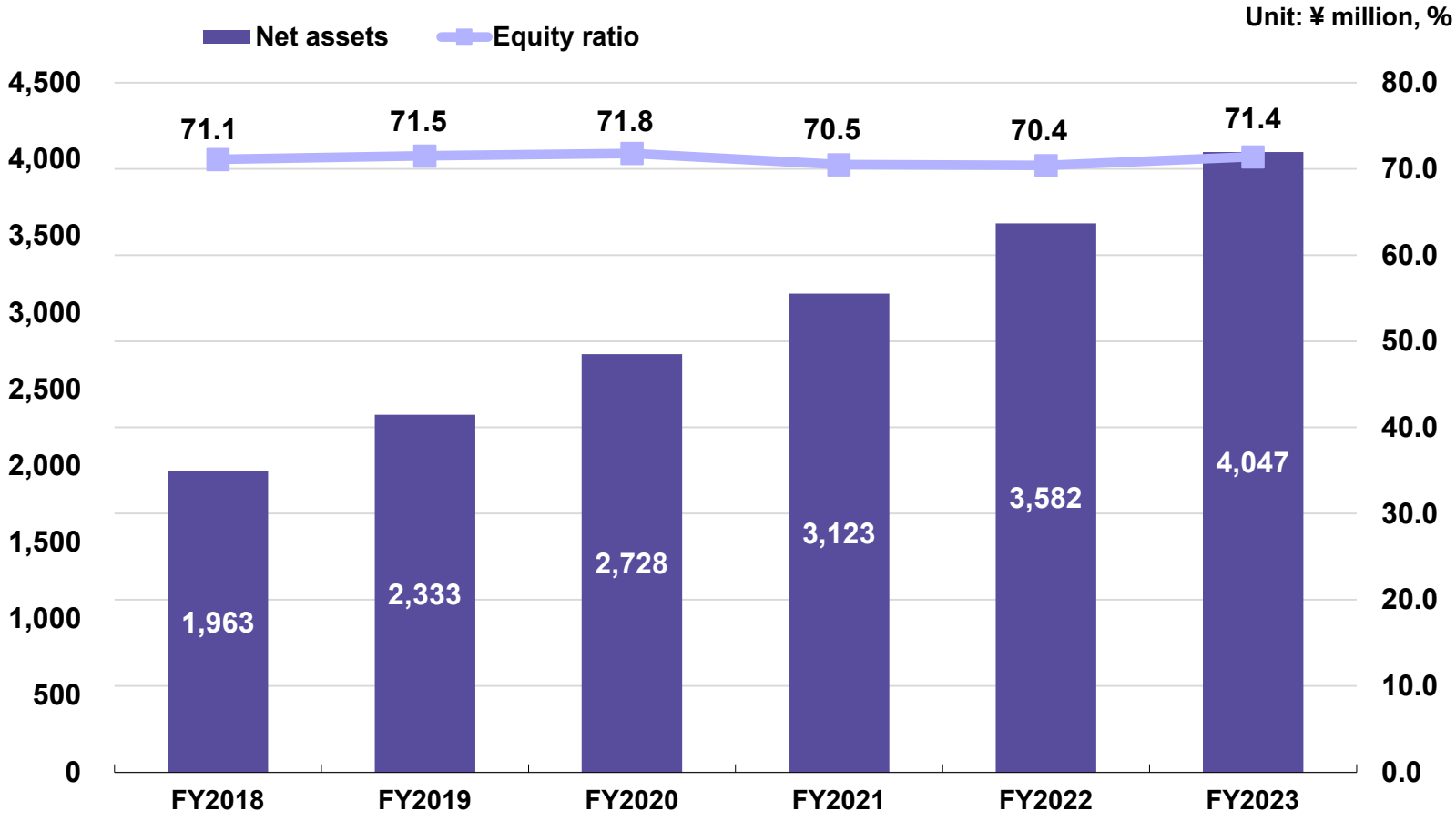
Operating margin / ROA / earnings per share and net assets per share





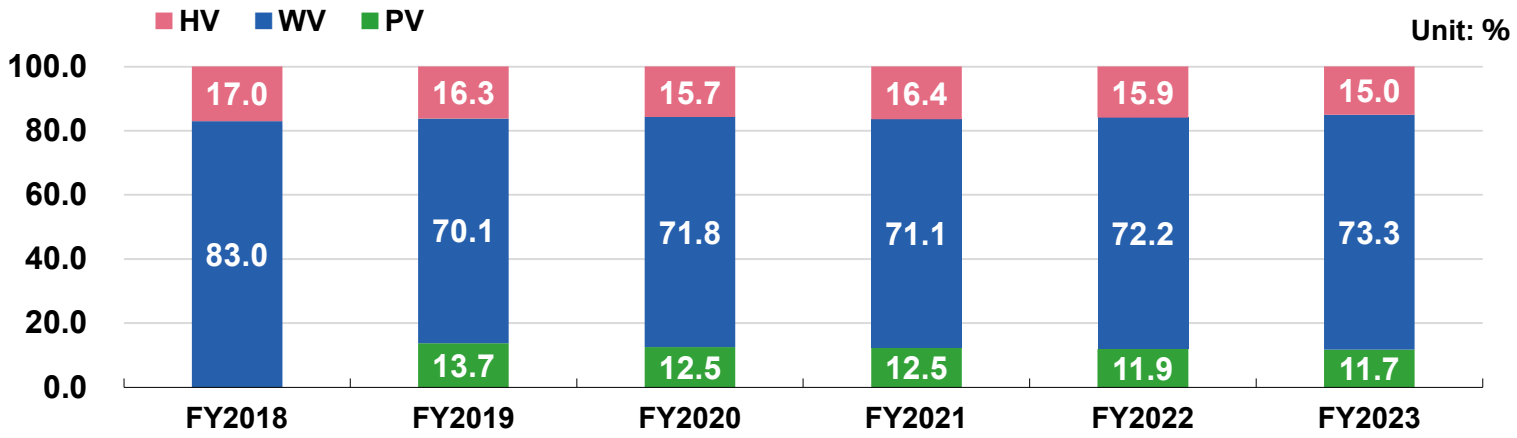
*Earnings per share and net assets per share were retroactively revised to factor in the impact of stock splits conducted as follows.
April 1, 2018 (2-for-1 stock split)

Net assets / equity ratio

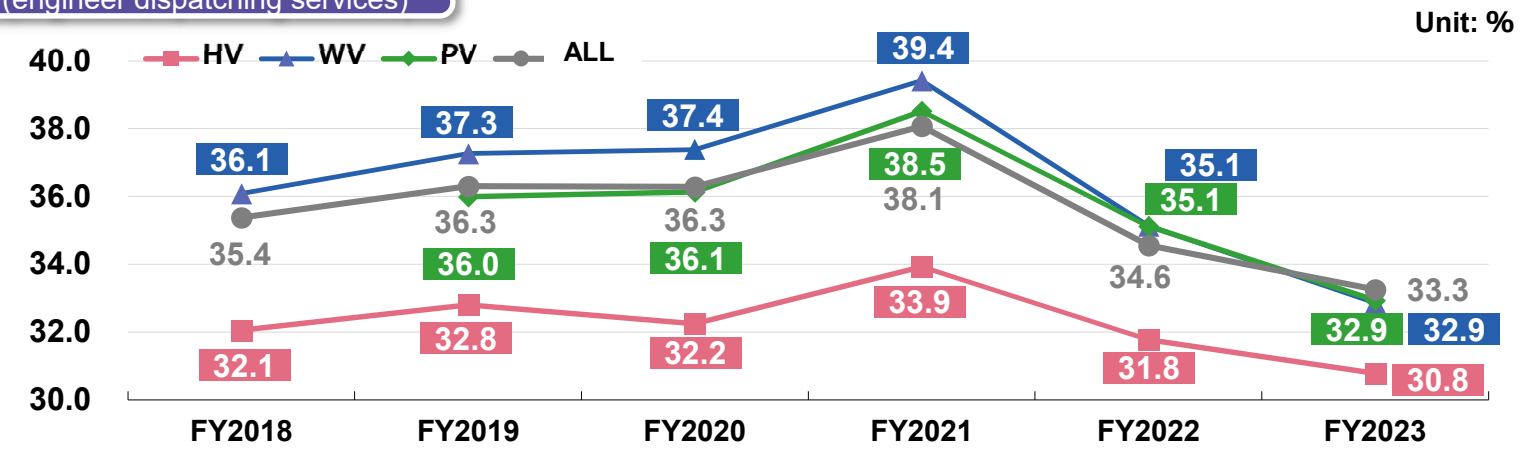


Engineer breakdown by group / gross margin

Engineer breakdown

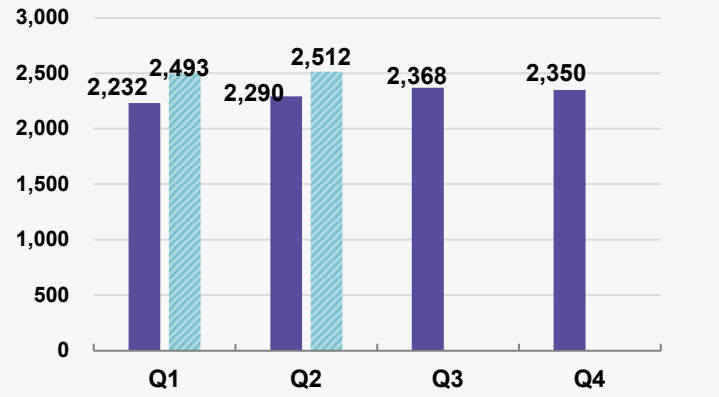


Gross margin
(engineer dispatching services)

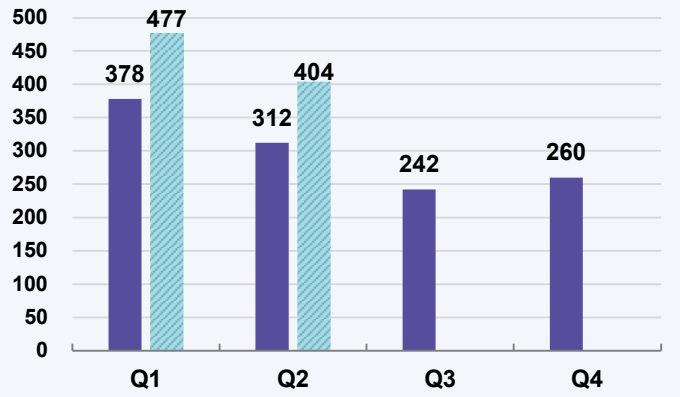


Quarterly (accounting period) financial results

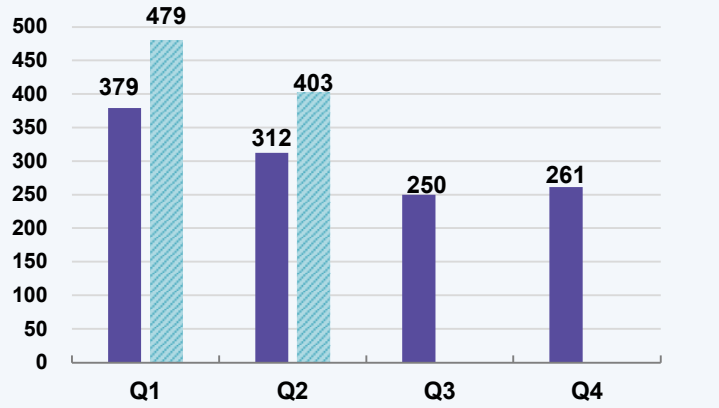
Net sales



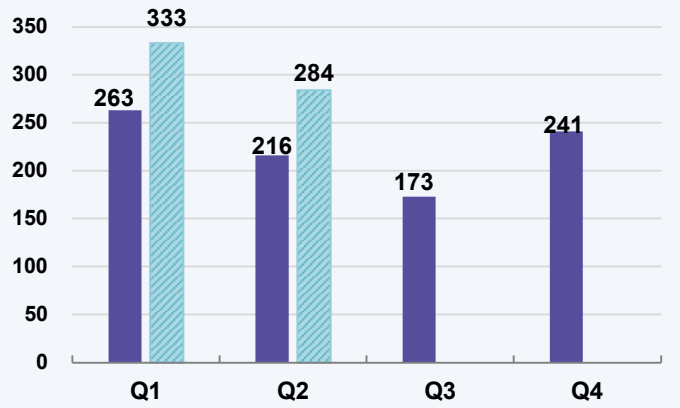
Operating profit



Ordinary profit



Profit



Quarterly (accounting period) financial results, numerical data

FY2024

	Q1				Q2				Q3				Q4			
	Result (million yen)	Percent-age (%)	YOY (%)	*(1) (%)	Result (million yen)	Percent-age (%)	YOY (%)	*(1) (%)	Result (million yen)	Percent-age (%)	YOY (%)	*(1) (%)	Result (million yen)	Percent-age (%)	YOY (%)	*(1) (%)
Net sales	2,493	100.0	11.7	25.5	2,512	100.0	9.7	25.6								
Cost of sales	1,528	61.3	10.2		1,587	63.2	5.6									
Gross profit	965	38.7	14.2		925	36.8	17.6									
SG&A expenses	487	19.5	4.3		521	20.8	10.0									
Operating profit	477	19.2	26.4	36.0	404	16.1	29.2	30.5								
Ordinary profit	479	19.2	26.4	36.1	403	16.1	29.1	30.4								
Profit	333	13.4	26.5	36.2	284	11.3	31.5	30.9								

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

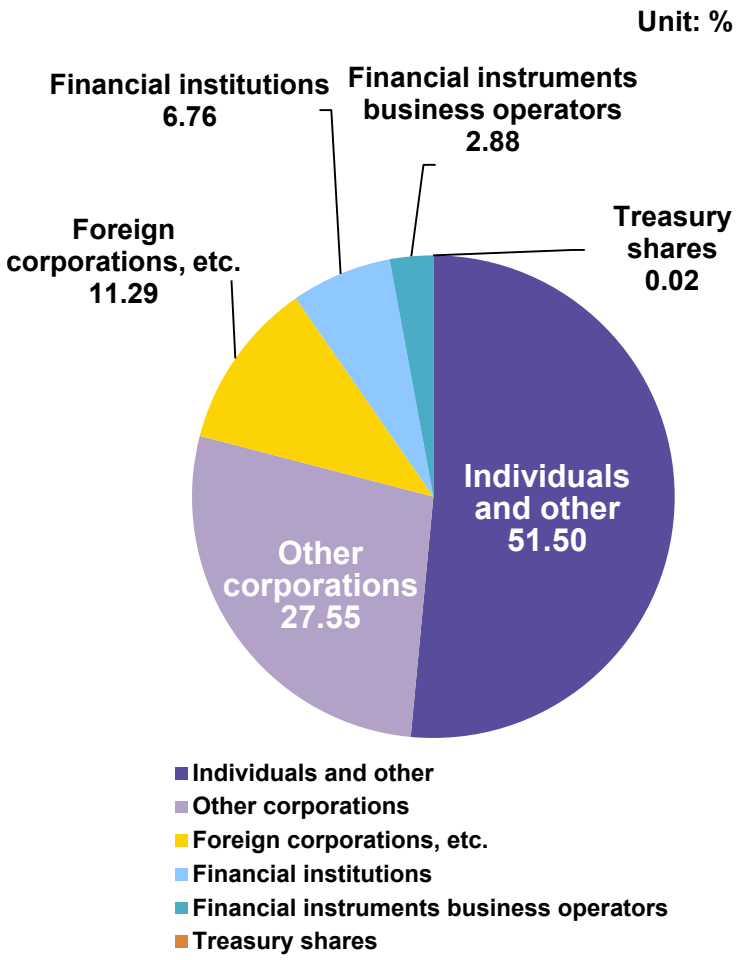
FY2023

	Q1				Q2				Q3				Q4			
	Result (million yen)	Percent-age (%)	YOY (%)	*(2) (%)	Result (million yen)	Percent-age (%)	YOY (%)	*(2) (%)	Result (million yen)	Percent-age (%)	YOY (%)	*(2) (%)	Result (million yen)	Percent-age (%)	YOY (%)	*(2) (%)
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

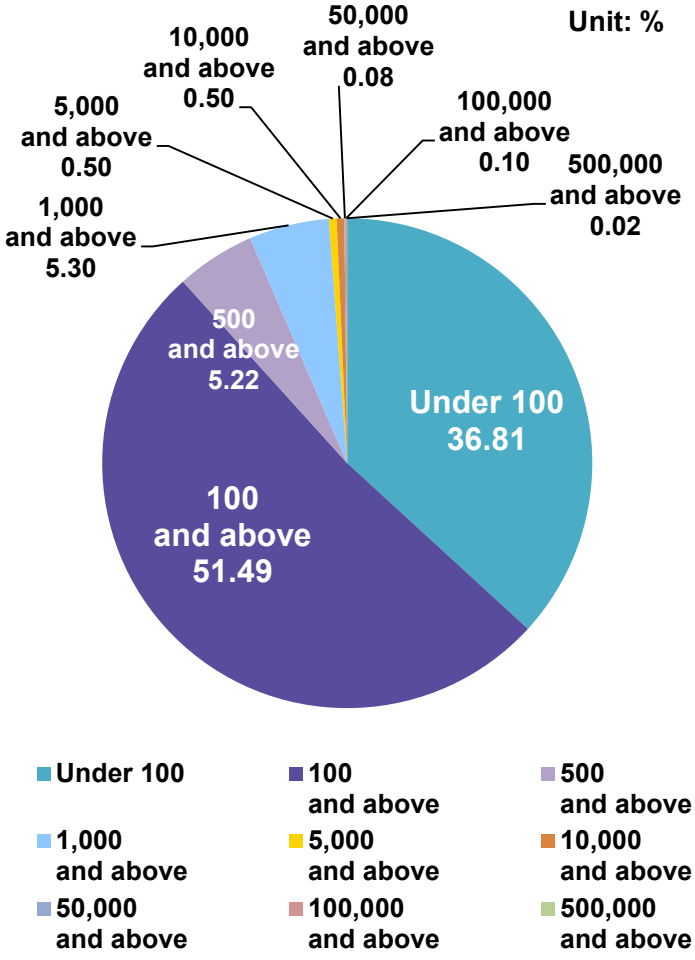
*(2) Quarterly composition of full-year financial results

Data by owner category (As of July 31, 2023)

Share Distribution by Owner Category

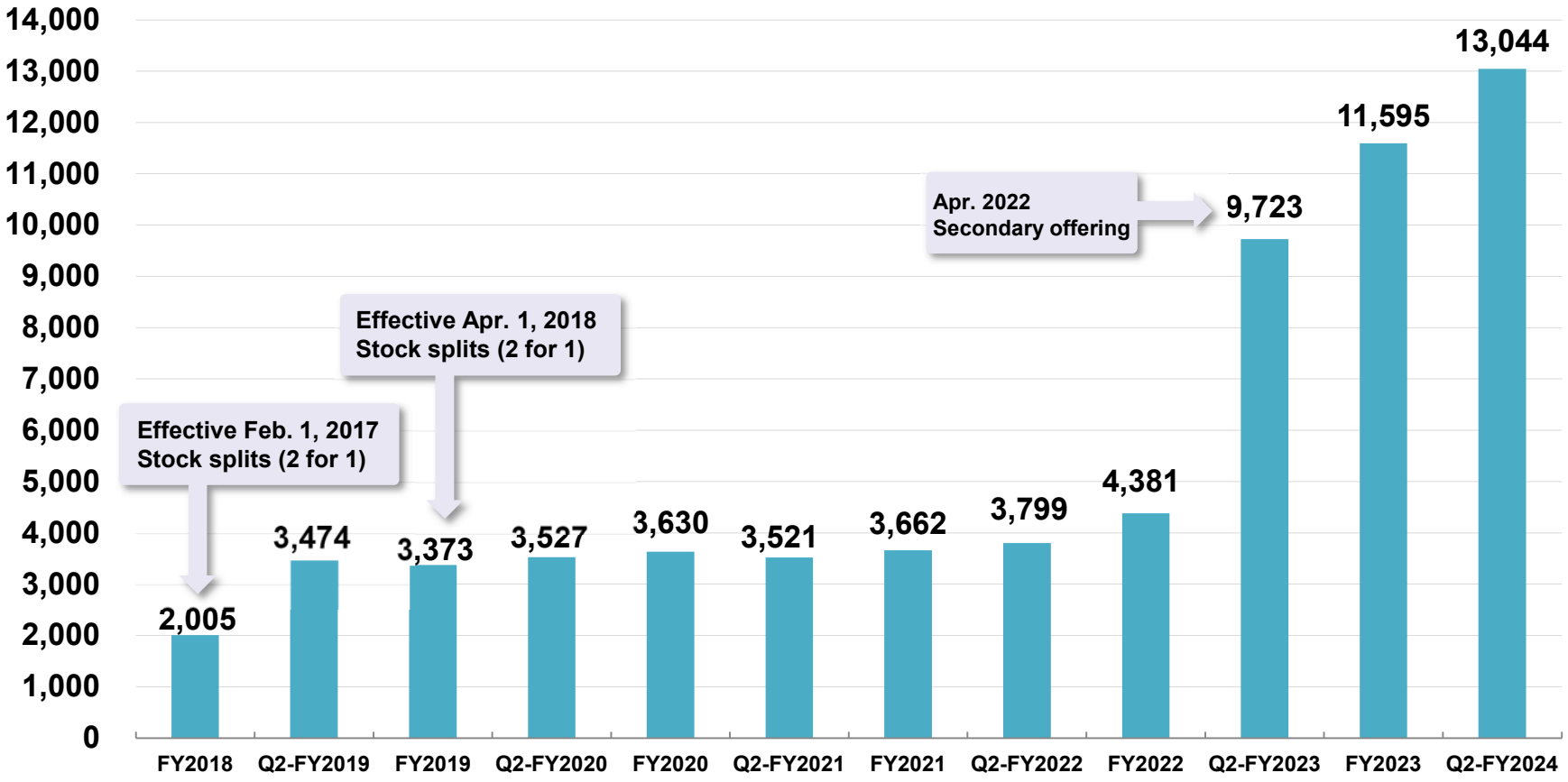


Shareholder Distribution by Number of Shares Held



Term-end shareholder numbers

Unit: people



Stock price changes (January 4, 2022 – September 7, 2023)

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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%.