

April 25, 2024 - The 62nd Ordinary General Meeting of Shareholders

Key Questions and Answers

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

Q. Have you been able to secure engineers and diverse and inclusive talent? Can you explain about the recruitment of foreign nationals?

A. We consider securing engineers to be the most critical and important corporate management issue of the Company's businesses. With this understanding, we continued to secure newly graduated engineers and engineers through general recruitment. In addition, in order to secure diverse and inclusive talent, we have been recruiting foreign nationals from a few years ago, specifically international students studying at Japanese universities. We have hired around ten international students at Japanese universities each year. While continuing to secure foreign talent, we plan to deepen our partnership with overseas schools and develop a recruitment strategy with a view to recruiting foreign nationals directly from overseas.

Another way of securing diverse and inclusive talent is the contracting business, which we are expanding as a company strategy along with our dispatching services. Unlike dispatching, the contracting business allows us to collaborate with rival companies and utilize talent from partner companies without violating the law. Therefore, we actively employ not only our own engineers but also outside talent through partnerships with partner companies under contracting agreements. By this comprehensive approach, we intend to continue to secure a stable number of engineers in the future.

Q. Companies are raising their employee base salaries. What is the situation at Artner?

Also, how are you recovering the cost of base salary increases?

A. We are implementing a three-year Medium-Term Business Plan that started in FY2023. The first two years, FY2023 and FY2024, have been completed, and we are in the final year, FY2025, since February 1. Until now, we have not implemented base salary increases under the Medium-Term Business Plan and have only provided regular raises. However, we plan to raise base salaries in the spring of next fiscal year. We are currently in discussions with the labor union about continuous base salary increases and the amount of returns, etc. in preparation for next year's spring labor negotiations.

We are currently in talks with the labor union to stably increase dispatch fees to fund the salary increases and to return a single-digit or a double-digit percentage of the dispatch fee increase to employees.

Q. I assume you have highly skilled engineers as a measure against termination of dispatch contracts. What percentage do they make up?

A. When the global financial crisis of 2008 occurred, approximately 40% of our dispatched engineers returned to the Company due to contract terminations. That is, 60% had their contracts extended, while 40% had their contracts terminated. Upon a detailed analysis, we found that those 40% who had their contracts terminated were involved in projects in the downstream development process. Based on this experience, we have made improvements since the global financial crisis of 2008. Now, over 85% of our engineers are involved in projects in upstream to midstream development processes. Since we shifted significant weight to the upstream process, we expect that less contracts will be terminated compared to 2008 if a major financial crisis were to occur again. We will continue to shift projects from midstream to upstream and take further risk mitigation efforts.

Q. How does the turnover rate of new graduates at Artner compare to that of typical companies? What measures are you taking to improve the turnover rate?

A. Over 150 newly graduated engineers enter into the Company each year. There are employees who leave us during their training period or within their first year. While the three-year turnover rate is said to be around 30% according to statistics, our current rate is under 30%. We will make detailed and persistent efforts to reduce and improve the turnover rate, even if only slightly, by accommodating employees' job preferences, providing skill improvement opportunities, supporting career advancement, and providing various daily support.

Q. What ratio of large companies and small- and medium-sized enterprises make up your client companies? Can you tell us more about your clients?

A. We have credit management rules that set forth the criteria for starting transactions with clients, and we have transactions with companies that meet these rules. Specifically, whether the company is large or small to medium sized is not a significant factor. Instead, we evaluate their capital, number of employees, and financial condition. Client industries are determined in line with our sales strategy, and priority is given to assigning engineers to those industries. Currently, our strategic focus is on carbon neutrality related projects, and we are prioritizing the assignment of engineers to automobile, auto parts, and semiconductor manufacturing equipment manufacturers associated with these projects. As there will continue to be various potential risks, sales will support and follow up with potential clients and is on standby, ready to start transactions with clients anytime.

Q. I imagine that your businesses are partially sensitive to economic conditions. What is the outlook for future demand?

A. Our current main target clients are automobile, auto parts, and semiconductor manufacturing equipment manufacturers. The demand for engineers remains strong in these industries, and with our limited number of hires, we are unable to meet the demand. Accordingly, we forecast that the demand for engineers in these related industries will be even higher than last year.

Q. What is the status of your IR activities?

A. Two years ago, we declared our intention to be listed on the Prime Market as part of the market restructuring of the Tokyo Stock Exchange. However, as our tradable share market capitalization did not meet the Prime Market's requirement of 10 billion yen, we received Prime Market recognition with conditions attached. Subsequently, we implemented various measures under our Medium-Term Business Plan to meet the tradable share market capitalization criteria. As a result, our stock price has increased approximately threefold compared to two years ago. Based on this increase, we achieved the Prime Market's tradable share market capitalization of 10 billion yen one year ahead of schedule, and we are currently in FY2025. Strengthening our IR activities is part of these measures. We have increased the frequency of briefings, and over these past two years, held briefings in locations where we had not previously held them. Specifically, we conducted in-person financial results briefings for individual investors and financial results briefings for institutional investors in Osaka and Tokyo around four times a year. In addition, we conduct web-based IR activities. With the first quarter ending in April, we plan to hold financial results briefings for individual and institutional investors in Osaka, Nagoya, and Tokyo starting from June.

Q. How long does it take for newly graduated engineers to become dispatchable after they are hired?

A. Newly graduated engineers are organized into three groups, A, B, and C, in the initial budget. Each group has a different assignment schedule based on the budget. The budget is drawn up such that Group A completes a three-month training from April to June and becomes dispatchable from July. Group B undergoes training from April to July and becomes dispatchable from August. Group C undergoes a seven-month training from April to October and becomes dispatchable from November. As was mentioned in the financial results report for FY2024, engineers of all groups were assigned ahead of the budget schedule. That was the situation of newly graduated engineers in FY2024.

Q. Can you explain about your on-the-job training (OJT) for newly graduated engineers in the contracting team?

A. Newly graduated engineers with little or no experience who are deemed to require some OJT will gain practical experience for a certain length of time in a contracting group and will then be dispatched. Therefore, as a rule, engineers will undergo OJT in a contracting group, mindful of the projects they will ultimately be working on at their places of assignment. Although the number of participants is currently limited, we plan to expand the client base for this scheme and increase the number of accommodated engineers.

Q. You said that your recruitment activities' cost per hire is increasing. By how much has it increased? Can you explain about the recruitment costs?

A. This is Director Sato speaking. We currently do not make public the exact figures of the cost per hire, so I would like to refrain from disclosing the figures. The cost of recruiting newly graduated engineers and career engineers was around 4% of our FY2024 net sales. As our hiring targets will certainly increase, we anticipate that recruitment costs will also rise.

Q. How many people provide mental health care, and how often is it provided?

A. This is Director Harigae speaking. We have advisory agreements with clinical psychologists. We understand the importance of day-to-day mental health care. The Health and Safety Committee at each office discusses measures for addressing long work hours and mental health measures and constantly strives to improve the workplace environment. Additionally, personalized care is provided based on the opinion of the clinical psychologists. Furthermore, since November 2023, clinical psychologists have been offering mental health training for middle managerial positions and sales staff. They support the mental wellbeing of employees by noticing mental health issues in team members and engineers and teaming up with managers, colleagues, and the personnel affairs manager. The Company recognizes that the most important step of mental health care is for us to notice and for those around us to notice. We have been providing training since the last fiscal year, including training for the mental health care of people familiar to us.

Q. Why does the number of shares held by directors differ between the pages of the notice of convocation?

A. The higher number of shares includes those of the Officer Stocks Society. The difference is whether the shares of the Officer Stocks Society are included or not.

Q. While your main clients are probably mostly Japanese companies, if you hire foreign talent from overseas universities, will they come to Japan to work or will they be dispatched to the overseas locations of client companies? How do you envision employing foreign talent?

A. Our hiring of foreign nationals is currently limited to international students studying at Japanese universities. Our vision for the future is to partner with overseas universities and hire foreign nationals who come to Japan.

Q. The yen is depreciating, and the recruitment cost overseas is now higher than in Japan. The recruitment cost is expected to differ between Japan and overseas. Will Artner be spending money to ensure that the hiring standards do not go down?

A. Based on the feedback we received, we will be considering the benefits, drawbacks, ways, and the system of hiring foreign nationals, such as wage disparities in Japan including disparities caused by exchange rates.