



SEKIGUCHI Sozo
President and CEO

We aim to become a 100-year company by building a solid business foundation that is resilient through economic ups and downs, and by supporting our engineers to maximize Artner’s value and the value of our engineers themselves.

Our History as a Pioneer of the Engineer Dispatching Industry

In 1953, Sekiguchi Kogyo Co., Ltd.—Artner’s predecessor—was founded in Amagasaki, Hyogo Prefecture, which was a center of heavy industry. Sekiguchi Kogyo mainly provided manufacturers with printing services for design drawings, but it eventually expanded its scope of business to tracing design drawings and then to design itself. In 1962, Sekiguchi Kogyo established Osaka Technology Center Co., Ltd. (now Artner Co., Ltd.), a company specializing in design development services. For the next six decades, we provided our clients with engineers who matched their needs at a high rate through our engineer dispatching business and contracting business, while supporting our engineers’ growth by recruiting and training the right people for the market. Subsequently, the Worker Dispatching Act was enacted, increasing public awareness of the worker dispatching business. As more companies emerged to meet these dispatch needs, Artner has consistently focused on engineer growth and technology to establish a firm footing as a pioneer in the engineer dispatching industry.

Review of Market Circumstances and Our Business Performance

We have been able to continue our business activities largely unaffected by many domestic and international uncertainties such as the COVID-19 pandemic, the situation in Russia and Ukraine, and fluctuations in resource prices and exchange rates. In the initial stages of the COVID-19 pandemic, we had to postpone placing our engineers until our clients were able to

establish systems to manage COVID-19. Once our clients had these systems in place, demand returned to pre-pandemic levels.

In addition, the automobile industry, which is our main client base, exists in a business environment that will continue to further accelerate advanced engineering regardless of immediate economic trends. Clients have been asking for our engineers more than ever because of our active participation in “carbon neutrality” projects, including EVs, and our strong track record. Reporting Period 61 (FY2023) was the ninth consecutive year of sales and profit growth during which we saw a 14.1% increase in net sales, an 18.2% increase in operating profit, and a 16.5% increase in ordinary profit.

Review of the Medium-Term Business Plan to Date

The previous Medium-Term Business Plan (FY2021–FY2023) was an extension of the preceding Medium-Term Business Plan, and it simply inherited and improved upon the contents of that Medium-Term Business Plan. Since 2014, we have revamped the business model to achieve a full recovery from the global financial crisis of 2008 and improved our corporate culture to become more resilient in the face of business fluctuations. We organized the company into three segment groups that correspond to manufacturers’ business processes: the High Value Group, which is responsible for advanced engineering and R&D; the Wide Value Group, which handles a wide range of design-related work; and the Product Value Group, which is responsible for quality assurance, assembly and adjustment. By forming these three segment groups, we have been aiming to



provide engineers with a high match rate to our clients. To this day, we continue to refine this segment group configuration, which was carried over to and built upon in the Medium-Term Business Plan.

We feel that this configuration of three segment groups is unique to Artner and constitutes one of its strengths. If we examine why we have been able to maintain high profitability in the highly competitive engineer dispatching industry, we can see that our strength lies in our ability to provide expert personnel with high value-added skills not only in product development, which is the segment with the largest demand and supply, but also in R&D, which is an area that requires more advanced expertise. R&D is a rare segment where few capable engineers are available. Clients agree that Artner's strength lies in supplying talent that matches their needs, and this fact is reflected in our prices. We believe that by earning trust and establishing a track record as a group of high value-added engineers, we will be able to build and maintain a strong corporate culture that is immune to business fluctuations.

Our New Medium-Term Business Plan Focused on Carbon Neutrality

In recent years, our social environment has been changing on a global scale, and corporate management must address social issues by carrying out initiatives, for example, based on the

Task Force on Climate-Related Financial Disclosures (TCFD). Our new Medium-Term Business Plan (FY2023– FY2025) defines carbon neutrality as the pillar of our business activities. Since Reporting Period 60 (FY2022), we have continued to strategically prioritize markets linked to carbon neutrality, such as electric vehicle (EV), fuel cell vehicle (FCV), autonomous driving, and semiconductor-related markets, and will focus on recruitment, training, and sales for these markets. And by having our engineers participate in carbon neutrality-related technology development projects such as these, we will advance the development of these technologies and support their widespread use in the market, thereby contributing to the realization of carbon neutrality.

Projects like these require engineers with high potential, and we can expect competition in recruitment to intensify. In order to secure talent that matches demand, we will change our recruitment policy, which was overly focused on the recruitment of new graduates, into a policy that balances the number of new graduates and mid-career hires at ratio of one-to-one. We will also place these hires in key strategic markets, which will lead to higher unit costs and a higher rate of return. Our performance targets for the final year of the new Medium-Term Business Plan are net sales of 11.6 billion yen and an operating margin of 14.0%. We believe there is high likelihood that we will realize our operating margin target. On

the other hand, net sales is directly tied to our number of employees. Currently, companies are eager to recruit talent for the post-COVID era. In the midst of a super "seller's market" for new graduate talent, competition in recruitment is escalating across all industries, and our net sales will be influenced by how well the three segment groups are able to recruit talent in a balanced manner.

Rather than deciding where to assign talent once they are hired, we hire talent to meet the requirements of their intended destination, provide them with education and training as engineers, and only then assign them to projects. We hope to resonate with students and job seekers by highlighting the fact that Artner is a job-based employment company that emphasizes their skills, and that they will be able to quickly advance their careers while gaining experience in a variety of fields. This will allow us to achieve our targets in the increasingly competitive recruitment market for engineers.

A Challenging Recruitment Environment Due to Japan's Declining Birthrate and Aging Population

In the Engineer Dispatching Business, hiring the right number of employees and ensuring the quality of our talent is critical for maintaining and growing the scale of the business. However, with Japan's declining birthrate and aging population, we expect the recruiting environment to grow increasingly competitive. One of the measures we will take to maintain our growth potential in this environment is to utilize and organize partner companies in the contracting business. This will enable us to secure the number of operative personnel and increase our chances of maintaining and growing the business even in the midst of this increasingly competitive recruiting environment. Another measure is to promote diversity and inclusion in talent management, which is one of the basic measures in our new Medium-Term Business Plan. Specifically, we will actively utilize workers of retirement age, women, and foreign workers (overseas students) as personnel. As for the foreign workers, our recruiting activities are focused on international students from Japanese universities. We do not have a sufficient number of female engineers, and securing female talent, including women who have returned to the job market after taking a career break to raise children, has become a critical issue. We need to create an environment that will absorb diverse ways of working, and to this end, it is necessary to increase the ratio of investment in our contracting business.

Artner's Significance to Society

In 2022, we defined our Purpose as "support the growth and

self-actualization of engineers, who are Japan's world-class assets." From the beginning, however, we have always promoted our business as a corporation that exists for the sake of engineers' growth and have pursued all that we can do for them, based on our Management Philosophy of "Engineer Support Company: We support our engineers' dreams." New graduates with degrees in science and engineering who aspire to become engineers, but who do not join a manufacturer directly upon graduation, end up joining our industry. That is why we have always felt that it is our responsibility as a corporation to provide them with guidance on best practices for engineers as a technical service. As a company that employs talent who aspire to become engineers, we believe that Artner's significance to society lies in training engineers and supporting their career growth and fulfillment.

At Artner, we hire people with qualifications that match each segment group and then provide them with various stages for their growth as engineers after they join the company. We also have a system in place that allows employees to move between segment groups according to their growth process, thereby creating value for the engineers themselves, which in turn will lead to creating value for Artner.

Passing the Baton to Our Next Generation

Investing in the SDGs, ESG, and Sustainability poses risks, but they also represent opportunities to create and capture future markets. The development of technologies to solve social issues such as climate change will involve areas of engineering that are able to build upon existing technologies, as well as other areas that must innovate if they are to succeed. We would like to support these challenges that can only be addressed with innovative technologies and turn them into great business opportunities.

As a visionary company heading toward its 100th anniversary in 2062, we are now in charge of this era. As we pass the baton to our next generation, we believe that it is our responsibility to develop our business environment, and foster a corporate culture that is always responsive to changing market needs. We believe that if we can pass this corporate culture on to future generations, we will be a company that grows sustainably over 100 years or even longer. We will always come back to our Management Philosophy as we continue to support the growth and self-realization of our engineers and strive to maximize our corporate value.