

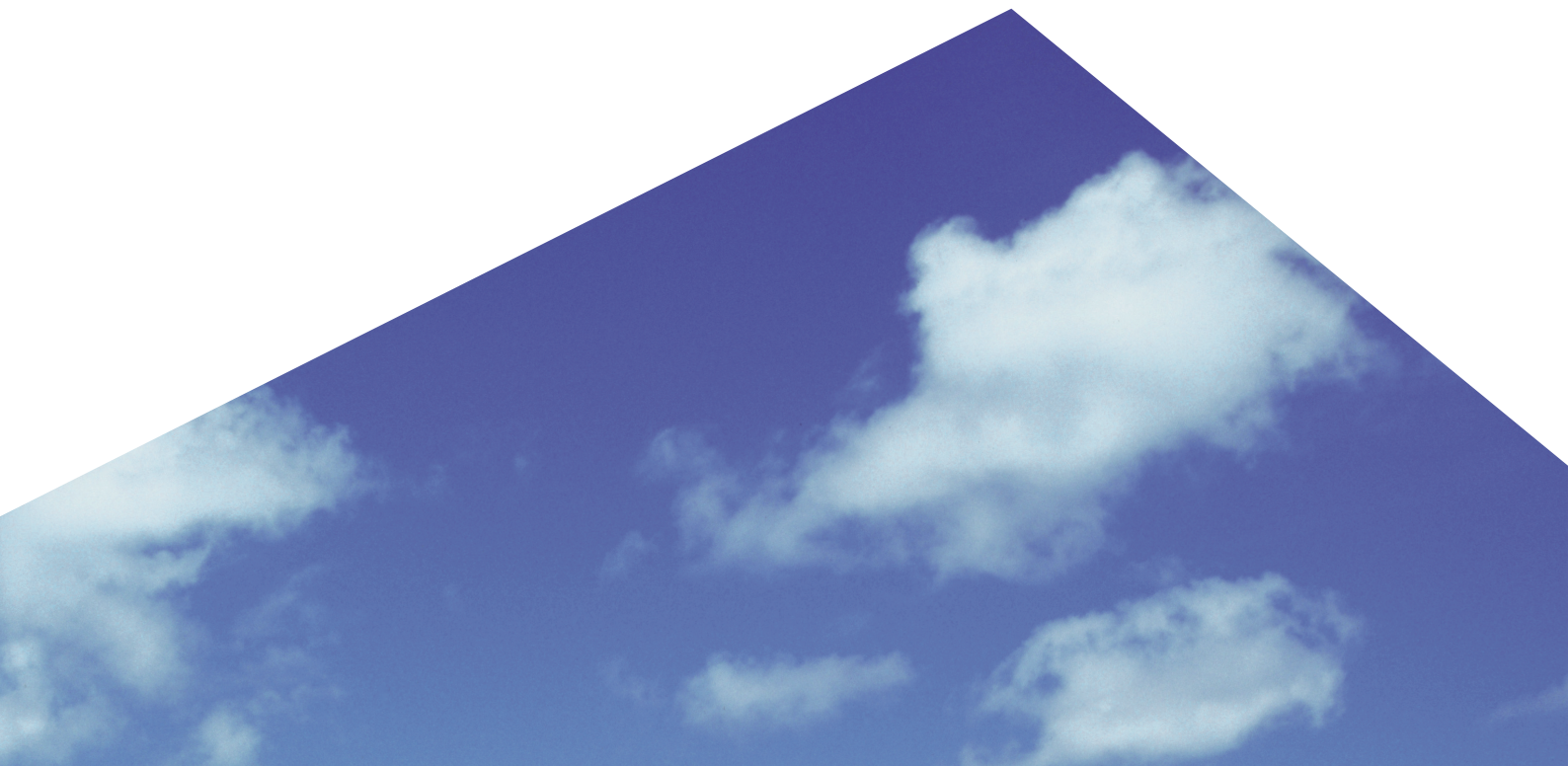
ARTNER

Engineer Support Company

Annual Report 2023

(Integrated Report)

For the Fiscal Year Ended January 31, 2023



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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.

Company Motto

Pursuit of Mindset Pursuit of Wisdom Pursuit of Creativity

Whenever you must make a firm decision on which path to take, always stay calm and make sure to return to the basics, no matter what you are faced with.

Management Philosophy

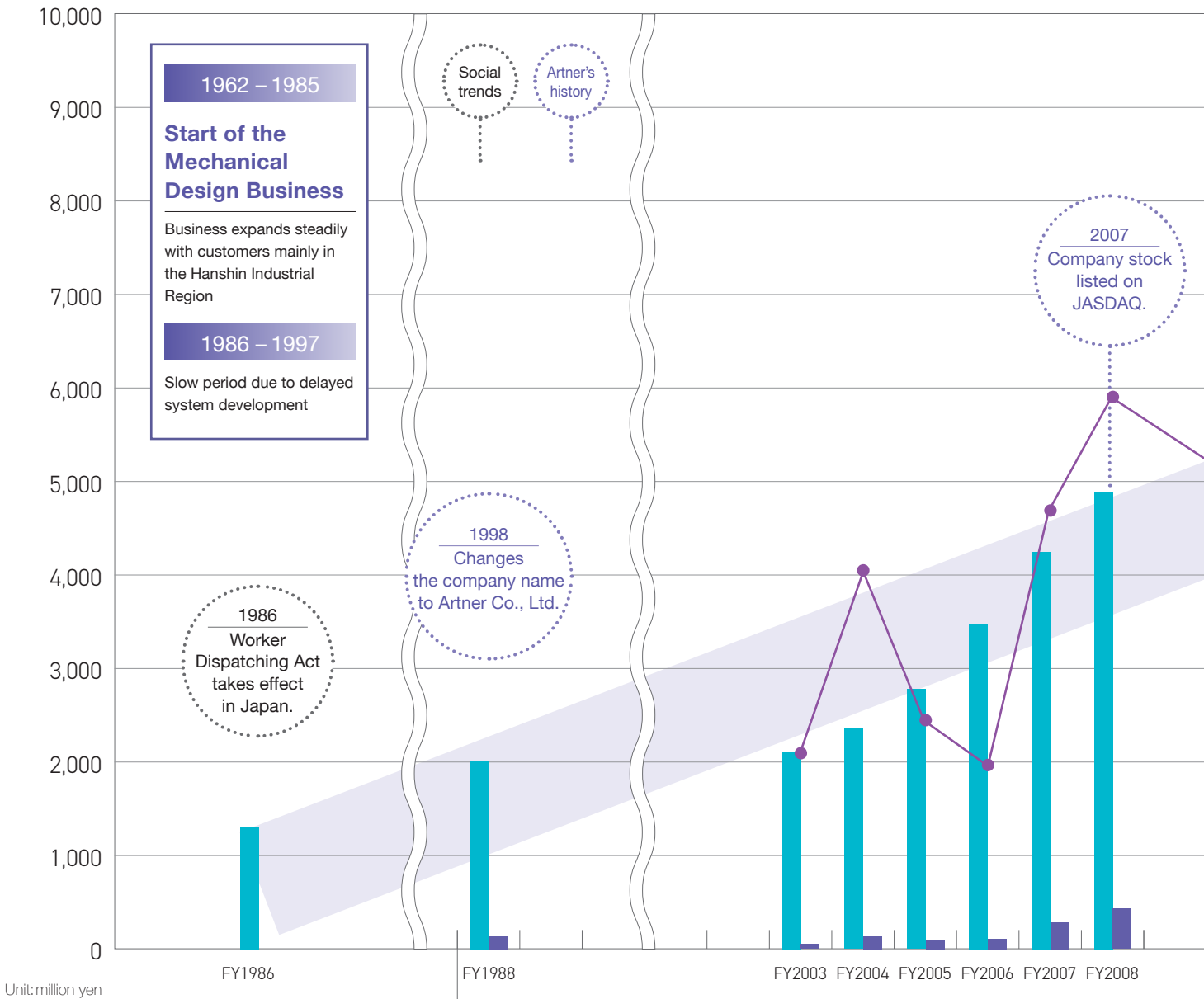
“Engineer Support Company”

—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.

*We put our specific meanings into these words. *Happiness* represents the idea that people will become *happy* by acting on their own initiative, rather than waiting for something to be offered. *Reflection* is the idea that, by illuminating and shining on each other, we will create a culture of promoting *reflective prosperity*.

Net sales Ordinary profit Ordinary margin

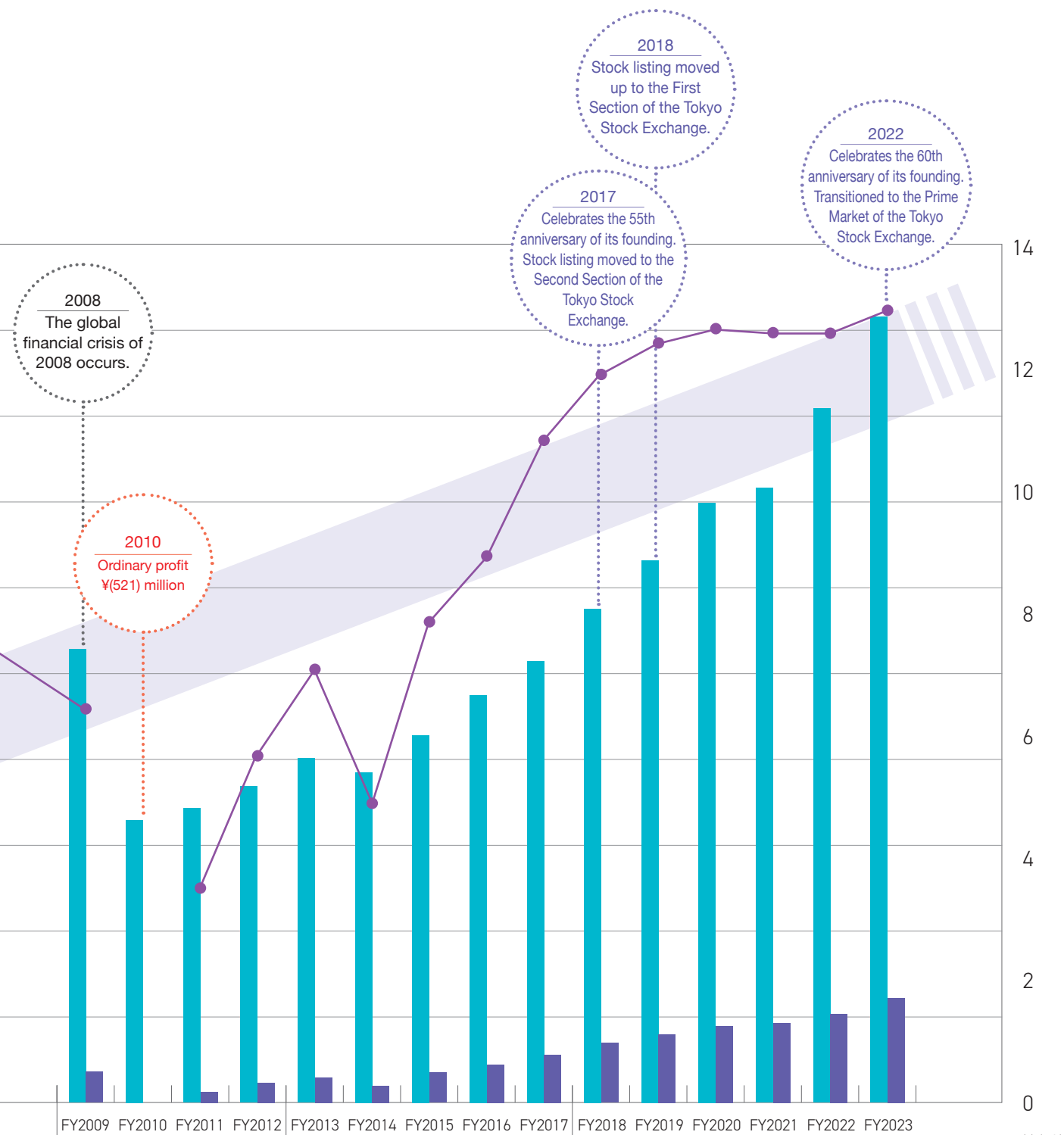


Unit: million yen

1998 – 2008

First business restructuring

- ◎ Focused human resources in the Engineer Dispatching Business
- ◎ 1998: Changes the company name to Artner Co., Ltd.
- ◎ 2000: Artner Five-Year Revitalization Plan
- ◎ 2007: Company stock listed on JASDAQ.
- ◎ 2008: The global financial crisis of 2008 occurs.



Unit: %

2009 – 2012	2013 – 2017	2018 –
Second business restructuring	Revamped the business model to take the company to the next stage in anticipation of a full recovery from the global financial crisis of 2008	Build a foundation for sustainable and next-generation growth
© 2011: Reorganized into the Engineer Business Division (Utsunomiya, Yokohama, Nagoya, and Osaka), Hyper Artner Business Dept., etc.	© 2013: Four business divisions established (Hyper Artner Business Division, Engineer Business Division, Engineer Agency Business Division, and Human Resources Business Division)	© Promote strategies by segment © Promote diversity and inclusion in talent management



President and CEO
SEKIGUCHI Sozo

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.

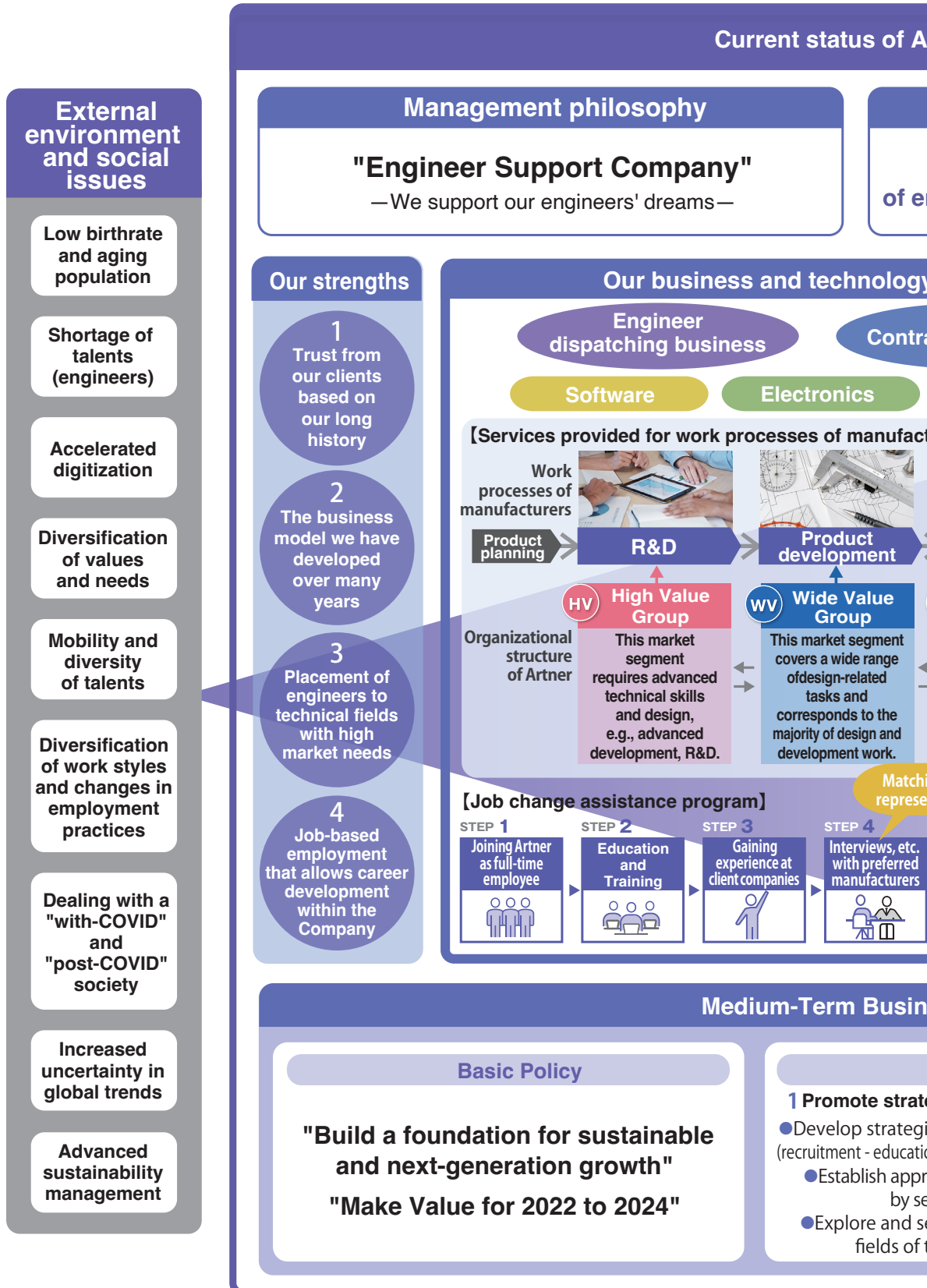
At Artner, we hire people with qualifications that match each segment group and then provide them with various stages for their growth as engineers after they join the company. We also have a system in place that allows employees to move between segment groups according to their growth process, thereby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

Passing the Baton to Our Next Generation

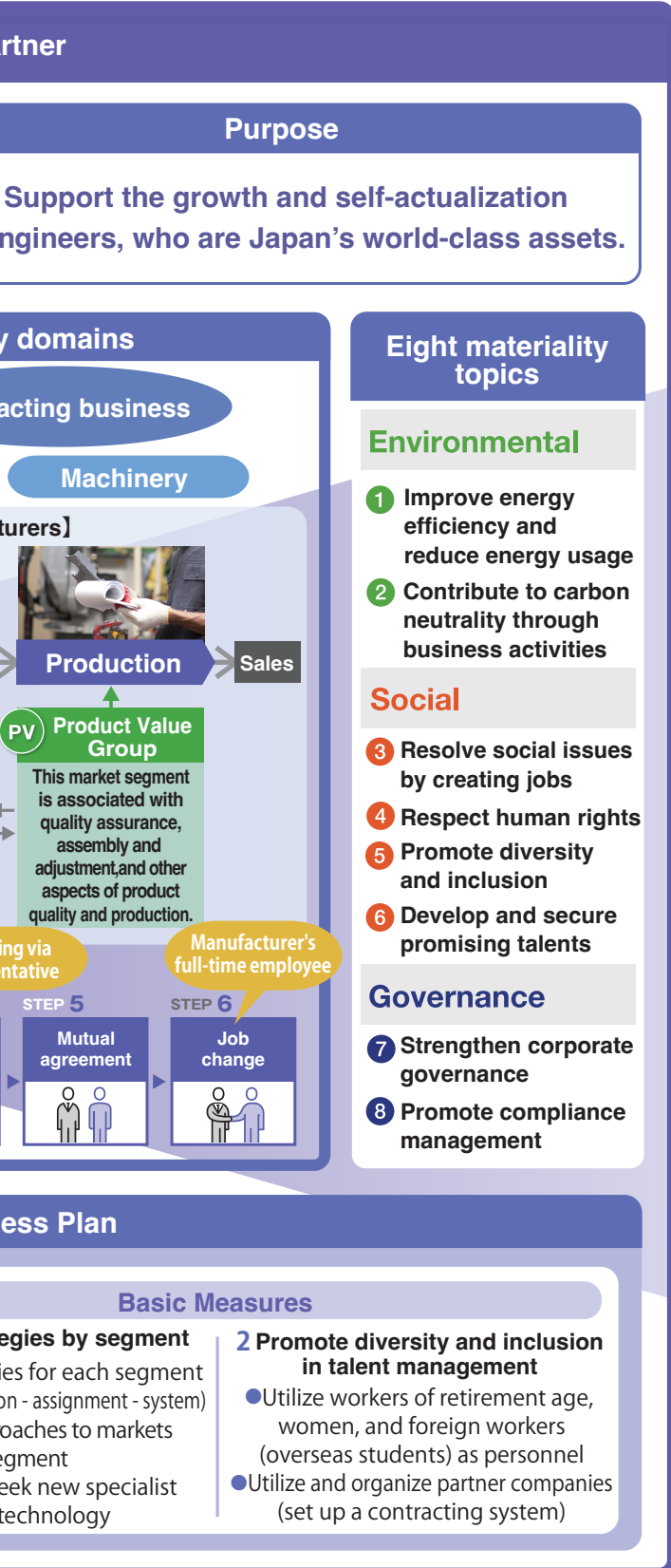
Investing in the SDGs, ESG, and Sustainability poses risks, but they also represent opportunities to create and capture future markets. The development of technologies to solve social issues such as climate change will involve areas of engineering that are able to build upon existing technologies, as 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.

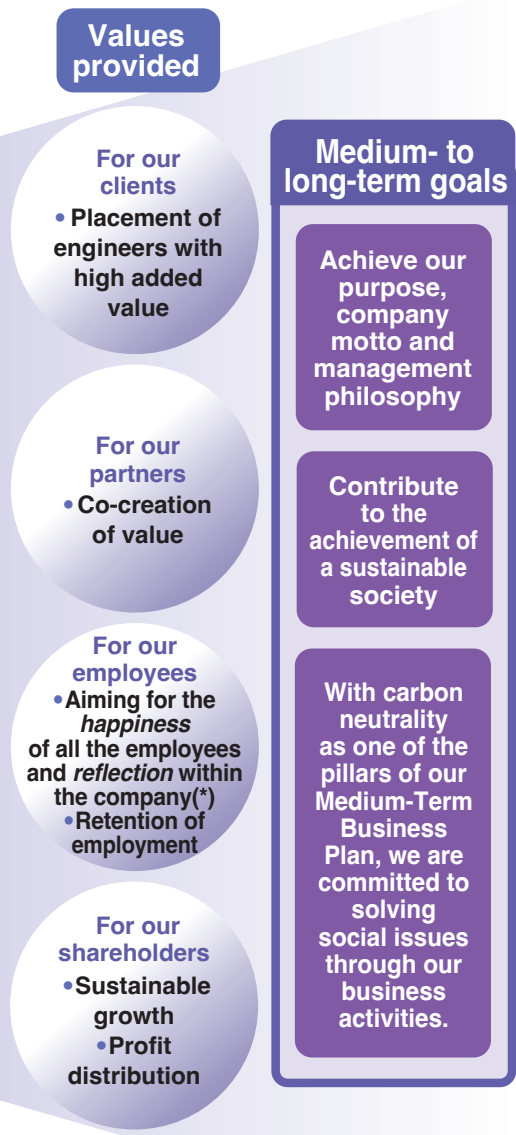
Ever since a design firm was started by our founder, we have made continual changes in our mindset to cater to the evolving trends of the times, eventually developing our current business model as a technical service provider and creating value for engineers.



- External environment and social issues**
- Low birthrate and aging population
 - Shortage of talents (engineers)
 - Accelerated digitization
 - Diversification of values and needs
 - Mobility and diversity of talents
 - Diversification of work styles and changes in employment practices
 - Dealing with a "with-COVID" and "post-COVID" society
 - Increased uncertainty in global trends
 - Advanced sustainability management



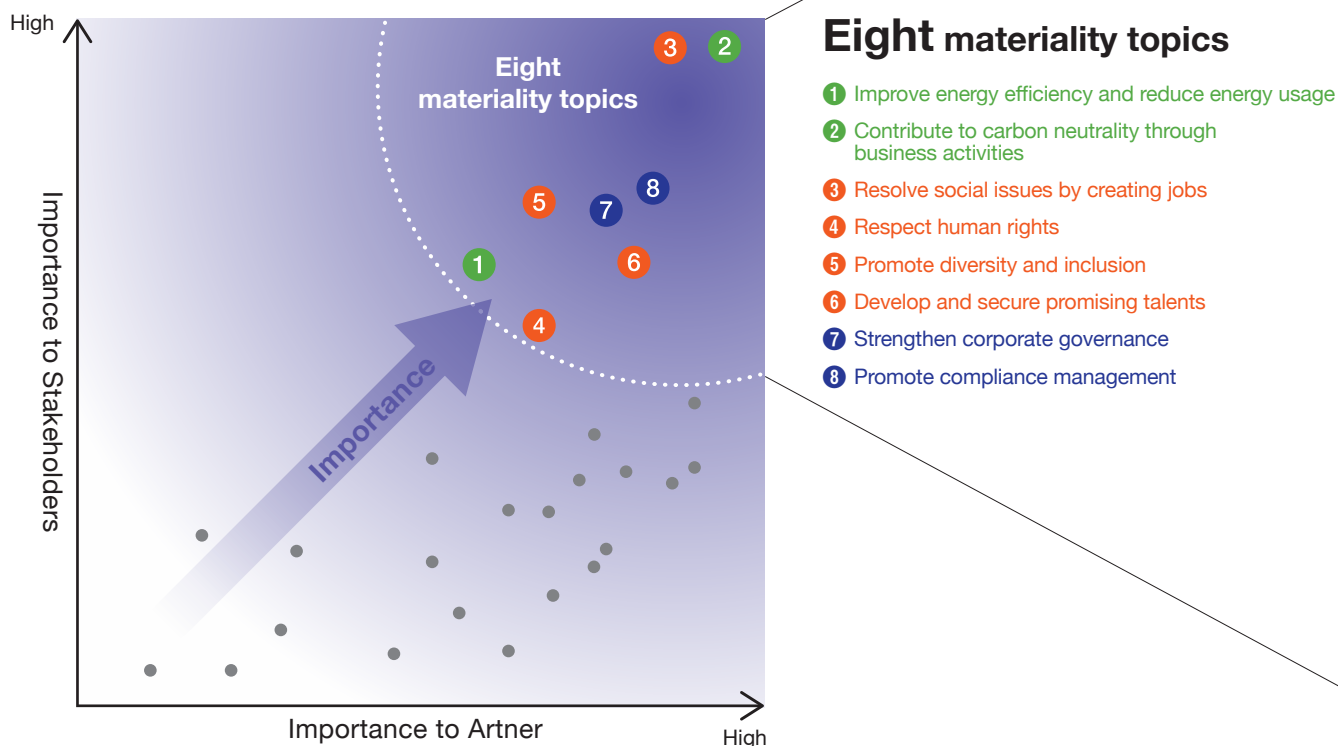
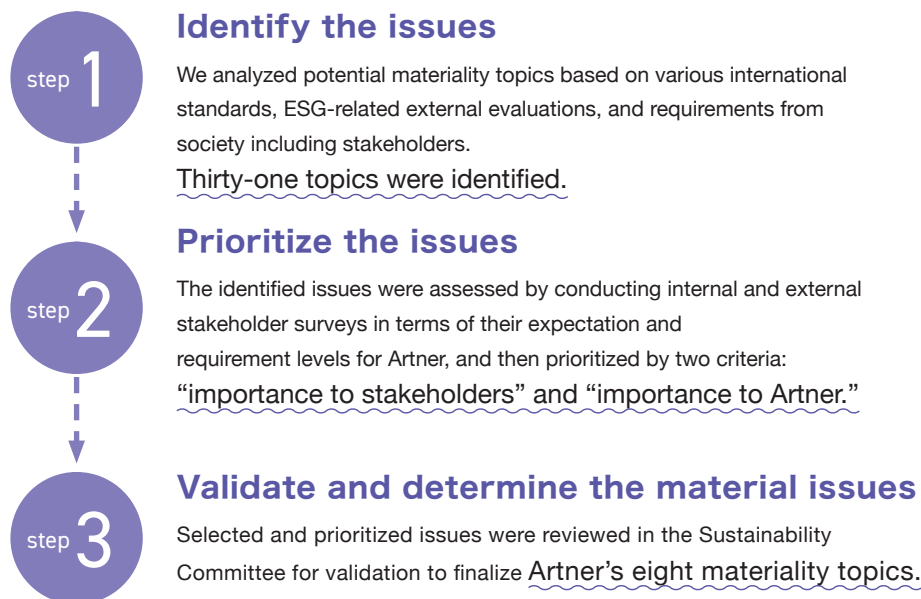
- Eight materiality topics**
- Environmental**
- 1 Improve energy efficiency and reduce energy usage
 - 2 Contribute to carbon neutrality through business activities
- Social**
- 3 Resolve social issues by creating jobs
 - 4 Respect human rights
 - 5 Promote diversity and inclusion
 - 6 Develop and secure promising talents
- Governance**
- 7 Strengthen corporate governance
 - 8 Promote compliance management



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Considering stakeholder interests and social issues, as well as their impact on our business management, Artner has identified eight materiality topics that should be prioritized. Based on our understanding of the importance of the materiality topics we have identified, we are committed to engaging in effective management practices and business activities to resolve these issues.

Identification Process of Materiality



Eight Materiality Topics ESG Categories, Related SDGs

Through its business activities, Artnet aims to help resolve social problems, thereby contributing to the realization of the UN's Sustainable Development Goals (SDGs) for the world.



The Member States of the United Nations adopted the Sustainable Development Goals (SDGs) in September 2015. The aim of the SDGs is to achieve 17 goals by 2030 with a view towards ending all forms of poverty, fighting inequalities, and tackling climate change while ensuring that no one is left behind.

Category	ID	Item	Related SDGs
Environmental	1	Improve energy efficiency and reduce energy usage	
	2	Contribute to carbon neutrality through business activities	
Social	3	Resolve social issues by creating jobs	
	4	Respect human rights	
	5	Promote diversity and inclusion	
	6	Develop and secure promising talents	
Governance	7	Strengthen corporate governance	-
	8	Promote compliance management	

Category	ID	Item	KPI
Environmental	1	Improve energy efficiency and reduce energy usage	Greenhouse gas (GHG) emissions (Scope 1 and Scope 2)
			Reduction rate of copy paper used
	2	Contribute to carbon neutrality through business activities	Share of engineers placed in carbon neutrality projects among all engineers
Social	3	Resolve social issues by creating jobs	Share of carbon neutrality recruitment targets for new graduates
			Share of carbon neutrality recruitment targets for career hires
	4	Respect human rights	Percentage of employees who have received harassment training
			Number of inquiries to harassment helpline
	5	Promote diversity and inclusion	Share of female employees (engineers)
			Share of female employees (administration)
			Share of female employees (engineers) among new employees
			Share of female employees (administration) among new employees
			Appointment of female employees (engineers) to managerial positions
			Appointment of female employees to managerial positions
			Share of female employees in managerial positions
			Wage difference between male and female employees (overall)
			Wage difference between male and female employees (engineers)
			Wage difference between male and female employees (administration)
			Usage rate of childcare leave (male employees)
			Usage rate of childcare leave (female employees)
			Usage rate of nursing care leave (male and female employees)
			Share of non-Japanese talents
Share of elderly employees (60 years of age and older)			
Employment rate of employees with disabilities			
Percentage of the Company's former employees who used job change assistance program			
6	Develop and secure promising talents	Average hours of annual training per employee (engineer)	
		Average cost of annual training per employee (engineer)	
		Turnover rate (engineers) *Excluding retirement and turnover via the Company's assistance program to change jobs	
		Turnover rate (engineers)	
Governance	7	Strengthen corporate governance	Appointment ratio of Independent Directors
			Number of Outside Directors
			Ratio of Outside Directors in the Nomination and Remuneration Committee
			Evaluation of the effectiveness of the Board of Directors
	8	Promote compliance management	Percentage of employees who have received compliance training
			Percentage of employees who have received information security training
			Number of major compliance violations
			Number of major information security incidents
			Number of inquiries to whistleblowing helpline

Target	Recent result (FY2023)	Result (FY2022)	Related SDGs	Related Pages
Net zero (FY2051)	93.3 tCO2 (FY2023)	97.3 t of CO2 (FY2022)		P.23-24
Reduction on an ongoing basis	5.9% reduction (FY2023)	14.5% reduction (FY2022)		
50.0% (FY2025)	46.1% (FY2023)	41.3% (FY2022)	 	P.17-18
55.0% (FY2025)	46.1% (FY2023)	47.9% (FY2022)		
55.0% (FY2025)	62.0% (FY2023)	48.6% (FY2022)		
100%	100% (FY2023)	100% (FY2022)	 	P.27
Appropriate response to inquiries	None (FY2023)	None (FY2022)		
-	4.1% (FY2023)	3.7% (FY2022)	 	P.27-28
-	27.6% (FY2023)	31.4% (FY2022)		
-	6.4% (FY2023)	3.0% (FY2022)		
-	27.3% (FY2023)	66.7% (FY2022)		
Three or more (FY2024)	Two (as of January 31, 2023)	Two (as of January 31, 2022)		
Ten or more (FY2024)	Ten (as of January 31, 2023)	Six (as of January 31, 2022)		
Increase on an ongoing basis	3.4% (FY2023)	3.7% (FY2022)		
-	Male 100%:Female 94% (FY2023)	Male 100%:Female 93% (FY2022)		
-	Male 100%:Female 96% (FY2023)	Male 100%:Female 99% (FY2022)		
-	Male 100%:Female 71% (FY2023)	Male 100%:Female 71% (FY2022)		
30% or more (FY2024)	30.8% (FY2023)	12.5% (FY2022)	 	P.25-26
80% or more (FY2024)	100% (FY2023)	100% (FY2022)		
50% or more (FY2024)	7.4% (FY2023)	1.2% (FY2022)		
Recruitment on an ongoing basis	1.0% (FY2023)	1.4% (FY2022)		
Recruitment on an ongoing basis	1.4% (FY2023)	1.4% (FY2022)		
2.3% or more (legally required employment rate)	2.42% (as of June 1, 2022)	2.40% (as of June 1, 2021)		
1.7% (FY2025)	1.7% (FY2023)	0.8% (FY2022)		
Same level each year	8.2 hours (FY2023)	7.5 hours (FY2022)		
Same level each year	62,000 yen (FY2023)	63,000 yen (FY2022)		
7.1% (FY2025)	7.7% (FY2023)	10.3% (FY2022)		
8.8% (FY2025)	9.6% (FY2023)	11.3% (FY2022)		
One-third or more	37.5% (FY2023)	37.5% (FY2022)	-	P.29-34 P.37-42
-	Three (FY2023)	Three (FY2022)		
Majority	75.0% (FY2023)	75.0% (FY2022)		
Once	Once	Once		
100%	100% (FY2023)	100% (FY2022)		P.35-36
100%	100% (FY2023)	100% (FY2022)		
None	None (FY2023)	None (FY2022)		
None	None (FY2023)	None (FY2022)		
Appropriate response to inquiries	None (FY2023)	None (FY2022)		

Background to the Medium-Term Business Plan

In order to secure outstanding talent in a fiercely competitive environment, it is essential to build a business model that will resonate with engineers and students. Better recruitment is the gateway to success in all aspects of our business.

〈Basic Policy〉

Revamped the business model to take the company to the next stage in anticipation of a full recovery from the global financial crisis of 2008

FY2014 – FY2016

- ◎ **Establish four business divisions in February 2013**
 - Hyper Artner Business Division
 - Engineer Business Division
 - Engineer Agency Business Division
 - Human Resources Business Division

Results

- ◎ Raised the recruitment criteria to improve the quality of our engineers.
- ◎ Shifted the projects in which our engineers participate at client companies to higher-level stages.
- ◎ Improved the unit price of newly graduated engineers on their first placement. Steadily revised the unit prices of engineers across the entire company.
- ◎ The gross profit per engineer recovered to levels prior to the global financial crisis of 2008 and reached new record highs.

	(Final year target)	(Final year result)
Net sales	¥6 billion	¥4.7 billion
Operating margin	10%	9.1%
Number of engineers	800	601

For the next Medium-Term Business Plan

If we can increase the scope of work handled by our engineers at client companies from downstream to midstream and upstream processes and raise the unit price of engineers, the company will be less affected by fluctuations in the economy. To further improve business performance, we will increase the overall number of engineers while maintaining the quality of our current engineers.

FY2016 – FY2018

- ◎ **Improve the skill level of all engineers**

To promote the assignment of our engineers to upstream business areas where the unit price of engineers is likely to be higher, we will create segment-specific educational programs and training curricula for each business field to improve the skill level of all engineers.

Results

- ◎ Exceeded our target operating margin as a result of assigning more engineers to upstream business areas and increasing the unit price of engineers.
- ◎ The turnover rate fell as engineers felt more attracted to the company due to the renewal of our business model (establishment of four business divisions).

	(Final year target)	(Final year result)
Net sales	¥6 billion	¥5.7 billion
Operating margin	10%	11.8%
Number of engineers	800	716

For the next Medium-Term Business Plan

Since we did not achieve our net sales target mainly due to our failure to reach our target number of engineers, we will incorporate strategic measures to secure engineers into the Basic Measures section of the next Medium-Term Business Plan.

Background to the Medium-Term Business Plan

In order to meet the needs of client companies and cater to increasingly diverse business areas in manufacturing processes, we will organize the company into three segments so that we can supply engineers with a high match rate to our clients. We will also expand the contracting business with the aim of actively utilizing workers of retirement age, former female engineers, and foreign workers (including overseas students), increasing the percentage of such personnel to 10%.

〈Basic Policy〉

Build a foundation for sustainable and next-generation growth

FY2019 – FY2021

1. Promote strategies by segment

- Develop strategies for each segment (recruitment – education – assignment – system).
- Establish approaches to markets by segment.

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).

Results

- Business performance showed steady growth in both sales and profit.
- Because we did not reach the target number of engineers, insufficient progress was made on our Basic Policy, “Build a foundation for sustainable and next-generation growth.”

FY2021 – FY2023

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).

Results

- Business performance showed steady growth in both sales and profit.
- Further improved our operating margin.

	(Final year target)	(Final year result)
Net sales	¥7.5 billion	¥7.1 billion
Operating margin	12.5%	12.4%
Number of engineers	1,000	971

	(Final year target)	(Final year result)
Net sales	¥10 billion	¥9.2 billion
Operating margin	12.5%	12.9%
Number of engineers	1,300	1,157

For the next Medium-Term Business Plan

- Continue the Basic Policy and Basic Measures.
- Add “Explore and seek new specialist fields of technology” to the implementation measures.

Basic Policy

Build a foundation for sustainable and next-generation growth

Make Value for 2022 to 2024

Basic Measure

- 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

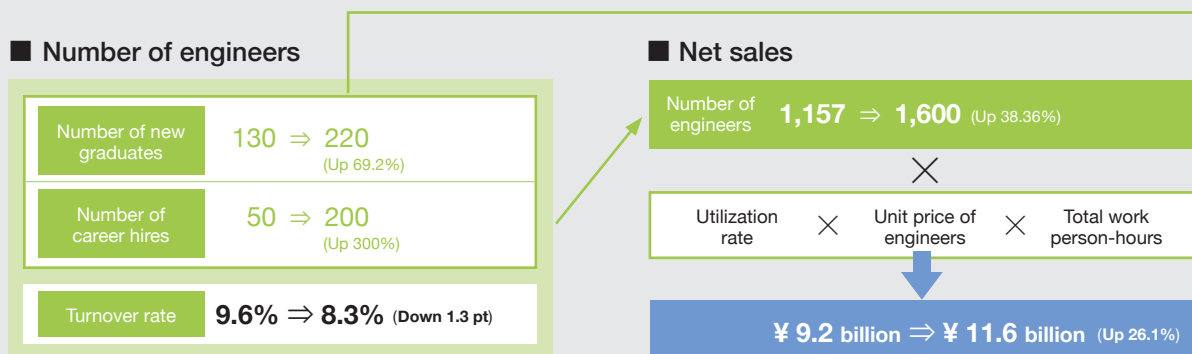


Build an internal system of recruitment, training, and sales with carbon neutrality as a main pillar of our business activities

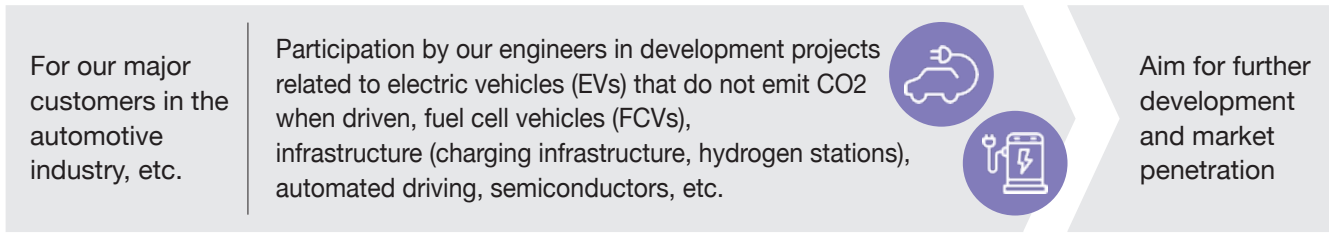


Contribute to solving social issues through our business activities, increasing our corporate value and returning profits to stakeholders
Build a foundation for sustainable growth and next-generation growth

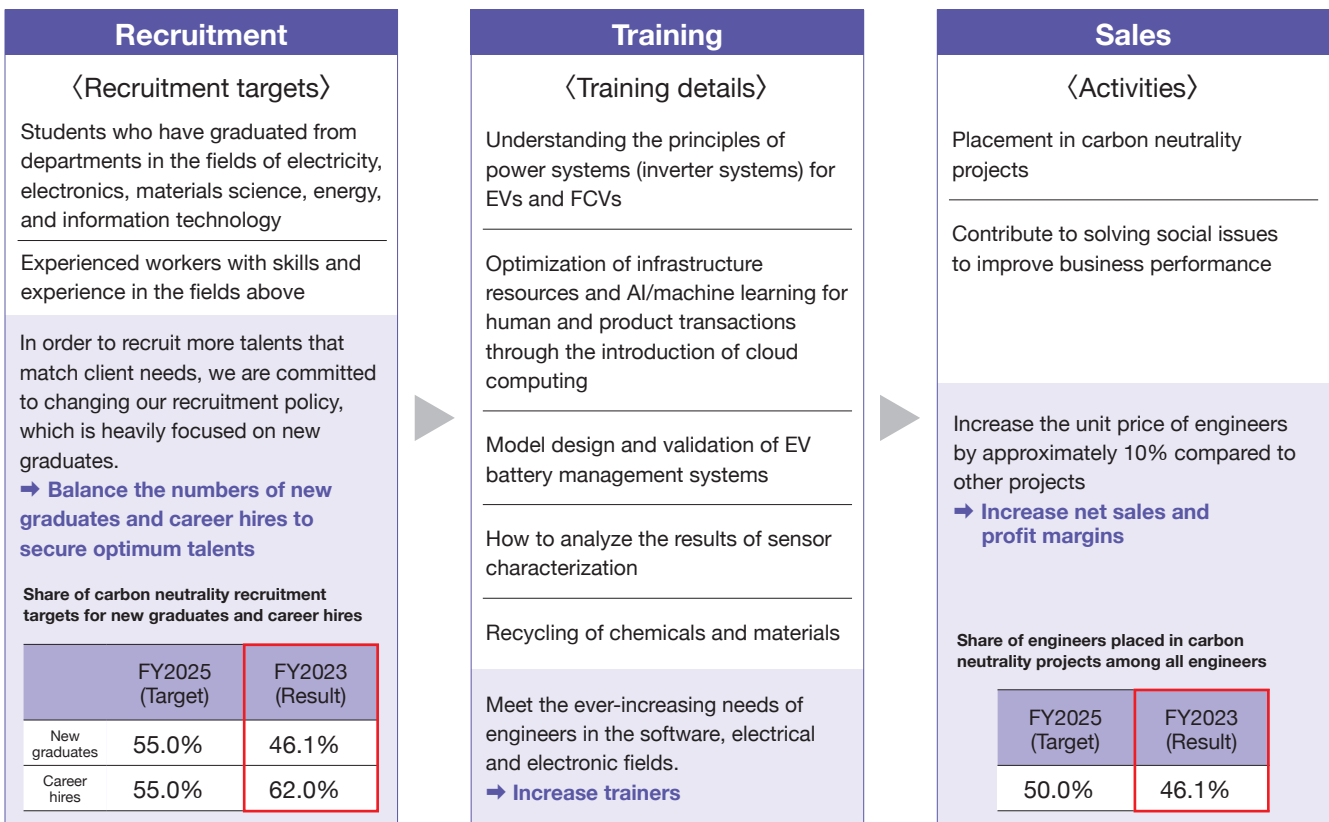
Medium-Term Business Plan Correlation diagram of earnings and sales targets and



Direction of our carbon neutrality initiatives



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



key indicators * □⇒□... (FY2023) ⇒ (FY2025) figures

■ 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 4.3 pt)

■ Operating margin

Recruitment cost **¥ 320 billion ⇒ ¥ 660 billion**

Ratio of recruitment cost to net sales **3.5% ⇒ 5.7% (Up 2.2 pt)**

12.9% ⇒ 14.0% (Up 1.1 pt)

Your technical partner contributing with technological innovation and promotion in the core industrial technology fields of software, electronics, and machinery.

Software Net sales ratio 39.4%

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

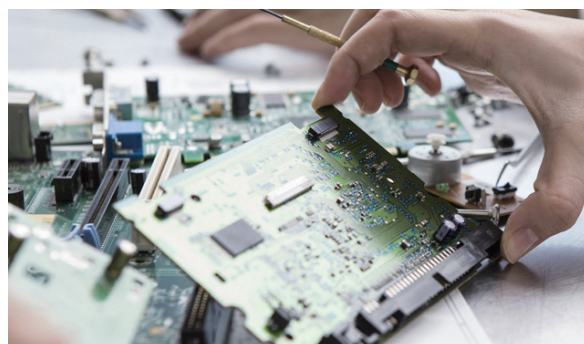
Design areas include Embedded (software development for control systems to be embedded in machinery and equipment), IT Solution (software development for network systems to be used with PCs, tablet devices, and servers), and Model-Based (upstream processes such as preliminary research based on models as well as requirement definition and design during the development phase in new development projects).



Electronics Net sales ratio 28.1%

Electronic engineers design the circuit boards that form the heart of equipment and devices and they conduct reliability assessments of such systems.

Design areas include Electrical Equipment (electrical design, production facilities, and relevant technologies), Electronic Circuits (electronic circuit design for printed circuit boards), and Electronic Devices (development of integrated circuits and individual electronic devices, and design of peripheral circuits).



Machinery Net sales ratio 32.5%

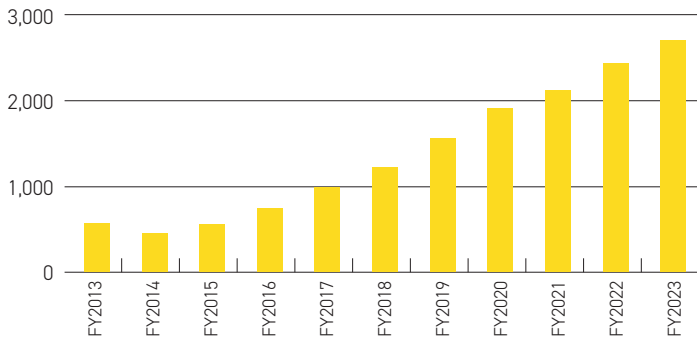
Mechanical engineers design the mechanisms of machines with moving parts using 2D/3D CAD tools.

Design areas include Drive Systems (development of mechanisms for generating, converting, storing, and transmitting energy), Mechanisms (development of mechanisms for production facilities and equipment), and Structures and Materials (design of products in various formats, formulation of structures and housings, and development of new materials).

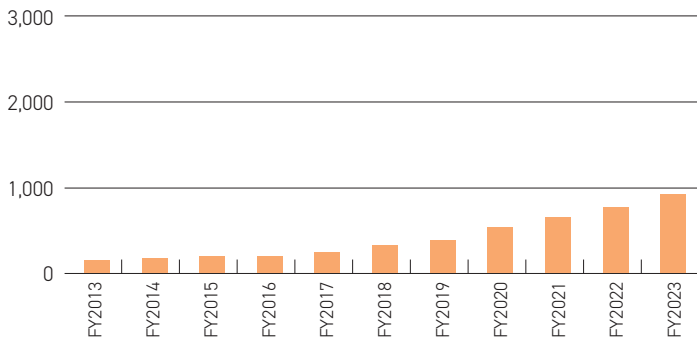


■ Trends in net sales by business field Unit: ¥million

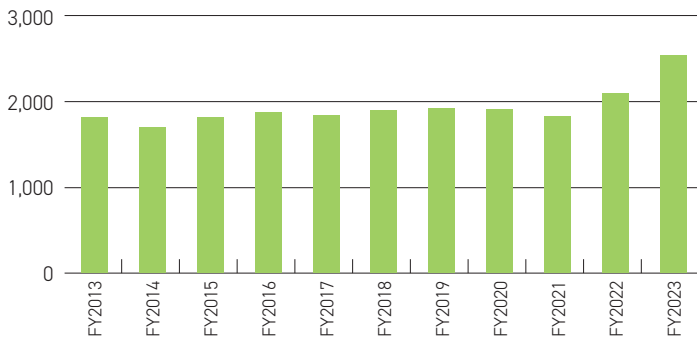
■ Software (Embedded / Model-Based)



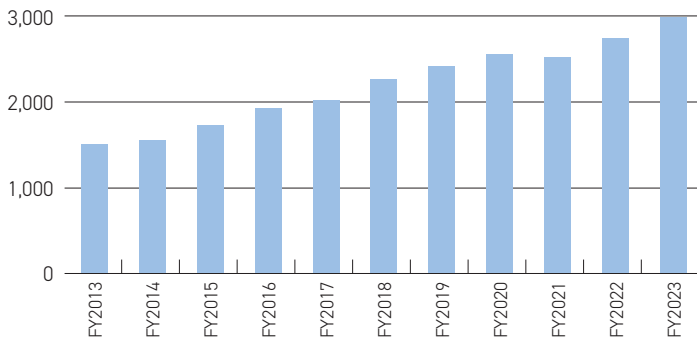
■ Software (IT Solution)



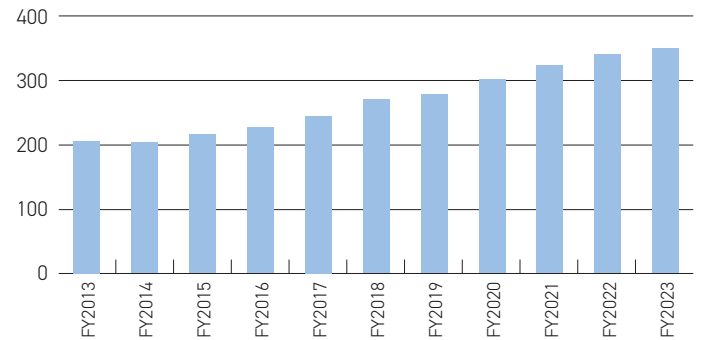
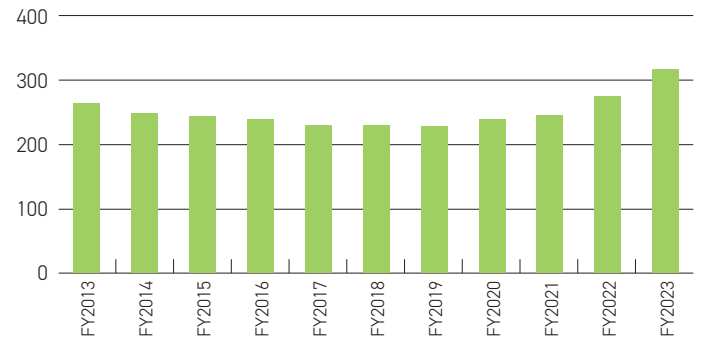
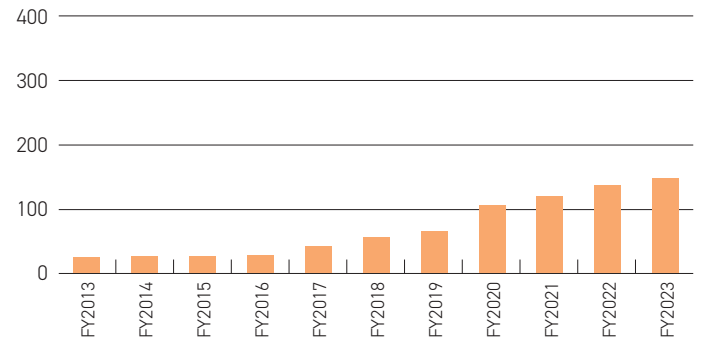
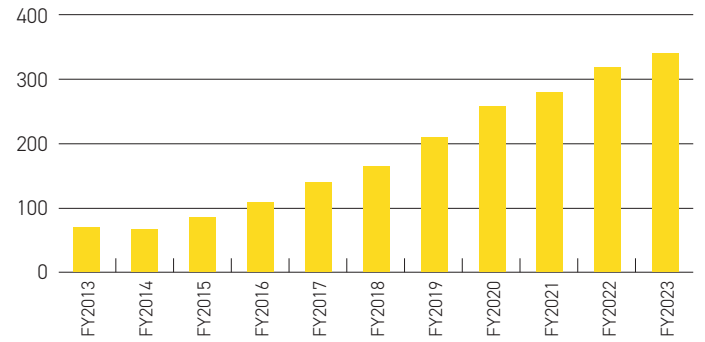
■ Electronics



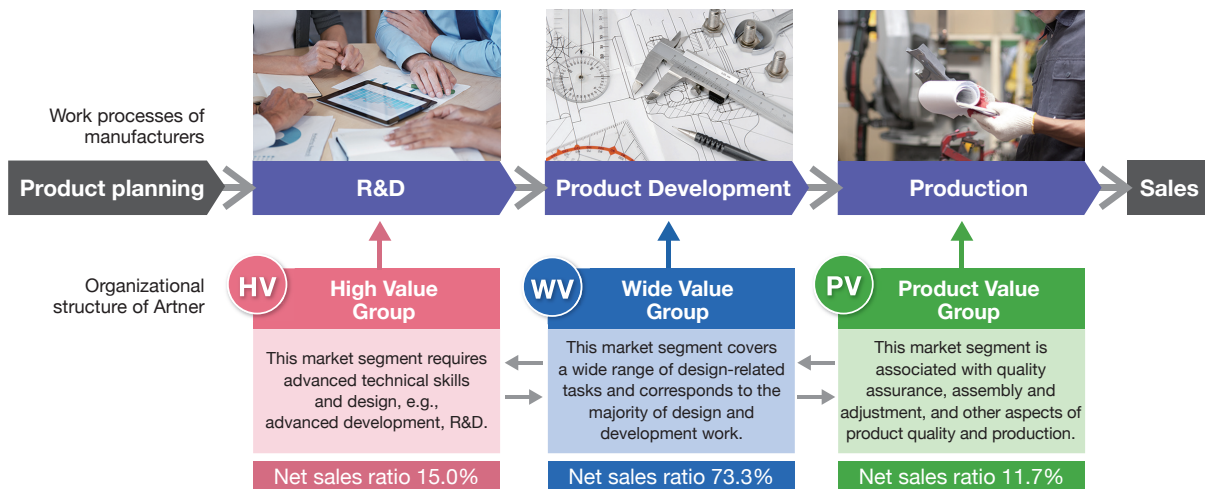
■ Machinery



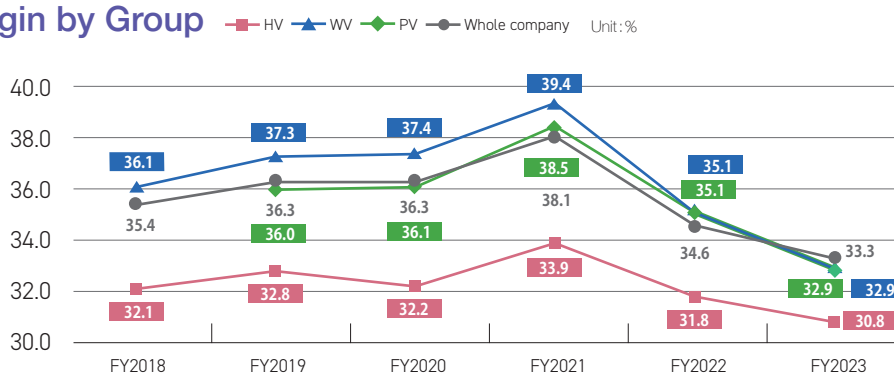
■ Trends in number of engineers Unit: people



Artner's Groups handling the work processes of manufacturers

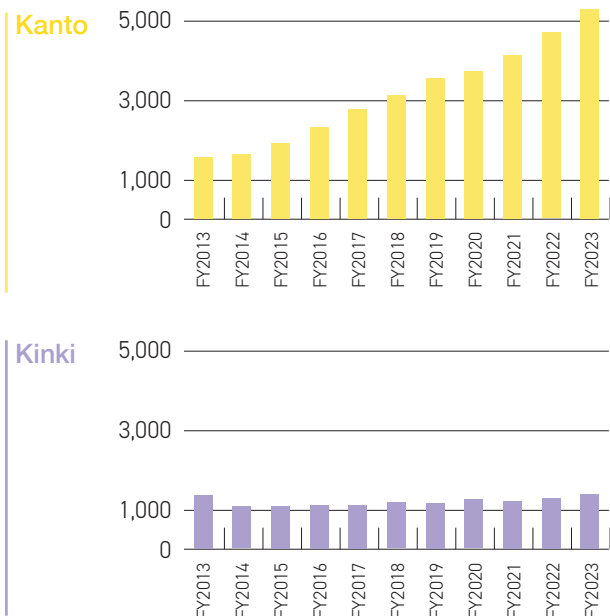


Gross margin by Group



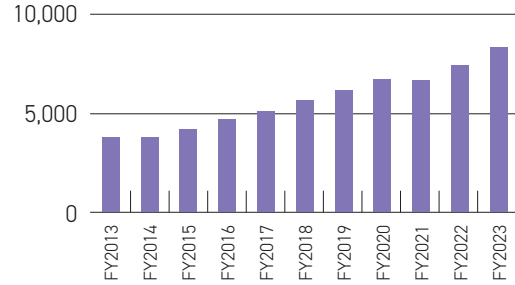
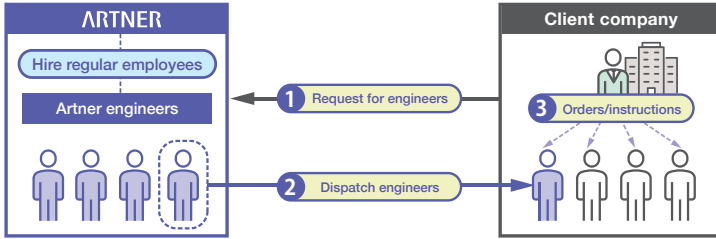
Trends in net sales by region

Unit: ¥ million

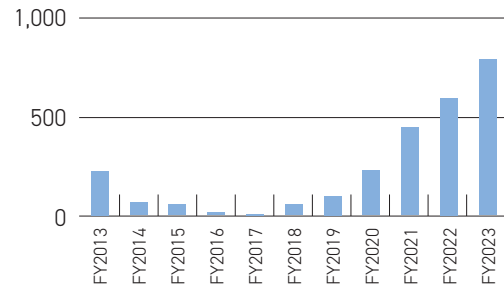
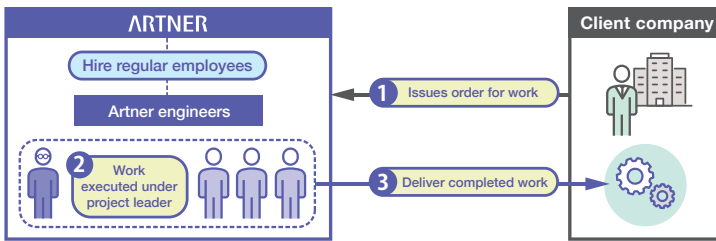


■ Trends in net sales by business Unit: ¥ million

Engineer dispatching Net sales ratio 91.0%

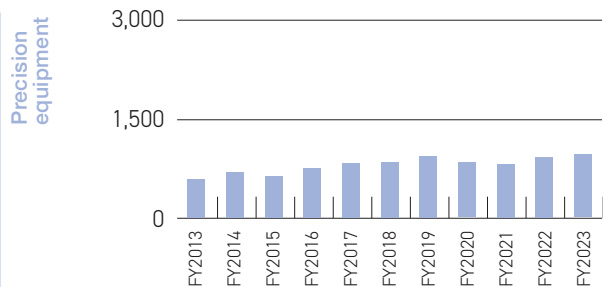
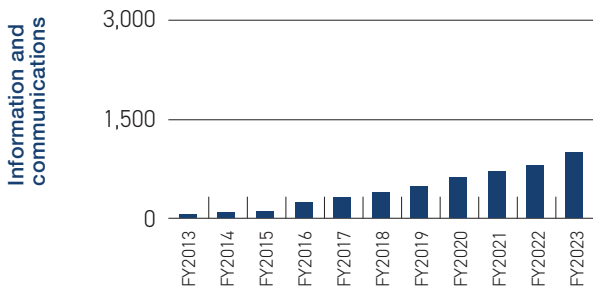
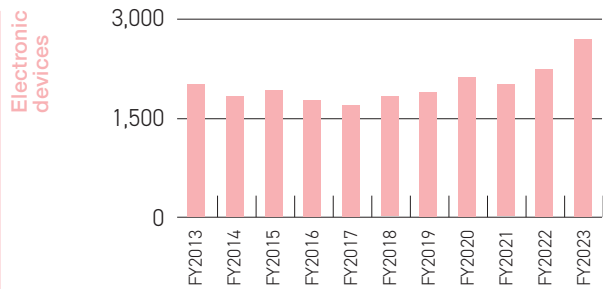
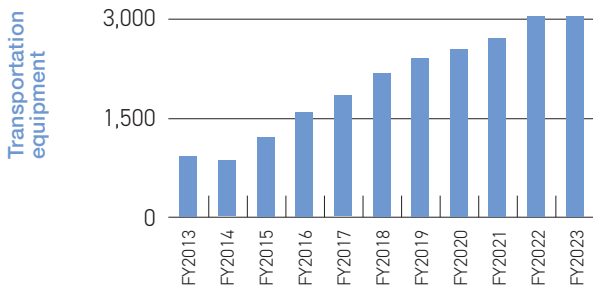


Contracting Net sales ratio 8.6%



Other Net sales ratio 0.4%

■ Trends in net sales by industry field Unit: ¥ million



We will disclose information in accordance with the recommendations published by the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board (FSB).

Environmental activity policy

- We will provide education to our employees in order to raise their awareness of environmental issues and promote environmental activities.
- We will comply with environmental laws and regulations and strive to disclose appropriate information. We will also collaborate with local communities and other stakeholders in an effort to achieve a more sustainable society.

Governance

As we have rated climate change as a high-priority issue, we have established the Sustainability Committee as a special committee for discussing sustainability-related issues including climate change. This Committee is established directly under the Board of Directors, and reports and submits the topics it discusses to the Board, which then deliberates and makes decisions on them. The content of such discussions will be disclosed externally and reflected in the Company’s management policies and various initiatives.

The main members of the Committee consist of Directors who

are not members of the Audit and Supervisory Committee (including the President and CEO), Directors who are Audit and Supervisory Committee members, as well as division heads and managers. The Committee is held four times a year. The Committee promotes and manages the status of sustainability issues and initiatives, including those related to climate change. The topics deliberated in the Committee are reported to the Board of Directors. The Board then deliberates and adopts the resolutions on important risks and opportunities related to climate change, gives instructions on how to deal with them, and supervises the progress of such initiatives.

Strategy

As our social environment continues to change on a global scale, we believe that 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. We will strive to build an internal system of recruitment, training, and sales with carbon neutrality as a main pillar of our business activities.

《 Our response to risks and opportunities 》

Artner conducts scenario analysis by identifying key risks and opportunities related to climate change and carrying out qualitative assessments of their impacts. For the first time in our scenario analysis, we included our main business area of engineer dispatching while using two scenarios (4°C scenario and combined 1.5°C and 2°C scenario) to examine the impact of climate change in the year 2030. We extracted risks and opportunities, and the degree of impact on our business activities was evaluated on a three-point scale of large, medium, and small.

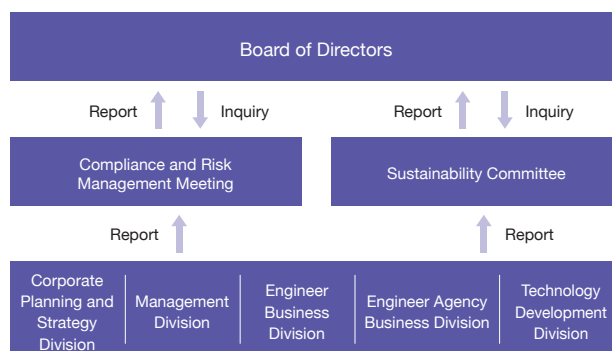
Risk item			Business impact		Business impact		Response		
Large category	Medium category	Small category	Consideration: risks	Evaluation	Consideration: opportunities	Evaluation	Ongoing effort	Examples of our response to risks	Examples of our activities to achieve opportunities
Transition (1.5 and 2°C scenarios)	Technology	Advances in low-carbon technologies	Our main customers are in the automotive industry, which requires us to provide engineers who can develop products related to low-carbon technologies. If we are slower than our competitors to respond to these technologies, our engineers’ skills may be considered obsolete and the demand for the dispatch of engineers may shrink, resulting in decreased sales. If new technologies need to be incorporated, costs for information gathering and training may increase.	Large	A low-carbon society may be promoted, which will lead to an increase in the demand for products using low-carbon technologies. In such a case, our sales may increase due to an increased demand for the dispatch of engineers to our existing clients and new clients.	Large	Disclosed in Medium-Term Business Plan Participate in the automotive industry, etc., our main customers		Capture demand for the development of low-carbon products such as EVs and other low-carbon vehicles, as well as energy-saving and renewable energy equipment, etc.
	Market	Change in demand for important products		Medium	Since the Company’s main customers belong to the automotive industry, actively attracting engineers who can deal with the design and development processes that support the shift to zero-emission vehicles (ZEVs) may lead to increased demand for the dispatch of engineers, which could result in higher sales. The advancement of low-carbon technologies has accelerated the speed of development of low-carbon business. Enhancing our recruitment and training systems as well as our services to meet the increasing number of requests from clients could lead to increased sales. If extreme weather conditions increase, along with a rising demand for seasonal products such as air conditioning products that can deal with higher/lower outdoor temperatures, this may lead to the manufacturers’ increased demand for the development of HVAC equipment, resulting in growing demands for the dispatching of engineers and increased sales.	Large	Disclosed in Medium-Term Business Plan Participate in the automotive industry, etc., our main customers		

Risk item			Business impact		Business impact		Response			
Large category	Medium category	Small category	Consideration: risks		Consideration: opportunities		Ongoing effort	Examples of our response to risks	Examples of our activities to achieve opportunities	
Transition (1.5 and 2°C scenarios)	Reputation	Change in reputation from customers	The momentum for decarbonization is growing throughout the supply chain. Clients may require their suppliers to reduce emissions and disclose relevant information. In particular, the automotive industry, which accounts for a major part of our customer base, is making much progress in this area than other industries. If our efforts are deemed insufficient, there is a risk that our reputation will be damaged, leading to a decrease in sales. In addition, significant costs may be required to address these issues.		Large	As the entire supply chain of the automotive industry is making an effort to reduce emissions, if we become recognized as a leader in addressing climate change issues, this could lead to increased sales.		Large	Disclosed in Medium-Term Business Plan	Contribute to the development of customers' low-carbon products by dispatching engineers with low-carbon skills Acquire new clients by strengthening the low-carbon skillsets of our engineers"
									Participate in the automotive industry, etc., our main customers	
Physical impact (4°C scenario)	Acute	Intensifying extreme weather events (typhoons, torrential rains, landslides, storm surges, etc.)	If our clients are adversely affected by increased natural disasters causing operation downtime, etc., our sales may decrease due to reduced demand for engineers as a result of R&D budget cutbacks. Also, in the event that our offices and training facilities are affected by such disasters, costs for recovery and relocation may be incurred.		Large			-	Disaster Prevention Manual	Formulate a BCP in preparation for the potential occurrence of natural disasters
										-
Physical impact (4°C scenario)	Chronic	Increased average temperature	Rising average temperatures will increase the use of air conditioning, which may increase costs at all our business and training facilities.		Small	If rising outdoor temperatures increase the need for safer and more comfortable indoor temperatures, the manufacturers' demand for developing HVAC equipment will increase, which may result in an increased demand for the dispatching of our engineers and increased sales.		Medium	Disclosed in Medium-Term Business Plan	Respond to the growing demand for the development of air conditioning products
									Participation in the automotive industry, etc., for major customers	

Risk management

In response to major changes in the business environment, the Company has established the Compliance and Risk Management Meeting as part of its effort to clarify the Company's approach to risk management and future initiatives, and to practice risk management as an enterprise-wide commitment. This Meeting, established under the control of the Board of Directors, identifies risks that need to be addressed among various risks such as climate change, sets priorities for responding to such risks, and manages progress on an ongoing basis. The topics discussed in the Meeting are reported and submitted to the Board of Directors, which then deliberates and make decisions on such topics.

The main members of the Meeting consist of Directors who are not members of the Audit and Supervisory Committee (including the President and CEO), Directors who are Audit and Supervisory Committee members, as well as division heads and managers. The Meeting is held once per month.



Indicators and targets

We calculate our Greenhouse gas (GHG) emissions. Our goal for FY2051 is to achieve net zero GHG emissions. (Reduce CO2 emissions by 7.3t by FY2025, compared with FY2021 levels)

Greenhouse gas (GHG) emissions (Scope 1 and Scope 2) Unit: tCO2

Description	FY2051 Target	FY2024 Target	FY2023 Result	FY2022 Result	FY2021 Result
scope 1 Use of fuel for rent-a-cars	Net zero	86	11	18	26
scope 2 Use of electricity at our locations			82.3	79.3	82
Total			93.3	97.3	108

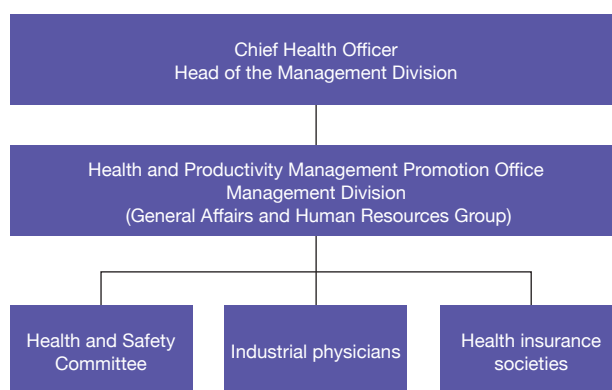
Declaration for health and productivity management

Based on Artner’s management philosophy of being an Engineer Support Company, we at Artner believe that ensuring the health and peace of mind of employees at work will eventually result in achieving the happiness of all the employees and reflection within the company.

Under our mission to promote human resource development and the happiness of all the employees, we declare that we will work to create a workplace environment where each and every employee can work vigorously and in good mental and physical health.

Organization

The Director/Head of the Management Division will serve as the overall supervisor and the Management Division’s General Affairs and Human Resources Group will function as the Health and Productivity Management Promotion Office to plan, operate, and promote different initiatives. In promoting the initiatives, these stakeholders will collaborate with the Health and Safety Committee, industrial physicians, and health insurance societies, and report on the progress at the Sustainability Committee meeting.



Health management results

Item	KPI		FY2020	FY2021	FY2022	FY2023
Periodic health checkup	Consultation rate	100%	100.0%	100.0%	100.0%	100.0%
Stress check	Consultation rate	90%	77.4%	78.1%	82.8%	78.9%
Annual paid leave	Acquisition rate	70%	81.4%	82.1%	76.5%	85.0%
Improving health literacy(through training)	Attendance rate	100%	–	–	100.0%	100.0%
Proper weight ratio	Proper weight people ratio	75%	–	–	–	69.9%
Improving productivity(eliminating presenteeism)	Labor function assessment	100%	–	–	–	92.3%
Average years of service	Years	1.2 times	1.00	0.98	1.00	1.03

Mental health care for employees

To support the mental and physical health of our employees, we provide them with mental health care from professional counselors, thereby helping in the prevention and early detection of mental health issues.

Mental health training for managers by clinical psychologists

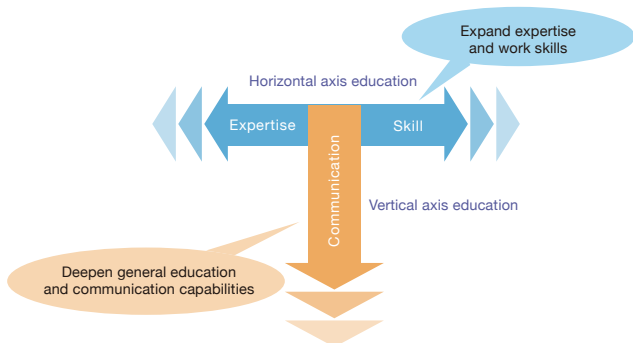
Mental health training by clinical psychologists was offered for our managers and sales staff. The Company supports the physical and mental health of our employees through mental health measures, including primary prevention through stress checks (self-care), secondary prevention through mental health management by managers, mental health care by clinical psychologists, and establishment of health consultation desks (health insurance societies, etc.). Managers and staff will continue to support the mental wellbeing of employees by noticing mental health issues in team members and engineers and teaming up with superiors, colleagues, and the personnel affairs manager.



Policy on talent development

T-shaped specialist education system

Artner has introduced its own education system in which the horizontal axis represents specialized knowledge and work skills and the vertical axis represents general education and communication capabilities. By doing so, we have established an effective approach to improving the skills of each and every engineer. We also provide support for new employees and workers with little or no experience to participate in cutting-edge projects at an early stage and to shift their careers to growing industry fields.



Recognized as one of the 2023 Certified Health and Productivity Management Outstanding Organizations (large enterprise category)

Artner was recognized as one of the 2023 Certified Health and Productivity Management Outstanding Organizations (large enterprise category) under the Certified Health and Productivity Management Outstanding Organizations Recognition Program, operated by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

The recognition program recognizes corporations, including large companies and small- and medium-sized enterprises, that practice particularly excellent health and productivity management, based on their efforts to address local health issues and cooperate with the health initiatives conducted by Nippon Kenko Kaigi.

Artner has been promoting health and productivity management based on its declaration, and its efforts have been recognized by external organizations.



2023
健康経営優良法人
Health and productivity

Improvement of service quality

As we achieve our purpose to “Support the growth and self-actualization of engineers, who are Japan’s world-class assets,” and our management philosophy “Engineer Support Company,” we stay committed to engaging in the following activities in order to enhance customer satisfaction and improve service quality.

Before engineer placement

We provide industry knowledge of the client company, and train the engineer using the same types of tools as those used in the field.

After engineer placement

We conduct interviews with the client company on a regular basis. We also train the engineer to meet the needs of the company.

Improving the employment environment to promote active participation of women

To help establish an employment environment that enables the active participation of women and permits employees to achieve a better work-life balance, Artner has formulated a General Employers Action Plan, based on the Act on Promotion of Women's Participation and Advancement in the Workplace and the Act on Advancement of Measures to Support Raising Next-Generation Children. We also strive to increase the number of female executives and improve the rate of childcare and nursing leave utilization.

KPI	FY2024 Target	FY2023 Result	FY2022 Result
Share of female employees (engineers)	-	4.1%	3.7%
Share of female employees (administration)	-	27.6%	31.4%
Share of female employees (engineers) among new employees	-	6.4%	3.0%
Share of female employees (administration) among new employees	-	27.3%	66.7%
Appointment of female employees (engineers) to managerial positions	Three or more	Two (as of January 31, 2023)	Two (as of January 31, 2022)
Appointment of female employees to managerial positions	Ten or more	Ten (as of January 31, 2023)	Six (as of January 31, 2022)
Share of female employees in managerial positions	Increase on an ongoing basis	3.4%	3.7%
Wage difference between male and female employees (overall)	-	Male 100% : Female 94%	Male 100% : Female 93%
Wage difference between male and female employees (engineers)	-	Male 100% : Female 96%	Male 100% : Female 99%
Wage difference between male and female employees (administration)	-	Male 100% : Female 71%	Male 100% : Female 71%
Usage rate of childcare leave (male employees)	30% or more	30.8%	12.5%
Usage rate of childcare leave (female employees)	80% or more	100%	100%
Usage rate of nursing care leave (male and female employees)	50% or more	7.4%	1.2%

Human rights policy

We will respect basic human rights without discrimination based on gender, age, place of origin, nationality, race, ethnicity, creed, religion, disease, disability, and/or other factors. We will create a healthy work environment, and will not engage in harassment (workplace bullying, sexual harassment, pregnancy discrimination, or any other form of harassment by any name) or any other treatment that would be recognized as inhumane by global standards. We will make reasonable accommodations for employees' religious practices and document the details of such accommodations. We will not require employees to undergo medical examinations that are not reasonably and objectively necessary in the hiring process. We will respect the rights of employees to form and join labor unions, to bargain collectively, and to participate in peaceful assembly of their own volition, as well as their rights to withhold such participation.

Procurement policy

- As a responsible member of society, we will comply with laws and regulations and respect social justice and basic human rights.
- We will establish equal and fair business relationships and procure the best and most appropriate resources.
- We will conduct fair transactions and act by putting ourselves in our customers' shoes.
- We will meet customer needs by providing products that offer value in all aspects of price, quality, safety, and the environment.
- We will strive to use environmentally friendly products.
- We will strive to properly manage documents and information.
- We will strictly manage information that should be kept confidential.

Diversity and LGBTQ initiatives

At Artner, we believe that promoting workplace diversity and giving all employees the opportunity to demonstrate their full potential lead to innovation and value creation. For this purpose, we strive to foster an inclusive company culture, through measures such as diversity training, LGBTQ study meetings, and activities to promote an understanding of gender equality by all employees.

Establishing a diversity promotion office

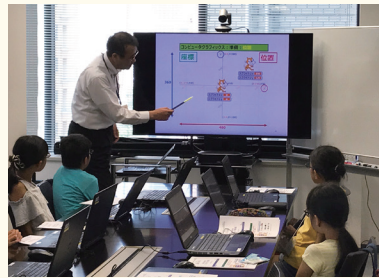
In September 2011, Artner set up a Diversity Promotion Office (now Diversity Team), centered around people with disabilities. In addition to promoting the employment of people with disabilities, we also aim to create a workplace that enables all employees to feel fulfilled by their work.

Active hiring of people with disabilities

Artner actively hires people with disabilities. In 2018 Artner was officially recognized by Osaka Prefecture for its outstanding company efforts in support of people with disabilities. (This award is part of the prefecture's initiatives to actively support the employment of people with disabilities.)

Programming classes for elementary school students

We run computer programming classes led by Artner employees for children in grades four to six at local elementary schools. Like this, we provide opportunities for children to learn how to think like a programmer.



Initiatives to clean public spaces

As part of its community service activities, Artner organizes a cleanup of Esaka Park, located near our learning centers in West Japan, and of Shin-Yokohama Ekimae Park, located near our Tokyo headquarters and learning centers in East Japan, inviting the participation of all of our directors, managers, and employees.



Volunteering at Osaka Prefectural Suita School for Students with Special Needs

Since 2018, our staff have been serving as "school volunteers" for the annual festival at Osaka Prefectural Suita School for Students with Special Needs.



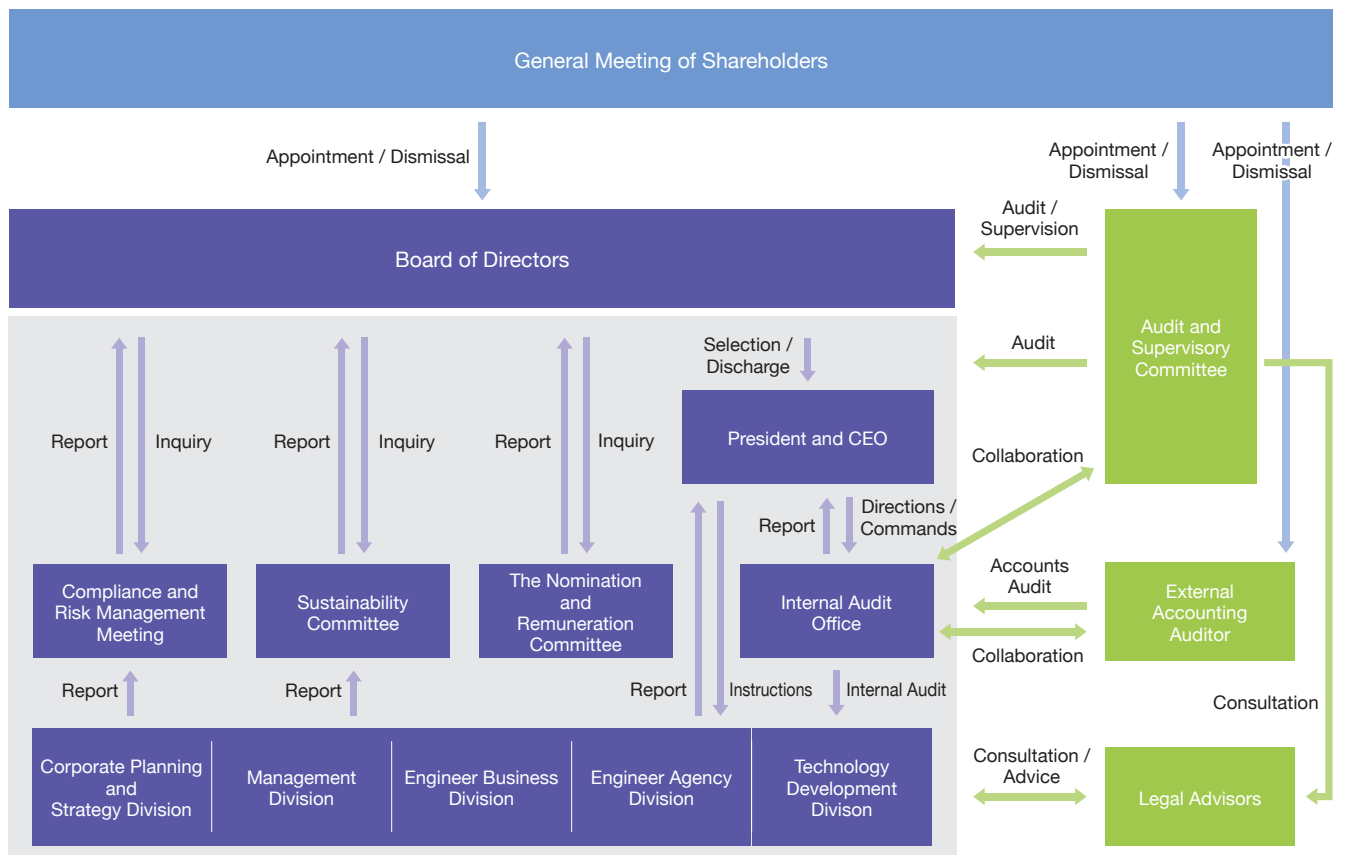
Basic Views

Artner's No.1 business challenge is steadily improving shareholder value over the long term. So in addition to expanding our business and ensuring profitability, we want to grow as a “technical partner” together with our client companies in various industries, as a collective of engineers focused on developing more and more advanced levels of technical expertise. At the same time, with a constant awareness of what society needs most, and a desire to create a demand for it, we strive for business efficiency and soundness to help in the sustainable development of the Company.

At Artner, we are highly conscious of our social responsibility as a company, so in addition to strictly observing all applicable laws and regulations, we strive to sustain and develop favorable relationships with shareholders, with our local community, with all of our client companies, and with all employees.

We are committed to further strengthening our internal control and risk management efforts through the application of business management systems (including internal control systems) to enable flexible adaptation to changes in the business environment. In this way, we will constantly improve our business management. Artner also will promptly disclose relevant information both inside and outside the company and enhance business transparency.

Company organization and internal control system



Overview of the Current Corporate Governance System

The Company has in place the Audit and Supervisory Committee, and has five Directors who are not members of the Audit and Supervisory Committee and three Directors who are members of it.

The Board of Directors

The Board of Directors is comprised of eight Directors, five of whom are not members of the Audit and Supervisory Committee and three who are members of the committee.

The Board meets twice a month: At a mid-month business report board meeting, the members deliberate on the Company's monthly business performance; and at a regular month-end board meeting, they deliberate and decide on matters relating to the Company's management plan, as well as significant matters relating to day-do-day business operations.

The Compliance and Risk Management Meeting

The Company convenes Compliance and Risk Management Meetings once a month, attended by the President and CEO and other Directors who are not members of the Audit and Supervisory Committee, Directors who are members of the committee, and division and department heads.

In these meetings, members discuss policies and actions to ensure that all officers and employees of the Company abide by laws and the Company's Articles of Incorporation, and draw up the Risk Management Guidelines.

Sustainability Committee

The Company convenes the Sustainability Committee four times a year, attended by the President and CEO and other Directors who are not members of the Audit and Supervisory Committee, Directors who are members of the committee, and division and department heads.

The members hold discussions to promote and manage the progress of issues and initiatives related to sustainability.

The Audit and Supervisory Committee

The Audit and Supervisory Committee is comprised of three Outside Directors and meets twice a month.

Directors who are members of the committee also attend board meetings and other important internal meetings. The committee provides impartial and independent oversight of the Company's corporate management, based on the audit standards as well as the audit policy and plans established by the committee.

The Nomination and Remuneration Committee

The Nomination and Remuneration Committee, chaired by the member of the Audit and Supervisory Committee, is composed of four members including the President and CEO and three members of the Audit and Supervisory Committee who are Outside Directors, and will be held at least four times a year.

The Nomination and Remuneration Committee will report to the Board of Directors on the appointment/dismissal and remuneration of Directors in order to enhance the fairness and objectivity of the decision-making process of nominating and determining the remuneration of Directors as well as enhancing corporate governance.

External Accounting Auditor of Record

The Company employs KPMG AZSA LLC as its accounting auditor of record.

The Company has no conflict of interest with the accounting firm or with the firm's managing partners who conduct accounting audits of the Company.

Policy and process for appointment or removal of director candidates who are not members of the Audit and Supervisory Committee

The Nomination and Remuneration Committee deliberates and reports to the Board of Directors on director candidates who are not members of the Audit and Supervisory Committee after an extensive scrutiny of their knowledge, experience, and ability necessary to manage the Company's business divisions and day-to-day operations. The Board of Directors then nominates the director candidates.

Policy and process for appointment or removal of director candidates who are members of the Audit and Supervisory Committee

The Nomination and Remuneration Committee deliberates and reports to the Board of Directors on director candidates who are members of the Audit and Supervisory Committee after an extensive scrutiny of their experience, expertise in corporate financing and accounting, practical knowledge on the Company's businesses, and general knowledge on corporate management necessary to audit and oversee the performance of duties by directors who are not members of the Audit and Supervisory Committee. The Board of Directors then nominates the director candidates.

Appointment or removal of the President and CEO

The Board of Directors, which includes three Outside Directors who are members of the Audit and Supervisory Committee, deliberates on the appointment or removal of the President and CEO from office when such need arises, based on the business performance of the Company as well as the job performance of the President and CEO.

Regarding future CEO appointments and dismissals, Nomination and Remuneration Committee, a voluntary advisory board composed of a majority of Independent Directors, shall deliberate and report to the Board of Directors, thereby establishing a structure with high fairness, transparency and objectivity under appropriate supervision from the Board of Directors.

Succession plan

The Company recognizes that it is critically important to have in place a succession plan for the President and CEO and other members of the Executive Team. The Board of Directors is responsible for nominating successors to these members from among qualified candidates after an extensive scrutiny of their experience, knowledge, and expertise in recruiting, training, sales, and administrative functions that support the Company's engineer placement business.

Regarding future nominations of successors to the President and CEO, and other members of the Executive Team, a voluntarily established Nomination and Remuneration Committee, composed of a majority of Independent Directors, shall deliberate and make recommendations to the Board of Directors, thereby establishing a structure with high fairness, transparency and objectivity under appropriate supervision from the Board of Directors.

Appointment or removal of Executive Team members




The Board of Directors makes a decision upon deliberation of the job performance of the member and other factors.

Status of outside directors

The Company has three outside directors, and one of them holds shares of the Company. Apart from this shareholding position, none of the three outside directors has any vested interests in the Company, including personal, capital, or business relationships.

Each outside director plays a role in ensuring that highly effective audits are conducted, from an objective and neutral view point, and we believe that the current system satisfactorily fulfills its management monitoring and advisory functions. The three outside directors are designated as independent directors as defined by the Tokyo Stock Exchange and they are registered with the exchange.

Although the Company does not have any specific standards or policies regarding independence for the appointment of outside directors, when making such appointments we not only meet the regulatory requirements established by the Companies Act, but also take into account the Tokyo Stock Exchange's criteria for ensuring the independence of independent directors.

	Reasons for appointment
	He has been appointed as Outside Director as he has a wealth of experience and expertise gained from years of service in key roles and positions at financial institutions and in corporate management, and as he is expected to deliver well-rounded judgments based on his unique career and provide impartial and objective oversight.
Attendance	Attended all 14 meetings of the Board of Directors and all 12 meetings of the Audit and Supervisory Committee since assuming office on July 29, 2022.
	Reasons for appointment
	He has been appointed as Outside Director as he has a wealth of experience and expertise gained from years of service in key roles and positions at financial institutions, and as he is expected to deliver well-rounded judgments based on his unique career and provide impartial and objective oversight.
Attendance	Attended all 31 meetings of the Board of Directors and all 26 meetings of the Audit and Supervisory Committee.
	Reasons for appointment
	He has been appointed as Outside Director as he has a wealth of experience and expertise gained from his career at key positions at Takara Standard Co., Ltd., and as he is expected to deliver wellrounded judgments based on his unique career and provide impartial and objective oversight.
Attendance	Attended all 31 meetings of the Board of Directors and all 26 meetings of the Audit and Supervisory Committee.

Policies for determining the remuneration of directors and calculation methods

Remuneration of directors

The remuneration of directors consists of a basic remuneration and a performance-linked bonus. The upper limits of the remuneration established by resolution at the general meeting of shareholders held on April 27, 2017, are ¥200 million per year for five directors who are not members of the Audit and Supervisory Committee and ¥30 million per year for three directors who are members of the Committee.

The Board of Directors and the Audit and Supervisory Committee

The Board of Directors and the Audit and Supervisory Committee have the authority over the remuneration of directors. This authority extends to deliberating and determining the amount of a basic remuneration and a performance-linked bonus for each director.

The remuneration of directors who are not members of the Audit and Supervisory Committee is determined solely by the Board of Directors, whereas the remuneration of Audit and Supervisory Committee members is determined by deliberation among the members of the Committee.

Determining the policy for determining the remuneration for each individual

The method of determining this policy is set forth in the rules concerning the remuneration of directors, resolved by the Board of Directors.

The Board of Directors

The Board of Directors receives reports that are deliberated by the Nomination and Remuneration Committee based on the policy for determining the remuneration and within the range of the total amount resolved by the General Meeting of Shareholders, so the Board of Directors deems that the content of the report is in line with the said policy.

The policy for determining the percentage of the amount of remuneration for each individual

This policy shall be decided based on the reports that are deliberated by the Nomination and Remuneration Committee, comprehensively taking into account the role and contribution status of each director as well as business performance.

The basic remuneration

The basic remuneration is determined based on the amount established for each director position, with the Company's business performance, relative weight against employee salaries, and remuneration levels at other companies taken into consideration. However, if it is not appropriate to pay a remuneration calculated in such a manner due to a significant decline in the Company's business performance or other factors, the Company reserves the right to reduce the amount of basic remuneration.

The metrics for performance-linked bonuses

The metrics for performance-linked bonuses is calculated using a formula based on the Company's annual profit, as this is judged to be the most reasonable way to measure the performance of directors.

Total amount of remuneration of directors(FY2023)

*The remuneration below includes that of one outside director who resigned as of July 29, 2022.

Type of director	Total amount of remuneration (in thousands of yen)	Amount by type of remuneration (in thousands of yen)		Number of corresponding directors
		Basic remuneration	Performance-linked bonus	
Directors who are not members of the Audit and Supervisory Committee or outside directors	109,896	93,109	16,787	5
Outside directors	24,096	22,815	1,281	4

Analysis and evaluation of the effectiveness of the Board of Directors

Under its Corporate Governance Code, the Company periodically analyzes and evaluates the effectiveness of its Board of Directors in order to make it work better.

A summary of the findings from the analysis and evaluation conducted for the fiscal year ended January 31, 2023, is as follows.

Evaluation method and process

A questionnaire survey to evaluate effectiveness for the fiscal year ended January 31, 2023, was distributed to all eight directors. Based on the responses collected, the Board of Directors discussed its issues and actions to address them.

Evaluation items

The Company conducted a 31-item questionnaire survey to evaluate effectiveness. The survey asked members of the Board to make a self-evaluation by giving comments and grading on a point scale.

The survey focused on the following five areas:

- a. The composition of the Board of Directors
- b. Planning, convening, and administration of board meetings
- c. Matters selected for deliberation at board meetings
- d. Administrative assistance provided to the Board of Directors
- e. Relationships with shareholders



Summary of the analysis and evaluation results

The Company has found from the most recent survey results that the effectiveness of its Board of Directors has been maintained.

The Nomination and Remuneration Committee discussed and reported to the Board of Directors the basic policy on the requirements, qualifications, and education for President and CEO, directors, and other executives as the main items for deliberation, and confirmed the need for continuous discussion.

It was also confirmed that important agenda items for the Board of Directors, such as the Medium-Term Business Plan and risk management efforts, require discussion on medium- and long-term strategies and appropriate supervision of the progress of each measure.

The way forward

The Board of Directors will take the necessary actions to address some remaining issues identified from the survey to continue to enhance its effectiveness.

Summary of Major Risks and Countermeasures

Artner has defined a clear system for managing different risks in which we classify and define management risks, and each responsible division identifies and analyzes the risk situation for each type of risk. Under this system, the various kinds of risks are managed through the Compliance and Risk Management Meeting. Management and countermeasures for each type of risk are clarified and managed in the meeting.

Development of the Internal Controls System

The Company has developed an internal control system in accordance with the basic framework of the internal control system established by the Board of Directors.

The Compliance and Risk Management Meeting

At Artner, we have implemented the Compliance and Risk Management Meeting, chaired by the President and CEO, as part of a system aimed at thoroughly educating employees regarding all applicable laws and regulations and the Articles of Incorporation, and also ensuring such compliance.

Internal Whistleblowing System

We have set up an internal whistleblowing system, under which Directors, employees, and other people engaged in work for the Company can report corruption or wrongdoing to the Whistleblowing Committee, which has a duty of confidentiality. It is prohibited to subject persons who submit whistleblower reports using the system to any disadvantageous treatment as a result of such reporting. The system is designed to ensure the effectiveness of whistleblowing to prevent or quickly detect violations of applicable laws and regulations.

Internal Audits by the Internal Audit Office

The Internal Audit Office, operating independently of other divisions that execute business practices, conducts internal audits. Through such audits, it verifies the appropriateness and effectiveness of the internal management system of each division, and by promoting the improvement of the systems, it ensures that all employees lawfully execute their duties.

Risk	Definition	Countermeasure
Performance trends in the manufacturing industry	Our major clients belong to the manufacturing industry, and we dispatch engineers primarily to their design and development departments. There is a risk that these major clients may reduce their capital investments, R&D costs, and the use of external engineers due to economic recession and other factors in the countries or regions in which they operate. There is a risk that significant changes in the business environment may take place for automobile-related manufacturers, which account for a large share of our sales.	We will strengthen measures such as sector rotation and new business development and sales in order to build a client base that is capable of ensuring stable earnings that are not dependent on specific sectors or influenced by specific corporate trends.
Competition with other companies in the industry	There is a risk that competition with other companies may intensify due to market contraction or new entrants in the engineer staffing industry, where we operate our business, and this may result in a fierce price competition.	We will facilitate the improvement of all engineers' skill levels through educational programs and training curricula segmented by business field, with the aim of promoting the assignment of engineers to upstream business areas where the unit price of engineers is likely to be higher.
Effectiveness of education and training	There is a risk that the training does not turn out to be as effective as expected and the unit price of engineers does not increase due to low customer satisfaction, as well as the risk that we fail to satisfy the requests from clients, and they start to make complaints.	We will support our engineers in improving their skills by providing general, external, basic, customized, and/or career training based on our long-accumulated experience. We will strive to improve the technical and human skills of our staff by holding skill development seminars for all employees and human development training for managers.
Securing suitable clients for our dispatching business	Although we always strive to secure and expand our clients for our engineer dispatching business, there is a risk that we may be unable to find suitable clients that match our engineers and cannot maintain or improve the unit price of engineers and/or utilization rates.	We will secure and expand our business partners by strengthening our new business development and sales capabilities, utilizing online conferencing tools, and making proposals for the selection of engineers, team dispatching, and organization of contracting services in response to client needs.
Regulations on total work person-hours	The total work person-hours of our engineers is determined based on the business conditions of the client company. There is a risk that the revisions to relevant laws and regulations generate a larger pressure against long working hours, which may result in a significant decrease in the total work person-hours of engineers.	To compensate for a decrease in the total work person-hours, we will facilitate the improvement of all engineers' skill levels through educational programs and training curricula segmented by business field, with the aim of promoting the assignment of engineers to upstream business areas where the unit price of engineers is likely to be higher.
Securing science and engineering graduates	We consider science and engineering graduates to be an important managerial resource, and there is a risk that the population of science and engineering graduates may decrease due to the declining birth rate and other factors, making it significantly more difficult to hire talented graduates.	We will attract students by offering a variety of options, including a performance-based salary system, a limited area system, an internal recruitment program, and a job change assistance program.
Securing career engineers	We consider engineers with work experience to be an important managerial resource, and there is a risk that the competition to secure career hires may intensify due to a shortage of engineers who wish to change jobs as a result of booming design and development activities in the manufacturing industry, making it significantly more difficult to hire talented career engineers.	We will attract prospective employees by offering a variety of options, including a performance-based salary system, a limited area system, an internal recruitment program, and a job change assistance program.
Information management	There is a risk that information may be leaked to outside parties for some reason, and our social credibility will be damaged. There is a risk that system failures and other problems may be caused by computer viruses, unauthorized access, natural disasters, or other unforeseen events.	We will acquire the "PrivacyMark" and introduce other such measures to properly manage personal information, confidential information, and all other information obtained in the course of business operations. We will take appropriate cybersecurity measures to ensure the stable supply of our services.
Laws, regulations, licenses, and permits	There is a risk that we may violate the Worker Dispatching Act and other relevant laws and regulations, which would hinder the continuity of our business. There is a risk that revisions to relevant laws and regulations may be made that are significantly unfavorable to our business.	We consider compliance with the Worker Dispatching Act and other relevant laws and regulations to be one of our highest priorities, and we will maintain a legal compliance system by monitoring compliance with laws and regulations via internal audits and by regularly confirming compliance with laws and regulations at different meetings. We will take appropriate measures whenever relevant laws and regulations are revised.
Disasters, accidents, etc.	There is a risk that natural disasters, man-made disasters, and other disasters and accidents that significantly exceed our prediction may take place. There is a risk that our business activities may be hindered as a result of the spread of COVID-19 and other infectious diseases.	We will establish a Business Continuity Plan (BCP) and manual to deal with such disasters and accidents in an effort to mitigate the damage.
Climate change	There is a risk that our business activities may be halted or stagnated as a result of our facilities being damaged by natural disasters due to climate change. If a carbon tax is introduced or environmental regulations are tightened as part of the government's efforts to transition to a decarbonized society, there is a risk that we may be unable to offer personnel that meet our clients' demands for engineers committed to carbon neutrality initiatives.	We have announced our support for the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) and have rated climate change as a high-priority issue. We will commit to taking actions and initiatives based on our environmental activity policy with the aim of achieving a more sustainable society.
Mergers and acquisitions	There are risks of significant capital demands and amortization of goodwill, etc. Such M&As may not necessarily generate synergies as expected, and there is a risk that business performance may not progress as expected due to major changes in the business environment or business conditions.	Our M&As are implemented after thorough consideration of the risks involved by conducting preliminary research through detailed due diligence on market trends and client needs, as well as the financial status and contractual relationships of the target company.
Medium-Term Business Plan	There is a risk that the market environment or economic conditions may change dramatically beyond expectations, and the business environment may not develop as predicted.	We will promote the Medium-Term Business Plan with carbon neutrality as the pillar of our business activities and establish internal systems for recruitment, training, and sales activities.
Prime Market listing maintenance criteria	Depending on our financial status and business performance as well as the market environment and economic conditions, there is a risk that we may not be able to meet the Prime Market's listing maintenance criteria by the fiscal year ending January 31, 2025.	In order to meet the listing maintenance criteria by the fiscal year ending January 31, 2025, we will take various measures such as increasing the ratio of tradable shares, increasing earnings per share (EPS), increasing shareholder returns, and improving capital efficiency.

(center)
Director and standing member of the
Audit and Supervisory Committee

NOMURA Ryuichiro

(left)
Director and member of the
Audit and Supervisory

TERAMURA Yasuhiko

(right)
Director and member of the
Audit and Supervisory Committee

MORII Shinichiro



How do you see your roles as Outside Directors and Audit and Supervisory Committee members?

Nomura: In addition to auditing the work of the Executive Directors, I work with the Directors to enhance transparency and fairness in corporate governance. At the same time, I try to provide them with advice, drawing from my experience, connections, and expertise.

Teramura: As stipulated by law, and on behalf of the shareholders, my first priority is to establish a corporate governance system through the work of the Executive Directors. I also aim to encourage the Executive Directors to act proactively by leveraging my experience and knowledge to advise them on management policies and areas for improvement.

Morii: I supervise the overall management of the company by providing advice on management policies and areas for improvement, focusing on both the “defensive” aspect of striving to maintain an environment in which governance is implemented properly and risks are mitigated, and the “growth-oriented” aspect of achieving sustainable growth, with the ultimate goal of maximizing corporate value.

Looking back on the previous Medium-Term Business Plan, what are your thoughts on the new Medium-Term Business Plan?

Nomura: I think the new Medium-Term Business Plan, which was prepared while selecting the Prime Market of the Tokyo Stock Exchange, is appropriate. The target of net sales of 11.6 billion yen by FY2025 (final year of the Medium-Term Business Plan) is well within reach. In the midst of a drastically changing social environment, I believe that stakeholders will appreciate that the company has positioned carbon neutrality as a pillar of its operations, which will lead to an increase in corporate value.

Teramura: The previous Medium-Term Business Plan coincided exactly with the COVID-19 pandemic. Although the company struggled in FY2022 due to delays in assigning newly graduated employees and other factors, client demand for our dispatched engineers remained strong, and there was no significant slowdown of business. Under these circumstances, with respect to strategies by segment, which is one of the Basic Measures of the Medium-Term Business Plan, I believe that the company made steady progress in the recruitment, education, and assignment of talent in each segment. The Audit and Supervisory Committee conducts interviews every year with the individuals in charge of each division within the company, and I feel that appropriate

measures are being taken for each segment in terms of recruitment, education, and assignment. The new Medium-Term Business Plan was created in response to the reorganization of the Tokyo Stock Exchange, when the company selected the Prime Market. The basic policies remain unchanged from the previous Medium-Term Business Plan, but the new plan specifies that the company will focus on dispatching engineers to carbon neutral fields. The company has dispatched many engineers to carbon neutral fields so far, and this is a well-timed measure, considering clients’ current needs and the characteristics of the company’s engineers. As for diversity and inclusion in talent management, women and foreign workers (overseas students) are gradually coming to play more active roles. The fact that work is increasing in the contracting business is also a plus in this regard. The company’s immediate task is to satisfy the criterion for tradable share market capitalization, which is part of the listing maintenance criteria for the Prime Market. I believe that the company will be able to achieve this goal by steadily working on the various tasks listed in the Medium-Term Business Plan.

Morii: Achieving the targets of the Medium-Term Business Plan will lead to fulfillment of the listing maintenance criteria. To do so, the company needs to closely monitor progress and address any issues and tasks early-on. The market size of the engineer dispatching business and clients’ R&D costs are increasing year after year, so it is important to work toward achieving the goal of reaching 1,600 engineers.

What is your assessment of the effectiveness of the Board of Directors and how it operates?

Nomura: The Board of Directors meets twice a month, once to deliberate on the company’s business performance, and once to decide on important matters. Detailed matters are reported at business report board meetings, and management strategies are discussed at regular month-end board meetings, with an eye to increasing corporate value over the medium to long term. I think it is an effective operational approach. In addition, based on the content discussed in these meetings, specific measures are discussed at company-wide verification meetings and management strategy meetings. I think everyone is mindful of streamlining this process for prompt and accurate operational measures.

Teramura: The Board of Directors holds two separate meetings, which helps to narrow down the agenda for each Board of Directors meeting. I believe it operates effectively. Very detailed matters are reported at the business report board

meetings. Although it can be a little too detailed, it is helpful for us Outside Directors to understand the situation inside the company. I also appreciate that the board meeting materials are distributed at least one day in advance, and that the documents about important agenda items are presented in advance at a prior board meeting to allow us time to review them carefully. In addition, because I am based at the Tokyo headquarters, I am able to ask questions about detailed matters to the Corporate Planning and Strategy Division on the same floor. This has been very helpful for our auditing activities.

Morii: I think that the bimonthly board meetings and quarterly special board meetings enable all Directors to communicate and share their opinions on policies and issues.



What is your assessment of the company's sustainability efforts?

Nomura: The company is aiming to achieve its management philosophy based on the basic policies of cultivating people, employee happiness, corporate governance, and contributing to society. I expect the company to continue to strengthen its efforts around sustainability, including social responsibility and environmental issues.

Teramura: Originally, the company mainly focused its efforts on

contributions to society as a form of CSR. In July 2022, however, it reorganized the then CSR Promotion Meeting into the Sustainability Committee, strengthening its efforts to address sustainability issues. The company has been focusing on developing talent and strengthening governance, and I expect it to make further progress toward achieving the goals it has set in its materiality assessment.

Morii: I commend the company for promoting a business plan that places carbon neutrality as one of the pillars of its business activities, and for its progress in tightening governance and compliance.

What do you think Artner's role should be in addressing social issues, and how has it contributed to that end?

Nomura: I believe that the company is enhancing its responsiveness by providing educational opportunities for its engineers to improve their skills, and by striving to enhance their technical and human capabilities. I applaud the company for its role in society, which is supporting engineers and working to contribute to the sustainable growth of client companies.

Teramura: Japan's employment system has changed drastically from one that was mainly based on a model of lifetime employment. Today, in what is also known as the VUCA (Volatile, Uncertain, Complex, and Ambiguous) age, younger generations need to hone their skills even more than our generation and grow up prepared to adapt to any social environment. Artner provides young engineers with job and learning opportunities, and offers a variety of career paths to suit each individual's respective interests. It can be said that the company is contributing to society by improving Japan's technical capabilities and providing a place for reskilling. Going forward, I believe that the company can make an even greater contribution to society by further promoting diversity and inclusion in talent management, as outlined in its Medium-Term Business Plan.

Morii: Going forward, the company will need to continue to expand its operations toward carbon neutrality in line with the SDGs. I also think that it is important to engage in community service activities.

What are some of the challenges facing Artner? What are your expectations for Artner in the future?

Nomura: Meeting the listing maintenance criteria for the Prime Market of the Tokyo Stock Exchange and fulfilling the

Medium-Term Business Plan. The company is facing a difficult environment in terms of recruitment and other matters, I am certain that it will achieve these goals. In the future, I hope that Artner will contribute to the creation of a more enriched society by meeting clients' needs and gaining their confidence through the provision of talent that will contribute to a variety of technologies and services, such as EVs and industrial robots.

Teramura: As discussed by the Nomination and Remuneration Committee, Artner celebrated the 60th anniversary of its founding in 2022, and it will need to pass down the management of the company to the next generation in the not-too-distant-future. The majority of the current officers have been involved in the management of the company since before it went public. I think they need to start searching for and developing talent to lead the next generation right now. Going forward, I hope that young employees will take the initiative in growing the company.

Morii: The aging of Directors and the low utilization rate of women are challenges that the company needs to resolve. I also think there is much room for improvement in cooperation and information-sharing between units.



Lastly, please leave us with a message from your respective standpoints.

Nomura: The company must achieve sustained growth and increase its medium- and long-term enterprise value in order to fulfill its responsibility to society in cooperation with shareholders and other stakeholders. I will strive to ensure the effectiveness of corporate governance by exercising my audit capability and being mindful of maintaining objectivity.

Teramura: Although progress on the Medium-Term Business Plan has been smooth so far, the most important things to watch out for are scandals and any other issues that may betray shareholders' expectations. To avoid this, it is critical to ensure that the company's Internal Control System is well managed and that everyone deals with issues with a sense of urgency. We, too, are determined to do our utmost to avoid any such issues.

Morii: This is a growing and expanding industry, and market conditions are good. I believe that there is a bright and promising future ahead if the entire company tackles each challenge and plan.

Directors who are not members of the Audit and Supervisory Committee As of April 27, 2023



President and CEO | SEKIGUCHI Sozo |

Born December 31, 1964	February 2012	Appointed Head of the Hyper Artner Business Division
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)	



Director | HARIGAE Tomonori | Head of the Management Division

Born May 24, 1954	February 2007	Appointed Managing Director; Head of the Management Division
April 1978	Joined Toyobo Interior Co., Ltd.	
March 1982	Joined Osaka Technology Center Co., Ltd. (previous name of the Company)	May 2008
March 1990	Appointed Head of the Kanto Business Dept.	Appointed Director; Head of the Management Division (current)
March 1991	Appointed Director	
March 1993	Appointed Managing Director; Head of the General Affairs Dept.	



Director | OKUSAKA Kazuya | Head of the Engineer Business Division

Born September 3, 1955	March 2009	Appointed Managing Director; Head of the Technology Development Division
April 1978	Joined Osaka Technology Center Co., Ltd. (previous name of the Company)	February 2010
October 1993	Appointed Head of the No.3 Business Dept.	Appointed Managing Director; Head of the Business Promotion Division
February 2002	Appointed Standing Auditor	February 2011
April 2004	Appointed Managing Director; Head of the Human Resources Dept.	Appointed Managing Director; Head of the Engineer Business Division
February 2007	Appointed Managing Director; Head of the Human Resources Division	April 2011
April 2007	Appointed Managing Director; Head of the Business Management Division	Appointed Director; Head of the Engineer Business Division
		February 2013
		Appointed Director; Head of the Human Resources Business Division
		February 2016
		Appointed Director; Head of the Engineer Business Division (current)



Director | SATO So | Head of the Corporate Planning and Strategy Division; Head of the Engineer Agency Business Division

Born August 14, 1973	April 2015	Appointed Director; Head of the Corporate Planning and Strategy Division; Head of the Engineer Agency Business Division
April 1998	Joined Nihon Bayer Agrochem (now Bayer Crop Science)	
June 2004	Joined Aon Affinity	February 2016
April 2007	Joined Artner Co., Ltd. Appointed Head of the Corporate Planning and Strategy Division	Appointed Director; Head of the Corporate Planning and Strategy Division
February 2013	Appointed Head of the Corporate Planning and Strategy Division; Head of the Engineer Agency Business Division	February 2022
		Appointed Director; Head of the Corporate Planning and Strategy Division; Head of the Engineer Agency Business Division (current)



Director | EGAMI Yoji | Head of the Technology Development Division

Born September 26, 1958	February 2011	Appointed Director; Head of the Human Resources Business Division
April 1981	Joined Osaka Technology Center Co., Ltd. (previous name of the Company)	February 2013
February 2007	Appointed Head of the Technology Development Dept. of the Human Resources Division	Appointed Director; Head of the Engineer Business Division
April 2007	Appointed Director; Head of the Human Resources Division	February 2016
February 2010	Appointed Director; Head of the Business Promotion Division	Appointed Director; Head of the Human Resources Business Division
		February 2022
		Appointed Director; Head of the Technology Development Division (current)

Directors who are members of the Audit and Supervisory Committee

As of April 27, 2023



Director and standing member of the Audit and Supervisory Committee | **NOMURA Ryuichiro** | Outside Director / Independent Director

Born February 18, 1956
 April 1978 Joined Yasuda Trust & Banking Co., Ltd. (now Mizuho Trust & Banking Co., Ltd.)
 May 1999 Appointed Kinshicho Branch Manager
 April 2002 Appointed Hiroshima Branch Manager
 April 2004 Appointed Head of the Securities Agency Sales Dept.
 October 2005 Appointed Head of the Solution Sales Dept.
 April 2007 Appointed Executive Officer; Head of the Solution Sales Dept.
 April 2008 Joined Mizuho Realty Co., Ltd. as Senior Managing Executive Officer
 September 2016 Joined Taiyo House Co., Ltd. as Vice President
 March 2020 Joined Nihon Unist Inc. as Advisor
 August 2020 Joined Marubeni Private Reit Inc. as Executive Officer
 July 2022 Joined Artner Co., Ltd. as Director and member of the Audit and Supervisory Committee
 April 2023 Joined Artner Co., Ltd. as Director and standing member of the Audit and Supervisory Committee (current)



Director and member of the Audit and Supervisory Committee | **TERAMURA Yasuhiko** | Outside Director / Independent Director

Born November 22, 1955
 April 1978 Joined The Bank of Yokohama, Ltd.
 December 1997 Appointed New York Branch Manager
 April 2003 Appointed Executive Officer; Head of the Financial Markets Dept.
 April 2006 Appointed Managing Executive Officer
 June 2006 Joined Kyodo Shiryō Co., Ltd. (now Feed One Co., Ltd.) as Part-time Auditor
 November 2007 Joined Mabuchi Corporation as Managing Director
 November 2008 Appointed Senior Managing Director
 June 2011 Joined Sagami Transportation & Warehouse Co., Ltd. as Outside Director
 November 2018 Joined Multitrans, Ltd. as CEO
 April 2021 Joined Artner Co., Ltd. as Director and standing member of the Audit and Supervisory Committee
 April 2023 Joined Artner Co., Ltd. as Director and member of the Audit and Supervisory Committee (current)



Director and member of the Audit and Supervisory Committee | **MORII Shinichiro** | Outside Director / Independent Director

Born November 28, 1953
 March 1976 Joined Takara Standard Co., Ltd.
 May 2006 Appointed Kansai Direct Demand Branch President
 April 2011 Appointed Executive Officer; Kansai Direct Demand Branch President
 April 2013 Appointed Managing Executive Officer;
 April 2019 Kansai Direct Demand Branch President
 Appointed Managing Executive Officer; Kansai Direct Demand Branch Manager and Chubu Direct Demand Branch Manager
 June 2020 Appointed Advisor
 April 2021 Joined Artner Co., Ltd. as Director and member of the Audit and Supervisory Committee (current)

Skill Matrix of Executives

Name	Positions and areas of responsibility	Corporate management	Business strategy	Recruitment and development	Sales	Finance and accounting	Governance
SEKIGUCHI Sozo	President and CEO	●	●	●	●	●	
HARIGAE Tomonori	Director Head of the Management Division	●		●	●	●	
OKUSAKA Kazuya	Director Head of the Engineer Business Division	●		●	●		
SATO So	Director Head of the Corporate Planning and Strategy Division; Head of the Engineer Agency Business Division	●	●	●		●	
EGAMI Yoji	Director Head of the Technology Development Division	●		●	●		
NOMURA Ryuichiro	Outside Director and member of the Audit and Supervisory Committee	●			●	●	●
TERAMURA Yasuhiko	Outside Director and standing member of the Audit and Supervisory Committee	●				●	●
MORII Shinichiro	Outside Director and member of the Audit and Supervisory Committee				●		●

Note: The table above does not represent all the experience and expertise possessed by each candidate for Director.

	FY2013	FY2014	FY2015	FY2016
■ Operating Results (¥million)				
Net sales	4,020	3,856	4,287	4,761
Gross profit	1,291	1,238	1,418	1,580
Operating profit	290	188	336	431
Ordinary profit	291	193	341	432
Profit before income taxes	290	192	338	427
Profit	286	118	210	276
Cash flows from operating activities	339	77	512	307
Cash flows from investing activities	(3)	8	(15)	(3)
Cash flows from financing activities	(199)	(233)	(123)	(79)
Free cash flows	336	85	497	304
■ Financial Position (¥million)				
Total assets	1,547	1,385	1,830	2,102
Net assets	968	995	1,153	1,357
■ Per Share Data (¥)				
Earnings per share	26.99	11.20	19.83	26.02
Net assets per share	91.15	93.67	108.51	127.78
Dividend per share	8.75	5.00	6.25	8.75
* Earnings per share and Net assets per share were retroactively revised to factor in the impact of stock splits conducted as follows. •February 1, 2017 (1 : 2 stock split) •April 1, 2018 (1 : 2 stock split)				
■ Management Indicators (%)				
Equity ratio	62.6	71.8	63.0	64.6
Return on equity (ROE)	33.7	12.1	19.6	22.0
Return on assets (ROA)	20.1	13.2	21.2	22.0
Gross margin	32.1	32.1	33.1	33.2
Operating margin	7.2	4.9	7.9	9.1

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2033
	5,153	5,765	6,331	7,002	7,174	8,102	9,242
	1,802	2,039	2,298	2,540	2,731	2,800	3,073
	553	681	785	886	887	1,010	1,194
	564	690	794	893	910	1,032	1,203
	564	690	792	893	913	1,057	1,203
	363	480	540	613	628	728	895
	192	471	612	591	899	770	872
	(15)	(25)	(75)	(42)	(30)	33	(24)
	(105)	(134)	(169)	(215)	(232)	(270)	(426)
	177	446	537	549	869	803	848
	2,289	2,763	3,264	3,801	4,432	5,088	5,673
	1,616	1,963	2,333	2,728	3,123	3,582	4,047
	34.22	45.27	50.91	57.73	59.16	68.59	84.24
	152.10	184.81	219.59	256.77	293.93	337.14	380.96
	11.25	15.00	18.00	20.50	23.00	34.50	60.00
	70.6	71.1	71.5	71.8	70.5	70.4	71.4
	24.4	26.9	25.2	24.2	21.5	21.7	23.5
	25.7	27.3	26.3	25.3	22.1	21.7	22.4
	35.0	35.4	36.3	36.3	38.1	34.6	33.3
	10.7	11.8	12.4	12.7	12.4	12.5	12.9

Balance Sheet

(Thousands of yen)

	As of January 31, 2022	As of January 31, 2023
Assets		
Current assets		
Cash and deposits	3,554,199	3,975,881
Accounts receivable - trade	1,011,154	1,129,522
Work in process	950	4,099
Raw materials and supplies	3,637	3,689
Prepaid expenses	31,293	30,788
Accounts receivable - other	1,336	365
Other	19,081	23,610
Allowance for doubtful accounts	(6,000)	(6,700)
Total current assets	4,615,653	5,161,256
Non-current assets		
Property, plant and equipment		
Buildings	108,238	109,981
Accumulated depreciation	(68,732)	(72,934)
Buildings, net	39,505	37,046
Structures	1,172	1,172
Accumulated depreciation	(1,172)	(1,172)
Structures, net	0	0
Tools, furniture and fixtures	47,567	51,188
Accumulated depreciation	(30,326)	(33,494)
Tools, furniture and fixtures, net	17,240	17,693
Land	25,685	25,685
Total property, plant and equipment	82,431	80,424
Intangible assets		
Software	35,489	25,715
Telephone subscription right	1,654	1,654
Total intangible assets	37,143	27,370
Investments and other assets		
Investment securities	8,805	10,099
Investments in capital	1,250	1,250
Long-term prepaid expenses	1,150	563
Deferred tax assets	256,431	296,162
Leasehold and guarantee deposits	84,959	94,876
Other	1,159	1,185
Total investments and other assets	353,755	404,137
Total non-current assets	473,330	511,932
Total assets	5,088,983	5,673,188

(Thousands of yen)

As of
January 31, 2022 As of
January 31, 2023

Liabilities

Current liabilities

Accounts payable - other	255,536	279,675
Accrued expenses	74,585	82,074
Income taxes payable	232,197	179,813
Accrued consumption taxes	203,266	221,798
Deposits received	15,255	17,700
Unearned revenue	37	37
Provision for bonuses	141,450	165,195
Other	4,875	7,290
Total current liabilities	927,204	953,585

Non-current liabilities

Provision for retirement benefits	579,533	671,645
Total non-current liabilities	579,533	671,645
Total liabilities	1,506,737	1,625,230

Net assets

Shareholders' equity

Share capital	238,284	238,284
Capital surplus		
Legal capital surplus	168,323	168,323
Total capital surplus	168,323	168,323
Retained earnings		
Legal retained earnings	10,460	10,460
Other retained earnings		
General reserve	40,000	40,000
Retained earnings brought forward	3,120,984	3,585,798
Total retained earnings	3,171,444	3,636,258
Treasury shares	(739)	(739)
Total shareholders' equity	3,577,312	4,042,126

Valuation and translation adjustments

Valuation difference on available-for-sale securities	4,933	5,832
Total valuation and translation adjustments	4,933	5,832
Total net assets	3,582,246	4,047,958
Total liabilities and net assets	5,088,983	5,673,188

Profit and Loss Statement

(Thousands of yen)

	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023
Net sales	8,102,991	9,242,360
Cost of sales	5,302,936	6,168,503
Gross profit	2,800,055	3,073,856
Selling, general and administrative expenses	1,789,646	1,879,747
Operating profit	1,010,409	1,194,108
Non-operating income		
Interest income	1	1
Dividend income	281	284
Commission income	593	574
Sales income of training materials	625	593
Rental income from land and buildings	650	408
Dividend income of insurance	6,048	6,870
Subsidy income	14,794	594
Other	1,287	1,130
Total non-operating income	24,283	10,457
Non-operating expenses		
Interest expenses	98	130
Cancellation penalty	2,025	1,330
Other	227	49
Total non-operating expenses	2,351	1,511
Ordinary profit	1,032,341	1,203,054
Extraordinary income		
Gain on sale of non-current assets	25,523	-
Total extraordinary income	25,523	-
Extraordinary losses		
Loss on retirement of non-current assets	78	0
Total extraordinary losses	78	0
Profit before income taxes	1,057,786	1,203,054
Income taxes - current	368,774	348,034
Income taxes - deferred	(39,773)	(40,127)
Total income taxes	329,000	307,906
Profit	728,785	895,148

Cash Flow Statement

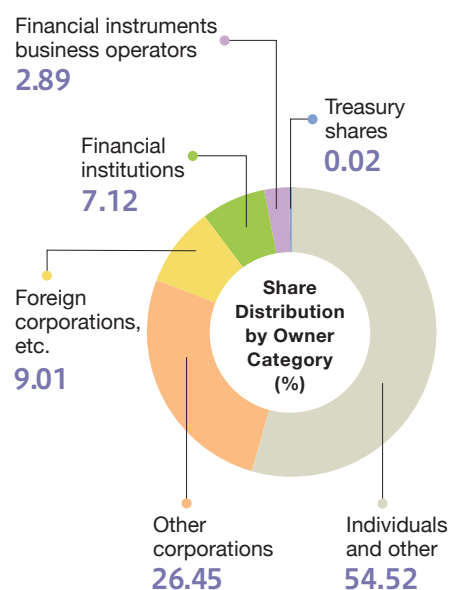
(Thousands of yen)

	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023
Cash flows from operating activities		
Profit before income taxes	1,057,786	1,203,054
Depreciation	28,675	25,922
Increase (decrease) in allowance for doubtful accounts	700	700
Increase (decrease) in provision for bonuses	24,663	23,745
Increase (decrease) in provision for retirement benefits	75,490	92,111
Interest and dividend income	(282)	(285)
Interest expenses	98	130
Gain on sale of non-current assets	(25,523)	-
Loss on retirement of non-current assets	78	0
Decrease (increase) in accounts receivable – other	(76)	970
Decrease (increase) in trade receivables	(115,227)	(118,368)
Decrease (increase) in inventories	787	(3,200)
Increase (decrease) in accrued consumption taxes	19,695	18,531
Increase (decrease) in accounts payable – other	90,675	24,139
Other, net	(65,967)	4,945
Subtotal	1,091,572	1,272,396
Interest and dividends received	282	285
Interest paid	(98)	(130)
Income taxes paid	(320,821)	(399,953)
Net cash provided by (used in) operating activities	770,935	872,598
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,015)	(7,042)
Proceeds from sale of property, plant and equipment	43,779	-
Purchase of intangible assets	(6,248)	(7,099)
Payments of leasehold and guarantee deposits	(144)	(10,154)
Proceeds from refund of leasehold and guarantee deposits	298	238
Other, net	(26)	(26)
Net cash provided by (used in) investing activities	33,643	(24,085)
Cash flows from financing activities		
Dividends paid	(270,037)	(426,831)
Net cash provided by (used in) financing activities	(270,037)	(426,831)
Net increase (decrease) in cash and cash equivalents	534,541	421,681
Cash and cash equivalents at beginning of period	3,019,657	3,554,199
Cash and cash equivalents at end of period	3,554,199	3,975,881

Stock Data

Fiscal Year-End	January 31
Ordinary General Meeting of Shareholders	April
Record dates for dividends of surplus	January 31 and July 31 (when interim dividends are provided)
Number of shares per share unit	100 shares
Total number of authorized shares	36,000,000 shares
Number of shares issued	10,627,920 shares
Number of tradable shares	74,096 units
Number of shareholders	11,595
Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo 100-8212, Japan

Share Distribution by Owner Category



Major Shareholders

Name	Number of Shares Held	Ratio (%)*
Sekiguchi Kogyo Co., Ltd.	2,126,000	20.00
Artner Employee Stock Ownership Association	996,648	9.37
Osaka Small and Medium Business Investment and Consultation Co., Ltd.	480,000	4.51
The Master Trust Bank of Japan, Ltd. (Trust Account)	430,300	4.04
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)(Standing Proxy : MUFG Bank, Ltd.)	246,895	2.32
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002 (Standing Proxy : Settlement and Clearing Services Division, Mizuho Bank, Ltd.)	180,000	1.69
HARIGAE Tomonori	140,840	1.32
JPMorgan Securities Japan Co., Ltd.	129,447	1.21
OKUSAKA Kazuya	115,380	1.08
THE BANK OF NEW YORK MELLON 140040 (Standing Proxy: Settlement and Clearing Services Division, Mizuho Bank, Ltd.)	111,459	1.04
Total	4,956,969	46.65

* The number of shares owned as a proportion of the total number of issued shares (excluding treasury stock).

Company Overview As of January 31, 2023

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

Headquarters
Tokyo headquarters
Sumitomo Fudosan Realty and
Development Shin-Yokohama Building 5F,
Shin-Yokohama 2-5-5, Kohoku Ward,
Yokohama City 222-0033
Osaka headquarters
Sumitomo Nakanoshima Building 2F,
Nakanoshima 3-2-18, Kita Ward, Osaka City
530-0005

Business bases Yokohama, Osaka, Utsunomiya, Nagoya

Learning centers East Japan, West Japan

Business fields
1) Software
2) Electronics
3) Machinery
Basic research, design, and development in the
above fields, as well as tasks relating to them

Number of employees 1,276

License Number Worker Dispatching Business(派27-020513)
Paid Employment Agency Business(27-020355)

Editorial Policy

Publication Date July 2023
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January 31, 2023

(Some activities before or after the following
periods have also been included)

(Caution regarding forward-looking statements,
etc.)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, the statements herein do not constitute assurances regarding the Company's actual results. Actual financial and other results may differ substantially from the statements herein due to various factors.



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