

Interview with Our Chief Financial Officer (CFO)

We will establish  
a stable financial base and  
increase our enterprise  
value continuously.

HARIGAE Tomonori  
Chief Financial Officer (CFO)



Record-high Income in the Fiscal Year Ended  
January 31, 2024

In the fiscal year ended January 31, 2024, growing demand in the aftermath of COVID-19 contributed to record-high financial results, posting record-high net sales of ¥10,110 million (up 9.4% year-on-year). Profit in FY2024 also set a new record at ¥1,051 million (up 17.5% year-on-year). As a result, operating cash flows and free cash flows increased steadily to ¥1,126 million and ¥1,121 million, respectively. Additionally, earnings per share (EPS) reached ¥98.99, with a compound annual growth rate (CAGR) of 18.7% over the three-year period starting from the fiscal year ended January 31, 2021.

The Medium-Term Business Plan's  
Financial and Capital Strategy

In our Medium-Term Business Plan, we have set the following business targets: net sales of ¥11.6 billion; an operating margin of 14.0%; over 1,600 engineers; and a return on equity (ROE) of over 20%.

In the engineer dispatching business, our main business, the following indicators are used. Net sales: the amount calculated by the number of operative personnel (number of engineers × utilization rate) × unit price of engineers × total work person-hours; cost of sales: labor costs for engineers assigned to our clients; and selling, general and administrative (SG&A) expenses: labor costs for engineers undergoing in-house training (standby status) and labor costs for other staffers. Thus, “number of engineers,” “utilization rate,” and “unit price of engineers” constitute our key management indicators.

To improve the future gross margin, it is essential to increase the unit price per engineer. We will aim to increase the unit price of engineers by enhancing their added value, such as through strengthening our training programs and offering extensive career support. We will also improve the operating margin by improving administrative efficiency, thereby minimizing the addition of administrative staff associated with the increase in engineers and suppressing the increase in the SG&A expense ratio.

We will continue to work toward realizing our Medium-Term Business Plan targets of increasing the number of engineers to 1,600 and maintaining a high utilization rate, unit price of engineers, and total work person-hours. By doing so, we will endeavor to grow net sales to ¥11.6 billion, and through appropriate management of the recruitment cost ratio relative to net sales, achieve an operating margin of 14.0%.

For Improving Capital Efficiency

Given that the Company has no borrowings and has a high equity ratio, we attach importance to the cost of shareholders’

equity. We are mindful to keep the cost of shareholders’ equity at approximately 8% in managing our business. Whereas our Medium-Term Business Plan ROE target is of over 20%, we achieved an ROE of 25.3% in the fiscal year ended January 31, 2024, surpassing the cost of shareholders’ equity and realizing high capital efficiency.

Going forward, we will continue to increase profit, the numerator of ROE. As for equity, the denominator, we intend to return profits as dividends while considering the balance with retained earnings.

Cash Allocation and Shareholder Returns

For sustainable growth, we strive to ensure stable cash flows and efficient capital allocation. We aim to hold approximately three months’ worth of monthly net sales as cash on hand and reserve any surplus funds for future growth opportunities.

While our business model requires some initial investment, including personnel expenses until newly graduated engineers are operational, it does not necessitate significant capital investments. We believe that using surplus funds to finance some of the M&As will help us to adapt swiftly to various industry restructurings and strengthen our competitiveness.

In terms of profit distribution, we comprehensively consider future business developments, earnings, the management environment, as well as the strengthening of our management foundations, and positions the supply of stable dividends to our shareholders as top-priority management tasks. Accordingly, we have agreed to consider a payout ratio based on 50%. In addition, our basic approach is to continue to grow our profit this year, ensuring that the dividend remains at least at the same amount as the previous year and continues to increase.

The Total Shareholder Return (TSR) \*has been as follows.

Highly Transparent and  
Trustworthy Financial Management

As a company listed on the Prime Market of the Tokyo Stock Exchange, Artner is committed to managing and disclosing our management indicators appropriately, striving for transparent and trustworthy financial management to earn and maintain trust from our stakeholders. To this end, we consider it critical to focus on upgrading our management systems and improving business processes, as well as executing proper management of our financial figures and contributing to the Board of Directors’ decision-making.

We will continue to make efforts to improve our margins and capital efficiency, always conscious of generating cash, allocating cash, and returning value to our shareholders. Moreover, by differentiating ourselves from our competitors in financial management, we will aspire to achieve sustainable growth and increase our enterprise value.

	FY2020	FY2021	FY2022	FY2023	FY2024
*TSR (Total Shareholder Return) (%)	91.8	98.3	102.7	123.1	262.9
Comparison index: TOPIX total return index (%)	110.2	121.2	129.7	138.8	183.9



Review of the Medium-Term Business Plan to Date

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 Artnr 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.”

	(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

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.

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	¥10 billion	¥9.2 billion
Operating margin	12.5%	12.9%
Number of engineers	1,300	1,157

# Medium-Term Business Plan (FY2023 to FY2025)

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

## Direction of our Carbon Neutrality Initiatives

For our major customers in the automotive industry, etc.

Participation by our engineers in development projects related to electric vehicles (EVs) that do not emit CO<sub>2</sub> when driven, fuel cell vehicles (FCVs), infrastructure (charging infrastructure, hydrogen stations), automated driving, semiconductors, etc.

Aim for further development and market penetration

## Our Recruitment, Training, and Sales Efforts with an Eye to Carbon Neutrality

### Recruitment

#### 〈Recruitment targets〉

Students who have graduated from departments in the fields of electricity, electronics, materials science, energy, and information technology

Experienced workers with skills and experience in the fields above

In order to recruit more talents that match client needs, we are committed to changing our recruitment policy, which is heavily focused on new graduates.

→ **Balance the numbers of new graduates and career hires to secure optimum talents**

Share of carbon neutrality recruitment targets for new graduates and career hires

FY2025 (Target)	FY2024 (Result)
55.0%	46.1%

### Training

#### 〈Training details〉

Understanding the principles of power systems (inverter systems) for EVs and FCVs

Optimization of infrastructure resources and AI/machine learning for human and product transactions through the introduction of cloud computing

Model design and validation of EV battery management systems

How to analyze the results of sensor characterization

Recycling of chemicals and materials

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

→ **Increase trainers**

### Sales

#### 〈Activities〉

Placement in carbon neutrality projects

Contribute to solving social issues to improve business performance

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

→ **Increase net sales and profit margins**

Share of engineers placed in carbon neutrality projects among all engineers

FY2025 (Target)	FY2024 (Result)
50.0%	48.3%

## Medium-Term Business Plan Correlation Diagram of Earnings and Sales Targets

## and Key Indicators \* □⇒□□ (FY2023) ⇒ (FY2025) figures

### ■ Number of Engineers

Number of new graduates	130 ⇒ 220 (up 69.2%)
Number of career hires	50 ⇒ 200 (up 300%)
Turnover rate	9.6% ⇒ 8.3% (down 1.3 pt)

### ■ Net Sales

Number of engineers	1,157 ⇒ 1,600 (up 38.36%)			
×				
Utilization rate	×	Unit price of engineers	×	Total work person-hours
↓				
¥ 9.2 billion ⇒ ¥ 11.6 billion (up 26.1%)				

### ■ Gross Margin

Share of engineers placed in carbon neutrality projects among all engineers	46.1% ⇒ 50.0%
Increase the unit price of engineers by approximately 10% compared to other projects	
33.3% ⇒ 37.6% (up 4.3 pt)	

### ■ Operating Margin

Recruitment cost	¥ 320 million ⇒ ¥ 660 million
Ratio of recruitment cost to net sales	3.5% ⇒ 5.7% (up 2.2 pt)
12.9% ⇒ 14.0% (up 1.1 pt)	

Numerical Business Targets ■ ROE **20% or more** ■ Payout ratio **50% or more**