

## Message from Our President and CEO

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President and CEO



## Strengthening management policies to make them immune to external factors and market conditions, and helping Artner chart a route towards sustainable growth as a group of high-achieving engineers.

### Eleven Consecutive Quarters of Sales and Profit Growth

Our three-year Medium-Term Business Plan that started in FY2023 came to a close in January 2025. While net sales fell short of the 11.6 billion yen target for FY2025, the company saw a 10.0% increase over the previous fiscal year to 11.1 billion yen, and in line with the increase in unit price of engineers, saw an increase in operating margins of 16.3%, far exceeding our target. This resulted in 11 consecutive quarters of sales and profit growth that greatly surpassed our initial ROE and payout ratio targets, thereby allowing us to steadily increase shareholder returns.

### Review of the Medium-Term Business Plan to Date

Our aim under the previous Plan was "to build a foundation for sustainable and next-generation growth." In particular, given that our Engineer Dispatching Business is our main focus and that "people" constitute our core, our pressing issue is the decrease in the working population and engineer shortage resulting largely from "reduced interest in STEM fields." How will we secure talent and minimize business risk going forward? We spent the last 3 years tackling the building of a foundation as we engaged that issue head-on.

We have been particularly focused on our contracting business. We have worked to create a system for acquiring external operative personnel utilizing a more diverse pool of potential engineers that includes foreign workers, senior citizens, and women wishing to return to the work force after raising children; and we are also collaborating with engineers at other companies. We feel that these efforts have brought excellent results, with the sales distribution ratio of our contracting business reaching 11.6%, exceeding our target of 10%.

Another pillar of our efforts is the establishment of the Artner brand as a "group of high-achieving engineers." We aim to increase profitability and the unit price of engineers by increasing the ratio of engineers assigned to upstream projects like the Carbon Neutrality project.

In the dynamic market environment of FY2025, we increased not only the unit price of already-employed engineers, but also the unit price for newly-hired engineers (entry level and mid-career) in their first assignments, which contributed immensely to improving operating margin. Engineer utilization rate remained high and the assignment of newly graduated engineers pro-

gressed ahead of schedule, resulting in greater numbers of operative personnel than planned.

That being said, while we were able to reach our targets in terms of the "quality" of our engineers, there remain issues regarding "quantity." We set an ambitious target of 1,600 engineers, but were unable to acquire enough new employees, which impacted sales growth. The primary reason for this is that in recent years, the market for recruitment of new graduates has trended towards earlier hiring than before, and we were unable to sufficiently respond to that trend. We have become keenly aware that, with the recruitment market seeing earlier hiring, the name recognition of a company has a major impact. We continued to leverage our strong network of professors and schools when recruiting, but developing a new recruiting strategy that can address these environmental changes has become an important issue that should be taken up in the new Medium-term Business Plan.

### The New Medium-Term Business Plan (FY2026-FY2030)

The new Medium-Term Business Plan (Fiscal Year Ending January 31, 2026, to Fiscal Year Ending January 31, 2030) has set even higher targets while maintaining the fundamental policies of the previous plan in order to further strengthen the foundation it laid. We will be promoting a growth strategy in order to ensure we achieve those targets in the five year period leading up to FY2030.

We will promote the three following policies to overcome our personnel recruitment issues while gaining a clear understanding the unprecedented cross-industry need for engineers arising from the expanded use of electric automobiles, increased demand for semiconductors, and promotion of digital transformation (DX).

#### ① Promoting Strategies by Segment

Our goal is to raise the percentage of engineers working in high-end fields\* from 36% to 50% to establish ourselves as a group of high-achieving engineers. Our definition for "high-end" corresponds to the industry definition of "ultra-high-end." The High Value Group and Wide Value Group in our company's three areas of business are generally what is described in the industry as "high-end," and we are already able to boast of an 80% placement rate in these areas. In the new Medium-Term Business Plan, we will allocate 50% of engineers to a new segment called the "ultra-high-end" area, which includes the High Value



Group and the highest-level processes of the Wide Value Group. We are confident these targets will set us apart from other companies in terms of quality, and will contribute to increasing the unit price of engineers and improving operating margin. The personnel handling this high-end area will be acquiring through regular recruiting efforts, in addition to training engineers to handle high-end contracting projects and expanding our engineer dispatching services. One aim in expanding our contracting business is to develop a function for cultivating high-end personnel. This will enable us to build a base of highly-skilled personnel and to train engineers, thereby improving the competitiveness of the entire company.

## ② Promoting Diversity and Inclusion in Talent Management

In order to secure the necessary numbers of operative personnel, we will increase the percentage of personnel working in the contracting business to 30%. We will actively utilize a diverse range of personnel, including seniors, women, and foreign workers (including international students), and will strengthen and organize our collaborations with other partner companies to build a wide-ranging network of engineers that extends beyond only those who work at the Company. Increasing the percentage of employees in our contracting business is fundamental to our plan for growth. The entire company will dedicate itself to strengthening that foundation.

## ③ Exploring New Business and Revenue Opportunities

We will actively promote M&As and alliances in order to collaborate and build organizations with partner companies, and will work to obtain new revenue opportunities and expand our business domain beyond the boundaries of our existing businesses. These collaborations will allow us to evolve into a comprehensive technical service company. Securing personnel is an issue faced by the entire industry. Our company is placing our expertise into strengthening the high-end area, and we will support our partner companies in terms of recruitment and training, and by complementing each other's strengths and weaknesses to grow together in this time of rapid technological change. These measures will serve to further deepen our preexisting initiatives as well as to concretize our reforms for swiftly responding to environmental changes. They form the core strategies for Artner to continue leading the market as a group of high-achieving engineers. We will work to hedge the risks posed by the declining birthrate, aging population, and shrinking labor force, set ourselves apart from other companies in the same industry as a group of high-achieving engineers, and chart a course to sustainable growth.

### Cash Allocation / Shareholder Returns

For sustainable growth, we strive to ensure stable cash flows and efficient capital allocation. As part of our investment efforts,

in addition to promoting M&As for the expansion of our contracting business, in order to respond to the accelerated market for the earlier recruitment of new graduates, which has been an issue for us, we will proceed to actively invest in increased external promotional activities to increase our name recognition and ensure students already know the Artner name by the time they enter university.

For shareholder returns measures, while keeping our basic payout ratio at 50%, we will keep up our progressive dividend policy to remain a trusted stock and increase dividends for twelve straight years. Moreover, to fortify our financial base, we will maintain our internal reserve policy of keeping cash on hand equivalent to at least three months of sales.

## Steady Promotion of ESG Management / Investment in Human Capital

Our growth strategy involving environmental initiatives serves as the foundation of Environmental, Social, and Governance (ESG) management, recognizing that this will directly lead to gaining the trust of our shareholders and society as a whole. Carbon neutrality will continue to be a pillar of our plan, and we will strongly promote our target of having more than 50% of our currently assigned engineers in carbon neutral projects and more than 55% of carbon neutrality hires among new graduate and mid-career hires.

Furthermore, Artner's greatest form of business capital is talent. Our customers' high recognition of that talent is what makes us who we are. Alongside actively investing in the education of engineers, we are promoting health management to develop an environment that enables employees to focus on their duties. Additionally, while engaging in repeated discussions with the labor union, we will introduce a system through which base salary increases along with Artner's growth in 2025. We will devote our efforts to build a business environment that enables continuous improvement of work conditions. In addition, continued discussion with the labor union has led to us introducing a system from 2025 that will increase base salaries along with company growth. We are committed to build a business environment in which we can continuously improve working conditions.

Regarding governance, May 2025 saw the introduction of the Executive Officer system, which clarifies the division of roles between management decisions and execution of business. This will establish a swift and transparent decision-making process and further improve management efficiency and soundness.

## Harnessing the Experience of the Global Financial Crisis of 2008 to Build a Management Structure Immune to Economic Booms and Busts

We are facing rapid changes in the market environment that

include reciprocal tariffs imposed by the Trump administration and interest rate hikes by the Bank of Japan. However, while external environmental changes may affect the company to some extent, we do not expect a significant deterioration of profits. Looking back, our company went through the bitter experience of having a series of engineer dispatch contracts cancelled in the wake of the global financial crisis triggered by the Lehman's collapse in 2008. We will move away from a management structure that results in a deterioration in business during economic downturns. We are strongly determined to work steadily towards increasing the percentage of engineers assigned to upstream processes. We have transformed our business model, in which 80% of our work was in midstream and downstream processes, and shifted to a strategy that focuses on the core businesses of our customers. Through this, we have been able to build a solid foundation unaffected by economic booms and busts, and have built a system in which 80% of our work is in upstream and midstream processes and 20% in downstream processes.

## My Driving Force Lies in Fulfilling My Responsibilities as the Successor

I took over from my predecessor as a member of the founding family. I was appointed vice president in 1998, effectively taking

over management, and I assumed the post of President in 2002. While embarking on massive business model reforms and company revitalization and shifting repeatedly in line with various issues and the external environment, Artner reached the 60-year mark in its history as a pioneer in the engineer dispatching industry. I believe that my driving force lies in fulfilling my responsibilities as the successor. My own sentiments and values were cultivated before I took over as president, and they are all reflected in the management philosophy that I announced when I took my post: that we would be an "Engineer Support Company." Artner's raison d'être is its support of engineer growth and self-actualization. Are our existing education programs sufficient for our engineers? Do they meet our engineers' needs? These are the questions we must constantly ask for the sake of Artner's sustainable growth. I ask that you continue to look forward to the challenges we take on and offer us your warm support as we move forward.

\*High-end area: Operation level that includes the "High Value Group" and parts of the "Wide Value Group" (advanced development of next-generation products, development of core technologies, development of new functions, specification creation, requirement analysis, functional design, etc.)

