Value Creation Process

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.

Inputs

Sources of Value Creation P16

Financial capital
Solid and strong financial base supporting sustainable growth

Intellectual capital
Practical education and training by training managers with engineer backgrounds, based on training curricula aligned with clients' work

Human capital
Regular employment of engineers with STEM backgrounds who can be placed in upstream/midstream work processes of manufacturers

Social and related capital
Long-term partnerships with clients, schools, academic societies, and organizations

External Environment and Social Issues

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

Business Activities

Management Philosophy

"Engineer Support Company"
—We support our engineers' dreams—

Purpose

Support the growth and self-actualization of engineers, who are Japan's world-class assets.

Our Strengths P15

1. Trust from our clients based on our long history
2. The business model we have developed over many years
3. Placement of engineers to technical fields with high market needs
4. Job-based employment that allows career development within the Company

Our Business and Technology Domains

Engineer dispatching business / Contracting business

Software / Electronics / Machinery

【Services provided for work processes of manufacturers】

Work processes of manufacturers: Product planning → R&D → Product development → Production → Sales

Organizational structure of Artner:

- HV High Value Group: This market segment requires advanced technical skills and design, e.g., advanced development, R&D.
- WV Wide Value Group: This market segment covers a wide range of design-related tasks and corresponds to the majority of design and development work.
- PV Product Value Group: This market segment is associated with quality assurance, assembly and adjustment, and other aspects of product quality and production.

【Job change assistance program】

STEP 1 Joining Artner as a full-time employee → STEP 2 Education and training → STEP 3 Gaining experience at client companies → STEP 4 Interviews, etc. with preferred manufacturers (Matching via representative) → STEP 5 Mutual agreement → STEP 6 Job change (Manufacturer's full-time employee)

Eight Materiality Topics P17

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

Medium-Term Business Plan P29

Basic Policy

"Build a foundation for sustainable and next-generation growth"

"Make Value for 2025 to 2029"

Basic Measures

1 Promote strategies by segment
- Increase workforce allocation in high-end fields with a focus on carbon neutrality projects
- Enhance work assignment levels through OJT in contracting projects

2 Promote diversity and inclusion in talent management
- Strategically shift to contracting to adapt to the changes in the business environment
- Utilize workers of retirement age, women,and foreign workers (overseas students) as personnel
- Utilize and organize partner companies

2 Explore new business and revenue opportunities
- Evolve into a comprehensive technical service company through M&A and alliances

Outcomes

Values provided

For our clients
- Placement of engineers with high added value

HV + WV Projects 88.1%

For our partners
- Co-creation of value

For our employees
- Aiming for the *happiness* of all the employees and *reflection* within the company(*)
- Retention of employment

Employee engagement 74%

For our shareholders
- Sustainable growth
- Profit distribution

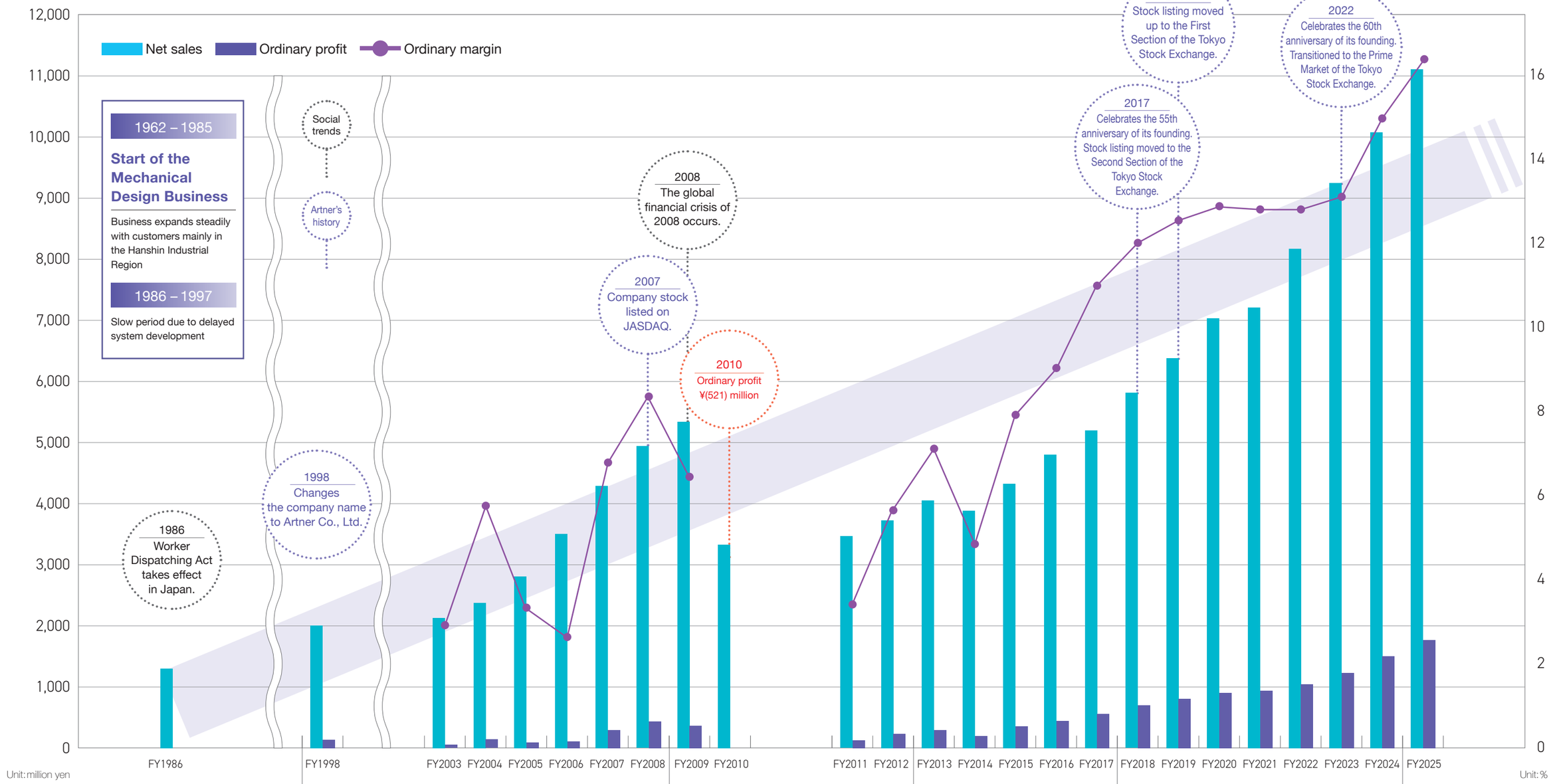
Payout ratio More than 50%

Medium- to long-term goals

- Achieve our purpose, company motto, and management philosophy
- Contribute to the achievement of a sustainable society
- With carbon neutrality as one of the pillars of our Medium-Term Business Plan, we are committed to solving social issues through our business activities.

*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*.

Growth Trajectory



1998 – 2008	2009 – 2012	2013 – 2017	2018 – 2024	2025
First business restructuring	**Second business restructuring**	**Revamp 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**	**Build a foundation for sustainable and next-generation growth**
◎ 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.	◎ 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	◎ Explore new business and revenue opportunities

Cultivated Strengths

1

Trust from our clients built on our long history

Founded in 1962 as a design and development firm, the Company grew by winning contract work for design and development from manufacturers in the Keihanshin region, which drove Japan's rapid economic growth. In our nearly 60-year history, we have succeeded in building trust with many client companies and accumulating a proven track record as a group of engineers with roots in design and development.

2

The business model we have developed over many years

Even during the global financial crisis of 2008, not many engineers who were placed in the upstream work processes of manufacturers (R&D) experienced contract cancellations. As such, we decided to increase our engineers' upstream assignment ratio. To help us recruit excellent students who may be suited for upstream assignments, we have introduced internal programs based on the needs of engineers (e.g., job change assistance program, performance-based salary system, and limited area system).

3

Placement of engineers in technical fields with high market needs

Our engineers' business fields are wide-ranging. At major companies in the automobile, home electronics, industrial equipment, medical device, and information and communications sectors, engineers participate in and provide a variety of technical services for cutting-edge projects, including eco cars such as electric vehicles (EVs) and fuel cell vehicles (FCVs), driver assistance technologies, racing cars, semiconductor lithography equipment, industrial robots, and system and application development.

4

Job-based employment that allows career development within the Company

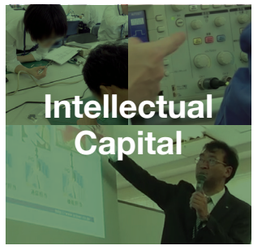
We employ talent with STEM backgrounds as regular employees in technical jobs and offer an environment where they can focus on honing their skills as engineers. We classify the work processes of our clients into three categories: R&D; product development; and production. Correspondingly, we have established three groups for each area (High Value Group, Wide Value Group, and Product Value Group). Engineers can move between these groups according to their preferences and competence and develop their careers within the Company.

Sources of Value Creation

The Company has grown by staying attuned to societal changes and needs and contributing to solving social issues. In the course of this, we have accumulated various capital that is the sources of our current strengths. We will seek to strategically utilize and increase this capital and pursue further value creation.

Solid and strong financial base supporting sustainable growth

Equity ratio	Net assets	Cash flows from operating activities
70.4%	4.70 billion yen	1.18 billion yen

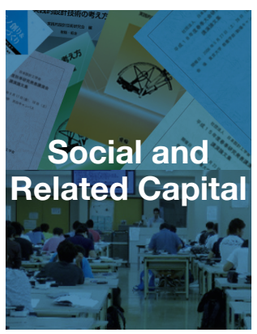


Practical education and training by training managers with engineer backgrounds, based on training curricula aligned with clients' work

Percentage of training managers with engineer backgrounds	Average hours of annual training per employee (engineer)	Average cost of annual training per employee (engineer)
100%	95.7 hours	59,000 yen

Regular employment of engineers with STEM backgrounds who can be placed in upstream/midstream work processes of manufacturers

Number of engineers	Percentage of engineers with STEM backgrounds	Engineers who can be placed in upstream/midstream work processes of manufacturers
1,251	100%	88.1%



Long-term partnerships with clients, schools, academic societies, and organizations

Client history	Schools from which we hired (graduate, undergraduate, junior college, technical, and professional schools)
Roughly 1,300 companies	Roughly 350 schools

Papers published	Part-time lecturing at universities by our training managers
(Total) 176	7 courses at 5 schools

Materiality (Material Issues)

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

step 1

Identify the issues

We analyzed potential materiality topics based on various international standards, ESG-related external evaluations, and requirements from society including stakeholders.
Thirty-one topics were identified.

step 2

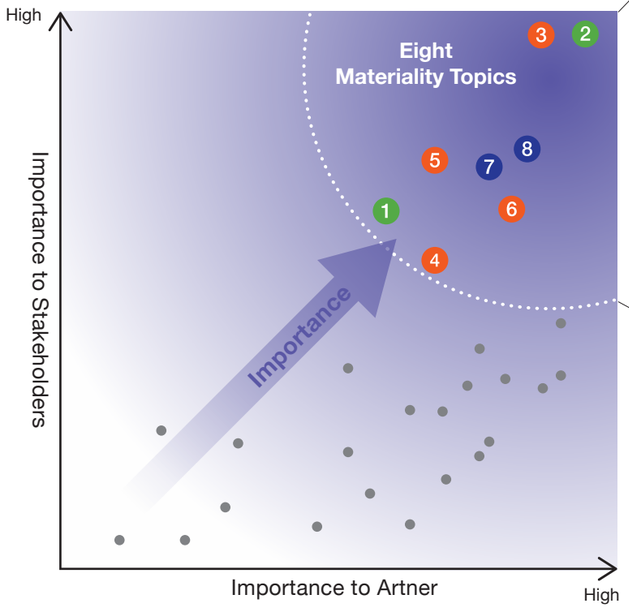
Prioritize the issues

The identified issues were assessed by conducting internal and external stakeholder surveys in terms of their expectation and requirement levels for Artner, and then prioritized by two criteria: “importance to stakeholders” and “importance to Artner.”

step 3

Validate and determine the material issues

Selected and prioritized issues were reviewed in the Sustainability Committee for validation to finalize Artner’s eight materiality topics.



Eight Materiality Topics

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

Related SDGs, Risks, and Opportunities

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

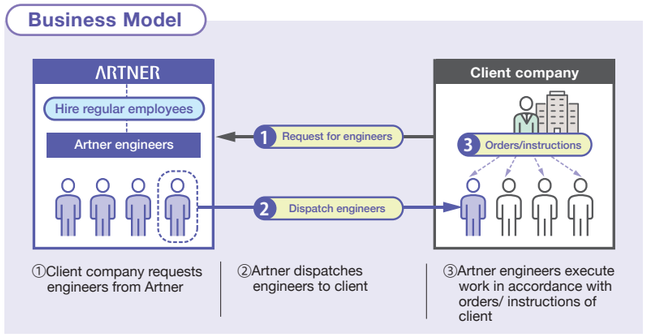
SUSTAINABLE DEVELOPMENT GOALS

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	Risk	Opportunity
Environmental	1	Improve energy efficiency and reduce energy usage	13 CLIMATE ACTION	•Declining reputation and technological obsolescence if we are slow to respond •Increasing risk of extreme weather and natural disasters caused by climate change •Increasing costs due to stricter environmental regulations, etc.	•Increasing demand for dispatch of related engineers due to a growing need to adapt to a decarbonized and recycling society •Increasing funding from ESG investors
	2	Contribute to carbon neutrality through business activities	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 13 CLIMATE ACTION		
Social	3	Resolve social issues by creating jobs	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 13 CLIMATE ACTION	•Increasing competition and costs in the talent acquisition market •Declining quality of talent and labor productivity •Declining reputation associated with human rights issues	•More opportunities to acquire excellent talent •Innovation creation through diversity •Higher employee motivation •Contributing to the realization of a sustainable society
	4	Respect human rights	8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES		
	5	Promote diversity and inclusion	5 GENDER EQUALITY; 10 REDUCED INEQUALITIES		
	6	Develop and secure promising talents	4 QUALITY EDUCATION; 17 PARTNERSHIPS FOR THE GOALS		
Governance	7	Strengthen corporate governance	-	•Loss of social trust and deterioration of enterprise value due to violation of laws and regulations or corporate behavior that deviates from social norms •Increasing funding costs	•Establishing a stable business foundation through more transparent decision-making and appropriate responses to changes •Strengthening relationships with diverse stakeholders •Increasing funding from ESG investors
	8	Promote compliance management	16 PEACE, JUSTICE AND STRONG INSTITUTIONS		

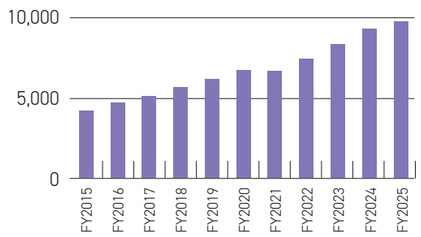
Artner's Businesses & Market Environment

Business Model

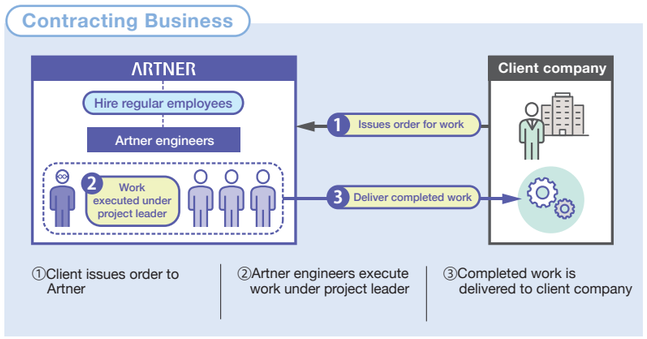


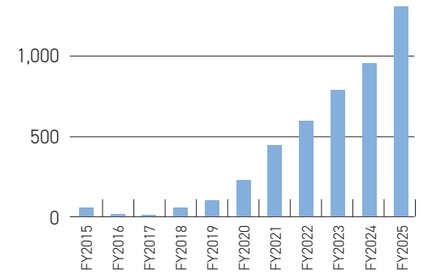
Trends in Net Sales by Business

Unit: million yen



Artner concludes full-time employee contracts with engineers, and our corporate clients (dispatch destination) and Artner engineers are connected under a chain of command system. By not assuming the role of direct employers, our corporate clients can achieve substantial savings in terms of time and costs related to employment.

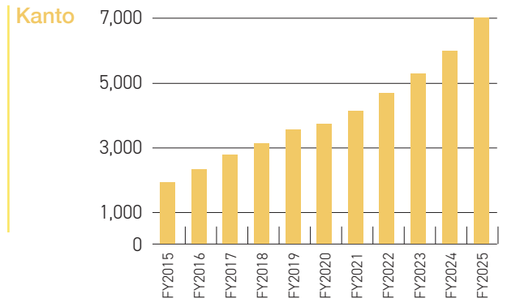


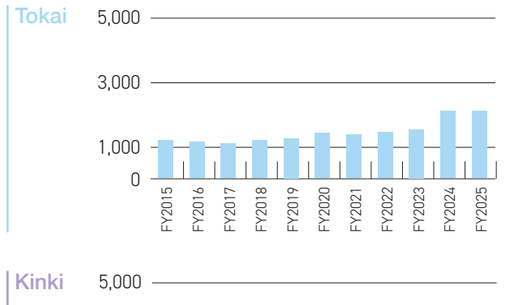


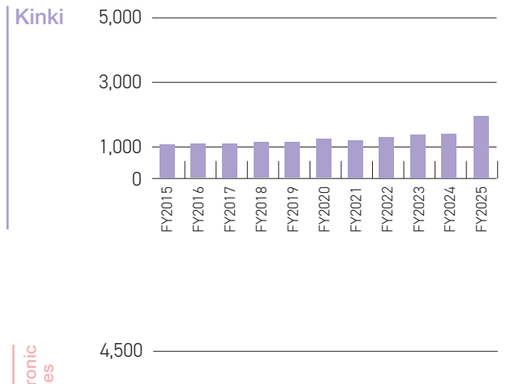
This business handles everything from orders for design and development work to delivery. It takes on orders for actual work and can respond to various requests of corporate clients from design and development work to design and engineering work.

Trends in Net Sales by Region

Unit: million yen

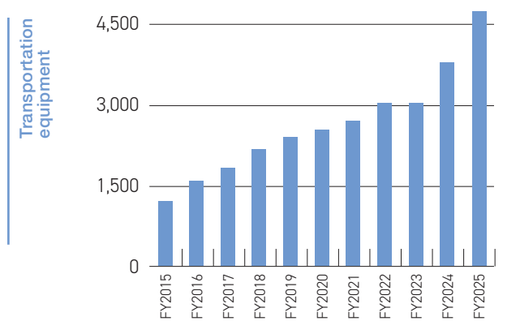


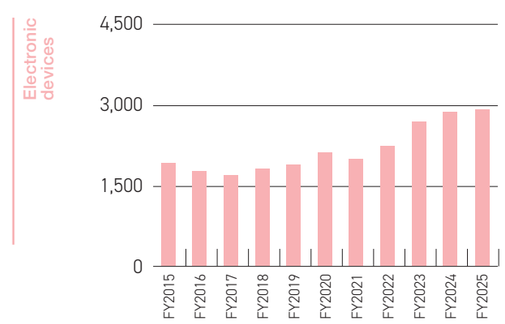


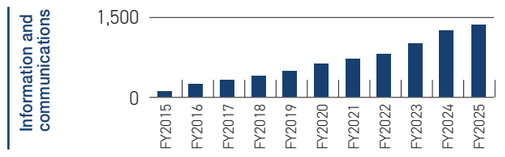


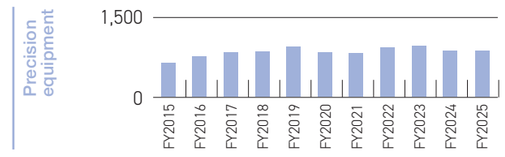
Trends in Net Sales by Industry Field

Unit: million yen





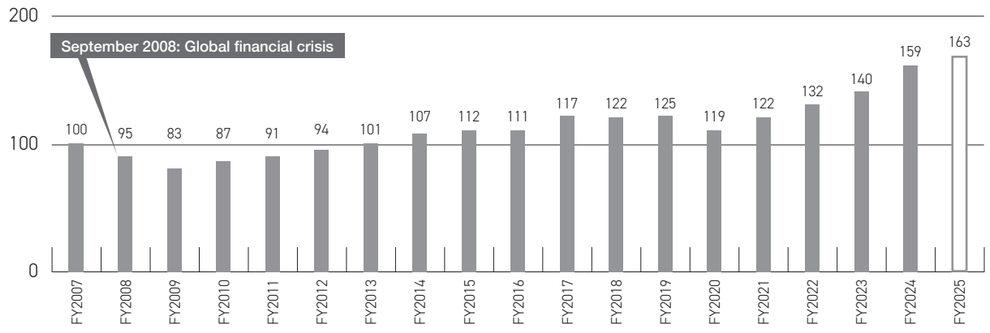




Market Size

Our Clients' R&D Costs

Our clients continuously allocate a budget for R&D, which keeps R&D costs stable.



*Calculations were made by using the data of FY2008 as 100 (baseline). *The costs of our listed clients whose fiscal year ends on March 31 were totaled

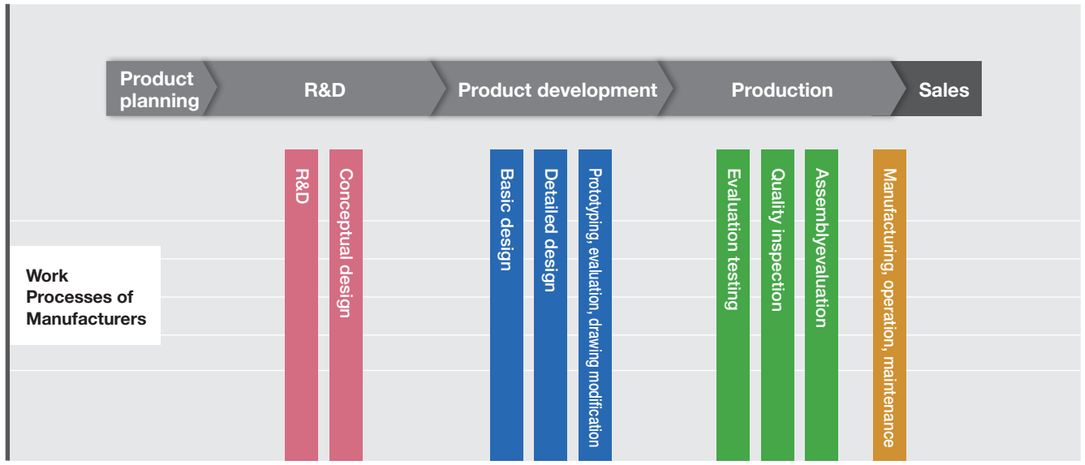
Market Size of Engineer Dispatching Business

1.2 to 1.5 trillion yen (estimate)

Calculated by the Company based on the "Combined results of reports on worker dispatching businesses" (Ministry of Health, Labour and Welfare)
*The data of "annual net sales" of the worker dispatching businesses are used, which is a rough total of net sales arising from "dispatched workers on open-ended contracts" and either of "manufacturing engineers," "information processing & communications engineers," or "other engineers."
*The share is 0.7 to 0.9%; calculations based on the Company's most recent net sales of 11.1 billion yen for FY2025.

Artner's Businesses & Market Environment

The Company's Groups Corresponding to the Work Processes of Manufacturers



Organizational Structure of Artner

HV — High Value Group

This market segment requires advanced technical skills and design, e.g., advanced development, R&D.

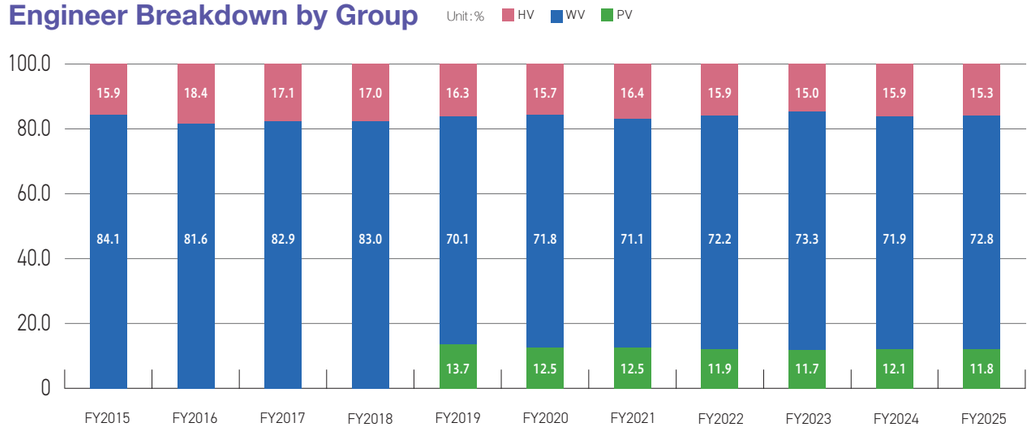
WV — Wide Value Group

This market segment covers a wide range of design-related tasks and corresponds to the majority of design and development work.

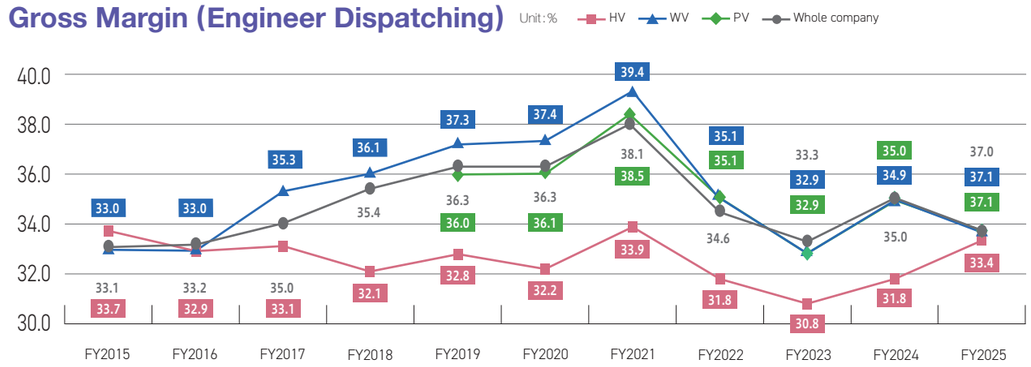
PV — Product Value Group

This market segment is associated with quality assurance, assembly and adjustment, and other aspects of product quality and production.

Engineer Breakdown by Group



Gross Margin (Engineer Dispatching)



Average Unit Price of Engineers (by Group)

HV…upper 5,000 yen range　WV…lower 4,000 yen range　approximately 4,000 yen

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.

Complaint Handling Procedure

At our company, complaints are handled by the person in charge, who prioritizes them by reporting to their manager and working with the related departments. Once the complaint is resolved, records are shared with all departments, the cause is investigated, and a system is built to ensure the same complaint does not arise multiple times.

Segment Overview

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

Software Net Sales Ratio 42.6%

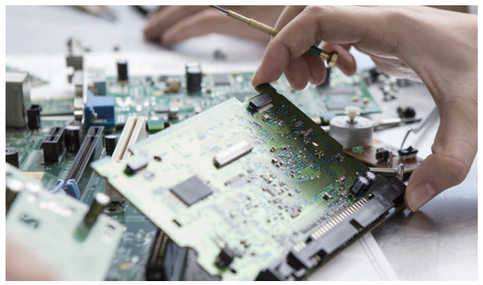
Software engineers develop software to be embedded in IoT devices and application software for network systems.

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 26.2%

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).



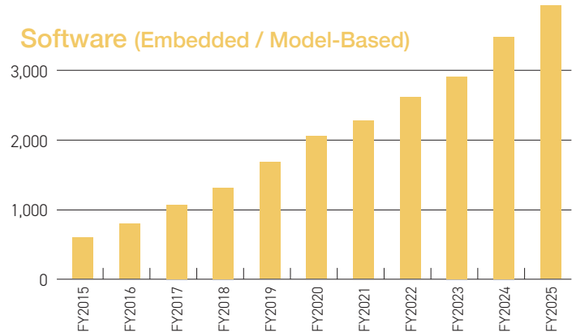
Machinery Net Sales Ratio 31.1%

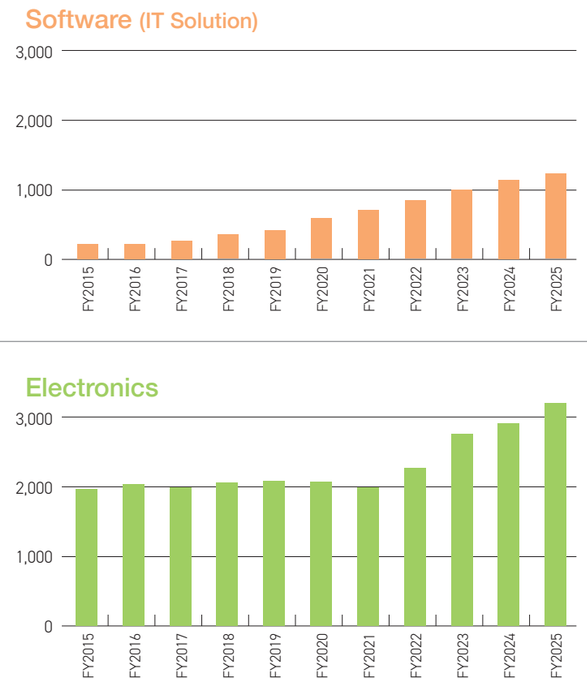
Mechanical engineers design the mechanisms of machines with moving parts using 2D/3D CAD tools.

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 Technology Field

Unit : million yen





Trends in Number of Engineers

Unit : people