

Interview with Our Chief Financial Officer (CFO)



Establishing a stable financial base and continuously improving enterprise value

Chief Financial Officer (CFO)  
**HARIGAE Tomonori**

Record-High Income in the Fiscal Year Ending January 31, 2025

FY2025 saw the company achieve record-high performance of ¥11,125 million in net sales (up 10.0% from the previous year) due to increased demand from automobile-related manufacturers, makers of semiconductor manufacturing equipment, and other major customers, and a record profit of ¥1,260 million (up 19.8% from the previous year.) As a result, operating cash flow saw a steady increase to ¥1,126 million and increase in free cash flow to ¥1,131 million. Additionally, earnings per share (EPS) reached ¥118.64, with a compound average growth rate (CAGR) of 20.0% over the three-year period starting from the fiscal year ending January 31, 2022.

Financial and Capital Strategy for the Medium-Term Business Plan (FY2026-FY2030)

For the Medium-Term Business Plan starting in the fiscal year ending January 31, 2026, we have set the following business targets: net sales of ¥18.7 billion; an operating margin of 16.0%; employment of over 2,100 engineers; and a return on equity (ROE) of over 20%.

In the engineer dispatching business, our main business, net sales are calculated using the number of operative personnel (number of engineers × utilization rate) × unit price of engineers × total work person-hours. Cost of sales is calculated using labor costs, etc. for engineers assigned to our clients in engineer dispatching; and labor costs for engineers, outsourcing costs paid to partner companies, etc. in contracting business. Finally, selling, general and administrative (SG&A) expenses include labor costs for engineers undergoing in-house training (standby status) and labor costs for other staffers. Therefore, our key management indicators are “number of engineers,” “utilization rate,” and “unit price of engineers.”

To improve the gross margins in the future, it is essential to increase the unit price per engineer. We 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. In addition, by improving management efficiency, we will improve the operating margin thereby minimizing the addition of administrative staff associated with the increase in engineers and suppressing any 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 2,100 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 ¥18.7 billion, and through appro-

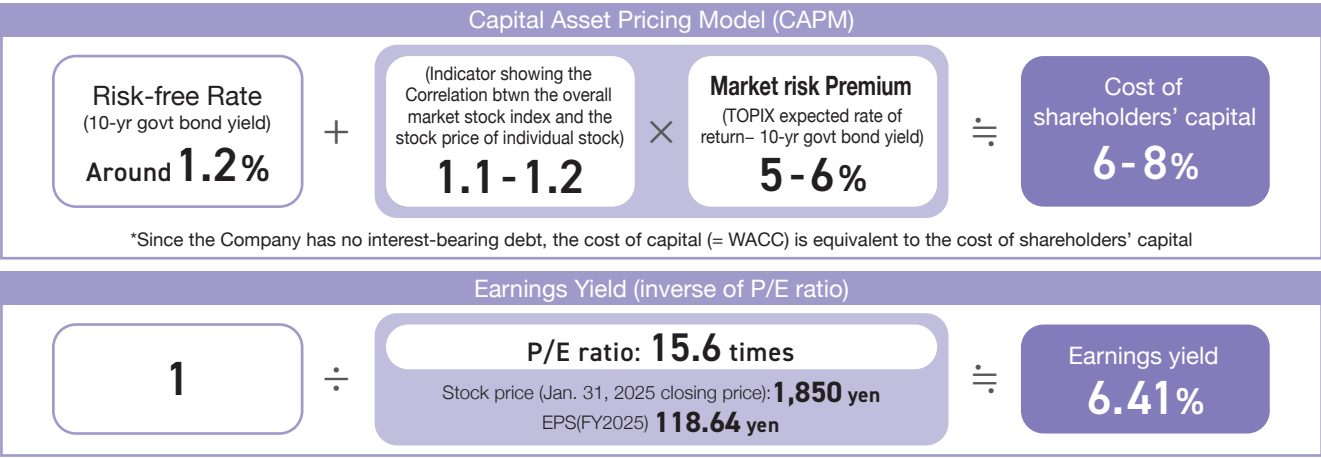
priate management of the recruitment cost ratio relative to net sales, achieve an operating margin of 16.0%.

**Improving Capital Efficiency**

Given that the Company has no borrowings and has a high equity ratio, we attach importance to the cost of shareholders’ capital. We are mindful to keep the cost of shareholders’ equity at approximately 6-8% in managing our business. Our ROE

target was to reach more than 20%, and we achieved a capital efficiency of 28.1% in FY2025, exceeding the cost of shareholders’ capital. Going forward, we will continue to increase profit, the numerator in the ROE equation. With regard to the denominator, equity, we intend to return profits to our shareholders and invest in growth in line with our cash allocation policy while considering the balance with retained earnings.

Assumptions for Cost of Capital

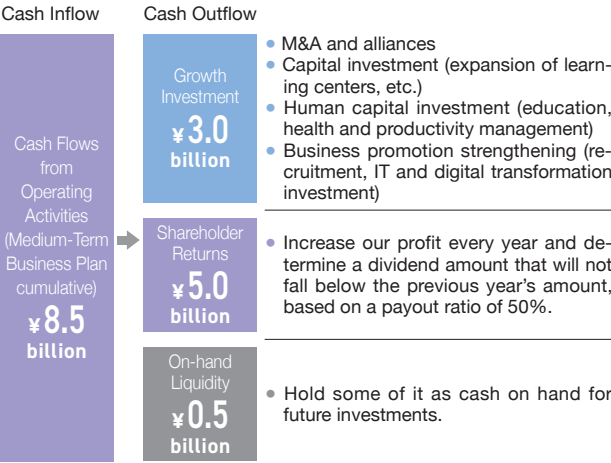


Cash Allocation and Shareholder Returns

In order to achieve sustainable growth, we will strive to secure stable cash flows and efficient capital allocation. We aim to hold approximately three months’ worth of monthly net sales as cash on hand, and to reserve any surplus funds for future growth opportunities. Regarding cash flow within the Medium-Term Business Plan, we expect cash inflow from operating activities of ¥8.5 billion, cash outflow of ¥3.0 billion from growth investment\*, shareholder returns of ¥5.0 billion, and liquidity on hand of ¥500 million.

\*M&A, alliances, facility investment (expansion of training hubs, etc.), human capital investment (education, health and productivity management), stronger business promotion (recruitment, IT/DX investment)

Cash Allocation in the Medium-Term Business Plan (FY2026 to FY2030)



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 with a base of 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.

|  | Starting From FY2020 |        |        |        |        |
|--|----------------------|--------|--------|--------|--------|
|  | FY2021               | FY2022 | FY2023 | FY2024 | FY2025 |
| *TSR (Total Shareholder Return) (%)            | 107.3                | 112.2  | 134.9  | 291.0  | 257.2  |
| Comparison index: TOPIX total return index (%) | 110.0                | 117.7  | 126.0  | 166.9  | 186.7  |

**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 implementing IT and DX investments, 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.



# 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〉

### 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

FY2014 – FY2016

#### ◎ Establish four business divisions in February 2013

- Hyper Artnet 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                 |

#### Continuations and Additions in the Next 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                 |

#### Continuations and Additions in the Next 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                 |

#### Continuations and Additions in the Next 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               |

#### Continuations and Additions in the Next Plan

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

FY2023 – FY2025

#### 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

- Utilize workers of retirement age, women, and foreign workers (overseas students) as personnel.
- Utilize and organize partner companies (set up a contracting system).

#### Results

##### MTBP achieved

- ◎ The operating margin target was achieved due to increases in the unit price of engineers.
- ◎ ROE and payout ratio targets were achieved due to compliance with the Prime Market listing maintenance criteria.
- ◎ Carbon neutrality-related indicators were not achieved for recruitment.

##### MTBP not achieved

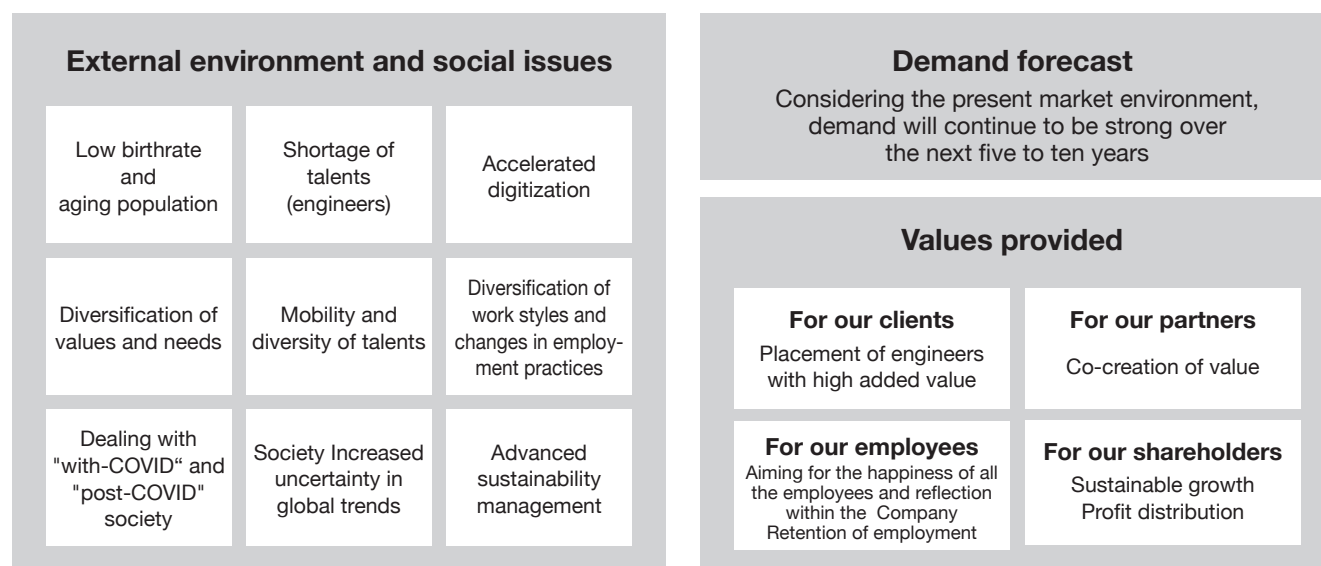
- ◎ Net sales fell short due to the failure to meet the Medium-Term Business Plan target for the number of engineers, caused by intensifying recruitment competition.
- ◎ Carbon neutrality-related indicators were achieved for engineer placement.

|                     | (Final year target) | (Final year result) |
|---------------------|---------------------|---------------------|
| Net sales           | ¥11.6 billion       | ¥11.1 billion       |
| Operating margin    | 14.0%               | 16.3%               |
| Number of engineers | 1,600               | 1,251               |

#### Continuations and Additions in the Next Plan

- ◎ Continue the substance of the Basic Policy and Basic Measures.

## Medium-Term Business Plan (FY2026 to FY2030)



### Vision for FY2030 developed

#### Vision (medium- to long-term goals) for FY2030

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

#### The Company's challenges

Our fundamental approach is not product orientation but market orientation. Recruitment will become most critical for the Company's preparations to respond to market needs.

Expecting the central theme of the new Medium-Term Business Plan to be: further enhancing segment management, which is one of our features, in order to pursue a business cycle that recruits and trains talent who can meet client needs and supplies them to our clients.

< Basic Policy >

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

"Make Value for 2025 to 2029"

- Become a group of engineers providing the greatest added value in the industry
- Evolve into a comprehensive technical service company

Recruit new graduates and career hires, and increase the number of Artnr employees at a compound annual growth rate (CAGR) of approx. **10%**

< 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

Engineer dispatching services in high-end fields\*  
**36% ⇒ 50%**

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

Ratio of contracting personnel  
**30%**

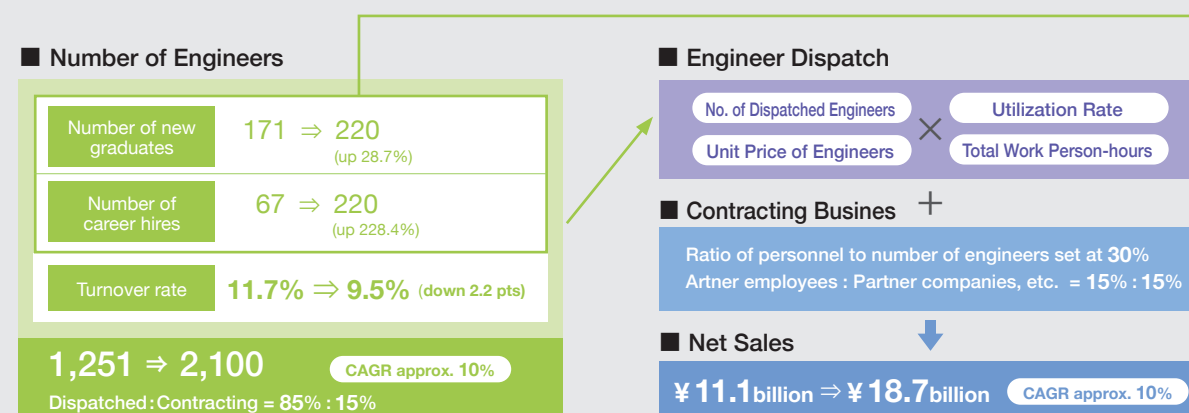
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#### Explore new business and revenue opportunities

- Evolve into a comprehensive technical service company through M&A and alliances

\*High-end fields: the High Value Group and some work levels of the Wide Value Group (advanced development of upcoming products, development of core technologies, development of new functions, preparing specifications, requirements analysis, functional design, etc.)

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



### and Key Indicators

\* □⇒□... (FY2025) ⇒ (FY2030) figures

#### ■ Gross Margin

Ratio of engineers of engineer dispatching services in high-end fields **36.0% ⇒ 50.0%**

Unit price of engineers up approx. 10% across the Company

**37.0% ⇒ 37.9% (up 0.9pts%)**

#### ■ Operating Margin

Recruitment cost **¥ 440 million ⇒ ¥ 760 million**

Ratio of recruitment cost to net sales **4.0% ⇒ 4.1%**

**16.3% ⇒ 16.0%**

Numerical Business Targets ■ ROE **20% or more** ■ Payout ratio **50% or more** ■ Earnings Per Share (EPS) **195 yen**