Annual Securities Report

(Report based on the provision of Article 24, paragraph (1) of
the Financial Instruments and Exchange Act)

Fiscal year	From February 1, 2022
(Reporting Period 61)	To January 31, 2023

Artner Co., Ltd.

5-2, Nishidaimotsucho, Amagasaki, Hyogo

(E05717)

Contents

[Cover]

[Reported Document]	Annual Securities Report
[Clause Serving as Basis]	Article 24, paragraph (1) of the Financial Instruments and Exchange Act
[Recipient]	Director General of the Kinki Local Finance Bureau
[Submission Date]	April 27, 2023
[Fiscal Year]	Reporting Period 61 (FY2023) (February 1, 2022 to January 31, 2023)
[Company Name]	Artner Co., Ltd.
[Name and Title of Representative]	SEKIGUCHI Sozo, President and CEO
[Address of Head Office]	5-2, Nishidaimotsucho, Amagasaki, Hyogo
	(This address is the location of the registered head office. The company's business is conducted in the nearest contact location shown below.)
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[Location for Public Inspection]	Tokyo Stock Exchange, Inc.
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Part I Company Information

I. Overview of the Company

1 Key Financial Data

State of the Reporting Company

Fiscal Year		FY2019	FY2020	FY2021	FY2022	FY2023
Year end		January 2019	January 2020	January 2021	January 2022	January 2023
Net sales	(thousands of yen)	6,331,692	7,002,175	7,174,725	8,102,991	9,242,360
Ordinary profit	(thousands of yen)	794,098	893,656	910,457	1,032,341	1,203,054
Profit	(thousands of yen)	540,973	613,377	628,561	728,785	895,148
Share of profit of entities accounted for using equity method	(thousands of yen)	—	—	—	—	—
Capital	(thousands of yen)	238,284	238,284	238,284	238,284	238,284
Total number of shares issued	(shares)	10,627,920	10,627,920	10,627,920	10,627,920	10,627,920
Net assets	(thousands of yen)	2,333,306	2,728,380	3,123,182	3,582,246	4,047,958
Total assets	(thousands of yen)	3,264,188	3,801,139	4,432,313	5,088,983	5,673,188
Net assets per share	(yen)	219.59	256.77	293.93	337.14	380.96
Dividend amount per share (Interim dividend per share included therein)	(yen)	18.00 7.50	20.50 10.00	23.00 11.50	34.50 14.00	60.00 20.00
Earnings per share	(yen)	50.91	57.73	59.16	68.59	84.24
Diluted earnings per share	(yen)	—	—	—	—	—
Equity ratio	(%)	71.5	71.8	70.5	70.4	71.4
Return on equity	(%)	25.2	24.2	21.5	21.7	23.5
Price Earnings Ratio	(times)	18.1	14.3	14.6	12.7	11.8
Payout ratio	(%)	35.4	35.5	38.9	50.3	71.2
Net cash provided by (used in) operating activities	(thousands of yen)	612,537	591,153	899,285	770,935	872,598
Net cash provided by (used in) investing activities	(thousands of yen)	(75,542)	(42,723)	(30,979)	33,643	(24,085)
Net cash provided by (used in) financing activities	(thousands of yen)	(169,438)	(215,920)	(232,089)	(270,037)	(426,831)
Cash and cash equivalents at end of period	(thousands of yen)	2,050,932	2,383,441	3,019,657	3,554,199	3,975,881
Number of employees	(people)	881	1,002	1,079	1,180	1,276
Total Shareholder Return (Comparison index: TOPIX total return index)	(%) (%)	87.3 87.2	80.3 96.1	85.9 105.7	89.6 113.2	107.1 121.1
Highest stock price	(yen)	2,370 [1,367]	1,075	1,116	939	1,084
Lowest stock price	(yen)	1,706 [560]	665	490	773	814

Notes: 1. Since we do not create consolidated financial statements, key financial data pertaining to the consolidated fiscal year are not included.

2. Shares of profit of entities accounted for using equity method are not shown because we do not have an affiliate.
3. Diluted earnings per share are not shown because we have no dilutive shares.
4. On April 1, 2018, we carried out a 2-for-1 stock split (common shares). The net assets per share and the earnings per share have been calculated on the assumption that this stock split was carried out at the beginning of FY2019. The total shareholder return has been calculated on the assumption that this stock split was carried out at the beginning of FY2019.
5. The highest and lowest stock prices refer to those that were quoted in the First Section of the Tokyo Stock Exchange on or after July 3, 2018, and those in the Prime Market of the Tokyo Stock Exchange on or after April 4, 2022. Prices posted any time earlier were in the Second Section of the Tokyo Stock Exchange. The stock prices shown for FY2019 were the highest and lowest prices before the stock split. The highest and lowest stock prices after the stock split are shown in the brackets.
6. The dividend per share for FY2019 includes the commemorative dividend of JPY 2.50 for the stock moving up to the First Section of the Tokyo Stock Exchange.
7. The dividend per share for FY2023 includes the commemorative dividend of JPY 17 for the Company's 60th anniversary of establishment and the 15th anniversary of listing on JASDAQ (now Prime Market).
8. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied since the beginning of this fiscal year under review, and thus it is reflected in the figures for the key financial data for this fiscal year.

2 History

In August 1953, Sekiguchi Kogyo Co., Ltd. was established as a manufacturer of gloves for industrial use, and as a blueprint printing business. In the late 1950s, as Japan began to enjoy the economic boom, the company decided to switch to design creation and tracing services for design drawings. Sekiguchi Kogyo and the family of SEKIGUCHI Sozo, current President and CEO, made investments as capital, and in September 1962, Osaka Technology Center Co., Ltd., which is currently Artner, was established.

The timeline below shows how the business of Osaka Technology Center Co., Ltd. has developed.

Month and Year	Event
September 1962	Sekiguchi Kogyo Co., Ltd. and the family of current President and CEO SEKIGUCHI Sozo invest 300,000 yen as capital to establish Osaka Technology Center Co., Ltd. to start the main business of design creation and design drawing services.
June 1964	Headquarters (current Osaka headquarters) move to Fukushima Ward, Osaka City.
March 1980	Headquarters move to Kita Ward, Osaka City.
November 1986	The Company launches its specified worker dispatching business as the Worker Dispatching Business Act was enforced.
April 1998	The Company changes its trade name from Osaka Technology Center Co., Ltd. to Artner Co., Ltd.
December 2003	The Company obtains its license for general worker dispatching business.
February 2004	The Company obtains its license for the paid employment agency business.
	The Company establishes two headquarters in Osaka and Tokyo. The Tokyo headquarters opens in Minato Ward, Tokyo.
October 2007	Company stock listed on JASDAQ.
February 2010	The Tokyo headquarters move to Kohoku Ward, Yokohama City.
April 2010	With the merger between the JASDAQ Securities Exchange and the Osaka Securities Exchange (OSE), the Company lists its stock on the OSE JASDAQ.
	The learning centers open in Suita, Osaka, for centralized management of education and training for newly graduated engineers.
February 2011	The Company goes through reorganization to open business offices (in Utsunomiya, Yokohama, Nagoya, and Osaka) under the Engineer Business Division.
	The Human Resources Business Department and the Hyper Artner Business Department are established under the Human Resources Business Division.
February 2012	The Hyper Artner Business Department is renamed the Hyper Artner Business Division.
February 2013	The Engineer Agency Business Division is established.
July 2013	With the integration of the Tokyo Stock Exchange (TSE) and the OSE, the Company lists its stock on the TSE JASDAQ (Standard).
February 2016	The Company integrates its business divisions to reorganize them into the Engineer Business Division and Human Resources Business Division.
	The Engineer Business Division and the Hyper Artner Business Department are established under the Engineer Business Division.
	The Technology Development Department and Engineer Agency Business Department are established under the

Month and Year	Event
	Human Resources Business Division.
October 2017	Stock listing moved to the Second Section of the Tokyo Stock Exchange.
February 2018	The Engineer Business Division and the Hyper Artner Business Department under the Engineer Business Division are disbanded.
	The High Value Group, the Wide Value Group, the Product Value Group, and the Contracting Group are established under the Engineer Business Division.
July 2018	Stock listing moved up to the First Section of the Tokyo Stock Exchange.
January 2019	The recruitment, education, and sales departments are integrated into learning centers (current learning centers in West Japan) and relocated to a different part of Suita.
March 2020	The learning centers in East Japan open in Kohoku Ward, Yokohama City.
February 2022	The Human Resources Business Division is disbanded to divide its organizational functions into the Engineer Agency Business Division and the Technology Development Division.
	The Staffing Service Group, the Career Hire Group, and the New Hire Recruitment Group are established under the Engineer Agency Business Division.
April 2022	With the reorganization of the TSE Sections, the Company's listed stock moves to the Prime Market of the Tokyo Stock Exchange.

3 Business Fields

(1) Engineer dispatching and contracting businesses

Currently, Artner offers a design engineer dispatching services as its primary business. We have offices in Utsunomiya, Yokohama, Nagoya, and Osaka.

In the engineer dispatching business, our design engineers provide technical services in the fields of software (e.g., development of software embedded in IoT devices and of application software for a network system), electronics (e.g., design of a circuit board at the heart of a device or instrument; reliability assessment), and machinery (design of how a machine works using 2D/3D CAD), among others, thereby assisting our clients' design and development teams.

We also operate a contracting business that offers design and development services outsourced by our clients.

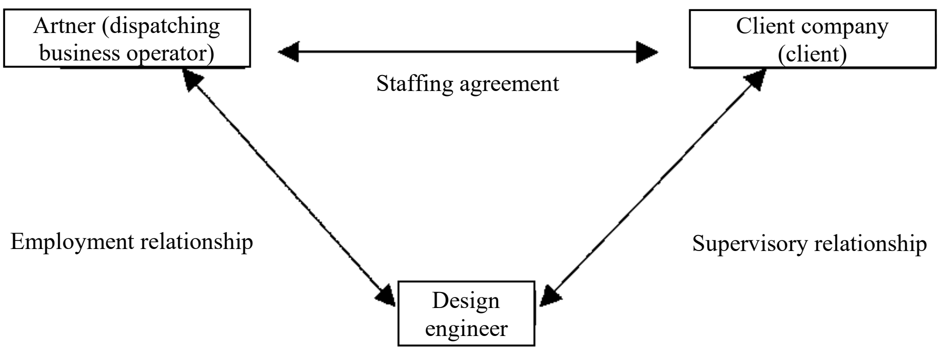
(2) Types of contracts with our clients

We execute staffing agreements and service agreements with our clients to conduct our business. While our business is based mostly on staffing agreements executed with our clients, we also sign service agreements with some of our clients.

(i) Staffing agreement

A staffing agreement is signed between Artner (dispatching business operator) as the employer of a design engineer and a client company (client) as the user of the engineer's services. The design engineer engages in work at the client company under the supervision of the client in accordance with the agreement.

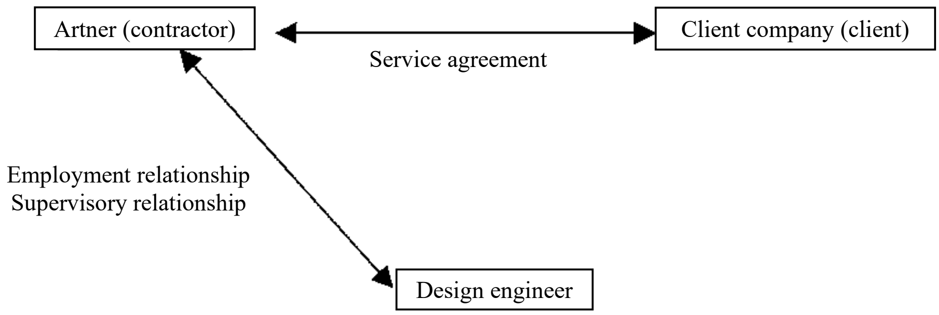
The figure below is a graphic representation of the relationships between Artner (dispatching business operator), a client company (client), and a design engineer (dispatched worker).



(ii) Service agreement

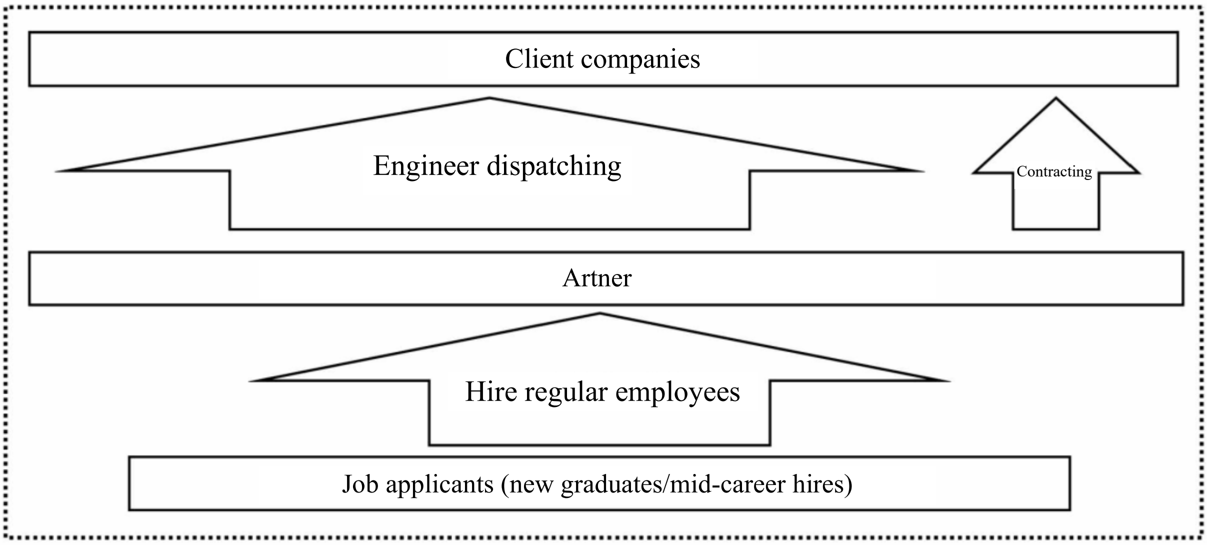
Under a service agreement, a client company outsources work to Artner, who takes full responsibility for giving instructions on the work and managing the design engineer's labor, among other tasks, in order to deliver completed work to the client.

The figure below is a graphic representation of the relationships between Artner (contractor), a client company (client), and a design engineer.



[Systematic diagram of Artner's business]

The figure below graphically shows how the business stated above is structured.



4 Information about the Affiliates

Not applicable.

5 Employees

(1) State of the reporting company

As of January 31, 2023

Number of employees (people)	Average age (years old)	Average years of service (years)	Average annual wage (yen)
1,276	30.3	6.5	4,525,745

Notes: 1. The number of employees is that of staff members working at Artner. It does not include registered employees.

2. The average annual wage includes bonuses and nonstandard wages.

3. Since we have only one reportable segment, figures sorted by segment have been omitted.

(2) Labor union

Artner's labor union is named Artner Workers' Union, which has 1,145 members as of January 31, 2023. The superior body it belongs to is UA ZENSEN.

We have stable labor-management relations.

II. Business Conditions

1 Management Policy, Business Environment, and Issues to be Addressed

The statements about the future in the text are judgments we made at the end of the fiscal year ended January 31, 2023.

(1) Management policy

Based on our management philosophy of being an Engineer Support Company, we are committed to serving as a technical partner that contributes to the sustainable growth of our clients. This basic stance, developed over many years, has built up a lot of trust and achievements, establishing our firm position as a pioneer in the industry.

We will continue to expand our corporate value by promoting management that will win the support and approval of our clients, shareholders, employees, and all other members of society.

(2) Corporate planning and strategy

(Guiding principle for the Medium-Term Business Plan)

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

"Make Value for 2022 to 2024"

(Priority measures for the Medium-Term Business Plan)

(i) 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.

(ii) 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).

(3) Objective indicators for assessing the achievement status of management goals, etc.

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 expenses: labor costs for engineers undergoing in-house training (standby status) and labor costs for other staffers.

We consider the engineer count, utilization rate, and unit price of engineers as particularly important management indicators, and will focus on efforts to improve them further.

(4) Business environment

For this fiscal year, the Japanese economy has slowly picked up in the "living with COVID" world. Due to factors such as the COVID-19 pandemic, the situation in Russia and Ukraine, and fluctuations in resource prices and exchange rates, some of our clients' business results made a slightly downward swing, but our business environment did not receive any major negative impact.

Looking ahead, in relation to the market environment for the fiscal year ending January 31, 2024, we expect that manufacturers will stay active in their development projects.

(5) Business and financial issues that should be prioritized

Our main business, which is the engineer dispatching business, consists of a cycle of recruitment, training, sales, and support activities. We must address the following issues for future business expansion.

(Recruitment activities)

We view securing and increasing the number of talented engineers as an essential requirement for the expansion of our business. Therefore, we will strive to secure high-quality talents that meet the market needs by implementing measures such as improving our recruitment criteria, securing recruitment opportunities, hiring diverse and inclusive talents, optimizing the composition of engineers by field and business domain, and optimizing the composition of new graduate and career hires.

With regard to the recruitment of new graduates, we will conduct company information sessions and interviews, etc., either online or in person, for students in order to secure participants in the selection process. We will also regularly provide detailed follow-ups to universities and prospective employees, and hold get-togethers for prospective employees in an effort to increase the percentage of prospective employees who join the Company.

(Training activities)

We will improve the skills of our engineers by providing general, external, basic, customized, and/or career training based on our long-accumulated experience.

In addition, 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.

(Sales activities)
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.
In addition, we will negotiate with client companies to assign and place appropriate engineers for improved business terms and conditions, such as an increase in the unit price of engineers.

(Support activities)
Through regular interviews with engineers, including online meetings, we will strive to improve the retention rate by providing guidance and advice according to the engineers' wishes and actual conditions, and by providing dedicated counselors for improved mental health and motivation.

2. Business and Other Risks

Of the matters regarding business conditions and financial information included in the Annual Securities Report, those that may have a material impact on investors are stated below.
Please note that the statements about the future in the text are judgments we made at the end of the fiscal year ended January 31, 2023.

(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. If these major clients were to 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, our financial status and business performance may be affected.
In addition, if significant changes in the business environment take place for automobile-related manufacturers, which account for a large share of our sales, our financial status and business performance may be affected.

(Competition with other companies in the industry)
If competition with other companies intensifies due to market contraction or new entrants in the engineer staffing industry, where we operate our business, and this results in a fierce price competition, our financial status and business performance may be affected.

(Effectiveness of education and training)
We strive to improve the skills of our engineers by providing training programs that have been developed based on many years of experience. However, if 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, and/or if we fail to satisfy the requests from clients and they start to make complaints, our financial status and business performance may be affected.

(Securing suitable clients for our dispatching business)
Although we always strive to secure and expand our clients for our engineer dispatching business, if we are unable to find suitable clients that match our engineers and cannot maintain or improve the unit price of engineers and/or utilization rates, our financial status and business performance may be affected.

(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. If 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, our financial status and business performance may be affected.

(Securing science and engineering graduates)
We consider science and engineering graduates to be an important managerial resource, but if the population of science and engineering graduates were to decrease due to the declining birth rate and other factors, making it significantly more difficult to hire talented graduates, our financial status and business performance may be affected.

(Securing career engineers)
We consider engineers with work experience to be an important managerial resource. However, if the competition to secure career hires intensifies 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, our financial status and business performance may be affected.

(Information management)
By introducing measures such as acquiring the "PrivacyMark," we have been committed to properly managing personal information,

confidential information, and all other information obtained in the course of our business operations. However, if such information is leaked to outside parties for some reason, our social credibility will be damaged, and our financial status and business performance may be affected.

In addition, although we take appropriate security measures to ensure the stable supply of our services, system failures and other problems may be caused by computer viruses, unauthorized access, natural disasters, or other unforeseen events, and in such cases, our financial status and business performance may be affected.

(Laws, regulations, licenses, and permits)
The following laws and regulations apply for each of our business categories:

(i) Worker dispatching business
Dispatching of engineers, which is our main business, is carried out under the license from the Minister of Health, Labour and Welfare as described below, based on the Act on Securing the Proper Operation of Worker Dispatching Businesses and Protecting Dispatched Workers (hereinafter referred to as "Worker Dispatching Act"):

License name	Supervisory authority	License number	Licensed date	Expiration date
Worker dispatching business	Ministry of Health, Labour and Welfare	派 27-020513	December 1, 2003	November 30, 2026

We consider compliance with the Worker Dispatching Act and relevant laws and regulations to be one of our highest priorities, and strive to 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. However, in the unlikely event that we violate such laws and regulations, which would hinder the continuity of our business, our financial status and business performance may be affected.
In addition, Article 14 of the Worker Dispatching Act stipulates that if a dispatching business operator falls under any of the disqualification grounds provided in Article 6 of the Worker Dispatching Act (main possible grounds: if the Company is sentenced to imprisonment or more, or is sentenced to a fine for violating the Labor Standards Act, the Worker Dispatching Act, the Employment Security Act or other labor-related laws, or the Health Insurance Act, the Employment Insurance Act or other laws, or for committing a crime under the Penal Code, the Immigration Control and Refugee Recognition Act or other laws, and five years have not passed from the date on which the execution of the sentence is completed or the sentence is no longer executed; or if the Company becomes an adult guardian or warrantee, or goes bankrupt and has not had its rights restored, etc.) or violates the Worker Dispatching Act and the Employment Security Act, the business operator shall be ordered to have its business license canceled or its operations suspended. However, there are no such disqualification grounds applicable to us at this time. However, in the unlikely event that we violate such laws and regulations and are ordered to have our business license canceled or our operations suspended, it may become difficult to continue our business, and our financial status and business performance may be affected.
The Worker Dispatching Act and other relevant laws and regulations are being revised from time to time by means of adding modifications in response to changes in the labor environment, social conditions, and other factors.
We take appropriate measures whenever such laws and regulations are revised. However, if any such revisions made are significantly unfavorable to our business, our financial status and business performance may be affected depending on the details of the revised laws and regulations.

(ii) Paid employment agency business
Our paid employment agency business is conducted under the license from the Minister of Health, Labour and Welfare as described below, based on the Employment Security Act:

License name	Supervisory authority	License number	Licensed date	Expiration date
Paid employment agency business	Ministry of Health, Labour and Welfare	27-ユ-020355	February 1, 2004	January 31, 2027

Article 32-9 of the Employment Security Act stipulates that if a provider of paid employment placement services (including its executives in case of a company) falls under any of the disqualification grounds as a paid employment agency business (if the Company is sentenced to imprisonment or more, or is sentenced to a fine for violating the Labor Standards Act, the Employment Security Act, the Worker Dispatching Act, or other labor-related laws, or for committing a crime under the Penal Code, the Immigration Control and Refugee Recognition Act or other laws, and five years have not passed from the date on which the execution of the sentence is completed or the sentence is no longer executed; or if the Company becomes an adult guardian or warrantee, or goes bankrupt and has not had its rights restored, etc.), or violates the Employment Security Act and the Worker Dispatching Act, the service provider shall be ordered to have its business license canceled or its operations suspended. However, there are no such disqualification grounds applicable to us at this time. However, in the unlikely event that we violate such laws and regulations and are ordered to have our business license canceled or our operations suspended, it may become difficult to continue our business, and our financial status and business performance may be affected.

In addition, if such laws and regulations are revised in the future and if any such revisions made are significantly unfavorable to our business, our financial status and business performance may be affected.

(Disasters, accidents, etc.)
We have established a manual to deal with natural disasters, man-made disasters, and other disasters and accidents (hereinafter referred to as "Disasters, etc.") in an effort to minimize the damage. However, if any Disasters, etc. that significantly exceed our prediction take place, our financial status and business performance may be affected.

In addition, in the event that our business activities are hindered as a result of the spread of COVID-19 infections and other factors, our financial status and business performance may be affected.

(Climate change)
In the event that our business activities are halted or stagnated as a result of our facilities being damaged by natural disasters due to climate change, our financial status and business performance may be affected.
In addition, if a carbon tax is introduced or environmental regulations are tightened as part of the government's effort to transition to a decarbonized society, and if we are unable to offer personnel that meets our clients' demands for engineers committed to carbon neutrality initiatives, our financial status and business performance may be affected.

(Mergers and acquisitions)
We have a policy of conducting mergers and acquisitions (M&A) to acquire new areas of expertise and technology with an aim to increase sales and revenues through expanding the scale of our business. 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. However, M&As may result in significant capital demands and amortization of goodwill, etc. In addition, such M&As may not necessarily generate synergies as expected by us. If the business performance does not progress as expected due to major changes in the business environment or business conditions, goodwill impairment losses or valuation losses on shares may arise, and our financial status and business performance may be affected. Also, when a new business that we have not been engaged in previously is added to our portfolio through M&As, additional risk factors specific to that business domain will emerge.

(Medium-Term Business Plan)
In March 2022, we announced our new Medium-Term Business Plan "Build a foundation for sustainable and next-generation growth — Make Value for 2022 to 2024," which concludes in the fiscal year ending January 31, 2025, and have been promoting specific measures accordingly. However, as the Medium-Term Business Plan is based on the outlook of the market environment and economic conditions at the time the plan was formulated, there is a possibility that the numerical business targets may not be achieved in the event that the market environment or economic conditions change dramatically beyond expectations and the business environment does not develop as predicted.

(Prime Market listing maintenance criteria)
We selected the Prime Market for our new market segment, applied since April 2022 by Tokyo Stock Exchange, Inc. However, we do not meet the listing maintenance criteria for the Prime Market on tradable share market capitalization as of January 2023. We are committed to taking necessary measures to meet the listing maintenance criteria by the fiscal year ending January 31, 2025. However, depending on our financial status and business performance as well as the market environment and economic conditions, we may not be able to meet the Prime Market's listing maintenance criteria by the fiscal year ending January 31, 2025.

3 Management Analysis of Financial Status, Business Performance and Cash Flows

(1) Overview of business performance and other conditions

Artner's financial status, business performance, and cash flows (hereinafter referred to as "financial performance and other conditions") for the fiscal year ended January 31, 2023, are summarized as below.

(i) Financial status and business performance

For this fiscal year, the Japanese economy has slowly picked up in the "living with COVID" world. Due to factors such as the COVID-19 pandemic, the situation in Russia and Ukraine, and fluctuations in resource prices and exchange rates, some of our clients' business results made a slightly downward swing, but our business environment did not receive any major negative impact.
The automobile industry, which is our major client, is working to achieve carbon neutrality in 2050 as well as technological innovation (e.g., CASE technologies). With software being created for these purposes, demand for semiconductors is rapidly growing. The industries involved in all these efforts have been in a business environment that allows them to accelerate

development, regardless of the latest economic trends. Hence, there was enormous demand for engineers available from us.
In these circumstances, we turned out to have more employees in operative personnel than the same period last year because the number of engineers we have in our engineer dispatching business increased. In addition, the increase is attributable to the facts that the utilization rate remained high as demand for engineers recovered, and that newly graduated engineers who joined us in 2022 were assigned to their work ahead of the initial schedule. Furthermore, the unit prices of engineers are on the rise. This fiscal year saw a slight increase year on year. The total work person-hours slightly decreased year on year.
The contracting business actively engaged in sales activities. Consequently, we had a larger number of engineers assigned to outsourced projects.
In regard to profits, as means to process our engineers' labor costs, we record the costs of engineers as SG&A expenses when they are not yet assigned to client companies, and as cost of sales after they are assigned. With more engineers assigned to projects, SG&A expenses as labor costs decreased and cost of sales increased. However, while SG&A expenses as labor costs dropped, the expenses slightly increased because recruitment and travel expenses rose as our recruitment and sales activities became active again.

As a result of all this, our financial status and business performance for this fiscal year are as stated below.

a. Financial status
The total assets at the end of this fiscal year increased JPY 584,205 thousand compared to the end of the previous fiscal year to JPY 5,673,188 thousand.
The total liabilities at the end of this fiscal year increased JPY 118,493 thousand compared to the end of the previous fiscal year to JPY 1,625,230 thousand.
The total net assets at the end of this fiscal year increased JPY 465,711 thousand compared to the end of the previous fiscal year to JPY 4,047,958 thousand.

b. Business performance
Net sales for this fiscal year totaled JPY 9,242,360 thousand (up 14.1% year on year), operating profit JPY 1,194,108 thousand (up 18.2% year on year), ordinary profit JPY 1,203,054 thousand (up 16.5% year on year), and profit JPY 895,148 thousand (up 22.8% year on year).

(ii) Cash flows
Cash and cash equivalents (hereinafter referred to as "cash") at the end of this fiscal year increased JPY 421,681 thousand compared to the end of the previous fiscal year to JPY 3,975,881 thousand.
Cash flows for the fiscal year and factors therein are as stated below.

(Net cash provided by (used in) operating activities)
The cash gained as a result of operating activities totaled JPY 872,598 thousand (up JPY 101,662 thousand year on year). This is mostly because we recorded JPY 1,203,054 thousand in profit before income taxes, whereas we also recorded JPY 399,953 thousand in income taxes paid. (Net cash provided by (used in) investing activities)
The cash used as a result of investing activities totaled JPY 24,085 thousand (the same period of the previous year saw a gain of JPY 33,643 thousand). This is mostly because we recorded JPY 10,154 thousand in payments of leasehold and guarantee deposits.

(Net cash provided by (used in) financing activities)
The cash used as a result of financing activities totaled JPY 426,831 thousand (up JPY 156,793 thousand year on year). This is because we recorded JPY 426,831 thousand in dividends paid.

(iii) Records of production, orders received, and sales

a. Record of production

A record of production has been omitted because the mainstay of our business consists of software, electronics, and machine engineer dispatching services, which, based on the nature of services provided, are not fit to be presented for a production record.

b. Record of orders received

A record of orders received has been omitted because orders received are almost equal to sales in terms of monetary amounts due to how our business works.

c. Record of sales

Sales results by business category for this fiscal year are as shown below.

Business Category	FY2023 (Fiscal year ended January 31, 2023)	
	Amount (thousands of yen)	YoY (%)
Engineer Dispatching Business	8,413,395	112.3
Contracting Business	794,627	132.7
Other businesses	34,337	256.4
Total	9,242,360	114.1

Notes: 1. Since we have only one reportable segment, the figures are sorted by business category.

2. The table below shows sales results sorted by major client and percentages they make up of overall sales for the last two fiscal years.

Client	FY2022 (Fiscal year ended January 31, 2022)		FY2023 (Fiscal year ended January 31, 2023)	
	Amount (thousands of yen)	Percentage (%)	Amount (thousands of yen)	Percentage (%)
Honda Motor Co., Ltd.	826,783	10.2	1,051,753	11.4
Honda R&D Co., Ltd.	1,017,018	12.6	895,763	9.7

(2) Analysis and discussion of the state of business performance and other conditions from the perspective of the management

The management of Artner understands, analyzes, and discusses the Company’s business performance and other conditions as stated below.

Please note that the statements about the future in the text are judgments made at the end of the fiscal year ended January 31, 2023.

(i) Significant accounting estimates and assumptions used in the estimates

Artner prepares its financial statements based on accounting standards that are generally accepted as fair and appropriate in Japan. The significant accounting policies we have used to prepare the financial statements are as stated in “V. Financial Information 1. Financial Statements and Other Documents (1) Financial statements.” The financial statements and other documents include projections, which is based on our decision as of the end of the fiscal year ended January 31, 2023. We made these projections based on logical judgments that consider results in the past. However, since estimates are by their nature uncertain, results may turn out to differ from the projections.

(ii) Understanding, analysis, and discussion of the state of business performance and other conditions for the fiscal year ended January 31, 2023

a. Business performance

(Net sales)

We turned out to have more employees in operative personnel than the same period last year because the number of engineers we have in our engineer dispatching business increased. In addition, the increase is attributable to the facts that the utilization rate remained high as demand for engineers recovered, and that newly graduated engineers who joined us in 2022 were assigned to their work ahead of the initial schedule. Furthermore, the unit prices of engineers are on the rise. This fiscal year saw a slight increase year on year. The total work person-hours slightly decreased year on year. As a result of all this, net sales for this fiscal year increased 14.1% year on year to JPY 9,242,360 thousand.

(Operating profit, ordinary profit, and profit)

As means to process our engineers’ labor costs, we record the costs of engineers as SG&A expenses when they are not yet assigned to client companies, and as cost of sales after they are assigned. With more engineers assigned to projects, SG&A expenses as labor costs decreased and cost of sales increased. However, while SG&A expenses as labor costs dropped, the expenses slightly increased because recruitment and travel expenses rose as our recruitment and sales activities became active again. As a result of all this, operating profit for this fiscal year increased 18.2% year on year to JPY 1,194,108 thousand, ordinary profit increased 16.5% year on year to JPY 1,203,054 thousand, and profit increased 22.8% to JPY 895,148 thousand.

b. Financial status

(Assets)

The total assets at the end of this fiscal year increased JPY 584,205 thousand compared to the end of the previous fiscal year to JPY 5,673,188 thousand. This is mostly because we recorded an increase of JPY 421,681 thousand in cash and deposits and an increase of JPY 118,368 thousand in trade receivables.

(Liabilities)

Liabilities at the end of this fiscal year increased JPY 118,493 thousand compared to the end of the previous fiscal year to JPY 1,625,230 thousand. This is mostly because we recorded an increase of JPY 92,111 thousand in provision for retirement benefits.

(Net assets)

Net assets at the end of this fiscal year increased JPY 465,711 thousand yen compared to the end of the previous fiscal year to JPY 4,047,958 thousand. This is mostly because we recorded an increase of JPY 464,813 thousand in retained earnings.

c. Sources of capital and liquidity of funds

The cash we have demand for is primarily to cover personnel expenses for engineers we dispatch to client companies. As a rule, we allocate our own funds to working capital, funds for equipment, and other required funds. Yet we also turn to borrowings from a bank to raise capital if the situation demands.

The state of cash flows is as stated in “II. Business Conditions 3 Management Analysis of Financial Status, Business Performance and Cash Flows (1) Summary of business performance and other conditions (ii) Cash flows.”

The table below shows indicators related to our cash flows.

	FY2019	FY2020	FY2021	FY2022	FY2023
Equity ratio (%)	71.5	71.8	70.5	70.4	71.4
Market value-based equity ratio (%)	300.1	230.9	206.9	181.4	186.7
Ratio of cash flows to interest-bearing liabilities (year)	—	—	—	—	—
Interest coverage ratio (times)	16,772.7	—	—	7,849.9	6,663.8

Equity ratio: Equity / Total assets

Market value-based equity ratio: Market capitalization / Total assets

Ratio of cash flows to interest-bearing liabilities: Interest-bearing liabilities / Operating cash flow Interest coverage ratio: Operating cash flow / Interest payments

Notes: 1. The calculation of market capitalization is based on the number of shares issued, excluding treasury shares.

2. The ratios of cash flows to interest-bearing liabilities are not shown because there are no year-end interest-bearing liabilities.

3. The interest coverage ratios for the fiscal year ended January 2020 and the fiscal year ended January 2021 are not shown because there were no interest payments.

d. Factors that may have a material impact on business performance

In regard to factors that may have a material impact on business performance, we are aware that our business environment, business fields, how we operate our businesses, and a variety of risk factors may have a material impact on our business performance, as stated in “II. Business Conditions 2. Business and Other Risks.”

Therefore, while keeping an eye on market trends at all times, we plan to strengthen our internal management structure, hire and retain talented employees, and offer services designed to match market needs, thereby diversifying and reducing risks that may have a material impact on our business performance and taking appropriate actions.

e. Objective indicators for assessing management policies, corporate planning and strategies, and the achievement status of management goals

Our Medium-Term Business Plan has defined the engineer count of 1,600 as a particularly important indicator, and we focus on further efforts accordingly. With new graduates and career engineers who joined us this fiscal year, the term-end engineer count totaled 1,157 (up 84 year on year).

4 Important Business Contracts

Not applicable.

5 R&D Activities

Not applicable.

III. Facilities and Equipment

1 Overview of Capital Investments and Others

No important capital investments were made during the fiscal year.

No important facilities/equipment were/was retired or sold during the fiscal year, either.

2 Major Facilities

The table below shows our major facilities.

Since we have only one reportable segment, figures sorted by segment have been omitted.

As of January 31, 2023

Office (Location)	Description	Carrying amount					Number of employees (people)
		Building (thousands of yen)	Tools, furniture and fixtures (thousands of yen)	Software (thousands of yen)	Other (thousands of yen)	Total (thousands of yen)	
Osaka headquarters (Kita Ward, Osaka City)	Headquarters	1,871	5,848	15,992	30,687	54,399	26
Learning centers in East Japan, Yokohama Office of Tokyo headquarters (Kohoku Ward, Yokohama City)	Headquarters, business office, training facilities	21,118	6,499	6,133	26,685	60,436	38
Nagoya office (Nakamura Ward, Nagoya City)	Business office and technical center	771	669	–	5,895	7,337	6
Utsunomiya office (Utsunomiya City, Tochigi Prefecture)	Business office and technical center	3,744	1,056	–	5,315	10,116	12
Learning centers in West Japan (Suita City, Osaka Prefecture)	Training facilities and business office	7,846	3,618	3,590	17,337	32,392	25

Notes: 1. The above offices are leased facilities. What these buildings contain are mostly furnishings.

2. “Others” in the carrying amount are leasehold and guarantee deposits.

3. The numbers of employees are those of staff members working at these offices. They do not include engineers assigned to client companies.

4. Other than the above, we own land containing unutilized assets that is worth JPY 25,685 thousand (733 m^2 in Kamigori, Ako District, Hyogo Prefecture; 1,631 m^2 in Sasayama City, Hyogo Prefecture; 550 m^2 in Kita Ward, Kobe City).

5. Other than the above, major facilities leased from others are as shown in the table below.

As of January 31, 2023

Office (Location)	Description	Leased areas (m^2)	Annual rent (thousands of yen)
Osaka headquarters (Kita Ward, Osaka City)	Leased building	536.61	29,413
Learning centers in East Japan, Yokohama Office of Tokyo headquarters (Kohoku Ward, Yokohama City)	Leased building	810.10	28,398
Nagoya office (Nakamura Ward, Nagoya City)	Leased building	125.98	5,895
Utsunomiya office (Utsunomiya City, Tochigi Prefecture)	Leased building	196.91	5,315
Learning centers in West Japan (Suita City, Osaka Prefecture)	Leased building	795.88	26,006

3 Plans for Installation, Retirement, etc. of Facilities

(1) Installation of new important facilities

Not applicable.

(2) Retirement of important facilities

Not applicable.

IV. State of the Reporting Company

1 The Company's Shares

(1) Total number of shares

(i) Total number of shares

Type	Total number of authorized shares (shares)
Common shares	36,000,000
Total	36,000,000

(ii) Total number of shares issued

Type	Number of shares issued - year-end (As of January 31, 2023)	Number of shares issued - submission date (As of April 27, 2023)	Financial instruments exchange where the Company is listed or Registered/Authorized financial instruments firms association	Definition
Common shares	10,627,920	10,627,920	Prime Market of the Tokyo Stock Exchange	Number of shares per share unit
Total	10,627,920	10,627,920	―	―

(2) Stock acquisition rights

(i) Stock option plans

Not applicable.

(ii) Rights plans

Not applicable.

(iii) Other stock acquisition rights

Not applicable.

(3) Status of corporate bond certificates, etc. with share options subject to exercise value change

Not applicable.

(4) Total number of shares issued and capital

Date	Change in the total number of shares issued (shares)	Balance of total shares issued (shares)	Change in capital (thousands of yen)	Balance of capital (thousands of yen)	Change in legal capital surplus (thousands of yen)	Balance of legal capital surplus (thousands of yen)
As of April 1, 2018 (Notes)	5,313,960	10,627,920	―	238,284	―	168,323

Note: A 2-for-1 stock split was carried out.

(5) Details by shareholder

As of January 31, 2023

Classification	Shareholder and shares held (number of shares per unit: 100)								Shares less than one share unit (shares)
	National and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders (people)	―	9	25	67	34	9	7,677	7,821	―
Number of shares owned (units)	―	7,568	3,067	28,109	9,495	71	57,465	105,775	50,420
Ratio of shares owned (%)	―	7.15	2.90	26.57	8.98	0.07	54.33	100.00	―

Note: Of treasury shares of 2,376, 23 units are included in the figures under "Individuals and others" and 76 shares in those under "Shares less than one share unit."

(6) Major shareholders

As of January 31, 2023

Name / Company name	Address	Number of shares owned (shares)	The number of shares owned as a proportion of the total number of issued shares (excluding treasury stock)
Sekiguchi Kogyo Co., Ltd.	3-20, Nangocho, Nishinomiya City, Hyogo	2,126,000	20.00
Artner Employee Stock Ownership Association	3-2-18, Nakanoshima, Kita-ku, Osaka City	996,648	9.37
Osaka Small and Medium Business Investment and Consultation Co., Ltd.	3-3-23, Nakanoshima, Kita-ku, Osaka City	480,000	4.51
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsucho, Minato-ku Tokyo	430,300	4.04
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO) (Standing Proxy: MUFG Bank, Ltd.)	245 SUMMER STREET BOSTON, MA 02210 U.S.A. (Payment Service Department, 2-7-1, Marunouchi, Chiyoda-ku, Tokyo)	246,895	2.32
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02505002 (Standing Proxy: Settlement and Clearing Services Division, Mizuho Bank, Ltd.)	100 KING STREET WEST, SUITE 3500, PO BOX 23 TORONTO, ONTARIO M5X 1A9 CANADA (Shinagawa Intercity Tower A, 2-15-1, Konan, Minato-ku, Tokyo)	180,000	1.69
HARIGAE Tomonori	Tsukuba City, Ibaraki	140,840	1.32
JPMorgan Securities Japan Co., Ltd.	Tokyo Building, 2-7-3, Marunouchi, Chiyoda-ku, Tokyo	129,447	1.21
OKUSAKA Kazuya	Kishiwada City, Osaka	115,380	1.08
THE BANK OF NEW YORK MELLON 140040 (Standing Proxy: Settlement and Clearing Services Division, Mizuho Bank, Ltd.)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A. (Shinagawa Intercity Tower A, 2-15-1, Konan, Minato-ku, Tokyo)	111,459	1.04
Total	–	4,956,969	46.65

Note: The number of shares owned by the Master Trust Bank of Japan, Ltd. (Trust Account) is all for trust services.

(7) Voting rights

(i) Shares issued

As of January 31, 2023

Classification	Number of shares (shares)	Number of voting rights	Definition
Non-voting shares	–	–	–
Shares with restricted voting rights (e.g., treasury shares)	–	–	–
Shares with restricted voting rights (other)	–	–	–
Shares with full voting rights (e.g., treasury shares)	Common shares: 2,300	–	–
Shares with full voting rights (other)	Common shares: 10,575,200	105,752	–
Shares less than one share unit	Common shares: 50,420	–	–
Total number of shares issued	10,627,920	–	–
Voting rights held by all shareholders	–	105,752	–

Note: The figure for “Shares less than one share unit” includes 76 treasury shares less than one share unit owned by Artner.

(ii) Treasury shares

As of January 31, 2023

Shareholder name / Company name	Address of shareholder	Number of shares held in the shareholder’s name (shares)	Number of shares held in others’ name (shares)	Total shares owned (shares)	Ratio of shares owned as a proportion of the total number of issued shares (%)
Artner Co., Ltd.	5-2, Nishidaimotsucho, Amagasaki, Hyogo	2,300	–	2,300	0.02
Total	–	2,300	–	2,300	0.02

2 Acquisition of Treasury Shares

Type of shares: Acquisition of common shares under Article 155, item (vii) of the Companies Act

(1) Acquisition of shares based on a resolution at the General Meeting of Shareholders: Not applicable.

(2) Acquisition of shares based on a resolution by the Board of Directors: Not applicable.

(3) Acquisition of shares not based on a resolution at the General Meeting of Shareholders or by the Board of Directors

Classification	Number of shares (shares)	Total amount (yen)
Treasury shares acquired during the fiscal year	—	—
Treasury shares acquired during the period	30	33,300

Note: The treasury shares acquired during the period do not include shares less than one share unit purchased during the period between April 1, 2023, and the date of submission of this Annual Securities Report.

(4) Acquired treasury shares disposed of/held

Classification	Fiscal year ended January 31, 2023		Acquisition period	
	Number of shares (shares)	Total value of shares for disposition (yen)	Number of shares (shares)	Total value of shares for disposition (yen)
Acquired treasury shares placed for subscription	—	—	—	—
Acquired treasury shares retired	—	—	—	—
Acquired treasury shares transferred for merger, share exchange, share delivery, or company split	—	—	—	—
Other	—	—	—	—
Number of treasury shares held	2,376	—	2,406	—

Note: The number of treasury shares held during the period does not include that of shares less than one share unit purchased or sold during the period between April 1, 2023, and the date of submission of this Annual Securities Report.

3 Dividend Policy

In terms of profit distribution, Artner comprehensively considers future business developments, earnings, the management environment, as well as the strengthening of its management foundations, and positions the supply of stable dividends to its shareholders as top-priority management tasks. To improve capital efficiency, we aim to achieve an ROE of 20% or higher as a result of remaining committed to various initiatives.

While taking into account earnings trends and other factors, Artner's basic policy calls for the biannual distribution of retained earnings in the form of interim and year-end dividends. The distributions of retained earnings are decided by the general shareholders meeting in the case of the year-end dividend and by the Board of Directors in the case of the interim dividend. Artner's Articles of Incorporation specifies that the Company may pay out dividends of surplus by resolutions of the Board of Directors pursuant to Article 459, paragraph (1) of the Companies Act.

Shareholders will receive a year-end dividend payment of 40 yen (a commemorative dividend of 17 yen is included) per share for this fiscal year. Combined with the interim dividend of 20 yen a share that was already paid, the dividend for the full year totals 60 yen per share. This makes the payout ratio for this fiscal year 71.2%.

Internal reserves are set aside to address projected future changes in the management environment and invest efficiently in enriching our pool of human resources, etc.

The table below shows the dividends of surplus for this fiscal year.

Date of resolution	Total amount of dividends (thousands of yen)	Dividend per share (yen)
Resolution by the Board of Directors on September 8, 2022	212,510	20.00
Resolution at the Ordinary General Meeting of Shareholders on April 27, 2023	425,021	40.00

4 Corporate Governance

(1) Overview of corporate governance

(i) Basic views on corporate governance

1. 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.
2. 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.
3. 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. Artner also will promptly disclose relevant information both inside and outside the company and enhance business transparency.

(ii) Overview of Artner's corporate governance framework and why this framework is used

Artner is a company with an audit and supervisory committee, an organizational design defined by the Companies Act. The Company has in place the following bodies in the framework.

(The Board of Directors)

The Board of Directors, chaired by President and CEO SEKIGUCHI Sozo, is composed of eight members including five directors (SEKIGUCHI Sozo, HARIGAE Tomonori, OKUSAKA Kazuya, SATO So, EGAMI Yoji) (Directors who are members of the Audit and Supervisory Committee are excluded) and three outside directors (NOMURA Ryuichiro, TERAMURA Yasuhiko, MORII Shinichiro) who are members of the Audit and Supervisory 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 Audit and Supervisory Committee)

The Audit and Supervisory Committee, chaired by Standing Audit and Supervisory Committee member NOMURA Ryuichiro, is composed of three Audit and Supervisory Committee members who are outside directors. The committee 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 Audit and Supervisory Committee member TERAMURA Yasuhiko, is composed of four members including the President and CEO and three members of the Audit and Supervisory Committee who are outside directors. The committee meets 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.

(The Compliance and Risk Management Meeting)

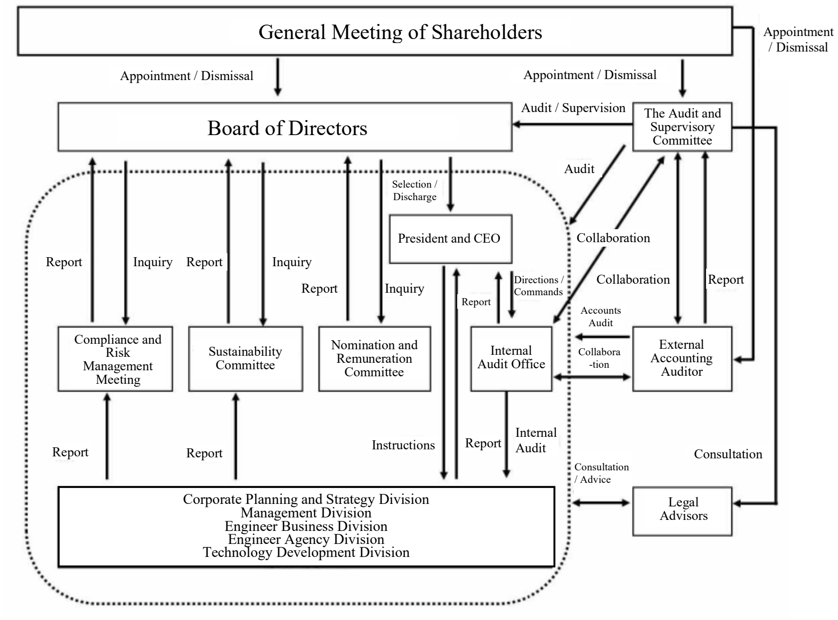
The Compliance and Risk Management Meeting, chaired by the President and CEO, is composed mainly of Heads of Divisions and Departments in addition to eight directors. The meeting is held monthly. In these meetings, members discuss policies and actions to ensure that all officers and employees of the Company abide by laws and the Company's Articles of Incorporation, and draw up the Risk Management Guidelines.

(Sustainability Committee)

The Sustainability Committee, chaired by the President and CEO, is composed mainly of Heads of Divisions and Departments in addition to eight directors. The committee meets four times a year. At each meeting, the members hold discussions to promote and manage the progress of issues and initiatives related to sustainability.

Artner currently uses this framework because the mutual supervision of business operations by directors works well, as does the audits and supervision of the Board of Directors by the Audit and Supervisory Committee.

The chart below shows the Company’s bodies and how internal control works.



(iii) Other matters regarding corporate governance

(a) Design of the Internal Control System

Artner has designed its internal control system in accordance with the following basic policies on the internal control system that has been established by the Board of Directors.

a. System to ensure that directors and employees execute their duties in compliance with applicable laws and regulations and the Company’s Articles of Incorporation

1) 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.

2) 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.

3) 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.

b. System to ensure the appropriateness of financial reporting

1) Directors and employees ensure the appropriateness of financial reporting by executing their duties in compliance with the “Basic Framework of Internal Control Related to Financial Reporting.”

2) Directors and employees smoothly operate the system to ensure the appropriateness of financial reporting.

3) The Internal Audit Office audits the operation of the system to ensure the appropriateness of financial reporting.

c. System to store and manage information relating to the execution of duties by directors

1) Information and documents relating to the execution of duties by directors are appropriately stored and managed in accordance with the “Document Management Rules,” other applicable rules and regulations, and related information management system manuals.

2) The Internal Audit Office conducts internal audits to confirm that this information and related documents are appropriately stored and managed.

d. Rules and system to manage the risk of loss

1) We have formulated guidelines, “Structure to Conduct Risk Management,” to define a clear system for managing different risks.

2) We have classified and defined management risks in accordance with these policies, and each responsible division identifies and analyzes the risk situation for each type of risk. We have set up a system in which 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.

3) The Internal Audit Office, which is directly overseen by the President and CEO, is responsible for audits in accordance with an internal audit plan. The office examines the method and details of audit implementation and revises the audit method as and when needed.

e. System to ensure that directors execute their duties efficiently

1) Board of Directors meetings are held twice a month, as the basis of a system to ensure that directors execute their duties efficiently. The first board meeting of the month is a performance board meeting and the second is a regular board meeting. Special board meetings are also held as and when needed. The scope of authority of the Board of Directors is clearly defined in the "Board of Directors Rules."

2) To ensure efficient business management by the directors, we have formulated "Organizational Rules," "Administrative Authority Rules," "Division of Duties Rules," "Division of Duties (Administrative Authority) Statement," and other internal rules.

f. System to ensure appropriate business practices in a corporate group consisting of companies, parent companies, and subsidiaries

The company does not currently have any parent companies or subsidiaries.

g. Matters relating to employees who assist with the duties of the Audit and Supervisory Committee, independence of such employees from other directors who are not members of the committee, and ensuring the effectiveness of the committee's instructions to such employees

1) If requested by the Audit and Supervisory Committee, an employee can be appointed to assist with the duties of the committee.

2) The appointment or dismissal, reassignment, and performance evaluation of such employees require the approval of the Audit and Supervisory Committee.

3) If the Audit and Supervisory Committee requests the appointment of an employee to assist with its work, the appointment of a suitable employee to assist with the work needed by the committee is made in consultation with the committee. The appointment is made with the prior approval of the committee, and with an assurance of independence. To ensure the effectiveness of the instructions of the Audit and Supervisory Committee to the applicable employee, the employee works exclusively for the committee, without being assigned any other work.

h. System to enable directors who are not members of the Audit and Supervisory Committee and employees to report to the Audit and Supervisory Committee

1) Directors who are members of the Audit and Supervisory Committee attend meetings of the Board of Directors and other important meetings and receive reports on the state of business practice execution from other directors who are not members of the committee.

2) Directors who are members of the Audit and Supervisory Committee are able to view important internal decision request circulars, written decisions, and reports that are not discussed at the important meetings mentioned above, and they also receive explanation of the contents of such documents as and when needed.

3) Directors or employees should report to the Audit and Supervisory Committee any of the following: a risk that may significantly harm the company; misconduct relating to execution of duties by directors who are not members of the Audit and Supervisory Committee; significant violation of an applicable law, regulation, or the Articles of Incorporation; reports relating to the state of internal audits; facts reported based on the internal whistleblowing system; and any other matter requested for the purposes of the Audit and Supervisory Committee.

i. System to ensure that persons who make whistleblower reports to the Audit and Supervisory Committee are not subjected to any disadvantageous treatment as a result of such reporting

In accordance with internal rules, it is prohibited to subject persons who submit whistleblower reports using the system to disadvantageous treatment in retaliation for whistleblowing.

j. Matters relating to policies concerning procedures for prepayment or reimbursement of expenses arising from the execution of duties by the Audit and Supervisory Committee members or other processing of expenses or monetary obligations arising from the execution of such duties

The procedures for prepayment or reimbursement of expenses arising from the execution of duties by members of the Audit and Supervisory Committee or other processing of expenses or monetary obligations arising from the execution of such duties are carried out appropriately through applications made by members of the Audit and Supervisory Committee.

k. Other systems to ensure that audits of the Audit and Supervisory Committee are effectively conducted

1) The President and CEO and the Head of the Internal Audit Office strive to enable sufficient opportunities for consultation with the Audit and Supervisory Committee members to examine the establishment of a suitable working environment for the committee, in order to ensure the effectiveness of audits.

2) To ensure the effectiveness of audits by the Audit and Supervisory Committee, the committee members demand that the President and CEO and the Board of Directors strive to make continuous improvements to the auditing system.

3) The Internal Audit Office, which is the internal auditing department of the Company, and the division responsible for oversight of compliance and risk management meet regularly with the Audit and Supervisory Committee to exchange opinions regarding issues to be addressed.

4) If the Audit and Supervisory Committee deems it necessary to appoint legal advisors or other external advisors when conducting an audit, such advisors can be appointed.

l. Basic approach to the exclusion of antisocial forces

1) To fulfill its obligations of corporate social responsibility and to protect the Company, any relations with antisocial forces are cut off.

2) In the event that the company is subjected to any unreasonable demands by antisocial forces, we respond resolutely by legal means.

3) We set up a “System for Cutting off Relations with Antisocial Forces” based on the manual for dealing with antisocial forces.

4) In preparation for unreasonable demands by antisocial forces, we are building close partnerships with an external specialized agency, and in the event that we are subjected to an unreasonable demand by antisocial forces, we will consult with the agency regarding how to respond, or request a response from the agency.

5) Under no circumstances do we, for the sake of convenience, respond by engaging in behind-the-scenes dealing with or providing money to antisocial forces.

6) We regularly inform directors and employees of our “System for Cutting off Relations with Antisocial Forces” and promote awareness of it.

m. Internal system for exclusion of antisocial forces

1) Under the Head of the Management Division, the General Affairs Group, as department responsible for exclusion of antisocial forces, strives to prevent the Company from being subjected to any unreasonable demands from such forces.

2) We have concluded advisory agreements with a legal advisor and retired police officers, and collaborate with a specialized agency.

3) In collaboration with the Head of the Management Division, the General Affairs Group receives guidance and advice from the legal advisor as circumstances demand, and maintains a database of information on antisocial forces. As and when needed, the group also reports the details of such information to the Board of Directors. Based on the information, each division and the Compliance and Risk Management Meetings examine approaches to the exclusion of antisocial forces.

4) We distribute a manual for dealing with antisocial forces to all employees and promote awareness of it.

5) The General Affairs Group raises awareness of issues relating to the exclusion of antisocial forces regularly at internal training sessions.

(b) Risk management framework

Artner is aware that risk management is critical to its business. We also acknowledge that risk management related to compliance with laws and regulations as well as internal rules is particularly important. To ensure the risk is fully managed, we have set up the Compliance and Risk Management Meeting. To properly manage personal information, we use a personal information protection management system that conforms to the Personal Information Protection Management Systems -- Requirements (JIS Q 15001). We have also set up an internal whistleblowing system in order to prevent violations of laws and regulations and avoid risks, thereby developing and enhancing our risk management framework.

(c) Agreements limiting liability

a. Directors

Artner has an agreement in place that limits the liability for damages specified in Article 423, paragraph (1) of the Companies Act with each director (non-Executive Director) pursuant to Article 427, paragraph (1) of the said Act. The limit of liability based on the agreement is an amount prescribed by laws and regulations.

b. Accounting Auditor

Artner has an agreement in place that limits the liability for damages specified in Article 423, paragraph (1) of the Companies Act with KPMG AZSA LLC who is our Accounting Auditor pursuant to Article 427, paragraph (1) of the said Act. The limit of liability based on the agreement is an amount prescribed by laws and regulations.

(d) Summary of a directors and officers liability insurance policy

Artner has a directors and officers liability insurance (D&O Insurance) policy in place with an insurance company, as stipulated in Article 430-3, paragraph (1) of the Companies Act. The insured persons covered by this policy are directors, and they do not pay the insurance premiums. To provide a summary, this insurance policy, together with the special clauses, shall cover damages that may arise when an insured director assumes liabilities as a result of the execution of his duties or due to claims brought against him for being held responsible for the consequences of his action. However, the policy has an exclusion that the insurance company contends precludes coverage, such as liabilities incurred as a result of an unlawful act that an insured individual willfully and knowingly commits.

(e) Number of directors

Artner specifies in its Articles of Incorporation that it shall have up to ten directors (excluding directors who are members of the Audit and Supervisory Committee) and up to five directors who are members of the Audit and Supervisory Committee.

(f) Election of directors

Artner specifies in its Articles of Incorporation that resolutions on the election of directors shall be made with the approval of a majority of the votes of the shareholders who are present and hold at least one-third of the total votes of the shareholders who are entitled to exercise such rights.

The Articles of Incorporation also prescribes that no cumulative voting shall be allowed on the resolutions of the election of directors.

(g) Resolutions that may be passed by the Board of Directors instead of the General Meeting of Shareholders and reasons thereof

a. Acquisition of treasury shares

Artner's Articles of Incorporation specifies that the Company may acquire its treasury shares following a resolution by the Board of Directors, pursuant to Article 165, paragraph (2) of the Companies Act. The purpose of this provision is to acquire treasury shares through market transactions or by other means so that we are able to carry out flexible capital policies to adapt to change of the business environment.

b. Organ deciding dividends of surplus

Artner specifies in its Articles of Incorporation that, to ensure flexible capital policies and dividend policies, the Company's Board of Directors may resolve on the matters such as dividends of surplus prescribed in the items under Article 459, paragraph (1) of the Companies Act, unless otherwise provided for in laws and regulations.

c. Release from liability of directors

Artner specifies in its Articles of Incorporation that, pursuant to Article 426, paragraph (1) of the Companies Act, the Company's Board of Directors, instead of the General Meeting of Shareholders, may resolve to release directors (including former directors) from their liability related to the acts defined in Article 423, paragraph (1) of the said Act to the extent legally permissible. The purpose of this provision is to provide an environment that enables directors to fulfill their expected role as they perform their duties by achieving their full potential.

d. Release from liability of Accounting Auditors

Artner specifies in its Articles of Incorporation that, pursuant to Article 426, paragraph (1) of the Companies Act, the Company's Board of Directors, instead of the General Meeting of Shareholders, may resolve to release an Accounting Auditor (or a former Accounting Auditor) from their liability related to the acts defined in Article 423, paragraph (1) of the said Act to the extent legally permissible. This provision has been set in the wake of the enforcement of the Companies Act that has made accounting auditors subject to shareholder derivative suits, so that a balance is kept between our directors and Accounting Auditor.

(h) Requirements for special resolutions at the General Meeting of Shareholders

Artner specifies in its Articles of Incorporation that, regarding the requirement for a special resolution at the General Meeting of Shareholders as prescribed in Article 309, paragraph (2) of the Companies Act, the resolution is adopted if shareholders with at least one-third of the total votes of the shareholders who are entitled to exercise their right to vote are present, and at least two-thirds of the votes approve the resolution. The purpose of this provision is to ensure the smooth running of the General Meeting of Shareholders by relaxing the quorum of the General Meeting of Shareholders for a special resolution.

(2) Executive Officers

(i) Executive Team

Males: 8: Females: - (ratio of women in the Executive Team: -%)

Title	Name	Date of birth	Career summary	Terms of office	Number of shares owned (shares)
President and CEO	SEKIGUCHI Sozo	December 31, 1964	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) February 2012: Appointed Head of the Hyper Artner Business Division	Note 3	7,601
Director and Head of the Management Division	HARIGAE Tomonori	May 24, 1954	April 1978: Joined Toyobo Interior Co., Ltd. March 1982: Joined Osaka Technology Center Co., Ltd. (previous name of the Company) March 1990: Appointed Head of the Kanto Business Dept. March 1991: Appointed Director March 1993: Appointed Managing Director; Head of the General Affairs Dept. February 2007: Appointed Managing Director; Head of the Management Division May 2008: Appointed Director; Head of the Management Division (current)	Note 3	142,827
Director Head of the Engineer Business Division	OKUSAKA Kazuya	September 3, 1955	April 1978: Joined Osaka Technology Center Co., Ltd. (previous name of the Company) October 1993: Appointed Head of the No.3 Business Dept. February 2002: Appointed Standing Auditor April 2004: Appointed Managing Director; Head of the Human Resources Dept. February 2007: Appointed Managing Director; Head of the Human Resources Division April 2007: Appointed Managing Director; Head of the Business Management Division March 2009: Appointed Managing Director; Head of the Technology Development Division February 2010: Appointed Managing Director; Head of the Business Promotion Division February 2011: Appointed Managing Director; Head of the Engineer Business Division April 2011: 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)	Note 3	142,458
Director Head of the Corporate Planning and Strategy Division; Head of the Engineer Agency Business Division	SATO So	August 14, 1973	April 1998: Joined Nihon Bayer Agrochem (now Bayer Crop Science) June 2004: Joined Aon Affinity April 2007: Joined Artner Co., Ltd. Appointed 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 April 2015: Appointed Director; Head of the Corporate Planning and Strategy Division; Head of the Engineer Agency Business Division February 2016: Appointed Director; Head of the Corporate Planning and Strategy Division February 2022: Appointed Director; Head of the Corporate Planning and Strategy Division; Head of the Engineer Agency Business Division (current)	Note 3	3,360
Director Head of the Technology Development Division	EGAMI Yoji	September 26, 1958	April 1981: Joined Osaka Technology Center Co., Ltd. (previous name of the Company) February 2007: Appointed Head of the Technology Development Dept. of the Human Resources Division April 2007: Appointed Director; Head of the Human Resources Division February 2010: Appointed Director; Head of the Business Promotion Division February 2011: Appointed Director; Head of the Human Resources Business Division February 2013: Appointed Director; Head of the Engineer Business Division February 2016: Appointed Director; Head of the Human Resources Business Division February 2022: Appointed Director; Head of the Technology Development Division (current)	Note 3	66,270

Title	Name	Date of birth	Career summary	Terms of office	Number of shares owned (shares)
Director (Audit and Supervisory Committee member)	NOMURA Ryuichiro	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 (current)	Note 4	111
Director (Audit and Supervisory Committee member)	TERAMURA Yasuhiko	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 Shiryo 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 member of the Audit and Supervisory Committee (current)	Note 4	1,671
Director (Audit and Supervisory Committee member)	MORII Shinichiro	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; Kansai Direct Demand Branch President April 2019: 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)	Note 4	671
Total					364,969

Notes: 1. The numbers of shares owned are real holdings that contain each owner's equity in the Artner Officer Stocks Society, including shares less than one unit. The number of shares acquired by the Artner Officer Stocks Society was not confirmed as of the date of submission of this report. Hence, the number shown is the real holdings as of the end of the fiscal year ended January 31, 2023.

2. Messrs. Nomura, Teramura, and Morii are outside directors.
3. One year from the conclusion of the Ordinary General Meeting of Shareholders held on April 27, 2023
4. Two years from the conclusion of the Ordinary General Meeting of Shareholders held on April 27, 2023

(ii) Outside directors

Artner has three outside directors. The three outside directors hold shares in the Company as shown in the above table “Executive Team.” 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.

(iii) Mutual cooperation between supervision or audits by outside directors and internal audits, audits by Audit and Supervisory Committee members, and accounting audits; relations with the internal control department

Artner has three outside directors, and they are directors who are members of the Audit and Supervisory Committee.

The Head of the Internal Audit Office and the Audit and Supervisory Committee consult with each other and exchange information and views when preparing their annual audit plans and creating audit reports. This enables them to share information and conduct audits efficiently.

The Internal Audit Office and the Audit and Supervisory Committee exchange information and views with an external accounting auditor of record in order to have a common understanding of issues subject to audits and other relevant matters. They also seek professional advice and guidance from the Accounting Auditor as needed.

(3) Audits

(i) Internal audits and audits by the Audit and Supervisory Committee

An internal audit is conducted by the Internal Audit Office, which consists of one Head and one member, in accordance with the internal audit plan approved by the President and CEO. The audit examines whether the Company's departments perform their operations in compliance with laws and regulations and other rules. It also reviews the consistency of these operations with the management policy, along with the validity of operational efficiency. Then the audit team gives advice necessary for the departments to improve their operations and the efficiency thereof, and reports the audit results to the President and CEO.

Artner is a company with an audit and supervisory committee. The Audit and Supervisory Committee consists of three outside directors (one full-time director and two part-time directors). Outside Director TERAMURA Yasuhiko has decades of experience in a financial institution and has been on the management teams of other companies. His knowledge of finance and accounting is considerable. Outside Director MORII Shinichiro has worked in key posts (e.g., branch manager) as an Executive Officer. His knowledge of finance and accounting is enormous. Outside Director NOMURA Ryuichiro has decades of experience in a financial institution and has engaged in the management of other companies. His knowledge of finance and accounting is considerable.

Artner held a total of 26 meetings of the Audit and Supervisory Committee during this fiscal year. The table below shows the record of Audit and Supervisory Committee members' attendances.

Name	Number of meetings held	Attendance
TERAMURA Yasuhiko	26	26
MITANI Takaaki	14	14
MORII Shinichiro	26	26
NOMURA Ryuichiro	12	12

Note: Mr. Mitani's attendances are at the Audit and Supervisory Committee meetings held before he resigned from his post as an Audit and Supervisory Committee member on July 29, 2022, and Mr. Nomura's attendances at those held after he assumed his post an Audit and Supervisory Committee member on July 29, 2022.

As its primary tasks, the Audit and Supervisory Committee develops the audit policies and plans, and reviews the legitimacy of execution of duties by directors, the legitimacy of financial statements and business reports, etc., and the competence of the Accounting Auditor. Directors who are members of the Audit and Supervisory Committee attend board meetings and other important meetings to offer their opinions as necessary. They also regularly meet with the President and CEO as a means to audit the legitimacy and validity of execution of duties by directors (excluding directors who are members of the Audit and Supervisory Committee).

Activities of full-time Audit and Supervisory Committee members include communication with and information gathering from directors and others in relevant posts, creation and enhancement of the audit environment, and perusal of documents about important managerial decisions, in accordance with the audit policies and plans set forth by the Audit and Supervisory Committee.

(ii) Accounting Audits

a. Accounting firm name

KPMG AZSA LLC

b. Continuous audit period

18 years

c. Certified public accountants who performed the service

YONO Kenji (Designated Limited Liability and Engagement Partner)
YASUDA Tomonori (Designated Limited Liability and Engagement Partner)

d. Assistants in the audit service

Six certified public accountants and 18 others serve as assistants in Artner's accounting audit service.

e. Policy and reason for selection of the audit firm

The Audit and Supervisory Committee consults the Practical Guidelines for Auditors regarding Accounting Auditor Evaluation and Selection Criteria published by the Japan Audit & Supervisory Board Members Association, and conducts a comprehensive review to select an Accounting Auditor. In this process, the committee ensures that the accounting firm has independence as an Accounting Auditor and a proper quality management framework, which covers misconduct risk; that the firm has in place an audit framework designed for the size and business of Artner; and that the audit plan and cost are practical and fair. We have selected KPMG AZSA LLC as our Accounting Auditor because we decided that the firm has all these elements to conduct proper accounting audits of Artner. The Audit and Supervisory Committee will also dismiss the Accounting Auditor based on the consent of all Audit and Supervisory Committee members if any of the items of Article 340, paragraph (1) of the Companies Act applies to the Accounting Auditor.

f. Evaluation of the Accounting Auditor by Audit and Supervisory Committee members and the Audit and Supervisory Committee

The Audit and Supervisory Committee consults the Practical Guidelines for Auditors regarding Accounting Auditor Evaluation and Selection Criteria published by the Japan Audit & Supervisory Board Members Association, and evaluates the Accounting Auditor from all angles, such as the quality management framework the Auditor has developed and how it operates, of the independence and expertise the Auditor has, among others, to determine that the Auditor is qualified.

(iii) Details of audit fees

a. Audit fees for certified public accountants

Fiscal year ended January 31, 2022		Fiscal year ended January 31, 2023	
Fees for audit services (thousands of yen)	Fees for non-audit service (thousands of yen)	Fees for audit services (thousands of yen)	Fees for non-audit service (thousands of yen)
20,000	—	20,000	2,000

The non-audit service at Artner is preparation of comfort letters related to prospectuses for stock offerings.

b. Fees for an organization in the same network to which the certified public accountants belong

Not applicable.

c. Details of other fees based on important audit services

Not applicable.

d. Policy for determining audit fees

Artner's policy for determining fees for an audit by certified public accountants is that the Company reviews the audit plan, details of the audit, and the audit schedule, among others, presented by the Accounting Auditor and receives approval from the Audit and Supervisory Committee to decide on proper fees.

e. Reason for the approval of the Audit and Supervisory Committee given to fees for the Accounting Auditor and other relevant fees

The Audit and Supervisory Committee reviewed the policy, contents, and the basis for calculation of estimates shown in the audit plan, which would constitute grounds for fees paid to the Accounting Auditor. Then the committee received and examined required reports about the contents submitted by relevant internal departments, and determined that the policy, contents, and the basis were all fair for an accounting audit of Artner. Hence, the committee approved the fees for the Accounting Auditor.

(4) Remuneration for directors

(i) Policies for determining remuneration for directors and calculation methods

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 are responsible for deliberating and determining the remuneration of the Executive Team, which is composed of a fixed remuneration and performance-linked remuneration. 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 the Audit and Supervisory Committee members is determined by deliberation among the members of the Committee.

How to determine the policy for determining the remuneration for each individual is set forth in the rules concerning the remuneration of directors, resolved by 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 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 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 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. For the fiscal year ended January 31, 2023, the target metrics for performance-linked bonuses had been set at ¥797 million, and the result was ¥914 million.

The processes that the Board of Directors and the Audit and Supervisory Committee went through to determine the remuneration of directors for the fiscal year ended January 31, 2023, are summarized as follows:

With regard to the remuneration for directors who are not members of the Audit and Supervisory Committee, the amount of basic remuneration was determined by resolution of the Board of Directors on April 26, 2018, and has since remained unchanged. The amount of a performance-linked bonus for each director was determined by resolution of the Board of Directors on February 28, 2023.

With regard to the remuneration for directors who are members of the Audit and Supervisory Committee, the amount of basic remuneration was determined by deliberation among the members of the Committee on April 26, 2018, and has since remained unchanged. The amount of a performance-linked bonus for each director was determined by deliberation among the members of the Committee on February 28, 2023.

(ii) Total amount of remuneration by type of director, amount by type of remuneration, and the number of corresponding directors

Type of director	Total amount of remuneration (thousands of yen)	Amount by type of remuneration (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
Director and member of the Audit and Supervisory Committee but are not outside directors	—	—	—	—
Outside directors	24,096	22,815	1,281	4

Note: The above table below includes one outside director who resigned as of July 29, 2022.

(iii) Total amount of remuneration for each director

We have omitted providing information here as no directors were paid remuneration of ¥100 million or more.

(5) Shares held

(i) Criteria for and definitions of the classifications of shares for investment

Artner defines shares held to gain profits from fluctuations in the value of the stocks or by receiving dividends as shares solely for investment purposes, and any other shares held as shares for non-investment purposes, and classifies the shares it holds accordingly.

(ii) Shares held for non-investment purposes

a. Policy on holding shares for non-investment purposes; approach for examining the rationality of holding those shares; details of the board review concerning the advisability of holding each of the stocks

Artner has the policy that it holds shares in enterprises after considering from all angles whether the shareholding will help the Company continue to grow and raise its medium- to long-term enterprise value. We review these enterprises' future outlook and stock prices, and discuss the validity of the shareholding at board meetings. We also reduce the number of shares that no longer serve the purpose of holding them.

b. Number of stocks and amount recorded on the balance sheet

	Number of stocks (stocks)	Total amount recorded on the balance sheet (thousands of yen)
Unlisted shares	—	—
Shares other than unlisted shares	13	10,099

(Stocks that increased in the number of shares during the fiscal year under review)

	Number of stocks (stocks)	Total acquisition value associated with increase in number of shares (thousands of yen)	Reason for increase in number
Unlisted shares	—	—	—
Shares other than unlisted shares	—	—	—

(Stocks that decreased in the number of shares during the fiscal year under review)

	Number of stocks (stocks)	Total sale value associated with decrease in number of shares (thousands of yen)
Unlisted shares	—	—
Shares other than unlisted shares	—	—

c. Information regarding the numbers of specific shares for investment and of deemed shares held sorted by stock, and the amounts recorded on the balance sheet

Specific shares for investment

Stock	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2022	Purpose of shareholding, quantitative effect of shareholding, and reason for increase in number of shares	Artner's shares held
	Number of shares (shares)	Number of shares (shares)		
	Amount recorded on balance sheet (thousands of yen)	Amount recorded on balance sheet (thousands of yen)		
Open Up Group Inc.	2,378	2,378	To collect information about industry trends and other relevant matters	No
	4,532	3,709		
Persol Holdings Co., Ltd.	438	438	To collect information about industry trends and other relevant matters	No
	1,239	1,281		
TechnoPro Holdings, Inc.	300	300	To collect information about industry trends and other relevant matters	No
	1,204	870		
Meitec Corporation	300	100	To collect information about industry trends and other relevant matters Note 2	No
	730	668		
Abist Co., Ltd.	200	200	To collect information about industry trends and other relevant matters	No
	591	578		
Altech Corporation	220	220	To collect information about industry trends and other relevant matters	No
	490	395		
SUS Co., Ltd.	400	400	To collect information about industry trends and other relevant matters	No
	368	362		
Hip Corporation	300	300	To collect information about industry trends and other relevant matters	No
	249	216		
Copro-Holdings. Co., Ltd.	200	200	To collect information about industry trends and other relevant matters	No
	221	223		
Sobal Corporation	200	200	To collect information about industry trends and other relevant matters	No
	203	254		
JTEC Corporation	400	400	To collect information about industry trends and other relevant matters	Yes
	91	72		
Human Holdings Co., Ltd.	100	100	To collect information about industry trends and other relevant matters	No
	88	88		
Forum Engineering Inc.	100	100	To collect information about industry trends and other relevant matters	No
	87	84		

Notes: 1. Although it is a challenge to describe a quantitative effect of a shareholding, we have examined economic rationality and validity of holding the shares to ensure that we hold these shares for the purposes that are in line with our policy on shareholdings.

2. Meitec Corporation has carried out a 3-for-1 stock split (common shares).

Deemed shares held

Not applicable.

(iii) Shares held solely for investment purposes

Not applicable

V. Financial Information

1. Approach for Preparing Financial Statements

Artner prepares its financial statements in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963).

2. Audit Certification

Artner had its financial statements for the fiscal year (from February 1, 2022 to January 31, 2023) audited by KPMG AZSA LLC in accordance with Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

3. Consolidated Financial Statements

Since it has no subsidiary, Artner does not prepare consolidated financial statements.

4. Special Efforts to Ensure the Appropriateness of Financial Statements

Artner makes special efforts to ensure the appropriateness of its financial statements. More specifically, we have joined the Financial Accounting Standards Foundation to keep ourselves updated in order to maintain a correct understanding of accounting standards and other rules, thereby preparing to take the right actions when any changes are made to these standards and rules.

1【Non-consolidated Financial Statements, etc.】

(1)【Non-consolidated financial statements】

(i)【Non-consolidated balance sheets】

(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

(ii)【Non-consolidated statements of income】

(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

[Cost of Sales Statement]

		FY2022 (Fiscal year ended January 31, 2022)		FY2023 (Fiscal year ended January 31, 2023)	
Classification	Note number	Amount (thousands of yen)	Ratio (%)	Amount (thousands of yen)	Ratio (%)
I. Labor cost		5,137,009	96.9	5,981,094	96.9
II. Expenses	*2	165,884	3.1	190,557	3.1
Total manufacturing cost for the period		5,302,894	100.0	6,171,652	100.0
Beginning inventory of work in process		992		950	
Total		5,303,886		6,172,602	
Ending inventory of work in process		950		4,099	
Cost of sales for the period		5,302,936		6,168,503	

FY2022 (Fiscal year ended January 31, 2022)	FY2023 (Fiscal year ended January 31, 2023)
1. Cost accounting method Job costing based on actual costs *2 Details are as shown below: Travel and transportation JPY 71,952 thousand Rent JPY 14,901 thousand	1. Cost accounting method Job costing based on actual costs *2 Details are as shown below: Travel and transportation JPY 81,585 thousand Rent JPY 19,138 thousand

(iii)【Non-consolidated statements of changes in equity】

Fiscal year ended January 31, 2022

(Thousands of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings			
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward	
Balance at beginning of period	238,284	168,323	168,323	10,460	40,000	2,663,150	2,713,610
Changes during period							
Dividends of surplus						△270,951	△270,951
Profit						728,785	728,785
Net changes in items other than shareholders' equity							
Total changes during period	—	—	—	—	—	457,834	457,834
Balance at end of period	238,284	168,323	168,323	10,460	40,000	3,120,984	3,171,444

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	△739	3,119,478	3,704	3,704	3,123,182
Changes during period					
Dividends of surplus		△270,951			△270,951
Profit		728,785			728,785
Net changes in items other than shareholders' equity			1,229	1,229	1,229
Total changes during period	—	457,834	1,229	1,229	459,063
Balance at end of period	△739	3,577,312	4,933	4,933	3,582,246

Fiscal year ended January 31, 2023

(Thousands of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings			
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward	
Balance at beginning of period	238,284	168,323	168,323	10,460	40,000	3,120,984	3,171,444
Changes during period							
Dividends of surplus						△430,334	△430,334
Profit						895,148	895,148
Net changes in items other than shareholders' equity							
Total changes during period	—	—	—	—	—	464,813	464,813
Balance at end of period	238,284	168,323	168,323	10,460	40,000	3,585,798	3,636,258

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	△739	3,577,312	4,933	4,933	3,582,246
Changes during period					
Dividends of surplus		△430,334			△430,334
Profit		895,148			895,148
Net changes in items other than shareholders' equity			898	898	898
Total changes during period	—	464,813	898	898	465,711
Balance at end of period	△739	4,042,126	5,832	5,832	4,047,958

(iv) 【**Non-consolidated statements of cash flows**】

(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

[Notes]

(Significant Accounting Policies)

1. Basis and method for valuation of securities

Available-for-sale securities

Securities other than shares that do not have a market value

Fair value method (with the entire amount of valuation differences inserted directly into net assets, and the cost of sales calculated using the moving average method)

2. Basis and method for valuation of inventories

(1) Work in process

Job costing method (with the amount shown on balance sheet written down as profitability declines)

(2) Supplies

Job costing method (with the amount shown on balance sheet written down as profitability declines)

3. Depreciation method for non-current assets

(1) Property, plant and equipment

Declining balance method (note: straight-line method for buildings (excluding facilities attached to the buildings) acquired on or after April 1, 1998, and for facilities attached to buildings and for structures acquired on or after April 1, 2016)

Service life of the assets is mostly as shown below:

Buildings:	8 - 26 years
Tools, furniture and fixtures:	4 - 15 years

(2) Intangible assets

Straight-line method is applied to software for internal use. The calculation is based on usable life within the Company (5 years).

4. Recognition criteria for provisions

(1) Allowance for doubtful accounts

To make allowances for the non-payment of receivables, the historical default rate is used for general receivables; and receivables designated as potentially irrecoverable is determined by reviewing actual collectability on an individual claim basis to record the estimated amount that is deemed irrecoverable.

(2) Provision for bonuses

To make allowances for the payment of bonuses to employees, the amount that should be paid in the fiscal year under review is recorded, out of the estimated payment in the following fiscal year.

(3) Provision for retirement benefits

To make allowances for the payment of retirement benefits to employees, this is recorded based on the estimate for retirement benefit liabilities as of the end of the fiscal year under review.

(i) Method for attributing estimated retirement benefit payments to the period

When calculating retirement benefit liabilities, the method for attributing estimated benefit payments to the period that lasts until the end of the fiscal year under review is as per the benefit formula basis.

(ii) Method for processing actuarial gains and losses as expenses

Actuarial gains and losses are treated as expenses in the fiscal year following the fiscal year in which they arise. The amount is proportionally divided using the straight-line method over a certain number of years (five years) that is within the average number of employees' remaining service years at the time the differences emerge each fiscal year.

5. Recognition criteria for revenue and expenses

(1) Engineer dispatching services

Artner assigns its engineers to client companies based on staffing agreements to offer services over the terms of the agreements. We judge that our obligation is fulfilled with the passing of engineers' hours of operation, and thus we recognize revenue based on engineers' records of operation during the term.

(2) Contracting

Artner receives contracts from client companies for design and development, along with other relevant work. We ensure that completed work is delivered or operations are performed according to our instructions pursuant to each agreement with a client. We recognize revenue upon completion of the client's inspection or of operations performed, as we judge that our obligation is fulfilled then.

6. Cash included in the statement of cash flows

The cash included in the statement of cash flows consists of cash on hand, savings available for withdrawal at any time, and short-term investments that can easily be converted into cash, have only a limited risk of price fluctuations, and are redeemed within three months from the date of acquisition.

(Changes in Accounting Policies)

(Application of the Accounting Standard for Revenue Recognition)

Artner began to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Revenue Recognition Accounting Standard") and other relevant rules from the beginning of the fiscal year under review to recognize revenue at the amount it expects to receive in exchange for promised goods or services as soon as the control of these goods or services is transferred to a client.

The application of the Standard has no impact on profit or loss for the fiscal year under review.

We apply the Revenue Recognition Accounting Standard and other relevant rules in accordance with the transitional measure set forth in the provisory clause under Paragraph 84 of the Revenue Recognition Accounting Standard, which has no impact on the balance of retained earnings brought forward at the beginning of the period.

This report does not include "Notes Regarding Revenue Recognition" pertaining to the previous fiscal year in accordance with the transitional measure prescribed in Paragraph 89-3 of the Revenue Recognition Accounting Standard.

(Application of the Accounting Standard for Fair Value Measurement)

Artner began to apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Fair Value Measurement Accounting Standard") and other relevant rules from the beginning of the fiscal year under review. We will be applying the new accounting policies prescribed in the Fair Value Measurement Accounting Standard and other relevant rules in accordance with the transitional measures specified in Paragraph 19 of the Fair Value Measurement Accounting Standard and in Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application of the Standard and policies has no impact on the financial statements.

(Regarding Non-consolidated Balance Sheet)

1 Artner has entered into overdraft agreements with its six banks in order to ensure efficient financing for working capital. The table below shows the balances of borrowings available for withdrawal according to the agreements.

	FY2022 (As of January 31, 2022)	FY2023 (As of January 31, 2023)
Overdraft limit	JPY 1,450,000 thousand	JPY 1,450,000 thousand
Outstanding borrowing	—	—
Balance	1,450,000	1,450,000

(Regarding Non-consolidated Statement of Income)

*1 Selling expenses accounted for approximately 7% in FY2022, and 7% in FY2023, and general and administrative expenses 93% in FY2022, and 93% in FY2023.

The table below shows the main item of selling, general and administrative expenses, and the amounts thereof.

	FY2022 (Fiscal year ended January 31, 2022)	FY2023 (Fiscal year ended January 31, 2023)
Salaries and allowances	JPY 714,072 thousand	JPY 668,997 thousand
Travel and transportation	65,327	75,885
Rent	173,104	168,516
Provision for bonuses	21,528	23,799
Retirement benefit expenses	26,122	28,826
Depreciation	28,544	25,626
Provision of allowance for doubtful accounts	700	700

(Regarding Non-consolidated Statement of Changes in Equity)

FY2022 (Fiscal year ended January 31, 2022)

1. Matters concerning the type and total number of shares issued, and the type and total number of treasury shares

	Number of shares at beginning of FY2022 (shares)	Increase in shares during FY2022 (shares)	Decrease in shares during FY2022 (shares)	Number of shares at end of FY2022 (shares)
Shares issued				
Common shares	10,627,920	–	–	10,627,920
Total	10,627,920	–	–	10,627,920
Treasury shares				
Common shares	2,376	–	–	2,376
Total	2,376	–	–	2,376

2. Matters concerning dividends

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (thousands of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on April 22, 2021	Common shares	122,193	11.50	January 31, 2021	April 23, 2021
Board of Directors Meeting on September 8, 2021	Common shares	148,757	14.00	July 31, 2021	October 7, 2021

(2) Dividends with a record date in the fiscal year under review and an effective date in the following fiscal year

Resolution	Type of shares	Total amount of dividends (thousands of yen)	Source of funds for dividends	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on April 21, 2022	Common shares	217,823	Retained earnings	20.50	January 31, 2022	April 22, 2022

FY2023 (February 1, 2022 to January 31, 2023)

1. Matters concerning the type and total number of shares issued, and the type and total number of treasury shares

	Number of shares at beginning of FY2023 (shares)	Increase in shares during FY2023 (shares)	Decrease in shares during FY2023 (shares)	Number of shares at end of FY2023 (shares)
Shares issued				
Common shares	10,627,920	–	–	10,627,920
Total	10,627,920	–	–	10,627,920
Treasury shares				
Common shares	2,376	–	–	2,376
Total	2,376	–	–	2,376

2. Matters concerning dividends

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (thousands of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on April 21, 2022	Common shares	217,823	20.50	January 31, 2022	April 22, 2022
Board of Directors Meeting on September 8, 2022	Common shares	212,510	20.00	July 31, 2022	October 7, 2022

(2) Dividends with a record date in the fiscal year under review and an effective date in the following fiscal year

Resolution	Type of shares	Total amount of dividends (thousands of yen)	Source of funds for dividends	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on April 27, 2023	Common shares	425,021	Retained earnings	40.00	January 31, 2023	April 28, 2023

(Regarding Non-consolidated Statement of Cash Flows)

*1 Relationship between cash and cash equivalents at the end of the period and the amount for the account title shown in the balance sheet

	FY2022 (Fiscal year ended January 31, 2022)	FY2023 (Fiscal year ended January 31, 2023)
Cash and deposit account	JPY 3,554,199 thousand	JPY 3,975,881 thousand
Cash and cash equivalents	3,554,199	3,975,881

(Regarding Lease Transactions)

Notes on this matter have been omitted because they are of little importance.

(Regarding Financial Instruments)

1. Matters concerning financial instruments

(1) Policy on financial instruments

Artner limits its fund management to short-term deposits or any equivalents, and it has the policy that it raises funds mostly by borrowing from banks.

(2) Description of financial instruments, risks involved therein, and risk management framework

Accounts receivable are exposed to clients' credit risk. We mitigate this risk in line with our credit management policy.

(3) Supplementary explanations about matters concerning the fair values of financial instruments

Variable factors are taken into account when the fair value of a financial instrument is calculated. Hence, the value may fluctuate when different prerequisites are used.

2. Matters concerning the fair values of financial instruments

Notes on cash, deposits, and accounts receivable have been omitted because they are in cash, and because their fair value approximates carrying amounts as they are paid/made in a short term.

Note: Planned redemption amounts after the closing date for monetary claims

FY2022 (As of January 31, 2022)

	Within 1 year (thousands of yen)	More than 1 year, within 5 years (thousands of yen)	More than 5 years, within 10 years (thousands of yen)	More than 10 years (thousands of yen)
Cash and deposits	3,554,055	—	—	—
Accounts receivable - trade	1,011,154	—	—	—
Total	4,565,210	—	—	—

FY2023 (As of January 31, 2023)

	Within 1 year (thousands of yen)	More than 1 year, within 5 years (thousands of yen)	More than 5 years, within 10 years (thousands of yen)	More than 10 years (thousands of yen)
Cash and deposits	3,975,707	—	—	—
Accounts receivable - trade	1,129,522	—	—	—
Total	5,105,230	—	—	—

3. Matters concerning the breakdown of financial instruments by each fair value level

Notes on the matters have been omitted because they are of little importance.

(Regarding Investment Securities)

1. Available-for-sale securities

FY2022 (As of January 31, 2022)

	Type	Amount recorded on balance sheet (thousands of yen)	Acquisition cost (thousands of yen)	Difference (thousands of yen)
Securities recorded on balance sheet at amount that exceeds acquisition cost	Stock	8,805	1,697	7,107
	Subtotal	8,805	1,697	7,107
Securities recorded on balance sheet at amount that does not exceed acquisition cost	Stock	—	—	—
	Subtotal	—	—	—
Total		8,805	1,697	7,107

FY2023 (As of January 31, 2023)

	Type	Amount recorded on balance sheet (thousands of yen)	Acquisition cost (thousands of yen)	Difference (thousands of yen)
Securities recorded on balance sheet at amount that exceeds acquisition cost	Stock	10,099	1,697	8,401
	Subtotal	10,099	1,697	8,401
Securities recorded on balance sheet at amount that does not exceed acquisition cost	Stock	—	—	—
	Subtotal	—	—	—
Total		10,099	1,697	8,401

2. Available-for-sale securities sold

Not applicable.

(Regarding Derivatives)

Not applicable, as Artner does not trade derivatives.

(Regarding Retirement Benefits)

1. Summary of the retirement benefit plan used

Artner uses the defined benefit retirement lump sum payment plan and the define contribution pension plan to pay retirement benefits to its employees.

2. Defined benefit plan

(1) Reconciliation of the beginning and ending balances of retirement benefit liabilities

	FY2022 (Fiscal year ended January 31, 2022)	FY2023 (Fiscal year ended January 31, 2023)
Balance of retirement benefit liabilities at beginning of period	JPY 569,633 thousand	JPY 653,266 thousand
Service expenses	60,534	69,665
Interest expenses	4,767	5,467
Actuarial gains and losses incurred	29,571	(186,550)
Retirement benefit payments	(11,240)	(12,489)
Balance of retirement benefit liabilities at end of period	653,266	529,360

(2) Reconciliation of the ending balance of retirement benefit liabilities and the provision for retirement benefits recorded on the balance sheet

	FY2022 (As of January 31, 2022)	FY2023 (As of January 31, 2023)
Retirement benefit liabilities in non-savings-type plan	JPY 653,266 thousand	JPY 529,360 thousand
Retirement benefit liabilities unfunded	653,266	529,360
Unrecognized actuarial gains and losses	(73,733)	142,284
Net liabilities and assets recorded on balance sheet	579,533	671,645
Provision for retirement benefits	579,533	671,645
Net liabilities and assets recorded on balance sheet	579,533	671,645

(3) Itemized retirement benefit expenses

	FY2022 (Fiscal year ended January 31, 2022)	FY2023 (February 1, 2022 to January 31, 2023)
Service expenses	JPY 60,534 thousand	JPY 69,665 thousand
Interest expenses	4,767	5,467
Actuarial gains and losses processed as expenses	21,427	29,468
Retirement benefit expenses for defined benefit plan	86,730	104,600

(4) Matters concerning the basis for actuarial calculations

Basis for key actuarial calculations

	FY2022 (As of January 31, 2022)	FY2023 (As of January 31, 2023)
Discount rate	0.8%	1.7%

To project the rates of increase in salary, we use pay raise indexes by age calculated with September 1 of the fiscal year being the base date.

3. Defined contribution plan

Artner's required contributions to the defined contribution plan were JPY 55,362 thousand for the previous fiscal year and JPY 60,975 thousand for the fiscal year under review.

(Regarding Stock Options)

Not applicable.

(Regarding Tax Effect Accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by main cause

	FY2022 (As of January 31, 2022)	FY2023 (As of January 31, 2023)
Deferred tax assets		
Enterprise tax payable	JPY 12,885 thousand	JPY 13,287 thousand
Accrued expenses	10,726	12,848
Provision for bonuses	43,255	50,516
Provision for retirement benefits	177,221	205,389
Allowance for doubtful accounts	1,834	2,048
Impairment loss	4,642	4,642
Other	8,038	9,999
Total deferred tax assets	258,604	298,731
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(2,173)	(2,569)
Total deferred tax liabilities	(2,173)	(2,569)
Net deferred tax assets	256,431	296,162

2. Statutory effective tax rate and main causes of the difference from the income tax burden rate after the application of tax effect accounting

	FY2022 (As of January 31, 2022)	FY2023 (As of January 31, 2023)
Statutory effective tax rate	Notes have been omitted because the difference between the statutory effective tax rate and the income tax burden rate after the application of tax effect accounting is five-hundredths or less of the statutory effective tax rate.	30.6%
(Adjustments)		
Items that are permanently excluded from deductible expenses such as entertainment expenses		0.1
Inhabitant tax on per capita basis		0.2
Tax credit through taxation as an incentive to hire human resources and for other purposes		(5.0)
Other		(0.3)
Income tax burden rate after the application of tax effect accounting		25.6

(Equity in Earnings)
Not applicable.

(Regarding Business Combination)
Not applicable.

(Regarding Asset Retirement Obligations)
Notes on this matter have been omitted because they are of little importance.

(Regarding Investment and Rental Property)
Notes on this matter have been omitted because the total amount of investment and rental property is of little importance.

(Regarding Revenue Recognition)
1. Disaggregation of revenue generated from contracts with clients

	FY2023 (Fiscal year ended January 31, 2023)
Engineer dispatching services	JPY 8,413,395 thousand
Contracting	794,627
Other	34,337
Revenue generated from contracts with clients	9,242,360
Other revenue	―
Net sales to external clients	9,242,360

2. Basic information for understanding revenue generated from contracts with clients
Basic information for understanding revenue is as stated in “(Significant Accounting Policies) 5. Recognition criteria for revenue and expenses.”
3. Information for understanding the revenue amounts in the fiscal year under review and subsequent fiscal years
Balance of receivables arisen from contracts with clients

	FY2023
Receivables arisen from contracts with clients	
Accounts receivable - trade (beginning balance)	JPY 1,011,154 thousand
Accounts receivable - trade (ending balance)	1,129,522

(Segment Data)
[Segment data]
Since we have only one reportable segment, notes on this matter have been omitted.

[Related information]
FY2022 (Fiscal year ended January 31, 2022)
1. Information by product and service
Since our business is in a single segment, notes on this matter have been omitted.

2. Information by region
(1) Net sales
Not applicable because we have no sales to external clients outside Japan.
(2) Property, plant and equipment
Not applicable because none of our property, plant and equipment are located outside Japan.

3. Information by major customer

(Unit: thousands of yen)

Client name / Company name	Net sales
Honda R&D Co., Ltd.	1,017,018
Honda Motor Co., Ltd.	826,783

Note: Since our business is in a single segment, names of related segments have been omitted.

FY2023 (February 1, 2022 to January 31, 2023)

1. Information by product and service

Since our business is in a single segment, notes on this matter have been omitted.

2. Information by region

(1) Net sales

Not applicable because we have no sales to external clients outside Japan.

(2) Property, plant and equipment

Not applicable because none of our property, plant and equipment are located outside Japan.

3. Information by major customer

(Unit: thousands of yen)

Client name / Company name	Net sales
Honda Motor Co., Ltd.	1,051,753

Note: Since our business is in a single segment, names of related segments have been omitted.

[Information about impairment loss on non-current assets in each reportable segment]

Not applicable.

[Information about amortization and unamortized balance of goodwill in each reportable segment]

Not applicable.

[Information about gain on bargain purchase in each reportable segment]

Not applicable.

[Information about related parties]

Not applicable.

(Per Share Information)

	FY2022 (Fiscal year ended January 31, 2022)	FY2023 (Fiscal year ended January 31, 2023)
Net assets per share	JPY 337.14	JPY 380.96
Earnings per share	JPY 68.59	JPY 84.24

Notes: 1. Diluted earnings per share are not shown because we have no dilutive shares.

2. The table below shows the bases for calculations of earnings per share.

	FY2022 (Fiscal year ended January 31, 2022)	FY2023 (Fiscal year ended January 31, 2023)
Profit (thousands of yen)	728,785	895,148
Amounts not attributable to common shareholders (thousands of yen)	—	—
Profit pertaining to common shares (thousands of yen)	728,785	895,148
Average number of common shares outstanding during the period	10,625,544	10,625,544

(Material Post-Balance Sheet Events)

Not applicable.

(v) Supplementary schedule

[Statement of property, plant and equipment]

Asset Type	Balance at beginning of period (thousands of yen)	Increase during period (thousands of yen)	Decrease during period (thousands of yen)	Balance at end of period (thousands of yen)	Accumulated depreciation/ amortization at end of period (thousands of yen)	Amortization in period (thousands of yen)	Balance at end of period (thousands of yen)
Property, plant and equipment							
Buildings	108,238	1,743	—	109,981	72,934	4,202	37,046
Structures	1,172	—	—	1,172	1,172	—	0
Tools, furniture and fixtures	47,567	5,299	1,679	51,188	33,494	4,847	17,693
Land	25,685	—	—	25,685	—	—	25,685
Total property, plant and equipment	182,663	7,042	1,679	188,026	107,602	9,049	80,424
Intangible assets							
Software	120,142	7,099	—	127,241	101,525	16,872	25,715
Telephone subscription right	1,654	—	—	1,654	—	—	1,654
Total intangible assets	121,796	7,099	—	128,895	101,525	16,872	27,370

[Statement of bonds]

Not applicable.

[Statement of borrowings]

Not applicable.

[Statement of provisions]

Classification	Balance at beginning of period (thousands of yen)	Increase during period (thousands of yen)	Decrease during period (spending for purpose) (thousands of yen)	Decrease during period (other) (thousands of yen)	Balance at end of period (thousands of yen)
Allowance for doubtful accounts	6,000	6,700	—	6,000	6,700
Provision for bonuses	141,450	165,195	141,450	—	165,195

Note: “Decrease during period (other)” under allowance for doubtful accounts is the amount updated using the loan loss ratio for general receivables.

[Statement of asset retirement obligations]

Not applicable.

(2) Details of Main Assets and Liabilities

(i) Assets

(a) Cash and deposits

Classification	Amount (thousands of yen)
Cash	173
Deposits	
Current deposits	3,882,031
Ordinary deposits	31,467
Special deposits	2,208
Time deposits	60,000
Subtotal	3,975,707
Total	3,975,881

(b) Accounts receivable

Breakdown by client

Client	Amount (thousands of yen)
Honda Motor Co., Ltd.	171,193
Honda R&D Co., Ltd.	123,582
Lasertec Corporation	76,764
Nikon Corporation	65,546
Bosch Corporation	40,462
Other	651,972
Total	1,129,522

Accounts receivable accrued, collected, or outstanding

Balance at beginning of period (thousands of yen) (A)	Accrued during period (thousands of yen) (B)	Collected during period (thousands of yen) (C)	Balance at end of period (thousands of yen) (D)	Collection rate (%) $\frac{(C)}{(A)+(B)} \times 100$	Overdue (days) $\frac{\frac{(A)+(D)}{2}}{\frac{(B)}{365}}$
1,011,154	10,166,579	10,048,211	1,129,522	89.9	38.4

Note: The accrued amount includes consumption tax.

(c) Work in process

Item	Amount (thousands of yen)
Contracting business	4,099
Total	4,099

(d) Raw materials and supplies

Item	Amount (thousands of yen)
Printed matter	3,187
Quo cards	500
Revenue stamps	2
Total	3,689

(e) Deferred tax assets

Deferred tax assets totaled JPY 296,162 thousand. Details thereof are stated in “1. Financial Statements and Other Documents (1) Financial Statements Notes (Regarding Tax Effect Accounting).”

(ii) Liabilities

(a) Provision for retirement benefits

Classification	Amount (thousands of yen)
Retirement benefit liabilities	529,360
Unrecognized actuarial gains and losses	142,284
Total	671,645

(3) Other

Quarterly financial information for the fiscal year under review

(Cumulative)	Q1	Q2	Q3	Full year
Net sales (thousands of yen)	2,232,489	4,522,954	6,891,658	9,242,360
Profit before income taxes (thousands of yen)	379,081	691,862	942,014	1,203,054
Profit (thousands of yen)	263,308	479,740	653,262	895,148
Earnings per share (yen)	24.78	45.15	61.48	84.24

(Accounting period)	Q1	Q2	Q3	Q4
Earnings per share (yen)	24.78	20.37	16.33	22.76

VI. Overview of Shareholder Services at the Reporting Company

Fiscal year	February 1 to January 31
Ordinary General Meeting of Shareholders	In April
Record date	January 31
Record dates for dividends of surplus	January 31 and July 31
Number of shares per share unit	100 shares
Purchase and sale of shares less than one share unit	
Place of trade	6-3, Fushimi-machi 3-Chome, Chuo-ku, Osaka, Japan Osaka Securities Agency Division, Mitsubishi UFJ Trust and Banking Corporation
Shareholder registry administrator	4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan Mitsubishi UFJ Trust and Banking Corporation
Agency office	-
Trading fee	None
How public notice is issued	Artner issues an electronic public notice. However, if an accident or any other unavoidable reason prohibits the Company from issuing an electronic public notice, such a notice will be posted in the Nikkei (the Nihon Keizai Shimbun) newspaper. Public notices are posted on the Company's website as shown below: https://www.artner.co.jp
Benefits for shareholders	Not applicable.

Notes: 1. Pursuant to provisions in Artner's Articles of Incorporation, shareholders of shares less than one share unit do not hold any rights other than the rights listed in the items of paragraph (2) of Article 189 of the Companies Act, the right to demand according to Article 166, paragraph (1) of the Companies Act, the entitlement to the allotment of the shares for subscription and to the allotment of the share options for subscription in accordance with the number of shares they hold, and the right to demand for cash-out of shares less than one share unit.

2. Shares less than one share unit recorded in special accounts are purchased and sold at branches of Mizuho Trust & Banking across Japan.

VII. Reference Information about the Reporting Company

1 Information about the Parent Company, etc. of the Reporting Company

Artner does not have a parent company, etc. as specified in Article 24-7, paragraph (1) of the Financial Instruments and Exchange Act.

2 Other Reference Information

Artner submitted the following documents during the period from the start date of the fiscal year under review to the date of submission of the Annual Securities Report.

(1) Annual Securities Report, documents attached thereto, and confirmation letter

Fiscal year (FY2022) (from February 1, 2021 to January 31, 2022): Submitted to Director General of the Kinki Local Finance Bureau on April 21, 2022

(2) Internal control report and documents attached thereto

Submitted to Director General of the Kinki Local Finance Bureau on April 21, 2022

(3) Quarterly reports and confirmation letter

(FY2023, Q1) (from February 1, 2022 to April 30, 2022): Submitted to Director General of the Kinki Local Finance Bureau on June 10, 2022

(FY2023, Q2) (from May 1, 2022 to July 31, 2022): Submitted to Director General of the Kinki Local Finance Bureau on September 12, 2022

(FY2023, Q3) (from August 1, 2022 to October 31, 2022): Submitted to Director General of the Kinki Local Finance Bureau on December 12, 2022

Part II Information about the Reporting Company's Guarantor, etc.

Not applicable.

Independent Auditor’s Report and Internal Control Audit Report

April 27, 2023

To the Board of Directors of Artner Co., Ltd.

KPMG AZSA LLC

Osaka Office

YONO Kenji, Designated Limited Liability and Engagement Partner, Certified Public Accountant

YASUDA Tomonori, Designated Limited Liability and Engagement Partner, Certified Public Accountant

Financial Statement Audit

Opinions

To execute audit certification pursuant to Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act, we audited Artner Co., Ltd.’s financial statements for FY2023 (reporting period 61; from February 1, 2022 to January 31, 2023) shown in “Financial Information,” namely the balance sheet, statement of income, statement of changes in equity, statement of cash flows, significant accounting policies, other notes, and supplementary schedule.

We acknowledge that the above financial statements comply with the business accounting standards that are generally accepted as fair and appropriate in Japan to correctly present, in all material respects, Artner’s financial status as of January 31, 2023 as well as its business performance and cash flows for the fiscal year that ended on the same date.

Basis for Opinions

We conducted the audit in accordance with auditing standards that are generally accepted as fair and appropriate in Japan. Our responsibilities under these standards are described in the Responsibilities of the Auditor in a Financial Statement Audit. We are independent of Artner pursuant to relevant ethics required of professionals in Japan, and we fulfill other ethical responsibilities we have as an auditor. We are certain that we have obtained sufficient and appropriate evidence that serves as the basis for our opinions.

Major Particulars to Consider in the Audit

Major particulars to consider in the audit refer to matters that the professional auditor judged to be of special significance in the financial statement audit for the fiscal year under review. Those particulars were addressed while we audited all financial statements and formed our opinions. We are not to express our opinions about each of these particulars.

Accuracy of net sales from the engineer dispatching business	
Major particulars to consider in the audit and reasons for the decision	Course of action by the auditor
Artner Co., Ltd. (hereinafter referred to as the "Company") had net sales of JPY 9,242,360 thousand, and JPY 8,413,395 thousand of this amount came from the engineer dispatching business, accounting for 91 percent of net sales. As stated in "Notes (Significant Accounting Policies) 5. Recognition criteria for revenue and expenses," the Company decided that, in the engineer dispatching business, its obligation is fulfilled with the passing of engineers' hours of operation, and thus it recognizes sales based on engineers' records of operation during the term. The Company multiplies the unit price in each agreement signed with its client by the hours worked by the assigned engineer to record sales. When sales from the engineer dispatching business are recorded, there is a risk of recording wrong figures for sales mostly for the following reasons: - The Company enters into individual agreements with each client that specifies the price of a contract and billable hours based on the level of the engineer's skills, and these terms differ between engineers. - The staff in charge of entering sales figures in the information system calculates billable hours out of the total hours worked based on the terms of each agreement, and the data the staff have to process are enormous. For these reasons, we judged that it was particularly important to examine the accuracy of sales from the engineer dispatching business during the financial statement audit for the fiscal year under review, and thus this issue constitutes a major particular to consider in the audit.	We mainly took the course of action stated below to examine the accuracy of sales from the engineer dispatching business. (1) Evaluation of internal control We evaluated the validity of the design and implementation of the Company's internal controls in connection with the process of recording sales from the engineer dispatching business. We focused particularly on the following during evaluation: - Control on sales calculated based on the unit price specified in each agreement with a client and billable hours worked by the assigned engineer. The department in charge of entering sales figures confirms the accuracy of calculated sales, and the control and sales department approves and reports this account receivable. -When there is any difference in the payment of the receivable, the accounting department checks the rationality of the cause of the difference. (2) Examination of the accuracy of sales figures We carried out audit procedures that include the following in order to examine whether sales from the engineer dispatching business are accurately recorded. - We identified transactions that were potentially wrong in their recorded sales figures considering the general scale of transactions with each client, and re-calculated those figures based on the price of a contract specified in each agreement and the hours approved by the clients. We confirmed that the re-calculated figures were the same as the sales figures calculated by the Company. - Clients who had been extracted by statistical means were asked to complete and return a balance confirmation letter pertaining to accounts receivable. We obtained the completed letters directly from the clients to check them against the book balance. - We perused reports pertaining to year-end differences in payments the Company had received to see if there were any differences in payments and studied the causes of those differences, thereby checking for any significant differences that needed to be examined to identify the causes.

Other Information

Other information refers to information other than the financial statements and the auditor's report included in the Annual Securities Report. Management is responsible for preparing and disclosing other information. The Audit and Supervisory Committee is responsible for overseeing the execution of duties by directors in the designing and implementation of the process of reporting other information.

Our opinions on the financial statements do not cover other information, and we are not to express our opinions on such information.

In a financial statement audit, we are responsible for reading all the content of other information and, in this process of perusal, examining whether there are any material inconsistencies between the content of other information and the financial statements or the knowledge we had acquired during the audit. We are also responsible for paying attention to any signs of material errors in the content of other information, other than those material inconsistencies.

If we judge, based on the work we have done, that other information contains any material errors, we are required to report the fact.

Other information in this Annual Securities Report does not contain any issues we should report.

Responsibilities of management and the Audit and Supervisory Committee for financial statements

Management is responsible for preparing and correctly presenting financial statements in accordance with business accounting standards that are generally accepted as fair and appropriate in Japan. This includes designing and implementing internal control that management has decided is essential to prepare and correctly present financial statements that contain no material misrepresentations due to a wrongful act or errors.

When preparing financial statements, management is responsible for evaluating as to whether it is appropriate to prepare financial statements according to the going concern assumption, and, if matters concerning the going concern must be disclosed in accordance with business accounting standards that are generally accepted as fair and appropriate in Japan, management is also responsible for disclosing those matters.

The Audit and Supervisory Committee is responsible for overseeing the execution of duties by directors in the designing and implementation of the process of financial reporting.

Responsibilities of the auditor in a financial statement audit

The auditor is, based on the audit it has conducted, responsible for obtaining a rational guarantee as to whether the Company's financial statements as a whole contain any material misrepresentations due to a wrongful act or errors, and for expressing its opinions on the financial statements in the auditor's report from an independent viewpoint. A misrepresentation may occur due to a wrongful act or errors. It may influence decisions made by users of the financial statements on its own or when it is added up, and when such influence is likely, a misrepresentation is judged to be material.

The auditor makes professional judgments throughout an audit in accordance with auditing standards that are generally accepted as fair and appropriate in Japan, and conducts the following with professional skepticism:

- Identify and assess the risk of material misrepresentations due to a wrongful act or errors. Plan and implement audit procedures designed to manage the risk of material misrepresentation. The auditor selects and applies audit procedures at its own discretion. Also obtain sufficient and appropriate evidence that serves as the basis for the auditor's opinions.
- Although expressing an opinion about the effectiveness of internal control is not the objective of a financial statement audit, the auditor reviews internal control associated with audits in order to plan appropriate audit procedures that are suitable for the situation when it conducts risk assessment.
- Assess the accounting policies adopted by the management and the appropriateness of how the policies are applied, along with the rationality of accounting estimates made by the management and the validity of relevant notes.
- Draw conclusions about whether it is appropriate that the management prepares financial statements as the going concern assumption, and, based on audit evidence that has been obtained, whether material uncertainty is noted in connection with an event or circumstance that would raise material doubt on the going concern assumption. If there is material uncertainty related to going concern assumption, call for attention thereto in notes for the financial statements in the auditor's report is required. If making a note on the material uncertainty for the financial statements is inappropriate, the auditor is expected to present an opinion with exclusions on the financial statements. Conclusions drawn by the auditor are based on audit evidence obtained by the date of the auditor's report. Depending on future events and circumstances, the Company may become unable to continue as a going concern.
- Evaluate as to whether the presentation of the financial statements and the notes therein comply with the accounting standards that are generally accepted as fair and appropriate in Japan. Also evaluate as to whether the presentation, structure, and contents of the financial statements including relevant notes, and the financial statements, correctly present the transactions and accounting events that serve as bases.

The auditor reports to the Audit and Supervisory Committee the planned audit scope and schedule, significant audit findings that include material deficiencies in internal control identified during the audit, and other matters required by the auditing standards.

The auditor also reports to the Audit and Supervisory Committee the fact that it has complied with relevant ethics in Japan required of a professional regarding independence, matters that may reasonably be thought to influence the independence of the auditor, and safeguards provided to eliminate or mitigate obstructions if any.

The auditor determines that the matters discussed with the Audit and Supervisory Committee and judged to be of special significance in the financial statement audit for the fiscal year under review are major particulars to consider in the audit, and states these particulars in the audit report accordingly. However, these matters are not included in the auditor's report if laws and regulations prohibit the publication thereof, or if, in extremely rare circumstances, the auditor decides against stating the matters in the auditor's report because adverse consequences of doing so would reasonably be expected to outweigh the public interest.

Audit of Internal Control

Opinions

To execute audit certification pursuant to Article 193-2, paragraph (2) of the Financial Instruments and Exchange Act, we audited Artner Co., Ltd.'s internal control report that was current as of January 31, 2023.

We acknowledge that the above internal control report, in which Artner presents the validity of its internal controls over the financial reports as of January 31, 2023, complies with the standards for the evaluation of internal controls over financial reporting that are generally accepted as fair and appropriate in Japan to adequately present, in all material respects, the results of the evaluation of internal controls over financial reports.

Basis for Opinions

We audited Artner's internal control in accordance with standards that are generally accepted as fair and appropriate in Japan for an audit of internal controls over financial reports. Our responsibilities under these standards for an audit of internal controls over financial reports are described in the Auditor's Responsibilities for the Audit of Internal Control. We are independent of Artner pursuant to relevant ethics required of professionals in Japan, and we fulfill other ethical responsibilities we have as an auditor. We are certain that we have obtained sufficient and appropriate evidence that serves as the basis for our opinions.

Responsibilities of management and the Audit and Supervisory Committee for an internal control report

Management is responsible for designing and implementing internal controls over financial reports in order to prepare and correctly present the Company's internal control report in accordance with standards that are generally accepted as fair and appropriate in Japan for evaluation of internal controls over financial reports.

The Audit and Supervisory Committee is responsible for overseeing and verifying how the Company's internal controls over financial reports is designed and implemented.

There is a possibility that internal controls over financial reports may not completely prevent or detect all misrepresentations in financial reporting.

Responsibilities of the auditor in the audit of internal control

The auditor is, based on the audit of internal control it has conducted, responsible for obtaining a rational guarantee as to whether the Company's internal control report contains any material misrepresentations, and for expressing its opinions on the internal control report in the auditor's report on internal control from an independent viewpoint.

The auditor makes professional judgments throughout an audit in accordance with standards that are generally accepted as fair and appropriate in Japan for an audit of internal controls over financial reports, and conducts the following with professional skepticism:

- Follow the audit procedures for obtaining audit evidence for the results of the evaluation of the Company's internal controls over financial reports in the internal control report. The procedures for the audit of internal control are selected and applied at the auditor's discretion based on the materiality of the impact on the reliability of the Company's financial reporting.
- Examine the overall presentation of the Company's internal control report, including statements made by management about the scope of the evaluation of internal controls over financial reports, assessment procedures, and assessment results.
- Obtain sufficient and appropriate audit evidence for the results of the evaluation of the Company's internal controls over financial reports in the Company's internal control report. The auditor is responsible for giving instructions on, overseeing, and implementing the audit of the Company's internal control report.

The auditor reports to the Audit and Supervisory Committee the planned scope of the audit of internal control along with the audit schedule, the results of the audit of internal control, material deficiencies identified in internal control that should be disclosed, the results of rectification of these deficiencies, and other matters required by the standards for an audit of internal control.

The auditor also reports to the Audit and Supervisory Committee the fact that it has complied with relevant ethics in Japan required of a professional regarding independence, matters that may reasonably be thought to influence the independence of the auditor, and safeguards provided to eliminate or mitigate obstructions if any.

Interest that must be indicated according to the Certified Public Accountants Act of Japan

We do not have any interest in the Company that should be indicated herein according to the Certified Public Accountants Act of Japan.

END

Notes: 1. The Company (the company that has submitted the Annual Securities Report) retains the original of the auditor's report stated above.

2. XBRL data are outside the audit scope.

[Cover]

[Reported Document]	Internal Control Report
[Clause Serving as Basis]	Article 24-4-4, paragraph (1) of the Financial Instruments and Exchange Act
[Recipient]	Director General of the Kinki Local Finance Bureau
[Submission Date]	April 27, 2023
[Company Name]	Artner Co., Ltd.
[Name and Title of Representative]	SEKIGUCHI Sozo, President and CEO
[Name and Title of Chief Financial Officer]	Not applicable.
[Address of Head Office]	5-2, Nishidaimotsucho, Amagasaki, Hyogo
	(This address is the location of the registered head office. The company’s business is conducted in the location shown below.)
[Location for Public Inspection]	Sumitomo Nakanoshima Building 2F, Nakanoshima 3-2-18, Kita-ku, Osaka City
	Tokyo Stock Exchange, Inc.
	(2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo

1. Particulars concerning the Fundamental Framework for the Internal Controls over Financial Reports

President and CEO SEKIGUCHI Sozo is responsible for designing and implementing internal controls over Artner's financial reports. He designs and implements internal controls over financial reports according to the fundamental framework for the internal controls over financial reports indicated in "Revisions to the Standards for the Evaluation and Audit of Internal Controls over Financial Reports and to the Implementation Standards for the Evaluation and Audit of Internal Controls over Financial Reports (Written Opinions)" published by the Business Accounting Council.

Internal control is designed in such a way that its basic elements are organically linked to work as one with the aim of achieving objectives within a logical scope. Hence, there is a possibility that internal controls over financial reports may not completely prevent or detect all misrepresentations in financial reporting.

2. Particulars concerning the Scope of Evaluation, the Reference Date, and the Procedures for Evaluation

The evaluation of internal controls over financial reports was conducted with January 31, 2023, (the last day of the fiscal year under review) being the reference date. It complies with standards that are generally accepted as fair and appropriate for evaluation of internal controls over financial reports.

In this evaluation, we assessed the internal controls that have a material effect on overall financial reporting (i.e., company-wide internal controls) and, based on the assessment results, we selected the business processes to evaluate. In the evaluation of the business processes, we analyzed these selected processes, identified the main points in terms of control that have a material effect on the reliability of the Company's financial reports, and evaluated how these main points are designed and implemented for control, thereby evaluating the validity of the internal controls.

In regard to the scope of the evaluation of internal controls over financial reports, we determined the essential scope in light of the materiality of the impact on the reliability of Artner's financial reports. We consider the materiality of a monetary and qualitative impact to determine the materiality of the impact on the reliability of our financial reports. Based on the results of the evaluation of company-wide internal control we had conducted, we logically determined the scope of the evaluation of internal controls over business processes.

In regard to the scope of the evaluation of internal controls over business processes, the evaluation covers all our business bases. The evaluation covered the business processes that were gone through to record net sales, accounts receivable, and cost of sales (personnel costs), which are the account titles closely connected to the objectives of our business, at those business bases. We also added business processes connected to significant account titles where material misrepresentations can occur with high possibility, and that involve estimates and projections, to the list of material business processes for evaluation, taking into account the impact on our financial reports.

3. Particulars concerning Evaluation Results

After the above evaluations, we decided that our internal controls over financial reports are valid as of the last day of the fiscal year under review.

4. Supplementary Particulars

There are no particulars that should be noted.

5. Special particulars

There are no special particulars that should be noted.