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March 14, 2024

Summary of Non-consolidated Financial Results for the Fiscal Year Ended January 31, 2024 (Under Japanese GAAP)

Company name: Artner Co., Ltd.
Listing: Tokyo Stock Exchange
Securities code: 2163
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Representative: SEKIGUCHI Sozo, President and CEO
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Telephone: +81-6-6445-7551
Scheduled date of annual general meeting of shareholders: April 25, 2024
Scheduled date to commence dividend payments: April 26, 2024
Scheduled date to file annual securities report: April 25, 2024
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for institutional investors and analysts; for individual investors)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Non-consolidated financial results for the fiscal year ended January 31, 2024 (from February 1, 2023 to January 31, 2024)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
January 31, 2024	10,110	9.4	1,522	27.5	1,532	27.4	1,051	17.5
January 31, 2023	9,242	14.1	1,194	18.2	1,203	16.5	895	22.8

Fiscal year ended	Earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating margin
	Yen	Yen	%	%	%
January 31, 2024	98.99	—	25.3	26.0	15.1
January 31, 2023	84.24	—	23.5	22.4	12.9

Reference: Share of profit (loss) of entities accounted for using equity method

For the fiscal year ended January 31, 2024: ¥ — million

For the fiscal year ended January 31, 2023: ¥ — million

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
January 31, 2024	6,114	4,271	69.9	401.97
January 31, 2023	5,673	4,047	71.4	380.96

Reference: Equity As of January 31, 2024: ¥ 4,271 million

As of January 31, 2023: ¥ 4,047 million

(3) Non-consolidated cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
January 31, 2024	1,126	△5	△818	4,277
January 31, 2023	872	△24	△426	3,975

2. Cash dividends

	Annual dividends per share					Total cash dividends	Payout ratio	Dividend on equity
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended January 31, 2023	—	20.00	—	40.00	60.00	637	71.2	16.7
Fiscal year ended January 31, 2024	—	37.50	—	37.50	75.00	796	75.8	19.2
Fiscal year ending January 31, 2025 (Forecast)	—	40.00	—	40.00	80.00		72.1	

Notes: Breakdown of year-end dividends for the fiscal year ended January 31, 2023

Ordinary dividends: ¥ 23.00

Commemorative dividends: ¥ 17.00

3. Forecast of non-consolidated financial results for the year ending January 31, 2025 (from February 1, 2024 to January 31, 2025)

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	10,656	5.4	1,696	11.4	1,700	10.9	1,178	12.1	110.92

* Notes

- (1) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

- (2) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of January 31, 2024	10,627,920 shares
As of January 31, 2023	10,627,920 shares

- (ii) Number of treasury shares at the end of the period

As of January 31, 2024	2,469 shares
As of January 31, 2023	2,376 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended January 31, 2024	10,625,474 shares
Fiscal year ended January 31, 2023	10,625,544 shares

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Caution regarding forward-looking statements, etc.)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, the statements herein do not constitute assurances regarding the Company's actual results. Actual financial and other results may differ substantially from the statements herein due to various factors.

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1. Overview of Business Performance and Others

(1) Overview of business performance during the current fiscal year

This fiscal year has seen the Japanese economy on its way to full recovery as post-pandemic demand grew. Interest in development remains strong in various industry fields, including our main clients, manufacturers in industries related to automobiles and semiconductor manufacturing equipment, which generated great demand for engineers we provided. In these circumstances, we turned out to have more employees in operative personnel than the same period of the previous 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 rose, and that newly graduated engineers who joined us in 2023 were assigned to their work ahead of the initial schedule. Moreover, the trend of engineer shortage pushed up the unit price for newly graduated engineers at their first assignments. Unit price negotiations with client companies based on current engineers' work performance also led the unit price of engineers to surpass the unit price for the same period of the previous year. The total work person-hours were at the same level as the same period of the previous year. The contracting business actively engaged in sales activities. Consequently, we had a larger number of engineers assigned to outsourced projects. In terms of profit, we provided allowance to our employees in commemoration of the Company's 60th anniversary during the previous fiscal year, yet the allowance was not recorded for this fiscal year. Hence, while net sales increased 9.4%, cost of sales rose only 6.5%. We also hired more staff members, and made recruitment investments including running recruitment advertising. As our recruitment and sales activities recovered to normal, travel expenses increased, which led to larger SG&A expenses.

As a result of all this, net sales for this fiscal year totaled JPY 10,110,524 thousand (up 9.4% year on year), operating profit JPY 1,522,849 thousand (up 27.5% year on year), ordinary profit JPY 1,532,616 thousand (up 27.4% year on year), and profit JPY 1,051,817 thousand (up 17.5% year on year).

(2) Overview of financial status during the current fiscal year

The total assets at the end of this fiscal year increased JPY 440,898 thousand compared to the end of the previous fiscal year to JPY 6,114,087 thousand. This is mostly because we recorded an increase of JPY 301,729 thousand in cash and deposits and an increase of JPY 110,993 thousand in trade receivables.

Liabilities at the end of this fiscal year increased JPY 217,702 thousand compared to the end of the previous fiscal year to JPY 1,842,933 thousand. This is mostly because we recorded an increase of JPY 163,655 thousand in income taxes payable.

Net assets at the end of this fiscal year increased JPY 223,195 thousand yen compared to the end of the previous fiscal year to JPY 4,271,153 thousand. This is mostly because we recorded an increase of JPY 228,341 thousand in retained earnings.

(3) Overview of cash flows during the current fiscal year

Cash and cash equivalents (hereinafter referred to as "cash") at the end of this fiscal year increased JPY 301,729 thousand compared to the end of the previous fiscal year to JPY 4,277,610 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 1,126,248 thousand (up JPY 253,650 thousand year on year). This is mostly because we recorded JPY 1,527,357 thousand in profit before income taxes, whereas we also recorded JPY 337,660 thousand in income taxes paid.

(Net cash provided by (used in) investing activities) The cash used as a result of investing activities totaled JPY 5,975 thousand (down JPY 18,110 thousand year on year). This is mostly because we recorded JPY 12,922 thousand in purchase of intangible assets.

(Net cash provided by (used in) financing activities) The cash used as a result of financing activities totaled JPY 818,544 thousand (up JPY 391,712 thousand year on year). This is mostly because we recorded JPY 818,414 thousand in dividends paid. (iii) Records of production, orders received, and sales.

(Reference) Indicators related to cash flows

	FY2020	FY2021	FY2022	FY2023	FY2024
Equity ratio (%)	71.8	70.5	70.4	71.4	69.9
Market value-based equity ratio (%)	230.9	206.9	181.4	186.7	384.2
Ratio of cash flows to interest-bearing liabilities (year)	—	—	—	—	—
Interest coverage ratio (times)	—	—	7,849.9	6,663.8	11,431.7

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.

(4) Outlook

We will continue to watch the impact of the Noto Peninsula Earthquake, which occurred on January 1, 2024, on the economy to gain a clearer outlook. In regard to the market environment during the fiscal year ending January 31, 2025, we envisage that the full post-pandemic recovery will speed up, and that our strategically critical clients, namely manufacturers in industries related to automobiles and semiconductor manufacturing equipment, will further accelerate their development work. With this market environment, we foresee buoyant demand for engineers we provide will continue.

As a prerequisite, we expect that the number of engineers and the unit price of engineers will increase compared to the previous year, that the utilization rate and the total work person-hours will remain at the same levels, and that the turnover rate will decrease compared to the previous fiscal year.

Based on the above, we expect to post sales and profit growth for the full fiscal year ending January 31, 2025, with net sales of JPY 10,656 million, operating profit of JPY 1,696 million, ordinary profit of JPY 1,700 million, and profit of JPY 1,178 million.

The above forecasts of financial results were created based on information available as of the announcement date of this document. Actual financial and other results may differ substantially from the projections herein due to various factors.

2. Basic Views on the Selection of Accounting Standards

Many of Artner's stakeholders are shareholders, creditors, and clients/partners in Japan, which means we have little need for international funding. Hence, we use the Japanese accounting standards.

3. Financial Statements and Main Notes

(1) Non-consolidated balance sheet

(Thousands of yen)

	As of January 31, 2023	As of January 31, 2024
Assets		
Current assets		
Cash and deposits	3,975,881	4,277,610
Accounts receivable - trade	1,129,522	1,240,516
Work in process	4,099	5,357
Raw materials and supplies	3,689	3,455
Prepaid expenses	30,788	45,848
Accounts receivable - other	365	573
Other	23,610	34,292
Allowance for doubtful accounts	△6,700	△7,400
Total current assets	5,161,256	5,600,255
Non-current assets		
Property, plant and equipment		
Buildings	109,981	92,265
Accumulated depreciation	△72,934	△59,506
Buildings, net	37,046	32,758
Structures	1,172	—
Accumulated depreciation	△1,172	—
Structures, net	0	—
Tools, furniture and fixtures	51,188	48,178
Accumulated depreciation	△33,494	△36,818
Tools, furniture and fixtures, net	17,693	11,360
Land	25,685	25,685
Total property, plant and equipment	80,424	69,803
Intangible assets		
Software	25,715	23,324
Telephone subscription right	1,654	1,654
Total intangible assets	27,370	24,979
Investments and other assets		
Investment securities	10,099	1,570
Investments in capital	1,250	1,200
Long-term prepaid expenses	563	671
Deferred tax assets	296,162	319,608
Leasehold and guarantee deposits	94,876	94,786
Other	1,185	1,211
Total investments and other assets	404,137	419,048
Total non-current assets	511,932	513,831
Total assets	5,673,188	6,114,087

(Thousands of yen)

	As of January 31, 2023	As of January 31, 2024
Liabilities		
Current liabilities		
Accounts payable - other	279,675	272,523
Accrued expenses	82,074	95,003
Income taxes payable	179,813	343,469
Accrued consumption taxes	221,798	210,039
Deposits received	17,700	20,245
Unearned revenue	37	—
Provision for bonuses	165,195	188,499
Other	7,290	21,491
Total current liabilities	953,585	1,151,271
Non-current liabilities		
Provision for retirement benefits	671,645	691,661
Total non-current liabilities	671,645	691,661
Total liabilities	1,625,230	1,842,933
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	3,585,798	3,814,139
Total retained earnings	3,636,258	3,864,599
Treasury shares	△739	△869
Total shareholders' equity	4,042,126	4,270,337
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	5,832	815
Total valuation and translation adjustments	5,832	815
Total net assets	4,047,958	4,271,153
Total liabilities and net assets	5,673,188	6,114,087

(2) Non-consolidated profit and loss statement

(Thousands of yen)

	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024
Net sales	9,242,360	10,110,524
Cost of sales	6,168,503	6,571,185
Gross profit	3,073,856	3,539,339
Selling, general and administrative expenses	1,879,747	2,016,489
Operating profit	1,194,108	1,522,849
Non-operating income		
Interest income	1	1
Dividend income	284	179
Commission income	574	574
Sales income of training materials	593	518
Rental income from land and buildings	408	302
Dividend income of insurance	6,870	7,297
Subsidy income	594	783
Other	1,130	1,263
Total non-operating income	10,457	10,920
Non-operating expenses		
Interest expenses	130	98
Cancellation penalty	1,330	1,020
Other	49	35
Total non-operating expenses	1,511	1,153
Ordinary profit	1,203,054	1,532,616
Extraordinary income		
Gain on sale of investment securities	—	7,938
Total extraordinary income	—	7,938
Extraordinary losses		
Loss on retirement of non-current assets	0	13,197
Total extraordinary losses	0	13,197
Profit before income taxes	1,203,054	1,527,357
Income taxes - current	348,034	496,775
Income taxes - deferred	△40,127	△21,235
Total income taxes	307,906	475,540
Profit	895,148	1,051,817

(3) Non-consolidated statements of changes in equity

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

Fiscal year ended January 31, 2024

(Thousands of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings			Total retained earnings
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
				General reserve	Retained earnings brought forward		
Balance at beginning of period	238,284	168,323	168,323	10,460	40,000	3,585,798	3,636,258
Changes during period							
Dividends of surplus						△823,476	△823,476
Profit						1,051,817	1,051,817
Purchase of treasury shares							
Net changes in items other than shareholders' equity							
Total changes during period	—	—	—	—	—	228,341	228,341
Balance at end of period	238,284	168,323	168,323	10,460	40,000	3,814,139	3,864,599

	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	4,042,126	5,832	5,832	4,047,958
Changes during period					
Dividends of surplus		△823,476			△823,476
Profit		1,051,817			1,051,817
Purchase of treasury shares	△129	△129			△129
Net changes in items other than shareholders' equity			△5,016	△5,016	△5,016
Total changes during period	△129	228,211	△5,016	△5,016	223,195
Balance at end of period	△869	4,270,337	815	815	4,271,153

(4) Non-consolidated cash flow statement

(Thousands of yen)

	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024
Cash flows from operating activities		
Profit before income taxes	1,203,054	1,527,357
Depreciation	25,922	24,717
Increase (decrease) in allowance for doubtful accounts	700	700
Increase (decrease) in provision for bonuses	23,745	23,304
Increase (decrease) in provision for retirement benefits	92,111	20,016
Interest and dividend income	△285	△181
Interest expenses	130	98
Loss on retirement of non-current assets	0	13,197
Loss (gain) on sale of investment securities	—	△7,938
Decrease (increase) in accounts receivable - other	970	△207
Decrease (increase) in trade receivables	△118,368	△110,993
Decrease (increase) in inventories	△3,200	△1,025
Increase (decrease) in accrued consumption taxes	18,531	△11,759
Increase (decrease) in accounts payable - other	24,139	△8,116
Other, net	4,945	△5,343
Subtotal	1,272,396	1,463,826
Interest and dividends received	285	181
Interest paid	△130	△98
Income taxes paid	△399,953	△337,660
Net cash provided by (used in) operating activities	872,598	1,126,248
Cash flows from investing activities		
Purchase of property, plant and equipment	△7,042	△2,398
Purchase of intangible assets	△7,099	△12,922
Payments of leasehold and guarantee deposits	△10,154	△54
Proceeds from refund of leasehold and guarantee deposits	238	144
Proceeds from sale of investment securities	—	9,231
Other, net	△26	23
Net cash provided by (used in) investing activities	△24,085	△5,975
Cash flows from financing activities		
Purchase of treasury shares	—	△129
Dividends paid	△426,831	△818,414
Net cash provided by (used in) financing activities	△426,831	△818,544
Net increase (decrease) in cash and cash equivalents	421,681	301,729
Cash and cash equivalents at beginning of period	3,554,199	3,975,881
Cash and cash equivalents at end of period	3,975,881	4,277,610

(5) Notes on the financial statements

(Notes on the Going Concern Assumption)

Not applicable

(Equity in Earnings)

Not applicable.

(Segment Data)

Since we have only one reportable segment, notes on this matter have been omitted.

(Per Share Information)

	FY2023 (Fiscal year ended January 31, 2023)	FY2024 (Fiscal year ended January 31, 2024)
Net assets per share	JPY 380.96	JPY 401.97
Earnings per share	JPY 84.24	JPY 98.99

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.

	FY2023 (Fiscal year ended January 31, 2023)	Y2024 (Fiscal year ended January 31, 2024)
Profit (thousands of yen)	895,148	1,051,817
Amounts not attributable to common shareholders (thousands of yen)	—	—
Profit pertaining to common shares (thousands of yen)	895,148	1,051,817
Average number of common shares outstanding during the period	10,625,544	10,625,474

(Material Post-Balance Sheet Events)

Not applicable.