Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Nine Months Ended September 30, 2024 (Based on Japanese GAAP)

November 14, 2024

Company name: NETSTARS Co., Ltd.
Stock exchange listing: Tokyo
Stock code: 5590 URL https://www.netstars.co.jp/
Representative: Representative Director and CEO Tsuyoshi Ri
Inquiries: Director and CFO Gen Adachi TEL 03(6661)9884
Scheduled date to commence dividend payments: –
Preparation of supplementary material on financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended September 30, 2024 (from January 1, 2024 to September 30, 2024)

(1) Consolidated operating results (cumulative) Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended September 30, 2024	2,723	(3.8)	(209)	–	(138)	–	(151)	–
Nine months ended September 30, 2023	2,832	–	(158)	–	(170)	–	(179)	–

Note: Comprehensive income For the nine months ended September 30, 2024 ¥(147) million [–%]
For the nine months ended September 30, 2023 ¥(145) million [–%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2024	(9.08)	–
Nine months ended September 30, 2023	(11.21)	–

Notes: 1. The Company did not prepare quarterly consolidated financial statements for the nine months ended September 30, 2022. Therefore, the year-on-year changes for the nine months ended September 30, 2023 are not shown.
2. The Company conducted a 200-for-1 share split of its common shares on June 20, 2023. Loss per share has been calculated assuming that the share split was conducted at the beginning of the previous fiscal year.
3. Diluted earnings per share is not noted even though potential shares exist because the Company has recorded loss per share.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	31,326	6,930	22.1
As of December 31, 2023	28,355	7,067	24.9

Reference: Equity As of September 30, 2024 ¥6,930 million
As of December 31, 2023 ¥7,067 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2023	–	0.00	–	0.00	0.00
Year ending December 31, 2024	–	0.00	–		
Year ending December 31, 2024 (Forecast)				0.00	0.00

Note: Revisions to the forecast of cash dividends most recently announced: None

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

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	3,937	5.8	(166)	–	(92)	–	(106)	–	(6.36)

Note: Revisions to the forecast of consolidated financial results most recently announced: Yes

4. Notes

(1) Significant changes in the scope of consolidation during the nine months ended September 30, 2024: No

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of September 30, 2024	16,696,800 shares	As of December 31, 2023	16,676,800 shares

Number of treasury shares at the end of the period

As of September 30, 2024	57 shares	As of December 31, 2023	– shares

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended September 30, 2024	16,681,390 shares	Nine months ended September 30, 2023	15,992,185 shares

Note: 1. The Company conducted a 200-for-1 share split of its common shares on June 20, 2023. Total number of issued shares at the end of the period, number of treasury shares at the end of the period, and average number of shares outstanding during the period have been calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: Yes (voluntary)

* 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. These statements do not purport that the Company pledges to realize such statements. Actual performance and other results may differ materially due to various factors.

(Means of access to contents of supplementary material on financial results and financial results briefing)

The Company plans to hold a financial results briefing for analysts and institutional investors on November 15, 2024. The recording and contents of the briefing will be available, together with the financial results briefing material used on the day, on the Company's website promptly after the briefing.

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	26,522,224	29,657,529
Accounts receivable - trade	510,896	210,167
Beneficial interests in trust	1,568	1,568
Merchandise	5,465	7,420
Work in process	–	10,149
Supplies	13,311	57,938
Advance payments to suppliers	2,140	529
Prepaid expenses	55,399	41,531
Other	106,004	202,760
Total current assets	27,217,011	30,189,596
Non-current assets		
Property, plant and equipment	34,021	27,285
Intangible assets		
Software	644,292	557,287
Software in progress	70,058	117,171
Goodwill	11,704	4,806
Total intangible assets	726,054	679,265
Investments and other assets	378,571	430,702
Total non-current assets	1,138,647	1,137,253
Total assets	28,355,658	31,326,850
Liabilities		
Current liabilities		
Accounts payable - trade	105,355	116,321
Accounts payable - other	172,300	84,070
Accrued expenses	129,187	100,349
Income taxes payable	47,948	31,129
Accrued consumption taxes	98,858	24,637
Contract liabilities	1,411	14,506
Deposits received	20,733,123	24,001,107
Provision for bonuses	–	24,639
Total current liabilities	21,288,185	24,396,761
Total liabilities	21,288,185	24,396,761
Net assets		
Shareholders' equity		
Share capital	4,451,270	4,456,270
Capital surplus	7,686,800	7,691,800
Retained earnings	(5,140,460)	(5,291,980)
Treasury shares	–	(77)
Total shareholders' equity	6,997,609	6,856,012
Accumulated other comprehensive income		
Foreign currency translation adjustment	69,862	74,076
Total accumulated other comprehensive income	69,862	74,076
Total net assets	7,067,472	6,930,088
Total liabilities and net assets	28,355,658	31,326,850

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Net sales	2,832,609	2,723,717
Cost of sales	882,146	630,347
Gross profit	1,950,463	2,093,370
Selling, general and administrative expenses	2,108,562	2,302,907
Operating loss	(158,099)	(209,536)
Non-operating income		
Interest income	543	6,531
Subsidy income	–	68,679
Other	279	2,519
Total non-operating income	822	77,730
Non-operating expenses		
Foreign exchange losses	13,061	6,106
Other	153	291
Total non-operating expenses	13,214	6,397
Ordinary loss	(170,490)	(138,204)
Extraordinary losses		
Loss on retirement of non-current assets	4,361	9,259
Total extraordinary losses	4,361	9,259
Loss before income taxes	(174,851)	(147,463)
Income taxes	4,410	4,056
Loss	(179,262)	(151,520)
Loss attributable to owners of parent	(179,262)	(151,520)

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Loss	(179,262)	(151,520)
Other comprehensive income		
Foreign currency translation adjustment	33,677	4,213
Total other comprehensive income	33,677	4,213
Comprehensive income	(145,585)	(147,306)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(145,585)	(147,306)