

Translation

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

August 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 file Semi-annual Securities Report: August 14, 2024
 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 six months ended June 30, 2024 (from January 1, 2024 to June 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	%
Six months ended June 30, 2024	1,718	(4.5)	(258)	–	(203)	–	(215)	–
Six months ended June 30, 2023	1,798	–	(143)	–	(151)	–	(154)	–

Note: Comprehensive income For the six months ended June 30, 2024 ¥(176) million [–%]
 For the six months ended June 30, 2023 ¥(129) million [–%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2024	(12.93)	–
Six months ended June 30, 2023	(9.66)	–

Notes: 1. The Company did not prepare semi-annual consolidated financial statements for the six months ended June 30, 2022. Therefore, the year-on-year changes for the six months ended June 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 for the six months ended June 30, 2023 is not noted even though potential shares exist because the average share price during the period could not be determined as the Company's shares were not listed and also because the Company has recorded loss per share.

4. Diluted earnings per share for the six months ended June 30, 2024 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 June 30, 2024	31,777	6,890	21.7
As of December 31, 2023	28,355	7,067	24.9

Reference: Equity As of June 30, 2024 ¥6,890 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	4,650	25.0	101	–	201	–	150	–	9.03

Note: Revisions to the forecast of consolidated financial results most recently announced: None

4. Notes

- (1) Significant changes in the scope of consolidation during the six months ended June 30, 2024: No
- (2) Application of special accounting methods for preparing interim 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 June 30, 2024	16,676,800 shares	As of December 31, 2023	16,676,800 shares
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Number of treasury shares at the end of the period

As of June 30, 2024	– shares	As of December 31, 2023	– shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2024	16,676,800 shares	Six months ended June 30, 2023	15,976,800 shares
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Note: 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.

* Semi-annual financial results reports are exempt from review 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. 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 August 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.

Interim consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	26,522,224	30,068,415
Accounts receivable - trade	510,896	188,698
Contract assets	–	11,001
Beneficial interests in trust	1,568	1,568
Merchandise	5,465	1,204
Supplies	13,311	28,796
Advance payments to suppliers	2,140	53,275
Prepaid expenses	55,399	48,600
Other	106,004	214,506
Total current assets	27,217,011	30,616,068
Non-current assets		
Property, plant and equipment	34,021	30,179
Intangible assets		
Software	644,292	539,122
Software in progress	70,058	149,705
Goodwill	11,704	7,766
Total intangible assets	726,054	696,593
Investments and other assets	378,571	434,769
Total non-current assets	1,138,647	1,161,542
Total assets	28,355,658	31,777,610
Liabilities		
Current liabilities		
Accounts payable - trade	105,355	91,406
Accounts payable - other	172,300	121,076
Accrued expenses	129,187	100,815
Income taxes payable	47,948	47,470
Accrued consumption taxes	98,858	19,873
Contract liabilities	1,411	14,553
Deposits received	20,733,123	24,465,881
Provision for bonuses	–	23,314
Other	–	2,620
Total current liabilities	21,288,185	24,887,011
Total liabilities	21,288,185	24,887,011
Net assets		
Shareholders' equity		
Share capital	4,451,270	4,451,270
Capital surplus	7,686,800	7,686,800
Retained earnings	(5,140,460)	(5,356,053)
Total shareholders' equity	6,997,609	6,782,016
Accumulated other comprehensive income		
Foreign currency translation adjustment	69,862	108,583
Total accumulated other comprehensive income	69,862	108,583
Total net assets	7,067,472	6,890,599
Total liabilities and net assets	28,355,658	31,777,610

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

Consolidated statements of income (cumulative)

	(Thousands of yen)	
	Six months ended June 30, 2023	Six months ended June 30, 2024
Net sales	1,798,819	1,718,359
Cost of sales	647,585	402,861
Gross profit	1,151,233	1,315,498
Selling, general and administrative expenses	1,295,088	1,574,263
Operating loss	(143,854)	(258,765)
Non-operating income		
Interest income	320	605
Subsidy income	–	66,332
Other	178	550
Total non-operating income	498	67,488
Non-operating expenses		
Foreign exchange losses	8,037	12,136
Other	121	240
Total non-operating expenses	8,159	12,376
Ordinary loss	(151,514)	(203,654)
Extraordinary losses		
Loss on retirement of non-current assets	–	9,259
Total extraordinary losses	–	9,259
Loss before income taxes	(151,514)	(212,914)
Income taxes	2,747	2,679
Loss	(154,262)	(215,593)
Loss attributable to owners of parent	(154,262)	(215,593)

Consolidated statements of comprehensive income (cumulative)

	(Thousands of yen)	
	Six months ended June 30, 2023	Six months ended June 30, 2024
Loss	(154,262)	(215,593)
Other comprehensive income		
Foreign currency translation adjustment	25,082	38,720
Total other comprehensive income	25,082	38,720
Comprehensive income	(129,180)	(176,873)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(129,180)	(176,873)

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Cash flows from operating activities		
Loss before income taxes	(151,514)	(212,914)
Depreciation	91,201	104,325
Amortization of goodwill	4,571	4,949
Interest and dividend income	(320)	(605)
Subsidy income	–	(66,332)
Decrease (increase) in trade receivables	117,425	324,096
Decrease (increase) in inventories	23,993	(11,223)
Decrease (increase) in advance payments to suppliers	12,542	(51,135)
Increase (decrease) in trade payables	(55,514)	(13,948)
Increase (decrease) in accounts payable - other	(84,842)	(51,453)
Increase (decrease) in accrued expenses	(32,801)	(33,024)
Increase (decrease) in income taxes payable - factor based tax	164	1,149
Increase (decrease) in accrued consumption taxes	(35,989)	(78,985)
Increase (decrease) in deposits received	3,642,901	3,732,418
Other, net	20,590	(67,335)
Subtotal	3,552,408	3,579,981
Interest and dividends received	320	605
Subsidies received	–	66,332
Income taxes paid	(3,800)	(4,307)
Income taxes refund	43	67
Net cash provided by (used in) operating activities	3,548,972	3,642,679
Cash flows from investing activities		
Purchase of investment securities	–	(49,736)
Purchase of property, plant and equipment	(6,691)	(1,939)
Purchase of intangible assets	(111,399)	(81,087)
Payments of leasehold and guarantee deposits	–	(2,761)
Net cash provided by (used in) investing activities	(118,091)	(135,524)
Cash flows from financing activities		
Purchase from issuance of share acquisition rights	(300)	–
Net cash provided by (used in) financing activities	(300)	–
Effect of exchange rate change on cash and cash equivalents	23,510	39,034
Net increase (decrease) in cash and cash equivalents	3,454,091	3,546,190
Cash and cash equivalents at beginning of period	19,746,334	26,522,224
Cash and cash equivalents at end of period	23,200,426	30,068,415