

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2024 (Based on Japanese GAAP)

February 14, 2025

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 of ordinary general meeting of shareholders: March 28, 2025
 Scheduled date to file Securities Report: March 28, 2025
 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 year ended December 31, 2024 (from January 1, 2024 to December 31, 2024)

(1) Consolidated operating results

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	%
Year ended December 31, 2024	3,902	4.9	(84)	–	(22)	–	(37)	–
Year ended December 31, 2023	3,720	24.6	(321)	–	(329)	–	(347)	–

Note: Comprehensive income Year ended December 31, 2024 ¥29 million [–%]

Year ended December 31, 2023 ¥(329) million [–%]

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2024	(2.25)	–	(0.5)	(0.1)	(2.2)
Year ended December 31, 2023	(21.51)	–	(5.1)	(1.3)	(8.7)

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

Year ended December 31, 2024 ¥(2) million

Year ended December 31, 2023 ¥– million

Notes: 1. The Company conducted a 200-for-1 share split of its common shares on June 20, 2023. Earnings per share has been calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

2. Diluted earnings per share is not noted even though potential shares exist because the Company has recorded a basic loss per share.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2024	35,739	7,106	19.9	425.65
As of December 31, 2023	28,355	7,067	24.9	423.79

Reference: Equity As of December 31, 2024 ¥7,106 million

As of December 31, 2023 ¥7,067 million

Note: 1. The Company conducted a 200-for-1 share split of its common shares on June 20, 2023. Net assets per share has been calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

(3) Consolidated cash flows

	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
Year ended December 31, 2024	7,510	(200)	9	33,875
Year ended December 31, 2023	6,010	(187)	933	26,522

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended December 31, 2023	—	0.00	—	0.00	0.00	—	—	—
Year ended December 31, 2024	—	0.00	—	0.00	0.00	—	—	—
Year ending December 31, 2025 (Forecast)	—	0.00	—	0.00	0.00		—	

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

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	4,850	24.3	233	—	251	—	198	—	11.91

4. Notes

- (1) Significant changes in the scope of consolidation during the year ended December 31, 2024: No
- (2) 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

(3) Number of issued shares (common shares)

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

As of December 31, 2024	16,696,800 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 December 31, 2024	57 shares	As of December 31, 2023	— shares
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Average number of shares during the period

Year ended December 31, 2024	16,685,249 shares	Year ended December 31, 2023	16,164,745 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.

Reference: Summary of non-consolidated financial results

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

(1)Non-consolidated operating results

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2024	3,901	4.9	(88)	—	(28)	—	(41)	—
Year ended December 31, 2023	3,720	25.3	(310)	—	(317)	—	(335)	—

	Earnings per share	Diluted earnings per share
	Yen	Yen
Year ended December 31, 2024	(2.47)	—
Year ended December 31, 2023	(20.74)	—

Notes: 1. The Company conducted a 200-for-1 share split of its common shares on June 20, 2023. Earnings per share has been calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

2. Diluted earnings per share is not noted even though potential shares exist because the Company has recorded a basic loss per share.

(2)Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Year ended December 31, 2024	35,846	7,214	20.1	432.11
Year ended December 31, 2023	28,483	7,211	25.3	432.41

Reference: Equity As of December 31, 2024 ¥7,214 million

As of December 31, 2023 ¥7,211 million

Note: 1. The Company conducted a 200-for-1 share split of its common shares on June 20, 2023. Net assets per share has been calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

* 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. 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 financial results briefing)

The Company plans to hold a financial results briefing for analysts and institutional investors on February 17, 2025. The materials on financial results briefing used on the day will be posted on the Company's website in advance, and the video of the briefing will be available on the Company's website promptly after the briefing.

Consolidated financial statements

Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2023	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	26,522,224	33,875,351
Accounts receivable - trade	510,896	333,570
Contract assets	—	12,845
Beneficial interests in trust	1,568	1,568
Merchandise	5,465	15,831
Work in process	—	9,689
Supplies	13,311	49,692
Advance payments to suppliers	2,140	761
Prepaid expenses	55,399	54,223
Other	106,004	253,250
Total current assets	27,217,011	34,606,786
Non-current assets		
Property, plant and equipment		
Buildings, net	8,473	7,425
Tools, furniture and fixtures, net	25,548	17,165
Other, net	0	0
Total property, plant and equipment	34,021	24,591
Intangible assets		
Software	644,292	577,113
Software in progress	70,058	69,801
Goodwill	11,704	2,545
Total intangible assets	726,054	649,460
Investments and other assets		
Investment securities	251,200	325,995
Leasehold and guarantee deposits	125,985	118,751
Shares of subsidiaries and associates	—	12,913
Long-term prepaid expenses	281	7
Deferred tax assets	1,104	1,231
Total investments and other assets	378,571	458,899
Total non-current assets	1,138,647	1,132,951
Total assets	28,355,658	35,739,737

(Thousands of yen)

	As of December 31, 2023	As of December 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	105,355	147,918
Accounts payable - other	172,300	124,026
Accrued expenses	129,187	124,198
Income taxes payable	47,948	49,508
Accrued consumption taxes	98,858	52,092
Contract liabilities	1,411	19,743
Deposits received	20,733,123	28,115,350
Total current liabilities	21,288,185	28,632,837
Total liabilities	21,288,185	28,632,837
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)	(5,178,077)
Treasury shares	—	(77)
Total shareholders' equity	6,997,609	6,969,915
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	—	35,054
Foreign currency translation adjustment	69,862	101,930
Total accumulated other comprehensive income	69,862	136,985
Total net assets	7,067,472	7,106,900
Total liabilities and net assets	28,355,658	35,739,737

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Thousands of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Net sales	3,720,710	3,902,046
Cost of sales	1,099,055	923,745
Gross profit	2,621,654	2,978,301
Selling, general and administrative expenses	2,943,339	3,062,607
Operating loss	(321,685)	(84,305)
Non-operating income		
Interest income	619	7,356
Gain on sale of investment securities	—	5,365
Subsidy income	—	68,686
Reversal of allowance for doubtful accounts	3,536	4,836
Other	703	1,890
Total non-operating income	4,859	88,134
Non-operating expenses		
Foreign exchange losses	12,024	15,418
Share of loss of entities accounted for using equity method	—	2,342
Bad debt expenses	—	7,940
Other	228	270
Total non-operating expenses	12,252	25,970
Ordinary loss	(329,077)	(22,141)
Extraordinary losses		
Loss on retirement of non-current assets	4,373	9,259
Loss on abandonment of goods	9,929	—
Total extraordinary losses	14,303	9,259
Loss before income taxes	(343,381)	(31,401)
Income taxes - current	4,307	6,216
Total income taxes	4,307	6,216
Loss	(347,688)	(37,617)
Loss attributable to owners of parent	(347,688)	(37,617)

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Loss	(347,688)	(37,617)
Other comprehensive income		
Valuation difference on available-for-sale securities	—	35,054
Foreign currency translation adjustment	18,398	32,067
Total other comprehensive income	18,398	67,122
Comprehensive income	(329,289)	29,504
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(329,289)	29,504

Consolidated statements of changes in equity

Fiscal year ended December 31, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,984,370	7,219,900	(4,792,771)	–	6,411,498
Changes during period					
Issuance of new shares	466,900	466,900			933,800
Exercise of share acquisition rights					
Loss attributable to owners of parent			(347,688)		(347,688)
Purchase of treasury shares					
Net changes in items other than shareholders' equity					
Total changes during period	466,900	466,900	(347,688)	–	586,111
Balance at end of period	4,451,270	7,686,800	(5,140,460)	–	6,997,609

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	–	51,464	51,464	6,462,962
Changes during period				
Issuance of new shares				933,800
Exercise of share acquisition rights				
Loss attributable to owners of parent				(347,688)
Purchase of treasury shares				
Net changes in items other than shareholders' equity		18,398	18,398	18,398
Total changes during period	–	18,398	18,398	604,510
Balance at end of period	–	69,862	69,862	7,067,472

Fiscal year ended December 31, 2024

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,451,270	7,686,800	(5,140,460)	–	6,997,609
Changes during period					
Issuance of new shares					
Exercise of share acquisition rights	5,000	5,000			10,000
Loss attributable to owners of parent			(37,617)		(37,617)
Purchase of treasury shares				(77)	(77)
Net changes in items other than shareholders' equity					
Total changes during period	5,000	5,000	(37,617)	(77)	(27,694)
Balance at end of period	4,456,270	7,691,800	(5,178,077)	(77)	6,969,915

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	–	69,862	69,862	7,067,472
Changes during period				
Issuance of new shares				
Exercise of share acquisition rights				10,000
Loss attributable to owners of parent				(37,617)
Purchase of treasury shares				(77)
Net changes in items other than shareholders' equity	35,054	32,067	67,122	67,122
Total changes during period	35,054	32,067	67,122	39,427
Balance at end of period	35,054	101,930	136,985	7,106,900

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Cash flows from operating activities		
Loss before income taxes	(343,381)	(31,401)
Depreciation	197,285	215,820
Amortization of goodwill	9,311	9,884
Interest income	(619)	(7,356)
Subsidy income	—	(68,686)
Decrease (increase) in trade receivables	(15,035)	187,526
Decrease (increase) in inventories	27,690	(56,436)
Decrease (increase) in advance payments to suppliers	28,641	1,378
Increase (decrease) in trade payables	(118,798)	42,563
Increase (decrease) in accounts payable - other	(43,932)	(48,505)
Increase (decrease) in accrued expenses	3,167	(9,815)
Increase (decrease) in accrued taxes-OpeCF	4,829	(348)
Increase (decrease) in accrued consumption taxes	12,794	(46,766)
Increase (decrease) in deposits received	6,313,365	7,381,914
Other, net	(61,362)	(131,490)
Subtotal	6,013,956	7,438,281
Interest received	619	7,356
Subsidies received	—	68,686
Income taxes paid	(3,800)	(4,307)
Refund income like corporation tax	43	67
Net cash provided by (used in) operating activities	6,010,818	7,510,084
Cash flows from investing activities		
Purchase of investment securities	—	(49,736)
Proceeds from sale of investment securities	—	15,361
Purchase of shares of subsidiaries and associates	—	(15,256)
Purchase of property, plant and equipment	(16,332)	(4,046)
Purchase of intangible assets	(166,572)	(144,171)
Payments of leasehold and guarantee deposits	(4,112)	(2,712)
Net cash provided by (used in) investing activities	(187,016)	(200,561)
Cash flows from financing activities		
Proceeds from issuance of stocks	933,800	10,000
Repayment from issuance of subscription rights to shares	(300)	—
Purchase of treasury shares	—	(77)
Net cash provided by (used in) financing activities	933,500	9,922
Effect of exchange rate change on cash and cash equivalents	18,588	33,680
Net increase (decrease) in cash and cash equivalents	6,775,889	7,353,126
Cash and cash equivalents at beginning of period	19,746,334	26,522,224
Cash and cash equivalents at end of period	26,522,224	33,875,351