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January 10, 2023

Consolidated Financial Results for the Nine Months Ended November 30, 2022 (Under Japanese GAAP)

Company name: STUDIO ALICE Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 2305
 URL: <https://www.studio-alice.co.jp>
 Representative: Shunsuke Makino, President & Representative Director
 Inquiries: Shutaro Takezaki, Executive Officer, General Manager of Corporate Planning
 Department
 Telephone: +81-6-6343-2600
 Scheduled date to file quarterly securities report: January 11, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the nine months ended November 30, 2022 (from March 1, 2022 to November 30, 2022)

(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	%
Nine months ended								
November 30, 2022	29,452	(5.3)	3,821	(32.7)	3,825	(33.3)	2,389	(33.1)
November 30, 2021	31,087	13.6	5,675	47.9	5,735	42.0	3,573	73.8

Note: Comprehensive income For the nine months ended November 30, 2022: ¥2,456 million [(39.5)%]
 For the nine months ended November 30, 2021: ¥4,059 million [88.6%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
November 30, 2022	140.67	–
November 30, 2021	210.42	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
November 30, 2022	45,283	30,791	65.1
February 28, 2022	43,170	29,568	65.6

Reference: Equity
 As of November 30, 2022: ¥29,498 million
 As of February 28, 2022: ¥28,301 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2022	–	0.00	–	70.00	70.00
Fiscal year ending February 28, 2023	–	0.00	–		
Fiscal year ending February 28, 2023 (Forecast)				70.00	70.00

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

3. Consolidated earnings forecasts for the fiscal year ending February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending February 28, 2023	45,000	10.6	6,600	9.7	6,600	9.4	3,750	3.8	220.80

Note: Revisions to the consolidated earnings forecasts most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

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

As of November 30, 2022	17,185,650 shares
As of February 28, 2022	17,185,650 shares

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

As of November 30, 2022	201,706 shares
As of February 28, 2022	201,657 shares

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

Nine months ended November 30, 2022	16,983,969 shares
Nine months ended November 30, 2021	16,983,998 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Explanation regarding appropriate use of earnings forecasts, and other special matters

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. Actual results, etc. may differ substantially from these forecasts due to various factors.

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1. Qualitative information on quarterly financial statements

(1) Explanation on operating results

During the first nine months of the fiscal year ending February 28, 2023, the Japanese economy experienced a moderate recovery. However, as a result of the impact of the novel coronavirus disease (COVID-19), the prolongation of issues related to Russia and Ukraine, as well as monetary tightening policies mainly in the U.S., and other factors, the outlook remains uncertain.

Under these circumstances, in the core Photography Business of STUDIO ALICE Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”), we have continued to operate our stores while thoroughly following measures to prevent the spread of COVID-19. However, the number of concluded contracts for photography decreased year on year due to the impact of the spread of the extremely infectious omicron variant (the sixth and seventh waves of infections), particularly during the seventh wave where there was an increase in cases of infections among children.

As a result, net sales for the period under review amounted to ¥29,452 million (down 5.3% year on year), and with regard to profits, due to the impact of net sales decreasing year on year, as well as due to an increase in depreciation accompanying the increase in clothing investment for the “Furiho” coming-of-age ceremony photography and long-sleeved kimono rental service, which is currently being promoted strongly by the Group, an increase in cost of sales year on year due to higher prices for raw materials and heating and lighting expenses, and other factors, operating profit was ¥3,821 million (down 32.7%), ordinary profit was ¥3,825 million (down 33.3%), and profit attributable to owners of parent was ¥2,389 million (down 33.1%).

Operating results of each segment are as follows:

Photography Business

In the Photography Business, we thoroughly followed measures to prevent the spread of COVID-19 while focusing on increasing business for Shichi-Go-San photographic sessions (Shichi-Go-San, a festival day for boys aged three and five, and girls aged three and seven), which reached its period of peak demand and Shichi-Go-San Outing Kimono rentals, as well as on winning bookings for our “Furiho” coming-of-age ceremony photography and long-sleeved kimono rental service, and also photographic sessions before the coming-of-age ceremony, etc.

With regard to the status of kids photo studios in Japan, we opened seven stores, including five stores relocated, withdrew from six stores, and conducted renovations, including relocating plots within shopping centers, at 28 stores.

As a result, the number of stores as of November 30, 2022 was 466 kids photo studios in Japan (457 directly operated and nine franchise stores), and two kids photo studios at our Korean subsidiary, for a total of 468 stores.

As a result of the above, net sales in the Photography Business in the reportable segment amounted to ¥29,418 million (down 5.3% year on year) and segment profit was ¥3,854 million (down 33.7% year on year).

Clothes Manufacturing & Wholesale Business

In the Clothes Manufacturing & Wholesale Business, the Company’s consolidated subsidiary KyotoHosho Co., Ltd. and its subsidiary Shanghai Hosho Apparel Co., Ltd., in order to minimize as much as possible the increase in cost of sales resulting from soaring purchase prices for raw materials, etc., we made efforts to negotiate with business partners and to further reduce costs by improving production efficiency.

As a result of the above, net sales in the Clothes Manufacturing & Wholesale Business in the reportable segment amounted to ¥1,299 million (down 53.5% year on year) and segment loss was ¥14 million (compared with segment profit of ¥301 million in the same period of the previous fiscal year).

(2) Explanation on financial position**(i) Status of assets**

Total assets as of November 30, 2022 amounted to ¥45,283 million, an increase of ¥2,113 million from the end of the previous fiscal year.

Current assets stood at ¥25,581 million, an increase of ¥2,662 million from the end of the previous fiscal year, mainly due to an increase in notes and accounts receivable - trade and an increase in deposits paid included in “other” under current assets.

Non-current assets were ¥19,702 million, a decrease of ¥548 million from the end of the previous fiscal year, mainly due to a decrease in leased assets included in “other, net” under property, plant and equipment.

(ii) Status of liabilities

Total liabilities as of November 30, 2022 amounted to ¥14,492 million, an increase of ¥890 million from the end of the previous fiscal year.

Current liabilities stood at ¥9,581 million, an increase of ¥1,479 million from the end of the previous fiscal year, mainly due to increases in advances received and accrued expenses included in “other” under current liabilities.

Non-current liabilities were ¥4,910 million, a decrease of ¥589 million from the end of the previous fiscal year, mainly due to a decrease in long-term lease obligations included in “other” under non-current liabilities.

(iii) Status of net assets

Total net assets as of November 30, 2022 amounted to ¥30,791 million, an increase of ¥1,222 million from the end of the previous fiscal year.

This was mainly due to an increase in retained earnings from the recording of profit attributable to owners of parent.

(3) Explanation on consolidated earnings forecasts and other forward-looking statements

With respect to the consolidated earnings forecasts, there are no revisions to the consolidated earnings forecasts stated in “Consolidated Financial Results for the Fiscal Year Ended February 28, 2022” released on April 12, 2022.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of February 28, 2022	As of November 30, 2022
Assets		
Current assets		
Cash and deposits	19,165,761	17,138,520
Notes and accounts receivable - trade	844,434	2,120,306
Inventories	1,607,333	3,501,690
Other	1,312,754	2,831,900
Allowance for doubtful accounts	(11,351)	(11,351)
Total current assets	22,918,932	25,581,065
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,201,638	7,004,227
Other, net	6,133,688	5,784,485
Total property, plant and equipment	13,335,327	12,788,712
Intangible assets	997,620	936,094
Investments and other assets		
Leasehold and guarantee deposits	3,192,218	3,197,929
Other	2,951,105	3,004,452
Allowance for doubtful accounts	(224,712)	(224,449)
Total investments and other assets	5,918,611	5,977,931
Total non-current assets	20,251,559	19,702,739
Total assets	43,170,491	45,283,804
Liabilities		
Current liabilities		
Accounts payable - trade	300,462	630,928
Short-term borrowings	–	950,000
Income taxes payable	1,484,335	429,689
Provision for bonuses	205,794	71,222
Provision for point card certificates	107,260	120,110
Other	6,004,652	7,379,977
Total current liabilities	8,102,506	9,581,927
Non-current liabilities		
Retirement benefit liability	1,203,656	1,249,696
Asset retirement obligations	1,654,160	1,648,992
Other	2,641,876	2,011,963
Total non-current liabilities	5,499,692	4,910,652
Total liabilities	13,602,199	14,492,579

(Thousands of yen)

	As of February 28, 2022	As of November 30, 2022
Net assets		
Shareholders' equity		
Share capital	1,885,950	1,885,950
Capital surplus	2,055,449	2,055,449
Retained earnings	24,215,835	25,371,099
Treasury shares	(276,464)	(276,578)
Total shareholders' equity	27,880,770	29,035,920
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	266,180	273,055
Foreign currency translation adjustment	154,772	189,729
Total accumulated other comprehensive income	420,952	462,785
Non-controlling interests	1,266,569	1,292,520
Total net assets	29,568,292	30,791,225
Total liabilities and net assets	43,170,491	45,283,804

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income
Quarterly consolidated statement of income

(Thousands of yen)

	Nine months ended November 30, 2021	Nine months ended November 30, 2022
Net sales	31,087,750	29,452,009
Cost of sales	20,772,276	21,027,486
Gross profit	10,315,473	8,424,523
Selling, general and administrative expenses	4,639,714	4,602,824
Operating profit	5,675,759	3,821,698
Non-operating income		
Interest income	1,121	1,125
Dividend income	10,090	10,571
Rental income from buildings	17,234	15,938
Compensation income	18,593	408
Subsidy income related to COVID-19	29,984	1,697
Incentives for establishment of business facilities	-	11,002
Miscellaneous income	29,251	18,063
Total non-operating income	106,276	58,807
Non-operating expenses		
Interest expenses	17,635	18,994
Loss on cancellation of store rent contracts	16,012	-
Foreign exchange losses	12,181	34,801
Miscellaneous losses	593	1,463
Total non-operating expenses	46,422	55,259
Ordinary profit	5,735,612	3,825,246
Extraordinary income		
Gain on sale of non-current assets	173	1,059
Total extraordinary income	173	1,059
Extraordinary losses		
Loss on sale of non-current assets	236	-
Loss on abandonment of non-current assets	132,748	55,358
Impairment losses	54,434	93,055
Loss related to COVID-19	44,638	-
Total extraordinary losses	232,058	148,413
Profit before income taxes	5,503,727	3,677,892
Income taxes - current	1,973,169	1,287,665
Income taxes - deferred	(101,576)	(24,899)
Total income taxes	1,871,592	1,262,766
Profit	3,632,135	2,415,125
Profit attributable to non-controlling interests	58,309	25,975
Profit attributable to owners of parent	3,573,825	2,389,150

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Nine months ended November 30, 2021	Nine months ended November 30, 2022
Profit	3,632,135	2,415,125
Other comprehensive income		
Valuation difference on available-for-sale securities	381,619	6,850
Foreign currency translation adjustment	45,818	34,957
Total other comprehensive income	427,438	41,807
Comprehensive income	4,059,573	2,456,933
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,001,263	2,430,983
Comprehensive income attributable to non-controlling interests	58,309	25,950

(3) Notes to quarterly consolidated financial statements

Notes on premise of going concern

Not applicable

Additional information

Although the Group operates its stores after scrupulously implementing measures to prevent the spread of infection, because infections by the omicron variant have spread even among children in elementary school and younger, the number of photography cancellations has increased compared to typical years. We are making accounting estimates on impairment losses associated with non-current assets, the recoverability of deferred tax assets, and other issues, assuming that the impact on operating results will be immaterial.

Future results based on actual figures may differ from these estimates and assumptions.

Notes when there are significant changes in amounts of equity

Not applicable

Segment information, etc.*Segment information*

I. Nine months ended November 30, 2021

1. Disclosure of sales and profit (loss) for each reportable segment

(Thousands of yen)

	Reportable segment			Adjustments (Note 1)	Amount recorded on the quarterly consolidated statement of income (Note 2)
	Photography Business	Clothes Manufacturing & Wholesale Business	Total		
Net sales					
Sales to external customers	31,038,322	49,428	31,087,750	–	31,087,750
Intersegment sales or transfers	24,482	2,746,195	2,770,677	(2,770,677)	–
Total	31,062,804	2,795,623	33,858,428	(2,770,677)	31,087,750
Segment profit	5,817,231	301,915	6,119,147	(443,387)	5,675,759

Notes: 1. The segment profit adjustment of ¥(443,387) thousand includes adjustments for non-current assets, etc. of ¥(266,935) thousand and corporate expenses not allocated to either reportable segment of ¥(176,452) thousand. Corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments.

2. Segment profit is adjusted to operating profit in the quarterly consolidated statement of income.

2. Information about impairment losses of non-current assets or goodwill, etc. for each reportable segment

Significant impairment losses on non-current assets

In the Photography Business segment, the Company recorded impairment losses for stores. The amount of such impairment loss recorded was ¥54,434 thousand for the nine months ended November 30, 2021.

Significant change in the amount of goodwill

The information is omitted as it is immaterial.

Significant gain on bargain purchase

Not applicable

II. Nine months ended November 30, 2022

1. Disclosure of sales and profit (loss) for each reportable segment

(Thousands of yen)

	Reportable segment			Adjustments (Note 1)	Amount recorded on the quarterly consolidated statement of income (Note 2)
	Photography Business	Clothes Manufacturing & Wholesale Business	Total		
Net sales					
Sales to external customers	29,394,372	57,637	29,452,009	–	29,452,009
Intersegment sales or transfers	24,162	1,242,056	1,266,219	(1,266,219)	–
Total	29,418,535	1,299,694	30,718,229	(1,266,219)	29,452,009
Segment profit (loss)	3,854,936	(14,022)	3,840,913	(19,214)	3,821,698

Notes: 1. The segment profit (loss) adjustment of ¥(19,214) thousand includes adjustments for non-current assets, etc. of ¥168,837 thousand and corporate expenses not allocated to either reportable segment of ¥(188,052) thousand. Corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments.

2. Segment profit (loss) is adjusted to operating profit in the quarterly consolidated statement of income.

2. Information about impairment losses of non-current assets or goodwill, etc. for each reportable segment

Significant impairment losses on non-current assets

In the Photography Business segment, the Company recorded impairment losses for stores. The amount of such impairment loss recorded was ¥93,055 thousand for the nine months ended November 30, 2022.

Significant change in the amount of goodwill

The information is omitted as it is immaterial.

Significant gain on bargain purchase

Not applicable

3. Other

Significant events regarding premise of going concern

Not applicable