

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

April 13, 2023

## Consolidated Financial Results for the Fiscal Year Ended February 28, 2023 (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 of annual general meeting of shareholders: May 30, 2023  
 Scheduled date to commence dividend payments: May 31, 2023  
 Scheduled date to file annual securities report: May 31, 2023  
 Preparation of supplementary material on financial results: None  
 Holding of financial results briefing: Yes (for analysts)

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

### 1. Consolidated financial results for the fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

#### (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	%
Fiscal year ended February 28, 2023	38,564	(5.2)	4,017	(33.2)	4,009	(33.5)	2,257	(37.5)
February 28, 2022	40,672	11.9	6,015	27.1	6,032	21.5	3,614	48.5

Note: Comprehensive income For the fiscal year ended February 28, 2023: ¥2,190 million [(43.8)%]  
 For the fiscal year ended February 28, 2022: ¥3,896 million [48.7%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
February 28, 2023	132.93	–	7.8	9.3	10.4
February 28, 2022	212.79	–	13.5	15.0	14.8

Reference: Share of profit (loss) of entities accounted for using equity method  
 For the fiscal year ended February 28, 2023: ¥– million  
 For the fiscal year ended February 28, 2022: ¥– million

#### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
February 28, 2023	43,225	30,525	67.7	1,721.85
February 28, 2022	43,170	29,568	65.6	1,666.38

Reference: Equity  
 As of February 28, 2023: ¥29,243 million  
 As of February 28, 2022: ¥28,301 million

### (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
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
February 28, 2023	4,041	(4,341)	(974)	17,451
February 28, 2022	9,374	(4,743)	881	18,705

### 2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended February 28, 2022	–	0.00	–	70.00	70.00	1,188	32.9	4.6
Fiscal year ended February 28, 2023	–	0.00	–	70.00	70.00	1,188	52.7	4.1
Fiscal year ending February 29, 2024 (Forecast)	–	0.00	–	70.00	70.00		50.6	

### 3. Consolidated earnings forecasts for the fiscal year ending February 29, 2024 (from March 1, 2023 to February 29, 2024)

(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 29, 2024	40,000	3.7	4,130	2.8	4,110	2.5	2,350	4.1	138.36

Note: As the consolidated net sales are concentrated at the time of the Shichi-Go-San festival day (a festival day for boys aged three and five, and girls aged three and seven) around November, they are weighted in the latter half of the fiscal year, and it is extremely difficult to provide earnings forecasts for the first half of the fiscal year. Therefore, the Company does not announce earnings forecasts for the six months ending August 31 of each year.

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) 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

(3) Number of issued shares (common shares)

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

As of February 28, 2023	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 February 28, 2023	201,706 shares
As of February 28, 2022	201,657 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended February 28, 2023	16,983,963 shares
Fiscal year ended February 28, 2022	16,983,996 shares

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

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

Caution regarding forward-looking statements

The above earnings forecasts are based on information currently available. Actual results, etc. may differ substantially from these forecasts due to various factors occurring in the future. For matters regarding the aforementioned earnings forecasts, please refer to “(iii) Future outlook” on page 3.

**Attached Material****Index**

1. Overview of operating results and others .....	2
(1) Analysis of operating results .....	2
(2) Analysis of financial position.....	3
(3) Basic policy on profit distribution, and dividend payments for the fiscal year under review and the next fiscal year.....	4
2. Basic rationale for selecting the accounting standard .....	5
3. Consolidated financial statements and significant notes thereto.....	6
(1) Consolidated balance sheet .....	6
(2) Consolidated statement of income and consolidated statement of comprehensive income .....	8
Consolidated statement of income.....	8
Consolidated statement of comprehensive income .....	9
(3) Consolidated statement of changes in equity .....	10
(4) Consolidated statement of cash flows .....	12
(5) Notes to consolidated financial statements.....	14
Notes on premise of going concern .....	14
Additional information .....	14
Basis of preparation of consolidated financial statements.....	14
Changes in accounting policies .....	17
Segment information, etc. ....	18
Related party information.....	22
Per share information .....	23
Significant subsequent events.....	23
4. Other .....	24

## 1. Overview of operating results and others

### (1) Analysis of operating results

#### (i) Operating results for the fiscal year under review

In the Japanese economy during the fiscal year under review, economic activities showed a trend of recovering to post-COVID-19 conditions, even as the impact of the eighth wave of COVID-19 spread throughout Japan. However, the outlook remains uncertain due to the prolonged Russia-Ukraine conflict and the rising prices of goods caused by increased prices for raw materials.

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 fiscal year under review amounted to ¥38,564 million (down 5.2% 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 ¥4,017 million (down 33.2%), ordinary profit was ¥4,009 million (down 33.5%), and profit attributable to owners of parent was ¥2,257 million (down 37.5%).

Operating results of each segment are as follows:

#### Photography Business

In the Photography Business, we implemented thorough measures to prevent the spread of COVID-19 in a continuation of the policy of the previous fiscal year, while working strenuously to win bookings for our “Furiho” coming-of-age ceremony photography and long-sleeved kimono rental service, and also strongly promoting measures for photographic sessions before the event. In each category of photography, we practiced sales operations with a focus on per-customer spending, and worked to enhance product appeal in order to raise the average per-customer spending. As well as continuing from the previous fiscal year to promote measures such as relocating stores to optimal locations and consolidating stores in order to strengthen the profitability of existing stores and improve management efficiency, we made efforts to improve labor productivity. In the Photo Service business, the Company strove to increase earnings by expanding the location shooting area to include events such as visits to shrines and Shichi-Go-San photography sessions (Shichi-Go-San, a festival day for boys aged three and five, and girls aged three and seven).

With regard to the status of photo studios in Japan, we opened nine stores, including seven stores relocated, withdrew from 14 stores, and conducted renovations, including relocating plots within shopping centers, at 35 stores.

As a result, the number of stores at the end of the fiscal year under review was 458 kids photo studios in Japan (449 directly operated and nine franchise stores), and two kids photo studios at our Korean subsidiary, for a total of 460 stores.

As a result of the above, net sales in the Photography Business in the reportable segment amounted to ¥38,514 million (down 5.2% year on year) and segment profit was ¥4,264 million (down 32.3%).

#### Clothes Manufacturing & Wholesale Business

In the Clothes Manufacturing & Wholesale Business, at our consolidated subsidiary KyotoHosho. Co., Ltd. and its subsidiary Shanghai Hosho Apparel Co., Ltd., we continued efforts to further improve production efficiency for clothes for the Company in order to reduce costs, while also focusing on

reducing procurement costs for clothing and accessories related to the “Furiho” initiative, which is being promoted strongly by the Group.

As a result of the above, net sales in the Clothes Manufacturing & Wholesale Business amounted to ¥2,748 million (down 29.6% year on year) and segment profit was ¥85 million (down 77.3%).

(ii) Seasonal fluctuation in net sales

In terms of the earning structure of the kids photo industry, sales tend to be weighted in the latter half of the fiscal year because taking commemorative photos for the Shichi-Go-San festival day is concentrated in October and November, and these sales account for approximately one quarter of annual net sales. In order to rectify this, the Company is attempting to smooth its sales by promoting “Happy Birthday Shichi-Go-San,” whereby Shichi-Go-San photos are taken on the child’s birthday, as well as promoting maternity photos taken on the occasion of visits to shrines by pregnant women, and using this to link to photos taken to commemorate the 100th day after the birth of the baby.

(iii) Future outlook

The Group began the management policy for the next fiscal year under the slogan “Further Kaizen.” In the Photo Studio business, we will further increase the number of concluded contracts for the “Furiho” plan, in which rental of long-sleeved kimono for the coming-of-age ceremony is sold as a set along with photographs taken before the event, and capture new demand for maternity and baby photography. At the same time, we will work to boost net sales and gross profit by increasing the average per-customer spending through kaizen, which means continuous improvement, of technological and customer support capabilities, etc. On the other hand, in order to maximize our profits, we will continue to consolidate stores and further increase labor productivity so as to optimize our expense structure. In the Photo Service business, we will work to increase earnings by further expanding the number of contracted facilities and the location shooting area.

With respect to the consolidated earnings forecasts for the next fiscal year, we expect net sales of ¥40,000 million, operating profit of ¥4,130 million, ordinary profit of ¥4,110 million, and profit attributable to owners of parent of ¥2,350 million.

Trends in operating results

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Net sales	38,879	36,352	40,672	38,564
Ordinary profit	3,330	4,963	6,032	4,009
Profit attributable to owners of parent	1,209	2,434	3,614	2,257

**(2) Analysis of financial position**

(i) Status of assets, liabilities and net assets

Total assets as of February 28, 2023 amounted to ¥43,225 million, an increase of ¥55 million from the end of the previous fiscal year. Liabilities amounted to ¥12,700 million, and net assets (excluding non-controlling interests) amounted to ¥29,243 million. Equity-to-asset ratio was 67.7%.

(ii) Status of cash flows

Cash and cash equivalents (hereinafter, “cash”) as of February 28, 2023 amounted to ¥17,451 million, a decrease of ¥1,253 million from the end of the previous fiscal year.

The respective statuses of cash flows and their contributing factors during the fiscal year under review are as follows:

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥4,041 million, a decrease of ¥5,332 million from the previous fiscal year, mainly due to the recording of ¥3,539 million in profit before income taxes, ¥3,961 million in depreciation, and ¥2,349 million in income taxes paid.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥4,341 million, a decrease of ¥402 million from the previous fiscal year. This was mainly due to disbursements of ¥3,332 million related to new photo studio openings, and relocations, renovations and equipment additions in existing photo studios, as well as disbursements of ¥952 million related to photography production facilities, machinery, and equipment, and ¥55 million related to clothes factories, machinery and equipment.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥974 million (¥881 million of net cash provided in the previous fiscal year), mainly due to the recording of ¥2,532 million in proceeds from sale and leaseback transactions, ¥2,318 million in repayments of finance lease liabilities, and ¥1,188 million in dividends paid.

## Trends in cash flow-related indicators

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Equity-to-asset ratio (%)	67.9	65.6	67.7
Equity-to-asset ratio based on market value (%)	92.4	85.8	80.8
Interest-bearing debt to cash flow ratio (Years)	0.4	0.5	1.2
Interest coverage ratio (Times)	227.4	403.7	166.5

Equity-to-asset ratio: Equity / Total assets

Equity-to-asset ratio based on market value: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payments

- Notes: 1. Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of issued shares at the end of the period (excluding treasury shares).
2. The figure used for operating cash flow is “net cash provided by (used in) operating activities” on the statement of cash flows. Interest-bearing debt refers to all debt posted on the balance sheet for which interest is paid. Furthermore, the figure used for interest payments is “interest paid” on the statement of cash flows.

**(3) Basic policy on profit distribution, and dividend payments for the fiscal year under review and the next fiscal year**

The Company recognizes the return of profits to shareholders as an important management issue, and its basic policy is the stable return of profits commensurate with operating results. The target dividend payout ratio is 33.3% of consolidated profit for the fiscal year, and the Company aims to achieve this consistently.

In this way we seek to meet the expectations of long-term holders of our shares, but on the other hand we believe it is also necessary to secure internal reserves to improve financial stability and to prepare for investments for future growth. Internal reserves are important for further strengthening management capabilities, and developing future businesses.

In accordance with this basic policy, the Company plans to pay a year-end dividend for the fiscal year under review of ¥70 per share.

## **2. Basic rationale for selecting the accounting standard**

Many of the Group's stakeholders are shareholders, creditors, business partners, etc. located in Japan and the Group has only minimal need for capital procurement from overseas sources. Accordingly, the Group applies the accounting principles generally accepted in Japan (Japanese GAAP).

With respect to the adoption of International Financial Reporting Standards (IFRS), the Group follows a policy of responding in a suitable manner after giving consideration to various circumstances in Japan and overseas.



### 3. Consolidated financial statements and significant notes thereto

#### (1) Consolidated balance sheet

(Thousands of yen)

	As of February 28, 2022	As of February 28, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	19,165,761	17,912,283
Notes and accounts receivable - trade	844,434	1,061,833
Merchandise and finished goods	248,616	233,215
Work in process	212,166	243,638
Raw materials and supplies	1,146,550	1,604,151
Other	1,312,754	1,672,326
Allowance for doubtful accounts	(11,351)	(14,351)
Total current assets	22,918,932	22,713,097
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,942,425	16,091,842
Accumulated depreciation	(8,740,786)	(9,073,551)
Buildings and structures, net	7,201,638	7,018,290
Machinery, equipment and vehicles	2,474,325	2,968,969
Accumulated depreciation	(1,710,062)	(1,950,656)
Machinery, equipment and vehicles, net	764,263	1,018,312
Tools, furniture and fixtures	4,195,900	4,282,946
Accumulated depreciation	(3,368,226)	(3,275,989)
Tools, furniture and fixtures, net	827,674	1,006,956
Land	1,108,687	1,108,687
Leased assets	5,432,970	6,353,331
Accumulated depreciation	(2,126,496)	(3,000,459)
Leased assets, net	3,306,473	3,352,872
Construction in progress	126,590	121,594
Total property, plant and equipment	13,335,327	13,626,713
Intangible assets		
Goodwill	2,600	1,480
Other	995,020	1,046,506
Total intangible assets	997,620	1,047,986
Investments and other assets		
Investment securities	1,422,956	1,254,549
Long-term loans receivable	257,712	257,362
Deferred tax assets	1,249,287	1,369,598
Leasehold and guarantee deposits	3,192,218	3,186,775
Other	21,149	27,112
Allowance for doubtful accounts	(224,712)	(257,362)
Total investments and other assets	5,918,611	5,838,037
Total non-current assets	20,251,559	20,512,737
Total assets	43,170,491	43,225,834

(Thousands of yen)

	As of February 28, 2022	As of February 28, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	300,462	315,411
Lease liabilities	2,076,176	2,351,576
Income taxes payable	1,484,335	501,716
Provision for bonuses	205,794	198,615
Provision for point card certificates	107,260	120,530
Accrued expenses	960,874	1,073,128
Other	2,967,601	2,436,425
Total current liabilities	8,102,506	6,997,403
Non-current liabilities		
Lease liabilities	2,412,270	2,339,098
Asset retirement obligations	1,654,160	1,922,036
Retirement benefit liability	1,203,656	1,220,550
Other	229,605	221,489
Total non-current liabilities	5,499,692	5,703,174
Total liabilities	13,602,199	12,700,578
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	25,239,613
Treasury shares	(276,464)	(276,578)
Total shareholders' equity	27,880,770	28,904,434
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	266,180	145,114
Foreign currency translation adjustment	154,772	194,250
Total accumulated other comprehensive income	420,952	339,364
Non-controlling interests	1,266,569	1,281,457
Total net assets	29,568,292	30,525,256
Total liabilities and net assets	43,170,491	43,225,834

**(2) Consolidated statement of income and consolidated statement of comprehensive income**  
**Consolidated statement of income**

(Thousands of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Net sales	40,672,291	38,564,224
Cost of sales	28,054,659	28,363,525
Gross profit	12,617,632	10,200,699
Selling, general and administrative expenses	6,602,228	6,183,013
Operating profit	6,015,403	4,017,685
Non-operating income		
Interest income	1,491	1,499
Dividend income	20,661	22,103
Rental income from buildings	22,913	20,978
Compensation income	18,593	408
Subsidy income related to COVID-19	35,332	1,697
Incentives for establishment of business facilities	-	11,002
Miscellaneous income	34,824	28,835
Total non-operating income	133,816	86,525
Non-operating expenses		
Interest expenses	23,219	24,268
Loss on cancellation of store rent contracts	68,344	-
Foreign exchange losses	10,913	35,627
Provision of allowance for doubtful accounts	5,000	33,000
Miscellaneous losses	9,691	1,690
Total non-operating expenses	117,168	94,587
Ordinary profit	6,032,051	4,009,623
Extraordinary income		
Gain on sale of non-current assets	173	1,870
Total extraordinary income	173	1,870
Extraordinary losses		
Loss on abandonment of non-current assets	152,852	95,891
Loss on sale of non-current assets	236	-
Impairment losses	165,023	240,698
Loss related to COVID-19	44,638	-
Compensation expenses	-	135,138
Total extraordinary losses	362,751	471,729
Profit before income taxes	5,669,473	3,539,764
Income taxes - current	2,041,062	1,314,307
Income taxes - deferred	(49,919)	(47,088)
Total income taxes	1,991,143	1,267,218
Profit	3,678,330	2,272,546
Profit attributable to non-controlling interests	64,307	14,881
Profit attributable to owners of parent	3,614,022	2,257,664

**Consolidated statement of comprehensive income**

(Thousands of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Profit	3,678,330	2,272,546
Other comprehensive income		
Valuation difference on available-for-sale securities	158,997	(121,059)
Foreign currency translation adjustment	59,440	39,477
Total other comprehensive income	218,437	(81,581)
Comprehensive income	3,896,767	2,190,964
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,832,459	2,176,076
Comprehensive income attributable to non-controlling interests	64,307	14,888

**(3) Consolidated statement of changes in equity**

Fiscal year ended February 28, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,885,950	2,055,449	21,451,013	(276,416)	25,115,996
Changes during period					
Dividends of surplus			(849,200)		(849,200)
Profit attributable to owners of parent			3,614,022		3,614,022
Purchase of treasury shares				(47)	(47)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	2,764,821	(47)	2,764,774
Balance at end of period	1,885,950	2,055,449	24,215,835	(276,464)	27,880,770

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	107,183	95,332	202,515	1,202,261	26,520,773
Changes during period					
Dividends of surplus					(849,200)
Profit attributable to owners of parent					3,614,022
Purchase of treasury shares					(47)
Net changes in items other than shareholders' equity	158,997	59,440	218,437	64,307	282,745
Total changes during period	158,997	59,440	218,437	64,307	3,047,519
Balance at end of period	266,180	154,772	420,952	1,266,569	29,568,292

Fiscal year ended February 28, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,885,950	2,055,449	24,215,835	(276,464)	27,880,770
Cumulative effects of changes in accounting policies			(45,007)		(45,007)
Restated balance	1,885,950	2,055,449	24,170,828	(276,464)	27,835,763
Changes during period					
Dividends of surplus			(1,188,879)		(1,188,879)
Profit attributable to owners of parent			2,257,664		2,257,664
Purchase of treasury shares				(113)	(113)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	1,068,784	(113)	1,068,670
Balance at end of period	1,885,950	2,055,449	25,239,613	(276,578)	28,904,434

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	266,180	154,772	420,952	1,266,569	29,568,292
Cumulative effects of changes in accounting policies					(45,007)
Restated balance	266,180	154,772	420,952	1,266,569	29,523,285
Changes during period					
Dividends of surplus					(1,188,879)
Profit attributable to owners of parent					2,257,664
Purchase of treasury shares					(113)
Net changes in items other than shareholders' equity	(121,065)	39,477	(81,587)	14,888	(66,699)
Total changes during period	(121,065)	39,477	(81,587)	14,888	1,001,971
Balance at end of period	145,114	194,250	339,364	1,281,457	30,525,256

**(4) Consolidated statement of cash flows**

(Thousands of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	5,669,473	3,539,764
Depreciation	3,591,606	3,961,597
Impairment losses	165,023	240,698
Amortization of goodwill	933	1,120
Increase (decrease) in allowance for doubtful accounts	(6,350)	35,650
Interest and dividend income	(22,152)	(23,602)
Interest expenses	23,219	24,268
Foreign exchange losses (gains)	99	117
Increase (decrease) in provision for bonuses	42,358	(7,320)
Increase (decrease) in provision for point card certificates	50	13,270
Increase (decrease) in retirement benefit liability	31,713	16,893
Loss on abandonment of non-current assets	152,852	95,891
Loss (gain) on sale of non-current assets	63	(1,870)
Decrease (increase) in trade receivables	9,288	(212,828)
Decrease (increase) in inventories	734,204	(457,402)
Increase (decrease) in trade payables	11,749	13,050
Increase (decrease) in accrued consumption taxes	31,754	(366,352)
Increase (decrease) in advances received	66,669	(163,252)
Decrease (increase) in other current assets	138,589	(196,925)
Increase (decrease) in other current liabilities	216,812	(189,169)
Other, net	140,787	68,775
Subtotal	10,998,748	6,392,373
Interest and dividends received	22,152	23,602
Interest paid	(23,219)	(24,268)
Income taxes paid	(1,623,603)	(2,349,754)
Net cash provided by (used in) operating activities	9,374,078	4,041,952
<b>Cash flows from investing activities</b>		
Payments into time deposits	(3)	(3)
Purchase of property, plant and equipment	(4,332,730)	(3,817,647)
Proceeds from sale of property, plant and equipment	2,291	3,549
Proceeds from sale of intangible assets	-	127
Proceeds from collection of loans receivable	349	349
Purchase of intangible assets	(375,715)	(376,739)
Payments of leasehold and guarantee deposits	(85,150)	(147,195)
Proceeds from refund of leasehold and guarantee deposits	165,454	147,869
Purchase of investment securities	(5,200)	(6,030)
Other, net	(113,265)	(145,298)
Net cash provided by (used in) investing activities	(4,743,969)	(4,341,018)

(Thousands of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
<b>Cash flows from financing activities</b>		
Proceeds from sale and leaseback transactions	3,602,074	2,532,966
Repayments of finance lease liabilities	(1,870,860)	(2,318,803)
Purchase of treasury shares	(47)	(113)
Dividends paid	(849,200)	(1,188,879)
Net cash provided by (used in) financing activities	881,965	(974,830)
Effect of exchange rate change on cash and cash equivalents	11,851	20,415
Net increase (decrease) in cash and cash equivalents	5,523,926	(1,253,481)
Cash and cash equivalents at beginning of period	13,181,317	18,705,243
Cash and cash equivalents at end of period	18,705,243	17,451,762



**(5) Notes to consolidated financial statements****Notes on premise of going concern**

Not applicable

**Additional information**

Accounting estimates associated with the spread of COVID-19

In the fiscal year under review, 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. Since it is difficult to predict factors such as when the impact of COVID-19 diminishes, the Group makes accounting estimates such as tax effect accounting and impairment accounting for non-current assets based on the assumption that the effect of COVID-19 will continue for a certain period of time in the following fiscal year.

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

**Basis of preparation of consolidated financial statements**

## 1. Scope of consolidation

(1) Number of consolidated subsidiaries: 3 companies

Names of consolidated subsidiaries

JVIS Co., Ltd.

KyotoHosho. Co., Ltd.

Shanghai Hosho Apparel Co., Ltd.

(2) Names of unconsolidated subsidiaries

Names of unconsolidated subsidiaries

Alice Career Service Company

Studio Alice Korea Co., Ltd.

MONOLITHIC DESIGN Co., Ltd.

Reasons for exclusion from scope of consolidation

Unconsolidated subsidiaries are all small in scale, and any total amount in terms of their total assets, net sales and profit or loss (amount corresponding to the Company's ownership interest) as well as retained earnings (amount corresponding to the Company's ownership interest) and others does not significantly affect the consolidated financial statements.

## 2. Application of equity method

Unconsolidated subsidiaries not accounted for using the equity method (Alice Career Service Company, Studio Alice Korea Co., Ltd. and MONOLITHIC DESIGN Co., Ltd.) are excluded from the scope of application of the equity method, because such exclusion has only an immaterial effect on the consolidated financial statements in terms of each company's profit or loss (amount corresponding to the Company's ownership interest), retained earnings (amount corresponding to the Company's ownership interest) and others, and they have no significance as a whole.

## 3. Fiscal year of consolidated subsidiaries

Fiscal year-ends for all consolidated subsidiaries, other than Shanghai Hosho Apparel Co., Ltd. whose balance sheet date is December 31, are the same as the consolidated balance sheet date. For Shanghai Hosho Apparel Co., Ltd., the Group uses financial statements based on a provisional

closing of the accounts in accordance with regular year-end closing procedures as of the consolidated balance sheet date.

#### 4. Accounting policies

##### (1) Valuation basis and methods for significant assets

###### a. Securities

###### (a) Shares of subsidiaries and associates

Stated at cost determined by the moving average method.

###### (b) Available-for-sale securities

Securities other than shares, etc. with no market price

Stated at fair value based on the market price on the balance sheet date (valuation differences are booked directly in a separate component of net assets, and cost of securities sold is determined by the moving average method).

Shares, etc. with no market price

Stated at cost determined by the moving average method.

###### b. Inventories

###### (a) Imported materials

Stated at cost based on the first-in first-out method (balance sheet amounts are determined by writing down the book value according to the decrease in profitability).

###### (b) Merchandise

Stated at cost based on the periodic average method (balance sheet amounts are determined by writing down the book value according to the decrease in profitability).

###### (c) Finished goods

Mainly stated at cost based on the periodic average method (balance sheet amounts are determined by writing down the book value according to the decrease in profitability).

###### (d) Work in process

Mainly stated at cost determined by the identified cost method (balance sheet amounts are determined by writing down the book value according to the decrease in profitability).

###### (e) Inventories other than the above

Stated at cost based on the last purchase price method (balance sheet amounts are determined by writing down the book value according to the decrease in profitability).

##### (2) Accounting methods for depreciation of significant depreciable assets

###### a. Property, plant and equipment (excluding leased assets)

The declining-balance method is applied for the Company and its domestic consolidated subsidiaries. However, buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated by the straight-line method.

The straight-line method is applied for the overseas consolidated subsidiaries.

Major useful lives are as follows:

Buildings and structures: 3 to 50 years

Machinery, equipment and vehicles: 2 to 12 years

Tools, furniture and fixtures: 2 to 20 years

b. Intangible assets (excluding leased assets)

The straight-line method is applied.

Software for internal use is amortized over its estimated useful life of internal use (five years).

c. Long-term prepaid expenses

Amortization is computed on a straight-line basis.

d. Leased assets

The straight-line method is applied assuming the lease period as the useful life without residual value.

(3) Recognition criteria of significant allowances and provisions

a. Allowance for doubtful accounts

To prepare for credit losses on trade receivables, loans receivable and others, an estimated uncollectable amount is provided at the amount estimated by either using the historical rate of credit loss for general receivables, or based on individual consideration of collectability for specific receivables such as highly doubtful receivables.

b. Provision for bonuses

To cover bonus payments to employees, the Group provides a provision for bonuses based on the estimated amount of bonus payments attributed to the fiscal year.

c. Provision for point card certificates

To make provision for the usage of points awarded to customers, a future expected usage amount at the end of the fiscal year is recorded.

(4) Accounting methods for retirement benefits

a. Method of attributing expected retirement benefits to periods

In calculating retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the fiscal year on a benefit formula basis.

b. Method of amortizing actuarial gains and losses and past service cost

Actuarial gains and losses and past service costs are expensed in the fiscal year in which they occur.

c. Application of simplified accounting method by small-size enterprises

In calculating the retirement benefit liability and retirement benefit expenses, certain consolidated subsidiaries apply a simplified accounting method in which retirement benefit obligations are determined based on the amount of retirement benefits required to pay if all eligible employees retired voluntarily at the end of the fiscal year.

(5) Recognition criteria of significant revenue and expenses

The main performance obligations relating to revenue from contracts with customers of the Group and when such performance obligations are normally satisfied (when revenue is normally recognized) are as follows:

a. Photography Business

The main performance obligations of the Photography Business are to take photographs at stores and to manufacture and sell photography products. Since each product is made-to-order for the customer and the period between photography and completion of preparations for

product delivery is very short, the normal point in time for satisfying such performance obligations is when preparation for product delivery has been completed.

b. Other Photography-Related Business

In Other Photography-Related Business, the main performance obligations are the manufacture and sale of printed products. The Company is obligated to deliver each product in accordance with the sales contract with the customer. If the period from the time of shipment to the time when control of such products is transferred to the customer is the normal period of time, the normal point in time for satisfying such performance obligations is the time when the products are shipped to the customer.

c. Clothes Manufacturing & Wholesale Business

In the Clothes Manufacturing & Wholesale Business, the main performance obligations are the manufacture and sale of clothing. The Company is obligated to deliver each product or good in accordance with the sales contract with the customer. If the period from the time of shipment to the time when control of such products or goods is transferred to the customer is the normal period of time, the normal point in time for satisfying such performance obligations is the time when the products are shipped to the customer.

(6) Accounting policy for translation of significant foreign currency assets or liabilities into Japanese yen

Monetary receivables and payables in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing as of the consolidated balance sheet date, and translation differences are accounted for as profit or loss.

(7) Accounting method and period for amortization of goodwill

Goodwill is amortized by the straight-line method over the period of the future economic benefits (five to ten years).

(8) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents consist of cash on hand, readily available deposits, and highly liquid short-term investments with original maturities of three months or less that are subject to an insignificant risk of changes in value.

### Changes in accounting policies

Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the fiscal year under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. As a result, the Company has reviewed the time when performance obligations are satisfied for some photography transactions. In addition, to provide for the usage of points awarded to customers, a future expected usage amount was previously recorded as a provision for point card certificates, and a provision for point card certificates was recorded as selling, general and administrative expenses. However, for points awarded to customers accompanying product sales, if those points provide a customer with a material right, the Company has changed to a method where the awarded points are identified as a performance obligation and the recognition of the revenue is deferred.

The effect of this change on the consolidated financial statements for the fiscal year under review was immaterial.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting

Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year under review was added to or deducted from the opening balance of retained earnings of the fiscal year under review, and thus the new accounting policy was applied from such opening balance.

As a result, the opening balance of retained earnings decreased by ¥45,007 thousand.

Due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, part of the “provision for point card certificates” under current liabilities of the consolidated balance sheet as of the end of the previous fiscal year has been included in “other” under current liabilities as contract liabilities from the consolidated balance sheet as of the end of the fiscal year under review. In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019).

There is no impact on the consolidated financial statements.

## **Segment information, etc.**

### *Segment information*

#### 1. Overview of reportable segments

The reportable segments of the Company are components of the Company for which discrete financial information is available and regularly reviewed by the Board of Directors to make decisions about allocation of managerial resources and to assess their performance.

The Group categorizes its services and products into different segments, with the two reportable segments being the Photography Business, which mainly consists of taking, producing, processing, displaying, and printing studio photographs, and the Clothes Manufacturing & Wholesale Business, which is mainly involved in the manufacture and sale of clothing for photography.

#### 2. Explanation of measurements of net sales, profit or loss, assets and other items for each reportable segment

The accounting method for the operating segments that are reportable is almost the same as described in “Basis of preparation of consolidated financial statements.”

Segment profit is calculated on an operating profit basis. Intersegment sales or transfers are based on actual market price, etc.

3. Information on amounts of net sales, profit or loss, assets and other items for each reportable segment

Fiscal year ended February 28, 2022

(Thousands of yen)

	Reportable segment			Adjustments (Note 1)	Amount recorded on the consolidated financial statements (Note 2)
	Photography Business	Clothes Manufacturing & Wholesale Business	Total		
Net sales					
Sales to external customers	40,601,670	70,621	40,672,291	–	40,672,291
Intersegment sales or transfers	26,885	3,833,074	3,859,960	(3,859,960)	–
Total	40,628,556	3,903,695	44,532,252	(3,859,960)	40,672,291
Segment profit	6,303,274	375,386	6,678,661	(663,257)	6,015,403
Segment assets	41,925,290	1,708,522	43,633,813	(463,321)	43,170,491
Other items					
Depreciation	4,017,866	22,951	4,040,818	(449,211)	3,591,606
Impairment losses	165,023	–	165,023	–	165,023
Amortization of goodwill	933	–	933	–	933
Unamortized balance of goodwill	2,600	–	2,600	–	2,600
Increase in property, plant and equipment and intangible assets	6,022,633	49,037	6,071,671	(905,839)	5,165,831

Notes: 1. Adjustments are as follows:

- (1) The net sales adjustment of ¥(3,859,960) thousand represents inter-segment eliminations.
  - (2) The segment profit adjustment of ¥(663,257) thousand includes adjustments for non-current assets, etc. of ¥(428,881) thousand and corporate expenses not allocated to either reportable segment of ¥(234,375) thousand.
  - (3) The segment asset adjustment of ¥(463,321) thousand includes adjustments related to inter-segment eliminations of ¥(938,274) thousand and corporate assets not allocated to either reportable segment of ¥474,952 thousand.
  - (4) The depreciation adjustment of ¥(449,211) thousand represents inter-segment eliminations.
  - (5) The adjustment of the increase in property, plant and equipment and intangible assets of ¥(905,839) thousand represents inter-segment eliminations.
2. Segment profit is adjusted to operating profit in the consolidated financial statements.

## Fiscal year ended February 28, 2023

(Thousands of yen)

	Reportable segment			Adjustments (Note 1)	Amount recorded on the consolidated financial statements (Note 2)
	Photography Business	Clothes Manufacturing & Wholesale Business	Total		
Net sales					
Sales to external customers	38,486,788	77,436	38,564,224	–	38,564,224
Intersegment sales or transfers	27,805	2,671,131	2,698,936	(2,698,936)	–
Total	38,514,593	2,748,567	41,263,161	(2,698,936)	38,564,224
Segment profit	4,264,414	85,294	4,349,708	(332,023)	4,017,685
Segment assets	42,246,274	1,557,819	43,804,094	(578,259)	43,225,834
Other items					
Depreciation	4,486,144	33,139	4,519,284	(557,686)	3,961,597
Impairment losses	240,698	–	240,698	–	240,698
Amortization of goodwill	1,120	–	1,120	–	1,120
Unamortized balance of goodwill	1,480	–	1,480	–	1,480
Increase in property, plant and equipment and intangible assets	5,658,935	55,155	5,714,091	(663,660)	5,050,431

Notes: 1. Adjustments are as follows:

- (1) The net sales adjustment of ¥(2,698,936) thousand represents inter-segment eliminations.
  - (2) The segment profit adjustment of ¥(332,023) thousand includes adjustments for non-current assets, etc. of ¥(77,461) thousand and corporate expenses not allocated to either reportable segment of ¥(254,562) thousand.
  - (3) The segment asset adjustment of ¥(578,259) thousand includes adjustments related to inter-segment eliminations of ¥(1,050,107) thousand and corporate assets not allocated to either reportable segment of ¥471,847 thousand.
  - (4) The depreciation adjustment of ¥(557,686) thousand represents inter-segment eliminations.
  - (5) The adjustment of the increase in property, plant and equipment and intangible assets of ¥(663,660) thousand represents inter-segment eliminations.
2. Segment profit is adjusted to operating profit in the consolidated financial statements.

*Related information*

Fiscal year ended February 28, 2022

## 1. Information about products and services

This information is omitted because the sales to external customers in a single product or service category account for more than 90% of net sales in the consolidated statement of income.

## 2. Information about geographical areas

## (1) Net sales

This information is omitted because sales to external customers in Japan accounted for more than 90% of net sales in the consolidated statement of income.

## (2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan accounted for more than 90% of total property, plant and equipment in the consolidated balance sheet.

3. Information about main customers

The information about main customers is omitted because there is no major external customer who accounts for 10% or more of the net sales in the consolidated statement of income.

Fiscal year ended February 28, 2023

1. Information about products and services

This information is omitted because the sales to external customers in a single product or service category account for more than 90% of net sales in the consolidated statement of income.

2. Information about geographical areas

(1) Net sales

This information is omitted because sales to external customers in Japan accounted for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan accounted for more than 90% of total property, plant and equipment in the consolidated balance sheet.

3. Information about main customers

The information about main customers is omitted because there is no major external customer who accounts for 10% or more of the net sales in the consolidated statement of income.

*Information about impairment losses of non-current assets by reportable segment*

Fiscal year ended February 28, 2022

This information is omitted because the same information is disclosed in “Segment information.”

Fiscal year ended February 28, 2023

This information is omitted because the same information is disclosed in “Segment information.”

*Information about amortization and unamortized balance of goodwill by reportable segment*

Fiscal year ended February 28, 2022

This information is omitted because the same information is disclosed in “Segment information.”

Fiscal year ended February 28, 2023

This information is omitted because the same information is disclosed in “Segment information.”



*Information about gain on bargain purchase by reportable segment*

Fiscal year ended February 28, 2022

Not applicable

Fiscal year ended February 28, 2023

Not applicable

**Related party information**

## Transactions with related parties

Transactions between the company filing consolidated financial statements and related parties

Unconsolidated subsidiaries and associates, etc. of the company filing consolidated financial statements

Fiscal year ended February 28, 2022

Category	Name	Location	Share capital or investments in capital	Type of business or occupation	Percentage of voting rights the Company is holding (or percentage of the Company's voting rights held) (%)	Relationship with related party	Transaction details	Transaction amount (Thousands of yen)	Account title	Balance at end of period (Thousands of yen)
Unconsolidated subsidiary	Studio Alice Korea Co., Ltd.	Seoul Special City, Republic of Korea	¥1,000 million	Photography Business	(Holding) Direct 100.0	Franchisee	Loan of funds (Note 1)	–	Long-term loans receivable (Note 2)	255,000
							Receipt of interest	1,275	–	

Transaction terms, policies for determining transaction terms, etc.

- Notes: 1. The loan of funds is determined by taking into account the market interest rates.  
 2. An allowance for doubtful accounts of ¥222,000 thousand related to loans to the subsidiary has been recorded.

Fiscal year ended February 28, 2023

Category	Name	Location	Share capital or investments in capital	Type of business or occupation	Percentage of voting rights the Company is holding (or percentage of the Company's voting rights held) (%)	Relationship with related party	Transaction details	Transaction amount (Thousands of yen)	Account title	Balance at end of period (Thousands of yen)
Unconsolidated subsidiary	Studio Alice Korea Co., Ltd.	Seoul Special City, Republic of Korea	¥1,000 million	Photography Business	(Holding) Direct 100.0	Franchisee	Loan of funds (Note 1)	–	Long-term loans receivable (Note 2)	255,000
							Receipt of interest	1,275	–	
Subsidiary of other associated companies	FUJIFILM Imaging Systems Co., Ltd.	Shinagawa-ku, Tokyo	¥100 million	Sales, etc., of photo-related products	–	Purchase of non-current assets	Purchase of non-current assets (Note 3)	391,791	Accounts payable - other on purchase of non-current assets	62,388

Transaction terms, policies for determining transaction terms, etc.

- Notes: 1. The loan of funds is determined by taking into account the market interest rates.

2. An allowance for doubtful accounts of ¥255,000 thousand related to loans to the subsidiary has been recorded. Furthermore, a provision of allowance for doubtful accounts of ¥33,000 thousand has been recorded this fiscal year.
3. Transaction terms are determined by referencing general trading terms in consideration of market prices.
4. Consumption taxes are not included in the transaction amount. Consumption taxes are included in the balance at end of period.

### Per share information

(Yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Net assets per share	1,666.38	1,721.85
Basic earnings per share	212.79	132.93

- Notes: 1. The amount of diluted earnings per share is not provided because there are no potential shares.
2. The basis for calculating basic earnings per share is as follows:

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Profit attributable to owners of parent (Thousands of yen)	3,614,022	2,257,664
Amount not attributable to common shareholders (Thousands of yen)	—	—
Profit attributable to owners of parent related to common shares (Thousands of yen)	3,614,022	2,257,664
Average number of outstanding common shares during the period (Shares)	16,983,996	16,983,963

3. The basis for calculating net assets per share is as follows:

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Total net assets (Thousands of yen)	29,568,292	30,525,256
Amount subtracted from total net assets (Thousands of yen)	1,266,569	1,281,457
(Of which non-controlling interests) (Thousands of yen)	(1,266,569)	(1,281,457)
Net assets at the end of period related to common shares (Thousands of yen)	28,301,722	29,243,798
Number of common shares at the end of period used to calculate net assets per share (Shares)	16,983,993	16,983,944

### Significant subsequent events

Not applicable

#### **4. Other**

Change of officers

For change of officers, please refer to “Notice Concerning Change of Officers” (in Japanese only) released today.