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July 13, 2023

Consolidated Financial Results for the Three Months Ended May 31, 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 to file quarterly securities report: July 14, 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 three months ended May 31, 2023 (from March 1, 2023 to May 31, 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	%
Three months ended								
May 31, 2023	8,112	(7.3)	(221)	–	(223)	–	(220)	–
May 31, 2022	8,747	(2.6)	436	(55.4)	433	(56.1)	169	(67.0)

Note: Comprehensive income For the three months ended May 31, 2023: ¥72 million [(60.9)%]
 For the three months ended May 31, 2022: ¥185 million [(75.7)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
May 31, 2023	(12.99)	–
May 31, 2022	9.98	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
May 31, 2023	42,692	29,409	65.9
February 28, 2023	43,225	30,525	67.7

Reference: Equity
 As of May 31, 2023: ¥28,128 million
 As of February 28, 2023: ¥29,243 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, 2023	–	0.00	–	70.00	70.00
Fiscal year ending February 29, 2024	–				
Fiscal year ending February 29, 2024 (Forecast)		0.00	–	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 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

Notes: 1. Revisions to the consolidated earnings forecasts most recently announced: None

- 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) 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: None
 - (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 May 31, 2023	17,185,650 shares
As of February 28, 2023	17,185,650 shares

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

As of May 31, 2023	201,706 shares
As of February 28, 2023	201,706 shares

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

Three months ended May 31, 2023	16,983,944 shares
Three months ended May 31, 2022	16,983,993 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 three months of the fiscal year ending February 29, 2024, the outlook for the Japanese economy remained uncertain due to the rising prices of goods caused by increased prices for raw materials and resources against the backdrop of turmoil in global affairs, despite socioeconomic activities normalizing due to restrictions on activities caused by the novel coronavirus disease (COVID-19) being eased.

Under these circumstances, in the core Photography Business of STUDIO ALICE Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”), we have engaged in initiatives to reinforce the differentiation between us and our competitors and make Studio Alice the preferred store of customers while considering measures to prevent the spread of COVID-19.

As a result, net sales for the period under review amounted to ¥8,112 million (down 7.3% 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 loss was ¥221 million (compared with operating profit of ¥436 million in the same period of the previous fiscal year), ordinary loss was ¥223 million (compared with ordinary profit of ¥433 million in the same period of the previous fiscal year), and loss attributable to owners of parent was ¥220 million (compared with profit attributable to owners of parent of ¥169 million in the same period of the previous fiscal year).

Operating results of each segment are as follows:

Photography Business

In the Photography Business, we increased the holding of exhibitions at each shop while focusing on winning even more bookings for our “Furiho” coming-of-age ceremony photography and long-sleeved kimono rental service, and promoted photography to commemorate seasonal festivals (Momo-no-Sekku, a festival for girls, and Tango-no-Sekku, a festival for boys) and photography to commemorate entering or graduating from pre-school and other schools. In addition, we launched the “Early Shichi-Go-San Commemorative Photograph Campaign” on April 21 and worked to increase the number of concluded contracts for Shichi-Go-San photography.

With regard to the status of kids photo studios in Japan, we relocated three stores, withdrew from three stores, and conducted renovations, including relocating plots within shopping centers, at 13 stores. In addition, we withdrew from two kids photo studios at our Korean subsidiary.

As a result, the number of stores as of May 31, 2023 was 455 kids photo studios in Japan (446 directly operated and nine franchise stores).

As a result of the above, net sales in the Photography Business amounted to ¥8,090 million (down 7.3% year on year) and segment loss was ¥276 million (compared with segment profit of ¥495 million in the same period of the previous fiscal year).

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 improve production efficiency for children’s clothes for the Company, while, similarly to the three months ended May 31, 2022, also focusing on reducing procurement costs for clothing and accessories related to the “Furiho” service, which is being promoted by the Company.

As a result of the above, net sales in the Clothes Manufacturing & Wholesale Business amounted to ¥545 million (down 20.6% year on year) and segment profit was ¥71 million (up 110.9%).

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

Total assets as of May 31, 2023 amounted to ¥42,692 million, a decrease of ¥533 million from the end of the previous fiscal year.

Current assets stood at ¥22,052 million, a decrease of ¥660 million from the end of the previous fiscal year, mainly due to a decrease in cash and deposits.

Non-current assets were ¥20,640 million, an increase of ¥127 million from the end of the previous fiscal year, mainly due to an increase in investment securities included in “other” under investments and other assets.

(ii) Status of liabilities

Total liabilities as of May 31, 2023 amounted to ¥13,283 million, an increase of ¥582 million from the end of the previous fiscal year.

Current liabilities stood at ¥7,789 million, an increase of ¥792 million from the end of the previous fiscal year, mainly due to an increase in short-term borrowings.

Non-current liabilities were ¥5,493 million, a decrease of ¥209 million from the end of the previous fiscal year, mainly due to a decrease in long-term lease liabilities included in “other” under non-current liabilities.

(iii) Status of net assets

Total net assets as of May 31, 2023 amounted to ¥29,409 million, a decrease of ¥1,116 million from the end of the previous fiscal year.

This was mainly due to appropriation of surplus (payment of dividends) in the previous fiscal year.

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

The operating results for the first quarter of the fiscal year ending February 29, 2024 have mostly been in line with the original plan, and there are no revisions to the consolidated earnings forecasts announced on April 13, 2023.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of February 28, 2023	As of May 31, 2023
Assets		
Current assets		
Cash and deposits	17,912,283	16,813,669
Notes and accounts receivable - trade	1,061,833	1,217,291
Inventories	2,081,005	2,052,531
Other	1,672,326	1,986,249
Allowance for doubtful accounts	(14,351)	(17,421)
Total current assets	22,713,097	22,052,319
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,018,290	6,945,691
Other, net	6,608,423	6,458,812
Total property, plant and equipment	13,626,713	13,404,503
Intangible assets	1,047,986	971,994
Investments and other assets		
Leasehold and guarantee deposits	3,186,775	3,199,023
Other	2,908,624	3,346,881
Allowance for doubtful accounts	(257,362)	(282,274)
Total investments and other assets	5,838,037	6,263,630
Total non-current assets	20,512,737	20,640,127
Total assets	43,225,834	42,692,447
Liabilities		
Current liabilities		
Accounts payable - trade	315,411	317,196
Short-term borrowings	–	1,000,000
Income taxes payable	501,716	106,442
Provision for bonuses	198,615	105,654
Provision for point card certificates	120,530	130,980
Other	5,861,130	6,129,398
Total current liabilities	6,997,403	7,789,671
Non-current liabilities		
Retirement benefit liability	1,220,550	1,220,675
Asset retirement obligations	1,922,036	1,919,926
Other	2,560,587	2,353,138
Total non-current liabilities	5,703,174	5,493,740
Total liabilities	12,700,578	13,283,412

(Thousands of yen)

	As of February 28, 2023	As of May 31, 2023
Net assets		
Shareholders' equity		
Share capital	1,885,950	1,885,950
Capital surplus	2,055,449	2,055,449
Retained earnings	25,239,613	23,830,054
Treasury shares	(276,578)	(276,578)
Total shareholders' equity	28,904,434	27,494,874
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	145,114	435,492
Foreign currency translation adjustment	194,250	197,891
Total accumulated other comprehensive income	339,364	633,384
Non-controlling interests	1,281,457	1,280,776
Total net assets	30,525,256	29,409,035
Total liabilities and net assets	43,225,834	42,692,447

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

(Thousands of yen)

	Three months ended May 31, 2022	Three months ended May 31, 2023
Net sales	8,747,528	8,112,503
Cost of sales	6,642,602	6,723,556
Gross profit	2,104,925	1,388,947
Selling, general and administrative expenses	1,668,467	1,610,829
Operating profit (loss)	436,458	(221,881)
Non-operating income		
Interest income	382	401
Rental income from buildings	5,647	5,042
Subsidy income related to COVID-19	1,365	-
Gain on sale of supplies	-	21,109
Miscellaneous income	9,040	5,917
Total non-operating income	16,435	32,470
Non-operating expenses		
Interest expenses	5,997	5,717
Foreign exchange losses	12,277	1,934
Provision of allowance for doubtful accounts	-	25,000
Miscellaneous losses	694	1,077
Total non-operating expenses	18,968	33,729
Ordinary profit (loss)	433,925	(223,141)
Extraordinary losses		
Loss on abandonment of non-current assets	19,487	33,502
Impairment losses	54,063	19,180
Other	-	2,168
Total extraordinary losses	73,551	54,851
Profit (loss) before income taxes	360,373	(277,992)
Income taxes - current	141,594	69,389
Income taxes - deferred	39,675	(126,052)
Total income taxes	181,270	(56,662)
Profit (loss)	179,102	(221,329)
Profit (loss) attributable to non-controlling interests	9,652	(646)
Profit (loss) attributable to owners of parent	169,450	(220,683)

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Three months ended May 31, 2022	Three months ended May 31, 2023
Profit (loss)	179,102	(221,329)
Other comprehensive income		
Valuation difference on available-for-sale securities	(20,906)	290,343
Foreign currency translation adjustment	27,423	3,640
Total other comprehensive income	6,517	293,984
Comprehensive income	185,620	72,654
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	175,994	73,336
Comprehensive income attributable to non-controlling interests	9,625	(681)

(3) Notes to quarterly consolidated financial statements

Notes on premise of going concern

Not applicable

Notes when there are significant changes in amounts of equity

Not applicable

Segment information, etc.*Segment information*

I. Three months ended May 31, 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	8,723,117	24,410	8,747,528	–	8,747,528
Intersegment sales or transfers	7,721	662,624	670,345	(670,345)	–
Total	8,730,838	687,035	9,417,874	(670,345)	8,747,528
Segment profit	495,180	33,987	529,168	(92,709)	436,458

Notes: 1. The segment profit adjustment of ¥(92,709) thousand includes adjustments for non-current assets, etc. of ¥(35,324) thousand and corporate expenses not allocated to either reportable segment of ¥(57,384) 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 ¥54,063 thousand for the three months ended May 31, 2022.

Significant change in the amount of goodwill

The information is omitted as it is immaterial.

Significant gain on bargain purchase

Not applicable

II. Three months ended May 31, 2023

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	8,087,964	24,538	8,112,503	–	8,112,503
Intersegment sales or transfers	2,337	521,140	523,477	(523,477)	–
Total	8,090,301	545,678	8,635,980	(523,477)	8,112,503
Segment profit (loss)	(276,238)	71,663	(204,575)	(17,306)	(221,881)

Notes: 1. The segment profit (loss) adjustment of ¥(17,306) thousand includes adjustments for non-current assets, etc. of ¥42,570 thousand and corporate expenses not allocated to either reportable segment of ¥(59,877) 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 loss 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 ¥19,180 thousand for the three months ended May 31, 2023.

Significant change in the amount of goodwill

The information is omitted as it is immaterial.

Significant gain on bargain purchase

Not applicable