

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.

October 13, 2023

## Consolidated Financial Results for the Six Months Ended August 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: October 13, 2023  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results briefing: None

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

### 1. Consolidated financial results for the six months ended August 31, 2023 (from March 1, 2023 to August 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	%
Six months ended								
August 31, 2023	15,565	(5.0)	(750)	–	(732)	–	(646)	–
August 31, 2022	16,381	(6.7)	87	(94.6)	87	(94.7)	(141)	–

Note: Comprehensive income For the six months ended August 31, 2023: ¥(342) million [–%]  
 For the six months ended August 31, 2022: ¥(101) million [–%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
August 31, 2023	(38.09)	–
August 31, 2022	(8.31)	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
August 31, 2023	42,377	28,994	65.4
February 28, 2023	43,225	30,525	67.7

Reference: Equity  
 As of August 31, 2023: ¥27,722 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
Fiscal year ended February 28, 2023	Yen –	Yen 0.00	Yen –	Yen 70.00	Yen 70.00
Fiscal year ending February 29, 2024	–	0.00			
Fiscal year ending February 29, 2024 (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 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: 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: 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 August 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 August 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)

Six months ended August 31, 2023	16,983,944 shares
Six months ended August 31, 2022	16,983,979 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.

**Attached Material****Index**

1. Qualitative information on quarterly financial statements.....	2
(1) Explanation on operating results .....	2
(2) Explanation on financial position.....	3
(3) Explanation on consolidated earnings forecasts and other forward-looking statements .....	3
2. Quarterly consolidated financial statements and significant notes thereto .....	4
(1) Quarterly consolidated balance sheet .....	4
(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income	6
Quarterly consolidated statement of income .....	6
Quarterly consolidated statement of comprehensive income .....	7
(3) Quarterly consolidated statement of cash flows .....	8
(4) Notes to quarterly consolidated financial statements .....	9
Notes on premise of going concern .....	9
Notes when there are significant changes in amounts of equity.....	9
Segment information, etc. ....	10
3. Other .....	12
Significant events regarding premise of going concern.....	12

## 1. Qualitative information on quarterly financial statements

### (1) Explanation on operating results

During the first six months of the fiscal year ending February 29, 2024, the outlook for the Japanese economy remained uncertain due to rising prices for raw materials globally and sudden foreign currency exchange rate fluctuations despite personal consumption and inbound demand recovering due to various restrictions on activities being eased because of the reassessment of the classification of the novel coronavirus disease (COVID-19).

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 ¥15,565 million (down 5.0% 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 ¥750 million (compared with operating profit of ¥87 million in the same period of the previous fiscal year), ordinary loss was ¥732 million (compared with ordinary profit of ¥87 million in the same period of the previous fiscal year), and loss attributable to owners of parent was ¥646 million (compared with loss attributable to owners of parent of ¥141 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 continued to focus on winning bookings for our “Furiho” coming-of-age ceremony photography and long-sleeved kimono rental service and promoted the “Early Shichi-Go-San Commemorative Photograph Campaign” (Shichi-Go-San, a festival day for boys aged three and five, and girls aged three and seven), “Shichi-Go-San Outing Kimono Rental Reservation” and other services. Furthermore, we introduced clothing, exclusive backgrounds and photo goods from “Super Mario,” a character by Nintendo Co., Ltd., on July 1.

With regard to the status of kids photo studios in Japan, we relocated six stores, withdrew from six stores, and conducted renovations, including relocating plots within shopping centers, at 28 stores. In addition, we withdrew from two kids photo studios at our Korean subsidiary.

As a result, the number of stores as of August 31, 2023 was 452 kids photo studios in Japan (443 directly operated and nine franchise stores).

As a result of the above, net sales in the Photography Business in the reportable segment amounted to ¥15,524 million (down 5.1% year on year) and segment loss was ¥820 million (compared with segment profit of ¥149 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 reduce procurement costs for clothing and accessories related to the “Furiho” initiative, which is being promoted strongly by the Group, and further improve production efficiency for clothes for the Company in order to reduce costs, in addition to focusing on capturing sales contacts, other than those in the Group, in order to further increase revenue.

As a result of the above, net sales in the Clothes Manufacturing & Wholesale Business in the reportable segment amounted to ¥1,136 million (up 10.1% year on year) and segment profit was ¥142 million (up 2,772.0%).

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

Total assets as of August 31, 2023 amounted to ¥42,377 million, a decrease of ¥847 million from the end of the previous fiscal year.

Current assets stood at ¥21,595 million, a decrease of ¥1,117 million from the end of the previous fiscal year, mainly due to a decrease in cash and deposits.

Non-current assets were ¥20,782 million, an increase of ¥269 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 August 31, 2023 amounted to ¥13,383 million, an increase of ¥683 million from the end of the previous fiscal year.

Current liabilities stood at ¥7,961 million, an increase of ¥963 million from the end of the previous fiscal year, mainly due to an increase in short-term borrowings.

Non-current liabilities were ¥5,422 million, a decrease of ¥280 million from the end of the previous fiscal year, mainly due to a decrease in long-term lease obligations included in “other.”

**(iii) Status of net assets**

Total net assets as of August 31, 2023 amounted to ¥28,994 million, a decrease of ¥1,530 million from the end of the previous fiscal year. This was mainly due to the recording of loss attributable to owners of parent and appropriation of surplus (payment of dividends) in the previous fiscal year.

**(iv) Status of cash flows**

Cash and cash equivalents (hereinafter, “cash”) as of August 31, 2023 amounted to ¥15,970 million, a decrease of ¥1,481 million from the end of the previous fiscal year. The respective statuses of cash flows and their contributing factors during the six months ended August 31, 2023 are as follows:

**Cash flows from operating activities**

Net cash provided by operating activities amounted to ¥1,182 million (¥34 million of net cash used in the same period of the previous fiscal year). This was mainly due to ¥852 million in loss before income taxes and ¥2,122 million in depreciation, which was a non-cash transaction.

**Cash flows from investing activities**

Net cash used in investing activities amounted to ¥2,248 million (¥2,082 million of net cash used in the same period of the previous fiscal year). This was mainly due to disbursements of ¥2,229 million related to renovations and equipment additions in existing photo studios.

**Cash flows from financing activities**

Net cash used in financing activities amounted to ¥420 million (¥4 million of net cash provided in the same period of the previous fiscal year). This was mainly due to ¥1,188 million in dividends paid.

**(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, 2023” released 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 August 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	17,912,283	16,431,058
Notes and accounts receivable - trade	1,061,833	1,093,433
Inventories	2,081,005	2,113,962
Other	1,672,326	1,966,649
Allowance for doubtful accounts	(14,351)	(9,411)
Total current assets	22,713,097	21,595,690
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,018,290	7,120,336
Other, net	6,608,423	6,190,868
Total property, plant and equipment	13,626,713	13,311,204
Intangible assets	1,047,986	999,727
Investments and other assets		
Leasehold and guarantee deposits	3,186,775	3,188,056
Other	2,908,624	3,565,377
Allowance for doubtful accounts	(257,362)	(282,187)
Total investments and other assets	5,838,037	6,471,246
Total non-current assets	20,512,737	20,782,177
Total assets	43,225,834	42,377,868
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	315,411	356,138
Short-term borrowings	–	1,300,000
Income taxes payable	501,716	231,526
Provision for bonuses	198,615	365,142
Provision for point card certificates	120,530	122,380
Other	5,861,130	5,585,962
Total current liabilities	6,997,403	7,961,148
Non-current liabilities		
Retirement benefit liability	1,220,550	1,237,252
Asset retirement obligations	1,922,036	1,947,862
Other	2,560,587	2,237,335
Total non-current liabilities	5,703,174	5,422,450
Total liabilities	12,700,578	13,383,599

(Thousands of yen)

	As of February 28, 2023	As of August 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	23,403,839
Treasury shares	(276,578)	(276,578)
Total shareholders' equity	28,904,434	27,068,660
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	145,114	446,917
Foreign currency translation adjustment	194,250	206,853
Total accumulated other comprehensive income	339,364	653,770
Non-controlling interests	1,281,457	1,271,837
Total net assets	30,525,256	28,994,269
Total liabilities and net assets	43,225,834	42,377,868



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

(Thousands of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
Net sales	16,381,062	15,565,646
Cost of sales	13,131,980	13,284,490
Gross profit	3,249,081	2,281,156
Selling, general and administrative expenses	3,161,112	3,031,932
Operating profit (loss)	87,968	(750,776)
Non-operating income		
Interest income	744	827
Dividend income	10,571	13,679
Rental income from buildings	10,897	10,082
Compensation income	408	–
Subsidy income related to COVID-19	1,697	–
Incentives for establishment of business facilities	11,002	5,742
Gain on sale of supplies	–	25,440
Miscellaneous income	13,521	8,200
Total non-operating income	48,843	63,972
Non-operating expenses		
Interest expenses	12,573	11,528
Loss on cancellation of store rent contracts	–	2,405
Foreign exchange losses	34,852	5,241
Provision of allowance for doubtful accounts	–	25,000
Miscellaneous losses	1,401	1,228
Total non-operating expenses	48,826	45,404
Ordinary profit (loss)	87,985	(732,208)
Extraordinary income		
Gain on sale of non-current assets	256	335
Total extraordinary income	256	335
Extraordinary losses		
Loss on abandonment of non-current assets	52,467	85,354
Impairment losses	63,442	33,321
Other	–	2,273
Total extraordinary losses	115,909	120,949
Loss before income taxes	(27,667)	(852,822)
Income taxes - current	115,456	138,751
Income taxes - deferred	(8,126)	(335,012)
Total income taxes	107,329	(196,260)
Loss	(134,996)	(656,562)
Profit (loss) attributable to non-controlling interests	6,220	(9,664)
Loss attributable to owners of parent	(141,217)	(646,897)

**Quarterly consolidated statement of comprehensive income**

(Thousands of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
Loss	(134,996)	(656,562)
Other comprehensive income		
Valuation difference on available-for-sale securities	(20,327)	301,847
Foreign currency translation adjustment	53,340	12,603
Total other comprehensive income	33,013	314,450
Comprehensive income	(101,983)	(342,111)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(108,182)	(332,491)
Comprehensive income attributable to non-controlling interests	6,199	(9,619)

**(3) Quarterly consolidated statement of cash flows**

(Thousands of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
<b>Cash flows from operating activities</b>		
Loss before income taxes	(27,667)	(852,822)
Depreciation	1,908,395	2,122,888
Amortization of goodwill	559	493
Increase (decrease) in allowance for doubtful accounts	(1,174)	19,884
Increase (decrease) in provision for bonuses	182,340	166,483
Increase (decrease) in retirement benefit liability	26,461	16,702
Interest and dividend income	(11,315)	(14,506)
Interest expenses	12,573	11,528
Foreign exchange losses (gains)	(2,277)	(67)
Loss (gain) on sale of non-current assets	(256)	(335)
Loss on abandonment of non-current assets	52,467	85,354
Impairment losses	63,442	33,321
Decrease (increase) in trade receivables	(356,779)	(27,041)
Decrease (increase) in inventories	(216,950)	(29,464)
Increase (decrease) in trade payables	88,430	40,125
Increase (decrease) in accrued consumption taxes	(448,722)	(66,063)
Increase (decrease) in advances received	454,395	223,813
Decrease (increase) in other current assets	(419,746)	(229,697)
Increase (decrease) in other current liabilities	(18,098)	(17,977)
Other, net	15,215	(4,891)
Subtotal	1,301,292	1,477,730
Interest and dividends received	10,673	13,810
Interest paid	(12,573)	(11,528)
Income taxes paid	(1,334,309)	(402,559)
Income taxes refund	–	104,587
Net cash provided by (used in) operating activities	(34,916)	1,182,039
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,824,458)	(1,896,481)
Proceeds from sale of property, plant and equipment	491	335
Purchase of intangible assets	(219,444)	(263,278)
Payments of leasehold and guarantee deposits	(45,137)	(69,373)
Proceeds from refund of leasehold and guarantee deposits	70,052	71,991
Other, net	(64,164)	(91,633)
Net cash provided by (used in) investing activities	(2,082,660)	(2,248,440)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	1,400,000	1,300,000
Proceeds from sale and leaseback transactions	940,241	770,432
Repayments of finance lease liabilities	(1,146,599)	(1,301,574)
Purchase of treasury shares	(113)	–
Dividends paid	(1,188,879)	(1,188,876)
Net cash provided by (used in) financing activities	4,648	(420,017)
Effect of exchange rate change on cash and cash equivalents	30,019	5,192
Net increase (decrease) in cash and cash equivalents	(2,082,908)	(1,481,225)
Cash and cash equivalents at beginning of period	18,705,243	17,451,762
Cash and cash equivalents at end of period	16,622,334	15,970,536

**(4) 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. Six months ended August 31, 2022

## 1. Disclosure of sales and profit 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	16,340,024	41,037	16,381,062	–	16,381,062
Intersegment sales or transfers	13,281	991,816	1,005,097	(1,005,097)	–
Total	16,353,305	1,032,854	17,386,160	(1,005,097)	16,381,062
Segment profit	149,620	4,952	154,572	(66,603)	87,968

Notes: 1. The segment profit adjustment of ¥(66,603) thousand includes adjustments for non-current assets, etc. of ¥61,169 thousand and corporate expenses not allocated to either reportable segment of ¥(127,773) 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 ¥63,442 thousand for the six months ended August 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. Six months ended August 31, 2023

## 1. Disclosure of sales and profit 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	15,522,560	43,086	15,565,646	–	15,565,646
Intersegment sales or transfers	2,348	1,093,633	1,095,981	(1,095,981)	–
Total	15,524,908	1,136,719	16,661,628	(1,095,981)	15,565,646
Segment profit (loss)	(820,537)	142,221	(678,315)	(72,460)	(750,776)

Notes: 1. The segment profit (loss) adjustment of ¥(72,460) thousand includes adjustments for non-current assets, etc. of ¥52,593 thousand and corporate expenses not allocated to either reportable segment of ¥(125,054) 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 ¥33,321 thousand for the six months ended August 31, 2023.

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