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January 9, 2024

Consolidated Financial Results for the Nine Months Ended November 30, 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
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 Scheduled date to file quarterly securities report: January 10, 2024
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the nine months ended November 30, 2023 (from March 1, 2023 to November 30, 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	%
Nine months ended								
November 30, 2023	27,416	(6.9)	1,913	(49.9)	1,929	(49.6)	1,126	(52.8)
November 30, 2022	29,452	(5.3)	3,821	(32.7)	3,825	(33.3)	2,389	(33.1)

Note: Comprehensive income For the nine months ended November 30, 2023: ¥1,467 million [(40.3)%]
 For the nine months ended November 30, 2022: ¥2,456 million [(39.5)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
November 30, 2023	66.36	–
November 30, 2022	140.67	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
November 30, 2023	44,207	30,804	66.8
February 28, 2023	43,225	30,525	67.7

Reference: Equity
 As of November 30, 2023: ¥29,518 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	–	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	36,340	(5.8)	2,000	(50.2)	2,040	(49.1)	1,000	(55.7)	58.88

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

*** 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 November 30, 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 November 30, 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)

Nine months ended November 30, 2023	16,983,944 shares
Nine months ended November 30, 2022	16,983,969 shares

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

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

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual results, etc. may differ substantially from these forecasts due to various factors.

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1. Qualitative information on quarterly financial statements

(1) Explanation on operating results

During the first nine months of the fiscal year ending February 29, 2024, the outlook for the Japanese economy remained uncertain due to such factors as growing thrifty behavior among consumers caused by rising prices, despite signs of gradual recovery in economic activity due to the employment and income environment beginning to improve along with a recovery in corporate activities and personal consumption.

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 ¥27,416 million (down 6.9% 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, higher prices for raw materials, and other factors, operating profit was ¥1,913 million (down 49.9%), ordinary profit was ¥1,929 million (down 49.6%), and profit attributable to owners of parent was ¥1,126 million (down 52.8%).

Operating results of each segment are as follows:

Photography Business

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

With regard to the status of kids photo studios in Japan, we relocated six stores, withdrew from ten stores, and conducted renovations, including relocating plots within shopping centers, at 29 stores.

As a result, the number of stores as of November 30, 2023 was 448 kids photo studios (439 directly operated and nine franchise stores).

As a result of the above, net sales in the Photography Business in the reportable segment amounted to ¥27,362 million (down 7.0% year on year) and segment profit was ¥1,853 million (down 51.9%).

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 made efforts to reduce procurement costs for clothing and accessories related to the “Furiho” service, which is being promoted strongly by the Group, and to improve production efficiency for clothes for the Company, while also focusing on capturing sales contacts other than those in the Group.

As a result of the above, net sales in the Clothes Manufacturing & Wholesale Business in the reportable segment amounted to ¥1,250 million (down 3.8% year on year) and segment profit was ¥27 million (compared with segment loss of ¥14 million in the same period of the previous fiscal year).

(2) Explanation on financial position

(i) Status of assets

Total assets as of November 30, 2023 amounted to ¥44,207 million, an increase of ¥981 million from the end of the previous fiscal year.

Current assets stood at ¥24,554 million, an increase of ¥1,841 million from the end of the previous fiscal year, mainly due to an increase in notes and accounts receivable - trade and an increase in deposits paid included in “other” under current assets.

Non-current assets were ¥19,653 million, a decrease of ¥859 million from the end of the previous fiscal year, mainly due to a decrease in leased assets included in “other, net” under property, plant and equipment.

(ii) Status of liabilities

Total liabilities as of November 30, 2023 amounted to ¥13,403 million, an increase of ¥703 million from the end of the previous fiscal year.

Current liabilities stood at ¥8,370 million, an increase of ¥1,373 million from the end of the previous fiscal year, mainly due to an increase in advances received and an increase in accrued expenses included in “other” under current liabilities.

Non-current liabilities were ¥5,032 million, a decrease of ¥670 million from the end of the previous fiscal year, mainly due to a decrease in long-term lease obligations included in “other” under non-current liabilities.

(iii) Status of net assets

Total net assets as of November 30, 2023 amounted to ¥30,804 million, an increase of ¥278 million from the end of the previous fiscal year.

This was mainly due to an increase in valuation difference on available-for-sale securities.

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

The Company has revised its consolidated earnings forecasts for the fiscal year ending February 29, 2024.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of February 28, 2023	As of November 30, 2023
Assets		
Current assets		
Cash and deposits	17,912,283	16,744,872
Notes and accounts receivable - trade	1,061,833	2,005,539
Inventories	2,081,005	3,052,944
Other	1,672,326	2,762,442
Allowance for doubtful accounts	(14,351)	(11,441)
Total current assets	22,713,097	24,554,357
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,018,290	6,880,036
Other, net	6,608,423	5,623,983
Total property, plant and equipment	13,626,713	12,504,020
Intangible assets	1,047,986	1,008,394
Investments and other assets		
Leasehold and guarantee deposits	3,186,775	3,173,322
Other	2,908,624	2,969,767
Allowance for doubtful accounts	(257,362)	(2,099)
Total investments and other assets	5,838,037	6,140,990
Total non-current assets	20,512,737	19,653,405
Total assets	43,225,834	44,207,762
Liabilities		
Current liabilities		
Accounts payable - trade	315,411	414,753
Short-term borrowings	–	400,000
Income taxes payable	501,716	97,693
Provision for bonuses	198,615	64,878
Provision for point card certificates	120,530	122,650
Other	5,861,130	7,270,751
Total current liabilities	6,997,403	8,370,726
Non-current liabilities		
Retirement benefit liability	1,220,550	1,255,163
Asset retirement obligations	1,922,036	1,942,630
Other	2,560,587	1,835,059
Total non-current liabilities	5,703,174	5,032,853
Total liabilities	12,700,578	13,403,580

(Thousands of yen)

	As of February 28, 2023	As of November 30, 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	25,177,733
Treasury shares	(276,578)	(276,578)
Total shareholders' equity	28,904,434	28,842,553
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	145,114	453,213
Foreign currency translation adjustment	194,250	222,817
Total accumulated other comprehensive income	339,364	676,031
Non-controlling interests	1,281,457	1,285,597
Total net assets	30,525,256	30,804,182
Total liabilities and net assets	43,225,834	44,207,762

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

(Thousands of yen)

	Nine months ended November 30, 2022	Nine months ended November 30, 2023
Net sales	29,452,009	27,416,470
Cost of sales	21,027,486	20,992,975
Gross profit	8,424,523	6,423,494
Selling, general and administrative expenses	4,602,824	4,510,456
Operating profit	3,821,698	1,913,038
Non-operating income		
Interest income	1,125	882
Dividend income	10,571	13,679
Rental income from buildings	15,938	15,123
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	18,063	12,295
Total non-operating income	58,807	73,163
Non-operating expenses		
Interest expenses	18,994	17,286
Loss on cancellation of store rent contracts	-	2,405
Foreign exchange losses	34,801	9,507
Provision of allowance for doubtful accounts	-	25,000
Miscellaneous losses	1,463	2,221
Total non-operating expenses	55,259	56,420
Ordinary profit	3,825,246	1,929,780
Extraordinary income		
Gain on sale of non-current assets	1,059	335
Total extraordinary income	1,059	335
Extraordinary losses		
Loss on sale of non-current assets	-	1,065
Loss on abandonment of non-current assets	55,358	88,504
Impairment losses	93,055	59,543
Other	-	2,417
Total extraordinary losses	148,413	151,529
Profit before income taxes	3,677,892	1,778,586
Income taxes - current	1,287,665	662,906
Income taxes - deferred	(24,899)	(15,390)
Total income taxes	1,262,766	647,516
Profit	2,415,125	1,131,070
Profit attributable to non-controlling interests	25,975	4,074
Profit attributable to owners of parent	2,389,150	1,126,995

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Nine months ended November 30, 2022	Nine months ended November 30, 2023
Profit	2,415,125	1,131,070
Other comprehensive income		
Valuation difference on available-for-sale securities	6,850	308,164
Foreign currency translation adjustment	34,957	28,567
Total other comprehensive income	41,807	336,731
Comprehensive income	2,456,933	1,467,802
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,430,983	1,463,662
Comprehensive income attributable to non-controlling interests	25,950	4,139

(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. Nine months ended November 30, 2022

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

(Thousands of yen)

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

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

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

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

Significant impairment losses on non-current assets

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

Significant change in the amount of goodwill

The information is omitted as it is immaterial.

Significant gain on bargain purchase

Not applicable

II. Nine months ended November 30, 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	27,353,559	62,910	27,416,470	–	27,416,470
Intersegment sales or transfers	8,535	1,187,216	1,195,752	(1,195,752)	–
Total	27,362,095	1,250,127	28,612,223	(1,195,752)	27,416,470
Segment profit	1,853,817	27,034	1,880,851	32,186	1,913,038

- Notes: 1. The segment profit adjustment of ¥32,186 thousand includes adjustments for non-current assets, etc. of ¥215,814 thousand and corporate expenses not allocated to either reportable segment of ¥(183,627) 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 ¥59,543 thousand for the nine months ended November 30, 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

(1) Significant events regarding premise of going concern

Not applicable

(2) Change of officers

(i) Change of Representative Directors

Not applicable

(ii) Change of other officers

Retired Director (effective November 14, 2023)

Masatsugu Motomura, Chairman of the Board