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April 12, 2024

## Consolidated Financial Results for the Fiscal Year Ended February 29, 2024 (Under Japanese GAAP)

Company name: STUDIO ALICE Co., Ltd.  
 Listing: Tokyo Stock Exchange  
 Securities code: 2305  
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 Scheduled date of annual general meeting of shareholders: May 28, 2024  
 Scheduled date to commence dividend payments: May 29, 2024  
 Scheduled date to file annual securities report: May 29, 2024  
 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 29, 2024 (from March 1, 2023 to February 29, 2024)

#### (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 29, 2024	36,396	(5.6)	2,283	(43.2)	2,322	(42.1)	1,157	(48.7)
February 28, 2023	38,564	(5.2)	4,017	(33.2)	4,009	(33.5)	2,257	(37.5)

Note: Comprehensive income For the fiscal year ended February 29, 2024: ¥1,619 million [(26.1)%]  
 For the fiscal year ended February 28, 2023: ¥2,190 million [(43.8)%]

	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 29, 2024	68.15	–	3.9	5.4	6.3
February 28, 2023	132.93	–	7.8	9.3	10.4

Reference: Share of profit (loss) of entities accounted for using equity method  
 For the fiscal year ended February 29, 2024: ¥– million  
 For the fiscal year ended February 28, 2023: ¥– 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 29, 2024	42,346	30,956	70.1	1,747.06
February 28, 2023	43,225	30,525	67.7	1,721.85

Reference: Equity  
 As of February 29, 2024: ¥29,672 million  
 As of February 28, 2023: ¥29,243 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 29, 2024	5,699	(3,603)	(1,640)	17,921
February 28, 2023	4,041	(4,341)	(974)	17,451

### 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, 2023	–	0.00	–	70.00	70.00	1,188	52.7	4.1
Fiscal year ended February 29, 2024	–	0.00	–	70.00	70.00	1,188	102.7	4.0
Fiscal year ending February 28, 2025 (Forecast)	–	0.00	–	50.00	50.00		67.9	

### 3. Consolidated earnings forecasts for the fiscal year ending February 28, 2025 (from March 1, 2024 to February 28, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending February 28, 2025	36,800	1.1	2,670	16.9	2,640	13.7	1,250	8.0	73.60

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: None

(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 29, 2024	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 February 29, 2024	201,706 shares
As of February 28, 2023	201,706 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended February 29, 2024	16,983,944 shares
Fiscal year ended February 28, 2023	16,983,963 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.

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## 1. Overview of operating results and others

### (1) Analysis of operating results

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

During the fiscal year under review, the Japanese economy saw a recovery in the flow of people due to the reclassification of the novel coronavirus disease (COVID-19) to Class 5, a pickup in personal consumption due to improvement in the employment and income environment, and a recovery in inbound demand. However, the outlook remains uncertain mainly due to uncertainty surrounding the situation in Ukraine and the Middle East region, previous price hikes, and fluctuations in financial and capital markets.

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 fiscal year under review amounted to ¥36,396 million (down 5.6% 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 ¥2,283 million (down 43.2%), ordinary profit was ¥2,322 million (down 42.1%), and profit attributable to owners of parent was ¥1,157 million (down 48.7%).

Operating results of each segment are as follows:

#### Photography Business

In the Photography Business, we continued to win bookings for our “Furiho” coming-of-age ceremony photography and long-sleeved kimono rental service, as well as to promote measures for photographic sessions before the event. We focused on increasing the number of concluded photography contracts for maternity and babies up to one year old, and in each category of photography, on practicing sales operations with an awareness of per-customer spending, enhancing product appeal, etc. 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 further 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 eight stores relocated, withdrew from 11 stores, and conducted renovations, including relocating plots within shopping centers, at 36 stores.

As a result, the number of stores at the end of the fiscal year under review 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 ¥36,290 million (down 5.8% year on year) and segment profit was ¥2,181 million (down 48.8%).

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

As a result of the above, net sales in the Clothes Manufacturing & Wholesale Business amounted to ¥2,212 million (down 19.5% year on year) and segment profit was ¥129 million (up 52.2%).

(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 “Breaking through the status quo! Creating new value for Alice!” In the Photo Studio business, we will work to boost net sales and gross profit mainly by holding exhibitions to increase the number of concluded contracts for the “Furiho” coming-of-age ceremony photography and long-sleeved kimono rental service, increasing the number of concluded photography contracts for maternity and babies, and developing new designs, clothing, and products that exceed customer expectations, as well as by improving technological and customer support capabilities. In addition, we will continue our effort to consolidate stores and maintain and increase man-hour productivity so as to optimize our expense structure. In the Photo Service business, we will work to increase earnings by 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 ¥36,800 million, operating profit of ¥2,670 million, ordinary profit of ¥2,640 million, and profit attributable to owners of parent of ¥1,250 million.

Trends in operating results

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Net sales	36,352	40,672	38,564	36,396
Ordinary profit	4,963	6,032	4,009	2,322
Profit attributable to owners of parent	2,434	3,614	2,257	1,157

**(2) Analysis of financial position**

(i) Status of assets, liabilities and net assets

Total assets as of February 29, 2024 amounted to ¥42,346 million, a decrease of ¥878 million from the end of the previous fiscal year. Liabilities amounted to ¥11,390 million, and net assets (excluding non-controlling interests) amounted to ¥29,672 million. Equity-to-asset ratio was 70.1%.

(ii) Status of cash flows

Cash and cash equivalents (hereinafter, “cash”) as of February 29, 2024 amounted to ¥17,921 million, an increase of ¥469 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 ¥5,699 million, an increase of ¥1,657 million from the previous fiscal year, mainly due to the recording of ¥1,914 million in profit before income taxes, ¥4,248 million in depreciation, and ¥1,064 million in income taxes paid.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥3,603 million, a decrease of ¥737 million from the previous fiscal year. This was mainly due to disbursements of ¥2,886 million related to new photo studio openings, and relocations, renovations and equipment additions in existing photo studios, as well as disbursements of ¥706 million related to photography production facilities, machinery, and equipment, and ¥16 million related to clothes factories, machinery and equipment.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥1,640 million, an increase of ¥665 million from the previous fiscal year. This was mainly due to the recording of ¥2,113 million in proceeds from sale and leaseback transactions, ¥2,564 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, 2022	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Equity-to-asset ratio (%)	65.6	67.7	70.1
Equity-to-asset ratio based on market value (%)	85.8	80.8	81.4
Interest-bearing debt to cash flow ratio (Years)	0.5	1.2	0.7
Interest coverage ratio (Times)	403.7	166.5	261.7

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 profit attributable to owners of parent, 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. In addition, in accordance with the basic policy above, the Company plans to pay a year-end dividend for the next fiscal year of ¥50 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, 2023	As of February 29, 2024
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	17,912,283	18,382,187
Notes and accounts receivable - trade	1,061,833	986,076
Merchandise and finished goods	233,215	281,996
Work in process	243,638	282,322
Raw materials and supplies	1,604,151	1,459,735
Other	1,672,326	1,402,111
Allowance for doubtful accounts	(14,351)	(15,411)
<b>Total current assets</b>	<b>22,713,097</b>	<b>22,779,019</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	16,091,842	16,208,544
Accumulated depreciation	(9,073,551)	(9,604,191)
Buildings and structures, net	7,018,290	6,604,353
Machinery, equipment and vehicles	2,968,969	3,095,581
Accumulated depreciation	(1,950,656)	(2,209,364)
Machinery, equipment and vehicles, net	1,018,312	886,216
Tools, furniture and fixtures	4,282,946	4,230,223
Accumulated depreciation	(3,275,989)	(3,371,884)
Tools, furniture and fixtures, net	1,006,956	858,338
Land	1,108,687	1,108,687
Leased assets	6,353,331	6,284,067
Accumulated depreciation	(3,000,459)	(3,407,422)
Leased assets, net	3,352,872	2,876,645
Construction in progress	121,594	1,419
<b>Total property, plant and equipment</b>	<b>13,626,713</b>	<b>12,335,661</b>
<b>Intangible assets</b>		
Goodwill	1,480	826
Other	1,046,506	1,078,784
<b>Total intangible assets</b>	<b>1,047,986</b>	<b>1,079,611</b>
<b>Investments and other assets</b>		
Investment securities	1,254,549	1,864,546
Long-term loans receivable	257,362	2,012
Deferred tax assets	1,369,598	1,113,381
Leasehold and guarantee deposits	3,186,775	3,153,722
Other	27,112	20,999
Allowance for doubtful accounts	(257,362)	(2,012)
<b>Total investments and other assets</b>	<b>5,838,037</b>	<b>6,152,650</b>
<b>Total non-current assets</b>	<b>20,512,737</b>	<b>19,567,923</b>
<b>Total assets</b>	<b>43,225,834</b>	<b>42,346,943</b>

(Thousands of yen)

	As of February 28, 2023	As of February 29, 2024
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	315,411	261,629
Lease liabilities	2,351,576	2,248,437
Income taxes payable	501,716	214,396
Provision for bonuses	198,615	197,270
Provision for point card certificates	120,530	120,430
Accrued expenses	1,073,128	1,044,873
Other	2,436,425	2,115,465
Total current liabilities	6,997,403	6,202,503
Non-current liabilities		
Lease liabilities	2,339,098	1,822,173
Asset retirement obligations	1,922,036	1,940,740
Retirement benefit liability	1,220,550	1,235,595
Other	221,489	189,886
Total non-current liabilities	5,703,174	5,188,396
Total liabilities	12,700,578	11,390,900
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	25,208,178
Treasury shares	(276,578)	(276,578)
Total shareholders' equity	28,904,434	28,872,998
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	145,114	568,380
Foreign currency translation adjustment	194,250	230,659
Total accumulated other comprehensive income	339,364	799,039
Non-controlling interests	1,281,457	1,284,004
Total net assets	30,525,256	30,956,043
Total liabilities and net assets	43,225,834	42,346,943

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

(Thousands of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Net sales	38,564,224	36,396,115
Cost of sales	28,363,525	28,061,583
Gross profit	10,200,699	8,334,531
Selling, general and administrative expenses	6,183,013	6,050,775
Operating profit	4,017,685	2,283,756
Non-operating income		
Interest income	1,499	936
Dividend income	22,103	27,133
Rental income from buildings	20,978	20,164
Gain on sales of supplies	–	25,440
Miscellaneous income	41,944	20,530
Total non-operating income	86,525	94,205
Non-operating expenses		
Interest expenses	24,268	21,778
Foreign exchange losses	35,627	9,680
Provision of allowance for doubtful accounts	33,000	–
Loss on liquidation of subsidiaries	–	19,406
Miscellaneous losses	1,690	4,334
Total non-operating expenses	94,587	55,198
Ordinary profit	4,009,623	2,322,762
Extraordinary income		
Gain on sale of non-current assets	1,870	335
Other	–	310
Total extraordinary income	1,870	645
Extraordinary losses		
Loss on abandonment of non-current assets	95,891	129,482
Loss on sale of non-current assets	–	1,573
Impairment losses	240,698	274,451
Compensation expenses	135,138	3,616
Total extraordinary losses	471,729	409,123
Profit before income taxes	3,539,764	1,914,284
Income taxes - current	1,314,307	684,810
Income taxes - deferred	(47,088)	69,558
Total income taxes	1,267,218	754,368
Profit	2,272,546	1,159,915
Profit attributable to non-controlling interests	14,881	2,474
Profit attributable to owners of parent	2,257,664	1,157,440

**Consolidated statement of comprehensive income**

(Thousands of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Profit	2,272,546	1,159,915
Other comprehensive income		
Valuation difference on available-for-sale securities	(121,059)	423,337
Foreign currency translation adjustment	39,477	36,409
Total other comprehensive income	(81,581)	459,747
Comprehensive income	2,190,964	1,619,662
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,176,076	1,617,116
Comprehensive income attributable to non-controlling interests	14,888	2,546

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

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

Fiscal year ended February 29, 2024

(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	25,239,613	(276,578)	28,904,434
Changes during period					
Dividends of surplus			(1,188,876)		(1,188,876)
Profit attributable to owners of parent			1,157,440		1,157,440
Purchase of treasury shares					–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	(31,435)	–	(31,435)
Balance at end of period	1,885,950	2,055,449	25,208,178	(276,578)	28,872,998

	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	145,114	194,250	339,364	1,281,457	30,525,256
Changes during period					
Dividends of surplus					(1,188,876)
Profit attributable to owners of parent					1,157,440
Purchase of treasury shares					–
Net changes in items other than shareholders' equity	423,265	36,409	459,675	2,546	462,221
Total changes during period	423,265	36,409	459,675	2,546	430,786
Balance at end of period	568,380	230,659	799,039	1,284,004	30,956,043

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

(Thousands of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
<b>Cash flows from operating activities</b>		
Profit before income taxes	3,539,764	1,914,284
Depreciation	3,961,597	4,248,429
Impairment losses	240,698	274,451
Amortization of goodwill	1,120	653
Increase (decrease) in allowance for doubtful accounts	35,650	709
Interest and dividend income	(23,602)	(28,069)
Interest expenses	24,268	21,778
Foreign exchange losses (gains)	117	(60)
Increase (decrease) in provision for bonuses	(7,320)	(1,471)
Increase (decrease) in provision for point card certificates	13,270	(100)
Increase (decrease) in retirement benefit liability	16,893	15,045
Loss on abandonment of non-current assets	95,891	129,482
Loss (gain) on sale of non-current assets	(1,870)	1,238
Decrease (increase) in trade receivables	(212,828)	88,926
Decrease (increase) in inventories	(457,402)	67,039
Increase (decrease) in trade payables	13,050	(55,517)
Increase (decrease) in accrued consumption taxes	(366,352)	111,553
Increase (decrease) in advances received	(163,252)	(100,971)
Decrease (increase) in other current assets	(196,925)	(1,340)
Increase (decrease) in other current liabilities	(189,169)	(90,674)
Other, net	68,775	58,439
Subtotal	6,392,373	6,653,827
Interest and dividends received	23,602	27,372
Interest paid	(24,268)	(21,778)
Income taxes paid	(2,349,754)	(1,064,758)
Income taxes refund	-	104,587
Net cash provided by (used in) operating activities	4,041,952	5,699,250
<b>Cash flows from investing activities</b>		
Payments into time deposits	(3)	(3)
Purchase of property, plant and equipment	(3,817,647)	(3,054,909)
Proceeds from sale of property, plant and equipment	3,549	801
Proceeds from sale of intangible assets	127	-
Proceeds from collection of loans receivable	349	349
Purchase of intangible assets	(376,739)	(446,306)
Payments of leasehold and guarantee deposits	(147,195)	(108,293)
Proceeds from refund of leasehold and guarantee deposits	147,869	150,689
Purchase of investment securities	(6,030)	-
Other, net	(145,298)	(146,136)
Net cash provided by (used in) investing activities	(4,341,018)	(3,603,808)

(Thousands of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
<b>Cash flows from financing activities</b>		
Proceeds from sale and leaseback transactions	2,532,966	2,113,341
Repayments of finance lease liabilities	(2,318,803)	(2,564,874)
Purchase of treasury shares	(113)	–
Dividends paid	(1,188,879)	(1,188,876)
Net cash provided by (used in) financing activities	(974,830)	(1,640,409)
Effect of exchange rate change on cash and cash equivalents	20,415	14,867
Net increase (decrease) in cash and cash equivalents	(1,253,481)	469,900
Cash and cash equivalents at beginning of period	18,705,243	17,451,762
Cash and cash equivalents at end of period	17,451,762	17,921,662



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

Not applicable

**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

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.

Studio Alice Korea Co., Ltd., which was an unconsolidated subsidiary, are excluded from the unconsolidated subsidiaries due to the completion of liquidation during the fiscal year under review.

## 2. Application of equity method

Unconsolidated subsidiaries not accounted for using the equity method (Alice Career Service Company 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.

Studio Alice Korea Co., Ltd., an unconsolidated subsidiary not accounted for using the equity method, are excluded from the unconsolidated subsidiaries not accounted for using the equity method due to the completion of liquidation during the fiscal year under review.

## 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 (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 Group has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations, 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.

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. The Company is obligated to deliver each product in accordance with the sales contract with the customer. The performance obligation is satisfied at the time the products are delivered. However, since each product is

made-to-order for each customer and the product is delivered when the customer visits the store after the preparation for product delivery has been completed, the period between the completion of the preparation for product delivery and the delivery of the product is very short. Therefore, the Company recognizes revenue when the 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. The performance obligation is satisfied at the time the product is delivered. However, since the period from the time of shipment to the time of delivery is a normal period of time, the Company applies the alternative treatment of materiality, etc. stipulated in paragraph 98 of the “Implementation Guidance on Accounting Standard for Revenue Recognition” and recognizes revenue when the product is shipped.

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. The performance obligation is satisfied at the time the product or good is delivered. However, since the period from the time of shipment to the time of delivery is a normal period of time, the Company applies the alternative treatment of materiality, etc. stipulated in paragraph 98 of the “Implementation Guidance on Accounting Standard for Revenue Recognition” and recognizes revenue when the product is shipped.

(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.

(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**

Not applicable

**Changes in presentation**

Notes to consolidated statement of income

“Compensation income”, “Subsidy income related to COVID-19”, and “Incentives for establishment of business facilities” which were presented separately under “Non-operating income” in the previous fiscal year, are included in “Miscellaneous income” under “Non-operating income” from the fiscal year under review since their materiality in terms of value has decreased. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, ¥408 thousand presented as “Compensation income” under “Non-operating income”, ¥1,697 thousand presented as “Subsidy income related to COVID-19”, and ¥11,002 thousand presented as “Incentives for establishment of business facilities” in the consolidated statement of income for the previous fiscal year are reclassified as “Miscellaneous income” under “Non-operating income”.

**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, 2023

	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.

## Fiscal year ended February 29, 2024

(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	36,287,664	108,451	36,396,115	–	36,396,115
Intersegment sales or transfers	2,513	2,104,361	2,106,874	(2,106,874)	–
Total	36,290,177	2,212,812	38,502,989	(2,106,874)	36,396,115
Segment profit	2,181,791	129,830	2,311,622	(27,866)	2,283,756
Segment assets	41,039,066	1,714,820	42,753,887	(406,943)	42,346,943
Other items					
Depreciation	4,852,687	37,849	4,890,537	(642,107)	4,248,429
Impairment losses	274,451	–	274,451	–	274,451
Amortization of goodwill	653	–	653	–	653
Unamortized balance of goodwill	826	–	826	–	826
Increase in property, plant and equipment and intangible assets	4,212,537	15,239	4,227,777	(459,837)	3,767,939

Notes: 1. Adjustments are as follows:

- (1) The net sales adjustment of ¥(2,106,874) thousand represents inter-segment eliminations.
  - (2) The segment profit adjustment of ¥(27,866) thousand includes adjustments for non-current assets, etc. of ¥210,950 thousand and corporate expenses not allocated to either reportable segment of ¥(238,816) thousand.
  - (3) The segment asset adjustment of ¥(406,943) thousand includes adjustments related to inter-segment eliminations of ¥(883,397) thousand and corporate assets not allocated to either reportable segment of ¥476,453 thousand.
  - (4) The depreciation adjustment of ¥(642,107) thousand represents inter-segment eliminations.
  - (5) The adjustment of the increase in property, plant and equipment and intangible assets of ¥(459,837) 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, 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.

Fiscal year ended February 29, 2024

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, 2023

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

Fiscal year ended February 29, 2024

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, 2023

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

Fiscal year ended February 29, 2024

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, 2023

Not applicable

Fiscal year ended February 29, 2024

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, 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 for the fiscal year under review.
3. Transaction terms are determined by referencing general trading terms in consideration of market prices.

Fiscal year ended February 29, 2024

Not applicable



**Per share information**

(Yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Net assets per share	1,721.85	1,747.06
Basic earnings per share	132.93	68.15

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, 2023	Fiscal year ended February 29, 2024
Profit attributable to owners of parent (Thousands of yen)	2,257,664	1,157,440
Amount not attributable to common shareholders (Thousands of yen)	–	–
Profit attributable to owners of parent related to common shares (Thousands of yen)	2,257,664	1,157,440
Average number of outstanding common shares during the period (Shares)	16,983,963	16,983,944

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

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Total net assets (Thousands of yen)	30,525,256	30,956,043
Amount subtracted from total net assets (Thousands of yen)	1,281,457	1,284,004
(Of which non-controlling interests) (Thousands of yen)	(1,281,457)	(1,284,004)
Net assets at the end of period related to common shares (Thousands of yen)	29,243,798	29,672,038
Number of common shares at the end of period used to calculate net assets per share (Shares)	16,983,944	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 on April 9, 2024.