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July 11, 2024

Consolidated Financial Results for the Three Months Ended May 31, 2024 (Under Japanese GAAP)

Company name: STUDIO ALICE Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 2305
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 Scheduled date to file quarterly securities report: July 12, 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 three months ended May 31, 2024 (from March 1, 2024 to May 31, 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	%
Three months ended								
May 31, 2024	8,134	0.3	(128)	–	(132)	–	(276)	–
May 31, 2023	8,112	(7.3)	(221)	–	(223)	–	(220)	–

Note: Comprehensive income For the three months ended May 31, 2024: ¥(105) million [–%]
 For the three months ended May 31, 2023: ¥72 million [(60.9)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
May 31, 2024	(16.30)	–
May 31, 2023	(12.99)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
May 31, 2024	42,109	29,661	67.4
February 29, 2024	42,346	30,956	70.1

Reference: Equity
 As of May 31, 2024: ¥28,389 million
 As of February 29, 2024: ¥29,672 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 29, 2024	–	0.00	–	70.00	70.00
Fiscal year ending February 28, 2025	–				
Fiscal year ending February 28, 2025 (Forecast)		0.00	–	50.00	50.00

Note: Revisions to the forecast of cash dividends most recently announced: None

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

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, 2024	17,185,650 shares
As of February 29, 2024	17,185,650 shares

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

As of May 31, 2024	201,706 shares
As of February 29, 2024	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, 2024	16,983,944 shares
Three months ended May 31, 2023	16,983,944 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 28, 2025, the outlook for the Japanese economy remained uncertain due to soaring prices of resources, rising prices of goods accompanying with sharp exchange rate volatility and the impact of geopolitical risks, despite signs of gradual recovery in personal consumption and of expansion in inbound demand.

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.

As a result, net sales for the period under review amounted to ¥8,134 million (up 0.3% year on year), operating loss was ¥128 million (compared with operating loss of ¥221 million in the same period of the previous fiscal year), ordinary loss was ¥132 million (compared with ordinary loss of ¥223 million in the same period of the previous fiscal year), and loss attributable to owners of parent was ¥276 million (compared with loss attributable to owners of parent of ¥220 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 further increased the holding of exhibitions at each shop compared with the first three months of the fiscal year ended February 29, 2024 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 19 and worked to increase the number of concluded contracts for Shichi-Go-San photography.

With regard to the status of kids photo studios, we relocated one store, withdrew from five stores, and conducted renovations, including relocating plots within shopping centers, at nine stores.

As a result, the number of stores as of May 31, 2024 was 443 kids photo studios (434 directly operated and nine franchise stores).

As a result of the above, net sales in the Photography Business amounted to ¥8,064 million (down 0.3% year on year) and segment loss was ¥200 million (compared with segment loss of ¥276 million in the same period of the previous fiscal year).

Clothes Manufacturing & Wholesale Business

In the Clothes Manufacturing & Wholesale Business, Shanghai Hosho Apparel Co., Ltd., a subsidiary of our consolidated subsidiary KyotoHosho. Co., Ltd., established a sewing factory in Zhangjiagang, Jiangsu, China in order to further reduce production costs for children’s clothes for the Company.

As a result of the above, net sales in the Clothes Manufacturing & Wholesale Business amounted to ¥679 million (up 24.5% year on year) and segment profit was ¥64 million (down 10.2%).

(2) Explanation on financial position

(i) Status of assets

Total assets as of May 31, 2024 amounted to ¥42,109 million, a decrease of ¥237 million from the end of the previous fiscal year.

Current assets stood at ¥22,466 million, a decrease of ¥312 million from the end of the previous fiscal year, mainly due to a decrease in cash and deposits.

Non-current assets were ¥19,642 million, an increase of ¥74 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, 2024 amounted to ¥12,447 million, an increase of ¥1,056 million from the end of the previous fiscal year.

Current liabilities stood at ¥7,308 million, an increase of ¥1,106 million from the end of the previous fiscal year, mainly due to an increase in short-term borrowings.

Non-current liabilities were ¥5,138 million, a decrease of ¥49 million from the end of the previous fiscal year, mainly due to a decrease in long-term accounts payable - other included in “other” under non-current liabilities.

(iii) Status of net assets

Total net assets as of May 31, 2024 amounted to ¥29,661 million, a decrease of ¥1,294 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 28, 2025 have mostly been in line with the original plan, and there are no revisions to the consolidated earnings forecasts announced on April 12, 2024.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of February 29, 2024	As of May 31, 2024
Assets		
Current assets		
Cash and deposits	18,382,187	17,459,713
Notes and accounts receivable - trade	986,076	1,224,455
Inventories	2,024,054	1,878,799
Other	1,402,111	1,915,422
Allowance for doubtful accounts	(15,411)	(11,421)
Total current assets	22,779,019	22,466,968
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,604,353	6,562,191
Other, net	5,731,308	5,657,474
Total property, plant and equipment	12,335,661	12,219,666
Intangible assets	1,079,611	1,003,724
Investments and other assets		
Leasehold and guarantee deposits	3,153,722	3,127,925
Other	3,000,940	3,293,075
Allowance for doubtful accounts	(2,012)	(1,924)
Total investments and other assets	6,152,650	6,419,075
Total non-current assets	19,567,923	19,642,466
Total assets	42,346,943	42,109,435
Liabilities		
Current liabilities		
Accounts payable - trade	261,629	273,044
Short-term borrowings	–	900,000
Income taxes payable	214,396	118,658
Provision for bonuses	197,270	106,823
Provision for point card certificates	120,430	125,500
Other	5,408,776	5,784,874
Total current liabilities	6,202,503	7,308,901
Non-current liabilities		
Retirement benefit liability	1,235,595	1,244,020
Asset retirement obligations	1,940,740	1,937,691
Other	2,012,059	1,957,021
Total non-current liabilities	5,188,396	5,138,733
Total liabilities	11,390,900	12,447,635

(Thousands of yen)

	As of February 29, 2024	As of May 31, 2024
Net assets		
Shareholders' equity		
Share capital	1,885,950	1,885,950
Capital surplus	2,055,449	2,055,449
Retained earnings	25,208,178	23,742,455
Treasury shares	(276,578)	(276,578)
Total shareholders' equity	28,872,998	27,407,276
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	568,380	730,863
Foreign currency translation adjustment	230,659	250,999
Total accumulated other comprehensive income	799,039	981,862
Non-controlling interests	1,284,004	1,272,661
Total net assets	30,956,043	29,661,800
Total liabilities and net assets	42,346,943	42,109,435

(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, 2023	Three months ended May 31, 2024
Net sales	8,112,503	8,134,896
Cost of sales	6,723,556	6,727,336
Gross profit	1,388,947	1,407,560
Selling, general and administrative expenses	1,610,829	1,536,074
Operating loss	(221,881)	(128,514)
Non-operating income		
Interest income	401	56
Rental income from buildings	5,042	5,066
Gain on sale of supplies	21,109	1,587
Miscellaneous income	5,917	8,785
Total non-operating income	32,470	15,496
Non-operating expenses		
Interest expenses	5,717	5,023
Foreign exchange losses	1,934	12,184
Provision of allowance for doubtful accounts	25,000	–
Miscellaneous losses	1,077	1,917
Total non-operating expenses	33,729	19,125
Ordinary loss	(223,141)	(132,144)
Extraordinary income		
Gain on sale of non-current assets	–	7,060
Total extraordinary income	–	7,060
Extraordinary losses		
Loss on abandonment of non-current assets	33,502	16,982
Impairment losses	19,180	31,538
Compensation expenses	2,168	154,626
Loss on closing of factory	–	13,292
Total extraordinary losses	54,851	216,440
Loss before income taxes	(277,992)	(341,524)
Income taxes - current	69,389	71,307
Income taxes - deferred	(126,052)	(124,725)
Total income taxes	(56,662)	(53,418)
Loss	(221,329)	(288,105)
Loss attributable to non-controlling interests	(646)	(11,258)
Loss attributable to owners of parent	(220,683)	(276,846)

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Three months ended May 31, 2023	Three months ended May 31, 2024
Loss	(221,329)	(288,105)
Other comprehensive income		
Valuation difference on available-for-sale securities	290,343	162,554
Foreign currency translation adjustment	3,640	20,339
Total other comprehensive income	293,984	182,893
Comprehensive income	72,654	(105,212)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	73,336	(94,024)
Comprehensive income attributable to non-controlling interests	(681)	(11,188)

(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, 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

II. Three months ended May 31, 2024

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	8,064,425	70,471	8,134,896	–	8,134,896
Intersegment sales or transfers	69	608,676	608,746	(608,746)	–
Total	8,064,495	679,147	8,743,643	(608,746)	8,134,896
Segment profit (loss)	(200,651)	64,354	(136,296)	7,781	(128,514)

Notes: 1. The segment profit (loss) adjustment of ¥7,781 thousand includes adjustments for non-current assets, etc. of ¥55,033 thousand and corporate expenses not allocated to either reportable segment of ¥(47,251) 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 ¥31,538 thousand for the three months ended May 31, 2024.

Significant change in the amount of goodwill

The information is omitted as it is immaterial.

Significant gain on bargain purchase

Not applicable