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October 11, 2024

Consolidated Financial Results for the Six Months Ended August 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 semi-annual securities report: October 15, 2024
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of 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, 2024 (from March 1, 2024 to August 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	%
Six months ended								
August 31, 2024	15,363	(1.3)	(531)	–	(508)	–	(598)	–
August 31, 2023	15,565	(5.0)	(750)	–	(732)	–	(646)	–

Note: Comprehensive income For the six months ended August 31, 2024: ¥(335) million [–%]
 For the six months ended August 31, 2023: ¥(342) million [–%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
August 31, 2024	(35.24)	–
August 31, 2023	(38.09)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
August 31, 2024	41,938	29,431	67.2
February 29, 2024	42,346	30,956	70.1

Reference: Equity
 As of August 31, 2024: ¥28,164 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	–	0.00			
Fiscal year ending February 28, 2025 (Forecast)			–	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

Note: Revisions to the consolidated earnings forecasts most recently announced: None

*** Notes**

- (1) Significant changes in the scope of consolidation during the period: None
- (2) Adoption of accounting treatment specific to the preparation of semi-annual 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, 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 August 31, 2024	201,830 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)

Six months ended August 31, 2024	16,983,909 shares
Six months ended August 31, 2023	16,983,944 shares

* Semi-annual financial results reports are exempt from 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 semi-annual financial statements.....	2
(1) Explanation on operating results	2
(2) Explanation on financial position.....	2
(3) Explanation on consolidated earnings forecasts and other forward-looking statements	3
2. Semi-annual consolidated financial statements and significant notes thereto	4
(1) Semi-annual consolidated balance sheet	4
(2) Semi-annual consolidated statement of income and consolidated statement of comprehensive income	6
Semi-annual consolidated statement of income	6
Semi-annual consolidated statement of comprehensive income	7
(3) Semi-annual consolidated statement of cash flows	8
(4) Notes to semi-annual consolidated financial statements	9
Notes on premise of going concern	9
Notes when there are significant changes in amounts of equity.....	9
Notes to semi-annual consolidated balance sheet.....	9
Notes to semi-annual consolidated statement of income.....	9
Notes to semi-annual consolidated statement of cash flows	10
Notes on segment information, etc.....	11
3. Other	12
Significant events regarding premise of going concern.....	12

1. Qualitative information on semi-annual financial statements

(1) Explanation on operating results

During the first six months of the fiscal year ending February 28, 2025, while the employment and income environment improved, the Japanese economy remains uncertain due to such factors as rising prices caused by the weakening of the yen, unstable global affairs, and downside risks to overseas economies caused by global monetary tightening.

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 ¥15,363 million (down 1.3% year on year), operating loss was ¥531 million (compared with operating loss of ¥750 million in the same period of the previous fiscal year), ordinary loss was ¥508 million (compared with ordinary loss of ¥732 million in the same period of the previous fiscal year), and loss attributable to owners of parent was ¥598 million (compared with loss attributable to owners of parent of ¥646 million in the same period of the previous fiscal year).

Operating results of each segment are as follows:

Photography Business

In the Photography Business, while promoting 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, we held exhibitions at each store to win bookings and promoted photographic sessions before the coming-of-age ceremonies for our “Furiho” coming-of-age ceremony photography and long-sleeved kimono rental service.

With regard to the status of kids photo studios, we relocated one store, withdrew from 17 stores, and conducted renovations, including relocating plots within shopping centers, at 15 stores.

As a result, the number of stores as of August 31, 2024 was 431 kids photo studios (422 directly operated and nine franchise stores).

As a result of the above, net sales in the Photography Business in the reportable segment amounted to ¥15,268 million (down 1.7% year on year) and segment loss was ¥643 million (compared with segment loss of ¥820 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 focused on capturing sales contacts other than those in the Group, while also making efforts to reduce costs by further improving production efficiency for clothes for the Company.

As a result of the above, net sales in the Clothes Manufacturing & Wholesale Business in the reportable segment amounted to ¥1,119 million (down 1.5% year on year) and segment profit was ¥90 million (down 36.2%).

(2) Explanation on financial position

(i) Status of assets

Total assets as of August 31, 2024 amounted to ¥41,938 million, a decrease of ¥408 million from the end of the previous fiscal year.

Current assets stood at ¥22,486 million, a decrease of ¥292 million from the end of the previous fiscal year, mainly due to a decrease in cash and deposits.

Non-current assets were ¥19,452 million, a decrease of ¥115 million from the end of the previous fiscal year, mainly due to a decrease in leased assets included in “other” under property, plant and equipment.

(ii) Status of liabilities

Total liabilities as of August 31, 2024 amounted to ¥12,507 million, an increase of ¥1,116 million from the end of the previous fiscal year.

Current liabilities stood at ¥7,543 million, an increase of ¥1,340 million from the end of the previous fiscal year, mainly due to an increase in short-term borrowings.

Non-current liabilities were ¥4,964 million, a decrease of ¥223 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, 2024 amounted to ¥29,431 million, a decrease of ¥1,525 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, 2024 amounted to ¥17,362 million, a decrease of ¥558 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, 2024 are as follows:

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥1,574 million (¥1,182 million of net cash provided in the same period of the previous fiscal year). This was mainly due to ¥1,937 million in depreciation, which was a non-cash transaction.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥1,627 million (¥2,248 million of net cash used in the same period of the previous fiscal year). This was mainly due to disbursements of ¥1,658 million related to renovations and equipment additions in existing photo studios.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥496 million (¥420 million of net cash used 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

The operating results for the six months ended August 31, 2024 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. Semi-annual consolidated financial statements and significant notes thereto

(1) Semi-annual consolidated balance sheet

(Thousands of yen)

	As of February 29, 2024	As of August 31, 2024
Assets		
Current assets		
Cash and deposits	18,382,187	17,823,236
Notes and accounts receivable - trade	986,076	1,135,037
Inventories	*	*
Other	1,402,111	1,666,527
Allowance for doubtful accounts	(15,411)	(12,391)
Total current assets	22,779,019	22,486,466
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,604,353	6,434,338
Other, net	5,731,308	5,395,485
Total property, plant and equipment	12,335,661	11,829,824
Intangible assets	1,079,611	963,270
Investments and other assets		
Leasehold and guarantee deposits	3,153,722	3,091,024
Other	3,000,940	3,569,982
Allowance for doubtful accounts	(2,012)	(1,837)
Total investments and other assets	6,152,650	6,659,169
Total non-current assets	19,567,923	19,452,264
Total assets	42,346,943	41,938,731
Liabilities		
Current liabilities		
Accounts payable - trade	261,629	293,914
Short-term borrowings	-	1,300,000
Income taxes payable	214,396	217,485
Provision for bonuses	197,270	352,112
Provision for point card certificates	120,430	126,390
Other	5,408,776	5,253,189
Total current liabilities	6,202,503	7,543,091
Non-current liabilities		
Retirement benefit liability	1,235,595	1,242,261
Asset retirement obligations	1,940,740	1,913,303
Other	2,012,059	1,809,055
Total non-current liabilities	5,188,396	4,964,620
Total liabilities	11,390,900	12,507,711

(Thousands of yen)

	As of February 29, 2024	As of August 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	23,420,783
Treasury shares	(276,578)	(276,837)
Total shareholders' equity	28,872,998	27,085,345
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	568,380	861,605
Foreign currency translation adjustment	230,659	217,285
Total accumulated other comprehensive income	799,039	1,078,891
Non-controlling interests	1,284,004	1,266,782
Total net assets	30,956,043	29,431,019
Total liabilities and net assets	42,346,943	41,938,731

(2) Semi-annual consolidated statement of income and consolidated statement of comprehensive income**Semi-annual consolidated statement of income**

(Thousands of yen)

	Six months ended August 31, 2023		Six months ended August 31, 2024	
Net sales	*2	15,565,646	*2	15,363,922
Cost of sales		13,284,490		13,109,220
Gross profit		2,281,156		2,254,702
Selling, general and administrative expenses	*1	3,031,932	*1	2,786,189
Operating loss		(750,776)		(531,487)
Non-operating income				
Interest income		827		159
Dividend income		13,679		15,646
Rental income from buildings		10,082		10,142
Gain on sale of supplies		25,440		1,887
Miscellaneous income		13,942		13,384
Total non-operating income		63,972		41,219
Non-operating expenses				
Interest expenses		11,528		10,902
Loss on cancellation of store rent contracts		2,405		302
Foreign exchange losses		5,241		5,306
Provision of allowance for doubtful accounts		25,000		–
Miscellaneous losses		1,228		1,948
Total non-operating expenses		45,404		18,459
Ordinary loss		(732,208)		(508,727)
Extraordinary income				
Gain on sale of non-current assets		335		7,060
Total extraordinary income		335		7,060
Extraordinary losses				
Loss on abandonment of non-current assets		85,354		33,548
Impairment losses		33,321		57,138
Compensation expenses	*3	2,273	*3	154,719
Loss on closing of factory		–	*4	12,548
Total extraordinary losses		120,949		257,954
Loss before income taxes		(852,822)		(759,621)
Income taxes - current		138,751		130,145
Income taxes - deferred		(335,012)		(274,072)
Total income taxes		(196,260)		(143,927)
Loss		(656,562)		(615,693)
Loss attributable to non-controlling interests		(9,664)		(17,175)
Loss attributable to owners of parent		(646,897)		(598,518)

Semi-annual consolidated statement of comprehensive income

(Thousands of yen)

	Six months ended August 31, 2023	Six months ended August 31, 2024
Loss	(656,562)	(615,693)
Other comprehensive income		
Valuation difference on available-for-sale securities	301,847	293,333
Foreign currency translation adjustment	12,603	(13,373)
Total other comprehensive income	314,450	279,959
Comprehensive income	(342,111)	(335,734)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(332,491)	(318,666)
Comprehensive income attributable to non-controlling interests	(9,619)	(17,067)

(3) Semi-annual consolidated statement of cash flows

(Thousands of yen)

	Six months ended August 31, 2023	Six months ended August 31, 2024
Cash flows from operating activities		
Loss before income taxes	(852,822)	(759,621)
Depreciation	2,122,888	1,937,882
Amortization of goodwill	493	159
Increase (decrease) in allowance for doubtful accounts	19,884	(3,194)
Increase (decrease) in provision for bonuses	166,483	154,884
Increase (decrease) in retirement benefit liability	16,702	6,665
Interest and dividend income	(14,506)	(15,805)
Interest expenses	11,528	10,902
Foreign exchange losses (gains)	(67)	36
Loss (gain) on sale of non-current assets	(335)	(7,060)
Loss on abandonment of non-current assets	85,354	33,548
Impairment losses	33,321	57,138
Decrease (increase) in trade receivables	(27,041)	(149,218)
Decrease (increase) in inventories	(29,464)	144,965
Increase (decrease) in trade payables	40,125	32,700
Increase (decrease) in accrued consumption taxes	(66,063)	(88,434)
Increase (decrease) in advances received	223,813	17,782
Decrease (increase) in other current assets	(229,697)	(169,568)
Increase (decrease) in other current liabilities	(17,977)	421,699
Other, net	(4,891)	(28,634)
Subtotal	1,477,730	1,596,827
Interest and dividends received	13,810	15,805
Interest paid	(11,528)	(10,902)
Income taxes paid	(402,559)	(141,584)
Income taxes refund	104,587	113,939
Net cash provided by (used in) operating activities	1,182,039	1,574,086
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,896,481)	(1,407,878)
Proceeds from sale of property, plant and equipment	335	8,092
Purchase of intangible assets	(263,278)	(207,390)
Payments of leasehold and guarantee deposits	(69,373)	(43,281)
Proceeds from refund of leasehold and guarantee deposits	71,991	79,600
Other, net	(91,633)	(56,839)
Net cash provided by (used in) investing activities	(2,248,440)	(1,627,696)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,300,000	1,300,000
Proceeds from sale and leaseback transactions	770,432	689,582
Repayments of finance lease liabilities	(1,301,574)	(1,297,416)
Purchase of treasury shares	—	(258)
Dividends paid	(1,188,876)	(1,188,876)
Net cash provided by (used in) financing activities	(420,017)	(496,968)
Effect of exchange rate change on cash and cash equivalents	5,192	(8,372)
Net increase (decrease) in cash and cash equivalents	(1,481,225)	(558,951)
Cash and cash equivalents at beginning of period	17,451,762	17,921,662
Cash and cash equivalents at end of period	* 15,970,536	* 17,362,710

(4) Notes to semi-annual consolidated financial statements**Notes on premise of going concern**

Not applicable

Notes when there are significant changes in amounts of equity

Not applicable

Notes to semi-annual consolidated balance sheet

* Breakdown of inventories are as follows:

	(Thousands of yen)	
	As of February 29, 2024	As of August 31, 2024
Merchandise and finished goods	281,996	228,531
Work in process	282,322	261,301
Raw materials and supplies	1,459,735	1,384,223

Notes to semi-annual consolidated statement of income

*1. Main items and amounts of selling, general and administrative expenses are as follows:

	(Thousands of yen)	
	Six months ended August 31, 2023	Six months ended August 31, 2024
Payroll and allowances	563,831	532,193
Retirement benefit expenses	8,856	10,286
Advertising expenses	1,356,420	1,185,121
Depreciation	55,035	54,999
Amortization of goodwill	493	159
Provision of allowance for doubtful accounts	(2,417)	(907)

*2 Seasonal fluctuation in net sales

Six months ended August 31, 2023 and six months ended August 31, 2024

In the Group's Photography Business, net sales from October to December are usually significantly higher than net sales in other months of the year, mainly due to the large number of photo opportunities (Shichi-Go-San, etc.) from October to December.

*3 Compensation expenses

Six months ended August 31, 2023 and six months ended August 31, 2024

The Company's consolidated subsidiary, JVIS Co., Ltd., recorded an estimated loss and related expenses as compensation expenses due to a delay in delivery of products sold externally as a result of a printing press failure in late December 2022.

*4 Loss on closing of factory

Six months ended August 31, 2024

As Shanghai Hosho Apparel Co., Ltd., a consolidated subsidiary of the Company, established a sewing factory in Zhangjiagang, Jiangsu, China, a loss from the partial closure of its sewing factory in Shanghai was recorded as loss on closing of factory.

Notes to semi-annual consolidated statement of cash flows

* Reconciliation of cash and cash equivalents at end of period and the amounts of accounts reported in the semi-annual consolidated balance sheet is as follows:

	(Thousands of yen)	
	Six months ended August 31, 2023	Six months ended August 31, 2024
Cash and deposits	16,431,058	17,823,236
Time deposits with maturity over 3 months	(460,521)	(460,525)
Cash and cash equivalents	15,970,536	17,362,710

Notes on segment information, etc.*Segment information*

I. Six months ended August 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 semi-annual 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 semi-annual 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

II. Six months ended August 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 semi-annual consolidated statement of income (Note 2)
	Photography Business	Clothes Manufacturing & Wholesale Business	Total		
Net sales					
Sales to external customers	15,267,930	95,991	15,363,922	–	15,363,922
Intersegment sales or transfers	80	1,023,300	1,023,381	(1,023,381)	–
Total	15,268,011	1,119,292	16,387,303	(1,023,381)	15,363,922
Segment profit (loss)	(643,633)	90,677	(552,955)	21,467	(531,487)

Notes: 1. The segment profit (loss) adjustment of ¥21,467 thousand includes adjustments for non-current assets, etc. of ¥123,132 thousand and corporate expenses not allocated to either reportable segment of ¥(101,664) 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 semi-annual 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 ¥57,138 thousand for the six months ended August 31, 2024.

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