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July 11, 2022

## Consolidated Financial Results for the Three Months Ended May 31, 2022 (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, 2022  
 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, 2022 (from March 1, 2022 to May 31, 2022)

#### (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, 2022	8,747	(2.6)	436	(55.4)	433	(56.1)	169	(67.0)
May 31, 2021	8,977	111.2	977	–	987	–	513	–

Note: Comprehensive income For the three months ended May 31, 2022: ¥185 million [(75.7)%]  
 For the three months ended May 31, 2021: ¥763 million [–%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
May 31, 2022	9.98	–
May 31, 2021	30.22	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
May 31, 2022	42,088	28,520	64.7
February 28, 2022	43,170	29,568	65.6

Reference: Equity  
 As of May 31, 2022: ¥27,243 million  
 As of February 28, 2022: ¥28,301 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, 2022	–	0.00	–	70.00	70.00
Fiscal year ending February 28, 2023	–				
Fiscal year ending February 28, 2023 (Forecast)		0.00	–	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 28, 2023 (from March 1, 2022 to February 28, 2023)

(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, 2023	45,000	10.6	6,600	9.7	6,600	9.4	3,750	3.8	220.80

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, 2022	17,185,650 shares
As of February 28, 2022	17,185,650 shares

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

As of May 31, 2022	201,657 shares
As of February 28, 2022	201,657 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended May 31, 2022	16,983,993 shares
Three months ended May 31, 2021	16,984,004 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, 2023, strict infection control measures were fully lifted on March 21 and the Japanese economy showed signs of picking up. However, the outlook remains uncertain due to the geopolitical risk from Russia's invasion of Ukraine, as well as due to the rapid weakening of the yen, rising prices for raw materials and resources, and other factors.

Under these circumstances, in the core Photography Business of STUDIO ALICE Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), we have continued to thoroughly follow measures to prevent the spread of COVID-19, and 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 ¥8,747 million (down 2.6% year on year), operating profit was ¥436 million (down 55.4%), ordinary profit was ¥433 million (down 56.1%), and profit attributable to owners of parent was ¥169 million (down 67.0%).

Operating results of each segment are as follows:

#### Photography Business

In the Photography Business, we continued to thoroughly follow measures to prevent the spread of COVID-19 while focusing on winning bookings for our "Furiho" coming-of-age ceremony photography and long-sleeved kimono rental service and also promoting photography to commemorate entering or graduating from pre-school and other schools and photography to commemorate seasonal festivals (Momo-no-Sekku, a festival for girls, and Tango-no-Sekku, a festival for boys). Furthermore, we launched the "Early Shichi-Go-San Commemorative Photograph Campaign" on April 21 and worked to increase the number of concluded contracts for Shichi-Go-San photography.

With regard to the status of kids photo studios in Japan, we relocated one store, withdrew from four stores, and conducted renovations, including relocating plots within shopping centers, at 12 stores.

As a result, the number of stores as of May 31, 2022 was 466 kids photo studios in Japan (457 directly operated and nine franchise stores), and two kids photo studios at our Korean subsidiary, for a total of 468 stores.

As a result of the above, net sales in the Photography Business amounted to ¥8,730 million (down 2.6% year on year) and segment profit was ¥495 million (down 51.0%).

#### Clothes Manufacturing & Wholesale Business

In the Clothes Manufacturing & Wholesale Business, at our consolidated subsidiary KyotoHosho. Co., Ltd. and its subsidiary Shanghai Hosho Apparel Co., Ltd., we continued efforts to further improve production efficiency for clothes for the Company in order to reduce costs, while also focusing on reducing procurement costs for clothing and accessories related to the "Furiho" service, which is being promoted strongly by the Group.

As a result of the above, net sales in the Clothes Manufacturing & Wholesale Business amounted to ¥687 million (down 56.9% year on year) and segment profit was ¥33 million (down 86.7%).

### (2) Explanation on financial position

#### (i) Status of assets

Total assets as of May 31, 2022 amounted to ¥42,088 million, a decrease of ¥1,081 million from the end of the previous fiscal year.

Current assets stood at ¥22,130 million, a decrease of ¥788 million from the end of the previous fiscal year, mainly due to a decrease in cash and deposits.

Non-current assets were ¥19,958 million, a decrease of ¥293 million from the end of the previous fiscal year, mainly due to a decrease in buildings and structures.

(ii) Status of liabilities

Total liabilities as of May 31, 2022 amounted to ¥13,568 million, a decrease of ¥33 million from the end of the previous fiscal year.

Current liabilities stood at ¥8,125 million, an increase of ¥23 million from the end of the previous fiscal year, mainly due to an increase in short-term borrowings.

Non-current liabilities were ¥5,443 million, a decrease of ¥56 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 May 31, 2022 amounted to ¥28,520 million, a decrease of ¥1,048 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, 2023 have mostly been in line with the original plan, and there are no revisions to the consolidated earnings forecasts announced on April 12, 2022.

## 2. Quarterly consolidated financial statements and significant notes thereto

### (1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of February 28, 2022	As of May 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	19,165,761	17,487,719
Notes and accounts receivable - trade	844,434	1,106,812
Inventories	1,607,333	1,525,243
Other	1,312,754	2,030,117
Allowance for doubtful accounts	(11,351)	(19,352)
Total current assets	22,918,932	22,130,540
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,201,638	7,085,980
Other, net	6,133,688	6,057,232
Total property, plant and equipment	13,335,327	13,143,212
Intangible assets	997,620	946,816
Investments and other assets		
Leasehold and guarantee deposits	3,192,218	3,177,857
Other	2,951,105	2,915,174
Allowance for doubtful accounts	(224,712)	(224,624)
Total investments and other assets	5,918,611	5,868,406
Total non-current assets	20,251,559	19,958,436
Total assets	43,170,491	42,088,976
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	300,462	293,355
Short-term borrowings	–	1,300,000
Income taxes payable	1,484,335	193,870
Provision for bonuses	205,794	112,258
Provision for point card certificates	107,260	119,090
Other	6,004,652	6,107,061
Total current liabilities	8,102,506	8,125,636
Non-current liabilities		
Retirement benefit liability	1,203,656	1,221,229
Asset retirement obligations	1,654,160	1,634,210
Other	2,641,876	2,587,874
Total non-current liabilities	5,499,692	5,443,314
Total liabilities	13,602,199	13,568,950

(Thousands of yen)

	As of February 28, 2022	As of May 31, 2022
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,885,950	1,885,950
Capital surplus	2,055,449	2,055,449
Retained earnings	24,215,835	23,151,399
Treasury shares	(276,464)	(276,464)
Total shareholders' equity	27,880,770	26,816,334
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	266,180	245,300
Foreign currency translation adjustment	154,772	182,195
Total accumulated other comprehensive income	420,952	427,496
Non-controlling interests	1,266,569	1,276,195
Total net assets	29,568,292	28,520,026
Total liabilities and net assets	43,170,491	42,088,976

**(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, 2021	Three months ended May 31, 2022
Net sales	8,977,065	8,747,528
Cost of sales	6,420,889	6,642,602
Gross profit	2,556,175	2,104,925
Selling, general and administrative expenses	1,578,655	1,668,467
Operating profit	977,519	436,458
Non-operating income		
Interest income	385	382
Rental income from buildings	5,634	5,647
Subsidy income related to COVID-19	-	1,365
Compensation income	18,593	-
Miscellaneous income	6,491	9,040
Total non-operating income	31,105	16,435
Non-operating expenses		
Interest expenses	4,908	5,997
Loss on cancellation of store rent contracts	5,078	-
Foreign exchange losses	10,738	12,277
Miscellaneous losses	450	694
Total non-operating expenses	21,175	18,968
Ordinary profit	987,449	433,925
Extraordinary losses		
Loss on abandonment of non-current assets	45,436	19,487
Impairment losses	23,752	54,063
Loss related to COVID-19	38,978	-
Total extraordinary losses	108,167	73,551
Profit before income taxes	879,282	360,373
Income taxes - current	381,333	141,594
Income taxes - deferred	(30,612)	39,675
Total income taxes	350,721	181,270
Profit	528,561	179,102
Profit attributable to non-controlling interests	15,325	9,652
Profit attributable to owners of parent	513,236	169,450

**Quarterly consolidated statement of comprehensive income**

(Thousands of yen)

	Three months ended May 31, 2021	Three months ended May 31, 2022
Profit	528,561	179,102
Other comprehensive income		
Valuation difference on available-for-sale securities	207,549	(20,906)
Foreign currency translation adjustment	26,933	27,423
Total other comprehensive income	234,483	6,517
Comprehensive income	763,044	185,620
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	747,719	175,994
Comprehensive income attributable to non-controlling interests	15,325	9,625

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

Not applicable

**Additional information**

The Group operates its stores after scrupulously implementing measures to prevent the spread of infection, and its operating results were not significantly affected. Going forward, the Group assumes that operating results will be maintained at levels of a typical year, and the Group makes accounting estimates in relation to impairment losses associated with non-current assets, the recoverability of deferred tax assets, and other issues.

Future results based on actual figures may differ from these estimates and assumptions.

**Notes when there is significant changes in amounts of equity**

Not applicable

**Notes - Changes in accounting policies**Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the first quarter of the fiscal year ending February 28, 2023, 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. As a result, the Company has reviewed the time when performance obligations are satisfied for some photography transactions. In addition, to provide for the usage of points awarded to customers, a future expected usage amount was previously recorded as a provision for point card certificates, and a provision for point card certificates was recorded as selling, general and administrative expenses. However, for points awarded to customers accompanying product sales, if those points provide a customer with a material right, the Company has changed to a method where the awarded points are identified as a performance obligation and the recognition of the revenue is deferred.

The effect of this change on the quarterly consolidated financial statements for the three months ended May 31, 2022 was immaterial.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter under review was added to or deducted from the opening balance of retained earnings of the first quarter under review, and thus the new accounting policy was applied from such opening balance.

As a result, the opening balance of retained earnings decreased by ¥45,007 thousand.

Due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, part of the “provision for point card certificates” under current liabilities of the consolidated balance sheet as of the end of the previous fiscal year has been included in “other” under current liabilities as contract liabilities from the quarterly consolidated balance sheet as of the end of the first quarter under review. In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation. Furthermore, the information on disaggregation of revenue from contracts with customers during the first three months of the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020).

Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending February 28, 2023, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019).

There is no impact on the quarterly consolidated financial statements.

**Segment information, etc.***Segment information*

## I. Three months ended May 31, 2021

## 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	8,957,873	19,191	8,977,065	–	8,977,065
Intersegment sales or transfers	9,403	1,575,166	1,584,569	(1,584,569)	–
Total	8,967,277	1,594,357	10,561,635	(1,584,569)	8,977,065
Segment profit	1,010,569	256,107	1,266,676	(289,156)	977,519

Notes: 1. The segment profit adjustment of ¥(289,156) thousand includes adjustments for non-current assets, etc. of ¥(233,795) thousand and corporate expenses not allocated to either reportable segment of ¥(55,360) 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 ¥23,752 thousand for the three months ended May 31, 2021.

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, 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	8,723,117	24,410	8,747,528	–	8,747,528
Intersegment sales or transfers	7,721	662,624	670,345	(670,345)	–
Total	8,730,838	687,035	9,417,874	(670,345)	8,747,528
Segment profit	495,180	33,987	529,168	(92,709)	436,458

Notes: 1. The segment profit adjustment of ¥(92,709) thousand includes adjustments for non-current assets, etc. of ¥(35,324) thousand and corporate expenses not allocated to either reportable segment of ¥(57,384) 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 ¥54,063 thousand for the three months ended May 31, 2022.

Significant changes in the amount of goodwill

The information is omitted as it is immaterial.

Significant gain on bargain purchase

Not applicable