Trias Corporation

Trias Company Memo
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(7483/TSE1) DOSHISHA CORPORATION
Summary of Business Results Meeting for the 2nd Quarter of Fiscal Year Ending March 31, 2011

On November 17, 2010, Trias Corporation attended the Q2 FY03/11 Business Results Meeting of DOSHISHA CORPORATION (hereinafter DOSHISHA or the Company). A summary of both the presentation delivered by Masayuki Nomura, Representative Senior Managing Director, as well as the Q&A Session that followed, is presented below.

[Summary of Q2 FY03/11 Consolidated Business Results]

Net sales and incomes in the semi-annual period of April-September grew at a pace that was pretty much in line with the Company's original forecast of May 7. Net sales reached ¥41.7 billion, up 5.1% on a year-on-year basis. Sales from its product development business was ¥20.5 billion, up 2.7% y/y, while its wholesale operations generated ¥20.1 billion in sales, up 7.7% y/y.

Growth in the product development business was attributed to the sales increase in the audiovisual products, particularly liquid crystal television units, driven by demand from the government's "eco-point" incentive system and the transition to terrestrial digital TV broadcasting. In addition, sales of low-priced wines and food products, pressure cookers, thermos bottles and appliances to make confectionery at home performed well, spurred by the trend to spend less and eat out less.

The wholesale business has seen gift product sales post double-digit growth by developing new markets. Shoes and accessories sales also grew as a result of a tie-up with famous brand makers. Turning to nonconsolidated net sales by channel, turnover at home centers led the list, generating ¥6 billion, up 11.8% y/y, followed by GMS, which grew 0.5% y/y to reach ¥5.5 billion. Discount stores placed third, selling ¥5.1 billion of goods for a 4.4% y/y growth, while volume electronics discount outlets grew 33.7% y/y to ¥4.5 billion (led by strong growth in audiovisual products) and supermarket sales rose 7.7% y/y to ¥3.6 billion. Sales from drugstores declined by ¥400 million, down 32.3% y/y, due to contracting demand for protective masks for colds and the flu.

Consolidated (¥Million)	FY3/10 1H		FY3/11 1H		
	Actual	Weighting	Actual	Weighting	YoY Change
Sales	39,696	100.0%	41,718	100.0%	5.1%
Product Development	19,988	50.4%	20,519	49.2%	2.7%
Wholesale	18,752	47.2%	20,196	48.4%	7.7%
Others	955	2.4%	1,003	2.4%	5.0%
COGS	10,097	25.4%	10,634	25.5%	5.3%
SG&A	7,140	18.0%	7,555	18.1%	5.8%
Operating Income	2,956	7.4%	3,079	7.4%	4.2%
Ordinary Income	2,894	7.3%	3,041	7.3%	5.1%
Net Profit	1,725	4.3%	1,768	4.2%	2.5%

[FY03/11 Earnings Forecast]

DOSHISHA projects FY03/11 consolidated net sales to reach ¥91 billion, up 5.0% y/y, while operating income will hit ¥8 billion, up 3.9% y/y. While its first half performance had no impact on the forecast for net sales and incomes for the full year, the breakdown for net sales is as follows: the product development business, based on 1H trends, was expected to grow 6.9%, but has been revised to 2.8% growth. Meanwhile, its wholesale operation was expected to hit 3.4% growth, but is now projected to reach 7.3%.

There were two factors behind the revision of the forecasted income growth for the product development business: The first was due to the fact that sales of cabinetry, apparel and hobby products were sluggish, while the second was the result of delays in the development of new lineups of wristwatches and shoes, as well as in the startup of H&B, which specializes in beauty and health food products. Factors that led to the upward revision of the wholesale operation include robust sales of gift products, imported handbags and jewelry.

Among the products with the best growth potential are LED lights, thermos bottles, pressure cookers, and *HALEIWA* brand products, as well as such goods developed in-house as Japanese sake and pickled plums. Sales of thermos bottles, for instance, have been growing by some 300% y/y, with volume production to begin at a Company factory from December this year, and generate some ¥1.2 billion for the full year. Moreover, DOSHISHA plans to begin marketing *U.S. POLO* and *STARTER*, two newly licensed brands.

Consolidated (¥Million)	FY3/10			FY3/11			
	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.	YoY Change
Sales	39,696	46,933	86,629	41,718	49,282	91,000	5.0%
Product Development	19,988	23,898	43,886	20,519	24,600	45,119	2.8%
Wholesale	18,752	21,873	40,625	20,196	23,400	43,596	7.3%
Others	955	1,161	2,116	1,003	1,282	2,285	8.0%
COGS	10,097	12,136	22,233	10,634	12,740	23,374	5.1%
SG&A	7,140	7,392	14,532	7,555	7,819	15,374	5.8%
Operating Income	2,956	4,745	7,701	3,079	4,921	8,000	3.9%
Ordinary Income	2,894	4,699	7,593	3,041	4,959	8,000	5.4%
Net Profit	1,725	2,568	4,293	1,768	2,882	4,650	8.3%

*Note: FY3/11 estimates as of the end of 1H FY3/11.

[Q&A]

Q1: It looks as if newly generated sales by channel have been slowing down compared to the previous fiscal year (3.2% in H1 this year versus 5.4% for H1 last year). Why is this?

A1: We believe the ratio will improve to last year's levels over the course of the full term this year with the inclusion of our projected H2 performance.

Q2: Mid-term figures show that sales at both 100-yen discount stores and over the Web have declined by 13.6% and 8.4% respectively. Why is this?

A2: The 100-yen discount store market itself is facing difficulty at this time. Such stores are under severe price competition from home centers and other discount retail outlets, which sell similar goods at prices less than ¥100. Given this situation, our Company has lagged in terms of an organized response, as well as in our product development to meet the new challenge. Web-based sales are also under competitive pressure as more and more GMS, home centers and volume electronics discounters are entering the Internet mail-order business. But these retailers also carry our products and they are performing quite well. It should be noted, however, that the Net sales of the major volume discounters are being posted in our GMS channel. On the other hand, we have yet to make significant forays with retailers that sell exclusively over the Internet (those that lack real-world outlets), and we have been tardy in our planning and marketing effort in this area.

Q3: I understand that the unit price of Beaujolais Nouveau wine to be sold from H2 has fallen. Will that be reflected in your earnings forecast?

A3: We know that low-priced Beaujolais Nouveau wines have become available and have taken steps to account for their impact. We are ranked the seventh largest importer of the wine and third in terms of importing Villages Nouveau. The reason for this is that we import a variety of award-winning Nouveau wines on a strategic basis, which has gained a considerably following among GMS and other major clients. We have taken the lower-priced variants into account and sales have been going ahead as planned. In addition, we only order and ship bottles that customers reserved in advance to minimize the inventory risk of unsold bottles.

Q4: How will the termination of the eco-point program affect your Company?

A4: We expect some level of adverse impact after July 2011. In order to sustain and expand market share in a contracting market, we intend to emphasize to clients that we operate our own home appliance service center, which is a key edge, and establish as a major second-tier player following the major manufacturers. In addition, we will be pushing forward development of new business areas such as the field of digital signage, which can display images, video and other digital content on LCD displays. Demand for digital signage as an advertising medium at restaurants, bars or other high-traffic public facilities is growing.

Q5: How do you see 2H sales of digital TVs?

A5: Digital TVs comprise the bulk of our audiovisual product turnover, and sales have been solid in 1H. Due to the termination of the eco-point program, demand for our digital TVs is being frontloaded in 2H—and we project another ¥1 billion will be added to sales in that half.

Q6: How about the risks associated with your China operations?

A6: It's true that a growing labor shortage in China is threatening to impact shipment deadlines. However, we have a quality control team from Japan permanently assigned to our China factory and it is taking steps to reduce the risk of delayed shipments. We are also making progress in establishing plants in Thailand and Bangladesh to broaden our overseas production capacity.

【Reference】DOSHISHA CORPORATION (Securities Code: 7483)

Key Financial Data and Business Results (Consolidated)

Key Stock Indicators (Consolidated)		
No. of Shares Issued	Sept. 2010	18,687,818
No. of Treasury Stock	Sept. 2010	538,017
Market Value (¥million)	Nov.29, 2010	34,666
BPS (¥)	Mar. 2010	2,083.3
ROE (%) ※1	Mar. 2010	12.0
ROA (%) ※2	Mar. 2010	9.5
PER (times)	FY3/11 est.	7.2
PCFR(times) ※3	Mar. 2010	7.5
PBR (times)	Mar. 2010	0.9
Share Price (¥)	Nov.29, 2010	1,855
Unit Share (shares)	Nov.29, 2010	100
Average Daily Volume (shares) ※4	Nov.29, 2010	51,585

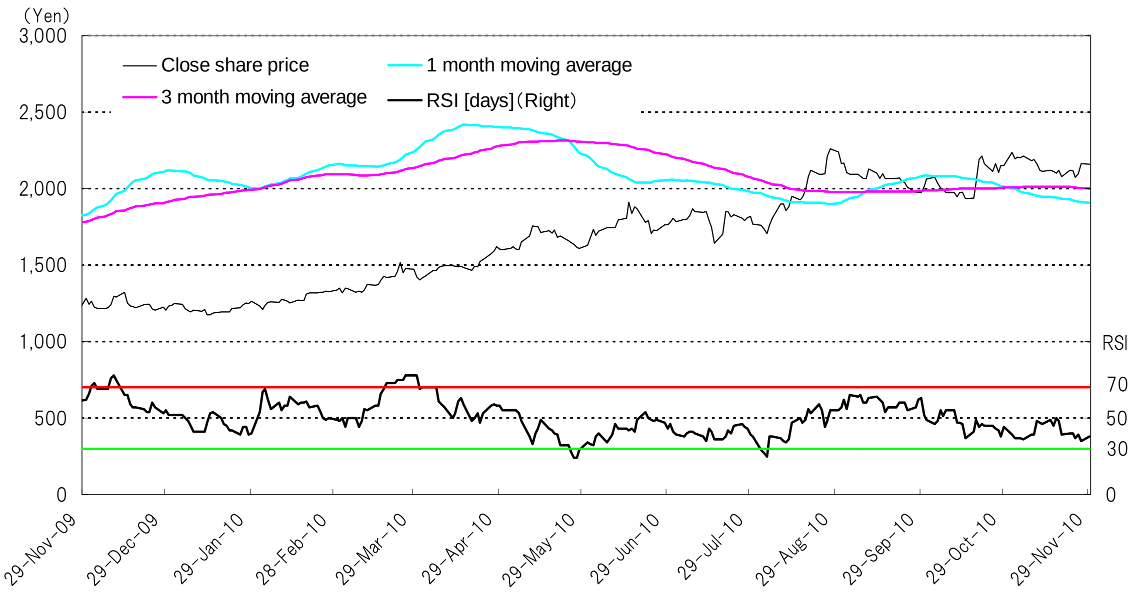
Key Financial Data (Consolidated)		
Total Assets (¥million)	Mar. 2010	48,092
Shareholders' Equity (¥million)	Mar. 2010	37,653
Interest-Bearing Debt (¥million)	Mar. 2010	2,187
Equity Ratio (%)	Mar. 2010	78.3
Ratio of Interest-Bearing Debt (%) ※5	Mar. 2010	5.8
Free Cash Flows (¥million) ※6	Mar. 2010	5,157

※1 ROE=Current Net Income÷Averaged Shareholders' Equity of beginning of term and term end
※2 ROA=Current Net Income÷Averaged Total Assets of beginning of term and term end
※3 PCFR=Maket Value÷(Current Net Income+Depreciation)
※4 Average Daily Volume=Average Daily Volume for the last 12 month
※5 Ratio=Interest-Bearing Debts÷Shareholders' Equity
※6 Free Cash Flows=Operating CF+Investment CF

Consolidated (¥million)	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	Dividend per Share (¥)
FY3/07	82,026	5,131	5,338	3,298	170.7	45.00
FY3/08	83,140	5,143	5,183	2,849	154.4	45.00
FY3/09	80,898	5,014	5,131	2,558	140.9	45.00
FY3/10	86,629	7,701	7,594	4,293	236.5	55.00
1H FY3/1	41,718	3,079	3,041	1,768	97.5	27.50
FY3/11 fcst.	91,000	8,000	8,000	4,650	256.2	55.00

*Note: FY3/11 forecast announced on May 7, 2010

Stock price charts and RSI



Source: Prepared by Trias Corp. with Bloomberg data.
Note: RSI, Relative Strength Index, is the index representing the ratio of overbought or oversold share prices. In general, over 70 in RSI shows overbought share price range, while below 30 shows oversold share price range. RSI=averaged share price appreciation for N days÷(averaged share price appreciation for N days +averaged share price decline for N days) x100