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DOSHISHA CORPORATION

TSE 1st
Section

Summary of Business Results for the Fiscal Year ended March 31, 2012

On May 16, 2012, DOSHISHA CORPORATION (hereinafter “DOSHISHA” or the “Company”) held its Business Results Meeting for FY3/12. The following is a summary of the meeting.

Summary of FY3/12 Consolidated Business Results

As seen in Table 1, consolidated net sales and income both hit record highs in FY3/12 (or “this term”). Net sales of DOSHISHA’s development-type business operations—which features a higher gross margin rate than its wholesale-type business operations—increased by 10.8% year-on-year, and thus contributed to profit growth. While the blowback created in the aftermath of special demand for terrestrial digital TV units led to a Q3 sales decline for the AV Business Unit, record-breaking sales were posted for this term as products in other categories sold a brisk rate.

● **【Table 1】 FY3/12 Consolidated Business Results Summary**

Consolidated (¥ million)	FY3/11		FY3/12			
	Actual	Ratio to Net Sales	Forecast on Oct. 6	Actual	Ratio to Net Sales	YoY chg
Net Sales	93,494	100.0%	103,000	102,619	100.0%	9.8%
Product Development Model	49,281	52.7%	55,358	54,602	53.2%	10.8%
Wholesale Model	41,991	44.9%	45,309	45,597	44.4%	8.6%
Others	2,221	2.4%	2,332	2,419	2.4%	8.9%
Gross Profit	23,129	24.7%	25,400	25,354	24.7%	9.6%
SG&A Expenses	15,431	16.5%	16,400	16,487	16.1%	6.8%
Operating Income	7,698	8.2%	9,000	8,866	8.6%	15.2%
Ordinary Income	7,614	8.1%	9,000	8,917	8.7%	17.1%
Net Income	4,395	4.7%	5,300	5,001	4.9%	13.8%

Note: All tables prepared by Trias Corp. with the data disclosed by DOSHISHA CORPORATION.

Development-Type Business Operations

This business performed well as a result of its emphasis on energy-conservation and “heat wave” products, which grew in demand from widespread concern over the electric power shortage gripping post-earthquake Japan. In addition to rising sales in such energy-saving products as electric fans and LED lighting units, a major factor in the operation’s success was that the volume production regime for such new products this term as perspiration wipes and mist fans had been fully primed to

meet special demand generated after the March 11, 2011 disaster. Given a shift in lifestyles driven by consumer preferences for environmentally friendly goods, products like ice-shaving machines and electric fans—which were previously relegated to mature or even declining product categories—have now emerged as growth fields, a trend that is expected to continue over the future.

Similarly, demand for mug bottles, pressure cookers and other home cooking appliances has also been expanding as a result of this consumer shift to more eco-friendly goods, as well as a trend to eat at home.

Sales of wine have continued to perform well since the previous term.

Wholesale-Type Business Operations

This DOSHISHA operation succeeded by developing a new market—one consisting of Buddhist ceremonies and product returns, which the Company bolstered its marketing effort—as well as from rising sales of high-priced and high-discount gifts. Sales of wristwatches and handbags, particularly those in the lower-end casual brand market, also performed well.

Other Operations

As for net sales by sales channel, sales generated from supermarkets, home centers and discount stores increased by more than 10% on a year-on-year basis. Sales generated from the channel consisting of shoes/import specialty outlets, 100-yen shops, and web marketing leaped by over 30% in the same period.

Regarding the special note in the consolidated balance sheet, cash and deposits, bill receivables and account receivables grew due to an increase in net sales, while inventory declined as a result of improvements to order accuracy. Also, fixed debt decreased because DOSHISHA assumed the loan debt of a subsidiary.

● **【Table 2】 Categories Contributing to FY3/12 Sales and Income**

Product Development Model	LED lighting	Low-priced, high-functionality cosmetics
	"Designer" home appliances (fans, humidifiers, heaters)	Apparel
	Sports water bottles, mug bottles	Shoes
	Pressure cookers	Wine
	Illuminations light	Malt-free "beer" (lower tax bracket)
	Beach goods	¥100 products
	Cooling goods	
Wholesale Model	Premier brand (famous brand)	Import brand (Watches, bags, Jewelry)
	Gifts	Special discounted mid-year and year-end gifts
	Gifts (National Brand)	Presents, beer gifts, gift returns from funerals

Consolidated Forecast for FY3/13 and Priority Initiatives

As seen in Table 4, the Company projects consolidated net sales and income for FY3/13 to surpassed results posted in FY3/12 as a result of a reinforced product development program and other priority initiatives that are adopted this term.

● 【Table 3】 FY3/13 Business Forecast

Consolidated (¥ million)	FY3/12 (Actual)			FY3/13 (Forecast)			
	1H	2H	Full Year	1H	2H	Full Year	YoY chg
Net Sales	50,940	51,679	102,619	50,000	55,000	105,000	2.3%
Product Development Model	27,428	27,174	54,602	25,300	28,500	53,800	-1.5%
Wholesale Model	22,399	23,198	45,597	23,600	25,100	48,700	6.8%
Others	1,112	1,307	2,419	1,100	1,400	2,500	3.3%
Gross Profit	12,461	12,893	25,354	12,600	13,700	26,300	3.7%
SG&A Expenses	8,293	8,194	16,487	8,200	8,800	17,000	3.1%
Operating Income	4,167	4,699	8,866	4,400	4,900	9,300	4.9%
Ordinary Income	4,167	4,750	8,917	4,400	4,900	9,300	4.3%
Net Income	2,424	2,577	5,001	2,600	2,800	5,400	8.0%

Note: FY3/13 forecasts announced May 8, 2012

● 【Table 4】 Priority categories in FY3/13

Product Development Model	LED lighting	Low-alcohol liquor, malt-free "beer"
	"Designer" electric fans	Wine
	Mug bottle series	High-functionality cosmetics
	Pressure cookers	Steel shelf series
	Bicycles	Audio&Visual
Wholesale	Beach goods	
	Premier brand (famous brand)	Inport brands (Watches, handbags, jewelry)
	Gifts (National Brand)	Special discounted mid-year and year-end gifts
		Presents, beer gifts, gift returns from funerals

Note: New categories are in bold.

Product Development Initiative

1. DOSHISHA aims to engage in an up-tempo product development cycle that caters to emerging trends and consumer needs. One of the Company's strengths is its ability to develop products unhindered by conventional thinking and established product lineups. However, because products developed from unconventional thinking tend to create various departmental

redundancies, DOSHISHA has consolidated its development-type product development unit in Tokyo, thereby enhancing the efficiency of the entire process, including the speed of product planning and marketing/sales.

2. While proprietary and private brand products are developed according to sales by business type not only for blue-chip customers, but also for a variety of other major customers, the number of customers seeking OEM goods and custom orders are on the increase. The Company has already deployed specialized product units at its premier customers, but plans to upgrade its product development program by increasing the number of such units.

Marketing/Sales Initiative

1. Development-Type Operations

DOSHISHA will be selling a special “food pot” that not only keeps food warm but also keeps it cool in the summer, a product that exploits an extreme niche use for the stainless steel vacuum thermos market. It also aims to step up sales of home appliances that combine the sales points of good design, reasonable prices and energy conservation. Among its highlight products is a “designer” electric fan that boasts superior cooling power, low electrical consumption and low noise operation, developed in collaboration with Nakashima Propeller Co., Ltd., a manufacturer of ship propellers. The Company will also strive to raise profitability by bolstering sales of LED lighting units, which turned profitable in this term, and high-functionality cosmetics. As for its LED lights, DOSHISHA will be leveraging its broad customer and procurement base to sell retail outlet lighting systems that includes installation services.

2. Wholesale-Type Operations

The Company aims to expand its sales channel for assorted gift packages, which has become increasingly popular when sold at major volume discount retailers. It also looks to bolster sales of ramen (Chinese noodles) gift packs, a new venture designed to enhance the attraction of vendors and rejuvenate customer traffic by offering 100 premier ramen brands and devising new ways and places to sell them, as well as offering opportunities to sell related ramen goods as an auxiliary benefit. DOSHISHA will also be experimenting with a novel new approach to sales of its premier brand business, one that defies existing notions of marketing such products (akin to selling upmarket watches at a grocery store). Another concept that it will adopt is to offer a comprehensive product service that ranges from planning and development to retail space construction. In FY3/13, the Company plans to expand its brand business by selling a new lineup of casual brands in conjunction with furniture and fixtures that are tailored to the retail space.

Other Initiatives

DOSHISHA aims to expand its share of retail space by reinforcing ties with major clients and boosting overseas sales of beauty products and “designer” home appliances, both of which have performed well in FY3/12. It will also strive to hedge risks related to its China exposure by stepping up production in Thailand, Vietnam and Bangladesh.

Mid-Term Management Plan

Under the Mid-Term Management Plan, the Company aims to achieve net sales of ¥150 billion and operating income of ¥13 billion in FY3/16, primarily through growth achieved by its existing business units or by their re-division, as well as developing new product categories. DOSHISHA sees these targets as a transit point to its ultimate objective of ¥250 billion in net sales achieved through 50 business units generating ¥5 billion in sales each. In comparison, it is currently generating net sales of ¥103 billion through 21 business units, including two subsidiaries. Of these units, ten achieved double-digit growth in net sales, while 13 did the same in operating income—leading the Company to believe that there exists considerable room for growth in the years ahead.

Q&A Session

Q1: Your forecast for FY3/13 seems conservative. Is it due to the fact that DOSHISHA's performance in this term was particularly strong?

A1. Yes, we have kept it conservative because we remain unsure as to the extent the post-special demand from terrestrial digital TV broadcasting will have on TV sales.

Q2. Of the ¥150 billion in net sales stipulated under your Mid-Term Management Plan, what percentage of that will come from overseas sales?

A2. We estimate that overseas sales will amount to what a single business unit of ours contributes. The plan is to have our foreign operations specialize in “designer” home appliances and high function cosmetics, both of which we believe will sell well abroad. We are looking to start sales in the United States soon and hope to announce its commencement in the second half of this term.

Q3. In FY3/12, you saw profits rise in the first half, particularly in Q1, on the backs of TV and heat wave product sales. While you say that your forecast for FY3/13 has been conservative, what are your projections for these two profit drivers?

A3. Order volume for heat wave products is currently surpassing that recorded in FY3/12, and net sales in fiscal 2013 is projected to top that posted in the previous term. The reverse is true for TV sales, however. Nevertheless, we do not foresee underperforming sales to trigger a new round of price reductions, primarily as the national brands have already corrected their inventories. As a result, we project that our share of TV sales at our major clients to grow despite keeping our forecast conservative.



● **Key Stock Indicators and Financial Data**

No. of Shares Issued	Mar. 2012	18,687,818
No. of Treasury Stock	Mar. 2012	193,067
Market Value (¥million)	May 31, 2012	39,693
BPS (¥)	Mar. 2012	2,454.52
ROE (%)	Mar. 2012	11.7
ROA (%)	Mar. 2012	9.0
PER (times)	FY3/12 fcst.	7.3
PCFR(times)	Mar. 2012	7.2
PBR (times)	Mar. 2012	0.9
Share Price (¥)	May 31, 2012	2,124
Unit Share (shares)	May 31, 2012	100
Average Daily Volume (shares)	May 31, 2012	65,122

Total Assets (¥million)	Mar. 2012	58,095
Shareholders' Equity (¥million)	Mar. 2012	45,395
Interest-Bearing Debt (¥million)	Mar. 2012	2,714
Equity Ratio (%)	Mar. 2012	78.1
Ratio of Interest-Bearing Debt (%)	Mar. 2012	6.0
Free Cash Flows (¥million)	Mar. 2012	8,226

ROE=Current Net Income÷Averaged Shareholders' Equity of beginning of term and term end

ROA=Current Net Income÷Averaged Total Assets of beginning of term and term end

PCFR=Market Value÷(Current Net Income+Depreciation)

Average Daily Volume=Ave. Daily Volume for the last 12 months

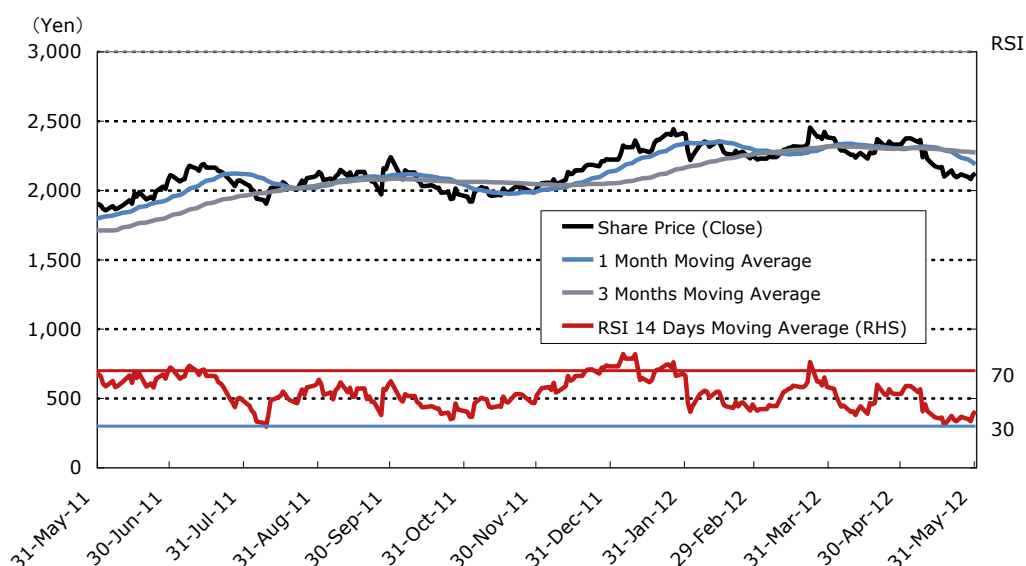
Ratio=Interest-Bearing Debts÷Shareholders' Equity

Free Cash Flows=Operating CF+Investment CF

Consolidated (¥million)	Net Sales	Operating	Ordinary Income	Net Income	EPS (¥)	Dividend per Share
FY3/09	80,898	5,014	5,131	2,558	140.94	45.00
FY3/10	86,629	7,701	7,593	4,293	236.54	55.00
FY3/11	93,494	7,698	7,614	4,395	242.20	55.00
FY3/12	102,619	8,866	8,917	5,001	274.91	60.00
2Q FY3/13 fcst.	50,000	4,400	4,400	2,600	140.58	30.00
FY3/13 fcst.	105,000	9,300	9,300	5,400	291.97	60.00

Note: FY3/13 forecast announced on May 8, 2012

● **Share 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