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TSE 1st Section

DOSHISHA CORPORATION

Summary of Financial Results for the Second Quarter of the Fiscal Year ending March 31, 2013

On November 14, DOSHISHA CORPORATION (hereinafter DOSHISHA or the Company) held its Business Results Meeting for Q2 FY3/13. The following is a summary of the meeting.

Consolidated Financial Results for 1H FY3/13

As seen in【Table 1】, consolidated net sales and incomes in 1H FY3/13 fell short of 1H FY3/12 results. The decrease in net sales was mainly caused by sales of TVs and brand-name watches falling short of expectation. As for expenses, in addition to the increase in performance-fluctuated salaries resulting from the strong earnings of last term, the initial cost for switching transport company caused a temporary increase in SG&A expenses. However, business results were second highest following the last term which posted the record-high sales.

As for to the consolidated balance sheets, merchandise and finished goods increased by ¥1,546 million compared to FY3/12. This is mainly due to the increased inventory of TVs and brand-name watches, which is expected to be adjusted after the year-end holiday sales season in Q3.

【Table 1】1H FY3/13 Consolidated Business Results Summary

Consolidated (¥ million)	FY3/12 1H Actual	FY3/12 1H Ratio to Net Sales	FY3/13 1H May 10 Forecast	FY3/13 1H Actual	FY3/13 1H Ratio to Net Sales	FY3/13 1H YoY Chg
Net Sales	**50,940**	**100.0%**	**50,000**	**46,984**	**100.0%**	**-7.8%**
Product Development Model	27,428	53.8%	25,300	23,411	49.8%	-14.6%
Wholesale Model	22,399	44.0%	23,600	22,368	47.6%	-0.1%
Others	1,112	2.2%	1,100	1,204	2.6%	8.2%
Gross Proft	12,461	24.5%	12,600	11,780	25.1%	-5.5%
SG&A Expenses	8,293	16.3%	8,200	8,532	18.2%	2.9%
Operating Income	**4,167**	**8.2%**	**4,400**	**3,247**	**6.9%**	**-22.1%**
Ordinary Income	**4,167**	**8.2%**	**4,400**	**3,370**	**7.2%**	**-19.1%**
Net Income	**2,424**	**4.8%**	**2,600**	**2,043**	**4.4%**	**-15.7%**

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

Trends by Segment and 1H Strategic Plan

Product Development Model Business: ¥23,411 million (14.6% down YoY)

The main contributing factor to the decreased incomes was contraction in TV sales, caused by the backlash of special demands in transition to digital TV broadcasting. As for the business environment, despite the backlash of Tohoku Earthquake reconstruction demands and the effect of bad weather during the first half of summer sales season, the business developed campaign-oriented and differentiated products in all areas of clothing, foods and housing, and succeeded in implementing measures for risk diversification and profit recovery.

Among the major campaigns, a sportswear sale was launched through a collaboration campaign between the Japanese idol group AKB48's Minami Takahashi and Kaepa, a U.S. sports goods brand. Promotions including TV commercials were conducted through the campaign, leading to sales expansion of Kaepa brands. In the health & beauty business, highly-functional cosmetics such as BB Cream and All-in-one gel which have been promoted through TV commercials by other companies, and are popular although generally expensive, were offered at an inexpensive price of 500 yen, successfully making them more accessible to a wider range of consumers.

In home appliance business, an electronic fan with energy conservation and extremely silent features named "*kamomefan* (seagull fan)" was developed in a joint development project with a ship propeller maker Nakashima Propeller Co., Ltd. "*kamomefan*" was introduced in multiple media during the summer and sold out immediately. As for LED lights which foresees continuously high demands, ceiling lights and commercial sales were strong.

In wine sales, the business launched various campaigns to heighten sales appeal in stores including an FC Barcelona campaign, charity campaigns involving celebrities, and wine selections supervised by chief sommelier of three-star restaurants, and succeeded in reaching out to a new customer base.

Wholesale Model Business: ¥22,368 million (0.1% down YoY)

Famous brand products sales declined by 9.8% YoY due to poor sales of brand-name watches. However, brand-name bag sales were strong with the contribution of new brand-name contracts such as Furla and Tommy Hilfiger. As for midyear gift sales, gifts including somen (Japanese noodle) and beverages were strong in addition to the top-selling variety gifts, and overall Wholesale Model business sales were almost flat YoY.

Net Sales Trend by Sales Channel

Due to the LCD TV sales decline, there was a large adjustment with channels which posted strong sales in the previous term, with sales to home centers and electronics retail stores decreasing 15.0% and 27.6% YoY respectively.

Sales to GMS increased by 2.5% YoY as a result of strong sales in gifts, home appliances and LED lights. However, sales to discount stores decreased by 8.5% YoY despite strong sales in beauty products and gifts. As for 100 yen products, despite strong sales in summer goods, stationary, and storage goods, overall sales decreased by 2.8% YoY.

FY3/13 Financial Forecasts

FY3/13 financial forecast in【table 2】shows downward revisions for forecasts in net sales and incomes as a result of 1H business results falling short of initial forecasts.

As for consumer spending outlook in the 2H, the Company foresees a harsh business environment including strong uncertainty over the economy, large downturn in consumer confidence and change in consumer behavior itself. In such situations, however, the Company can exert its superiority above competitors with its strength in creating and executing business from a new angle. As a result of all departments revising their plans under this premise, the Company expects to achieve its initial 2H forecasts although they made changes in details.

【Table 2】FY3/13 Financial Forecasts

Consolidated (¥ million)	FY3/12 (Actual)			FY3/13			
	1H	2H	FY	1H (Actual)	2H (Fcst)	FY (Fcst)	YoY Chg
Net Sales	**50,940**	**51,679**	**102,619**	**46,984**	**55,015**	**102,000**	**-0.6%**
Product Development Model	27,428	27,174	54,602	23,411	28,388	51,800	-5.1%
Wholesale Model	22,399	23,198	45,597	22,368	25,231	47,600	4.4%
Others	1,112	1,307	2,419	1,204	1,395	2,600	7.5%
Gross Profit	12,461	12,893	25,354	11,780	13,619	25,400	0.2%
SG&A Expenses	8,293	8,194	16,487	8,532	8,667	17,200	4.3%
Operating Income	**4,167**	**4,699**	**8,866**	**3,247**	**4,952**	**8,200**	**-7.5%**
Ordinary Income	**4,167**	**4,750**	**8,917**	**3,370**	**4,929**	**8,300**	**-6.9%**
Net Income	**2,424**	**2,577**	**5,001**	**2,043**	**3,056**	**5,100**	**2.0%**

Note: FY3/13 forecasts announced on Oct 31, 2012

DOSHISHA's growth strategy consists of launching unique products which are niche and difficult for major makers and retailers to produce, and adopting a WIN-WIN approach for both purchasers and suppliers by procuring mass production supplies from suppliers, while selling small lot productions to purchasers. At the same time, the Company's growth strategy is based on new market creation, in what is called the "strategy of selling watches to grocery stores", not confining to preconceptions, and combining existing product plans with creation of new sales floors.

The focal strategies for 2H include promoting OEM product implementation, lowering prices of high-priced products, adding value through brands, designs, and plans, expanding sales floor and enhancing store sales through increased cooperation with customers, developing "reassuring and safe" quality, and risk-hedging production functions.

Examples of Strategic Projects by Segment

Development Model Business

In stylish home electronics, new products are developed consistently, while steering away from risks, based on market analysis and information obtained from client bases. By developing valuable products which capture demands, or are not produced or cannot be produced by other companies, the business avoids involvement in price competition. In the 2H, the business will take part in a new collaboration campaign between Disney, a popular comic called "*Hana no Zubora-Meshi* ("Hana's Sloppy Meal"), and an audio device maker "SANSUI".

To be more precise, the Company will sell character humidifiers in collaboration with Disney this winter. In addition, it will develop a collaboration project with the popular comic "*Hana no Zubora-Meshi*" which has a circulation of over 500,000 copies, for "ever cook" sales, a high-quality frying pan which uses a special coating of alumite and has a one-year guarantee. The business focused on the commonalities between "*Oteire Raku-raku Frying Pan* (Easy-to-clean Frying Pan)" and "*Tegaru ni Raku-raku Tsukureru Zubora-Meshi* (Easy-to-make Sloppy Meal)". The frying pan is used in the TV drama, recipes from "*Zubora-meshi*" are bundled with the product, and the comic is used for store sales promotion. In the Smartphone department which expects growth within the home appliances field, a Smartphone compatible speaker will be launched under the SANSUI brand, a brand which dominated the audio field as one of the top three makers during the 1980s. In the foods business, the import volume of Beaujolais Nouveau for this season's release is at fourth place and surpasses that of major beverage manufacturers.

LED light sales shifted towards profitability in the previous term and have become highly contributing to the income. In order to enhance commercial sales, the Company will launch LED lights with built-in motion sensors and lamp shaped ones which are in high demand. In addition, the Company will focus on expanding sales for roller bags which have become high in demand for non-traveling purposes, and highly-functional cosmetics which posted strong sales in response to 1H demands.

Wholesale Model Business

Sales have continued to record double-digit gains YoY in the gift department. In addition to the top-selling "Assorted Gift", the Company will launch a "Selection Gift". Additionally, the business plans to further expand sales floors by amplifying sales of year-round gifts. As for brand bags within the famous brand business, the business will continue to enhance sales and promotion since strong sales were posted in new casual brands. Furthermore, as a new campaign, ITOCHU Corporation has signed off an exclusive importing and selling right for “Havaianas”, which is a world-famous sandal brand, and it has been determined that products will be sold through them starting in spring of 2013.

Q&A Session

Q1: Why did 1H business results fall short of the initial plan, regardless of the fact that sales decline resulting from adjustment of special demands from digital TV broadcasting transition were foreseen at the beginning of the term?

A1: The decline in TV sales was much larger than initially expected. The unexpected and sharp decline of brand-name watches was another miscalculation. No faults are acknowledged in any other departments.

Q2: What caused contraction in sales of brand-name watches?

A2: We believe that market needs are shifting from high-price watches costing over 100,000 yen to casual watches costing less than 30,000 yen. As brand-name watch sales fluctuate with business trends, we will continue to sell the products. We will also continue our efforts from the previous term of reaching out to casual watch suppliers.

Q3: What departments recorded 1H business results which exceeded forecasts?

A3: Examples are gifts and brand bag businesses.

Q4: What is the company’s perspective on the current situation and future of wine business?

A4: We believe that the wine category has been gaining popularity among beverages. Although we do not have a definite prospect of how the wine business will grow, it is definitely expected to dominate a large share in beverages. Although wine has gained popularity, the criterion for selecting wine is still not pervasive. Therefore, we think that it is important to launch campaigns which encourage customers to take wines into their hands at shops.

Q5. What changes were made to the initial 2H plan?

A5. The sales prospects for TV and watches which encountered harsh situations in 1H have been revised down. On the other hand, there were many departments which performed well and with regards to LED lights and the foods business including wine, we revised the 2H plan, taking into consideration the campaigns we will implement and enhance.

Q6. Although you mentioned that 1H SG&A expenses increased due to temporary reasons, 2H forecasts are not reduced. Why is this?

A6. The forecasts are based on conservative estimates. We believe that SG&A expenses can be minimized in the 2H beyond the estimated value since both the initial investment for switching delivery companies and performance-fluctuated salaries generated in the 1H are expected to settle down.

Key Stock Indicators and Financial Data

No. of Shares Issued	Sep. 2012	18,687,818
No. of Treasury Stock	Sep. 2012	42,117
Market Value (¥million)	Dec. 4, 2012	41,412
BPS (¥)	Mar. 2012	2,454.52
ROE (%)	Mar. 2012	11.7
ROA (%)	Mar. 2012	9.0
PER (times)	FY3/13 fcst.	8.1
PCFR(times)	Mar. 2012	7.2
PBR (times)	Mar. 2012	0.9
Share Price (¥)	Dec. 4, 2012	2,216
Unit Share (shares)	Dec. 4, 2012	100
Average Daily Volume (shares)	Dec. 4, 2012	66,272

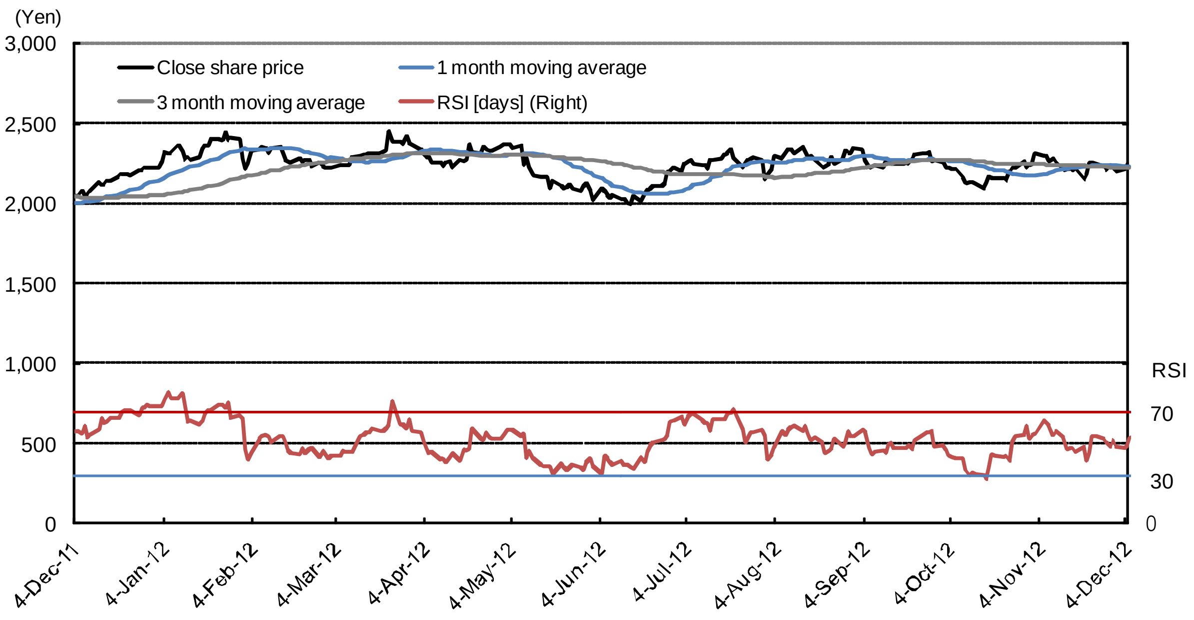
Total Assets (¥million)	Mar. 2012	58,095
Shareholders' Equity (¥million)	Sep. 2012	46,899
Interest-Bearing Debt (¥million)	Sep. 2012	2,714
Equity Ratio (%)	Sep. 2012	78.8
Ratio of Interest-Bearing Debt (%)	Sep. 2012	5.8
Free Cash Flows (¥million)	Sep. 2012	-543

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=Maket 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 Income	Ordinary Income	Net Income	EPS (¥)	DPS (¥)
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
1H FY3/13	46,984	3,247	3,370	2,043	109.98	30.00
FY3/13 fcst.	102,000	8,200	8,300	5,100	274.42	60.00

Note: FY3/13 forecasts announced on Oct. 31, 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