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TSE 1st Section

DOSHISHA CORPORATION

Summary of Business Results for the Second Quarter of the Fiscal Year Ending March 31, 2014

On November 14, DOSHISHA Co., Ltd. (hereinafter DOSHISHA or the Company) conducted an analyst briefing for 2Q FY3/14 (six months cumulative, hereinafter 1H), and the following memo is a summary of the results.

1H FY3/14 Consolidated Business Results Summary

As can be seen in【Table 1】, 1H consolidated business results were: net sales ¥49,978 million (+6.4% YoY), gross profit ¥11,657 million (-1.0% YoY), SG&A expenses ¥8,634 million (+1.2% YoY), operating income ¥3,022 million (-6.9% YoY), ordinary income ¥3,078 million (-8.7% YoY), and net income ¥1,780 million (-12.9% YoY). While net sales increased YoY, the development team could not offset the cost increase for overseas purchasing due to the sharp weakening of the yen and incomes declined. Also, both sales and profits fell short of the Company's May 8 initial guidance. The main reason for the difference was in the Wholesale Model business segment, the disposal of inventory through clearance sales for year-end gifts took more time, reducing new client development for the summer gift giving season.

【Table 1】1H FY3/14 Consolidated Business Results Summary

Consolidated	FY3/13 1H		FY3/14 1H				FY3/14 1H		
		Ratio to		Ratio to	YoY Chg		May 8	YoY Chg	
(¥ million)	Actual	Net Sales	Actual	Net Sales	Amount	%	Forecasts	Amount	%
Net Sales	**46,984**	**100.0%**	**49,978**	**100.0%**	**2,994**	**6.4%**	**50,500**	**(521)**	**-1.0%**
Product Development Model	23,411	49.8%	25,064	50.2%	1,653	7.1%	25,080	(15)	-0.1%
Wholesale Model	22,368	47.6%	23,081	46.2%	713	3.2%	23,940	(858)	-3.6%
Others	1,204	2.6%	1,832	3.7%	628	52.2%	1,480	352	23.8%
Gross Profit	**11,780**	**25.1%**	**11,657**	**23.3%**	**(123)**	**-1.0%**	**12,200**	**(542)**	**-4.4%**
SG&A Expenses	8,532	18.2%	8,634	17.3%	101	1.2%	8,650	(15)	-0.2%
Logistics Expenses	2,611	5.6%	2,703	5.4%	91	3.5%	-	-	-
Personnel Expenses	3,645	7.8%	3,683	7.4%	37	1.0%	-	-	-
Travel and Transportation Expenses	355	0.8%	332	0.7%	(23)	-6.5%	-	-	-
Others	1,919	4.1%	1,915	3.8%	(4)	-0.2%	-	-	-
Operating Income	**3,247**	**6.9%**	**3,022**	**6.0%**	**(225)**	**-6.9%**	**3,550**	**(527)**	**-14.9%**
Ordinary Income	**3,370**	**7.2%**	**3,078**	**6.2%**	**(291)**	**-8.7%**	**3,550**	**(471)**	**-13.3%**
Net Income	**2,043**	**4.4%**	**1,780**	**3.6%**	**(263)**	**-12.9%**	**2,200**	**(419)**	**-19.1%**

Notes: 1H FY3/14 estimates are based on the Company's initial guidance dated May 8, 2013.
All tables are prepared by Trias Corp. with the data disclosed by DOSHISHA CORPORATION.

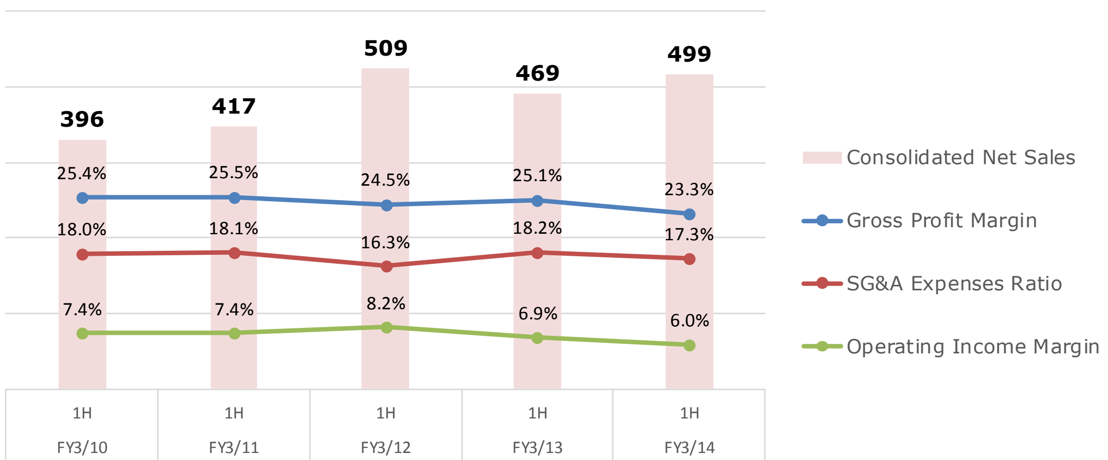
SG&A expenses increased ¥101 million YoY. This was largely due to the ¥91 million increase in logistics expenses from the absolute increase in net sales. However, this included promotion of optimizing shipping origination with the new logistics base in Kashiwa City, Chiba Prefecture, increasing daily shipping volume through raising the ratio of EOS (Electronic Ordering System)* shipments, as well as aggregating shipment pieces, joint shipments among segments, and utilization of mixed load charter routes of local trucking companies, and the result of a wide range of measures lowered the ratio of logistics expenses to sales by 0.2% to 5.4%. Going forward, the Company will pursue further improvement, including a view toward aggregating use of external warehouses.

*Note: EOS (Electronic Ordering System) stands for an online ordering system used between retail stores, the head office and suppliers for submitting orders, purchasing, billing and payments, improving the speed and accuracy of ordering operations versus telephone, mail or fax through use of a network.

Personnel expenses increased by ¥37 million, which was largely due to increased provisioning for retirement allowance following a reduction in the discount rate as well as an increase in health insurance premiums. On the other hand, the number of employees actually declined, so the rise in net sales marked an improvement in productivity measured by net sales per employee. Also, the effect of commencing the cost reduction project as part of structural reforms from last term showed up in general administrative expenses reduced by ¥27 million YoY, contributing to a decline in travel and transportation expenses as well as commissions paid. By continuing to promote review of the logistics system and cost reduction project going forward, the Company is targeting a ratio to total sales for SG&A expenses of 16.3% in the 2H (last term 2H 16.9%), for full-term 16.8% (last term FY 17.5%).

The decline of GPM (Gross Profit Margin) mainly due to the weak yen could not be offset by improvement in the SG&A expenses ratio, and the operating income margin declined by 0.9% to 6.0%.

【Graph 1】Trend of 1H Profit Margins (¥100 million, %)



Regarding the balance sheets, inventory of goods and products increased ¥1,229 million from the end of last term, declining ¥494 million YoY.

Also, free cash flows, the source of capital for strategic business development, increased from 1H last term (¥542) million to 1H this term ¥1,551 million, a YoY increase of ¥2,093 million. As a result, the balance of cash and cash equivalents which declined in the 1H last term by ¥874 million rose in 1H this term by ¥1,013 million. As a result, the balance of cash and cash equivalents at the end of 1H FY3/14 was ¥24,678 million.

1H FY3/14 Sales Trend by Operating Segment (by Business Model / Business Format)

Sales Trend by Business Model

As can be seen in【Graph 2】, net sales increased for Product Development Model, Wholesale Model and Others. Details of each business model are provided below.

Product Development Model: ¥25,064 million (+7.1% YoY)

For the Product Development Model business segment, the extended heat wave resulted in favorable sales of summer items, in particular sales of fans and ice shaving machines were brisk. For sales of televisions, last term saw a reactionary decline to special demand the previous term related to digital terrestrial broadcasting, however bottomed coming into this term, showing a recovery in screen sizes 32” and above. In the new item category, strengthened lineup of fabric boxes made of cloth and stainless tumblers did well. For sales channels, newly established online shopping and mail order sales did well.

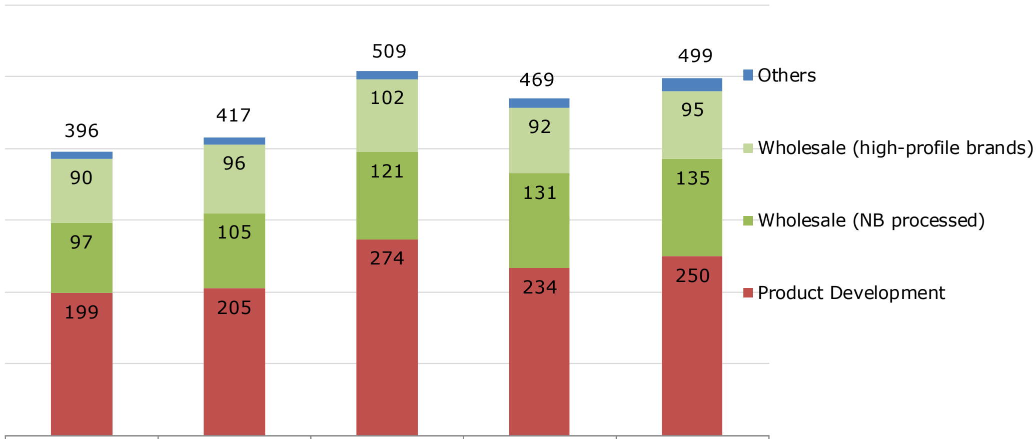
Wholesale Model: ¥23,081 million (+3.2% YoY)

For NB (national brand) processed products in the Wholesale Model business segment, in addition to existing summer gift giving, strengthened sales of home delivery products to meet changing market dynamics going forward increased. Also, original gift products customarily given in return for gifts received in Buddhist memorial services did well. For high-profile brand products, in addition to increasing demand for high-priced items, the increase in foreign tourists resulted in increased sales of expensive watches.

Others: ¥1,832 million (+52.2% YoY)

Sales of affiliate companies in China and sales of affiliate companies in Japan engaged in nursing care business were strong.

【Graph 2】 Trend of 1H Sales by Business Model (¥100 million)



	1H FY3/10	1H FY3/11	1H FY3/12	1H FY3/13	1H FY3/14
Others	9	10	11	12	18
Wholesale (high-profile brands)	90	96	102	92	95
Wholesale (NB processed)	97	105	121	131	135
Product Development	199	205	274	234	250

Sales Trend by Business Category

For 1H FY3/14, supermarkets increased by 8.4% YoY, GMS increased by 5.0% YoY, drug stores increased by 10.2% YoY, home centers increased slightly by 0.1% YoY, and others rose by 10.7% YoY, driving an increase in sales, while only electronic appliance stores declined YoY, -8.3%. The Others channel includes high growth in mail order sales +20.3% YoY, watch & jewelry specialty stores +13.6% YoY, 100-yen shops +13.1% YoY, and wholesale business +13.0% YoY.

Revisions to FY3/14 Consolidated Earnings Forecasts and 2H Key Measures

As can be seen from【Table 2】, since 1H results came in below the initial guidance, FY3/14 full-term Company estimates were revised down: net sales ¥1,050,000 million, +5.8% YoY, operating income ¥7,300 million, +8.0% YoY, ordinary income ¥7,400, +0.1% YoY, and net income ¥4,400 million, -2.0% YoY.

For 2H, in addition to introducing high margin autumn and winter items, considering the positive effect of front-loaded demand ahead of the consumption tax hike, conservative estimates were made with a view toward certain achievement.

【Table 2】 Summary of FY3/14 Consolidated Forecast Revisions

Consolidated	FY3/13			FY3/14	October 30			[Reference] May 8	
	Actual			Actual	Revised Forecasts			Initial Forecasts	
(¥ million)	1H	2H	FY	1H	2H	FY	YoY	2H	FY
Net Sales	**46,984**	**52,237**	**99,221**	**49,978**	**55,022**	**105,000**	**5.8%**	**56,500**	**107,000**
Product Development	23,411	26,839	50,251	25,064	28,636	53,700	6.9%	29,240	54,320
Wholesale	22,368	23,664	46,033	23,081	24,779	47,860	4.0%	26,050	49,990
Others	1,204	1,733	2,937	1,832	1,608	3,440	17.1%	1,210	2,690
Gross Profit	11,780	12,349	24,129	11,657	13,243	24,900	3.2%	13,900	26,100
SG&A Expenses	8,532	8,835	17,368	8,634	8,966	17,600	1.3%	9,450	18,100
Operating Income	**3,247**	**3,513**	**6,761**	**3,022**	**4,278**	**7,300**	**8.0%**	**4,450**	**8,000**
Ordinary Income	**3,370**	**4,025**	**7,395**	**3,078**	**4,322**	**7,400**	**0.1%**	**4,450**	**8,000**
Net Income	**2,043**	**2,448**	**4,491**	**1,780**	**2,620**	**4,400**	**-2.0%**	**2,700**	**4,900**

Note: 1H FY3/14 estimates are based on the Company's guidance dated May 8, 2013,
while 2H and full-term FY3/14 revised estimates are as of October 30, 3013.

2H Key Measures

Based on a view of “once again laying the groundwork for a highly profitable structure,” the Company is carrying out business strategy on the three axes of “Products,” “Sales” and “Costs.”

Product Strategy

1. Profitable product development not susceptible to the impact of the weak yen

Coming into this FY, the yen weakened by as much as over 20% YoY, which had a significant impact on profit plans. Since it is difficult to see the yen strengthening anytime soon, developing value-added products that can absorb the impact of the weak yen at current levels, and negotiating with suppliers regarding changing the settlement currency, will be pursued with an aim of improving profit margins.

2. Challenge new markets

Strengthen the home fashion category in developing storage products and peripheral sundry items. Also as a matter of business practice, in addition to high barriers to entry for gifts customarily given in return for gifts received at Buddhist memorial services, vacuum-sealed stainless products, toiletry items, eco-friendly vaporizers made of paper that don’t use electricity etc. will be introduced in new markets.

3. Strengthen tie-ups with new brands and manufacturers

The Company transacts business with over 3,500 companies, receiving high marks for its sales network and sales strength, and tie-up offers from attractive new brands and manufacturers are increasing.

Working in concert with these new good relationships, the Company will further strengthen its purchasing power.

4. Strengthen OEM business

As the trend toward more private brands, PB, in the retail industry progresses, the Company will identify needs early, supporting OEM business of strong relationships.

Sales Strategy

1. Going after front-loaded business ahead of the consumption tax hike

The Company will employ sales promotions from early in the new year to respond to front-loaded demand ahead of the consumption tax hike, targeting increased orders.

2. Strengthen existing client relationships and develop new clients through company-wide exhibition previews

Every January and February DOSHISHA conducts company-wide exhibition previews involving all divisions. Through these events, each division aims to strengthen existing strong relationships, and introduce new categories to divisions that haven't yet made transactions, promoting development of new relationships as well as expanding in-store share.

3. Further strengthening of growing business categories

Amongst the over 3,500 companies with which the Company does business, the Company is strengthening current and future growth business categories including online shopping, TV mail order, 100-yen shops, discount shops and overseas business.

Costs Strategy

The Company continues to promote the cost reduction project started last term as part of structural reforms, as well as strengthening review of the logistics system

Reconfirmation of DOSHISHA's Business Models: What is the Source of Profits

The following is an explanation of the Company's basic views and principles of its business models.

Pursuit of "better products sold at cheaper prices and in a more specialized way"

At the core of DOSHISHA's business models is a view toward popularization of luxury items. Specifically, through review of materials, production location and the manufacturing process for goods sold in department stores and specialty shops, selling prices are reduced to less than half of those in department stores and specialty shops through cost reduction, with a view toward creating a larger market. In mature markets, through changing the approach to design, cost, selection of items for sale and points of appeal etc., the Company aims to create completely new markets. Examples include designer electronic appliances, home fashion-oriented furniture and various storage sundries.

Create selling space with a view towards "selling watches in a green grocer"

Support category changes by clients, offering a wide variety of transaction know-how that can be applied in different formats, leveraging information on over 3,500 companies with which the Company does business and its solid track record, expressing proposals for creating selling space in completely different formats. Examples include selling space for watches in electronic appliance stores, and selling space for food gifts in home centers.

Rapid product development to satisfy clients' needs

This refers to freedom of ideas for product development within the Company, and flexibility to work in concert by not limiting partners when in-house skills and technology are insufficient, in order to achieve business objectives.

Grow profits by "not having things that are not necessary"

Being able to respond rapidly to changes is the basis for realizing the Company's goal of becoming "a company that doesn't fail," and its basic principle is being a fab-less maker. However, products with overwhelming shares can be manufactured by consolidated subsidiaries.

Elimination and consolidation of divisions in the red for two consecutive terms, or alternatively changing the head of the division, aiming at early improvement of profits

This is one of the Company's methods of risk management.

Emphasize ordinary and net incomes over net sales. Steadily raise corporate value through stable dividends in accordance with profits

DOSHISHA strives to promote this basic policy to everyone within the Company that unprofitable sales are not needed.

Create a strong financial base that can be rebuilt under any circumstances

This refers to aiming at creating a strong financial base that can be rebuilt under any unforeseen circumstances, with the possibility of various disasters talked about in recent years.

Aim for becoming a global, comprehensive "distribution service industry" with "an adventurous dream that never dies"

DOSHISHA handles many categories in a broad scope, from production to making selling space, being a multi-faceted company not limited to a wholesale distributor, and defines itself as a "distribution service industry." Under this new type of format, the Company is aiming at becoming a company with "an adventurous dream that never dies" through promoting wide ranging business strategies.

Q&A

Q1. During the 1H, measures to address the rapid weakening of the yen impacting cost of goods sold were not in time, but the 2H forecasts assume an improvement in gross profit, so this implies you can deal with reducing CoGS? Also, assuming the weak yen does not deviate greatly from the 100 level, can we take it that you have put in place measures to deliver a stable GPM?

A1. DOSHISHA has a greater weight of seasonal product sales than competitors, so it is easy to switch products. 1H results showed increased sales and declining profits, but this was due to not being able to change prices for products where transactions were already completed. Since autumn and winter products have been reset, we believe we can achieve profit margins in-line with estimates. Our assumption for the USD is 100, and we have put in place measures that can deal with fluctuations up to +/-10%.

Key Stock Indicators and Financial Data

No. of Shares Issued	Sep. 2013	37,375,636
No. of Treasury Stock	Sep. 2013	84,334
Market Value (¥mn)	Dec 13, 2013	53,858
BPS (¥)	Mar. 2013	1,319.41
ROE (%)	Mar. 2013	9.5
ROA (%)	Mar. 2013	7.5
PER (times)	FY3/14 fcst.	12.2
PCFR (times)	Mar. 2013	10.8
PBR (times)	Mar. 2013	1.1
Share Price (¥)	Dec 13, 2013	1,441
Unit Share (shs)	Dec 13, 2013	100
Average Daily Volume (shs)	Dec 13, 2013	77,391

The Company conducted a 2 for 1 stock split, effective on Arpil 1, 2013.

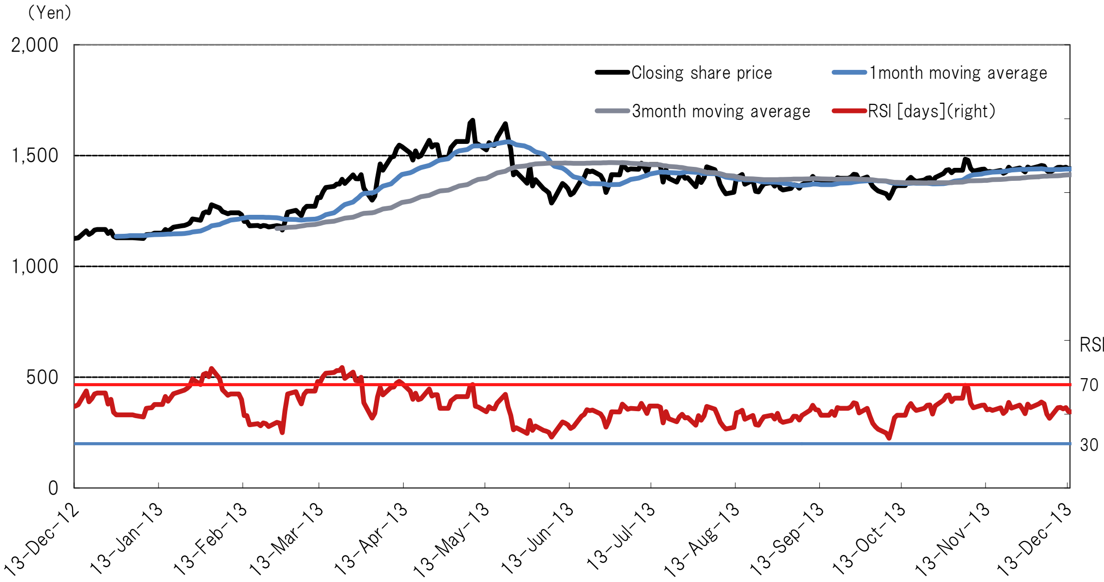
Total Assets (¥mn)	Mar. 2013	61,560
Shareholders' Equity (¥mn)	Sep. 2013	50,472
Interest-Bearing Debt (¥mn)	Sep. 2013	2,703
Equity Ratio (%)	Sep. 2013	79.4
Ratio of Interest-Bearing Debt (%)	Sep. 2013	5.4
Free Cash Flows (¥mn)	Sep. 2013	1,551

ROE=Current Net Income÷Average Shareholders' Equity of beginning of term and term end
ROA=Current Net Income÷Average 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 m/s
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	70.47	22.50
FY3/10	86,629	7,701	7,593	4,293	118.27	27.50
FY3/11	93,494	7,698	7,614	4,395	121.10	27.50
FY3/12	102,619	8,866	8,917	5,001	137.46	30.00
FY3/13	99,221	6,761	7,395	4,491	120.67	30.00
1H FY3/14.	49,978	3,022	3,078	1,780	47.75	15.00
FY3/14 fcst.	105,000	7,300	7,400	4,400	117.99	30.00

Notes: FY3/14 forecasts were announced by the Company on October 31, 2013.
EPS(¥) and DPS(¥) are calculated assuming the stock split occurred at the beginning of FY3/09.

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