DOSHISHA CORPORATION

Results Briefing Summary

Profits rise on record-high gross profit margin

◆ Summary of 1H FY3/20 Consolidated Results

Consolidated (¥ million)	2Q FY3/19		2Q FY3/20		YoY		Reference		
	Actual	Composition ratio	Actual	Composition ratio	Change	Pct. Change	5/13/19 forecast	Change	Pct. Change
Net sales	48,477	100.0%	48,313	100.0%	(163)	-0.3%	50,000	(1,686)	-3.4%
Product Development Model Business	24,580	50.7%	24,753	51.2%	173	0.7%	25,150	(396)	-1.6%
Wholesale Model Business	22,388	46.2%	21,742	45.0%	(646)	-2.9%	22,700	(957)	-4.2%
Others	1,508	3.1%	1,817	3.8%	308	20.5%	2,150	(332)	-15.5%
Gross profit	13,268	27.4%	13,647	28.2%	379	2.9%	13,900	(252)	-1.8%
SG&A expenses	10,510	21.7%	10,522	21.8%	12	0.1%	10,800	(277)	-2.6%
Operating income	2,758	5.7%	3,124	6.5%	366	13.3%	3,100	24	0.8%
Ordinary income	2,845	5.9%	3,156	6.5%	310	10.9%	3,100	56	1.8%
Net income	1,861	3.8%	2,138	4.4%	277	14.9%	2,150	(11)	-0.5%

For the first half of FY3/20, Doshisha reported consolidated results as follows: net sales of ¥48,313 million (down 0.3% year on year), gross profit of ¥13,647 million (up 2.9%), selling, general and administrative expenses of ¥10,522 million (up 0.1%), operating income of ¥3,124 million (up 13.3%), ordinary income of ¥3,156 million (up 10.9%), and net income ¥2,138 million (up 14.9%).

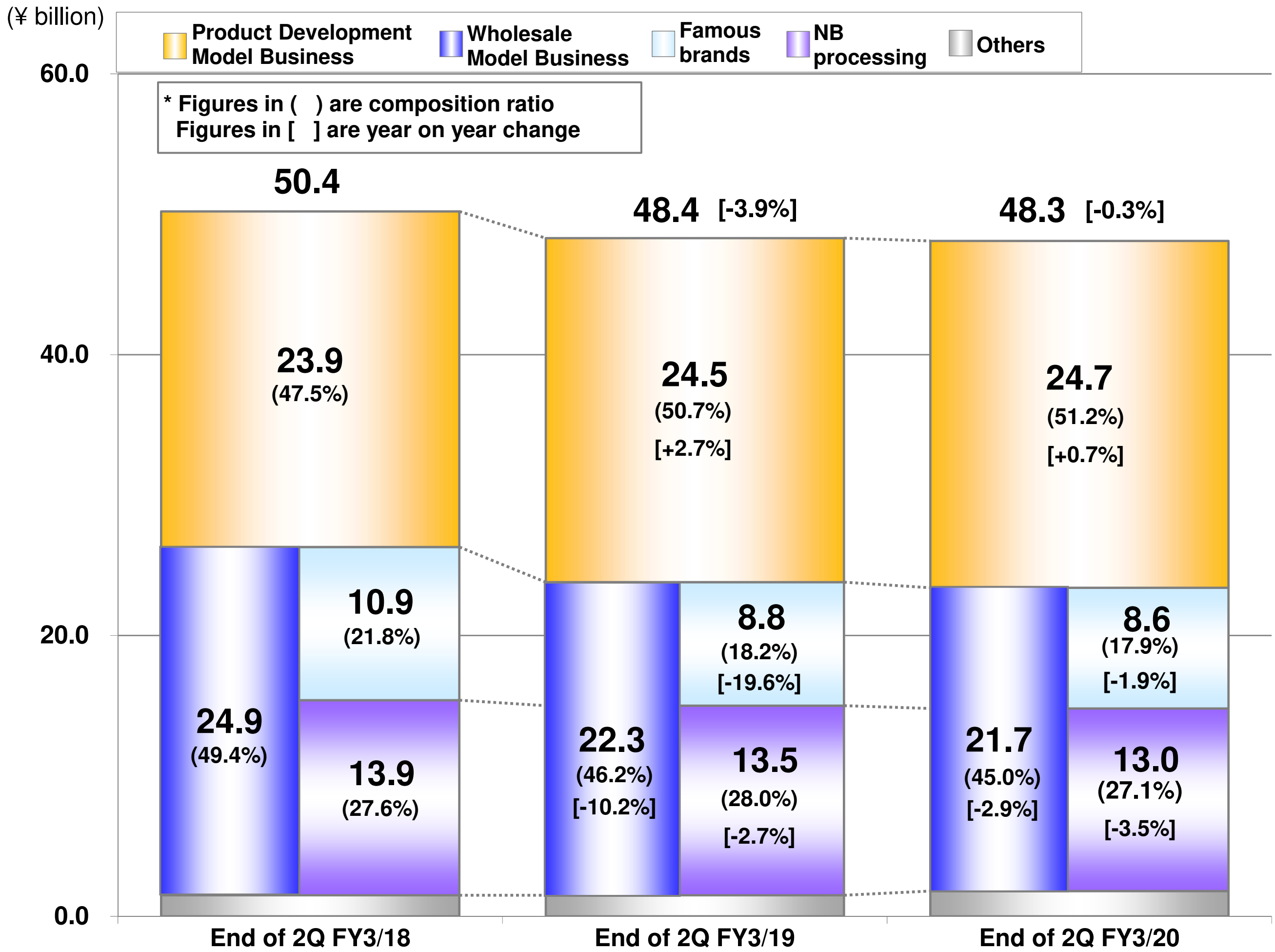
Compared with start-of-year forecasts, sales in the Product Development Model Business were ¥396 million lower than projected (1.6% below forecast). Although sales in the apparel, living storage and other categories were in line with forecasts, sales of seasonal summer products were weaker than expected due to unsettled weather and a cool summer. Sales in the Wholesale Model Business were ¥957 million lower than projected (4.2% below forecast). There were several reasons for the shortfall. Sales of famous brand products increased year on year, led by demand for mid-range products (retail prices up to ¥50,000), but that was cancelled out by a decline in sales of wristwatches amid a steep drop in luxury watches sourced from suppliers. In the segment's national brand (NB) processing business, profits increased year on year, supported by an improvement in the gross profit margin, which reflected careful targeting of priority sales regions and retail formats, greater accuracy in analysis of sales area and channel data, and tighter inventory management. Overall, net sales were ¥1,686 million lower than projected at the start of the fiscal year.

The gross profit margin was 28.2%, up year on year, higher than the start-of-year forecast and also a new record for Doshisha. The strong performance reflected successful price negotiations with manufacturers and an increase in the sales weighting for products developed in-house.

Selling, general and administrative expenses have been rising each year due to steep increases in distribution costs, but we managed to offset price hikes by using charter flights and shipments from optimal distribution locations. The Kanto Logistics Center in Kisarazu, Chiba Prefecture also became fully operational. As a result, the Company was able to reduce operational costs in areas such as outsourced processing, third-party outsourcing and warehousing fees. Typhoon Faxai inflicted serious damage on some areas of Japan in September. The Kanto Logistics Center building was not damaged, but it was forced to halt operations due to a week-long power outage. However, the impact on earnings was modest, as operations were transferred to our warehouse in Kansai and other locations. Other operating costs increased year on year, reflecting higher product advertising expenses and maintenance costs for the head office building of Orion Co., Ltd., which became part of the Doshisha Group at the end of 2018. As a result of the above, selling, general and administrative expenses increased ¥12 million year on year, but the selling, general and administrative expenses ratio rose only 0.1 percentage point to 21.8%.

◆ Summary of 1H FY3/20 Consolidated Results by Business Segment

Our operations are largely divided into two business segments: the Product Development Model Business and the Wholesale Model Business. The Product Development Model Business plans, manufactures and sells original Doshisha products. The Wholesale Model Business is a comprehensive sales proposal business, mainly focused on selling and planning sales promotions for leading domestic and overseas brands and products sourced from major manufacturers in Japan. The product range in the Wholesale Model Business includes well-known brand watches, bags and other items, traditional mid-year and year-end assorted gift packs arranged by Doshisha using merchandise sourced from leading domestic suppliers, and national brand (NB) processed products.



1H FY3/20 Consolidated Results by Sales Channel

Sales in the discount store retailer channel were up 6% year on year, reflecting initiatives that helped to drive strong sales of famous brands and gifts. In the online channel, sales rose 21% year on year, supported by efforts to increase sales of fashion accessories and interior storage products such as steel storage racks to e-commerce retailers. Sales to specialist watch and clothing stores declined 18% year on year due to lower sales of luxury brand products, but sales in other channels were steady year on year.

◆ Consolidated Forecasts for FY3/20

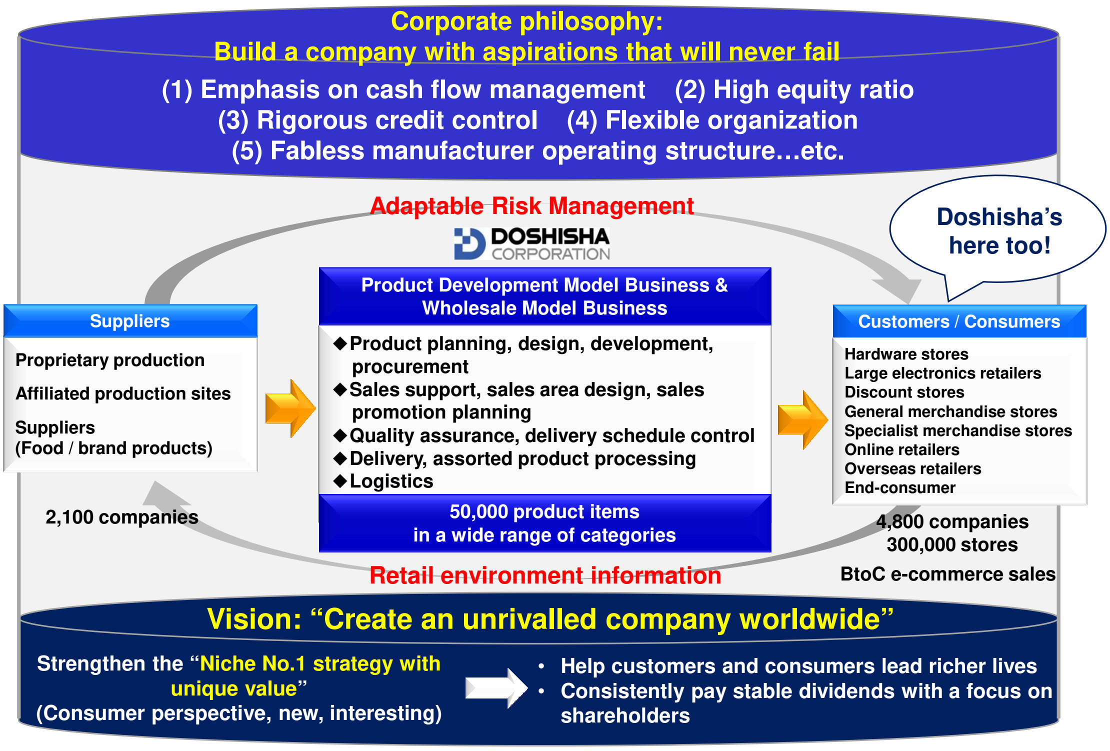
Consolidated (¥ million)	FY3/19			FY3/20			YoY	
	1H	2H	Full year	1H	2H	Full year	Change	Pct. Change
Net sales	48,477	50,190	98,668	48,313	54,686	103,000	4,331	4.4%
Product Development Model Business	24,580	25,581	50,161	24,753	28,146	52,900	2,738	5.5%
Wholesale Model Business	22,388	23,085	45,474	21,742	23,957	45,700	225	0.5%
Others	1,508	1,524	3,032	1,817	2,582	4,400	1,367	45.1%
Gross profit	13,268	12,891	26,160	13,647	14,652	28,300	2,139	8.2%
SG&A expenses	10,510	10,088	20,598	10,522	11,077	21,600	1,001	4.9%
Operating income	2,758	2,803	5,561	3,124	3,575	6,700	1,138	20.5%
Ordinary income	2,845	3,219	6,065	3,156	3,643	6,800	734	12.1%
Net income	1,861	2,402	4,263	2,138	2,511	4,650	386	9.1%

Our start-of-year forecasts for FY3/20 are unchanged. We see sales and profits both increasing year on year, with net sales of ¥103.0 billion (up 4.4% year on year), gross profit of ¥28.3 billion (up 8.2%), selling, general and administrative expenses of ¥21.6 billion (up 4.9%), operating income of ¥6.7 billion (up 20.5%), ordinary income of ¥6.8 billion (up 12.1%) and net income of ¥4.65 billion (up 9.1%). By business segment, we forecast sales of ¥52.9 billion (up 5.5% year on year) in the Product Development Model Business and ¥45.7 billion (up 0.5%) in the Wholesale Model Business.

◆ Doshisha's Value Creation Cycle (Ability to Generate Profits)

Our strengths are our business base, which supports our efforts to build a company with aspirations that will never fail, and three business models on which our business portfolio is built. Together, these strengths support adaptable risk management, which allows us to respond to changes in the market while spreading risk and constantly taking on new business challenges.

We also have powerful business assets: the sales channels of 4,800 business partners in various industries and sectors and more than 2,100 suppliers with proprietary and third-party factories supplying a wide range of products. Backed by our product planning capabilities, we constantly keep a close eye on retail environments and play a central role in handling business flow. We are involved in all parts of the retail process, from product planning, development, procurement and sales area design to sales support and after-sales services. As our product portfolio covers a wide range of different categories, we supply numerous different products in clothing, food and homewares, with more than 50,000 SKUs handled by our operations each year and products ranging in price from ¥100 merchandise to luxury watches.



Our vision to "create an unrivalled company worldwide" guides all our efforts. Predicting changes in the operating environment and anticipating what consumers want is likely to become even more difficult in the future. That uncertain outlook means we need to develop our business with more emphasis on creating new product concepts and ideas by asking ourselves three key questions – what do consumers want, what is "new" and what is "interesting"? We also have to secure the No.1 position in the businesses and fields that we target, no matter how small the markets and without leaning too much on the clothing, food or homewares categories. Our presence in such a wide range of product categories may make it hard to accurately define our business, but it also means we have no direct competitors. That approach will help us to "create an unrivalled company worldwide." Through that process, we will strive to increase Doshisha's corporate value by helping consumers lead richer lives and by becoming a more appealing company to all our stakeholders.

◆ Building a profitable business portfolio

We have broadly divided the businesses in our portfolio into three categories based on strategic direction: "maintain and reinforce," "transform," and "consider for renewal." Our basic strategy is to generate sustained growth by a mixing and matching businesses and realigning the portfolio in response to changes in our markets. Although earnings will continue to fluctuate, that strategy will drive the Group's growth going forward.

The "maintain and reinforce" category includes the Product Development Model Business, the newly established fourth business unit, and e-commerce and overseas sales. The "transform" category includes the famous brands business and the NB processing business (gifts and other products) in the Wholesale Model Business and the food products business in the Product Development Model Business. Our goal is to put those businesses on the path to steady growth by improving business efficiency and rebuilding earnings structures. The "consider for renewal" category covers audio & video (A&V)-related businesses. We have already made progress developing new products with Orion Co., Ltd., which is now a Group company, so we have positioned the A&V business as a viable business with future potential.

◆ Business Strategy for FY3/20

<Companywide Strategy: Logistics Reforms – Bring logistics in-house and increase efficiency to transform the earnings structure>

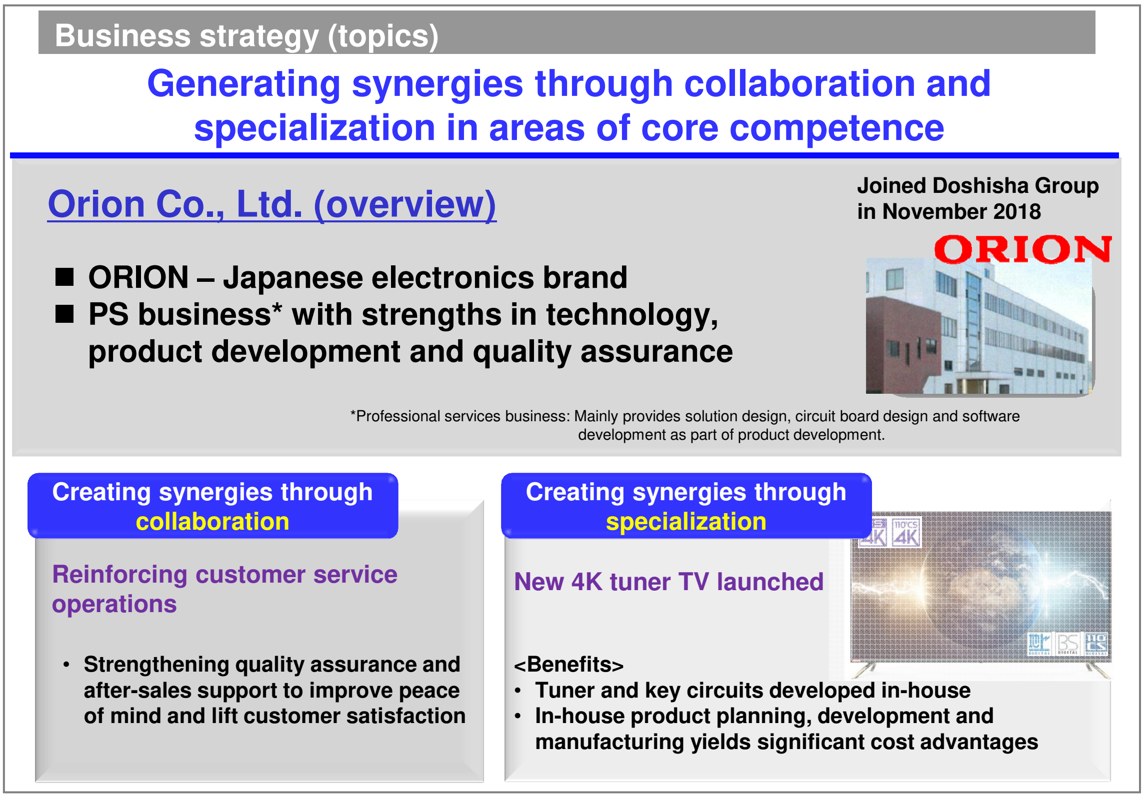
Transportation companies are likely to raise distribution prices again in FY3/20. Doshisha handles a wide range of products with varying sizes across categories such as clothing, food and homewares. Optimizing distribution of those products is a key issue for the Group and we are implementing three initiatives to control logistics costs. Using our dual-hub proprietary logistics network, we are reducing warehouse storage fees by switching from third-party providers to our own logistics centers; cutting outsourcing costs by using in-house assets for product shipment and processing work; and reducing transportation costs by sharing and combining shipments instead of distributing individual products from optimal locations. We expect those measures to offset any price increases for distribution services. Consequently, we forecast 2H FY3/20 logistics costs will be flat year on year, as they were in 1H. We aim to continue reducing logistics costs through tighter cost control and further optimization that lifts productivity.

<Companywide Strategy: Branding – Reinforce branding based on our "Doshisha's here too!" message>

Doshisha has used product branding strategies for some time for its fashion brands and private brands. From FY3/20 we also started to promote our corporate brand with the slogan, “Doshisha’s here too!” Our aim is to increase Doshisha’s corporate value as a “lifestyle creation company with close links to consumers” by supplying every-day, familiar products to consumers based on three product concepts – create new value, target niche markets, and tell unique stories . We plan to develop branding strategy further to reinforce selling methods and sales promotions. Using our new corporate website, which was relaunched in April 2019, we aim to strengthen sales promotion and marketing with visual media that is more exciting and accessible for consumers.

<Companywide Strategy: Enhance manufacturing capabilities – New 4K tuner TV developed with Orion goes on sale>

We established Orion Co., Ltd. in December 2018 to take over the professional services (PS) business acquired from Orion Electric Co., Ltd., which owns the ORION TV brand. Orion’s main business is providing PS for solution design, circuit board design and software development as part of product development. Leveraging those strengths in product development and technology, we are working to



develop new technologies and reinforce quality assurance, while also targeting orders for outsourced product development from external customers.

We have also combined customer service operations for our household lighting business and A&V-related business at Orion's head office in Fukui Prefecture to further improve after-sales support and quality. In product development, we teamed up with Orion to develop a new TV with a 4K tuner to capture demand during the 2020 Tokyo Olympics. The TV was launched in November.

◆ FY3/20 Dividend Policy

We aim to pay a consistent and stable dividend based on a payout ratio target of 30%. For FY3/20, we plan to pay a full-year dividend of ¥50 per share. In addition, as of end-September 2019, we had repurchased 641,400 shares, in line with our share buyback plans for FY3/20.

(November 14, 2019, Tokyo)