DOSHISHA CORPORATION

DOSHISHA's here too!

Results Briefing Summary

Sales and profits both up year on year, profits hit record

◆ Summary of FY3/21 Consolidated Results

Consolidated (¥ million)	FY3/20		FY3/21		YoY		Vs. forecast		
	Actual	Composition ratio	Actual	Composition ratio	Change	Pct. Change	1/29/21 forecast	Change	Pct. Change
Net sales	96,238	100.0%	101,257	100.0%	5,019	5.2%	101,000	257	0.3%
Product Development Model Business	47,078	48.9%	53,679	53.0%	6,601	14.0%	53,800	- 120	-0.2%
Wholesale Model Business	45,175	46.9%	43,275	42.7%	- 1,899	-4.2%	42,900	375	0.9%
Others	3,984	4.1%	4,301	4.2%	317	8.0%	4,300	1	0.0%
Gross profit	26,706	27.8%	30,460	30.1%	3,753	14.1%	30,200	260	0.9%
SG&A expenses	20,711	21.5%	20,937	20.7%	226	1.1%	20,900	37	0.2%
Operating income	5,995	6.2%	9,522	9.4%	3,527	58.8%	9,300	222	2.4%
Ordinary income	6,260	6.5%	9,734	9.6%	3,474	55.5%	9,500	234	2.5%
Net income	4,211	4.4%	6,588	6.5%	2,376	56.4%	6,400	188	2.9%

*Due to a change in internal management approach from 1Q FY3/21, some operations previously classified under the Product Development Model Business have been transferred to the Wholesale Model Business; segment figures for FY3/20 are shown based on the new approach.

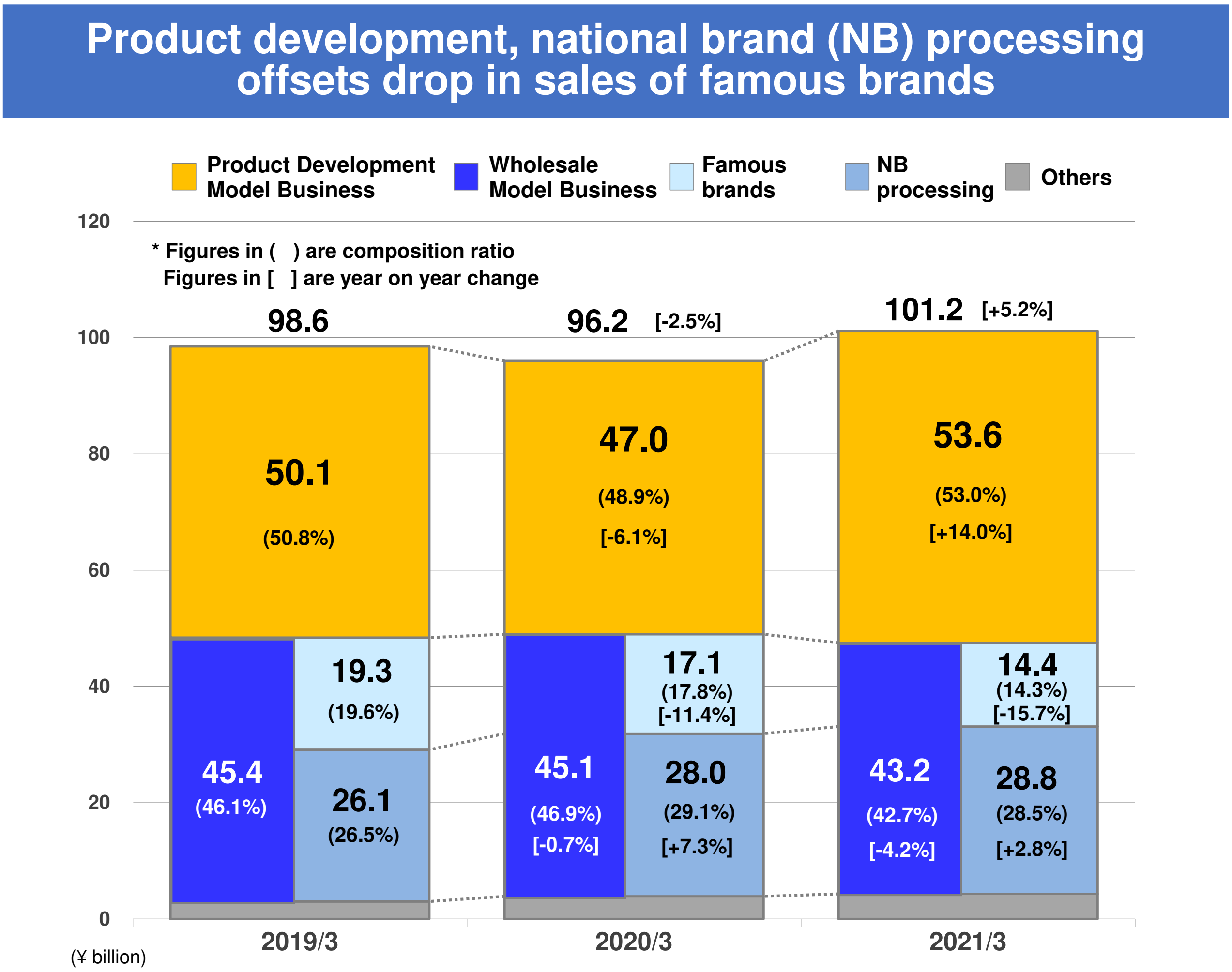
Despite the COVID-19 pandemic, Doshisha responded rapidly to demand in the first half of the fiscal year by leveraging its extensive procurement capabilities – one of its key strengths – to source face masks, antibacterial products and other products in the Wholesale Model Business. The Product Development Model Business, which has been strengthened in recent years, also registered solid sales in the home appliance, storage and homewares categories during FY3/21.

The gross margin improved +2.3ppt year on year to 30.1%, reflecting efforts to strengthen the Product Development Model Business, which lifted its share of consolidated sales, as well as tighter control of sales losses due to inventory right-sizing. The selling, general and administrative expenses ratio improved +0.8ppt year on year to 20.7%. The main factors were a year-on-year decline in the logistics cost ratio due to a rise in capacity utilization at the Kisarazu Logistics Center, which was opened in 2017, and wider use of delivery consolidation and distribution using optimal locations, as well as greater efficiency and tighter control of costs related to sales activities, such as travel expenses, advertising expenses and sales promotion expenses. As a result, operating income, ordinary income and net income all rose year on year to reach record highs.

Doshisha faced an unprecedented operating environment during FY3/21, with many retailers asked to close their stores and take other steps during several states of emergency. In response, we continued to build a sustainable business framework supported by solid finances, aiming to realize our corporate philosophy of creating an unshakeable corporate structure. We also leveraged the Group's ability to adapt to change, using the manufacturer capabilities of our product development model and the trading company capabilities of our wholesale model to continue optimizing the business portfolio.

◆ Summary of FY3/21 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 for products sourced from major manufacturers in Japan. The product range in the Wholesale Model Business includes famous brand watches, bags and other items, and traditional mid-year and year-end assorted gift packs arranged by Doshisha using merchandise sourced from leading domestic manufacturers.



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< Product Development Model Business – Highlights >

Sales of products increased in the following four areas:

- New products based on unique ideas – Firm demand for Cat Tongue tumblers for people with sensitive tongues (tumblers that rapidly cool very hot beverages and keep them at drinkable temperatures), and smart frying pans marketed under the Sutto brand.
- Products to prevent infection – Strong growth throughout FY3/21 for fans, circulators, humidifiers, air purifiers and sterilizers/deodorizers.
- Stay-at-home demand – Hot plates and the Evercook range of non-stick frying pans were popular with consumers.
- Remote working – Firm growth in demand for desks and chairs and the Luminous Club range of steel storage racks.

< Wholesale Model Business – Highlights >

- Famous brands – Steep drop in sales of watches and bags.
- Traditional mid-year and year-end gifts (NB processing) – Sales declined due to a contraction in retail areas, but sales of home-use gift packs and home-delivery traditional New Year's food increased.
- Health and hygiene (NB processing) – Strong growth for face masks, antibacterial spray, plastic gloves for hygiene applications and other products, backed by successful procurement activities.

◆ FY3/21 Consolidated Results by Sales Channel

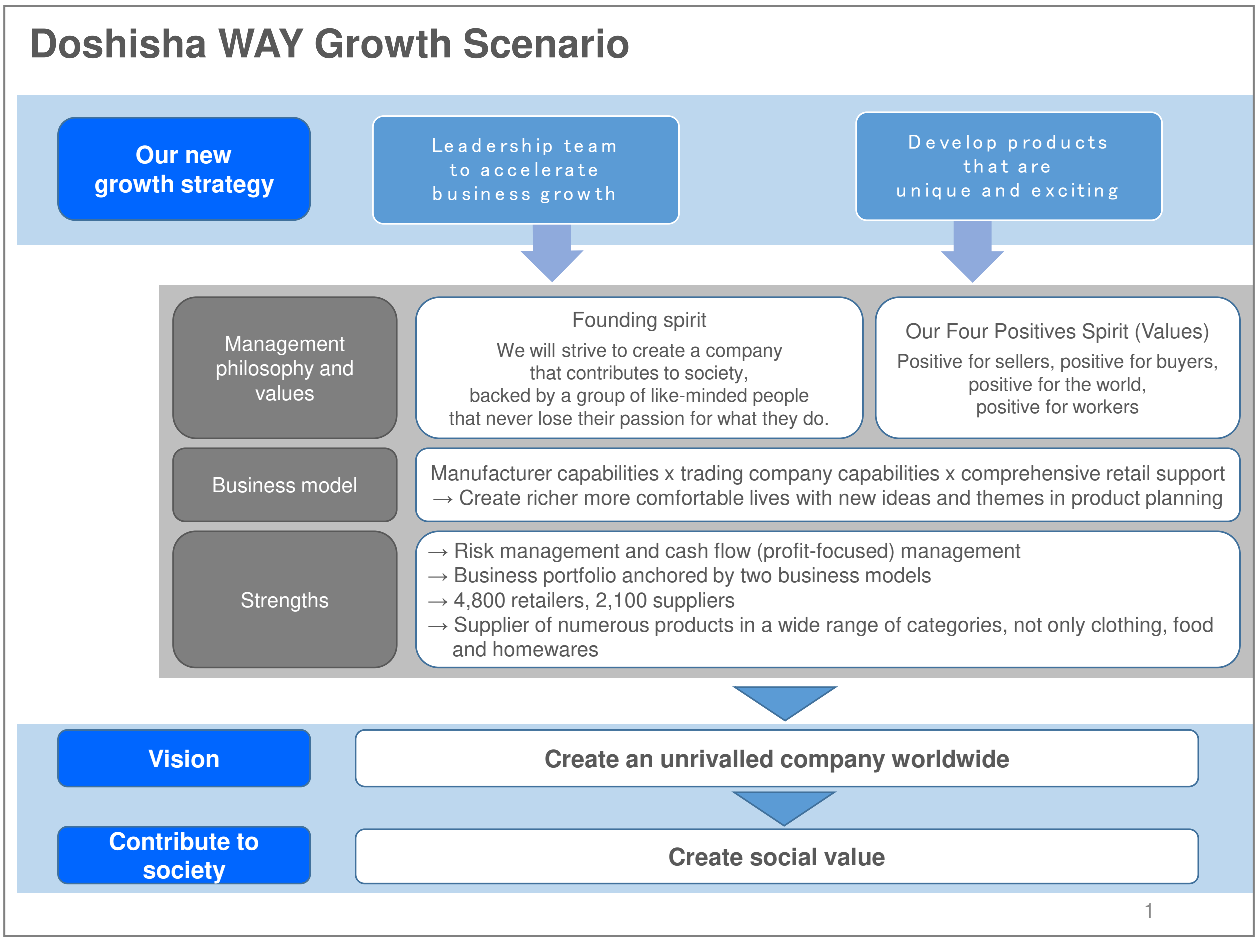
Sales increased 12% year on year in the hardware store channel, 6% in the discount store retailer channel and 13% in the single-price retailer channel, supported by telework and stay-at-home demand, as well as higher demand for hygiene products. Sales also rose 8.0% in the online channel, reflecting efforts to build closer ties with online retail platforms and a steep rise in sales via proprietary e-commerce sites. However, sales declined year on year in the large electronics retailer channel and the specialist watch and clothing store channel amid weaker sales of famous brands.

◆ Consolidated Forecasts for FY3/22

Consolidated (¥ million)	FY3/21			FY3/22			YoY	
	1H	2H	Full year	1H	2H	Full year	Change	Pct. Change
Net sales	50,189	51,067	101,257	49,900	53,500	103,400	2,142	2.1%
Product Development Model Business	26,164	27,515	53,679	26,550	28,850	55,400	1,720	3.2%
Wholesale Model Business	21,784	21,491	43,275	21,600	22,600	44,200	924	2.1%
Others	2,240	2,061	4,301	1,750	2,050	3,800	-501	-11.7%
Gross profit	15,501	14,958	30,460	14,900	15,400	30,300	-160	-0.5%
SG&A expenses	10,298	10,639	20,937	10,500	10,800	21,300	362	1.7%
Operating income	5,203	4,319	9,522	4,400	4,600	9,000	-522	-5.5%
Ordinary income	5,322	4,412	9,734	4,450	4,650	9,100	-634	-6.5%
Net income	3,586	3,001	6,588	2,950	3,150	6,100	-488	-7.4%

Excluding special demand for hygiene products in FY3/21, we still forecast higher sales in the Product Development Model Business due to increased competitiveness. Due to only modest discounting losses in the previous fiscal year, we assume a small decline in gross profit year on year, although support is likely to come from a recovery in sales of famous brands. Taking into account conditions at retailers, we are budgeting for an increase in sales promotion expenses, travel expenses and other operating expenses. Based on the above, we forecast a decline in operating income, ordinary income and net income compared with the previous fiscal year.

◆ Our New Growth Strategy – The Doshisha WAY



We have developed the **Doshisha WAY growth scenario** to realize our vision of creating an unrivalled company worldwide. Under the scenario, we will leverage **our new leadership team to accelerate business growth** and reinforce ｄ.

< Leadership to Accelerate Business Growth >

Doshisha's President Masayuki Nomura was also appointed as CEO in April 2021. Under his leadership, we plan to accelerate growth by implementing the following three strategies:

1. Flexibly reconfigure the business portfolio

Optimize each business by expeditiously overhauling organizations and product categories, focusing on business viability, business models and optimal personnel deployment.

2. Utilize external resources → M&A and business alliances

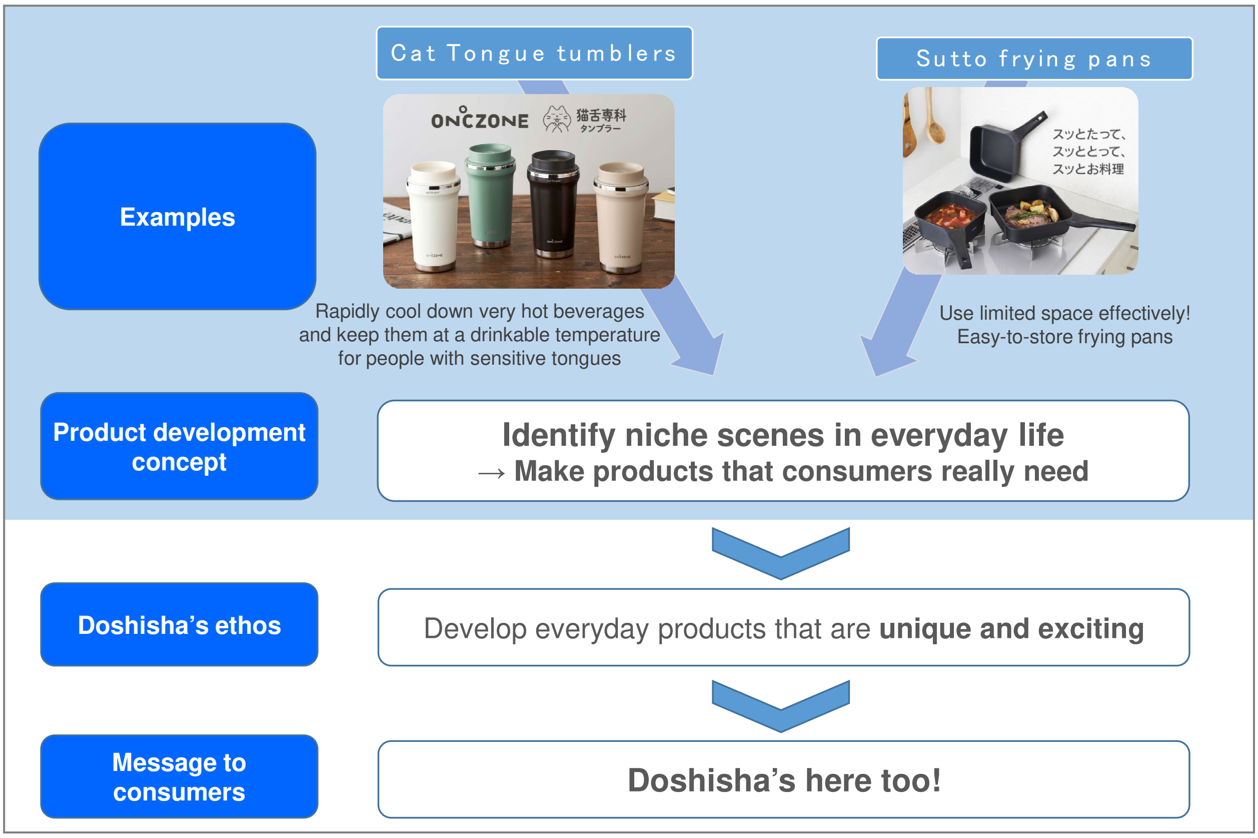
Step up efforts to identify external partners in order to create new businesses and increase the competitiveness of existing businesses by acquiring additional capabilities that lift barriers to entry and by reducing the time needed to optimize supply chains.

3. Reinforce specialist capabilities → hire mid-career specialists and strengthen IT system development

Automate and improve the efficiency of back-office operations to support marketing activities

< Develop products that are unique and exciting >

Doshisha puts emphasis on developing products that are unique and exciting by asking three key questions when creating new product concepts and ideas: what do consumers want, what is "new" and what is "interesting"? Examples of this approach are our Cat Tongue tumblers and Sutto frying pans, but we plan to further strengthen our development capabilities to create other standout products.



Cat Tongue tumblers

The growing popularity of convenience store coffee has made it easier to get freshly made coffee, but we conducted a survey to test our theory that some people do not drink it because the serving temperature is too high. We started developing our tumblers after roughly 50% of respondents said convenience store coffee was too hot. The concept was to create a tumbler that rapidly cooled down very hot beverages and kept them at the ideal temperature for drinking. The tumblers proved to be a hit with consumers thanks to interest on social media and in other channels.

Sutto frying pans

Our eye-catching Sutto frying pans have been developed to help consumers use kitchen space more effectively. There are other square-shaped frying pans on the market, but our product's unique design for storage in tight spaces attracted attention, helping to drive sales.

◆ Contributing to Society

< Our Business Models – Embodying the Four Positives – Feed Through to ESG Management >

Guided by the values of our Four Positives Spirit – positive for sellers, positive for buyers, positive for the world, positive for workers – which is part of our Code of Conduct, we aim to be a company that contributes to the long-term sustainability of society by conducting ESG management in the following areas:

(Environment: E)

1. We are efficiently matching supply and demand across numerous industries by utilizing the business resources of our 2,100 suppliers and 4,800 retailers. In order to better link procurement and sales plans, we have set an inventory turnover ratio KPI of 20x, aiming to create an inventory management system that reduces environmental impact by preventing inventory buildup and losses.

(Society: S)

1. By improving the efficiency of business processes, we are working to reduce overtime and increase the ratio of employees using their paid leave allocations, without any loss of quality in our business operations. Our goal is to improve the work-life balance of employees, as well as their families.

2. We provide support to employees to help them acquire official skills certifications that are directly related to their jobs. Our goal is to build a framework that deepens the specialist skills of each employee and helps them accumulate knowledge in diverse fields, spurring motivation and giving them the capabilities they need to meet the wide-ranging demands of our customers.

(Governance: G)

1. Board of Directors with independent oversight
   → Three outside directors on the eight-person Board of Directors, two outside members on the four-person Audit & Supervisory Board

2. Upgrade the internal control system in accordance with the Basic Policy for Building an Internal Control System
   → Recognizing the importance of compliance, we are focusing on upgrading the Group's internal control capabilities, such as internal audits, the internal whistle-blower system, the Crisis Management Committee and the Compliance Promotion Committee.

◆ FY3/22 Dividend Policy

Based on our policy of paying a consistent and stable dividend, we plan to pay a full-year FY3/22 dividend of ¥60 per share, including our forecast for an interim dividend of ¥30, which was raised at the end of the previous fiscal year. In addition to paying a consistent and stable dividend, we will focus on increasing the share price over the medium and long term, aiming to support investors by meeting their expectations through our management philosophy, business models and longer-term growth.

(Tokyo, May 2021)