DOSHISHA CORPORATION

あっ、ここにもDOSHISHA。

Results Briefing Summary

Sales and profits rise year on year, 1H profits reach a record-high

◆ Summary of 1H FY3/21 Consolidated Results

Consolidated (¥ million)	2Q FY3/20		2Q FY3/21		YoY		Reference		
	Actual	Composition ratio	Actual	Composition ratio	Change	Pct. Change	5/8/20 forecast	Change	Pct. Change
Net sales	48,313	100.0%	50,189	100.0%	1,876	3.9%	42,000	8,189	19.5%
Product Development Model Business	23,496	48.6%	26,164	52.1%	2,668	11.4%	21,400	4,764	22.3%
Wholesale Model Business	23,000	47.6%	21,784	43.4%	(1,215)	-5.3%	19,000	2,784	14.7%
Others	1,817	3.8%	2,240	4.5%	423	23.3%	1,600	640	40.1%
Gross profit	13,647	28.2%	15,501	30.9%	1,854	13.6%	12,050	3,451	28.6%
SG&A expenses	10,522	21.8%	10,298	20.5%	(224)	-2.1%	9,800	498	5.1%
Operating income	3,124	6.5%	5,203	10.4%	2,078	66.5%	2,250	2,953	31.3%
Ordinary income	3,156	6.5%	5,322	10.6%	2,166	68.6%	2,350	2,972	26.5%
Net income	2,138	4.4%	3,586	7.1%	1,448	67.7%	1,550	2,036	31.4%

*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.

For the first half of FY3/21, Doshisha reported higher sales and profits year on year and record-high profits. Start-of-year forecasts were also achieved. Consolidated results for 1H are as follows: net sales ¥50,189 million (up 3.9% year on year), gross profit ¥15,501 million (up 13.6%), selling, general and administrative expenses ¥10,298 million (down 2.1%), operating income ¥5,203 million (up 66.5%), ordinary income ¥5,322 million (up 68.6%), and net income ¥3,586 million (up 67.7%).

The gross profit margin rose to 30.9%, which was higher than the start-of-year forecast and also a new record for Doshisha, reflecting an increase in the sales weighting for products developed in-house. In selling, general and administrative expenses, distribution costs were steady year on year, mainly due to the smooth startup of the Kisarazu Logistics Center and progress with adjusting distribution methods. In addition, expenses related to marketing activities such as travel expenses, advertising expenses and sales promotion expenses were contained due to measures to prevent the spread of COVID-19. As a result, the selling, general and administrative expenses ratio declined 1.3 percentage points year on year to 20.5%, which was 2.8 percentage points lower than the start-of-year forecast.

< Summary of segment sales versus start-of-year forecasts >

Compared with start-of-year forecasts, sales in the Product Development Model Business were ¥4,764 million higher than projected (22.3% above forecast).

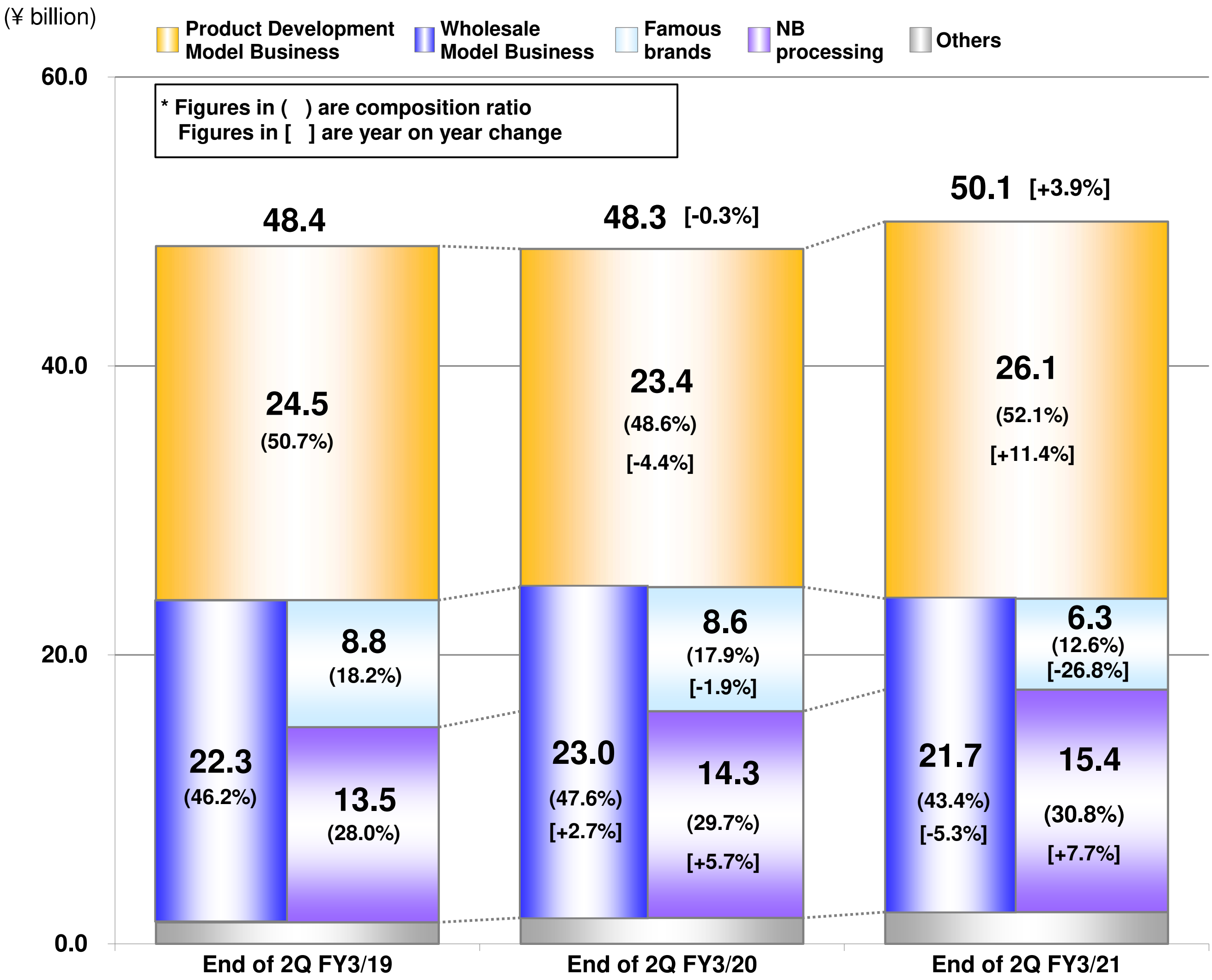
Sales of living storage products were strong, supported by firm demand for desks and chairs for telework and home working and healthy sales of the Luminous Club range of steel racks for room organization. Online sales also rose sharply, including via the Doshisha online sales portal. In homewares, the business reported higher sales of products designed to prevent heat exhaustion and improve ventilation, such as circulators and personal fans that can be worn around the neck. Sales of small desktop fans for telework environments also increased. In addition, sales of hotplates and other cooking appliances rose amid increased demand for eating at home. Other popular items included the long-selling evercook frying pans, which are easy to clean, and reusable eco-bags, which were launched after Japanese retailers started charging for plastic bags at checkout.

Sales in the Wholesale Model Business were ¥2,784 million higher than projected (14.7% above forecast).

Sales of famous brands declined year on year, reflecting a slump in demand for fashion accessories and other accessories amid the closure of specialist retailers and a drop in the number of people going out due to the shift to teleworking and working from home. However, the business registered higher sales of face masks and antibacterial products in beauty and cosmetics products, and increased sales of wearable devices and smartwatches in wristwatches. In gifts, sales of mid-year assorted gift packs declined year on year, reflecting a reduction in event sales space and a lack of maintenance work on sales areas due to measures to control the spread of COVID-19. However, segment profits increased year on year thanks to tighter inventory control, which led to a reduction in product disposal costs after the gift-giving season ended. In everyday merchandise, which mainly comprises products sold on a spot basis, the business used the Doshisha Group's extensive network of suppliers and retailers to rapidly source and sell products in high demand, leading to higher sales of antibacterial spray, face masks and plastic gloves.

◆ Summary of 1H 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 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.



*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.

◆ 1H FY3/21 Consolidated Results by Sales Channel

Sales in the hardware store channel increased 14% year on year, supported by firm sales of desks and chairs for telework and home working, steel storage racks, and handheld and compact fans. In the discount store retailer channel, sales were up 3% year on year on strong demand for face masks, antibacterial products and everyday merchandise, which outweighed lower sales of luxury brand products. Sales in the online channel, including the Doshisha B2C website, rose 6% year on year. Sales growth was supported by stay-at-home demand for products such as desks and chairs, storage products, snow cone makers, frying pans and fans. Sales also increased in the single-price retailer channel, rising 7% year on year on strong demand for products that help to prevent infection, such as reusable eco-bags, face masks, disinfectant and plastic gloves. However, sales in the large electronics retailer channel fell 29% year on year due to store closures. Similarly, sales declined 42% year on year in the specialist watch and clothing store channel, reflecting a large slump in sales of discretionary products such as foreign brand watches and fashion accessories.

◆ Consolidated Forecasts for FY3/21

Consolidated (¥ million)	FY3/20			FY3/21			YoY		Versus start-of-year forecasts		
	1H	2H	Full year	1H	2H	Full year	Change	Pct. Change	Full year	Change	Pct. Change
Net sales	48,313	47,924	96,238	50,189	50,810	101,000	4,761	4.9%	92,000	9,000	9.8%
Product Development Model Business	23,496	23,581	47,078	26,164	27,635	53,800	6,721	14.3%	47,000	6,800	14.5%
Wholesale Model Business	23,000	22,175	45,175	21,784	21,115	42,900	(2,275)	-5.0%	41,100	1,800	4.4%
Others	1,817	2,167	3,984	2,240	2,059	4,300	315	7.9%	3,900	400	10.3%
Gross profit	13,647	13,059	26,706	15,501	14,448	29,950	3,243	12.1%	26,000	3,950	15.2%
SG&A expenses	10,522	10,188	20,711	10,298	11,051	21,350	638	3.1%	20,700	650	3.1%
Operating income	3,124	2,870	5,995	5,203	3,396	8,600	2,604	43.4%	5,300	3,300	62.3%
Ordinary income	3,156	3,104	6,260	5,322	3,477	8,800	2,539	40.6%	5,500	3,300	60.0%
Net income	2,138	2,073	4,211	3,586	2,313	5,900	1,688	40.1%	3,650	2,250	61.6%

*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.

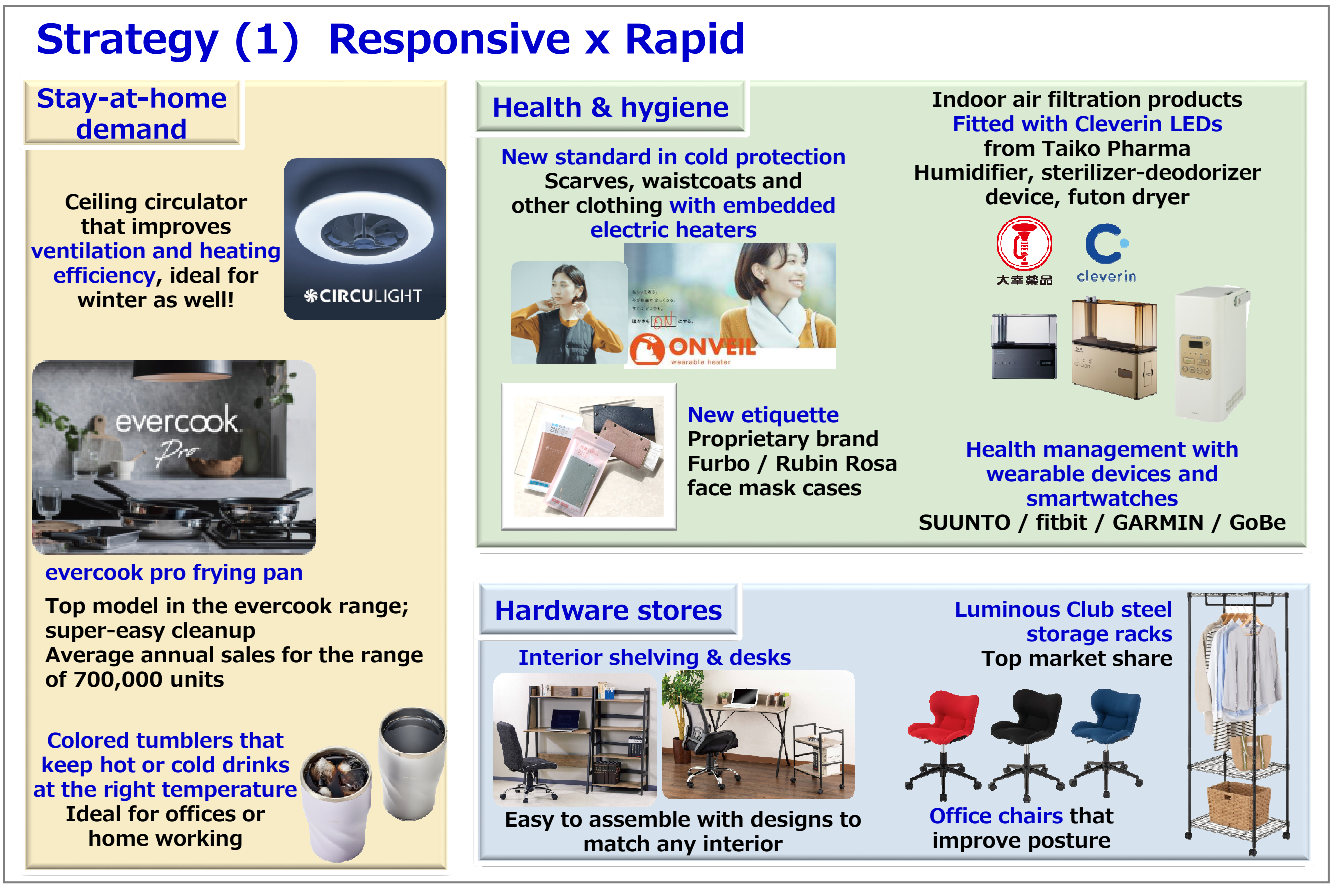
On 30 October, 2020, we revised up our start-of-year forecasts for FY3/21 to factor in 1H FY3/21 results. Our new forecasts, which call for stronger sales and profit growth, are as follows:
Net sales: ¥92 billion → ¥101.0 billion (up 4.9% year on year)
Gross profit: ¥26 billion → ¥29.95 billion (up 12.1%)
Selling, general and administrative expenses: ¥20.7 billion → ¥21.35 billion (up 3.1%)
Operating income: ¥5.3 billion → ¥8.6 billion (up 43.4%)
Ordinary income: ¥5.5 billion → ¥8.8 billion (up 40.6%)
Net income: ¥3.65 billion → ¥5.9 billion (up 40.1%)

Our new segment sales forecasts are as follows:
Product Development Model Business: ¥47.0 billion → ¥53.8 billion (up 14.3% year on year)
Wholesale Model Business: ¥41.1 billion → ¥42.9 billion (down 5.0%)

◆ Business Strategy for 2H FY3/21

< Product Strategy: A product lineup that never gets boring – responsive x rapid >

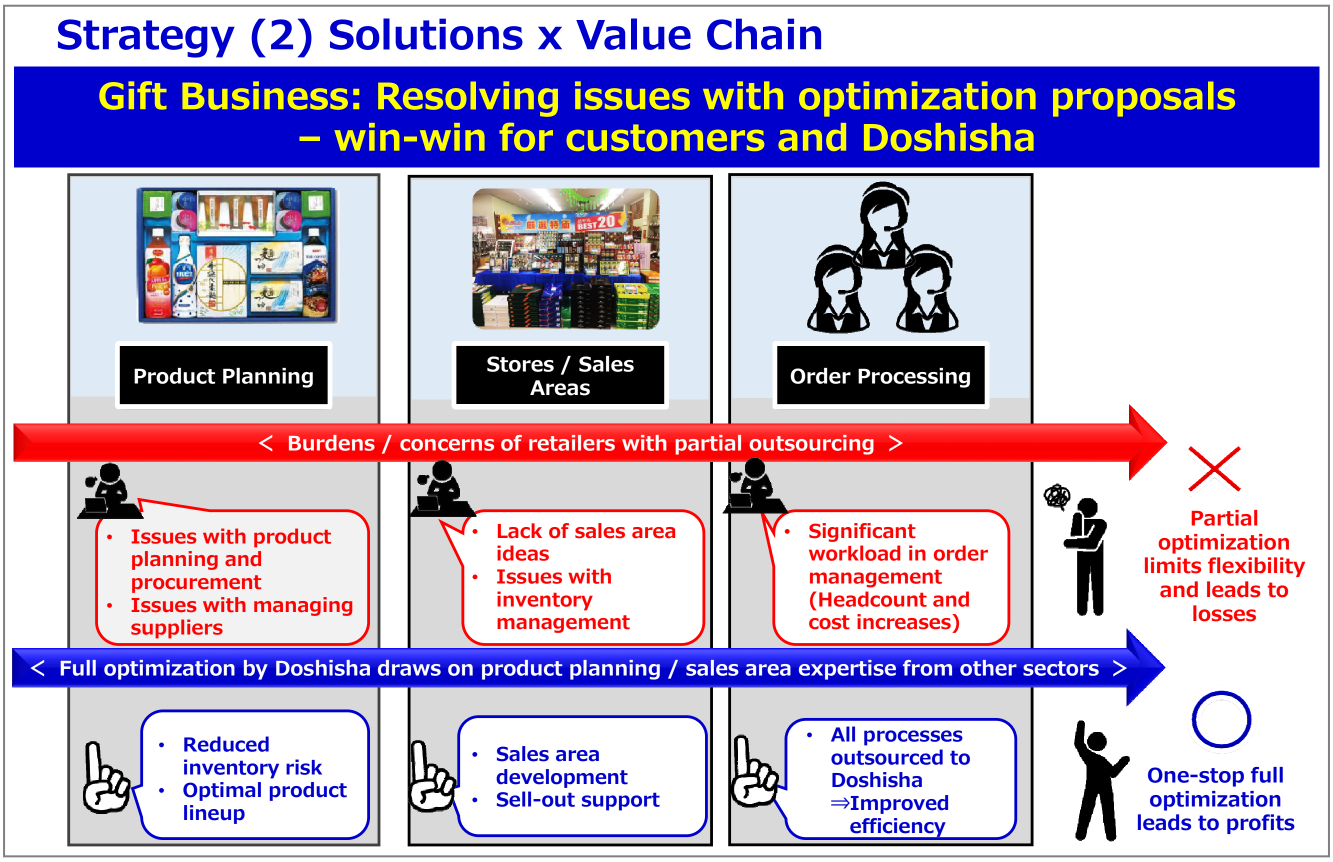
In the second half of the fiscal year, we will continue to focus on rapidly sourcing and developing products that address changes in the market amid continued uncertainty caused by the COVID-19 outbreak. This responsive and rapid approach is anchored by three strengths:
(1) Agile buying power through cash-based procurement
(2) A “fabless manufacturer” with 2,100 suppliers
(3) Production system that ensures quality
These strengths allow us to rapidly procure, plan and develop products that meet the needs of consumers and the market, underpinning sales relationships with 4,800 companies across every retail format.



< Product Strategy: A product lineup that never gets boring – solutions x value chain >

Japan's traditional mid-year and year-end gift market is gradually contracting due to changing customs, including adjustments in corporate gift-giving demand. The changes have the potential to undermine profitability at stores and retailers due to higher cost burdens in each part of the value chain, from merchandising and inventory management to sales area development, sales promotion planning and gift ordering processes.

In response, from FY3/21, we started offering complete optimization packages drawing on our track record and expertise in the gift business across all retail channels. We help clients plan products tailored to specific stores and regions, provide sell-out support covering sales area development through to sales promotion planning, and provide efficient order processing on a contract basis. These packages are a win-win for customers and Doshisha: they help stores improve profitability by reducing costs and effort, and they help us increase earnings through gains in market share.



In the second half of FY3/21, our sales channel strategy is focused on strengthening the online channel and reinforcing other channels by offering exclusive products and OEM products.

◆ FY3/21 Dividend Policy

Our goal is to continue paying stable dividends to shareholders. We plan to pay a full-year dividend of ¥50 per share for FY3/21.

(November 11, 2020, Tokyo)