

Results Briefing Summary

◆ Summary of 1H FY3/22 Consolidated Results

Consolidated (¥ million)	2Q FY3/21		2Q FY3/22		YoY		Reference		
	Actual	Composition ratio	Actual	Composition ratio	Change	Pct. Change	5/10/21 forecast	Change	Pct. Change
Net sales	50,189	100.0%	49,046	100.0%	(1,142)	-2.3%	49,900	(853)	-1.7%
Product Development Model Business	26,164	52.1%	26,171	53.4%	7	0.0%	26,550	(378)	-1.4%
Wholesale Model Business	21,784	43.4%	20,760	42.3%	(1,023)	-4.7%	21,600	(839)	-3.9%
Others	2,240	4.5%	2,115	4.3%	(125)	-5.6%	1,750	365	20.9%
Gross profit	15,501	30.9%	14,568	29.7%	(932)	-6.0%	14,900	(331)	-2.2%
SG&A expenses	10,298	20.5%	10,615	21.6%	317	3.1%	10,500	115	1.1%
Operating income	5,203	10.4%	3,953	8.1%	(1,250)	-24.0%	4,400	(446)	-10.2%
Ordinary income	5,322	10.6%	4,155	8.5%	(1,167)	-21.9%	4,450	(294)	-6.6%
Net income	3,586	7.1%	2,791	5.7%	(794)	-22.2%	2,950	(158)	-5.4%

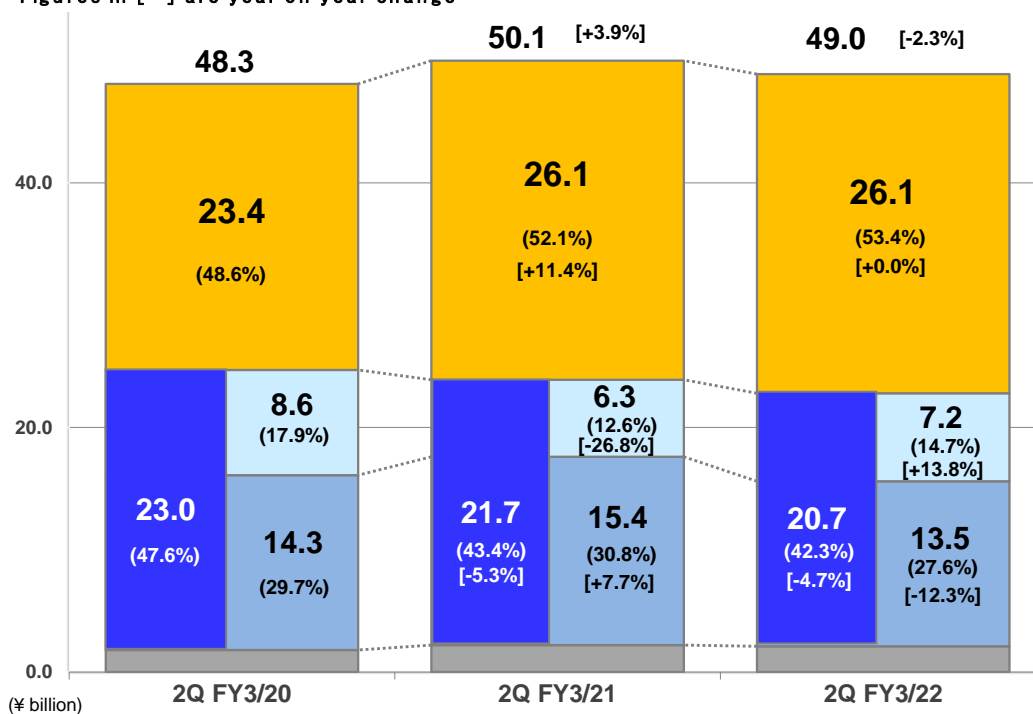
For the first half of FY3/22, we forecast a year-on-year decline in sales and profits due to a pullback in sales of face masks and antibacterial products from FY3/21, when we succeeded in rapidly securing supplies in 1Q. While sales and profits declined in 1Q this year, the contraction was not as steep as we expected, reflecting progress with new product development by the Product Development Model Business and signs of recovering demand for famous brands. However, there were delays in product manufacturing and deliveries in 2Q due to the global chip shortage and planned power cuts in China. Profit margins also deteriorated amid surging raw material prices. As a result of these and other factors, sales and profits in 1H FY3/22 declined year on year.

◆ Summary of 1H FY3/22 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 prepared by Doshisha using merchandise sourced from leading domestic manufacturers.

■ Product Development Model Business
 ■ Wholesale Model Business
 ■ Famous brands
 ■ NB processing
 ■ Others

* Figures in () are composition ratio
 Figures in [] are year on year change



*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.

< Product Development Model Business – Highlights >

- Food products
 - > An increase in time spent at home and rising demand related to camping and BBQs led to higher sales of imported confectionary, as well as marshmallows and popcorn.
- Kitchen accessories
 - > More opportunities for home cooking drove sales growth across the Evercook range of frying pans, leading to cumulative sales of 4.5 million units.
 - > Sales of Sutto smart frying pans, which can be stored efficiently in tight kitchen spaces, also increased.
- Summer products
 - > Stay-at-home demand during states of emergency supported higher sales of Doshisha's extensive range of summer products, including snow cone makers, nagashi-somen (chilled flowing noodles), fans and circulators.
- Ventilation demand
 - > Sales declined year on year as demand for air purifiers and sterilizers/deodorizers stabilized.

< Wholesale Model Business – Highlights >

- Famous brands
 - > Sales gradually recovered from the previous fiscal year, when many customer stores had to close temporarily.
- Traditional mid-year and year-end gifts (NB processing)
 - > Despite a continued impact from the pandemic, sales were strong, centered on delivered gifts.
 - > T.D. Early, an original Doshisha confectionary brand, was launched in 1H. In November 2021 the brand opened a permanent store in the Daimaru Tokyo department store, followed by pop-up sales events in JR Tokyo Station, JR Shin-Osaka Station and other department stores. Sales are currently expanding.

- Toys and leisure-related products (NB processing)
 - > Sales of home-use pools and other outdoor products were strong due to the growing popularity of family-focused leisure activities, which was spurred by the need to avoid crowded places.
- Hygiene products (NB processing)
 - > After strong sales in the previous fiscal year, sales of face masks and antibacterial goods contracted sharply in 1H FY3/22 as supply chains were put in place across the market.

◆ 1H FY3/22 Consolidated Results by Sales Channel

Sales increased 15% year on year in the single-price retailer channel due to stepped-up product development, including the launch of new food products. Sales grew 14% 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. Sales also increased in the discount store channel and in the specialist watch and clothing store channel, which is seeing a recovery in demand for famous brand products. However, sales contracted year on year in the hardware store channel and in the large electronics retailer channel as telework-related demand dropped off.

◆ 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	49,046	54,353	103,400	2,142	2.1%
Product Development Model Business	26,164	27,515	53,679	26,171	29,228	55,400	1,720	3.2%
Wholesale Model Business	21,784	21,491	43,275	20,760	23,439	44,200	924	2.1%
Others	2,240	2,061	4,301	2,115	1,684	3,800	(501)	-11.7%
Gross profit	15,501	14,958	30,460	14,568	15,731	30,300	(160)	-0.5%
SG&A expenses	10,298	10,639	20,937	10,615	10,684	21,300	362	1.7%
Operating income	5,203	4,319	9,522	3,953	5,046	9,000	(522)	-5.5%
Ordinary income	5,322	4,412	9,734	4,155	4,944	9,100	(634)	-6.5%
Net income	3,586	3,001	6,588	2,791	3,308	6,100	(488)	-7.4%

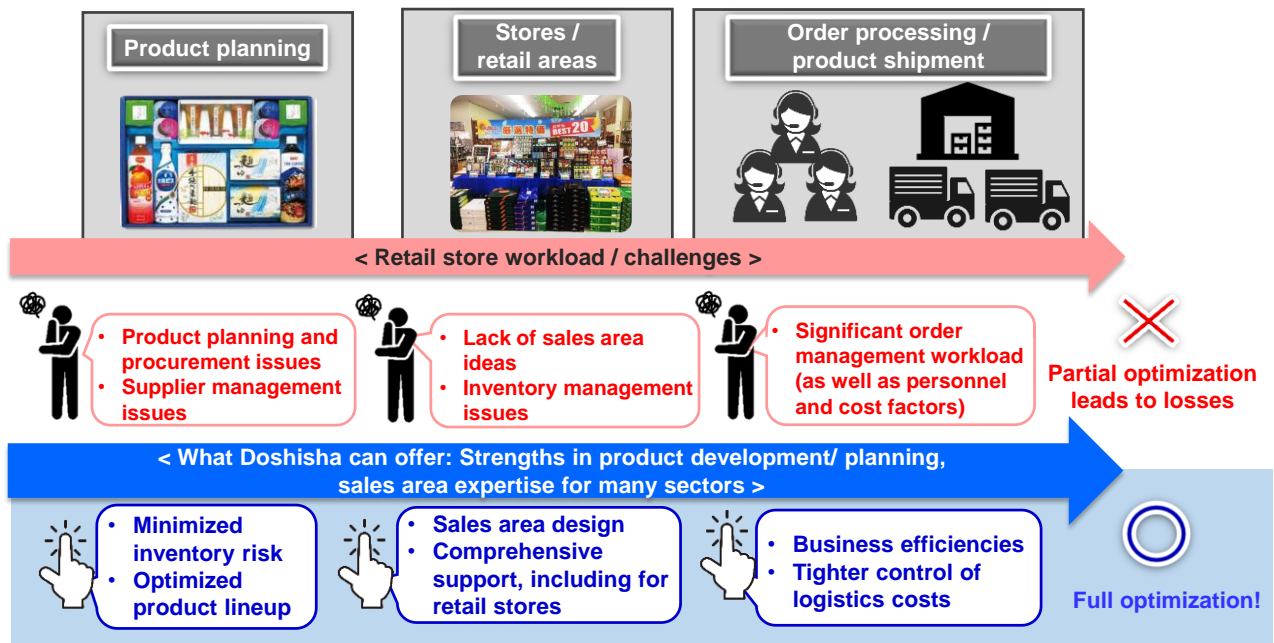
Initial full-year guidance is unchanged. We forecast higher sales year on year, driven by an increase in product development sales. Our gross margin forecast is 29.3%, down 0.8 percentage points year on year, reflecting the net impact of surging raw material prices, a recovery in famous brand sales and limited discounting and other inventory disposal measures in the previous fiscal year. In selling, general and administrative expenses, we anticipate higher sales promotion costs and travel costs, which were kept low in the previous fiscal year, in light of current business conditions at retailers.

◆ An Evolving Business Strategy

Our vision for Doshisha is to “Create an unrivalled company worldwide.” To realize this vision, we are implementing a business expansion strategy using two approaches: “flexibly reconfigure the business portfolio” and “develop products that are unique and exciting.”

Flexibly reconfigure the business portfolio – case study
< NB gift processing – fully outsourced business >

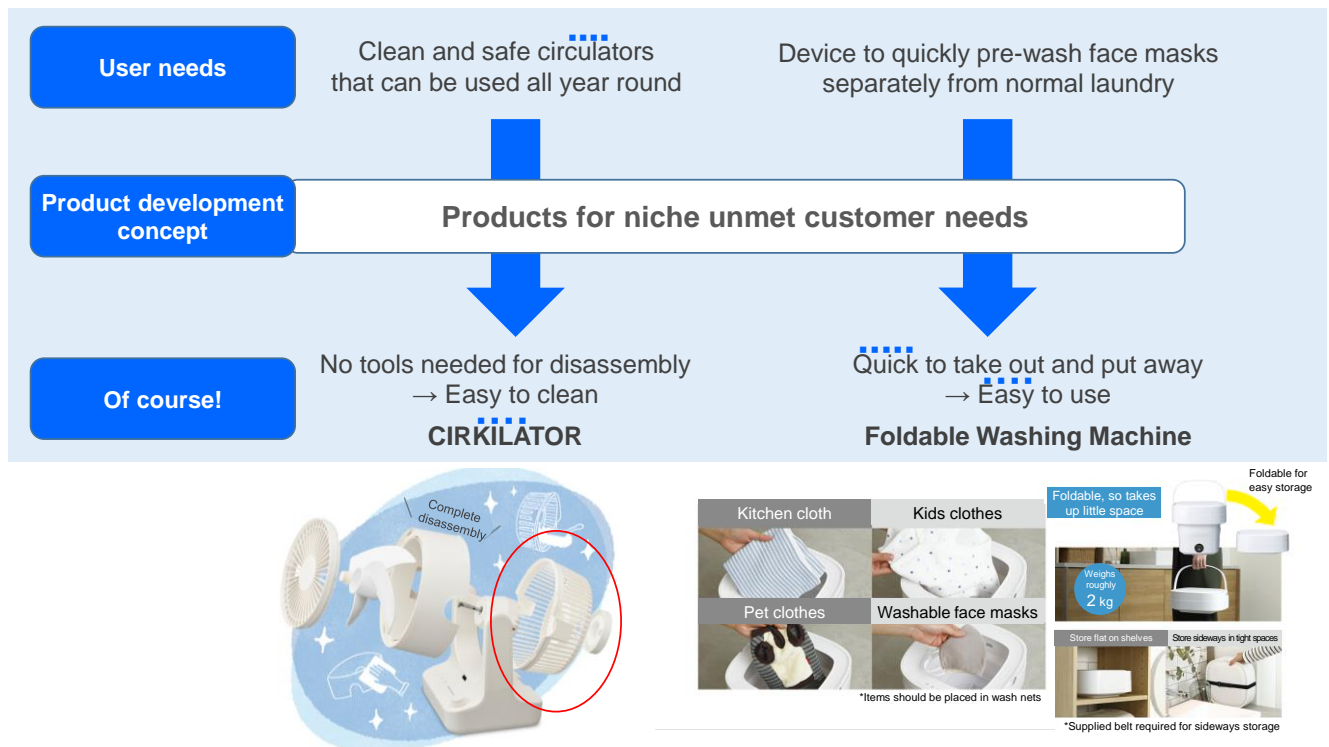
Fully outsourced business → Solutions based on optimized proposals



Japan's traditional mid-year and year-end gift market is gradually shrinking due to changing customs, such as adjustments in corporate gift-giving demand. These changes have the potential to undermine profitability at stores and retailers that handle gift packs themselves due to a rising cost burden in each part of the value chain, from product planning and inventory management to sales area development, sales promotion planning and gift ordering processes. To address these challenges, we offer complete optimization packages utilizing 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 full support covering all processes through to final delivery, and ensure efficient outsourced order processing operations, resulting in full optimization that leads to lower costs for retail stores. These solution proposals targeting client issues are a win-win strategy for customers and for Doshisha, helping us increase market share in the mid-year and year-end gift market.

Develop products that are unique and exciting – case study < CIRKILATOR and Foldable Washing Machine >

Just what I needed! Home appliances for niche unmet needs



As lifestyles become more diverse, our focus and mission in manufacturing is to provide unique and exciting products to consumers. That's why we emphasize three areas in manufacturing – what consumers want, what's "new" and what's "interesting" – aiming to create products that eliminate inconvenience and discomfort from everyday life by satisfying unmet needs. One example is our new circulator, which improves ventilation and thermal efficiency. With previous products, consumers told us they wanted to keep their circulators clean, but they had trouble cleaning all the hard-to-reach corners. To address that problem, we developed the industry's first washable circulator, the Doshisha CIRKILATOR. No special tools are needed for disassembly and all the parts are washable, solving users' concerns about cleaning.

> Product profile: CIRKILATOR

https://e-doshisha.com/lineup/circulator_fcw-140d.html (Japanese only)

Another example of our approach is the Foldable Washing Machine. The pandemic has led to a new trend of pre-washing face masks and clothing before putting them in the main wash. Washing only the necessary amount of laundry items also saves water, helping to protect the environment.

> Product profile: Foldable Washing Machine

https://e-doshisha.com/lineup/washing_machine_WMW-021.html (Japanese only)

We see these kinds of emerging consumer behaviors and trends in everyday life as niche target markets, helping us identify new ideas for products. Tapping into these trends, we are developing new products backed by appealing narratives that make consumers realize, "yes, this was just what I needed!" In short, conventional marketing activities are unlikely to uncover the potential needs of consumers. We believe it is important to foster curiosity, awareness and independent thinking, and then take a shot at developing new products if enough people are interested in the product idea. With this approach, we hope to get closer to how consumers think to continue delivering "unique and exciting" moments for everyday life. Backed by these initiatives, we will continue to promote our corporate message, "Doshisha's here too!"

◆ FY3/22 Dividend Policy

Our goal is to continue paying stable dividends to shareholders. For FY3/22, we plan to pay a full-year dividend of ¥60.00 per share, based on an interim dividend of ¥30.00, which was raised at the end of the previous fiscal year. In addition to dividends, we will conduct a share buyback with approved limits of 1 million shares and ¥1.9 billion (see our press release on November 19, 2021) (Japanese only).