

Results Briefing Summary

◆ Summary of 1H FY3/24 Consolidated Results

Product Development Model Business hits targets, profit forecasts also achieved

Consolidated (¥ million)	1H FY3/23		1H FY3/24		YoY		Vs. forecast		
	Actual	Composition ratio	Actual	Composition ratio	Change	Pct. Change	Forecast	Change	Pct. Change
Net sales	52,404	100.0%	51,860	100.0%	- 544	-1.0%	53,500	- 1,639	-3.1%
Product Development Model Business	26,223	50.0%	27,593	53.2%	1,370	5.2%	27,400	193	0.7%
Wholesale Model Business	23,414	44.7%	22,297	43.0%	- 1,117	-4.8%	24,000	- 1,702	-7.1%
Others	2,766	5.3%	1,969	3.8%	- 796	-28.8%	2,100	- 130	-6.2%
Gross profit	14,231	27.2%	14,984	28.9%	752	5.3%	15,100	- 115	-0.8%
SG&A expenses	10,392	19.8%	10,717	20.7%	325	3.1%	11,020	- 302	-2.7%
Operating income	3,839	7.3%	4,266	8.2%	426	11.1%	4,080	186	4.6%
Ordinary income	3,954	7.5%	4,384	8.5%	430	10.9%	4,080	304	7.5%
Net income	2,641	5.0%	2,931	5.7%	289	11.0%	2,750	181	6.6%

Amid surging raw materials prices and the weak yen, the Company focused on selling products in profitable categories in 1H FY3/24, leading to a modest decline in sales of 1.0% year on year. However, gross profit, operating income and ordinary income all increased year on year, supported by an improvement in the gross margin.

Compared with forecasts released on May 10, 2023, net sales underperformed by ¥1.6 billion (-3.1%). By segment, net sales in the Product Development Model Business beat forecasts by ¥0.2 billion (+0.7%) and the Wholesale Model Business missed forecasts by ¥1.7 billion (-7.1%). However, operating income exceeded forecasts by ¥0.19 billion (+4.6%) and net income outpaced forecasts by ¥0.18 billion (+6.6%).

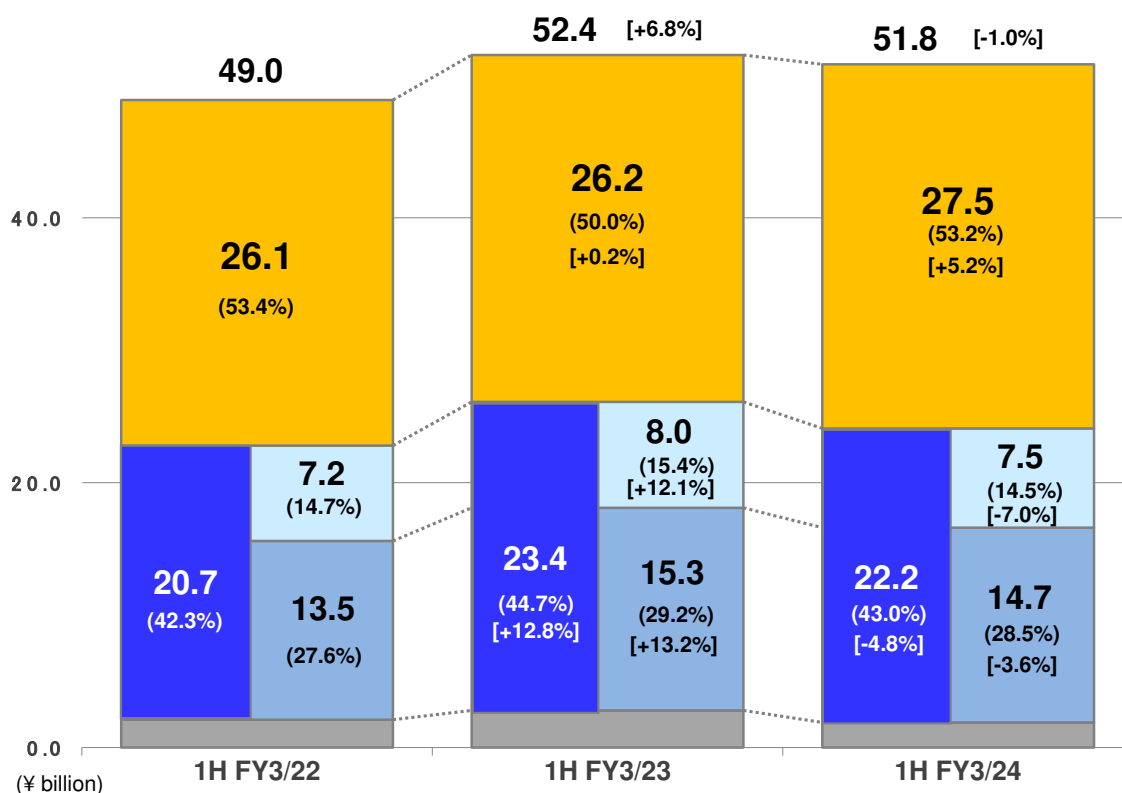
◆ Summary of 1H FY3/24 Consolidated Results by Business Segment

Doshisha's 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.

Sales rise in Product Development Model Business, but Wholesale Model Business weak

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

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



< Product Development Model Business – Highlights >

- Foods: Amid continued price hikes, demand is strong from single price retailers and discount stores for OEM products.
- TVs: 4K-compatible smart TVs that also allow users to watch streaming services are registering firm sales.
- Apparel: Developed in partnership with customers, T-shirts and homewares with popular anime character designs are seeing strong growth.

< Wholesale Model Business – Highlights >

> As noted at the start of this report, sales declined because the operating environment forced the Company to focus on selling products in certain profitable categories. However, the following categories performed well:

- Famous brands: Smartwatch sales are strong.
- Gifts (NB processing): Products featuring popular game characters are selling well as prizes for game arcades and other amusement facilities.

Consolidated Forecasts for FY3/24

No revisions to forecasts released on May 10, 2023

Consolidated (¥ million)	FY3/23			FY3/24			YoY	
	1H	2H	Full year	1H	2H	Full year	Change	Pct. Change
Net sales	52,404	53,305	105,709	51,860	59,139	111,000	5,290	5.0%
Product Development Model Business	26,223	28,553	54,777	27,593	31,406	59,000	4,222	7.7%
Wholesale Model Business	23,414	23,239	46,654	22,297	25,702	48,000	1,345	2.9%
Others	2,766	1,512	4,278	1,969	2,030	4,000	-278	-6.5%
Gross profit	14,231	14,434	28,666	14,984	16,215	31,200	2,533	8.8%
SG&A expenses	10,392	10,221	20,613	10,717	11,482	22,200	1,586	7.7%
Operating income	3,839	4,213	8,052	4,266	4,733	9,000	947	11.8%
Ordinary income	3,954	4,387	8,342	4,384	4,615	9,000	657	7.9%
Net income	2,641	2,979	5,621	2,931	3,168	6,100	478	8.5%

There are no changes to our full-year consolidated forecasts – net sales of ¥111.0 billion (+5.0% year on year) and ordinary income of ¥9.0 billion (+7.9%).

◆ Medium-term Business Plan (FY3/23-25) Progress Update

On May 9, 2022, we released a new medium-term business plan covering the period from FY3/23 to FY3/25.

Please click on the link below for more details.

<https://www.doshisha.co.jp/dcs/wp-content/uploads/2022/07/22-05-20-2.pdf>

>> Growth Strategy [Capture Opportunities: Initiatives in Tune with Current Trends]

We are implementing initiatives in line with current trends, such as “growth in inbound demand” and “rising prices and cost-of-living pressures.” For “growth in inbound demand,” we are supplying products that are in high demand among visitors to Japan, such as carrying cases, cosmetics, and food and confectionery.

For “rising prices and cost-of-living pressures,” we are developing sales area proposals based on ideas and themes that appeal to current consumer sentiment. For example, in the area of “energy efficiency and power saving,” we offer ceiling circulators to improve heating efficiency and compact heaters for personal use, and in the area of “value and affordability,” we provide mass-appeal cosmetic lines, confectionery, and gift packs with a range of seasonings and edible oils from different manufacturers at reasonable prices. These products are proving popular with many of our customers in various retail formats.

[Leveraging Our Strengths: Product Development Capabilities x Positive Customer Contact]

We conducted in-depth research into the brand reputation of US Polo Assn, which is the official brand of the US Polo Association and is handled by Doshisha in Japan. The results of our research indicated an effective strategy would be to target women in their teens and early 20s from the standpoint of “everyday use” and “fashionable but also wearable.” Initially, Doshisha only handled US Polo Assn apparel, but by leveraging our wide range of product planning and development capabilities based on the sales strategy derived from our research, we expanded the product lineup to include bags, watches and accessories.

Previously, the main sales channel was physical stores, but we are now expanding into the online space backed by consumer-focused marketing strategies. As a result, compared with FY3/19, we have increased the number of SKUs deployed by 2.6 times to roughly 8,000 and expanded sales 2.5 times, making US Polo Assn a promising brand.

This is just one of the many initiatives in our growth strategy, and we are aiming for further business expansion by flexibly reconfiguring our product portfolio to target markets with growth potential.

>> ESG Strategy < Sustainability Initiatives >

We have established Doshisha’s Sustainability Policy, Sustainability Promotion Framework and Five Materialities. Guided by these documents, we aim to help realize a sustainable society by implementing initiatives that solve a range of issues. In addition, our Human Capital Strategy sets numerical targets for FY3/25 related to diversity and work style reforms, which we are now working to achieve.

Sustainability Initiatives

Helping to create a sustainable society by sustainably increasing corporate value

Sustainability Policy	Guided by our management philosophy and code of conduct – the Company’s Founding Spirit, Company Motto and Four Positives Spirit – we will engage in business activities that consider the global environment and lead to coexistence with society.
Sustainability Promotion Framework	We have established a Sustainability Promotion Committee , chaired by Masayuki Nomura, Doshisha’s President, CEO and COO. The committee is comprised of nominated members in executive officer roles or higher positions. The committee is responsible for discussing and deciding on issues related to sustainability, risk and compliance.
Five Materialities	We have identified and are working to address the following five materialities from the perspectives of "impact on society, the environment and the economy," "shareholder expectations" and "the Doshisha way." (1) Help people lead richer lives by providing unique and exciting experiences (2) Promote environmentally friendly business activities (3) Coexist with and contribute to society (4) Create a passionate, resilient company and human resources (5) Enhance corporate governance.
Key Indicators	Under our human resources strategy, we will work to attain the following FY3/25 targets related to diversity and work style reforms. <ul style="list-style-type: none">● Ratio of women in career track positions: 16.0% or more● Average overtime hours: 13 hours or less● Annual paid leave utilization rate: 70% or more● Male parental leave utilization rate: 50% or more

For more details, please visit the sustainability section on our website (Japanese only)

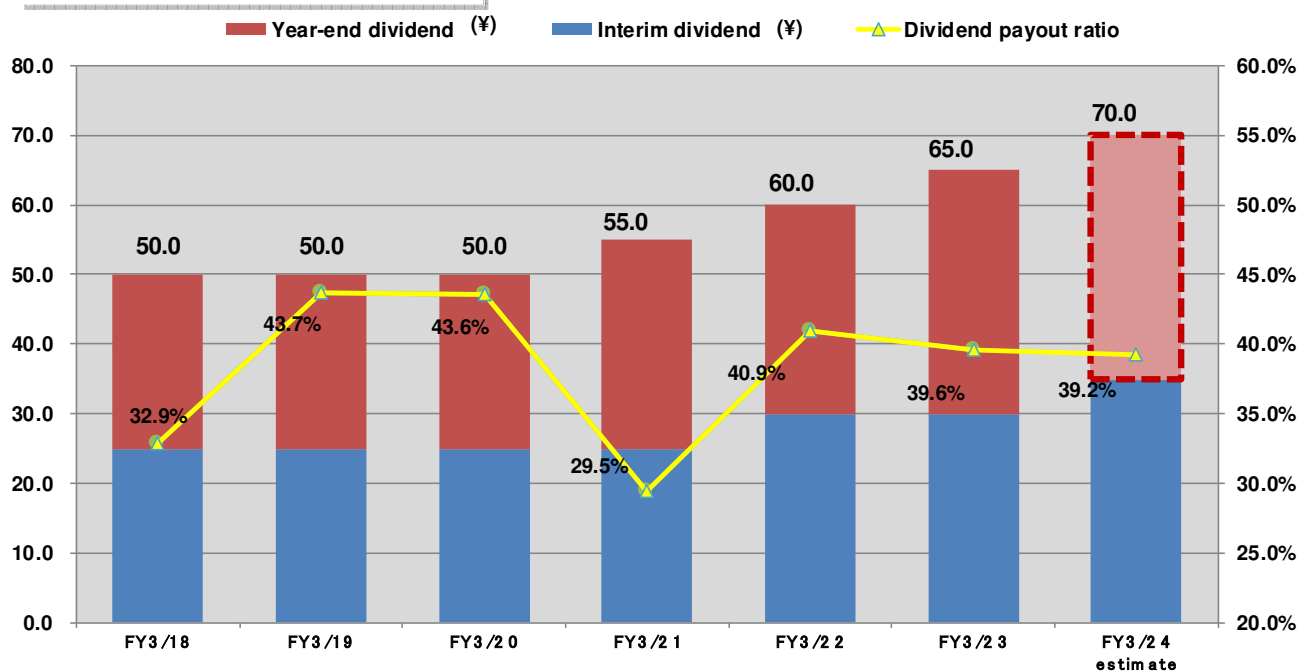
<https://www.doshisha.co.jp/lp/sustainability/>

>> Balance Sheet Strategy

< Returning Profits to Shareholders: Dividend Increase >

Returning profits to shareholders ⇒ Increased dividend

Dividend per share



(¥)

	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24 estimate
Interim dividend (¥)	25.0	25.0	25.0	25.0	30.0	30.0	35.0
Year-end dividend (¥)	25.0	25.0	25.0	30.0	30.0	35.0	35.0
Total	50.0	50.0	50.0	55.0	60.0	65.0	70.0
Dividend yield	2.0%	2.9%	3.9%	2.9%	4.0%	3.4%	-
Dividend payout ratio	32.9%	43.7%	43.6%	29.5%	40.9%	39.6%	39.2%

As announced on May 10, 2023, the FY3/24 interim dividend is ¥35 per share, an increase of ¥5, and the year-end dividend will be ¥35 per share. As such, the Company plans to pay a full-year dividend of ¥70 per share, an increase of ¥5 from the previous fiscal year.

In addition to paying a consistent and stable dividend, we are working to increase shareholder value over the medium and long term by implementing the growth strategy, balance sheet strategy and ESG strategy in our medium-term business plan in order to secure support for our management philosophy and business model and satisfy the growth expectations of our investors.

(November 2023)