

Message from the Chairman

Inheriting the spirit of our founder, we remain committed to enhance our corporate value, balancing both economic and social value.



Unifying business and morals: an approach we have valued since our founding

This fiscal year, Duskin will be celebrating its 60th anniversary. On this occasion, first and foremost, I would like to extend my appreciation to our customers, our shareholders, our franchisees, business partners and our employees for your ongoing support.

What I have always valued in the management of our company is to think about how our founder, Seiichi Suzuki, thought about sowing the seeds of joy and launched a business based on the philosophy of Prayerful Management. Our founder took the leadership to do something that would make people happy and that would benefit society as a whole, spreading his business philosophy both inside and outside the company. The idea here is that a company's profit comes only as a result of how it has served others. Duskin does not put making money first, though we understand that we do have to achieve an appropriate profit level. At present, we are engaged in a variety of different businesses, and if we think of these businesses as the growing branches and leaves of a tree, then Prayerful Management can be likened to the trunk. Never losing the philosophy and spirit of our founder, our enduring

commitment is to continue to be a corporate group that shares this philosophy.

At the present time, from the perspective of sustainability management, it is considered important to generate both economic and social value at the same time. At our company, this has been true since our founding. We have pursued an approach of unifying business and morals. By morals, we mean that we can achieve a sustainable society if we all have kindness and consideration of others. These kinds of values are universal, regardless of time period and generation. Meanwhile, business must continue to generate value to respond to the changing times; otherwise, we will be left behind. In other words, by unifying morals, which must remain unchanged, and business, which must change, we engender the utmost in corporate value.

Through ongoing collaboration with our stakeholders, who agree with our corporate philosophy, and by striving to unify business and morals, we are working toward more sustainable growth as well as boosting our medium to long-term corporate value.

A focus on achieving the Long-Term Strategy ONE DUSKIN

Three years after I became President and on the 50th anniversary of our founding, we announced the ONE DUSKIN concept. At the time, our business divisions were vertically structured. That structure had its own advantages, but we began to believe that if we could generate a multiplier effect as a united single group, we could create even more value toward our goal of being the most attentive service provider in the world.

Since then, we have implemented ONE DUSKIN initiatives, with our franchisees at the forefront. More recently, during the coronavirus pandemic, our Clean Service, Care Service and Rent-All business franchisees came together to offer Event Hygiene Services.

To be honest, we can say that ONE DUSKIN corresponds to the eighth station of a mountain. One issue we are working to address is synergy between the

Direct Selling Group and the Food Group. If we are able to increase synergy between these two, our company will continue to gain in strength. Our goal now is to climb the remaining two stations to the summit. We will continue to maintain the same humble attitude and sense of gratitude to our stakeholders as in the past and will remain focused on responding to social issues and sustainably enhancing our corporate value, while placing priority on our core concept of unifying business and morals.

In closing, I would like to thank you for your continued support.

山村輝治

Teruji Yamamura
Board Director and Chairman

Message from the President



At the turning point of our 60th anniversary, our goal is to bring our concept of sowing the seeds of joy to more of the world and to further develop as a company

Our company's annual motto for the fiscal year ending March 31, 2024 is "Serving customers with sincerity for 60 years, may we — each and every one of us — eagerly think, act and sow the seeds of joy." As we come upon our 60th anniversary, we are returning to our company's founding philosophy of sowing the seeds of joy. This means that the entire Duskin Family, including our franchisees and production and logistics facilities will be united in committing ourselves to living up to our annual motto and our founding philosophy. With each of us having his or her own clear goals and thinking and acting on his or her own initiative, we answer to the expectations of all of our stakeholders, thereby raising corporate value.

Despite the difficult business environment, Duskin has demonstrated its organizational cohesiveness and ability to take action over the past year

Over the coronavirus pandemic of the past few years, the Japanese economy was hindered by restrictions on business activities, greatly impacting the economy. Other factors include the protracted war between Russia and Ukraine, rising energy and raw materials prices, and unstable exchange rates, all of which have impacted revenues. As our company has continued to face difficulties, we have come to realize how much solidarity we really have and how good we are in terms of our ability to take concerted action to tackle these difficult circumstances. Those who work at our franchisees, our employees and everyone who has any relationship with our company share in our philosophy of sowing the seeds of joy — which we have valued ever since we were established — as we work to resolve our issues. As a result, even though it was a difficult year, all of our business segments saw increased revenue. We were reminded that this ability to have a shared philosophy and take action is truly a major asset for us.

Prices on our major products of the Direct Selling Group, mops and mats, were updated for the first time in approximately 30 years in July 2022. Visiting our customers and building communication with them in person helped our customers to understand the reasons

for the price increases. Regarding Mister Donut products, prices were revised twice in 2022 — in March and November. Friendly and welcoming, face-to-face customer service that we have continued to provide at our shops appeared to resonate with our customers, with most of them understanding why the change was necessary. We very much appreciate this.

The Medium-Term Management Policy 2022 initiatives are making progress working together with franchisees. The Direct Selling Group has already achieved the goal of raising the share of antibacterial and antiviral products and services — the Group's most important area — to 55% of the total Direct Selling Group sales in 2023, first year of the plan that was originally targeted for the fiscal year ending March 31, 2025. As for our Mister Donut business in the Food Group, new products such as for MISDO Meets, which is a collaborative development project with various popular brands possessing the highest standard of ingredients and manufacturing skills, are consistently performing well. In addition, a larger number of shops are now in operation mainly due to new shop openings, resulting in higher sales and operating profit than the previous year.

Striving for better customer experience, both in-person and digital

With a view to boosting customer service, we are focusing on digital technologies as a means of bolstering customer experience (CX), not only at the time the product or service is provided, but also prior to and subsequent to purchase.

The Direct Sales Group operates a website for customers called DDuet, which has over 1.5 million members. Customers can not only place orders from the site, but also use the MyPage feature of the DDuet application, which shows the customer products and services that may be of interest to them. At the Food Group, we have introduced MISDO online ordering services for Mister Donut. Customers can use this system via smartphones or other devices to place orders ahead of time, which saves them the time to wait to check out. Through these kinds of measures, in which we combine our personal selling techniques with the ability to accommodate customers 24 hours a day with digital technologies, we believe we can identify new points of interaction and relationships with customers.

Challenging ourselves to create new growth opportunity in Japan and overseas

As of last year, the company has been accelerating investment with a view to generating new growth opportunities. As of February 2022, we have been testing our emergency locksmith service in the Kinki region under our new brand Duskin Rescue. This is part of our service to address problems in our customers' daily lives. In addition, in November of the same year, we entered into a business partnership agreement with Qracian Co., Ltd., a company providing emergency water leak repair services, and invested in its holding company. Having judged that the two companies' businesses share some common features, we decided on this investment as a means of providing services to new customers.

Our goal is to generate value beyond the conventional business framework through various combinations of businesses and services. For example, we may combine our cleaning and key replacement services with Qracian's plumbing services for people relocating.

In addition, regarding our overseas strategies, we have our eyes on the post-COVID era, as we work to cultivate

At the Direct Selling Group, in addition to focusing on the application of digital technologies, we are also increasing opportunities for direct interaction with customers. In the fiscal year ended March 31, 2023, we newly established dedicated sales teams totaling approximately 250 people, working to expand into household markets. Over the past few years, the number of mop product contracts trended downward, but the work of the dedicated sales teams at company-owned sales offices and affiliate companies has proved that it was effective in increasing the number of contracts on a net basis. Based on these developments, we plan to adopt this initiative at our franchisees nationwide, not only for mop sales for households but also for commercial markets.

In addition, at Mister Donut of the Food Group, we are stepping up kitchenless locations, particularly in metropolitan areas. Comparing to conventional shops with kitchens, this setup conserves space at shops, which saves on shop opening and other costs. This trend is projected to accelerate the growth in new shop launches.

new seeds of growth. Specifically, we have established a master franchise contract for our Mister Donut business in Singapore with R E & S Enterprises Pte Ltd and are currently developing this business in the country. In addition, in Taiwan, we have implemented a home cleaning and helper service.

In addition, we are setting up an e-commerce site for overseas customers. We will be re-approaching the vast market of China, now that the country has loosened its strict means of eliminating the coronavirus. As for the Southeast Asian nations, some areas now have higher income levels than Japan, and there are significant market needs. We are considering which products and services we can present to different groups of customers in the different countries and areas of the region.

We have high expectations of our overseas business in the sense that we are moving ahead with initiatives based on the ONE DUSKIN long-term strategy — the same as domestically. Along with expansion of our overseas Clean Service, we are also focusing on our Care Ser-

vice business. By bringing the ONE DUSKIN concept to the world, we are always looking for possibilities for expanding our business.

Meanwhile, boosting productivity with DX has become a major issue. Within fiscal year ending March 31, 2024, we will attach all of our approximately 31 million mop and mat rental products with RFID to improve efficiency of tally and inventory-taking operations by reducing the number of manual operations. Most of the cost associated with RFID are recorded as cost. Although revenues may fall temporarily due to these measures, I hope our stakeholders understand it is in fact a crucial strategic investment designed to encourage growth as well as helping to mitigate the impact of a projected decline in the number of workers over the mid to long term.



Stepping up human capital management, we boost our personnel base for sustainable growth

With a view to sustainable growth over the mid to long term, we are in the process of devising a new vision and working to boost sustainability management.

Building our personnel base is an especially important topic for Duskin. From the perspective of human capital management, we are taking steps to strengthen the personnel base for the future of our company. We revised our personnel system in April 2022. Under this new system — with the goal of helping employees who want to take more responsibility in their work to be more motivated and shape their careers, we have incorporated a new promotion system where employees who have worked for us for at least two years can work in management regardless of age or job grade. We are also creating a corporate environment where any employee can take on challenges, such as submitting ideas pertaining to new business, DX and CX.

As for diversity and inclusion, we have set goals and are taking actions. From the time our company was established, our objective has been to create an organization where anyone can play an active role regardless of age or gender, and with or without physical disabilities. We

work to create an environment where our employees respect each other's values and different approaches, and where employees are evaluated and compensated fairly, as well as where they can fully manifest their skills and experience.

Meanwhile, regarding environmental issues, we have established the Duskin Green Targets with our sights set on 2030. These targets are reviewed annually as we monitor our progress. We also observe all corporate governance code requirements. In the future, whenever we review this code, we will respond with sincerity, taking the appropriate responsibility as a listed company.

Our Medium-Term Management Policy 2022 initiatives represent the conclusion of the ONE DUSKIN as a long-term strategy. All of the businesses in our Group work together to offer a friendly and welcoming response to customers, and to that end we are steadily implementing the initiatives stipulated in our business policy. We wish to thank all of you our stakeholders, for your unwavering support.

天久保裕行

Hiroyuki Okubo
Representative Director,
President and CEO