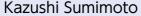
# **Together with Our Customers and Franchisees**

# **Direct Selling Group**

The Direct Selling Group will continue to evolve by expanding and further enriching its full-range of businesses, spanning the three areas of work-life management, senior support and hygiene and cleanliness. In addition, each of our businesses, including the mainstay Clean Service, will literally work together as ONE DUSKIN as we strive to become close, lifelong partners of our customers in an effort to find solutions to the daily concerns they have.



Board Director and COO Direct Selling Group



# **Environmental analysis**

### **Risks**

- Rising raw fuel prices
- Stricter legal regulations pertaining to direct selling
- Labor shortages due to a shrinking labor force
- Emergence of a sharing economy for services such as cleaning and housekeeping

# **Opportunities**

- Systemization of hygiene control in accordance with HACCP
- Value shift from ownership to use
- Increased demand for service providers including cleaning and helper services
- Increased needs for in-home nursing care and preventive care for frailty
- Recovery of inbound tourist spending

# **Duskin's strengths**

- Customer base of approximately 4.06 million households and 1 million business locations in the Clean Service business
- A network of community-based franchisees and product delivery systems
- Advantage of having several different businesses with cross-selling opportunities within the Direct Selling Group
- Customer trust and confidence in the Duskin brand

### **Business results overview**

As our mainstay Clean Service business introduced the framework of sales teams dedicated to sales visits to households at our company-owned sales locations and affiliated companies, the number of customers in those sales channels began to increase during the previous fiscal year. This framework of sales teams is now being introduced to franchisees, where they are also achieving results in winning new customers. In addition, the number of Clean Service orders received through our website and other digital channels increased; and, as a result, the decline in the number of customers narrowed.

In Care Service, customer-level sales of ServiceMaster (professional cleaning services) grew thanks to healthy sales of air conditioner cleaning services, while the periodic services of Merry Maids (home cleaning and helper services), Terminix (pest control and comprehensive hygiene management), and Total Green (plant and flower upkeep) recorded solid growth.

Event orders for Rent-All are returning to their pre-pandemic level. Rent-All also focused on expanding its disaster response support service, which provides support for supplying local governments the supplies and equipment they need should a disaster strike. Among other businesses, cosmetic business sales declined, while Health Rent (rental and sales of assisted-living products) continues to record solid sales and uniform-related businesses and Life Care (support services for seniors) also increased sales.

# Net sales Billions of yen 120.0 — 111.0 105.3 107.1 108.4 107.4 110.0 90.0 — 60.0 — 30.0 — 0 2020 2021 2022 2023 2024 2025 Years ended (Target) Warch 31 Note: Segment sales include intersegment sales.

# Operating profit and operating margin



# Medium-Term Management Policy 2022 initiatives

The Medium-Term Management Policy 2022 focuses on three domains: the work-life management domain, which helps workers and their families create more spare time and live more fulfilling lives, the senior support domain, which now includes services for the early elderly and the active elderly, and the hygiene and cleanliness domain, which leverages Duskin's many decades of cleanliness expertise. Work-life management in particular is expanding its domain by cultivating new areas of business, such as the Duskin Rescue emergency locksmith service. Moreover, as a way to build relationships with new customers, we are introducing new cartoon and other popular character merchandising to expand our customer touchpoints. In addition, to strengthen connections with existing customers, we operate DDuet, a members-only website with a function that can suggest products and services customized for each member. Through initiatives like these, we are focusing on enhancing the customer experience.

# **Three Priority Domains**

# Work-life management

Creating time and fulfilling lives for workers and their families

# Senior support

In addition to the existing domain, expand service menu to market not covered by the Long-Term Care Insurance System

# Hygiene and cleanliness

Develop and supply high value-added products endowed with hygiene and other features and functions

# **Five Strategies**

# 1. Organizational strategies

Build a framework to have dedicated sales teams for residential customers and have franchisees adopt that framework

Focus on further strengthening of face-to-face customer relationships and build a framework designed to cultivate new customers. Have franchisees adopt that framework after achieving positive results at our company-owned sales locations and affiliates.

# 2. CX strategies

Enhance the customer experience with a full range of digital channels, including generative AI, e-commerce, SNS and apps

Strengthen our framework for providing accurate information and solutions tailored to customer needs and situations by expanding the use of such information channels as e-commerce and SNS and by strengthening the use of digitally based customer communication.

# 3. Location strategies

Build a system for supplying services based on opening new locations in response to market demand Enhance the existing service

supply network by focusing on Care Service, which provides house cleaning and domestic helper services —a market expected to grow due to growing demand, and senior care services that provide nursing and rental of assisted-living products.

# 4. Production and logistics strategies

Increase efficiency and save manpower by introducing RFID tags and smart factory technologies

sting service
by focusing on
nich provides
and domestic
—a market
w due to growd senior care serle by focusing on
nology to increase efficiency and
save manpower. Raising productivity frees up time and human
resources that can be devoted
to strengthening customer
communication.

### Information and distribution reforms

Achieve better communication by leveraging our strength in face-to-face customer communication and also by proactively using new digital technology.

5. Product/service development strategies

Develop products, services and businesses that meet customer needs and contribute to solving social issues Develop products, services and businesses based on a careful consideration of the daily living needs and concerns of consumers. Moreover, focus on developing senior support products and services that contribute solutions to the issues faced by an aging society.

# Customer-level sales (Years ended March 31)

	Billions of yen	2020	2021	2022	2023	2024
Clean Service	For residential customers	87.4	84.0	82.1	81.7	79.3
	For commercial customers	94.6	90.5	90.1	91.8	90.4
Care Service	ServiceMaster	29.6	30.0	32.0	32.1	33.1
	Terminix	8.6	8.2	8.4	8.9	9.3
	Merry Maids	11.2	10.8	11.6	11.7	12.0
	Total Green	2.8	3.0	3.3	3.6	3.9
	Home Repair	0.1	0.2	0.2	0.2	0.2
Senior Care	Health Rent	10.5	11.4	12.4	13.3	14.0
	Duskin Life Care	2.0	1.8	2.2	2.2	2.1
Others	Rent-All	14.6	4.8	14.8	16.3	15.1
	Health & Beauty	2.5	2.0	2.1	2.0	1.8
	Azare Products	3.2	2.7	2.7	2.7	2.8
	Uniform Service	3.3	3.0	3.1	2.8	3.0

The above sales figures represent total sales for our domestic company-owned sales locations and subsidiaries, as well as projected sales for our franchisees. These figures are for reference purposes.

16 CORPORATE REPORT 2024 CORPORATE REPORT 2024 17

# **Together with Our Customers and Franchisees**

# **Food Group**

Guided by its slogan "something good's gonna happen," Mister Donut, the Food Group's core business, strives to provide delicious taste and fun at shops "where anyone and everyone can enjoy a good time every time." Efforts to make shops even more convenient and inviting include opening shops in new types of locations and introducing online ordering. Mister Donut is also focusing on merchandizing, such as product tie-ups with other companies. In addition to these business-related initiatives, we are contributing

to environmental preservation, clarifying its reduction targets for

plastic usage, food loss and waste and CO2 emissions.

Tetsuya Wada

Board Director and COO

Food Group



# **Environmental analysis**

### Risks

- Improved product appeal at our competitors, such as convenience stores and volume retailers
- Demand for health consciousness and changes in consumers' attitude toward donuts
- Rapid rise in the price of flour and other ingredients, store utility costs, fuel and other production cost

# Opportunities

- Expanding business opportunities with services that address changes in lifestyles
- Customer acquisition through MISDO Meets and other collaborative projects

# Mister Donut's strengths

- Support from our customer base as the number-one donut brand with more than 50 years in the business
- Accommodating demand for takeout
- Customer touchpoints through a franchise network of nearly 1,000 shops
- Market recognition for providing a superior CX and marketing capabilities through such measures as joint product developments with other brands and limited time offers to create a buzz

# **Business results overview**

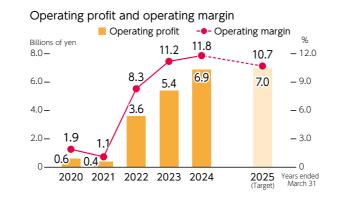
The Food Group posted increases in both sales and profits, as the mainstay Mister Donut business continued to perform well. At Mister Donut, both customer traffic and sales per customer increased. Mister Donut also saw an increase in raw material and royalty sales as the number of shops in operation increased due to new shop openings.

By product, commemorative campaign products for long-selling, mainstay products, MISDO Meets products developed jointly with other companies and the MISDO GOHAN series catering to the consumer demand for light meals all enjoyed strong sales. In addition, seasonally limited products and collaborative products incorporating popular characters from other brands have also become popular staples among customers, contributing to these solid results.

Among other Food Group businesses, sales increased for Katsu & Katsu pork cutlet restaurants, while Pie Face pie specialty shop discontinued business as of March 31, 2024.

# 

Note: Segment sales include intersegment sales.



# Medium-Term Management Policy 2022 initiatives

In order to give customers even more reasons to use our products and services, for a three-year period starting from the fiscal year ended March 31, 2023, Food Group core business Mister Donut is promoting the popular and jointly developed MISDO Meets series as well as seasonal products. Moreover, in addition to existing shops, our shop opening strategy is focusing on locations where we have yet to open shops, including shops with drive-through service in suburban locations and kitchen-less shops inside train stations. What's more, in order to provide our customers with new service value, we are reorganizing our information and distribution by improving our online ordering system, expanding the number of shops with delivery service and introducing product pickup boxes.

# Continue to Provide Delicious Taste and Fun

# New business model development

Develop new business models that cater to different locations, customer base and needs than the existing brands.

# Strengthening of the current value chain

Realize in-house processing of key raw materials and in-house distribution in existing businesses.

### Merchandising

Create new products and sales opportunities leveraging the brand.

# Improve Convenience of Existing Businesses

Information and distribution reforms

Achieve better communication by leveraging our strength in face-to-face customer communication and also by proactively using new digital technology.

# Product/service development strategies

Motivate customers to purchase our products more often



Mistersonus

Kitchen-less shops inside train stations

# 2. Location strategies Open shops in suburbs and urban areas Add



Suburban drive-through



formation and distribution reforms

### Food Group

### Major initiatives planned

- Comfortable work environments
   Acquire human recourses through
- Acquire human resources through enhanced productivity
- Develop new businesses
   Develop Italian Postauran
- Develop Italian Restaurant Napoli No Shokutaku and work on a franchise package for the business

  Information and distribution reforms
- Use digital tech to respond to such customer concerns as "no shop nearby," "doesn't have what I want" and "want to buy but have to wait"





Left: Napoli No Shokutaku Right: Katsu & Katsu

# Mister Donut

### Major initiatives planned

- Develop new products that motivate customers to visit a shop
   Develop plans for new shops that meet customer and franchisee expectations, and open such shops.
- Apply digital media (apps, SNS) to expand customer contact points and increase customer satisfaction





Mister Donut smart phone app

# Customer-level sales (Years ended March 31)

Billions of yen	2020	2021	2022	2023	2024
Mister Donut	77.1	78.0	92.9	105.5	124.8
Katsu & Katsu	1.7	1.6	1.6	1.7	1.8
Others	0.7	0.4	0.4	0.06	0.03

Katsu & Katsu Co., Ltd. is a subsidiary of Duskin Co., Ltd.

18 CORPORATE REPORT 2024 CORPORATE REPORT 2024 19

# **Together with Our Customers and Franchisees**

# **Overseas and Other Businesses**

The Other Businesses segment include two overseas consolidated subsidiaries: Duskin Shanghai Co., Ltd., which operates a rental and sale of dust control products business in China, and Big Apple Worldwide Holdings Sdn. Bhd., which develops overseas donut businesses, mainly in Malaysia. The segment also includes two Japanese consolidated subsidiaries that do not operate franchises: Duskin Kyoeki Co., Ltd., a leasing and insurance agency, and Duskin Healthcare Co., Ltd., which provides medical facility management services.

# Business environment analysis

### Risks

### Overseas businesses

- · Each country has different lifestyles and eating habits
- Stricter import/export regulations
- Overseas political instability
- Exchange rate risks
- Shortage of human resources with a global perspective

# **Duskin Healthcare**

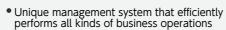
- Revision of medical care-related rules and regulations
- Intensifying hospital cleaning market competition

# **Opportunities**

- Economic growth of developing countries in Asia
- Increasing population of developing countries of Asia
- Trusted reputation of Japanese
- Widespread use of Internet shopping
- High hygiene awareness
- Rising medical care demand in an aging society
- Deepening mutual trust between Duskin and hospitals/ elder care facilities

# Strengths

- Robust franchise system
- Duskin's high name recognition in Japan
- Able to apply the know-how gained in domestic business to overseas operations
- Product and service development capabilities bolster competitiveness



• Comprehensive management providing a full range of services through permanent staffing and dispatching of personnel to hospitals and care facilities

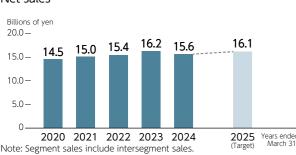
# **Business results overview**

Despite increased domestic consolidated subsidiary sales, sales decreased for the Other Businesses segments due to a decrease in sales of overseas businesses. Operating profit also decreased due to the lower gross profit as a result of declined sales and due to such factors as higher domestic consolidated subsidiary personnel costs.

Domestic consolidated subsidiaries Duskin Healthcare Co., Ltd. and Duskin Kyoeki Co., Ltd. both increased sales, but higher cost of sales and expenses due to such factors as higher personnel costs resulted in decreased profits for both.

Among overseas businesses, Duskin Shanghai Co., Ltd. recorded decreased sales, while Big Apple Worldwide Holdings Sdn. Bhd. recorded decreased sales due to fewer customers visiting shops due to changes in customer behavior as the coronavirus pandemic subsided. As a result, sales were lower than the previous fiscal year.

# Net sales



# Operating profit and operating margin



# Medium-Term Management Policy 2022 initiatives

Among Duskin's overseas companies, Duskin Hong Kong Co., Ltd. was our base for expanding into China and mainly handled the trade of raw materials and of equipment and supplies for Duskin. Going forward it has been decided to relocate Duskin Hong Kong's trading functions to Japan and to dissolve the company in order to improve business efficiency and profitability.

In the meantime, to further expand our business overseas, Duskin has decided to expand the Mister Donut business to Singapore and Hong Kong by concluding master franchise agreements in both regions. Looking ahead, we intend to continue expanding the business, with a focus on southeast Asia. In addition, we have launched a business specializing in housecleaning services in Taiwan and opened an official online shopping site featuring household cleaning and hygiene products targeting five regions—Australia, Korea, Singapore, Thailand and Hong Kong—as part of our effort to strengthen our overseas business.

RE & S Enterprises Pte Ltd, with whom we concluded a master franchise agreement for the Mister Donut business, opened two Mister Donut shops in Singapore.





Left: First Mister Donut shop in Singapore Right: Second Mister Donut shop in Singapore

Introduced a household cleaning service in Taiwan, as a service to help consumers achieve an even more pleasant lifestyle.





Signing the household cleaning service

Training in Taiwa

### Duskin

Providing comprehensive cleaning and hygiene services centered around our dust control business in two regions



# Mister Donut

Providing delicious donuts together with our corporate partners, mainly in Asia



DUSK!N

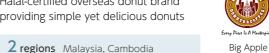
Dust Control

Care Service

# **5** regions Thailand, Philippines, Taiwan, Indonesia, Singapore

# Big Apple

Halal-certified overseas donut brand providing simple yet delicious donuts







\*As of December 2023

At Duskin Healthcare Co., Ltd., our goal is to provide medical and nursing care facilities with comprehensive hygiene management solutions that are both safe and reliable. Our solutions help solve human resource shortages and prevent accidents at medical and nursing care facilities. The company is also working to improve work efficiency and quality through such measures as digitalizing tasks and introducing cleaning robots. In addition, 2024 is Duskin Healthcare's 40th year, and to commemorate this milestone, we will mark the year by renewing our commitment to practicing our guiding philosophy of doing business that "unifies business and morals."



# Customer-level sales (Years ended March 31)

Billions of yen	2020	2021	2022	2023	2024
Dust Control and Care Service	5.4	5.3	6.4	7.5	8.1
Mister Donut	14.4	11.3	12.1	16.0	18.9
Big Apple	1.2	1.1	1.5	2.0	1.9
Duskin Healthcare	8.3	8.4	8.5	8.6	8.8

Note: Overseas customer-level sales figures are totals for January through December in order to align with the fiscal years of consolidated overseas

20 CORPORATE REPORT 2024 CORPORATE REPORT 2024 21