

Summary of Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2023 (Japanese Standards)

All information contained in this document has been prepared in accordance with generally accepted accounting principles in Japan.
This document has been translated from the Japanese original for reference purpose only.

August 5, 2022
Shares listed: Tokyo

Company name: Duskin Co., Ltd.

Code number: 4665 URL: <https://www.duskin.co.jp/corp/index.html>

Representative: Hiroyuki Okubo, Representative Director, President and CEO
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Scheduled date for release of quarterly report: August 12, 2022

Scheduled date of dividend payment commencement: -

Preparation of additional financial results materials: No

Holding of quarterly financial results meeting: No

(Amounts less than one million yen are dropped.)

1. Consolidated financial results for the period from April 1, 2022 to June 30, 2022

(1) Results of operation

(Percentages indicate the change against the same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
3 months ended June 30, 2022	40,940	3.7	2,674	-2.7	3,345	-1.0	2,059	-9.0
3 months ended June 30, 2021	39,461	9.4	2,748	246.3	3,379	155.9	2,263	-

Note: Comprehensive income - June 30, 2022: 2,496 million yen (54.6%), June 30, 2021: 1,614 million yen (202.6%)

	Profit per share	Profit per share (fully diluted)
	yen	yen
3 months ended June 30, 2022	41.66	41.64
3 months ended June 30, 2021	45.87	45.84

(2) Financial positions

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
As of June 30, 2022	192,162	150,902	78.3
As of Mar. 31, 2022	198,055	151,026	76.1

Reference: Shareholders' equity - June 30, 2022: 150,547 million yen, March 31, 2022: 150,661 million yen

2. Dividends

	Dividends per share				
	End of 1st Q	End of 2nd Q	End of 3rd Q	Year-end	Total (annual)
	yen	yen	yen	yen	yen
Year ended Mar. 31, 2022	-	30.00	-	53.00	83.00
Year ending Mar. 31, 2023	-				
Year ending Mar. 31, 2023 (Forecast)		40.00	-	41.00	81.00

Note: Revision of forecast for dividend recently announced: No

3. Forecast of consolidated financial results for the FY2022 (April 1, 2022 - March 31, 2023)

(Percentages indicate the change against the same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
First half (cumulative total)	81,900	2.1	4,000	-37.0	5,000	-33.4	3,500	-32.4	70.80
Year ending Mar. 31, 2023	170,000	4.2	7,800	-21.2	9,600	-21.4	6,600	-18.8	133.51

Note: Revision of forecast for consolidated financial results recently announced: No

Notes

(1) Changes in significant subsidiaries during the period

(Changes in specific subsidiaries resulting in an adjustment to the scope of consolidation): None

(2) Adoption of special accounting methods for preparation of quarterly consolidated financial statements: Yes

Please refer to 2. Consolidated financial statements (3) Notes to consolidated financial statements (Adoption of special accounting methods for preparation of consolidated financial statements) on page 9.

(3) Changes in accounting principles and estimates, and retrospective restatements

1. Changes due to revision of accounting standards: Yes

2. Changes other than 1, above: None

3. Changes in accounting estimates: None

4. Retrospective restatements: None

Please refer to 2. Consolidated financial statements (3) Notes to consolidated financial statements (Changes in accounting policies) on page 9.

(4) Number of shares issued (Common stock)

1. Number of shares issued at the end of the period
(including treasury shares)

3 months ended June 30, 2022: 50,994,823	Year ended Mar. 31, 2022: 50,994,823
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2. Number of treasury shares at the end of the period

3 months ended June 30, 2022: 1,537,378	Year ended Mar. 31, 2022: 1,559,747
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3. Average number of shares outstanding during the period

3 months ended June 30, 2022: 49,440,865	3 months ended June 30, 2021: 49,345,755
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This summary of financial statements is exempt from the quarterly review by certified public accountants or audit corporations.

Explanation regarding the appropriate use of business forecasts

(Note for the financial forecast)

The financial forecast contained in this report is based on information available at the time of preparation of the report and certain assumptions considered reasonable, and thus Duskin makes no warranty as to the achievability of the forecast. Readers are advised that actual results may differ significantly from the forecast.

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1. Qualitative information

(1) Business results

In the first three months of fiscal 2022 (April 1 to June 30, 2022), the Japanese economy showed signs of recovery, albeit moderately, as economic activities normalized due to a decline in the number of coronavirus cases. A harsh business environment persisted, however, with the outlook increasingly uncertain due to factors such as the prolonged Russia's invasion of Ukraine, the soaring cost of raw materials and crude oil, and the rapid depreciation of the yen.

In this environment, we launched our Medium-Term Management Policy 2022 (fiscal year ending March 31, 2023 to fiscal year ending March 31, 2025), Phase III of the long-term strategy ONE DUSKIN. Under this policy, we pursue greater social value and achieve sustainable growth of the Company by reforming our business portfolios.

Consolidated net sales increased by 1,479 million yen (3.7%) from the same period of the previous fiscal year to 40,940 million yen due to a rise in sales across all business segments. Consolidated operating profit declined by 73 million yen (2.7%) to 2,674 million yen, primarily as a result of increases in the cost of sales and expenses in the Direct Selling Group, despite gross profit growth due to the rise in sales. Consolidated ordinary profit decreased by 34 million yen (1.0%) to 3,345 million yen and profit attributable to owners of parent fell by 203 million yen (9.0%) to 2,059 million yen, partly due to an increase in income taxes - deferred.

(millions of yen)

	3 months ended June 30, 2021	3 months ended June 30, 2022	Increase/decrease	
				%
Consolidated net sales	39,461	40,940	1,479	3.7
Consolidated gross profit	18,494	18,915	421	2.3
Consolidated operating profit	2,748	2,674	-73	-2.7
Consolidated ordinary profit	3,379	3,345	-34	-1.0
Profit attributable to owners of parent	2,263	2,059	-203	-9.0

Result by business segment

Sales

(millions of yen)

	3 months ended June 30, 2021	3 months ended June 30, 2022	Increase/decrease	
				%
Direct Selling Group	26,576	27,089	512	1.9
Food Group	9,856	10,716	859	8.7
Other Businesses	3,825	3,954	129	3.4
Total	40,258	41,760	1,502	3.7
Intersegment eliminations	-797	-820	-22	-
Consolidated net sales	39,461	40,940	1,479	3.7

Sales by business segment above include intersegment sales.

Operating profit (loss)		(millions of yen)			
		3 months ended June 30, 2021	3 months ended June 30, 2022	Increase/decrease	
				-	%
	Direct Selling Group	2,969	2,467	-501	-16.9
	Food Group	710	1,266	556	78.3
	Other Businesses	265	271	6	2.3
	Total	3,945	4,005	60	1.5
	Intersegment eliminations, and corporate expenses	-1,196	-1,330	-134	-
	Consolidated operating profit	2,748	2,674	-73	-2.7

Operating profit or loss above includes intersegment transactions.

i. Direct Selling Group

Sales of the Direct Selling Group increased by 512 million yen (1.9%) from the same period of the previous fiscal year to 27,089 million yen. This was mainly because of higher sales in the Clean Service businesses, the core business of the Direct Selling Group. However, operating profit fell by 501 million yen (16.9%) to 2,467 million yen. This was mainly attributable to an increase in the cost ratio from a rise in an inventory of high-value-added new mats and other items for rent, such as Dust Control and Water Absorption Mats, as well as expenses required to prepare for price revisions from July 1.

Net sales rose from a year earlier in the Clean Service businesses, the core business of the Direct Selling Group, due mainly to an increase in purchases by franchisees in anticipation of price revisions for rental products and some replacements and non-rental products.

Sales to residential markets increased overall, despite lower sales of mainstay mop products, due to a strong performance from small water purifiers (faucet-mount type) and an increase in sales of kitchen sponges, among other sales.

Sales to commercial markets remained almost flat compared with the same period of the previous year, as an increase in sales of high-performance mats with antibacterial and antiviral functions, driven by a high demand for hygiene management, was offset by a decline in sales of items such as Clear Kukan air purifier main units.

The Care Service businesses also saw an increase in customer-level sales, which led to overall sales growth. Customer-level sales declined slightly for Home Repair (fixing scratches and dents) but rose for ServiceMaster (professional cleaning services), Merry Maids (home cleaning and helper services), Terminix (pest control and comprehensive sanitary management) and Total Green (plant and flower upkeep).

In other Direct Selling Group businesses, the Rent-All business (rental of household items and equipment for various events) saw a decline in sales from a year earlier, when a rise in orders for Event Hygiene Services drove substantial sales growth. However, customer-level sales increased on the back of a rise in orders for indoor and outdoor events. Sales fell at the cosmetic-related businesses, but rose at the Health Rent business (rental and sales of assisted-living products), uniform-related businesses and the Life Care business (support services for seniors).

ii. Food Group

Total sales of the Food Group increased by 859 million yen (8.7%) to 10,716 million yen from a year earlier, as a result of a rise in total customer-level sales at Mister Donut, the core business of the Food Group, and an increase in sales of ingredients and royalties. This led to an increase in gross profit. Operating profit improved by 556 million yen (78.3%) to 1,266 million yen, partly thanks to the success of cost reduction measures, including a decrease in logistics expenses. This was despite a rise in expenses associated with the increasing use of electronic payment at Mister Donut.

Mister Donut maintained its strong performance, even after the prices of some of its products were revised on March 1, 2022. Both customer traffic and sales per customer were higher than a year earlier, as were customer-level sales per shop. Total customer-level sales also grew, which were boosted by an increase in the number of shops in operation due to new shop openings. MISDO Meets products, the continuing focus of our product strategy, gained even broader customer support with the launch of MISDO Meets Gion Tsujiri, another annual spring product created in collaboration with the Kyoto green tea specialty brand Gion Tsujiri, and the launch of new Hojicha donuts, in addition to Matcha donuts. The June launch of three types of Angel Fruit (four in the Kansai area), featuring fruit filling produced in Japan, also contributed to the rise in sales. We re-launched the drink product Taiwanese Fruit Tea, released in FY2020 as Fruit Tea, which gained popularity with chunky fruits and nata de coco.

Sales in the other Food Group businesses declined overall, with a fall in sales at Pie Face specialty pie shops, which saw a decrease in the number of locations, as well as our withdrawal from the ice cream business with the sale of all shares of Hachiya Dairy Products Co., Ltd., previously a consolidated subsidiary, in November 2021. This was despite an increase in sales at Katsu & Katsu pork cutlet specialty restaurants.

iii. Other Businesses

At consolidated subsidiaries in Japan, sales decreased at Duskin Kyoeki Co., Ltd. (leasing and insurance agency) but increased at Duskin Healthcare Co., Ltd. (medical facility management services), with additional orders for disinfection and cleaning of hospital rooms.

Sales at consolidated subsidiaries overseas increased overall, mainly due to the rapid depreciation of the yen. Sales at Duskin Shanghai Co., Ltd. (rental and sale of dust control products in Shanghai, China) declined due to a substantial impact of the lockdown in Shanghai brought on by the resurgence of coronavirus. However, net sales (in yen) increased due to a weaker yen. Sales at Duskin Hong Kong Co., Ltd., which procures raw materials and equipment, increased due to the recovery in sales at Mister Donut shops overseas, and sales also rose at Big Apple Worldwide Holdings Sdn. Bhd. (operation of donut shops mainly in Malaysia), as a result of growth in takeout and delivery sales.

As a result, sales of Other Businesses increased by 129 million yen (3.4%) from a year earlier to 3,954 million yen and operating profit increased by 6 million yen (2.3%) to 271 million yen.

(2) Financial position

Total assets at the end of the first quarter (as of June 30, 2022) amounted to 192,162 million yen, a decrease of 5,892 million yen from the end of the previous fiscal year. This was mainly due to decreases of 2,711 million yen in securities, 2,481 million yen in cash and deposits and 690 million yen in deferred tax assets.

Liabilities were 41,260 million yen, a decrease of 5,769 million yen from the end of the previous fiscal year. This was mainly due to decreases of 2,224 million yen in provision for bonuses, 2,131 million yen in accounts payable - other and 2,111 million yen in income taxes payable.

Net assets were 150,902 million yen, a decrease of 123 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 591 million yen in retained earnings, despite an increase of 569 million yen in valuation difference on available-for-sale securities.

(3) Forecast

The forecast for the results of operations for the first half and full year of FY2022 (April 1, 2022 to March 31, 2023) is as announced on May 13, 2022.

2. Consolidated financial statements

(1) Consolidated balance sheets

(millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	23,360	20,879
Notes and accounts receivable - trade, and contract assets	12,266	12,365
Lease receivables and investments in leases	1,056	1,061
Securities	30,604	27,893
Merchandise and finished goods	8,662	8,794
Work in process	207	211
Raw materials and supplies	1,541	1,732
Accounts receivable - other	4,994	5,297
Other	1,426	1,753
Allowance for doubtful accounts	-17	-16
Total current assets	84,102	79,971
Non-current assets		
Property, plant and equipment		
Buildings and structures	44,362	44,603
Accumulated depreciation	-29,528	-29,778
Buildings and structures, net	14,834	14,824
Machinery, equipment and vehicles	25,123	25,266
Accumulated depreciation	-17,855	-18,098
Machinery, equipment and vehicles, net	7,268	7,168
Land	22,439	22,439
Construction in progress	325	56
Other	15,399	15,648
Accumulated depreciation	-10,791	-11,123
Other, net	4,607	4,524
Total property, plant and equipment	49,474	49,013
Intangible assets		
Goodwill	270	296
Software	6,481	5,974
Other	1,393	1,586
Total intangible assets	8,146	7,857
Investments and other assets		
Investment securities	46,176	45,922
Retirement benefit asset	2,348	2,338
Deferred tax assets	1,601	910
Guarantee deposits	5,340	5,337
Other	884	829
Allowance for doubtful accounts	-19	-19
Total investments and other assets	56,331	55,319
Total non-current assets	113,952	112,190
Total assets	198,055	192,162

(millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,963	7,088
Income taxes payable	2,359	248
Provision for bonuses	3,879	1,654
Asset retirement obligations	14	14
Accounts payable - other	9,136	7,004
Guarantee deposit received for rental products	9,058	8,990
Other	6,594	6,738
Total current liabilities	38,005	31,739
Non-current liabilities		
Long-term borrowings	1,530	1,530
Retirement benefit liability	5,991	6,065
Asset retirement obligations	611	610
Long-term guarantee deposits	873	928
Long-term accounts payable - other	10	10
Deferred tax liabilities	5	374
Other	0	0
Total non-current liabilities	9,023	9,520
Total liabilities	47,029	41,260
Net assets		
Shareholders' equity		
Share capital	11,352	11,352
Capital surplus	11,091	11,091
Retained earnings	122,401	121,809
Treasury shares	-4,219	-4,161
Total shareholders' equity	140,625	140,093
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,195	7,765
Deferred gains or losses on hedges	-0	-0
Foreign currency translation adjustment	34	165
Remeasurements of defined benefit plans	2,805	2,523
Total accumulated other comprehensive income	10,035	10,454
Share acquisition rights	59	49
Non-controlling interests	305	305
Total net assets	151,026	150,902
Total liabilities and net assets	198,055	192,162

(2) Consolidated statements of income and statements of comprehensive income

Consolidated statements of income

(millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	39,461	40,940
Cost of sales	20,967	22,025
Gross profit	18,494	18,915
Selling, general and administrative expenses	15,745	16,240
Operating profit	2,748	2,674
Non-operating income		
Interest income	34	35
Dividend income	173	191
Rental income from facilities	41	45
Commission income	74	69
Share of profit of entities accounted for using equity method	78	50
Subsidy income	165	57
Other	124	304
Total non-operating income	691	755
Non-operating expenses		
Interest expenses	0	0
Rental expenses on facilities	31	33
Loss on abandonment of inventories	-	29
Other	28	21
Total non-operating expenses	59	84
Ordinary profit	3,379	3,345
Extraordinary income		
Gain on sale of non-current assets	0	1
Other	1	-
Total extraordinary income	1	1
Extraordinary losses		
Loss on abandonment of non-current assets	12	14
Total extraordinary losses	12	14
Profit before income taxes	3,369	3,333
Income taxes	1,097	1,259
Profit	2,272	2,074
Profit attributable to non-controlling interests	9	14
Profit attributable to owners of parent	2,263	2,059

Consolidated statements of comprehensive income

(millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	2,272	2,074
Other comprehensive income		
Valuation difference on available-for-sale securities	-557	597
Foreign currency translation adjustment	74	95
Remeasurements of defined benefit plans, net of tax	-233	-282
Share of other comprehensive income of entities accounted for using equity method	57	11
Total other comprehensive income	-658	421
Comprehensive income	1,614	2,496
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,603	2,478
Comprehensive income attributable to non-controlling interests	11	17

(3) Notes to consolidated financial statements

(Notes relating to going concern assumption)

None

(Notes on significant changes in shareholders' equity)

None

(Adoption of special accounting methods for preparation of consolidated financial statements)

(Calculation of tax expenses)

To determine tax expenses for consolidated subsidiaries, a reasonable estimate is made for the effective tax rate after the application of tax effect accounting for profit before income taxes for the fiscal year, including the first three months. Tax expenses are then calculated by multiplying quarterly profit before income taxes by this estimated effective tax rate.

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as "Implementation Guidance on Fair Value Measurement Accounting Standard") from the beginning of the first three months of FY2022. The new accounting policy stipulated in Implementation Guidance on Fair Value Measurement Accounting Standard has been applied prospectively, in accordance with the transitional treatment prescribed under Paragraph 27-2 of Implementation Guidance on Fair Value Measurement Accounting Standard. This change has had no effect on the consolidated financial statements.

(Segment information)

Segment information

I Three-month period (April 1, 2021 to June 30, 2021)

1. Sales, income or losses by reportable business segment, and breakdown of revenue

(millions of yen)

	Direct Selling Group	Food Group	Other Businesses (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
Sales						
Clean Service businesses	19,653	-	-	19,653	-	19,653
Care Service businesses	3,432	-	-	3,432	-	3,432
Mister Donut business	-	9,084	-	9,084	-	9,084
Other	3,304	768	2,598	6,671	-	6,671
Revenue from contracts with customers	26,390	9,852	2,598	38,841	-	38,841
Other revenue	-	-	619	619	-	619
To outside customers	26,390	9,852	3,217	39,461	-	39,461
Intersegment sales and transfers	186	3	607	797	-797	-
Total	26,576	9,856	3,825	40,258	-797	39,461
Segment income (loss)	2,969	710	265	3,945	-1,196	2,748

(Notes) 1. Other Businesses are comprised of the businesses that are not categorized in reportable business segments, including office equipment and vehicle leasing, insurance agent services, hospital management services and overseas businesses.

2. Segment income (loss) adjustments of -1,196 million yen include a 75 million yen elimination for intersegment sales and transfers and -1,272 million yen of corporate expenses that cannot be allocated to a particular reportable business segment.

3. Segment income (loss) has been adjusted for consistency with operating profit that is shown in the quarterly consolidated statements of income.

2. Impairment loss of non-current assets or goodwill by reportable business segment

(Significant impairment loss on non-current assets)

None

(Significant change in the amount of goodwill)

None

The amortization of goodwill during the first three months of FY2021 and the balance of goodwill at the end of the first quarter are as follows:

(millions of yen)

	Direct Selling Group	Food Group	Other Businesses	Eliminations or corporate	Consolidated total
Amortization	56	3	2	-	62
Balance (Note)	255	39	57	-	352

(Note) Goodwill at the end of the first quarter includes 236 million yen of goodwill in the Direct Selling Group and 39 million yen of goodwill in the Food Group resulting from the purchase by Duskin and its subsidiaries of the business operations of several franchisees and 57 million yen of goodwill in Other Businesses for Big Apple Worldwide Holdings Sdn. Bhd., which was acquired in February 2017.

(Significant gains on negative goodwill)

None

II Three-month period (April 1, 2022 to June 30, 2022)

1. Sales, income or losses by reportable business segment, and breakdown of revenue

(millions of yen)

	Direct Selling Group	Food Group	Other Businesses (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
Sales						
Clean Service businesses	20,066	-	-	20,066	-	20,066
Care Service businesses	3,459	-	-	3,459	-	3,459
Mister Donut business	-	10,296	-	10,296	-	10,296
Other	3,413	415	2,725	6,554	-	6,554
Revenue from contracts with customers	26,939	10,712	2,725	40,377	-	40,377
Other revenue	-	-	563	563	-	563
To outside customers	26,939	10,712	3,288	40,940	-	40,940
Intersegment sales and transfers	149	4	666	820	-820	-
Total	27,089	10,716	3,954	41,760	-820	40,940
Segment income (loss)	2,467	1,266	271	4,005	-1,330	2,674

(Notes) 1. Other Businesses are comprised of the businesses that are not categorized in reportable business segments, including office equipment and vehicle leasing, insurance agent services, hospital management services and overseas businesses.

2. Segment income (loss) adjustments of -1,330 million yen include a 5 million yen elimination for intersegment sales and transfers and -1,336 million yen of corporate expenses that cannot be allocated to a particular reportable business segment.

3. Segment income (loss) has been adjusted for consistency with operating profit that is shown in the quarterly consolidated statements of income.

2. Impairment loss of non-current assets or goodwill by reportable business segment

(Significant impairment loss on non-current assets)

None

(Significant change in the amount of goodwill)

None

The amortization of goodwill during the first three months of FY2022 and the balance of goodwill at the end of the first quarter are as follows:

(millions of yen)

	Direct Selling Group	Food Group	Other Businesses	Eliminations or corporate	Consolidated total
Amortization	19	3	2	-	25
Balance (Note)	219	25	51	-	296

(Note) Goodwill at the end of the first quarter includes 208 million yen of goodwill in the Direct Selling Group and 25 million yen of goodwill in the Food Group resulting from the purchase by Duskin and its subsidiaries of the business operations of several franchisees and 51 million yen of goodwill in Other Businesses for Big Apple Worldwide Holdings Sdn. Bhd., which was acquired in February 2017.

(Significant gains on negative goodwill)

None