May 13, 2022

Company name: Duskin Co., Ltd.
Name of representative: Teruji Yamamura, Representative Director President and CEO
(Securities code: 4665; TSE Prime Market)
Inquiries: Keiichi Emura, Operating Officer Manager, Corporate Planning
Telephone: +81-06-6821-5071

Notice Concerning Financial Goals and Shareholder Return Policy under Medium-Term Management Policy 2022

Duskin Co., Ltd. (the "Company") hereby announces the financial goals set for each fiscal year under the Medium-Term Management Policy 2022 (FY2022 to FY2024), which was disclosed on February 9, 2022. In addition, our Board of Directors has resolved, at a meeting held today, May 13, 2022, to change the dividend policy effective from fiscal year ending March 31, 2023 (FY2022). Therefore, the Company also announces the current shareholder return policy including its dividend policy.

1. Consolidated financial goals of the Medium-Term Management Policy 2022

Although the third phase of our long-term strategy ONE DUSKIN kicked off amid uncertain outlook due to the spread of the coronavirus, we forecast a gradual increase in sales by about 4% per year as the Japanese economy is expected to revitalize and needs for hygiene management and takeout demand are rising.

In terms of the profits, however, prospects are not as positive, despite the Company's efforts to drive new efficiencies through digitalization and other means. We owe this to the business environment that remains adverse due to various factors, such as the rapid depreciation of the yen and soaring prices of raw materials. Furthermore, the Company aims to create a sustainable structure for laundry and distribution, which is why we plan to advance automation with RFID (electronic tags) and smart factories as our top strategic investment during this three-year period. As a result, profits may drop temporarily in the first two fiscal years (FY2022 and FY2023), but will eventually pick up in FY2024.

(Millions of yen)

		FY2021 Results (Base year)	FY2022		FY2023		FY2024		Growth from base year
			Plan	YoY	Plan	YoY	Plan	YoY	
Direct Selling Group	Net sales	107,128	111,800	+4.4%	117,000	+4.7%	118,900	+1.6%	+11.0%
	Operating profit	10,539	8,300	-21.3%	4,300	-47.6%	11,000	+155.8%	+4.4%
Food Group	Net sales	43,818	46,500	+6.1%	49,400	+6.2%	51,500	+4.3%	+17.5%
	Operating profit	3,619	3,900	+7.7%	4,200	+7.7%	4,500	+7.1%	+24.3%
Other businesses	Net sales	15,414	14,800	-4.0%	15,500	+4.7%	15,800	+1.9%	+2.5%
	Operating profit	873	500	-42.7%	800	+60.0%	1,000	+25.0%	+14.5%
Intersegment eliminations and corp. expenses	Net sales	-3,150	-3,100	—	-3,200	—	-3,200	—	—
	Operating profit	-5,133	-4,900	—	-4,800	—	-4,500	—	—
Consolidated	Net sales	163,210	170,000	+4.2%	178,700	+5.1%	183,000	+2.4%	+12.1%
	Operating profit	9,899	7,800	-21.2%	4,500	-42.3%	12,000	+166.7%	+21.2%
Consolidated ordinary profit		12,215	9,600	-21.4%	6,500	-32.3%	14,000	+115.4%	+14.6%
Profit attributable to owners of parent		8,132	6,600	-18.8%	4,400	-33.3%	10,000	+127.3%	+23.0%

a. Fiscal year ending March 31, 2023 (FY2022)

Net sales of the Direct Selling Group are expected to increase 4.4% year-on-year mainly due to enhanced marketing of our focus products for hygiene management, but also to the increased number of Care Service locations. Profit is likely to decrease after factoring in an expected 1,000 million yen increase in cost of sales related to the launch of RFID tagging.

Net sales of the Food Group are expected to increase 6.1% year-on-year. The contributing factors will be a boost in sales at existing shops of Mister Donut (the Group's core business) — attributable to the product strategy focused on MISDO Meets among other efforts — and a rising number of shops in operation due to new openings. Profit growth is expected to be modest despite revised pricing for some products that went into effect on March 1, 2022. This is because of the continuously increasing raw material costs and weakening yen.

As regards other businesses, a drop in both sales and profit is anticipated, reflecting the impact of the prolonged lockdown in Shanghai and the lower revenue from the Tokyo 2020 Olympic and Paralympic Games, for which orders were received in the previous fiscal year.

b. Fiscal year ending March 31, 2024 (FY2023)

The heightened hygiene awareness and increasing number of Care Service locations are expected to drive net sales of the Direct Selling Group up 4.7% compared to FY2022. At the same time, however, attaching RFID tags to the 31 million rental products (mats and mops) in circulation ahead of the start of RFID use in FY2024 is projected to incur cost of sales of about 4,300 million yen, which will most likely decrease the profit significantly.

Net sales of the Food Group are expected to increase 6.2% compared to FY2022 owing to factors including extended efforts to improve shopping convenience for Mister Donut customers and the opening of new shops. At present, it is hard to predict the impact of external factors, but assuming that they are similar to FY2022, we forecast that profit will increase.

c. Fiscal year ending March 31, 2025 (FY2024)

Net sales of the Direct Selling Group are expected to increase 1.6% compared to FY2023, while new efficiencies and lower costs (about 1,400 million yen) accompanying the start of RFID use should put profit on an upward trajectory.

Also, in comparison with FY2023, the greater number of shops in operation is expected to increase net sales of the Food Group by 4.3%, accompanied by profit growth.

2. Shareholder return policy

a. Revised dividend policy

The Company recognizes the return of profits to shareholders as one of the management’s top priorities. Our basic policy to date has been to distribute profits appropriately based on our performance while maintaining financial soundness, and we have continued to pay stable dividends.

On the other hand, the Company is looking to improve capital efficiency in line with its Medium-Term Management Policy 2022 goals — that is, a profit attributable to owners of parent of 10,000 million yen and a return on equity (ROE) of 6% or higher by FY2024.

In order to clearly demonstrate its commitment to improving earnings and capital efficiency, the Company has decided to change the base dividend payout ratio from 50% to 60% and introduce the use of dividend on equity ratio (DOE) as minimum indicator, while continuing to adhere to its basic policy of returning profits to shareholders. The new dividend policy will be effective from the FY2022 interim dividend. The FY2021 year-end dividend will be paid according to the previous dividend policy.

Details of revision

Before change	After change
Duskin considers the return of profits to shareholders to be one of our highest priorities. Our policy is to distribute a portion of the profit based on our performance while preserving an appropriate balance with investments for sustainable growth and higher corporate value, as well as maintaining financial soundness in preparation for potential risks. Duskin determines dividends for each fiscal year with a target consolidated payout ratio of 50% and will continue to pay stable dividends. We will continue to implement dividend policy to fulfill the expectations of all our shareholders over the long term.	Duskin considers the return of profits to shareholders to be one of our highest priorities. Our policy is to distribute a portion of the profit based on our performance while preserving an appropriate balance with investments for sustainable growth and higher corporate value, as well as maintaining financial soundness in preparation for potential risks. Accordingly, Duskin has determined that the full-year dividend will be based on a consolidated payout ratio of 60% or a dividend on equity ratio (DOE) of 2.5%, whichever is higher. We will continue to implement dividend policy to fulfill the expectations of all our shareholders over the long term.

b. Shareholder returns in the near term

During the three-year tenure of our Medium-Term Management Policy 2022, we will continue to focus on investments in growth while actively executing flexible and timely stock buybacks in addition to dividend payments based on the above policy. There has been no stock buyback in the last two fiscal years, but taking into account the business performance results achieved so far under our long-term strategy ONE DUSKIN launched in FY2015, our goal is to provide our shareholders a cumulative three-year total return ratio of 100% or higher.

For media inquiries on this matter, please contact:
Duskin Co., Ltd.
Public Relations
Telephone: +81-06-6821-5006