

# Annual Financial Report

(April 2011 – March 2012)

Duskin Co., Ltd.

May 22, 2012

- These materials contain forward-looking statements concerning forecasts, goals, and strategies, and other matters related to the Company, including its consolidated subsidiaries.
- These forward-looking statements are based on projections and assumptions made by Duskin Group in light of currently available information. Such statements are subject to the uncertainties inherent in projections and assumptions, and also to unforeseeable changes in future business operations resulting from both internal and external changes, which could cause actual results, performance and achievements to differ materially from those contained in these forward-looking statements.
- As stated on page 22 (Segment information), Note (2) in our Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2012, the adjustment to segment income includes “inter-segment eliminations” and “corporate cost” which are presented as “Eliminations/Corporate” in these materials.

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# Financial Summary

FY2011 (April 2011-March 2012)

## Consolidated Results

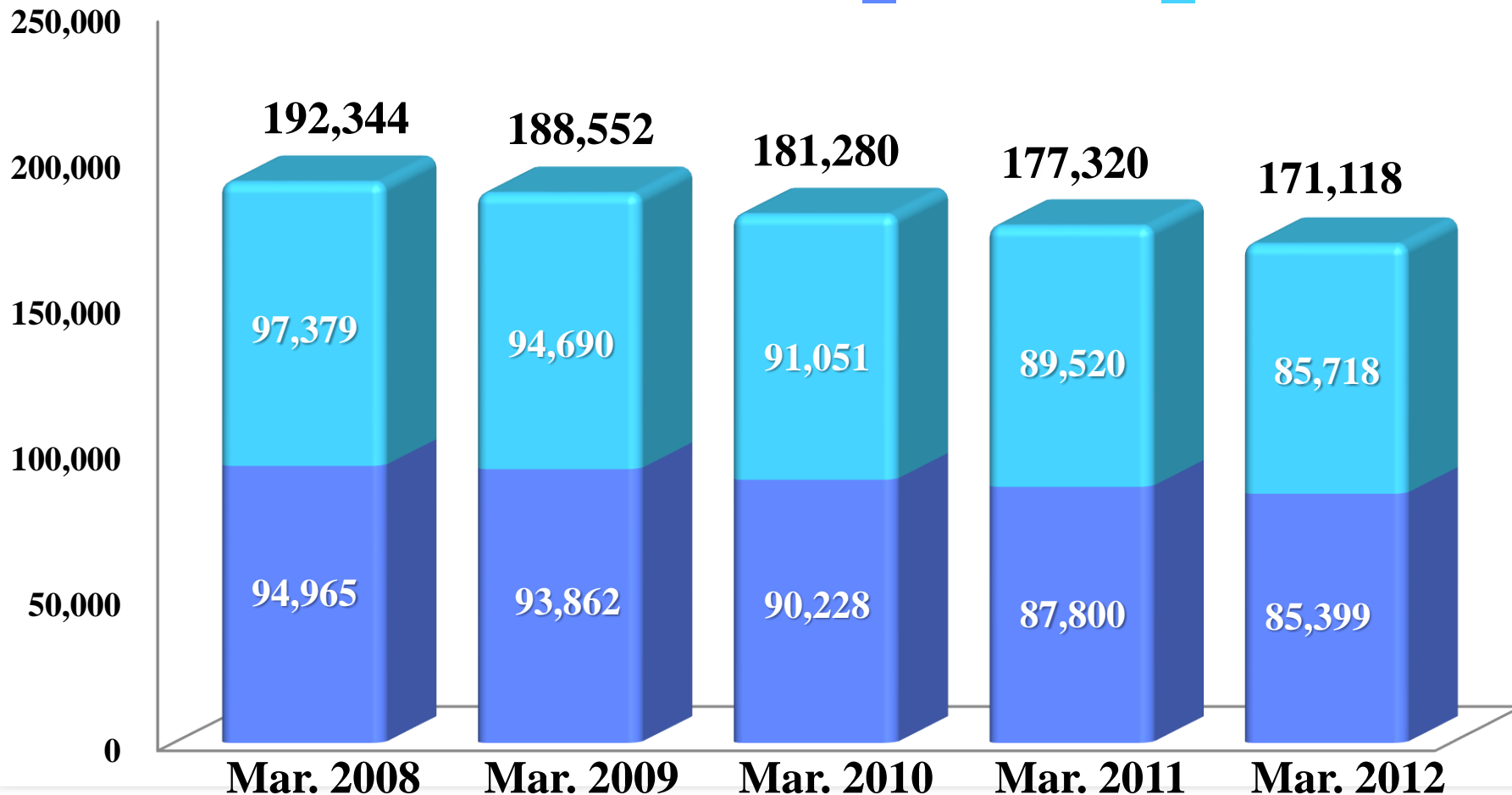
(in millions of yen)

	FY2010	FY2011	Increase/Decrease	
			Amount	%
Sales	177,320	171,118	-6,202	-3.5
Operating Income	10,937	9,841	-1,095	-10.0
Operating Income on Sales (%)	6.2	5.8	-0.4	—
Ordinary Income	12,613	11,609	-1,003	-8.0
Ordinary Income on Sales (%)	7.1	6.8	-0.3	—
Net Income	5,248	4,583	-665	-12.7
Net Income on Sales (%)	3.0	2.7	-0.3	—



## Consolidated Sales

(in millions of yen)



## Consolidated Sales

The slow recovery of personal spending and continuing tendency of businesses to cut costs adversely impacted our performance.

FY2011 Consolidated Sales

**171,118 million yen**    6,202 million yen (3.5%) decrease

### Consolidated sales by segment compared with the previous year

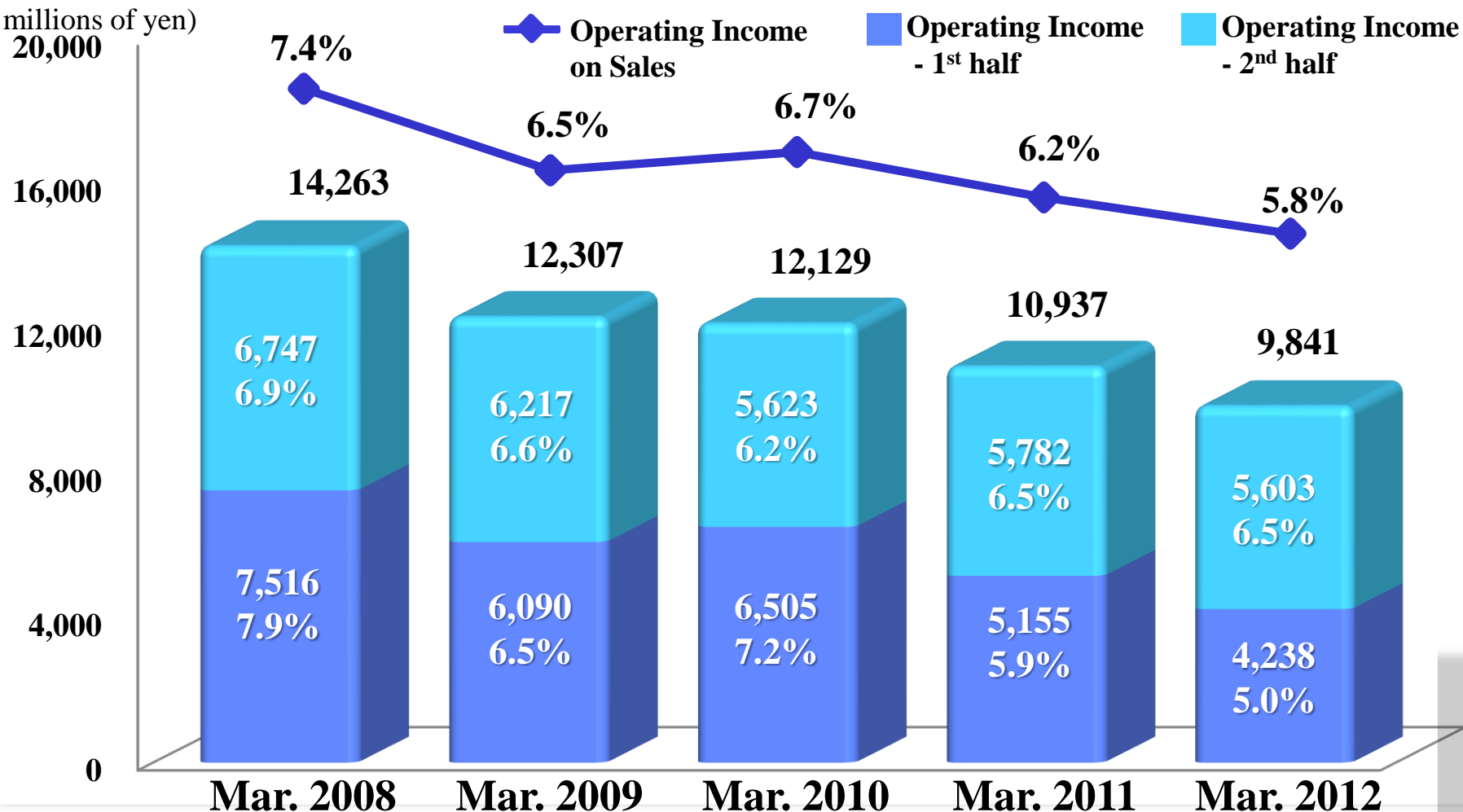
(in millions of yen)

	FY 2010	FY2011	Change	
Clean & Care Group *	115,661	112,177	-3,483	-3.0%
Food Group	51,112	48,807	-2,305	-4.5%
Other Businesses	10,546	10,133	-413	-3.9%
<b>Total</b>	<b>177,320</b>	<b>171,118</b>	<b>-6,202</b>	<b>-3.5%</b>

\* The name for the “Clean Group” segment has changed to “Clean & Care Group.” This is a change of only the name and not in the method of business segment classification.

## Consolidated Operating Income

(in millions of yen)





## Consolidated Operating Income

FY2011 Consolidated Operating Income

**9,841 million yen**      1,095 million yen (10.0%) decrease

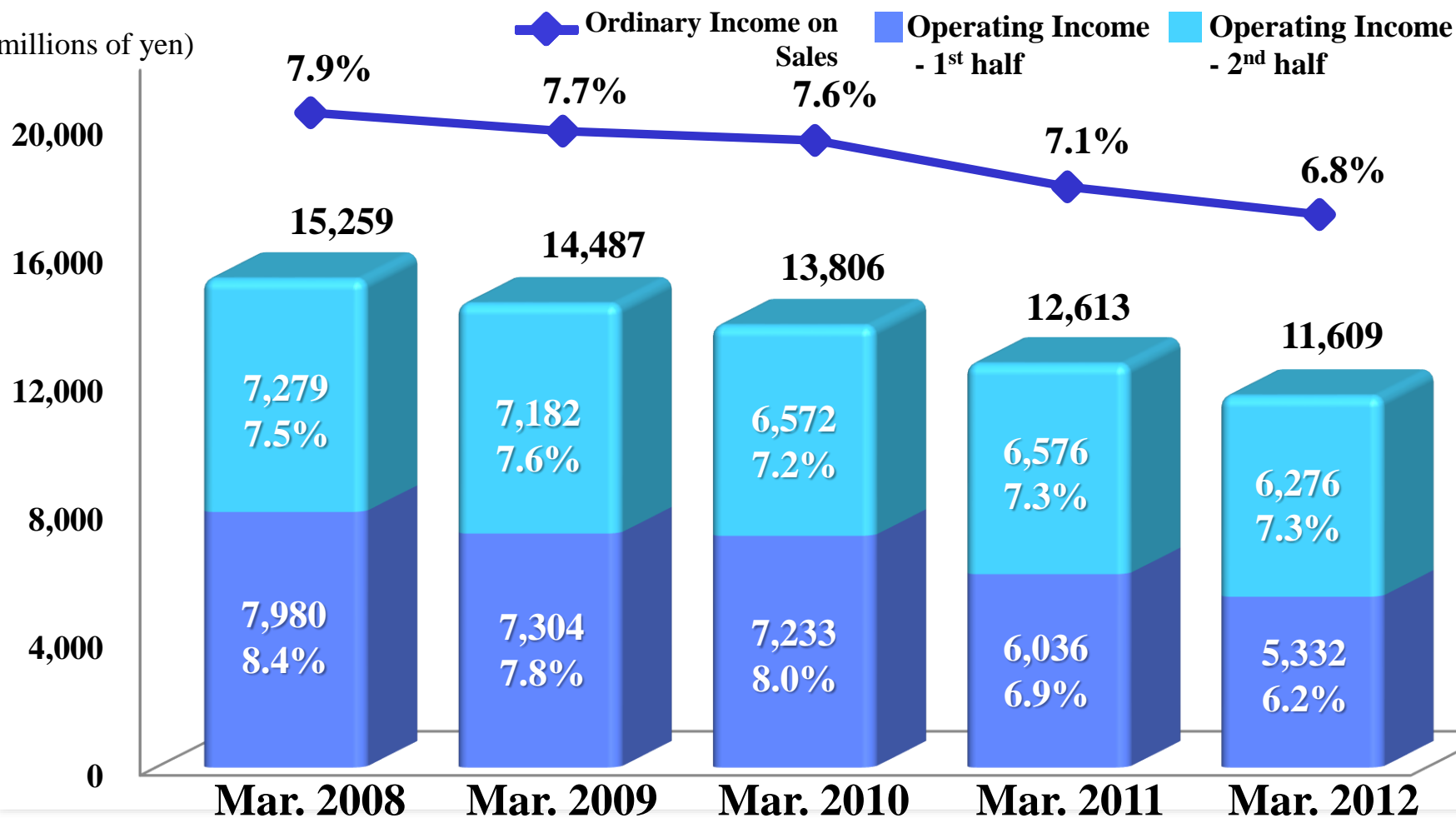
### Consolidated operating income by segment compared with the previous year

(in millions of yen)

	FY 2010	FY 2011	Change	
	(operating income margin)	(operating income margin)		(%)
Clean & Care Group	<b>13,619</b> (11.8%)	<b>13,789</b> (12.3%)	<b>170</b>	<b>1.2%</b> (0.5)
Food Group	<b>4,418</b> (8.6%)	<b>2,876</b> (5.9%)	<b>-1,542</b>	<b>-34.9%</b> (-2.8)
Other Businesses	<b>210</b> (2.0%)	<b>375</b> (3.7%)	<b>164</b>	<b>77.7%</b> (1.7)
Elimination or corporate	<b>-7,312</b>	<b>-7,199</b>	<b>112</b>	<b>—</b>
Total	<b>10,937</b> (6.2%)	<b>9,841</b> (5.8%)	<b>-1,095</b>	<b>-10.0%</b> (-0.4)

## Consolidated Ordinary Income

(in millions of yen)



## Consolidated Ordinary Income

FY2011 Consolidated Ordinary Income

**11,609 million yen**      1,003 million yen (8.0%) decrease

Major factors

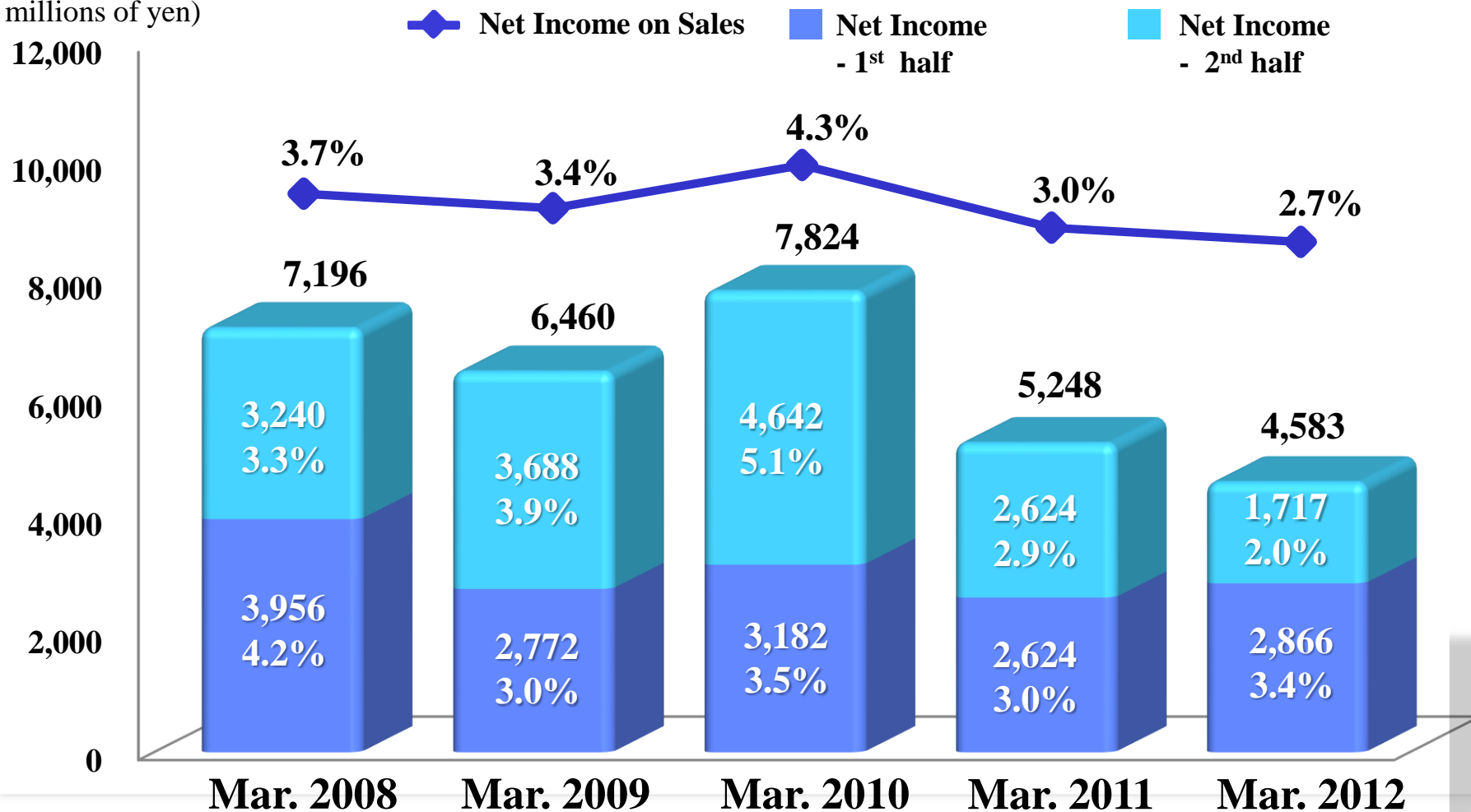
① Decrease in operating income      **1,100 million**② Improved non-operating income/loss      **100 million**▪ Improved financial income and expenditure      **100 million**

Change from the previous year: financial income and expenditure      millions of yen

		FY2010	FY2011	Change
Interest income	①	851	902	51
Dividends income	②	247	240	-6
Interest expenses	③	61	6	-55
Financial income and expenditure	①+②-③	1,037	1,136	100

## Consolidated Net Income

(in millions of yen)



## Consolidated Net Income

FY 2011

**4,583 million yen****665 million yen (12.7%) decrease**

## Major factors contributing to increase and decrease

① Increase in net income before tax	1,200 million
▪ Decrease in ordinary income	<b>1,000 million</b>
▪ Improved extraordinary loss and income	<b>2,200 million</b>
➢ Decrease in loss on disaster	800 million
➢ Decreased loss on adjustment for changes of accounting standard for asset retirement obligations	500 million
➢ Decrease in merit increase paid upon revision of sub-franchise agreements	400 million
➢ Decrease in loss on valuation of investment securities	200 million
➢ Increase in gain on sales of investment securities	100 million
➢ Improved other extraordinary loss and income	200 million
② Decrease in net income due to increased tax expenses	-1,800 million
▪ Increase in income tax due to the increased income before tax	500 million
▪ Reversal of deferred tax assets due to reduction of corporate tax rate	1,000 million
▪ Others	300 million

## Consolidated Balance Sheet

(in millions of yen)

	FY2010	FY2011	Increase/Decrease	Major Factors
<b>Current asset</b>	<b>60,364</b>	<b>59,401</b>	<b>-962</b>	Decrease in cash and deposits 3,100 Decrease in notes and accounts receivable-trade 1,500 Increase in marketable securities 5,100 Decrease in deferred tax assets 700
<b>Property, plant and equipment/ Intangible assets</b>	<b>60,168</b>	<b>60,936</b>	<b>767</b>	—
<b>Investments and other assets</b>	<b>78,343</b>	<b>76,979</b>	<b>-1,364</b>	Increase in investment securities 900 Decrease in deferred tax assets 1,400 Decrease in guarantee deposits 900
<b>Total assets</b>	<b>198,876</b>	<b>197,316</b>	<b>-1,559</b>	—
<b>Current and non-current liabilities</b>	<b>50,311</b>	<b>47,711</b>	<b>-2,599</b>	Decrease in accounts payable-trade 700 Decrease in income taxes payable 700 Decrease in allowance for disaster loss 700 Increase in provision for retirement benefits 900
<b>Net assets</b>	<b>148,565</b>	<b>149,604</b>	<b>1,039</b>	Decrease in capital surplus 1,700 Increase in retained earnings 2,000 Increase in valuation difference on available-for-sale securities 700
<b>Total liabilities and net assets</b>	<b>198,876</b>	<b>197,316</b>	<b>-1,559</b>	—
<b>Debt with interests</b>	<b>362</b>	<b>245</b>	<b>-116</b>	Decrease in loans at affiliates 100



The background is a vibrant green with a subtle grid pattern. Overlaid on this are several glowing, white, curved lines that create a sense of motion and depth. A dark green horizontal band is positioned behind the text.

# **Sales and Operating Income by Segment**

## Results by Segment

(in millions of yen)

		FY2010		FY2011		Increase/Decrease	
		Operating Income on Sales (%)		Operating Income on Sales (%)		%	
<b>Clean &amp; Care Group*</b>	Sales	115,661	—	112,177	—	-3,483	-3.0%
	Operating Income	13,619	11.8%	13,789	12.3%	170	1.2% (0.5)
<b>Food Group</b>	Sales	51,112	—	48,807	—	-2,305	-4.5%
	Operating Income	4,418	8.6%	2,876	5.9%	-1,542	-34.9% (-2.8)
<b>Other Businesses</b>	Sales	10,546	—	10,133	—	-413	-3.9%
	Operating Income	210	2.0%	375	3.7%	164	77.7% (1.7)
<b>Eliminations/Corporate</b>	Operating Income	-7,312	—	-7,199	—	112	—
<b>Total (Consolidated)</b>	Sales	177,320	—	171,118	—	-6,202	-3.5%
	Operating Income	10,937	6.2%	9,841	5.8%	-1,095	-10.0% (-0.4)

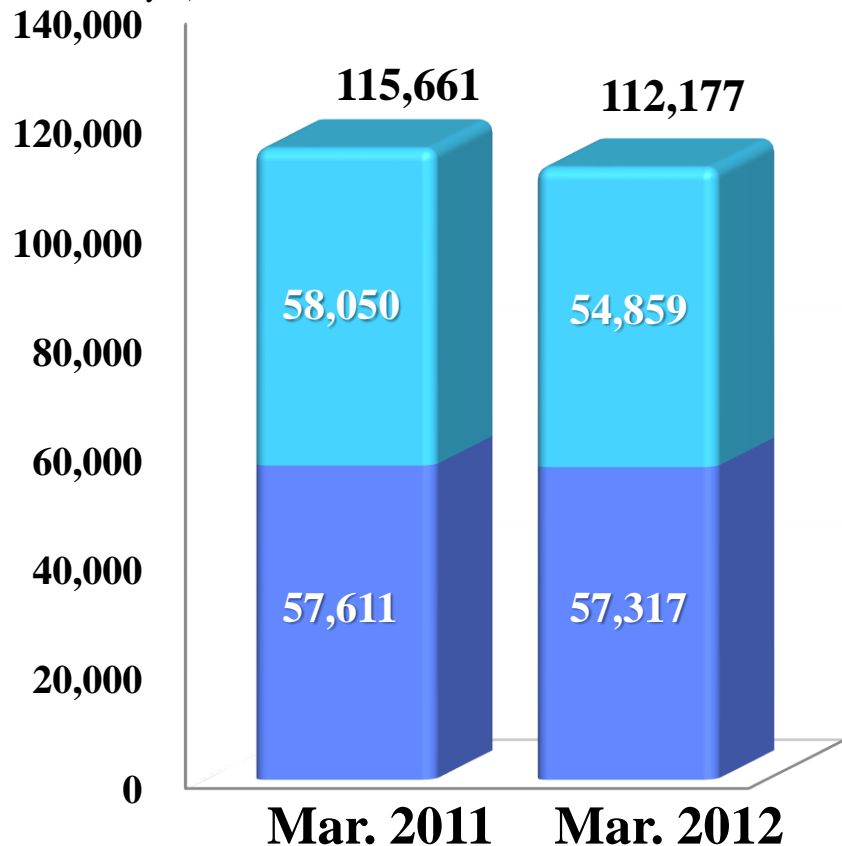
\* The name for the "Clean Group" segment has changed to "Clean & Care Group." This is a change of only the name and not in the method of business segment classification.

## Sales

Six months (Apr. – Sept., Oct. – Mar.)

■ 1<sup>st</sup> Half ■ 2<sup>nd</sup> Half

(in millions of yen)



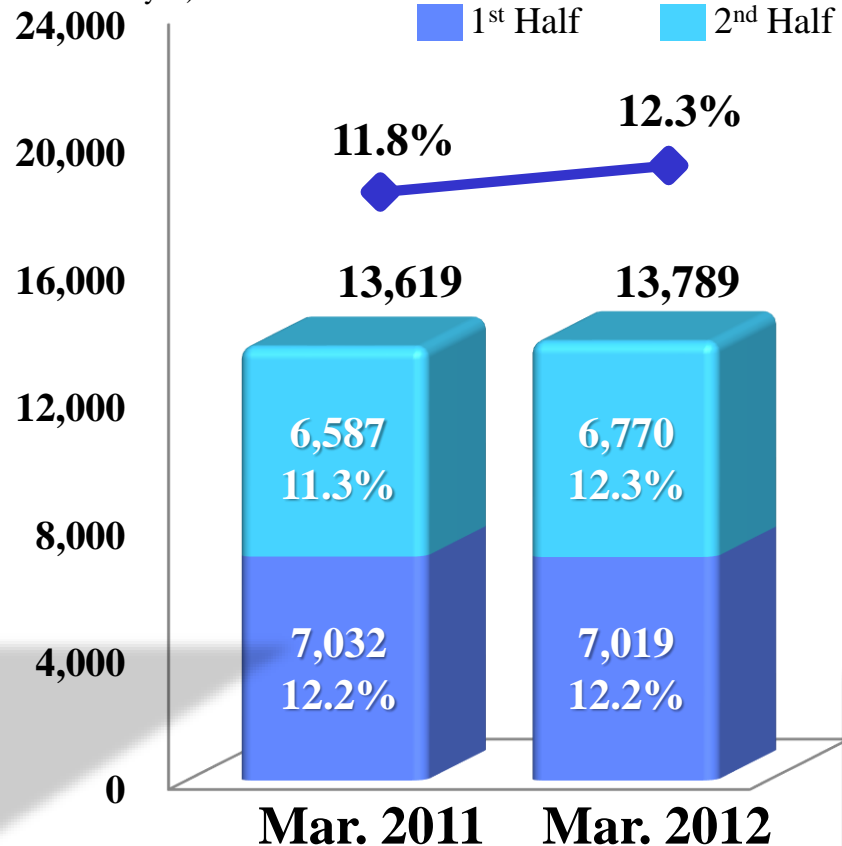
## Operating Income

Six months (Apr. – Sept., Oct. – Mar.)

◆ Operating income on sales

■ 1<sup>st</sup> Half ■ 2<sup>nd</sup> Half

(in millions of yen)



## Sales

(in millions of yen)	FY2010	FY2011	Change	(%)
Sales by segment	115,661	112,177	-3,483	-3.0

Residential market posted the same level of sales as in the previous year due to the favorable results of the new floor mop product, "LaLa." Commercial market posted lower sales than one year earlier due to continuing emphasis on cost reductions at companies.

### ■ Major factors contributing to sales increase and decrease

- Effect of revision of sub-franchise agreements: -2,500 million yen
  - Effect of a new consolidated company, Azare Products: + 800 million yen
- Change from the previous year: sales increase and decrease of the segment, excluding these factors: -1,800 million yen

### Commercial Market

- Commercial market increased sales of Air-Purifier Deo, with new marketing approach by proposing services which comprehensively support requests from customers relating to hygiene control, However, the core products such as mats recorded lower sales than one year earlier.

Sales of core commercial products compared with one year earlier (based on the products shipped):

Air purifies: approx. 1% increase Mat products: approx. 3% decrease Rest room products: approx. 9% decrease

### Residential Market

- Residential market recorded the same level of sales as in the previous year due to a decline in sales of air-purifiers and filter products while the nationwide introduction of new floor mop "LaLa" contributed to the higher sales of mop products.
- For cleaning service, we reinforced our service framework to respond to the needs for air-conditioner cleaning service and year-end cleaning service during their busiest seasons. This helped to prevent from losing business opportunities, and led to sales increase.

Sales of residential air-conditioner cleaning service compared with one year earlier:

CLS approx 28% increase Number of orders received: approx. 22% increase.

## Operating Income

(in millions of yen)	FY2010	FY2011	change	(%)
Operating income by segment	13,619	13,789	170	1.2

### 【Change from the previous year】

#### ➤ Decrease in operating income due to decrease in sales 500 million yen

- Decrease in gross profit due to decrease in sales 2,100 million yen
- Decrease in expenses due to decrease in sales 1,600 million yen

※ \*Excluding effects of Azare Products, which became a consolidated subsidiary in October 2010

#### ➤ Decrease in gross profit due to increased cost rate (excluding Azare Products) 700 million yen

- Increased cost due to input of “LaLa” 800 million yen
- Impact caused by the hikes in prices of crude oil 200 million yen
- Decreased cost due to decreased input of other products 300 million yen

#### ➤ Increase in operating income due to decreased expenses (excluding Azare Products) 1,300 million yen

- Decrease in sales commission due to revision of sub-franchise agreements 2,500 million yen
- Increase in sales promotion expenses 900 million yen
- Decrease in expenses in introducing new Branch/Shop Operation System 400 million yen
- Increase in other depreciation expenses 700 million yen

#### ➤ Operating income of Azare Group, new affiliated companies 100 million yen

- As Azare Group became consolidated subsidiaries in October, 2010, its results of the first half of FY2011 are reflected in the change from the previous year.

## 【 Future initiatives 】

### ➤ Residential market

- Promotion of "new cleaning style"
- Customer contact increase
- Business system change for product delivery
- Increase of technical service staff members
- Comprehensive housekeeping support

#### ■ New products

Roll-out schedule

- |  |             |
|--|-------------|
| ▪ Wet-type mop with disinfectant       | <b>May</b>  |
| ▪ Water purifier jug                   | <b>July</b> |
| ▪ Non-oil mop                          | <b>Oct.</b> |
| ▪ Water filter cartridge for hot water | <b>Nov.</b> |

### ➤ Commercial market

- Creating more business opportunities
- Enhanced price elasticity by establishing service locations with production facilities
- Tailored hygiene support service
- Business proposals offered to key accounts and chain store companies
- Repeated marketing targeted to smaller trade area

#### ■ New products

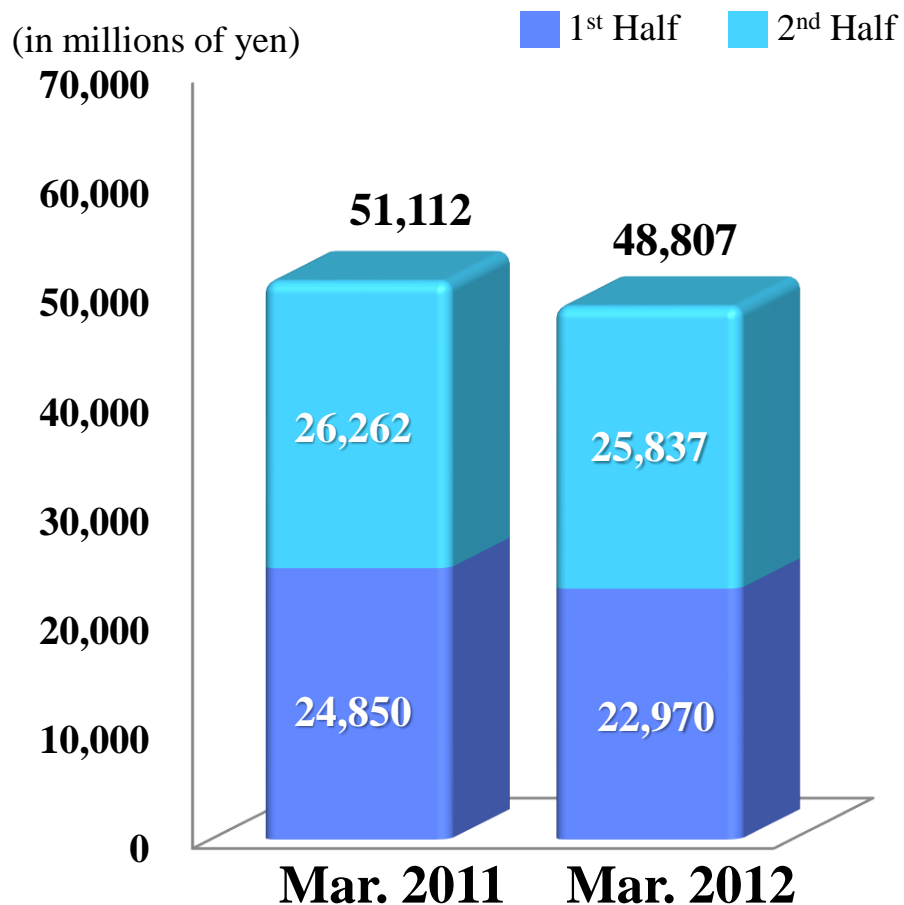
Roll-out schedule

- |  |                                   |
|--|-----------------------------------|
| ▪ Medicated foaming hand soap              | <b>June</b>                       |
| - auto type                                |                                   |
| ▪ Toilet seat foaming cleaner/disinfectant |                                   |
| - auto-type                                | <b>June</b>                       |
| ▪ Toilet bowl cleaner -hanging type        | <b>June</b>                       |
| ▪ Dust Control & Water Absorption          |                                   |
| Mat - Thin type                            | <b>2<sup>nd</sup> half-FY2012</b> |
| ▪ Slim mop                                 | <b>2<sup>nd</sup> half-FY2012</b> |



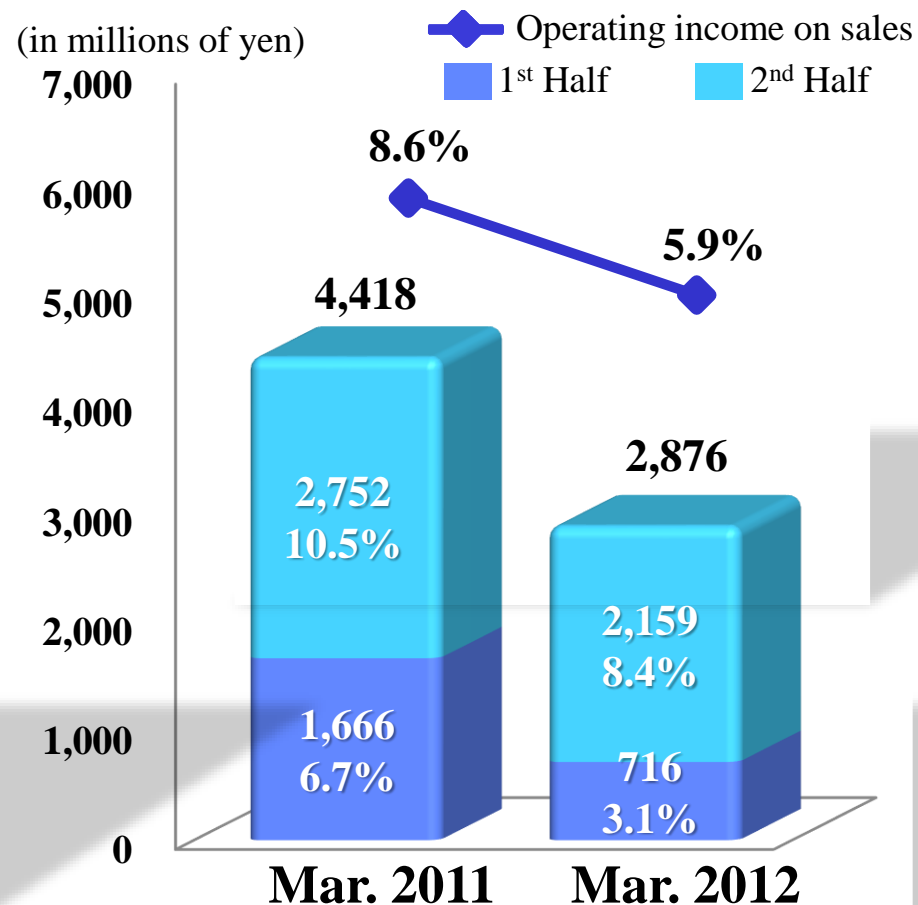
## Sales

Six months (Apr. – Sept., Oct. – Mar.)



## Operating Income

Six months (Apr. – Sept., Oct. – Mar.)



## Sales

(in millions of yen)	FY2010	FY2011	change	(%)
Sales	51,112	48,807	-2,305	-4.5

Mister Donut introduced baked donuts, summer-only donuts, and local specialties donuts. However, the sales were lower than one year earlier due to the downturn in consumer confidence.

### ● Mister Donut sales trend

#### 1<sup>st</sup> half

Baked donuts, which were introduced as new category items for nationwide sales, recorded much lower sales than planned. From the second quarter, marketing efforts were shifted to offering a wider variety of products, mainly consisting of fried donuts in reasonable prices.

Mister Donut focused on measures to improve sales during summer with enhanced summer items. These efforts did not help increase sales. Sales of the first half were lower than the previous year.

#### 2<sup>nd</sup> half

Compared with the first half, the number of customer visits recovered due to the marketing efforts, including increased number of special sale and introduction of local specialties donuts that reflect the characteristics of local specialties of popular sight-seeing areas. However, sales continued to be slow.

Changes from the previous year: Mister Donut CLS (existing shops in Japan)

Changes from the previous year	1 <sup>st</sup> half -5.7%	2 <sup>nd</sup> half -2.5%	Full year -4.0%
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### ● Number of Mister Donut shops in Japan (as of March 31, 2012)

	Standard	MD shops Smaller market	Compact	andonand	MOSDO	Wakka	Total
Mar. 31, 2011	1,329	18	0	6	1	1	1,355
Mar. 31, 2012	1,349	18	6*	0	2	2	1,377
Increase	20	0	6	-6	1	1	22

\*including 2 shops inside train stations

Growth in the number of shops through aggressive shop openings was a part of our strategy, but the goal was not achieved.

## Operating Income

(in millions of yen)	FY2010	FY2011	change	(%)
Operating income by segment	4,418	2,876	-1,542	-34.9

### 【Change from the previous year】

#### ➤ Decrease in operating income due to decrease in sales 200 million

- Decrease in gross profit due to decrease in sales 900 million
- Decrease in expenses due to decrease in sales 700 million

#### ➤ Decrease in gross profit due to increased cost rate 1,200 million

- Increased purchase price due to price rises in raw materials
  - Materials related to donut mix, including wheat grains and sugar 200 million
  - Oils and fats 100 million
  - Coffee 100 million
  - Others 100 million
- Increase in cost rate due to disposal of raw materials 300 million
- Increase in other costs 400 million

#### ➤ Decrease in operating income due to increased expenses 300 million

- Increase in sales promotion expenses for nationwide introduction of baked donuts

**【 Mister Donut future initiatives 】**
**➤ New brand slogan "Encircling the Heart"**


- New slogan was introduced in January 2012, replacing with the slogan, "More good things happen!" introduced in 2008.


**➤ Growth strategy for existing shops: "Pursuit of tasty products"**

- Enhancement of competitive edge with improved quality of basic items
- Attract more customers with seasonal items as well as items offered for social events/occasions
- Reinforcement of items for children

**➤ Attract more customers with collaboration plans**
**● DREAMS COME TRUE X MISTER DONUT**


- New Mister Donut song: composed by a popular group, *Dreams Come True*.

**● UNIVERSAL STUDIO JAPAN X MISTER DONUT**

- Promotion and brand appeal, utilizing USJ contents
- "Hello Kitty's Cupcake Dream" our co-sponsored attraction

**● JAPAN AIRLINES X MISTER DONUT**

- JAL Tokyo/Narita - Boston route  
Donuts, and cookie & ice cream offered as in-flight snack
- JAL card discount  
※ Limited time offer


**➤ Point card with enhanced value, and new promotion with scratch cards**

## Other Businesses

(in millions of yen)	FY2010	FY2011	change	(%)
Sales by segment	10,546	10,133	-413	-3.9
Operating income by segment	210	375	164	77.7

### ➤ Sales continued to be slow due to increased emphasis on cost reductions at companies.

- Management services to medical facilities (Duskin Healthcare)

While the number of facilities serviced decreased, sales increased due to the acquisition of key accounts

- Lease business (Duskin Kyoeki)

Sales were lower than one year earlier because the company revised the coverage of a maintenance service agreement for Mister Donut POS equipment.

### ➤ Efforts focused on overseas market expansion

- Mister Donut started operations in Malaysia, and the dust control business was launched in Korea

## Eliminations or corporate

(in millions of yen)	FY2010	FY2011	change	(%)
Operating income by segment	-7,312	-7,199	112	—

- Reduction of corporate expenses, including corporate advertising expenses

## Overseas Businesses

※Overseas Businesses are included in the "Other Businesses" segment starting in the previous year.

### ➤ Customer-level sales: Overseas Businesses

▪Sales by country or region in overseas markets

	Country or region	FY2009	FY2010	FY2011	Change (%)
Dust control	<b>Taiwan</b> (in thousand of NTD)	514,716	531,132	622,608	91,476 (17.2%)
	<b>Shanghai</b> (in thousand of CNY)	8,070	11,242	13,900	2,658 (23.6%)
Mister Donut	<b>Taiwan</b> (in thousand of NTD)	756,567	780,926	786,328	5,401 (0.7%)
	<b>Shanghai</b> (in thousand of CNY)	17,267	23,945	26,520	2,575 (10.8%)
	<b>South Korea</b> (in millions of KRW)	17,839	25,325	23,048	-2,276 (-9.0%)

### ➤ Number of Mister Donut shops in overseas markets (Taiwan, Shanghai, South Korea)

As of March 31	2011	2012	Increase
Total (Taiwan, Shanghai, South Korea)	137	157	20



**FY2011**

**Forecasts and Actual Results**

## Consolidated Results

(in millions of yen)

	Sales	Operating Income	Ordinary Income	Net Income
Forecasts revised	172,200	8,900	10,800	4,200
Actual	171,118	9,841	11,609	4,583
Difference (%)	-1,081(-0.6)	941(10.6)	809(7.5)	383(9.1)

Operating income

### Major factors for increase

▪ Clean & Care Group	[Lower initial product cost than forecasts]	300
▪ Food Group	[Increased advertising expenses; reduced other expenses]	300
▪ Other Businesses	[Improvement in overseas businesses]	100
▪ Lower costs at the head office	[Reduced corporate advertising expenses]	200

Ordinary income

Increase in operating income and decrease in non-operating income

**FY2012**

# **Forecasts**

**Consolidated**

(in millions of yen)

	Sales	Operating Income	Ordinary Income	Net Income
<b>FY2010 Actual</b>	177,320	10,937	12,613	5,248
<b>FY2011 Actual</b>	171,118	9,841	11,609	4,583
<b>FY2012 Forecasts</b>	175,000	9,200	11,200	6,200
<b>Increase/Decrease</b>	3,881	-641	-409	1,616
<b>Increase/Decrease (%)</b>	2.3	-6.5	-3.5	35.3

**Non-consolidated**

(in millions of yen)

	Sales	Operating Income	Ordinary Income	Net Income
<b>FY2010 Actual</b>	155,150	8,256	10,826	4,615
<b>FY2011 Actual</b>	150,019	6,928	10,313	4,428
<b>FY2012 Forecasts</b>	151,000	6,700	9,400	5,300
<b>Increase/Decrease</b>	980	-228	-913	871
<b>Increase/Decrease (%)</b>	0.7	-3.3	-8.9	19.7

## Consolidated Half-year Comparison

(in millions of yen)

		Sales	Operating Income (%)		Ordinary Income	Net Income
<b>1<sup>st</sup> Half</b>	FY2011 Actual	85,399	4,238	5.0	5,332	2,866
	FY2012 Forecasts	85,000	4,200	4.9	5,300	2,700
	Increase/Decrease	-399	-38	-0.0	-32	-166
	Increase/Decrease (%)	-0.5	-0.9	—	-0.6	-5.8
<b>2<sup>nd</sup> Half</b>	FY2011 Actual	85,718	5,603	6.5	6,276	1,717
	FY2012 Forecasts	90,000	5,000	5.6	5,900	3,500
	Increase/Decrease	4,281	-603	-1.0	-376	1,782
	Increase/Decrease (%)	5.0	-10.8	—	-6.0	103.8
<b>Fiscal Year</b>	FY2011 Actual	171,118	9,841	5.8	11,609	4,583
	FY2012 Forecasts	175,000	9,200	5.3	11,200	6,200
	Increase/Decrease	3,881	-641	-0.5	-409	1,616
	Increase/Decrease (%)	2.3	-6.5	—	-3.5	35.3



## Changes by Segment

(in millions of yen)

		FY2010		FY2011		FY2012		Increase/Decrease	
		Operating Income on Sales (%)		Operating Income on Sales (%)		Operating Income on Sales (%)		%	
Clean & Care Group	Sales	115,661	—	112,177	—	110,500	—	-1,677	-1.5%
	Operating Income	13,619	11.8%	13,789	12.3%	13,400	12.1%	-389	-2.8% (-0.2)
Food Group	Sales	51,112	—	48,807	—	53,500	—	4,692	9.6%
	Operating Income	4,418	8.6%	2,876	5.9%	2,600	4.9%	-276	-9.6% (-1.0)
Other Businesses	Sales	10,546	—	10,133	—	11,000	—	866	8.6%
	Operating Income	210	2.0%	375	3.7%	400	3.6%	24	6.7% (-0.1)
Eliminations/ Corporate	Operating Income	-7,312	—	-7,199	—	-7,200	—	-0	—
Total (Consolidated)	Sales	177,320	—	171,118	—	175,000	—	3,881	2.3%
	Operating Income	10,937	6.2%	9,841	5.8%	9,200	5.3%	-641	-6.5% (-0.5)



## Major factors

contributing to operating income increase and decrease

### Clean & Care Group

Increase in Drink Service sales

500 million yen increase

Decrease in sales due to revision of sub-franchise agreements (1st half of FY2011)

2,000 million yen decrease

### Food Group

Increase in the number of Mister Donut shops, and in sales of existing shops

3,400 million yen increase

Increase in sales due to acquisition of Hachiya Dairy Products Co., Ltd.  
as a new consolidated subsidiary (from July 2012)

1,500 million yen increase

## Major factors

contributing to operating income increase and decrease

### Clean & Care Group

Increase in depreciation expenses (software)

400 million yen increase

Temporary labor cost increase due to transfer of company-owned units to affiliated companies

100 million yen increase

### Food Group

Expenses to develop Mister Donut shop and distribution systems

1,200 million yen increase

Decrease in sales promotion expenses for introduction of baked donuts in the previous year

400 million yen decrease

### Corporate expenses

Increase in social insurance premium rate, and increase in annual wage raise (before segment allocation)

400 million yen increase

Repair expenses for exterior walls of the head office building

100 million yen increase

# Dividends

The image features a vibrant green background with a subtle grid pattern. Overlaid on this are several glowing, white, curved lines that create a sense of motion and depth. A prominent dark green horizontal band runs across the middle of the image, serving as a backdrop for the word "Dividends" written in a bold, white, serif font.

## Dividends

- The company plans to pay a year-end dividend of 40 yen per share for the 2011 fiscal year, the same as for the previous fiscal year, in accordance with the dividend policy.
- The company also plans to pay an interim dividend for the 2012 fiscal year, in the aim of increasing the opportunities of profit distribution to shareholders. The full-year dividend per share is scheduled to total 40 yen.

Dividends per share (yen)	FY2009 Actual	FY2010 Actual	FY2011 Forecasts	FY2012 Forecasts
End of 2 <sup>nd</sup> Quarter	—	—	—	20
Year-end	40	40	40	20
Total (annual)	40	40	40	40
Total dividends (in millions of yen)	2,649	2,612	2,571	2,571
Consolidated dividend ratio (%)	34.1	50.4	56.3	41.5

※ Consolidated dividend ratio is calculated per share.

The background is a vibrant green with a subtle grid pattern. Overlaid on this are several glowing, white, curved lines that create a sense of motion and depth. A dark green horizontal band is positioned across the middle of the image, serving as a backdrop for the text.

# Reference



**Non-consolidated**

	FY2010	FY2011	Increase/Decrease	
			Amount	%
<b>Sales</b>	155,150	150,019	-5,131	-3.3
<b>Operating Income</b>	8,256	6,928	-1,328	-16.1
Operating income on sales (%)	5.3	4.6	-0.7	—
<b>Ordinary Income</b>	10,826	10,313	-513	-4.7
Ordinary income on sales (%)	7.0	6.9	-0.1	—
<b>Net Income</b>	4,615	4,428	-186	-4.1
Net income on sales (%)	3.0	3.0	-0.0	—

## Business Summary by Segment

FY2011

Consolidated Sales: 171,100 million yen

Consolidated Operating Income: 9,800 million yen

(in millions of yen)

### Clean & Care Group

Sales 112,100

Operating Income 13,700

\* Sales associated from:

- 1) Sales of merchandise, rental products and equipment & chemicals to franchisees.
- 2) Royalty fee (Dust control does not collect a royalty fee)
- 3) Sales of company-operated shops

#### Home Service

#### Business Service

##### Dust Control

Offering products such as dust control mops and mats, range filters, water purifiers, air purifiers, and rest-room use items to help make houses and workplaces more pleasant.

##### Care Service (Technical Service)

Providing house cleaning, house-keeping, pest control, and tree, shrub and lawn care services.

#### Health & Beauty

Cosmetics &amp; Health food

#### Home Instead

Senior care service

#### Rent All

Daily goods &amp; nursing care goods

#### Uniform Service

Rental &amp; Cleaning

#### Drink Service

Coffee &amp; water

### Food Group

Sales 48,800

Operating Income 2,800

\* Sales associated from:

- 1) Sales of raw materials to franchisees
- 2) Royalty fee
- 3) Sales at company shops

#### Mister Donut

Hand-made fresh donuts (including “MOSDO” & “Wakka”)

#### Food Chain

Pork cutlet restaurant chain, “Katsu & Katsu,” Café Du Monde, and stick cake shop chain, “Stick Sweets Factory”

#### Don Co., Ltd.

A variety of donburi with fresh seafood and seasonal ingredients.

### Other Businesses

Sales 10,100

Operating Income 300

\* Sales associated from:

- 1) Sales at company shops
- 2) Royalty fee
- 3) Sales of raw materials to franchisees

#### Duskin Healthcare Co., Ltd.

Hygiene control services for medical facilities

#### Duskin Kyoeki Co., Ltd.

Leasing business

#### Duskin Insurance Service Co., Ltd.

#### Overseas businesses, others

Dust control and Mister Donut businesses overseas

Duskin Hong Kong

\* Business segments as of April 1, 2012.



## Franchise Businesses

\* As of April 1, 2012

### Clean & Care Group

#### Home Service

- Rent mops and mats through periodic visits
  - Dust Control ..... Mops and Mats
  - Air Clean ..... Air-purifiers
  - Water Clean ..... Water-purifiers
- Care Services
  - ServiceMaster ..... Professional cleaning
  - Merry Maids ..... House keeping
  - Terminix ..... Pest control and prevention
  - TruGreen ..... Tree & lawn care
- Health & Beauty ..... Cosmetics & health food
- Home Instead ..... Senior care service
- Rent-All ..... Rent goods for events and nursing care products

#### Business Service

- Rent mops and mats through periodic visits
  - Dust Control ..... Mops and Mats
  - Clean Service ..... Bathroom goods and cabinet towels
  - Air Clean ..... Air-purifiers
  - Water Clean ..... Water-purifiers
  - Wipeful Service ..... Wiper cloth
- Care Services
  - ServiceMaster ..... Professional cleaning
  - Terminix ..... Pest control and prevention
- Uniform Service ..... Rental & cleaning
- Drink Service ..... Coffee & water

### Food Group

- Mister Donut ..... Mister Donut  
"MOSDO" & "Wakka"
- Food Chain
  - Café Du Monde ..... Café au Lait & Beignet
  - Katsu & Katsu ..... Pork cutlet
  - Stick Sweets Factory ..... Stick cake
- The Don ..... Seafood

### Other Businesses

- Services offered to Duskin group
  - Duskin Kyoeki ..... Leasing business
  - Duskin Insurance ..... Insurance services
- Duskin Healthcare ..... Hospital cleaning
- Overseas Businesses ..... Dust control and Mister Donut businesses overseas  
Duskin Hong Kong

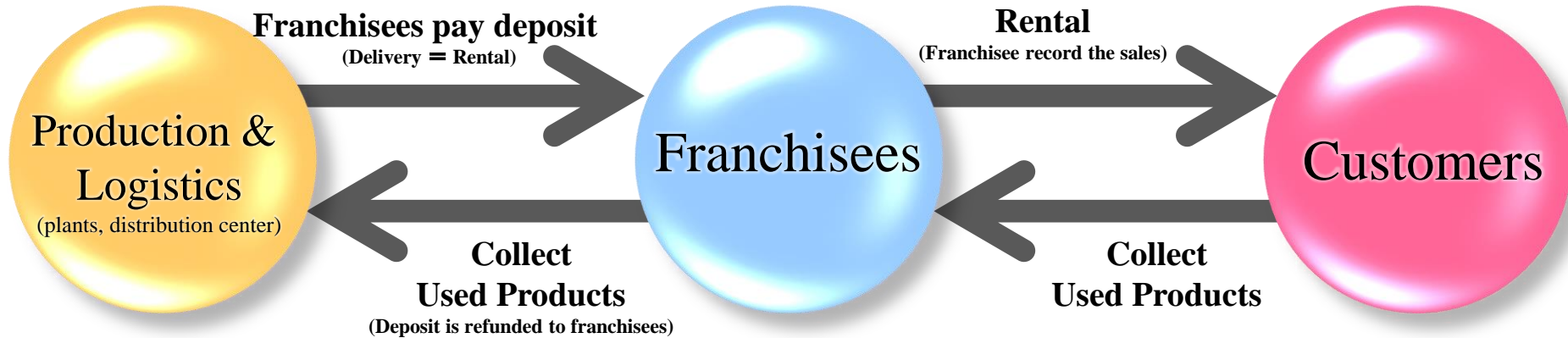
## Customer-Level Sales by Business

(in millions of yen)

	FY2010	FY2011	Increase/Decrease	%
<b>Clean &amp; Care Group</b>	<b>279,314</b>	<b>275,830</b>	<b>-3,484</b>	<b>-1.2%</b>
Home Service Dust Control (Japan)	108,477	104,988	-3,488	-3.2%
Business Service Dust Control (Japan)	103,604	99,860	-3,743	-3.6%
Care Services	41,987	43,255	1,267	3.0%
(ServiceMaster)	( 24,860 )	( 25,512 )	( 652 )	( 2.6% )
(Merry Maids)	( 8,382 )	( 8,734 )	( 352 )	( 4.2% )
(Terminix)	( 6,974 )	( 7,102 )	( 127 )	( 1.8% )
(TruGreen)	( 1,770 )	( 1,904 )	( 133 )	( 7.6% )
Health & Beauty	2,882	2,897	15	0.5%
Azare Products	2,312	4,529	2,216	95.9%
Home Instead	2,235	2,221	-13	-0.6%
Rent-All	13,596	14,042	446	3.3%
Uniform Service	3,022	2,616	-406	-13.4%
Drink Service	1,195	1,418	222	18.6%
<b>Food Group</b>	<b>125,061</b>	<b>119,479</b>	<b>-5,582</b>	<b>-4.5%</b>
Mister Donut	119,890	114,723	-5,166	-4.3%
Food Chain	2,745	2,674	-71	-2.6%
The Don	2,425	2,081	-344	-14.2%
<b>Other Businesses</b>	<b>19,945</b>	<b>20,171</b>	<b>225</b>	<b>1.1 %</b>
Dust Control (Overseas)	1,642	1,914	272	16.6%
Mister Donut (Overseas)	11,493	11,388	-105	-0.9%
Duskin Healthcare	6,809	6,867	58	0.9%
<b>Total</b>	<b>424,322</b>	<b>415,481</b>	<b>-8,841</b>	<b>-2.1%</b>

## Rental of mops and mats

Based on the concept of fully recycling products through repeated use until the end of their useable life



### P&L:

Company-owned & subsidiary :	13
Franchised:	33
<b>Total:</b>	<b>46</b>

### Units:

Company-owned & subsidiary:	71
Franchised:	Approx 2,100
<b>Operation:</b>	<b>Approx.2,200</b>

**Sales Representatives:**  
Approx. 75,000

**Residential Customers:**  
Approx. 5.5 million

**Commercial Customers:**  
Approx. 1.3million

As of April 1, 2012

### Strength 1: Nationwide production, logistics and distribution system

Competition is minimal in this business field since it requires a large investment to establish a laundry plant system and to purchase materials for rental products. Also this business requires time and money to create a nationwide sales organization.

### Strength 2: Strong customer-base

A large customer base that facilitates face-to-face sales activities and includes extensive relationships with loyal residential customers.

**FY2012 – FY2014**

**Medium-term Management Policy**

Our four-point focused goal for the past two years was to obtain this customer compliment: "the services Duskin offers has the world's highest quality."

After unexpected contingencies such as the Great East Japan Earthquake in March 2011 and significant changes in the overseas markets environment, issues and challenges were reviewed. As a result, responses and solutions to these challenges were developed.

### Region-driven operation

- An internal system was established to respond to the characteristics of each market by creating a system/organization to promote regional office empowerment.

### Female sensitivity

- Deployment of female Area Managers
- Capitalizing the strength of female perspective and sensitivity, product development & promotion projects by female workers

### Customer contact increase

- Clean & Care Group: Cleaning demonstration & collaboration with partner companies to develop comprehensive proposals by market
- Mister Donut introduced a new category of products, "Baked Donut."

### Efficiency optimization

- In line with one of the focused points, "Region-driven operations," personnel assignment to regional office, streamlining of operations and review of products and systems for improvement were launched.



## The goal for FY2012-2014

Duskin, empathetic,  
familiar and easy to  
access

- From product development to sales channel, change and improvement of the system to make all our customers feel "Duskin is empathetic, familiar and easy to access," and to become a "brand of choice."

## Policy

Take action & change  
in a swift manner.

- Innovation to further grow as a company with services & products meeting customers' needs, understanding customers needs in different regions, and put in place innovation that would enable Duskin to respond with immediacy to challenges in fast changing markets



## Customers

Share all Duskin product and service information with customers

Operation system responding to needs of customers

Responding to our customers' needs & requests in a swift manner (within 24 hours)

● **Residential market**

Development of a new channel to deliver products/services to respond to customer needs

● **Commercial market**

Consolidation of rental service

Business structure change

● **Technical services**

Increase number of service staff & crews  
 Development of tools & equipment to increase productivity

● **Mister Donut**

Improve operation through thorough Quality. Service, Cleanliness.  
 Product & shop design development, and new shop openings to respond to different purposes and occasions

● **Overseas development**

Business development in overseas markets

Business expansion

● **New business development**

Contributing to a further growth

Product development  
 Enhancing product & technology development

Reduction of purchasing & other costs

Business platform reform

Internal reform of business platform

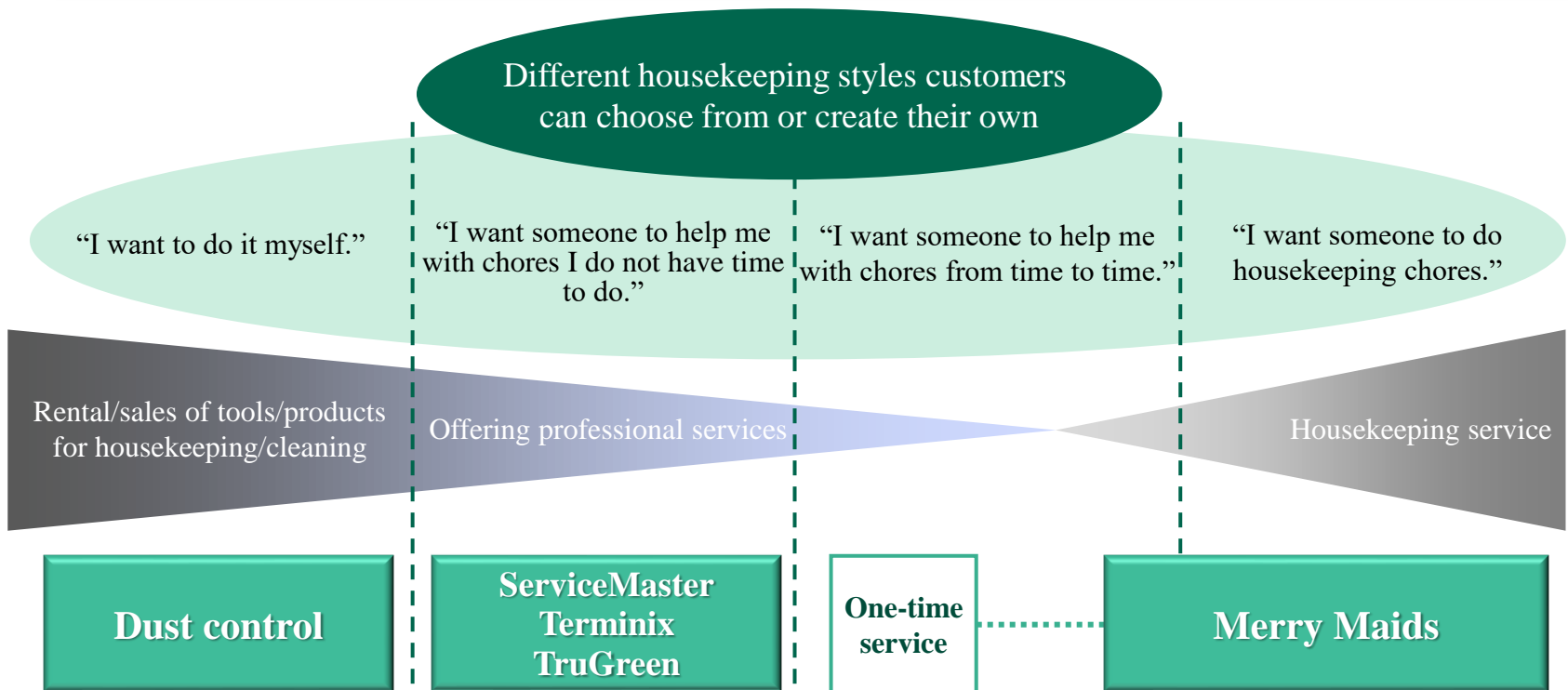
Reforming and enhancing the existing unit network

A system building at the operational level (PDCA cycle)

## Clean & Care Group

### Residential Market

Respond to changes in social climate and enhance services to meet customer needs in order to create points of contact with new customers and to continue relationship with the existing customers.



## Clean & Care Group

### Residential Market

Deliver our products & services to customers to help them with housekeeping in different styles and needs

#### ➤ Responding to customers' needs

- Implement a system to deliver products/services for those customers who prefer such visits during weekends or designated time of day

#### ➤ Improve customer satisfaction

- Implement a system to provide information to customers in a swift manner.
  - Build an organization to increase points of contact with customers
- Develop new products which reflect customers' needs
  - Propose a new cleaning style using both mop and Dust Cleaner
  - Products responding to diversified living environment
- Promote housekeeping services for easy use
  - Introduce housekeeping service nationwide
  - Propose comprehensive product/service menus for the residential market

#### ➤ Expand service menus

- Offer safe, healthy and tasty water
  - Develop various water purifiers for diversified types of faucets and home delivery of server water

#### ➤ Better respond to orders for technical service

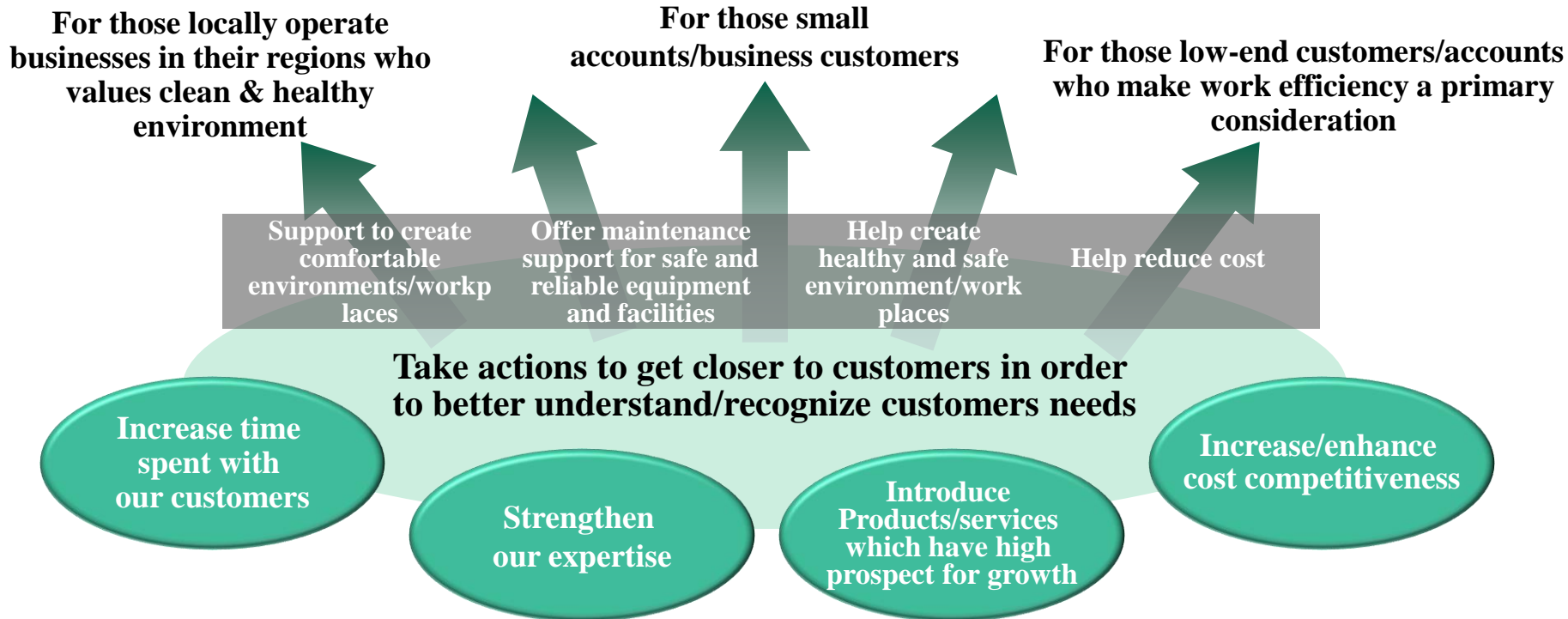
- Establish a supply system flexible to changes in demands
  - Increase number of service locations and service staff members

■ Responding to diversified life styles

**Clean & Care Group**

**Commercial Market**

Increase competitiveness and efficient operation in the clean & hygiene control market, where low-priced and specialized services & products are prevailing, in order to increase opportunities for service proposals and to increase service hours



## Clean & Care Group

### Commercial Market

"Improve competitiveness" to be No. 1 brand in the clean hygiene control market

#### ➤ Respond to key customers

- Develop products needed for different business industries, categories and sizes
  - Enhance sales to government and other public offices, and large chain stores
  - Enhance specialized sales organization by unifying business process from sales to production
  - Realignment of rental products
  - Establish a contact place in regions and establish a sales force organization

#### ➤ Increase convenience to customers

- Enhance communication with customers by improving operation efficiency
  - Improve efficiency with consolidation of rental services to better respond to customer needs
  - Consolidate Duskin contacts by introducing an outsourcing system for rental service

#### ➤ Offer different services for different industries

- Develop standard menus for the clean & hygiene control industry
  - Realignment of mats & mops, and enhanced toiletry product line
  - Review service operation and cleaning equipment & tools for technical services to reduce cost
  - Offer service packages for food service chains and medical facilities
  - Develop regular daily clean sanitary control service in the hygiene & sanitary management business domain

#### ➤ Enhance business opportunities in the technical service market

- Increase customer contact through business tie-ups

Improve competitiveness

# Mister Donut

Promote brand value with a new slogan, and outgrow from standardized products, service and shop design through providing a wide variety of products, flexible services and new shop development, which respond to different needs and purposes

Sales



**2. Outgrow from status quo**  
Expand from standardized service, product & shop  
Focus on creating new fans

Average check



Number of customers



**1. Enhance core value**

Keep Mister Donut fans  
Increase number of visits,  
and focus on retaining fans

Number of customers



Average check



FY2012

FY2014



# Mister Donut

## Overview of the business plans

Enhance core values (tasty donuts & comfortable environment)  
to continue to be an attractive brand

### ➤ Enhance core values

#### ● Product value

- Improve basic items and develop new basic items
- Introduce new breakfast menu items

#### ● Communication

- New marketing in collaboration with customers and employees
- Improve Point Card system and introduce scratch card campaign
- Hold promotional events

#### ● Assure best quality, service and cleanliness (QSC)

- Establish and promote a new system lead by the “QSC” program
- Implement new educational programs, and a system to improve operation environment and shop operation support system

### ➤ Flexible responses to diversified needs

#### ● Outgrow from standardization

- Product line..... Enhance product lines for different time of the day and offer a variety of products which match the characteristics of each shop
- Shop design & atmosphere..... Introduce new shop designs to match different life styles
- Promotion & equipment/facilities.. Introduce new shop designs to match different life styles

### ➤ Develop new shop format, reduce investment, open shops in new/unexplored markets

- Develop a new shop type to respond to different markets and locations
- Initial cost reduction through a new construction method and shorter construction schedule

■ Respond to diversified customer demands

## Overseas Development

### Business development in the East and South East Asian markets

**Reduction of raw materials**  
(procure raw materials overseas for overseas operation)

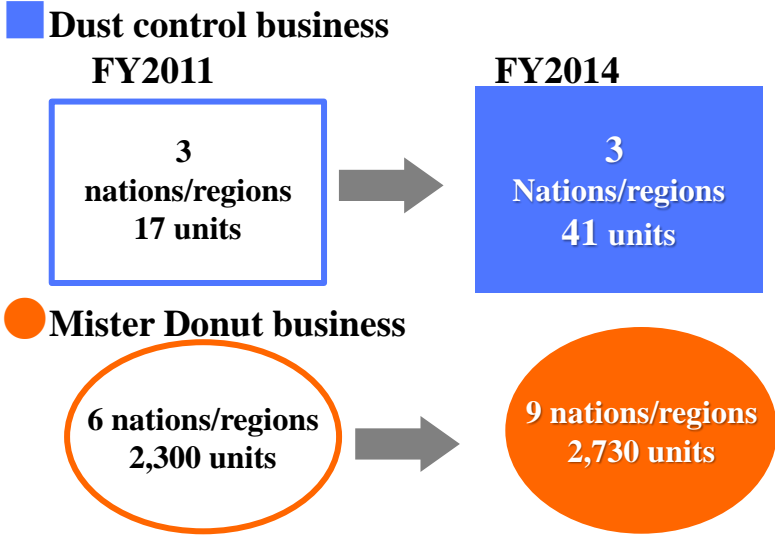
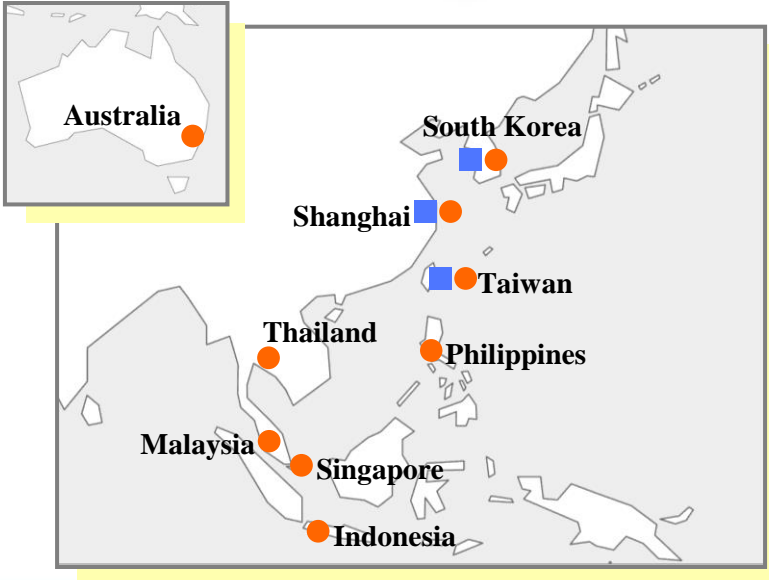
- **Dust control** → Mat products for overseas markets
- **Mister Donut** → Frying oil & flour mix for overseas markets



**Product development**

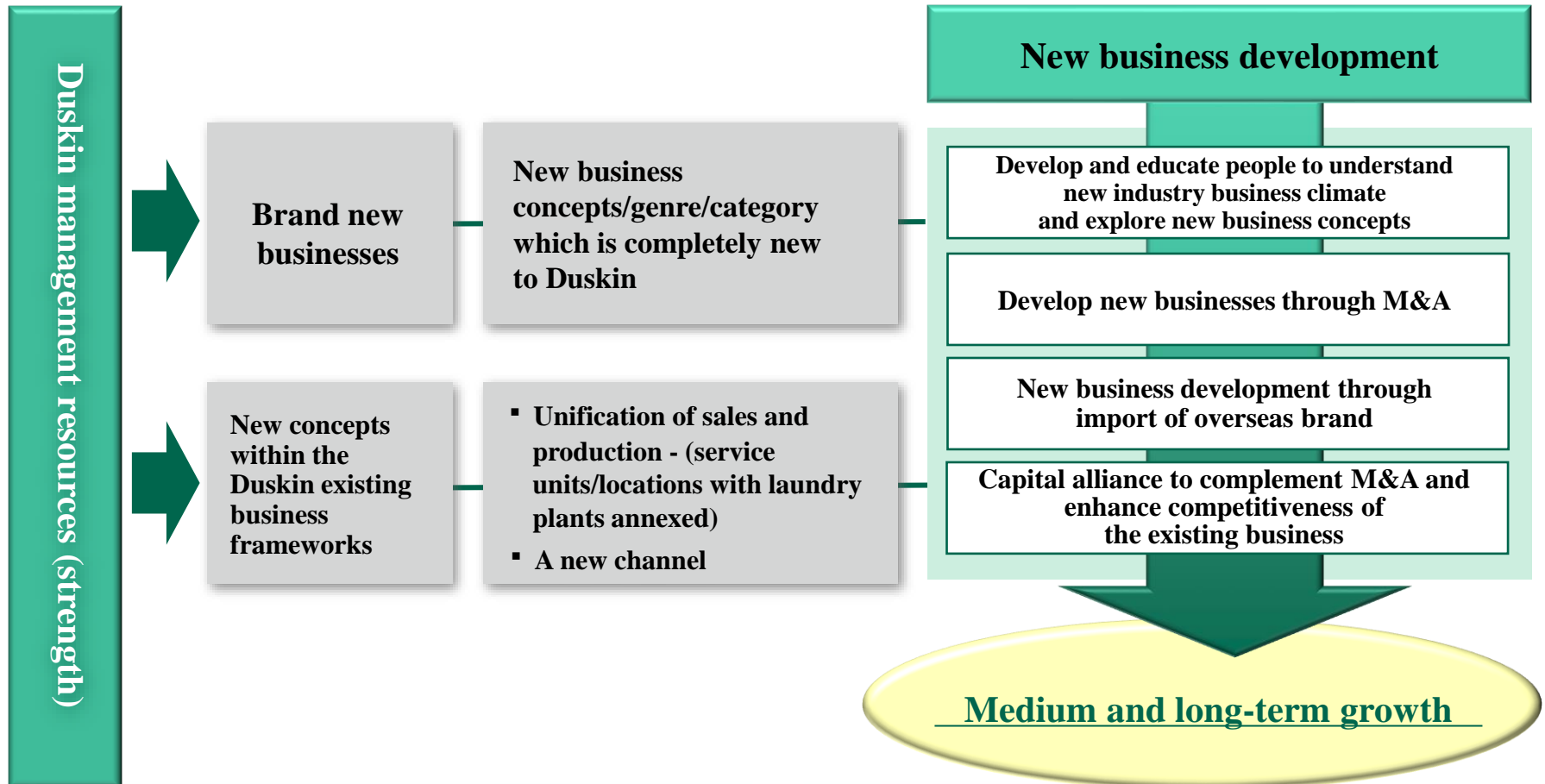
Selling prices and menu items respond to different local market needs

### Business expansion in new regions and locations



## New Business Development

Develop new assessed as viable business concepts into future core business for the medium and long term growth

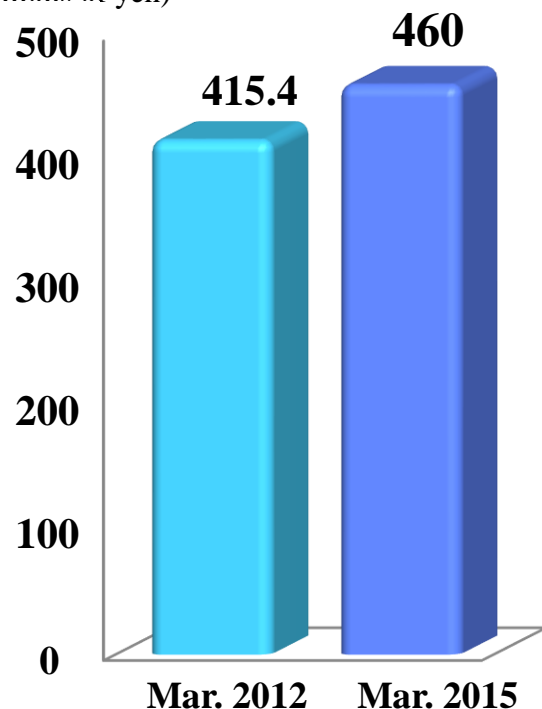


## FY2014 Goals

Customer-Level Sales

**460 billion yen**

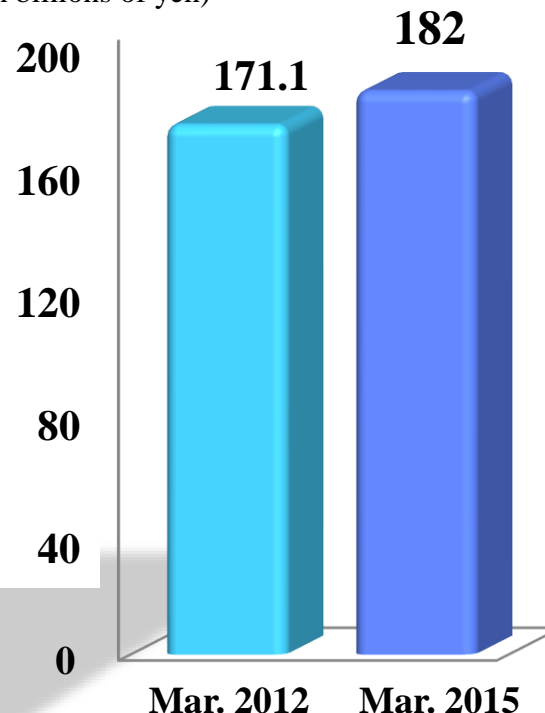
(in billions of yen)



Consolidated Sales

**182 billion yen**

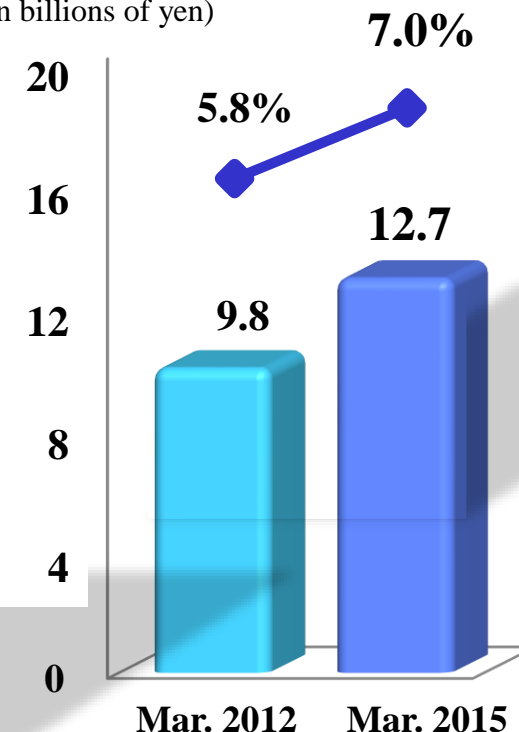
(in billions of yen)



Operating Income on Sales

**7.0%**

(in billions of yen)



## By Business Segments

(in millions of yen)

		FY2011		FY2014		Increase/Decrease	
		Operating Income on Sales (%)		Operating Income on Sales (%)		%	
Clean & Care Group	Sales	112,177	—	113,500	—	1,322	1.2%
	Operating Income	13,789	12.3%	15,300	13.5%	1,510	11.0% (1.2)
Food Group	Sales	48,807	—	57,000	—	8,192	16.8%
	Operating Income	2,876	5.9%	3,500	6.1%	623	21.7% (0.2)
Other Businesses	Sales	10,133	—	11,500	—	1,366	13.5%
	Operating Income	375	3.7%	400	3.5%	24	6.7% (-0.2)
Eliminations/Corporate	Operating Income	-7,199	—	-6,460	—	739	—
Total (Consolidated)	Sales	171,118	—	182,000	—	10,881	6.4%
	Operating Income	9,841	5.8%	12,740	7.0%	2,898	29.4% (1.2)