

# Financial Report

## FY2014 (April 2014 – March 2015)

**Duskin Co., Ltd.**

**May 21, 2015**



- These materials contain forward-looking statements concerning forecasts, goals, 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 20 (Segment information), Note (2) in our Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2015, the adjustment to segment income includes “inter-segment eliminations” and “corporate expenses” which are presented as “Eliminations/Corporate” in these materials.

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# Financial Summary

**FY2014** (April 2014 – March 2015)

## Consolidated Results

(millions of yen)

	FY2013	FY2014	Increase/Decrease	
				Change (%)
<b>Sales</b>	<b>167,745</b>	<b>167,987</b>	<b>241</b>	<b>0.1</b>
<b>Operating Income</b>	<b>6,641</b>	<b>5,067</b>	<b>-1,573</b>	<b>-23.7</b>
Operating Income on Sales (%)	(4.0%)	(3.0%)	(-1.0)	-
<b>Ordinary Income</b>	<b>8,322</b>	<b>7,083</b>	<b>-1,238</b>	<b>-14.9</b>
Ordinary Income on Sales (%)	(5.0%)	(4.2%)	(-0.8)	-
<b>Net Income</b>	<b>4,448</b>	<b>3,441</b>	<b>-1,007</b>	<b>-22.6</b>
Net Income on Sales (%)	(2.7%)	(2.0%)	(-0.7)	-

## Consolidated Sales

■ Sales - 2<sup>nd</sup> half  
■ Sales - 1<sup>st</sup> half

(millions of yen)

250,000

200,000

150,000

100,000

50,000

0

177,320

89,520

87,800

Mar. 2011

171,118

85,718

85,399

Mar. 2012

168,163

86,074

82,088

Mar. 2013

167,745

84,434

83,310

Mar. 2014

167,987

84,355

83,631

Mar. 2015

## Consolidated Sales

**167,987 million yen** 241 million yen (0.1%) increase

« Major factor contributing to sales »

Sales of Chugai Sangyo Co., Ltd., included in the total sales, starting in FY2014 : **1,700 million yen**



Consolidated sales excluding  
Chugai Sangyo

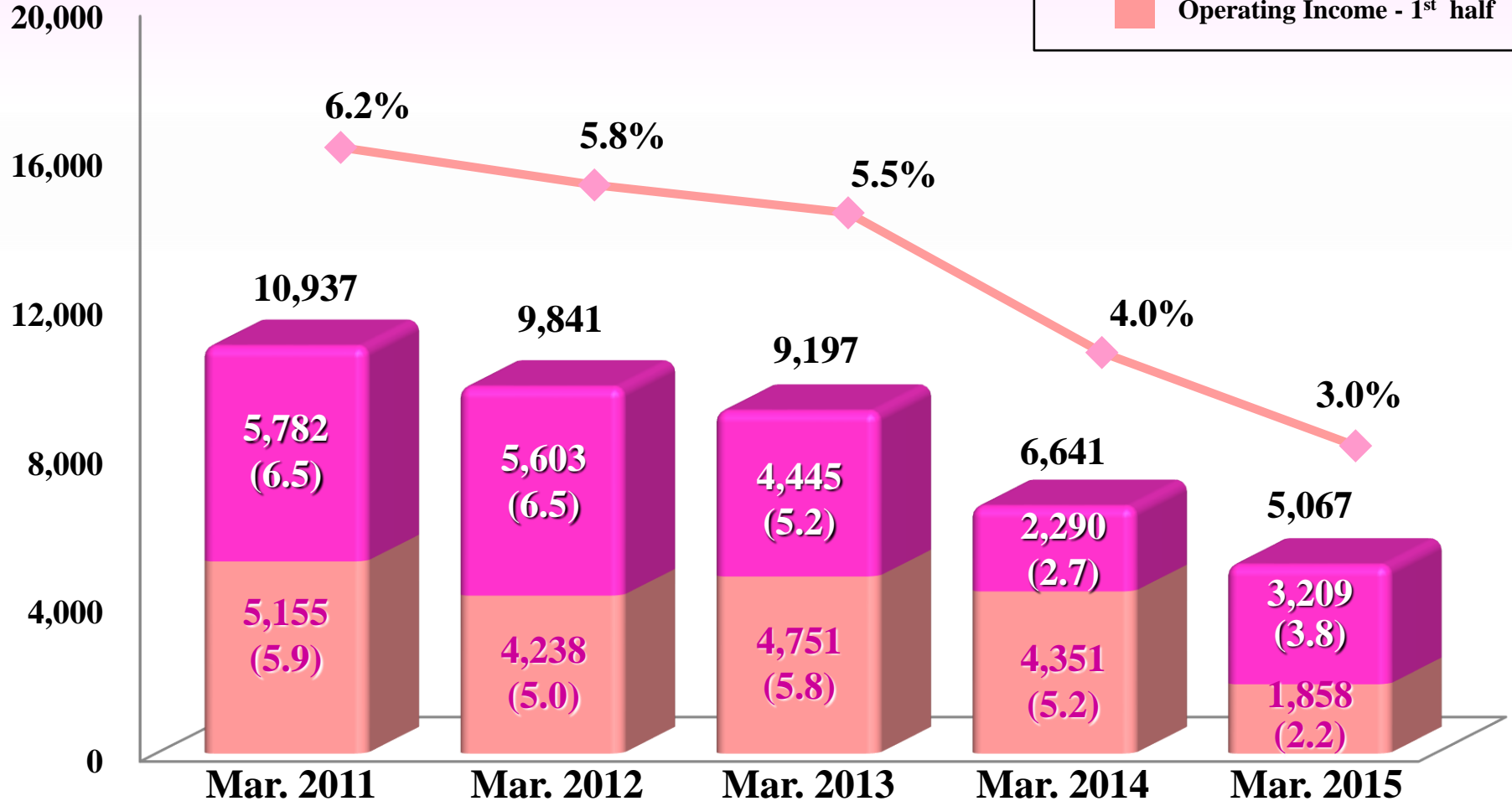
**166,272 million yen** 1,472 million yen (0.9%) decrease

(millions of yen)

Sales by segment	FY2013	FY2014	Increase/Decrease	
			%	
Clean & Care Group	110,097	109,009	-1,088	-1.0%
Food Group	47,018	48,289	1,270	2.7%
Other Businesses	10,628	10,688	60	0.6%
<b>Total (Consolidated)</b>	<b>167,745</b>	<b>167,987</b>	<b>241</b>	<b>0.1%</b>

## Consolidated Operating Income

(millions of yen)





## Consolidated Operating Income

**5,067 million yen** 1,573 million yen (23.7%) decrease

« Major factors contributing to increase & decrease »

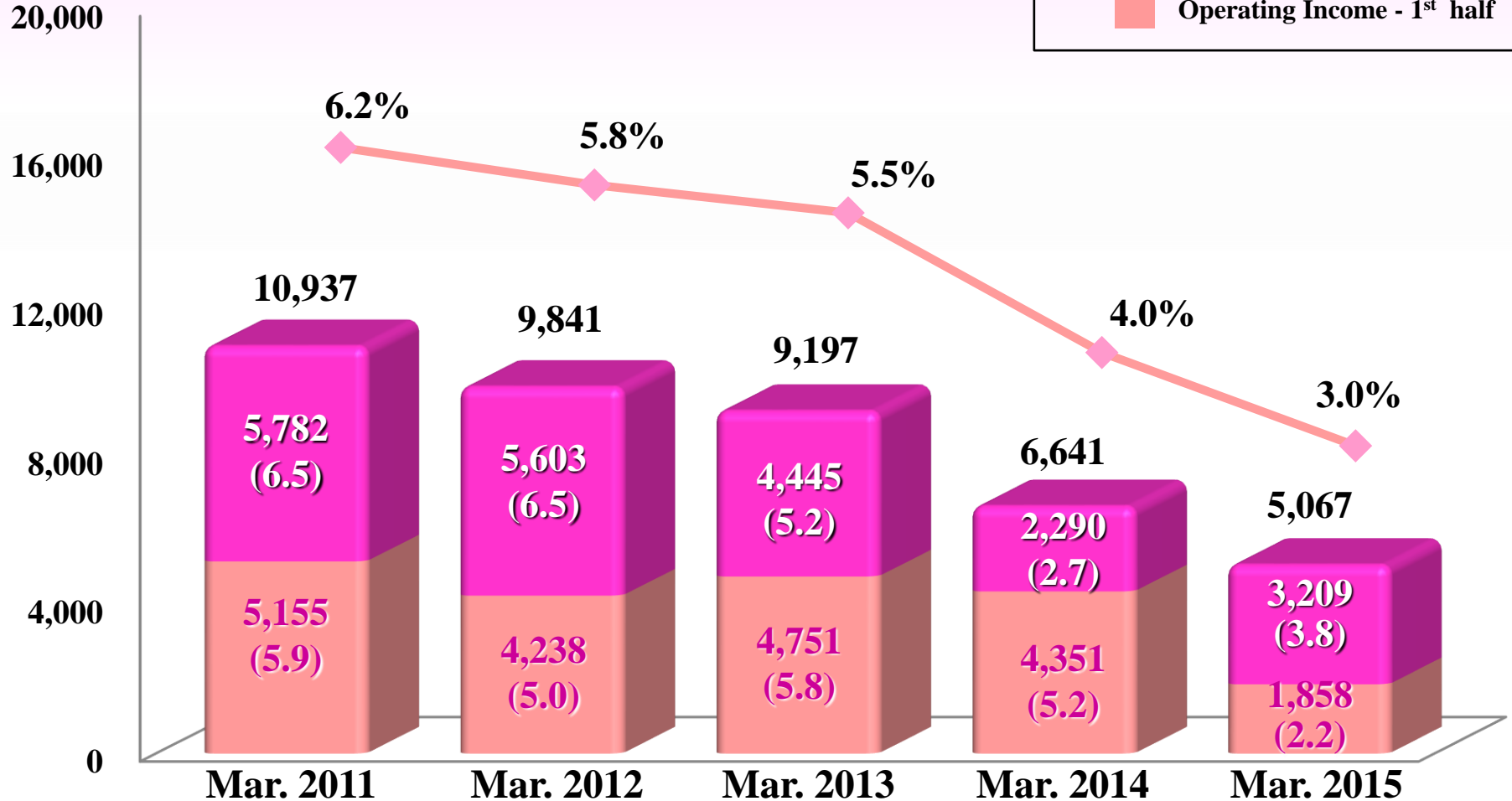
- Clean & Care Group . . . Upfront cost for Style Cleaner
- Food Group . . . Increased income mainly due to sales increase
- Other Businesses . . . Increased expense for Clean & Care business in China
- Eliminations/Corporate . . . Decreased expenses for 50th anniversary convention, etc.

(millions of yen)

Operating Income by Segment	FY2013	FY2014	Increase/decrease	
	Operating Income Margin (%)	Operating Income Margin (%)	%	
Clean & Care Group	13,873 (12.6%)	11,254 (10.3%)	-2,618	-18.9% (-2.3)
Food Group	-410 (-0.9%)	-201 (-0.4%)	+209	- (+0.5)
Other Businesses	243 (2.3%)	-87 (-0.8%)	-330	-135.9% (-3.1)
Eliminations/Corporate	-7,064	-5,898	+1,166	-
<b>Total (Consolidated)</b>	<b>6,641</b> <b>(4.0%)</b>	<b>5,067</b> <b>(3.0%)</b>	<b>-1,573</b>	<b>-23.7</b> <b>(-0.9)</b>

## Consolidated Operating Income

(millions of yen)



## Consolidated Ordinary Income

**7,083 million yen**    1,238 million yen (14.9%) decrease

### 《 Major factors contributing to increase & decrease 》

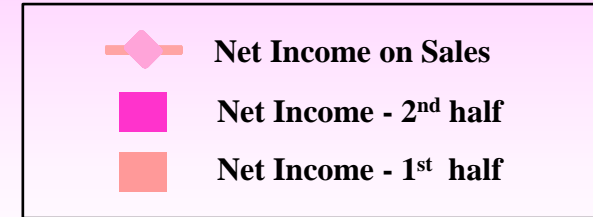
1. Operating income                      -1,600 million yen

2. Non-operating income/loss        + 300 million yen

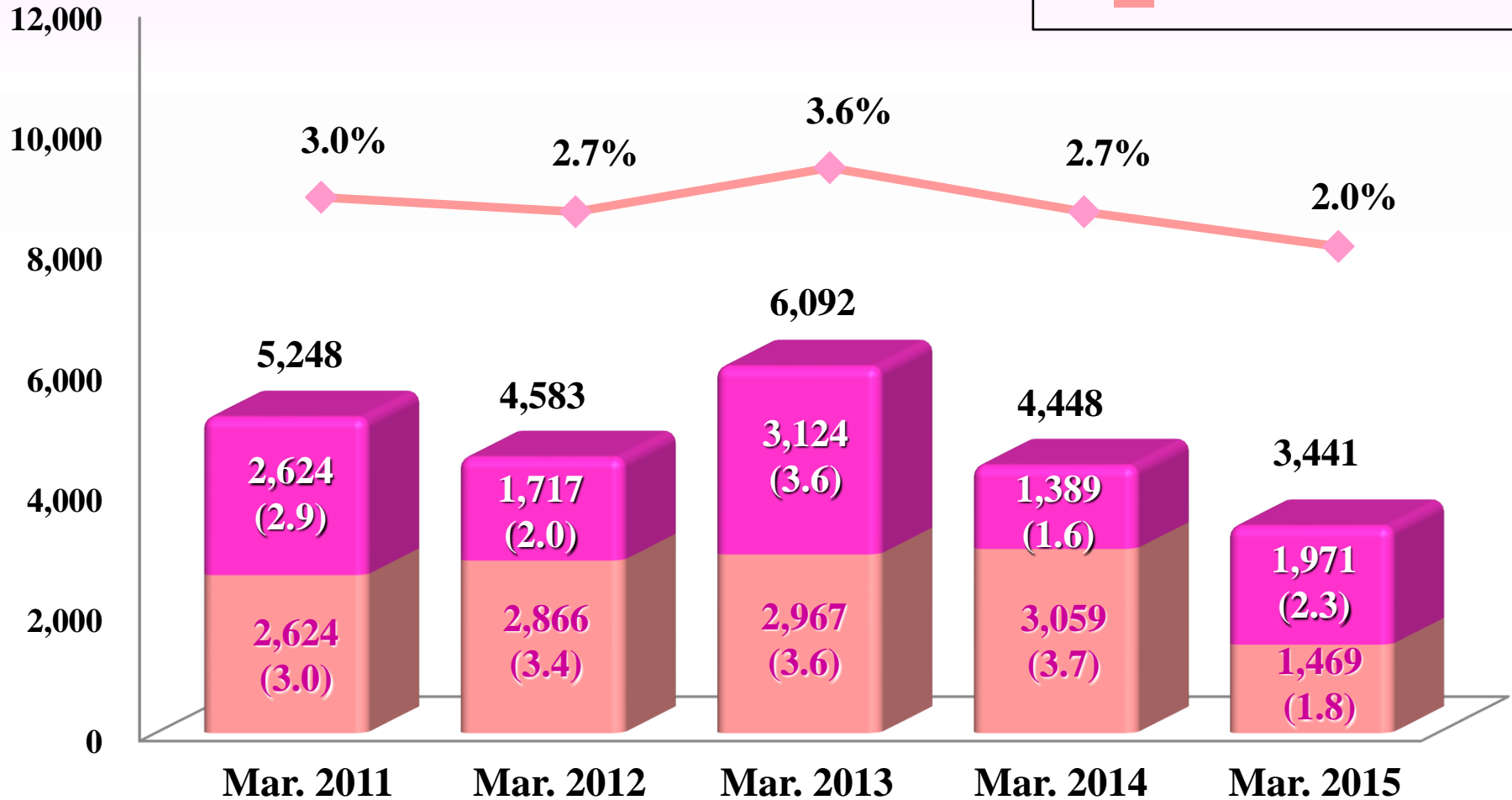
- Gain on redemption of investment securities        +300 million yen
- Decreased equity in loss of affiliates                      +100 million yen
- Decreased foreign exchange losses and  
compensation expenses    +100 million yen
- Other    -200 million yen

\*The figures given here show the increase or decrease from the same period of the previous year.

## Consolidated Net Income



(millions of yen)



## Consolidated Net Income

**3,441 million yen**    1,007 million yen (22.6%) decrease

◀ Major Factors contributing to increase & decrease ▶

1. Ordinary income	-1,200 million yen
2. Extraordinary loss and income	-100 million yen
➢ Sales of investment securities	+100 million yen
➢ Decreased gain on bargain purchase	-100 million yen
➢ Increased loss on abandonment of non-current assets	-100 million yen
3. Tax expenses	+ 300 million yen (Decreased expense)
➢ Decreased tax expense due to decreased income before tax	+500 million yen
➢ Impact of tax rate changes	-500 million yen
➢ Other	+300 million yen

\*The figures given here show the increase or decrease from the same period of the previous year.

## Consolidated Balance Sheet

(millions of yen)

	FY2013	FY2014	Increase/ Decrease	Major Factors
<b>Current asset</b>	<b>53,489</b>	<b>67,727</b>	<b>14,237</b>	Cash and deposits +400 million yen Securities +15,000 million yen Merchandise and finished goods +300 million yen Deferred tax assets -200 million yen
<b>Property, plant and equipment/ Intangible assets</b>	<b>61,115</b>	<b>61,117</b>	<b>2</b>	
<b>Investments and other assets</b>	<b>88,173</b>	<b>69,630</b>	<b>-18,543</b>	Construction in progress +600 million yen Investment securities -15,500 million yen Deferred tax assets -2,300 million yen Guarantee deposits -800 million yen
<b>Total assets</b>	<b>202,778</b>	<b>198,475</b>	<b>-4,302</b>	-
<b>Current and non-current liabilities</b>	<b>50,875</b>	<b>43,279</b>	<b>-7,596</b>	Notes and accounts payable - trade -900 million yen Income taxes payable +500 million yen Provision for point card certificates -400 million yen Accounts payable - other -200 million yen Guarantee deposit received for rental products -300 million yen Net defined benefit liability -7,500 million yen
<b>Net assets</b>	<b>151,903</b>	<b>155,196</b>	<b>3,293</b>	Treasury stock -1,800 million yen Valuation difference on available-for-sale securities +3,600 million yen Total accumulated other comprehensive income +600 million yen
<b>Total liabilities and net assets</b>	<b>202,778</b>	<b>198,475</b>	<b>-4,302</b>	-
<b>Debt with interests</b>	<b>243</b>	<b>50</b>	<b>-192</b>	

# Summary by Business Segment

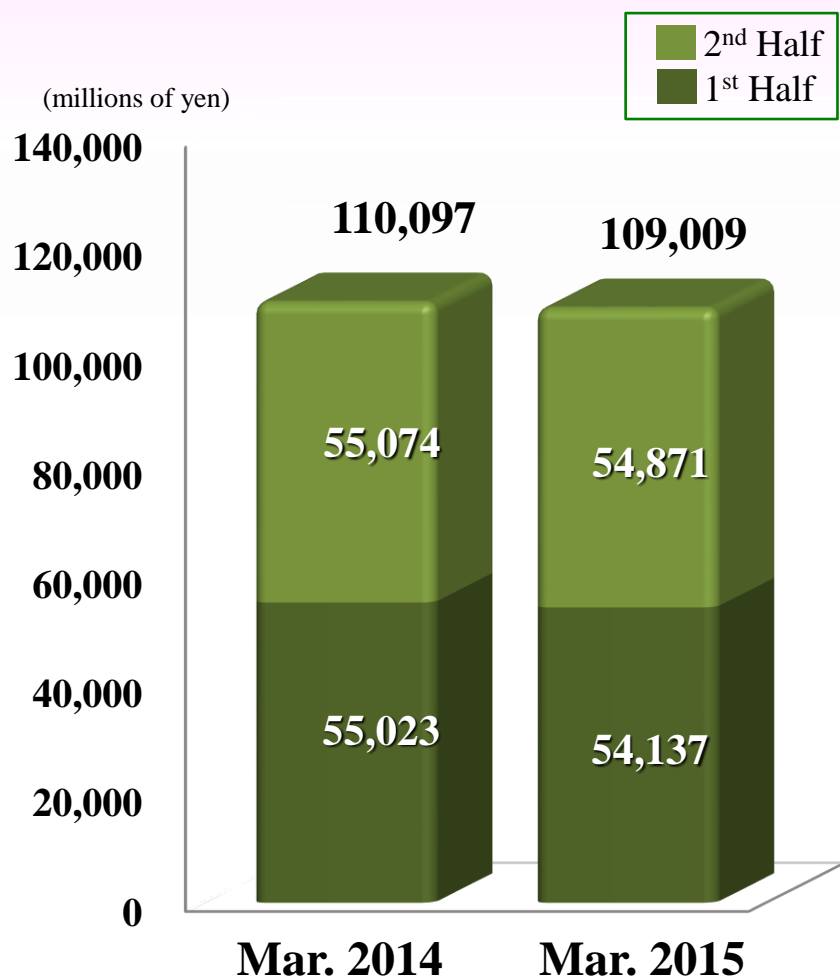
# Highlights by Business Segment

(millions of yen)

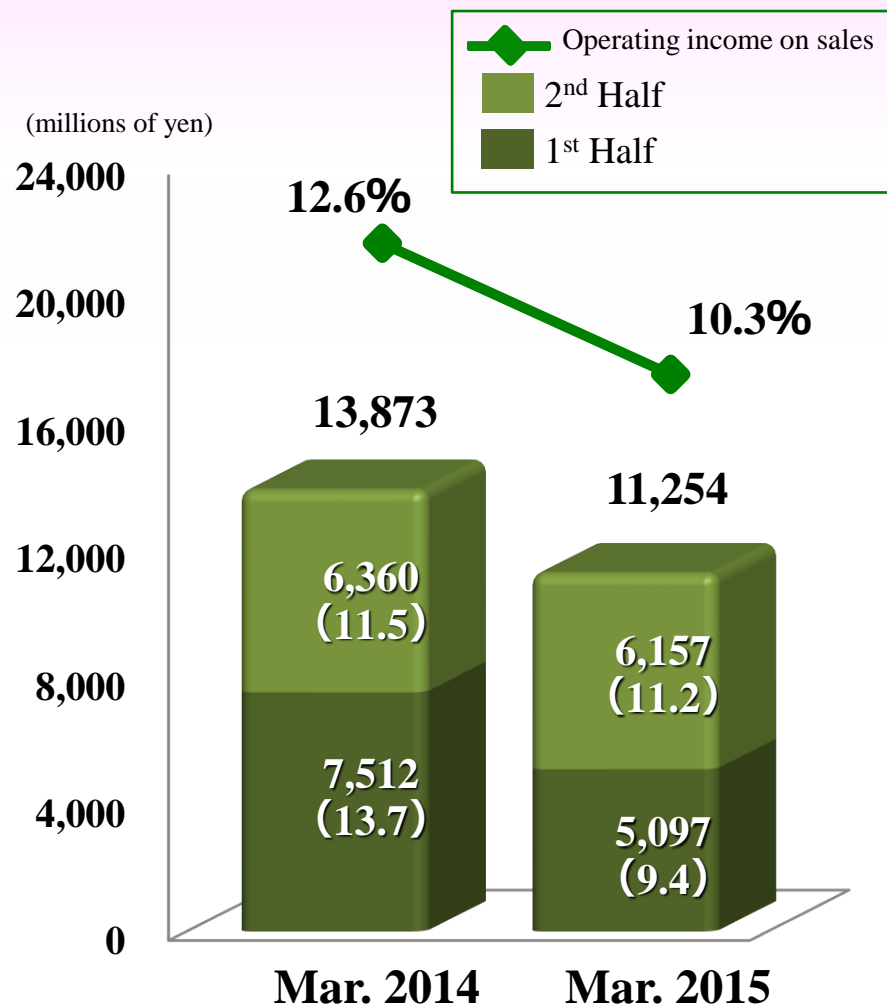
		FY 2013		FY 2014		Change	
		Operating income on sales		Operating income on sales		(%)	
Clean & Care Group	Sales	110,097	—	109,009	—	-1,088	-1.0%
	Operating income	13,873	12.6%	11,254	10.3%	-2,618	-18.9% (-2.3)
Food Group	Sales	47,018	—	48,289	—	+1,270	+2.7%
	Operating income	-410	-0.9%	-201	-0.4%	+209	— (+0.5)
Other Businesses	Sales	10,628	—	10,688	—	+60	+0.6%
	Operating income	243	2.3%	-87	-0.8%	-330	-135.8% (-3.1)
Eliminations/ Corporate	Operating income	-7,064	—	-5,898	—	+1,166	—
Consolidated	Sales	167,745	—	167,987	—	+241	+0.1%
	Operating income	6,641	4.0%	5,067	3.0%	-1,573	-23.7% (-0.9)



## Sales



## Operating Income



## Sales

(millions of yen)	FY2013	FY2014	Change	%
Sales by segment (1)	110,097	109,009	-1,088	-1.0
Chugai Sangyo (2)	—	1,714	+1,714	—
Sales (1)-(2)	110,097	107,295	-2,802	-2.5

### Residential Market

● **Cleaning Basic Three performed well while sales of mop products declined.**

- Dust Control Products Sales -4.1%
- Mop Products Sales -3.8%
  - Basic Three (including sales of *LaLa*, *shushu*, and *Style Cleaner*) +10.1%
  - Other handy and floor mops -10.3%
- Selling Product Sales (air freshener etc.) +2.8%

\*Changes are based on the amount of products shipped.

● **Efforts to prevent cancellations due to consumption tax rate hike contributed to reduction in cancellation, but sales activities for acquiring new customers decreased.**

- Cancellation 0.2 points up (9.4% → 9.2%)
- New customers 0.8 points down (6.1% → 5.3%)

\*The data is the total of company-owned units, affiliate company units and franchisee units.

● **Technical services grew steadily, but sales of some services were lower than previous year.**

- Total customer-level sales +1.0%
  - Housekeeping Service +12.2%
  - Air conditioner Cleaning +2.9%
  - Range hood/Ventilation Fan Cleaning -9.1%
  - Termite Control -13.5%

● **Rental of health care equipment (Rent-All) continued to grow.**

- Rent-All
  - Customer-level sales of Health Rent (Rental of health care equipment) +7.8%

## Sales

(millions of yen)	FY2013	FY2014	Change	%
Sales by segment (1)	110,097	109,009	-1,088	-1.0
Chugai Sangyo (2)	-	1,714	+1,714	-
Sales (1)-(2)	110,097	107,295	-2,802	-2.5

### Commercial Market

● **High-value added mats performed well but total sales of mat products decreased.**

- Dust Control Product Sales -1.5%
- Mat Product Sales -0.9%
  - Thin-type dust control/water absorption mats +137.6%
  - Other general-purpose mats -5.5%
  - Inside mats +54.8%
  - Other custom-made mats -0.7%
- Rest Room Product Sales -5.8%

\*Changes are based on the amount of products shipped

● **“Professional kitchen sanitary management support services,” customized services combining products and services were well-received.**

● **Sales of technical services remained still.**

- Customer-level sales +0.1%
  - ServiceMaster (including Facility Management) -0.4%
  - Terminix +1.4%
  - TruGreen +9.4%
- Sales of cleaning tools & detergents -5.6%

● **Event operation and rental service (Rent-All) grew steadily.**

- Rent-All
  - Customer-level sales of Rent-All (events) +9.5%

## Operating Income

(millions of yen)	FY2013	FY2014	Change	%
Operating income by segment (1)	13,873	11,254	-2,618	-18.9
Chugai Sangyo (2)	—	30	+30	—
Operating income (1)-(2)	13,873	11,224	-2,649	-19.1

1. Gross profit decreased due to lower sales

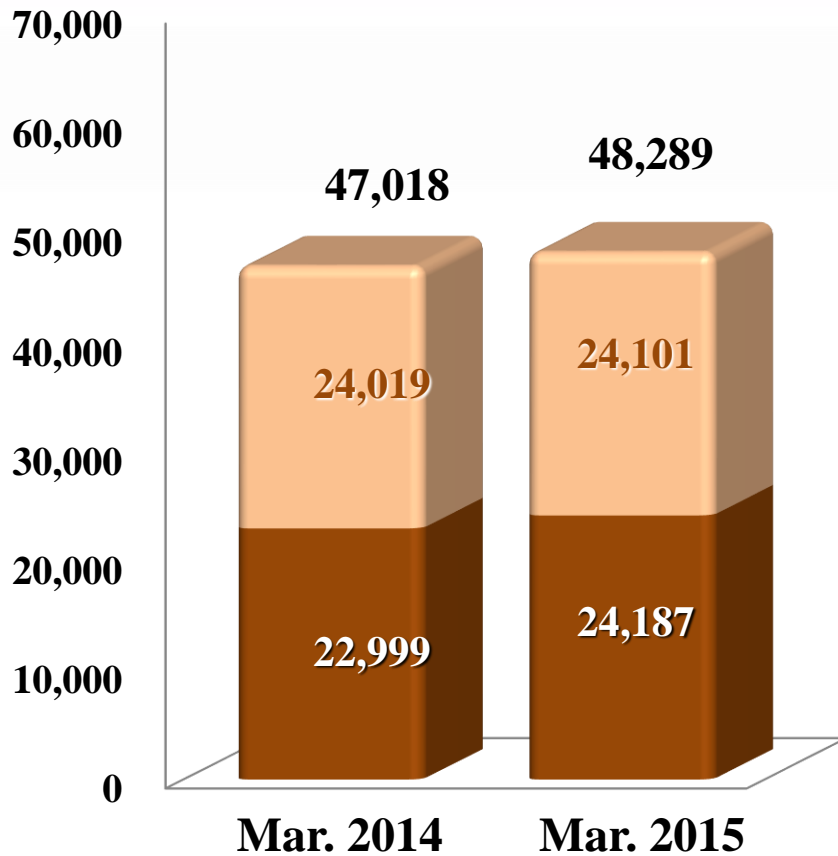
2. Up-front costs for Style Cleaner

- Gross profit decreased due to lower sales. -1,400 million yen
  
- Gross profit decreased due to increased cost rate. -500 million yen
  - Decreased cost for Dust Cleaner (old model) +300 million yen
  - Increased cost for Style Cleaner (new model) -1,700 million yen
  - Decreased cost of introducing mop products into the market +1,000 million yen
  - Loss on valuation of inventory -100 million yen
  
- Impact on operating income due to increased expenses -700 million yen
  - Expenses for the 50th Anniversary Regional Convention -400 million yen
  - Increased labor costs (sales subsidiaries) -300 million yen

\*The figures given here show the increase or decrease from the same period of the previous year.

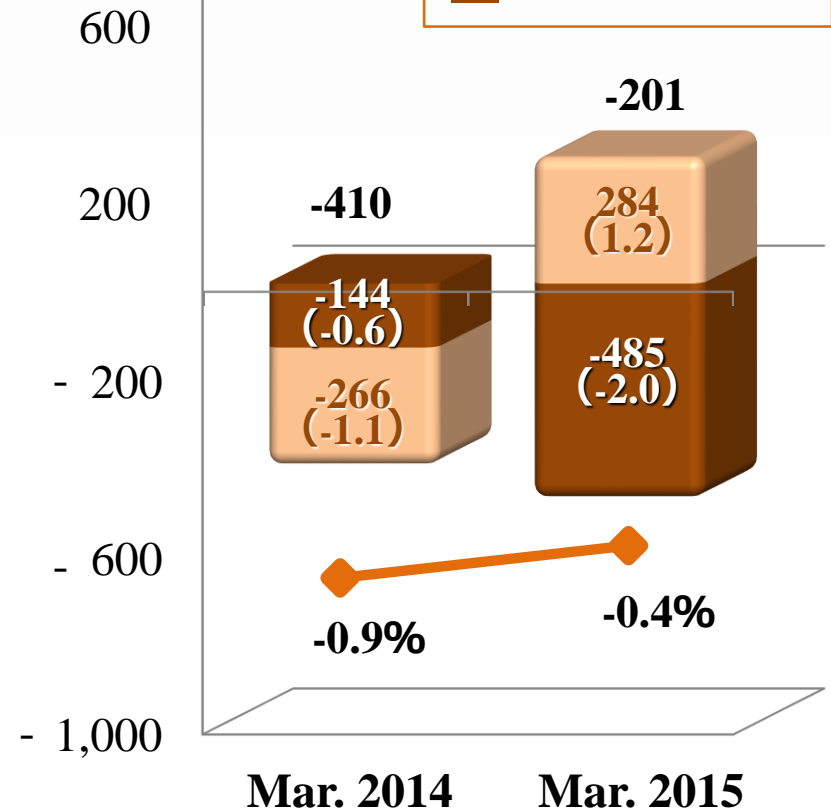
## Sales

(millions of yen)



## Operating Income

(millions of yen)



## Sales

(millions of yen)	FY2013	FY2014	Change	%
Sales by segment	47,018	48,289	+1,270	+2.7

### ● Mister Donut

• **Increased sales per shop but decreased total customer-level sales due to smaller number of shops**

- Total customer-level sales change -1.0%
- Daily customer-level sales (per shop) +0.1%
- Number of shops in Japan (Number of shops)

(excluding MOSDO)

Mar. 2014	Opened	Closed	Change	Mar. 2015
1,349	14	47	-33	1,316

• **New products in FY 2014**

- 1Q waff Mister Croissant Donut Attracted many repeat customers with its reasonable price
- 2Q Cotton Snow Candy Featured in the hit product ranking. Increase in take-out customers.
- 3Q N.Y. Cup Cake New, innovative product increase in eat-in customers.
- 4Q Brooklyn D&D The concept “Otona Kawaii” (mature and cute) did not appeal to young women.  
Brooklyn Jar, inspired by popular glass jar attracted customers’ attention.

### ● Other Food Businesses

- **Existing Business** ➢ Katsu & Katsu Customer-Level Sales +22.7%
- **New Business** ➢ New Store opening
  - Bakery Factory 1 store
  - ICE DE LION 3 stores
  - The Chiffon & Spoon 1 store

## Operating Income

(millions of yen)	FY2013	FY2014	Change	%
Operating income by segment	-410	-201	+209	-

1. Gross profit increased due to increased sales
2. Increased cost rate due to valuation loss on raw materials and waste disposal expenses
3. Increase in freight cost due to unit price increase of shipping charges

➤ Increase in gross profit due to sales increase in Mister Donut +400 million yen

➤ Decrease in gross profit due to increased cost rate in Mister Donut -200 million yen

- Increase in valuation loss on raw materials and waste disposal expenses -500 million yen
- Improved cost rate due to sales increase of promotional items along with re-start of the MISDO Card Campaign +300 million yen

➤ Decrease in total expenses in Mister Donut +100 million yen

- Increase in shipping cost due to unit shipping price increase -400 million yen
- Decrease in advertisement and other expenses +500 million yen

➤ Increase in expenses in new business (Bakery) -100 million yen

\*The figures given here show the increase or decrease from the same period of the previous year.

## Other Businesses

(millions of yen)	FY2013	FY2014	Change	%
Sales by segment	10,628	10,688	+60	+0.6
Operating income by segment	243	-87	-330	-135.9

### Increased expenses for sales promotion of Clean & Care Business in China (Shanghai)

#### ● Overseas Businesses (Consolidated subsidiaries)

- Three overseas consolidated subsidiaries recorded higher sales due to weaker yen.
- Mister Donut Korea recorded lower sales due to closures of underperforming shops.

	Mar. 2014	Mar. 2015	Change
Number of shops	22	14	-8

- In China, Clean & Care Business recorded higher income, while having lower income in other businesses due to increased sales promotion expenses

#### ● Other Businesses

- Duskin Healthcare, which provides management services to medical facilities, recorded lower income due to increased expenses for securing staff resources whereas sanitary management services for surgical units performed well.

## Eliminations or Corporate

(millions of yen)	FY2013	FY2014	Change	%
Operating income by segment	-7,064	-5,898	+1,166	-

#### ● Corporate

- Decrease in expenses related to 50<sup>th</sup> Anniversary, including 50<sup>th</sup> Anniversary Celebration Convention and Business Show. 500 million yen
- Decreased retirement benefit obligations (unrecognized actuarial losses) 300 million yen



## Overseas Businesses

## ➤ Customer-level sales: Overseas Businesses

	(Indicated in local currency)	Dec. 2013	Dec. 2014	Change (%)
Clean & Care Businesses	<b>Taiwan</b> (thousands of NTD)	801,661	865,656	+ 63,995 (+ 8.0%)
	<b>Shanghai</b> (thousands of CNY)	14,217	15,956	+ 1,739 (+ 12.2%)
	<b>South Korea</b> (millions of KRW)	594	639	+ 45 (+ 7.6%)
Mister Donut Businesses	<b>Taiwan</b> (thousands of NTD)	627,763	715,824	+ 88,061 (+ 14.0%)
	<b>Shanghai</b> (thousands of CNY)	24,766	22,186	- 2,580 (- 10.4%)
	<b>South Korea</b> (millions of KRW)	10,075	4,354	- 5,721 (- 56.8%)

※The above figures are the annual total of CLS from January to December.

# Forecasts and Actual Results

## Consolidated Results

(millions of yen)

	Sales	Operating Income	Ordinary Income	Net Income
Forecasts (revised on Sep. 25)	<b>170,500</b>	<b>5,200</b>	<b>6,800</b>	<b>3,800</b>
Actual	<b>167,987</b>	<b>5,067</b>	<b>7,083</b>	<b>3,441</b>
Difference (%)	<b>-2,512 (-1.5)</b>	<b>-132 (-2.5)</b>	<b>+283 (+4.2)</b>	<b>-358 (-9.4)</b>

- Mister Donut: Decrease in sales (-2,000 million yen) resulted in lower consolidated sales and operating income than projected.
- Clean & Care: Sales and operating income were as projected.
- Increased ordinary income due to gain on sales and redemption of investment securities (+300 million yen)
- Net income declined as a result of reversal of deferred tax assets due to a cut in the effective corporate tax rate, which was not anticipated. Following this change, a 500 million yen increase in income taxes - deferred was recorded.

# FY2015 Forecasts

**Consolidated**

(millions of yen)

	Sales	Operating Income	Ordinary Income	Net Income
FY2013 Actual	167,745	6,641	8,322	4,448
FY2014 Actual	167,987	5,067	7,083	3,441
FY2015 Forecasts	173,700	5,300	6,800	3,700
Increase/Decrease	+5,712	+232	-283	+258
Increase/Decrease (%)	+3.4	+4.6	-4.0	+7.5

**Non-consolidated**

(millions of yen)

	Sales	Operating Income	Ordinary Income	Net Income
FY2013 Actual	142,589	3,702	6,795	3,914
FY2014 Actual	141,580	3,002	6,167	3,394
FY2015 Forecasts	146,400	3,200	6,000	3,600
Increase/Decrease	+4,819	+197	-167	+205
Increase/Decrease (%)	+3.4	+6.6	-2.7	+6.1

**Consolidated Half-year Comparison**

(millions of yen)

		Sales	Operating Income	(%)	Ordinary Income	Net Income
<b>1st Half</b>	FY2014 Actual	<b>83,631</b>	<b>1,858</b>	<b>2.2</b>	<b>2,815</b>	<b>1,469</b>
	FY2015 Forecasts	<b>85,700</b>	<b>1,900</b>	<b>2.2</b>	<b>2,600</b>	<b>1,300</b>
	Decrease/Increase	<b>+2,068</b>	<b>+41</b>	<b>-0.0</b>	<b>-215</b>	<b>-169</b>
	Decrease/Increase (%)	<b>+2.5</b>	<b>+2.2</b>	<b>-</b>	<b>-7.6</b>	<b>-11.5</b>
<b>2nd Half</b>	FY2014 Actual	<b>84,355</b>	<b>3,209</b>	<b>3.8</b>	<b>4,268</b>	<b>1,971</b>
	FY2015 Forecasts	<b>88,000</b>	<b>3,400</b>	<b>3.9</b>	<b>4,200</b>	<b>2,400</b>
	Decrease/Increase	<b>+3,644</b>	<b>+190</b>	<b>+0.1</b>	<b>-68</b>	<b>+428</b>
	Decrease/Increase (%)	<b>+4.3</b>	<b>+5.9</b>	<b>-</b>	<b>-1.6</b>	<b>+21.7</b>
<b>Full Year</b>	FY2014 Actual	<b>167,987</b>	<b>5,067</b>	<b>3.0</b>	<b>7,083</b>	<b>3,441</b>
	FY2015 Forecasts	<b>173,700</b>	<b>5,300</b>	<b>3.1</b>	<b>6,800</b>	<b>3,700</b>
	Decrease/Increase	<b>+5,712</b>	<b>+232</b>	<b>+0.1</b>	<b>-283</b>	<b>+258</b>
	Decrease/Increase (%)	<b>+3.4</b>	<b>+4.6</b>	<b>-</b>	<b>-4.0</b>	<b>+7.5</b>

## By Business Segment

(millions of yen)

		FY2013 (operating income margin)		FY2014 (operating income margin)		FY2015 (operating income margin)		Change %	
Clean & Care Group	Sales	110,097	—	109,009	—	109,940	—	+ 930	+ 0.9%
	Operating Income	13,873	12.6%	11,254	10.3%	11,600	10.6%	+ 345	+ 3.1% (+ 0.3)
Food Group	Sales	47,018	—	48,289	—	51,860	—	+ 3,570	+ 7.4%
	Operating Income	-410	-0.9%	-201	-0.4%	0	0%	+ 201	— (+ 0.4)
Other Businesses	Sales	10,628	—	10,688	—	11,900	—	+ 1,211	+ 11.3%
	Operating Income	243	2.3%	-87	-0.8%	-100	-0.8%	-12	— (-0.0)
Eliminations/ Corporate	Operating Income	-7,064	—	-5,898	—	-6,200	—	-301	—
Total (Consolidated)	Sales	167,745	—	167,987	—	173,700	—	+ 5,712	+ 3.4%
	Operating Income	6,641	4.0%	5,067	3.0%	5,300	3.1%	+ 232	+ 4.6% (+ 0.1)

## Major Factors

contributing to sales increase and decrease

### Clean & Care Group

+ 900 million yen

Dust Control business & technical services

+ 1,000 million yen

Chugai Sangyo Co., Ltd. (in FY2013.)

-300 million yen

Azare Products Co., Ltd.

+ 200 million yen

### Food Group

+ 3,600 million yen

Mister Donut business

+ 2,900 million yen

Other food businesses

+ 700 million yen

### Other Businesses

+ 1,200 million yen

Overseas consolidated subsidiaries

+ 1,000 million yen

Duskin Healthcare Co., Ltd. (Hygiene control services for medical facilities)

+ 200 million yen



## Major Factors

contributing to sales increase and decrease

### Clean & Care Group

+ 300 million yen

Increased income due to increase in sales	+ 200 million yen
Decreased input of <i>Style Cleaner</i>	+ 600 million yen
Decreased expenses of 50 <sup>th</sup> anniversary celebration programs	+ 400 million yen
Increased sales promotion expenses	- 500 million yen
Expenses for Life Care Development	- 300 million yen
Others	- 100 million yen

### Food Group

+ 200 million yen

Increased income due to increase in sales	+ 1,100 million yen
Decrease in valuation loss on raw materials and waste disposal expenses	+ 300 million yen
Mister Donut electronic payment system	- 600 million yen
Expenses related to opening shops of other food businesses (Katsu & Katsu)	- 300 million yen
Expenses for developing Pie Face	- 200 million yen
Mister Donut shop renovation expenses	- 100 million yen

### Other Businesses

- 300 million yen

Duskin Museum expenses	- 200 million yen
ONE DUSKIN Growth Strategy	- 100 million yen

# Returns to Shareholders

## FY2015 Dividends

■ FY2014

■ FY2015

⇒ Steady and continuous dividend distribution in line with basic policy  
(The full-year dividend totals 40 yen per share, the same as the dividend in FY 2012.)

◀ Dividends per share (Actual & Forecasts) ▶

(millions of yen)

	FY2013	FY2014	FY2015
End of 2 <sup>nd</sup> quarter	40 (ordinary 20 yen + commemorative 20 yen)	20	20
Year-end	20 (ordinary 20 yen)	20	20
Total (Annual)	60 (ordinary 40 yen + commemorative 20 yen)	40	40
Total dividends (millions of yen)	3,734	2,442	2,221
Consolidated dividend ratio (%)	84.4	71.2	60.1

\* Consolidated dividend ratio is calculated per share.

## Repurchase of company stock announced on May 15

### Enhancement of corporate governance

- Improve capital efficiency
- Enhance returns to shareholders



**Number of shares to be acquired**    **5,000,000 shares**  
(7.9% of total number of outstanding shares)

**Upper limit:**    **11,500 million yen**

**Period:**    **May 18 – Sep. 30**

\*A portion of shares were acquired through Tender Offer,  
which enables us to acquire significant number of stocks in a relatively short period without  
harming liquidity.

<b>Period</b>	<b>May 18 – June 15</b>
<b>Repurchase price</b>	<b>@2,003 yen</b> (3% discounted from the average closing price of the most recent 3 months)
<b>Number of shares to be tendered</b>	<b>Approx. 2,800,000 shares</b> (4.4% of total number of outstanding shares)

Long-term Vision **ONE DUSKIN**  
and  
Medium-term Management Policy  
2015

## ■ Review of the Medium-term Management Policy (FY2012-2014)

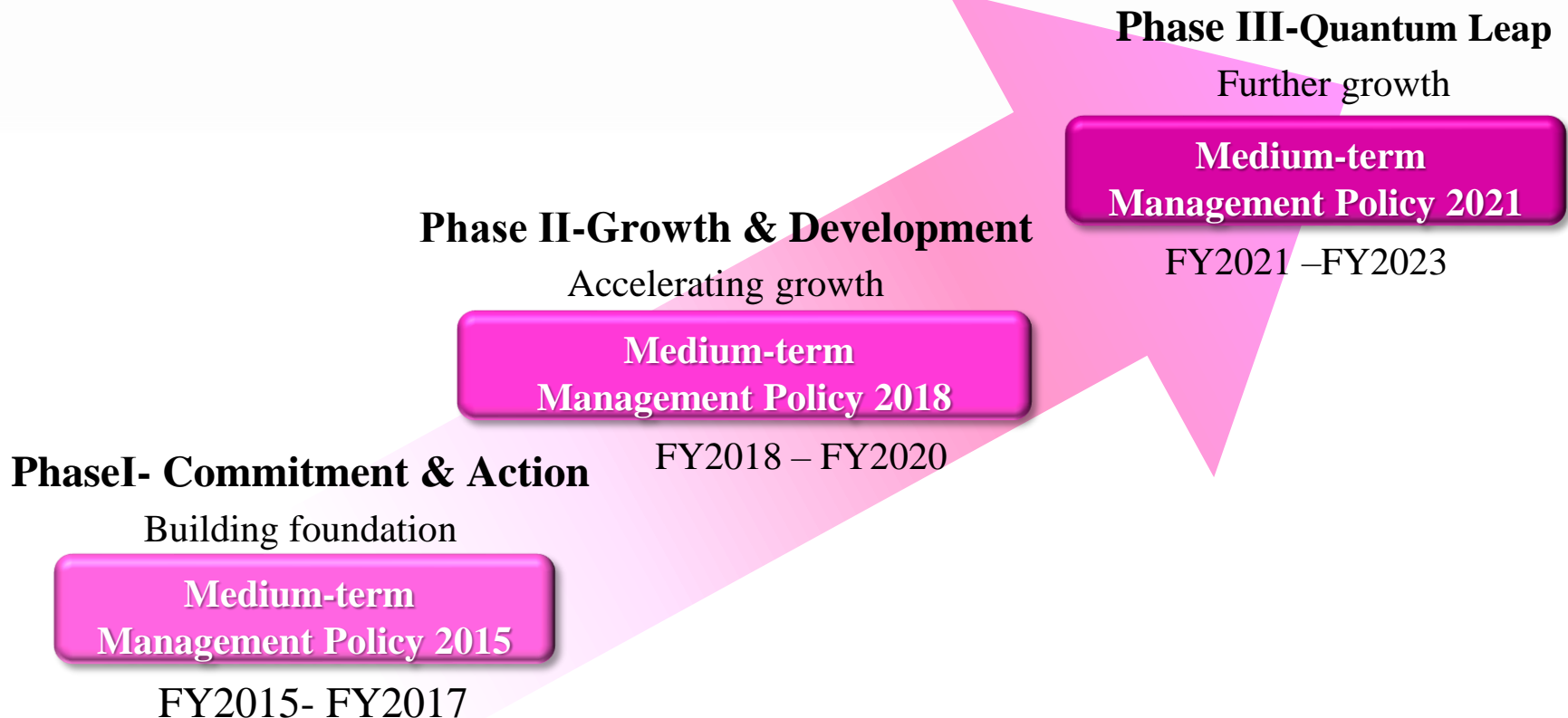
Innovated our business system to meet the needs of changing market and society in a speedy manner.

However, customers' needs and consumer behavior are more diverse than expected.

Framework	Achievement & Challenges
Innovation of system	Developed a new system to deliver rental mops to customers The new system to roll out from Tokyo in April 2015 to nationwide
Reform of corporate structure	Acquired two manufacturers in line with cost cutting initiatives. Aim to improve profitability through increased in-house production.
Improvement of current situation through ingenuity	Developed policies and plans to meet the local needs, but unable to solve the problems of rigid sales channel. Need more diversified customer contact points.
New Growth	Started test-marketing of new food businesses. Number of units in overseas market increased, but expansion was not reached in the other countries. Clean & Care Group started to explore new business domain focusing on “health.”
Quantitative Goal: Consolidated sales	Not achieved due to delay in implementing structural reform of sales channel and business system
Quantitative Goal: Consolidated operating income	Sales goal was not achieved, mainly due to up-front cost of new products that were introduced for new growth.

## **ONE DUSKIN**

We aim to unite all Duskin businesses so as to serve our customers in a more effective and hospitable manner.



## **ONE DUSKIN**

We commit ourselves to developing products and services that respond to diversified customer needs through centralized information of all businesses.

**ONLY ONE** ~One and only franchise system where franchisor and franchisees share our Management Philosophy~

**Aim to be a unique group of companies that contribute to creating communities where people are connected, and live happily and safely.**

**NUMBER ONE** ~The most trusted franchise office in the community~

**To be the most reliable service provider, we proactively anticipate customers' needs and provide solutions.**

**ALL FOR ONE** ~All business units and services join to respond to the needs of our customers.~

**The Duskin Group will make an all-out effort to provide the best services for our customers.**



# Medium-term Management Policy 2015

During the first phase of ONE DUSKIN, we focus our efforts on getting the Group back on a growth track, by thoroughly sharing the information on our new systems, products and services with our customers.

## Basic Policy

Business model development

■ Develop business platform

Structure reform

■ Production & logistics, distribution, procurement, information system

New growth

- New businesses
- Overseas business development
- Existing business growth

## Financial goal

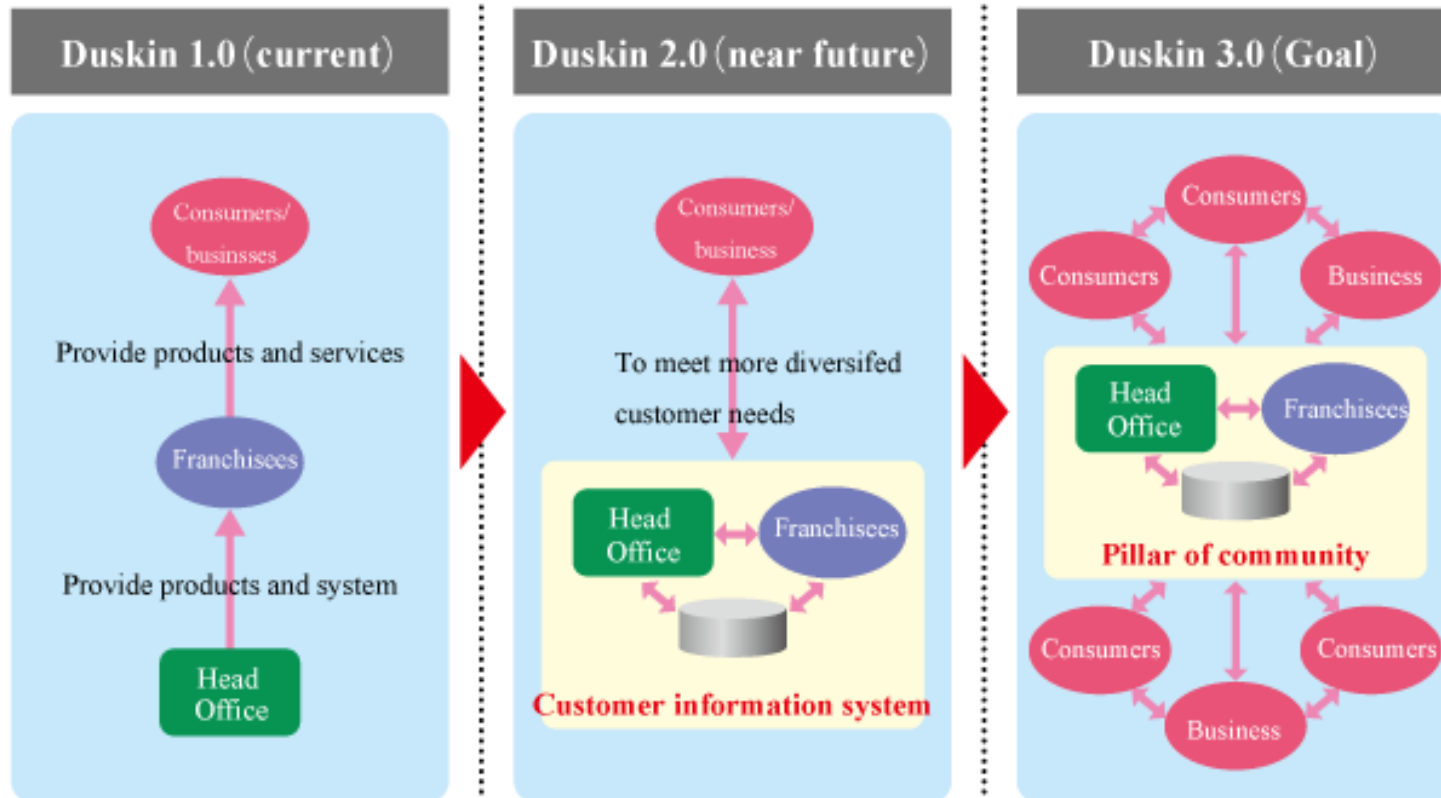
(FY 2017)

Customer-level sales	¥ 447,000 million	Over FY2014 +45,400 million
Consolidated sales	¥ 185,000 million	Over FY2014 +17,000 million
Consolidated operating income	¥7,500 million	Over FY2014 + 2,400 million

## Develop Business Model

# ONE DUSKIN

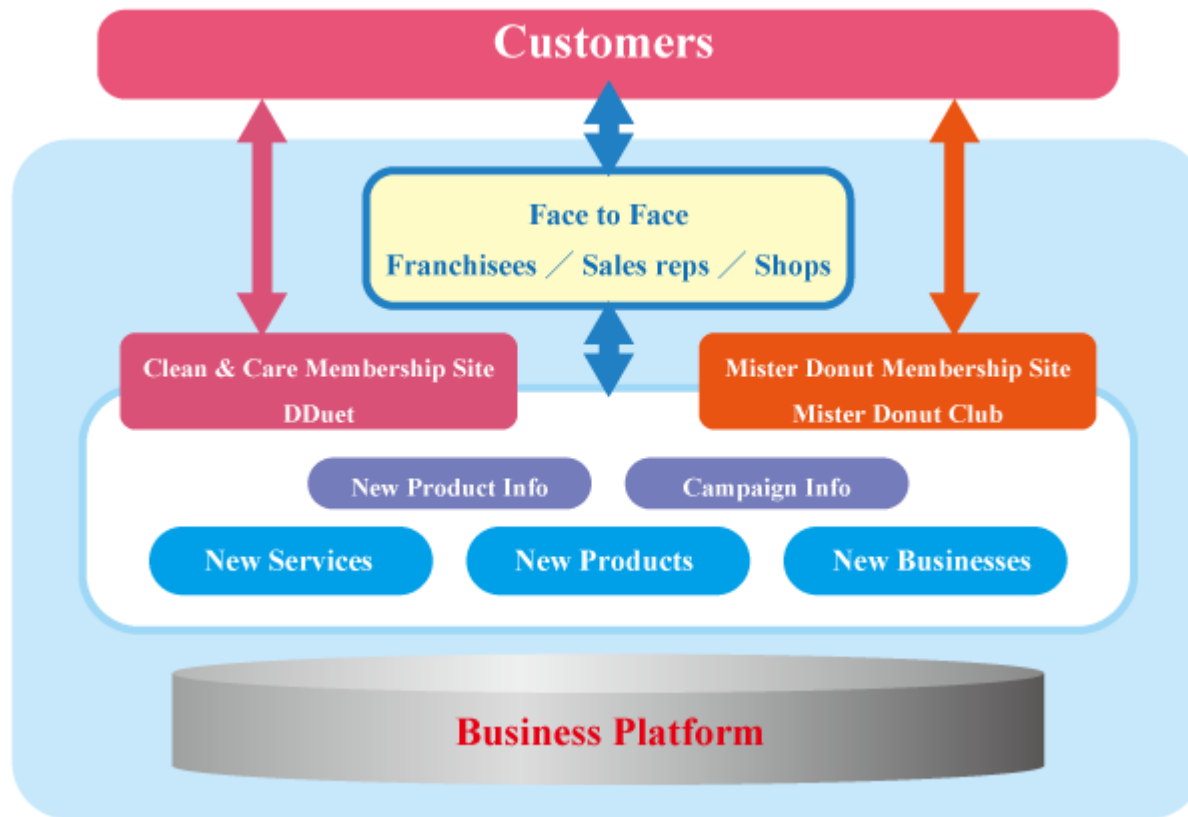
Grow as a new franchise chain that offers best solutions to each customer, utilizing the information gained through personal contacts with our customers.



## Develop Business Platform

### System to support **ONE DUSKIN**

Grow existing businesses and develop new businesses by utilizing "business platform" that creates new values through sharing information on customers, experiences and knowledge harnessed by the Duskin Group.



## Structure reform

**Review the costs of production & logistics, distribution, procurement and information system so as to improve profitability**

Goal: 5 point reduction of cost on unconsolidated basis

### Production & logistics

- Optimize production efficiency, reduce cost
- Reduce total inventory to achieve optimal level
- Optimize logistics operation at all Duskin's business segments

### Procurement

- Opt for global procurement, purchasing through multiple suppliers
- Review specification of goods purchased from external sources

### Information system

- More rigorously calculate return on IT investment and its effect
- Reduce system-related cost

## New Growth

### New Business

**New businesses promoted through M&A, capital & business alliance, and introduction of overseas brands**

New business domain

- Support the advance of women's role in society
- Food safety & security
- Senior care
- Clean & Care businesses, and food businesses in overseas markets

Existing business domain

- Enhance existing businesses, integrated manufacturing & sales system
- New business category (food), new channel development

### Overseas Business Development

**Establish Duskin & Mister Donut brands in Asia**

Clean & Care

- Establish business model in China

Mister Donut

- Shop development concentrating on specifically focused areas in China and Southeast Asia

## Growth: Existing Businesses

### 1. Clean & Care Group

#### (1) Home Service (Residential Market)

Aiming to be an all-around house & home support service provider

To create lifetime customers

#### Products

- Cleaning Basic 3 (Healthy & easy)
- DAP (Duskin Allergy Control Plan)
- VALUEPLUS (Installation, inspection, agent)
- Annual rate package (Plans most suitable for customers' lifestyle)

#### System

- Return service by post (Nationwide)
- Strengthen membership website
- Improve credit card payment system
- Enhance business proposal for large-scaled condominiums
- Reinforce Contact Center capabilities

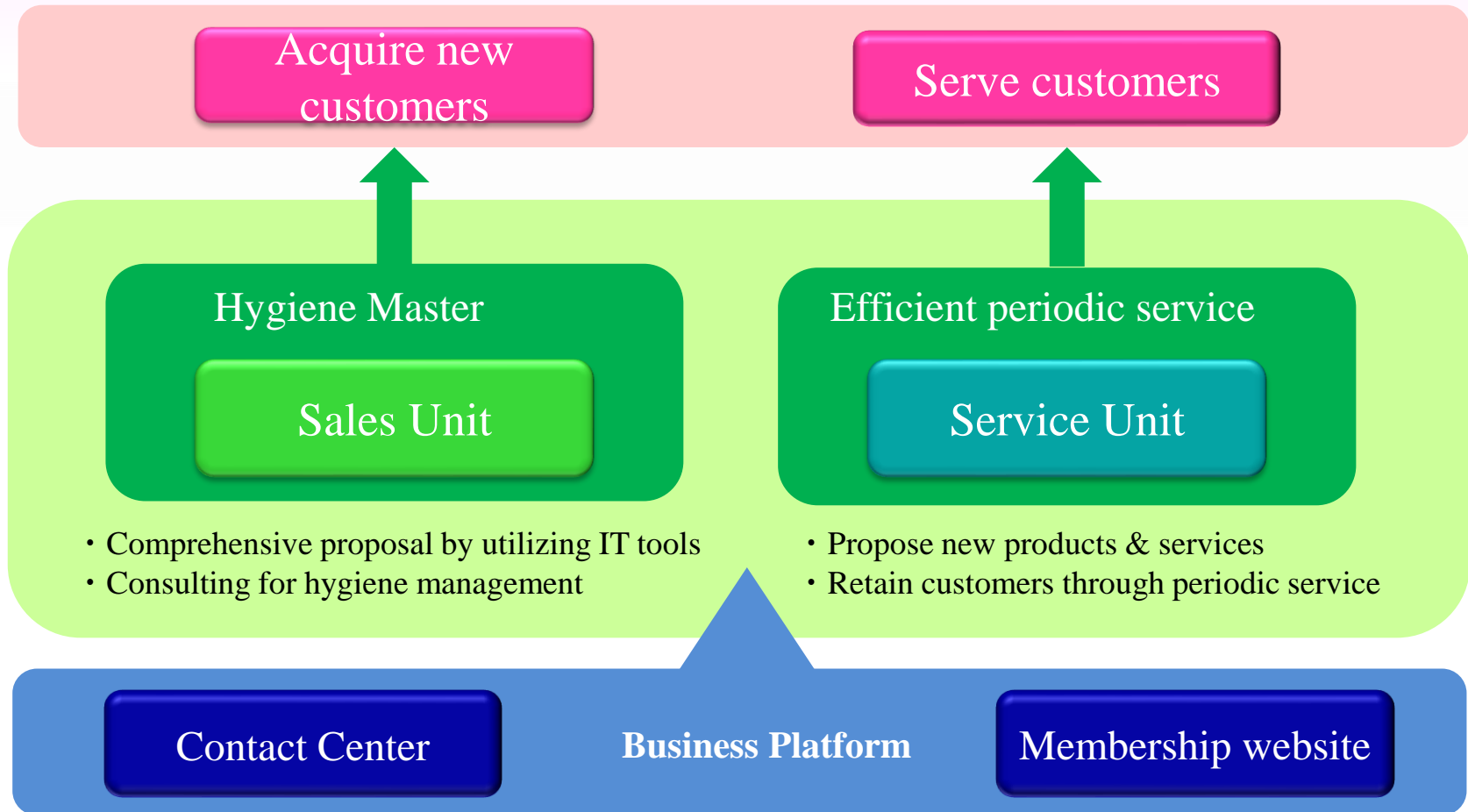
#### People (organization)

- Forms of employment for different stages of life (time, income, age)
- Simplify work process by introducing IT tools
- Education system with IT tools

## 1. Clean & Care Group

### (2) Business Service (Commercial Market)

Aiming to be a hygiene management service provider

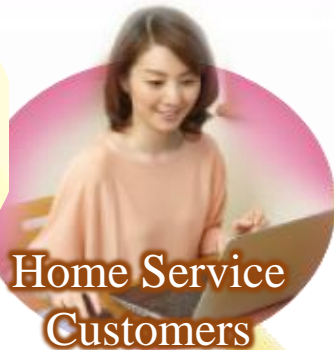


Hygiene Master : Professionals with expertise specialized in hygiene management.

## 1. Clean & Care Group

### (1) Home Service (2) Business Service

Leverage Duskin's strength



Home Service  
Customers

Approx.  
5.3 million  
customers



Business Service  
Customers

Approx.  
1.24 million  
customers

Food Service:	170,000
Retailers:	400,000
Clinics, etc.:	50,000
Total:	610,000



Duskin



## 1. Clean & Care Group

### (3) Life Care Service

#### New service development/cross sectional alliance

Services developed in-house

Laundry

Vital data management

Meal delivery

Consumables delivery



Weekly visit & dialogue

Assembly

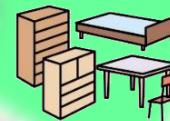


Emergency call

Home-visit care

Accident coverage (housekeeping benefits)

Organizing relics and Personal belongings








Services developed through business alliance

Existing Services



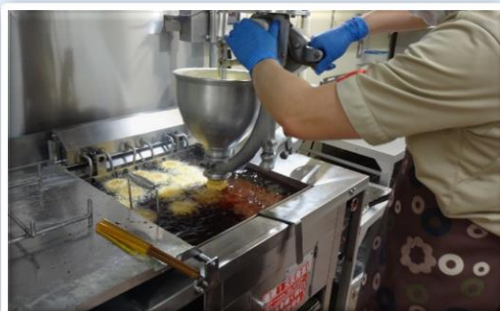
## 2. Food Group

### (1) Mister Donut

	Mister Donut Brand		Sub-brand		
Shop type					
Category	Mister Donut meeting the local market needs	Donut & Ice Cream	Donut café with a focus on eat-in service	High-end Cafe	Donut take-out stores
Location	In-shop Roadside	Food court	Train station areas, busy streets high streets	Residential areas	Train station buildings
Goal	443 units	103 units	30 units	15 units	22 units

Number of shops ※Excluding MOSDO shops	1,316 (as of March 2015)	1,351 (as of March 2018)
New-type shops (including renovated shops)	2	613
Existing shops	1,314	738

## Homemade on site



## Breakfast & lunch menu



## 2. Food Group

### (2) Food Business Development

**Katsu & Katsu**



9 units → 38 units

**Bakery Factory**



2 units → 8 units

**The Chiffon & Spoon**



1 unit → 40 units

The numbers given above show the numbers of units at the end of March 2015, and the goals by the end of March 2018.

# Medium-term Management Policy 2015

## ICE DE LION



**1 unit → 11 units**  
(single brand store)

## Pie Face



**0 → 35 units**

## Café Du Monde



**14 units**

## The DON



**35 units → 41 units**

The numbers given above show the numbers of units at the end of March 2015, and the goals by the end of March 2018.

## Overseas Business Development

Establish Clean & Care business model in China

Shop development concentrating on strategically focused areas in China and Southeast Asia

Number of locations	2,912 (as of March 2015)	3,190 (as of March 2018)
Clean & Care	23	33
Mister Donut	2,889	3,157



## Corporate Governance

In addition to our view that corporate governance should help enhance fairness and transparency of management, we also regard it as an essential part of our growth strategy.

### (1) Enhancement of corporate governance

- **An additional Outside Director**

**Total twelve Directors of the Board, including three Outside Directors**

(Reports submitted to the Tokyo Stock Exchange designating all three Outside Directors as independent members. )

- **Since the previous fiscal year, we have invited Outside Directors who have great deal of experience and knowledge of corporate management, in addition to an Outside Director who has deep knowledge of consumer issues.**

### (2) Improvement of capital efficiency and returns to shareholders

- **Goal is to improve earnings per share (EPS) and return on equity (ROE) from a long-term perspective**
- **While considering liquidity of the stock and investment, we continue to explore the possibility of share repurchases and capital reduction.**

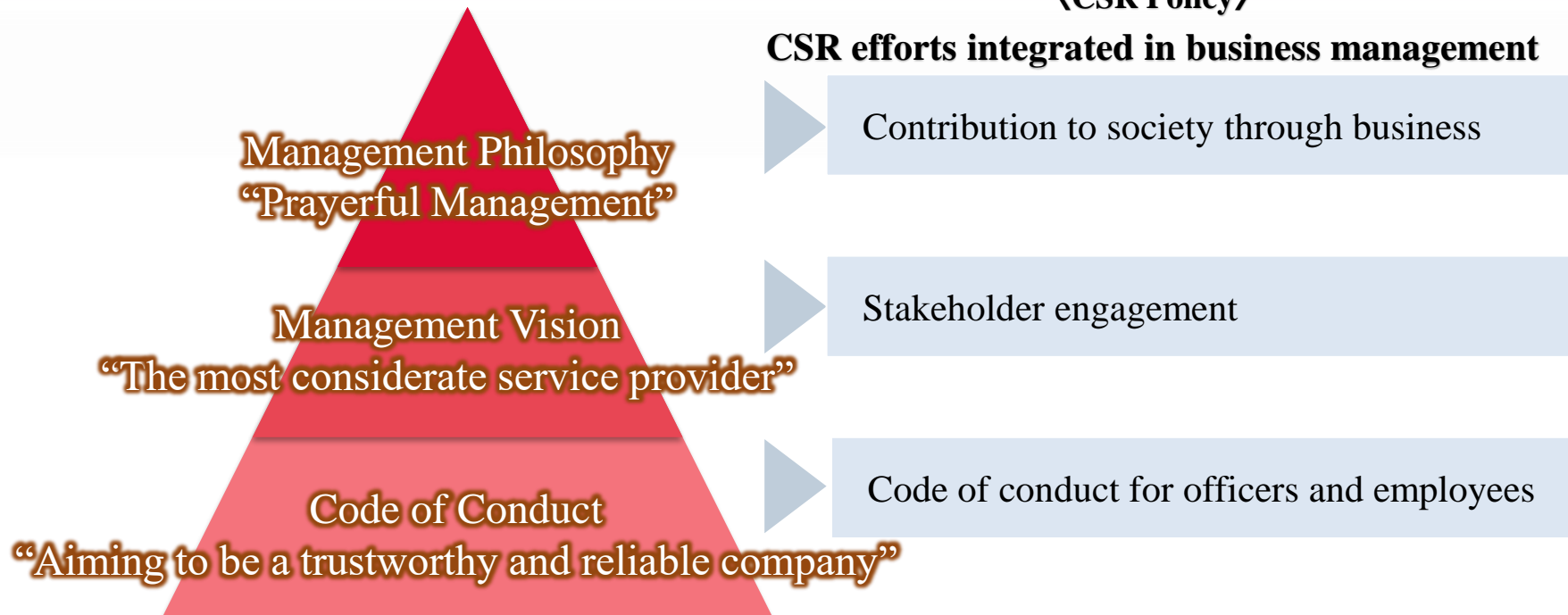
## CSR Management

Joyfully respond to the expectations of society

Through providing safe, reliable and excellent products and services, we will make contribution to the sustainable development of society and enrich the livelihood of people in our communities.

〈CSR Policy〉

**CSR efforts integrated in business management**



Focused areas

- Safety, reliability, quality
- Environment
- People (Development, diversity, promotion/opportunities)
- Regions/communities, contribution to society



# Reference

**Non-consolidated**

(millions of yen)

	FY2013	FY2014	Change	
				%
<b>Sales</b>	<b>142,589</b>	<b>141,580</b>	<b>-1,008</b>	<b>-0.7</b>
<b>Operating Income</b>	<b>3,702</b>	<b>3,002</b>	<b>-700</b>	<b>-18.9</b>
Operating income on sales (%)	(2.6%)	(2.1%)	(-0.5)	-
<b>Ordinary Income</b>	<b>6,795</b>	<b>6,167</b>	<b>-627</b>	<b>-9.2</b>
Ordinary income on sales (%)	(4.8%)	(4.4%)	(-0.4)	-
<b>Net Income</b>	<b>3,914</b>	<b>3,394</b>	<b>-520</b>	<b>-13.3</b>
Net income on sales (%)	(2.7%)	(2.4%)	(-0.3)	-

# Business Summary by Segment

## Clean & Care Group

\*Sales include rental sales, sales of goods and services, royalty (no royalty charged for periodic rental businesses), and sales at company-owned units.

### Direct Selling

#### Home Service (Residential Market)

Rent mops and mats through periodic visits

Dust Control	• • •	Mops, mats, etc.
Air Clean	• • •	Air-purifiers
Water Clean	• • •	Water-purifiers

Care Services (Technical services)

ServiceMaster	• • •	Professional cleaning
Merry Maids	• • •	Housekeeping
Terminix	• • •	Pest control & prevention
TruGreen	• • •	Tree, shrub, lawn care

Drink Service • • • Bottled water delivery

Health & Beauty • • • Cosmetics & health food

#### Business Service (Commercial Market)

Rent mops and mats through periodic visits

Dust Control	• • •	Mops, mats, etc.
Clean Service	• • •	Bathroom products
Air Clean	• • •	Air-purifiers
Water Clean	• • •	Water-purifiers
Wipeful Service	• • •	Wiper cloth

Care Services (Technical services)

ServiceMaster	• • •	Professional cleaning
Terminix	• • •	Pest control & prevention
TruGreen	• • •	Tree, shrub, lawn care

Uniform Service • • • Leasing, sales and cleaning

Drink Service • • • Office coffee service

### In-store sales

Rent-All • • • Event planning/ operation & rental of daily items      Health Rent • • • Rental of assisted living equipment

## Food Group

\*Sales include sales of ingredients to franchisees, royalty, and sales at company-owned units.

**Mister Donut** • • Handmade donut shop

**MOSDO** • • • Collaborated shop with MOS BURGER

**Katsu & Katsu** • • Pork cutlet

**Café Du Monde** • Café au lait & beignet

**Bakery Factory** • Suburban type large-scale bakery shop

**ICE DE LION** • • Ice cream specialty store

**The Chiffon & Spoon** • Chiffon cake

**The Don** • • • • *Donburi* restaurant

**Shiki Gokan** • • • • *Ohitsu Gozen* restaurant

## Other Business

### Duskin Healthcare

Hospital management service

### Duskin Kyoeki

Leasing business, insurance services

### Overseas businesses

Dust Control

Mister Donut

Duskin Hong Kong Co., Ltd.

# Customer-Level Sales (CLS)

## CLS by Business

\*Sales of overseas businesses indicated here are the total sales from January to December.

(millions of yen)

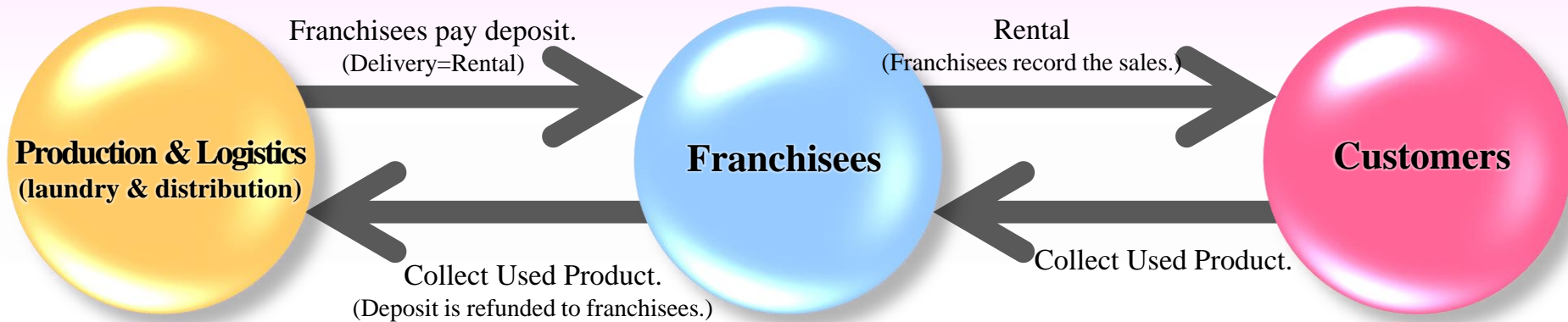
	FY2013	FY2014	Increase/ Decrease	%
<b>Clean &amp; Care Group</b>	<b>276,956</b>	<b>270,390</b>	<b>-6,565</b>	<b>-2.4%</b>
Dust Control (Domestic) Home Service (Residential)	101,935	97,723	-4,212	-4.1%
Business Service (Commercial)	97,609	96,109	-1,499	-1.5%
Care Services (Technical services)	45,566	45,818	+252	+0.6%
(ServiceMaster)	(26,129)	(26,022)	(-107)	(-0.4%)
(Merry Maids)	(9,718)	(9,999)	(+280)	(+2.9%)
(Terminix)	(7,571)	(7,559)	(-11)	(0.2%)
(TruGreen)	(2,147)	(2,237)	(+89)	(+4.2%)
Health & Beauty	3,057	2,494	-562	-18.4%
Azare Products	5,384	3,007	-2,376	-44.1%
Home Instead	2,105	2,362	+256	+12.2%
Rent-All	17,050	18,555	+1,504	+8.8%
Uniform Service	2,830	2,968	+138	+4.9%
Drink Service	1,416	1,349	-67	-4.7%
<b>Food Group</b>	<b>106,426</b>	<b>105,631</b>	<b>-795</b>	<b>-0.7%</b>
Mister Donut (Domestic)	103,001	102,012	-989	-1.0%
Food Chain*	1,660	2,061	+401	+24.2%
The Don	1,764	1,558	-206	-11.7%
<b>Other Businesses</b>	<b>23,842</b>	<b>25,539</b>	<b>+1,696</b>	<b>7.1%</b>
Dust Control (Overseas)*	3,123	3,663	+540	+17.3%
Mister Donut (Overseas)	13,600	14,736	+1,136	+8.4%
Duskin Healthcare	7,118	7,138	+19	+0.3%
<b>Total</b>	<b>407,225</b>	<b>401,561</b>	<b>-5,664</b>	<b>-1.4%</b>

\*Food Chain (in FY 2013): MOSDO, Café Du Monde, Katsu & Katsu, Bakery Factory, and Wakka

Food Chain (in FY 2014): MOSDO, Café Du Monde, Katsu & Katsu, Bakery Factory, ICE DE LION, and The Chiffon & Spoon

## Rental of mops and mats

Based on the idea to fully recycle the products through repeated use until the end of their useable life.



Company owned & subsidiary plants:	13
Franchised plants:	32
<b>Total Plants:</b>	<b>45</b>

Company owned & subsidiary units:	71
Franchised Units:	2,100
<b>Operation Units:</b>	<b>2,200</b>

Sales representatives:	65,000
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Residential customers:	5.3 million
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Commercial customers:	1.24 million
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### Strength 1: Production, logistics and distribution system that covers the nation

Competition is minimal in this business field. To establish this recycle-oriented business model to cover the nation, a large investment is required to build the laundry plant system, to purchase materials for rental products, and 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 between sales staff members and loyal residential customers.