

# Financial Report

## FY2016 (April 2016 – March 2017)

**Duskin Co., Ltd.**

**May 24, 2017**



# Cautionary Statements

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- 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.
- The adjustment to segment income includes “inter-segment eliminations” and “corporate expenses” which are presented as “Eliminations/Corporate” in these materials.
- Starting with FY2015, the Company adopted Revised Accounting Standard for Business Combinations (ASBJ Statement No.21, September 13, 2013) and net income is reported as profit attributable to owners of parent. However, net income is used in this report.

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# Financial Summary

**FY2016** (April 2016 – March 2017)

## Consolidated Results

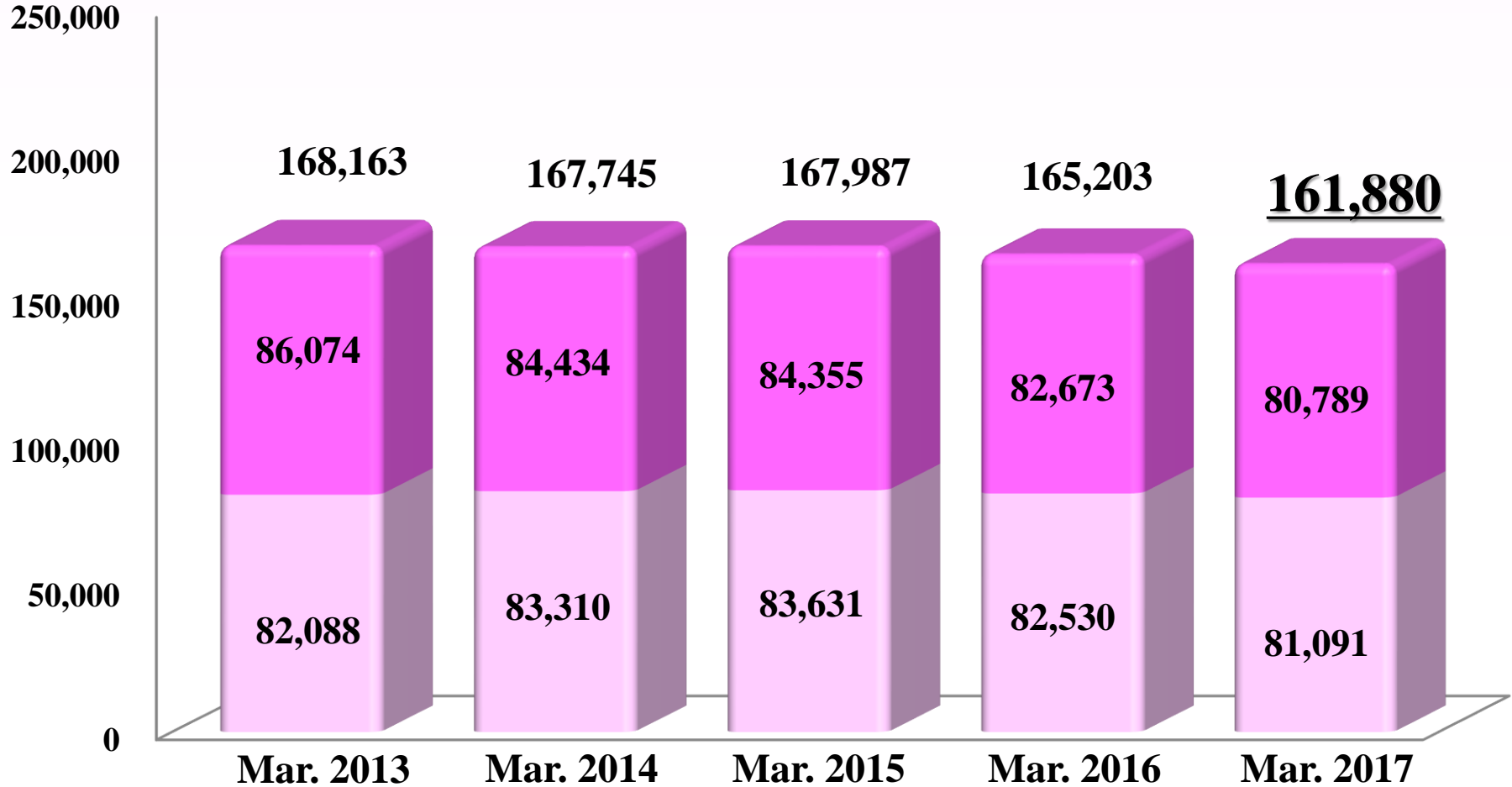
(millions of yen)

	FY2015	FY2016	Increase/Decrease	
				Change
<b>Sales</b>	<b>165,203</b>	<b>161,880</b>	<b>-3,322</b>	<b>-2.0</b>
<b>Operating Income</b>	<b>5,372</b>	<b>6,069</b>	<b>+697</b>	<b>+13.0</b>
Operating Income on Sales (%)	(3.3%)	(3.7 %)	(+0.4)	—
<b>Ordinary Income</b>	<b>6,707</b>	<b>7,554</b>	<b>+846</b>	<b>+12.6</b>
Ordinary Income on Sales (%)	(4.1 %)	(4.7 %)	(+0.6)	—
<b>Net Income</b>	<b>2,983</b>	<b>4,318</b>	<b>+1,335</b>	<b>+44.8</b>
Net Income on Sales (%)	(1.8 %)	(2.7 %)	(+0.9)	—

## Consolidated Sales

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

(millions of yen)



## Consolidated Sales

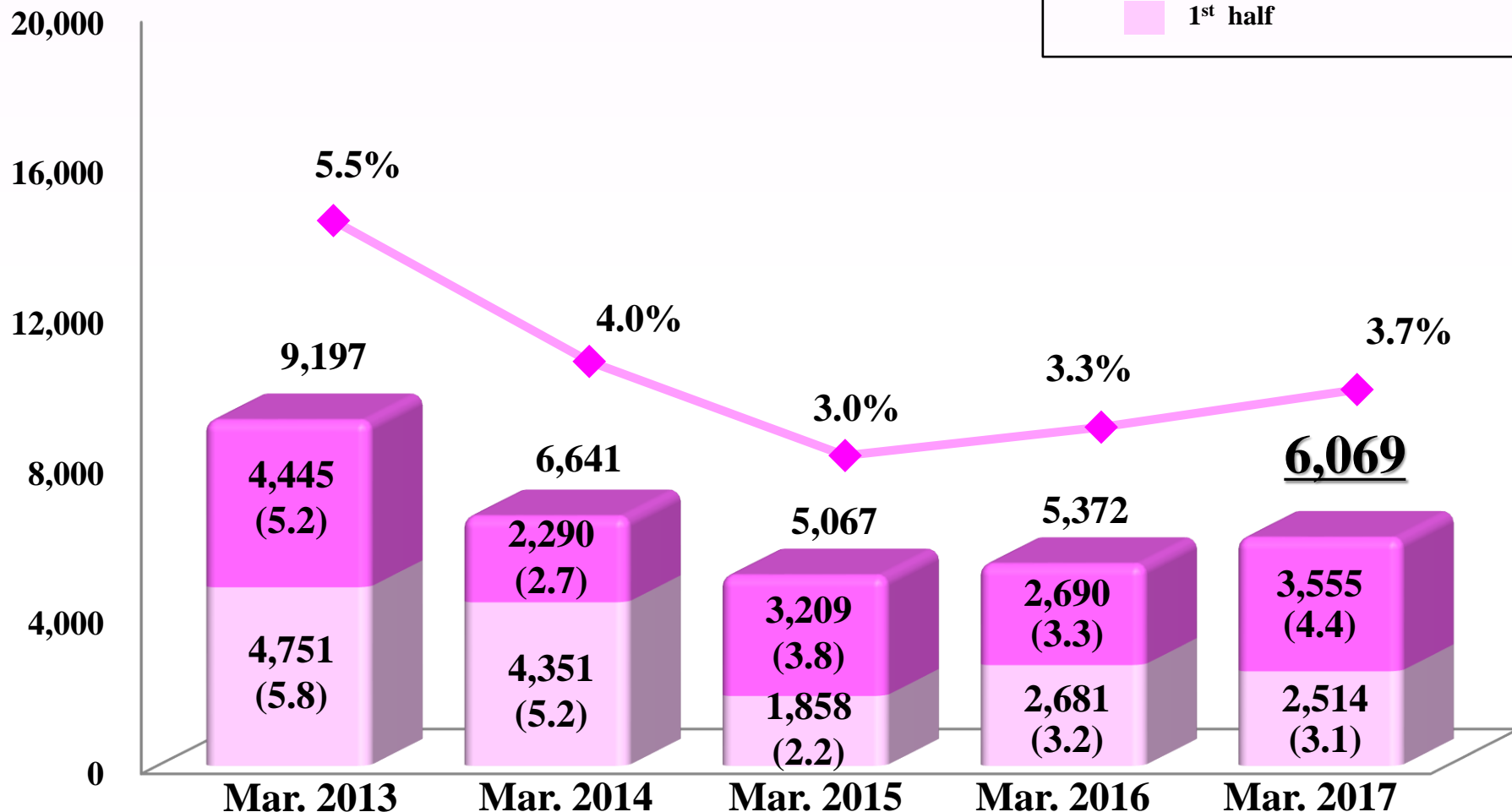
**161,880 million yen**      **3,322 million yen decrease (-2.0%)**

Sales by segment	FY2015	FY2016	Increase/Decrease	
				Change
Clean & Care Group	110,191	110,537	* +346	+0.3%
Food Group	44,007	40,151	-3,855	-8.8%
Other Businesses	11,004	11,192	+187	+1.7%
Total (Consolidated)	165,203	161,880	-3,322	-2.0%

\*An increase due to the locations transferred from our franchisees +600 million yen

## Consolidated Operating Income

(millions of yen)





## Consolidated Operating Income

**6,069 million yen**      **697 million yen increase (+13.0%)**

### 《 Major factors 》

- Clean & Care Group** . . . Lower investment in Style Cleaner and mats for rent
- Food Group** . . . Improved cost ratio due to lower cost of purchasing raw materials
- Other Businesses** . . . Adjusting entry of goods in transit for the different fiscal year-end of an overseas subsidiary recorded in FY 2015
- Eliminations/Corporate** . . . Increase in retirement benefits\*

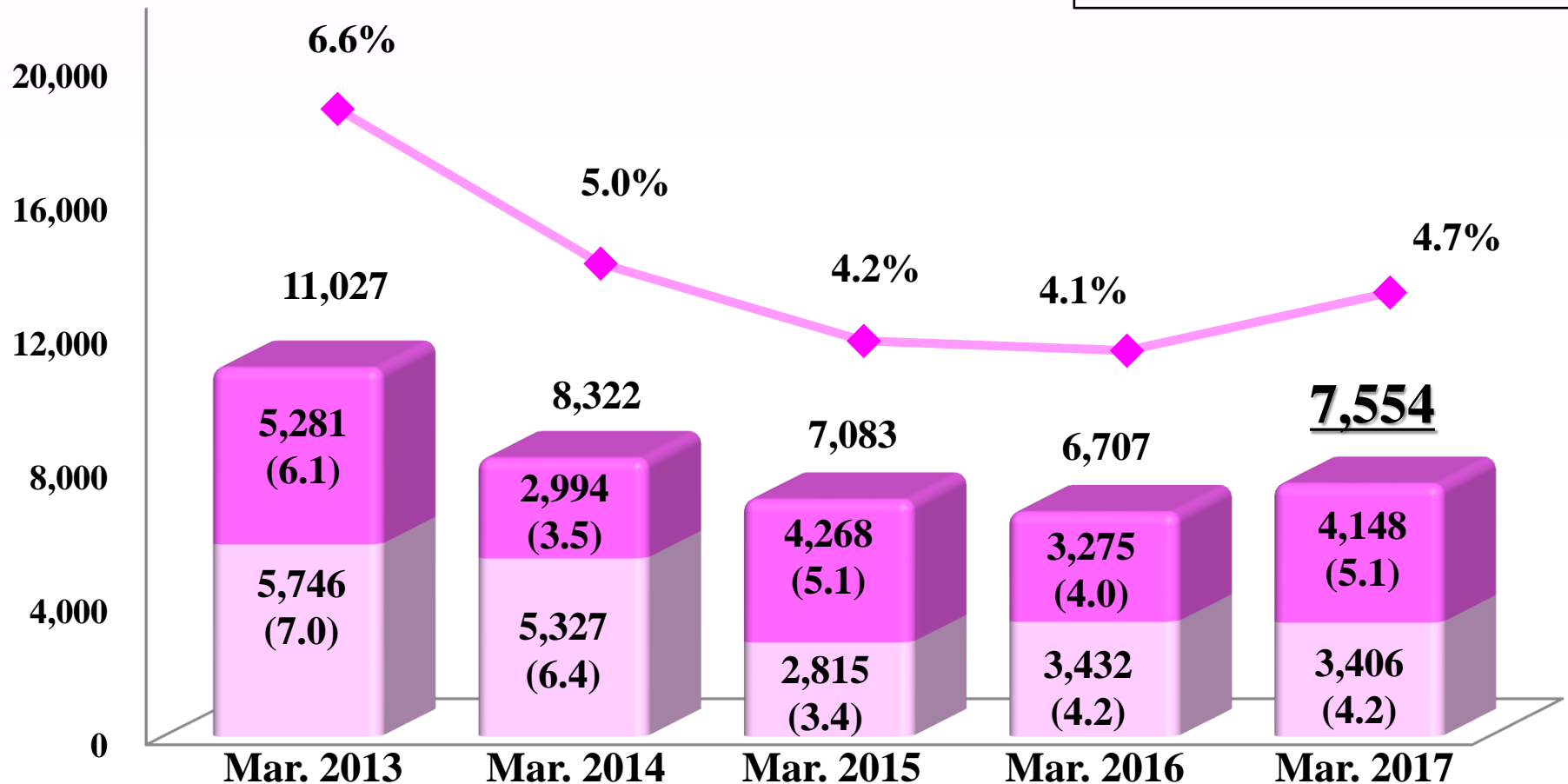
\* Retirement benefits increased in every segment.      (Total increase: 1,100 million yen)

(millions of yen)

Operating income by segment	FY2015	FY2016	Increase/decrease	
	(Operating income margin)	(Operating income margin)		Change
Clean & Care Group	<b>13,001</b> (11.8%)	<b>13,671</b> (12.4%)	<b>+ 669</b>	<b>+ 5.2%</b> (+0.6)
Food Group	<b>-1,469</b> (-3.3%)	<b>-684</b> (-1.7%)	<b>+ 784</b>	<b>-</b> (+1.6)
Other Businesses	<b>-202</b> (-1.8%)	<b>114</b> (1.0%)	<b>+ 317</b>	<b>-</b> (+2.8)
Elimination/Corporate	<b>-5,957</b>	<b>-7,031</b>	<b>-1,074</b>	<b>-</b>
<b>Total (consolidated)</b>	<b>5,372</b> (3.3%)	<b>6,069</b> (3.7%)	<b>+ 697</b>	<b>+ 13.0%</b> (+0.4)

## Consolidated Ordinary Income

(millions of yen)



## Consolidated Ordinary Income

**7,554 million yen**      **+ 846 million yen (+ 12.6%)**

### 《 Major Factors 》

**1) Operating income**      **+ 700 million yen**

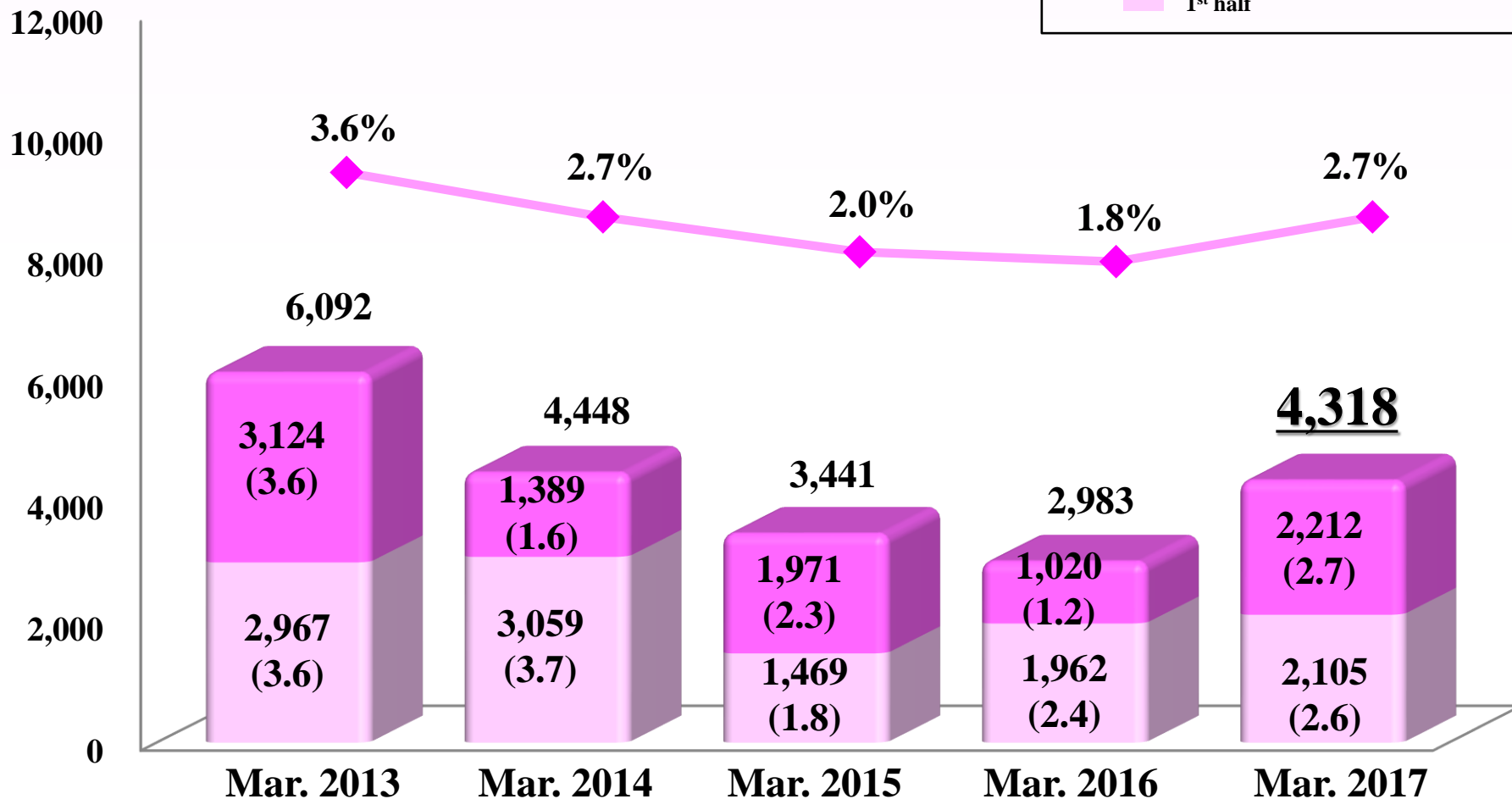
**2) Non-operating profit**      **+ 100 million yen**

➢ Decrease in interest income	<b>-200 million yen</b>
➢ Increase in proceeds from miscellaneous income	<b>+100 million yen</b>
➢ Other	<b>+200 million yen</b>
Decrease in compensation expenses	+ 200 million yen
Increase in cancellation penalty	-100 million yen
* Cancellation of store lease contract	
Increase in rent income on facilities	+ 100 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

**4,318 million yen**      +1,335 million yen (+44.8%)

《 Major Factors 》

**1) Ordinary Income**      +800 million yen

**2) Extraordinary income**      +100 million yen

- **Loss on disaster**      -200 million yen  
Expenses for Kumamoto Earthquake support
- **Increase in impairment loss**      -100 million yen
- **Decrease in loss on abandonment of non-current assets**      +100 million yen
- **Decrease in loss on liquidation of subsidiaries and associates**      +100 million yen  
Decrease in loss on liquidation of Mister Donut Korea
- **Others**      +200 million yen

**3) Tax Expenses**      +400 million yen      (lower expense)

- **Increase in net income before tax**      -300 million yen
- **Increase in sales of Don Co., Ltd. (after impairment loss)**      +300 million yen
- **Others**      +400 million yen

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

# Consolidated Balance Sheet Summary

## Consolidated Balance Sheet

(millions of yen)

	FY2015	FY2016	Increase/ decrease	Major Factors
Current asset	<b>63,260</b>	<b>62,021</b>	<b>-1,238</b>	Cash and deposits +2,200 million yen Securities -3,500 million yen Merchandise and finished goods -200 million yen Deferred tax assets +200 million yen
Property, plant and equipment / Intangible assets	<b>60,303</b>	<b>58,953</b>	<b>-1,350</b>	Buildings and structures -1,100 million yen Land +000 million yen Construction in progress -100 million yen
Investments and other assets	<b>66,758</b>	<b>69,142</b>	<b>+2,384</b>	Investment securities +2,400 million yen Allowance for doubtful accounts +100 million yen
<b>Total assets</b>	<b>190,322</b>	<b>190,116</b>	<b>-205</b>	—
Current and non-current liabilities	<b>46,673</b>	<b>48,007</b>	<b>+ 1,334</b>	Notes and accounts payable – trade -500 million yen Income taxes payable +1,900 million yen Provision for bonuses +400 million yen Accounts payable-other +500 million yen Guarantee deposit received for rental products -200 million yen Net defined benefit liability -1,400 million yen
Net assets	<b>143,648</b>	<b>142,108</b>	<b>-1,539</b>	Retained earnings -2,500 million yen Treasury stock +200 million yen Valuation difference on available-for-sale securities -700 million yen Remeasurements of defined benefit plans +1,800 million yen
<b>Total liabilities and net assets</b>	<b>190,322</b>	<b>190,116</b>	<b>-205</b>	—
Debt with interests	<b>20</b>	<b>88</b>	<b>+68</b>	

# Summary by Business Segment

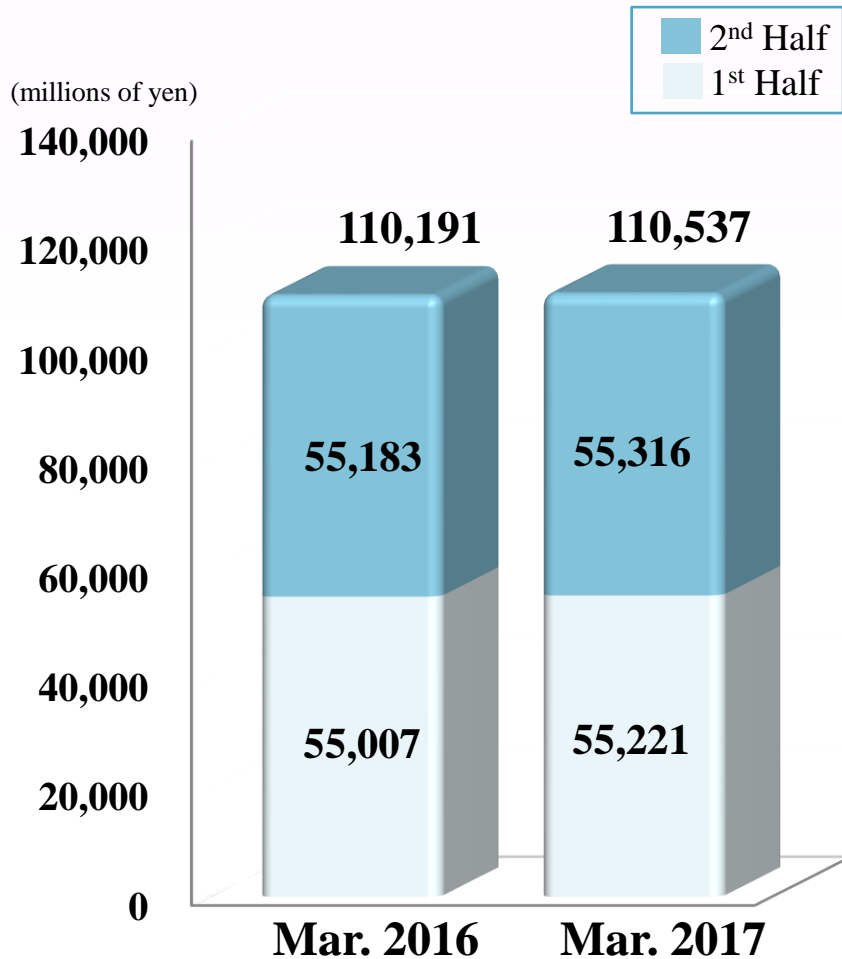
# Highlights by Business Segment

(millions of yen)

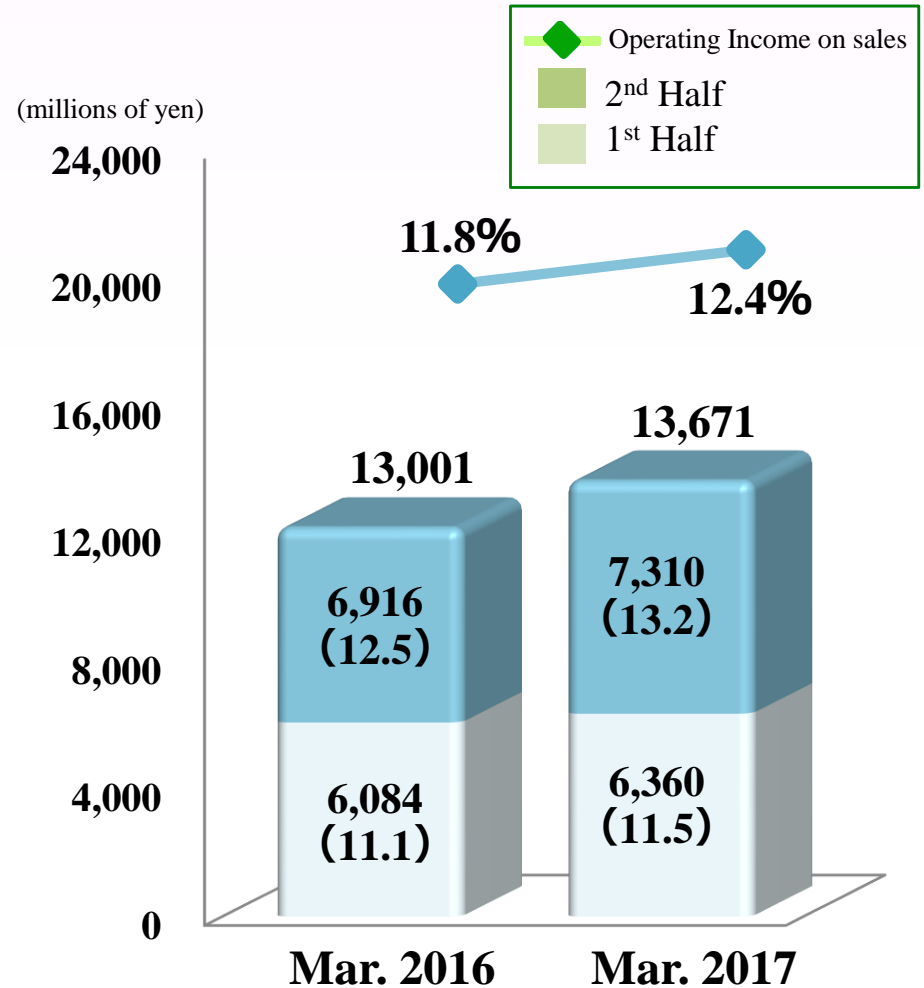
		FY2015		FY2016		Increase/Decrease	
		Operating income on sales		Operating income on sales		Change	
Clean & Care Group	Sales	110,191	—	110,537	—	+346	+0.3%
	Operating income	13,001	11.8%	13,671	12.4%	+669	+5.2% (+0.6)
Food Group	Sales	44,007	—	40,151	—	-3,855	-8.8%
	Operating income	-1,469	-3.3%	-684	-1.7%	+784	— (+1.6)
Other Businesses	Sales	11,004	—	11,192	—	+187	+1.7%
	Operating income	-202	-1.8%	114	1.0%	+317	— (+2.8)
Eliminations/ Corporate	Operating income	-5,957	—	-7,031	—	-1,074	—
Total (consolidated)	Sales	165,203	—	161,880	—	-3,322	-2.0%
	Operating income	5,372	3.3%	6,069	3.7%	+697	+13.0% (+0.4)



## Sales



## Operating Income



## Sales

( millions of yen )	FY2015	FY2016	Increase/Decrease	Change
Sales by segment	110,191	110,537	+346	+0.3

### Residential Market

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

- Dust control products sales -1.6% (1st Half: -1.8% 2nd Half: -1.5%)
- \* Dust control products sales (Average on a business day basis) -1.3% (One fewer business day than in FY2015)
- Mop products sales -0.6% (1st Half: -0.6% 2nd Half: -0.5%)
  - Basic Three (including sales of LaLa, shushu, and Style Cleaner) +23.8%
  - Other handy and floor mops -7.8%
  - Robot Cleaner SiRo +451 million yen
- Futon cleaning and delivery service +44.3% (1st Half: +40.4% 2nd Half: +60.0%)
- Kitchen sponges sales -6.1% (1st Half: -39.1% 2nd Half: +44.3%)

● **Technical services grew steadily.**

- Total customer-level sales +3.9% (1st Half: +4.7% 2nd Half: +3.0%)
  - Professional Cleaning (ServiceMaster) +6.5% (1st Half: +7.7% 2nd Half: +5.2%)
  - Housekeeping Service (Merry Maids) +0.7% (1st Half: +1.9% 2nd Half: -0.4%)
  - Termite Control (Terminix) +4.7% (1st Half: +1.5% 2nd Half: +9.6%)
  - Lawn & Shrub Care (TruGreen) +5.0% (1st Half: +5.0% 2nd Half: +5.2%)
  - Home Repair Service (wall and floor repair services) Business feasibility under review

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

- Health Rent customer-level sales +8.2% (1st Half: +8.6% 2nd Half: +7.9%)

## Sales

( millions of yen )	FY2015	FY2016	Increase/Decrease	Change
Sales by segment	110,191	110,537	+346	+0.3

Commercial Market

● **Total sales of dust control products were lower due to one fewer business day than in FY2015.**

➤ Dust control products sales -0.1% ( 1st Half: +0.6% 2nd Half: -0.8%)

\* Dust control products sales (Average on a business day basis) +0.3%

➤ Mat product sales -0.6% ( 1st Half: -0.2% 2nd Half: -0.9%)

• Thin-type dust control/water absorption mats +6.1%

• Inside custom-made indoor use mats +19.2%

• Other mats -1.4%

( \* Basic mats -1.2% )

( \* Custom-made mats -0.5% )

● **Technical services posted slightly higher sales.**

➤ Customer-level sales +0.7% ( 1st Half: +0.9% 2nd Half: +0.6%)

• ServiceMaster (including Facility Management) -0.1% ( 1st Half: +0.3% 2nd Half: -0.4%)

• Pest Control (Terminix) +2.0% ( 1st Half: +1.7% 2nd Half: +2.3%)

• Lawn & Shrub Care (TruGreen) +21.3% ( 1st Half: +13.6% 2nd Half: +30.9%)

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

• Customer-level sales of Rent-All +3.5% ( 1st Half: +6.4% 2nd Half: +0.6%)

## Operating Income

( millions of yen )	FY2015	FY2016	Increase/Decrease	Change
Sales by segment	13,001	13,671	+ 669	+ 5.2

point Expenses increased, cost ratio improved, and operating income increased.

➤ Gross profit increased due to higher sales. + 100 million yen

➤ Gross profit increased due to improved cost ratio. + 1,800 million yen

- Decreased cost of Style Cleaner + 1,100 million yen
- Decrease in mats and other new items for rent + 300 million yen
- Lower price of heavy fuel oil + 200 million yen
- Other + 200 million yen

➤ Decrease in operating income due to higher expenses -1,100 million yen

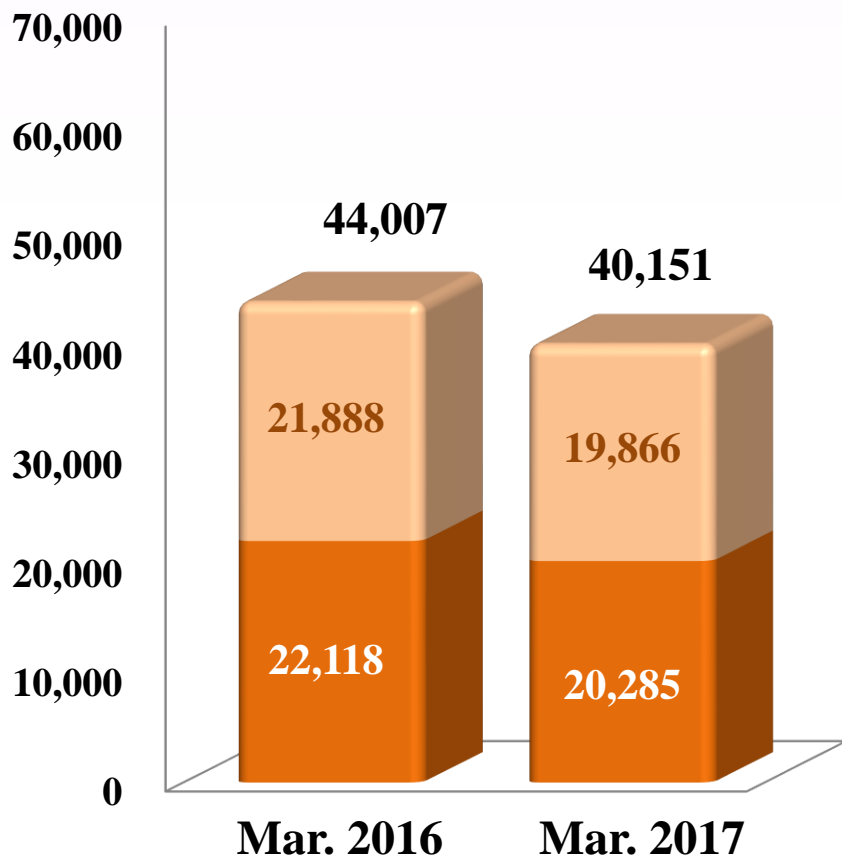
- Increase in retirement benefits -500 million yen
- Increased labor costs -500 million yen
- Other -100 million yen

\*New subsidiaries established due to the acquisition of some franchisees' business operations.

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

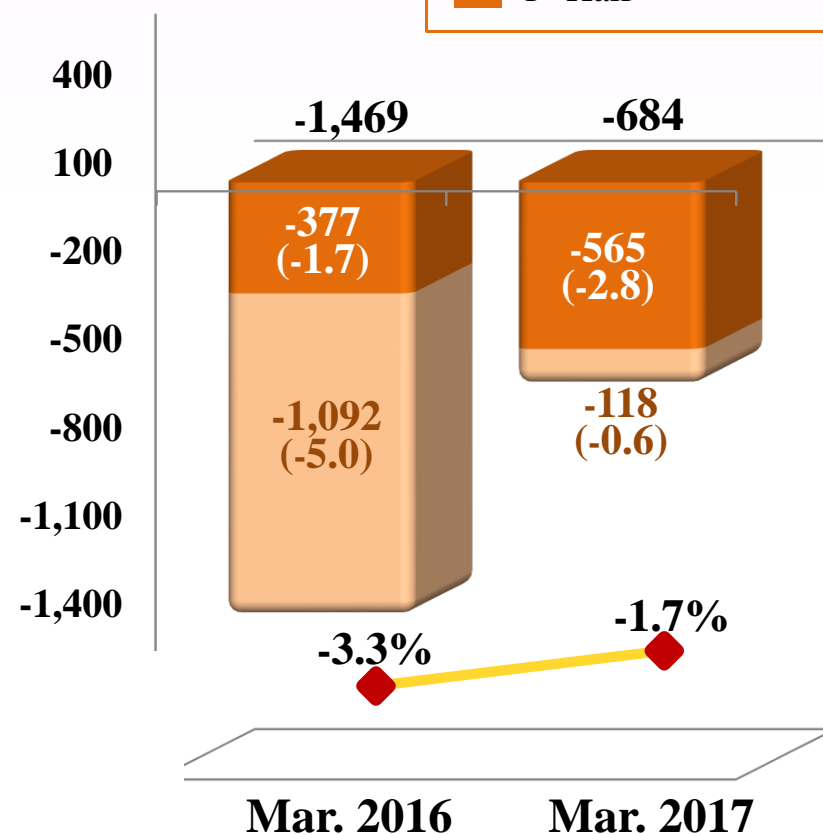
## Sales

( millions of yen )



## Operating Income

( millions of yen )



## Sales

( millions of yen )	FY2015	FY2016	Increase/Decrease	Change
Sales by segment	44,007	40,151	-3,855	-8.8

### ● Mister Donut

Sales of existing shops -7.2% (1<sup>st</sup> Half: -8.2% , 2<sup>nd</sup> Half: -6.1%)  
\*December sales +12.4% (Due to the SoftBank SUPER FRIDAY campaign)

Total customer-level sales -10.6% (1<sup>st</sup> Half: -11.0%, 2<sup>nd</sup> Half: -10.2%)

\*Number of business days (Annual total of actual business days of all shops) -6.5%

### ● Other Food Businesses

Total customer-level sales +5.8% (1<sup>st</sup> Half: +25.4%, 2<sup>nd</sup> Half: -12.3%)

\*The Don Co., Ltd. was sold to Fujio Food System Co., Ltd. On November 30, 2016.

## Operating Income

( millions of yen )	FY2015	FY2016	Increase/Decrease	Change
Sales by segment	-1,469	-684	+784	-

In FY2016, we focused on improving cost ratio.

- Decrease in gross profit due to lower sales -1,300 million yen
- Increase in gross profit due to improved cost ratio +1,200 million yen
  - Mister Donut  
(Changed coffee supplier, reduced waste and changed package specifications ) +900 million yen
  - Other Food Businesses +300 million yen
- Increase in operating income due to lower expenses +900 million yen
  - Decreased expenses due to lower sales +1,500 million yen
  - Increase in retirement benefits -100 million yen
  - Increased labor cost (miscellaneous wages) -100 million yen
  - Increased other expenses -400 million yen

## Mister Donut initiatives for FY2016 – Brand rebuilding

### ● Renovations to V/21 shops

- Plan for renovations in FY2016 was unreachd.
  - • • V/21 type shops was not applicable to various shop locations

No. of V/21 type shops	End of FY2015	End of FY2016					Difference
		Plan	Actual	Opened	Renovated	Net increase	
	15	189	50	11	24	35	-139

\*Renovated shops include 23 shops with kitchen and one to go shop.

### ● New business policy (November)

- Opening new shops with lower investment cost
  - • • Mister Donut to go, a takeout-only store
  - Mister Donut Café, a shop with various menu items such as espresso drinks.
- Discontinued “100 yen sales campaign”
- Lowered prices of some popular items
  - • • More attractive prices for customers to increase frequency of shop visits

### ● Initiative reflecting customers’ feedback

- Dream Donut Fair : Popular donut items arranged based on customers’ ideas and sold for a limited time.
- Low-caffeine coffee and Oil Cut Donuts\* released to meet health conscious needs.

### ● Collaboration with other companies

- September : Collaboration with Daio Paper Corporation
- December : Participated in the SoftBank SUPER FRIDAY campaign

\*Oil Cut Donuts contain 40% less oil (fat), comparing with the average fat per 100g of five items: Pon De Ring, Honey Dip, Old Fashion, Chocolate, and French Cruller.

## Other Food Businesses

### ➤ **Katsu & Katsu**

- Introduced limited-offer items featuring seasonal and local ingredients
- These seasonal items attracted a wide age group, and customer-level sales increased in both the existing and new restaurants.

### ➤ **The Chiffon & Spoon**

- Started franchising in March 2016
- In FY 2016, five shops opened, and customer-level sales increased.

### ➤ **Pie Face**

- Opened the third pilot shop, Maihama IKSPIARI shop in April 2016
- Market feasibility is under review.

### ➤ **Other Concepts**

- Market feasibility studies that enable decisions for future business plans to be made at an early stage are reviewed.
- Don Co., Ltd. was sold to Fujio Food System Co., Ltd. on November 30, 2016.

Katsu & Katsu Kawanishi Hirano



The Chiffon & Spoon AEON Mall KYOTO shop



Pie Face Maihama IKSPIARI shop





## Other Businesses

(millions of yen)	FY2015	FY2016	Increase/Decrease	Change
Sales by segment	11,004	11,192	+187	+1.7
Operating income by segment	-202	114	+317	-

### ● Overseas (Consolidated subsidiaries)

- Stronger yen compared to FY2015 resulted in lower sales and higher operating income
- Mister Donut Shanghai became a consolidated subsidiary in August 2015, which contributed to sales growth.
- Operating income increased considerably due to the improved cost ratio and adjusting entry of goods in transit for the different fiscal year-end of a subsidiary recorded in FY2015.

### ● Other Businesses

- Duskin Healthcare, a management service business for medical facilities, recorded higher sales and operating income
- Duskin Kyoeki, a leasing and insurance company, recorded lower sales and flat operating income because a large account's basic leasing was changed to a re-leasing agreement.

## Elimination/corporate

(millions of yen)	FY2015	FY2016	Increase/Decrease	Change
Operating income by segment	-5,957	-7,031	-1,074	-

### ● Corporate

- Increase in retirement benefits
- Other expenses including commission fee also increased.

## Overseas Businesses

## ➤ Customer-level sales

		Jan. – Dec. 2015	Jan. – Dec. 2016	Change
Clean & Care Businesses	Taiwan (thousands of NTD)	947,492	1,040,044	+ 92,552 (+9.8%)
	Shanghai (thousands of CNY)	18,494	21,612	+ 3,117 (+16.9%)
	South Korea (thousands of KRW)	997,953	1,053,217	+ 55,263 (+5.5%)
Mister Donut Businesses	Taiwan (thousands of NTD)	816,380	954,396	+138,015 (+16.9%)
	Shanghai (thousands of CNY)	22,685	21,678	-1,007 (-4.4%)
	South Korea (thousands of KRW)	5,667,582	5,980,277	+ 312,695 (+5.5%)

# Forecasts and Actual Results

\*Change from forecast announced on February 9, 2017

(millions of yen)

	Sales	Operating Income	Ordinary Income	Net Income
Forecast (Feb. 9 )	<b>162,000</b>	<b>5,600</b>	<b>7,100</b>	<b>3,900</b>
Actual	<b>161,880</b>	<b>6,069</b>	<b>7,554</b>	<b>4,318</b>
Difference (%)	<b>-119 (-0.1)</b>	<b>+469 (+8.4)</b>	<b>+454 (+6.4)</b>	<b>+418 (+10.7)</b>

## Sales: Major factors contributing to the difference

• Clean & Care Group	[ Dust Control (residential market)	-300 million yen]	-300 million yen
• Food Group	[ Mister Donut	-100 million yen]	-200 million yen
• Other	[ Overseas Businesses	+400 million yen]	+300 million yen

## Operating Income: Major factors contributing to the difference

• Clean & Care Group	[ Lower gross profit due to lower sales in Dust Control Business	-100 million yen ]	—
	[ Costs carried forward	+100 million yen ]	
• Food Group	[ Costs carried forward	+400 million yen ]	+400 million yen
• Other	[ Overseas Businesses	+100 million yen ]	+100 million yen

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

# FY2017 Forecasts

# FY2017 Forecasts (1)

## Consolidated

( millions of yen )

	Sales	Operating Income	Ordinary Income	Net Income
FY2015 Actual	165,203	5,372	6,707	2,983
FY2016 Actual	161,880	6,069	7,554	4,318
FY2017 Forecasts	165,000	6,600	8,000	4,700
Increase/Decrease	+3,119	+530	+445	+381
Increase/Decrease (%)	+1.9	+8.7	+5.9	+8.8

## Non-consolidated

( millions of yen )

	Sales	Operating Income	Ordinary Income	Net Income
FY2015 Actual	138,697	3,593	6,136	1,831
FY2016 Actual	134,245	4,069	6,478	3,723
FY2017 Forecasts	137,000	4,500	6,800	4,200
Increase/Decrease	+2,754	+430	+321	+476
Increase/Decrease (%)	+2.1	+10.6	+5.0	+12.8

**Consolidated Half-year Comparison**

( millions of yen )

		Sales	Operating Income	(%)	Ordinary Income	Net Income
<b>1st Half</b>	FY2016 Actual	<b>81,091</b>	<b>2,514</b>	<b>3.1</b>	<b>3,406</b>	<b>2,105</b>
	FY2017 Forecasts	<b>81,600</b>	<b>1,900</b>	<b>2.3</b>	<b>2,600</b>	<b>1,400</b>
	Decrease/Increase	<b>+508</b>	<b>-614</b>	<b>-.8</b>	<b>-806</b>	<b>-705</b>
	Decrease/Increase (%)	<b>+0.6</b>	<b>-24.5</b>	<b>-</b>	<b>-23.7</b>	<b>-33.5</b>
<b>2nd Half</b>	FY2016 Actual	<b>80,789</b>	<b>3,555</b>	<b>4.4</b>	<b>4,148</b>	<b>2,212</b>
	FY2017 Forecasts	<b>83,400</b>	<b>4,700</b>	<b>5.6</b>	<b>5,400</b>	<b>3,300</b>
	Decrease/Increase	<b>+2,610</b>	<b>+1,144</b>	<b>+1.2</b>	<b>+1,251</b>	<b>+1,087</b>
	Decrease/Increase (%)	<b>+3.2</b>	<b>+32.2</b>	<b>-</b>	<b>+30.2</b>	<b>+49.2</b>
<b>Full Year</b>	FY2016 Actual	<b>161,880</b>	<b>6,069</b>	<b>3.7</b>	<b>7,554</b>	<b>4,318</b>
	FY2017 Forecasts	<b>165,000</b>	<b>6,600</b>	<b>4.0</b>	<b>8,000</b>	<b>4,700</b>
	Decrease/Increase	<b>+3,119</b>	<b>+530</b>	<b>0.3</b>	<b>+445</b>	<b>+381</b>
	Decrease/Increase (%)	<b>+1.9</b>	<b>+8.7</b>	<b>-</b>	<b>+5.9</b>	<b>+8.8</b>

## By Business Segment

( millions of yen )

		FY2015 (Operating income margin)		FY2016 (Operating income margin)		FY2017 (Operating income margin)		Increase/Decrease Change	
Clean & Care Group	Sales	110,191	—	110,537	—	112,700	—	+ 2,162	+2.0%
	Operating income	13,001	11.8%	13,671	12.4%	13,800	12.2%	+128	+0.9% (-0.2)
Food Group	Sales	44,007	—	40,151	—	40,200	—	+48	+0.1%
	Operating income	-1,469	-3.3%	-684	-1.7%	300	0.7%	+984	— (+2.4)
Other Businesses	Sales	11,004	—	11,192	—	12,100	—	+907	+8.1%
	Operating income	-202	-1.8%	114	1.0%	200	1.7%	+85	+74.1% (+0.7)
Eliminations/ Corporate	Operating income	-5,957	—	-7,031	—	-7,700	—	-668	—
Total (Consolidated)	Sales	165,203	—	161,880	—	165,000	—	+3,119	+1.9%
	Operating income	5,372	3.3%	6,069	3.7%	6,600	4.0%	+530	+8.7% (+0.3)



## 《Major Factors contributing to sales increase and decrease by business segment》

Clean & Care Group

+ 2,200 million yen

Dust Control business & technical services

+ 1,400 million yen

Rent-All and Other Businesses

+ 700 million yen

Subsidiaries acquired from franchisees

+ 100 million yen

Food Group

+ 000 million yen

Mister Donut business

+500 million yen

Other food businesses

-100 million yen

Decrease due to the sale of Don Co., Ltd.

-400 million yen

Other Businesses

+ 900 million yen

Big Apple Group

+800 million yen

Other

+ 100 million yen

## 《 Major Factors contributing to operating income increase and decrease by business segment 》

### Clean & Care Group

+ 100 million yen

Increased income due to increase in sales	+ 1,100 million yen
Decreased cost of Style Cleaner	+200 million yen
Higher investment for SiRo and Custom-made mats	-400 million yen
Increase in other costs	-300 million yen
Decrease in retirement benefits	+300 million yen
Increase in promotional cost for LEGOLAND	-200 million yen
Increase in other expenses	-600 million yen

### Food Group

+ 1,000 million yen

Increased income due to increase in sales (excluding Don)	+200 million yen
Increased income due to sale of Don	+100 million yen
Increased cost rate	-300 million yen
Decrease in retirement benefits	+100 million yen
Decreased depreciation expenses for shop operation system	+400 million yen
Decreased labor costs	+500 million yen

# FY2016 Forecasts (6)

## 《 Major Factors contributing to operating income increase and decrease by business segment 》

Other

+ 100 million yen

Increased income from overseas businesses

+100 million yen

Increased income from domestic subsidiaries

-000 million yen

Corporate expenses

-700 million yen

Increased labor costs

-500 million yen

Other

-200 million yen

# Returns to Shareholders

## Dividends

Steady and continuous dividend distribution in line with basic policy (40 yen per share/year)

◀ Dividends per share (Actual & Forecasts) ▶

(yen)

	FY2015	FY2016	FY2017 (forecast)
End of 2 <sup>nd</sup> quarter	20	20	20
Year end	20	20	20
Total (annual)	40	40	40
Total dividends (millions of yen)	2,221	2,161	2,138
Consolidated dividend ratio (%)	76.7	50.7	45.5

\*Consolidated dividend ratio is calculated per share.

## Repurchase &amp; cancellation of Company stock

Company stock has been repurchased consistently since the stock was first listed in December 2006.

	《 Number of shares repurchased 》	《 Number of shares cancelled 》
■ FY2008	900,000 (1.3%)	
■ FY2009	600,000 (0.9%)	
■ FY2010	1,650,000 (2.4%)	
■ FY2011	300,000 (0.4%)	1,100,000 (1.6%)
■ FY2012	1,203,500 (1.8%)	1,300,000 (2.0%)
■ FY2013	1,500,000 (2.3%)	1,500,000 (2.3%)
■ FY2014	1,030,400 (1.6%)	
■ FY2015	5,000,100 (7.9%)	6,000,000 (9.4%)
■ FY2016	2,100,000 (3.7%)	2,300,000 (4.0%)
<b>Total (since listing)</b>	<b>14,284,000</b>	<b>* 12,200,000</b>
	(Number of treasury shares as of Mar. 2017)	(Total number of outstanding shares)
	<b>1,749,382</b>	<b>55,194,823</b>

\*The percentages shown above are the ratios to the total number of issued shares at the time of each repurchase or cancellation.

\*Disposal of treasury stock includes 360,000 shares used for exchanges of stock.

# Our Initiatives

## ***ONE DUSK!N***

### ***ONLY ONE***

One and only franchise system where franchisor and franchisees share our Management Philosophy

### ***NUMBER ONE***

The most trusted franchise office in the community

### ***ALL FOR ONE***

All business units and services join to respond to the needs of our customers



## ■ Financial goals

(billions of yen)

	<b>FY2015 Actual</b>	<b>FY2016 Actual</b>	<b>FY2017 Actual</b>
<b>Consolidated sales</b>	<b>165.2</b>	<b>161.8</b>	<b>165.0*</b>
<b>Consolidated operating income</b>	<b>5.3</b>	<b>6.0</b>	<b>6.6*</b>

**\*Revised on May 15, 2017**

## [Theme] Business Model Reform

### [Major Initiatives & FY2016 Results]

#### Home Service

- Diversified customer contact points (membership website, DDuet)
  - ➔ The members increased by 90,000 to 340,000. \*
- Comprehensive service proposals (introduced tablets to sales reps.)
  - ➔ 2,800 tablets (increased by 2,700) \*
- Improved marketing capabilities by centralizing customer information.
  - ➔ Started sharing franchisees' customer information in April 2017.

#### Business Service

- Enhanced hygiene management service (development of Hygiene Masters)
  - ➔ 500 Hygiene Masters (increased by 200) \*

#### Mister Donut

- (Formulated the new business plan and policy “NEW MISDO” in November 2016)
- Renovation and opening of shops with new concepts focusing on different motivations for visiting shops, and different conditions and environment for each shop location. ➔ 50 stores (increased by 35) \*

#### Corporate Profit Structure Reform

- Cost reduction
  - ➔ 2.2% reduction from FY2015 (consolidated)

\* Changes between April 2016 and March 2017

## 1. Home Service

**Further develop business model to reinforce customer contacts and deliver comprehensive housekeeping support.**

- ▶ **Expand the membership of the website “DDuet”**
  - Reinforce online customer contacts
- ▶ **Sales representatives utilize tablets**
  - Improve capabilities to make comprehensive service proposals
- ▶ **Centralize franchisees’ customer information → Improve marketing capabilities**



Number of DDuet members  
.....  
340,000 ▶ **720,000**

Number of tablets  
.....  
2,800 ▶ **5,600**



## Housekeeping services

▶ Started the trial run of the **Project to Accept Foreigners Conducting Housekeeping Services in National Strategic Special Zones.**

**Staff members  
(Three-year employment)**

**Osaka: 4 (joined Duskin on April 16, 2017)**

**Kanagawa: 4 (joined Duskin on April 16, 2017)**



## Senior care services

1. Seniors in **good health**

Sales promotion of  
existing products &  
services

Cross sectional initiatives

2. Seniors who need **assistance**

Watch over service  
(under review)  
Consultation service counter  
(Wako-shi, Saitama)

New service/business  
development

3. Seniors who **need care**

Home Instead  
Health Rent

Reinforce existing  
businesses

**Review the activities of Wako Iki-Iki Life Service Plaza.**

Set up a center for seniors to provide  
advice on daily living,  
life support products and  
services, and related  
information.



## 2. Business Service

**The system and organization to comprehensively manage sanitary environment.**

### Hygiene management service

- ▶ **Increase Hygiene Masters with sanitary management expertise**
- ▶ **Provide the sanitary management service based on the HACCP promoted by local governments.**



Number of registered  
Hygiene Masters

504



950



## Care service lines

### Home Service

Enhance house cleaning services

家事の代行

**merry maids**

プロのおそうじ

**ServiceMASTER**



### Business Service

Enhance hygiene management services

プロのおそうじ

**ServiceMASTER**

害虫駆除

**TERMINIX**



Our original brand

New business



緑と花のお手入れ

**Total Green**



住まいの補修

**HomeRepair**

## 3. Mister Donut

**Initiatives to revitalize the business  
and rebuild the brand**

いいことあるぞ

**Mister Donut**

“Something good’s gonna happen. Mister Donut.”



## New openings and renovation to fit different needs

### NEW MISDO

Creating different motivation  
to visit shops

V/21

With kitchen



- In addition to donuts, providing meals and snacks to encourage customers to visit shops at different times during the day

**Hibarigaoka shop**  
Opened on February 16, 2017

Covering the trade areas  
where Mister Donut does not yet have its presence.

Mister Donut  
Café

Without kitchen



- Providing enhanced drink items such as espresso drinks
- Opened around railway stations and at commercial facilities in urban areas

**Ikebukuro SPICE2 shop**  
Opened on November 18, 2016

Mister Donut  
to go

Takeout-only



- Providing donuts as the gift items
- Opened in station buildings and at commercial facilities in urban areas

**Shinjuku Odakyu Ace shop**  
Opened on April 17, 2017

## V/21 shop (Hibarigaoka shop, located in front of Hibarigaoka station of Seibu Ikebukuro line)



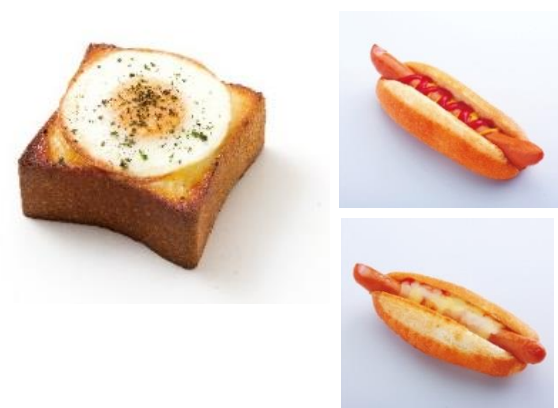
## Menu enhancement to motivate customers to visit Mister Donut

Meals

### Lunch menu items



### Breakfast menu items



Drinks & Desserts

### Espresso drinks






### Ice pie



Takeout



<h2>Mister Donut</h2> <th data-bbox="1116 334 1433 576"> <b>FY2016 Actual No. of shops</b> </th> <th data-bbox="1441 334 1845 576"> <b>FY2017 Plan No. of shops</b> </th>		<b>FY2016 Actual No. of shops</b>	<b>FY2017 Plan No. of shops</b>
<b>V/21 shop</b> With kitchens		<b>47</b>	<b>103</b>
<b>Mister Donut Café</b> Without kitchens		<b>2</b>	<b>22</b>
<b>Mister Donut to go</b> Takeout-only		<b>1</b>	<b>21</b>

Creating new motivations to visit Mister Donut shops  
by providing products developed with partner companies with state-of-the art technology and high quality materials, and products to meet health conscious needs

Products developed  
with partner companies



葵舎 祇園辻利



Matcha Sweets



Curry Donut



ソライロ  
Japanese soup noodle  
free style



Cold Noodle  
featuring vegetables

Products to meet  
health conscious needs



Oil Cut Donuts\*



Low-caffeine coffee

\*Oil Cut Donuts contain 40% less oil (fat), comparing with the average fat per 100g of five items: Pon De Ring, Honey Dip, Old Fashion, Chocolate, and French Cruller.

# Reference

## Non-consolidated

(millions of yen)

	FY2015	FY2016	Increase/Decrease	
				Change
Sales	138,697	134,245	-4,452	-3.2
Operating Income	3,593	4,069	+475	+13.2
Operating income on sales (%)	(2.6%)	(3.0%)	(+0.4)	—
Ordinary Income	6,136	6,478	+342	+5.6
Ordinary income on sales (%)	(4.4%)	(4.8%)	(+0.4)	—
Net Income	1,831	3,723	+1,892	+103.3
Net income on sales (%)	(1.3%)	(2.8%)	(+1.5)	—

# 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)

##### Rental service 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
Total Green	• • •	Tree, shrub, lawn care
Home Repair	• • •	Wall & floor repair

**Drink Service** • • • Bottled water delivery

**Health & Beauty** • • • Cosmetics & health food

**Home Instead** • • • Senior care service

#### Business Service (Commercial Market)

##### Rental service 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
Total Green	• • •	Tree, shrub, lawn care
Home Repair	• • •	Wall & floor repair

**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** • • • Homemade 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

**Pie Face** • • • • • Pie specialty store

## Other Businesses

### Duskin Healthcare

Hospital management service

### Duskin Kyoeki

Leasing business, insurance services

### Overseas businesses

Dust Control, Mister Donut, Big Apple, 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)

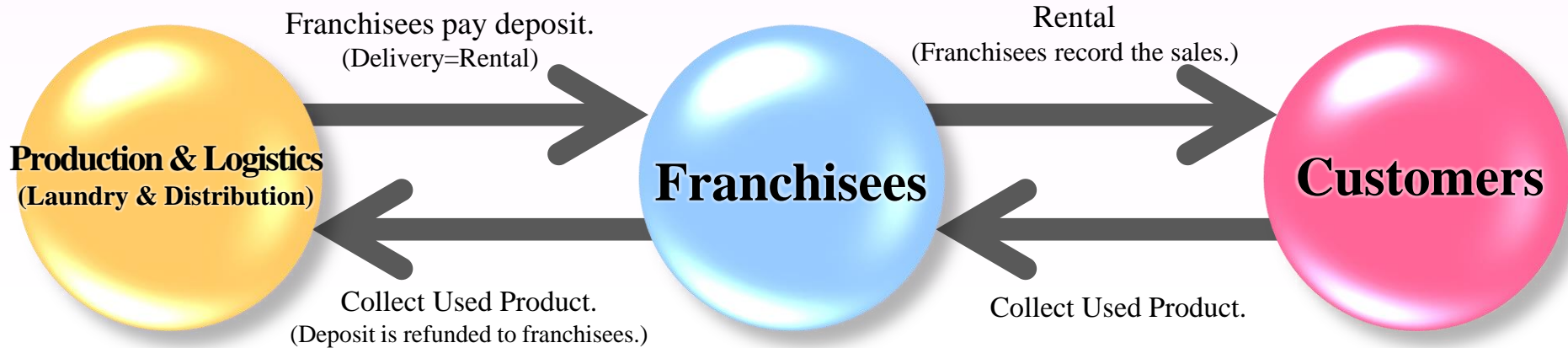
	FY2015	FY2016	Increase/Decrease	
			Change	%
<b>Clean &amp; Care Group</b>	<b>274,005</b>	<b>272,633</b>	<b>-1,372</b>	<b>-0.5%</b>
Dust Control (Domestic)				
Home Service (Residential)	96,513	93,814	-2,698	-2.8%
Business Service (Commercial)	96,026	94,946	-1,079	-1.1%
Care Services (Technical services)	47,775	48,924	+1,148	+2.4%
(ServiceMaster)	( 27,063 )	( 27,785 )	( +721 )	( +2.7% )
(Merry Maids)	( 10,460 )	( 10,533 )	( +72 )	( +0.7% )
(Terminix)	( 7,855 )	( 8,062 )	( +207 )	( +2.6% )
(TruGreen)	( 2,395 )	( 2,542 )	( +146 )	( +6.1% )
Health & Beauty	2,721	2,746	+24	+0.9%
Azare Products	3,749	3,726	-22	-0.6%
Home Instead	2,185	2,157	-27	-1.3%
Rent-All	20,402	21,487	+1,084	+5.3%
Uniform Service	3,150	3,304	+153	+4.9%
Drink Service	1,481	1,524	+43	+2.9%
<b>Food Group</b>	<b>95,549</b>	<b>86,058</b>	<b>-9,490</b>	<b>-9.9%</b>
Mister Donut (Domestic)	91,430	81,603	-9,826	-10.7%
Food Chain	2,700	3,581	+880	+32.6%
Don	1,418	873	-544	-38.4%
<b>Other Businesses</b>	<b>25,295</b>	<b>25,855</b>	<b>+560</b>	<b>+2.2%</b>
Dust Control (Overseas)	3,923	4,222	+298	+7.6%
Mister Donut (Overseas)	14,206	14,328	+122	+0.9%
Duskin Healthcare	7,165	7,304	+139	+1.9%
<b>Total</b>	<b>394,850</b>	<b>384,547</b>	<b>-10,302</b>	<b>-2.6%</b>

\* Food Chain : MOSDO, Café Du Monde, Katsu & Katsu, Bakery Factory, ICE DE LION, The Chiffon & Spoon, and Pie Face

\* Don Co., Ltd. was sold to Fujio Food System Co., Ltd., with all shares transferred on November 30, 2016.

## 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:	92
Franchised Units:	1,900
<b>Operation Units:</b>	<b>2,000</b>

Sales representatives:	66,500
------------------------	--------

Residential customers:	5.15 million
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Commercial customers:	1.2 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.