

FY2017 (April 2017 – March 2018)

Financial Report

Duskin Co., Ltd.

May 23, 2018



Cautionary Statements

- 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 the Company 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

FY2017 (April 2017 – March 2018)



Consolidated Results

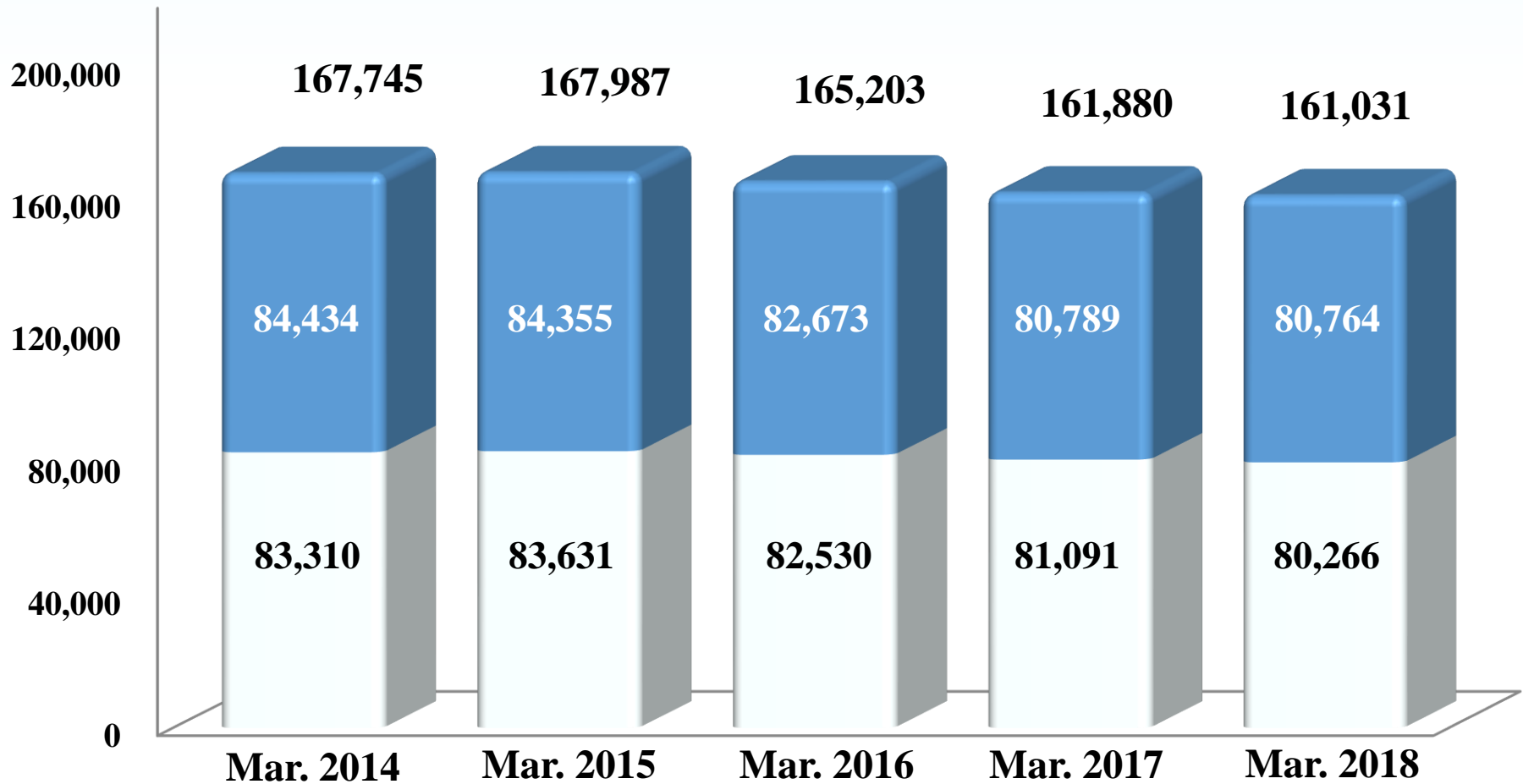
(millions of yen)

	FY2016	FY2017	Change	
				%
Sales	161,880	161,031	-849	-0.5
Operating Income	6,069	7,557	1,488	+24.5
(Operating Margin)	(3.7%)	(4.7%)	(+0.9)	—
Ordinary Income	7,554	8,978	1,423	+18.8
(Ordinary Income Margin)	(4.7%)	(5.6%)	(+0.9)	—
Net Income	4,318	5,324	1,006	+23.3
(Net Income Margin)	(2.7%)	(3.3%)	(+0.6)	—

Consolidated Sales

■ 2nd half
□ 1st half

(millions of yen)



Consolidated Sales

161,031 million yen

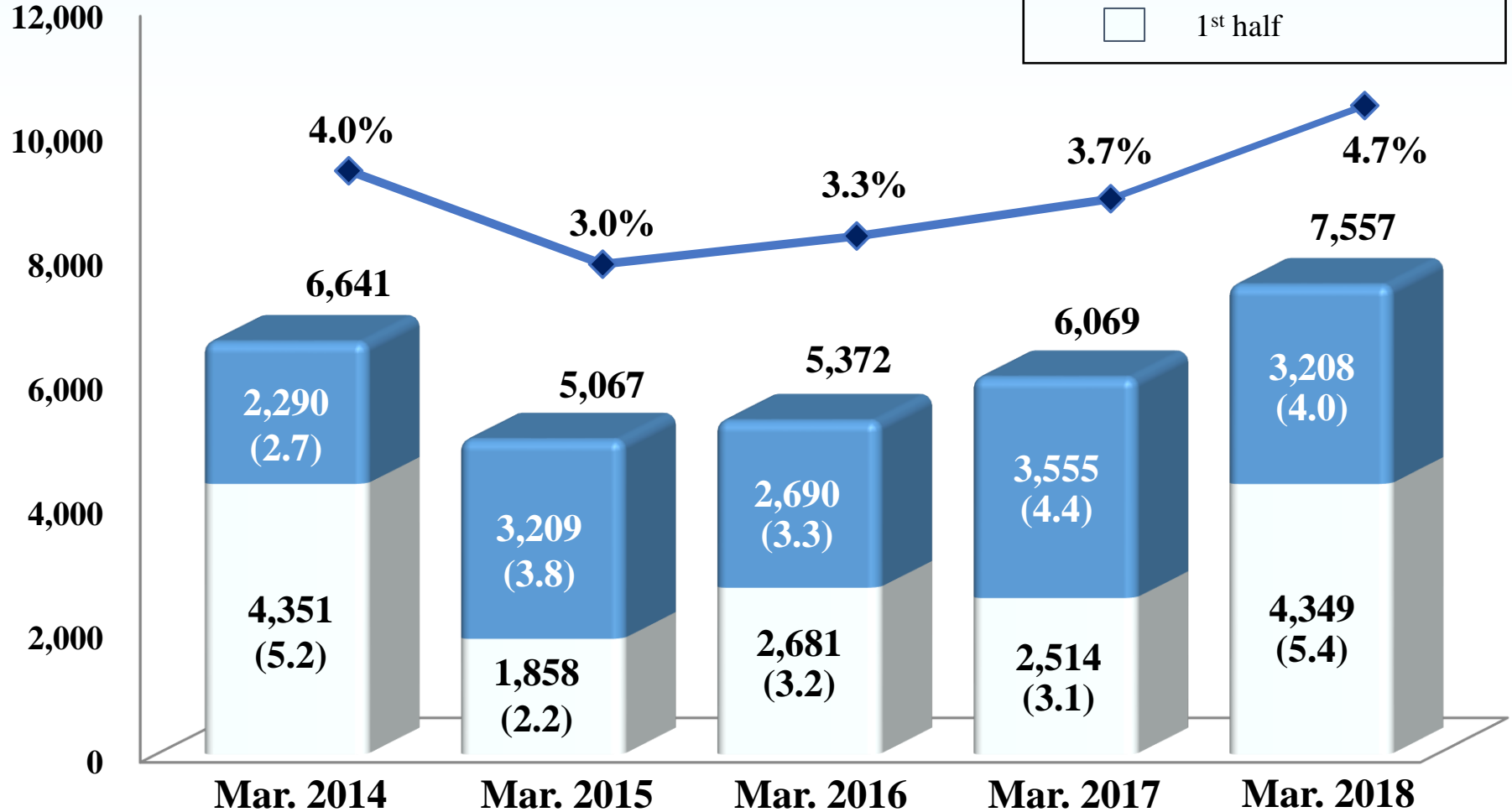
-849 million yen (-0.5%)

Sales by segment

(millions of yen)		FY2016	FY2017	Change	
					%
Clean & Care Group	Sales to outside customers	110,537	111,223	+686	+0.6
	Inter-segment sales and transfers	741	718	-22	-3.1
	Total	111,278	111,941	+663	+0.6
Food Group	Sales to outside customers	40,151	37,616	-2,534	-6.3
	Inter-segment sales and transfers	11	8	-3	-31.4
	Total	40,163	37,624	-2,538	-6.3
Other Businesses	Sales to outside customers	11,192	12,191	+999	+8.9
	Inter-segment sales and transfers	2,212	2,225	+12	+0.6
	Total	13,404	14,416	+1,011	+7.5
Eliminations for inter-segment sales and transfers		-2,965	-2,951	+13	-
Consolidated sales		161,880	161,031	-849	-0.5

Consolidated Operating Income

(millions of yen)



Consolidated Operating Income

7,557 million yen +1,488 million yen (+24.5%)

Major factors

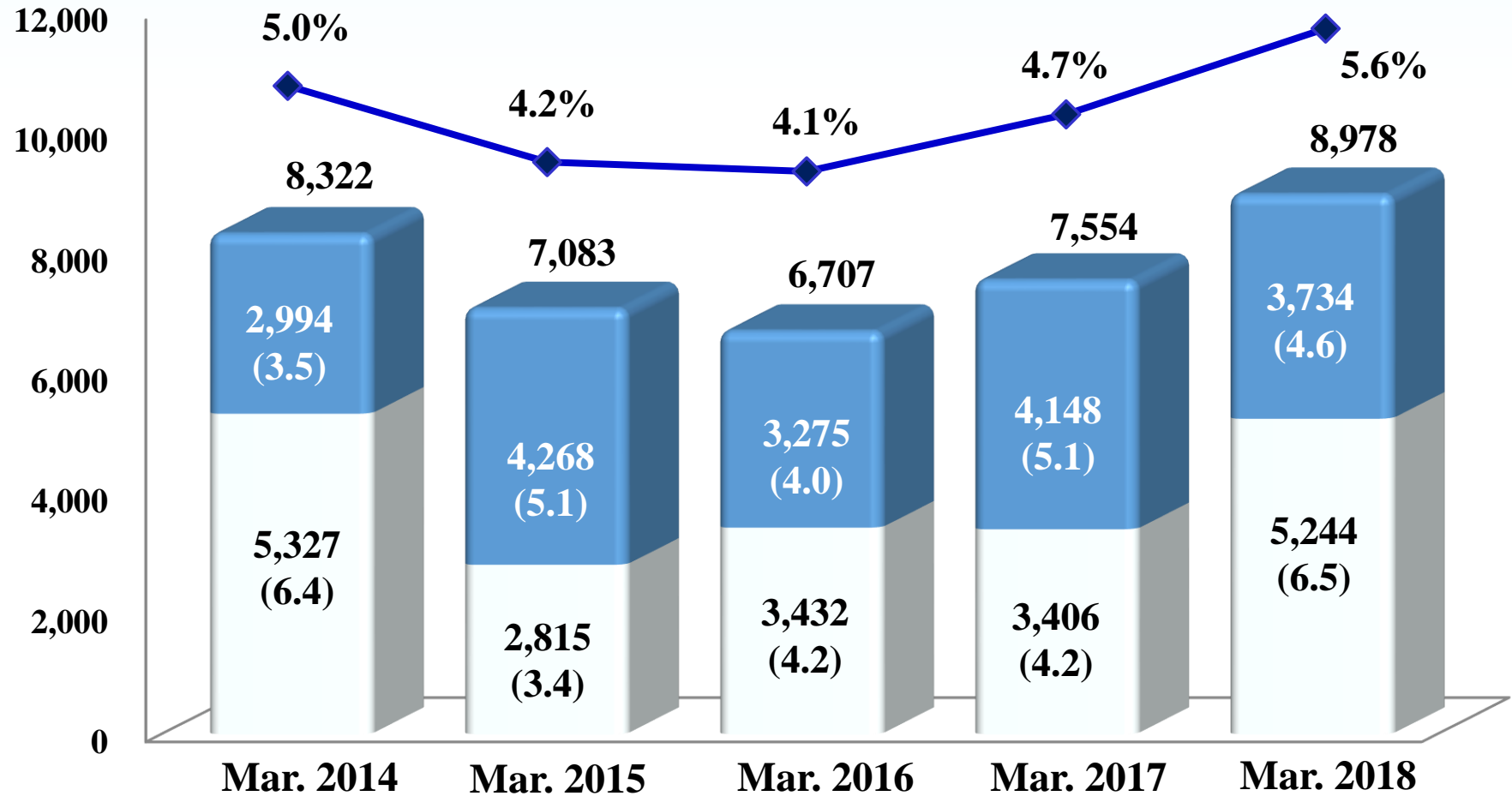
- Clean & Care Group . . . Lower investments in Style Cleaner
- Food Group . . . Improved cost ratio, and decrease in depreciation
- Other Businesses . . . Lower operating loss in overseas subsidiaries
- Eliminations/Corporate . . . Increase in advertising expenses

*Total decrease in retirement benefits: 800 million yen

Operating income by segment (millions of yen)	FY2016 (Operating margin)	FY2017 (Operating margin)	Change	
				%
Clean & Care Group	13,671 (12.3%)	14,201 (12.7%)	+529	+3.9% (+0.4)
Food Group	-684 (-1.7%)	356 (0.9%)	+1,040	- (+2.7)
Other Businesses	114 (0.9%)	348 (2.4%)	+233	+203.0% (+1.6)
Eliminations/Corporate	-7,031	-7,347	-316	-
Consolidated Operating Income	6,069 (3.7%)	7,557 (4.7%)	+1,488	+24.5% (+0.9)

Consolidated Ordinary Income

(millions of yen)



Consolidated Ordinary Income**8,978 million yen** **+1,423 million yen (+18.8%)**

Major factors

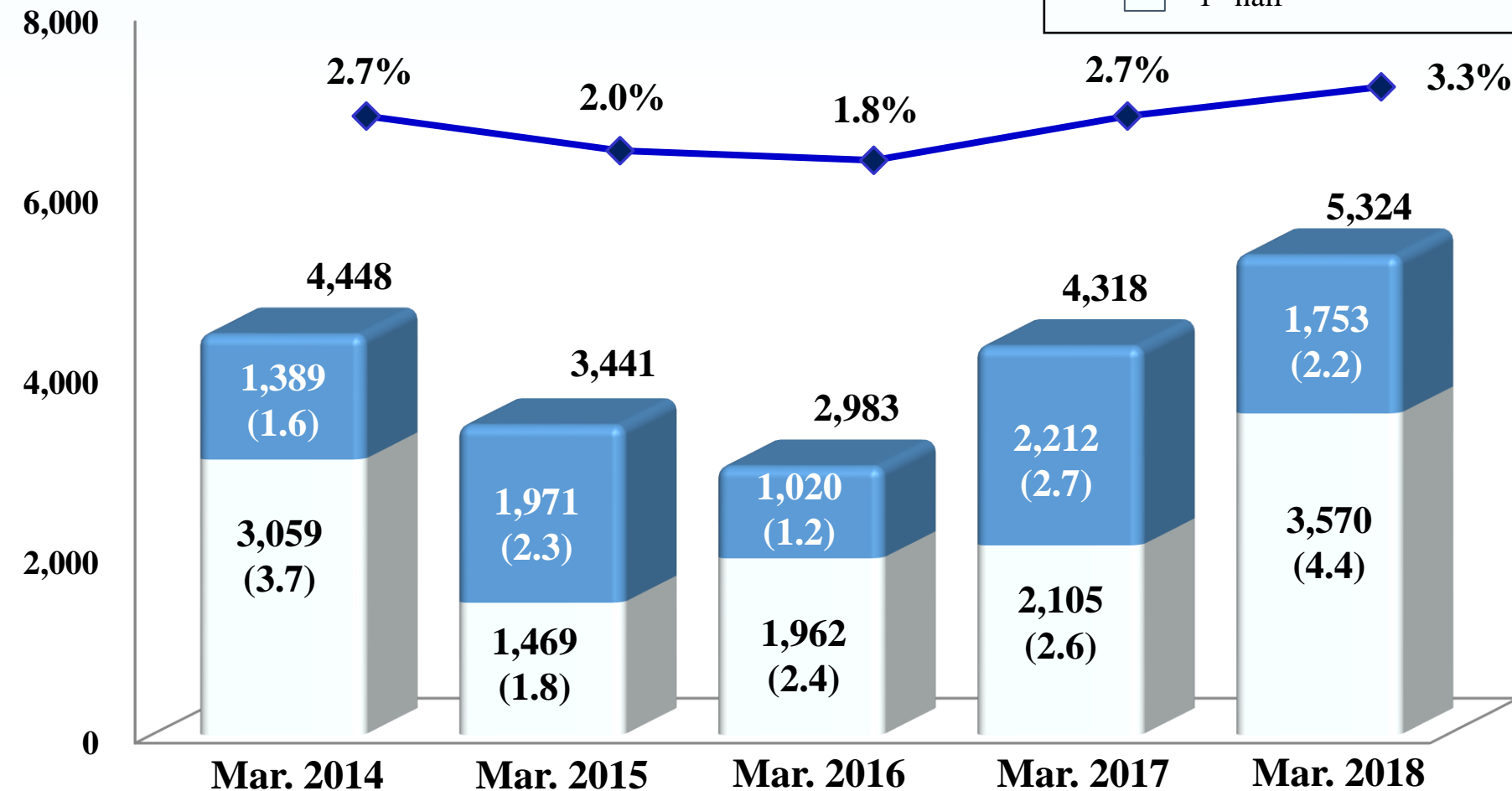
1) Operating income **+1,500 million yen****2) Non-operating income** **-100 million yen**

- **Decrease in interest income** **-100 million yen**
- **Lower commission for purchase of treasury shares** **+100 million yen**
- **Other** **-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

5,324 million yen **+1,006 million yen (+23.3%)**

Major factors

1) Ordinary income **+1,400 million yen**

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

- Lower gain on sales of investment shares **-500 million yen**
- Decrease in impairment loss **+500 million yen**
- Decrease in loss on disaster **+200 million yen**
- Others **-300 million yen**

3) Tax expenses **-300 million yen**

- Increase in net income before tax **-400 million yen**
- Others **+100 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)

	FY2016	FY2017	Change	Major factors
Current asset	62,021	69,434	+7,413	Cash and deposits -2,400
				Securities +8,400
				Merchandise and finished goods +300
				Deferred tax assets +100
Property, plant and equipment	51,334	49,344	-1,990	Buildings and structures -700
				Land -900
Intangible assets	7,683	8,474	+791	Other +900
Investments and other assets	69,078	68,804	-273	Investment securities +1,500
				Deferred tax assets -900
Total assets	190,116	196,058	+5,941	—
Current and non-current liabilities	48,007	48,271	+264	Income taxes payable -900
				Accounts payable-other +500
				Net defined benefit liability +1,000
Net assets	142,108	147,786	+5,677	Retained earnings +3,200
				Valuation difference on available-for-sale securities +2,100
				Remeasurements of defined benefit plans +300
Total liabilities and net assets	190,116	196,058	+5,941	—
Debt with interests	88	173	+85	—

Business Segment Summary



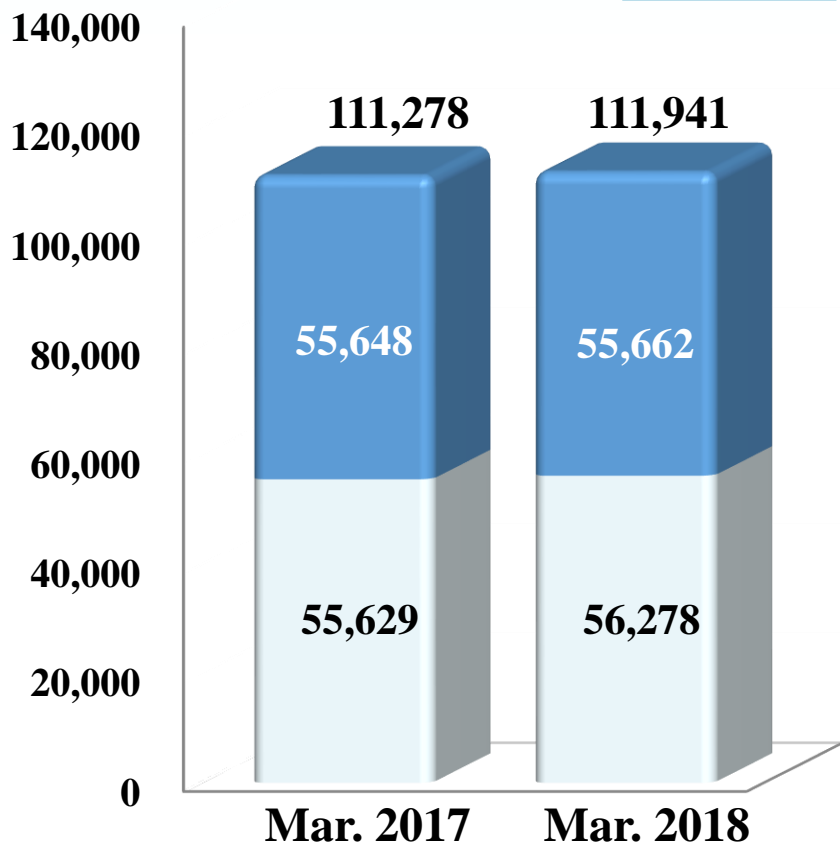
(millions of yen)

		FY2016		FY2017		Change	
		Operating Margin		Operating Margin		%	
Clean & Care Group	Sales	111,278	—	111,941	—	+663	+0.6%
	Operating Income	13,671	12.3%	14,201	12.7%	+529	+3.9% (+0.4)
Food Group	Sales	40,163	—	37,624	—	-2,538	-6.3%
	Operating Income	-684	-1.7%	356	0.9%	+1,040	— (+2.7)
Other Businesses	Sales	13,404	—	14,416	—	+1,011	+7.5%
	Operating Income	114	0.9%	348	2.4%	+233	+203.0% (+1.6)
Eliminations/ Corporate	Sales	-2,965	—	-2,951	—	+13	—
	Operating Income	-7,031	—	-7,347	—	-316	—
Total (consolidated)	Sales	161,880	—	161,031	—	-849	-0.5%
	Operating Income	6,069	3.7%	7,557	4.7%	+1,488	+24.5% (+0.9)

Sales presented here include inter-segment sales.

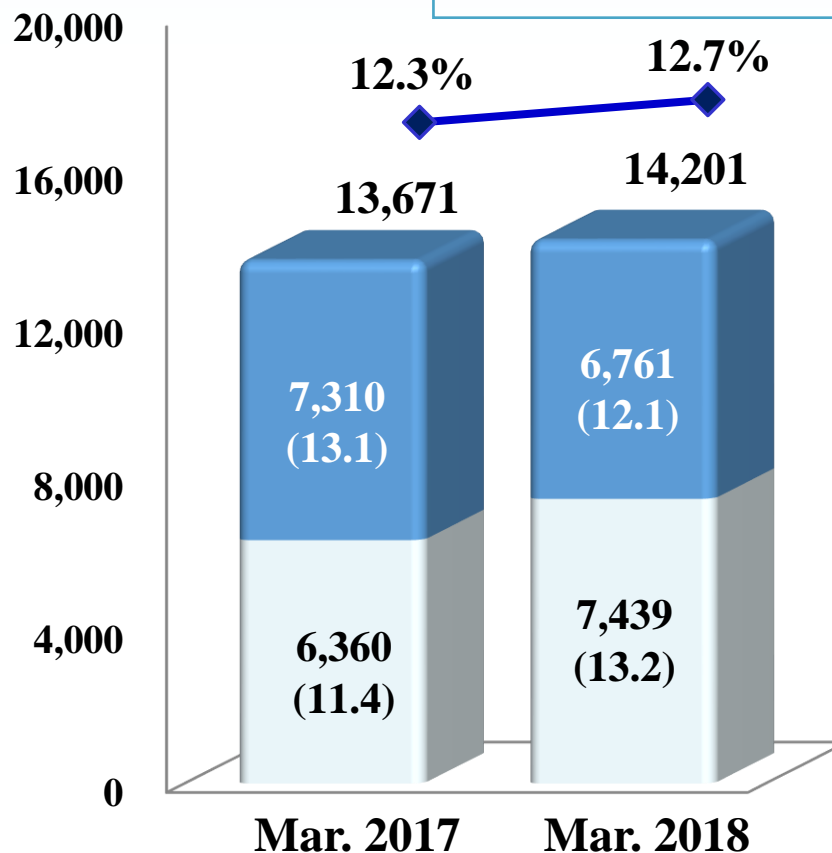
Sales

(millions of yen)



Operating Income

(millions of yen)



Sales

(millions of yen)	FY2016	FY2017	Change	
				%
Sales to outside customers	110,537	111,223	+ 686	+ 0.6
Inter-segment sales	741	718	-22	-3.1
Total	111,278	111,941	+ 663	+ 0.6

Residential Market

● Total sales of dust control products declined slightly.

- Dust control products sales -0.4% (1st half: +1.8%, 2nd half: -2.5%)
 - Average on a business day basis -0.0% (One fewer business day than in FY2016)
- Mop products sales +0.4% (1st half: +4.0%, 2nd half: -3.2%)
 - ▶ Basic Three (including sales of LaLa, Shushu, and Style Cleaner) +5.0%
 - ▶ Other handy and floor mops -6.5%
 - ▶ Robot Cleaner SiRo +777 million yen (+164.9%)
- Futon cleaning and delivery service +61.6% (1st half: +12.0%, 2nd half: +232.6%)
- Filter products -4.4% (1st half: -4.9%, 2nd half: -4.0%)

● Technical services grew steadily.

- Total customer-level sales +4.4% (1st half: +4.0%, 2nd half: +4.7%)
 - Professional cleaning (ServiceMaster) +6.3% (1st half: +4.9%, 2nd half: +7.8%)
 - Home cleaning and helper services (Merry Maids) +3.6% (1st half: +3.2%, 2nd half: +4.0%)
 - Termite control (Terminix) -0.6% (1st half: +2.1%, 2nd half: -4.5%)
 - Plant and flower maintenance (Total Green) +1.9% (1st half: +4.5%, 2nd half: -1.0%)
 - Wall and floor repair services (Home Repair): Started franchising operations

● Rental of assisted living equipment (Health Rent) continued to grow.

- Customer-level sales +6.9% (1st half: +7.0%, 2nd half: +6.8%)

Sales

(millions of yen)	FY2016	FY2017	Change	
				%
Sales to outside customers	110,537	111,223	+ 686	+ 0.6
Inter-segment sales	741	718	-22	-3.1
Total	111,278	111,941	+ 663	+ 0.6

Commercial Market

● **Total sales of dust control products increased modestly.**

- Dust control products sales +0.3% (1st half: -0.7%, 2nd half: +1.4%)
 - Average on a business day basis +0.7%
- Mat products sales -0.2% (1st half: -0.3%, 2nd half: -0.1%)
 - ▶ Thin dust control and water absorption mats +0.4%
 - ▶ Inside custom-made indoor mats +18.3%
 - ▶ Other mats -0.5%
 - (Basic mats -0.6%)
 - (Custom-made mats -0.7%)
 - New contract with a large convenience store chain (+200 million yen)

● **Technical services posted higher sales.**

- Total customer-level sales +1.7% (1st half: +1.4%, 2nd half: +1.9%)
 - ServiceMaster (including facility management) +1.2% (1st half: +0.7%, 2nd half: +1.7%)
 - Janitorial services for LEGOLAND® Japan (+100 million yen)
 - Pest control (Terminix) +3.0% (1st half: +3.0%, 2nd half: +3.0%)
 - Plant and flower maintenance (Total Green) +4.3% (1st half: +10.8%, 2nd half: -2.7%)

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

- Customer-level sales +6.1% (1st half: +3.1%, 2nd half: +9.1%)

Operating Income

(millions of yen)	FY2016	FY2017	Change	%
Operating income by segment	13,671	14,201	+529	+3.9

Increased operating income due to increased sales and gross profit, and improved cost

- Increase in gross profit due to higher sales +300 million yen

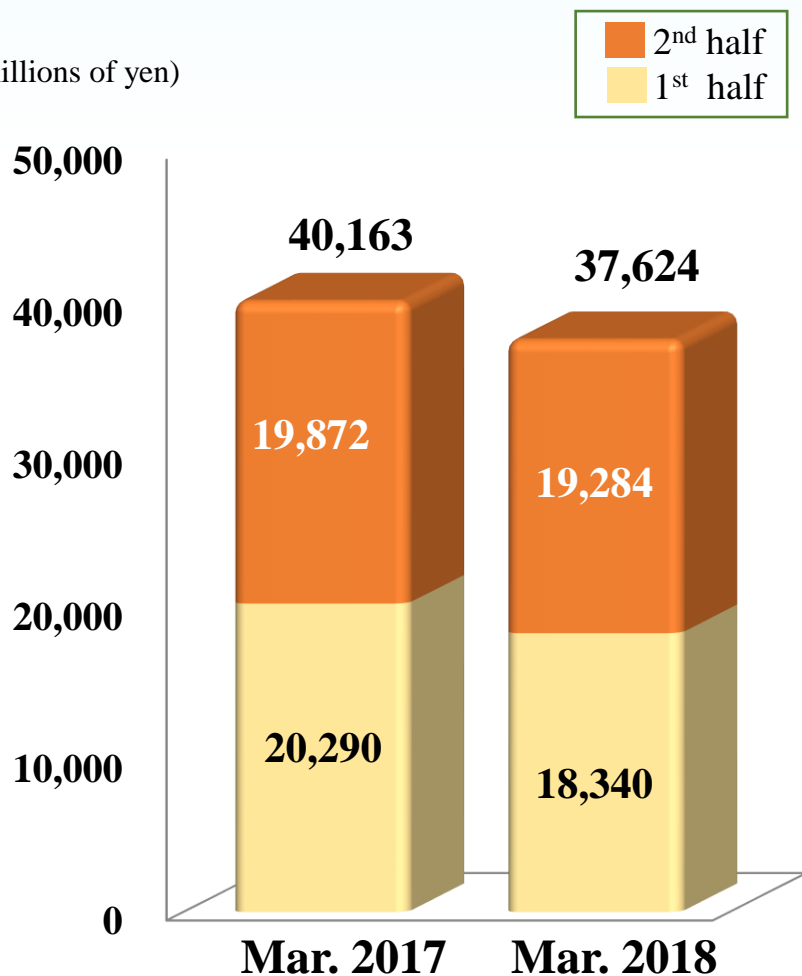
- Increase in gross profit due to improved cost ratio +500 million yen
 - Decreased cost of Style Cleaner +5 million yen
 - Decrease in mats and other new items for rent +1 million yen
 - Increased cost of Robot Cleaner SiRo -1 million yen

- Decrease in operating income due to higher expenses -300 million yen
 - Decrease in retirement benefits +300 million yen
 - Increase in other labor cost -500 million yen
 - Increase in advertising expenses -100 million yen

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

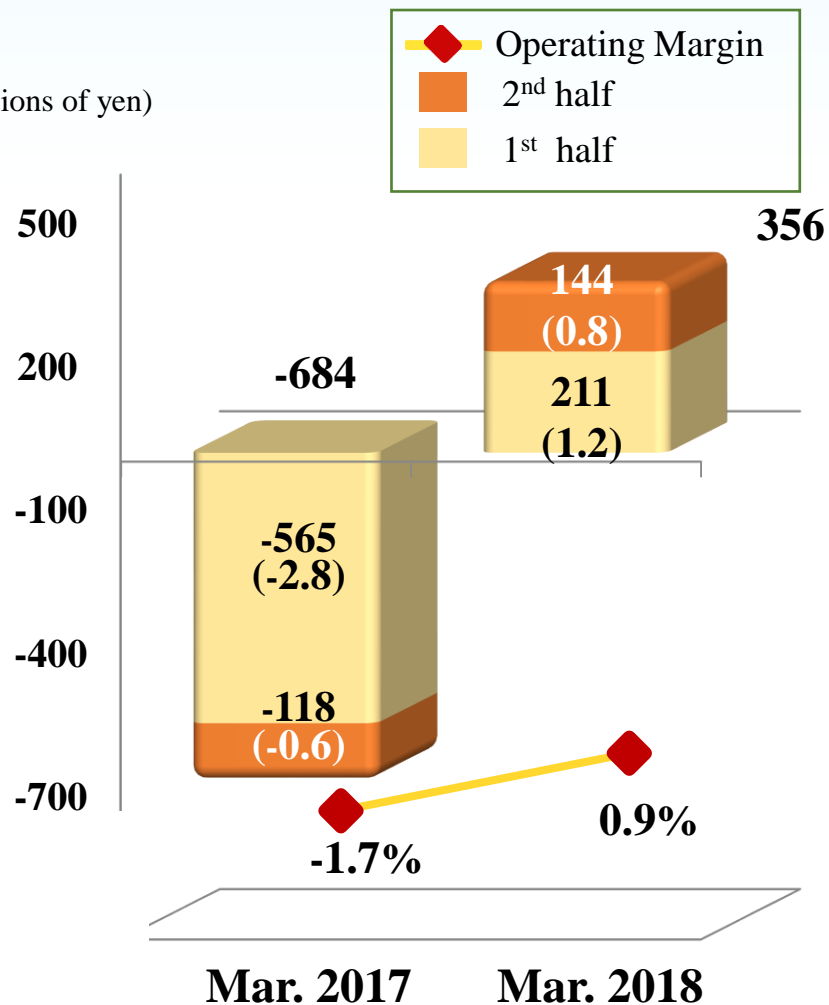
Sales

(millions of yen)



Operating Income

(millions of yen)



Sales

(millions of yen)	FY2016	FY2017	Change	
				%
Sales to outside customers	40,151	37,616	-2,534	-6.3
Inter-segment sales	11	8	+3	-31.4
Total	40,163	37,624	-2,538	-6.3

● Mister Donut

- Total customer-level sales -4.7% (1st half : -7.5%, 2nd half : -2.0%)
 - Decrease in average check and number of customers
Average check (all shops) -2.1%, Number of customers (all shops) -2.8%
 - Smaller number of shops
Average number of shops in operation: 1,195 in FY2016, 1,121 in FY2017 (change: -75)
Total business days: -6.2%
- Customer-level sales of existing shops -0.5% (1st half : -3.6%, 2nd half : +2.6%)
- Daily sales per shop in operation +1.8% (1st half : -1.3%, 2nd half : +4.7%)

● Other Food Businesses

- Customer-level sales: Katsu & Katsu +19.5% (New shops opened, and existing shops performed well.)
- Café Du Monde -30.9% (Smaller number of shops)*
- Bakery Factory -4.0% (Decrease in average check)
- The Chiffon & Spoon -23.9% (Smaller number of shops)
- Pie Face -10.2% (In FY2016, Maihama IKSPIARI shop opened.)
- *On March 31, 2018, Duskin discontinued the Café Du Monde business.
- Sale of Don Co., Ltd. -900 million yen

Mister Donut Initiatives for FY2017

1. Create new motivations for visiting shops
2. Reinforce customer contacts
3. Improve the quality of customer contacts

● Product strategy

- MISDO meets: presented delectable products made from premium ingredients

Released products jointly developed with:

- Gion Tsujiri Co., Ltd., a Kyoto Uji matcha tea specialty brand, Soranoiro Co., Ltd., House Food Corporation, TANITA Corporation, and
- pastry chef Toshihiko Yoroizuka (Chocolate Collection)

- MISDO GOHAN: introduced to provide light meal items for customers to enjoy at different times of the day, including breakfast and lunch

- First release on Nov. 17: eleven toast and pie items
- Second release on Feb. 16: four pasta items and six other products including hot dogs

● Collaboration campaigns with other companies

- KDDI Corporation

- Joined Santaro Day program (August and December 2017, and February 2018)

- Collaboration campaigns with Rakuten, Inc. and Daio Paper Corporation

● NEW MISDO: Renovations to V/21 type shops

- FY2017 Total number of V/21 type shops: 116

- V/21 shops: 103
- V/21 takeout-only shops: 9
- Café shops: 2
- to go (takeout-only) shops: 2
- Newly opened or renovated shops in FY2017: 70

Other Businesses

(millions of yen)	FY2016	FY2017	Change	
				%
Sales to outside customers	11,192	12,191	+ 999	+ 8.9
Inter-segment sales	2,212	2,225	+ 12	+ 0.6
Total	13,404	14,416	+ 1,011	+ 7.5
Operating Income by segment	114	348	+ 233	+ 203.0

● Overseas (consolidated subsidiaries)

- Big Apple, which Duskin acquired and made a subsidiary, contributed to sales. (Approx. 800 million yen)
- At Duskin Hong Kong, sales increased due to the larger volume of paper towel products and raw materials for Mister Donut in Taiwan and Indonesia.

● Other Businesses

- In the medical facility management business operated by Duskin Healthcare Co., Ltd., sales increased and operating income decreased.
- In leasing and insurance businesses operated by Duskin Kyoeki Co., Ltd., sales decreased and operating income increased.

Eliminations/Corporate

(millions of yen)	FY2016	FY2017	Change	%
Operating income by segment	-7,031	-7,347	-316	—

● Corporate

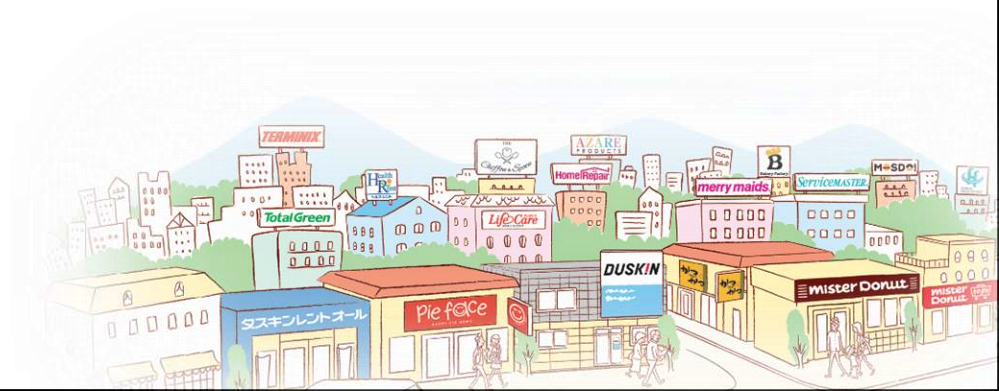
- Decrease in retirement benefits
- Increase in advertising expenses (advertisements in national newspapers)

Overseas Businesses

➤ Customer-level sales

		Jan. – Dec. 2016	Jan. – Dec. 2017	Change	
					%
Clean & Care Group	Taiwan (millions of NTD)	1,040	1,133	+93	+9.0%
	Shanghai (millions of CNY)	21	24	+2	+11.7%
	South Korea (millions of KRW)	1,053	990	-62	-6.0%
Mister Donut	Taiwan (millions of NTD)	954	1,048	+93	+9.8%
	Shanghai (millions of CNY)	21	20	-0	-4.1%
Big Apple	Malaysia (millions of MYR)	---	59	+59	---

Forecasts and Actual Results



Change from forecast announced on October 12, 2017

(millions of yen)

	Sales	Operating Income	Ordinary Income	Net Income
Forecast (Oct. 12)	163,600	7,000	8,400	5,700
Actual	161,031	7,557	8,978	5,324
Difference (%)	-2,568 (-1.6)	+557 (8.0)	+578 (6.9)	-375 (-6.6)

Sales: Major factors contributing to the difference

- Clean & Care Group [residential: -900 million yen, commercial: -300 million yen, other: -500 million yen] -1,700 million yen
- Food Group [Mister Donut business -1,000 million yen] -1,000 million yen
- Other [Overseas businesses +100 million yen] +100 million yen

Operating Income: Major factors contributing to the difference

- Clean & Care Group [Lower gross profit due to lower sales in dust control business -400 million yen
Lower investments in materials for rental products +300 million yen
Other +100 million yen] —
- Food Group [Lower gross profit due to lower sales -300 million yen
Improved cost ratio +400 million yen
Other +200 million yen] +300 million yen
- Other [Overseas businesses +100 million yen
Other +100 million yen] +200 million yen

FY2018 Forecasts



Consolidated

(millions of yen)

	Sales	Operating Income	Ordinary Income	Net Income
FY2016 Actual	161,880	6,069	7,554	4,318
FY2017 Actual	161,031	7,557	8,978	5,324
FY2018 Forecasts	163,000	7,900	9,000	5,400
Change	+1,968	+342	+21	+75
%	+1.2	+4.5	+0.2	+1.4

Non-consolidated

(millions of yen)

	Sales	Operating Income	Ordinary Income	Net Income
FY2016 Actual	134,245	4,069	6,478	3,723
FY2017 Actual	132,537	4,915	7,476	4,703
FY2018 Forecasts	135,000	5,300	7,900	5,200
Change	+2,462	+384	+423	+496
%	+1.9	+7.8	+5.7	+10.6

Consolidated Half-year Comparison

(millions of yen)

		Sales	Operating Income (%)		Ordinary Income	Net Income
1 st Half	FY2017 Actual	80,266	4,349	5.4	5,244	3,570
	FY2018 Forecasts	81,100	4,200	5.2	4,800	2,900
	Change	+833	-149	-0.2	-444	-670
	%	+1.0	-3.4	-	-8.5	-18.8
2 nd Half	FY2017 Actual	80,764	3,208	4.0	3,734	1,753
	FY2018 Forecasts	81,900	3,700	4.5	4,200	2,500
	Change	+1,135	+491	0.5	+465	+746
	%	+1.4	+15.3	-	+12.5	+42.5
Full Year	FY2017 Actual	161,031	7,557	4.7	8,978	5,324
	FY2018 Forecasts	163,000	7,900	4.8	9,000	5,400
	Change	+1,968	+342	0.2	+21	+75
	%	+1.2	+4.5	-	+0.2	+1.4

By Business Segment

In April 2018, Clean & Care Group was renamed Direct Selling Group.

(millions of yen)

		FY2016		FY2017		FY2018		Change	
			Operating Margin		Operating Margin		Operating Margin		%
Direct Selling Group	Sales	111,278	—	111,941	—	113,300	—	+1,358	+1.2%
	Operating income	13,671	12.3%	14,201	12.7%	14,400	12.7%	+198	+1.4% (+0.0)
Food Group	Sales	40,163	—	37,624	—	38,000	—	+375	+1.0%
	Operating income	-684	-1.7%	356	0.9%	400	1.1%	+43	+12.2% (+0.1)
Other Businesses	Sales	13,404	—	14,416	—	14,500	—	+83	+0.6%
	Operating income	114	0.9%	348	2.4%	400	2.8%	+51	+14.9% (+0.3)
Eliminations/ Corporate	Sales	-2,965	—	-2,951	—	-2,800	—	+151	—
	Operating income	-7,031	—	-7,347	—	-7,300	—	+47	—
Total (Consolidated)	Sales	161,880	—	161,031	—	163,000	—	+1,968	+1.2%
	Operating income	6,069	3.7%	7,557	4.7%	7,900	4.8%	+342	+4.5% (+0.2)

Sales by business segment above include inter-segment sales.

FY2018 Forecasts (4)

Major Factors contributing to sales increase and decrease by business segment

Direct Selling Group

+1,400 million yen

Dust control business and technical services

+1,300 million yen

Rent-All and other businesses

+100 million yen

Food Group

+400 million yen

Mister Donut business

+300 million yen

Other food businesses

+100 million yen

Other Businesses

+200 million yen

Duskin Healthcare

+200 million yen

FY2018 Forecasts (5)

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

Direct Selling Group

+200 million yen

Increased income due to increase in sales

+400 million yen

Increased income due to improved cost ratio

+200 million yen

Decrease in retirement benefits

+300 million yen

55th anniversary celebration-related expenses

-300 million yen

Increase in other expenses

-400 million yen

Food Group

+000 million yen

Increased income due to increase in sales

+200 million yen

Decrease in retirement benefits

+100 million yen

Shop renovation costs (toilet renovation)

-300 million yen

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

Other Businesses +100 million yen

Increased income from overseas businesses

+100 million yen

Corporate expenses +100 million yen

Decrease in retirement benefits

+400 million yen

Other

-300 million yen

Returns to Shareholders



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

Plans to pay a 55th anniversary commemorative dividend
of 10 yen with the interim dividend for FY2018

Dividends per share (Actual & Forecasts)

(yen)

	FY2016	FY2017	FY2018 (forecast)	
End of 2 nd quarter	20	20	30	(ordinary dividend of 20 yen + commemorative dividend 10 yen)
Year end	20	20	20	(ordinary dividend 20 yen)
Total (annual)	40	40	50	(ordinary dividend 40 yen + commemorative dividend 10 yen)
Total dividends (millions of yen)	2,162	2,137	2,672	
Consolidated dividend ratio* (%)	50.7	40.1	49.5	

*Consolidated dividend ratio is calculated per share.

Long-term Strategy ONE DUSKIN and Medium-term Management Policy 2018



ONE DUSKIN

To be the most attentive service provider in the world

ONLY ONE A one and only franchise system where the franchisor and franchisees share our Management Philosophy

We strive to be a unique group of companies that contribute to creating communities where people are connected, safe, and live happily.

NUMBER ONE The most trusted franchise business in the community

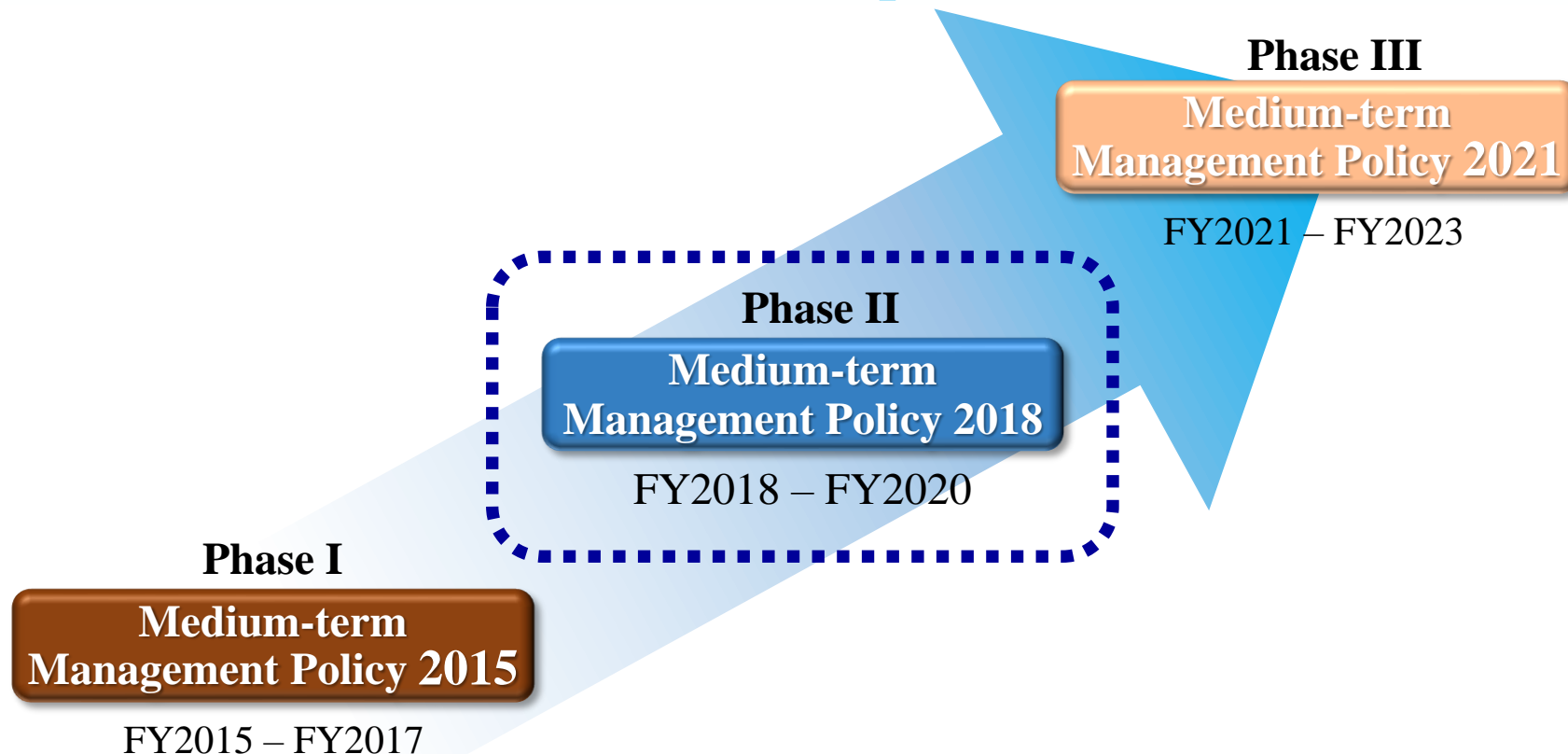
We seek to become the most reliable service provider, proactively anticipating customers' needs and providing innovative solutions.

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

The Duskin Group is committed to an all-out effort to provide the best services for our customers.

ONE DUSKIN

**Unite all Duskin businesses to serve our customers
in a more effective and hospitable manner**



■ Medium-term Management Policy 2015 (FY2015-FY2017)

Implemented reforms for customers to use new systems, products and services
 Customers' needs and consumer behaviors were more diverse than expected.

Goals		Achievement/challenges
Business model development	Development of business platform	<p>Worked on building a business platform with customer information</p> <ul style="list-style-type: none"> • With this initiative, Direct Selling Group now has information from 65% of Group sales' customers. The Group utilized the information for marketing activities of each business • Food Group utilized customer information for new shop opening and product development
Structure reform	Production Logistics Procurement Information system Cost reduction	<p>Worked on reducing cost for procurement, production and logistics. Achieved 3.9% (5 billion yen) reduction, below goal of 5% reduction</p>

■ Medium-term Management Policy 2015 (FY2015-FY2017)

Goals		Achievement/challenges
New Growth	New businesses	<ul style="list-style-type: none"> • Senior care service transformed into Life Care service with a goal to reinforce care/technical services for senior citizens • Launched Home Repair business as a new technical service • Made Health Rent renting assisted living equipment/goods, an independent division
	Overseas	<ul style="list-style-type: none"> • Acquired Big Apple, the largest donut chain in Malaysia and made it a wholly-owned subsidiary
	Existing businesses	<ul style="list-style-type: none"> • Clean & Care Group <ul style="list-style-type: none"> ⇒ Reinforced direct selling business model and sanitary management service structures <ul style="list-style-type: none"> • DDuet membership FY2014: 70,000 ⇒ FY2017: 580,000 • Concierge FY2014: 0 ⇒ FY2017: 2,800 • Hygiene Master FY2014: 0 ⇒ FY2017: 831 • Mister Donut <ul style="list-style-type: none"> ⇒ Renovation to new type shops Wider variety of products, including meal items Sales per shop in operation increased. Total sales were lower due to smaller number of shops. <ul style="list-style-type: none"> • NEW MISDO (new type shop) FY2014: 2 ⇒ FY2017: 116 • Number of shops in operation FY2014: 1,316 ⇒ FY2017: 1,086

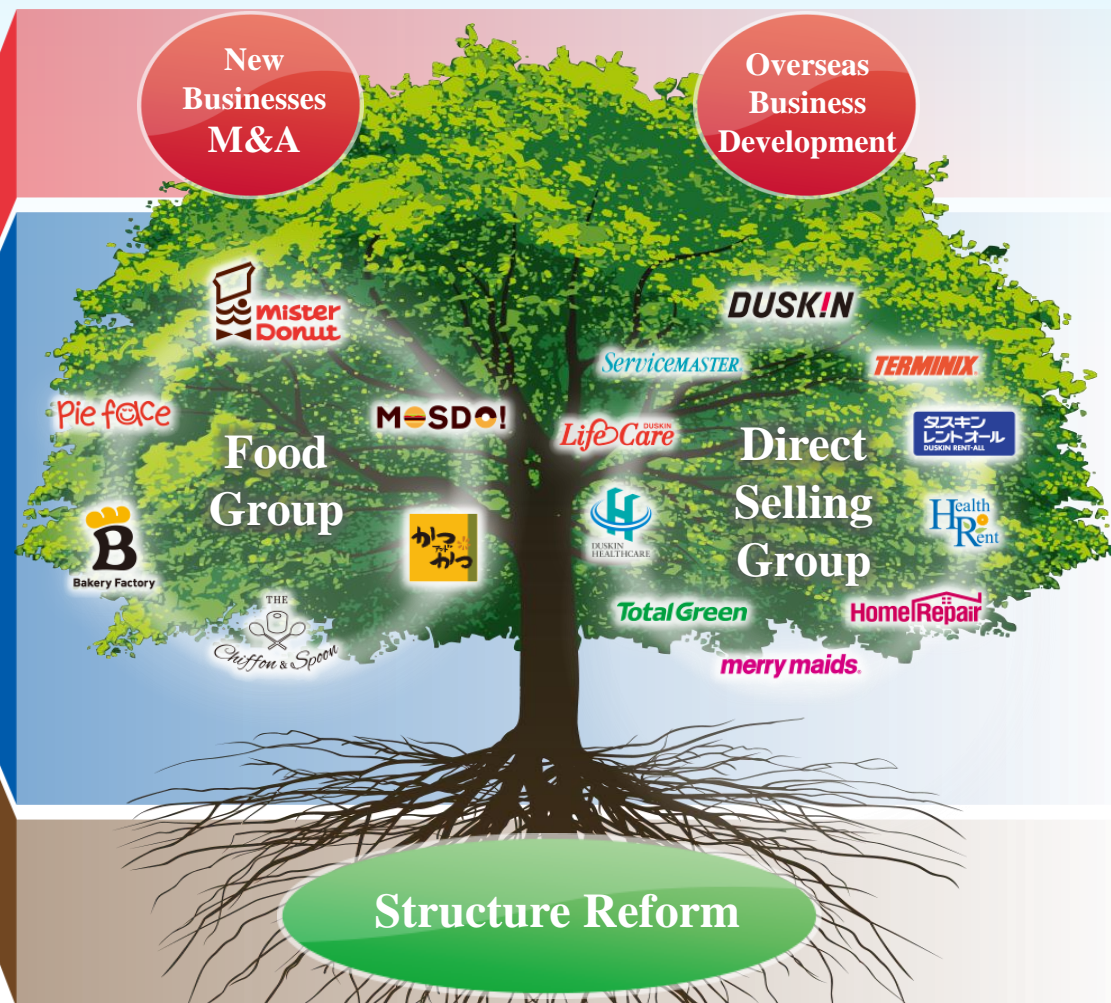
Medium-term Management Policy 2018

Basic Policy

New growth

Expansion of existing businesses

Strengthening corporate structure



Financial Goals (FY2020)

		(millions of yen)
Consolidated sales	169,000	+8,000 over FY2017
Consolidated operating profit	8,200	+700 over FY2017

Strengthening corporate structure

Structure Reform

- Improved operational efficiency by use of RPA and AI
- Allocation of human resources in the positions closer to customers and franchisees
- Reinforcement of Direct Selling, Food and Corporate Business Groups
- Introduction of Operating Officer System
- Reduced number of Directors of the Board and higher percentage of Outside Directors on the Board

Expansion of existing businesses (Direct Selling Group)

Challenges

Direct Selling

- Decrease in the number of customers
- Increase in the number of customers who are not available to meet Duskin sales representatives during business hours

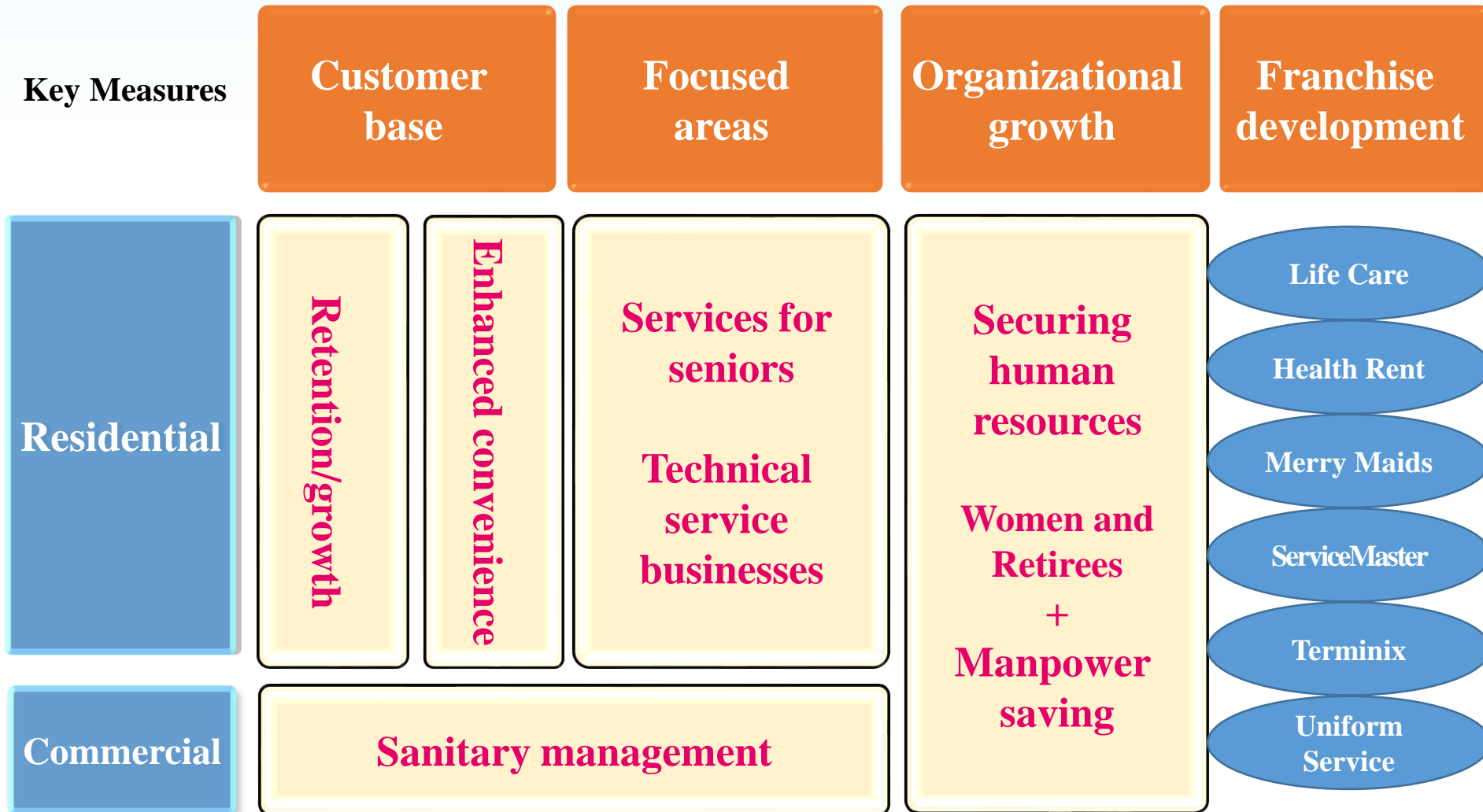
Rental Business

- Delivery conveniently scheduled for Duskin
- Customers' needs for rental period are changing.

Technical Services

- Growing market
- Labor shortage
- Loss of sales opportunities

Expansion of existing businesses (Direct Selling Group)



Expansion of existing businesses (Direct Selling Group)

Residential Market

From general services for houses and homes to comprehensive services that are in tune to each family's daily rhythm

Focused on: services for seniors and technical service businesses

Closer cooperation between customer contact and sales channels

Expand DDuet membership and promote return-by-post service

Establish system/structure to serve customers at different stages throughout their lives

Increase “concierge” staff members

Commercial Market

From a supporter to a business partner in the field of sanitary management

Focused on: sanitary management market

Provide facility management know-hows, including sanitary management

Expansion of existing businesses (Food Group)

(1) Mister Donut

Focus in Phase II : Enhance brand value

Enhance shop ambience and a variety of products with a purpose of encouraging customers to visit the shop more frequently

Shop development

(To meet the needs of different locations and purposes)

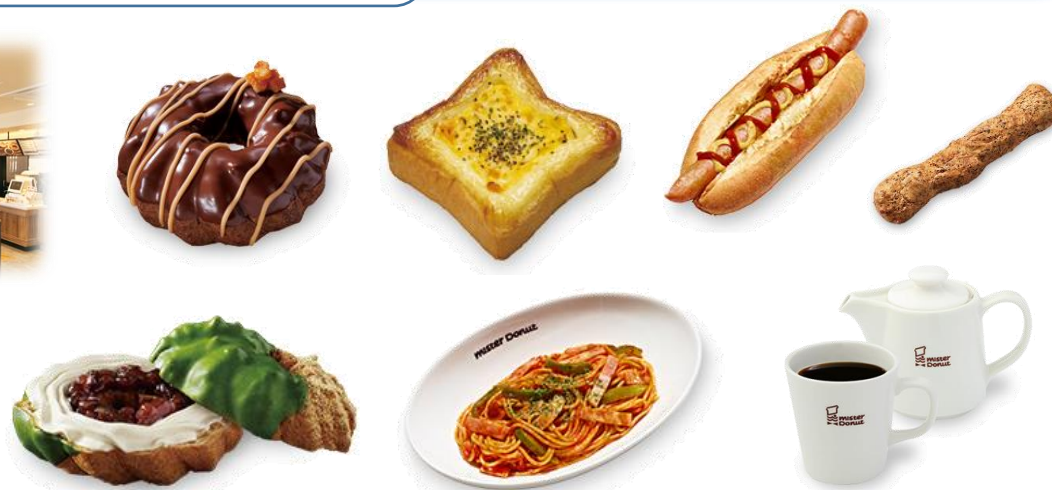


Something good's gonna happen.

mister donut

Product development

(To meet the needs for meal items)



Expansion of existing businesses (Food Group)

Shop development V/21 type

- Renovation for **creating comfortable ambience**
- New opening & relocation **in line with customer traffic flow**

Phase 1
Result

Renovated
89 shops

Newly opened
27 shops

Phase 2
Goals

To be renovated
375 shops

To open
200 shops



**FY2020
NEW MISDO
Goal: 691 shops**

Expansion of existing businesses (Food Group)

Product Development

Creating opportunities for customers to visit the shop and return to the shop



MISDO meets

Collaboration with brands
with state-of-the-art
technology and high-quality
materials



MISDO GOHAN

Light meal items to enjoy at
different times of the day



Double Rings for Your Health

Allergy-free products
Health conscious items



Expansion of existing businesses (Food Group)

(2) Other Food Businesses

- Secure profitability of existing businesses
- Drive multi-unit operation after reviewing the potential

Pie Face



Katsu & Katsu



Bakery Factory



The Chiffon & Spoon



New Growth

New Business Development

Business alliance and new business development

1. M&A and capital alliance
2. Alliance with venture companies, educational institutions and public sector

Overseas Business Development

Establish our brands in the growing Asian markets

Mister Donut
Dust Control

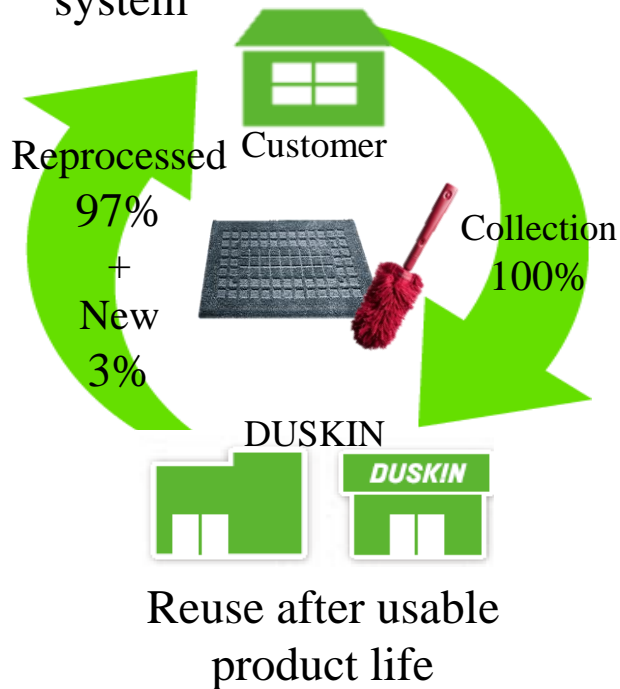
} Improve profitability in the existing markets

ESG Initiatives



Environment

Recycle-oriented rental system



Society

Diversity



Local and social contribution



Governance

Transparency of management

Outside Directors and Audit & Supervisory Board Members Council



Outside Directors: 3
Outside Audit & Supervisory Board Members: 3

Enhanced effectiveness of the Board of Directors

Directors Election System
Directors Evaluation Council

Reference



Non-consolidated

(millions of yen)

	FY2016	FY2017	Change	
				%
Sales	134,245	132,537	-1,708	-1.3
Operating Income	4,069	4,915	845	+20.8
(Operating Margin)	(3.0%)	(3.7%)	(+0.7)	—
Ordinary Income	6,478	7,476	997	+15.4
(Ordinary Income Margin)	(4.8%)	(5.6%)	(+0.8)	—
Net Income	3,723	4,703	979	+26.3
(Net Income Margin)	(2.8%)	(3.5%)	(+0.8)	—

Customer-Level Sales (CLS)

CLS by Business

On April 1, 2018,

- Clean & Care Group was renamed Direct Selling Group,
- Home Instead was rebranded as Duskin Life Care, and
- Health Rent became an business division independent of Rent-All.

(millions of yen)

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

	FY2016	FY2017	Change	
				%
Clean & Care Group	272,633	272,577	-56	-0.0%
Dust Control (Domestic) Home Service (Residential)	93,814	91,146	-2,667	-2.8%
Business Service (Commercial)	94,946	94,507	-439	-0.5%
Care Services (Technical services)	48,924	50,437	+1,513	+3.1%
(ServiceMaster)	(27,749)	(28,646)	(+897)	(+3.2%)
(Merry Maids)	(10,533)	(10,910)	(+376)	(+3.6%)
(Terminix)	(8,062)	(8,231)	(+168)	(+2.1%)
(Total Green)	(2,542)	(2,594)	(+51)	(+2.0%)
(Home Repair)	(36)	(55)	(+19)	(+53.5%)
Health & Beauty	2,746	2,869	+122	+4.5%
Azare Products	3,726	3,525	-201	-5.4%
Home Instead	2,157	2,218	+60	+2.8%
Rent-All	12,846	13,627	+781	+6.1%
Health Rent	8,640	9,236	+596	+6.9%
Uniform Service	3,304	3,426	+122	+3.7%
Drink Service	1,524	1,580	+56	+3.7%
Food Group	86,058	81,148	-4,910	-5.7%
Mister Donut (Domestic) *3	81,814	77,957	-3,856	-4.7%
Other food businesses *2	3,371	3,191	-179	-5.3%
Don	873	---	-873	---
Other Businesses	25,855	28,378	+2,522	+9.8%
Dust Control (Overseas) *1	4,222	4,809	+587	+13.9%
Mister Donut (Overseas) *1	14,328	14,372	+43	+0.3%
Big Apple (Overseas) *1	---	1,660	+1,660	---
Duskin Healthcare	7,304	7,535	+230	+3.2%
Total	384,547	382,104	-2,443	-0.6%

*2 Other food businesses include Café Du Monde (discontinued on Mar. 31, 2018), Katsu & Katsu, Bakery Factory, The Chiffon & Spoon, and Pie Face.

*3 MOSDO is included in Mister Donut (Domestic).

Business Summary by Segment

Direct Selling 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 and mats
Air Clean	• • •	Air purifiers
Water Clean	• • •	Water purifiers

Care Services (Technical services)

ServiceMaster	• • •	Professional cleaning
Merry Maids	• • •	Home cleaning and helper services
Terminix	• • •	Pest control and prevention
Total Green	• • •	Maintaining plants and flowers
Home Repair	• • •	Wall and floor repair

Drink Service • • • Mineral water delivery

Health & Beauty • • • Cosmetics and health food

Duskin Life Care • • • Senior care service

Business Service (Commercial Market)

Rental service through periodic visits

Dust Control	• • •	Mops and mats
Clean Service	• • •	Restroom products
Air Clean	• • •	Air purifiers
Water Clean	• • •	Water purifiers
Wipeful Service	• • •	Wiper cloth

Care Services (Technical services)

ServiceMaster	• • •	Professional cleaning
Terminix	• • •	Pest control and prevention
Total Green	• • •	Maintaining plants and flowers
Home Repair	• • •	Wall and floor repair

Uniform Service • • • Leasing, sales and cleaning

Drink Service • • • Office coffee service

In-store sales

Rent-All • • • Event planning/operation and rental of daily items

Health Rent • • • Rental of assisted living equipment

Food Group

Mister Donut • • • Homemade donut shops

MOSDO • • • Collaborated shops with MOS BURGER

Katsu & Katsu • • • Pork cutlet restaurants

Bakery Factory • • • Suburban type large-scale bakery shops

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

ICE DE LION • • • Ice cream specialty stores

The Chiffon & Spoon • • • Chiffon cake specialty shops

Pie Face • • • Pie specialty stores

Other Businesses

Duskin Healthcare

Hospital management service

Duskin Kyoeki

Leasing business, insurance services

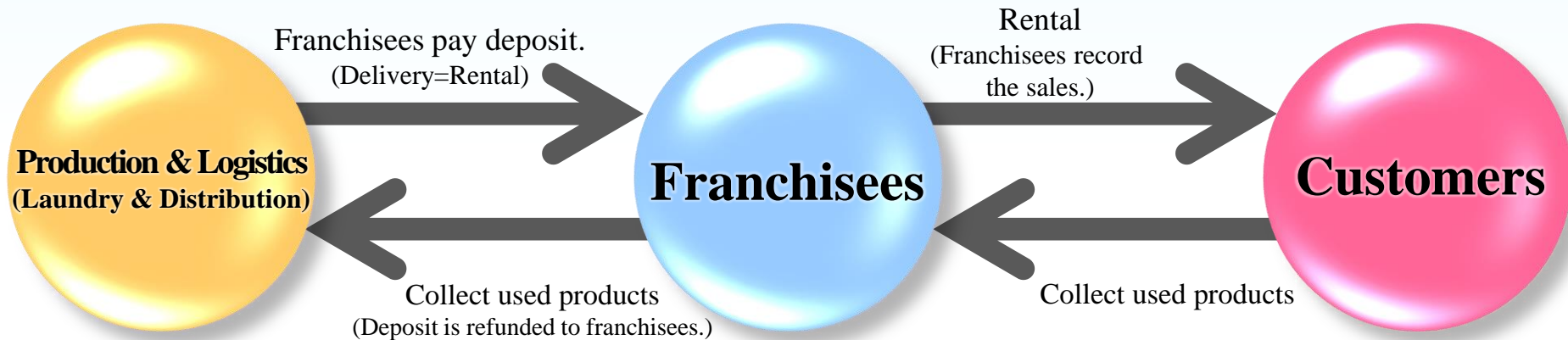
Overseas businesses

Dust Control, Mister Donut, Big Apple, Duskin Hong Kong

On April 1, 2018, Clean & Care Group was renamed Direct Selling Group, and Home Instead was rebranded as Duskin Life Care.

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 and subsidiary plants: 13
 Franchised plants: 32
 Total plants: 45*

Company owned and subsidiary units: 92
 Franchised units: 1,900
 Operation units: 2,000

Sales Representative: 65,000

Residential customers: 5 million

Commercial customers: 1.2 million

*The numbers include plants dedicated for laundry or distribution.

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 facilitates face-to-face sales activities and includes extensive relationships between sales representatives and loyal residential customers.