

Financial Report

FY2018 (April 2018 – March 2019)

Duskin Co., Ltd.

May 22, 2019

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 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.
- “Eliminations/Corporate” includes “inter-segment eliminations” and “corporate expenses” 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

FY2018 (April 2018 – March 2019)

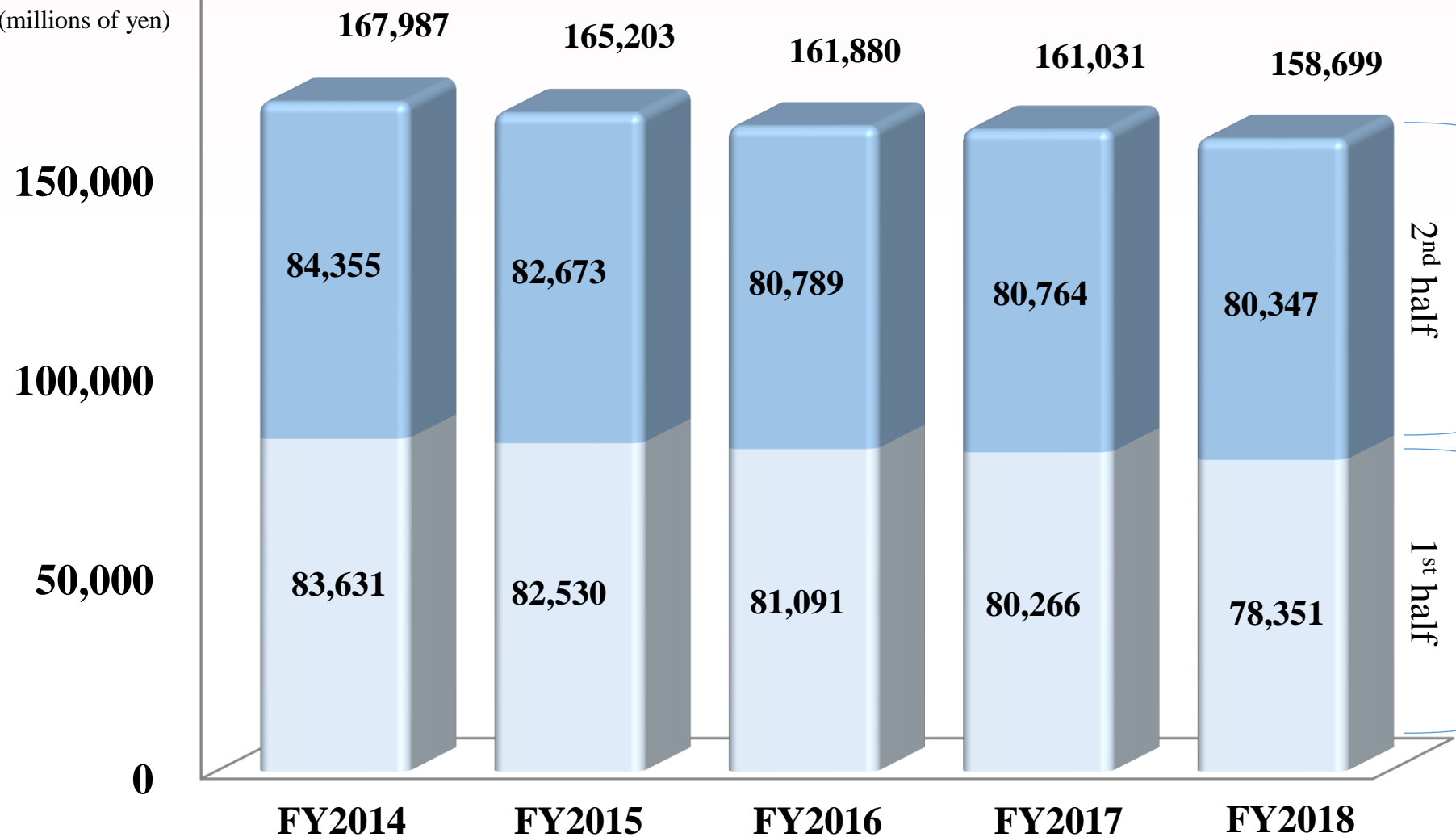
Consolidated Results

(millions of yen)

	FY2017	FY2018	Change	
				%
Sales	161,031	158,699	-2,332	-1.4
Operating Income	7,557	7,954	+396	+5.2
(Operating Margin)	(4.7%)	(5.0%)	(+0.3)	-
Ordinary Income	8,978	10,011	+1,033	+11.5
(Ordinary Income Margin)	(5.6%)	(6.3%)	(+0.7)	-
Net Income	5,324	5,984	659	+12.4
(Net Income Margin)	(3.3%)	(3.8%)	(+0.5)	-

Consolidated Sales

(millions of yen)



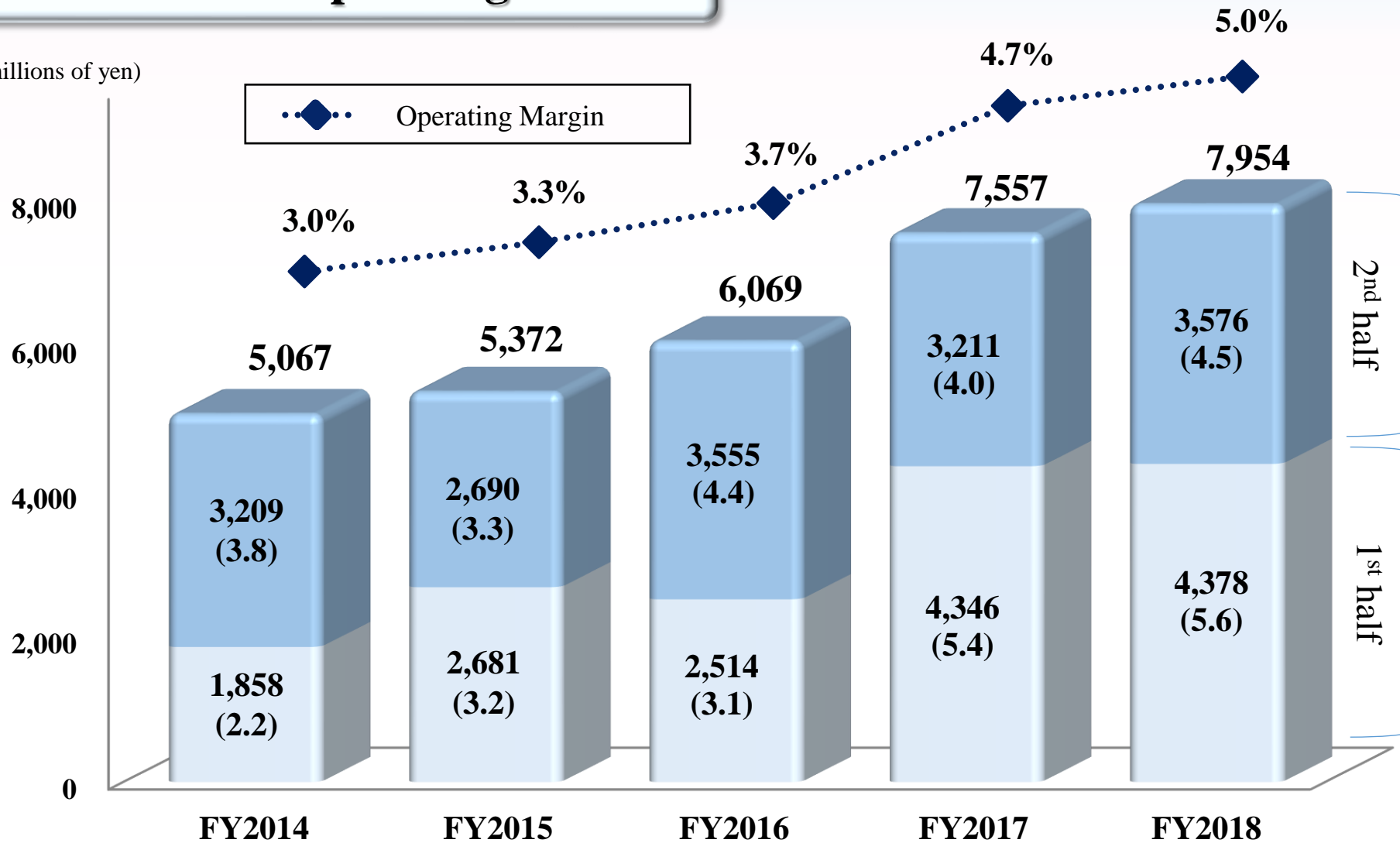
Consolidated Sales

158,699 million yen -2,332 million yen (-1.4%)

(millions of yen)		FY2017	FY2018	Change	
					%
Direct Selling Group	Sales to outside customers	111,223	110,712	-510	-0.5
	Inter-segment sales and transfers	718	764	+46	+6.4
	Total	111,941	111,476	-464	-0.4
Food Group	Sales to outside customers	37,616	35,416	-2,200	-5.9
	Inter-segment sales and transfers	8	10	+2	+33.5
	Total	37,624	35,426	-2,198	-5.8
Other Businesses	Sales to outside customers	12,191	12,570	+379	+3.1
	Inter-segment sales and transfers	2,225	2,287	+62	+2.8
	Total	14,416	14,858	+442	+3.1
Eliminations for inter-segment sales and transfers		-2,951	-3,062	-111	-
Consolidated sales		161,031	158,699	-2,332	-1.4

Consolidated Operating Income

(millions of yen)



Consolidated Operating Income

7,954 million yen +396 million yen (+5.2%)

Major factors

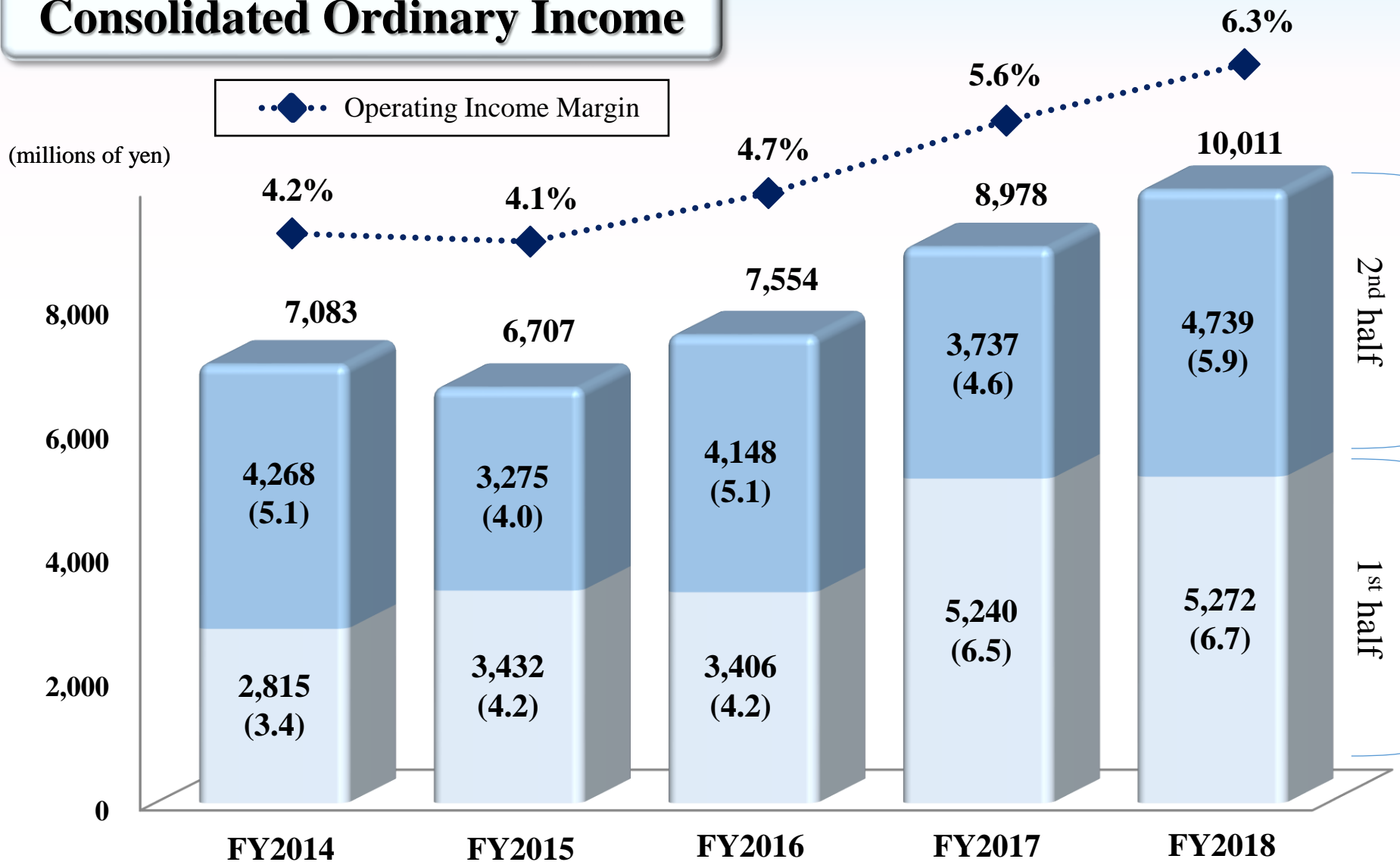
- Direct Selling Group** : Decrease in gross profit due to lower sales, increase in personnel costs attributable to personnel transfers between segments
- Food Group** : Decrease in gross profit due to lower sales
- Other Businesses** : Higher income at Duskin Healthcare, improved earnings in overseas businesses
- Eliminations/Corporate** : Decrease in personnel expenses due to personnel transfers between segments and decrease in promotional expenses

Decrease in retirement benefits arising from a change in the corporate pension plan: 900million yen (consolidated)

Operating income by segment

	FY2017	FY2018	Change	
				%
(millions of yen)				
Direct Selling Group	14,201 (12.7%)	13,406 (12.0%)	-794	-5.6 (-0.7)
Food Group	356 (0.9%)	320 (0.9%)	-36	-10.2 (-0.0)
Other Businesses	348 (2.4%)	387 (2.6%)	+39	+11.4 (+0.2)
Eliminations/Corporate	-7,347	-6,160	+1,187	-
Total (consolidated)	7,557 (4.7%)	7,954 (5.0%)	+396	+5.2 (+0.3)

Consolidated Ordinary Income



Consolidated Ordinary Income

10,011 million yen +1,033 million yen (+11.5%)

Major factors

1) Operating income +400 million yen

2) Non-operating income +600 million yen

➤ **Increase in share of profit of entities
accounted for using equity method +500 million yen
(NAC Co., Ltd., Mister Donut Taiwan)**

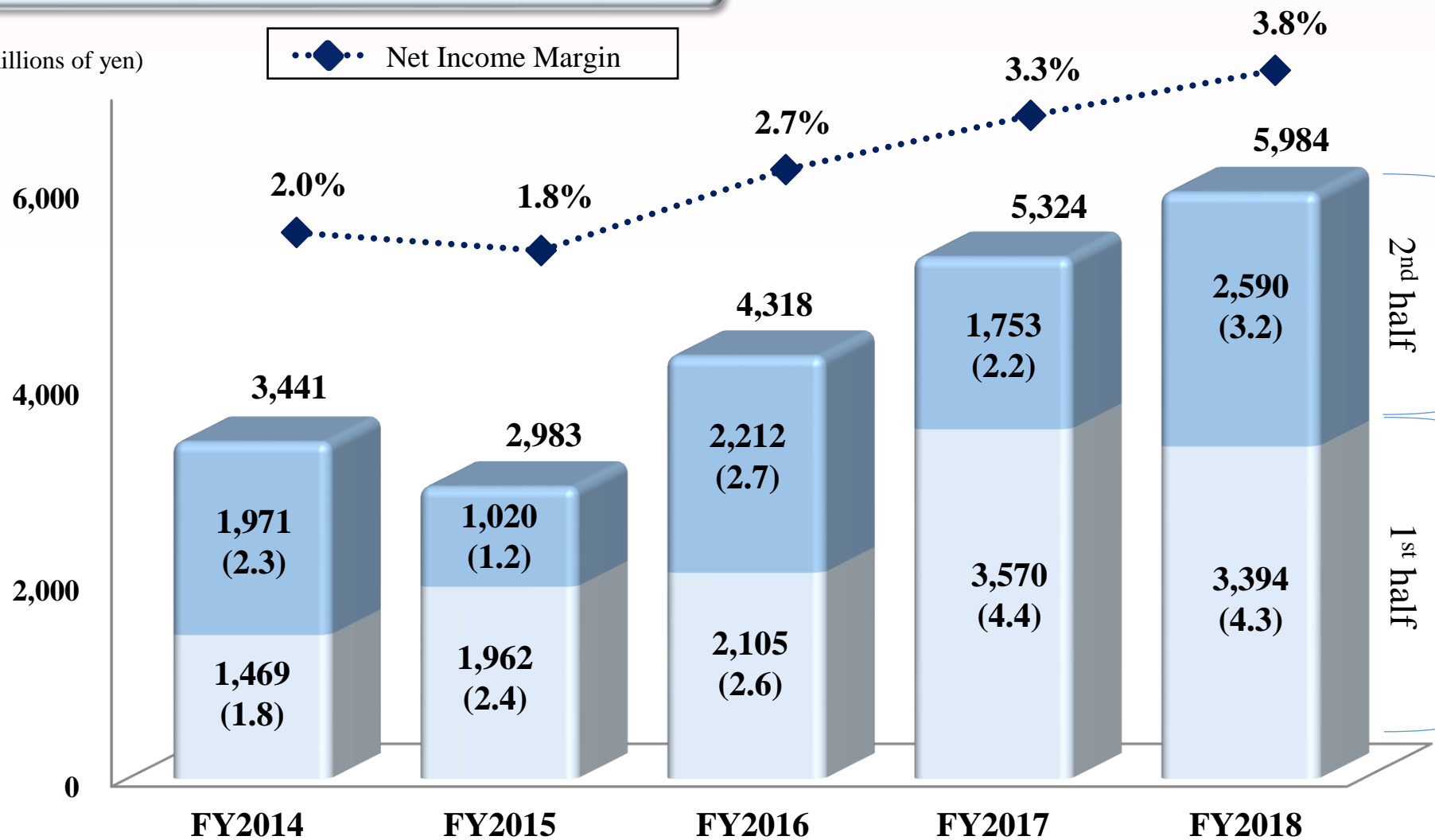
➤ **Others +100 million yen**

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

Consolidated Net Income

(millions of yen)

◆ Net Income Margin



Consolidated Net Income

5,984 million yen +659 million yen (+12.4%)

Major Factors

1) Ordinary income +1,000 million yen

2) Extraordinary income -400 million yen

- Increase in insurance claim income +200 million yen
- Provision of reserves for losses on liquidation of subsidiaries and affiliates due to the withdrawal of Mister Donut from Shanghai -300 million yen
- Increase in impairment loss -200 million yen
- Increase in loss on disaster -200 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)

	As of Mar. 31, 2018	As of Mar. 31, 2019	Change	Major factors
Current asset	67,611	63,948	-3,663	Cash and deposits -3,000
				Notes and accounts receivable - trade +300
				Securities -1,000
Property, plant and equipment	49,344	48,604	-739	Buildings and structures -900
				Machinery, equipment and vehicles +200
				Construction in progress +400
				Other -300
Intangible assets	8,474	10,556	+2,082	Other +2,200
Investments and other assets	70,627	71,114	+486	Investment securities +1,900
				Deferred tax assets -1,000
				Guarantee deposits -200
				Other -300
Total assets	196,058	194,223	-1,834	—
Current and non-current liabilities	48,271	44,339	-3,932	Accounts payable - other +600
				Retirement benefit liability -4,700
				Reserves for losses on liquidation of subsidiaries and affiliates +300
Net assets	147,786	149,884	+2,098	Retained earnings -2,400
				Treasury shares +2,000
				Remeasurements of defined benefit plans +2,700
Total liabilities and net assets	196,058	194,223	-1,834	—
Debt with interests	173	—	-173	—

Summary by Business Segment

Highlights by Business Segment

(millions of yen)

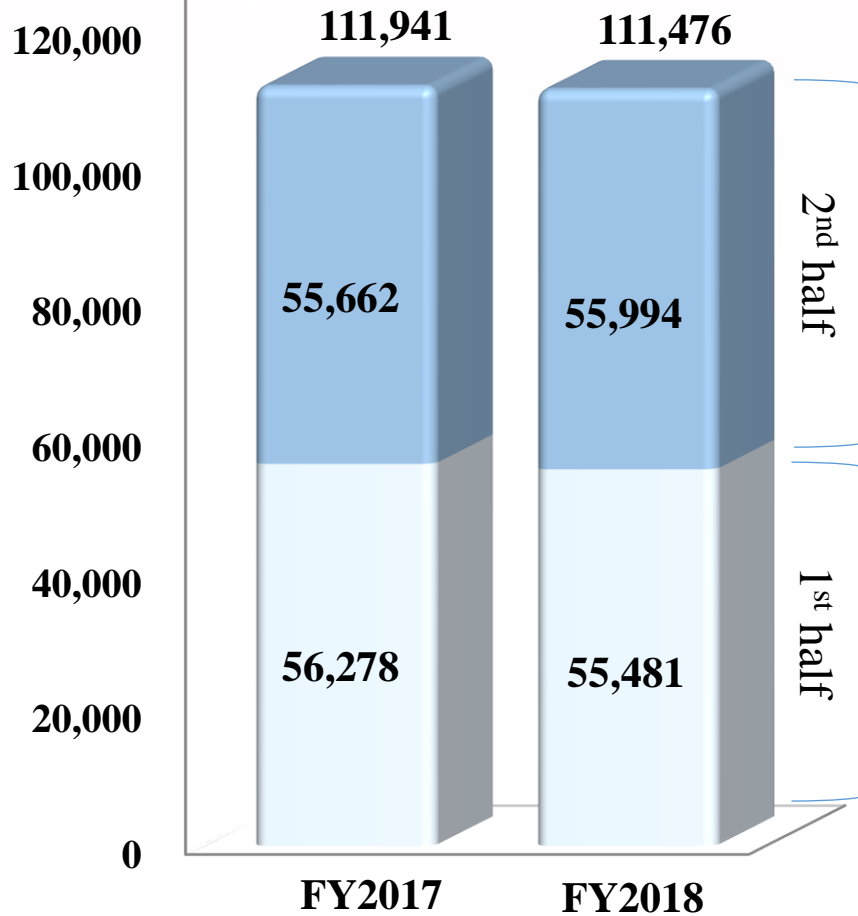
Sales and Operating Income

		FY2017		FY2018		Change	
			Operating Margin		Operating Margin		%
Direct Selling Group	Sales	111,941	—	111,476	—	-464	-0.4%
	Operating Income	14,201	12.7%	13,406	12.0%	-794	-5.6% (-0.7)
Food Group	Sales	37,624	—	35,426	—	-2,198	-5.8%
	Operating Income	356	0.9%	320	0.9%	-36	-10.2% (-0.0)
Other Businesses	Sales	14,416	—	14,858	—	+442	+3.1%
	Operating Income	348	2.4%	387	2.6%	+39	+11.4% (+0.2)
Eliminations/ Corporate	Sales	-2,951	—	-3,062	—	-111	—
	Operating Income	-7,347	—	-6,160	—	+1,187	—
Total (consolidated)	Sales	161,031	—	158,699	—	-2,332	-1.4%
	Operating Income	7,557	4.7%	7,954	5.0%	+396	+5.2% (+0.3)

Sales by business segment above include inter-segment sales.

Sales

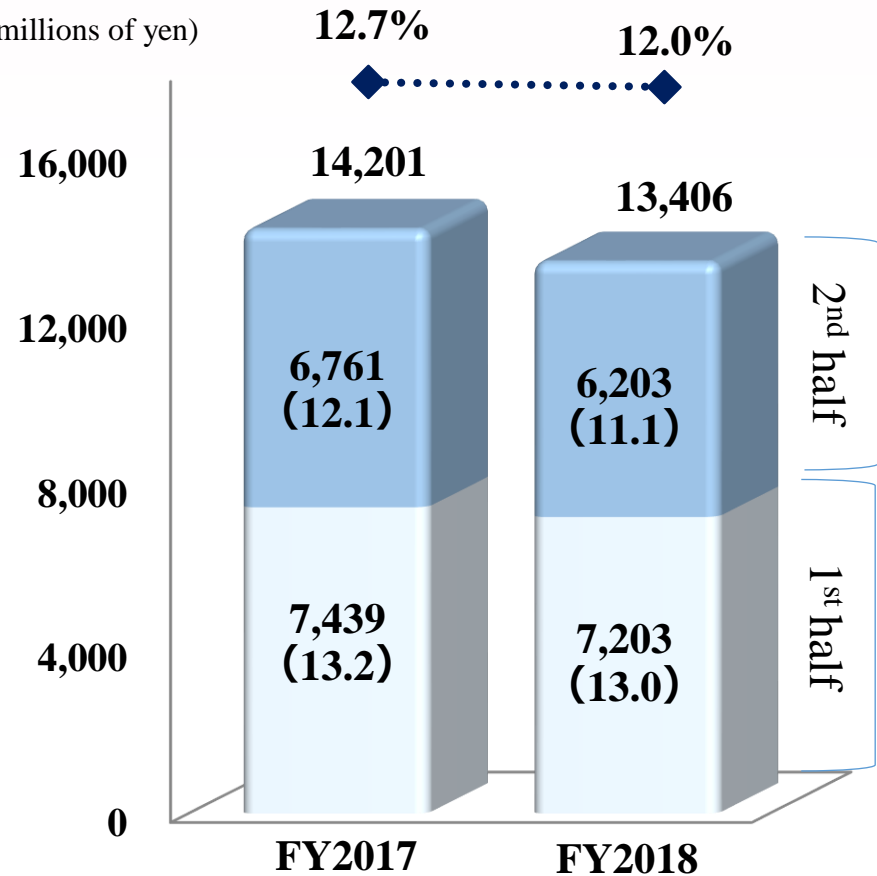
(millions of yen)



Operating Income

◆ Operating Margin

(millions of yen)



Sales

(millions of yen)	FY2017	FY2018	Change	
				%
Sales to outside customers	111,223	110,712	-510	-0.5
Inter-segment sales	718	764	+46	+6.4
Total	111,941	111,476	-464	-0.4

Residential Market

● Dust control product sales declined.

- Total sales of dust control products -2.9% (1st half: -5.2%, 2nd half: -0.7%)
- Total sales of mop products -4.6% (1st half: -7.2%, 2nd half: -1.7%)
 - Basic Three (including sales of LaLa, Shushu, and Style Cleaner) +2.5%
 - Other mops -750 million yen -6.6%
 - Robot Cleaner SiRo -482 million yen -38.6%
- Kitchen sponges -126 million yen -14.5%

● Care Service Businesses (professional cleaning and technical services) recorded higher sales.

- Total customer-level sales +3.3% (1st half: +2.3%, 2nd half: +4.2%)
 - Professional cleaning (ServiceMaster) +3.9% (1st half: +3.3%, 2nd half: +4.4%)
 - Home cleaning and helper services (Merry Maids) +2.0% (1st half: +2.1%, 2nd half: +1.9%)
 - Termite control (Terminix) +2.5% (1st half: -0.8%, 2nd half: +7.5%)
 - Plant and flower maintenance (Total Green) +4.7% (1st half: -0.6%, 2nd half: +10.8%)
 - Wall and floor repair services (Home Repair) +119.7% (1st half: +190.7%, 2nd half: +84.7%)

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

- Customer-level sales +7.2% (1st half: +7.3%, 2nd half: +7.1%)

Sales

(millions of yen)	FY2017	FY2018	Change	
				%
Sales to outside customers	111,223	110,712	-510	-0.5
Inter-segment sales	718	764	+46	+6.4
Total	111,941	111,476	-464	-0.4

Commercial Market

● Dust control product sales declined.

- Total sales of dust control products -1.1% (1st half: -0.6%, 2nd half: -1.5%)
- Total sales of mat products -0.4% (1st half: -0.4%, 2nd half: -0.5%)
 - Inside custom-made indoor mats +12.6%
 - Other mats -0.7%
 - (Basic mats -1.3%)
 - (Custom-made mats -0.8%)
- Air-purifying products -6.2% (1st half: +0.9%, 2nd half: -11.7%)

● Care Service Businesses (professional cleaning and technical services) recorded higher sales.

- Total customer-level sales +1.9% (1st half: +2.1%, 2nd half: +1.7%)
 - ServiceMaster (including facility management) +2.0% (1st half: +2.3%, 2nd half: +1.8%)
 - Janitorial services for LEGOLAND® Japan +188 million yen
 - Pest control (Terminix) +1.2% (1st half: +1.2%, 2nd half: +1.2%)
 - Plant and flower maintenance (Total Green) +8.3% (1st half: +8.7%, 2nd half: +7.8%)

● Rent-All, which provides event operation and rental services, performed well.

- Customer-level sales +5.3% (1st half: +6.9%, 2nd half: +3.8%)

Operating Income

(millions of yen)	FY2017	FY2018	Change	
				%
Operating income by segment	14,201	13,406	-794	-5.6

Higher expenses attributable to personnel transfers between segments

➤ Decrease in gross profit due to lower sales **-200 million yen**

➤ Increase in gross profit due to improved cost ratio **+200 million yen**

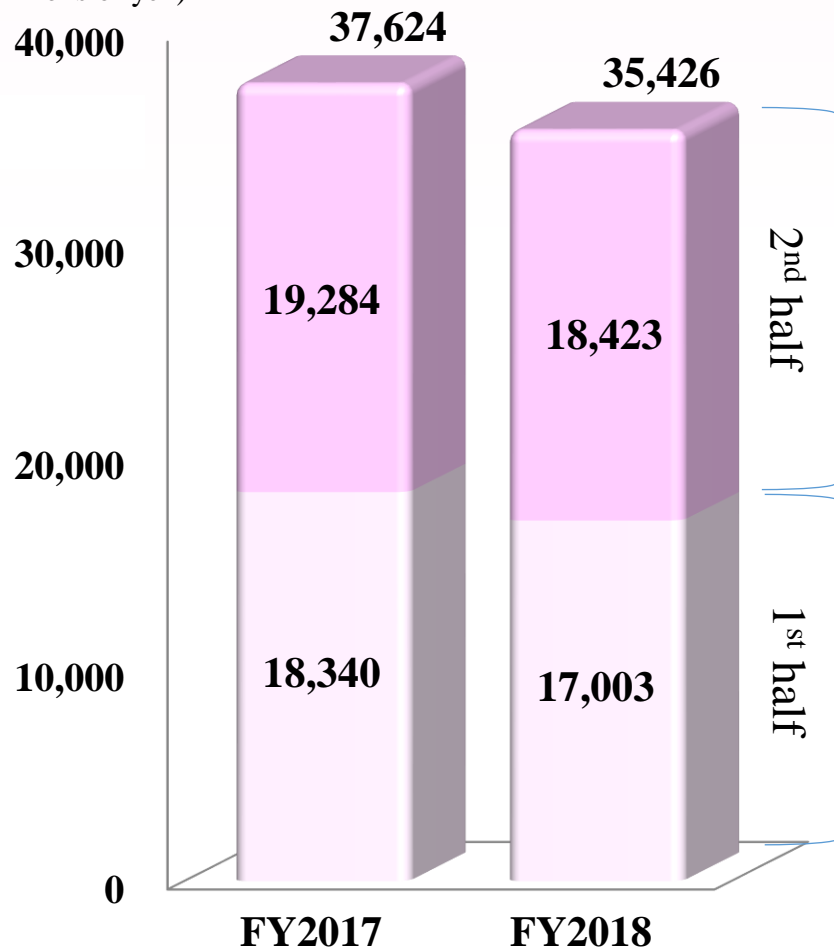
- Decrease in mats and other new items for rent **+500 million yen**
- Higher fuel oil price **-200 million yen**
- Other **-100 million yen**

➤ Decrease in operating income due to higher expenses **-800 million yen**

- Decrease in retirement benefits **+400 million yen**
- Increase of sanitary management personnel (transfers between segments) and increase in labor cost for enhanced Contact Center **-900 million yen**
- Increase in advertising and promotional expenses **-100 million yen**
- Other **-200 million yen**

Sales

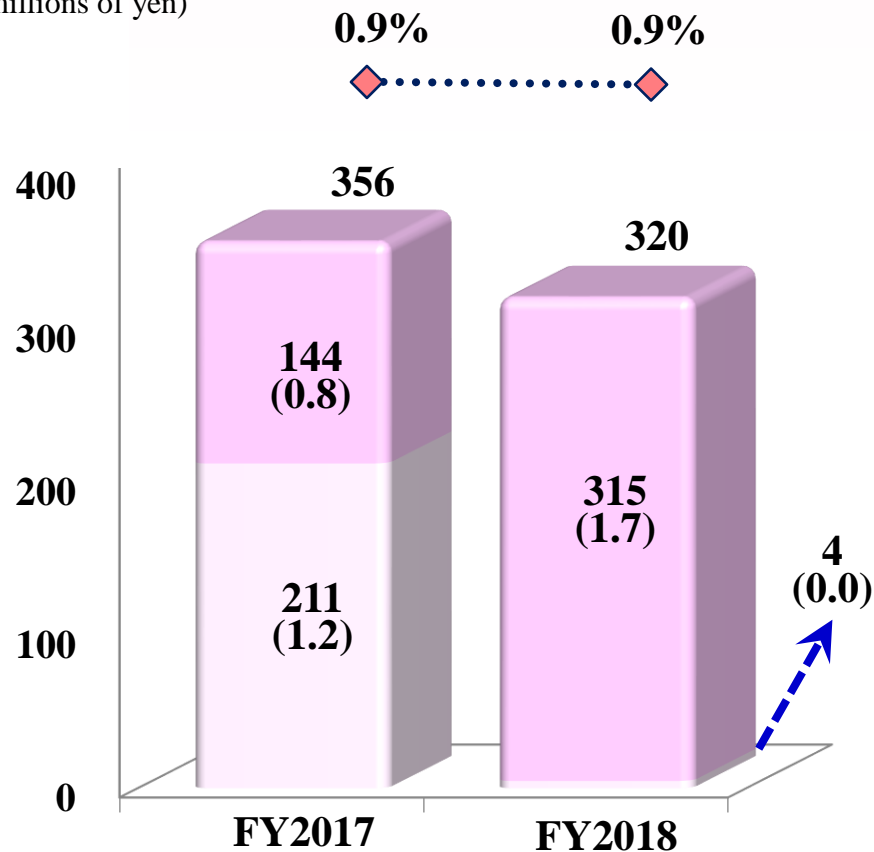
(millions of yen)



Operating Income

◆◆◆ Operating Margin

(millions of yen)



Sales

(millions of yen)	FY2017	FY2018	Change	
				%
Sales to outside customers	37,616	35,416	-2,200	-5.9
Inter-segment sales	8	10	+2	+33.5
Total	37,624	35,426	-2,198	-5.8

Mister Donut

- Total customer-level sales -5.1% (1st half: -5.8%, 2nd half: -4.4%)
- Customer-level sales of existing shops -0.3% (1st half: -1.3%, 2nd half: +0.7%)
- Sales/shop in operation +1.7% (1st half: +0.9%, 2nd half: +2.4%)
 - Decrease in total business days (-6.7%)
 - Average number of shops in operation FY2017: 1,120 FY2018: 1,046 (-74)
 - Closure of under-performing shops
 - Temporary closure of shops affected by natural disasters during the 1st half
 - Average check (all shops) +1.5%, number of customers (all shops) -6.4%
 - Sales per shop in operation was higher than one year earlier due to strategic product development such as MISDO Meets, MISDO GOHAN and other collaborative items with other companies

Other Food Businesses

- Impact of Café Du Monde business discontinued in March 2018 -400 million yen
- Customer-level sales
 - Katsu & Katsu +7.6% Increase in the number of shops
 - Bakery Factory -8.4% Decrease in the number of customers
 - The Chiffon & Spoon -26.0% Smaller number of shops
 - Pie Face +1.7% Existing shops performed well.

Mister Donut Initiatives for FY2018

➤ MISDO Meets

Continue product development in collaboration with companies with leading techniques and high-quality ingredients

➤ MISDO GOHAN

Increase the appeal of MISDO GOHAN menu items to enjoy at different times of the day
Revise menu and introduce MISDO Lunch Set

➤ Programs to accelerate renovation to the new-concept shops (V/21) and new openings

Programs offered by Duskin as the franchisor include:

- (1) Loan guarantee for new openings and shop renovations
- (2) Fixed-term store lease contract (subleasing)
- (3) Store signage owned by Duskin as its property

V/21 type shops Total number:184 (as of March 31, 2019) Newly opened: 8 Renovated: 74

➤ Restroom renovation

Complete renovations of restrooms at 375 shops by March 31, 2020 with the cost covered by Duskin
(Renovations at 91 shops completed as of March 31, 2019.)

Other Food Businesses Initiatives for FY2018

➤ Further develop Katsu & Katsu

Katsu & Katsu was made a separate company on April 1, 2019.
Use its spin-off for growth with speed and flexibility

Operating Income

(millions of yen)	FY2017	FY2018	Change	
				%
Operating income by segment	356	320	-36	-10.2

Lower gross profit resulting from lower sales, despite improved cost ratio and lower expenses

➤ Decrease in gross profit due to lower sales **-800 million yen**

➤ Increase in gross profit due to improved cost ratio **+200 million yen**

➤ Lower expenses **+600 million yen**

● Decrease in sales promotion expenses **+300 million yen**

● Decrease in retirement benefit **+200 million yen**

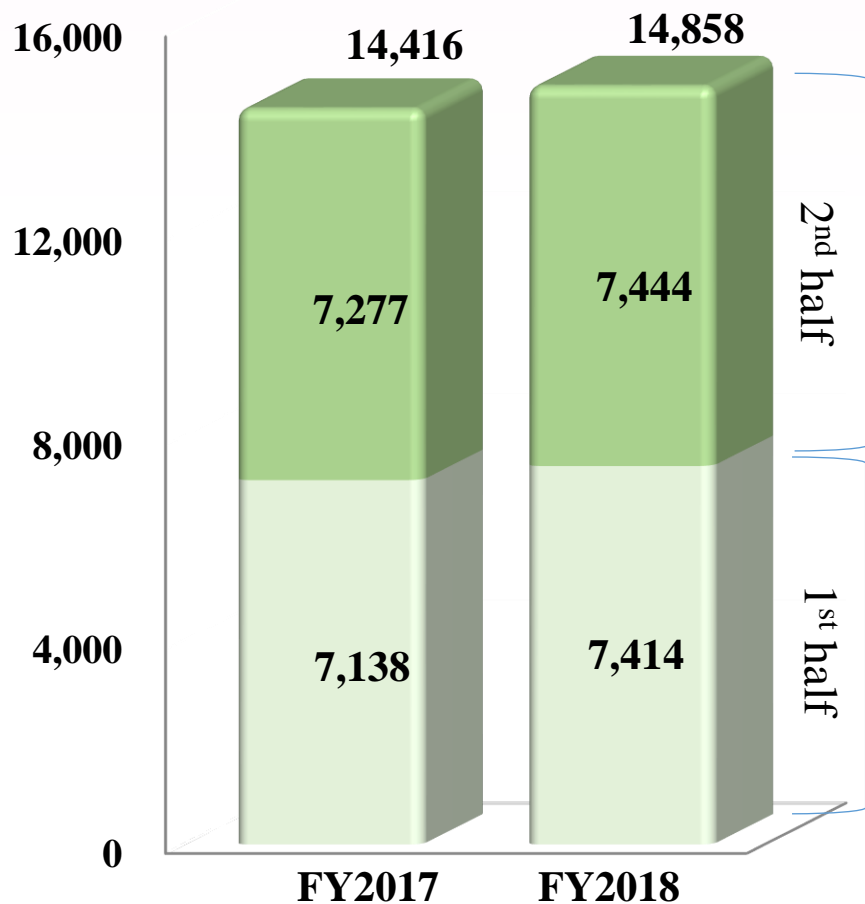
● Increase in labor cost other than retirement benefit
(Higher wages for part-time workers) **-100 million yen**

● Other **+200 million yen**

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

Sales

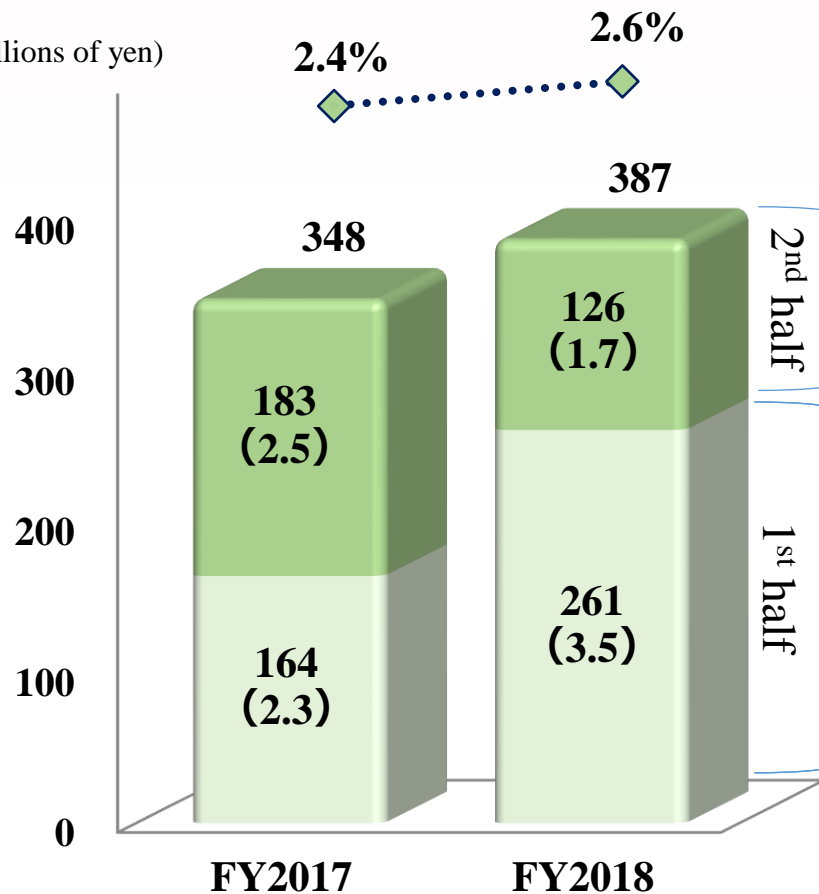
(millions of yen)



Operating Income

◆ Operating Margin

(millions of yen)



Other Businesses

(millions of yen)	FY2017	FY2018	Change	
				%
Sales to outside customers	12,191	12,570	+379	+3.1
Inter-segment sales	2,225	2,287	+62	+2.8
Total	14,416	14,858	+442	+3.1
Operating income	348	387	+39	+11.4

- Duskin Healthcare (medical facility management service) posted higher sales and income
 - Higher sales due to new accounts and higher sales per existing account
- Overseas (consolidated subsidiaries)
 - At Duskin Hong Kong, which procures materials and ingredients, volume of paper towels increased.
 - Duskin Shanghai posted higher sales due to favorable results of additional product sales to existing commercial customers.

Eliminations/Corporate

(millions of yen)	FY2017	FY2018	Change	
				%
Operating income	-7,347	-6,160	+1,187	-

- Corporate
 - Decrease in advertising expenses +50,000 million yen
 - Decrease in retirement benefits +400 million yen
 - Decrease in labor cost due to personnel transfer to Direct Selling Group +300 million yen

Overseas Businesses

➤ Customer-level sales

		Jan. – Dec. 2017	Jan. – Dec. 2018	Change	
					%
Dust Control Care Services	Taiwan (millions of NTD)	1,133	1,225	+91	+8.1
	Shanghai (millions of CNY)	24	29	+5	+21.0
	South Korea (millions of KRW)	990	1,299	+308	+31.2
Mister Donut	Taiwan (millions of NTD)	1,048	989	-58	-5.6
	Shanghai (millions of CNY)	20	18	-1	-9.2
Big Apple	Malaysia (millions of MYR)	59	56	-2	-4.5

Forecasts and Actual Results

Consolidated

*Change from forecast announced on May 15, 2018

(millions of yen)

	Sales	Operating income	Ordinary income	Net income
Forecast (May 15)	163,000	7,900	9,000	5,400
Actual	158,699	7,954	10,011	5,984
Difference (%)	-4,300 (-2.6)	+54 (0.7)	+1,011 (11.2)	+584 (10.8)

Sales: Major factors contributing to the difference

• Direct Selling Group	{Dust control business -1,800 million yen, Care Services -100 million yen}	-1,900 million yen
• Food Group	{Mister Donut business -2,100 million yen, Other food businesses -500 million yen}	-2,600 million yen
• Other businesses	{Duskin Healthcare +200 million yen}	+200 million yen

Operating Income: Major factors contributing to the difference

• Direct Selling Group	Lower gross profit due to lower sales -900 million yen Improved cost ratio +400 million yen Higher promotional expenses -300 million yen Higher labor cost -100 million yen	-1,000 million yen
• Food Group	Lower gross profit due to lower sales -900 million yen Improved cost ratio +400 million yen Promotional expenses carried forward +300 million yen	-100 million yen
• Other businesses	Higher gross profit due to higher sales of Duskin Healthcare +100 million yen	+0 million yen
• Elimination/Corporate	Lower labor cost +600 million yen Other +500 million yen	+1,100 million yen

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

FY2019 Forecasts

Consolidated

(millions of yen)

	Sales	Operating income	Ordinary income	Net income
FY2017 actual	161,031	7,557	8,978	5,324
FY2018 actual	158,699	7,954	10,011	5,984
FY2019 forecast	162,000	6,700	8,100	5,700
Difference from FY2018 actual	+3,300	-1,254	-1,911	-284
Change (%)	+2.1	-15.8	-19.1	-4.8

Non-consolidated

(millions of yen)

	Sales	Operating income	Ordinary income	Net income
FY2017 actual	132,537	4,915	7,476	4,703
FY2018 actual	129,592	5,254	8,529	5,198
FY2019 forecast	130,700	4,000	7,400	5,800
Difference from FY2018 actual	+1,107	-1,254	-1,129	+601
Change (%)	+0.9	-23.9	-13.2	+11.6

Consolidated Half-year Comparison

(millions of yen)

		Sales	Operating income	(%)	Ordinary income	Net income
1st half	FY2018 actual	78,351	4,378	5.6	5,272	3,394
	FY2019 forecast	79,700	3,500	4.4	3,900	2,500
	Difference from FY2018 actual	+1,348	-878	-1.2	-1,372	-894
	Change (%)	+1.7	-20.1	-	-26.0	-26.3
2nd half	FY2018 actual	80,347	3,576	4.5	4,739	2,590
	FY2019 forecast	82,300	3,200	3.9	4,200	3,200
	Difference from FY2018 actual	+1,952	-376	-0.6	-539	+609
	Change (%)	+2.4	-10.5	-	-11.4	+23.5
Total	FY2018 actual	158,699	7,954	5.0	10,011	5,984
	FY2019 forecast	162,000	6,700	4.1	8,100	5,700
	Difference from FY2018 actual	+3,300	-1,254	-0.9	-1,911	-284
	Change (%)	+2.1	-15.8	-	-19.1	-4.8

By Business Segment

(millions of yen)

		FY2017		FY2018		FY2019		Change	
		Operating Margin		Operating Margin		Operating Margin		%	
Direct Selling Group	Sales	111,941	—	111,476	—	114,900	—	+3,423	+3.1%
	Operating income	14,201	12.7%	13,406	12.0%	12,500	10.9%	-906	-6.8% (-1.1)
Food Group	Sales	37,624	—	35,426	—	35,300	—	-126	-0.4%
	Operating income	356	0.9%	320	0.9%	300	0.8%	-20	-6.3% (-0.1)
Other Businesses	Sales	14,416	—	14,858	—	15,000	—	+141	+1.0%
	Operating income	348	2.4%	387	2.6%	300	2.0%	-87	-22.6% (-0.6)
Eliminations/ Corporate	Sales	-2,951	—	-3,062	—	-3,200	—	-137	—
	Operating income	-7,347	—	-6,160	—	-6,400	—	-239	—
Total (consolidated)	Sales	161,031	—	158,699	—	162,000	—	+3,300	+2.1%
	Operating income	7,557	4.7%	7,954	5.0%	6,700	4.1%	-1,254	-15.8% (-0.9)

*Sales by business segment above include inter-segment sales.

Major Factors contributing to sales increase and decrease by business segment

Direct Selling Group

+3,400 million yen

Dust control business and company-owned units

+2,100 million yen

Health Rent business, other businesses

+700 million yen

Care Services

+600 million yen

Food Group

-100 million yen

Mister Donut business

-300 million yen

Other Food businesses

+200 million yen

Other Businesses

+0 million yen

Duskin Health Care

+200 million yen

Overseas businesses

-200 million yen

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

Direct Selling Group

-900 million yen

Increased income due to increase in sales

+1,400 million yen

Lower profit due to increase in cost ratio (including higher logistics costs)

-500 million yen

Lower profit due to expenses associated with the consumption tax hike

-1,100 million yen

Higher costs due to discontinued use of host computer system

-600 million yen

Increase in personnel expenses

-300 million yen

Lower expenses due to cost reduction

+200 million yen

Food Group

-100 million yen

Lower profit due to expenses associated with the consumption tax hike

-200 million yen

Higher costs due to discontinued use of host computer system

-50 million yen

Lower expenses

+150 million yen

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

Other Businesses

-100 million yen

Increase in personnel expenses

-100 million yen

Corporate expenses

-200 million yen

Increase in personnel expenses

-100 million yen

Higher costs due to discontinued use of host computer system

-50 million yen

Lower profit due to expenses associated with the consumption tax hike

-50 million yen

Returns to Shareholders

Dividends per share (Actual & Forecasts)

“Notice concerning Revision to Dividend Policy” on February 12, 2019

- A consolidated payout ratio of 50% is the guideline for the dividend for each fiscal year while maintaining the stability and consistency of dividend payments from FY2019.

(yen)	FY2017	FY2018	FY2019 (forecast)
End of 2nd quarter	20	30	24
Year end	20	20	32
Total (annual)	40	50	56
Total dividends (millions of yen)	2,137	2,643	2,856
Consolidated dividend ratio (%)	40.1	44.5	50.1

*Consolidated dividend ratio is calculated per share.

Medium-Term Management Policy 2018

Medium-Term Management Policy 2018

Basic Policy

New growth

Develop existing businesses

Strengthen the corporate structure



Financial Goals (FY2020)

(millions of yen)

Consolidated sales	165,000	+6,300 over FY2018
Consolidated operating profit	8,200	+300 over FY2018

Medium-Term Management Policy 2018

■ First-Year Initiatives and Results

Started Medium-Term Management Policy 2018, the Phase II of the ONE DUSKIN long-term strategy

Basic policies		Key initiatives
		*Net increase from Apr. 2018 - Mar. 2019
Develop existing businesses	Direct Selling Group	<p>Capital and business alliance with NAC Co., Ltd., with the aim of further strengthening Care Service and Health Rent businesses</p> <p>Residential Market: Increase membership of DDuet website ➡744,000 (up 157,000) *</p> <p>Commercial Market: Develop and increase sanitation management specialists—"Hygiene Masters" ➡1,406 (up 356) *</p>
	Food Group	<p>Mister Donut : Strategic product development Accelerate shop renovations and new openings ➡ Newly opened: 8 (down 83)* Renovated: 74</p> <p>Other food businesses : Katsu & Katsu accelerates new openings ➡2 restaurants (up 1)</p>

Medium-Term Management Policy 2018

Basic policies		Key initiatives
New growth	New businesses M&A	Expand our business domains to satisfy society's needs ➡ Exploring business opportunities through M&A
	Overseas business development	Further developing our brands in current overseas markets
Strengthening the corporate structure	Structural reform	Improve operational efficiency at corporate office departments ➡ Organizational restructuring and RPA (Robotic Process Automation) testing
	Corporate governance	Decreased the total number of Directors, and increased the percentage of Outside Directors. Improving management transparency

Develop existing businesses (Direct Selling Group)

Provide quality products and services that make homes and work environments more comfortable, well-balanced, and harmonious

To maintain our position as a company of choice in the era of the 100-year lifespan, we will shift our focus to delivering products and services that better meet individual lifestyle needs and concerns. This strategy stands in contrast to the traditional concept of merely delivering a range of products and services.

Future products and services, delivery

Current products and services, delivery

DUSKIN
喜びのタネをまごう

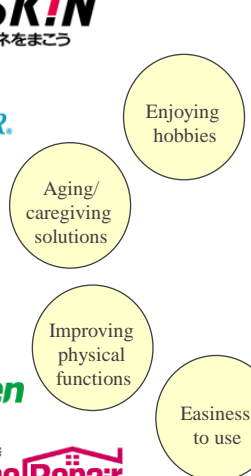
プロのおそうじ
ServiceMASTER.

家事の代行
merry maids.

害虫駆除・総合衛生管理
TERMINIX.

緑と花のお手入れ
Total Green

住まいの補修
HomeRepair



Help customers fine-tune the rhythm of their daily lives

Health Rent
ヘルスレント

タスキ
レントオール
DUSKIN RENT-ALL

LifeCare
DUSKIN
タスキライフケア

Uniform Service

Health & Beauty

Develop existing businesses (Direct Selling Group)

From general services for houses and homes
to comprehensive services attuned to each family's daily rhythm

Areas of focus: services for seniors, professional cleaning and technical services

Foster closer cooperation between customer touchpoints and channels and
establish a structure to serve customers throughout every stage of their lives

Residential market

Providing all-inclusive home solutions

to create lifelong customers with our
products and services attuned to the
rhythm of their daily lives.

Dust control

Solutions that better meet the
needs of existing customers

Shower head water purifiers
Mops, mats
Return by post service

Merry Maids

Help customers create extra
time

Helper service
Storage organizing service
Home-cleaning service

Health Rent, Life Care

Help for living in comfort
in the era of 100-year lifespans
Assisted-living equipment suitable for
each customer on regular visits
Accessible homes for seniors
Senior care that supports
independent living

Total Green

Expand service coverage

Balcony renovations
Raised beds
Yard-Cleaning Service



Develop existing businesses (Direct Selling Group)

Commercial Market

From a supporter to a business partner in sanitation management

Area of focus: the sanitation management market

Provide facility management know-how, including professional kitchen sanitation.

Providing all-inclusive sanitation management solutions

through the cycle of identifying, addressing customers' concerns/needs, and maintaining a sanitary environment.

Dust control

Expand market share of sanitation maintenance products

**Mats, mops
Hand soap
Detergents and other cleaning supplies**

Uniform Service

Expand product and service offerings to strengthen staff's sanitation management

**Uniforms (antibacterial textiles; prevent food contamination)
Sanitation tools (masks, gloves)
Uniform disinfection**



Terminix

Increase service delivery opportunities

**Cockroach control
Rodent control
Flying insect control**

ServiceMaster

Increase service delivery opportunities

**Janitorial cleaning
Floor cleaning
(carpet, hard-floor cleaning)**

Develop existing businesses (Food Group)

Mister Donut

Products/services that drive customer traffic

Strategic product development

MISDO Meets



MISDO GOHAN



Enhanced beverage menus



Upgraded Kids Set meals



Seasonal items



Improved regular items



Products

Develop existing businesses (Food Group)

Mister Donut

Create more customer-friendly shops
and improve shop cleanliness for customer retention

Local-area marketing for opening new locations

Shop openings that highlight the familiarity of Mister Donut

**Shops at large
suburban stations**

**Cafés in urban
locations**

**Freestanding shops in
suburban roadside
locations**

Goal: open 31 shops

Renovations for more appealing dining areas and shop exteriors

V/21

**V/21
suburban**

**V/21
take-out only**

Mister Donut Cafe

Goal: renovate 125 shops

Develop existing businesses (Food Group)

Other food businesses

Improve brand value to become a restaurant/shop of choice

Katsu & Katsu

Accelerate decision-making after the spin-off on April 1, 2019



Pie Face

Pursue quality and originality to establish the brand as a specialty pie shop



Bakery Factory

Evolve popular products into its signature items, and develop seasonal items to excite customers



The Chiffon & Spoon

Develop unique chiffon cakes featuring moister textures



New growth

■ New business development

- ▶ Explore the potentials of expanding our business domains to satisfy society's needs



Food safety
and reliability



Aging population
and declining
birthrate



More working
women

■ Overseas Business

- ▶ Expand businesses in rapidly growing Asian economies

■ M&A, capital and business alliances

Strengthen the corporate structure

■ Operational efficiency

- ▶ Boost operational efficiency by taking advantage of AI (Artificial Intelligence) and RPA (Robotic Process Automation)









■ Strengthen corporate governance

- ▶ Reinvigorating the Directors Evaluation Committee
 - Effective April 2019, the committee has changed from an advisory council for the President & CEO to the one for the Board of Directors. It now comprises only independent Directors.
- ▶ Resolving issues identified through evaluating the effectiveness of the Board of Directors
 - Further improve the quality of deliberations on allocating Duskin Group resources based on the results of business portfolio reviews at the Board of Directors' meetings
 - Review the succession plan at the Board of Directors meetings

Capital policy

- Achieve sustainable growth and cultivate corporate value over the medium- to long-terms to attain the right balance between improving capital efficiency, maintaining a solid financial base, and returning profits to shareholders.
 - ▶ Improve capital efficiency
 - Prioritize the allocation of internal capital resources to investments in growing fields/businesses to improve capital efficiency
 - ▶ Maintain a solid financial base
 - Maintain our solid financial base while emphasizing financial soundness
 - Secure 30 billion yen in our core business to fund purchases of business operations belonging to several franchisees who face a lack of successors.
 - ▶ Return profits to shareholders
 - Maintain the stability and consistency of dividend payments. Payout ratio guideline: 50%
 - Allow flexible share repurchases to increase shareholder value per share and return on equity (ROE)

ESG Initiatives

	ESG Initiatives	SDGs
<p>Environment</p>	<ul style="list-style-type: none"> • Environmental management • Contribution to a recycling-oriented society • Global warming countermeasures, including energy conservation • Conservation and effective use of water resources 	    
<p>Social</p>	<ul style="list-style-type: none"> • Quality assurance • Sustainable supply chain • Safety and reliability • Communication with customers 	  
	<ul style="list-style-type: none"> • Employment, work environment, and human resources development • Work-life balance • Diversity • Health maintenance and improvement 	  
	<ul style="list-style-type: none"> • CSR activities • Providing solutions for social issues through our business activities 	  
<p>Governance</p>	<ul style="list-style-type: none"> • Corporate governance • Risk management • Compliance 	  

Duskin shares held by GPIF

8.0% as of March 31, 2018 (0.3% increase from one year earlier)

ESG indices adopted by GPIF

MSCI JAPAN ESG Select Leaders Index

Selected as a constituent since
December 2018, rated AAA



2018 Constituent
MSCI ジャパンESG
セレクト・リーダーズ指数

S&P/JPX Carbon Efficient Index

Selected as a constituent since
September 2018



Recognition by society

Duskin Merry Maids Division
The 2nd Nihon Service Award
Minister of Health, Labour and Welfare Award



Award presented by Mr. Hiroaki Tabata,
Parliamentary Vice-Minister of Health,
Labour and Welfare (left)

**Ministry of Economy
Health and Productivity Management
Organization (White 500)**

Duskin received the certification in 2017, 2018 and 2019



**Osaka Sakuyahime Award by the Osaka
Chamber of Commerce and Industry**

2017
Chisa Kajihara
Manager, Marry Maids

2018
Reiko Fujiwara
Manager, Institute of Cleaning
Education (Photo)



Reference

Non-consolidated

(millions of yen)

	FY2017	FY2018	Change	
				%
Sales	132,537	129,592	-2,944	-2.2
Operating income	4,915	5,254	+338	+6.9
(Operating Margin)	(3.7%)	(4.1%)	(+0.3)	-
Ordinary Income	7,476	8,529	+1,053	+14.1
(Ordinary Income Margin)	(5.6%)	(6.6%)	(+0.9)	-
Net Income	4,703	5,198	495	+10.5
(Net Income Margin)	(3.5%)	(4.0%)	(+0.5)	-

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 (professional cleaning and 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 (professional cleaning and 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

CLS by Business

(millions of yen)

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

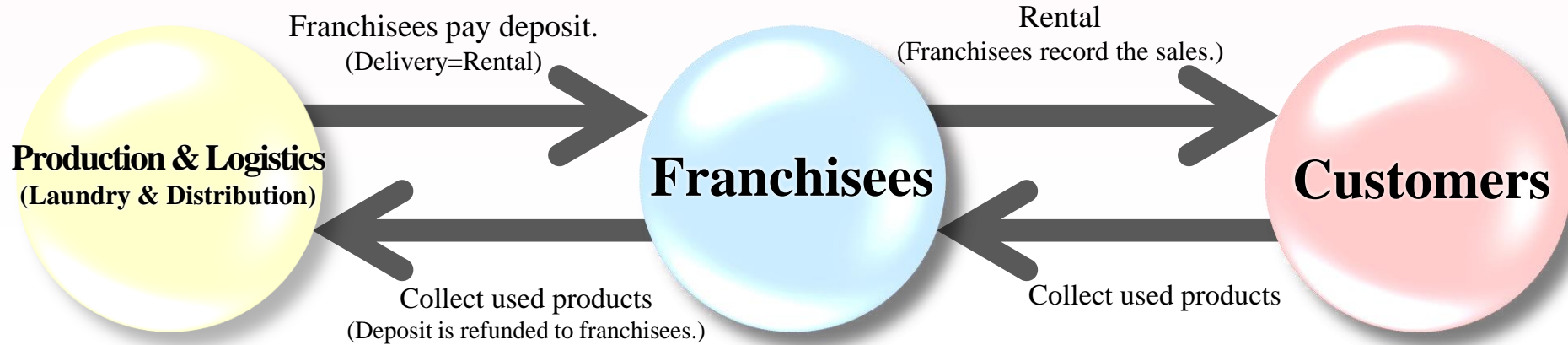
	FY2017	FY2018	Change	
				%
Direct Selling Group	272,577	271,811	-765	-0.3
Dust Control (Domestic)				
Home Service (Residential)	91,146	88,775	-2,371	-2.6
Business Service (Commercial)	94,507	93,940	-566	-0.6
Care Services (professional cleaning and technical services)	50,437	51,678	+1,240	+2.5
(ServiceMaster)	(28,646)	(29,358)	(+711)	(+2.5)
(Merry Maids)	(10,910)	(11,127)	(+216)	(+2.0)
(Terminix)	(8,231)	(8,357)	(+126)	(+1.5)
(Total Green)	(2,594)	(2,723)	(+129)	(+5.0)
(Home Repair)	(55)	(111)	(+56)	(+102.0)
Health & Beauty	2,869	2,546	-322	-11.2
Azare Products	3,525	3,536	+11	+0.3
Duskin Life Care	2,218	2,137	-80	-3.6
Rent-All	13,627	14,353	+725	+5.3
Health Rent	9,236	9,901	+664	+7.2
Uniform Service	3,426	3,399	-26	-0.8
Drink Service	1,580	1,541	-39	-2.5
Food Group	81,148	76,741	-4,407	-5.4
Mister Donut (Domestic) ^{*3}	77,957	74,018	-3,939	-5.1
Other food businesses ^{*2}	3,191	2,723	-468	-14.7
Other Businesses	28,378	28,440	+62	+0.2
Dust Control (Overseas) ^{*1}	4,809	5,027	+217	+4.5
Mister Donut (Overseas) ^{*1}	14,372	13,925	-447	-3.1
Big Apple (Overseas) ^{*1}	1,660	1,519	-141	-8.5
Duskin Healthcare	7,535	7,968	+433	+5.7
Total	382,104	376,994	-5,110	-1.3

*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).

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: 90
Franchised units: 1,900
Operation units: 2,000

Sales representatives: 63,000

Residential customers: 4.7 million

Commercial customers: 1.2 million

*The numbers above include plants dedicated for laundry 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.