

**Six-month Period Ended Sept. 30, 2018**

# **Financial Report**

**Duskin Co., Ltd.**

**November 14, 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 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.
- The provisional accounting treatment for a business combination was finalized at the end of FY2017. The FY2017 second quarter (six months ended in Sept. 30, 2017) profit per share reflects significant changes in the initial allocation of the acquisition cost resulting from finalization of the provisional accounting treatment.

# Table of Contents

## ■ Financial Summary

Consolidated Financial Results	6
Sales	7
Operating Income	9
Ordinary Income	11
Net Income	13
Consolidated Balance Sheet	15

## ■ Summary by Business Segment

Highlights by Business Segment	17
Summary of Core Businesses	
Direct Selling Group	18
Food Group	22
Other Businesses, Corporate	26
Other Businesses (Overseas Businesses)	27

## ■ Forecasts and Actual Results

FY2018 First Half Forecasts and Actual Results	29
--	----

## ■ FY2018 Forecasts

FY2018 Forecasts	31
------------------	----

# Table of Contents

## ■ Returns to Shareholders

Dividends	35
-----------	----

## ■ Medium-Term Management Policy 2018

### Medium-Term Management Policy 2018

Development of existing businesses (Direct Selling Group)	37
(Food Group)	42
New growth (New business development strategies)	46
(Overseas business strategies)	47
ESG Initiatives	48

## ■ Reference

Financial Summary – Non-consolidated Results	51
Business Summary by Segment	52
Customer-Level Sales (CLS)	53
Recycle-Oriented Business Model at Dust Control Business	54

**Six-month Period Ended Sept. 30, 2018**

# **Financial Summary**

## Consolidated Results

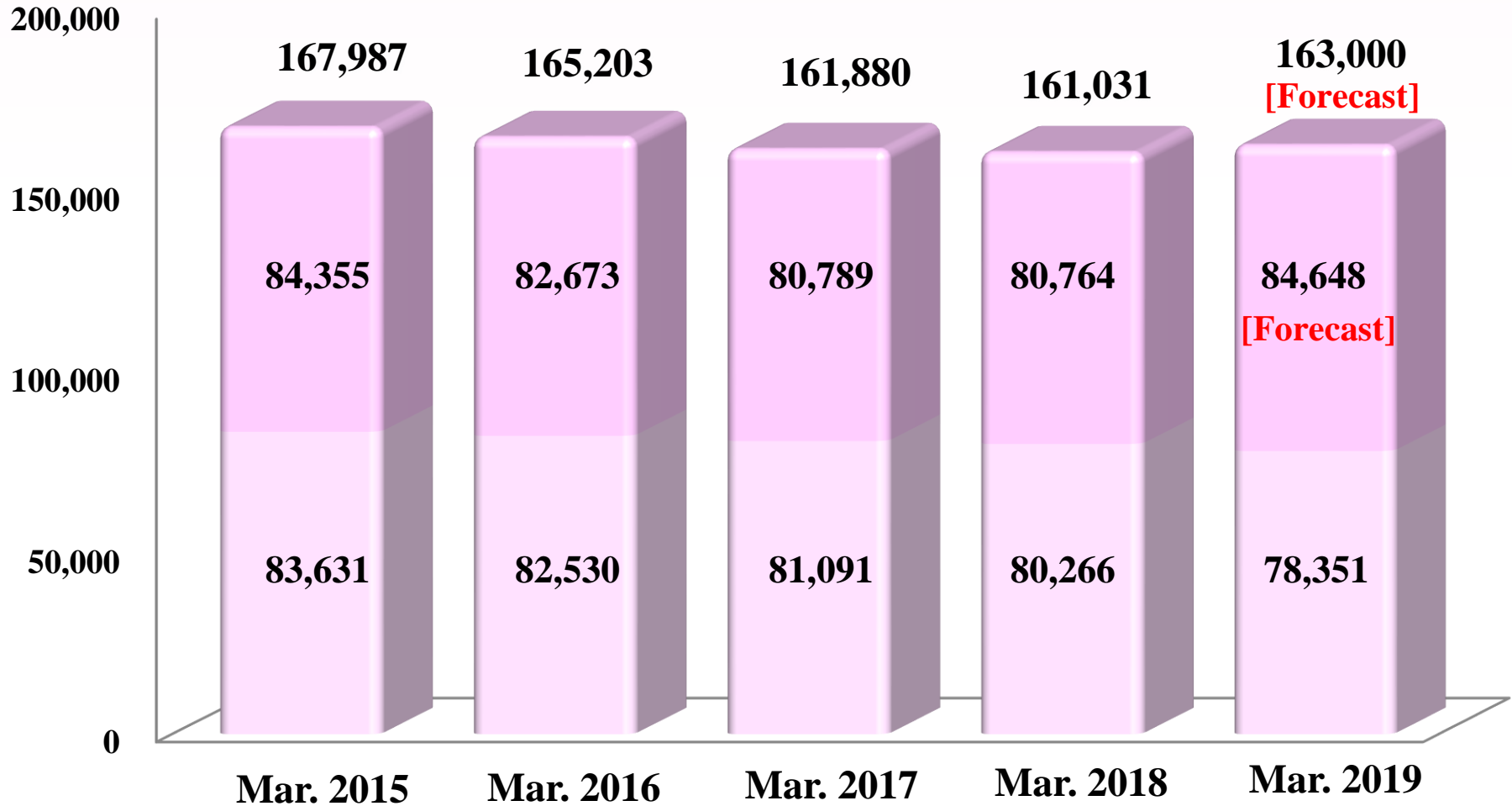
(millions of yen)

	FY2017 1st half ended Sept. 30, 2017	FY2018 1st half ended Sept. 30, 2018	Change		Reference FY2017 ended Mar. 31, 2018
				%	
Sales	<b>80,266</b>	<b>78,351</b>	<b>-1,915</b>	<b>-2.4</b>	<b>161,031</b>
Operating Income	<b>4,346</b>	<b>4,378</b>	<b>+31</b>	<b>+0.7</b>	<b>7,557</b>
Operating Margin (%)	<b>(5.4%)</b>	<b>(5.6%)</b>	<b>(+0.2)</b>	<b>-</b>	<b>(4.7%)</b>
Ordinary Income	<b>5,240</b>	<b>5,272</b>	<b>+31</b>	<b>+0.6</b>	<b>8,978</b>
Ordinary Income Margin (%)	<b>(6.5%)</b>	<b>(6.7%)</b>	<b>(+0.2)</b>	<b>-</b>	<b>(5.6%)</b>
Net Income	<b>3,570</b>	<b>3,394</b>	<b>-176</b>	<b>-4.9</b>	<b>5,324</b>
Net Income Margin (%)	<b>(4.4%)</b>	<b>(4.3%)</b>	<b>(-0.1)</b>	<b>-</b>	<b>(3.3%)</b>

## Consolidated Sales

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

(millions of yen)



## Consolidated Sales

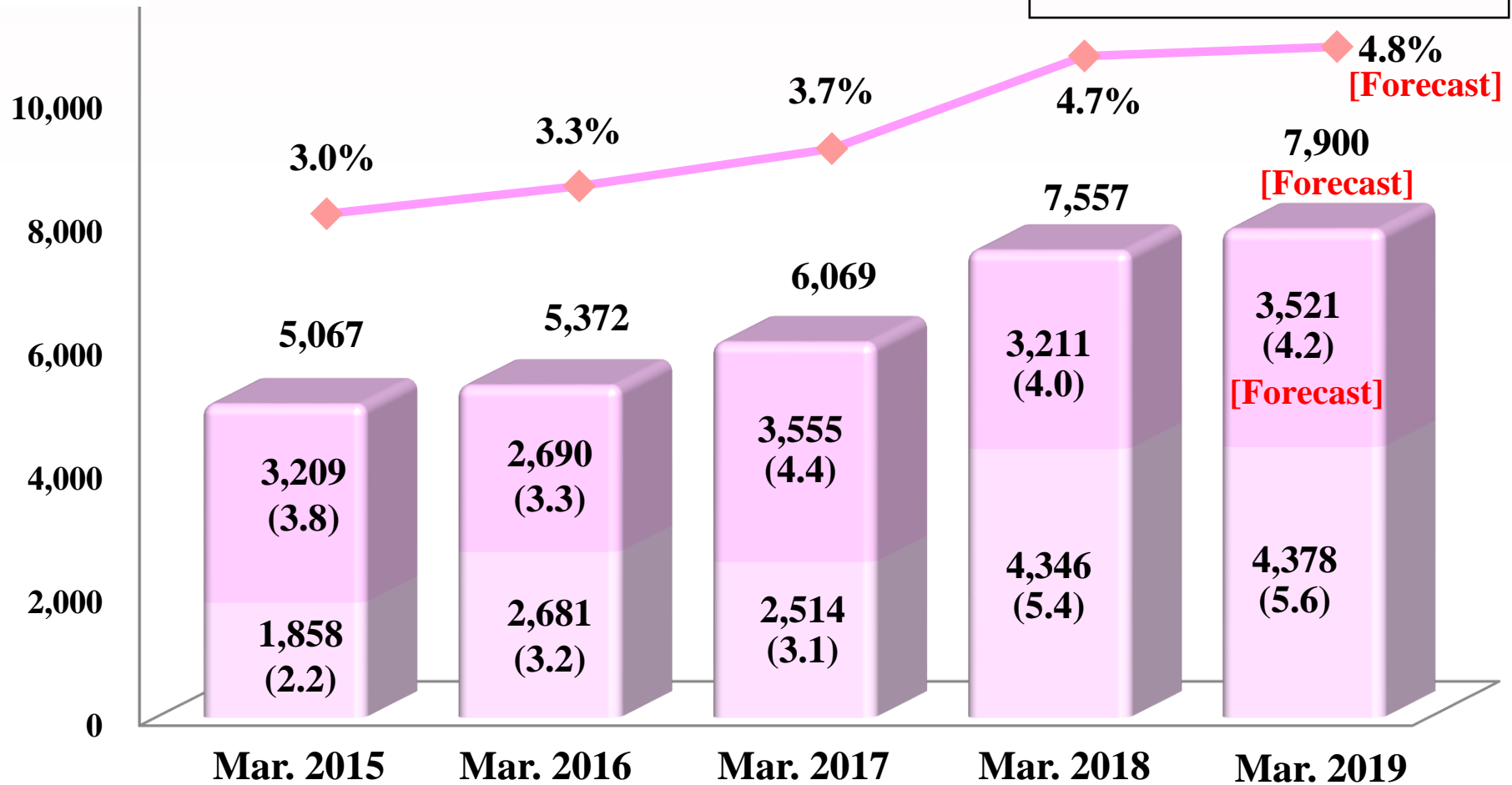
**78,351 million yen**      **-1,915 million yen (-2.4%)**

(millions of yen)		FY2017 1st half ended Sept. 30, 2017	FY2018 1st half ended Sept. 30, 2018	Change	
					%
Direct Selling Group	Sales to outside customers	55,899	55,120	-778	-1.4
	Inter-segment sales and transfers	379	361	-18	-4.9
	Total	56,278	55,481	-796	-1.4
Food Group	Sales to outside customers	18,335	16,998	-1,337	-7.3
	Inter-segment sales and transfers	5	4	-0	-9.3
	Total	18,340	17,003	-1,337	-7.3
Other Businesses	Sales to outside customers	6,032	6,232	+200	+3.3
	Inter-segment sales and transfers	1,106	1,181	+74	+6.8
	Total	7,138	7,414	+275	+3.9
Eliminations for inter-segment sales and transfers		-1,492	-1,547	-55	-
Consolidated sales		80,266	78,351	-1,915	-2.4



## Consolidated Operating Income

(millions of yen)



## Consolidated Operating Income

**4,378 million yen**      +31 million yen (+0.7%)

### Major factors

- Direct Selling Group** : Decrease in gross profit due to lower sales, increase in personnel expenses attributable to personnel transfers from other segments
- Food Group** : Decrease in gross profit due to lower sales, increase in personnel expenses resulting from higher wages for part-time employees
- Other Businesses** : Higher income at Duskin Healthcare, improved earnings in overseas businesses
- Eliminations/Corporate** : Decrease in personnel expenses due to personnel transfers to other segments

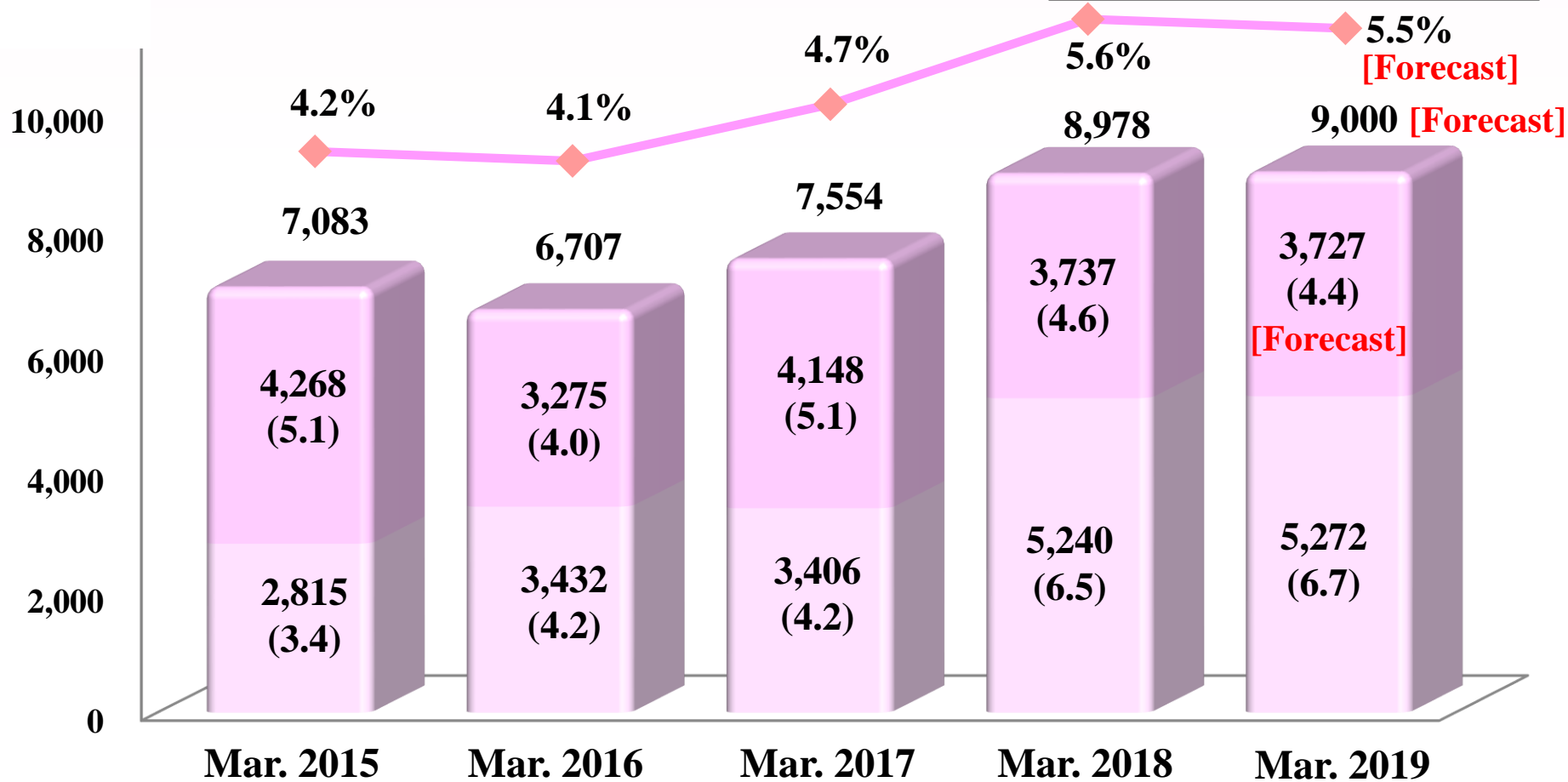
\*Decrease in retirement benefits arising from a change in the corporate pension plan: 500 million yen

### Operating income by segment

	FY2017 1 <sup>st</sup> half ended Sept. 30, 2017 (Operating Margin)	FY2018 1 <sup>st</sup> half ended Sept. 30, 2018 (Operating Margin)	Change	
				%
Direct Selling Group	7,439 (13.2%)	7,203 (13.0%)	-236	-3.2% (-0.2)
Food Group	211 (1.2%)	4 (0.0%)	-207	-97.8% (-1.1)
Other Businesses	164 (2.3%)	261 (3.5%)	+97	+59.1% (+1.2)
Eliminations/Corporate	-3,468	-3,091	+377	-
Total (consolidated)	4,346 (5.4%)	4,378 (5.6%)	+31	+0.7% (+0.2)

## Consolidated Ordinary Income

(millions of yen)



## Consolidated Ordinary Income

**5,272 million yen**      **+31 million yen (+0.6%)**

### Major factors

**1) Operating income      +000 million yen**

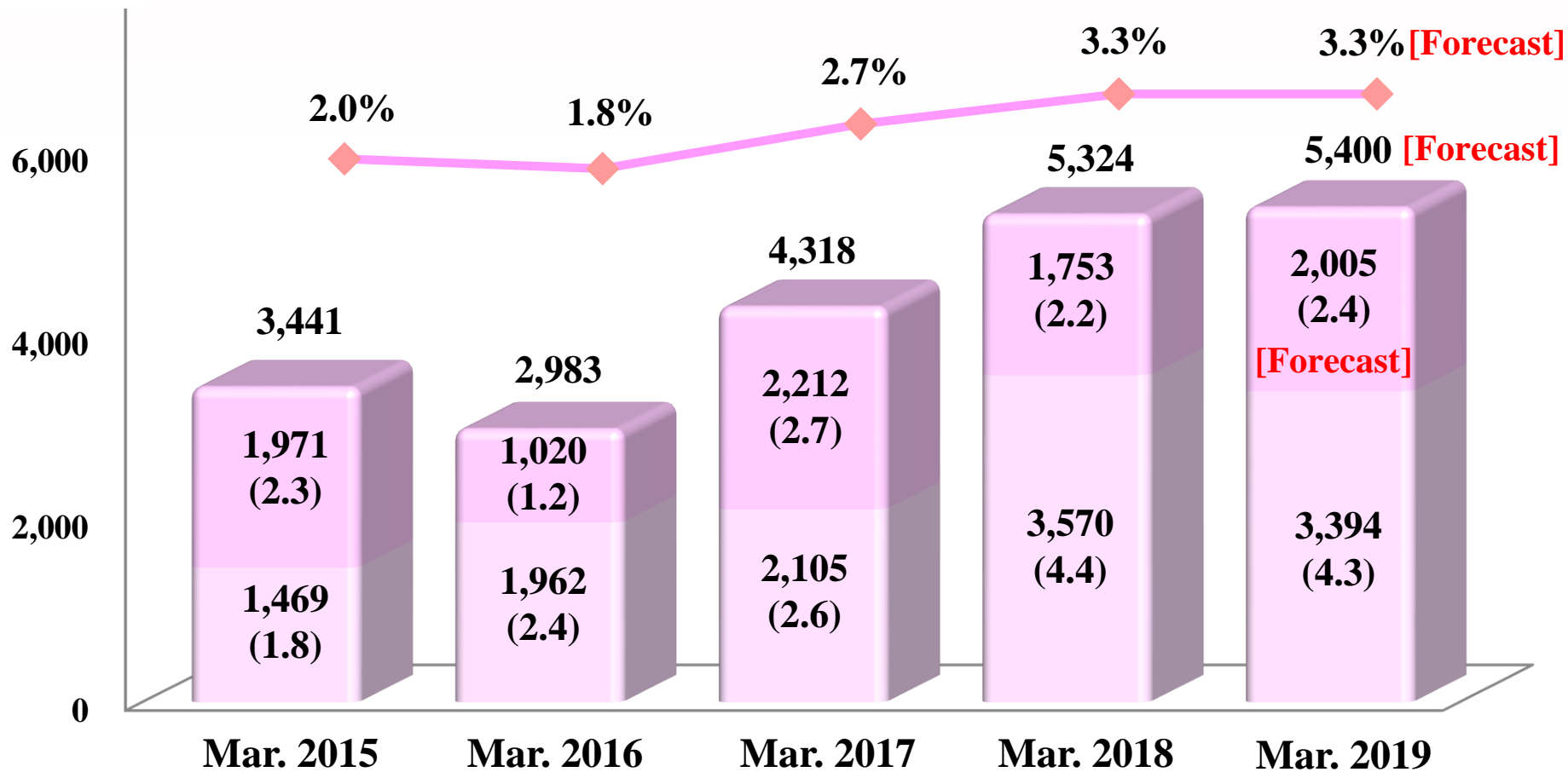
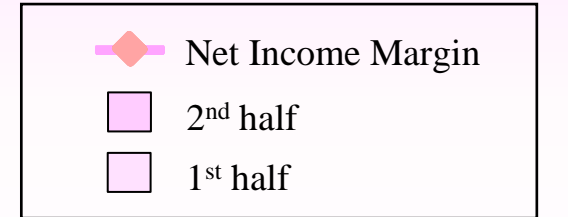
**2) Non-operating income      +000 million yen**

- **Decrease in share of profit of entities accounted for using equity method      -40 million yen**
- **Financial income and expenses      -20 million yen**
- **Others      +60 million yen**

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

## Consolidated Net Income

(millions of yen)



## Consolidated Net Income

**3,394 million yen**      **-176 million yen (-4.9%)**

## Major factors

**1) Ordinary income      +000 million yen**

**2) Extraordinary income      +000 million yen**

➤ **Decreased loss on sales of non-current assets      +90 million yen**

➤ **Increase in impairment loss      -40 million yen**

➤ **Others      -50 million yen**

**3) Tax expenses      -200 million yen (higher expenses)**

➤ **Impairment loss recognized in FY2017 due to sale of real estate      -100 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 Sept. 30, 2018	Change	Major factors
Current asset	67,611	64,347	-3,264	Cash and deposits +100 Securities -3,700 Merchandise and finished goods +200
Property, plant and equipment	49,344	49,455	+111	Machinery, equipment and vehicles, net +300 Other, net -100
Intangible assets	8,474	9,069	+594	Other +600
Investments and other assets	70,627	71,142	+514	Investment securities +2,600 Deferred tax assets -2,100
<b>Total assets</b>	<b>196,058</b>	<b>194,014</b>	<b>-2,044</b>	-
Current and non-current liabilities	48,271	39,954	-8,317	Notes and accounts payable - trade -700 Accounts payable-other -1,400 Net defined benefit liability -5,400
Net assets	147,786	154,059	+6,273	Retained earnings +2,300 Valuation difference on available-for-sale securities +500 Remeasurements of defined benefit plans +3,500
<b>Total liabilities and net assets</b>	<b>196,058</b>	<b>194,014</b>	<b>-2,044</b>	-
Debt with interests	173	-	-173	-

# Summary by Business Segment



# Highlights by Business Segment

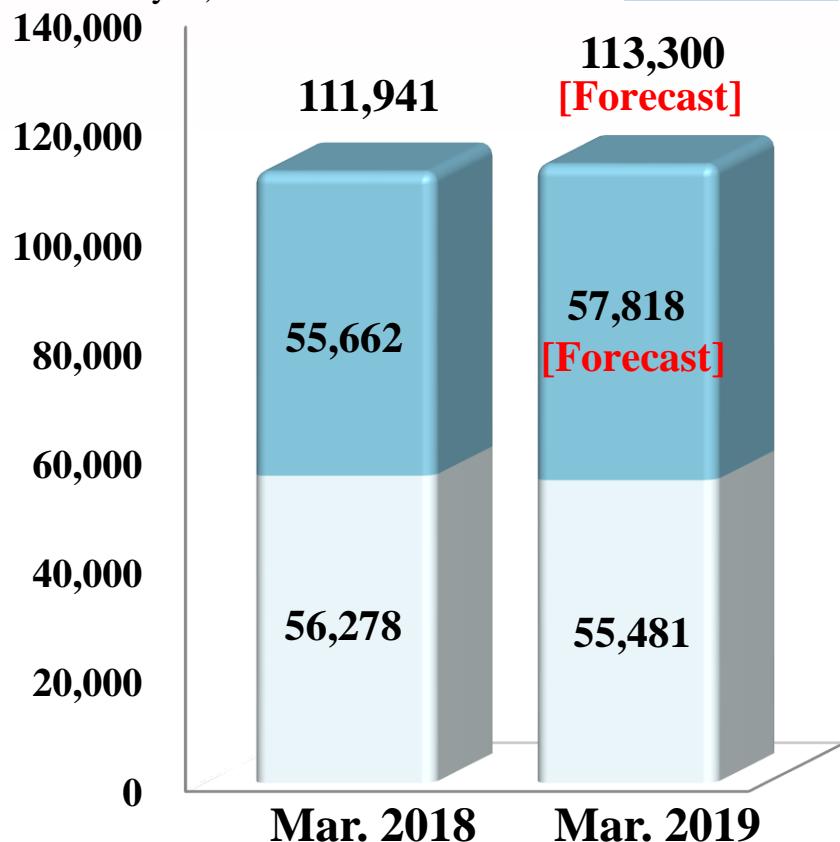
(millions of yen)

		FY2017		FY2017 1 <sup>st</sup> half ended Sept. 30, 2017		FY2018 1 <sup>st</sup> half ended Sept. 30, 2018		Change	
		Operating Margin		Operating Margin		Operating Margin		(%)	
Direct Selling Group	Sales	111,941	-	56,278	-	55,481	-	-796	-1.4%
	Operating Income	14,201	12.7%	7,439	13.2%	7,203	13.0%	-236	-3.2% (-0.2)
Food Group	Sales	37,624	-	18,340	-	17,003	-	-1,337	-7.3%
	Operating Income	356	0.9%	211	1.2%	4	0.0%	-207	-97.8% (-1.1)
Other Businesses	Sales	14,416	-	7,138	-	7,414	-	+275	+3.9%
	Operating Income	348	2.4%	164	2.3%	261	3.5%	+97	+59.1% (+1.2)
Eliminations/ Corporate	Sales	-2,951	-	-1,492	-	-1,547	-	-55	-
	Operating Income	-7,347	-	-3,468	-	-3,091	-	+377	-
Total (consolidated)	Sales	161,031	-	80,266	-	78,351	-	-1,915	-2.4%
	Operating Income	7,557	4.7%	4,346	5.4%	4,378	5.6%	+31	+0.7% (+0.2)

Sales presented here include inter-segment sales.

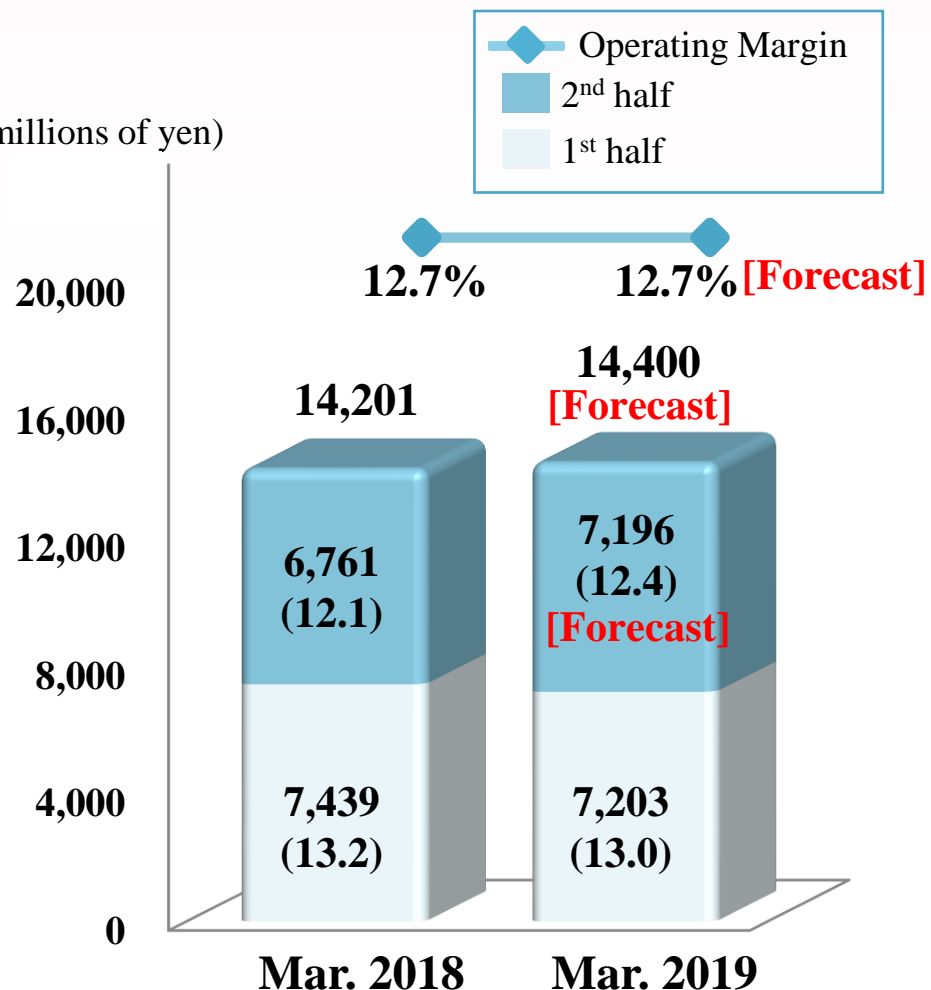
## Sales

(millions of yen)



## Operating Income

(millions of yen)



## Sales

(millions of yen)	FY2017 2Q	FY2018 2Q	Change	
				%
Sales to outside customers	55,899	55,120	-778	-1.4
Inter-segment sales	379	361	-18	-4.9
Total	56,278	55,481	-796	-1.4

### Residential Market

#### ● Sales of dust control products declined.

- Dust control products sales -5.2% (1Q: -4.9%, 2Q: -5.6%)
- Mop products sales -7.2% (1Q: -7.2%, 2Q: -7.3%)
  - Basic Three (including sales of LaLa, shushu and Style Cleaner) +2.2%
  - Other handy and floor mops -425 million yen -7.3%
  - Robot Cleaner SiRo -498 million yen -56.4%
- Kitchen Sponges sales -106 million yen

#### ● Sales of cleaning and technical services increased.

- Total customer-level sales +2.3% (1Q: +5.3%, 2Q: -0.5%)
  - Professional cleaning (ServiceMaster) +3.3% (1Q: +7.7%, 2Q: -0.7%)
  - Home cleaning and helper services (Merry Maids) +2.1% (1Q: +3.3%, 2Q: +0.8%)
  - Termite control (Terminix) -0.8% (1Q: +2.6%, 2Q: -4.2%)
  - Plant and flower maintenance (Total Green) -0.6% (1Q: +2.1%, 2Q: -3.0%)
  - Fixing scratches and dents (Home Repair) +190.6% (1Q: +302.8%, 2Q: +123.0%)

#### ● Health Rent business (rental of assisted living equipment) continued to grow.

- Customer-level sales +7.3% (1Q: +7.9%, 2Q: +6.8%)

## Sales

(millions of yen)	FY2017 2Q	FY2018 2Q	Change	
				%
Sales to outside customers	55,899	55,120	-778	-1.4
Inter-segment sales	379	361	-18	-4.9
Total	56,278	55,481	-796	-1.4

Commercial Market

● Sales of dust control products declined slightly.

- Dust control products sales -0.6% (1Q: -0.4%, 2Q: -0.7%)
- Mat products sales -0.4% (1Q: -0.1%, 2Q: -0.6%)
  - Inside (custom-made indoor mats) +13.7%
  - Thin dust control and water absorption mats +0.1%
  - Other mats -0.6%
    - (Basic mats -1.2% )
    - (Custom-made mats -0.7% )

● Cleaning and technical services posted slightly higher sales.

- Total customer-level sales +1.1% (1Q: +1.9%, 2Q: +0.3%)
  - ServiceMaster (including facility management) +0.9% (1Q: +1.3%, 2Q: +0.5%)
    - Janitorial services for LEGOLAND® Japan +93 million yen
  - Pest Control (Terminix) +1.2% (1Q: +2.8%, 2Q: -0.4%)
  - Plant and flower maintenance (Total Green) +8.7% (1Q: +13.5%, 2Q: +4.7%)

● Event operation and rental service (Rent-All) recorded higher sales despite event cancellations due to natural disasters.

- Customer-level sales +6.9% (1Q: +11.2%, 2Q: +3.8%)

## Operating Income

(millions of yen)	FY2017 2Q	FY2018 2Q	Change	
				%
Operating income	7,439	7,203	-236	-3.2

Lower gross profit resulting from lower sales despite improved cost ratio

➤ Decrease in gross profit due to lower sales **-400 million yen**

➤ Increase in gross profit due to improved cost ratio **+500 million yen**

- Decrease in mats and other new items for rent **+400 million yen**
- Cost reduction **+200 million yen**
- Sharp rise in fuel oil **-100 million yen**

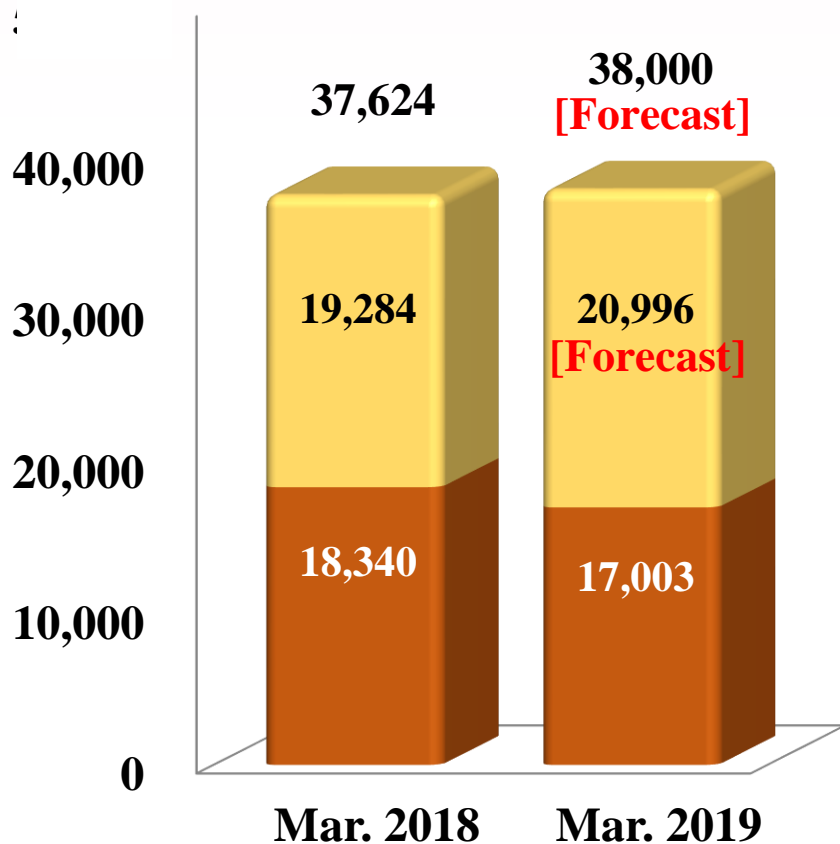
➤ Decrease in operating income due to higher expenses **-300 million yen**

- Decrease in retirement benefits **+200 million yen**
- Increase in outsourcing expenses and personnel expenses attributable to personnel transfers from other segments **-700 million yen**
- Lower promotional expenses including advertising expenses **+100 million yen**
- Others **+100 million yen**

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

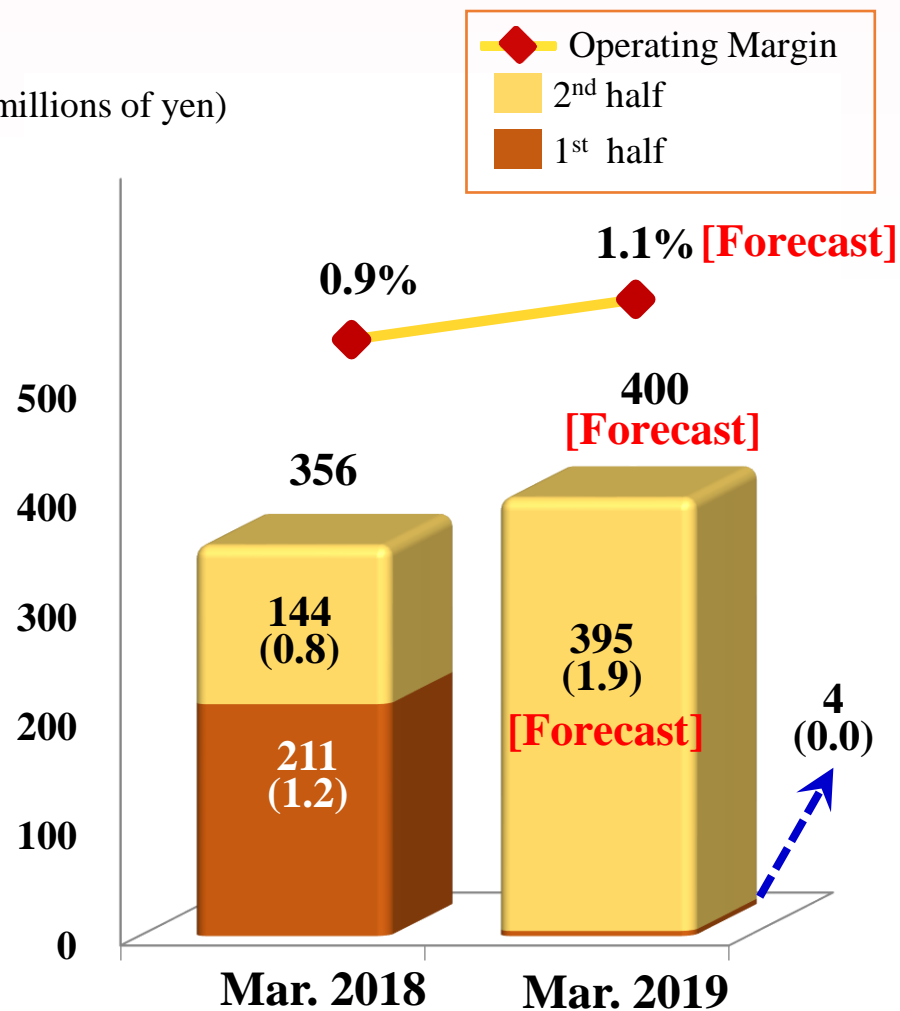
## Sales

(millions of yen)



## Operating Income

(millions of yen)



## Sales

(millions of yen)	FY2017 2Q	FY2018 2Q	Change	
				%
Sales to outside customers	18,335	16,998	-1,337	-7.3
Inter-segment sales	5	4	-0	-9.3
Total	18,340	17,003	-1,337	-7.3

### ● Mister Donut

- Total customer-level sales -5.8% (1Q: -5.0%, 2Q: -6.6%)
- Customer-level sales of existing shops -1.2% (1Q: -0.6%, 2Q: -1.9%)
- Sales per shop in operation +0.9% (1Q: +1.5%, 2Q: +0.2%)
  - Increase in average check and decrease in number of customers  
Average check (all shops) +1.9%, Number of customers (all shops) -7.3%
  - Smaller number of shops  
Average number of shops in operation: 1,138 in FY2017 2Q, 1,064 in FY2018 2Q (change: -74)  
Total business days: -6.7%
  - Impact of natural disasters  
In western Japan, sales were affected by damage and planned suspension of train services due to natural disasters.

### ● Other Food Businesses

- Discontinued the Café Du Monde business on March 31, 2018 -200 million yen
- Customer-level sales:
 

Katsu & Katsu	+9.6%
Bakery Factory	-6.3%
The Chiffon & Spoon	-20.9%
Pie Face	+13.9%

## Mister Donut Initiatives for FY2018

- **MISDO Meets** Continue to introduce products co-developed with companies with leading techniques and high-quality materials
  - 1st quarter: Matcha Sweets Premium with Gion Tsujiri, a Kyoto green tea specialty brand (continued to perform well)
  - 2nd quarter: Cheese Tardo series with PABLO, a fresh-out-of-oven cheese tarts specialty store (sold as planned)
- **MISDO GOHAN** To build a brand that stands for a place to enjoy at different times of the day, including breakfast, brunch, lunch and coffee breaks
  - 1st quarter: Products replacement in May 2018  
(MISDO GOHAN introduced in Nov. 2017, new products including pasta items, hot dogs and sandwiches added in Feb. 2018)
- **New V/21 type shops** Initiatives to accelerate renovations and new openings
  1. Guaranteed loans to open/renovate shops
  2. Indemnification for shortfall against the ROI plan
  3. Fixed-term building lease agreement (sub-leasing)Shops renovated to V/21: 40, new V/21 shops: 4, total number of V/21 shops: 158 (as of Sept. 30, 2018)
- **Restroom renovation** Planning to renovate restrooms of 375 shops at the headquarter's expense by Mar. 31, 2020  
(41 shops as of Sept. 30, 2018)

## Other Food Business Initiatives for FY2018

- **Spin-off of Katsu & Katsu** To establish Katsu & Katsu Co., Ltd. on January 30, 2019
  - As consummate skill and extensive expertise are required for making pork cutlets, making Katsu & Katsu a separate company is expected to lead to efficient operation with an employment system different from Duskin's and appropriate career development, resulting in further business growth.
- **Discontinued the Café Du Monde business** on March 31, 2018 (a part of our selection and concentration strategy)



## Operating Income

(millions of yen)	FY2017 2Q	FY2018 2Q	Change	
				%
Operating income	211	4	-207	-97.8

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

➤ Decrease in gross profit due to lower sales **-500 million yen**

➤ Increase in gross profit due to improved cost ratio **+100 million yen**

➤ Lower expenses at Mister Donut **+200 million yen**

● Lower advertising expenses **+100 million yen**

● Decrease in retirement benefits **+100 million yen**

● Increase in other labor costs **-100 million yen**  
(due to a sharp rise in wages for part-time employees)

● Other expenses **+100 million yen**

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

## Other Businesses

(millions of yen)	FY2017 2Q	FY2018 2Q	Change	
				%
Sales to outside customers	6,032	6,232	+200	+3.3
Inter-segment sales	1,106	1,181	+74	+6.8
Total	7,138	7,414	+275	+3.9
Operating income	164	261	+97	+59.1

- Duskin Kyoeki operating leasing and insurance businesses posted higher sales and lower income
  - Sales grew due to an increase in new contracts of car leasing. Operating income declined slightly because of a decrease in revenue from the insurance business.
- Duskin Healthcare, which provides management services to medical facilities, recorded higher sales and income
  - Sales rose, resulting from an increase in new customers and additional sales to existing customers.
- Overseas (consolidated subsidiaries)
  - Duskin Hong Kong, which procures raw materials and equipment, posted higher sales due to the larger volume of paper towel products.
  - Duskin Shanghai performed well due to an increase in new commercial customers.

## Eliminations/Corporate

(millions of yen)	FY2017 2Q	FY2018 2Q	Change	
				%
Operating income	-3,468	-3,091	+377	-

- Corporate
  - Decrease in retirement benefits +200 million yen
  - Decrease in labor cost due to personnel transfer to Direct Selling Group +100 million yen

## Overseas Businesses

### ➤ Customer-level sales

		Jan.-June 2017	Jan.-June 2018	Change	
					%
Dust Control and Care Services	Taiwan (millions of NTD)	566	593	+26	+4.7%
	Shanghai (millions of CNY)	11	13	+2	+18.0%
	South Korea (millions of KRW)	474	648	+173	+36.5%
Mister Donut	Taiwan (millions of NTD)	557	494	-63	-11.4%
	Shanghai (millions of CNY)	10	9	-0	-3.2%
Big Apple	Malaysia (millions of MYR)	28*	27	-0	-3.2%

\* The figure shows the total of customer-level sales from February to June 2017.

# Forecasts and Actual Results

## Consolidated

Note: Change from forecast announced on May 15, 2018 (millions of yen)

	Sales	Operating income	Ordinary income	Net income
Forecast (May 15)	81,100	4,200	4,800	2,900
Actual	78,351	4,378	5,272	3,394
Difference (%)	-2,748 (-3.4)	+178 (4.2)	+472 (9.8)	+494 (17.0)

### Sales: Major factors contributing to the difference

- Direct Selling Group [Dust Control -1,200 million yen, Care Services -100 million yen] -1,300 million yen
- Food Group [Mister Donut business -1,400 million yen, other food businesses -200 million yen] -1,600 million yen
- Other Businesses [Duskin Healthcare +100 million yen] +100 million yen

### Operating income: Major factors contributing to the difference

- |                          |  |                  |                  |
|--------------------------|--|------------------|------------------|
| • Direct Selling Group   | Lower gross profit due to lower sales                        | -600 million yen | -100 million yen |
|                          | Higher cost of Style Cleaner                                 | -200 million yen |                  |
|                          | Smaller investment in mats and other items                   | +300 million yen |                  |
|                          | Improved cost ratio  | +200 million yen |                  |
|                          | Others (Expenses carried forward)                            | +200 million yen |                  |
| • Food Group             | Lower gross profit due to lower sales                        | -500 million yen | -300 million yen |
|                          | Improved cost ratio  | +200 million yen |                  |
| • Other Businesses       | Higher gross profit due to higher sales of Duskin Healthcare | +100 million yen | +100 million yen |
| • Eliminations/Corporate | Lower labor cost   | +200 million yen | +500 million yen |
|                          | Others   | +300 million yen |                  |

# FY2018 Forecasts

## Consolidated

Note: No change is made to the FY2018 forecasts announced on May 15, 2018.

(millions of yen)

	Sales	Operating income	Ordinary income	Net income
FY2017 actual	161,031	7,557	8,978	5,324
FY2018 forecast	163,000	7,900	9,000	5,400
Difference from FY2017 actual (%)	+1,968 (1.2)	+342 (4.5)	+21 (0.2)	+75 (1.4)

## Non-consolidated

(millions of yen)

	Sales	Operating income	Ordinary income	Net income
FY2017 actual	132,537	4,915	7,476	4,703
FY2018 forecast	135,000	5,300	7,900	5,200
Difference from FY2017 actual (%)	+2,462 (1.9)	+384 (7.8)	+423 (5.7)	+496 (10.6)

## By Business Segment - 2nd Half Comparison with the same period of the previous year

(millions of yen)

		FY2018 Forecast	
			Operating Margin
Direct Selling Group	Sales	113,300	-
	Operating income	14,400	12.7%
Food Group	Sales	38,000	-
	Operating income	400	1.1%
Other Businesses	Sales	14,500	-
	Operating income	400	2.8%
Eliminations/ Corporate	Sales	-2,800	-
	Operating income	-7,300	-
Total (Consolidated)	Sales	163,000	-
	Operating income	7,900	4.8%

FY2017 - 2 <sup>nd</sup> half Actual		FY2018 - 2 <sup>nd</sup> half Forecast		Change	
Operating Margin		(Full-year forecast - 1st half actual) Operating Margin		%	
55,662	-	57,818	-	+2,155	+3.9%
6,761	12.1%	7,196	12.4%	+435	+6.4% (+0.3)
19,284	-	20,996	-	+1,712	+8.9%
144	0.8%	395	1.9%	+250	+173.1% (+1.1)
7,277	-	7,085	-	-191	-2.6%
183	2.5%	138	2.0%	-45	-24.6% (-0.6)
-1,459	-	-1,252	-	+207	-
-3,878	-	-4,208	-	-330	-
80,764	-	84,648	-	+3,883	+4.8%
3,211	4.0%	3,521	4.2%	+310	+9.7% (+0.2)

Sales by business segment above include inter-segment sales.



**By Business Segment - 2nd Half** Comparison with the business plan

(millions of yen)

		FY2018 Forecast		FY2018 - 2 <sup>nd</sup> half Plan		FY2018 - 2 <sup>nd</sup> half Forecast		Change	
			Operating Margin		Operating Margin	(Full-year forecast - 1st half actual)	Operating Margin		%
Direct Selling Group	Sales	113,300	-	56,500	-	57,818	-	+1,318	+2.3%
	Operating income	14,400	12.7%	7,100	12.6%	7,196	12.4%	+96	+1.4% (-0.1)
Food Group	Sales	38,000	-	19,400	-	20,996	-	+1,596	+8.2%
	Operating income	400	1.1%	100	0.5%	395	1.9%	+295	+295.4% (+1.4)
Other Businesses	Sales	14,500	-	7,300	-	7,085	-	-214	-2.9%
	Operating income	400	2.8%	200	2.7%	138	2.0%	-61	-30.7% (-0.8)
Eliminations/ Corporate	Sales	-2,800	-	-1,300	-	-1,252	-	+47	-
	Operating income	-7,300	-	-3,700	-	-4,208	-	-508	-
Total (Consolidated)	Sales	163,000	-	81,900	-	84,648	-	+2,748	+3.4%
	Operating income	7,900	4.8%	3,700	4.5%	3,521	4.2%	-178	-4.8% (-0.4)

Sales by business segment above include inter-segment sales.

# Returns to Shareholders

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

Dividends per share (Actual &amp; Forecasts)

(millions of yen)

	FY2016	FY2017	FY2018 (forecast)	
End of 2nd quarter	20	20	30	(ordinary dividend 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.

# Medium-Term Management Policy 2018

# Medium-Term Management Policy 2018

## Development of existing businesses (Direct Selling Group)

**Key initiatives**

Customer base

Focused areas

Organization

Franchise development

Home Service

Retain & increase customers

Enhance convenience

Services for seniors  
Care Service Businesses

Secure human resources

More women and seniors as staff members  
+

Labor saving operations

Life Care

Health Rent

Merry Maids

ServiceMaster

Terminix

Uniform Service

Business Service

Sanitary maintenance

## Development of existing businesses (Direct Selling Group)

**Customer  
base**

### Retain and increase customers

Improve the contents of our membership website, DDuet  
Introduced DDuet COIN for purchasing products and making payment for rental items (Sales promotion and cancellation prevention)

DDuet membership 587,000 (as of March 31, 2018)  
➡ 656,000 (as of September 30, 2018)

COINS issued 37,806,000 (as of September 30, 2018)



**Customer  
base**

### Enhance convenience

Return by Post Service: Customers can return the used mops by post following their use so that they do not have to stay at home for the exchange of rental items. The goal of this service is to encourage busy working couples to use our products.

Return by Post Service users:

11,692 (as of March 31, 2018) ➡ 13,352 (as of September 30, 2018)

## Development of existing businesses (Direct Selling Group)

**Focused areas**

**Strengthen organizations for services for seniors and Care Services**

New franchisees:  
Care Services

プロのおそうじ

**ServiceMASTER®**

17  
(1,078)

家事の代行

**merry maids®**

9  
(553)

害虫駆除・総合衛生管理

**TERMINIX®**

14  
(760)

New Franchisees:  
Senior-related businesses

Health  
**HRent**  
ヘルスレント

5  
(150)

**LifeCare** DUSKIN  
ダスキンのライフケア

3  
(95)

Top: Number of new franchisees joined during Apr.-Sept. 2018  
Bottom: Total number of franchised offices as of Sept. 30 2018

## Development of existing businesses (Direct Selling Group)

Focused  
areas

### Sanitary maintenance

Train professional kitchen sanitary management specialists to provide our products and sanitary management know-how. Expand the service areas from professional kitchen to rest room and indoor space.

#### Hygiene Masters

Goal by March 31, 2019: 1,050

Total as of September 30, 2018 1,277

\* The goal is achieved on September 30, 2018



## Development of existing businesses (Direct Selling Group)

Organization

### Secure human resources



Duskin Group staff recruitment site opened on our membership website DDuet

**Applicants: 2,643**    **Hired: 605** (total in the period of Apr. - Sept. 2018)

Increase non-Japanese nationals for Project to Accept Foreigners  
Conducting Housekeeping Services in National Strategic Special Zones.

**Staff members hired: 24** (as of October 1, 2018)

**Additional 8 members to be hired by March 31, 2019.**

## Development of existing businesses (Food Group)

## Mister Donut

### 1. Always enjoyable Mister Donut

Goals	Initiatives
<p><b>Promote “Donut Time”</b>  <b>→ Increase value perception</b>  <b>(Differentiation from competitors)</b></p>   	<ul style="list-style-type: none"> <li>• Develop high-value added, “first of its kind” donut items                      → <b>MISDO Meets</b></li> <li>• Develop appealing donut items for health-conscious consumers                      → <b>Double Rings for Your Health series</b></li> </ul>
<p><b>“Meals at Mister Donut”</b>  <b>→ More than a place to enjoy a snack between meals</b></p>  	<ul style="list-style-type: none"> <li>• Menu change to promote MISDO GOHAN</li> <li>• Develop a new category, pizza of “Napoli no Kama”                      → <b>Plan to develop 200 shops in 3 years</b></li> </ul>

## Development of existing businesses (Food Group)

## Mister Donut

### 2. Closer and more familiar Mister Donut

#### Shop renovation

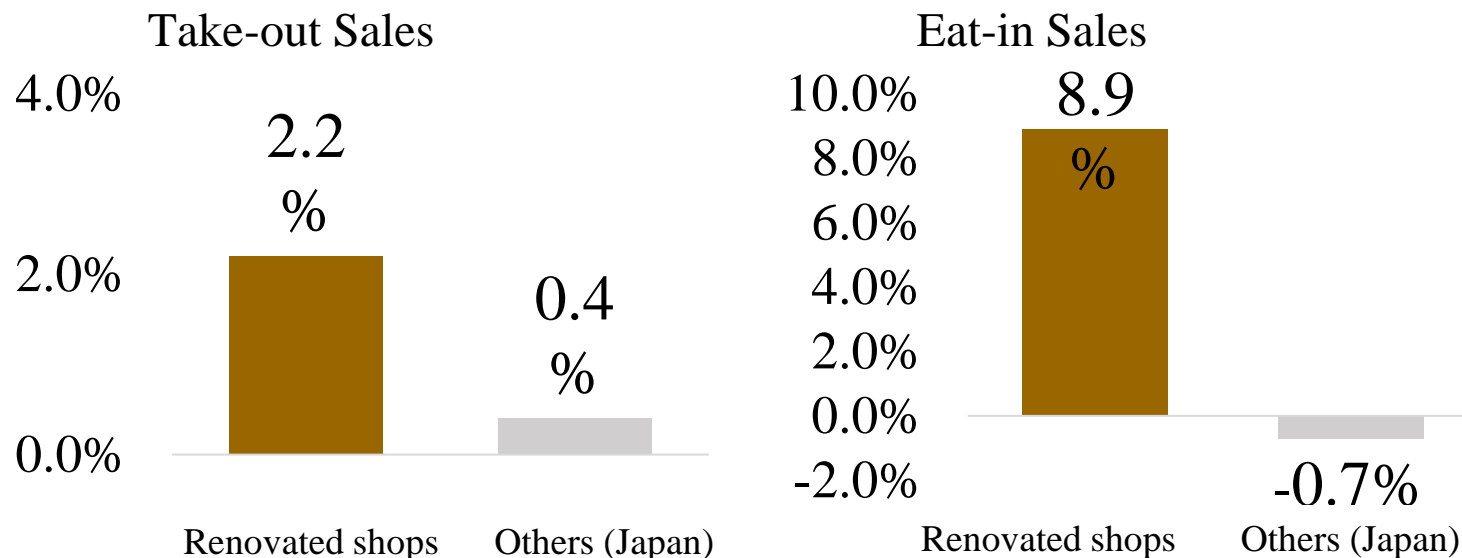
Number of shops renovated as planned

→ Improved shop ambience contributed to an increase in “Eat-in” sales

#### Renovation effect

(Five months sales (Apr. –Aug.) over the same period of the previous year)

Note: Actual results of 31 shops after 3 months from renovation



Average sales growth rate of renovated shops +5.3%

Development of existing businesses (Food Group)

**Mister Donut**

## 3. Measures for labor shortage

Reviewing current conditions and challenges to be addressed with a goal of opening a shop with 50% of current labor hours in FY2020.

Developing plans suitable for Mister Donut from the perspectives of customers, employees and management, to announce the plan during the second half of FY2018.





## Development of existing businesses (Food Group)

## Other food businesses

- Maintain profitability of existing restaurants
- Accelerate franchise development after reviewing feasibility of each business

### Pie Face



### Katsu & Katsu



### Bakery Factory



### The Chiffon & Spoon



Spin-off of Katsu & Katsu is scheduled on April 1, 2019.

**New growth**

**New business development strategies**

## Business alliances and new business development

- 1) M&A and capital alliances
- 2) Business alliances with venture companies, educational institutions and public sectors



### **Capital alliance with Nac Co., Ltd. and share subscription by third-party allotment**

#### **To strengthen Care Service and Health Rent businesses**

Number of shares subscribed: 5,587,000 (5,458 million yen)

Number of shares owned after subscription: 5,609,000 (stake: 23.08%)

⇒ **an equity method affiliate**

Shares subscribed on: September 18, 2018

## New growth

## Overseas business strategies

Establish brands in response to the needs of growing Asian markets.

Mister Donut  
Dust Control

} Improve profitability in existing markets

### ■ Mister Donut in Indonesia

- Increased convenience store locations ⇒ 1,821 (Sept. 2018)
- Obtained halal certification



### ■ Care Service businesses in Taiwan (launched Terminix business)

- Sales area: Northern part with a central focus on Taipei (company-owned locations)

Development throughout Taiwan in 3 years

- Major prospective customers: Companies affiliated with President's Chain Corp, national chains and Japanese food service establishments

害虫駆除・総合衛生管理

**TERMINIX**<sup>®</sup>

## ESG Management



**E: Environment**



**S: Society**



**G: Governance**

**Measures for  
global warming  
(KPI by 2030)**

**CO<sub>2</sub> emission**

Compared with FY2013  
**26% reduction**

**Work style  
reform  
(KPI by 2020)**

Annual labor hours/person  
under 1,850

Ratio of female employees  
in managerial positions  
over 8%

**Corporate  
governance**

Enhanced effectiveness  
of Board of Directors

Directors Evaluation and  
Nomination System  
Directors and Operating  
Officers Evaluation Committee



## ESG investment

**MSCI Japan Investable Market Index (IMI)**

Duskin was rated as **AAA** in ESG Ratings 2018.

## S&P/JPX Carbon Efficient Index

**Environment stock index newly selected by GPIF (Government Pension Investment Fund)**

Duskin was selected as a Constituent. (October 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)

Redouble our ESG efforts to contribute to a sustainable society and to further enhance our corporate value

# Reference

## Non-consolidated

(millions of yen)

	FY2017 1 <sup>st</sup> half ended Sept. 30, 2017	FY2018 1 <sup>st</sup> half ended Sept. 30, 2018	Change		Reference FY 2017 ended Mar. 31, 2018
				%	
Sales	<b>65,889</b>	<b>63,829</b>	<b>-2,059</b>	<b>-3.1</b>	<b>132,537</b>
Operating Income	<b>2,974</b>	<b>2,987</b>	<b>+12</b>	<b>+0.4</b>	<b>4,915</b>
(Operating Margin)	<b>(4.5%)</b>	<b>(4.7%)</b>	<b>(+0.2)</b>	<b>-</b>	<b>(3.7%)</b>
Ordinary Income	<b>4,767</b>	<b>5,196</b>	<b>+428</b>	<b>+9.0</b>	<b>7,476</b>
(Ordinary Income Margin)	<b>(7.2%)</b>	<b>(8.1%)</b>	<b>(+0.9)</b>	<b>-</b>	<b>(5.6%)</b>
Net Income	<b>3,435</b>	<b>3,714</b>	<b>+278</b>	<b>+8.1</b>	<b>4,703</b>
(Net Profit Margin)	<b>(5.2%)</b>	<b>(5.8%)</b>	<b>(+0.6)</b>	<b>-</b>	<b>(3.5%)</b>

# 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 (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 and living support

#### 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

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

**Mister Donut** • • • Homemade donut shops

**MOSDO** • • • Collaborated shops with MOS BURGER

**Katsu & Katsu** • • • Pork cutlet restaurants

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

**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

Sales of overseas businesses indicated here are the total sales from January to June.

(millions of yen)

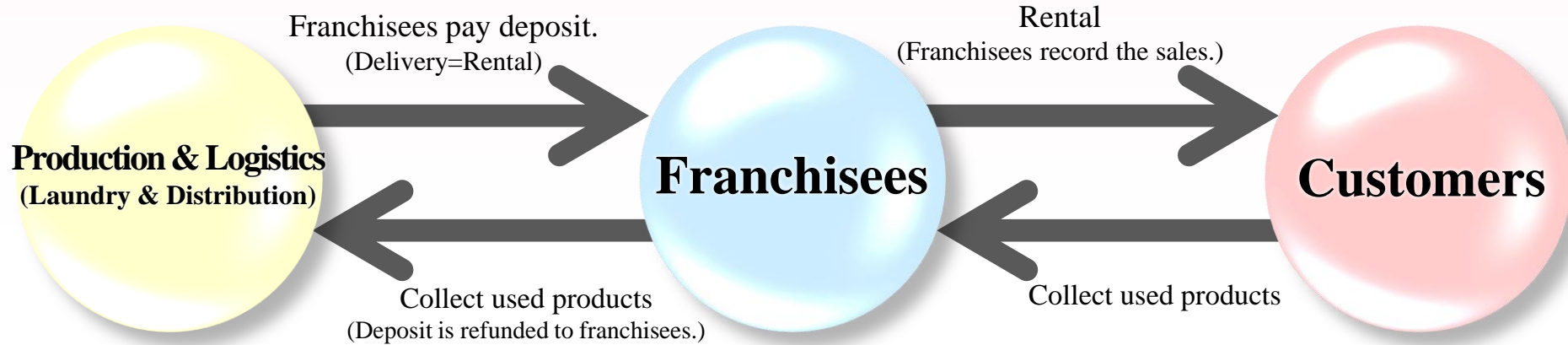
	FY2017 2Q	FY2018 2Q	Increase/Decrease	
			Change	%
<b>Direct Selling Group</b>	<b>136,357</b>	<b>135,446</b>	<b>-911</b>	<b>-0.7%</b>
Dust Control (Domestic)	45,535	43,903	-1,631	-3.6%
Home Service (Residential)	47,204	46,942	-262	-0.6%
Business Service (Commercial)	25,396	25,909	+513	+2.0%
Care Services (Cleaning and technical services)	( 14,375 )	( 14,722 )	( +346 )	( +2.4% )
(ServiceMaster)	( 5,165 )	( 5,272 )	( +106 )	( +2.1% )
(Merry Maids)	( 4,449 )	( 4,478 )	( +29 )	( +0.7% )
(Terminix)	( 1,384 )	( 1,386 )	( +1 )	( +0.1% )
(Total Green)	( 20 )	( 49 )	( +28 )	( +139.6% )
(Home Repair)	1,486	1,295	-190	-12.8%
Health & Beauty	1,771	1,719	-52	-3.0%
Azare Products	1,103	1,076	-26	-2.4%
Duskin Life Care	6,675	7,133	+458	+6.9%
Rent-All	4,555	4,889	+334	+7.3%
Health Rent	1,791	1,754	-36	-2.1%
Uniform Service	837	821	-16	-1.9%
Drink Service				
<b>Food Group</b>	<b>39,041</b>	<b>36,662</b>	<b>-2,379</b>	<b>-6.1%</b>
Mister Donut (Domestic) *2	37,465	35,291	-2,173	-5.8%
Other food businesses	1,575	1,370	-205	-13.0%
<b>Other Businesses *1</b>	<b>13,716</b>	<b>13,986</b>	<b>+269</b>	<b>+2.0%</b>
Dust Control (Overseas)	2,320	2,434	+114	+4.9%
Mister Donut (Overseas)	6,887	6,830	-57	-0.8%
Big Apple (Overseas)	746	757	+10	+1.4%
Duskin Healthcare	3,761	3,963	+202	+5.4%
<b>Total</b>	<b>189,116</b>	<b>186,094</b>	<b>-3,021</b>	<b>-1.6%</b>

\*1 Other food businesses: Café Du Monde, Katsu & Katsu, Bakery Factory, ICE DE LION, The Chiffon & Spoon, and Pie Face

\*2 MOSDO is included in Mister Donut (Domestic). \*On March 31, 2018, Duskin discontinued the Café Du Monde business.

## 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:  
**65,000**

Residential  
customers:  
**5 million**

Commercial  
customers:  
**1.2 million**

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