

CORPORATE REPORT 2018



Duskin Co., Ltd.

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Duskin supports "Fun to Share";
a campaign to achieve a low-carbon
society.

Our founder's philosophy lives on.

Attentive care for our customers is our utmost focus, based on our founder's philosophy which lives on to today. His principles in life are reflected in our management philosophy called Prayerful Management. All of our employees incorporate his philosophy, of sharing joy and doing our best, in our everyday activities.

Management Philosophy

Day after day, beginning with today
both you and I have a chance
to begin our lives anew.

Whether our lot today be profit or loss,
be spiritually ready for loss.

As a planter would, let us sow the seeds of joy
to every person we meet each day.

For everyone, for you and me,
may we lead our lives in this world to the fullest,
realizing our maximum spiritual and material potential.



Duskin Founder
Seichi Suzuki

Seichi Suzuki was born in Hekinan City, Aichi Prefecture in 1911. He joined Itoen in 1938. In 1944 he established Kentoku Company. From that time on, Suzuki pursued the principle of Prayerful Management, his aim being to unite moral and economic goals in both his own and his company's business practices. He led the Duskin Group as it paved a new path to a multi-franchise business enterprise. Seichi Suzuki died in 1980 at the age of 68.

Sow the Seeds of Joy within people and communities.

Profit is the reward of joyous transactions.

Duskin's founder, Seichi Suzuki believed "Profit is the reward of joyous transactions," and energetically continued his businesses, wishing that everyone who took part in Duskin's activities, would become happy. Home Duskin, a modern treated cloth, started a new way of dusting without water. Introducing this method was a big step to realize our founder's wish. People called it the magic dust cloth – and it brought cleaning innovation to homes in Japan.



Franchise to fulfill the philosophy

Seichi Suzuki adopted the franchise system to spread dust control business so that everyone who agreed with Duskin's philosophy, Sowing the Seeds of Joy, could use this business as an opportunity for their success. Our headquarters and franchisees are united in a strong relationship. Together, we follow the same philosophy. By Sowing the Seeds of Joy, we grow the businesses, sharing in each other's fortune and future.

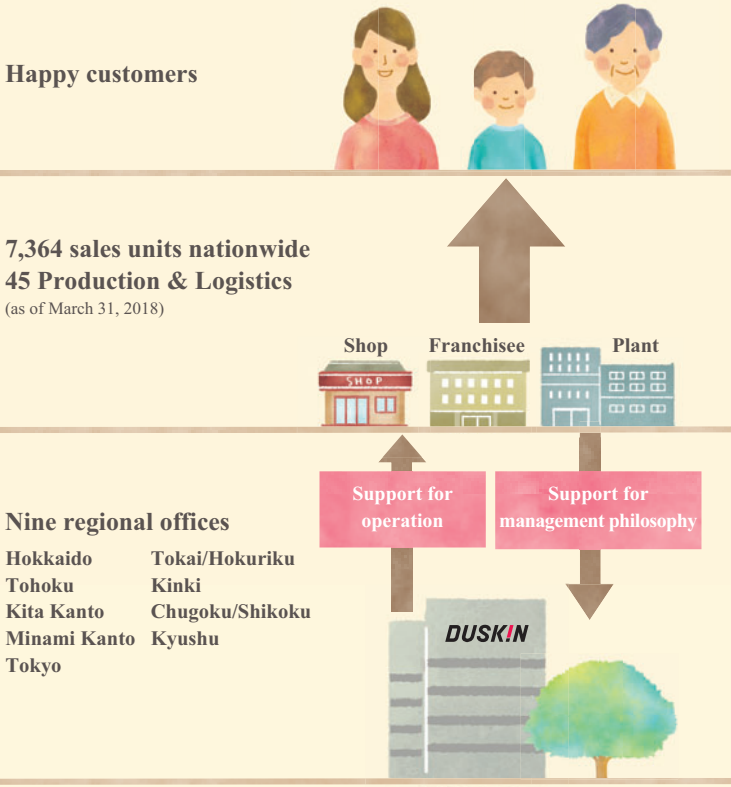


Franchising is a way of life.

At Duskin, we believe the franchising system enriches us spiritually and materially, as we support each other and continue to grow together. "Franchising is a way of life" means that franchising brings not only success in business but also success in life.



Franchise system to Sow the Seeds of Joy



Sowing the Seeds of Joy in our everyday lives and communities



Duskin operates a variety of businesses that help make customers' homes and work environments more comfortable and harmonious. Our shops and service units are working closely with local communities to bring joy to customers.

Number of units in operation in Japan (as of March 31, 2018)
As some units operate multiple brands, the total number of units may differ from the actual number of units.

Direct Selling Group
(Formerly Clean & Care Group)

Fine-tuning home and
work environments to
bring harmony to your day



Rental and sales of cleaning products
Dust Control
1,950 units



Professional cleaning service
ServiceMaster
1,068 units



Pest control and prevention services
Terminix
547 units

Food Group

Providing happy moments
for customers of all ages



Homemade donuts and a variety of
menu items
Mister Donut
1,084 shops



Convenient home cleaning
and helper services
Merry Maids
754 units



Maintaining plants and flowers
Total Green
120 units



Fixing scratches and dents
Home Repair
36 units



Rental, sales, and cleaning of uniforms
Uniform Service
213 units



Pork cutlet restaurants with quality
ingredients
Katsu & Katsu
15 restaurants



Bakery shops with
fresh-from-the-oven items
Bakery Factory
3 shops



Cosmetics and health food
Health & Beauty
481 units



Delivery of mineral water and coffee
Drink Service
663 units



Rental of special event and daily-use
items
Rent-All
113 units



Rental and sales of home health care
items
Health Rent
145 units



Chiffron cake specialty shops
The Chiffron & Spoon
9 shops



Pie specialty stores from Australia
Pie Face
4 shops



Quality home care for seniors
Duskin Life Care
106 units



Sanitary environments for medical
institutions
Duskin Healthcare
215 units

69 units offer the rental of daily-use goods.



Hamburger and donut shops
MOSDO
2 shops

Unique businesses from around the world brought to Japan, and now into overseas markets

Since our founding, Duskin has adopted business models from overseas, such as dust control systems and franchise systems. We have established and tailored these businesses, and today we are actively expanding them to fit the needs of rapidly growing Asian economies.



Dust Control

DUSKIN

3 markets
25 locations

Taiwan, Shanghai, and South Korea
As of December 31, 2017

Our circle of cleanliness extends overseas.

Duskin started overseas expansion in Taiwan in 1994. We entered Shanghai, China in 2006, a time of overall business growth and opportunity, and South Korea in 2012. Duskin continues to develop both residential and commercial markets overseas.

Mister Donut

mister Donut

5 markets
4,879 locations

Shanghai, Taiwan, Thailand, the Philippines, and Indonesia
As of December 31, 2017

Mister Donut is welcomed across borders.

The great taste of Mister Donut is loved by all. We have a presence in five overseas markets: Shanghai, Taiwan, Thailand, the Philippines, and Indonesia.

Big Apple

BIG APPLE
DONUTS & COFFEE

Every Piece Is A Masterpiece

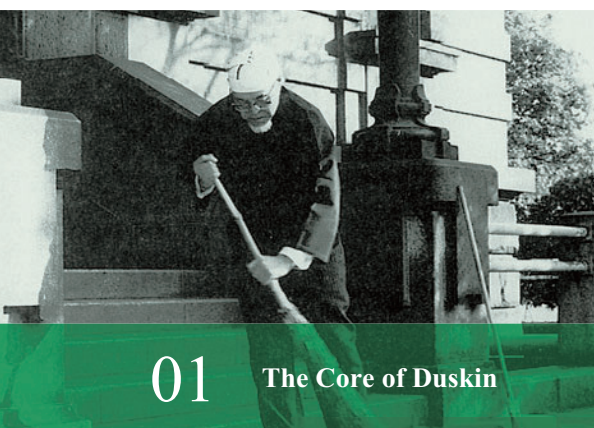
2 markets
90 locations

Malaysia and Cambodia
As of December 31, 2017

Two brands come together.

Duskin acquired this donut chain in Malaysia and Cambodia, and made it a subsidiary. With our joint knowledge and know-how, we are increasing our presence in these regions.





01 The Core of Duskin



35 Topics 1 Driving expansion of five cleaning and technical service brands to meet the growing demands as the social environment changes



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37 Topics 2 Focusing on development of franchisee personnel who have a significant role in the service quality



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Format and Purpose of Report Media

1. Duskin Corporate Profile 2018: A concise narrative describing business activities and CSR efforts based on our corporate vision "To be the most attentive service provider." The primary readers are those seeking Duskin information, such as job seekers, business operators interested in becoming Duskin franchisees, and corporate customers.



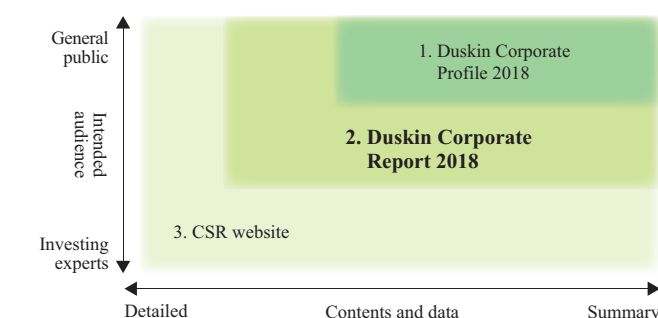
2. Duskin Corporate Report 2018 (this report): A comprehensive report containing the contents of Duskin Corporate Profile, financial information such as Duskin's management strategies and business performance, and non-financial information such as CSR activities.



3. CSR website (Japanese version only): Under the five focused themes of CSR activities: Safety, Reliability and Quality, Human Resources, Environment, Local and Social Contributions, and Corporate Governance, we are continuously striving for superior information disclosure for a wider range of stakeholders. ESG data book with detailed information for related experts is also available on the website.



WEB More information about our activities can be found on the website at: <https://www.duskin.co.jp/csr/> (Japanese version only).



Reference Guidelines

The International Integrated Reporting Framework by IIRC
GRI Standards by GRI
Environmental Reporting Guidelines 2012 by the Ministry of the Environment

Period Covered

Period covered for this report is from April 2017 through March 2018. However, reports of FY2016 and before and some activities from FY2018 are also included.

Scope of Coverage

The scope covered in this report includes Duskin Co., Ltd., its affiliated companies and franchised units in Japan. Activities of Duskin Co., Ltd. and its consolidated subsidiaries are reported as the Duskin corporate group, those of the Duskin corporate group and Duskin's affiliated companies accounted for by equity methods as Duskin Group, and those of Duskin Group and its franchise locations and franchised laundry plants as Duskin Family.

Time of Issue

August 2018 (Next issue: August 2019)

Social contribution of Sowing the Seeds of Joy through our unique franchise system

Social needs and challenges

Aging society



Women's advancement in society



Decrease of labor population



Food diversity



Asian countries achieving rapid economic growth



Duskin

Long-term strategy ONE DUSKIN

ONLY ONE

A one and only franchise system where franchisor and franchisees share our management philosophy

NUMBER ONE

The most trusted franchise business in the community

ALL FOR ONE

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

Significant non-financial factors

Sustainable franchise model

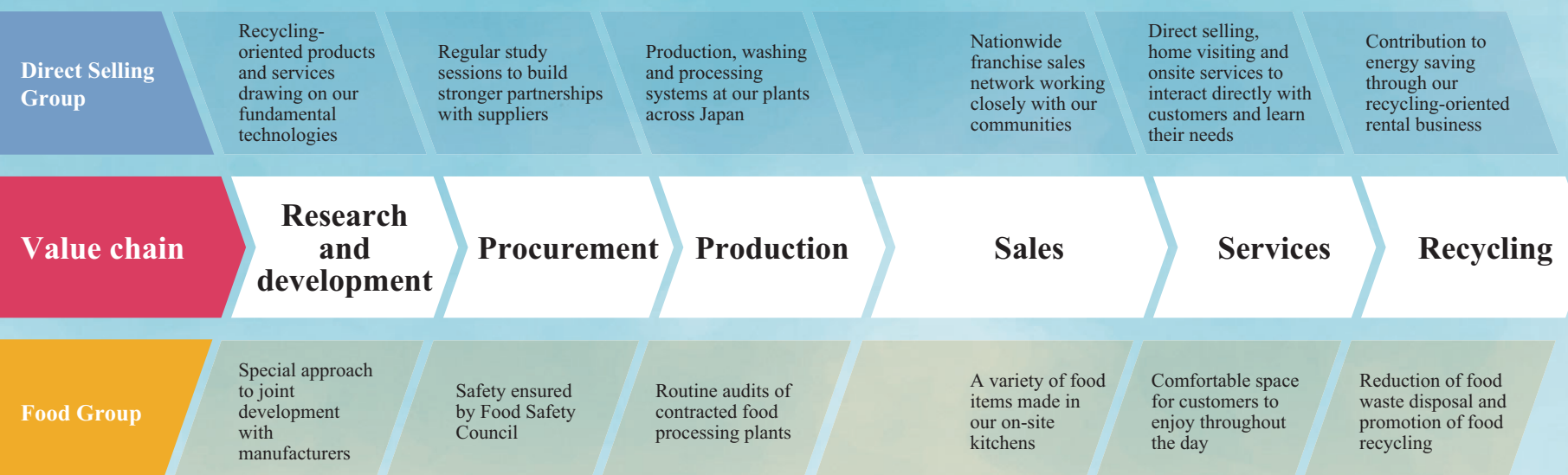
- The head office and franchisees share the same interests and Duskin's management philosophy.
- A business model that will contribute to franchisees' sustainable growth

Human resource development

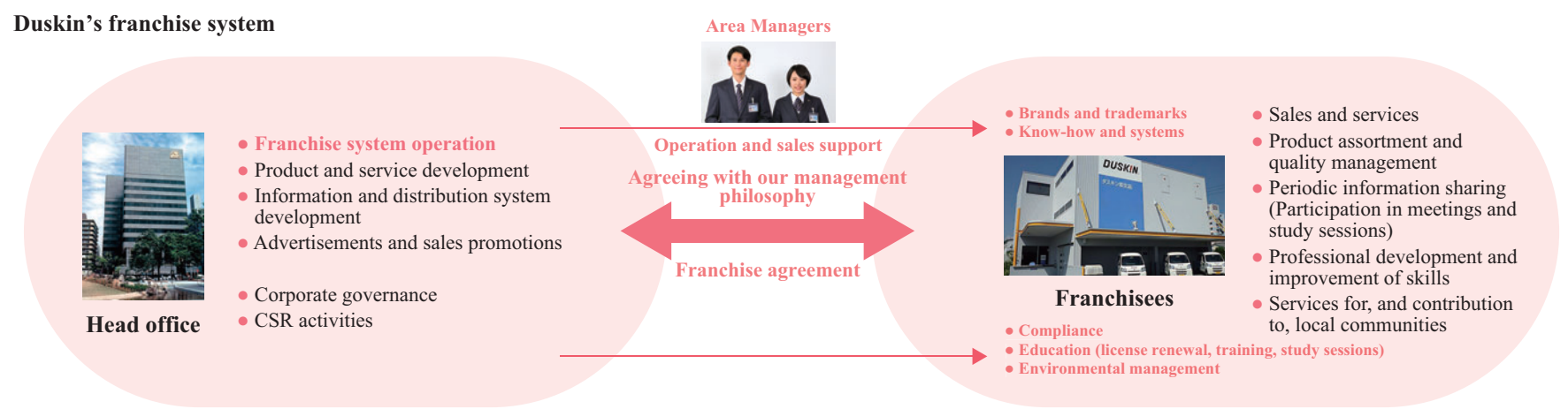
- Human resource development focused on becoming the most reliable service provider in the community and always being loved by our customers
- Duskin corporate group that pursues profit generated by joyous transactions

Safety and reliability

- Safety placed above all else in all phases of product/service cycle
- Quality assurance system that allows us to listen attentively to customers' voices and develop products and services accordingly



Duskin's franchise system



Created value

Social contribution through our businesses Sow the Seeds of Joy



Convenience
and ease of use



Healthy life
and happy smiles



Attention
to ensure safety



Delectable foods
and fun times



Cleanliness
for safety
and reliability



Comfort
in pleasant spaces

Leading-edge products and services to meet the needs of the time



1964 Direct Selling Group

Debut of the innovative Home Duskin product, a chemically treated dust cloth

1969- The business diversified into rental of cabinet towels and industrial wipe cloths.

Direct Selling Group

1971 ServiceMaster, professional cleaning service initiated.



Direct Selling Group

Business diversification starts.

1977 Pest control business launched (now called Terminix). Rent-All business, a total rental shop, launched.

1982 Healthcare business, management service of medical facilities, starts (now conducted by Duskin Healthcare).

1989 Merry Maids, home cleaning and helper services launched.



1994 Direct Selling Group

Dust Control business first enters an overseas market (Taiwan).

1999 TruGreen plant maintenance business starts (rebranded as Total Green).

1990
Dust Control offices:
Over **2,000**

Direct Selling Group

Senior care services start.

2000 Home Instead Senior Care business starts (rebranded as Duskin Life Care, support services for seniors).

2004 Health Rent business starts.



2006 Direct Selling Group

Dust Control business launched in China.

Direct Selling Group

6,245^{*3} offices in Japan
25^{*4} offices in **3** overseas markets

Direct Selling Group

2016 Home Repair business (fixing scratches and dents) starts.



1960-

1963 Corporate

Founding of the company

1970-

1970 Food Group

Mister Donut business launched.

1971 Mister Donut shops open.
April: First shop (company-owned) in Minoh
November: First franchised shop in Kyobashi



1988

Food Group stores:
Over **500**

1990-

1997
Food Group stores:
Over **1,000**

Food Group

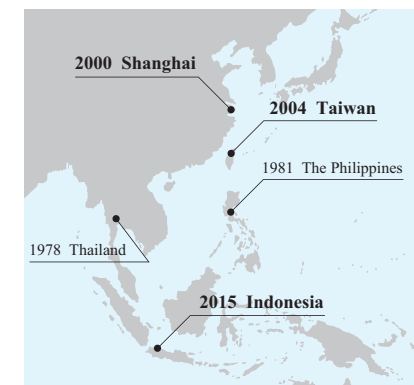
1999 Katsu & Katsu, a pork cutlet restaurant, launched.



2000-

Food Group

Mister Donut accelerates business expansion to overseas markets.



2010-

Food Group

1,119^{*3} shops in Japan
Mister Donut business
4,879^{*4} shops in **5** overseas markets
Big Apple business
90^{*4} shops in **2** overseas markets

Food Group

Introduction of new brands accelerated.

2013 Bakery Factory, a suburban type large-scale bakery shop
2014 The Chiffon & Spoon, a chiffon cake specialty shop
2015 Pie Face, a pie specialty store



^{*3} As of March 31, 2018 ^{*4} As of December 31, 2017

Major social trends

Increased awareness of hygiene	Westernization of the Japanese diet	Advancement of women in society	Rapid economic growth in Asian countries	Increased awareness of food safety and reliability	Aging society
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Major events at Duskin

Sustainable franchise model <ul style="list-style-type: none"> 1964 Recruiting the first group of franchisees starts. 1969 Granted full membership in International Franchise Association (IFA), the first time for a Japanese company. 	<ul style="list-style-type: none"> 1971 Mister Donut Japan Training Center completed. 1968 Clover Society, employee association for all Duskin employees, established.^{*1} 1977 Prayerful Management College starts as an in-house learning system. 	<ul style="list-style-type: none"> 1981 Seiichi Suzuki Award established to commemorate our founder's contributions and grace.^{*2} 1986 Duskin founder Seiichi Suzuki becomes the first Japanese individual to be awarded the Hall of Fame Award by IFA. 1979 Product Development Committee organizes the first product exhibition. 	<ul style="list-style-type: none"> 1993 New franchise system Duskin Serve 100 commences. 1997 Learning Center of Care Service business established. 1999 Osaka Central Plant obtains ISO 14001 Certification. 1991 Duskin Call Center opens. 	<ul style="list-style-type: none"> 2007 Duskin Achievement Award established to commend franchise owners for their local contributions as members of the Duskin family. 2008 Shift work program introduced to enable employees to choose their work start time. 2004 The first edition of Duskin Code of Conduct, Duskin's compliance principles, completed. 2003 Quality Assurance Committee organized (now called CSR Committee). 	<ul style="list-style-type: none"> 2015 Long-term strategy ONE DUSKIN announced. 2016 Approved as a specified organization for the Project to Accept Foreigners Conducting Housekeeping Services. 2010 Duskin School, comprehensive training center for all Duskin brands, completed. 2015 Awarded Best Contributors to Product Safety.
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^{*1} Dissolved in 1998 when the labor union was organized.

^{*2} A prize given each year to the most remarkable franchisees for long-term contribution to Duskin's development.

Financial Highlights


*1 Amounts less than the stated units are dropped.

*2 Reportable segments were changed on April 1, 2010. On April 1, 2018, Clean & Care Group was renamed Direct Selling Group. Inter-segment sales are not included in sales by business segment.

*3 Customer-level sales are the total of sales at company-owned and subsidiary units and the estimated sales at franchised units.

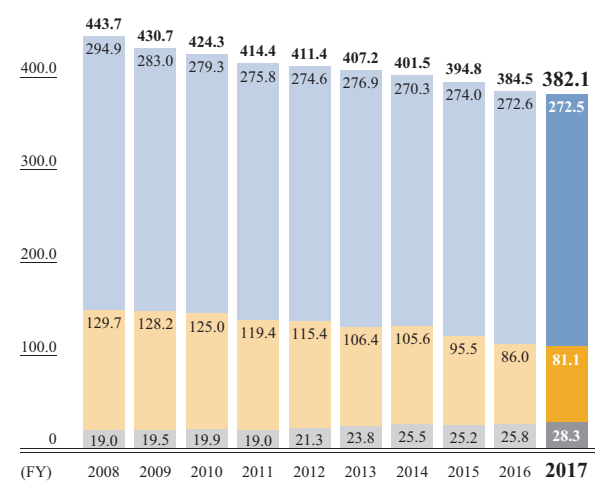
*4 Figures for FY2013 include the 50th anniversary commemorative dividend.

Customer-level sales ^{*2, *3}


382.1 billion yen ^{Change} **-0.6%** 

Direct Selling Group **272.5** billion yen Food Group **81.1** billion yen Other Businesses **28.3** billion yen

(billions of yen)  Direct Selling Group  Food Group  Other Businesses

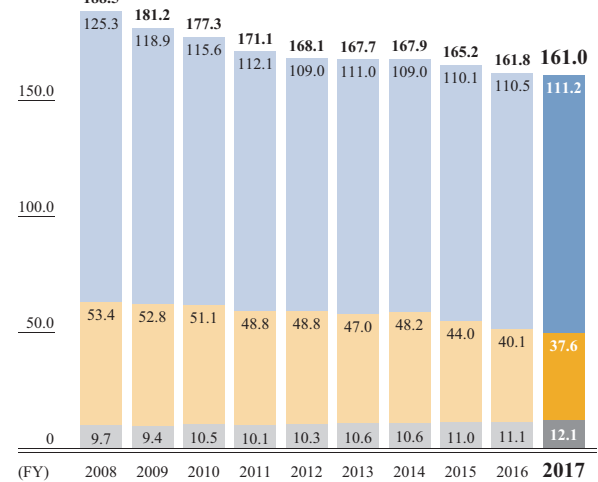


Consolidated sales ^{*2}


161.0 billion yen ^{Change} **-0.5%** 

Direct Selling Group **111.2** billion yen Food Group **37.6** billion yen Other Businesses **12.1** billion yen


(billions of yen)  Direct Selling Group  Food Group  Other Businesses





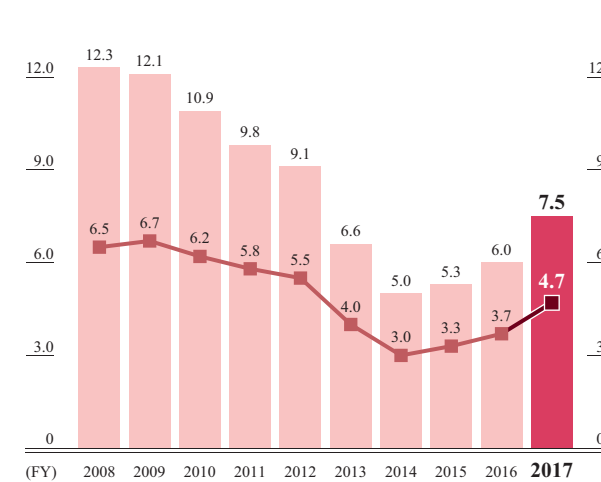
Operating profit

7.5 billion yen ^{Change} **+24.5%** 


Operating margin

4.7% ^{Change} **+1.0 point** 

(billions of yen)  Operating profit  Operating margin (%)





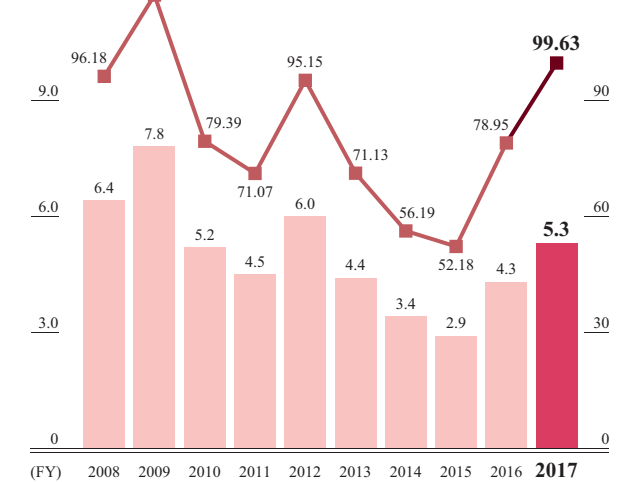
Profit attributable to owners of parent

5.3 billion yen ^{Change} **+23.3%** 

Net profit per share

99.63 yen ^{Change} **+20.68 yen** 

(billions of yen)  Profit attributable to owners of parent  Net profit per share (yen)



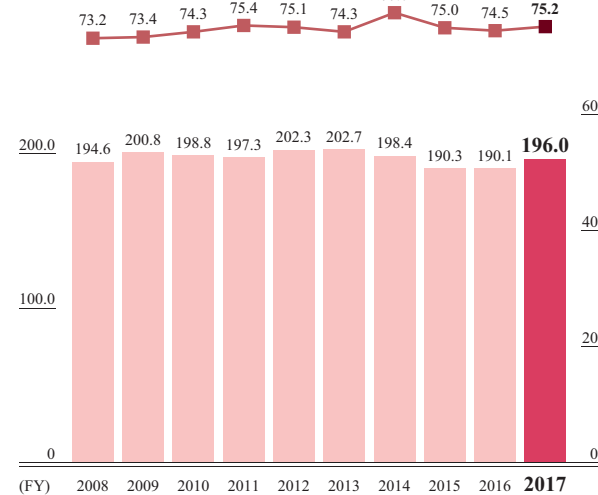
Total assets

196.0 billion yen ^{Change} **+3.1%** 


Equity ratio

75.2% ^{Change} **+0.7 point** 

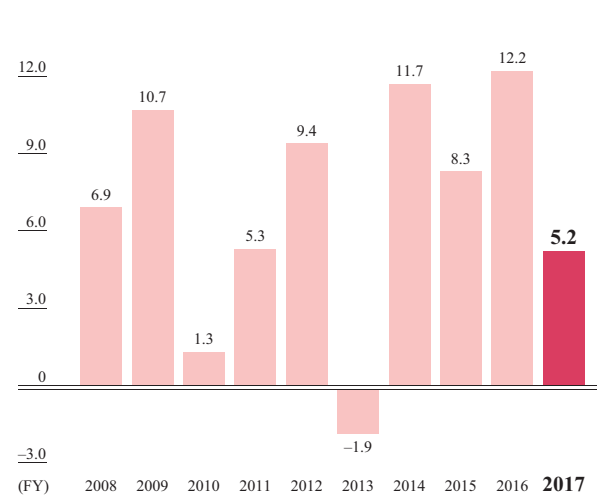
(billions of yen)  Total assets  Equity ratio (%)



Free cash flows

5.2 billion yen ^{Change} **-57.5%** 

(billions of yen)



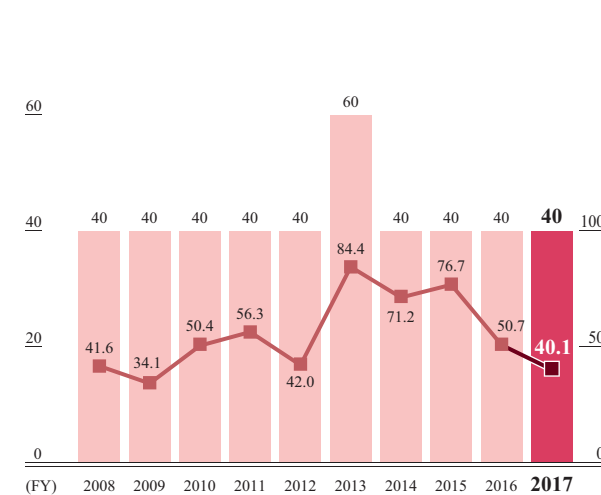
Dividends per share ^{*4}

40 yen ^{Change} **0.0%** 

Dividend payout ratio


40.1% ^{Change} **-10.6 point** 

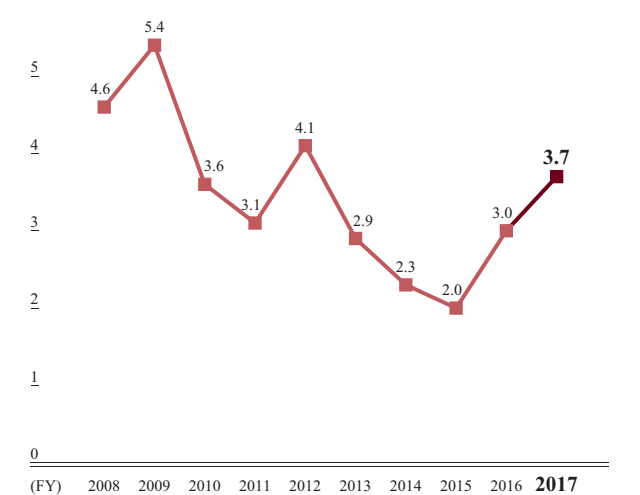
(yen)  Dividends per share  Dividend payout ratio (%)



Return on equity

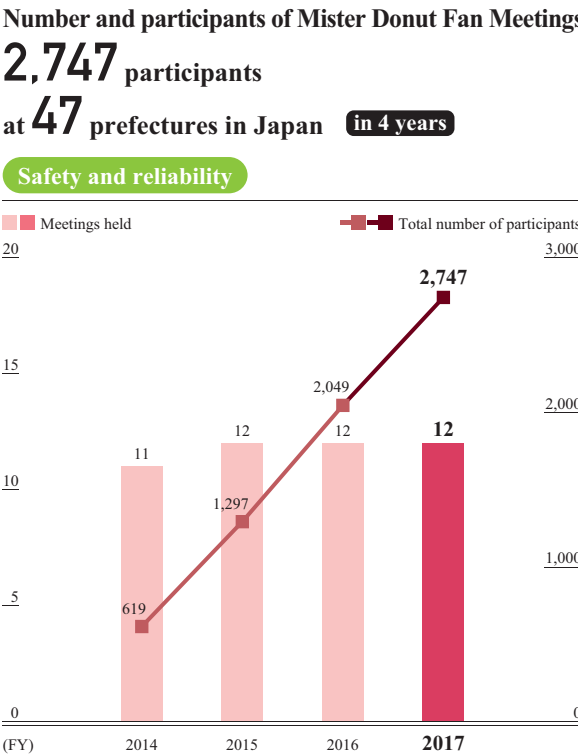
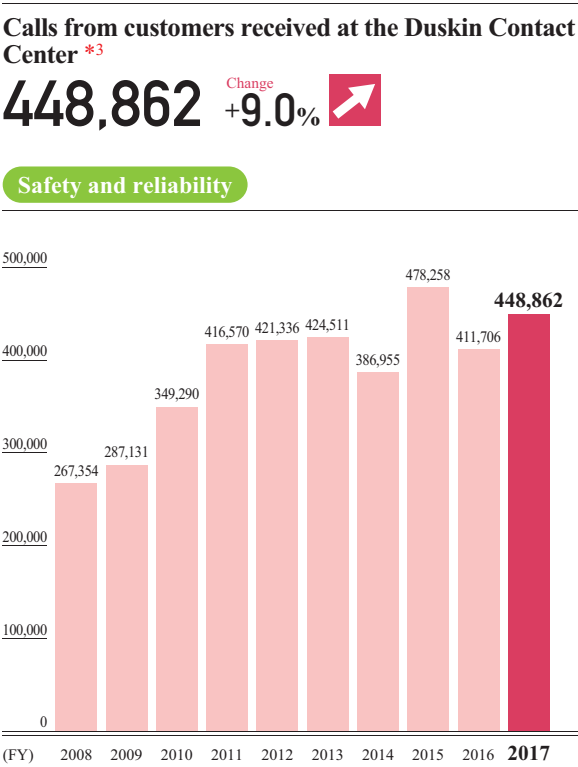
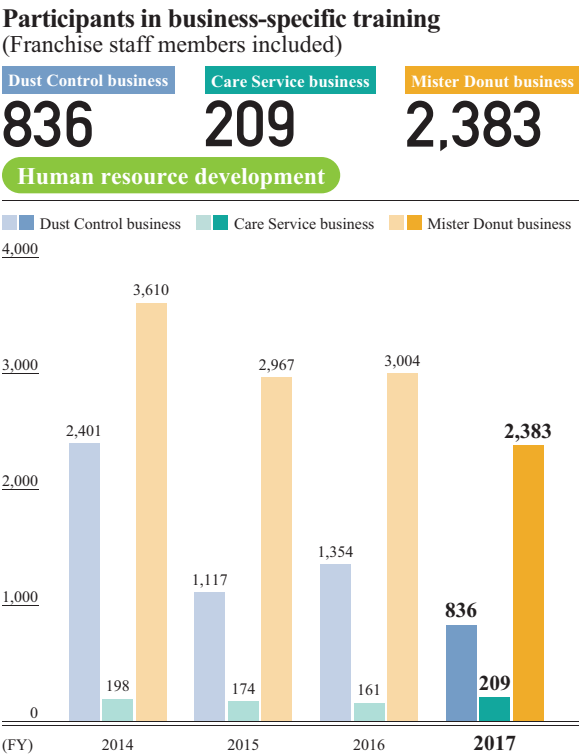
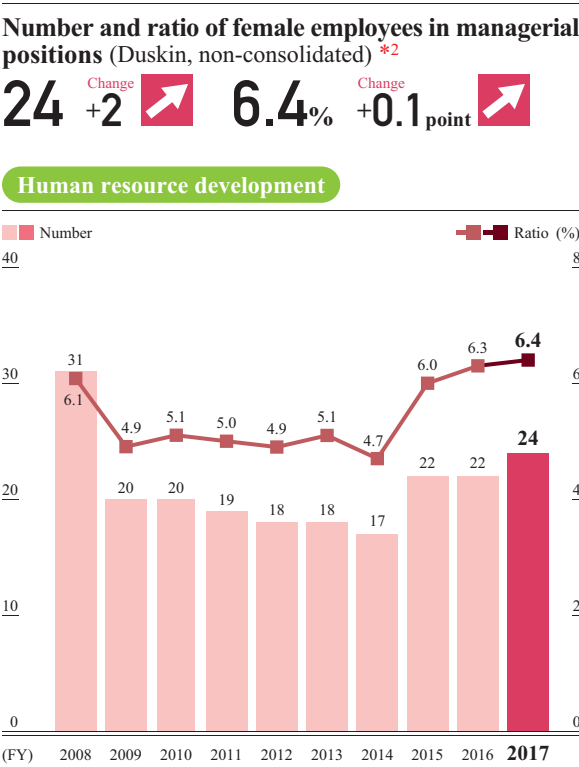
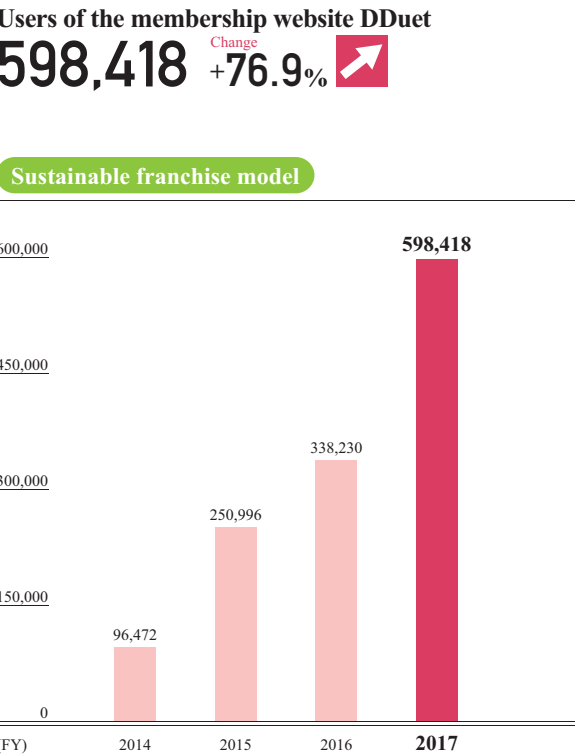
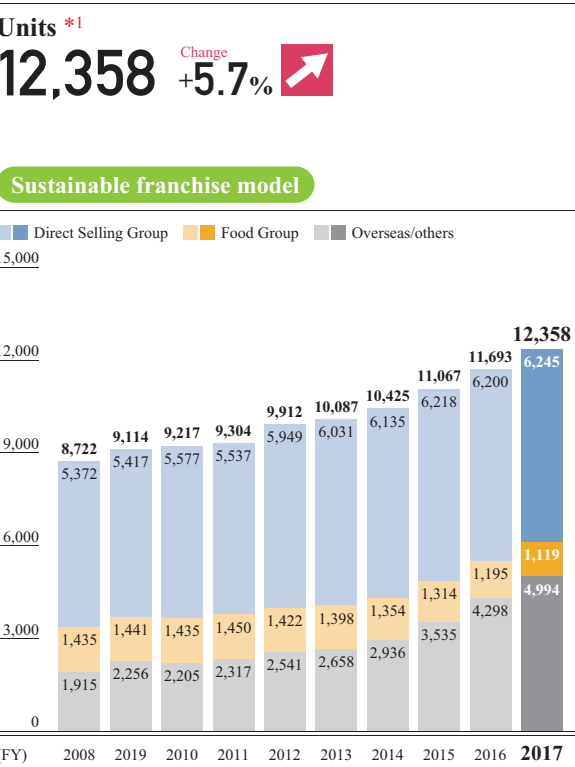
3.7% ^{Change} **+0.7 point** 

(%)  Return on equity



Non-Financial Highlights

*1 The number of units is the total of company-owned, subsidiary and franchised units. The number of overseas units is as of December 31, 2017.
*2 Our personnel system reform including a revision of grading system was implemented in FY2009, thus number and ratio of employees in managerial positions decreased in the following year.
*3 Duskin Call Center was renamed Duskin Contact Center on April 1, 2018.



TOPICS

Sustainable franchise model

New franchise packages introduced to meet increasing demand for four cleaning and technical services

The demand for outsourced services has been growing in recent years. In an effort to promote franchise recruitment and meet the expanding market needs of both customers and service areas, franchise fees have been reduced for cleaning and technical services: ServiceMaster (professional cleaning), Terminix (pest control and comprehensive sanitary management), Merry Maids (home cleaning and helper services) and Total Green (plant and flower maintenance).



Human resource development

Fourteen non-Japanese nationals hired for special project for National Strategic Special Zones

Duskin was approved by Kanagawa, Osaka and Tokyo as a specified business organization for the Project to Accept Foreigners Conducting Housekeeping Services in National Strategic Special Zones. Duskin hired 14 non-Japanese workers as service staff for our Merry Maids cleaning service. Duskin is committed to providing opportunities for women: For those entering the workforce from overseas, and for professional women whose lives are made easier by hiring our expert cleaning services.



Safety and reliability

Meeting with customers to improve products and services

Duskin periodically holds Duskin Fan Meetings for Direct Selling Group customers (started in FY2018) as well as Mister Donut Fan Meetings (initiated in FY2015). The President & CEO, head office staff and franchise owners meet with fans on a prefectural basis to directly listen to the participants' feedback and requests to improve Duskin's products and services.



Key initiatives to meet the needs of society



2017

Apr. May June July Aug. Sept. Oct. Nov. Dec. 2018 Jan. Feb. Mar. Apr.

April 1 Direct Selling Group

Home Repair, fixing scratches and dents, launched as a full-scale business. Total Green also started, maintaining plants and flowers. (Photo ①②)

April 3 Direct Selling Group

In response to vacant housing problems, Merry Maids initiated a new vacant house inspection service, which uses its expertise to check and clean vacant houses and report on its current situations.

April 4 Corporate

Human resource development

Premium Friday introduced for all employees as part of Work Style Reform efforts. Employees are encouraged to leave the office earlier on the last Friday of every month.

April 16 Direct Selling Group

Human resource development

As a specified organization for the Project to Accept Foreigners Conducting Housekeeping Services, Duskin began to hire non-Japanese personnel. Completing training programs, they start to serve customers. (Photo ③)

May 11 Direct Selling Group

Environment

Duskin Product Higashi Kanto Co., Ltd. (Saitama Central Plant) awarded by Saitama-ken Kankyo Hozen Renraku Kyogikai, an environment organization in Saitama, as an enterprise with environment protection initiatives.

May 22 Corporate

Human resource development

Duskin received award for engaging in systematic environmental education.

July 28 Direct Selling Group

Safety and reliability

A seminar for the press held about Duskin Allergy Control Plan (DAP), a program to help our customers improve their home environments. The theme for the seminar is Children with Allergies and Approaches to Control Allergens at Home.

August 1 Direct Selling Group

Human resource development

Duskin Product Higashi Kanto Co., Ltd. certified as a company supporting diverse workstyles by Saitama prefecture.

August 22 Corporate

Sustainable franchise model

The 36th Seiichi Suzuki Award given to the most remarkable franchisees for their long-term contributions to Duskin's growth.

October 1 Food Group

Entered into a business alliance with STRAWBERRY CONES Co., LTD. Pizzas and other products of their Napoli no Kama brand were introduced at Mister Donut locations across Japan.

October 26 Corporate

Safety and reliability

The 11th roundtable conferences with consumer organizations held at Duskin headquarters. Ten people representing six organizations attend.

November 10 and 11

Corporate

Sustainable franchise model

ONE DUSKIN Day, a nationwide campaign of visiting our residential customers, conducted. Duskin employees, Duskin National Franchisee Association and Duskin National Care Service Franchisee Association joined together for this campaign.

November 16 Corporate

Sustainable franchise model

Duskin held a presentation ceremony of the 9th Duskin Achievement Award, a prize for contribution to the growth of local community.

November 17 Food Group

A new key phrase is MISDO GOHAN. Mister Donut released new light meal items customers can casually enjoy at our shops. (Photo ④)

November 20

Direct Selling Group

Safety and reliability

All Merry Maids offices certified as a quality housekeeping service provider.

December 7 Corporate

Human resource development

Manager of Merry Maids Division recognized to be an excellent role model as a woman in a management position.

December 8 Food Group

Safety and reliability

Childrearing Moms Fan Gathering, a social event of MOS BURGER and Mister Donut, held in Tokyo. Each brand explained their focuses and initiatives that ensure product safety, and questions from the participants were answered. The second gathering was held on February 8, 2018 in Osaka. (Photo ⑤)

December 10 Corporate

Clean Up My Town, a volunteer cleaning activity, conducted at Koyasan Kongobuji Temple, a World Heritage site. (Photo ⑥)

2018

January 30 Corporate

In addition to the current shareholder benefit plan, a meeting of the Board of Directors decided to newly introduce the Longtime Shareholders Benefit Plan.

February 1

Direct Selling Group

Sustainable franchise model

Created new franchise packages for four cleaning and technical services: ServiceMaster, Merry Maids, Terminix and Total Green.

February 8

Direct Selling Group

Human resource development

A national competition held to decide the best over-the-phone customer service provider.

February 20 Corporate

Human resource development

Duskin and its seven affiliates certified as a Health and Productivity Management Organization (White 500) by the Ministry of Economy, Trade and Industry (METI). (Photo ⑦)

March 18 Corporate

Sustainable franchise model

Duskin once featured Kin-san and Gin-san, then-famous 100-year-old twins, in our TV commercial. Gin's daughters Chitayo at the age of 100 and Mineyo at the age of 94 appeared in Duskin's 55th anniversary advertisement "Call 100-100 in the age of 100-year life." (Photo ⑧)

April 1 Direct Selling Group

Duskin Life Care, support services for seniors, not covered by long-term care insurance, initiated.

Teruji Yamamura
President & CEO

With a goal toward sustainable growth, Phase II of our long-term strategy, ONE DUSKIN has started.

Duskin Group is currently undertaking the initiatives for its long-term strategy, ONE DUSKIN, which spans nine years from FY2015 to FY2023. The goal of this strategy is to unite all Duskin businesses so as to serve our customers in the most effective and courteous manner.

During the Medium-Term Management Policy 2015, the first three-year phase of our long-term strategy, ONE DUSKIN, we built our foundation to move ahead from sales recovery toward growth. Now, in the second phase, the Medium-Term Management Policy 2018, we are working toward the goals building on the business models developed in the first phase. Leveraging the strength of our network of franchisees, deeply rooted in the local communities, we respond to our customers’ needs with outstanding services. With these efforts, we will achieve recovery in our business performance, and not only meet but exceed society’s expectations. We will reinforce our corporate organization through structure reform, and achieve sustainable growth.

FY2017 Results

Established business models and increased profit in three consecutive years

In FY2017, the final year of the Medium-Term Management Policy 2015, we accelerated initiatives to recover sales and build a revitalized growth track.

Clean & Care Group (renamed Direct Selling Group on April 1, 2018) focused on its initiatives to reinforce customer contacts and meet the changing needs at homes and in work places. The group promoted easy and effective cleaning tools and methods intended for the increasing number of working couples and senior households. The group also concentrated on improving our service structure to meet the increasing needs for professional cleaning and technical services.

At Food Group, Mister Donut launched MISDO GOHAN, light meal items responding to diversifying customers’ needs, and MISDO Meets, collaborative product development with companies and pastry chefs with leading techniques and high-quality ingredients. Food Group also concentrated its efforts on developing other food businesses.

As a result of these efforts, Clean & Care Group recorded higher sales. Food Group’s sales, however, were negatively impacted because closures of underperforming locations reduced the number of shops. Consolidated sales totaled 161,031 million yen, an 849 million yen (0.5%) decrease from the previous year. While sales were lower, the cost of sales at Clean & Care Group

also decreased as did depreciation and expenses for retirement benefits. As a result, operating profit was 7,557 million yen, a 1,488 million yen (24.5%) increase from one year earlier. Ordinary profit was 8,978 million yen, a 1,423 million yen (18.8%) increase from the previous year. Profit attributable to owners of parent was 5,324 million yen, a 1,006 million yen (23.3%) increase from one year earlier.

Duskin views profit returns to shareholders as one of our priorities. Our basic policy is to continue to pay stable dividends. In FY2017, Duskin paid an interim dividend of 20 yen per share and a year-end dividend of 20 yen per share for a total of 40 yen.

Medium-Term Management Policy 2015

Phase I plans steadily implemented to meet the ONE DUSKIN long-term strategy

The three-year period of Medium-Term Management Policy 2015 was defined as the first phase to achieve the goals of our ONE DUSKIN long-term strategy. In this phase, our efforts were focused on four basic policies: business model development, structure reform, new growth and enhanced corporate governance.

Business model development: Clean & Care Group developed an online network to share residential customer information among franchise offices and the head office. This online network system is now in use at all franchise offices. The group also developed its membership website, DDuet, to directly deliver

▼ Consolidated Results of Phase I, Medium-Term Management Policy 2015 (FY2015-FY2017)

(millions of yen)	FY2015 Actual	FY2016 Actual	FY2017 Actual	Change	Change (%)
Sales	165,203	161,880	161,031	−849	−0.5
Operating profit	5,372	6,069	7,557	1,488	24.5
Ordinary profit	6,707	7,554	8,978	1,423	18.8
Profit attributable to owners of parent	2,983	4,318	5,324	1,006	23.3

promotional information to customers. The DDuet membership reached 590,000. For commercial customers, the group enhanced its service structure to provide sanitary management service by training Hygiene Masters specializing in sanitary management.

At Food Group, Mister Donut developed new types of shops adapting shop design in response to different locations, and introduced new product categories, including light meal menu items. As a result of these improvements, sales per shop in operation increased even though the total sales were lower due to smaller number of shops than in the previous year. Mister Donut established the direction for rebuilding its brand.

Structure reform: Both Clean & Care Group and Food Group reviewed their cost structure for procurement, production, logistics and information systems. Through these initiatives, both groups achieved higher profitability, reducing their cost ratio by 3.9 points compared with FY2014.

New growth: Duskin acquired Big Apple Worldwide Holdings Sdn. Bhd., the largest donut chain in Malaysia and made it a subsidiary. This acquisition will enable us to enter into markets where Mister Donut is yet to have its presence. As another initiative, we launched Life Care business with a goal to provide our original services for the senior market.

Enhanced corporate governance: Duskin has increased our number of Outside Directors, created Outside Directors and Audit & Supervisory Board Members Council and established

the new Directors Evaluation and Nomination System. These initiatives were implemented to create corporate structure that enables us to achieve sustainable growth.

New Medium-Term Management Policy 2018

To advance deployment of business models established in Phase I

FY2018 is the first year of Phase II of ONE DUSKIN long-term strategy. Medium-Term Management Policy 2018 has three basic pillars: development of existing businesses; new growth; and enhancement of corporate structure. Both Direct Selling Group and Food Group will work on nationwide deployment of business models established in Phase I with a goal to achieve performance recovery. Duskin will reinforce its corporate organization through structure reform and improve our corporate governance to achieve sustainable growth.

Expansion of current businesses
Direct Selling Group evolves its businesses to Daily Life Fine-Tuning Service

With the organizational change to Direct Selling Group, we are reinforcing closer cooperation across business lines. These include rentals of cleaning tools, professional cleaning, home help services, senior care, rentals of assisted living equipment, cosmetics and health food sales, uniform rental and maintenance, and event support services. This new organizational structure is intended to meet increasingly diversifying needs of customers. With the advancement of the internet, and an increasingly aging

population, people's lifestyles and workstyles are changing. Leveraging our strength of direct selling, home visiting and onsite services to directly interact with customers and learn their needs, we are evolving our businesses to a singular and unified Daily Life Fine-Tuning Service. This enhanced offering helps people to stay in tune and on time. We fine-tune the rhythm of their daily lives and help keep them organized, giving customers more time for joy.

At Food Group, Mister Donut will strengthen its value under its brand slogan, "Something good's gonna happen. Mister Donut." Mister Donut continues its shop renovations so that customers of all ages can enjoy our relaxing ambience throughout the day, and will accelerate the initiative to open and relocate shops in line to bring in more customers.

Food Group is examining the potential of our existing businesses with the goal of establishing the next core businesses in this group.

→ See page 29: Results and Outlook

New growth
New business alliance and overseas business development in the Asian market

We will develop new businesses through business alliances and M&A where we expect improving profitability and can take advantage of existing businesses within Direct Selling Group. We also explore business development through alliances with venture companies, educational institutions and the public sector.

In the growing Asian markets where we operate our donut shops and dust control businesses, we are tailoring our franchise business package to meet the needs of each region.

Strengthening corporate structure
Structure reform and enhancing management transparency

Duskin introduced the Operating Officer System with the goal of further enhancing the Board of Directors' decision-making and oversight functions, and expediting business execution through delegation of authority. Our new Operating Officer System also enables us to nurture next generation of our top management team. With an aim to enhance management transparency, the number of Directors of the Board will be reduced and the number of Outside Directors will be increased by one third the Board members.

Another program targeted at staff and talent development provides employees with more options for career path satisfaction, adapting to individual work styles at each stage of life. For greater diversity of our workforce, we are prioritizing the promotion of more women managers, and the hiring of non-Japanese nationals, people with disabilities and retirees. We will further enhance operational efficiency through utilization of AI (Artificial Intelligence) and RPA (Robotic Process Automation), which will reduce administrative expenses. By taking these actions, we will upgrade our corporate functions and reallocate human resources to the growing businesses.



Management Policy explained on April 1, 2018 (left), President's award to recognize employees for their initiatives (right)



MISDO GOHAN, light meal items launched

FY2018 Outlook

More customers, higher sales and income by implementing our key initiatives

In FY2018, which is the first year of Medium-Term Management Policy, we will steadily implement key initiatives for future growth.

Direct Selling Group will further expand our professional cleaning and technical services, Rent-All and Health Rent, which have achieved steady growth. Dust control business, the core category of this group, continues its efforts to reinforce customer contacts through its membership website DDuet and through the Duskin Contact Center. For residential customers, we will train sales representatives to function like “daily-life concierges” and staff members to attentively serve customers. For commercial customers, we continue to focus on training sanitary management specialists, Hygiene Masters. By strengthening the sanitary management service structure, we will serve our clients’ business partners in the field of facility management.

At Food Group, Mister Donut will accelerate its initiative for new shop openings and shop renovation. Having launched MISDO GOHAN with light meal menu items for different times of the day, and innovative new value added products developed with MISDO Meets projects, Mister Donut aims to achieve higher sales per shop.

With these initiatives, Duskin expects consolidated sales of 163,000 million yen, a 1.2% increase from the previous year.

Operating profit is expected to total 7,900 million yen, a 4.5% increase due to an increase in gross profit resulting from higher sales and a decrease in expenses including retirement benefits. Profit attributable to owners of parent is expected to be 5,400 million yen, a 1.4% increase from one year earlier.

Environment, Social, Governance Initiatives

Duskin Group’s ESG efforts go hand-in-hand with our business activities

Duskin Group is committed to executing our joint initiatives for Environment, Social and Governance (collectively ESG) issues as an integral part of our business activities.

Environment: Duskin focuses on environmental conservation by reducing greenhouse gas emissions within each business segment and carrying out 3R (Reduce, Reuse, Recycle) activities as exemplified by our recycling-oriented rental systems.

Society: With an enhanced human resources management system and training programs, Duskin is undertaking initiatives for greater diversity and work style reform to make our workplace more worker-friendly. Also included in our initiatives are: local cleaning campaigns; school education support activities including on-site classes that help raise children’s interest in cleaning; and the Duskin AINOWA Foundation that focuses on independent living for the disabled and their total participation in society.

Governance: We will redouble our efforts for expediting decision-making process and providing increased transparency in our business. With the newly introduced Directors Evaluation and Nomination System, we will further enhance effectiveness of the Board of Directors.

To express our appreciation to our shareholders, Duskin plans to pay an additional, commemorative dividend of 10 yen per share. Therefore, the total interim dividend is planned to be 30 yen. With the year-end dividend of 20 yen per share, the full-year dividend is to be 50 yen per share.

In deepest appreciation of your continued support for this year and those to come, we are enthusiastic about the positive forecast and our future together.

August 2018

山村輝治
Teruji Yamamura
President & CEO

FY2018 Forecast

(millions of yen)	FY2018 Forecast	Change	Change (%)
Sales	163,000	1,968	1.2
Operating profit	7,900	342	4.5
Ordinary profit	9,000	21	0.2
Profit attributable to owners of parent	5,400	75	1.4



Implementing nine-year long-term strategy, ONE DUSKIN in three phases

▼ Long-Term Strategy

ONE DUSKIN

We aim to unite all Duskin businesses so as to serve our customers in the most effective and courteous manner.

ONLY ONE

A one and only franchise system where 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.

▼ Long-Term Strategy ONE DUSKIN - Three Phases



▼ Phase II Financial Goals

	FY2017 results	FY2020 goals
Consolidated sales	161 billion yen	169 billion yen
Consolidated operating profit	7.5 billion yen	8.2 billion yen

Phase II focuses on New growth, Business model development and Strengthening corporate structure.

Duskin Group is currently undertaking the initiatives for its long-term strategy, ONE DUSKIN, whose nine years span from FY2015 to FY2023. ONE DUSKIN aims to unite all Duskin businesses to serve customers in a more effective and courteous manner, and with that goal Duskin will continue to develop products and services to meet customers' diverse needs.

In the Phase II, starting now in FY2018, Duskin is implementing structure reforms that will help us take root firmly in the ground. Our trunk grows strongly upwards, reflecting the voice of customers and the Group's embrace of new challenges in the field. Just as the healthy tree bears fruit, we will steadily achieve the objectives set in this Medium-Term Management Policy.

▼ Basic Strategy

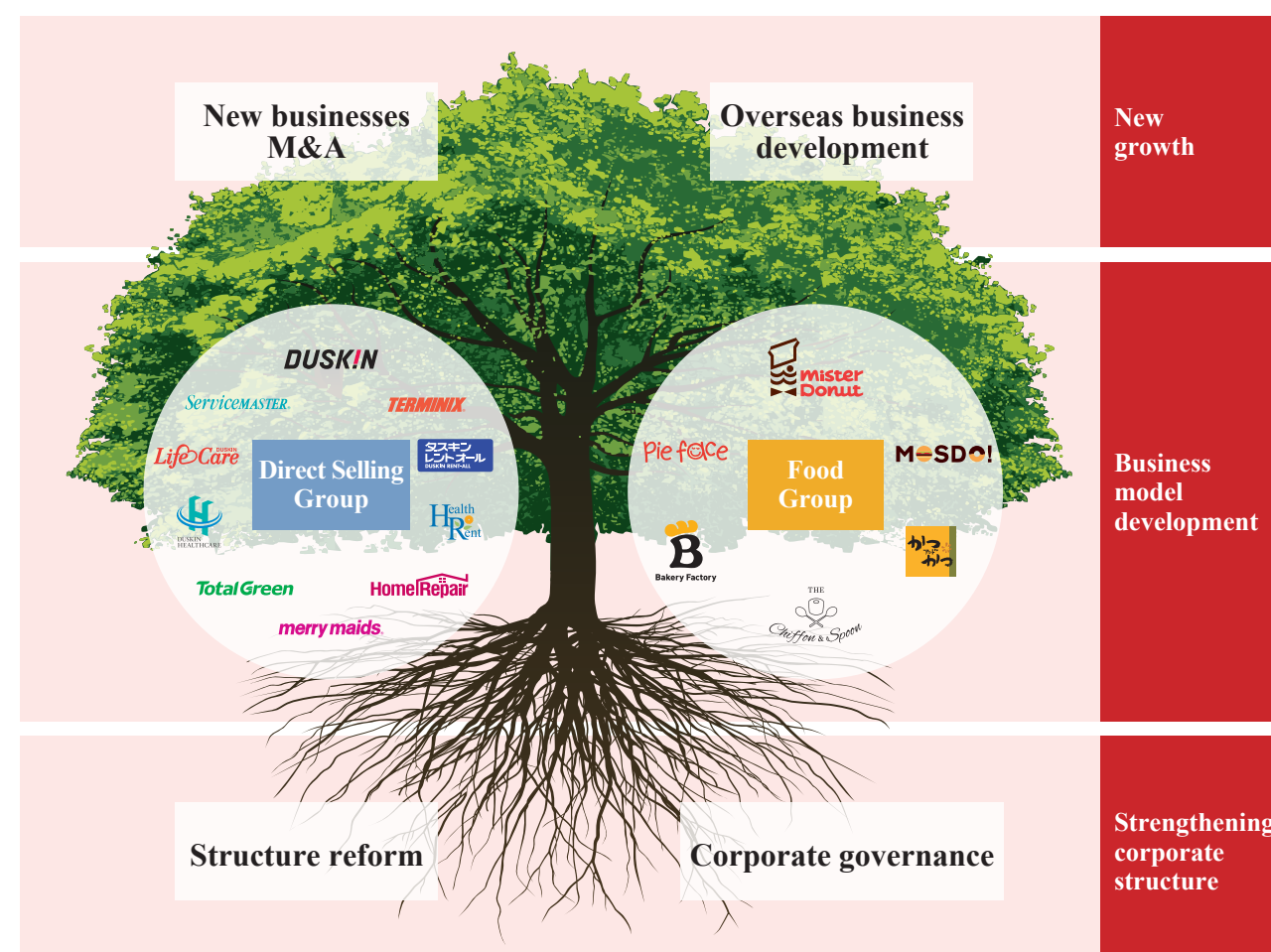
New businesses M&A

- New business development
- M&A, business alliances with public sector

Overseas business development

- Establish our brands in the growing Asian markets

▼ Medium-Term Management Policy 2018



Direct Selling Group

Daily Life Fine-Tuning Service to help people fine-tune the rhythm of their daily life

Fine-Tune Everyday Life 🎵

Residential Market

Fine-Tune Everyday Life

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

- Focus on services for seniors, and cleaning and technical service businesses
- Foster closer cooperation between sales channels and establish structure to serve customers throughout the different stages of their lives

Commercial Market

Comprehensive Solutions for Business Operations
From a supporter to a business partner in the field of sanitary management

- Focus on sanitary management market
- Support customers' business operation by providing comprehensive solutions

Food Group

Mister Donut Business

Something good's gonna happen.

Mister Donut

Product Development

- MISDO Meets: Co-development with companies with leading techniques and high-quality materials
- MISDO GOHAN: Light meal selections to enjoy at different times of the day, including breakfast and lunch
- Double Rings for Your Health: Series of products for health-conscious customers such as decaf coffee and low-calorie items and products for customers with allergies and food sensitivities

Shop Development

- Comfortable shop ambience
- Different shop types to meet the needs of customers. Relocation of existing shops and opening of new shops

Other Food Businesses

Building the next core businesses

Structure reform

- Enhance corporate function by reviewing head office operations
- Reallocate human resources to growing businesses

Corporate governance

- Enhance decision-making and oversight functions of the Board of Directors and expedite business execution with the introduction of the Operating Officer System

Operating Officers present our business strategies.

Direct Selling Group

Evolving into a Daily Life Fine-Tuning Service

Shigeo Takenouchi

Operating Officer
General Manager, Operations, Direct Selling Group

On April 1, 2018, Clean & Care Group was reorganized as Direct Selling Group in order to implement the ONE DUSKIN long-term strategy and to evolve its business into a Daily Life Fine-Tuning Service which helps customers fine-tune the rhythm of their daily life. Direct Selling Group has a variety of businesses with diverse strengths. The dust control business, Merry Maids, Health & Beauty, ServiceMaster, Home Repair, and Total Green help customers live comfortable and healthy lives. Life Care and Health Rent provide services for seniors. Terminix and Uniform Service assist customers in sanitary management. ServiceMaster and Total Green also help maintain cleanliness of customers' workplaces. Rent-All provides event-related services including event planning and operation.

To fully capitalize on the strengths of business lines of Direct Selling Group, we will reinforce closer cooperation between franchisees and our head office. We are committed to being responsive to our customers and understanding their changing needs.

Our focus will be placed on not just providing quality products and services, but on delivering outstanding customer experiences that meet individual needs and enhance customer lifestyles. Our goal is to continuously provide benefits for our customers and their families through all the stages of their lives, not just one time or one stage of life.

Market trends suggest that the demand for the services that Duskin provides for residential and commercial customers will grow steadily. We will undertake aggressive promotional initiatives to increase the DDuet users, our membership

website. Our primary focus group in the residential market will be the younger generation as they are familiar with and used to e-commerce where there are fewer need and requests/opportunities for face-to-face meetings.

In this age of the 100-year life, it is predicted that the amount spent by senior households will account for half of all household spending in 2030. Our goal is to assist seniors fine-tuning their rhythm of daily life and enjoy their days with our products and services. For commercial customers, we are developing sanitary management professionals called Hygiene Masters. These experts provide know-how to maintain clean working environments. We provide useful services including sanitary management to address a variety of customers' concerns, and focus on comprehensively supporting them in business operations.

In our efforts to steadily grow our existing businesses through these initiatives, we provide comprehensive solutions by identifying customers' concerns and anticipating customers' requests. By doing so, we ensure that Duskin's cleaning service will evolve into a core aspect of the Daily Life Fine-Tuning Service.



Direct Selling Group

Developing new business areas and attentively serving our customers

Kiyokazu Yamashiro

Operating Officer
General Manager, Care Service Business Group

The demand for cleaning and technical services has continuously been rising due to an increasingly aging population, declining birthrate and more women working outside the home. Duskin's cleaning and technical services have also been growing steadily to keep up with demand. In the future, however, it is anticipated that competition will become intense in this area. We have therefore determined to develop high value-added services, and thus differentiate our services from our competition, in order to continue to attract our customers.

However far AI (Artificial Intelligence) and the IoT (Internet of Things) have evolved, we believe that the key to our cleaning and technical services is to meet customers' diverse needs at different stages of their lives or businesses. Just providing "outsourcing services" is not enough. Year by year, customers' consumption behavior has been diversifying, and their lifestyles have also been changing. We will focus more on proactively offering information that customers need and serving them attentively through closer cooperation between each of our cleaning and technical service businesses. We aim to keep our services flexible to adapt to changes in customers' needs and provide our Daily Life Fine-Tuning Services to help people stay organized and relaxed with the fine-tuned rhythm of their daily activities.

Our policy to explore new business areas is driven by our desire to help customers spend relaxed time in a comfortable space. We are directing our attention to "space" in a house, not to "things" such as air conditioners and range hoods, and planning to develop services in the areas of air odor elimination, sterilization and disinfection. We will press forward to our ultimate goal: to help customers keep their entire living space comfortable.



Food Group

Embracing challenges and changes to get on a growth track

Tetsuya Wada

Operating Officer
General Manager, Mister Donut Business Group

At Mister Donut, we are accelerating our shop development plan in urban areas and on major roads where Mister Donut does not yet have a strong presence. Since a standard Mister Donut shop needs a certain size area with its kitchen equipment occupying half of the floor plan, it is challenging to open shops in high rent districts. Our strategy to meet this challenge is to open more kitchen-less shops in these areas. Donuts are made at the neighboring shops or facilities and efficiently delivered to these shops to maintain the same quality as in the existing locations. This enables us to lower initial investment of shop openings, improve productivity and thus increase the number of shops. We are also expediting relocation and renovation of existing shops.

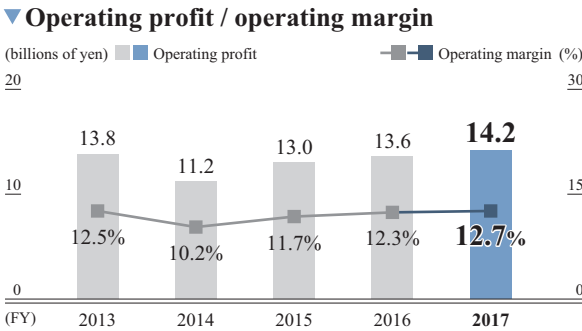
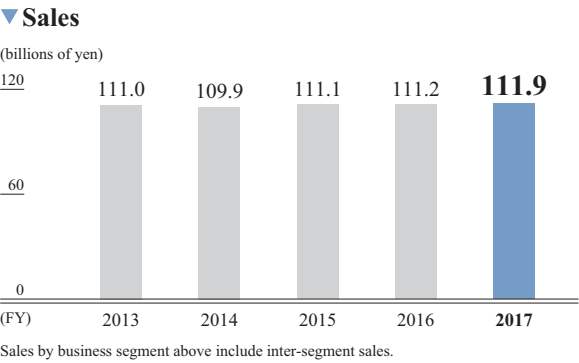
We are addressing the urgent issue of labor shortage by designing systems for self-checkouts and cashless checkouts. Some of the systems are already under development and, when fully ready, will be installed in our shops. In human resource development, we are improving efficiency of our training programs while maintaining our fundamental philosophy that trained people are at the core of our products and services. In menu development, we will continue to develop high value-added products including MISDO Meets items and MISDO GOHAN meal items to meet diverse needs.

Our founder Seiichi Suzuki put it "Maintaining the status quo is ultimately retrogressive." Keeping this in mind, we are embracing new challenges, and making changes without hesitation, to get on a growth track.



Direct Selling Group

Clean & Care Group was renamed Direct Selling Group on April 1, 2018.



SWOT analysis

<div>Community-based franchise system</div> <div>Strong customer base: over 5 million residential and 1.3 million commercial customers</div> <div>Steady rental business with high customer retention</div> <div>Strong bonds with franchisees</div>	<div>High dependency on mops, our core item</div> <div>Lower cost-competitiveness due to falling prices of cleaning items sold by retailers</div>
<div>Growing need for cleaning and home help services due to an increase in working couples</div> <div>Stronger demand for nursing services due to Japan's aging population</div> <div>Larger hygiene management market</div>	<div>More competition in home help / senior care sectors because of emergence of smaller companies and new entries from other industries</div> <div>Smaller customer contacts due to stricter regulations on direct-sales business</div>

Business Performance

FY2017 results

Sales of dust control products, the core category of this segment, remained at the same level as in the previous year but Rent-All, which rents household items and equipment for various events, and other businesses performed well. As a result, sales of Clean & Care Group increased 663 million yen (0.6%) to 111,941 million yen.

Gross profit increased due to higher sales. Cost of sales decreased due to lower investments in Style Cleaner, and expenses for retirement benefits also declined. As a result, operating profit was 14,201 million yen, a 529 million yen (3.9%) increase from the previous year.

Among dust control products for residential use, **Cleaning Basic Three**, consisting of the LaLa floor mop, the Shushu handy mop and the Style Cleaner, posted higher sales. The **Robot Cleaner SiRo**, which was rolled out nationwide in April 2017, also contributed to sales. However, sales of other mop products decreased. Kitchen Sponge promotions to acquire new customers resulted in sales growth. Sales of down quilts and other bedroom products launched in November helped increase overall sales. Sales of range hood filters and other products decreased. As a result, total sales of residential dust control products were lower than one year earlier.

Among mat products, the core items of dust control products for commercial use, our Inside highly functional custom-made indoor mats and **thin dust control and water absorption mats** continued to perform well. Other mat products posted lower sales. As a result, total sales of mat products were at the same level as in the previous year. Sales of restroom-related products and water purifier units decreased. **Clear Kukan air purifiers** contributed to sales. Due to the addition of a new contract with a large convenience store chain, total sales of dust control products for the commercial market were higher than one year earlier.



Royalty fees increased due to higher customer-level sales in our cleaning and technical services: ServiceMaster (professional cleaning), where air conditioner cleaning continued to perform well, Merry Maids (home cleaning and helper services), Terminix (pest control and prevention), and Total Green (plant and flower maintenance). Equipment and chemical sales to franchisees also increased. As a result, total sales of cleaning and technical services were higher than one year earlier.

→See page 35: Topic 1

In FY2017, **Home Repair**, which provides wall and floor repair services, began franchising operations.



Among other businesses of Clean & Care Group, **Rent-All** recorded higher sales because services for indoor events such as exhibitions, sports events performed well. At **Health Rent**, the rental of assisted-living and health care products also recorded favorable results. Uniform-related services, cosmetic-related businesses and **Life Care** business (rebranded from Home Instead on April 1, 2018), which provides senior care and support services, performed well.

LifeCare
タスキン ライフケア



Health Rent
ヘルスレント



タスキン レントオール
DUSKIN RENT-ALL

■ ■ ■ ■ ■ FY2018 outlook

Professional cleaning and technical services, Rent-All, and Health Rent have performed well. Direct Selling Group expects higher sales from these businesses. Dust control business, the core category of this group, is continuing its efforts to reinforce customer contacts through its membership website DDuet and Duskin Contact Center. The group expects that these efforts to attract more customers will result in higher sales.

The group expects sales of 113.3 billion yen, an increase of 1.2% from a year earlier. Operating profit is expected to increase 1.4% from one year earlier to 14.4 billion yen.

▼ Business summary

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 fixing scratches and dents

Others

Drink Service Mineral water delivery
Health & Beauty Cosmetics and health food
Rent-All Rental of daily items
Health Rent Rental of assisted-living equipment
Duskin Life Care Support services for seniors

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, comprehensive sanitary management
Total Green Maintaining plants and flowers
Home Repair fixing scratches and dents

Others

Uniform Service Leasing, sales and cleaning
Drink Service Office coffee service, mineral water delivery
Rent-All Event planning/operation and rental of daily items

Medium-Term Management Policy

■ ■ ■ ■ ■ Business environment and challenges

Direct Selling Group expects the market size of dust control business, the core business of this segment, to decline. The major reasons include the decreasing number of women staying at home because of the advance of women's role in society, the growing popularity of disposable products in the residential market, the decreasing number of commercial establishments and cost reduction initiatives at companies in the commercial market. However, Care Service, which provides professional cleaning and technical services, anticipates market expansion in both the residential and commercial markets due to growing outsourcing needs.

■ ■ ■ ■ ■ Basic policy

Lifestyles and workstyles are changing in Japan due to progress involving the internet and to the country's aging population. By leveraging the strengths of direct selling and home visiting/onsite services to interact with customers to learn their needs, Direct Selling Group will evolve its businesses into a Daily Life Fine-Tuning Service. These services will help customers to stay organized and fine-tune the rhythm of their daily activities at home and in workplaces.

To achieve this goal, Direct Selling Group was established to operate rentals of dust control products, professional cleaning and technical services, senior care services, rentals of assisted living equipment, cosmetics and health food sales, uniform rental and maintenance, and event support services. With this new group, we aim to reinforce closer cooperation across all business lines. The new group will accelerate the development of products and services to meet the needs of seniors and the child-rearing generation. For commercial customers, the group focuses on enhanced service capabilities to better meet the sanitary management needs. We plan to use these initiatives in order to enhance customer convenience and operational efficiency.

■ ■ ■ ■ ■ Key initiatives

For residential customers, the group is working on improving its service structure and the capabilities of **sales representatives who visit customers at their homes**. We train our sales representatives to utilize our mobile devices so that they can always proactively provide solutions tailored to each customer's needs. Our Call Center has been transformed into a Contact Center. Contact Center serves our customers by identifying



their needs and creating solutions as well as supports our sales representatives.

We will continue our efforts to reinforce our customer contacts through **our membership website, DDuet**. We plan to expand its membership from the current 590,000 users.

The market for professional cleaning and technical services has been growing. To meet the growing needs for these services, we are recruiting franchisees by introducing a new franchise package. We plan to continue to strengthen our service structure by developing a web quote and payment system, and chemicals and equipment for higher work efficiency.

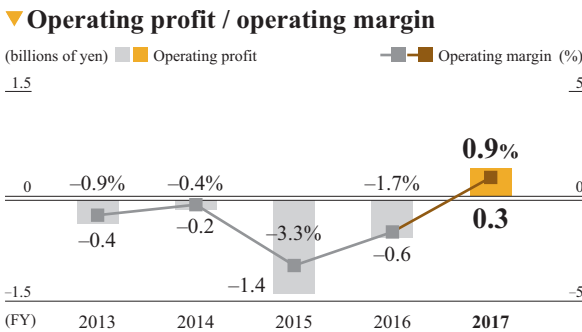
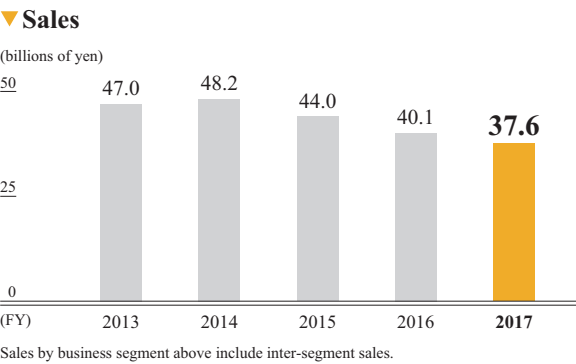


ディー デュエット
DUSKIN MEMBERS SITE

For commercial customers, we will work for our customers as their business partner to provide sanitary management solutions and help them fine-tune their daily life activities. Responding to the revision of the Food Sanitation Act and other related laws, our **Hygiene Master specialists** help customers implement their general sanitary management programs and provide facility management know-how including professional kitchen sanitation. In addition to these services, Direct Selling Group will provide comprehensive solutions, including a uniform service and event support services, to support customers' business operations.



Food Group



SWOT analysis

<div>● Mister Donut brand awareness/recognition</div> <div>● New product planning and development</div> <div>● Loyal customers of all ages</div> <div>● Special approach to joint development with manufacturers</div>	<div>● Lower profitability at shops due to rising prices of raw materials and higher labor costs</div> <div>● Delay in developing next core businesses in Food Group</div>
<div>● Expansion of sweet snack markets</div> <div>● Expansion and diversification of restaurant market</div>	<div>● Enhanced product appeal/variety at convenience and sweet snack stores</div> <div>● Growing health consciousness</div> <div>● Emergence of coffee chains</div>

Business Performance

FY2017 results

Sales of Food Group totaled 37,624 million yen, a 2,538 million yen (6.3%) decrease from the previous year. This is due to lower Mister Donut customer-level sales and royalty fees resulting from the closure of underperforming shops as well as sales of raw materials to franchisees.

Gross profit decreased due to lower sales. Expenses for depreciation, distribution and retirement benefits were lower. As a result, operating profit was 356 million yen, a 1,040 million yen increase from the previous year.

At Mister Donut, “MISDO meets” products were co-developed with companies with leading techniques and high-quality materials.

With the theme MISDO GOHAN, Mister Donut also released light meal items to meet customers’ diversifying needs and lifestyles. By offering light meal selections for customers of all ages to enjoy at different times of the day, including breakfast and lunch, the brand now stands for more than a place to enjoy a snack between meals. The light meal items generally performed well. Due to these initiatives, sales per shop in operation were higher than one year earlier.

Among other food service businesses, Katsu & Katsu, a pork cutlet specialty restaurant, continued to perform well. Hachiya Dairy Products, a consolidated subsidiary, posted higher sales. Bakery Factory, a large suburban bakery shop, The Chiffon & Spoon, a specialty chiffon cake shop, and Pie Face, a specialty pie store, recorded lower sales.

FY2018 outlook

At Mister Donut, the core business of Food Group, sales per shop in operation have begun to pick up because of “MISDO meets” and MISDO GOHAN. In FY2018, through these initiatives, Mister Donut expects an increase in sales per shop in operation. Mister Donut also anticipates that shop renovations and openings will drive sales growth. However, closures of underperforming locations are expected to result in a decrease in the total number of shops in operation. As a result, full-year sales at Food Group are predicted to be 38,000 million yen, a 1.0% increase from a year earlier. Operating profit is forecast to increase 12.2% to 400 million yen.

Medium-Term Management Policy

Business environment and challenges

Food Group is seeking to reestablish the Mister Donut brand under the brand slogan “Something good’s gonna happen. Mister Donut” and develop a second pillar of this group.

Key initiatives

Mister Donut business

In accordance with the policy established in the first phase of the long-term strategy ONE DUSKIN, Mister Donut will continue shop renovations to provide a comfortable ambience and open and relocate shops in line with customer traffic flow. To motivate customers to visit shops more frequently, Mister Donut continues to develop “MISDO meets” products jointly with companies with leading techniques and high-quality ingredients. Mister Donut is also working to increase customer convenience and achieve higher shop sales by enhancing MISDO GOHAN menu items to enjoy at different times of the day, including breakfast and lunch.

We are also focused on the development of new donuts that can generate steady sales and on the improvement of existing products to enhance brand value. Our goal is to create a space where customers of all ages can casually drop by throughout the day for a pleasant experience.



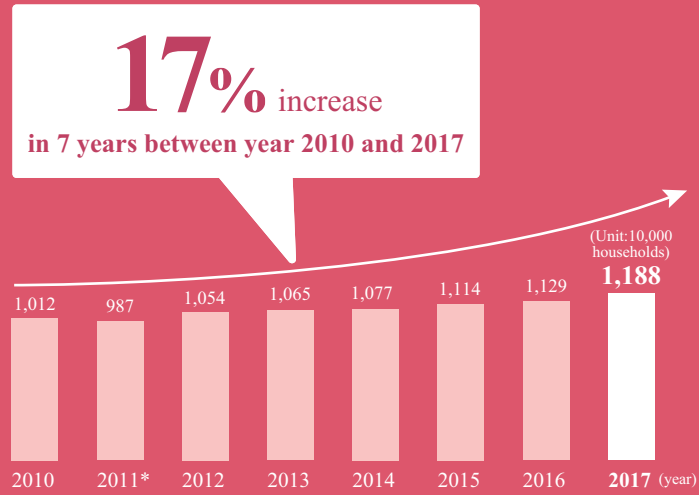
Other food service businesses

To establish a second pillar of this group, Food Group is examining the potential of existing businesses, including Katsu & Katsu, Bakery Factory, the Chiffon & Spoon and Pie Face. We are working hard to accelerate multi-unit operations in these businesses.

Sustainable Franchise Model

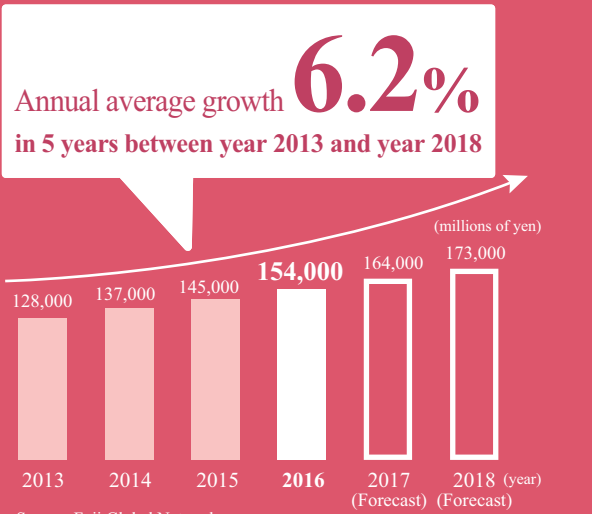
Driving expansion of five cleaning and technical service brands to meet the growing demands as the social environment changes

▼ Number of working couples*



Source: The Japan Institute for Labor Policy and Training
http://www.jil.go.jp/kokunai/statistics/timeseries/html/g0212.html (Japanese version only)

▼ Market size of the house cleaning industry



Source: Fuji Global Network
“2016 Service Industry Directory House Cleaning” (Japanese version only)

* The result does not include Iwate, Miyagi and Fukushima prefectures.

The market size expanded arising from social environment changes and growing demands for outsourcing house cleaning.

In recent years, the social environment has been changing. Included in the changes is an increase in the number of working couples along with a corresponding increased need for assistance with household chores. There are many factors responsible for these changes including the advancement of women’s roles in society, an increased number of singles due to aging and late marriage, contributing to a decrease in the number of total workers. These various factors have raised awareness for the need for work style reform, both at home and in the workplace.

A variety of professional cleaning services including those targeting air conditioners, range hood, kitchen and bathroom have been introduced using various media including the internet. This promotional effort has helped potential customers understand the benefits of using the services; effective use of time, consideration of physical strength, and safety. The promotions resulted in an increased response and affirmation of the need for the services.

Under the circumstances of a changing social environment and increased needs for outsourcing services, the demand and market for professional services has increased and is predicted to grow and continue into the future.

Focus on expansion of the franchise network for five professional cleaning and technical service businesses responding to ever growing social needs

Looking ahead towards the future needs of society for professional and technical services, Duskin started to offer the ServiceMaster business in 1971.

Duskin currently offers five different business lines: ServiceMaster, a professional cleaning service; Terminix, pest control and prevention services; Merry Maids, convenient home cleaning and helper services; Total Green, maintaining plants and flowers, and Home Repair, fixing scratches and dents.

In order to respond to ever changing needs of our customers, we have expanded the service menus. Merry Maids has introduced vacant house cleaning service, while ServiceMaster is now adding grave and tomb cleaning. With our advanced technologies and skills, training and educational programs strengthened by our track record and know-how, we continue to focus on customer satisfaction.

Simultaneously, we are expanding our franchise network in order to build the solid service structure needed to support the expected increasing demand for home cleaning and helper services.

The new franchise package including the intern program for franchise recruitment

In February 2018, the franchise package was renewed with



ServiceMaster, professional cleaning service



Merry Maids, home cleaning and helper services



Terminix, pest control and prevention services



Home Repair, fixing scratches and dents



Total Green, maintaining plants and flowers

the reduced franchisee fee of 650,000 yen to attract potential franchisees to join the Duskin businesses. The franchise fee and purchase of the opening kit which includes the training fee, the initial kit, racks/shelves and signage are required as start-up capital.

ServiceMaster, a professional cleaning service, is currently offering both business and residential services. As a premium addition to these services, ServiceMaster Home Package, the new service exclusively for home owners, was rolled out. Not only has the franchise fee been reduced but also potential franchisees will get an opportunity to experience the home service business, which also gives them time to consider going into the business services arena.

Among other new features of the new franchise package is an intern opportunity at Duskin’s Branch Office. This allows

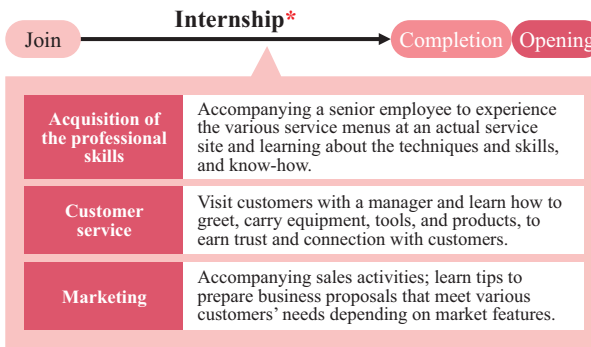
a new franchisee to work as a contract employee for up to two years while he/she experiences the service and business first hand, in preparation for his/her own business. The intern experience gives the potential franchisee a full understanding of the business. If the potential franchisee worked as an intern for over a year, he/she can get various benefits such as a reduced franchise fee, exemption from training and education fees, all provided to support them in becoming a successful independent business owner.

We are committed to deliver the services needed to help our customers have better and more comfortable lives. We will accomplish this by strengthening the support network between our franchisees and the headquarters office.

▼ The partial reduction of start-up capital

	The former start-up capital (franchise fee)		New start-up capital (franchise fee)
ServiceMaster, professional cleaning services	3,490,000 yen (1,500,000 yen)	Franchise fee reduced by 650,000 yen	2,840,000 yen (850,000 yen)
Terminix, pest control and prevention	3,660,000 yen (1,500,000 yen)		3,010,000 yen (850,000 yen)
Merry Maids, home cleaning and helper services	2,600,000 yen (1,500,000 yen)		1,950,000 yen (850,000 yen)
Total Green, maintaining plants and flowers	3,720,000 yen (1,500,000 yen)		3,070,000 yen (850,000 yen)

▼ Intern program



* Contract employee for up to 24 months

Human Resource Development

Focusing on development of franchisee personnel who have a significant role in the service quality



Duskin founder, Seichi Suzuki, established Mister Donut Japan Training Center (now called Mister Donut College) to carry on the tradition of Prayerful Management.

▼ The training programs for franchisees

Direct Selling Group Dust Control	Franchisee Basic Training (Operation License and License Renewal Courses)	● Branch Manager (4 days) ● Sales Manager (4 days) ● Administration and Logistics (4 days)
	Skill-up courses	● Principles and Manners ● Customer Service on telephone
Direct Selling Group Care Services	Basic Training (Care Service Group License and License Renewal Courses)	● ServiceMaster (17 days) ● Merry Maids (7 days) ● Terminix (14 days) ● Total Green (16 days) ● Home Repair (15 days) * License renewal is required every three years
	Special License and skill-up courses	● License and skill-up courses are required for each service menu
Food Group Mister Donut	Franchisee Basic Training (Shop Operation License and License Renewal Courses)	● Academy Course (49 days) * License renewal is required every two years
	Post-specific and skill-up trainings	● General Manager ● Cadet Manager ● Shift Manager

Exacerbated by the population reduction, the securing and education of quality staff is of utmost importance.

Due to the drop of birthrate and an increase in the aging population, the available work force continues to decline. In addition to the need to secure labor to address the manpower shortage, its impact on the Japanese economy and business growth is a major concern, particularly for the sales and service industries. Resolving this problem is an urgent matter for companies to not only sustain, but expand their business. At Duskin, we have these same challenges: securing and developing personnel to provide the direct selling, home visiting and onsite services, service crew to perform professional and technical services, and the sales staff to serve customers at our food establishments. As such, together with our franchisees, we are undertaking significant initiatives for personnel development.

The various competitions and award programs are held to improve service quality and to develop people.

These programs have been organized by the various Duskin business groups and departments with goals of improvement of service quality at the franchisee level and of developing all level

of staff. At Direct Selling Group, the Clean Care Award is given to recognize a corporate customer who has recorded high annual sales growth. Another effort is the Kaizen & Technical Contest. In this program, there are competing presentations on process improvement case studies as well as demonstrations showcasing high levels of service skills and knowledge. At Mister Donut, the Mister Donut Friendship Festival is held every year. All employees including part-timers participate to compete production and customer service skills. In addition to competing skills and techniques, these events are energizing occasions for the participants as they can learn and be inspired by high level skills and know-how from other participants. At the end of these events, each participant feels even more connected to one another and motivated to continue building their team spirit.

Duskin School, a training facility for franchisees to develop their employees and personnel

Duskin School and Mister Donut College, Duskin’s unique training facilities, are our training and educational foundation for franchisees to develop their people. They are comprehensive training places where franchise owners, managers, and staff can learn subjects ranging from management philosophy to operational know-how from highly experienced instructors using a wide-reaching training



Training at Duskin School



Duskin School



Award Ceremony for Kaizen & Technical National Competition

curriculum. For instance, the trainees can learn the technique and skills in practical programs using mock-up facilities including home and commercial kitchens, bathrooms, and different hard floor materials. The trainees can also receive lectures at the main conference room which can accommodate up to 150 people. Furthermore, the Regional Training Centers are established in eleven locations across Japan. Ongoing training programs are offered including ones tailored to the specific needs and attributes of each local market to enhance the efficiency and acquisition of professional knowledge and techniques. In 2017, a total of 1,045 trainees completed the sessions. The number of training hour totaled 20,561.

Mister Donut College was established out of the founder, Seichi Suzuki and his faith.

Mister Donut College is a unique training facility for the development of first-class business people in the food industry. In addition to donut production and customer service, the trainees learn about the philosophy of Mister Donut and the best attitude for serving our customers. Mister Donut College was established out of the founder’s faith; “Human resources, i.e. intangibles are assets we must develop with our hands,” Seichi Suzuki said. Based on this faith and guidance, the facility was founded even before starting franchising the business.

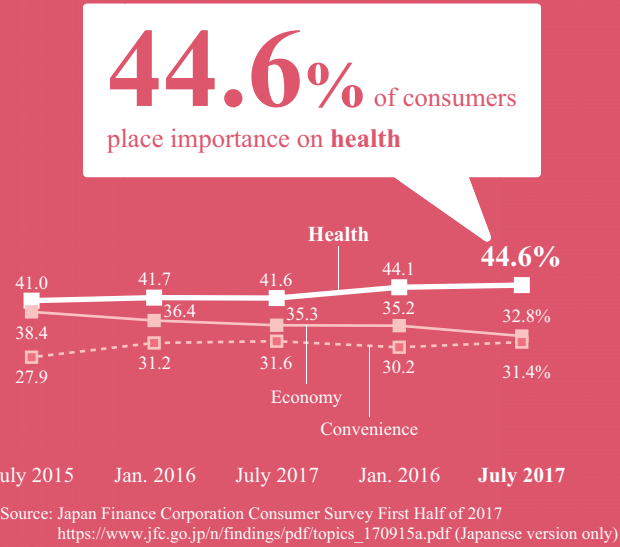
While the focus of the program is practical-intensive learning, it also includes food and hygiene, product quality control, and store maintenance and management. The program is updated as needed in response to the times. The trainers visit each region to hold sessions on customer satisfaction, and offer a curriculum to improve interpersonal communication skills required for management, and to develop independently motivated personnel who are inspired to make our customers happy. Only those who satisfy established standards after the practical intense training, may operate their own shops as a Shop Manager. In 2017, a total of 2,383 people completed the training programs. The total hours of training reached 29,336 hours.

Duskin continues to focus our efforts to develop a system and program for our people who serve our customers to work at Duskin for many years with eagerness and satisfaction.

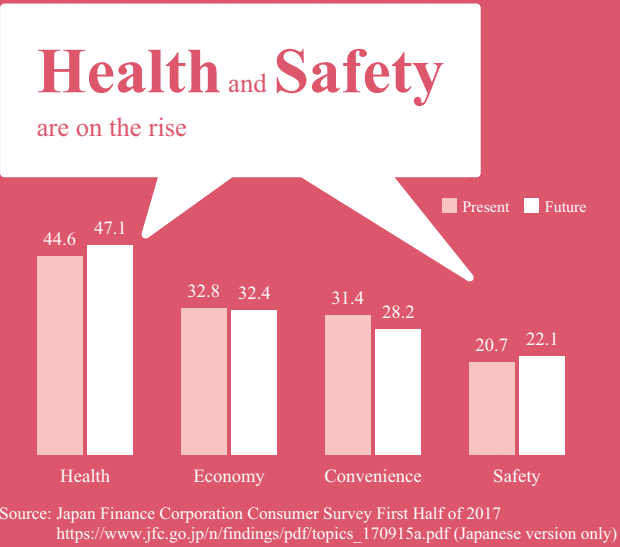
Safety and Reliability

Developing products to respond to higher health and safety needs

▼ Consumers’ drive preferences for food



▼ Current and expected trends drive preferences



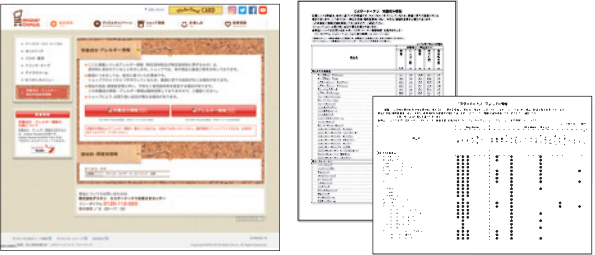
Consumers are more health- and safety-conscious about food

A consumer survey conducted by Japan Finance Corporation in July 2017 reports that the largest percentage of consumers chose health as the driving preference for food for 14 consecutive years. Health, economy and convenience are the major three driving preferences. However, the ratings for economy and convenience are on the decline. More respondents than ever before expected health and safety would be on the rise. This clearly shows that consumers will place more importance on health and safety factors when choosing their food. With this backdrop, Mister Donut is undertaking initiatives focusing on safety, reliability and health as a business theme.

Strict selection for raw materials and thorough quality control

Duskin places the highest priority on food safety. To ensure safety for customers, we have established a rigorous quality control framework. For the development of new food products and in consideration of the resulting specification changes, a meeting is held to ensure safety by our Food Safety Council, which consists of representatives from food safety management, product development and quality assurance departments. For each and every item, raw materials such as flour are carefully

selected for safety and reliability. Mister Donut has taken the lead in tackling the trans-fatty acids issue. Studies say high intakes of trans-fatty acids elevate low density lipoprotein (bad) cholesterol levels, and decrease high density lipoprotein (good) cholesterol levels, which increases the risk of coronary heart disease. Mister Donut has been utilizing oil with a significantly reduced amount of trans-fatty acids at all of its stores since December 2007. Customers can check the nutritional information about our food products (equivalent amount of energy, protein, fat, carbohydrates and salt) in store and on the Mister Donut official website. The information is updated along with the new product release and product updates. Since November 2016, calorie information has been made available at the shops in addition to the official website. Price



Nutritional information on the official website (Japanese version only)



Tea Mannan Stick, only 140 kilocalories per piece

Decaf Coffee developed for caffeine sensitive customers

Fluffy Baked Donut made with rice flour

Mister Donut’s Double Rings for Your Health series for increasing health-conscious customers

cards now show the calories of each item. A nutritional information handout is also available at the shop upon customers’ request.



New price cards with calorie counts and allergy information (Japanese version only)

Focus on development and sale of health-conscious products

Mister Donut has also launched a new product category for health conscious customers called Double Rings for Your Health. In this category, we have added the Fluffy Baked Donut. It is a gently sweet, fluffy baked donut made with rice flour and free of specified allergenic ingredients (labeling mandatory required: flour, milk, egg, buckwheat, peanut, shrimp and crab)*.

* Apples are used as a specified allergenic ingredient (labeling recommended).

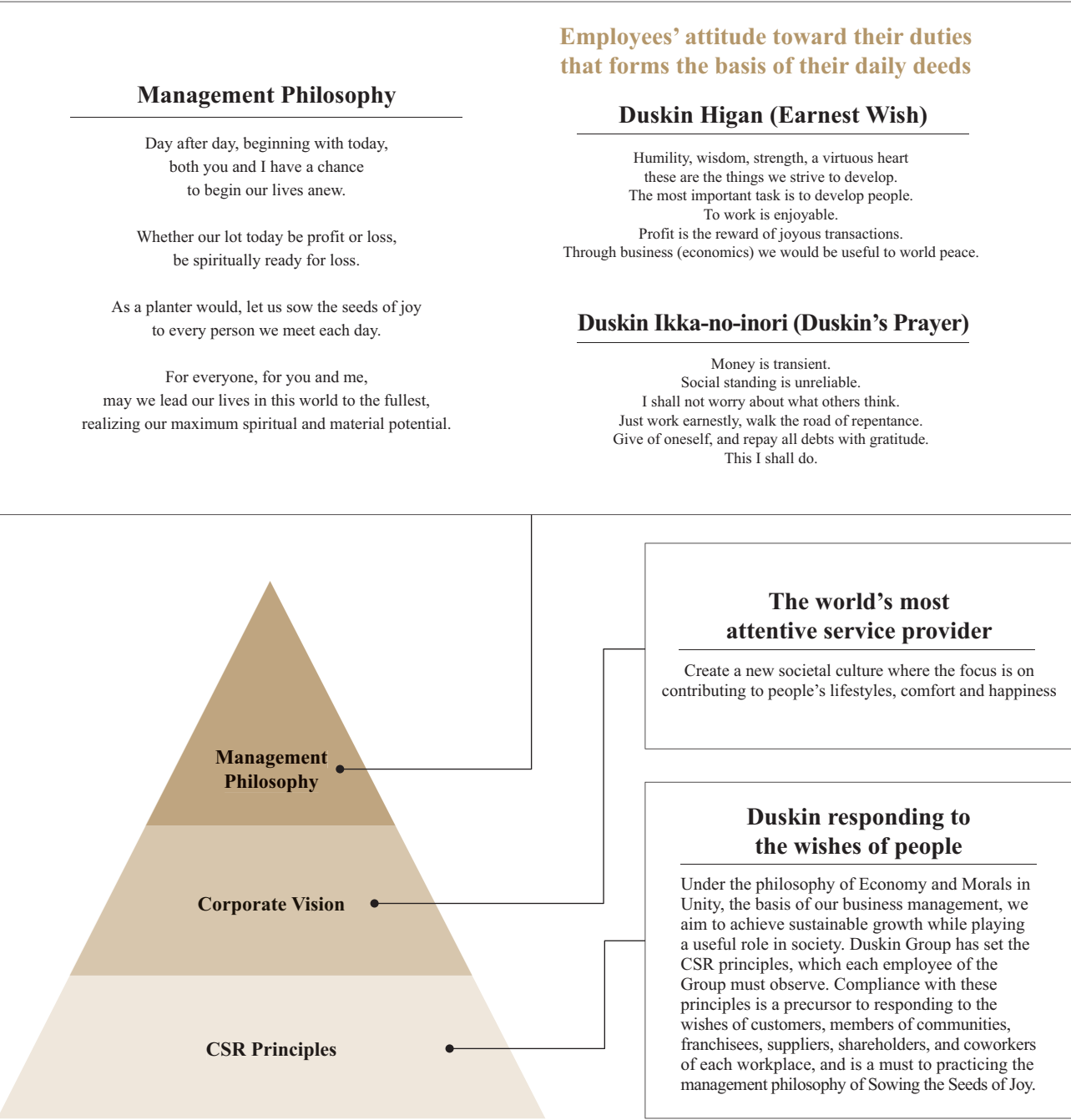
In December 2016, Mister Donut started sales of decaf coffee, using green coffee beans with caffeine reduced by 97%. People who are sensitive to caffeine, and those concerned about caffeine intake, including pregnant women can enjoy this coffee. Our decaf coffee, blending three different kinds of coffee beans, offers good taste of full-bodied coffee. In March 2018, café au lait, iced coffee and iced café au lait were introduced in this decaf coffee line.

Also in March 2018, Mister Donut released a lower-fat donut, called Tea Mannan Stick, which contains 140 kilocalories per piece. While keeping tastiness, Mister Donut reduced the fat content in the dough as much as possible. By using glucomannan and other ingredients, which maintain high water content, Mister Donut made this dough mix reduce oil absorption. Mister Donut continues to respond to the growing needs for health, safety and reliability. Mister Donut is developing products and shops to please health-conscious customers, including Double Rings for Your Health product series.

Basis of Our Business Management

Economy and Morals in Unity

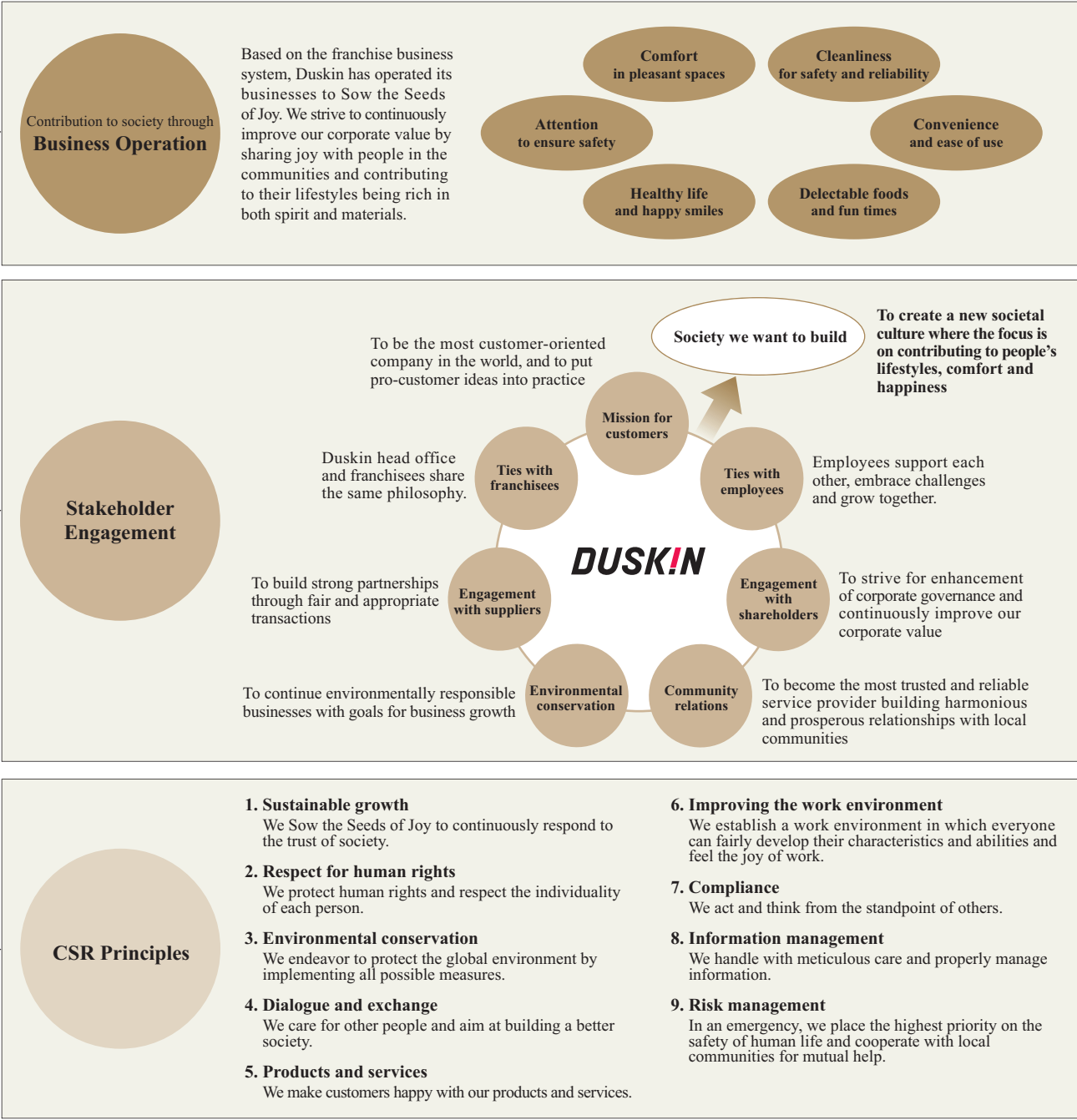
Economy means economic pursuits for our business growth as a company.
Morals or philosophical beliefs are the reflections of our heart, our engagement in society.
Economy and Morals in Unity means that we make sustainable growth possible by serving society,
proactively responding to the expectations of society.
This philosophy has been and will be the basis of Duskin Group’s business management.



CSR Vision

Proactively respond to the expectations of society

Maintaining good relationship with people, society and the environment,
we humbly and attentively listen to the voice of society, and respond to its expectations.
To contribute to the sustainable development of local communities where people live rich and happy lives
through providing safe, reliable and excellent products and services.



Basic policy

At Duskin Group, the philosophy of Economy and Morals in Unity is the basis of our business management. This means that we will proactively meet society’s expectations and achieve sustainable growth while serving our society. To that end, Duskin considers it important to identify our materialities, key ESG issues we need to tackle through dialogues with stakeholders, as well as to focus on ESG activities from

diverse perspectives, based on Sustainable Development Goals (SDGs) and international guidelines*.

In this process, we will sustainably enhance the corporate value of the entire group by performing PDCA (Plan-Do-Check-Act) cycles for identified ESG activities.

* Global Reporting Initiative (GRI) guidelines, ISO26000, and other Socially Responsible Index (SRI) criteria

Opportunities for dialogue with stakeholders



Contribution to SDGs

In 2015, Sustainable Development Goals (SDGs) with a set of 17 goals and 169 associated targets, were adopted at the United Nations’ Sustainable Development Summit.

Duskin Group examined these goals and targets and determined the relevance of the SDGs with our businesses across the value chain. The group made a commitment to contribute to sustainable development of society through our business activities and to achieve the goals of the universal Agenda for Sustainable Development by 2030.



Defining focused areas

Duskin has defined our focused areas based on social issues and challenges set forth in ESG activities and SDGs. Key Performance Indicators (KPIs) and goals for each focused area are also established to implement the PDCA (Plan-Do-

Check-Act) cycles. In FY2018, the first year of the second phase of ONE DUSKIN long-term strategy, our KPIs and goals have been re-examined from a medium- to long-term perspective. (Refer to the next page.)

ESG activities	SDGs	Focused areas
Environment (E) <ul style="list-style-type: none">Environmental managementContribution to a recycling-oriented societyWaste reductionGlobal warming countermeasures, including energy conservationConservation and effective use of water resources		Environment <p>We work to achieve the joint objective of engaging in sound business activities and environmental conservation. Duskin provides safe, reliable services and products that are eco-friendly throughout each phase of their lifespan, from production to after-use.</p>
Society (S) <ul style="list-style-type: none">Quality assuranceSustainable supply chainResearch and development, product inspectionSafety and reliabilityCommunication with customersEmployment and work environmentHuman resource developmentWork-life balanceDiversityHealth maintenance and improvementHarmonious coexistence with local communities (School education support, cleaning activities for local communities)Providing solutions for an aging societyEmpowering women in the workplace		Safety, reliability and quality <p>Our goal is to build an improved, enriched, more fulfilled society by providing safe and reliable products and services. We continuously strive to achieve the highest quality management that meets the requirements of our customers.</p> Human resources <p>The quality of our service depends on the people who provide the services. To provide considerate products and services, we need people with compassionate hearts as well as skills and knowledge. Based on this belief, Duskin puts thoughtful resources and efforts into a variety of education and training for our employees and franchisees.</p> Local and social contribution <p>As a corporation and a member of local communities, we aim to be of more assistance to the communities of our customers. Duskin's various initiatives contribute to our local communities in line with our philosophy of Sowing the Seeds of Joy.</p>
Corporate governance (G) <ul style="list-style-type: none">Corporate governanceRisk managementCompliance		Corporate governance <p>In addition to establishing a management framework that allows us to accommodate changes in our business environment with swiftness and precision, we continue to maintain a structure, organization and systems for sound and highly transparent management. Duskin also places compliance at the center of all our corporate activities, in order to continuously improve our corporate value.</p>

▼KPIs, goals and results

Focused areas		KPIs and goals	FY2017 results	Assessment	Efforts and progress	
E	Environment	CO₂ emission: 3% reduction from FY2014 level by FY2017	7.3% reduction from FY2016 12.9% reduction from FY2014	○	At Food Group, all shops and restaurants manage energy consumption through controlling air-conditioner temperature and avoiding simultaneous use of equipment. Production & Logistics facilities reduce energy loss by introducing energy-saving equipment and improving efficiency of machinery operation.	
	Safety, reliability and quality		Among all products offered, maintain zero critical defects immediately after introduction	Zero critical defects	○	We are seeking to reinforce our product management structure by expanding the scope of audits and increasing the number of items to be audited at our plants. This is because defects of new products are more likely to occur before the production line stabilizes.
S	Human resources	Promoting diverse employees to more active roles	Ratio of women in managerial positions (Duskin, non-consolidated): Increase to 8.0% or more by FY2018, from 6.0% in FY2015	Increased to 6.4% with two new women managers (24 in total)	△	We are working to support women's career development and to offer them greater opportunities. At Duskin there are many women at senior staff level. We provide them with opportunities to acquire necessary skills and raise their awareness about becoming managers during career development training. One example of women excelling at Duskin is Manager of Merry Maids Division, who received a second Osaka Sakuyahime Award. The award is presented to leaders who have been playing active roles in business and cultural activities.
		Human resource development	Annual training hours per employee (Duskin, non-consolidated): 12.5 hours/employee in FY2014. Investment in further development of human resources will be continued by maintaining this level of training hours.	12.6 hours/employee	○	To develop human resources, we have invested in Prayerful Management study sessions, career development programs and e-learning courses.
	Local and social contributions		Participants in Clean Up My Town: 300,000 people or more by FY2017, from a total of 219,000 participants since 2006	Ten locations nationwide with 284,911 participants	△	A volunteer cleaning activity was held at World Heritage Koyasan Kongobuji Temple. With the support of the National Federation of UNESCO Associations in Japan, we continue cleaning activities at world heritage sites.
			Participants of Sow the Seeds of Cleanliness on-site classroom: 1,620 schools with 162,000 participants by FY2017	1,988 schools with 176,624 student participants	○	We now have over 500 School Cleaning Masters at our franchises. To improve the lesson quality and skills of the masters and increase their motivation, Duskin has held new renewal training for a better training curriculum. A book was even published recently about our school cleaning activities.
G	Corporate governance	Strengthening corporate governance to enhance fairness and transparency of management as well as to realize our growth strategy	Improve the effectiveness of the Board of Directors	○	Every Director and Audit & Supervisory Board Member receives a self-evaluation questionnaire once a year. A third party expert collects the answers from the questionnaire. Based on the results of the questionnaire, the Outside Directors and Audit & Supervisory Board Members Council* analyzes and evaluates the Board of Directors' activities from many standpoints and makes recommendations to the Board. In FY2017, the Board of Directors examined their recommendations and the initiatives to undertake during FY2018 to improve effectiveness of the Board. * The council consists of three Outside Directors and three Outside Audit & Supervisory Board Members, who are designated as Independent Directors.	

▼New KPIs and goals

Focused areas		Social issues	KPIs	Goals
E	Environment	Energy saving, global warming countermeasures	CO2 emission	<div>By FY2030</div> 26% reduction from FY2013 level in accordance with the Plan for Global Warming Countermeasures by the Ministry of the Environment
		Waste reduction	Rate of recycling food waste	<div>By FY2020</div> 16% reduction from FY2013
S	Safety, reliability and quality	Safety and reliability	Critical defects immediately after introduction of all products offered	<div>By FY2020</div> Maintain zero critical defects immediately after introduction
		Sustainable supply chain	Routine auditing of contracted food processing plants manufacturing our private brand products	<div>By FY2020</div> Conduct routine audits as planned (complete 100%) by efficiently managing the records of the plants
	Human resources	Employment and work environment (work-style reform)	Total annual hours worked per employee (Duskin, non-consolidated)	<div>By FY2020</div> Continue to reduce long working hours by implementing our own Premium Friday Campaign* and promote employees to take more paid leaves <div>* Employees are encouraged to leave the office earlier on the last Friday of every month.</div> Reduction to 1,850 hours or less
		Diversity	Ratio of women in managerial positions (Duskin, non-consolidated)	<div>By FY2020</div> The first action plan was developed in accordance with the Act on Promotion of Women’s Participation and Advancement in the Workplace. Update our plan to have 8% or more female managers, by changing the target year from FY2018 to FY2020
		Human resource development	Annual training hours per employee (Duskin, non-consolidated)	<div>By FY2020</div> Incorporate Japan Franchise Association courses into our education and training to improve our career development and e-learning programs 12.5 hours/employee
	Local and social contributions	Harmonious coexistence with local communities	Our annual event, Clean Up My Town	<div>FY2018</div> Plan to clean two World Heritage sites; continue to organize and be involved in other regional cleaning activities
Our annual events, school education support activities			<div>FY2018</div> 20 seminars for teachers with 450 participants Sow the Seeds of Cleanliness on-site classroom 800 schools with 72,000 participants	
G	Corporate governance	Corporate governance	Improve the effectiveness of the Board of Directors	<div>FY2018</div> Duskin started using the Operating Officer System to further enhance the Board of Directors’ decision-making and oversight functions, and expedite business execution through the delegation of authority. We are committed to maximizing the effectiveness of this system.

Board of Directors



Teruji Yamamura
(Date of birth: January 28, 1957)

Representative Director
President & CEO

Apr. 2018 Representative Director
President & CEO (to the present)
Apr. 2009 President & CEO
Apr. 2007 Director
Care Service Business Group, Home Instead,
Rent-All
June 2004 Director & Assistant General Manager
Clean Service Business Group
Jan. 1982 Joined the Company



Kenichi Miyajima
(Date of birth: March 16, 1955)

Director,
Executive Vice President &
Operating Officer

June 2018 Director
Executive Vice President & Operating Officer
President's Office, Food Group, Corporate
Account (to the present)
Apr. 2018 Director
Senior Executive Operating Officer, Food Group
June 2016 Senior Executive Director
Mister Donut Business Group, Food Business
Development
Apr. 2015 Senior Executive Director
President's Office, Mister Donut Business
Group, Food Group
June 2012 Senior Executive Director
President's Office, Public Relations, Legal Affairs
& Corporate Compliance, Quality Assurance &
Risk Management, Product Inspection Center,
Food Chain Business & Development
Apr. 2009 Executive Director
Clean Service Business Group, Care Service
Business Group, Rent-All, Uniform Service,
Health & Beauty, Home Instead, Drink Service,
Corporate Account
June 2004 Director
General Manager, Clean Service Business Group
May 1990 Joined the Company



Kazuo Okai
(Date of birth: June 29, 1957)

Director &
Executive Operating Officer

June 2018 Director
Executive Operating Officer
Human Resources, Legal Affairs & Corporate
Compliance, Quality Assurance & Risk
Management, New Business Development,
International, Product Inspection Center (to
the present)
Apr. 2018 Director
Executive Operating Officer
International, Care Service Business Group
June 2015 Executive Director
General Manager, Clean & Care Development
Group
Apr. 2010 Director
Corporate Planning, Overseas Business
Development, New Business Development
June 2008 Director
Manager, Overseas Business Development
Chairman & CEO, Duskin Hong Kong Co., Ltd.
Apr. 1980 Joined the Company

Audit & Supervisory Board Members



Yasuto Shigeyoshi
(Date of birth: November 27, 1957)

Audit &
Supervisory Board Member

June 2012 Audit & Supervisory Board Member (to the
present)
Nov. 2007 Manager, Accounting
Dec. 2003 Manager, Auditing
Apr. 1978 Joined the Company



Takashi Yoshida
(Date of birth: November 25, 1961)

Audit &
Supervisory Board Member

June 2016 Audit & Supervisory Board Member (to the
present)
Apr. 2016 Senior Advisory Staff, President's Office
June 2008 Manager, Legal Affairs and Corporate Compliance
Apr. 2006 Section Chief, Legal Affairs, Legal Affairs and
Corporate Compliance
Apr. 1985 Joined the Company

Operating Officers

Osaharu Fujii
Senior Operating Officer

Legal Affairs & Corporate Compliance,
Quality Assurance & Risk Management,
New Business Development,
Product Inspection Center

Hideyuki Naito
Senior Operating Officer

General Affairs, Accounting

Takashi Kubo
Operating Officer

General Manager, Production & Logistics

Kiyokazu Yamashiro
Operating Officer

General Manager, Care Service Business Group

Hiroyuki Okubo
Operating Officer

Manager, Corporate Planning

Tetsuya Wada
Operating Officer

General Manager, Mister Donut Business Group

Shigeo Takenouchi
Operating Officer

General Manager, Operations, Direct Selling Group



Junichi Narahara
(Date of birth: February 20, 1958)

Director &
Executive Operating Officer

June 2018 Director
Executive Operating Officer
Strategy Management & Operations, Direct
Selling Group, Care Service Business Group
General Manager, Strategy Management,
Direct Selling Group (to the present)
Apr. 2018 Director
Executive Operating Officer
Strategy Management and Operations, Direct
Selling Group, Corporate Account
General Manager, Strategy Management,
Direct Selling Group
Apr. 2015 Director
General Manager, Clean & Care Sales Group
Mar. 2014 Director
Western Japan, Clean & Care Group
June 2009 Director
General Manager, Mister Donut Business Group
Oct. 1982 Joined the Company



Kazushi Sumimoto
(Date of birth: November 29, 1960)

Director &
Senior Operating Officer

June 2018 Director
Senior Operating Officer
Corporate Planning, General Affairs, Accounting,
Public Relations, Information System, Production
& Logistics (to the present)
Apr. 2018 Director
Senior Operating Officer
Corporate Planning, Production & Logistics
Group
Apr. 2017 Director
Corporate Planning, Production & Logistics
Group
May 2016 Director
Corporate Planning, Life Care Development
Group, Rent-All, Uniform Service, Health &
Beauty
June 2014 Director, Home Instead
Division Manager, Rent-All
Apr. 1983 Joined the Company



Taku Suzuki
(Date of birth: October 8, 1965)

Director &
Senior Operating Officer

Apr. 2018 Director
Senior Operating Officer
Rent-All, Health Rent, Life Care, Uniform
Service, Health & Beauty (to the present)
Apr. 2017 Director
Life Care Development, Rent-All, Uniform
Service, Health & Beauty
June 2016 Director, Product Inspection Center
General Manager, Production & Logistics Group
Apr. 1989 Joined the Company



Takaaki Oda
(Date of birth: May 31, 1962)

Audit &
Supervisory Board Member

Outside Independent

June 2014 Audit & Supervisory Board Member (to the
present)
May 2002 Partner, Miyake & Partners (to the present)
Jan. 1995 Partner, Miyake Godo Law Office
Apr. 1988 Registered at Osaka Bar Association, and
joined Miyake Godo Law Office
Oct. 1985 Passed National Bar Examination

(Significant concurrent positions)
Director, Audit and Supervisory Committee Member
New Japan Chemical Co., Ltd.



Sachiko Kawanishi
(Date of birth: January 22, 1959)

Audit &
Supervisory Board Member

Outside Independent

June 2016 Audit & Supervisory Board Member (to the
present)
Aug. 2000 Senior Managing Director, Internet Disclosure,
Co., Ltd. (to the present)
Mar. 1992 Registered as Certified Public Accountant
Oct. 1988 Joined Tohmatsu Awoki & Sanwa (current
Deloitte Touche Tohmatsu LLC)
Apr. 1981 Joined Honeywell Information Systems Japan,
Inc. (current NEC Nexsolutions, Ltd.)

(Significant concurrent positions)
Senior Managing Director, Internet Disclosure Co., Ltd.



Tadashi Yamamoto
(Date of birth: November 14, 1952)

Director

Outside Independent

June 2015 Director (to the present)
June 2014 Resigned from the position of Audit &
Supervisory Board Member, Wacoal Corp.
June 2012 Audit & Supervisory Board Member, Wacoal
Corp.
June 2012 Resigned from the position of Director, Wacoal
Holdings Corp.
Mar. 2012 Resigned from the position of Director, Wacoal
Corp.
Apr. 2008 Director, Wacoal Holdings Corp.
Senior Managing Corporate Officer
General Manager, International Operations,
Wacoal Corp.
June 2006 Director, Wacoal Holdings Corp.
Managing Corporate Officer
General Manager, Human Resource &
Administration, Wacoal Corp.
Apr. 1976 Joined Wacoal Corp.



Junko Katada
(Date of birth: February 21, 1963)

Director

Outside Independent

June 2015 Director (to the present)
June 2015 Resigned from the position of Auditor, Osaka
Izumi Consumers' Co-Operative Union
June 2007 Auditor, Osaka Izumi Consumers'
Co-Operative Union



Tomoya Yoshizumi
(Date of birth: June 10, 1953)

Director

Outside Independent

June 2017 Director (to the present)
June 2017 Retired from Ajinomoto Co., Inc.
June 2015 Advisor, Ajinomoto Co., Inc.
June 2013 Corporate Vice President & General Manager,
North America Division, Bioscience &
Finechemicals Business Division, Ajinomoto
Co., Inc.
President, Ajinomoto Health & Nutrition North
America, Inc.
June 2011 Member of the Board & Corporate Vice
President
General Manager, North America Division,
Bioscience & Finechemicals Business Division,
Ajinomoto Co., Inc.
President, Ajinomoto U.S.A. (current Ajinomoto
Health & Nutrition North America, Inc.)
June 2008 Member of the Board & Corporate Vice President
President, Amino Acids Company
June 2007 Member of the Board, Ajinomoto Co., Inc.
Apr. 1978 Joined Ajinomoto Co., Inc.



Kyoichiro Arakawa
(Date of birth: February 23, 1970)

Audit &
Supervisory Board Member

Outside Independent

July 2017 President & CEO, Best Partners Co., Ltd. (to
the present)
June 2017 Resigned from MIT Corporate Advisory
Services, Co., Ltd.
June 2016 Audit & Supervisory Board Member (to the
present)
Sept. 2007 Director MIT Corporate Advisory Services,
Co., Ltd.
July 1997 Joined KPMG Century Audit Corporation
(current KPMG AZSA LLC)
Apr. 1997 Registered as Certified Public Accountant
Oct. 1992 Joined Showa Ota & Co. (current Ernst &
Young ShinNihon LLC)

(Significant concurrent positions)
President & CEO, Best Partners Co., Ltd.

Outside Director’s Message



Junko Katada
Outside Director

Profile:
From 1997, as a member of Osaka Izumi Consumers’ Co-Operative Union, Junko Katada engaged in various activities including product studies, promotion and environmental protection projects, and life planning lectures. Appointed as an Auditor, Osaka Izumi Consumers’ Co-Operative Union in 2007. (Resigned in June 2015.)
An Outside Director for Duskin Co., Ltd. since June 2015.

Q What do you think your role is as an Outside Director? What is required to carry out your responsibilities?

The most important role as an Outside Director is to judge business management from an outsider’s point of view and make proposals for improvement. In order for us to help business grow in this ever-changing market environment, we must understand circumstances from diverse standpoints and flexibly adapt to situations. Duskin has assigned several Outside Directors and Audit & Supervisory Board Members with various backgrounds and expertise to gain such diverse perspectives.

I served as an Auditor for Osaka Izumi Consumers’ Cooperative Union for about eight years and audited operations and activities of the organization from a member’s point of view. Based on this experience I have come to think that it is of utmost importance for an outside director to understand things from a consumer’s point of view. Both Duskin and co-operative unions have points of direct contacts with customers as they both visit customers from door to door and have brick-and-mortar stores. I make it a rule to check if our products and services meet consumers’ actual needs when I evaluate businesses.

In recent years, consumers have greatly changed their views on corporations. At annual round-table conferences with consumer organizations, I often feel that more and more consumers think of benefits not only for themselves but also for society in general. They wonder what values corporations create for the greater good. More interests and attention are paid to women’s success and promotion or environmental conservation as well as food safety and security. Corporations need to be aware of such social demands and take a proactive approach to respond to such needs. Duskin’s products and services provide a solution to problems each customer has; however, we must continue to redefine our businesses while taking into consideration the influences the corporation as a whole has on the society and the social values it communicates. When we plan a new business or take on a new endeavor, we must consider usefulness and advantages to the society in general in addition to benefits for individual consumers.

Q How do you evaluate Duskin’s support system for Outside Directors?

Duskin supports us well by giving us enough knowledge and information. We have to know what’s happening on the front line in order to review management from consumers’ points of view. Such knowledge is crucial for a thorough management evaluation from consumers’ standpoint as Duskin is engaged in a broad range of businesses which are deeply integrated into consumers’ daily lives. When I was appointed as an Outside Director three years ago, I did not quite understand many of the business lines. I have since gained a lot of knowledge in these years as I have visited various plants and offices and taken part in informative lectures. I understand the business structures of Duskin much more now.

We receive reference materials for board meetings in advance. Such materials and points for discussion are classified by subjects. Particularly important subjects are explained beforehand and reference materials are attached to those matters that need clarification or answers to questions. It is also possible to request clarification individually and separately from the board materials distribution.

From time to time Duskin holds Outside Directors and Audit & Supervisory Board Members Council meetings*, which are

board of directors’ advisory panels. These meetings are excellent examples of the support systems that Duskin provides so that members can exercise their supervisory responsibility over management from a fair and objective standpoint; we express and exchange constructive opinions to achieve effective corporate governance. Reference materials for board meetings, as mentioned earlier, are now improved in their preparation and use of data as a direct result of the requests discussed at the Outside Directors and Audit & Supervisory Board Members Council.

Monthly Board Meetings are held in a relaxed atmosphere, so we can express our opinions freely. Adequate information is provided in advance, which leads to meaningful discussions, and the chairperson always asks for our opinions and feedback. Introduction of the Operating Officer System in April this year separated operational function from decision making and oversight functions. With this new system, we can expect to expedite decision making processes. As an Outside Director observing Duskin’s businesses from a consumer’s standpoint, I feel that I have the support to pursue my goal to contribute to creating positive corporate social values.

* A total of six meetings were held in 2017.

Q Please give your advice for Duskin Group to sustainably improve its corporate value.

When I assumed a position as an Outside Director three years ago, what impressed me most was the company’s philosophy of management and its wonderful motto, “Let us Sow the Seeds of Joy.” This motto is actively practiced by the entire group of Duskin companies, including its franchisees, and it is put into action in various important ways.

I think the motto and the philosophy are an amazing feature of the Duskin group of companies. The presence of this management philosophy is powerful; it is the basis of Duskin’s management policies. When compared with this solid management philosophy, the process of developing business strategies, which directly result from this philosophy, seems to be less solid. We may take it for granted that the strength of the management philosophy could naturally and easily be applied to develop into the expansion of businesses. However, a concept and a strategy, both based on the same philosophy, are actually

on different levels. We must be aware of this difference when we develop and execute within the organization.

To grow as a corporation, it is very important for us to come up with and carry out strategies that keep pace with changes in the market environment. This year, the Medium-Term Management Policy 2018 has been announced. To successfully implement this policy, it is important to share clearly defined strategies for the entire Duskin Group across our business divisions. Sharing such strategies enables each division to translate their own strategies into action. It is also crucial for all of us to stay determined to achieve our strategic goals. United in our motto to Sow the Seeds of Joy, each division needs to build momentum towards achieving our goals. I believe such momentum in unity will lead us to ONE DUSKIN and to sustainable growth in the future.

Corporate Governance

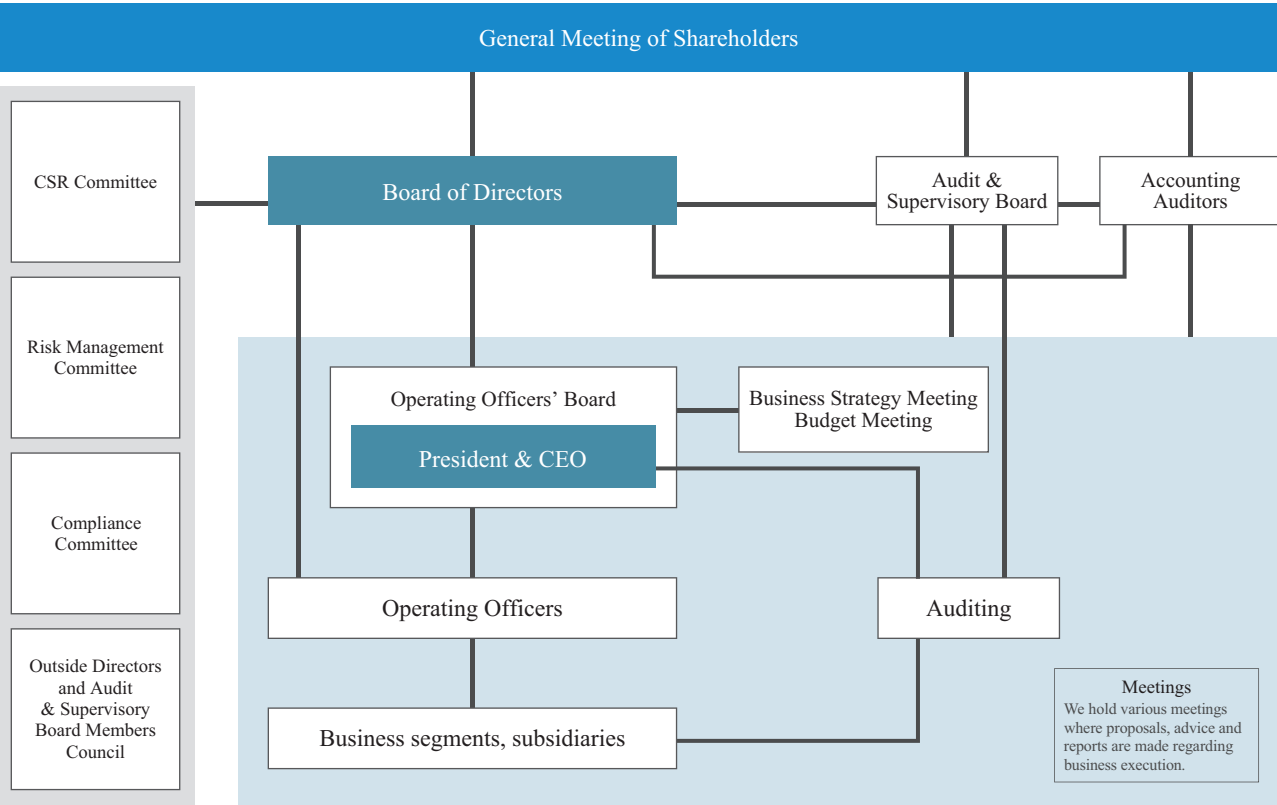
While meeting the expectations of various stakeholders, Duskin is working to enhance corporate value over the medium- and long-terms and achieve sustainable growth. To that end, we view the strengthening of corporate governance as one of our utmost management priorities. Alongside establishing a management framework that allows us to accommodate changes in our business environment with swiftness and precision, Duskin is building a structure, organization and systems to ensure transparent and sound management. We also place compliance in the center of all our corporate activities as we work to continuously improve our corporate value.

We have a solid foundation based on our management philosophy Prayerful Management advocated by Duskin’s founder Seiichi Suzuki. Prayerful Management, reflecting his philosophy and principles in life nurtured through his personal experiences, was established as a guideline for managing a company founded on his ideals. Duskin Group has inherited our founder’s earnest wish as translated into the business philosophy. We believe Duskin’s corporate governance must be implemented through the actions of all employees based on a thorough understanding of and adherence to our management philosophy.

Corporate governance structure

Duskin has introduced a corporate governance system that consists of the Board of Directors and Audit & Supervisory Board. At the Board of Directors, Directors monitor and supervise other Directors’ performance. The Audit & Supervisory Board consists of Outside Audit & Supervisory Board Members capable of objectively conducting audits and internal full-time Audit & Supervisory Board Members, who are well acquainted with our business operations and have skills needed to gather information. Under this system, the Audit & Supervisory Board Members, internal and outside, perform accurate audits. We consider this structure highly effective as it supports customer-oriented management while ensuring sound and efficient business operations. This system also enables us to swiftly and precisely respond to changes in the business environment.

Corporate Governance Structure



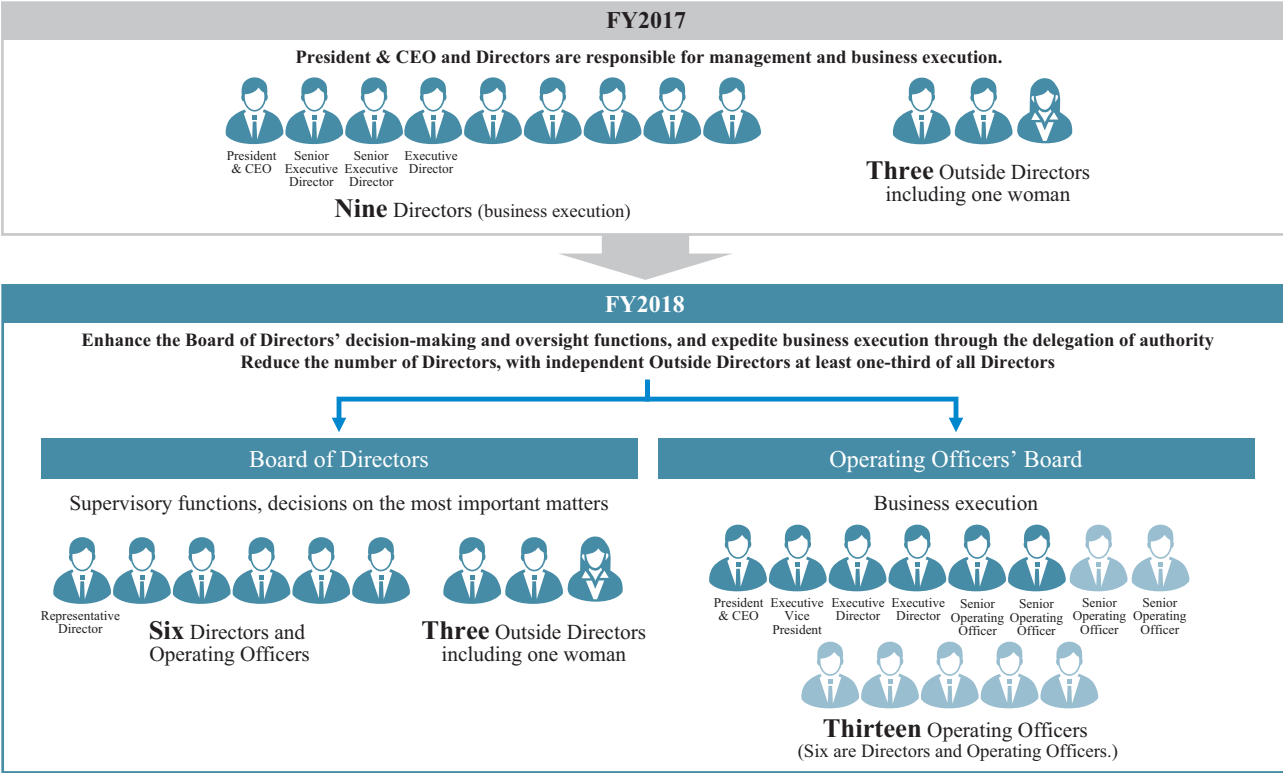
▼ Measures to strengthen corporate governance (FY)	
2003	Organized Quality Assurance Committee (now called CSR Committee)
	Established Compliance Promotion Committee (now called Compliance Committee)
2006	Prayerful Management included in the Articles of Incorporation
	Established a basic policy for the Internal Control System
	Established Risk Management Committee
	Duskin stock listed on the first section of Tokyo Stock Exchange and Osaka Securities Exchange* * The cash equity markets of Tokyo Stock Exchange and Osaka Securities Exchange were integrated on July 16, 2013.
2007	Terminated the Directors' retirement benefit program
2008	Increased the number of Outside Audit & Supervisory Board Members from two to three
2013	Started to use the proxy e-voting platform service
2014	Increased the number of Outside Directors from one to two
2015	Established Outside Directors and Audit & Supervisory Board Members Council
	Increased the number of Outside Directors from two to three
2016	Started to post our shareholders' meeting notice on the internet earlier than distributing print version
	Started to analyze and evaluate the effectiveness of the Board of Directors
2017	Established a share-based-remuneration-type stock option program
2018	Started the Operating Officer System
	Decreased the number of Directors from not more than 15 to not more than 12 Independent Outside Directors account for at least one third of all Directors

Board of Directors

Chaired by a Representative Director, who ranks first in the predetermined order of precedence, the Board of Directors meets at least once every month. This body supervises the execution of our business operations and makes decisions on important matters regarding the management of Duskin Group. Directors are selected by taking into account the diversity of the board as a whole in terms of abilities, experience, gender and other characteristics. This is for the purpose of enabling the board to make accurate management decisions in a wide range of business fields while maintaining the soundness, efficiency and effectiveness of the management. The number of Directors is limited to 12. We select internal Directors from individuals who meet the requirements of becoming Directors, in light of our management philosophy, Duskin’s guiding principles and medium-to-long-term growth strategies. Several Outside Directors are appointed from among business executives and experts who are independent and free of any real vested interest in Duskin, after taking into account the diversity of their views, knowledge and management experience.

Directors focus on making management decisions swiftly and precisely to respond to changes in our business environment. The Board of Directors consists of six internal Directors with extensive knowledge about the group’s businesses and three independent Outside Directors. The term of office of the Directors is one year to make it possible for them to accommodate changes in the business environment with swiftness and precision and to clarify managerial roles and responsibilities.

Structure of business execution from FY2018



Audit & Supervisory Board

The Audit & Supervisory Board has a total of five members including three independent Outside Audit & Supervisory Board Members (one woman) as of June 21, 2018. These individuals are responsible for auditing important decision-making processes and the status of business execution of Duskin Group, while supervising the performance of the Directors.

Audit & Supervisory Board Members attend the Board of the Directors meetings and other key meetings, where they share their professional opinions with the Directors. Meetings of the Audit & Supervisory Board are held monthly to discuss decisions on audit policies and progress involving audits.

As Outside Audit & Supervisory Board Members, we appoint specialists including certified public accountants and attorneys-at-law to ensure effective monitoring of legal, financial and accounting aspects of our business operations. The majority of the members are independent, non-Operating Officers of Duskin.

Roles and composition of other meeting bodies

CSR Committee

To fulfill our corporate social responsibilities (CSR), we have a CSR Committee, which is an advisory council for the Board of Directors. The purpose of the committee is to identify key CSR priorities to be addressed and the scope of our CSR activities in order to implement CSR management across Duskin Group. The committee members are Directors with special titles, Operating Officers responsible for focused areas of CSR activities, and Outside Directors and Audit & Supervisory Board Members. The committee met twice in FY2017 to discuss and review annual CSR activities and future initiatives, ESG issues, and medium- to long-term goals.

Outside Directors and Audit & Supervisory Board Members Council

Duskin has an Outside Directors and Audit & Supervisory Board Members Council, which is an advisory council for the Board of Directors. Its purpose is to provide beneficial views for ensuring effective corporate governance, while enabling Outside Directors to gather information without affecting their independence. This makes it possible to monitor and supervise Duskin’s management from a transparent, fair and objective viewpoint. During FY2017, the council held six meetings and made recommendations for our medium-to-long-term growth of corporate value.

Operating Officers’ Board

For the President & CEO to conduct business operations based on the basic management policy established at the Board of Directors meetings, Duskin has an Operating Officers’ Board,

a deliberative body to examine important business matters. The Operating Officers’ Board meets once or more every month. During the meetings, information is shared with other Operating Officers.

Business Strategy Meeting

The Business Strategy Meeting is held biannually for all Directors and division managers to discuss company-wide business strategies, business portfolios and the allocation of Duskin Group resources from a medium-to-long-term perspective. The results of the discussions are shared with all Directors. We are mobilizing all of our capabilities to implement the Medium-Term Management Policy in order to achieve our long-term strategic goals.

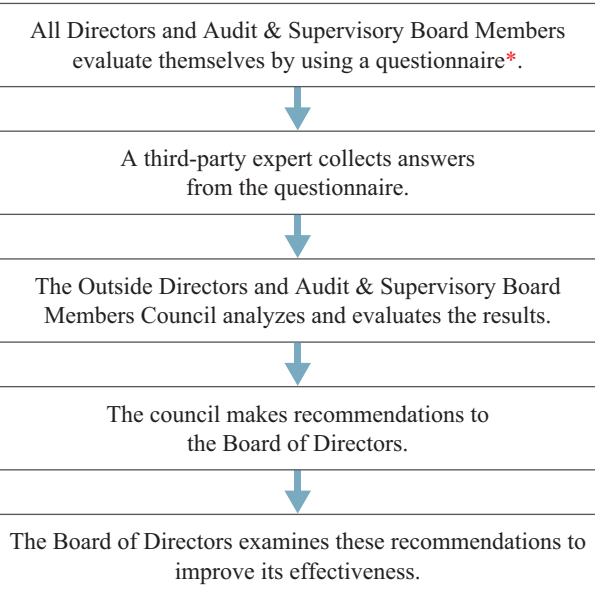
Budget Meeting

The Budget Meeting is held once each month to monitor budget progress for each business division and identify the discrepancies between forecasts and actual results as well as to discuss measures to be taken.

Evaluation of the effectiveness of the Board of Directors

Duskin analyzes and evaluates the effectiveness of the entire Board of Directors annually in order to achieve sustainable growth and stronger corporate value over the medium- and long-terms.

▼ Evaluation process



* Major questions in the questionnaire:
1. Composition of the Board of Directors
2. Operation of the Board of Directors
3. Support structure by Directors and Audit & Supervisory Board Members
4. Training
5. Dialogue with investors and shareholders
6. Initiatives by Directors and Audit & Supervisory Board Members
7. Comments

■ Results concerning the effectiveness of the Board of Directors

The Board of the Directors of Duskin confirmed that both internal and Outside Directors participated in thorough discussions and that decisions were based on these discussions. The board therefore concluded that it is sufficiently effective and that the Directors are making efforts to further improve effectiveness. Duskin uses the Operating Officer System to ensure that the number and composition of Directors are appropriate for the purpose of facilitating more active discussions of company-wide management issues. The Directors Evaluation and Nomination System was also established to enhance transparency and objectivity of procedures for the appointment or removal of Directors. We also started to allot to Directors share-based-remuneration-type stock options as sound incentives for growth in corporate value. The Board of Directors resolved to execute organizational reforms for a better staff organization. The board also confirmed that Directors made efforts to address issues and challenges in the previous years and achieved certain results in the following areas: the number of the Board of Directors meetings held, the number and quality of the agenda for discussions, the method of sharing information with Outside Directors and Audit & Supervisory Board Members, and investor relations and shareholder relations activities.

Reasons for appointment of Outside Directors

Independent Outside Directors must not be a related party of Duskin Group and must be able to maintain their independence. They must also have business experience and expertise needed to perform supervisory and advisory functions for the Board of Directors. In addition, independent Outside Directors must be capable of providing beneficial advice from many perspectives to ensure management transparency and soundness and procedural fairness. Candidates are selected by a resolution of the Board of Directors after taking into account the opinions of Audit & Supervisory Board Members and the Outside Directors and Audit & Supervisory Board Members Council.

Under the provisions of Article 427, Paragraph 1 of the Companies Act, Duskin has contracts with Outside Directors that limit their liability as provided in Article 423, Paragraph 1 of this act. The maximum liability under the contracts is the amount as provided in laws and ordinances.

▼ Reasons for appointment of Outside Directors

Names	Independent director	Reasons for appointment
Tadashi Yamamoto	○	Mr. Yamamoto has extensive experience and insight in corporate management as a Director and Senior Managing Corporate Officer at Wacoal Corporation. He also has considerable business experience in the fields of human resource planning, international operations and other fields. Since his election as a Duskin Outside Director in June 2015, he has contributed to enhancing corporate governance by providing advice and supervision for our management from an objective standpoint independent of the executives who conduct business operations.
Junko Katada	○	Although she has not been involved in corporate management, Ms. Katada has thorough knowledge of consumer issues. Since her election as a Duskin Outside Director in June 2015, she has contributed to enhancing corporate governance by providing advice and supervision for our management regarding the protection of the interests of customers and general consumers from an objective standpoint independent of the executives who conduct business operations.
Tomoya Yoshizumi	○	Mr. Yoshizumi has extensive experience and insight in corporate management as a Member of the Board and Corporate Vice President at Ajinomoto Co., Inc. At Ajinomoto, he was engaged in strategic production planning, the Medium-Term Management Plan and implementing M&A strategies for the Ajinomoto Group. For four years from 2011, he supervised business operations in North America as General Manager, North America Division and President of AJINOMOTO NORTH AMERICA, INC. Since his election as a Duskin Outside Director in June 2017, he has contributed to enhancing corporate governance by providing advice and supervision for our management from an objective standpoint independent of the executives who conduct business operations.

Standards for independence of Outside Directors and Audit & Supervisory Board Members

To ensure the independence of an Outside Director or Outside Audit & Supervisory Board Member, Duskin selects a member in accordance with our own selection criteria as well as the independence standards of the Enforcement Rules for Securities Listing Regulations of the Tokyo Stock Exchange.

When selecting the candidates, Duskin confirms that they comply with all items of the criteria. The Board of Directors then holds discussions while considering the opinions and advice of Audit & Supervisory Board Members and the Outside Directors and Audit & Supervisory Board Members Council before selecting the candidates.

Note: Our criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members are in our Annual Securities Report (Japanese version only).

Policy on Directors’ remuneration

To revise the Director Remuneration System as part of our management reforms, we started a share-based-remuneration-type stock options program for Directors in June 2017. Its purpose is to raise their motivation to achieve sustainable growth and enhance corporate value over the medium- and long-terms by sharing risks and benefits of fluctuations in stock prices with shareholders.

The compensation of our Directors other than Outside Directors consists of basic compensation (fixed compensation), a performance-based bonus (short-term incentive) and share-based-remuneration-type stock options (medium-to-long-term incentive). The compensation of Outside Directors and Audit & Supervisory Board Members consists of basic compensation and a performance-based bonus.

Directors’ compensation

The total amount of compensation for all Directors is determined within the amount resolved at the general shareholders’ meeting. Effective April 2017, remuneration for each Director other than

Outside Directors is allocated according to their contribution*1 as determined by the newly introduced Directors Evaluation and Nomination System. Then the final decision of the amount of the compensation for the Directors is made by President & CEO, who has authority granted by the Board of Directors, after considering advice from the newly established Directors Evaluation Committee*2.

The base compensation is determined in accordance with the responsibilities and rank of each Director. The amount fluctuates within a certain range based on the degree of contribution of the Director as determined by the Directors Evaluation and Nomination System.

Based on the amount of profit attributable to owners of parent, an upper limit of the funds for the bonuses of all Directors is determined, with the amount distributed to each Director in accordance with the degree of contribution as determined by the Directors Evaluation and Nomination System.

Based on the resolution at the 55th Annual General Shareholders' Meeting held on June 22, 2017, we started to allocate share-based-remuneration-type stock options to Directors. Under the new system, stock option rights are granted to Directors other than Outside Directors in lieu of part of their base compensations (up to 50 million yen per annum).

*1 Results of the businesses overseen, competence, and actions concerning our management philosophy
*2 Chaired by Outside Directors, the majority is comprised of independent Directors.

▼ Compensation system for Directors

Until FY2016	
Basic compensation (fixed compensation)	Bonus (short-term incentive)
From FY2017	
Basic compensation (fixed compensation)	Share remuneration-type stock options (medium-to-long-term incentive)
	Bonus (short-term incentive)

Compensation of Audit & Supervisory Board Members

Total compensation for all Audit & Supervisory Board Members is determined within the amount resolved at the general shareholders' meeting. Remuneration for each member is determined based on discussions by Audit & Supervisory Board Members.

▼ Directors' compensation (FY2018)

Position	Total compensation (in thousands of yen)	Type of compensations (in thousands of yen)			No. of Directors
		Basic compensation	Stock options	Bonus	
Directors (excl. Outside Directors)	297,062	240,521	9,340	47,200	9
Audit & Supervisory Board Members (excl. Outside Audit & Supervisory Board Members)	51,300	44,100	—	7,200	2
Outside Directors and Outside Audit & Supervisory Board Members	51,750	42,150	—	9,600	7

Training and sessions for Directors

At Duskin, newly elected Directors have an opportunity to attend seminars held outside of Duskin to obtain necessary knowledge and understand their roles and responsibilities. Subsequently, sessions are held every year by experts to explain to all new Directors and Audit & Supervisory Board Members about the Companies Act, compliance and prevention of insider trading.

Successor development plan

The succession plan for our CEO has been carefully examined after considering advice from the Directors Evaluation Committee. Duskin provides opportunities for successor candidates with a potential of managing Duskin's businesses to acquire knowledge and experience that allow them to make management decisions from the standpoint of customers.

Since starting the Operating Officer System, we have provided Operating Officers with opportunities to acquire overall knowledge about the company's management and are thus developing next-generation executives.

Internal control system

Duskin Group places the pursuit of the Economy and Morals in Unity at the heart of our business management. We have formulated the following Code of Conduct Statement to serve as a compass for the realization of our management philosophy as well as Duskin Code of Conduct to define concrete standards of conduct for our business operations.

Code of Conduct Statement

Aiming to be a trustworthy and reliable company

- 1 We always think of customers in everything we do.
- 2 We observe the law in all that we do.
- 3 We are ethical in all our actions.
- 4 We take our prides in everything we do.

Constructive dialogue with shareholders

Basic policy

Duskin actively engages in Investor Relations (IR) and Stakeholder Relations (SR) activities with the objectives of gaining trust and appropriate evaluations of our management and achieving sustainable growth and improvement of corporate value over the medium- and long-term. When a request for an individual meeting or dialogue is made by any of our shareholders, individual investors or institutional investors, our senior management and Directors will respond to such request, to the extent reasonable.

We strive for disclosure of management information which is deemed useful for investment decisions by shareholders and investors in a timely, appropriate and fair manner. We are also committed to creating an environment that facilitates dialogues with shareholders and investors, thereby gaining trust in capital markets.

System for IR and SR activities

At Duskin, an Operating Officer in charge of IR and SR is appointed, and the Chief of IR Section, Corporate Planning Department is in charge of IR administration. Under their supervision, the IR Section conducts IR and SR activities.

The IR Section Chief, besides attending important internal meetings of Duskin, views internal approval documents as needed and collects necessary information by closely cooperating with the relevant departments. Requests for meetings with our senior management and Directors will be handled based on reasonable judgments made by the IR Section Chief in accordance with the basic policy.

Information, evaluation and opinions gained through IR and SR activities are reported at meetings of the Board of Directors twice each year. In addition, reports as deemed necessary are made by the IR Section to an Operating Officer in charge, then from the Operating Officer to the Board of Directors to reflect this information in the management.

Dialogues with institutional investors and analysts (including shareholders)

Duskin holds financial results briefings twice every year (at the end of second quarter and the fiscal year end) for institutional investors and analysts. The President & CEO explains our financial data, the outline and progress of our Medium-Term Management Policy and other matters in an easy-to-understand manner using graphics and charts.

Individual meetings with institutional investors and analysts are held as requested.

Dialogues with individual investors (including shareholders)

Duskin holds company briefings targeting individual investors in cooperation with securities firms' branch offices around Japan and IR support companies. In principle, the IR Section Chief explains Duskin's ongoing businesses and business models, current situation and other matters in an easy-to-understand manner using graphics and charts.

Duskin participates in various IR-related events, taking opportunities to have direct dialogues with individual investors and shareholders. The IR Section members give briefings on the company information while collecting the opinions of individual investors and shareholders through questionnaires and by other means.

In addition, fan meetings and other events are held to help individual investors and analysts deepen their understanding of our business strategies. We have established a system to ensure that their opinions and requests are reflected in our business management.

We strive to improve our website with content that is useful for individual investors and shareholders to make investment decisions. Included in the website are summaries of financial results, business highlights, management strategies and materials presented at IR briefings, our business environment, initiatives for safety and compliance, corporate news and topics.

In FY2017, Duskin held company briefings targeting individual investors eleven times with 1,100 participants. We also had a booth at the Nikkei IR Investment Fair and TSE IR Festa with 2,300 visitors. Mister Donut held Fan Meetings twelve times with 700 participants.



Presentation at an IR briefing organized by Daiwa Investor Relations Co. Ltd.



Navidas, Duskin Investors' Note

Risk Management

The Duskin corporate group has a proactive approach to risk management by assessing all possible risks that the group may encounter in order to avoid these problems or minimize losses and damage if a problem occurs.

Risk management structure

Duskin has formulated Basic Rules on Risk Management that stipulate how risk is to be managed in the Duskin corporate group. In accordance with these rules, there is a risk management department and a supervisor of the department. At our subsidiaries, we name a risk management supervisor at each company in accordance with its size, types of business activities, and other characteristics. We conduct risk management in a consolidated, comprehensive manner. To preside over the operation and administration of risk management, a secretariat office is established under the Risk Management section of the Quality Assurance and Risk Management Department. When a problem occurs, risk management departments work in concert with this secretariat office to implement countermeasures.

Risk Management Committee

Duskin has a Risk Management Committee, as an advisory council for the Board of Directors. Its purpose is to establish risk management policies by assessing any possible risks that Duskin Group may encounter in order to avoid these problems or minimize losses and damage if a problem occurs. The committee held three meetings in FY2017 to discuss its risk management annual plan, causes and measures for risk factors, measures for natural disaster preparedness, and corporate group risk management programs, and the committee submitted reports. The Risk Management Committee also reviewed actions to take if the head office is affected by a disaster.

Risk assessments

Each department identifies the risks that are specific to its responsibilities and analyzes their significance. Then, response measures for each presumed risk factor are formulated. Every year, risk management departments and the secretariat office review and evaluate countermeasures and their effectiveness. With the feedback of these reviews and evaluations, all departments examine and enhances their countermeasures. Each department identifies new possible risks based on the information on revisions of laws and regulations, case studies at other companies, and any crisis that occurred at Duskin. Each department formulates and implements its own risk management programs.

Crisis situation framework

When damage results from a crisis or natural disaster or an earthquake with an intensity of at least 5-plus occurs, the risk management supervisors for each function at Duskin Group gather information and submit a report to the secretariat office. Information about damage caused by other natural disasters is gathered immediately after the occurrence. If there is a significant natural disaster, the President & CEO decides whether or not to establish a response office, and, if an office is established, names a general manager. For risk factors that will significantly impact the Duskin corporate group, the chairperson of the Risk Management Committee decides whether or not to establish a response office, and, if an office is established, names a general manager.



On-site response office was established immediately after Kumamoto earthquakes in 2016

Information security

Duskin engages in measures to prevent information-centered accidents such as illegal access, loss, destruction, tampering and leakage. These measures include classifying the management level of information employees come into contact with in the course of business into multiple stages, and establishing limits on storage methods and access privileges. With regard to the handling of personal information, we set forth a Personal Information Protection Policy and make efforts to ensure that all of our employees are aware of this policy and enforce it. We have established a management framework with a supervisor at each department responsible for personal information protection. The framework is compliant with the requirements of personal information protection management systems, and we strictly administer rules on the management of this information.

Compliance

At Duskin, “compliance” means we are committed to “complying with what is expected to meet others’ wishes.” Everyone at Duskin Group upholds the Duskin Code of Conduct in all daily business activities to consistently respond to what is expected of all Duskin staff members by society and consumers.

Compliance Committee

Duskin Group has a Compliance Committee for the purpose of establishing, disseminating and implementing a compliance framework. This committee is led by the Operating Officer in charge of our legal and compliance functions, and also includes other Operating Officers, our Outside Directors, attorneys-at-law, our Audit & Supervisory Board Members, and the Chairman of our Labor Union Committee. The Compliance Committee reviews key compliance-based issues as well as annual plans and education and training plans that apply to compliance. The committee, as an advisory body to the Board of Directors, also conducts activities related to compliance at Duskin. During FY2017, the committee held four meetings to discuss compliance structures, regulations, annual plans, training programs and internal reporting systems, and made reports.

Commitment to compliance

Position-specific training

As part of its efforts to ensure that its members are aware of and enforce the Duskin Code of Conduct, Duskin Group holds compliance training sessions every year for all of its Directors and employees. FY2017 training sessions were highlighted by a lecture by a well-known attorney at law, Mr. Shigeru Nakajima, Nakajima Transactional Law Office. A case study training session was also conducted with the goal of helping our employees develop their ethical judgment skills.

Day of Resolve

May 31 is the Duskin Group’s Day of Resolve. On May 31, 2002, Duskin was issued an order of partial business suspension by the Osaka Prefecture Government due to a violation of the Food Sanitation Act. Every year on May 31, lectures by outside experts are conducted to help all Duskin employees reflect on the Large Meat Dumpling incident*. All employees write messages pledging compliance to consumers and society. Employees who do not know about the incident are encouraged to listen to senior employees. By recalling the incident, Duskin reminds all employees of the importance of compliance with regulations. This is our responsibility to society. We pledge our resolve and reaffirm the determination to do right by building upon our solid compliance structure.

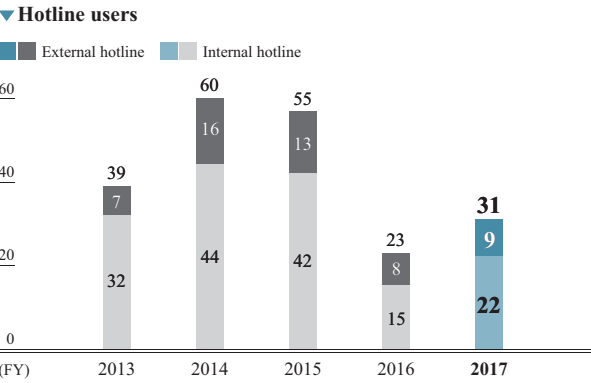
* Large Meat Dumpling incident: An unauthorized food additive in Japan was used for the Large Meat Dumplings sold at Mister Donut. While Duskin discovered this problem at the early stage of the incident, the use of this food additive was not disclosed to the public until inquiries were made by the media. This resulted in severe social criticism.

Insider information management

Duskin has formulated Rules on Insider Information Management and the Detailed Rules on Insider Information. All important information is gathered and controlled at the IR Section, which is responsible for the handling of information. We disclose our information based on the belief that the timely and appropriate disclosure of corporate information to investors is the basis of a sound securities market. We are committed to ensuring the fairness and soundness of the securities market. The IR Section organizes training and educational programs for Directors and employees of Duskin and its affiliated companies to help them deepen their understanding of the importance of information management and the prevention of insider trading, in accordance with the Rules on Insider Information Management.

Whistleblowing

In line with the intent of the Whistleblower Protection Act of Japan, Duskin operates Compliance Hotlines that make it possible to report occurrences directly to our Legal and Compliance Department and to an external law firm. By having mechanisms in place that keep an eye out for legal infractions, unethical conduct including bribery and corruption, and internal impropriety, we seek to foster a sound and highly transparent corporate climate. We allow anonymous reporting, protect the privacy of whistleblowers, and ensure there are no negative consequences of submitting a report. Complaints related to human rights violations are processed by independent arbitrators. FY2017 hotline users: internal 22, external 9





Environment

Eco-friendly activities to bring smiles to future generations



CO2 reduction

Duskin established medium-term environmental targets for three years from FY2018 to FY2020. These medium-term environmental targets, focusing on reduction of greenhouse gas emissions, are set to achieve the goals of our long-term environmental vision for 2030. Under the Paris Agreement adopted at COP21 in 2015, each party has nationally determined contributions (NDC) to reduce emissions. Japan's NDC goal is a 26% reduction of the 2013 level by 2030. Duskin Group has established our reduction goal as high as, or higher than the national goal to fulfill our responsibility. GHG Scope 3 emissions (all indirect emissions) make up the majority of Duskin emissions. From FY2018 onward, Duskin is working on accounting and reporting the Scope 3 emissions with a goal to reduce CO2 emissions across our supply chain.

▼ CO2 emission (t-CO2)

	Boundary	2013	2016	2017	Compared with 2013
Scope 1, 2	Group and franchised plants	56,098	53,006	56,231	+0.2%
	Franchised offices	106,263	101,487	88,348	-16.8%
Scope 3	Other than franchised offices	407,752	379,288	326,454	-19.9%
	Total	570,113	533,781	471,033	-17.3%

(FY)

Waste reduction at Food Group

Mister Donut reviews production schedules and executes controls by using a disposal checklist to curtail the maximum desired number of donuts to be discarded. As of March 31, 2018, at 424 shops (approx. 39% of the whole system) in Kanto and Tokai areas, unsold donuts are reprocessed in processing plants into animal feed as part of our recycling efforts. In FY2018, Food Group plans to recycle food waste in Kinki area.

▼ Food waste and recycling at Food Group's shops/restaurants

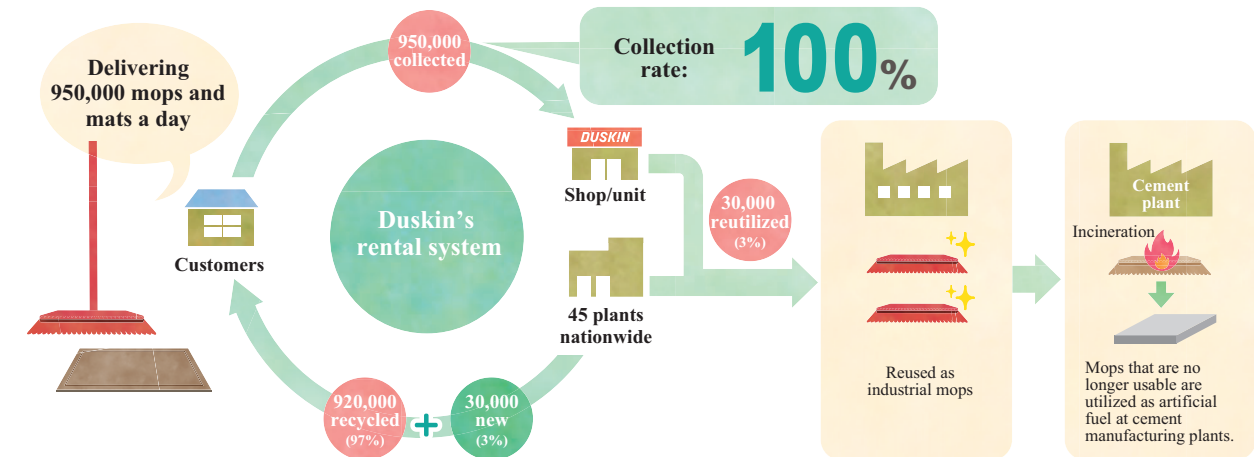
	2015	2016	2017
Food waste (t)	6,858	6,502	5,600
Reduced (t)	1,245	876	1,433
Recycled (%)	41.5	36.3	40.3

(FY)

Contribution to a recycling-oriented society via rental system

Duskin's rental system gives us an advantage by effectively managing the environmental impact in all processes involved in product lifecycle. We encourage eco-conscious business operations throughout all phases of the product lifecycle, from product development to reuse, recycling and disposal after use.

▼ Our reuse and recycling system



Safety, Reliability and Quality

Products and services our customers trust



Quality assurance framework

In order to ensure that all our products and services are safe and reliable, Duskin's quality assurance framework works from development to after launch. Our Product Inspection department acts as an outside independent group to conduct assessments, inspections and to monitor the quality of all products. The Quality Assurance Control department is responsible for checking the safety of products and raw materials, the development of a quality assurance system and management of its operations. During the development phase, the safety and reliability of products and services are objectively reviewed, prior to launch, at the development meetings. For the development of new food products and services and their specification changes, internal rules require we ensure safety at a meeting of the Safety Council. Following a launch, we maintain our established levels of quality by conducting regular and spot quality checks on products in distribution.

Inspection of contractors' food processing plants

For the food processing plants our Food Group contracts for processing raw materials or products, the Quality Assurance & Risk Management team conducts inspections of new contractors before transactions, inspection of their production operation and periodic inspections of all contractors. Our inspection specialists for food processing plants conduct comprehensive quality inspections with more than 400 items on our checklist for facility management, process management, sanitary management and production management. All plants are evaluated and ranked by the results of inspections, product specifications and characteristics, evaluation of aging

equipment/facilities and complaints. Periodic inspections are conducted regularly (one to three years) depending on the plants' rankings.



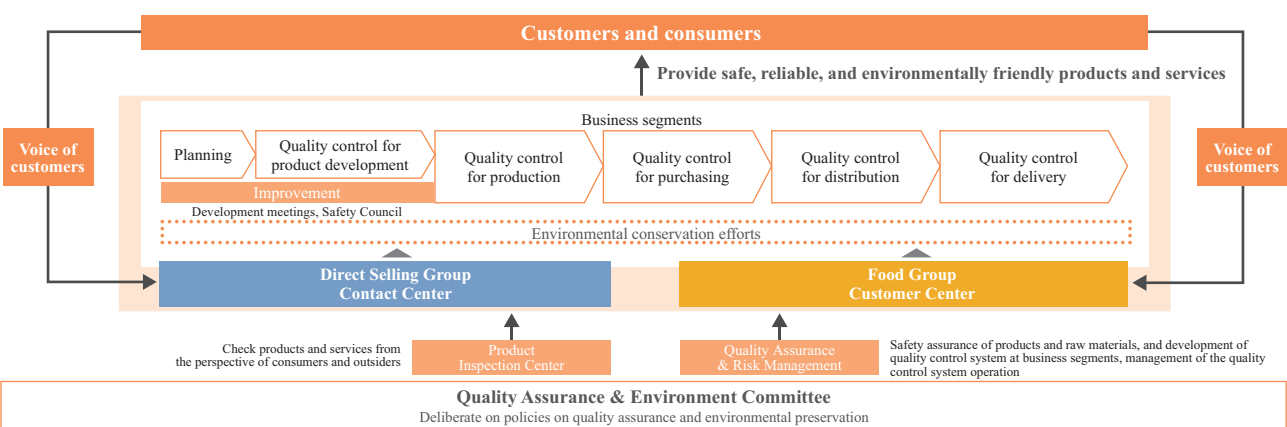
Periodic inspection conducted at a contractor food processing plant.

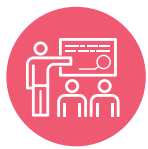
Palm oil is extracted from the fruit of the oil palm. There have been worldwide concerns about the oil palm plantation which could lead to destruction of rain forests. Duskin works with our partner suppliers to ensure responsible procurement of such materials. In November 2017, Duskin, along with our trading company and manufacturer, inspected a palm plantation and oil mill and conducted a regular auditing at oil manufacturing plants in Johor, Malaysia.



Inspection at an RSPO palm plantation

▼ Quality assurance framework





Human Resources

Skilled and compassionate people who respect and support each other

Contribution to SDGs



Human resource development

Duskin organizes a variety of educational and training opportunities in order to develop understanding of our management philosophy, Prayerful Management, which guides all the employees. To enable each of our employees to effectively fulfill their designated role with enhanced knowledge and skills, Duskin offers rank-specific training for new and existing employees. We also focus on the development of Area Managers who support and lead franchisees. Furthermore, we place value on individual self-development and encourage employees to acquire official certifications and take additional coursework outside the company. In FY2017, a total of 15,431 employees participated in education and training programs to enhance their knowledge and skills.

Diversity

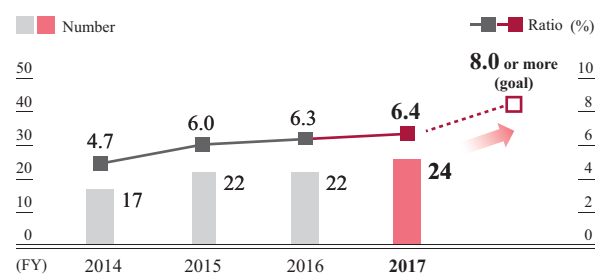
Duskin believes in establishing workplaces where employees respect each other, and are respected, regardless of gender, age, nationality, career, lifestyles, or any other factor so that all employees are able to exert their talents to the fullest of their potential. In this environment, we are prepared to respond to the changing business environment and to diversifying customer needs, which also enables us to increase our value and competitive advantage.

In regards to gender diversity, our goal is to make sure women are in at least 8.0% of our managerial positions.



An Area Manager gives support to franchise offices.

Female employees in managerial positions (Duskin, non-consolidated)



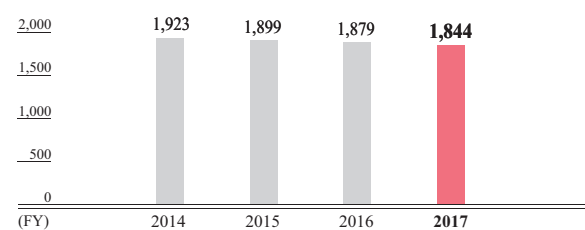
Work-life balance

Duskin has been implementing a variety of measures to decrease long working hours and promote work-life balance.

Initiatives

- Report on the actual situation of overtime work at the Board of Directors
- Reduce long working hours in each department
- Conduct No Overtime Work Day at least once a month
- Turn off the lights at six p.m. at Duskin's head office building
- Implement Four-Leaf-Clover Day Campaign (Leave the Office Early Day Campaign)

Total annual hours worked per employee (Duskin, non-consolidated)



TOPICS

Hiring non-Japanese nationals Providing greater opportunities for women

Duskin was approved by Tokyo, Kanagawa, and Osaka as a specified business organization for the Project to Accept Foreigners Conducting Housekeeping Services in National Strategic Special Zones and started to hire non-Japanese women for service positions.

Those employees started serving customers after completing our service attitudes and skills training programs. We are committed to providing opportunities for women: for those entering the workforce from overseas, and for professional women whose lives are made easier by hiring our expert cleaning services.



Employees of Project to Accept Foreigners Conducting Housekeeping Services participate in training.



Local and Social Contributions

Helping to make communities more considerate of all people

Contribution to SDGs



Clean Up My Town



Clean Up My Town is a Duskin-sponsored nationwide initiative to pick up trash at local event sites, following our environmental commitment statement, Sowing the Seeds of Ecological Responsibility for the Future. This cleaning campaign, initiated in 2006, has attracted a total of 290,000 participants.

In 2017, a volunteer cleaning activity at a World Heritage site began. Children who joined in the cleaning enjoyed the opportunity to learn the significance of maintaining cleanliness at a World Heritage site.



Clean Up My Town at World Heritage Koyasan Kongobuji Temple

School education support



Sow the Seeds of Cleanliness on-site classroom

Our Sow the Seeds of Cleanliness Classroom, started in 2012, is an on-site lesson targeted at elementary school children. In a 45-minute lesson, we help children learn what dust and dirt are, discuss why cleaning is necessary, and demonstrate the correct use of dust cloths, brooms and other cleaning tools.



Sow the Seeds of Cleanliness Classroom

This program was held at 1,988 schools nationwide for a total of 176,624 children educated as of March 2018. For our next step, we will develop a new classroom program of school cleaning procedure and convey the importance of cleaning to children in local communities.

The Duskin AINOWA Foundation



The Duskin AINOWA Foundation was founded in 1981, the year the United Nations designated as the International Year of the Disabled. Currently, the Foundation has approximately 189,000 members. At the shops and restaurants of our Food Group, Duskin AINOWA membership leaflets and donation boxes are placed by the cashier to encourage greater participation in our activities.

The Foundation has been conducting two major programs. One is a program that enables people with disabilities to study abroad. This program provides opportunities for leaders who wish to develop skills to contribute more to their local communities. For 37 years since its founding, a total of 504 trainees have studied abroad.

The other program, started in 1999, invites select young people with disabilities from Asian-Pacific nations to Japan to receive training to learn about the welfare and programs for people with disabilities. During the past 19 years, a total of 132 trainees from 27 countries and regions have been trained in Japan, and are now playing active roles in their homelands.



Duskin Study Abroad Leadership Program for the Disabled

Ten-Year Highlights with Key Performance Indicators

Duskin Co., Ltd. and its consolidated subsidiaries
Fiscal years ended March 31

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fiscal year										
Sales (millions of yen)	188,552	181,280	177,320	171,118	168,163	167,745	167,987	165,203	161,880	161,031
Ordinary profit (millions of yen)	14,487	13,806	12,613	11,609	11,027	8,322	7,083	6,707	7,554	8,978
Profit attributable to owners of parent (millions of yen)	6,460	7,824	5,248	4,583	6,092	4,448	3,441	2,983	4,318	5,324
Comprehensive income (millions of yen)	—	8,662	4,384	5,320	9,095	6,246	7,870	1,401	5,309	7,825
At the end of the period										
Net assets (millions of yen)	143,322	148,308	148,565	149,604	152,811	151,903	155,196	143,648	142,108	147,786
Total assets (millions of yen)	194,653	200,889	198,876	197,316	202,375	202,778	198,475	190,322	190,116	196,058
Cash flows										
Cash flows from operating activities (millions of yen)	13,993	18,563	14,032	14,057	16,269	12,086	6,251	11,199	15,803	13,111
Cash flows from investing activities (millions of yen)	−7,065	−7,849	−12,700	−8,686	−6,864	−14,004	5,515	−2,826	−3,565	−7,909
Cash flows from financing activities (millions of yen)	−5,628	−3,803	−9,749	−4,355	−5,980	−6,553	−4,514	−12,952	−6,800	−2,232
Cash and cash equivalents at end of period (millions of yen)	25,237	32,157	23,714	24,724	28,171	19,775	27,118	22,503	27,902	30,877
Per share data										
Net assets per share (yen)	2,130.52	2,226.72	2,262.41	2,314.38	2,407.88	2,446.24	2,544.09	2,569.53	2,651.76	2,758.28
Net profit per share (yen)	96.18	117.20	79.39	71.07	95.15	71.13	56.19	52.18	78.95	99.63
Dividend per share (yen)	40.00	40.00	40.00	40.00	40.00	60.00	40.00	40.00	40.00	40.00
Financial indicators										
Equity ratio (%)	73.2	73.4	74.3	75.4	75.1	74.3	77.6	75.0	74.5	75.2
Return on equity (%)	4.6	5.4	3.6	3.1	4.1	2.9	2.3	2.0	3.0	3.7
Price-earnings ratio (times)	16.3	14.19	19.42	23.26	19.74	27.82	37.02	38.75	30.75	27.07
Dividend payout ratio (%)	41.6	34.1	50.4	56.3	42.0	84.4	71.2	76.7	50.7	40.1
Stock information										
Capital stock (millions of yen)	11,352	11,352	11,352	11,352	11,352	11,352	11,352	11,352	11,352	11,352
Outstanding shares (shares)	67,394,823	67,394,823	67,394,823	66,294,823	64,994,823	63,494,823	63,494,823	57,494,823	55,194,823	55,194,823
Number of employees										
Consolidated (persons)	3,549	3,398	3,458	3,422	3,512	3,552	3,487	3,538	3,528	3,773
Consolidated (average number of temporary employees) (persons)	6,626	6,403	5,931	5,890	5,751	5,867	6,041	6,128	6,219	6,029
Non-consolidated (persons)	1,987	2,014	2,033	2,039	1,952	1,936	1,928	1,960	1,954	1,991
Non-consolidated (average number of temporary employees) (persons)	2,386	2,367	2,158	2,079	1,715	1,541	1,478	1,588	1,607	1,488

Note: Consumption taxes are not included in sales.

Financial Overview

Accounting

Preparation policy for the consolidated and non-consolidated financial statements

(1) The consolidated financial statements of Duskin Co., Ltd. (Duskin) are prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Ordinance No. 28 of 1976).

(2) The non-consolidated financial statements of Duskin are prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc. (Ministry of Finance Ordinance No. 59 of 1963, hereinafter the “Ordinance on Financial Statements, etc.”)

Duskin is classified as a specified company in submitting financial statements and thus prepared its financial statements in accordance with the provisions of Article 127 of the Ordinance on Financial Statements, etc.

Audit attestation

The consolidated financial statements for FY2017 (from April 1, 2017 to March 31, 2018) and non-consolidated financial statements for FY2017 (from April 1, 2017 to March 31, 2018) are audited by Ernst & Young ShinNihon LLC pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

Specific efforts to ensure the appropriateness of the consolidated financial statements, etc.

Duskin makes efforts to ensure the appropriateness of the consolidated financial statements, etc. Specifically, Duskin became a member of the Financial Accounting Standards Foundation and participates as necessary in training courses or seminars on disclosure or amendments of accounting standards held by the Financial Accounting Standards Foundation, Ernst & Young ShinNihon LLC and other external organizations

or experts, for the purpose of ensuring that Duskin has an appropriate understanding of accounting standards and responds in a timely manner to changes in accounting standards.

Business and financial conditions

Duskin Group consists of Duskin, its 34 subsidiaries and three affiliated companies. Clean & Care Group (renamed Direct Selling Group on April 1, 2018) is engaged mainly in the rental of dust control products, and Food Group’s main business is Mister Donut. Along with these activities, we also operate related businesses mainly through franchise networks.

Business overview

In the final year of Medium-Term Management Policy 2015 that is the first phase of the long-term strategy ONE DUSKIN, Duskin focused on achieving a recovery in sales to return Duskin Group to a growth track.

Clean & Care Group focused on reinforcing customer contacts and on providing products for simple and efficient cleaning as customer needs grow along with the increasing number of working couples and senior households. The group also continued its efforts to enhance cleaning and technical services for which customer demand is increasing considerably. Food Group was committed to reestablishing the Mister Donut brand with the slogan “Something good’s gonna happen. Mister Donut” and to developing other food businesses. Duskin introduced a share-based-remuneration system for Directors as an incentive to enhance corporate value and started using the Operating Officer System in FY2018 to strengthen corporate governance.

Analysis of business results

Clean & Care Group posted higher sales but Food Group sales continued to decline. Despite lower sales, consolidated operating profit, consolidated ordinary profit and profit attributable to

owners of parent increased. The main reasons were a decrease in the cost of sales due to lower investments in Style Cleaner (an electrically powered dust cleaner placed on the floor) and lower expenses for depreciation and retirement benefits.

1. Sales

Although sales of dust control products, the core category of this segment, remained the same as in the previous year, Clean & Care Group recorded higher sales. This is because other businesses including Rent-All, which rents household items and equipment for various events, continued to perform well. In Food Group, sales of Mister Donut decreased because of the smaller number of locations due to closures of underperforming shops. Don Co., Ltd., a consolidated subsidiary operating a seafood donburi chain, was sold to Fujio Food System Co., Ltd., with all shares transferred in the previous fiscal year. As a result, Food Group posted lower sales. Sales of other businesses were higher than one year earlier. This is because Big Apple Worldwide Holdings Sdn. Bhd., the largest donut chain in Malaysia, which Duskin acquired and made a subsidiary during FY2016, contributed to sales.

As a result, consolidated sales were 161,031 million yen, an 849 million yen (0.5%) decrease from the previous year.

2. Operating profit (cost of sales, selling, general and administrative expenses)

Cost of sales was 87,808 million yen, a 1,395 million yen (1.6%) decrease from the previous year. This is mainly attributable to lower investments in Style Cleaner and the improved cost ratio at Food Group. Selling, general and administrative expenses were 65,664 million yen, a 941 million yen (1.4%) decrease from the previous year. This is mainly attributable to lower expenses for depreciation and retirement benefits. Promotional expenses increased because Duskin placed newspaper advertisements in 51 newspapers in March to raise brand awareness and increase sales.

As a result, consolidated operating profit was 7,557 million yen, a 1,488 million yen (24.5%) increase from the previous year.

3. Ordinary profit (non-operating income and expenses)

There were no significant increases or decreases from the previous year in non-operating income. The main changes were a 63 million yen decrease in interest income, a 67 million yen decrease in cancellation penalty and a 60 million yen decrease in commission for purchase of treasury shares. As a result, consolidated ordinary profit was 8,978 million yen, a 1,423 million yen (18.8%) increase from the previous year.

4. Profit attributable to owners of parent (extraordinary income and losses)

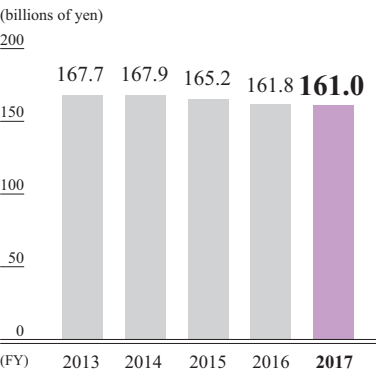
Special loss increased by 120 million yen. This is mainly attributable to a decrease in gain on sales of securities while impairment loss and loss on disaster decreased. Profit before income taxes totaled 7,913 million yen, a 1,303 million yen (19.7%) increase, resulting in an increase in tax expenses. As a result, profit attributable to owners of parent was 5,324 million yen, a 1,006 million yen (23.3%) increase from the previous year.

Analysis of financial position

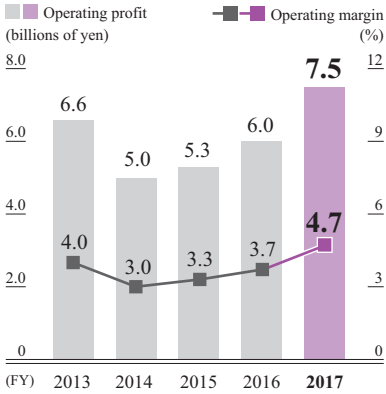
Current assets

As of March 31, 2018, current assets amounted to 69,434 million yen, a 7,413 million yen increase compared to the end of the previous fiscal year. This is mainly attributable to a 2,353 million yen decrease in cash and deposits, an 8,443 million yen increase in short-term marketable securities, and an 819 million yen increase in other resulting from an increase in accounts receivable-other.

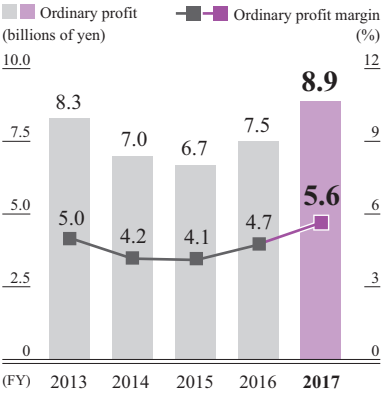
▼ Sales



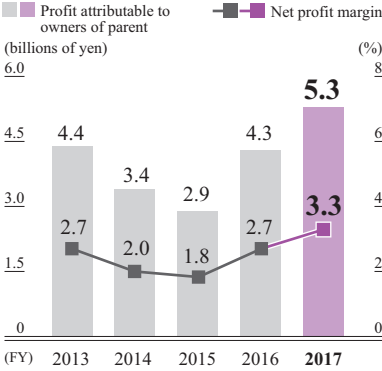
▼ Operating profit / Operating margin



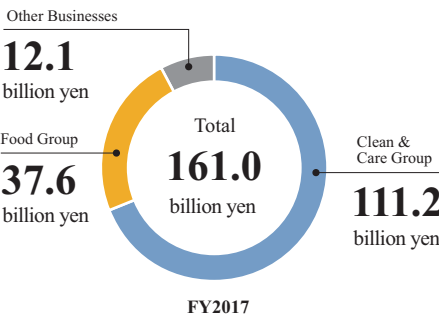
▼ Ordinary profit / Ordinary profit margin



▼ Profit attributable to owners of parent / Net profit margin



▼ Sales by segment



Non-current assets

Non-current assets totaled 126,623 million yen at the end of the fiscal year, a 1,472 million yen decrease compared to the end of the previous fiscal year. This is mainly due to a 1,543 million yen increase in investment securities, a 1,990 million yen decrease in property, plant and equipment, and a 948 million yen decrease in deferred tax assets.

Current liabilities

Current liabilities amounted to 33,985 million yen at the end of the fiscal year, a 618 million yen decrease compared to the end of the previous fiscal year. This is mainly due to a 529 million yen increase in accounts payable-other, a 933 million yen decrease in accrued income taxes and a 338 million yen decrease in other resulting from a decrease in deposits received.

Non-current liabilities

Non-current liabilities totaled 14,286 million yen at the end of the fiscal year, an 882 million yen increase from the end of the previous fiscal year. This is mainly due to a 981 million yen increase in net defined benefit liability.

Net assets

Net assets totaled 147,786 million yen at the end of the fiscal year, a 5,677 million yen increase from the end of the previous fiscal year. This is mainly due to a 3,186 million yen increase in retained earnings resulting from profit attributable to owners of parent of 5,324 million yen less 2,137 million yen paid out in dividends, and a 2,123 million yen increase in valuation difference on available-for-sale securities.

Cash flows

To improve our corporate value, we place importance on increasing cash flows from operating activities and continuing investments in new areas for growth. Cash and cash equivalents (“cash”) at the end of the fiscal year totaled 30,877 million yen, a 2,975 million yen increase from 27,902 million yen at the end of the previous fiscal year.

Cash flow from operating activities

Cash inflows from operating activities amounted to 13,111 million yen (15,803 million yen in the previous fiscal year). Profit before income taxes totaled 7,913 million yen, while depreciation of 6,339 million yen, an increase in net defined benefit liability of 1,422 million yen, impairment loss of 840 million yen, and income taxes paid of 3,680 million yen were recorded.

Cash flow from investing activities

Net cash used in investing activities was 7,909 million yen, (3,565 million yen used in the previous fiscal year). This is mainly due to purchase of short-term and long-term investment securities of 33,844 million yen, purchase of property, plant and equipment of 4,181 million yen, and other payments of 3,555 million yen. Proceeds from sales and redemption of short-term and long-term investment securities of 32,663 million yen and proceeds from sales of property, plant and equipment of 1,158 million yen were also recorded.

Cash flow from financing activities

Net cash used in financing activities amounted to 2,232 million yen (6,800 million yen used in the previous year). This is mainly attributable to cash dividends paid of 2,136 million yen.

Research and development

Research and development policy and structure

We aim to establish Duskin brands as leaders in the areas of safety and reliability. We provide customers with high-quality products and services that help them maintain cleanliness at their homes and workplaces. Our Research & Development activities are centered on a commitment to developing fundamental technologies and new products, improving product quality, and protecting the environment.

As our core products are rental products, repeated use of these products contributes to the effective use of resources, a reduction in the cost of sales and environmental conservation. With the goal of extending the service life of products, our Research & Development team explores optimal treatment processes for used rental products and associated chemical agents.

As of March 31, 2018, our Research & Development Center, with a total of 27 staff members, had three laboratories: Dust Control Materials Technologies for research and development involving materials for new rental items and new production and treatment methods; Environmental Hygiene for research involving chemicals to enhance the value of rental products and for conducting demonstration experiments concerning cleaning and allergies through business-academia cooperation; and New Technologies with a focus on new rental items.

Product testing policy and structure

We conduct product testing as well as analytical and hygienic testing work on external, structural and component safety, performance and effectiveness, ease of use, reliability and durability, and suitability of labeling from four perspectives: customer satisfaction, consumer protection, legal compliance and environmental protection.

As of March 31, 2018, the Product Inspection Center consisted of two laboratories: Safety & Analysis Laboratory and Reliability & Utility Value Laboratory, with a total of 15 staff members.

Research and development expenses

Research and development expenses totaled 643 million yen.

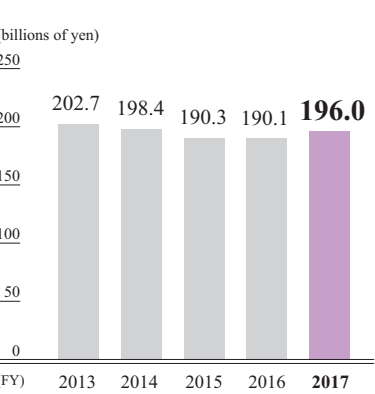
Capital investments

Capital investments (including intangible assets and payments of lease and guarantee deposits) totaled 5,076 million yen.

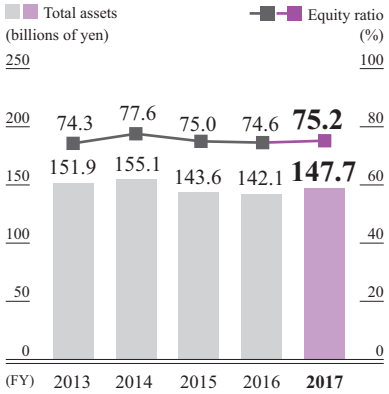
At Clean & Care Group, 645 million yen was invested for the installation and renewal of production facilities for plants, and 451 million yen was invested for the development of additional functions of the Production & Logistics system. For the consolidation of three offices into a single location in Kyushu, 214 million yen was invested, and 179 million yen was invested for the development of additional functions and upgrades of the membership website DDuet.

At Food Group, 823 million yen was invested to open new shops and remodel existing shops based on the Mister Donut new concept, and 278 million yen was invested for renovations and openings of shops and restaurants other than Mister Donut. There were no significant sales or retirements of facilities.

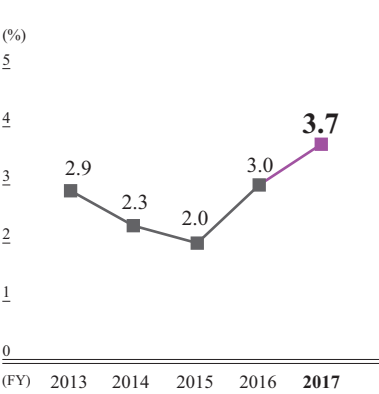
▼ Total assets



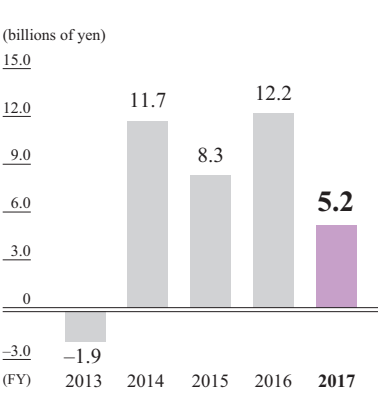
▼ Total assets / Equity ratio



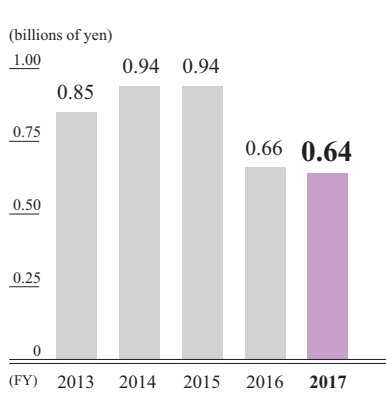
▼ Return on equity



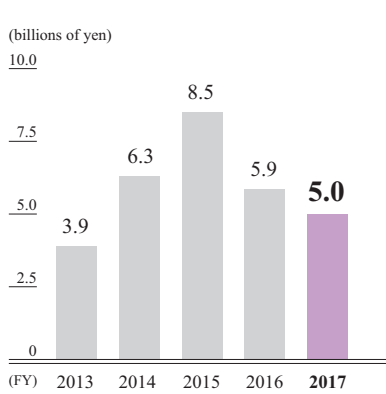
▼ Free cash flow



▼ Research and development expenses



▼ Capital investments



Consolidated Financial Statements

Consolidated Balance Sheets

(millions of yen)

	FY2016 As of March 31, 2017	FY2017 As of March 31, 2018
Assets		
Current assets		
Cash and deposits	21,200	18,846
Notes and accounts receivable - trade	9,887	9,950
Lease receivables and investment assets	1,359	1,326
Securities	16,018	24,461
Merchandise and finished goods	7,388	7,738
Work in process	157	142
Raw materials and supplies	1,557	1,598
Deferred tax assets	1,719	1,822
Other	2,766	3,585
Allowance for doubtful accounts	-34	-37
Total current assets	62,021	69,434
Non-current assets		
Property, plant and equipment		
Buildings and structures	44,157	43,486
Accumulated depreciation	-26,388	-26,490
Buildings and structures, net	17,769	16,996
Machinery, equipment and vehicles	24,880	24,975
Accumulated depreciation	-18,134	-18,484
Machinery, equipment and vehicles, net	6,745	6,491
Land	23,628	22,750
Construction in progress	241	178
Other	11,903	12,405
Accumulated depreciation	-8,955	-9,478
Other, net	2,948	2,927
Total property, plant and equipment	51,334	49,344
Intangible assets		
Goodwill	647	549
Other	7,035	7,925
Total intangible assets	7,683	8,474
Investments and other assets		
Investment securities	58,979	60,523
Long-term loans receivable	5	3
Deferred tax assets	2,199	1,250
Guarantee deposits	6,304	5,751
Other	1,616	1,310
Allowance for doubtful accounts	-27	-34
Total investments and other assets	69,078	68,804
Total non-current assets	128,095	126,623
Total assets	190,116	196,058

(millions of yen)

	FY2016 As of March 31, 2017	FY2017 As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,836	6,834
Short-term loans payable	78	173
Current portion of long-term loans payable	10	-
Income taxes payable	2,337	1,403
Provision for bonuses	3,255	3,397
Asset retirement obligations	12	18
Accounts payable - other	7,583	8,112
Guarantee deposit received for rental products	9,421	9,314
Other	5,069	4,731
Total current liabilities	34,603	33,985
Non-current liabilities		
Net defined benefit liability	11,901	12,882
Asset retirement obligations	616	578
Long-term guarantee deposited	812	788
Long-term accounts payable - other	74	18
Other	0	18
Total non-current liabilities	13,403	14,286
Total liabilities	48,007	48,271
Net assets		
Shareholders' equity		
Capital stock	11,352	11,352
Capital surplus	11,086	11,087
Retained earnings	117,332	120,519
Treasury shares	-3,568	-3,571
Total shareholders' equity	136,203	139,388
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,754	9,878
Deferred gains or losses on hedges	-	1
Foreign currency translation adjustment	-120	-54
Remeasurements of defined benefit plans	-2,113	-1,798
Total accumulated other comprehensive income	5,521	8,026
Share acquisition rights	-	9
Non-controlling interests	384	361
Total net assets	142,108	147,786
Total liabilities and net assets	190,116	196,058

Consolidated Statements of Income

(millions of yen)

	FY2016 April 1, 2016 - March 31, 2017	FY2017 April 1, 2017 - March 31, 2018
Net sales	161,880	161,031
Cost of sales	89,204	87,808
Gross profit	72,676	73,222
Selling, general and administrative expenses	66,606	65,664
Operating profit	6,069	7,557
Non-operating income		
Interest income	408	345
Dividend income	325	346
Rent income on facilities	177	152
Commission fee	198	174
Share of profit of entities accounted for using equity method	171	220
Miscellaneous income	603	508
Total non-operating income	1,884	1,747
Non-operating expenses		
Interest expenses	1	7
Rent expenses on facilities	35	57
Subsidies return loss	—	45
Compensation expenses	48	42
Cancellation penalty	102	35
Commission for purchase of treasury shares	60	—
Miscellaneous loss	151	137
Total non-operating expenses	399	326
Ordinary profit	7,554	8,978
Extraordinary income		
Gain on sales of non-current assets	0	133
Gain on sales of investment securities	580	24
Investment securities settlement gain	114	—
Gain on sales of shares of subsidiaries and associates	24	—
Other	8	5
Total extraordinary income	728	163
Extraordinary losses		
Loss on sales of non-current assets	22	93
Loss on abandonment of non-current assets	166	173
Impairment loss	1,297	840
Loss on disaster	176	0
Other	10	121
Total extraordinary losses	1,673	1,228
Profit before income taxes	6,610	7,913
Income taxes - current	3,051	2,821
Income taxes - deferred	−726	−228
Total income taxes	2,325	2,593
Profit	4,285	5,320
Loss attributable to non-controlling interests	−33	−4
Profit attributable to owners of parent	4,318	5,324

Consolidated Statements of Comprehensive Income

(millions of yen)

	FY2016 April 1, 2016 - March 31, 2017	FY2017 April 1, 2017 - March 31, 2018
Profit	4,285	5,320
Other comprehensive income		
Valuation difference on available-for-sale securities	−707	2,123
Deferred gains or losses on hedges	18	1
Foreign currency translation adjustment	−68	9
Remeasurements of defined benefit plans, net of tax	1,816	305
Share of other comprehensive income of entities accounted for using equity method	−34	65
Total other comprehensive income	1,024	2,505
Comprehensive income	5,309	7,825
Comprehensive income attributable to owners of parent	5,367	7,829
Comprehensive income attributable to non-controlling interests	−57	−3

Consolidated Statements of Changes in Equity

(millions of yen)

	FY2016 April 1, 2016 - March 31, 2017				
	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
Balance at beginning of current period	11,352	10,835	119,910	−3,843	138,255
Changes of items during the period					
Dividends of surplus			−2,204		−2,204
Profit attributable to owners of parent			4,318		4,318
Purchase of treasury shares				−4,417	−4,417
Retirement of treasury shares			−4,691	4,691	—
Changes in ownership interest of parent due to transactions with non-controlling interests		251			251
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	251	−2,577	274	−2,052
Balance at end of current period	11,352	11,086	117,332	−3,568	136,203

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	8,462	−18	−37	−3,934	4,472	−	920	143,648
Changes of items during the period								
Dividends of surplus								−2,204
Profit attributable to owners of parent								4,318
Purchase of treasury shares								−4,417
Retirement of treasury shares								−
Changes in ownership interest of parent due to transactions with non-controlling interests								251
Net changes of items other than shareholders' equity	−707	18	−82	1,820	1,049		−536	512
Total changes of items during the period	−707	18	−82	1,820	1,049	−	−536	−1,539
Balance at end of current period	7,754	−	−120	−2,113	5,521	−	384	142,108

Consolidated Statements of Changes in Equity

(millions of yen)

FY2017 April 1, 2017 - March 31, 2018					
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	11,352	11,086	117,332	-3,568	136,203
Changes of items during the period					
Dividends of surplus			-2,137		-2,137
Profit attributable to owners of parent			5,324		5,324
Purchase of treasury shares				-2	-2
Retirement of treasury shares					-
Changes in ownership interest of parent due to transactions with non-controlling interests		1			1
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	1	3,186	-2	3,185
Balance at end of current period	11,352	11,087	120,519	-3,571	139,388

	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of current period	7,754	-	-120	-2,113	5,521	-	384	142,108
Changes of items during the period								
Dividends of surplus								-2,137
Profit attributable to owners of parent								5,324
Purchase of treasury shares								-2
Retirement of treasury shares								-
Changes in ownership interest of parent due to transactions with non-controlling interests								1
Net changes of items other than shareholders' equity	2,123	1	65	314	2,505	9	-22	2,491
Total changes of items during the period	2,123	1	65	314	2,505	9	-22	5,677
Balance at end of current period	9,878	1	-54	-1,798	8,026	9	361	147,786

Consolidated Statements of Cash Flows

(millions of yen)

	FY2016 April 1, 2016 - March 31, 2017	FY2017 April 1, 2017 - March 31, 2018
Cash flows from operating activities		
Profit before income taxes	6,610	7,913
Depreciation	6,955	6,339
Amortization of goodwill	245	190
Increase (decrease) in allowance for doubtful accounts	-53	12
Bad debts expenses	2	3
Interest and dividend income	-733	-691
Interest expenses	1	7
Foreign exchange losses (gains)	2	25
Share of (profit) loss of entities accounted for using equity method	-171	-220
Loss (gain) on sales of property, plant and equipment	21	-39
Loss on retirement of property, plant and equipment	114	117
Loss (gain) on sales and redemption of investment securities	-580	69
Gain on liquidation of investment securities	-114	-
Impairment loss	1,297	840
Loss on disaster	176	0
Decrease (increase) in notes and accounts receivable - trade	283	-54
Decrease (increase) in inventories	122	-370
Increase (decrease) in notes and accounts payable - trade	-537	-4
Increase (decrease) in provision for bonuses	380	141
Increase (decrease) in net defined benefit liability	1,238	1,422
Increase (decrease) in accrued consumption taxes	509	-302
Decrease (increase) in lease investment assets	139	113
Decrease (increase) in other assets	397	-491
Increase (decrease) in other liabilities	49	852
Subtotal	16,358	15,873
Interest and dividend income received	853	926
Interest expenses paid	-1	-7
Payments for loss on disaster	-167	-0
Income taxes paid	-1,240	-3,680
Net cash provided by (used in) operating activities	15,803	13,111
Cash flows from investing activities		
Decrease (increase) in time deposits	-199	-505
Purchase of securities	-21,502	-21,900
Proceeds from sales and redemption of securities	21,500	22,771
Purchase of property, plant and equipment	-4,363	-4,181
Proceeds from sales of property, plant and equipment	67	1,158
Purchase of investment securities	-10,410	-11,944
Proceeds from sales and redemption of investment securities	14,647	9,891
Proceeds from liquidation of investment securities	117	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-222	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-41	-
Payments of loans receivable	-3	-3
Collection of loans receivable	5	5
Payments for lease and guarantee deposits	-342	-321
Proceeds from collection of lease and guarantee deposits	281	709
Payments for transfer of business	-581	-47
Other payments	-2,590	-3,555
Other proceeds	73	14
Net cash provided by (used in) investing activities	-3,565	-7,909
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	78	91
Repayments of long-term loans payable	-9	-10
Purchase of treasury shares	-4,417	-2
Cash dividends paid	-2,210	-2,136
Dividends paid to non-controlling interests	-3	-1
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-237	-164
Payments from purchase of investments in capital of subsidiaries that do not result in change in scope of consolidation	-	-9
Net cash provided by (used in) financing activities	-6,800	-2,232
Effect of exchange rate change on cash and cash equivalents	-39	6
Net increase (decrease) in cash and cash equivalents	5,398	2,975
Cash and cash equivalents at beginning of period	22,503	27,902
Cash and cash equivalents at end of period	27,902	30,877

Duskin continues efforts to address various issues from the perspectives of Environmental, Social and Governance (ESG) criteria. These efforts have been recognized and awarded by Socially Responsible Investment (SRI) rating agencies and external organizations.

Duskin Co., Ltd.

The MSCI Japan Investable Market Index (IMI)

Duskin was rated as AAA in ESG Ratings 2018*.

* Duskin is classified into small caps by market capitalization.



White 500, Health and Productivity Management Organization 2018 by METI*

White 500 is a program to recognize outstanding enterprises engaging in efforts for health and productivity management. Duskin received this certification in 2017 and 2018 under the large enterprise category.

* METI: Ministry of Economy, Trade and Industry



The 34th Yomiuri Advertising Award by The Yomiuri Shimbun

Duskin had once featured Kin-san and Gin-san, then famous 100-year-old twins in its TV commercial. In 2018, Gin’s daughters, Chitayo and Mineyo appeared in the company advertisement, and this advertisement won the award.



The 2nd Nihon Service Award by Japan Productivity Center

Merry Maids business (home cleaning and helper services) received the Minister of Health, Labour and Welfare Award.

The Housekeeping Services Certification by ALL Japan House Keeping Society and Japanese Standards Association

All Merry Maids offices are certified as a quality housekeeping support service provider.



The second Osaka Sakuyahime Award by the Osaka Chamber of Commerce and Industry

Manager of Merry Maids Division was recognized as an excellent role model of women in a management position.

A 3rd Health Science Business Best Selection by Organization of Health Science Business Innovation

Duskin’s research on house dust and allergens (mites’ droppings and bodies) won the prize under the category of R&D and Initiatives.

Affiliated companies

Duskin Product Higashi Kanto Co., Ltd. (Saitama Central Plant)

- Awarded by Saitama-ken Kankyo Hozen Renraku Kyogikai, an environmental organization in Saitama, as an enterprise with environment protection initiatives
- Certified as a company encouraging diverse work styles by Saitama prefecture
- Awarded by Saitama Prefecture Association for Safety of Hazardous Materials in recognition of efforts for safe handling of hazardous materials

Hachiya Dairy Products Co., Ltd.

Recognized for its fire prevention initiatives by Takatsuki Kasai Yobo Kyokai, an association based in Takatsuki City which promotes fire and disaster prevention

Suita-city Environment Award 2017

Duskin was recognized for its contribution to reduction and recycling of garbage.

Awarded by the Environmental Consortium for Leadership Development (EcoLead)

Duskin was evaluated highly as a company engaging in systematic environmental education.

Awarded as an enterprise enriching young people’s experiences by MEXT*

Duskin’s cleaning education support activities were recognized under the large enterprise category by the review board for our outreach work in classroom programs.

* MEXT: Ministry of Education, Culture, Sports, Science and Technology

Kurumin certification by MHLW*

Duskin was certified as an enterprise that supports our employees’ childcare. “Kurumin” originates from the Japanese word “okurumi,” a cloth to swaddle a baby.

* MHLW: Ministry of Health, Labour and Welfare



Recognized by National Crime Protection CSR Promotion Committee

Duskin was awarded as an organization actively involved in local safety by implementing anticrime CSR measures.



The 9th Best Contributors to Product Safety Award by METI

Duskin received Excellence Award in the Large Retailer Category as an enterprise making active commitment towards improving product safety.



MHLW Minister’s Award for Outstanding Offices for Employment of Persons with Disabilities

Duskin received the award for employing a large number of people with disabilities.

Seven affiliated companies*

Certified as White 500, Health and Productivity Management Organization 2018 by METI, under the large enterprise category

* Duskin Serve Hokkaido Co., Ltd., Duskin Serve Tohoku Co., Ltd., Duskin Serve Kita Kanto Co., Ltd., Duskin Serve Tokai Hokuriku Co., Ltd., Duskin Serve Chugoku Shikoku Co., Ltd., Duskin Serve Kyushu Co., Ltd. and Duskin Healthcare Co., Ltd.



Duskin Health Insurance Society

Certified as Health and Productivity Management Organization 2018 by METI, under the medium-sized enterprise category



Eiichiro Adachi

Counselor

The Japan Research Institute

1986 Graduated from Hitotsubashi University

1990 Joined The Japan Research Institute

Currently serving as ESG Research Center Manager, after holding lead positions at management strategy research and technology research departments. His responsibilities include industry research and going concern valuation from the view of corporate social responsibility.

I have reviewed Duskin Corporate Report 2018 with an understanding that Duskin intends to report its financial information such as Duskin’s management strategies and business performance, and non-financial information such as Environmental, Social and Governance (ESG) issues in a simplified and integrated manner. I focused on how ESG initiatives contribute to creating corporate value as Duskin works towards the goal of Medium-Term Management Policy 2018. During this year, Duskin reorganized its Direct Selling Group. I believe this is intended to build a new customer-oriented business model. Undoubtedly, the key for success is securing, developing and revitalizing franchisees and staff members who provide direct selling and technical services. From this view point, it was meaningful that this issue focused on the non-financial topics of sustainable franchise model and human resource development. At the same time, I would have liked to learn more about the strength of Duskin’s franchise package and how Duskin strategizes staffing based on its experience of hiring non-Japanese nationals.

As to the food businesses, where Duskin is undertaking various new initiatives, it is noteworthy that Duskin frankly included “enhanced product appeal/variety at convenience and sweet snack stores” and “emerging coffee store chains” as threats in its SWOT analysis. This report states that material selection and quality control are strictly maintained for health-oriented and safety-focused product development. In this sense, there is room left for measures for supply chain and container and package issues.

I have also recognized anew that Duskin’s food businesses have more locations outside Japan than inside Japan, yet, I found information on overseas business activities limited. I would expect significant enhancement of information disclosure on overseas businesses in the next issue. Above all other pages in this issue, the Outside Director’s Message (pages 55 and 56) drew my special attention. In Japan, focus is often placed only on the ratio of outside directors and gender balance. Expertise required for outside directors and their roles in the board of directors have been more actively discussed in other developed countries. Duskin has an Outside Director with expertise to fulfill the role of monitoring the businesses from the perspective of customers and consumers. This Director assumed her position three years ago. I was impressed with Duskin’s proactive approach. I hope Duskin will continue to nurture its corporate culture with high sensitivity to all shareholders’ and stakeholders’ interests, and achieve the goals of structural reform and overseas business expansion.

In response to this third-party opinion

We would like to express our sincere appreciation to Mr. Adachi for providing valuable opinions and comments on our report on Duskin Group’s activities for these three years. For the Duskin Corporate Report 2018, we focused our efforts on helping readers better understand our value creation, strategy, business activities and ESG initiatives. For the pages describing non-financial information including sustainable franchise model, human resource development, safety and reliability, Outside Directors and corporate governance, we appreciate the favorable evaluation of our efforts to improve the contents. With this encouragement, we will continue to further enhance our initiatives in these fields.

With regards to the strength of Duskin’s franchise package, staffing strategy, measures for supply chain and overseas business activities, we sincerely appreciate his precisely pointing out our challenges. In accordance with his recommendations, we will work on specific measures and information disclosure. Through steadily implementing initiatives set by the Medium-Term Management Policy 2018, the second phase of our long-term strategy, we will improve our corporate value and contribute to the development of a sustainable society.

Hiroyuki Okubo

Operating Officer
CSR Committee Secretary

Feb.	1963	Established Sani-Clean Company.
Nov.		Opened Suita Laundry Plant as our first plant, manufacturing dust control products.
June	1964	Changed company name to Duskin Co., Ltd.
Oct.		Began selling Home Duskin products throughout Japan.
Aug.	1969	Granted full membership in International Franchise Association (IFA), the first time for a Japanese company.
Jan.	1971	Started ServiceMaster business.
Apr.		Started Mister Donut business. Opened the first shop in Minoh, Osaka.
July		Started business that rents industrial wiper cloth by reutilizing scrapped Home Duskin cloths.
Nov.	1976	Started sales of cosmetics through tie-up with AGA Co., Ltd. (now called Health & Beauty)
Apr.	1977	Started pest control business. (now called Terminix)
Aug.		Started Rent-All business.
Dec.	1978	Started uniform rental business. (now called Uniform Service)
July	1982	Started management service of medical institutions. (now operated by Duskin Healthcare Co., Ltd.)
July	1989	Started Merry Maids business.
Sept.	1990	Corporate Headquarters, Duskin Pia, completed in Esaka, Osaka.
Oct.	1993	Started new franchise system, “Duskin Serve 100” organization.
Dec.	1994	Started dust control business in Taiwan.
Feb.	1999	Opened the first restaurant of Katsu & Katsu business.
Apr.		Started Catering business. (now called Drink Service)
Nov.		Started TruGreen business. (rebranded as Total Green)
May	2000	Started Mister Donut business in Shanghai, China.
June		Started Home Instead Senior Care business. (rebranded as Duskin Life Care)
Apr.	2003	Organized Quality Assurance Committee to establish quality assurance structure within the company. (now called CSR Committee)
Apr.		Established Compliance Promotion Committee to build compliance structure within the company. (now called Compliance Committee)
July	2004	Started Health Rent business.
Oct.		Started Mister Donut business in Taiwan.
Nov.	2006	Started dust control business in Shanghai, China.
Dec.		Duskin stock listed on the first section of Tokyo Stock Exchange and Osaka Securities Exchange. The cash equity markets of Tokyo Stock Exchange and Osaka Securities Exchange were integrated on July 16, 2013.
Feb.	2008	Entered into capital and business alliance with MOS FOOD SERVICES Inc.
Oct.	2010	Acquired Azare Products Co., Ltd. and Kyowa Cosmetics Co., Ltd. as wholly-owned subsidiaries.
Mar.	2012	Started dust control business in Korea.
May		Acquired Hachiya Dairy Products Co., Ltd. as a wholly-owned subsidiary.
Apr.	2013	Duskin Kyoeki Co., Ltd. and Duskin Insurance Service Co., Ltd. merged. (Duskin Kyoeki Co., Ltd.)
Apr.		Established MD Food Co., Ltd.
Nov.		Started Bakery Factory business.
Mar.	2014	Acquired Chugai Sangyo Co., Ltd. as a wholly-owned subsidiary.
Nov.		Started the Chiffon & Spoon business.
May	2015	Opened the first Mister Donut shop in Jakarta, Indonesia.
Oct.		Started Pie Face business.
Oct.		Opened the Duskin Museum.
Oct.		Established Duskin Ina Co., Ltd.
Dec.		Established Duskin Yatsushiro Co., Ltd.
Dec.		Established Duskin Kagoshima Co., Ltd.
Jan.	2016	Established MD Food Tohoku Co., Ltd.
Apr.		Started Home Repair business.
June		Established Duskin Echizen Co., Ltd.
Feb.	2017	Acquired Big Apple Worldwide Holdings Sdn. Bhd. as a subsidiary.

Corporate Information

Name	Duskin Co., Ltd.
Head Office	1-33 Toyotsu-cho, Suita-shi, Osaka 564-0051
Representative	Teruji Yamamura, President & CEO
Date Established	February 4, 1963
Capital Stock	11.3 billion yen (as of March 31, 2018)
Number of Employees	1,991 (non-consolidated) 3,773 (consolidated) (as of March 31, 2018)

Subsidiaries & Affiliates (as of March 31, 2018)

● Direct Selling Group ● Food Group ● Other/Overseas

Japan

- Duskin Serve Hokkaido Co., Ltd.
- Duskin Serve Tohoku Co., Ltd.
- Duskin Serve Kita Kanto Co., Ltd.
- Duskin Ina Co., Ltd.
- Duskin Serve Tokai Hokuriku Co., Ltd.
- Duskin Echizen Co., Ltd.
- Duskin Serve Kinki Co., Ltd.
- Duskin Serve Chugoku Shikoku Co., Ltd.
- Duskin Serve Kyushu Co., Ltd.
- Duskin Yatsushiro Co., Ltd.
- Duskin Kagoshima Co., Ltd.
- Duskin Shuttle Tokyo Co., Ltd.
- Azare Products Co., Ltd.
- Kyowa Cosmetics Co., Ltd.
- Chugai Sangyo Co., Ltd.
- Wakura Duskin Co., Ltd.
- Ono Duskin Co., Ltd.
- Duskin Product Hokkaido Co., Ltd.
- Duskin Product Tohoku Co., Ltd.
- Duskin Product Higashi Kanto Co., Ltd.
- Duskin Product Nishi Kanto Co., Ltd.
- Duskin Product Tokai Co., Ltd.
- Duskin Product Chu Shikoku Co., Ltd.
- Duskin Product Kyushu Co., Ltd.
- MD Food Co., Ltd.
- MD Food Tohoku Co., Ltd.
- Ever Fresh Hakodate Co., Ltd.
- Hachiya Dairy Products Co., Ltd.
- Duskin Kyoeki Co., Ltd.
- Duskin Healthcare Co., Ltd.

Overseas

- Duskin Shanghai Co., Ltd.
- Duskin Hong Kong Co., Ltd.
- Mister Donut Shanghai Co., Ltd.
- Big Apple Worldwide Holdings Sdn. Bhd.
- Duskin Serve Taiwan Co., Ltd.
- PULMUONE DUSKIN CO., LTD.
- Mister Donut Taiwan Co., Ltd.

Note for the financial forecast

This report contains forward-looking statements on our present plans, forecasts, and strategies available at the time of the disclosure and is subject to certain risks and uncertainties. Readers are advised that actual results may differ significantly from the forecasts depending on a number of factors, such as future economic conditions and our business conditions.

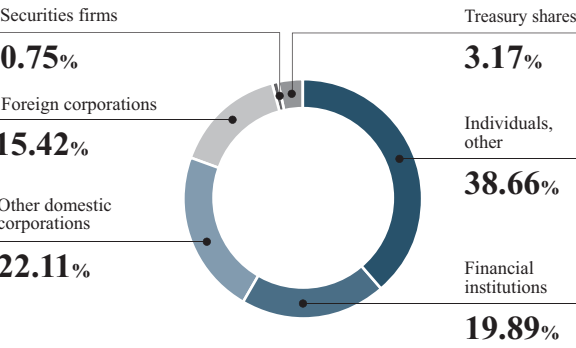
Note for changes

In the case that there are any changes made to this report, the updated version will be available on our website.
<https://www.duskin.co.jp/english/csr/report/index.html>

Stock Summary (as of March 31, 2018)

Fiscal year-end	March 31
Annual general meeting of shareholders	June
Securities code	4665
Stock listing	Tokyo Stock Exchange (first section)
Trading unit	100 shares
Number of authorized shares	200,000,000 shares
Number of shares issued	55,194,823 shares
Shareholders	38,847
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Independent auditor	Ernst & Young ShinNihon LLC

Types of Shareholders



Major Shareholders (top ten shareholders)

Name	Number of shares owned (unit: 1,000 shares)	Ownership ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,134	3.99
Nippon Flour Mills Co., Ltd.	1,800	3.36
Duskin Employee Stock Ownership Plan	1,745	3.26
Japan Trustee Services Bank, Ltd. (Trust Account)	1,633	3.05
Hirokata Ogasawara	1,515	2.83
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,382	2.58
Duskin Franchisee Stock Ownership Plan	1,016	1.90
Japan Trustee Services Bank, Ltd. (Trust Account 5)	982	1.83
GOVERNMENT OF NORWAY	873	1.63
Sumitomo Mitsui Banking Corporation	840	1.57

Notes: 1. Duskin is not included in the list of major shareholders above though it owns 1,750,262 shares in treasury shares.
2. Treasury shares are not included in the ownership ratio.